

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

WALKER COUNTY HOSPITAL CORPORATION,
d/b/a HUNTSVILLE MEMORIAL HOSPITAL,

Debtor and Debtor in Possession.¹

Chapter 11

Case No. 19-36300

(Emergency Hearing Requested)

**DEBTOR'S EMERGENCY MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS: (I) AUTHORIZING THE DEBTOR TO
(A) CONTINUE TO OPERATE THE DEBTOR'S CASH MANAGEMENT SYSTEM,
(B) PAY ANY PREPETITION OR POSTPETITION AMOUNTS OUTSTANDING
ON ACCOUNT OF BANK FEES, (C) MAINTAIN EXISTING BUSINESS
FORMS IN THE ORDINARY COURSE OF BUSINESS, AND (D) CONTINUE
TO PERFORM INTERCOMPANY TRANSACTIONS CONSISTENT
WITH HISTORICAL PRACTICE; AND (II) GRANTING RELATED RELIEF**

EMERGENCY RELIEF HAS BEEN REQUESTED. A HEARING WILL BE CONDUCTED ON THIS MATTER ON NOVEMBER 12, 2019 AT 2:00 PM IN COURTROOM 400, 4th FLOOR, UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, 515 RUSK STREET, HOUSTON, TEXAS 77002. IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST EITHER APPEAR AT THE HEARING OR FILE A WRITTEN RESPONSE PRIOR TO THE HEARING. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED. RELIEF IS REQUESTED NOT LATER THAN NOVEMBER 12, 2019.

Walker County Hospital Corporation, d/b/a Huntsville Memorial Hospital (the “**Debtor**”), by and through its undersigned proposed counsel, files this motion, pursuant to sections 105(a), 345, and 363 of title 11 of the United States Code (the “**Bankruptcy Code**”), and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), for entry of an interim order, substantially in the form attached to this motion as **Exhibit A**, and final order, substantially in the form attached to this motion as **Exhibit B**: (i) authorizing the Debtor to (a) continue to operate the Debtor’s cash management system, (b) pay any prepetition and

¹ The last four digits of the Debtor’s federal tax identification number are: 0960. The location of the Debtor’s service address is: P.O. Box 4001, Huntsville, TX 77342-4001, Attn: C. Smith.

postpetition amounts outstanding on account of associated bank fees, (c) maintain existing business forms in the ordinary course of business, and (d) continue to perform certain intercompany transactions consistent with historical practice; and (ii) granting certain related relief. In support of this motion, the Debtor relies upon the *Declaration of Steven L. Smith in Support of First Day Motions* (the “**First Day Declaration**”) and respectfully states as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the Southern District of Texas (the “**Court**”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the Southern District of Texas*, dated May 24, 2012 (the “**Amended Standing Order**”). This is a core proceeding under 28 U.S.C. § 157(b)(2). The Debtor confirms its consent, pursuant to Bankruptcy Rule 7008 and Local Rule 7008-1 of the of the Bankruptcy Local Rules for the United States Bankruptcy Court for the Southern District of Texas (the “**Local Rules**”), to the entry of a final order by the Court in connection with this motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

3. On the date hereof (the “**Petition Date**”), the Debtor filed a voluntary petition for relief in this Court, pursuant to chapter 11 of the Bankruptcy Code, commencing this case (the “**Chapter 11 Case**”).

4. The Debtor continues to operate its business as a debtor in possession, pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. No request for the appointment of a trustee or examiner has been made in this Chapter 11 Case, nor have any committees been appointed or designated.

6. A description of the Debtor's business, the reasons for commencing this Chapter 11 Case, the relief sought from this Court, and the facts and circumstances supporting this motion are set forth in the First Day Declaration.

REQUEST FOR EMERGENCY CONSIDERATION

7. Pursuant to Bankruptcy Local Rule 9013-1(i) and Bankruptcy Rule 6003, the Debtor requests emergency consideration of this Motion. Bankruptcy Rule 6003 provides that the relief requested in this Motion may be granted if the "relief is necessary to avoid immediate and irreparable harm." Fed. R. Bankr. P. 6003. As discussed in detail below and in the First Day Declaration, any delay in granting the relief requested could hinder the Debtor's operations and cause immediate and irreparable harm. As such, the Debtor believes that emergency consideration is necessary and requests that this Motion be heard at the Debtor's first day hearings.

