

U.S. Trustee Basic Monthly Operating Report  
 Form SB-1

Case Name: Specialty Hospital of Washington, LLC Date Filed: 12/14/2015

Case Number: 14-00279 SIC Code: \_\_\_\_\_

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THIS U.S. TRUSTEE BASIC MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS ON BEHALF OF THE CHAPTER 11 DEBTOR AND, TO THE BEST OF MY KNOWLEDGE, THIS REPORT AND RELATED DOCUMENTS ARE TRUE, CORRECT, AND COMPLETE.

[Signature]  
 ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

12/14/15  
 DATE REPORT SIGNED

Edwin Clark CFO and VP Finance  
 PRINTED NAME OF RESPONSIBLE PARTY AND POSITION WITH THE DEBTOR

The debtor is required to provide financial reports prepared by or for the debtor in addition to the information required in this form. The U.S. Trustee may permit the debtor to eliminate duplicate information. No such permission is valid unless in writing.

QUESTIONNAIRE:

		YES	NO	N/A
1	IS THE BUSINESS STILL OPERATING?	X		
2	DID YOU SELL ANY ASSETS OTHER THAN INVENTORY THIS MONTH?		X	
3	HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?		X	
4	DID YOU PAY ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?		X	
5	DID YOU PAY ALL OF YOUR BILLS ON TIME THIS MONTH?	X		
6	DID YOU PAY YOUR EMPLOYEES ON TIME?	X		
7	HAVE YOU FILED ALL OF YOUR RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?	X		
8	DID YOU PAY ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?	X		
9	DID ANY INSURANCE COMPANY CANCEL OR CHANGE YOUR POLICY THIS MONTH?		X	
10	HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?		X	
11	DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?		X	
12	DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?		X	
13	DID YOU DEPOSIT ALL MONEY FOR YOUR BUSINESS INTO A DIP ACCOUNT THIS MONTH?	X		
14	DID THE BUSINESS SELL ANY GOODS OR PROVIDE SERVICES TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?		X	
15	DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?	X		
16	ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE UST?	X		
17	DO YOU HAVE ANY PAST DUE TAX RETURNS OR POST PETITION TAX OBLIGATIONS?		X	

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

NOTE: (DEBTOR MUST ANSWER ALL QUESTIONS LISTED ABOVE.)

**INCOME**

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT CARD TRANSACTIONS. (If you use an automated accounting system, please attach a copy of the Income Statement and Balance Sheet.)

(EXHIBIT B)

TOTAL INCOME 306

**EXPENSES**

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS PAID THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE AND THE



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AMOUNT. (If you use an automated system, please attach a copy of the Disbursements Journal. Otherwise, attach a copy of the Check Register.)

(EXHIBIT C) TOTAL EXPENSES 416

**CASH PROFIT**

TOTAL INCOME LESS TOTAL EXPENSES (EXHIBIT B MINUS EXHIBIT C) CASH PROFIT (110)

**UNPAID BILLS**

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT, AND WHEN THE DEBT IS DUE.

(EXHIBIT D) TOTAL PAYABLES 703,908

**MONEY OWED TO YOU**

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED, AND WHEN IT IS DUE.

(EXHIBIT E) TOTAL RECEIVABLES -

**BANKING INFORMATION**

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT.

**EMPLOYEES**

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED? 224

NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT? 0

**PROFESSIONAL FEES**

TOTAL PROFESSIONAL FEES APPROVED BY THE COURT DURING THIS PERIOD? See Debtor Budget (Exhibit F)

TOTAL PROFESSIONAL FEES APPROVED BY THE COURT SINCE THE FILING OF THE CASE? See Debtor Budget (Exhibit F)

TOTAL PROFESSIONAL FEES INCURRED BY OR ON BEHALF OF THE DEBTOR DURING THE REPORTING PERIOD? See Debtor Budget (Exhibit F)

TOTAL PROFESSIONAL FEES INCURRED BY OR ON BEHALF OF THE DEBTOR SINCE THE FILING OF THE CASE? See Debtor Budget (Exhibit F)

PROFESSIONAL FEES INCURRED BY OR ON BEHALF OF THE DEBTOR RELATED TO BANKRUPTCY DURING THIS REPORTING PERIOD? See Debtor Budget (Exhibit F)

PROFESSIONAL FEES INCURRED BY OR ON BEHALF OF THE DEBTOR RELATED TO BANKRUPTCY SINCE THE FILING OF THE CASE? See Debtor Budget (Exhibit F)

(IF USING EXCEL TO FILL OUT ATTACHED FORMS, DEBTOR ONLY NEEDS TO FILL OUT THE EMPLOYEE AND PROFESSIONAL FEE SECTIONS. IF COMPLETED MANUALLY, DEBTOR MUST ANSWER ALL QUESTIONS.)

