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Debtors in Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re:

BEVERLY COMMUNITY HOSPITAL
ASSOCIATION, dba BEVERLY HOSPITAL
(A NONPROFIT PUBLIC BENEFIT
CORPORATION), *et al*,¹

Debtors,

Lead Case No.: 2:23-bk-12359

Jointly administered with:

Case No: 2:23-bk-12360

Case No: 2:23-bk-12361

Hon. Sandra R. Klein

Chapter 11 Case

- ☒ Affects all Debtors
- ☐ Affects Beverly Community
Hospital Association
- ☐ Montebello Community Health
Services, Inc.
- ☐ Beverly Hospital Foundation

**DEBTORS' EMERGENCY MOTION FOR
INTERIM AND FINAL ORDERS (I)
AUTHORIZING THE DEBTORS TO (A)
CONTINUE TO OPERATE THEIR CASH
MANAGEMENT SYSTEM, (B) HONOR
CERTAIN PREPETITION
OBLIGATIONS RELATED THERETO,
(C) MAINTAIN EXISTING BUSINESS
FORMS, AND (D) PERFORM
INTERCOMPANY TRANSACTIONS;
AND (II) GRANTING RELATED RELIEF**

Date: April [•], 2023

Time: TBD

¹ The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: Beverly Community Hospital Association d/b/a Beverly Hospital (6005), Montebello Community Health Services, Inc. (3550), and Beverly Hospital Foundation (9685). The mailing address for the Debtors is 309 W. Beverly Blvd., Montebello, California 90640.



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Judge: Hon. Sandra R. Klein
Place: Zoom.Gov – or - Courtroom 1575
255 E. Temple St.
Los Angeles, CA 90012

TABLE OF CONTENTS

	<u>Page</u>
I. RELIEF REQUESTED.....	1
II. JURISDICTION AND VENUE.....	1
III. BACKGROUND.....	2
A. General Background.....	2
B. The Cash Management System.	2
C. New DIP Accounts.....	6
D. Capitation Accounts.....	7
E. Bank Accounts	9
F. The Commercial Card Program.	11
G. Compliance with the U.S. Trustee Guidelines and the Bankruptcy Code.	11
1. U.S. Trustee Authorized Depositories.....	11
2. Section 345(b) of the Bankruptcy Code.	12
H. Business Forms and Books and Records.....	12
IV. BASIS FOR RELIEF	13
A. The Court Should Authorize the Debtors to Continue to Use the Cash Management System.	13
B. Authorizing the Debtors to Continue Using Debit, Wire, Credit Card, the Commercial Card Program, and ACH Payments is Warranted.	15
C. Authorizing the Cash Management Banks to Continue to Maintain, Service, and Administer the Bank Accounts in the Ordinary Course of Business is Warranted.	16
D. The Requested Waivers Are Appropriate.	17
1. Cause Exists to Waive the U.S. Trustee Guidelines Regarding Authorized Depositories on an Interim and Final Basis.	17
2. The Court Should Authorize the Debtors to Continue Using the Business Forms.	18
E. The Court Should Authorize the Debtors to Continue Conducting Intercompany Transactions in the Ordinary Course and Grant Administrative Priority Status to Postpetition Intercompany Claims Among the Debtors.	19

1	V. THE REQUIREMENTS OF BANKRUPTCY RULE 6003 ARE SATISFIED.....	20
2	VI. EMERGENCY CONSIDERATION	20
3	VII. WAIVER OF BANKRUPTCY RULE 6004(A) AND 6004(H)	21
4	VIII. NOTICE	21
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

TABLE OF AUTHORITIES

Page(s)

Cases

<i>In re Baldwin-United Corp.</i>	
79 B.R. 321 (Bankr. S.D. Ohio 1987)	12
<i>In re Columbia Gas Sys., Inc.</i>	
136 B.R. 930 (Bankr. D. Del. 1992), <i>aff'd in relevant part</i> , 997 F.2d 1039 (3d Cir. 1993).....	12
<i>In re Downey Reg'l Med. Ctr.-Hosp., Inc.</i>	
Case No. 09-34714-BB, Docket No. 38 (Bankr. C.D. Cal. Sep. 17, 2009)	14
<i>In re Halvorson</i>	
581 B.R. 610 (Bankr. C.D. Cal. 2018)	13
<i>In re NTELOS, Inc.</i>	
No. 3-32094 (DOT) (Bankr. E.D. Va. March 4, 2003)	12
<i>In re Sasson</i>	
424 F.3d 864 (9th Cir. 2005)	13
<i>In re Serv. Merch. Co., Inc.</i>	
240 B.R. 894 (Bankr. M.D. Tenn. 1999)	16
<i>In re Sultan Financial Corp.</i>	
Case No 2:18-bk-18021-ER, Docket No. 39 (Bankr. C.D. Cal. Aug. 17, 2018)	14
<i>In re US Airways, Inc.</i>	
No. 04-13819 (SMM) (Bankr. E.D. Va. Sept. 14, 2004)	12
<i>In re Verity Health System of California</i>	
No. 18-20151-ER, Docket No. 76 (Bankr. C.D. Cal. Sept. 5, 2018)	14
<i>In re Victor Valley Cmty. Hosp.</i>	
Case No. 10-39537-CB, Docket No. 32 (Bankr. C.D. Cal. Sep. 17, 2010)	14
<i>In re Z Gallerie</i>	
Case No. 09-18400-VZ, Docket No. 46 (Bankr. C.D. Cal. Apr. 10, 2009)	14

1	<u>Statutes</u>	
2	11 U.S.C.	
3	§ 105(a)	1, 12, 13
4	§ 345	11, 16
5	§ 345(a)	16
6	§ 345(b)	11, 16
7	§ 363	1
8	§ 363(c)(1)	12, 18
9	§ 364(b)	18
10	§ 503(b)(1)	18
11	§ 1107(a)	2
12	§ 1108	2
13	28 U.S.C.	
14	§ 157	1
15	§ 157(b)	1
16	§ 1334	1
17	§ 1408	1
18	§ 1409	1
19	United States Code Title 11 Chapter 11	1, 2
20	<u>Rules and Regulations</u>	
21	Federal Rules of Bankruptcy Procedure	
22	Rule 1015(b)	2
23	Rule 6003	18, 19
24	Rule 6004(a)	20
25	Rule 6004(h)	20
26	Local Bankruptcy Rules	
27	Rule 1015-1(b)	19
28	Rule 2081-1(a)(9)	1, 19
29	Rule 5011-1(a)	1
30	Rule 9013-1(q)	19
31	<u>Other Authorities</u>	
32	<i>General Order No. 13-05</i> , (C.D. Cal. Jul. 1, 2013)	1

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1 Beverly Community Hospital Association d/b/a Beverly Hospital (“Beverly Hospital” or
2 the “Hospital”), Montebello Community Health Services, Inc. (“Montebello Health”), and Beverly
3 Hospital Foundation (“Beverly Foundation,” and together with Beverly Hospital and Montebello
4 Health, the “Debtors”),² respectfully state as follows in support of this motion (this “Motion”):

5 **I.**

6 **RELIEF REQUESTED**

7 The Debtors seek entry of interim and final orders, substantially in the forms attached
8 hereto as **Exhibit A** and **Exhibit B** (the “Interim Order” and the “Final Order,” respectively): (a)
9 authorizing the Debtors to (i) continue to operate their Cash Management System, (ii) honor
10 certain prepetition obligations related thereto, (iii) maintain existing Business Forms in the
11 ordinary course of business, and (iv) continue to perform Intercompany Transactions (as such
12 terms are defined below or in the Cash Management Motion) consistent with historical practice;
13 and (b) granting related relief. In addition, the Debtors request that the Court schedule a final
14 hearing within 21 days of the commencement of these chapter 11 cases to consider approval of the
15 Cash Management Motion on a final basis.

16 **II.**

17 **JURISDICTION AND VENUE**

18 The United States Bankruptcy Court for the Central District of California (the “Court”) has
19 jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *General Order*
20 *No. 13-05* (C.D. Cal. Jul. 1, 2013), and Rule 5011-1(a) of the Local Bankruptcy Rules for the
21 United States Bankruptcy Court Central District of California (the “Local Bankruptcy Rules”).
22 This is a core proceeding pursuant to 28 U.S.C. § 157(b).

23 Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.
24
25

26 ² A detailed description of the Debtors and their business, and the facts and circumstances supporting this
27 Motion and the Debtors’ chapter 11 cases, are set forth in greater detail in the *Declaration of Alice Cheng in*
28 *Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), filed contemporaneously
with the Debtors’ voluntary petitions for relief filed under chapter 11 of title 11 of the United States Code (the
“Bankruptcy Code”), on the date hereof (the “Petition Date”). Capitalized terms used, but not otherwise defined
in this Motion shall have the meanings ascribed to them in the First Day Declaration.

1 The bases for the relief requested herein are sections 105(a) and 363 of the Bankruptcy
2 Code and Rule 2081-1(a)(9) of the Local Bankruptcy Rules.

3 **III.**

4 **BACKGROUND**

5 **A. General Background**

6 Beverly Hospital is a nonprofit, 202-bed hospital in Montebello that serves low-income
7 patients in the nearby Los Angeles area. As a safety net hospital, Beverly Hospital serves a
8 geographic area where half of the population lives under the 200% Federal Poverty Level. With
9 91% of its patients relying on Medicare and Medi-Cal, the Hospital's financial struggles only
10 worsened as the cost of labor, medical supplies and medicine ballooned while government
11 reimbursement rates have stayed the same.

12 On the Petition Date, each of the Debtors filed a voluntary petition for relief under chapter
13 11 of the Bankruptcy Code. The Debtors are operating the hospital and managing their properties
14 as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
15 Concurrently with the filing of this Motion, the Debtors filed a motion requesting procedural
16 consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy
17 Rule 1015(b). No request for the appointment of a trustee or examiner has been made in these
18 chapter 11 cases, and no committees have been appointed or designated.

19 **B. The Cash Management System.³**

20 The Debtors operate an intricate cash management system (the "Cash Management
21 System"), which is illustrated on Schedule 1 attached hereto. The Debtors use their Cash
22 Management System in the ordinary course to transfer and distribute funds and to facilitate
23 payment to physicians, nurses, and staff needed to run certain essential hospital functions. The
24 Debtors' accounts payable and finance departments maintain daily oversight of the Cash
25 Management System and implement cash management controls for entering, processing, and
26

27
28 ³ In the ordinary course of business, the Debtors may close existing accounts or open new accounts to facilitate
their Cash Management requirements.

1 releasing funds. Additionally, the Debtors' accounts payable and finance departments regularly
2 reconcile the Debtors' books and records to ensure that all transfers are accounted for properly.

3 The Debtors' Cash Management System facilitates the timely and efficient collection,
4 management, and disbursement of funds used to keep the Hospital running. The Debtors estimate
5 that cash collections for the Cash Management System average approximately \$10 million in per
6 month, which primarily consists of reimbursements from Medi-Cal and Medicare plans, and funds
7 received from insurance providers. Because of the nature of the Debtors' operations and the
8 disruption to the business that would result if they were forced to close their existing bank
9 accounts, it is critical that the Debtors' Cash Management System remain in place on a
10 postpetition basis, except as otherwise stated herein.

11 As of the Petition Date, the Cash Management System includes a total of 61 bank accounts
12 (collectively, the "Bank Accounts"), 36 of which are held with Hanmi Bank ("Hanmi"), 22 with
13 Bank of the West, and one account with Bank of America ("BOA") (collectively, the "Cash
14 Management Banks").