RELIEF REQUESTED

8. By this motion, the Debtor requests entry of interim and final orders: (i) authorizing the Debtor to (a) continue to operate the Debtor's cash management system, (b) pay any prepetition and postpetition amounts outstanding on account of associated bank fees, (c) maintain existing business forms in the ordinary course of business, and (d) continue to perform certain intercompany transactions consistent with historical practice; and (ii) granting certain related relief.

THE DEBTOR'S CASH MANAGEMENT SYSTEM

9. In the ordinary course of business, the Debtor maintains an integrated cash management system (the "*Cash Management System*") in the day-to-day operation of the

Debtor's business, to collect, manage, and disburse funds generated in connection with the Debtor's business.

10. The Debtor designed the Cash Management System to meet the Debtor's operating needs, enable management to control and monitor corporate funds, comply with the requirements of its financing agreements, reduce administrative expenses by facilitating the movement of funds, and enhance the development of accurate account balances.

11. The Debtor's treasury department maintains daily oversight over the Cash Management System and utilizes cash management controls for entering, processing, and releasing funds, including in connection with Intercompany Transactions (as defined below).

12. The Debtor's accounting department regularly reconciles the Debtor's books and records to ensure that all transfers are accounted for properly.

I. Debtor bank accounts.

13. The Cash Management System is composed of 14 Debtor-owned and controlled bank accounts (each a "***Bank Account***" and collectively, the "***Bank Accounts***") listed on **Exhibit C** attached to this motion with BBVA USA, US Bank, and First National Bank of Huntsville (collectively, the "***Cash Management Banks***").

14. The Bank Accounts are primarily utilized to (a) pay operating expenses, and (b) receive payments from insurance providers, clients, credit card processors, and other parties. Certain Bank Accounts also facilitate the movement of funds to other accounts of the Debtor.

15. Three (3) of the Debtor Bank Accounts are restricted accounts that hold donated funds raised and contributed by community members for the benefit of: (a) the Huntsville Memorial Hospital Batten Nurse Scholarship Fund; (b) the Huntsville Memorial Hospital FNB Vocational Nurse Scholarship Fund; and (c) the Walker County Hospital Corporation Mammogram Fund. Cash held in the restricted accounts is used solely for purposes of the

4842-8412-9682.14

scholarship and mammogram programs. As of the Petition Date, the total balance of these restricted accounts was approximately \$130,000.

16. The Debtor routinely deposits, withdraws, and otherwise transfers money to, from, and between certain of the Bank Accounts by various methods, including by wire transfer, internal transfer, zero balance account transfer, automatic clearing house transfer, and checks (collectively, the “*Ordinary Transfer Methods*”).

17. A diagram reflecting the flow of funds through the Bank Accounts in the Cash Management System is attached to this motion as **Exhibit D**.

18. The amount of funds that flow through the Cash Management System on a monthly basis fluctuates greatly, depending on, among other things, new client deposits, census level, and depositing of checks in transit.

II. Non-Debtor bank accounts.

19. In addition to the Bank Accounts, the Cash Management System includes 5 bank accounts (the “*Non-Debtor Accounts*”) owned and managed by HMH Physician Organization (“*HMH PO*”).

20. In the ordinary course of business, the Debtor utilizes the Cash Management System to make payments to, or create an intercompany claim that may be settled in cash, as the case may require, among the Debtor and the HMH PO, pursuant to the Intercompany Transactions defined and described below.

BANK FEES

21. The Debtor incurs periodic service charges and other fees in connection with the maintenance of the Cash Management System, which fees and services are generally paid each month (the “*Bank Fees*”).

22. The Debtor has historically incurred Bank Fees of approximately \$7,000.00 per month, which are debited from the respective Bank Account for which the Bank Fee was incurred.

23. As of the Petition Date, the Debtor estimates that no Bank Fees have accrued and remain unpaid and seeks permission to pay these Bank Fees and continue paying the Bank Fees in accordance with past practices.