**PROJECTIONS**

COMPARE YOUR ACTUAL INCOME, EXPENSES, AND CASH PROFIT TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

PROJECTED INCOME FOR THE MONTH: \$ See Debtor Budget (Exhibit F)

ACTUAL INCOME FOR THE MONTH: (EXHIBIT B) \$ 306

DIFFERNCE BETWEEN PROJECTED AND ACTUAL INCOME: \$ -

PROJECTED EXPENSES FOR THE MONTH: \$ See Debtor Budget (Exhibit F)

ACTUAL EXPENSES FOR THE MONTH: (EXHIBIT C) \$ 416

DIFFERNCE BETWEEN PROJECTED AND ACTUAL INCOME: \$ -

PROJECTED CASH PROFIT FOR THE MONTH: \$ -

ACTUAL CASH PROFIT FOR THE MONTH: \$ \_\_\_\_\_ (110)

DIFFERENCE BETWEEN PROJECTED AND ACTUAL CASH PROFIT: \$ \_\_\_\_\_ (110)  
(TOTAL FROM EXHIBIT B MINUS TOTAL FROM EXHIBIT C)

(IF ACTUAL CASH PROFIT WAS 90% OR LESS THAN PROJECTED CASH PROFIT, PLEASE ATTACH A DETAILED WRITTEN EXPLANATION.)

(IF USING EXCEL TO FILL OUT ATTACHED FORMS, DEBTOR ONLY NEEDS TO COMPLETE PROJECTION FIGURES. IF COMPLETED MANUALLY, DEBTOR MUST ANSWER ALL QUESTIONS.)

**RECONCILIATION OF CASH DISBURSEMENTS**

CASH DISBURSEMENTS PER FORM 4A-2	416.17
CASH DISBURSEMENTS PER SUM OF FORM 4A-3	0.00
CASH DISBURSEMENTS PER FORM 4D	416.17

DEBTOR: Specialty Hospital of Washington, LLC

CASE NO: 14-00279

**CASH RECEIPTS AND DISBURSEMENTS STATEMENT FORM SB-2**

For Period: 10/01/15 to 10/31/15

**CASH FLOW SUMMARY**

	<u>Current Month</u>	<u>Accumulated</u>
<b>1. Beginning Cash Balance</b>	\$ <u>30,937</u> (1)	\$ <u>(55,255)</u> (1)
<b>2. Cash Receipts</b>		
Operations	-	7,243,468
Sale of Assets NOTE: See (B) Below:	-	-
Loans/advances/transfers	306	31,932,542
Other	-	482,096
<b>Total Cash Receipts</b>	\$ <u>306</u>	\$ <u>39,658,106</u>
<b>3. Cash Disbursements</b>		
Operations	\$ 416	\$ 33,090,328
Debt Service/Secured loan payment/Transfers	-	6,481,895
Professional fees/U.S. Trustee fees	-	-
Payments made from asset sale: NOTE: See (C) Below.	-	-
Other	-	-
<b>Total Cash Disbursements</b>	\$ <u>416</u>	\$ <u>39,572,023</u>
<b>4. Net Cash Flow (Total Cash Receipts less Total Cash Disbursements)</b>	\$ <u>(110)</u>	\$ <u>86,082</u>
<b>5 Ending Cash Balance</b>	\$ <u>30,827</u> (2)	\$ <u>30,827</u> (2)

**CASH BALANCE SUMMARY** See Note (A) below.

	<u>Book</u>
Petty Cash	\$ -
DIP Operating Account	\$ -
DIP State Tax Account	\$ -
DIP Payroll Account	\$ 29,099
Other Operating Account	\$ 1,728
Other Interest-bearing Account	\$ -
<b>TOTAL (must agree with Ending Cash Balance above)</b>	\$ <u>30,827</u> (2)
<b>Variance between Ending Cash Balance and Ending Book Balances:</b>	

(A) The term "cash" includes all forms of currency i.e., checks, cash, money orders, etc.

(B) This figure should include the gross amount the seller receives from the sale. On a HUD-1, this would be line 420.

(C) This figure should include all reductions paid by the debtor for the sale of of asset(s). On a HUD-1, this would be line 520.

(1) Accumulated beginning cash balance is the cash available at the commencement of the case.