15 Like other hospitals, Beverly Hospital contracts with certain insurance providers to provide
16 hospital and healthcare services on a risk adjusted basis for certain patient populations. In these
17 capitation arrangements, Beverly Hospital receives monthly fixed payments per patient directly
18 into dedicated bank accounts at Hanmi Bank. These "capitation accounts" receive "capitation
19 payments" and, in exchange, Beverly Hospital provides medical services to these patients. From
20 the capitation accounts, funds are later disbursed to pay network medical management, certain
21 claims, and fees to management services organizations and network medical management. When
22 all outstanding claims are deemed reconciled by the Hospital and the insurance provider, Beverly
23 Hospital may sweep the remaining funds into its Main Operating Account. Working with
24 different reimbursement models of large insurance providers and government agencies makes it
25 impracticable to close these accounts and open new accounts. More specifically, the depositories
26 will likely not respond quickly to the change and will continue to send deposits to the original
27 deposit accounts. It is critical that Beverly Hospital maintain timely payment of claims and
28 receive timely capitation payments from insurance providers to ensure that the Hospital can

1 continue to provide critical healthcare services to its patients. Capitation accounts are depicted on
2 page 2 of Schedule 1 (i.e., the cash schematic) and listed in Section E below.

3 Prior to the Petition Date, in the ordinary course of their business, the Debtors exchanged
4 goods and services, and engaged in intercompany financial transactions, with each other
5 (collectively, the “Intercompany Transactions”). As detailed in this Motion, the Debtors manage
6 their cash receipts and cash disbursements through the Cash Management System. The Debtors
7 track all fund transfers in their accounting system and can ascertain, trace, and account for all
8 Intercompany Transactions and will continue to maintain records of such transactions. Because
9 payments or disbursements by one Debtor entity made or collected on behalf of another would
10 give rise to an asset for one entity and a liability for another, the Debtors track the Intercompany
11 Transactions and the related Intercompany Claims. Upon information and belief, the Debtors do
12 not settle Intercompany Transactions on a cash basis.

13 The Debtors maintain robust controls relating to the Cash Management System. On a daily
14 basis, members of the Debtors’ finance department (the “Finance Department”), including the
15 chief financial officer, review reports on the Debtors’ cash balances and disbursements. Various
16 levels of authorizations are required for the release of disbursements, with all material
17 disbursements requiring approval from the controller or chief financial officer. On a weekly basis,
18 the members of the Finance Department, including the controller and/or chief financial officer,
19 review accounts payable and approve items for payment. Occasionally, off-cycle payments are
20 necessary (i.e., outside the Debtors’ standard weekly review process), and are reviewed on a one-
21 off basis by the controller and/or chief financial officer prior to payment being released. In the
22 rare event that the Debtors’ reports and Bank Account records do not match, the Finance
23 Department works with the banks, insurance providers, or other third parties to resolve such
24 discrepancies quickly and efficiently.

25 The Bank Accounts are identified on Schedule 2 attached hereto. The Cash Management
26 System consists of the following accounts:

Beverly Hospital

Beverly Hospital has the following bank accounts maintained at Hanmi:

- A main operating account (the “Main Operating Account”);
- A payroll account that is used to disburse funds first to the third-party payroll processor, ADP, which then disburses to the Hospital’s employees (the “BCHA Payroll Account”);
- A money market account (the “Money Market Account”);
- A patient refund account (the “Patient Refund Account”);
- A general account that receives payments from insurance providers (the “General Account”);
- A non-Medi-Cal receipt account (the “Non-Medi-Cal Receipt Account”);
- An account to pay participating employees’ dental plan benefits (the “BCHA Dental Plan Account”);
- An account to pay participating employees’ medical expense reimbursement plan benefits (the “BCHA 870 (MERP)”);
- An account to hold paycheck deductions of employees who have elected to maintain a flexible spending account as part of their health benefits (the “FSA Checking Account”);
- Three accounts held to fund and manage workers’ compensation claims (either, the “Self-Funded Workers’ Comp Account” and two “Fully Insured Workers Comp Accounts”); and
- Two pledge accounts for Beverly fundraising (the “Pledge/Type Certificate” accounts).

Beverly Hospital has the following capitation accounts maintained at Hanmi:

- A management fee account;
- A capitation account for AHC Health Net;
- A capitation account for Imperial Health Holdings;
- A capitation account for the Associated Hispanic risk pool;

- A capitation account for the Accountable Health Care IPA;
- A capitation account for the Health Net Clearing; and
- A capitation account for Molina health care.

Montebello Health

Montebello Health has the following bank accounts maintained at Bank of the West:

- A general checking account to collect ground lease payments from Beverly Hospital for medical offices building. Funds from this account are also used to cover property taxes for the property (the “Beverly Surgical Center General Checking Account”);
- A general account;
- An account that receives rental income from certain investment properties (the “Montebello Investment Properties”); and
- An account that receives rental income from Beverly Medical Plaza (the “Beverly Medical Plaza General Account”).

After the Petition Date, as set forth more fully below in Section C New DIP Accounts, Montebello Health will close its existing Bank Accounts and utilize the new accounts pursuant to the DIP Agreement (as defined below).

Beverly Foundation

The Beverly Foundation has the following bank accounts maintained at Bank of the West:

- An account to maintain investments from the Wilkinson Foundation;
- A money market account); and
- Two general purpose accounts (the “Bev Hospital Foundation Custody” accounts).

C. New DIP Accounts

The Debtors also seek Court-authority to open new bank accounts pursuant to the Debtor’s proposed Secured Superpriority Debtor-in-Possession Loan Agreement (the “DIP Agreement”), by and between Beverly Hospital and Montebello Health, as borrowers and HRE Montebello, LLC, as lender (the “Lender”). Under the DIP Agreement, to further secure and segregate its collateral, the Lender is requiring that Debtors Montebello Health and Beverly Hospital establish

1 the following three new bank accounts as defined in the DIP Agreement: two Clearing Accounts,
2 which will be established to receive all amounts that Borrower Montebello Health and Beverly
3 Hospital, respectively receive from rental income, and one Security Deposit Account, which will
4 hold all Prepaid Revenues. *See* DIP Agreement § 3.5. All three of the accounts will be non-
5 interest bearing demand deposit accounts in the name of Borrower and Lender (as pledgee) and
6 will be secured by a deposit account control agreement in favor of the Lender. Additionally, to
7 hold the proceeds from the DIP loan, the Debtors will establish a fourth non-interest bearing
8 demand deposit account that will hold the proceeds from the DIP Agreement. Funds held in this
9 demand deposit will be unencumbered and not subject to any liens or deposit control agreement in
10 favor of the Lender. Finally, pursuant to the DIP Agreement, as further detailed in paragraph
11 14(c) of the interim order approving the DIP Agreement, the Debtors shall open a fifth account to
12 fund a Funded Reserve Account for the sole benefit of professionals.

13 Opening these above-mentioned accounts pursuant to the DIP Agreement will allow for
14 additional protection of the Lender's security interest and will assist the Debtors with keeping
15 rental income segregated from other operating expenses. When established, Montebello Health
16 will close all of its current Bank Accounts and transition to solely using the new accounts to be
17 established pursuant to the DIP Agreement.

18 **D. Capitation Accounts.**

19 Like other hospitals, Beverly Hospital contracts with certain insurance providers to provide
20 hospital and healthcare services on a risk adjusted basis for certain patient populations. In these
21 capitation arrangements, Beverly Hospital receives monthly fixed payments per patient directly
22 into dedicated bank accounts at Hanmi Bank. These "capitation accounts" receive "capitation
23 payments" and, in exchange, Beverly Hospital provides medical services to these patients. From
24 the capitation accounts, funds are later disbursed to pay network medical management, certain
25 claims, and fees to management services organizations and network medical management. When
26 all outstanding claims are deemed reconciled by the Hospital and the insurance provider, Beverly
27 Hospital may sweep the remaining funds into its Main Operating Account. Working with
28 different reimbursement models of large insurance providers and government agencies makes it

1 impracticable to close these accounts and open new accounts. More specifically, the depositories
2 will likely not respond quickly to the change and will continue to send deposits to the original
3 deposit accounts. It is critical that Beverly Hospital maintain timely payment of claims and
4 receive timely capitation payments from insurance providers to ensure that the Hospital can
5 continue to provide critical healthcare services to its patients. Capitation accounts are depicted on
6 page 2 of Schedule 1 (i.e., the cash schematic) and listed in Section E below.

7 Prior to the Petition Date, in the ordinary course of their business, the Debtors exchanged
8 goods and services, and engaged in intercompany financial transactions, with each other
9 (collectively, the “Intercompany Transactions”). As detailed in this Motion, the Debtors manage
10 their cash receipts and cash disbursements through the Cash Management System. The Debtors
11 track all fund transfers in their accounting system and can ascertain, trace, and account for all
12 Intercompany Transactions and will continue to maintain records of such transactions. Because
13 payments or disbursements by one Debtor entity made or collected on behalf of another would
14 give rise to an asset for one entity and a liability for another, the Debtors track the Intercompany
15 Transactions and the related Intercompany Claims. Upon information and belief, the Debtors do
16 not settle Intercompany Transactions on a cash basis.

17 The Debtors maintain robust controls relating to the Cash Management System. On a daily
18 basis, members of the Debtors’ finance department (the “Finance Department”), including the
19 chief financial officer, review reports on the Debtors’ cash balances and disbursements. Various
20 levels of authorizations are required for the release of disbursements, with all material
21 disbursements requiring approval from the controller or chief financial officer. On a weekly basis,
22 the members of the Finance Department, including the controller and/or chief financial officer,
23 review accounts payable and approve items for payment. Occasionally, off-cycle payments are
24 necessary (i.e., outside the Debtors’ standard weekly review process), and are reviewed on a one-
25 off basis by the controller and/or chief financial officer prior to payment being released. In the
26 rare event that the Debtors’ reports and Bank Account records do not match, the Finance
27 Department works with the banks, insurance providers, or other third parties to resolve such
28 discrepancies quickly and efficiently.

E. Bank Accounts

The Cash Management System is organized around the Main Operating Account, which aggregates the majority of the Debtors' operating funds. Disbursements are made from a variety of the Debtors' accounts, depending on the purpose and recipient of the disbursement. Wire payments and checks are made directly from the Main Operating Account as well as the other special purpose accounts.

The Debtors' primary Bank Accounts are further described in the following table:

<u>Bank Accounts</u> ⁴	<u>Account Description</u>
Bank Accounts	
<u>Main Operating Account</u> (595) Hanmi	The Debtors use the Main Operating Account to fund operating expenses incurred by the Beverly Hospital and Montebello Health. The Main Operating Account receives funds from patients and third-party payors. The Debtors make transfers to the various other Bank Accounts to fund payroll and other employee benefits.
<u>Payroll Account</u> (597) Hanmi	The Main Operating Account is manually debited to fund the Payroll Account for biweekly payroll expenses, which are funded through the Debtors' third-party payroll processor, ADP, which in turn pays employees and remits necessary withholdings and taxes.
<u>Money Market Account</u> (676) Hanmi	Excess Cash in Main Operating Account is transferred to this Money Market Account to earn interest.
<u>Patient Refund Account</u> (641) Hanmi	The Patient Refund Account maintains funds to be distributed to patients on account of any refunds owed after the Hospital receives reimbursement funds from Medi-Cal, Medicare, or insurance to pay for the patient's cost of care. The Hospital processes patient payments through the Main Operating Account, and then reimburses patients through the Patient Refund Account.
<u>General Account</u> (7284) Hanmi	The Hospital maintains the General Account to receive payments from insurance providers on account of patient cost of care.
<u>Non Medi-Cal Receipt Account</u> (668) Hanmi	The Non-Medi-Cal Receipt Account was used to reserve Covid-19-related funds for "Employer FICA" tax deferral payment. The account has since been repurposed for other general operating expenses, e.g., to facilitate large disbursements (e.g., bond coupon payments, quality assurance fees, etc.).
<u>FSA Checking Account</u> (544) Hanmi	The FSA Checking Account is funded by the employees who elect to fund a flexible savings account and matched funds by the Hospital from the Main Operating Account. All funds made to this account are considered restricted and

