

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re:)	
)	Chapter 11
COSHOCTON COUNTY MEMORIAL)	
HOSPITAL ASSOCIATION,)	Case No. 16-_____
an Ohio nonprofit corporation,)	
)	Judge
Debtor.)	
)	
(Federal Tax I.D. No. 31-4387577))	

**DECLARATION OF LORRI WILDI IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, Lorri Wildi, under penalty of perjury pursuant to 28 U.S.C. § 1746, hereby declare as follows:

1. I am the Chief Executive Officer of Coshocton County Memorial Hospital Association (the “Debtor”). In this capacity, I am familiar with the Debtor’s business, day-to-day operations, and financial affairs.

2. On the date hereof (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), with the United States Bankruptcy Court for the Northern District of Ohio (the “Court”), and filed various motions described herein requesting certain relief (collectively, the “First Day Pleadings”). I submit this declaration (the “Declaration”) in support of the Debtor’s chapter 11 case and the First Day Pleadings.

3. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (i) my personal knowledge as Chief Executive Officer of the Debtor; (ii) information supplied to me by other members of the Debtor’s management or the Debtor’s professionals; (iii) my review of relevant documents; and/or (iv) my experience and knowledge

{6189849;}

of the Debtor's business operations and financial affairs. I have acted as Chief Executive Officer of the Debtor since January 2016. I was Interim Chief Executive Officer of the Debtor from February 2014 – December 2015.

4. The First Day Pleadings are intended to enable the Debtor to operate efficiently and effectively during the chapter 11 case, as well as to avoid certain adverse consequences that might otherwise result from the commencement of the chapter 11 case. Among other things, the First Day Pleadings seek relief aimed at sustaining the business operations of the Debtor and maintaining the confidence of the Debtor's patients, employees, providers, vendors, and other creditors. Retaining the support of these key constituencies is critical to the Debtor's efforts to stabilize its business operations and maximize value for the benefit of its creditors. I also believe that, absent immediate access to financing and authority to make certain essential payments and otherwise continue conducting ordinary course business operations as sought under and described in greater detail in the First Day Pleadings, the Debtor would suffer immediate and irreparable harm to the detriment of its bankruptcy estate.

5. If called to testify, I could and would testify to the facts set forth in this Declaration. I am authorized by the Debtor to submit this Declaration. I have reviewed the First Day Pleadings, and it is my belief that the relief sought therein is necessary to (i) avoid immediate and irreparable harm to, and ensure the uninterrupted operations of, the Debtor's business, and (ii) maximize and preserve the value of the Debtor's bankruptcy estate. Unless otherwise indicated, the financial information contained herein is unaudited and subject to change.

Background

6. The Debtor filed this chapter 11 case as a means of consummating a going concern sale of its business as an acute care hospital and ensuring the continued provision of

quality healthcare services to residents of Coshocton County and the surrounding area. This section of this Declaration provides an overview of the Debtor's business, a description of the Debtor's capital structure, an explanation of the reasons for the filing of the chapter 11 case, and a roadmap for how the Debtor plans to achieve its goals through this process.

A. Overview of the Debtor's Business

7. The Debtor operates a general acute care not-for-profit hospital in Coshocton, Ohio. The hospital has been designated as a Sole Community Hospital and is licensed for 56 beds. In addition to the main hospital facility, the Debtor has a number of primary care and specialty physician clinics. The Debtor has annual net revenue of more than \$50 million and employs more than 400 individuals. The hospital is located in eastern central Ohio between Columbus and Pittsburgh and is the only hospital within 25 miles. It has been serving the healthcare needs of the community for more than 100 years.

B. Capital Structure

8. The Debtor does not currently have a secured revolving credit line to support its business operations. Rather, it has secured obligations that arose from bond issuances in 1997 and 1999, and it has certain secured obligations that arose in connection with the acquisition of specific real property or equipment. As of the Petition Date, the Debtor is a party to the following secured loan obligations (collectively, the "Pre-Petition Loans"):

(a) JP Morgan Chase (the bond obligations).

(i) The Debtor and JPMorgan Chase Bank, N.A., as successor by merger to BankOne, Coshocton NA and Bank One, Columbus, NA ("JPMC") have entered into a Reimbursement Agreement dated as of March 27, 1997 (the "1997 Reimbursement Agreement"), pursuant to which JPMC issued a letter of credit for the account of the Debtor to support the County of Coshocton, Ohio Adjustable Rate Demand Hospital Facilities Revenue Bonds, Series 1997 (Coshocton Memorial Hospital Project) in the principal amount of \$3,500,000, for the purpose of

financing the acquisition, construction and equipping of certain of the Debtor's hospital facilities the ("1997 Bonds").