INTERCOMPANY TRANSACTIONS

24. The Debtor has historically and in the ordinary course of business engaged in routine business relationships with HMH PO, its non-debtor affiliate (the “*Intercompany Transactions*”), resulting in intercompany receivables and payables (collectively, the “*Intercompany Claims*”) pursuant to contractual and non-contractual arrangements. As set forth below and in the First Day Declaration, the Intercompany Transactions are necessary in order to (i) comply with account control obligations under the Debtor’s prepetition revolving loan with MidCap Financial Trust (“*MidCap*”) and (ii) to fulfill the Debtor’s non-profit mission of providing quality healthcare to the community. A failure to continue to perform the Intercompany Transactions would impair the Debtor’s ability to continue operations in the ordinary course of business to the detriment of the Debtor’s estate and the parties in interest.

I. Relationship of Debtor and HMH PO

25. The Debtor is the sole member of its non-debtor affiliate, HMH PO. Debtor and HMH PO are parties to that certain Management Agreement dated November 1, 2008 pursuant to which Debtor provides HMH PO certain management and administrative services, including but not limited to, payroll servicing. In exchange, the physicians employed by HMH PO provide healthcare services at the Hospital, thus generating facility fees for the Debtor and servicing Debtor’s patients. The Debtor does not directly employ physicians and accordingly is dependent on HMH PO to provide such practitioners.

26. HMH PO is a borrower under the Debtor's prepetition credit facility ("**Credit Facility**") with MidCap, however HMH PO has not commenced its own chapter 11 case. As a Borrower (as such term is defined in that certain Revolving Loan and Security Agreement dated as of May 16, 2014 by and among the Debtor and HMH PO as Borrowers and MidCap as lender, as supplemented and amended (the "**Loan Agreement**")) under the Credit Facility, HMH PO granted MidCap a first priority lien on HMH PO's Receivables (as defined in the Loan Agreement), specified deposit accounts, cash, records, general intangibles, and the proceeds of the foregoing (collectively, "**Collateral**").

27. In connection with the Loan Agreement, the Debtor and HMH PO entered into that certain Depositary Agreement dated May 16, 2014 by and among the Borrowers, MidCap as successor to the lender, and Compass Bank (as amended, the "**Depositary Agreement**"). Pursuant to the Loan Agreement and Depositary Agreement, Debtor and HMH PO each daily sweep their respective accounts receivable collections that constitute Collateral into MidCap designated accounts for application to the Borrowers' outstanding obligations under the Credit Facility. MidCap then advances funds under the Credit Facility into a Debtor owned account in an amount based upon the total collections received from both the Debtor and HMH PO. MidCap does not separately fund borrowings under the Credit Facility to HMH PO. Accordingly, all borrowings under the Loan Agreement flow through Debtor owned accounts.

28. As a result, HMH PO does not retain any cash from its self-generated collections and instead relies on the Debtor to transfer funds advanced from MidCap to HMH PO in an amount sufficient to cover HMH PO's operating expenses. Historically, HMH PO's collections have been equal to or less than its operating costs, depending on the productivity of the employed physicians

and their collections rate for the prior week. The Debtor funds any shortfall in collections necessary to cover costs to ensure the physicians are able to continue providing services at the Hospital.

II. The Intercompany Transactions are an essential component of the Debtor's operations

29. Absent the continued use of Intercompany Transactions and the payment of any prepetition Intercompany Claims, HMH PO will be denied access to its own generated cash and borrowings under the Credit Facility and will likely cease performing services at the Debtor's hospital. This would result in a material disruption to the Debtor's operations and could jeopardize patient safety.

30. The Debtor has historically reflected the Intercompany Claims generated by the Intercompany Transactions as journal entry receivables and payables, as applicable, in the respective accounting system. The Debtor closely tracks all fund transfers in the respective accounting system and, therefore, can ascertain, trace, and account for all Intercompany Transactions. The Debtor intends to account for all postpetition Intercompany Transactions in accordance with past practice.

31. Accordingly, the Debtor is seeking authority—and, to the extent applicable, relief from the automatic stay—to continue the Intercompany Transactions in the ordinary course of business on a postpetition basis in a manner substantially consistent with the Debtor's past practices.

EXISTING BUSINESS FORMS AND CHECKS

32. In the ordinary course of business, the Debtor uses a variety of checks, correspondence, and business forms.

33. To minimize expenses to the Debtor's estate and avoid unnecessarily confusing the Debtor's employees and creditors, the Debtor believes it is appropriate to continue to use the

existing stock of checks, correspondence, and other business forms (including, without limitation, letterhead, purchase orders, and invoices) (collectively, the “***Business Forms***”) as such forms were in existence immediately before the Petition Date—without reference to the Debtor’s status as debtor in possession—rather than disposing of the existing forms and delaying operations until new Business Forms are obtained, or requiring the Debtor to include a legend on the Business Forms that could cause unnecessary confusion.