⁴ A complete list of all Bank Accounts is attached hereto as **Schedule 2**.

	are paid to the Debtors' third-party benefits administrator, IGOE, to process and settle claims and funds withdrawn by the employees for eligible healthcare expenses.
<u>BCHA Dental Plan Account</u> (455) Hanmi	The BCHA Dental Plan Account is maintained to fund the employees' dental plan benefits. These are considered restricted funds that are held on account of eligible Hospital's employees who have opted into a dental coverage.
<u>MERP Account</u> (455) Hanmi	The MERP Account is used in conjunction with the zero-balance account at Bank of America to facilitate payments to the Debtors' professional benefit administrator, Catilize Health, for the employees' medical expense reimbursement program (" <u>MERP</u> ")
<u>Bank of America Account</u>	The Bank of America Account, which is required by Keenan & Associates, is an intermediary account used for funds distributed to Keenan & Associates for the Employee Medical claims.
<u>Workers' Comp Accounts</u> (617, 625, and 633) Hanmi	The three various Workers' Comp Accounts are maintained to fund various workers' compensation claims. The Hospital funds such accounts through their Main Operating Account and then funds amounts necessary to fund each category of workers compensation claims, including self-funded workers (617) and fully insured workers (625 or 633).
<u>Beverly Surgical Center General Checking Account</u> (714) Hanmi	Montebello Health maintains the Beverly Surgical Center General Checking Account to receive and manage ground lease payments from Beverly Hospital for use of the medical offices building. Funds from this account are also used to cover property taxes for the property.
<u>Montebello Investment Properties Account</u> (722) Hanmi	The Montebello Investment Properties Account receives payment on account of rental income from Montebello's real estate tenants. These funds are used to pay property taxes and utilities to maintain the properties.
<u>Restricted Foundation Accounts</u> (289, 235, *02, and *1-8) BOW	The Beverly Foundation maintains various segregated accounts that maintain donated funds from various foundations and general donors. These funds are considered restricted under the applicable non-profit law.
<u>The Beverly Hospital Foundation Money Market Account</u> (*137) BOW	The Money Market Account allows the Beverly Foundation to earn interest on donated funds. The Beverly Foundation has received donations in the form of investments, which are held in The Beverly Hospital Foundation Money Market Account. By their nature, these accounts fluctuate with the stock market, but the Debtors do not actively trade or invest the funds.
<u>Pledge / Type Certificate Accounts</u> (657 and 606) Hanmi	As added security for the letters of credit supporting the Debtors' self-insured workers compensation plan, the Debtors Pledge/Type Certificate Accounts hold certificates of deposit amounting to approximately \$2.0 million.
Capitation Accounts	
<u>Management Fee Account</u> (552) Hanmi	The Management Fee Account Capitation is a risk account. For a monthly fee, the third-party network medical

	management company manages the account and helps reconcile capitation payments.
<u>AHC Health Net Capitation Account</u> (692) Hanmi	ACH HealthNet Capitation Account holds capitation payments pursuant to the capitation agreement with HealthNet.
<u>Imperial Health Holdings – Humana Account</u> (897) Hanmi	Imperial Health Holdings–Humana Account holds capitation payments until claims are settled pursuant to the agreement with Humana.
<u>Associated Hispanic IPA Risk Pool</u> (095) Hanmi	Beverly Hospital uses the Associated Hispanic IPA Risk Pool account to pay out Health Net claims.
<u>Accountable Health Care IPA</u> (706) Hanmi	Accountable Health Care IPA account holds capitation payments pursuant to the capitation until settled.
<u>HealthNet Deposits and Clearing Capitation</u> (079) Hanmi	The HealthNet Deposits and Clearing Capitation account received funds from the HealthNet Deposits Clearing Capitation account and those funds are then swept into the Associated Hispanic IPA Risk Pool.
<u>SCCHN – Molina</u> (486) Hanmi	The SCCHN – Molina account is a shared risk pool.
<u>Beverly MSO</u> (765) Hanmi	Beverly Hospital plans to settle funds in this account and close this account postpetition.

F. The Commercial Card Program.

As part of the Cash Management System, the Debtors provide three of their employees with access to purchase cards issued by Bank of the West (the “Purchase Cards”) to be utilized for approved purchases and business expenses (the “Commercial Card Program”), including emergency supplies, transportation in limited situations for patients, and Foundation fundraising purposes. The Purchase Cards are paid monthly by check from the Main Operating Account. In order to maintain the Commercial Card Program, which is critical to the Debtors’ ability to maintain ordinary course operations, the Debtors request authority to continue utilizing and making payments on account of the Commercial Card Program in the ordinary course of business on a postpetition basis.

G. Compliance with the U.S. Trustee Guidelines and the Bankruptcy Code.

1. U.S. Trustee Authorized Depositories.

The *Guidelines and Requirements for Chapter 11 Debtors in Possession for All Cases Filed in the Central District of California* (the “U.S. Trustee Guidelines”) generally require chapter 11 debtors to, among other things, deposit all estate funds into an account with an

1 authorized depository that agrees to comply with the requirements of the Office of the United
2 States Trustee (the “U.S. Trustee”). All of the Debtors’ Cash Management Banks, Hanmi, Bank
3 of the West, BOA, and Western Alliance Bank are authorized depositories under the U.S. Trustee
4 Guidelines. Further, all of the Bank Accounts are insured by the Federal Deposit Insurance
5 Corporation (“FDIC”); however, the balances in certain of the Bank Accounts may exceed the
6 insured threshold amounts. Nonetheless, the Debtors believe that any funds that are deposited in
7 the Bank Accounts are secure.

8 The Debtors respectfully submit that cause exists to continue to allow the Debtors to utilize
9 the existing Bank Accounts. Instead of closing the majority of the existing Bank Accounts, the
10 Debtors request instead that they be allowed to convert the Bank Accounts, which are already at
11 depositories authorized by the U.S. Trustee, to “debtor in possession” accounts and continue to use
12 them as necessary. The Debtors will work in good faith with the U.S. Trustee to resolve any
13 concerns regarding the continued use of these Bank Accounts on a postpetition basis.

14 **2. Section 345(b) of the Bankruptcy Code.**

15 Each Bank Account that is a deposit account (for the avoidance of doubt, excluding any
16 Money Market Accounts) is maintained at a bank that is insured by the FDIC and, therefore,
17 complies with section 345 of the Bankruptcy Code. The Cash Management Banks are well-
18 capitalized and financially stable institutions, and the Debtors therefore request that the Court
19 waive the requirements of section 345(b) of the Bankruptcy Code and the U.S. Trustee Guidelines,
20 to the extent not already met, with respect to authorized depository requirements.

21 **H. Business Forms and Books and Records.**

22 As part of the Cash Management System, the Debtors utilize preprinted business forms in
23 the ordinary course of their business, including letterhead, purchase orders, invoices, and
24 preprinted checks (the “Business Forms”). The U.S. Trustee Guidelines require that the Cash
25 Management Banks print “Debtor-in-Possession” and the bankruptcy case number on checks
26 issued after the Petition Date.

27 To minimize expenses to their estates and avoid confusion on the part of employees,
28 customers, vendors, and suppliers during the pendency of these chapter 11 cases, the Debtors

1 request that the Court authorize their continued use of all Business Forms in existence
2 immediately before the Petition Date, without reference to the Debtors' status as debtors-in-
3 possession. If the Debtors exhaust their existing supply of checks during these chapter 11 cases,
4 the Debtors will print or order checks with the designation "Debtor-in-Possession" and the
5 corresponding bankruptcy case number.

6 **IV.**

7 **BASIS FOR RELIEF**

8 **A. The Court Should Authorize the Debtors to Continue to Use the Cash Management**
9 **System.**

10 Pursuant to the U.S. Trustee Guidelines, debtors-in-possession are required to, among
11 other things: (a) close all existing bank accounts and open new debtor-in-possession accounts; (b)
12 establish one debtor-in-possession bank account for all estate monies required for the payment of
13 taxes, including payroll taxes; and (c) maintain a separate debtor-in-possession account for cash
14 collateral. These requirements are intended to provide a clear line of demarcation between
15 prepetition and postpetition transactions and operations and to prevent inadvertent payment of
16 prepetition claims. By this Motion, the Debtors seek a waiver of the U.S. Trustee's requirements
17 that they close the existing Accounts and open new postpetition bank accounts. The Debtors
18 request instead that they be allowed to convert the Bank Accounts, which are already at
19 depositories authorized by the U.S. Trustee, to "debtor in possession" accounts and continue to use
20 them as necessary in ordinary course of operating the Hospital.

21 The continuation of the Cash Management System is permitted pursuant to section
22 363(c)(1) of the Bankruptcy Code, which authorizes a debtor-in-possession to "use property of the
23 estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1).
24 Bankruptcy courts routinely treat requests for authority to continue utilizing existing cash
25 management systems as a relatively "simple matter." *In re Baldwin-United Corp.*, 79 B.R. 321,
26 327 (Bankr. S.D. Ohio 1987). In addition, in granting such relief, courts recognize that an
27 integrated cash management system "allows efficient utilization of cash resources and recognizes
28 the impracticalities of maintaining separate cash accounts for the many different purposes that

1 require cash.” *In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *aff’d in*
2 *relevant part*, 997 F.2d 1039, 1061 (3d Cir. 1993); *see also In re US Airways, Inc.*, No. 04-13819
3 (SMM) (Bankr. E.D. Va. Sept. 14, 2004); *In re NTELOS, Inc.*, No. 3-32094 (DOT) (Bankr. E.D.
4 Va. March 4, 2003). The Court is authorized to grant the relief requested pursuant to § 105(a) of
5 the Bankruptcy Code, which provides that the Court “may issue any order, process, or judgment
6 that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a); *see*
7 *also In re Sasson*, 424 F.3d 864, 874 (9th Cir. 2005); *In re Halvorson*, 581 B.R. 610, 636 n.91
8 (Bankr. C.D. Cal. 2018).

9 Here, requiring the Debtors to adopt a new, segmented cash management system during
10 these chapter 11 cases would be expensive, burdensome, and unnecessarily disruptive to the
11 Debtors’ operation of the Hospital. Importantly, the Cash Management System provides the
12 Debtors with the ability to track and report the location and amount of funds in addition to
13 collecting and keeping track of reimbursements from Medi-Cal and Medicare as well as programs
14 with other insurance providers which, in turn, allows management to track and control such funds,
15 ensure cash availability, and reduce administrative costs through a centralized method of
16 coordinating the collection and movement of funds. Any disruption of the Cash Management
17 System could have a negative effect on the Debtors’ restructuring efforts, including the ability to
18 timely receive funds from Medi-Cal or Medicare payments to the accounts that the Hospital has
19 established to receive from these government agencies. Indeed, absent the relief requested herein,
20 requiring the Debtors to adopt a new, segmented cash management system would needlessly
21 reduce the value of the Debtors’ business enterprise. By contrast, maintaining the current Cash
22 Management System will facilitate the Debtors’ transition into chapter 11 by, among other things,
23 minimizing delays in paying postpetition debts and eliminating administrative inefficiencies.
24 Finally, maintaining the current Cash Management System will allow the Debtors’ finance and
25 accounting employees to focus on their daily responsibilities at a critical juncture in these chapter
26 11 cases.

27 The Debtors respectfully submit that parties in interest will not be harmed by their
28 maintenance of the Cash Management System, including maintenance of the Bank Accounts and

1 the Intercompany Transactions, because the Debtors have implemented appropriate mechanisms to
2 ensure that unauthorized payments will not be made on account of obligations incurred before the
3 Petition Date. Specifically, with the assistance of their advisors, the Debtors have implemented
4 internal control procedures that prohibit payments on account of prepetition debts without the
5 prior approval of the Debtors' finance department which will only be granted based upon authority
6 from the Court. In light of such protective measures, the Debtors submit that maintaining the
7 Cash Management System is in the best interests of their estates and creditors.