(ii) JPMC and the Debtor have also entered into a Reimbursement Agreement dated as of November 18, 1999 (the "1999 Reimbursement Agreement, and with the 1997 Reimbursement Agreement, collectively, as amended, the "Reimbursement Agreements"), pursuant to which JPMC issued a letter of credit for the account of Debtor to support the County of Coshocton, Ohio Adjustable Rate Demand Hospital Facilities Revenue Bonds Series 1999 (Coshocton County Memorial Hospital Project) in the principal amount of \$10,000,000, for the purpose of financing the acquisition, construction and equipping of additional hospital facilities of the Debtor (the "1999 Bonds").

(iii) In essence, the Debtor's primary secured obligations relate to its 1997 Bonds and 1999 Bonds. However, because the letters of credit are issued by JPMC, the bondholders have no payment risk related to the Debtor and the economic party in interest (the Debtor's senior secured creditor) is JPMC. In connection with the Reimbursement Agreements and related documents, the Debtor's obligations to JPMC are secured by first priority liens and security interests in the Debtor's personal property and in certain real property (the main hospital building and the three main medical office buildings on the Debtor's main campus). As of the Petition Date, the Debtor owes JPMC approximately \$3.1 million under the 1999 Reimbursement Agreement and approximately \$260,000 under the 1997 Reimbursement Agreement. The Debtor made a \$250,000 payment to JPMC that was due on March 1, 2016, on account of the 1997 Bonds in late April 2016. The Debtor and JPMC have entered into a forbearance arrangement under which JPMC agreed to forbear from exercising certain remedies related to defaults by the Debtor.

(b) Tetra Financial Group: The Debtor and TFG-Ohio, L.P. ("TFG") are parties to a Master Lease Agreement dated as of July 14, 2011, and three lease schedules as subsequently amended and restated (collectively, the "TFG Leases"). Pursuant to the TFG Leases, in 2012 TFG acquired and leased to the Debtor certain equipment, including the Debtor's Meditech system. At the conclusion of the three-year term of the TFG Leases, TFG and the Debtor disputed the parties' rights. TFG asserted a default, sued the Debtor, and in August 2015 filed a financing statement (the "TFG Financing Statement") against the Debtor's personal property pursuant to remedies under the TFG Leases. The Debtor and TFG entered into a settlement pursuant to which the Debtor agreed to pay a total of \$1,200,154.60 in full and final settlement of its obligations to TFG payable as follows: (a) \$201,300.63 through application by TFG of a security deposit it held; and (b) \$998,853.97 in cash, payable at the latest upon the closing of a financing transaction. TFG has applied the security deposit. The Debtor was unable to close a financing transaction within the

timeframe contemplated by the settlement agreement, and as a result Tetra and the Debtor entered into a forbearance agreement under which the Debtor is making regular monthly payments. As of the Petition Date, the Debtor owes TFG approximately \$814,000, which is secured by a second priority lien on the Debtor's personal property.

- (c) The Home Loan Savings Bank: The Debtor owes The Home Loan Savings Bank ("HLSB") approximately \$62,000, which is secured by a first priority lien on the real property related to the Debtor's Pleasant Valley clinic.
- (d) Amerisource Bergen Corporation: As of the Petition Date, the Debtor owes Amerisource Bergen Corporation ("Amerisource")¹ approximately \$360,000, which is secured by a lien on the Debtor's inventory acquired from Amerisource (the "Amerisource Pre-Petition Collateral").
- (e) Genesis Healthcare System: In 2012, the Debtor entered into a management agreement (the "Management Agreement") with Genesis Healthcare System ("Genesis") pursuant to which Genesis provided certain executive staff and handled certain management functions. In connection with the Management Agreement, Genesis provided an unsecured loan to the Debtor, under which the Debtor owes Genesis approximately \$4 million. The Debtor owes Genesis an additional approximately \$4.2 million related to services rendered under various contracts or otherwise. The Management Agreement has since been terminated.
- (f) Other Obligations: The Debtor has approximately \$8 million in trade debt. In addition, the Debtor has certain obligations to providers on its self-insured healthcare plan for employees.