Current month beginning cash balance should equal the previous month's ending balance.

(2) All cash balances should be the same.

DEBTOR: Specialty Hospital of Washington, LLC CASE NO: 14-00279

**Form SB-3**  
**CASH RECEIPTS AND DISBURSEMENTS STATEMENT (SEE NOTE A)**  
 For Period: 10/01/15 to 10/31/15

CASH RECEIPTS DETAIL Account No:   
 (attach additional sheets as necessary)

Date	Payer	Description	Amount
	SEE ATTACHED (exhibit B)		\$
			\$
			\$
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			\$
		<b>Total Cash Receipts</b>	\$ _____ (1)

(A) The term "cash" includes all forms of currency i.e., checks, cash, money orders, etc.  
 (1) Total for all accounts should agree with total cash receipts listed on Form SB-2.





DEBTOR: Specialty Hospital of Washington, LLC 14-00279

**Form SB-4**  
**CASH RECEIPTS AND DISBURSEMENTS STATEMENT (SEE NOTE A)**

**CASH DISBURSEMENTS DETAIL**  
(attach additional sheets as necessary)

Account No:

Date	Check No.	Payee	Description (Purpose)	Amount
				\$
				\$
				\$
				\$
				\$
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Total Cash Disbursement: \$

(A) The term "cash" includes all forms of currency i.e., checks, cash, money orders, etc.  
(1) Total for all accounts should agree with total cash disbursements listed on Form 2-B, page 1



DEBTOR: Specialty Hospital of Washington, LLC CASE NO: 14-00279

Form SB-5  
**COMPARATIVE BALANCE SHEET**  
For Period Ended: 10/31/15

	Current Month	Petition Date (1)
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents (from Form 2-B, line 5)	\$ 30,827	\$ 98,286
Accounts Receivable (from Form 2-E)	-	(718,677)
Receivable from Officers, Employees, Affiliates	-	-
Inventory	-	363,083
Other Current Assets :(List)	-	832,104
<b>Total Current Assets</b>	<b>\$ 30,827</b>	<b>\$ 574,797</b>
<b>Fixed Assets:</b>		
Land	-	-
Building	-	-
Equipment, Furniture and Fixtures	-	4,566,455
<b>Total Fixed Assets</b>	<b>\$ -</b>	<b>\$ 4,566,455</b>
Less: Accumulated Depreciation	( - )	( 2,019,132 )
<b>Net Fixed Assets</b>	<b>\$ -</b>	<b>\$ 2,547,323</b>
Other Assets (List):		
Intercompany	(21,134,906)	-
Goodwill	13,722,389	-
<b>TOTAL ASSETS</b>	<b>\$ (7,381,690)</b>	<b>\$ 3,122,120</b>
<b>LIABILITIES</b>		
<b>Post Petition Liabilities:</b>		
Post-petition Accounts Payable (from Form 2-E)	\$ 389,165	-
Post-petition Accrued Professional Fees (from Form 2-E)	-	-
Post-petition Taxes Payable (from Form 2-E)	-	-
Post-petition Notes Payable	-	-
Other Post-petition Payable(List):		
Payroll exp	64,743	-
Other	250,000	-
<b>Total Post Petition Liabilities</b>	<b>\$ 703,908</b>	<b>\$ -</b>
<b>Pre Petition Liabilities: (Exhibit G)</b>		
Secured Debt	-	50,419,868
Priority Debt	-	7,860
Unsecured Debt	25,675,407	46,293,646
<b>Total Pre Petition Liabilities</b>	<b>\$ 25,675,407</b>	<b>\$ 96,721,374</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 26,379,315</b>	<b>\$ 96,721,374</b>
<b>OWNERS' EQUITY</b>		
Owner's/Stockholder's Equity	\$ 100,000	\$ 100,000
Retained Earnings - Prepetition	(27,032,927)	(93,699,254)
Retained Earnings - Post-petition	(6,828,077)	-
<b>TOTAL OWNERS' EQUITY</b>	<b>\$ (33,761,004)</b>	<b>\$ (93,599,254)</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$ (7,381,690)</b>	<b>\$ 3,122,120</b>
<b>VARIANCE (ASSETS - LIABILITIES +- CAPITAL) MUST BE \$0</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

(1) Petition date values are taken from the Debtor's balance sheet as of the petition date or are the values listed on the Debtor's schedules.

NOTE: IF USING EXCEL, EACH LINE MUST CONTAIN A NUMBER.