34. After existing Business Forms are depleted, the Debtor’s Business Forms will identify the Debtor’s status as a debtor in possession.

BASIS FOR RELIEF

I. Authorization of the Cash Management System Is Warranted Under Sections 363(b) or 363(c) and Section 105(a) of the Bankruptcy Code.

35. Pursuant to 28 U.S.C. § 586(a)(3) and the U.S. Trustee’s Region 7 Guidelines for Debtors-in-Possession (the “***UST Guidelines***”), debtors in possession are required to, among other things: (a) close all existing bank accounts and open new debtor in possession accounts; (b) establish one debtor in possession bank account for all estate monies required for the payment of taxes, including payroll taxes; and (c) maintain a separate debtor in possession account for cash collateral. These requirements are intended to provide a clear line of demarcation between prepetition and postpetition transactions and operations and to prevent inadvertent payment of prepetition claims.

36. Notwithstanding the foregoing requirements, the continuation of the Cash Management System is permitted, pursuant to section 363(c)(1) of the Bankruptcy Code, which authorizes a debtor in possession to “use property of the estate in the ordinary course of business without notice or a hearing.” 11 U.S.C. § 363(c)(1).

37. The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business without unneeded oversight by its creditors or the court. *See In re HLC Properties, Inc.*, 55 B.R. 685, 686 (Bankr. N.D. Tex. 1985) (finding “no need to further burden the docket or the staff of the Court with a superfluous order” when a transaction is in the ordinary course of business).

38. Bankruptcy courts routinely treat requests for authority to continue utilizing existing cash management systems as a relatively “simple matter.” *In re Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). And, in granting such relief, courts recognize that an integrated cash management system “allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash.” *In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *aff’d in relevant part*, 997 F.2d 1039, 1061 (3d Cir. 1993).

39. The requirement to maintain all accounts separately “would be a huge administrative burden and economically inefficient.” *Columbia Gas*, 997 F.2d at 1061; *see also In re Southmark Corp.*, 49 F.3d 1111, 1114 (5th Cir. 1995) (stating that a cash management system allows a debtor “to administer more efficiently and effectively its financial operations and assets”).

40. Even if continuation of the Cash Management System and other relief requested in this motion were outside of the ordinary course of business, the Court may grant such relief pursuant to section 363(b) of the Bankruptcy Code.

41. Section 363(b) of the Bankruptcy Code provides, in relevant part, that “[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate” 11 U.S.C. § 363(b)(1).

42. Under section 363(b) of the Bankruptcy Code, a court may authorize a debtor to pay certain prepetition claims where a sound business purpose exists for doing so. *See In re BNP Petroleum Corp.*, 642 F. App'x 429, 435 (5th Cir. 2016); *In re Cont'l Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986).

43. In applying the business judgment rule, “courts are adjured to defer to the debtor in possession or trustee; if a valid business reason is shown for a transaction, the transaction is to be presumed appropriate.” *In re Pilgrim's Pride Corp.*, 401 B.R. 229, 237 (Bankr. N.D. Tex. 2009).

44. The Court may also rely on its equitable powers to grant the relief requested in this motion, pursuant to section 105(a) of the Bankruptcy Code. Section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a).

45. Accordingly, the Court may authorize the continuation of the Cash Management System because such relief is necessary for the Debtor to carry out its fiduciary duties under sections 1107(a) and 1108 of the Bankruptcy Code. *See In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (debtors in possession are fiduciaries holding the bankruptcy estate and operating the business for the benefit of their economic stakeholders).

46. Consistent with such fiduciary duties, courts have authorized payment of prepetition obligations where a sound business purpose justifies the payment of such claims. Here, requiring the Debtor to adopt a new, segmented cash management system during this Chapter 11 Case would be expensive, burdensome, and unnecessarily disruptive to the Debtor's operations.

47. The Cash Management System provides the Debtor with the ability to instantaneously track and report the location and amount of funds, which, in turn, allows

management to track and control such funds, ensure cash availability, and reduce administrative costs through a method of coordinating the collection and movement of funds.