C. Events Leading to Bankruptcy

9. The Debtor has faced a number of significant challenges over the past several years, ultimately leading to the filing of this chapter 11 case. It goes without saying that independent rural hospitals throughout the United States have been under tremendous pressure in recent years, leading to a national closure rate of approximately one rural hospital per month. There are numerous reasons for this national healthcare crisis, including the effects of healthcare reform, reduced Medicare reimbursement rates, increased competition aggressive reimbursement

¹ JPMC, TFG, HLSB and Amerisource are collectively referred to herein as the "Pre-Petition Lenders."

policies by private insurers, and increases in patient bad debt. Rural hospitals often also face challenges in recruiting and retaining specialized talent based on their locations. This can also affect profitability, as patients will choose to travel for specialized care if it is not available locally.

10. The Debtor has not been immune to these pressures, which have affected both its top line revenue and its profitability. However, the Debtor has responded to these challenges and has made great strides in adapting to the changing marketplace. I was brought on as CEO in February 2014 and implemented a comprehensive turnaround plan, which had a greater than \$4 million cost reduction impact in 2014 and ongoing annual impact of approximately \$10 million. In the spring of 2014, the decision was made to close the Obstetrics Unit as a result of an aging population, declining volumes and an overall loss of market share. In addition to necessary cost reductions, the hospital transformed its revenue cycle, making substantial positive changes in, among other things, clinical documentation, self-pay receivable collections, and denials management. Recruitment has also been a critical component to the turnaround plan, and in 2015 we implemented an aggressive physician recruitment strategy, assuming recruitment independent of Genesis Healthcare System, which had previously managed this activity through a management agreement that has since been terminated.

11. Unfortunately, these efforts have not been sufficient to fully resolve the hospital's financial difficulties. Although financial results in 2016 have been positive, the hospital has not generated enough cash to remain current with its vendors, providers self-insured healthcare claims, and secured debt. Recognizing both the hospital's financial situation and the challenge of remaining an independent community hospital in today's environment, the hospital's Board of Trustees authorized me in 2015 to engage SOLIC Capital Advisors, LLC and SOLIC Capital,

LLC (together, “SOLIC”). SOLIC was asked to begin a process to seek financing sufficient for the hospital to both restructure its balance sheet and conduct a market search for a strategic transaction to combine with a larger healthcare system while maintaining a quality full service hospital in Coshocton. As a part of this process, SOLIC contacted numerous potential lenders, and the Debtor entered into term sheets and serious negotiation with two separate independent lenders. Ultimately, the Board accepted an offer from Prime Healthcare Foundation, Inc. and Prime Healthcare Foundation-Coshocton, LLC (together, “Prime”) to acquire the hospital’s assets as a going concern through a chapter 11 process and provide debtor in possession financing necessary to implement the sale.

Plan for the Chapter 11 Case

12. The Debtor intends to use this chapter 11 process to consummate a going concern sale of the hospital to Prime or to any interested and qualified party making a higher and better offer. The terms of the Prime offer are as follows:

- Prime will provide an up to \$10 million in debtor in possession financing facility (the “DIP Loan”) based on a cash flow budget;
- The DIP budget will provide for the retirement of current senior secured debt, operating costs during the chapter 11 case, and restructuring costs;
- Prime will acquire substantially all assets of the Debtor other than cash and certain causes of action for \$10 million plus certain cure costs and certain employee obligations. The balance on the DIP Loan will be credited against the purchase price;
- The offer will be subject to higher and better bids pursuant to a 90 day process;
- Prime will operate the hospital as a full service, acute care facility in Coshocton with an emergency department and all other material clinical services as agreed to by the Debtor and Prime, invest \$25 million in capital improvements over the next five years, and invest \$1.0 million in support of physician recruitment activities over the next two years; and

- The offer includes the hiring of substantially all current employees and providers at their current prevailing wage rates.

13. The Debtor believes that the proposed transaction, subject to higher and better offers, is in the best interest of the hospital, its non-profit mission, its creditors, its employees, its providers and the healthcare needs of the community.

Facts in Support of the First Day Pleadings

14. Concurrently with the filing of the chapter 11 case, the Debtor has filed a number of First Day Pleadings,² each of which is described briefly below. I have reviewed each of the First Day Pleadings (including the exhibits thereto), and I believe that the relief sought in each of the First Day Pleadings: (i) is necessary to enable the Debtor to operate in chapter 11 with a minimum of disruption; and (ii) constitutes a critical element in maintaining the value of the Debtor's assets during the chapter 11 process. The Debtor anticipates that the Court will conduct a hearing soon after the commencement of the chapter 11 case (the "First Day Hearing") at which the Court will hear and consider the First Day Pleadings.

