

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION
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In re: Chapter 11
SENIOR CARE GROUP, INC., Case No. 8:17-bk-6562-CPM
Jointly Administered with:
KEY WEST HEALTH AND REHABILITATION Case No. 8:17-bk-06580-CPM
CENTER, LLC,
SCG BAYWOOD, LLC, Case No. 8:17-bk-06563-CPM
SCG GRACEWOOD, LLC, Case No. 8:17-bk-06564-CPM
SCG HARBOURWOOD, LLC, Case No. 8:17-bk-06572-CPM
SCG LAURELLWOOD, LLC, Case No. 8:17-bk-06576-CPM
THE BRIDGES NURSING AND Case No. 8:17-bk-06579-CPM
REHABILITATION, LLC,
Debtors.

**DEBTORS' EMERGENCY MOTION FOR
AUTHORITY TO USE CASH COLLATERAL**

STATEMENT OF RELIEF REQUESTED

The Debtors seek authorization to use cash collateral to fund operating expenses and costs of administration in these Chapter 11 cases. The Debtors believe that Fifth Third and HUD (collectively, the “**Creditors**”) may assert security interests in the Debtors’ accounts receivable and other proceeds from the business. As adequate protection for the use of cash collateral, the Debtors propose to provide the Creditors that have a lien on accounts receivable with a replacement lien on assets acquired after the Petition Date to the same extent, validity, and priority as existed on the Petition Date.

SENIOR CARE GROUP, INC. (“**Senior Care**”), Key West Health and Rehabilitation Center, LLC (“**Key West**”), SCG Baywood, LLC (“**Baywood**”), SCG Gracewood, LLC (“**Gracewood**”), SCG Harbourwood, LLC (“**Harbourwood**”), SCG Laurellwood, LLC (“**Laurellwood**”), and The Bridges Nursing and Rehabilitation, LLC (“**Home Association**”)

(collectively, the “**Debtors**”), respectfully request the entry of an order granting the Emergency Motion for Authority to Use Cash Collateral (the “**Motion**”) and approving the proposed form of order which is attached hereto as **Exhibit A**. In support of its Motion, the Debtors respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. The subject matter of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this district pursuant to 28 U.S.C. § 1408.

2. The statutory predicates for the relief sought herein are §§ 105, 363, and 541 of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure.

Background

2. On July 27, 2017 (the “**Petition Date**”), the Debtors filed their Voluntary Petitions for Relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”).

3. The Debtors are operating their business and managing its property as a debtor in possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

4. Senior Care is a non-profit corporation which, through its wholly-owned subsidiaries, provides residents and patients with a full spectrum of skilled nursing and long-term health care services. Through its specialized clinical staff, Senior Care provides specialized services for residents and patients with medically complex conditions and higher acuity needs, and offers a wide range of direct care services such as therapy, hospice care, Alzheimer’s, and dementia care within its portfolio of facilities. As a result of specialized services, Senior Care can obtain higher revenues per patient day from Medicare and managed care providers.

5. Senior Care has thirteen wholly-owned subsidiaries which operate nursing homes, a rehabilitation company, and a home health care facility in Florida, North Carolina, Oklahoma, and Georgia. The Florida Operators operate nursing homes in Hillsborough, Monroe, and Pinellas Counties¹.

6. Prior to the Petition Date, Senior Care borrowed money from Fifth Third Bank (“**Fifth Third**”). In connection with a loan restructuring, Senior Care, Baywood, Gracewood, Harbourwood, and Laurellwood (collectively, the “**Fifth Third Borrowers**”) executed a promissory note in the amount of \$6,000,000. The Debtors believe that Fifth Third will assert that, as of the Petition Date, it was owed approximately \$6,500,000.

7. Key West entered into agreements with Secretary of Housing and Urban Development of Washington, D.C. (“**HUD**”), which contends that its obligations are secured by liens on Key West’s accounts receivable.

8. Accordingly, the Debtors believe that Fifth Third and HUD (collectively, the “**Creditors**”) will assert (a) that they have perfected liens on the applicable Debtors’ accounts receivable and other assets (the “**Collateral**”), and (b) that they perfected liens against the Collateral of their applicable borrowers.

Relief Requested and Grounds for Relief

9. As of the Petition Date, the Debtors, other than Senior Care, are owed money from patients, insurance companies, and third party payees. The Debtors anticipate that they will generate additional accounts receivable and collect funds on account of such receivables after the Petition Date in the ordinary course of its business. Senior Care is owed management fees by subsidiaries. The collection of such receivables of management fees may constitute cash

¹ References to the Florida Operators mean Key West, Baywood, Gracewood, Harbourwood, Laurellwood, and Home Association.

collateral (the “**Cash Collateral**”) of the Creditors.