DEBTOR: Specialty Hospital of Washington, LLC

CASE NO: 14-00279

**Form SB-6  
PROFIT AND LOSS STATEMENT**

For Period 10/01/15 to 42,308

	<u>Current Month</u>	<u>Accumulated Total (1)</u>
Gross Operating Revenue	\$ -	\$ 23,000,839
Less: Discounts, Returns and Allowances	( - )	( 11,590,147 )
<b>Net Operating Revenue</b>	\$ -	\$ 11,410,692
Cost of Goods Sold	-	-
<b>Gross Profit</b>	\$ -	\$ 11,410,692
<b>Gross Profit Margin</b>	#DIV/0!	100%
<b>Operating Expenses</b>		
Officer Compensation	\$ -	\$ -
Selling, General and Administrative	-	13,772,103
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	788,397
Other (list): <u>Bank fees</u>	<u>110</u>	<u>1,010</u>
<b>Total Operating Expenses</b>	\$ 110	\$ 14,561,510
<b>Operating Income (Loss)</b>	\$ (110)	\$ (3,150,819)
<b>Non-Operating Income and Expenses</b>		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	-	-
Interest Expense	-	717,533
Other Non-Operating Income	-	-
<b>Net Non-Operating Income or (Expenses)</b>	\$ -	\$ (717,533)
<b>Reorganization Expenses</b>		
Legal and Professional Fees	\$ -	\$ -
Other Reorganization Expense Sale of Assets	-	2,959,725
<b>Total Reorganization Expenses</b>	\$ -	\$ 2,959,725
<b>Net Income (Loss) Before Income Taxes</b>	\$ (110)	\$ (6,828,077)
Federal and State Income Tax Expense (Benefit)	-	-
<b>NET INCOME (LOSS)</b>	\$ (110)	\$ (6,828,077)

(1) Accumulated Totals include all revenue and expenses since the petition date.

**NOTE: IF USING EXCEL, ALL LINES MUST CONTAIN A NUMBER.**

DEBTOR: Specialty Hospital of Washington, LLC

CASE NO: 14-00279

**Form SB-7  
DISBURSEMENT SUMMARY  
For the Month Ended: 10/31/15**

Total Disbursements from Operating Account (Note 1)	\$	<u>416</u>
Total Disbursements from Payroll Account (Note 2)	\$	<u>0</u>
Total Disbursements from Tax Escrow Account (Note 3)	\$	<u>0</u>
Total Disbursements from and other Account (Note 4)	\$	<u>0</u>
<b>Grand Total disbursements from all accounts</b>	<b>\$</b>	<b><u><u>416</u></u></b>

NOTE 1 - Include in this amount all checks written, wire transfers made from, or any other withdrawal from the general operating account. Exclude only transfers to the debtor in possession payroll account, the debtor in possession tax escrow account or other debtor in possession account where the disbursements will be listed on this report.

NOTE 2 - Include in this amount all checks written, wire transfers made from, or any other withdrawal from the payroll account. Exclude only transfers to the debtor in possession operating account, the debtor in possession tax escrow account or other debtor in possession account where the disbursements will be listed on this report.

NOTE 3 - Include in this amount all checks written, wire transfers made from, or any other withdrawal from the tax escrow account. Exclude only transfers to the debtor in possession operating account, the debtor in possession payroll account or other debtor in possession account where the disbursements will be listed on this report.

NOTE 4 - Include in this amount any other disbursements made by the debtor including (but not limited to) cash paid from a petty cash fund or cash register, amounts paid from any other debtor in possession account, and amounts paid from the accounts of others on the debtors behalf (for example, disbursements made from a law firm's escrow account as a result of a sale of property.)

**FEE SCHEDULE**

<u>Quarterly Disbursements</u>	<u>Fee</u>	<u>Quarterly Disbursements</u>	<u>Fee</u>
\$0 to \$14,999.....	\$325	\$1,000,000 to \$1,999,999..	\$6,500
\$15,000 to \$74,999.....	\$650	\$2,000,000 to \$2,999,999..	\$9,750
\$75,000 to \$149,999.....	\$975	\$3,000,000 to \$4,999,999..	\$10,400
\$150,000 to \$224,999.....	\$1,625	\$5,000,000 to \$14,999,999	\$13,000
\$225,000 to \$299,999.....	\$1,950	\$15,000,000 to \$29,999,99	\$20,000
\$300,000 to \$999,999.....	\$4,875	\$30,000,000 or more.....	\$30,000