15. Generally, the First Day Pleadings have been designed to meet the primary goal of continuing the Debtor's operations postpetition in a manner that will minimize any potential impact on the Debtor's business. As such, the First Day Pleadings seek to: (i) obtain use of postpetition financing; (ii) protect the Debtor's employees and other parties in interest; (iii) maintain the Debtor's operations and business throughout the chapter 11 case; and (iv) efficiently administer the bankruptcy case.

² Capitalized terms used in the descriptions of the First Day Pleadings and not otherwise defined herein have the meanings given to them in the applicable First Day Pleadings. The descriptions of the First Day Pleadings contained herein are only intended to be summaries.

A. Motion of Debtor for Interim and Final Orders: (i) Authorizing Debtor to Obtain Secured Post-Petition Financing and Use of Cash Collateral; (ii) Granting Adequate Protection; (iii) Modifying the Automatic Stay; (iv) Setting Final Hearing; and (v) Granting Related Relief (the “DIP Financing Motion”)

16. In the DIP Financing Motion, the Debtor is seeking approval, on an interim and final basis, of that certain Senior Secured Debtor-in-Possession Loan Agreement, dated June 30, 2016, by and between the Debtor, as borrower, and Prime Healthcare Foundation, Inc. as lender (in its capacity as post-petition lender, the “DIP Lender”), under which the DIP Lender has agreed to provide the Debtor with an up to \$10 million multi-draw term secured term loan (the “DIP Loan”), pursuant to a debtor in possession financing facility, a copy of which is attached to the DIP Financing Motion (the “DIP Loan Agreement”). As more fully described in motions to establish bidding procedures and to sell assets, Prime Healthcare Foundation, Inc. and Prime Healthcare Foundation-Coshocton have also entered into an Asset Sale Agreement to purchase substantially all of the assets of the Debtor as the stalking horse bidder (together, the “Stalking Horse Bidder”). Before the sale may close, however, the proposed financing offered by the DIP Lender will give the Debtor adequate financing and flexibility to properly undertake the restructuring of its business and seek the best strategic partner through a court supervised chapter 11 sale process.

17. Upon entry of the Interim Order (which is attached as an exhibit to the DIP Financing Motion), the Debtor anticipates that it will immediately begin making draws on the DIP Loan up to \$5.5 million during the first 30 days of the chapter 11 case subject to the terms of the Budget. This money will be used repay the outstanding secured debts of the pre-petition lenders (excluding Amerisource), which is necessary to provide the DIP Lender with senior liens, and fund 30 days of operations. The continued viability of the Debtor’s business and the success of its reorganization efforts hinges upon the Debtor’s ability to immediately access

financing. Absent an immediate infusion of capital or access to financing, the Debtor simply cannot operate its hospital facilities; such a situation would jeopardize patient safety and well-being. Accordingly, the interim draw requested is necessary to avoid immediate and irreparable harm.

B. Motion of Debtor for an Order Granting Additional Time to File Schedules and Statements (the “Extension Motion”)

18. I understand that the Bankruptcy Code and Bankruptcy Rules require the Debtor to file with the Court within 14 days of the Petition Date: (i) its schedules of assets and liabilities; (ii) its statements of financial affairs; (iii) its schedules of current income and expenditures; (iv) its statement of executory contracts and unexpired leases; and (v) its list of equity security holders (collectively, the “Schedules and Statements”).

19. By the Extension Motion, the Debtor is seeking entry of an order extending the time for filing the Schedules and Statements for an additional 40 days (for a total of 54 days from the Petition Date), through and including August 23, 2016.

20. The Debtor is filing the Extension Motion because they have numerous creditors and other interested parties. Given the size and complexity of its business and the large number of parties in interest, the Debtor has not had ample opportunity to gather the necessary information to prepare and file its Schedules and Statements.

21. The Debtor has commenced the task of gathering the necessary information to prepare and finalize the Schedules and Statements, but Debtor believes that the 14-day automatic extension of time to file such Schedules and Statements provided by Bankruptcy Rule 1007(c) is not sufficient to permit completion of the Schedules and Statements.