8 Courts in this district routinely allow debtors in large chapter 11 cases to maintain their
9 existing cash management systems, and such relief is generally non-controversial. *See, e.g., In re*
10 *Verity Health System of California*, No. 18-20151-ER, Docket No. 76 (Bankr. C.D. Cal. Sept. 5,
11 2018) (authorizing the debtors to continue using the cash management system maintained by the
12 debtors prepetition); *In re Sultan Financial Corp.*, Case No 2:18-bk-18021-ER, Docket No. 39
13 (Bankr. C.D. Cal. Aug. 17, 2018) (same); *In re Victor Valley Cmty. Hosp.*, Case No. 10-39537-
14 CB, Docket No. 32 (Bankr. C.D. Cal. Sep. 17, 2010) (same); *In re Downey Reg'l Med. Ctr.-Hosp.*,
15 *Inc.*, Case No. 09-34714-BB, Docket No. 38 (Bankr. C.D. Cal. Sep. 17, 2009) (same); *In re Z*
16 *Gallerie*, Case No. 09-18400-VZ, Docket No. 46 (Bankr. C.D. Cal. Apr. 10, 2009) (same).⁵

17 **B. Authorizing the Debtors to Continue Using Debit, Wire, Credit Card, the**
18 **Commercial Card Program, and ACH Payments is Warranted.**

19 The Debtors request that the Court grant further relief from the U.S. Trustee Guidelines to
20 the extent they require the Debtors to make all disbursements by check. In certain instances, the
21 U.S. Trustee requires that all disbursements of estate funds must be made by check with a notation
22 representing the reason for the disbursement. Although the Debtors' primary method of payment
23 is check, the Debtors also, in the ordinary course of business, conduct transactions through wires,
24 ACH, direct deposits, credit and debit cards, and other similar methods. If the Debtors' ability to
25 conduct transactions by these methods is impaired, the Debtors may be unable to perform under
26

27 _____
28 ⁵ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion.
Copies of these orders are available upon request to the Debtors' proposed counsel.

1 certain contracts and payments to vendors could be delayed, resulting in unnecessary disruption to
2 their business operations and the incurrence of additional costs to their estates.

3 **C. Authorizing the Cash Management Banks to Continue to Maintain, Service, and**
4 **Administer the Bank Accounts in the Ordinary Course of Business is Warranted.**

5 As discussed above, implementing the U.S. Trustee Guidelines would needlessly interrupt
6 the Debtors' operations and impair the Debtors' efforts to preserve the value of their estates and
7 reorganize in an efficient manner. Thus, the Debtors respectfully request that the Court authorize
8 the Cash Management Banks to continue to maintain, service, and administer the Bank Accounts
9 as accounts of the Debtors as debtors-in-possession, without interruption and in the ordinary
10 course of business. In this regard, the Cash Management Banks should be authorized to receive,
11 process, honor, and pay any and all checks, ACH transfers, and other instructions, and drafts
12 payable through, drawn, or directed on such Bank Accounts after the Petition Date by holders,
13 makers, or other parties entitled to issue instructions with respect thereto. Notwithstanding the
14 foregoing, any check, draft, or other notification that the Debtors advise the Cash Management
15 Banks to have been drawn, issued, or otherwise presented before the Petition Date may be honored
16 by the Cash Management Banks only to the extent authorized by order of the Court.

17 The Debtors further request that the Court authorize the Cash Management Banks to accept
18 and honor all representations from the Debtors as to which checks, drafts, wires, or ACH transfers
19 should be honored or dishonored consistent with any order of the Court and governing law,
20 whether such checks, drafts, wires, or ACH transfers are dated before or subsequent to the Petition
21 Date. The Debtors also request that, to the extent a Cash Management Bank honors a prepetition
22 check or other item drawn on any account either: (a) at the direction of the Debtors; (b) in a good-
23 faith belief that the Court has authorized such prepetition check or item to be honored; or (c) as a
24 result of a mistake made despite implementation of customary item handling procedures, such
25 Cash Management Bank will not be deemed to be liable to the Debtors, their estates, or any other
26 party on account of such prepetition check or other item honored postpetition. The Debtors
27 respectfully submit that such relief is reasonable and appropriate because the Cash Management
28

1 Banks are not in a position to independently verify or audit whether a particular item may be paid
2 in accordance with a Court order or otherwise.

3 In complex chapter 11 cases such as these, courts in this district often waive the U.S.
4 Trustee Guidelines' requirement that debtors establish new postpetition cash management
5 systems, recognizing that they may harm a debtor's postpetition business operations and
6 restructuring efforts to an extent that is out of proportion compared to the benefit, if any, the
7 requirements afford the debtor's estate or parties in interest. *See* citations at 15:9-16, *supra*.

8 **D. The Requested Waivers Are Appropriate.**

9 **1. Cause Exists to Waive the U.S. Trustee Guidelines Regarding Authorized**
10 **Depositories on an Interim and Final Basis.**

11 The Debtors seek a waiver of the deposit and investment requirements set forth in section
12 345 of the Bankruptcy Code. Section 345(a) of the Bankruptcy Code authorizes deposit or
13 investment of money of estates, such as cash, as "will yield the maximum reasonable net return on
14 such money, taking into account the safety of such deposit or investment." For deposits that are
15 not "insured or guaranteed by the United States or by a department, agency or instrumentality of
16 the United States or backed by the full faith and credit of the United States," section 345(b) of the
17 Bankruptcy Code provides that the estate must require from the entity with which the money is
18 deposited or invested a bond in favor of the United States secured by the undertaking of a
19 corporate security, unless the court for cause orders otherwise. Additionally, under the U.S.
20 Trustee Guidelines, debtors-in-possession must, among other things, close prepetition bank
21 accounts and open new "debtor-in-possession" operating, payroll, and tax accounts at one or more
22 authorized depositories.

23 Courts may waive compliance with the Bankruptcy Code section 345 and the U.S. Trustee
24 Guidelines for "cause." In evaluating whether "cause" exists, courts have considered a number of
25 factors such as:

- 26 i. the sophistication of the debtor's business;
27 ii. the size of the debtor's business operations;
28 iii. the amount of the investments involved;

- iv. the bank ratings (Moody's and Standard & Poor) of the financial institutions where the debtor-in-possession funds are held; v. the complexity of the case;
- v. the safeguards in place within the debtor's own business for ensuring the safety of the funds;
- vi. the debtor's ability to reorganize in the face of a failure of one or more of the financial institutions;
- vii. the benefit to the debtor;
- viii. the harm, if any, to the debtor;
- ix. the harm, if any, to the estate; and
- x. the reasonableness of the debtor's request for relief from section 345(b) requirements in light of the overall circumstances of the case.

See In re Serv. Merch. Co., Inc., 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999).

The Debtors respectfully submit that each of the Bank Accounts are held at Cash Management Banks that are well-capitalized and financially-stable institutions. Further, all of the Bank Accounts are held at Cash Management Banks that are FDIC insured.

Because the Bank Accounts are vital to the Cash Management System, requiring the Debtors to transfer funds to other banks would be unduly burdensome to the Debtors' operations.

2. The Court Should Authorize the Debtors to Continue Using the Business Forms.

To avoid disruption of the Cash Management System and unnecessary expense, the Debtors request that they be authorized to continue to use the Business Forms substantially in the forms existing immediately prior to the Petition Date, without reference to their status as debtors-in-possession. The Debtors submit that parties in interest will not be prejudiced by this relief. Parties doing business with the Debtors undoubtedly will be aware of their status as debtors-in-possession, and therefore changing business forms is unnecessary and would be unduly burdensome. If the Debtors exhaust their existing supply of checks during these chapter 11 cases, the Debtors will print or order checks with the designation "Debtor-in-Possession" and the corresponding bankruptcy number.

In other large chapter 11 cases, courts in this district have allowed debtors to use their prepetition business forms without the "debtor-in-possession" label. *See* citations at 15:9-16, *supra*.

E. The Court Should Authorize the Debtors to Continue Conducting Intercompany Transactions in the Ordinary Course and Grant Administrative Priority Status to Postpetition Intercompany Claims Among the Debtors.

The Debtors' funds move through the Cash Management System as described herein. At any given time, there may be Intercompany Claims owed by one Debtor entity to another Debtor entity.

These Intercompany Transactions are made between and among Debtors in the ordinary course as part of the Cash Management System.⁶ The Debtors track all fund transfers in their accounting system and can ascertain, trace, and account for all Intercompany Transactions previously described. The Debtors, moreover, will continue to maintain records of such Intercompany Transactions. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted to the Debtors' and their estates' detriment. Accordingly, the Debtors respectfully submit that the continued performance of the Intercompany Transactions is in the best interest of the Debtors' estates and their creditors and, therefore, the Debtors should be permitted to continue such performance.

Since certain of these transactions represent extensions of intercompany credit made in the ordinary course of business that are an essential component of the Cash Management System, the Debtors respectfully request the authority to continue conducting the Intercompany Transactions in the ordinary course of business without need for further Court order and request that pursuant to section 503(b)(1) and 364(b) of the Bankruptcy Code, all postpetition payments between or among a Debtor and another Debtor or non-Debtor affiliate on account of an intercompany transaction be accorded administrative expense status. This relief will ensure that each entity receiving payments from a Debtor will continue to bear ultimate repayment responsibility for such ordinary course

⁶ Because the Debtors engage in Intercompany Transactions on a regular basis and such transactions are common among enterprises like the Debtors, the Debtors submit the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and thus do not require this Court's approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such transactions on a postpetition basis. Moreover, the continued performance of the ordinary course Intercompany Transactions is necessary to ensure the Debtors' ability to operate their business as debtors-in-possession.

1 transactions, thereby reducing the risk that these transactions would jeopardize the recoveries
2 available to each Debtor's respective creditors.

3 **V.**

4 **THE REQUIREMENTS OF BANKRUPTCY RULE 6003 ARE SATISFIED**

5 Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the
6 Petition Date "to the extent that relief is necessary to avoid immediate and irreparable harm." For
7 the reasons discussed above, authorizing the Debtors to continue to operate their Cash
8 Management System as well as granting the other relief requested herein is integral to the Debtors'
9 ability to transition their operations into these chapter 11 cases. Failure to receive such
10 authorization and other relief during the first 21 days of these chapter 11 cases would severely
11 disrupt the Debtors' operations at this critical juncture. For the reasons discussed herein, the relief
12 requested is necessary in order for the Debtors to operate their business in the ordinary course and
13 maximize the value of their estates for the benefit of all stakeholders. Accordingly, the Debtors
14 submit that they have satisfied the "immediate and irreparable harm" standard of Bankruptcy
15 Rule 6003 to support granting the relief requested herein.

16 **VI.**

17 **EMERGENCY CONSIDERATION**

18 Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the
19 petition date "to the extent that relief is necessary to avoid immediate and irreparable harm." Fed.
20 R. Bankr. P. 6003. Additionally, Local Bankruptcy Rule 2081-1(a) (9) allows a movant to request
21 the type of relief herein for emergency consideration. For the reasons discussed above, (a)
22 authorizing the Debtors to (i) continue to operate their Cash Management System, (ii) maintain
23 existing Business Forms in the ordinary course of business, and (iii) continue to perform
24 Intercompany Transactions (as such terms are defined below) consistent with historical practice;
25 and (b) granting related relief as requested herein is integral to the Debtors' ability to transition
26 their operations into these chapter 11 cases. Failure to receive such authorization and other relief
27 during the first 21 days of these chapter 11 cases would severely disrupt the Debtors' operations at
28 this critical juncture. The relief requested is necessary in order for the Debtors to operate their

1 business in the ordinary course and preserve the ongoing value of the Debtors' operations and
2 maximize the value of their estates for the benefit of all stakeholders. Accordingly, the Debtors
3 submit that they have satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule
4 6003 and request that the Court approve the relief requested in this Motion on an emergency basis.