*Interest will be assessed on Chapter 11 quarterly fees not paid by the end of the month following the end of the calendar quarter pursuant to 31 U.S.C. Sec. 3717. The interest rate assessed is the rate in effect as determined by the Treasury Department at the time the account becomes past due.*

*Failure to pay the quarterly fee is cause for conversion or dismissal of the chapter 11 case. [11 U.S.C. Sec. 1112(b)(10)]*

DEBTOR: Specialty Hospital of Washington, LLC

CASE NO: 14-00279

Form SB-8  
**NARRATIVE**  
FOR THE PERIOD 10/1 to 10/31

Please provide a brief description of any significant business and legal actions taken by the debtor, its creditors, or the court during the reporting period, any unusual or non-recurring accounting transactions that are reported in the financial statements, and any significant changes in the financial condition of the debtor which have occurred subsequent to the report date.

SEE ATTACHED

Form SB-8

On April 23, 2014, an involuntary petition for relief under chapter 11 of the U.S. Bankruptcy Code was filed against Specialty Hospital of Washington, LLC ("SHDC") in the U.S. Bankruptcy Court for the District of Delaware. On May 9, 2014, however, the case was transferred to the U.S. Bankruptcy Court for the District of Columbia (the "Bankruptcy Court") upon the request of various parties, including the petitioning creditors, the District of Columbia, other federal agencies and SHDC. On May 21, 2014, SHDC consented to the entry of an order for relief (which was entered), and the other Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

Prior to May 21, 2014, the Debtors negotiated the terms of a \$15 million debtor-in-possession credit facility (the "DIP Facility") with DCA Acquisitions, LLC ("DCA"). After lengthy contested hearings conducted on May 23, May 29 and May 30, 2014, the Bankruptcy Court approved the DIP Facility on an interim basis pursuant to an order entered on June 2, 2014. After further negotiations with creditors and parties in interest, and a hearing on June 18, 2014, the Bankruptcy Court entered an order on June 25, 2014, approving the DIP Facility on a final basis. The availability under the DIP Facility and its maturity date were extended on two occasions to provide the Debtors with funding through the extension of the closing of the sale of substantially of the Debtors' assets and business/healthcare operations discussed below.

In January 2014, the Debtors began formal marketing for the sale of substantially all of their assets and business/healthcare operations. By May 21, 2014, the Debtors selected DCA as the "stalking horse" bidder. After a lengthy contested hearing conducted on May 30, 2014, the Bankruptcy Court approved the Debtors' bidding procedures (the "Bidding Procedures") and the Debtors' designation of DCA as the stalking horse purchaser, as well as accompanying bidding provisions, including a break-up fee, pursuant to an order entered on June 2, 2014. The Bidding Procedures established a process pursuant to which potential bidders could conduct due diligence and submit a competing bid to acquire the Debtors' assets. No competing bids were received by the June 20, 2014 deadline, and as a result, the Debtors did not hold the previously-scheduled auction on June 23, 2014.

A hearing to approve the Debtors' request to sell substantially all of their assets and business/healthcare operations to DCA was conducted on June 23, 2014. Several objections and responses to the Debtors' request were filed by creditors and parties in interest. Extensive negotiations over the form and substance of an order (the "Sale Order") authorizing the sale (the "Sale") occurred prior to commencement of the June 25 hearing. By the conclusion of that hearing, the Debtors and other parties had reached agreement in principle on the substance of a Sale Order, and the Bankruptcy Court approved the Sale, subject to settlement and presentment of the Sale Order. Between June 25 and June 27, 2014, the Debtors continued to negotiate with certain parties regarding language necessary to settle the Sale Order. A final form of the Sale Order was endorsed by the principal parties and submitted for court approval on June 27, 2014. The Bankruptcy Court entered the Sale Order on June 30, 2014.

On November 14, 2014, DCA extended the time to close on the Sale (the "Closing") to November 30, 2014 and on December 12, 2014, DCA further extended the Closing to December 19, 2014. The Closing was subject to various conditions precedent identified in the Sale Order and the Asset Purchase Agreement, including the Debtors and DCA reaching acceptable settlements and other arrangements with various federal and local regulatory authorities. The relevant settlements and other arrangements were achieved and the Closing occurred on December 18, 2014. In connection with the Closing and the transaction, DCA agreed to continue to fund all pre-Closing operational and other expenses and costs pursuant to the Second Extension Order (Doc. 730).

