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11 Proposed Counsel to Debtors and  
Debtors in Possession

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

14 In re:  
15 BEVERLY COMMUNITY HOSPITAL  
ASSOCIATION, dba BEVERLY HOSPITAL  
16 (A NONPROFIT PUBLIC BENEFIT  
CORPORATION), *et al.*<sup>1</sup>

17 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

- 18  
19  Affects all Debtors  
20  Affects Beverly Community  
Hospital Association  
21  Montebello Community Health  
22 Services, Inc.  
23  Beverly Hospital Foundation  
24

**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**

25 Date: April [•], 2023  
26 Time: TBD

27 <sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification  
28 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

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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”),<sup>2</sup> 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 <sup>2</sup> 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.<sup>3</sup>**

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 <sup>3</sup> 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:

1 **Beverly Hospital**

2 Beverly Hospital has the following bank accounts maintained at Hanmi:

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

24 Beverly Hospital has the following capitation accounts maintained at Hanmi:

- 25 • A management fee account;
- 26 • A capitation account for AHC Health Net;
- 27 • A capitation account for Imperial Health Holdings;
- 28 • A capitation account for the Associated Hispanic risk pool;

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

#### 4 **Montebello Health**

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

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

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

#### 18 **Beverly Foundation**

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

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

#### 23 **C. New DIP Accounts**

24 The Debtors also seek Court-authority to open new bank accounts pursuant to the Debtor’s  
25 proposed Secured Superpriority Debtor-in-Possession Loan Agreement (the “DIP Agreement”),  
26 by and between Beverly Hospital and Montebello Health, as borrowers and HRE Montebello,  
27 LLC, as lender (the “Lender”). Under the DIP Agreement, to further secure and segregate its  
28 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.

1 **E. Bank Accounts**

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

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

| <u>Bank Accounts</u> <sup>4</sup>                         | <u>Account Description</u>  |
|---|---|
| <b>Bank Accounts</b>                                      |   |
| <b><u>Main Operating Account</u></b><br>(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.  |
| <b><u>Payroll Account</u></b><br>(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.   |
| <b><u>Money Market Account</u></b><br>(676) Hanmi         | Excess Cash in Main Operating Account is transferred to this Money Market Account to earn interest.   |
| <b><u>Patient Refund Account</u></b><br>(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. |
| <b><u>General Account</u></b><br>(7284) Hanmi             | The Hospital maintains the General Account to receive payments from insurance providers on account of patient cost of care.   |
| <b><u>Non Medi-Cal Receipt Account</u></b><br>(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.).   |
| <b><u>FSA Checking Account</u></b><br>(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  |

28 <sup>4</sup> A complete list of all Bank Accounts is attached hereto as **Schedule 2**.

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|  | 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.  |
| <b><u>BCHA Dental Plan Account</u></b><br>(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.  |
| <b><u>MERP Account</u></b><br>(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, Catalize Health, for the employees’ medical expense reimbursement program (“ <u>MERP</u> ”)   |
| <b><u>Bank of America Account</u></b>  | 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.  |
| <b><u>Workers’ Comp Accounts</u></b><br>(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).                          |
| <b><u>Beverly Surgical Center General Checking Account</u></b><br>(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.   |
| <b><u>Montebello Investment Properties Account</u></b><br>(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.   |
| <b><u>Restricted Foundation Accounts</u></b><br>(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.  |
| <b><u>The Beverly Hospital Foundation Money Market Account</u></b><br>(*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. |
| <b><u>Pledge / Type Certificate Accounts</u></b><br>(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.   |
| <b>Capitation Accounts</b>   |   |
| <b><u>Management Fee Account</u></b><br>(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.  |
| <b><u>AHC Health Net Capitation Account</u></b><br>(692) Hanmi          | ACH HealthNet Capitation Account holds capitation payments pursuant to the capitation agreement with HealthNet.  |
| <b><u>Imperial Health Holdings – Humana Account</u></b><br>(897) Hanmi  | Imperial Health Holdings–Humana Account holds capitation payments until claims are settled pursuant to the agreement with Humana.  |
| <b><u>Associated Hispanic IPA Risk Pool</u></b><br>(095) Hanmi          | Beverly Hospital uses the Associated Hispanic IPA Risk Pool account to pay out Health Net claims.  |
| <b><u>Accountable Health Care IPA</u></b><br>(706) Hanmi                | Accountable Health Care IPA account holds capitation payments pursuant to the capitation until settled.  |
| <b><u>HealthNet Deposits and Clearing Capitation</u></b><br>(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. |
| <b><u>SCCHN – Molina</u></b><br>(486) Hanmi                             | The SCCHN – Molina account is a shared risk pool.  |
| <b><u>Beverly MSO</u></b><br>(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).<sup>5</sup>