C. Motion of Debtor for an Order (i) Authorizing the Debtor to (a) Pay Certain Prepetition Employee Obligations and Related Claims and (b) Continue to Provide Employee Benefits in the Ordinary Course of Business and (ii) Granting Related Relief (the “Employee Motion”)

22. The Debtor believes that it has valuable assets in its employees, and that any delay in paying prepetition compensation or benefits to its employees would significantly jeopardize the Debtor’s relationships with employees, and irreparably harm morale at a time when the need for the continued service of the Debtor’s employees is most critical. As of the Petition Date, the Debtor employs approximately 450 employees. The employees include the Debtor’s valuable physicians, nurses, nurse assistants, clinical staff, support staff, and administration and corporate management employees. The employees are the backbone of the Debtor’s hospital and the Debtor’s restructuring efforts, and the Debtor requires the full and uninterrupted service of the employees throughout its chapter 11 case to adequately care for the Debtor’s patients. The employees have an intimate knowledge of the Debtor’s hospital and related clinics, and any deterioration in morale, welfare and focus at this critical time undoubtedly would adversely affect the Debtor, the value of its assets and business, and ultimately, the Debtor’s ability to achieve a successful outcome in the chapter 11 case.

23. The Debtor has costs and obligations associated with its employees that arose prior to the Petition Date. Certain of those obligations are outstanding and due and payable as of the Petition Date, and certain will become due and payable in the ordinary course of business after the Petition Date. These obligations include, but are not limited to, wages, reimbursable expenses, benefit obligations and claims, and workers’ compensation obligations. The Debtor seeks the Court’s approval to continue each of these programs in the ordinary course of business so as to maintain employee morale and dedication throughout the Debtor’s chapter 11 case.

24. The Employee Motion does not seek to alter the Debtor's employees' compensation, paid time off, or other benefit policies at this time. The Employee Motion is intended only (i) to permit the Debtor, in its sole discretion, to make payments consistent with the Debtor's existing policies to the extent that, without the benefit of an order approving the Motion, such payments may be inconsistent with the relevant provisions of the Bankruptcy Code, and (ii) to permit the Debtor, in its discretion, to continue to honor its practices, programs and policies with respect to its employees, as such practices, programs and policies were in effect as of the Petition Date. Continued payment of all of the obligations detailed in the Employee Motion in accordance with the Debtor's prepetition business practices is in the best interest of the Debtor's estate, its creditors, and all parties in interest, and will enable the Debtor to continue to operate its business in an economic and efficient manner without disruption.

D. Motion of Debtor for an Order (i) Authorizing Continued Use of Existing Cash Management Systems; (ii) Authorizing Maintenance of Existing Bank Accounts; (iii) Authorizing Continued Use of Existing Business Forms; and (iv) Waiving Certain Investment and Deposit Requirements (the "Cash Management Motion")

25. By the Cash Management Motion, the Debtor is seeking entry of an order (i) authorizing the continued use of its existing cash management system (the "Cash Management System"), (ii) authorizing the maintenance of existing bank accounts (the "Bank Accounts"), (iii) authorizing the continued use of existing business forms and checks (the "Business Forms"), and (iv) waiving certain investment and deposit requirements.

26. I have been informed that the Operating Instructions and Reporting Requirements for Chapter 11 Cases promulgated by the Office of the United States Trustee for the Northern District of Ohio require that a debtor, among other things: (i) close all bank accounts and open new debtor-in-possession bank accounts; (ii) establish a separate debtor-in-possession account for all estate monies required for the payment of taxes, including payroll taxes; (iii) maintain

separate debtor-in-possession accounts for cash collateral; and (iv) obtain checks for all debtor-in-possession accounts which bear the designation “Debtor-In-Possession,” the bankruptcy case number, and the type of account. Without the relief requested in the Cash Management Motion, the Debtor would experience significant disruptions to its operations.

27. The Cash Management Motion describes the Debtor’s cash management system in detail. The Debtor’s cash management system includes 22 separate bank accounts maintained at four different financial institutions: J.P. Morgan Chase Bank, PNC Bank, Century National Bank, and Peoples Bancorp (collectively, the “Bank Accounts”). Many of the Bank Accounts are primarily utilized by the Debtor to manage payments from patients and insurance payors, and to make disbursements, including vendor payments, payroll, and employee benefits.

28. The Debtor’s cash management system constitutes customary and essential business practices, and it is similar to those commonly employed by not-for-profit corporations of comparable size and complexity. The Debtor’s Cash Management Systems allows the Debtor to control and monitor corporate funds, ensure cash availability, and reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate account balances and presentment information.

29. Given the size of the Debtor’s hospital, its clinic network, and the Debtor’s corporate and financial structure, it would be burdensome for the Debtor to establish an entirely new cash management system. Any disruption of the Debtor’s accounting and cash management procedures would be cumbersome and costly to the Debtor’s operations, and any delay could have an adverse impact on the Debtor’s efforts to continue to provide quality products to its patients, make payments to its employees, and pay other necessary expenses during the chapter

11 process. Thus, under the circumstances, maintaining the Debtor's cash management system is in the best interests of the Debtor's estate, patients, and creditors.