5 **VII.**

6 **WAIVER OF BANKRUPTCY RULE 6004(A) AND 6004(H)**

7 To implement the foregoing successfully, the Debtors seek a waiver of the notice
8 requirements under Bankruptcy Rule 6004(a) and the 14-day stay of an order authorizing the use,
9 sale, or lease of property under Bankruptcy Rule 6004(h).

10 **VIII.**

11 **NOTICE**

12 The Debtors will provide notice of this Motion via first class mail, facsimile or email
13 (where available) to: (a) the Office of the U.S. Trustee Region 16; (b) the holders of the 30 largest
14 unsecured claims against the Debtors (on a consolidated basis); (c) U.S. Bank, N.A. and counsel
15 thereto; (d) Hanmi Bank and counsel thereto; (e) Bank of the West; (f) Bank of America (g)
16 Western Alliance Bank, (h) the Internal Revenue Service; (i) the Office of the Attorney General
17 for the State of California; (j) the National Association of Attorneys General; and (k) all other
18 parties who have filed a request for special notice and service of papers with the clerk of this
19 Court.

20 No prior request for the relief sought in this Motion has been made by the Debtors to this
21 Court or any other court.

1 WHEREFORE, the Debtors respectfully request that the Court enter the Interim Order and
2 the Final Order granting the relief requested herein and such other relief as the Court deems
3 appropriate under the circumstances.

4 Dated: April 20, 2023

5 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

6
7 By /s/ Jennifer L. Nassiri
8 Jennifer L. Nassiri

9 JUSTIN R. BERNBROCK
10 JENNIFER L. NASSIRI
11 CATHERINE JUN
12 ROBERT B. McLELLARN
13 ALEXANDRIA G. LATTNER

14 Proposed Counsel to Debtors and
15 Debtors in Possession
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EXHIBIT A

[Proposed Order]

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

In re:

BEVERLY COMMUNITY HOSPITAL
ASSOCIATION, dba BEVERLY HOSPITAL
(A NONPROFIT PUBLIC BENEFIT
CORPORATION), *et al*,¹

Debtors,

Lead Case No.: 2:23-bk-12359

Jointly administered with:

Case No: 2:23-bk-12360

Case No: 2:23-bk-12361

Hon. Sandra R. Klein

Chapter 11 Case

☒ Affects all Debtors

☐ Affects Beverly Community
Hospital Association

☐ Montebello Community Health
Services, Inc.

☐ Beverly Hospital Foundation

**[PROPOSED] INTERIM ORDER
APPROVING DEBTORS' EMERGENCY
MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS (I) AUTHORIZING
THE DEBTORS TO (A) CONTINUE TO
OPERATE THEIR CASH
MANAGEMENT SYSTEM, (B) HONOR
CERTAIN PREPETITION
OBLIGATIONS RELATED THERETO,
(C) MAINTAIN EXISTING BUSINESS
FORMS, AND (D) PERFORM
INTERCOMPANY TRANSACTIONS;
AND (II) GRANTING RELATED RELIEF**

Date: April [•], 2023

Time: TBD

Judge: Hon. Sandra R. Klein

Place: Zoom.Gov – or - Courtroom 1575
255 E. Temple St.
Los Angeles, CA 90012

This Court, having considered the *Debtors' Emergency Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to (a) Continue to Operate Their Cash Management System, (b) Honor Certain Prepetition Obligations Related Thereto, (c) Maintain Existing Business Forms, and (d) Perform Intercompany Transactions, and (ii) Granting Related Relief*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: Beverly Community Hospital Association d/b/a Beverly Hospital (6005), Montebello Community Health Services, Inc. (3550), and Beverly Hospital Foundation (9685). The mailing address for the Debtors is 309 W. Beverly Blvd., Montebello, California 90640.

(the “Motion”),² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed on April 19, 2023; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is permissible pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court on April [], 2023 at [].m; and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein and is necessary to avoid immediate and irreparable harm pursuant to Bankruptcy Rule 6003; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis. Capitalized terms not defined in this Order shall have the meanings given to them in the Utilities Motion.

2. The final hearing (the “Final Hearing”) on the Motion shall be held on _____, at __: __.m., prevailing Pacific Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Pacific Time on _____, 2023, and served in accordance with the limited notice procedures. In the event no objections to entry of a final order on the Motion are timely received, this Court may enter such final order without need for the Final Hearing.

² Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.

1 3. The Debtors are authorized to continue operating the Cash Management System,
2 honor their prepetition obligations related thereto, including, but not limited to, all obligations
3 related to the Commercial Card Program, and maintain existing Business Forms.

4 4. Subject to the other provisions of this Interim Order, the Debtors are authorized to:
5 (a) continue to use, with the same account numbers, the Bank Accounts in existence as of the
6 Petition Date without the need to comply with certain guidelines relating to bank accounts set
7 forth in the U.S. Trustee Guidelines; (b) treat the Bank Accounts for all purposes as accounts of
8 the Debtors as debtors-in-possession; (c) deposit funds in and withdraw funds from the Bank
9 Accounts by all usual means, including checks, wire transfers, and other debits; (d) continue using
10 the Commercial Card Program; and (e) to otherwise perform their obligations under the
11 documents governing the bank accounts. The Debtors are authorized to pay and/or reimburse the
12 Cash Management Banks in the ordinary course of business for any prepetition or postpetition
13 fees, costs, charges and expenses, and any amounts which are not so paid shall be entitled to
14 priority as administrative expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

15 5. Subject to the other provisions of this Order, the Debtors are authorized to: (a)
16 continue to use, with the same account numbers, the Bank Accounts in existence as of the Petition
17 Date without the need to comply with certain guidelines relating to bank accounts set forth in the
18 U.S. Trustee Guidelines; (b) treat the Bank Accounts for all purposes as accounts of the Debtors as
19 debtors-in-possession; (c) deposit funds in and withdraw funds from the Bank Accounts by all
20 usual means, including checks, wire transfers, and other debits; (d) continue using the Commercial
21 Card Program; and (e) to otherwise perform their obligations under the documents governing the
22 bank accounts. The Debtors are authorized to pay and/or reimburse the Cash Management Banks
23 in the ordinary course of business for any prepetition or postpetition fees, costs, charges and
24 expenses, and any amounts which are not so paid shall be entitled to priority as administrative
25 expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

26 6. The Debtors are authorized, but not directed, to continue using, in their present
27 form, the Business Forms, as well as checks and other documents related to the Bank Accounts
28 existing immediately before the Petition Date, *provided, however*, that once the Debtors have

1 exhausted their existing stock of Business Forms and checks, they shall ensure that any new
2 Business Forms and checks are clearly labeled “Debtor-in-Possession,” *provided, further*, that
3 with respect to any Business Forms and checks that are generated electronically, the Debtors shall
4 ensure that such electronic Business Forms and checks are clearly labeled “Debtor-in-Possession.”

5 7. The Debtors are authorized to establish and operate new accounts as provided
6 under the terms of the DIP Agreement, or as will be decided and agreed upon by the Borrowers
7 and Lender, including but not limited to, the Clearing Accounts, Security Deposit Account, and
8 the Funded Reserve Account.

9 8. To the extent any Bank Accounts existing as of the Petition Date are not in
10 compliance with section 345(b) of the Bankruptcy Code or the U.S. Trustee Guidelines requiring
11 the Debtors to maintain all Bank Accounts at an Authorized Depository, the time within which the
12 Debtors must either come into compliance with section 345(b) of the Bankruptcy Code or make
13 such other arrangements as agreed to by the U.S. Trustee shall be extended to the earlier of: (i) 60
14 days after the Petition Date (without prejudice to further extensions upon agreement between the
15 Debtors and the U.S. Trustee); and (ii) confirmation of the Plan (which shall obviate the need for
16 the Debtors to come into compliance with section 345 and the U.S. Trustee Guidelines).

17 9. The Cash Management Banks are authorized, but not obligated, to continue to
18 maintain, service, and administer the Bank Accounts as accounts of the Debtors as debtors-in-
19 possession, without interruption and in the ordinary course, and to receive, process, honor, and
20 pay, to the extent of available funds, any and all checks, drafts, wires, credit card payments, and
21 ACH transfers issued and drawn on the Bank Accounts after the Petition Date by the holders or
22 makers thereof, as the case may be. Those certain existing deposit agreements between the
23 Debtors and the Cash Management Banks shall continue to govern the postpetition cash
24 management relationship between the Debtors and the Cash Management Banks, and all of the
25 provisions of such agreements, including, without limitation, the termination and fee provisions,
26 and any provisions relating to offset or charge back rights with respect to return items, shall
27 remain in full force and effect.

28

1 10. Immediately upon entry of this Interim Order, each of the Cash Management Banks
2 at which Bank Accounts that are subject to automatic transfers or “sweeps” as part of the Cash
3 Management System are maintained is authorized, but not obligated, without further order of this
4 Court, to recommence such transfers or sweeps without regard to whether the funds swept and/or
5 transferred include funds deposited prior to the Petition Date.

6 11. The Debtors and the Cash Management Banks may, without further order of this
7 Court, agree to and implement changes to the Cash Management System and procedures related
8 thereto in the ordinary course of business, including, without limitation, the opening of any new
9 bank accounts and the closing of any existing bank accounts, so long as (a) any such new account
10 is with an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee Guidelines and
11 (b) the Debtors provide written notice to the U.S. Trustee, of the opening or closing of any such
12 account or any changes in Cash Management Systems within three (3) business days of such
13 opening or closing. Subject to the terms hereof, the Debtors are authorized, in the ordinary course
14 of business, to enter into any ancillary agreements, including new deposit account control
15 agreements, related to the foregoing, as they may deem necessary and appropriate.

16 12. The relief granted in this Interim Order is extended to any new bank account
17 opened by the Debtors in the ordinary course of business after the date hereof, which account shall
18 be deemed a Bank Account, and to the bank at which such account is opened, which bank shall be
19 deemed a Cash Management Bank.

20 13. All banks maintaining any of the Bank Accounts that are provided with notice of
21 this Interim Order shall not honor or pay any bank payments drawn on the listed Bank Accounts or
22 otherwise issued before the Petition Date for which the Debtors specifically issue stop payment
23 orders in accordance with the documents governing such Bank Accounts.

24 14. Each of the Debtors’ Cash Management Banks is authorized, but not obligated, to
25 debit the Debtors’ accounts in the ordinary course of business without the need for further order of
26 this Court for all checks or other items deposited in one of the Debtors’ Bank Accounts with such
27 Cash Management Banks prior to the Petition Date which have been dishonored or returned
28 unpaid for any reason, together with any fees and costs in connection therewith, to the same extent

1 the Debtors were responsible for such items prior to the Petition Date. The banks and financial
2 institutions on which checks were drawn or electronic payment requests made in payment of the
3 prepetition obligations approved herein are authorized, but not obligated, to receive, process,
4 honor, and pay all such checks and electronic payment requests when presented for payment, and
5 all such banks and financial institutions are authorized, but not obligated, to rely on the Debtors'
6 representations with respect to whether any check or other payment order drawn or issued by the
7 Debtor prior to the Petition Date should be honored and on the Debtor's designation of any
8 particular check or electronic payment request as approved by this Interim Order without any duty
9 of further inquiry and without liability for following the Debtors' instructions or relying on such
10 representations. For the avoidance of doubt, any instruments issued by one or more of the Debtors
11 prior to the Petition Date shall be deemed paid prior to the Petition Date even if not debited from
12 the Bank Account(s) of such Debtor(s) until after the Petition Date.