From and after the Closing, the Debtors (through their Board of Directors and other individuals, including their chief financial officer, Edwin Clark, who will continue to provide services for the Debtors and be compensated for the same) have continued to manage their remaining assets, pay pre-Closing administrative expenses, and address other matters. On January 6, 2015, the Court entered an order approving the retention of Sills Cummins & Gross P.C. as special counsel to the Debtors and the Committee ██████████ to investigate potential causes of action (the "Sills Investigation"). The Sills Investigation is completed. The Debtors are consulting with the Committee and other constituents regarding appropriate steps to conclude administration of the cases.

Additional Narrative Regarding Assets and Liabilities

This Monthly Operating Report reflects historical book values for assets, which does not reflect the fair market value of such assets. The reader is directed to the bankruptcy schedules and amendments thereto, filed with the Court, for an understanding of the fair market value of assets (including interests in real property and receivables), and issues relating thereto. The debtors' assessment of asset valuation was supported by the results of the Court-approved sale process and the purchase and sale transaction approved pursuant to Court order dated June 30, 2014.

DEBTOR: Specialty Hospital of Washington, LLC

**INITIAL FINANCIAL REPORT  
FORM PC - 1  
CHAPTER 11  
COVER SHEET**

CASE NUMBER: 14-00279

10/31/15

Date of Report

**THIS REPORT IS DUE 15 DAYS AFTER THE PETITION FILING DATE**

Mark One Box for Each  
Required Document:

Document Attached	Previously Submitted	Explanation Attached	
<b>REQUIRED DOCUMENTS</b>			
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. Latest Fiscal Year Financial Statements or Tax Returns
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. Balance Sheet as of Month End Immediately Preceding Filing
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. Profit and Loss Statement for Month and Year Immediately Preceding Filing
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. Proof of Insurance Coverage:
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	a. General Liability Insurance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	b. Property (Fire, Theft, etc.) Insurance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	c. Workers' Compensation Insurance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	d. Vehicle Insurance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	e. Other:
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. Projected Revenue, Expenses and Cash Flow for First 180 Days of Post Petition Operations
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Name and Address of Financial Institution, Account Number and Sample Voided Check for Each Debtor in Possession Bank Account
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	a. General Account
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	c. Tax Account (if required)

***I declare under penalty of perjury that the following Initial Financial Report, and any attachments are true and correct to the best of my knowledge and belief.***

Executed on: 12/14/15

Debtor(s): 

By: Edwin Clark

Position: CFO and VP Finance

**NOTE: Signature of Debtor(s) is required.**

Exhibits





410-09-01-00 12209 0 C 001 30 50 003  
 THE SPECIALTY HOSPITAL OF WASHINGTON  
 CAPITOL HILL  
 8 FORDHAM CT  
 MILLERSVILLE MD 21108-1264

## Your account statement

For 10/30/2015

## Contact us



BBT.com



(800) BANK-BBT or  
 (800) 226-5228

### Optimize Your Cash Flow with BB&T

With a legacy dating back to 1872, BB&T has become one of the nation's largest and soundest financial institutions, primarily by investing in the strength of our relationships. We recognize you have goals that are unique to your business, and we take the time to learn about your organization so we can provide solutions that best meet your needs - while helping you improve efficiency and better manage your operations. We help business owners like you face cash flow challenges from every direction:

- Accelerate Receivables - Manage Incoming Cash
- Control & Extend Payables - Manage Outgoing Cash
- Leverage Credit & Optimize Cash - Manage Cash Needs & Excess

To find out more, contact your local Relationship Manager for details.

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### ■ BUSINESS VALUE 500 CHECKING [REDACTED] 2231

#### Account summary

Your previous balance as of 09/30/2015	\$1,768.31
Checks	- 0.00
Other withdrawals, debits and service charges	- 40.20
Deposits, credits and interest	+ 0.00
Your new balance as of 10/30/2015	= \$1,728.11

#### Other withdrawals, debits and service charges

DATE	DESCRIPTION	AMOUNT(\$)
10/21	SERVICE CHARGES - PRIOR PERIOD	40.20
Total other withdrawals, debits and service charges		= \$40.20

# Questions, comments or errors?

Member FDIC

For general questions/comments or to report errors about your statement or account, please call BB&T Phone24 at 1-800-BANK BBT (1-800-226-5228) 24 hours a day, 7 days a week. BB&T Phone24 Client Service Associates are available to assist you from 6 a.m. until midnight ET. You may also contact your local BB&T financial center. To locate a BB&T financial center in your area, please visit BBT.com.