30. The Cash Management Motion also requests this Court's authority for the Debtor to continue using its existing Bank Accounts on a postpetition basis. Allowing the Debtor to continue to use its prepetition Bank Accounts will assist the Debtor in making a smooth transition to operating in chapter 11 and ensure that the Debtor's cash flow is not interrupted.

31. The Cash Management Motion also requests authority for the Debtor to continue using its existing business forms postpetition. The Debtor uses its business forms in the ordinary course of its business. By virtue of the nature and scope of the business in which the Debtor is engaged, and the number of customers and suppliers with whom the Debtor transacts business, it is important for the Debtor to continue using its business forms without alteration or change.

32. To prevent unnecessary delay, confusion, and accrual of further expense to the estate, the Debtor requests that the Court waive any requirement of adding a "Debtor-in-Possession" legend or number to the business forms other than checks. The Debtor, however, will each begin using a "Debtor-in-Possession" stamp or legend for all checks as soon as possible.

33. Finally, the Cash Management Motion requests that this Court waive any applicable investment and deposit guidelines solely with regard to the Bank Accounts during the Debtor's bankruptcy case. The Debtor's Bank Accounts are not kept at high-risk institutions or in volatile investments. Rather, the Debtor holds standard accounts at highly regarded, substantial, FDIC-insured and bonded financial institutions; therefore any applicable deposit restrictions can be waived.

E. Motion of Debtor for an Order (i) Authorizing the Debtor to Pay Prepetition (a) Trust Fund Taxes and (b) Licensing Fees and (ii) Authorizing and Directing Financial Institutions to Honor and Process Checks and Transfers Related to Such Relief (the “Taxes Motion”)

34. The Debtor pays taxes to various authorities in the ordinary course of its business. As of the Petition Date, the Debtor has collected certain taxes that accrued during a prepetition period, but are not yet due to the relevant taxing authorities. The Debtor has also collected certain “trust fund” taxes for the benefit of the taxing authorities, which do not properly constitute property of the Debtor’s estate. The Debtor seeks authority to pay all such taxes in the ordinary course of business.

35. The Debtor also pays certain fees related to permits and licenses necessary to operate its hospital and clinics. The Debtor’s remittance of these fees varies greatly based on the various licensing authorities’ requirements. The Debtor always remains current with its required payment of licensing fees, and it has paid any licensing fees that became due prior to the Petition Date. In an abundance of caution, however, the Debtor requests authority to continue to pay any licensing fees that come due in the ordinary course of business throughout this chapter 11 case, regardless of whether the licensing fees relate in part to a prepetition period.

36. The Debtor wishes to remain current on and continue to pay the trust fund taxes and relevant licensing fees in a timely manner in order to prevent potential issues during the chapter 11 case and avoid liability for non-payment. The Debtor’s failure to pay these taxes would have a detrimental impact on its ability to operate its business in the ordinary course. Furthermore, if the Debtor failed to pay these taxes and fees, certain taxing authorities and licensing authorities may become involved in the Debtor’s bankruptcy case, possibly creating undue delay and complications to the Debtor’s restructuring efforts.

37. The Debtor's trust fund taxes do not constitute property of the Debtor's estate, and such amounts are not available to the Debtor's creditors. Therefore, immediate payment of the relevant taxes and fees will not adversely affect the Debtor's estate or its creditors. Further, nonpayment of the relevant licensing fees may jeopardize the Debtor's ability to maintain the necessary permits to operate its hospital and clinics. Uninterrupted operations are necessary for the Debtor to maintain its reputation, avoid significant variations in its cash flow, and preserve the value of the business for a sale process. The Debtor believes that the estate will not be materially harmed if the Court permits the Debtor to pay the relevant trust fund taxes and licensing fees.

F. Motion of Debtor for Interim and Final Orders (i) Prohibiting Utilities from Altering, Refusing, or Discontinuing Services; (ii) Determining That Utilities are Adequately Assured of Payment; and (iii) Establishing Procedures for Determining Requests for Additional Assurance (the "Utilities Motion")

38. In connection with the operation of its business, the Debtor obtains various utility services, such as gas, electric, water, sewer, telephone, cable/internet, fax, waste, recycling, biohazard waste removal, and other services (collectively, the "Utility Services") from certain utility companies (collectively, the "Utility Companies") for the Debtor's hospital and clinic lobbies, offices, and patient rooms. Uninterrupted Utility Services are critical to the Debtor's ability to sustain its operations during the pendency of the chapter 11 case. Any interruption in the Utility Services, however slight, would jeopardize the restructuring efforts of the Debtor, the Debtor's ability to operate its hospital and clinics, and the safety and comfort of the Debtor's patients.