48. Any disruption of the Cash Management System (or requiring the Debtor to adopt a new, segmented cash management system) will have a negative effect on the Debtor's restructuring efforts. By contrast, maintaining the current Cash Management System will facilitate the Debtor's transition into chapter 11 by, among other things, minimizing delays in paying postpetition debts, eliminating administrative inefficiencies, and avoiding delays in processing of government and non-government receivables.

49. Indeed, as a healthcare business that receives payments and reimbursements from government payors, the Debtor is required to maintain deposit accounts that are linked with specific healthcare providers. Modifying the Bank Accounts in any way would be a difficult and time-intensive effort in order to fully comply with applicable regulations and ensure continued receipt of receivables, timely collection of which will inure to the benefit of the Debtor's estate and creditors.

50. Finally, maintaining the current Cash Management System will allow accounting employees to focus on their daily responsibilities, rather than having to divert time and energy to learning and getting accustomed to a new cash management system.

51. Moreover, the Debtor respectfully submits that parties in interest will not be harmed by the Debtor's maintenance of the Cash Management System because the Debtor has implemented appropriate mechanisms to ensure that unauthorized payments will not be made on account of obligations incurred before the Petition Date.

52. Specifically, with the assistance of the Debtor's advisors, the Debtor has implemented internal control procedures that prohibit payments on account of prepetition debts

without the prior approval of the Debtor's Chief Financial Officer. In light of such protective measures, the Debtor submits that maintaining the Cash Management System is in the best interests of the Debtor's estate and creditors.

53. The Debtor submits that maintaining the Cash Management System is consistent with relief granted by courts in this and neighboring districts. *See, e.g., In re Seadrill Ltd.*, No. 17-60079 (DRJ) (Bankr. S.D. Tex. Oct. 24, 2017) (Dkt. No. 309); *In re Goodman Networks Inc.*, No. 17-31575 (MI) (Bankr. S.D. Tex. Mar. 15, 2017) (Dkt. No. 57); *In re Ultra Petrol. Corp.*, No. 16-32202 (MI) (Bankr. S.D. Tex. June 28, 2016) (Dkt. No. 382); *In re El Paso Children's Hospital Corporation*, Case No. 15-30784 (Bankr. W.D. Tex. May 22, 2015) (Dkt. No. 30); *In re UPH Holdings, Inc. et al*, Case No. 13-10570 (Bankr. W.D. Tex. Apr. 2, 2013) (Dkt. No. 31).

II. Authorizing the Banks to Continue to Maintain, Service, and Administer the Bank Accounts In the Ordinary Course of Business Is Also Appropriate and Warranted.

54. As discussed above, implementing the UST Guidelines would needlessly interrupt the Debtor's operations and impair the Debtor's efforts to preserve the value of the Debtor's estate and reorganize in an efficient manner.

55. Thus, in addition to maintaining the Cash Management System, the Debtor respectfully requests that this Court:

- a. authorize the Cash Management Banks to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtor as a debtor in possession, without interruption and in the ordinary course of business;
- b. authorize the Cash Management Banks to receive, process, honor, and pay any and all checks, ACH transfers and other instructions, and drafts payable through, drawn, or directed on such Bank Accounts after the Petition Date by holders, makers, or other parties entitled to issue instructions with respect to the foregoing; provided, however, that, notwithstanding the foregoing authorization, any check, draft, or other notification that the Debtor advises the Cash Management Banks to have been drawn, issued, or otherwise presented before the Petition Date may be honored by the Cash Management Banks only to the extent authorized by order of this Court;

- c. authorize the Cash Management Banks to accept and honor all representations from the Debtor as to which checks, drafts, wires, or ACH transfers should be honored or dishonored consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH transfers are dated before or subsequent to the Petition Date;
- d. order that the Cash Management Banks will have no liability to the Debtor or to the Debtor's estate on account of honoring a prepetition check or other item, to the extent a Cash Management Bank honors a prepetition check or other item drawn on any account either (a) at the direction of the Debtor or (b) in a good-faith belief that the court has authorized such prepetition check or item to be honored; and
- e. authorize the Cash Management Banks to continue to charge the Debtor the Bank Fees, as applicable, and charge-back returned items to the Bank Accounts, whether such items are dated before, on, or subsequent to the Petition Date, in the ordinary course of business.