10. By this Motion, the Debtors seek the entry of an order authorizing the use of Cash Collateral, in accordance with a budget to be filed prior to the hearing, for purposes which include without limitation the following:

- a. Care, maintenance and preservation of the Debtors’ assets;
- b. Payment of necessary business expenses; and
- c. Continued business operations.

11. Except as specifically authorized by law or court order, the Debtors will not use Cash Collateral to pay pre-petition obligations.

12. The Debtors request authorization to use Cash Collateral immediately to fund operating expenses necessary to continue the operation of their businesses, to maintain the estate, to maximize the return on its assets, and to otherwise avoid irreparable harm and injury to its business and the estate.

13. There is insufficient time for a full hearing pursuant to Rule 4001(b)(2) of the Federal Rules of Bankruptcy Procedure to be held before the Debtors must use Cash Collateral. If this Motion is not considered on an expedited basis and if the Debtors are denied the ability to immediately use Cash Collateral, there will be a direct and immediate material and adverse impact on the continuing operations of the Debtors’ businesses and on the value of their assets. In order to continue their business activities in an effort to achieve a successful reorganization, the Debtors must use Cash Collateral in the ordinary course of business. The inability of the Debtors to meet their ordinary business expenses will require the Debtors to discontinue normal operations, which will result in irreparable injury to the Debtors and their chances for reorganization. Any such discontinuation would also materially and adversely impact the value

of the Collateral. Indeed, it is in the best interest of the Creditors that the Debtors use Cash Collateral, if such usage will preserve the value of the Collateral.

14. The Debtors proposes to grant to the Creditors a replacement lien on assets acquired after the Petition Date to the same extent, validity, and priority as existed on the Petition Date. In other words, the Debtors propose that the Creditors' "floating" liens on such assets continue to "float" to the same extent, validity, and priority as existed on the Petition Date, notwithstanding Section 552 of the Bankruptcy Code.

15. The Debtors assert that the interests of the Creditors will be adequately protected. Consequently, no further provision for adequate protection is required.

16. The Debtors believe that they can operate their businesses during the Chapter 11 case and successfully reorganize their businesses if they are allowed to use Cash Collateral.

WHEREFORE, the Debtors respectfully request that this Court enter an order, the proposed form of which is attached hereto as **Exhibit A**: (a) granting the Motion; (b) authorizing the Debtors to use Cash Collateral on an interim basis pending a final hearing in accordance with the budget to be submitted at or prior to the hearing on this Motion; (c) authorizing the Debtors to use Cash Collateral following a final hearing; and (d) providing such other and further relief as the Court may deem appropriate.

/s/ Scott A. Stichter

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EXHIBIT A
Form of Proposed Order

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION
www.flmb.uscourts.gov

In re:	Chapter 11
SENIOR CARE GROUP, INC.,	Case No. 8:17-bk-6562-CPM
	<i>Jointly Administered with:</i>
KEY WEST HEALTH AND REHABILITATION CENTER, LLC,	Case No. 8:17-bk-6580-CPM
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THE BRIDGES NURSING AND REHABILITATION, LLC,	Case No. 8:17-bk-6579-CPM
Debtors.	

**INTERIM ORDER ON DEBTORS' EMERGENCY
MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

THESE CASES came before the Court for hearing on _____, 2017 at _____.m.
for consideration of the *Debtors' Emergency Motion for Authorization to Use Cash Collateral*

(Doc. No. ___) (the “**Motion**”). The Motion seeks the entry of interim and final orders authorizing the Debtors to use “Cash Collateral” as defined in Section 363(a) of the Bankruptcy Code.

The Court finds that due and sufficient notice of the Motion and the Hearing was provided to: (i) the Office of the United States Trustee for the Middle District of Florida, (ii) Fifth Third Bank and HUD¹ (the “**Lenders**”), (iii) all other known secured creditors of the Debtors, and (iv) the twenty (20) largest unsecured creditors of each of the Debtors and that no other or further notice is necessary. The Court considered the Motion, together with the record and the arguments of counsel at the Hearing, and it appearing that the use of Cash Collateral to the extent provided herein is necessary on an interim basis in order to avoid irreparable harm to the Debtors, and for the reasons announced on the record at the Hearing which shall constitute the decision of the Court, it is

ORDERED that:

1. Notice of the Motion and the Hearing on the Motion was adequate and appropriate in the current circumstances of these jointly administered Chapter 11 cases as contemplated by 11 U.S.C. §102(a) and Fed. R. Bankr. P. 4001(b)(2).