## Electronic fund transfers

In case of errors or questions about your electronic fund transfers, if you think your statement or receipt is wrong or if you need more information about a transfer on the statement or receipt, contact us as soon as possible. You may write to us at the following address:

BB&T Liability Risk Management  
P.O. Box 996  
Wilson, NC 27894-0996

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If your periodic statement shows transfers that you did not make, tell us at once. If you do not inform us within sixty (60) days after the statement was mailed to you, you may not get back any money you lost after sixty (60) days. This will occur if we can prove that we could have stopped someone from taking the money if you had informed us in time. If a good reason kept you from informing us, we will extend the time periods.

## Important information about your Constant Credit Account

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will automatically be imposed on the account's outstanding "Average daily balance." The INTEREST CHARGE is calculated by applying the "Daily periodic rate" to the "Average daily balance" of your account (including current transactions) and multiplying this figure by the number of days in the billing cycle. To get the "Average daily balance," we take the beginning account balance each day, add any new advances or debits, and subtract any payments or credits and the last unpaid INTEREST CHARGE. This gives us the daily balance. Then we add all of the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the "Average daily balance."

## Billing rights summary

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How to Reconcile Your Account		Outstanding Checks and Other Debits (Section A)			
		Date/Check #	Amount	Date/Check #	Amount
1. List the new balance of your account from your latest statement here:					
2. Record any outstanding debits (checks, check card purchases, ATM withdrawals, electronic transactions, etc.) in section A. Record the transaction date, the check number or type of debit and the debit amount. Add up all of the debits, and enter the sum here:					
3. Subtract the amount in line 2 above from the amount in line 1 above and enter the total here:					
4. Record any outstanding credits in section B. Record the transaction date, credit type and the credit amount. Add up all of the credits and enter the sum here:					
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		Date/Type	Amount	Date/Type	Amount



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### ■ BUSINESS ANALYZED CHECKING [REDACTED] 20183

#### Account summary

Your previous balance as of 09/30/2015	\$6,494.12
Checks	- 0.00
Other withdrawals, debits and service charges	- 0.00
Deposits, credits and interest	+ 0.00
Your new balance as of 10/30/2015	= \$6,494.12

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		Date/Type	Amount	Date/Type	Amount



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## ■ BUSINESS ANALYZED CHECKING [REDACTED] 1928

### Account summary

Your previous balance as of 09/30/2015	\$22,674.59
Checks	- 0.00
Other withdrawals, debits and service charges	- 69.49
Deposits, credits and interest	+ 0.00
Your new balance as of 10/30/2015	= \$22,605.10

### Other withdrawals, debits and service charges

DATE	DESCRIPTION	AMOUNT(\$)
10/21	SERVICE CHARGES - PRIOR PERIOD	69.49
Total other withdrawals, debits and service charges		= \$69.49

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1. List the new balance of your account from your latest statement here:					
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### ■ BUSINESS ANALYZED CHECKING [REDACTED] 84228

#### Account summary

Your previous balance as of 09/30/2015	\$0.00
Checks	- 0.00
Other withdrawals, debits and service charges	- 306.48
Deposits, credits and interest	+ 306.48
Your new balance as of 10/30/2015	= \$0.00

#### Other withdrawals, debits and service charges

DATE	DESCRIPTION	AMOUNT(\$)
10/16	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/16	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/16	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/16	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/19	ACH CORP DEBIT ADP - FEES ADP PAYROLL FEES SHW-CAPTL HILL NRSG CN	142.74
10/21	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/21	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/21	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/28	RETURNED ITEM FEE (\$36/ITEM)	36.00
10/30	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/30	ACH CORP DEBIT FEE NPDB QUERY THE SPECIALTY HOSPITAL	3.00
10/30	OVERDRAFT FEE (\$36/ITEM)	72.00
10/30	AUTOMATIC ACCOUNT TRANSFER ACCOUNT NUMBER 0005162784341	28.74
<b>Total other withdrawals, debits and service charges</b>		<b>= \$306.48</b>

Deposits, credits and interest

DATE	DESCRIPTION	AMOUNT(\$)
10/16	AUTOMATIC ACCOUNT TRANSFER ACCOUNT NUMBER ██████████ 84341	12.00
10/19	AUTOMATIC ACCOUNT TRANSFER ACCOUNT NUMBER ██████████ 84341	142.74
10/21	AUTOMATIC ACCOUNT TRANSFER ACCOUNT NUMBER ██████████ 84341	9.00
10/30	ADP - FEES ADP PAYROLL FEES SHW-CAPTL HILL NRSG CN	142.74
Total deposits, credits and interest		= \$306.48