56. The Debtor respectfully submits that such relief is reasonable and appropriate because the Cash Management Banks are not in a position to independently verify or audit whether a particular item may be paid in accordance with a court order or otherwise.

57. In addition to the foregoing, the Debtor further requests that this Court order that liens on any of the Bank Accounts granted to creditors will not have priority over the Bank Fees of the respective Cash Management Bank at which the Bank Account is located. The Debtor submits that the foregoing is reasonable and necessary, to maintain the Cash Management System and avoid interruption of the Debtor's business operations.

58. In complex chapter 11 cases such as this, courts in this and other districts often waive the UST Guidelines' requirement that debtors establish new postpetition cash management systems, recognizing that they may harm a debtor's postpetition business operations and restructuring efforts to an extent that is out of proportion to the benefit, if any, the requirements afford the debtor's estate or parties in interest. *See, e.g., In re Seadrill Ltd.*, No. 17-60079 (DRJ) (Bankr. S.D. Tex. Oct. 24, 2017) (Dkt. No. 309); *In re Goodman Networks Inc.*, No. 17-31575 (MI) (Bankr. S.D. Tex. Mar. 15, 2017) (Dkt. Nos. 57 and 219); *In re Ultra Petrol. Corp.*, No. 16-

32202 (MI) (Bankr. S.D. Tex. June 28, 2016) (Dkt. No. 382); *In re Midstates Petrol. Co., Inc.*, No. 16-32237 (DRJ) (Bankr. S.D. Tex. May 2, 2016) (Dkt. No. 65); *In re Southcross Holdings LP*, No. 16-20111 (MI) (Bankr. S.D. Tex. Mar. 29, 2016) (Dkt. No. 76).

III. This Court Should Grant Certain Waivers of Requirements Imposed by Section 345 of the Bankruptcy Code and UST Guidelines.

59. In addition to, and as part of, the foregoing, the Debtor submits that this Court should grant the following waivers of requirements imposed by section 345 of the Bankruptcy Code and the UST Guidelines.

A. Compliance regarding authorized depositories should be waived.

60. The UST Guidelines generally require chapter 11 debtors to, among other things, deposit all estate funds into an account with an authorized depository that agrees to comply with the requirements of the U.S. Trustee's office.

61. Here, the Debtor maintains Bank Accounts at BBVA USA, US Bank, and First National Bank of Huntsville. Although none the Cash Management Banks are authorized depositories, each is a highly rated financial institution that is recognized, well-capitalized, financially stable and a member of the Federal Deposit Insurance Corporation.

62. Based upon the foregoing, the Debtor believes all of the Cash Management Banks are well positioned to continue to perform the depository and cash management functions for the Debtor during this Chapter 11 Case.

63. As set forth above, the Debtor's Cash Management System is critical to the ongoing stability of the Debtor's business and transition into chapter 11 and this Chapter 11 Case.

64. Therefore, requiring the Debtor to transfer the Bank Accounts to a designated authorized depository would place an unnecessary administrative burden on the Debtor that would

unnecessarily divert the attention of the Debtor's management at a critical junction in this Chapter 11 Case.

65. The Debtor is working collaboratively with the Office of the United States Trustee for the Southern District of Texas regarding the use of the Cash Management Banks. As a result, the Debtor requests that this Court grant a waiver of the UST Guidelines regarding "authorized depositories."

B. Waiver of section 345(b)'s requirements is warranted.

66. Strict compliance with the requirements of section 345(b) of the Bankruptcy Code would, in a case such as this, be inconsistent with section 345(a), which permits a debtor in possession to make such investments of money of the estate "as will yield the maximum reasonable net return on such money."

67. Thus, in 1994, to avoid "needlessly handcuff[ing] larger, more sophisticated debtors," Congress amended section 345(b) of the Bankruptcy Code to provide that its strict investment requirements may be waived or modified if the Court so orders "for cause." 140 Cong. Rec. H. 10,767 (Oct. 4, 1994), 1994 WL 54773.

68. Here, the Bank Accounts are domestically held at well-capitalized and financially-stable institutions insured by the Federal Deposit Insurance Corporation. Thus, the Debtor believes that any funds that are deposited in the Bank Accounts are secure.