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 <sup>5</sup> 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;

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

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

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

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

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

21 To avoid disruption of the Cash Management System and unnecessary expense, the  
22 Debtors request that they be authorized to continue to use the Business Forms substantially in the  
23 forms existing immediately prior to the Petition Date, without reference to their status as debtors-  
24 in-possession. The Debtors submit that parties in interest will not be prejudiced by this relief.  
25 Parties doing business with the Debtors undoubtedly will be aware of their status as debtors-in-  
26 possession, and therefore changing business forms is unnecessary and would be unduly  
27 burdensome. If the Debtors exhaust their existing supply of checks during these chapter 11 cases,  
28 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*.

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

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

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

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

24

25 <sup>6</sup> Because the Debtors engage in Intercompany Transactions on a regular basis and such transactions are common  
26 among enterprises like the Debtors, the Debtors submit the Intercompany Transactions are ordinary course  
27 transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and thus do not require this Court's  
28 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.



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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*,<sup>1</sup>  
  
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*

<sup>1</sup> 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 (the “Motion”),<sup>2</sup> of the above-captioned debtors and debtors in possession (collectively, the  
2 “Debtors”) filed on April 19, 2023; and upon the First Day Declaration; and this Court having  
3 jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this  
4 is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may  
5 enter a final order consistent with Article III of the United States Constitution; and this Court  
6 having found that venue of this proceeding and the Motion in this district is permissible pursuant  
7 to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the  
8 Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest;  
9 and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing  
10 on the Motion were appropriate under the circumstances and no other notice need be provided;  
11 and this Court having reviewed the Motion and having heard the statements in support of the  
12 relief requested therein at a hearing before this Court on April [ ], 2023 at [ ].m; and this  
13 Court having determined that the legal and factual bases set forth in the Motion and at the  
14 Hearing establish just cause for the relief granted herein and is necessary to avoid immediate and  
15 irreparable harm pursuant to Bankruptcy Rule 6003; and after due deliberation and sufficient  
16 cause appearing therefor,

17 **IT IS HEREBY ORDERED THAT:**

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

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

26

27

28 <sup>2</sup> 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.

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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.

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**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*,<sup>1</sup>

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*

<sup>1</sup> 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”)<sup>2</sup> 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 <sup>2</sup> 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.

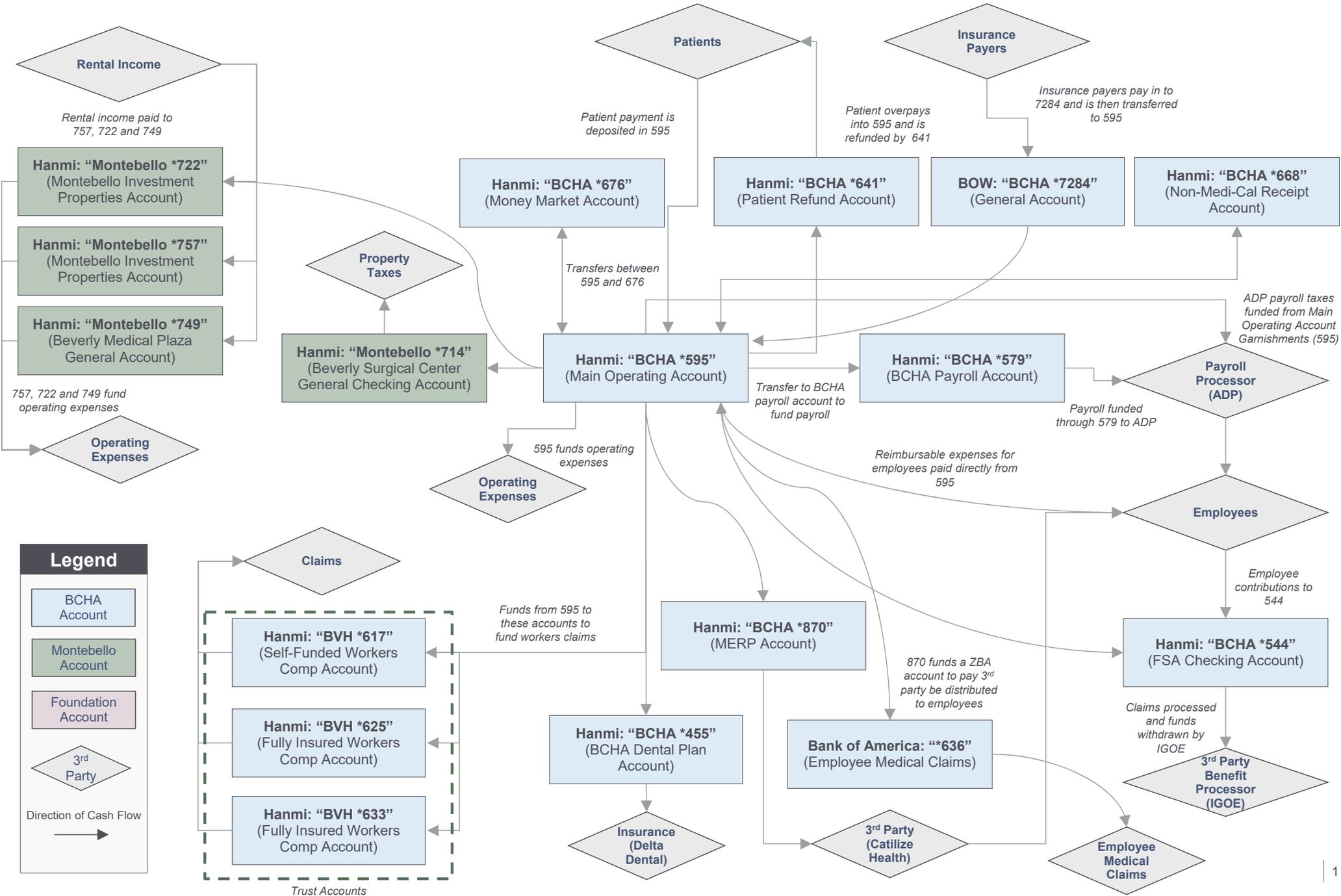
24 21. To the extent any other order is entered by the Court authorizing and/or directing  
25 the Cash Management Banks to honor checks, drafts, ACH transfers, or other electronic funds  
26 transfers or any other withdrawals made, drawn, or issued in payment of prepetition claims, the  
27 obligations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