13 15. The Cash Management Banks are authorized, but not obligated, to debit the
14 Debtors' Bank Accounts in the ordinary course of business and without further order of the Court
15 on account of (a) all checks drawn on the Debtors' Bank Accounts that were cashed at the Cash
16 Management Banks' counters or exchanged for cashier's or official checks by the payees thereof
17 prior to the Petition Date and (b) all undisputed prepetition amounts outstanding as of the date
18 hereof, if any, owed to any Cash Management Bank as service charges for the maintenance of the
19 Cash Management system.

20 16. The Debtors are authorized, without further order of this Court, to pay all
21 applicable fees and expenses associated with the nature of the deposit and cash management
22 services rendered to the Debtors, whether arising prepetition or postpetition from the applicable
23 Bank Accounts, and further, to charge back to the appropriate accounts of the Debtors any
24 amounts resulting from returned checks or other returned items, including returned items that
25 result from ACH transactions, wire transfers, or other electronic transfers of any kind, regardless
26 of whether such returned items were deposited or transferred prepetition or postpetition and
27 regardless of whether the returned items relate to prepetition or postpetition items or transfers.

28

1 17. Notwithstanding any other provision of this Interim Order, any bank, including the
2 Cash Management Banks, may rely upon the representations of the Debtors with respect to
3 whether any check, draft, wire, or other transfer drawn or issued by the Debtors prior to the
4 Petition Date should be honored pursuant to any order of this Court, and any bank that honors a
5 prepetition check or other item drawn on any account that is the subject of this Interim Order: (a)
6 at the direction of the Debtors; (b) in a good-faith belief that this Court has authorized such
7 prepetition check or item to be honored; or (c) as a result of a mistake made despite
8 implementation of customary handling procedures, shall not be deemed to be, nor shall be, liable
9 to the Debtors, their estates, or any other party on account of such prepetition check or other item
10 being honored postpetition, or otherwise deemed to be in violation of this Interim Order. The
11 Debtors' Cash Management Banks shall not have any liability to any party for relying on such
12 directions of the Debtors. Further, the Cash Management Bank may rely, without a duty of
13 inquiry, upon the failure of the Debtors to issue a stop payment order with respect to any item,
14 whether such item is issued prepetition or postpetition, as a direction by the Debtors that such item
15 will be paid.

16 18. Any banks, including the Cash Management Banks, are further authorized, but not
17 obligated, to honor the Debtors' directions with respect to the opening and closing of any Bank
18 Account and accept and hold, or invest, the Debtors' funds in accordance with the Debtors'
19 instructions and the Debtors' Cash Management Banks shall not have any liability to any party for
20 relying on such directions.

21 19. The Debtors are authorized, but not directed, to continue performing under and
22 honoring their respective obligations, commitments, and transactions related to Intercompany
23 Transactions and Intercompany Claims in the ordinary course of business, consistent with
24 historical practice.

25 20. All postpetition Intercompany Transaction payments from a Debtor, other than
26 payments for goods or services in the ordinary course, that are authorized pursuant to this Order
27 are hereby accorded administrative expense status under section 503(b) of the Bankruptcy Code.

28

1 21. In connection with the Intercompany Transactions, the Debtors shall continue to
2 maintain current records with respect to all transfers of cash so that all Intercompany Transactions
3 may be readily ascertained, traced, and properly recorded on intercompany accounts and shall
4 make such records available to the U.S. Trustee.

5 22. To the extent any other order is entered by the Court authorizing and/or directing
6 the Cash Management Banks to honor checks, drafts, ACH transfers, or other electronic funds
7 transfers or any other withdrawals made, drawn, or issued in payment of prepetition claims, the
8 obligations to honor such items shall be subject to this Interim Order.

9 23. Nothing contained in the Motion or this Interim Order shall be construed to
10 (a) create or perfect, in favor of any person or entity, any interest in cash of a Debtor that did not
11 exist as of the Petition Date or (b) alter or impair the validity, priority, enforceability, or perfection
12 of any security interest or lien, in favor of any person or entity, that existed as of the Petition Date.

13 24. The Debtors are authorized to issue postpetition checks, or to effect postpetition
14 fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored
15 as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection
16 with the relief granted herein.

17 25. Notice of the Motion as provided therein shall be deemed good and sufficient
18 notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Bankruptcy
19 Rules are satisfied by such notice.

20 26. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim
21 Order are immediately effective and enforceable upon its entry.

22 27. The requirement under Local Bankruptcy Rule 9013-1(c) to file a memorandum of
23 law in connection with the Motion is waived.

24 28. The Debtors are authorized to take all actions necessary to effectuate the relief
25 granted in this Interim Order.

26 29. This Court retains exclusive jurisdiction with respect to all matters arising from or
27 related to the implementation, interpretation, and enforcement of this Interim Order.

28 # # #

EXHIBIT B

[Proposed Order]

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

In re:

BEVERLY COMMUNITY HOSPITAL
ASSOCIATION, dba BEVERLY HOSPITAL
(A NONPROFIT PUBLIC BENEFIT
CORPORATION), *et al*,¹

Debtors,

Lead Case No.: 2:23-bk-12359

Jointly administered with:

Case No: 2:23-bk-12360

Case No: 2:23-bk-12361

Hon. Sandra R. Klein

Chapter 11 Case

☒ Affects all Debtors

☐ Affects Beverly Community
Hospital Association

☐ Montebello Community Health
Services, Inc.

☐ Beverly Hospital Foundation

**[PROPOSED] FINAL ORDER
APPROVING DEBTORS' EMERGENCY
MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS (I) AUTHORIZING
THE DEBTORS TO (A) CONTINUE TO
OPERATE THEIR CASH
MANAGEMENT SYSTEM, (B) HONOR
CERTAIN PREPETITION
OBLIGATIONS RELATED THERETO,
(C) MAINTAIN EXISTING BUSINESS
FORMS, AND (D) PERFORM
INTERCOMPANY TRANSACTIONS;
AND (II) GRANTING RELATED RELIEF**

Date: April [•], 2023

Time: TBD

Judge: Hon. Sandra R. Klein

Place: Zoom.Gov – or - Courtroom 1575
255 E. Temple St.
Los Angeles, CA 90012

*The Debtors' Emergency Motion for Entry of Interim and Final Orders (i) Authorizing
the Debtors to (a) Continue to Operate Their Cash Management System, (b) Honor Certain
Prepetition Obligations Related Thereto, (c) Maintain Existing Business Forms, and (d) Perform*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: Beverly Community Hospital Association d/b/a Beverly Hospital (6005), Montebello Community Health Services, Inc. (3550), and Beverly Hospital Foundation (9685). The mailing address for the Debtors is 309 W. Beverly Blvd., Montebello, California 90640.

1 *Intercompany Transactions, and (ii) Granting Related Relief* (the “Motion”)² of the above-
2 captioned debtors and debtors in possession (collectively, the “Debtors”) filed on April 20,
3 2023; and upon the First Day Declaration; and this Court having jurisdiction over this matter
4 pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant
5 to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent
6 with Article III of the United States Constitution; and this Court having found that venue of this
7 proceeding and the Motion in this district is permissible pursuant to 28 U.S.C. §§ 1408 and
8 1409; and this Court having found that the relief requested in the Motion is in the best interests
9 of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found
10 that the Debtors’ notice of the Motion and opportunity for a hearing on the Motion were
11 appropriate under the circumstances and no other notice need be provided; and this Court having
12 reviewed the Motion and having heard the statements in support of the relief requested therein at
13 a hearing before this Court on April [], 2023 at [].m; and this Court having determined
14 that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for
15 the relief granted herein and is necessary to avoid immediate and irreparable harm pursuant to
16 Bankruptcy Rule 6003; and after due deliberation and sufficient cause appearing therefor,

17 **IT IS HEREBY ORDERED THAT:**

18 1. The Motion is GRANTED on a final basis. Capitalized terms not defined in this
19 Order shall have the meanings given to them in the Motion.

20 2. The Debtors are authorized to continue operating the Cash Management System,
21 honor their prepetition obligations related thereto, including, but not limited to, all obligations
22 related to the Commercial Card Program, and maintain existing Business Forms.

23 3. Subject to the other provisions of this Order, the Debtors are authorized to: (a)
24 continue to use, with the same account numbers, the Bank Accounts in existence as of the Petition
25 Date without the need to comply with certain guidelines relating to bank accounts set forth in the
26 U.S. Trustee Guidelines; (b) treat the Bank Accounts for all purposes as accounts of the Debtors as
27 debtors-in-possession; (c) deposit funds in and withdraw funds from the Bank Accounts by all

28 ² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

1 usual means, including checks, wire transfers, and other debits; (d) continue using the Commercial
2 Card Program; and (e) to otherwise perform their obligations under the documents governing the
3 bank accounts. The Debtors are authorized to pay and/or reimburse the Cash Management Banks
4 in the ordinary course of business for any prepetition or postpetition fees, costs, charges and
5 expenses, and any amounts which are not so paid shall be entitled to priority as administrative
6 expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

7 4. Subject to the other provisions of this Order, the Debtors are authorized to: (a)
8 continue to use, with the same account numbers, the Bank Accounts in existence as of the Petition
9 Date without the need to comply with certain guidelines relating to bank accounts set forth in the
10 U.S. Trustee Operating Guidelines; (b) treat the Bank Accounts for all purposes as accounts of the
11 Debtors as debtors-in-possession; (c) deposit funds in and withdraw funds from the Bank
12 Accounts by all usual means, including checks, wire transfers, and other debits; (d) continue using
13 the Commercial Card Program; and (e) to otherwise perform their obligations under the
14 documents governing the bank accounts. The Debtors are authorized to pay and/or reimburse the
15 Cash Management Banks in the ordinary course of business for any prepetition or postpetition
16 fees, costs, charges and expenses, and any amounts which are not so paid shall be entitled to
17 priority as administrative expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

18 5. The Debtors are authorized, but not directed, to continue using, in their present
19 form, the Business Forms, as well as checks and other documents related to the Bank Accounts
20 existing immediately before the Petition Date, *provided, however*, that once the Debtors have
21 exhausted their existing stock of Business Forms and checks, they shall ensure that any new
22 Business Forms and checks are clearly labeled “Debtor-in-Possession,” *provided, further*, that
23 with respect to any Business Forms and checks that are generated electronically, the Debtors shall
24 ensure that such electronic Business Forms and checks are clearly labeled “Debtor-in-Possession.”

25 6. The Debtors are authorized to establish and operate new accounts as provided
26 under the terms of the DIP Agreement, or as will be decided and agreed upon by the Borrowers
27 and Lender, including but not limited to, the Clearing Accounts, Security Deposit Account, and
28 the Funded Reserve Account.

1 7. To the extent any Bank Accounts existing as of the Petition Date are not in
2 compliance with section 345(b) of the Bankruptcy Code or the U.S. Trustee Guidelines requiring
3 the Debtors to maintain all Bank Accounts at an Authorized Depository, the time within which the
4 Debtors must either come into compliance with section 345(b) of the Bankruptcy Code or make
5 such other arrangements as agreed to by the U.S. Trustee shall be extended to the earlier of: (i) 60
6 days after the Petition Date (without prejudice to further extensions upon agreement between the
7 Debtors and the U.S. Trustee); and (ii) confirmation of the Plan (which shall obviate the need for
8 the Debtors to come into compliance with section 345 and the U.S. Trustee Guidelines).

9 8. The Cash Management Banks are authorized, but not obligated, to continue to
10 maintain, service, and administer the Bank Accounts as accounts of the Debtors as debtors-in-
11 possession, without interruption and in the ordinary course, and to receive, process, honor, and
12 pay, to the extent of available funds, any and all checks, drafts, wires, credit card payments, and
13 ACH transfers issued and drawn on the Bank Accounts after the Petition Date by the holders or
14 makers thereof, as the case may be. Those certain existing deposit agreements between the
15 Debtors and the Cash Management Banks shall continue to govern the postpetition cash
16 management relationship between the Debtors and the Cash Management Banks, and all of the
17 provisions of such agreements, including, without limitation, the termination and fee provisions,
18 and any provisions relating to offset or charge back rights with respect to return items, shall
19 remain in full force and effect.