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Exhibit D

Specialty Hospital of Washington LLC  
 Unpaid Bills  
 10/31/2015

Payee Description	Date Incurred	Due Dates	Purpose of Obligation	Obligation
<b>Trade payables</b>				
Various	Various	Various	Hospital Operations	\$ 389,165
<b>Other Accrued Expense</b>				
Other Accrued Costs	Various	Various	Hospital Operations	250,000
Accrued Payroll Costs and taxes , including vacation	Various	Various	Employee Payroll	64,743
<b>Total Accrued Expenses</b>				<u>314,743</u>
<b>Total Unpaid Bills</b>				<u>\$ 703,908</u>

Exhibit E

Specialty Hospital of Washington, LLC  
 Net Patient Accounts Receivable  
 31-Oct-15

Specialty Hospital of Washington Nursing Center, LLC	Medicare	Medicaid	Commercial	Bad Debt	Total
Gross Accounts Receivable	\$ -	-	-	-	\$ -
<i>Adjustments</i>					
Contractual Allowance	-	-	-	-	-
Bad Debts	-	-	-	-	-
<b>Total Adjustments</b>	-	-	-	-	-
<b>Net Accounts Receivable</b>	\$ -	-	-	-	\$ -

*All Accounts Receivable was transferred at close*



Specialty Hospital of Washington LLC  
Current Liabilities Reconciliation  
10/31/2015

Account Description	Total Current Liabilities	Post Petition Current Liabilities	Pre - Petition Current Liabilities	Pre - Petition Breakdown			Total Pre - Petition Accrued Expenses
				Secured	Priority	Unsecured *	
Accounts Payable	\$ 12,294,822	389,165	11,905,657	-	-	11,905,657	11,905,657
Accrued Expenses							
Other Accrued Costs	446,956	250,000	196,956	-	-	196,956	196,956
Accrued Interest	(359,246)	-	(359,246)	-	-	(359,246)	(359,246)
Licensed Bed Tax	833,580	-	833,580	-	-	833,580	833,580
Accrued Personal Property Taxes	102,953	-	102,953	-	-	102,953	102,953
FIN 47	87,336	-	87,336	-	-	87,336	87,336
Accrued Bailpark fees	66,000	-	66,000	-	-	66,000	66,000
Federal/Fica taxes/FUTA/SUTA	7,695,229	-	7,695,229	-	-	7,695,229	7,695,229
State taxes - Maryland	1,939,668	-	1,939,668	-	-	1,939,668	1,939,668
State taxes - DC	159,165	-	159,165	-	-	159,165	159,165
State taxes - Virginia	-	-	-	-	-	-	-
Employee Deductions, including 401k	470,277	-	470,277	-	-	470,277	470,277
CMS - Civil Penalty (SNF)	133,150	-	133,150	-	-	133,150	133,150
Tax Penalties - IRS	1,146,020	-	1,146,020	-	-	1,146,020	1,146,020
Tax Penalties - Maryland	223,886	-	223,886	-	-	223,886	223,886
Tax Penalties - Virginia	19,607	-	19,607	-	-	19,607	19,607
Tax Penalties - DC	534,395	-	534,395	-	-	534,395	534,395
Accrued Payroll Costs, including vacation	593,174	64,743	528,431	-	-	528,431	528,431
Other	192,477	-	192,477	-	-	192,477	192,477
<b>Total Accrued expenses</b>	<b>14,284,626</b>	<b>314,743</b>	<b>13,969,884</b>	-	-	<b>13,969,884</b>	<b>13,969,884</b>
<b>Amounts Due to Government Authorities</b>							
Due to Department of Health Care Finance - LTACH							
Medicaid Appeals (2007 -2010)	3,865,085	-	3,865,085	-	-	3,865,085	3,865,085
Due from Department of Health Care Finance - 2011 - 2014	(4,060,328)	-	(4,060,328)	-	-	(4,060,328)	(4,060,328)
<b>Total Due to Government Authorities</b>	<b>(195,243)</b>	-	<b>(195,243)</b>	-	-	<b>(195,243)</b>	<b>(195,243)</b>
<b>Total Current Liabilities</b>	<b>26,384,205</b>	<b>703,908</b>	<b>25,680,297</b>	-	-	<b>25,680,297</b>	<b>25,680,297</b>

\* Some portion of total number contained in sub shaded line item may constitute a priority claim under the Bankruptcy Code. However, the debtors and their legal counsel have not conducted the factual and legal analysis to determine precisely which of these claims (if any) constitute a priority claim, the relative priority to be afforded any claims that do constitute a priority claim and the amounts to be afforded priority status.