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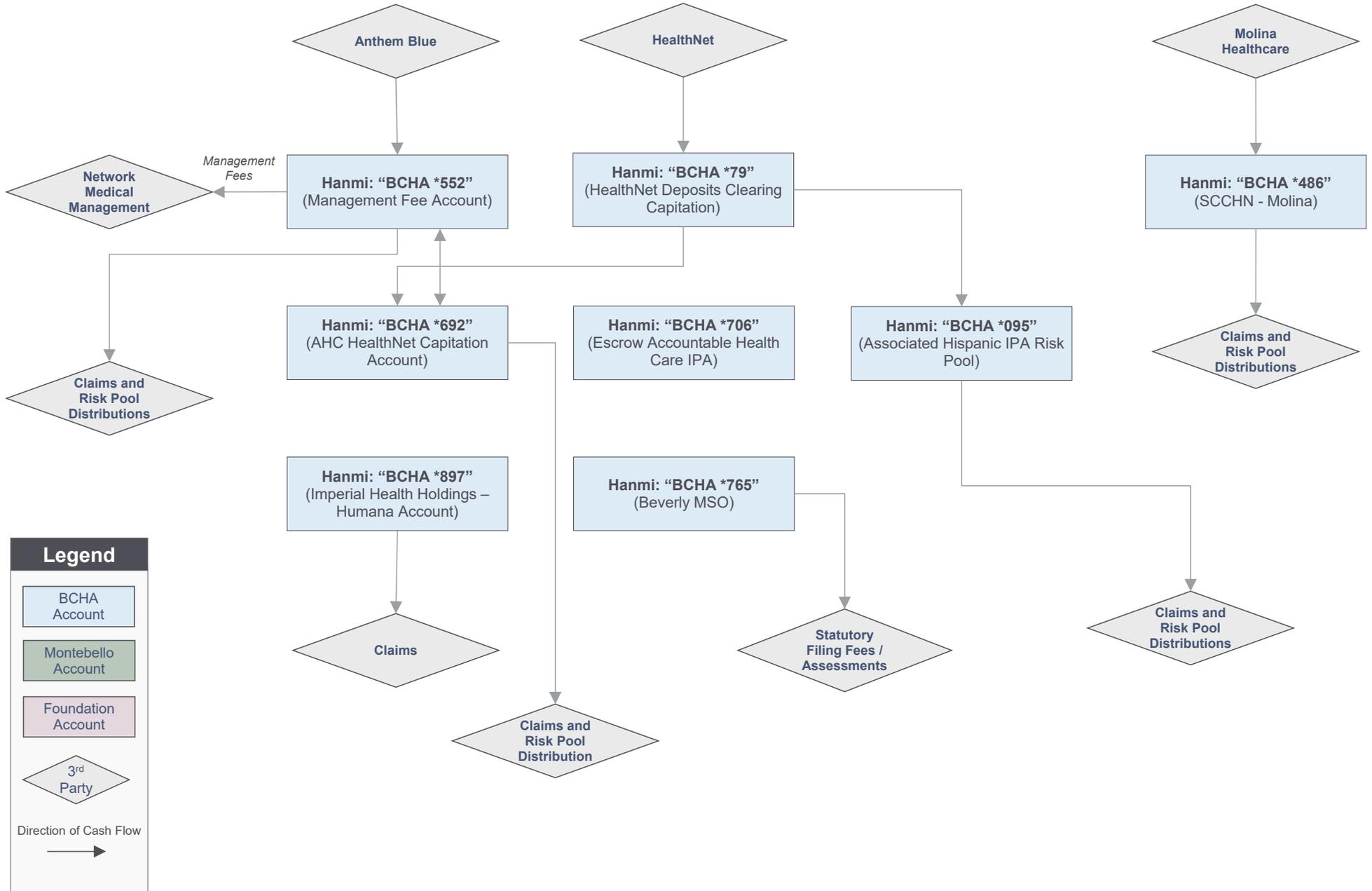