20 9. Immediately upon entry of this Interim Order, each of the Cash Management Banks
21 at which Bank Accounts that are subject to automatic transfers or “sweeps” as part of the Cash
22 Management System are maintained is authorized, but not obligated, without further order of this
23 Court, to recommence such transfers or sweeps without regard to whether the funds swept and/or
24 transferred include funds deposited prior to the Petition Date.

25 10. The Debtors and the Cash Management Banks may, without further order of this
26 Court, agree to and implement changes to the Cash Management System and procedures related
27 thereto in the ordinary course of business, including, without limitation, the opening of any new
28 bank accounts and the closing of any existing bank accounts, so long as (a) any such new account

1 is with an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee Guidelines and
2 (b) the Debtors provide written notice to the U.S. Trustee, counsel for any official committees, of
3 the opening or closing of any such account or any changes in Cash Management Systems within
4 three (3) business days of such opening or closing. Subject to the terms hereof, the Debtors are
5 authorized, in the ordinary course of business, to enter into any ancillary agreements, including
6 new deposit account control agreements, related to the foregoing, as they may deem necessary and
7 appropriate.

8 11. The relief granted in this Final Order is extended to any new bank account opened
9 by the Debtors in the ordinary course of business after the date hereof, which account shall be
10 deemed a Bank Account, and to the bank at which such account is opened, which bank shall be
11 deemed a Cash Management Bank.

12 12. All banks maintaining any of the Bank Accounts that are provided with notice of
13 this Interim Order shall not honor or pay any bank payments drawn on the listed Bank Accounts or
14 otherwise issued before the Petition Date for which the Debtors specifically issue stop payment
15 orders in accordance with the documents governing such Bank Accounts.

16 13. Each of the Debtors' Cash Management Banks is authorized, but not obligated, to
17 debit the Debtors' accounts in the ordinary course of business without the need for further order of
18 this Court for all checks or other items deposited in one of the Debtors' Bank Accounts with such
19 Cash Management Banks prior to the Petition Date which have been dishonored or returned
20 unpaid for any reason, together with any fees and costs in connection therewith, to the same extent
21 the Debtors were responsible for such items prior to the Petition Date. The banks and financial
22 institutions on which checks were drawn or electronic payment requests made in payment of the
23 prepetition obligations approved herein are authorized, but not obligated, to receive, process,
24 honor, and pay all such checks and electronic payment requests when presented for payment, and
25 all such banks and financial institutions are authorized, but not obligated, to rely on the Debtors'
26 representations with respect to whether any check or other payment order drawn or issued by the
27 Debtor prior to the Petition Date should be honored and on the Debtor's designation of any
28 particular check or electronic payment request as approved by this Interim Order without any duty

1 of further inquiry and without liability for following the Debtors' instructions or relying on such
2 representations. For the avoidance of doubt, any instruments issued by one or more of the Debtors
3 prior to the Petition Date shall be deemed paid prior to the Petition Date even if not debited from
4 the Bank Account(s) of such Debtor(s) until after the Petition Date.

5 14. The Cash Management Banks are authorized, but not obligated, to debit the
6 Debtors' Bank Accounts in the ordinary course of business and without further order of the Court
7 on account of (a) all checks drawn on the Debtors' Bank Accounts that were cashed at the Cash
8 Management Banks' counters or exchanged for cashier's or official checks by the payees thereof
9 prior to the Petition Date and (b) all undisputed prepetition amounts outstanding as of the date
10 hereof, if any, owed to any Cash Management Bank as service charges for the maintenance of the
11 Cash Management system.

12 15. The Debtors are authorized, without further order of this Court, to pay all
13 applicable fees and expenses associated with the nature of the deposit and cash management
14 services rendered to the Debtors, whether arising prepetition or postpetition from the applicable
15 Bank Accounts, and further, to charge back to the appropriate accounts of the Debtors any
16 amounts resulting from returned checks or other returned items, including returned items that
17 result from ACH transactions, wire transfers, or other electronic transfers of any kind, regardless
18 of whether such returned items were deposited or transferred prepetition or postpetition and
19 regardless of whether the returned items relate to prepetition or postpetition items or transfers.

20 16. Notwithstanding any other provision of this Final Order, any bank, including the
21 Cash Management Banks, may rely upon the representations of the Debtors with respect to
22 whether any check, draft, wire, or other transfer drawn or issued by the Debtors prior to the
23 Petition Date should be honored pursuant to any order of this Court, and any bank that honors a
24 prepetition check or other item drawn on any account that is the subject of this Final Order: (a) at
25 the direction of the Debtors; (b) in a good-faith belief that this Court has authorized such
26 prepetition check or item to be honored; or (c) as a result of a mistake made despite
27 implementation of customary handling procedures, shall not be deemed to be, nor shall be, liable
28 to the Debtors, their estates, or any other party on account of such prepetition check or other item

1 being honored postpetition, or otherwise deemed to be in violation of this Final Order. The
2 Debtors' Cash Management Banks shall not have any liability to any party for relying on such
3 directions of the Debtors. Further, the Cash Management Bank may rely, without a duty of
4 inquiry, upon the failure of the Debtors to issue a stop payment order with respect to any item,
5 whether such item is issued prepetition or postpetition, as a direction by the Debtors that such item
6 will be paid.

7 17. Any banks, including the Cash Management Banks, are further authorized, but not
8 obligated, to honor the Debtors' directions with respect to the opening and closing of any Bank
9 Account and accept and hold, or invest, the Debtors' funds in accordance with the Debtors'
10 instructions and the Debtors' Cash Management Banks shall not have any liability to any party for
11 relying on such directions.

12 18. The Debtors are authorized, but not directed, to continue performing under and
13 honoring their respective obligations, commitments, and transactions related to Intercompany
14 Transactions and Intercompany Claims in the ordinary course of business, consistent with
15 historical practice.

16 19. All postpetition Intercompany Transaction payments from a Debtor, other than
17 payments for goods or services in the ordinary course, that are authorized pursuant to this Final
18 Order are hereby accorded administrative expense status under section 503(b) of the Bankruptcy
19 Code.

20 20. In connection with the Intercompany Transactions, the Debtors shall continue to
21 maintain current records with respect to all transfers of cash so that all Intercompany Transactions
22 may be readily ascertained, traced, and properly recorded on intercompany accounts and shall
23 make such records available to the U.S. Trustee.

24 21. To the extent any other order is entered by the Court authorizing and/or directing
25 the Cash Management Banks to honor checks, drafts, ACH transfers, or other electronic funds
26 transfers or any other withdrawals made, drawn, or issued in payment of prepetition claims, the
27 obligations to honor such items shall be subject to this Final Order.

28

1 22. Nothing contained in the Motion or this Final Order shall be construed to (a) create
2 or perfect, in favor of any person or entity, any interest in cash of a Debtor that did not exist as of
3 the Petition Date or (b) alter or impair the validity, priority, enforceability, or perfection of any
4 security interest or lien, in favor of any person or entity, that existed as of the Petition Date.

5 23. The Debtors are authorized to issue postpetition checks, or to effect postpetition
6 fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored
7 as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection
8 with the relief granted herein.

9 24. Notice of the Motion as provided therein shall be deemed good and sufficient
10 notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Bankruptcy
11 Rules are satisfied by such notice.

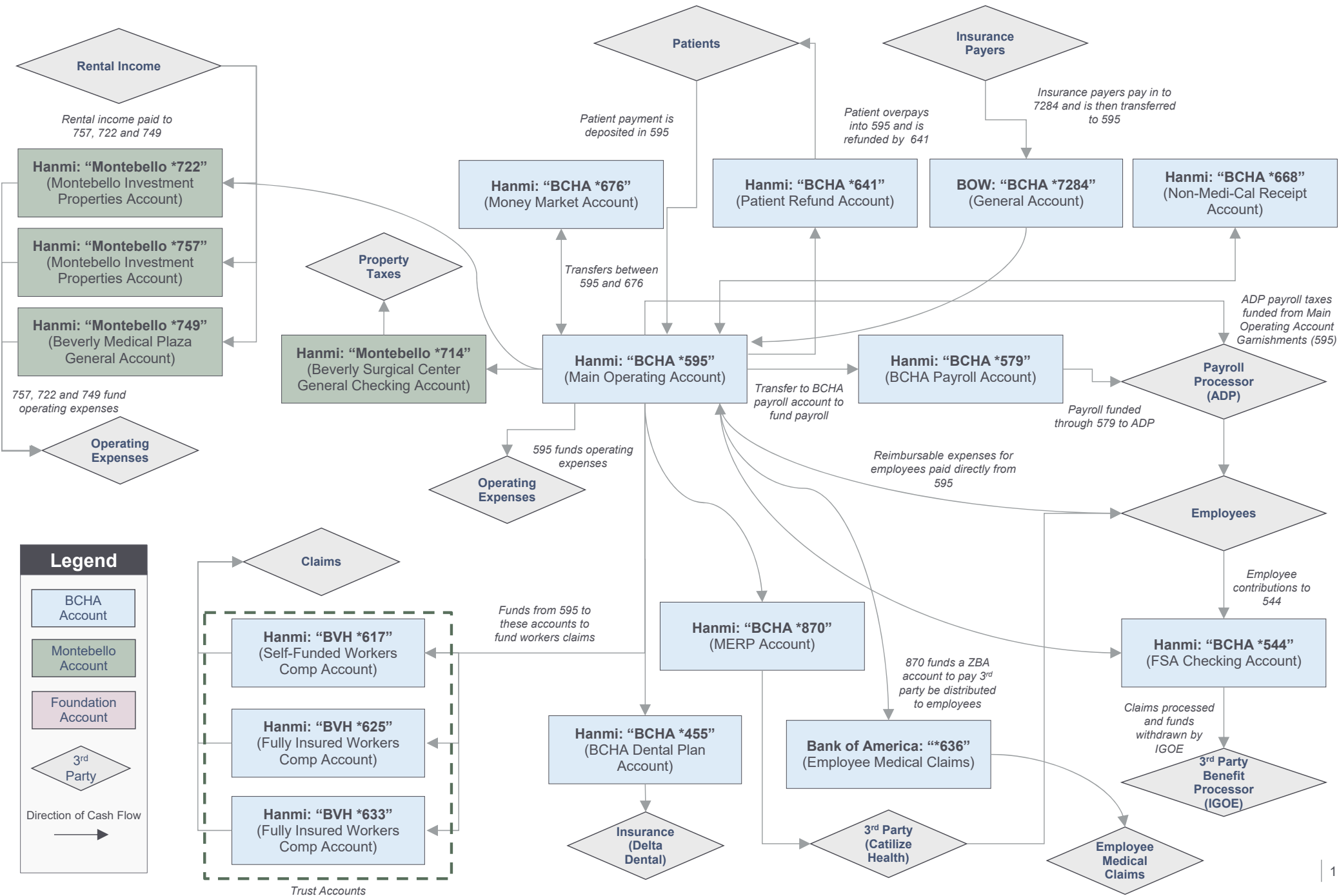
12 25. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final
13 Order are immediately effective and enforceable upon its entry.

14 26. The Debtors are authorized to take all actions necessary to effectuate the relief
15 granted in this Final Order.