39. By the Utilities Motion, the Debtor seeks interim and final orders (the "Interim Utility Order" and "Final Utility Order," respectively): (i) prohibiting the Utility Companies from altering, refusing, or discontinuing Utility Services (as defined below) to, or discriminating

against, the Debtor on account of amounts outstanding prior to the Petition Date or any perceived inadequacy of the Debtor's proposed adequate assurance; (ii) determining that the Utility Companies, including, but not limited to, those listed on the Utility Services List (defined below), have been provided with adequate assurance of payment within the meaning of section 366 of the Bankruptcy Code through the provision of a two week deposit; and (iii) approving the Debtor's proposed procedures for determining requests for additional adequate assurance of payment to Utility Companies for future utility services.

G. Motion of Debtor for Interim and Final Orders (i) Extending The Automatic Stay to the Employees Covered by the Debtor's Self-Insured Medical Insurance Program; or (ii) In the Alternative, Entering an Injunction Preventing Any Collection Actions Against the Debtor's Employees (the "Health Care Claims Motion")

40. Like many not-for-profit corporations of its size, the Debtor provides medical insurance to its employees as part of a comprehensive benefits package. The Debtor does not contract with an outside insurance company for its employee health insurance program; instead, the Debtor is self-insured. As is often the case with third-party health insurance, the Debtor's self-insurance program usually requires payments by both the employee and the insurance company – here, the Debtor – to satisfy each claim (a "Health Care Claim"). After visiting a medical provider (a "Provider"), the employee pays an up-front co-pay and/or bill for his or her portion of the Provider's claim, and the Debtor, as insurer, is responsible for its portion. The Debtor contracts with MedBen Analytics, LLC and Medical Benefits Administrators, Inc. (together, "MedBen"), a medical analytics and third-party administration company, to calculate the amount due by each party for each Health Care Claim. The Debtor pays various health care providers in the area, including itself, for the Debtor's portion of the Health Care Claims due under its self-insurance program.

41. As the Debtor has encountered financial distress in recent times, however, it has been unable to consistently pay the entirety of its portion of each Health Care Claim as they come due. Because of these cash flow problems, in the months leading up to the filing of the Debtor's chapter 11 case, the Debtor often could not provide MedBen with a sufficient amount of money to pay all of the Health Care Claims due in full each month. Because of this process and the Debtor's financial instability, in the months leading up to the Debtor's chapter 11 filing, the Debtor was substantially behind normal course in the processing and payment of the Health Care Claims.

42. Not long before the Petition Date, the Debtor received a substantial payment under the Ohio Hospital Care Assurance Program ("HCAP"), and the Debtor was able to fund a material amount for payment of the Health Care Claims. This amount was irrevocably funded into a MedBen account and continues to be processed. The Debtor was also able to negotiate discounts and pay certain common providers. As a result, the Debtor believes that the Health Care Claims liability is substantially more normalized, but does not yet know as of the Petition Date exactly what the gross liability or time behind normal processing is.

43. Understandably, before the HCAP payment, the Debtor's inability to pay its Health Care Claims in full and on time was upsetting to nearly every party involved. Many of the Providers did not have their gross claims adjudicated for many months. As a result, some Providers began to, and will likely continue to, seek payment of the full gross claim amount of the Health Care Claims from the insured employees themselves, regardless of whether the ultimate adjudicated claim amount would be lower and/or the primary obligor on a large portion of the Health Care Claim would be the Debtor. Consequently, the insured employees were threatened by the added stress of collection efforts and potential lawsuits, and the Debtor's

administration was strained by the insured employees' legitimate concerns about these collection efforts. These issues have led to significant problems in both recruitment and retention of employees.

44. As a result, the Debtor seeks this Court's approval of (i) an extension of the automatic stay to the insured employees, to the extent that the insured employees may be subject to collection efforts resulting from the Debtor's non-payment of its portion of the Health Care Claims; or, (ii) in the alternative, an injunction preventing any collection actions against the insured employees relating to the Debtor's portion of the Health Care Claims.