# Schedule E

## Cash Management – Operating Accounts



# Cash Management – Capitation Accounts

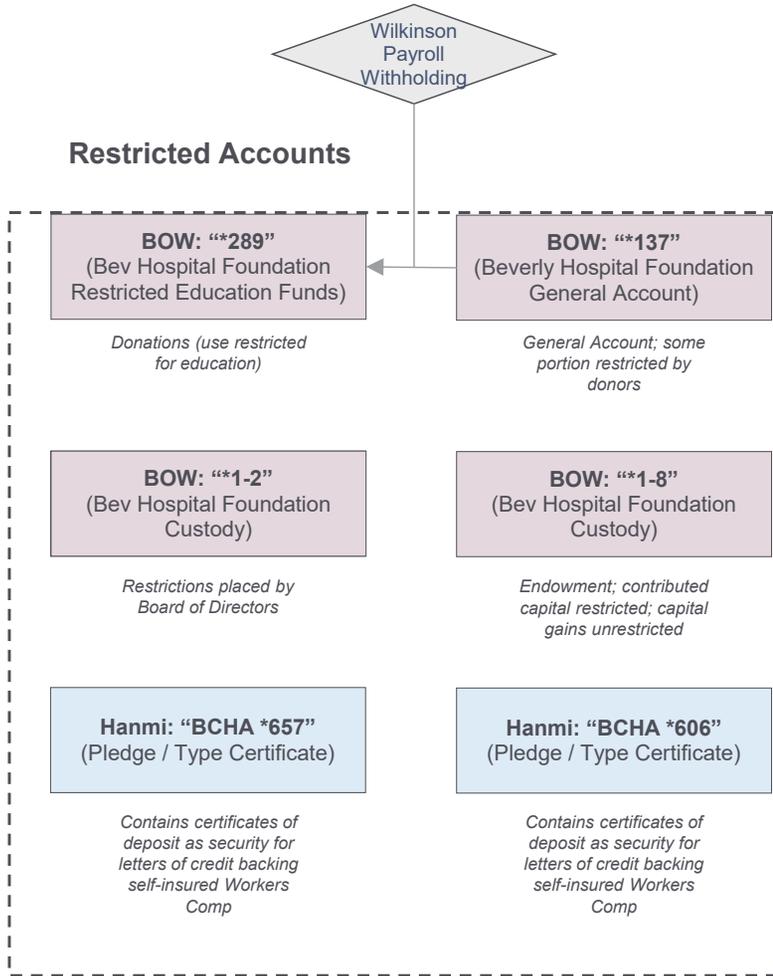


**Legend**

- BCHA Account
- Montebello Account
- Foundation Account
- 3<sup>rd</sup> Party

Direction of Cash Flow

# Cash Management – Other Accounts



**Legend**

- BCHA Account
- Montebello Account
- Foundation Account
- 3<sup>rd</sup> Party

Direction of Cash Flow

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**Schedule 2**

**Bank Accounts**

|     | <b><u>Debtor</u></b> | <b><u>Bank Name</u></b> | <b><u>Account Title / Purpose</u></b>                         | <b><u>Account</u></b> |
|-----|----------------------|-------------------------|---|-----------------------|
| 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                   |

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|     | <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            |

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|     | <b><u>Debtor</u></b> | <b><u>Bank Name</u></b> | <b><u>Account Title / Purpose</u></b>              | <b><u>Account</u></b> |
|-----|----------------------|-------------------------|--|-----------------------|
| 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                   |