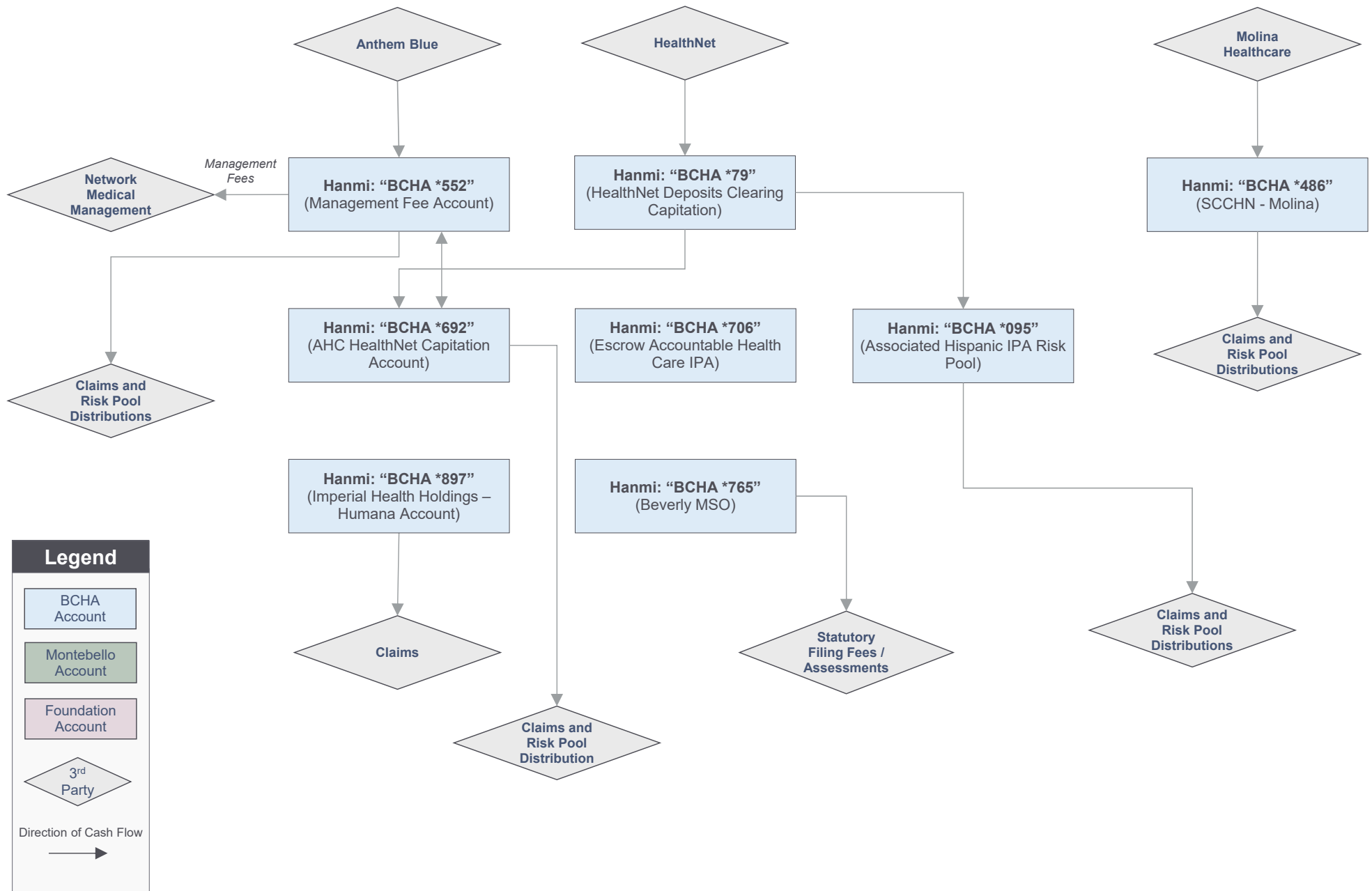
16 27. This Court retains exclusive jurisdiction with respect to all matters arising from or
17 related to the implementation, interpretation, and enforcement of this Final Order.

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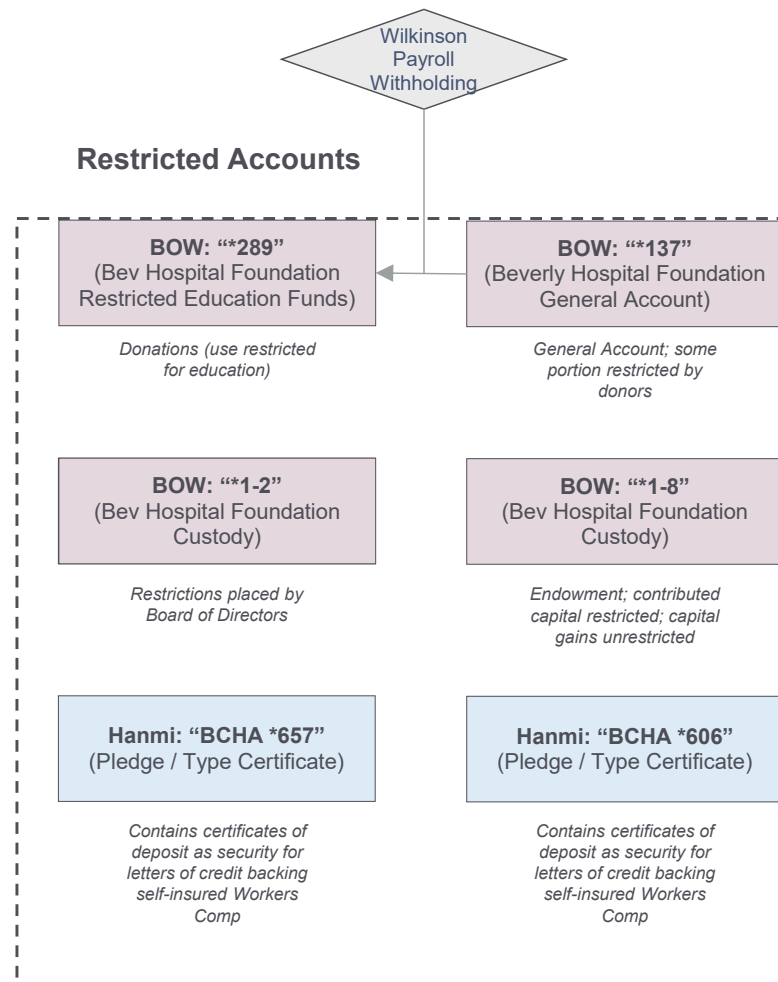
Cash Management – Operating Accounts



Cash Management – Capitation Accounts



Cash Management – Other Accounts



Legend

BCHA Account

Montebello Account

Foundation Account

3rd Party

Direction of Cash Flow



Schedule 2

Bank Accounts

	<u>Debtor</u>	<u>Bank Name</u>	<u>Account Title / Purpose</u>	<u>Account</u>
1.	Beverly Hospital	Hanmi Bank	Main Operating Account	595
2.	Beverly Hospital	Hanmi Bank	BCHA Payroll Account	579
3.	Beverly Hospital	Hanmi Bank	Money Market Account	676
4.	Beverly Hospital	Hanmi Bank	Patient Refund Account	641
5.	Beverly Hospital	Bank of the West	General Account	284
6.	Beverly Hospital	Hanmi Bank	Non-MediCal Receipt Account	668
7.	Beverly Hospital	Hanmi Bank	BCHA Dental Plan Account	455
8.	Beverly Hospital	Hanmi Bank	BCHA 870 (MERP)	870
9.	Beverly Hospital	Hanmi Bank	FSA Checking Account	544
10.	Beverly Hospital	Hanmi Bank	Self-Funded Workers' Comp Account	617
11.	Beverly Hospital	Hanmi Bank	Fully Insured Workers Comp Accounts	625, 633
12.	Beverly Hospital	Bank of America	Employee Medical Claims	636
13.	Beverly Hospital	Hanmi Bank	Pledge/Type Certificate	657
14.	Beverly Hospital	Hanmi Bank	Pledge/Type Certificate	606
15.	Beverly Hospital	Hanmi Bank	General Reserve Account – Money Market Account	684
16.	Beverly Hospital	Hanmi Bank	Imperial Health Holdings Account	889
17.	Beverly Hospital	Bank of the West	Fully Insured Worker's Compensation Account	288, 006
18.	Beverly Hospital	Bank of the West	Money Market Investment (Savings) Funded Depreciation Account	346
19.	Beverly Hospital	Bank of the West	Non-Medi-Cal Receipt Account	583
20.	Beverly Hospital	Bank of the West	Self-Funded Worker's Compensation Account	365

	<u>Debtor</u>	<u>Bank Name</u>	<u>Account Title / Purpose</u>	<u>Account</u>
			(Checking)	
21.	Beverly Hospital	Bank of the West	Refund Account	139
22.	Beverly Hospital	Bank of the West	Dental Plan Account	929
23.	Beverly Hospital	Bank of the West	Money Market Account	215
24.	Beverly Hospital	Bank of the West	Payroll Account (Checking)	416
25.	Beverly Hospital	Bank of the West	"H" Account	786
26.	Beverly Hospital	Hanmi Bank	Giatros Health Scan	635
27.	Beverly Hospital	Bank of the West	Community Hospital Association Custodian	0-9
28.	Beverly Hospital	US Bank	Revenue Fund	000
29.	Beverly Hospital	US Bank	Bond Interest	001
30.	Beverly Hospital	US Bank	Principal Account	002
31.	Beverly Hospital	US Bank	Redemption Account	003
32.	Beverly Hospital	US Bank	Debt Service Reserve Fund	004
33.	Beverly Hospital	US Bank	Project Fund	004
34.	Beverly Hospital	US Bank	Cost of Issuance Fund	005
35.	Beverly Hospital	US Bank	Bond Proceeds Fund	007
36.	Beverly Hospital	US Bank	Master Trustee Revenue Fund	010
37.	Beverly Hospital	US Bank	General Checking Account	721
38.	Beverly Hospital	Hanmi Bank	Management Fee Account	552
39.	Beverly Hospital	Hanmi Bank	AHC HealthNet Capitation Account	692
40.	Beverly Hospital	Hanmi Bank	Imperial Health Holdings – Humana Account	897
41.	Beverly Hospital	Hanmi Bank	Hispanic IPA Risk Pool	095
42.	Beverly Hospital	Hanmi Bank	Health Net Deposits Clearing Capitation	79
43.	Beverly Hospital	Hanmi Bank	SCCHN – Molina	486
44.	Beverly Hospital	Hanmi Bank	Escrow Accountable Health Care IPA	706
45.	Beverly Hospital	Hanmi Bank	Beverly MSO	765

	<u>Debtor</u>	<u>Bank Name</u>	<u>Account Title / Purpose</u>	<u>Account</u>
46.	Beverly Hospital	Hamni Bank	Molina Capitation Account	609
47.	Montebello Health	Hanmi Bank	Beverly Surgical Center General Checking Account	714
48.	Montebello Health	Hanmi Bank	Montebello Investment Properties Account	722
49.	Montebello Health	Hanmi Bank	Montebello Investment Properties Account	757
50.	Montebello Health	Hanmi Bank	Beverly Medical Plaza General Account	749
51.	Montebello Health	Hanmi Bank	MCHS Fund Account	730
52.	Montebello Health	Bank of the West	Beverly Medical Plaza General Account	086
53.	Montebello Health	Bank of the West	MCHA General Account (Checking)	027
54.	Montebello Health	Bank of the West	Surgical Center General Checking Account	202
55.	Montebello Health	Bank of the West	Investment Properties (Checking)	732
56.	Montebello Health	Bank of the West	Community Health Fund	6-2
57.	Beverly Foundation	Bank of the West	Bev Hospital Foundation Restricted Education Funds	289
58.	Beverly Foundation	Bank of the West	Bev Hospital Foundation Custody	1-2
59.	Beverly Foundation	Bank of the West	Bev Medical Plaza General Account	137
60.	Beverly Foundation	Bank of the West	Bev Hospital Foundation Custody	1-8
61.	Beverly Foundation	Bank of the West	Bev Hospital Foundation Custody	0-7