45. The ongoing support and trust from the insured employees and their families insured under the Debtor's self-insured health insurance is critical to the mission of the Debtor and, consequently, the success of the Debtor's chapter 11 case for its stakeholders. Even though a substantial amount of the past due Health Care Claims have been paid with the HCAP money, if the insured employees continue to doubt the Debtor's ability to pay its portion of the Health Care Claims, as they have for many months, or fear that they will be subject to personal collection actions for seeking medical care under the Debtor's self-insurance program, many insured employees will likely seek both employment and healthcare elsewhere. These potential events could result in a severe loss of enterprise value for the Debtor's estate and all of its creditors. Similarly, if any Provider is hesitant to treat insured employees on a postpetition basis because of the Debtor's past non-payment of Health Care Claims, the insured employees could be denied, or at least experience significant delays in obtaining, the health care services they need to live healthy lives.

H. Motion of Debtor for an Order (i) Authorizing the Payment of Patient and Insurance Refunds and (ii) Authorizing All Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers (the “Refunds Motion”)

46. The Debtor also requests authority to continue paying certain patient and insurance refunds in accordance with its past practices throughout its chapter 11 case. In the ordinary course of business, the Debtor receives overpayments from patients (the “Patient Refunds”) and providers of medical insurance (the “Insurance Company Refunds” and together with the Patient Refunds, the “Refunds”). Patient Refunds arise in a number of situations. For example, a patient whose insurance policy has both co-pay and deductible components might be presented with a bill containing an estimate of the portion of the bill that is the patient’s responsibility. Often, that estimate is not correct on account of, among other things, an improper estimation of the remaining deductible or copay. If the estimated co-pay turns out to be lower than the actual copay after the patient paid for the services, the patient is entitled to a credit. Similarly, Insurance Company Refunds arise in various ways, including mis-coded services, other billing errors, or duplicate or improperly credited payments. In the ordinary course of business, the Debtor regularly remits Refunds to patients and insurers to address these overpayments.

47. Here, the Debtor believes it is critical to its operations to provide the Refunds, as has been its practice, without regard to whether the Refund obligation arose prepetition or postpetition. The ability of the Debtor to provide the Refunds is essential to the Debtor’s continued positive relationships with its patients and third-party insurance providers. If patients do not receive Refunds to which they are entitled in the ordinary course of business during the Debtor’s chapter 11 case, it would damage the Debtor’s reputation, shake potential patients’ trust in the Debtor as a health care service provider, and cause loss of enterprise value. In addition, if the Debtor attempted to retain the Refunds owed to insurance providers and third-party payors,

those entities would likely assert rights of set off or recoupment in order to collect the overpayments. The transactional costs of dealing with these potential disputes would be significant, and these disputes would further negatively impact the Debtor's cash flow, business operations, and the value of its estate. Because of these risks, the Debtor believes that any delay in returning the Refunds should be reduced to the extent possible. Therefore, it is in the best interest of the Debtor's estate to continue honoring the Refunds in accordance with past practices.

I. Motion of Debtor for an Order Scheduling Expedited Hearing to Consider Certain First Day Pleadings and Approving Notice Thereof (the "Expedited Hearing Motion")

48. The First Day Pleadings described above involve matters that require an emergency and expedited hearing, and the Debtor is requesting that the Court, on an *ex parte* basis, schedule the First Day Hearing as soon as the Court's schedule will permit and that the Court approve the form of notice thereof.

49. The relief requested in the Expedited Hearing Motion is necessary to obtain expedited relief on the First Day Pleadings. As described in detail in each of the First Day Motions, the expedited relief requested in the First Day Pleadings is essential to: (a) obtain financing; (b) ensure a smooth transition into chapter 11; (c) maintain the Debtor's operations and business throughout the chapter 11 case; (d) efficiently administer the bankruptcy case; and (e) establish the basis for the Debtor's restructuring efforts. The Expedited Hearing Motion and the First Day Pleadings are of the type typically heard on an emergency or expedited basis, and any delay in authorizing the relief therein could have a severe and irreparable effect on the Debtor's operations and its transition into operating as a chapter 11 debtor in possession.

50. Pending entry of an order approving the Expedited Hearing Motion, the Debtor proposes to serve the "Notice of Expedited Hearing on First Day Motions," which is attached as

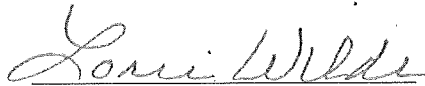
Exhibit A to the Expedited Hearing Motion, as soon as possible to the various notice parties identified in the Expedited Hearing Motion, including each party whose rights are affected by the First Day Pleadings.

Conclusion

51. For all of the reasons stated herein, I believe that the approval of the First Day Pleadings is in the best interest of the Debtor, its estate, its creditors, and all parties in interest.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

June 30, 2016



Lorri Wildi
Chief Executive Officer
Coshocton County Memorial
Hospital Association