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8 **UNITED STATES BANKRUPTCY COURT**
 9 **EASTERN DISTRICT OF CALIFORNIA**
 10 **FRESNO DIVISION**

11 In re:
 12 MADERA COMMUNITY HOSPITAL,
 13 Debtor

CASE No: 23-10457
 Chapter 11
 Judge: Honorable Rene Lastreto, II
 DC No. WJH-3

**FURTHER OBJECTION OF SAINT AGNES
 MEDICAL CENTER TO ENTRY OF
 FURTHER INTERIM OR FINAL ORDER
 AUTHORIZING USE OF CASH
 COLLATERAL AND GRANTING ADEQUATE
 PROTECTION FOR USE OF CASH
 COLLATERAL**

20 **TO THE HONORABLE RENE LASTRETO, II, UNITED STATES BANKRUPTCY JUDGE AND
 OTHER PARTIES-IN-INTEREST:**

22 Saint Agnes Medical Center ("SAMC") hereby files this Objection (the "Objection") to Debtor
 23 Madera Community Hospital's (the "Debtor") *Emergency Motion of Debtor For Entry of Interim and*
 24 *Final Orders (A) Authorizing Use of Cash Collateral and (B) Granting Adequate Protection For Use of*
 25 *Cash Collateral* [Dkt. 18] the ("Motion")¹ for entry of an interim order and final order (the "Final Order")

28 ¹ Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Motion.

1 pursuant to Sections 105(a), 361, 362 and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101-
2 1532 (as amended, the “Bankruptcy Code”), and any further use of cash collateral after the expiration of
3 the current authorized budget period.

4 The Court previously entered its *Order Authorizing Interim Use of Cash Collateral and Granting*
5 *Adequate Protection For Use of Cash Collateral* [Dkt. 125] and that certain *Order Authorizing Interim*
6 *Use of Cash Collateral and Granting Adequate Protection For Use of Cash Collateral* [Dkt. 168], a further
7 *Order Granting Stipulation Re Continued Hearing on Motion for Authority to Use Cash Collateral* [Dkt.
8 353], which permitted the Debtor’s use of cash collateral through May 20, 2023, a further order on May
9 16, 2023, permitting the Debtor’s continued use of cash collateral through June 17, 2023 [Dkt. No. 451],
10 and a further order on June 20, 2023, permitting the Debtor’s use of cash collateral through July 14, 2023
11 [Dkt. No. 589].
12

13
14 SAMC, the Debtor, and the Official Committee of Unsecured Creditors (the “Committee”) have
15 been diligently negotiating on the proposed form of the Final Order, and on the budget. However, SAMC
16 remains concerned about the rate of administrative expenses accruing at a closed facility, and objects to
17 the Debtor’s further use of cash collateral at this time based on the budget filed by the Debtor on July 5,
18 2023 at Dkt. No. 667 (the “Budget”).

19 Specifically, SAMC’s concerns are as follows:

- 20
- 21 • The Debtor has apparently received two indications of interest from potential purchasers.
22 However, neither expression of interest is reflective of the value the Debtor has ascribed to
23 its assets in its most recent Amended Schedules of Assets and Liabilities filed June 5, 2023,
24 where the Debtor indicated an asset value of \$109,939,983.08 and liabilities of
25 \$31,122,336.22 [Dkt. No. 544]. Furthermore, it does not appear that either offer proposes
26 to pay the Debtor’s secured creditors in full. Indeed, one of the offers seems to clearly
27 indicate that no payments would be made to the secured creditors (or unsecured creditors).
28
 - The Budget proposes to pay \$380,000 over the next six weeks to the bankruptcy

1 professionals.²

- 2
- 3 • The Budget proposes to pay nearly \$150,000 over six weeks to three individual executives
4 (the CEO, CFO, and Controller) while the hospital has no ongoing operations and minimal
5 staff.
 - 6 • The Budget also lists over \$463,000 of expenses that “are subject to receiving funding from
7 either the County of Madera or another third party.” See Budget, p. 1. These expenses
8 include: (1) maintenance of the Debtor’s property, including the wages and related payroll
9 taxes of the employees who perform such work; (2) utility payments; and (3) expenses
10 related to medical records, including the wages and related payroll taxes of the employees
11 who perform such work. It is not clear when or if such funding will be forthcoming.

12

13 The Debtor has been in bankruptcy for approximately five months and there has been no significant
14 progress on a sale of the hospital. The Debtor continues to seek short extensions of cash collateral and
15 incur further administrative expenses without a clear path to resolve this case. And now, the Debtor has
16 filed a motion to extend its exclusivity period to file a plan for 90 days, as well as a further 90-day
17 extension for solicitation. *See Motion for an Order Extending Exclusivity Periods*, filed June 30, 2023
18 [Dkt. No. 644] (the “Exclusivity Motion”). However, the Debtor set the hearing on the Exclusivity Motion
19 for nearly *eight weeks* after it was filed, at a time after the proposed Budget expires.³

20

21 SAMC has been raising these issues with the Debtor and the Committee for the past several
22 months, but there has been no proposed resolution and the costs to the estate are only increasing, with
23 almost no revenue coming in to support those obligations. This Court should not allow further use of cash
24 collateral without a serious path forward to either sell or mothball the hospital.

25 That all said, while SAMC objects to the further use of cash collateral based on the Budget, it will
26

27

28 ² The Debtor’s last four-week budget also listed significant payments to the bankruptcy professionals, though the Debtor’s counsel has informed SAMC that no payments have been made at this time.

³ SAMC reserves its rights to object to the Exclusivity Motion and the timing of the hearing.

1 continue to negotiate with the Debtor and Committee in advance of the July 11, 2023 hearing.

2
3 Dated: July 7, 2023

Respectfully submitted,

4 **FOLEY & LARDNER LLP**

5 /s/ Shane J. Moses

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PROOF OF SERVICE

I am employed in the County of Cook, State of Illinois. I am over the age of 18 and not a party to this action; my current business address is 321 N. Clark St., Ste. 3000, Chicago, IL 60654.

On July 7, 2023, I served the foregoing document(s) described as: **OBJECTION OF SAINT AGNES MEDICAL CENTER TO ENTRY OF FURTHER INTERIM OR FINAL ORDER AUTHORIZING USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION FOR USE OF CASH COLLATERAL** on the interested parties in this action as follows:

All parties who have filed notices of appearance on through the Electronic Court Filing Service

 X **BY ELECTRONIC COURT FILING SERVICE**
 X Pursuant to Code of Civil Procedure section 1010.6(e)(1), I personally caused each document listed above to be served by Court-approved Electronic Court Filing Service Provider by transmitting true and correct copies of each document for electronic service to the addressees above at the e-mail addresses listed therein.

____ Executed on July 7, 2023, at Chicago, Illinois.

 X I declare under penalty of perjury under the laws of the State of Illinois that the above is true and correct.

 /s/ Dianne Nichols
Dianne Nichols