2. The Motion is granted on an interim basis pending a further hearing to be conducted by the Court on _____ at _____ .m.

3. All persons and entities owing monies to the Debtors are authorized and directed to pay the monies to the Debtors, without setoff, which sums shall upon collection by the Debtors constitute Cash Collateral (as that term is defined in Section 363(a) of the Bankruptcy Code).

4. Subject to the provisions of this Order, the Debtors are authorized to use Cash Collateral including, without limitation, cash, deposit accounts, and accounts receivable, to pay (a)

¹ Capitalized terms not defined in the Order shall have the meaning set forth in the Motion.

amounts expressly authorized by this Court, including payments to the U.S. Trustee for quarterly fees; (b) the current and necessary expenses set forth in the budget (the “**Budget**”), a copy of which is attached hereto as **Exhibit A**, so long as the aggregate of all expenses for each week do not exceed the amount in the Budget by more than ten percent (10%) for any such week on a cumulative basis (the “**Variance**”); and (c) additional amounts approved in writing by the Lenders. Notwithstanding the foregoing, subject to the provisions of paragraph ten of this Order, expenditures in excess of the Variance or not on the Budget will not be deemed to be unauthorized use of Cash Collateral, unless the recipient cannot establish that the expense would be entitled to administrative expense priority if the recipient had extended credit for the expenditure. The authorization will continue until further order of this Court.

5. The Debtors are authorized to provide adequate protection, pursuant to sections 363(c)(2)(A) and 363(e) of the Bankruptcy Code, to the Lenders pursuant to the terms and conditions of this Interim Order. As adequate protection with respect to the Lenders’ interests in the Cash Collateral, the Lenders are granted replacement liens (the “**Replacement Liens**”) in and upon all of the categories and types of collateral in which they held a security interest and lien as of the Petition Date to the same extent, validity and priority that the Lenders held as of the Petition Date.

6. The Debtors shall maintain insurance coverage for the Collateral in accordance with the obligations under the loan and security documents.

7. This Order is not and shall not be construed as determinative as to whether or not any creditor has a valid lien on any property of the Debtors or their estates. This Order is not and shall not be construed as determinative as to the extent or amount of any secured claim associated with any such lien.

8. This Order is without prejudice to the Debtors' right to challenge the extent, validity, or priority of any lien or claim of any creditor, and is likewise without prejudice to the right of any creditor to seek additional relief concerning Cash Collateral by subsequent motion and nothing contained in this Order shall be deemed to constitute a waiver of any party's rights.

9. The provisions of this Order are without prejudice to the rights of the U.S. Trustee to appoint a committee or any rights of a duly appointed committee to challenge the validity, priority, or extent of any lien(s) asserted against cash collateral.

10. This Order is without prejudice to the Debtors' right to seek authority by separate motion to pay monies in excess of the amounts set forth in the Budget.

11. It shall be an event of default if the Debtors exceed the Variance without the prior written consent of the Lenders, which consent shall not be unreasonably withheld; provided, however, in the event of a default, the Debtors' authority to use Cash Collateral shall continue until the Lenders obtain an order by appropriate motion after notice and hearing requiring the Debtors to cease using Cash Collateral.

12. In accordance with Rule 4001 of the Bankruptcy Rules, the Court finds the Debtors' authorization to use Cash Collateral pursuant to this Order is necessary to avoid immediate and irreparable harm to the Debtors' estates.

13. The provisions of this Order shall remain in full force and effect unless modified or vacated by subsequent order of this Court.

14. The Court shall retain jurisdiction to enforce the terms of this Order.

Attorney Scott A. Stichter is directed to serve a copy of this order on interested parties who are non-ECF users and file a proof of service within 3 days of entry of the order.

EXHIBIT A – Budget
(to be filed prior to hearing)

Label Matrix for local noticing
113A-8
Case 8:17-bk-06562-CPM
Middle District of Florida
Tampa
Mon Jul 31 15:15:34 EDT 2017

Healthcare Services Group, Inc.
c/o Carney Law Firm, P.A.
Nathan A. Carney, Esq.
400 N. Ashley Dr., Suite 2600
Tampa, FL 33602-4310

End of Label Matrix
Mailable recipients 1
Bypassed recipients 0
Total 1