69. Moreover, the Cash Management System reflects a disciplined and prudent strategy, permitting the Debtor to balance the need to maximize returns on excess cash while ensuring that such excess cash is readily available for use in the Debtor's business operations.

70. Requiring the Debtor to bond the Bank Accounts, as contemplated by section 345(b) of the Bankruptcy Code (unless this Court orders otherwise), would impose considerable

costs on the Debtor and the Debtor's estate and would hamper the Debtor's already pressed liquidity needs.

71. The Debtor is working collaboratively with the Office of the United States Trustee for the Southern District of Texas regarding the use of the Cash Management Banks and the Debtor's compliance with section 345(b). As a result, the Debtor requests that this Court grant an extension of time for the Debtor to comply with such requirements.

C. Compliance with the UST Guidelines should be waived for the Business Forms.

72. To avoid disruption of the Cash Management System and unnecessary expense to the Debtor's estate, the Debtor requests that the Debtor be authorized to continue to use the Business Forms substantially in the form existing immediately before the Petition Date, without reference to its status as debtor in possession until all such forms are exhausted.

73. The Debtor submits that parties in interest will not be prejudiced by this relief.

74. Parties doing business with the Debtor undoubtedly will be aware of the Debtor's status as a debtor in possession and, thus, changing business forms is unnecessary and would be unduly burdensome.

IV. Authorizing Intercompany Transactions.

75. The Debtor's funds move through the Cash Management System as above, and Intercompany Transactions are made between and among the Debtor and HMH PO in the ordinary course of business as part of the Cash Management System.²

² Because the Debtor engages in Intercompany Transactions with its non-debtor affiliate on a regular basis and such transactions are common among enterprises like that of the Debtor, the Debtor submits the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and, as a result, do not require this Court's approval. Nonetheless, out of an abundance of caution, the Debtor is seeking express authority to engage in such transactions on a postpetition basis. Moreover, the continued performance of the ordinary course Intercompany Transactions is integral to ensure the Debtor's ability to operate the Debtor's business as a debtor in possession.

4842-8412-9682.14

76. The Debtor tracks all fund transfers in the Debtor's accounting system and can ascertain, trace, and account for all Intercompany Transactions previously described, the Debtor will continue to maintain records of such Intercompany Transactions.

77. Because the Intercompany Transactions represent extensions of intercompany credit made in the ordinary course of business that are an essential component of the Cash Management System, the Debtor respectfully requests the authority to continue conducting the Intercompany Transactions in the ordinary course of business without the need for further court order and further requests that, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all postpetition payments between or among the Debtor and its non-debtor affiliate on account of an Intercompany Transaction be accorded administrative expense status.

78. The requested relief will ensure that the non-debtor affiliate receiving payment from the Debtor will continue to bear ultimate repayment responsibility for such ordinary course transactions, thereby reducing the risk that the Intercompany Transactions would jeopardize the recoveries available to the Debtor's creditors.

79. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted to the Debtor's and the estate's detriment.

80. The Debtor respectfully submits that the relief requested in this motion fairly balances the Debtor's needs to facilitate the ordinary course operation of the Debtor's business, minimize disruption, and preserve value, on the one hand, with the interests of the Debtor's stakeholders in transparency, on the other hand.

81. The requested relief will also ensure that the Debtor's estate will not be unduly burdened by the cost of transfers to Debtor and non-debtor affiliate.

82. The relief requested in this motion is similar to the relief granted in comparable chapter 11 cases in this district and others. *See, e.g., In re Seadrill Ltd.*, No. 17-60079 (DRJ) (Bankr. S.D. Tex. Oct. 24, 2017) (Dkt. No. 309); *In re GenOn Energy, Inc.*, No. 17-33695 (DRJ) (Bankr. S.D. Tex. July 13, 2017) (Dkt. No. 232); *In re Goodman Networks Inc.*, No. 17-31575 (MI) (Bankr. S.D. Tex. Mar. 15, 2017) (Dkt. Nos. 57 and 219); *In re CJ Holding Co.*, No. 16-33590 (DRJ) (Bankr. S.D. Tex. Sept. 12, 2016) (Dkt. No. 418); *In re Ultra Petrol. Corp.*, No. 16-32202 (MI) (Bankr. S.D. Tex. June 28, 2016) (Dkt. No. 382).

83. Accordingly, the Debtor respectfully submits that the continued performance of the Intercompany Transactions is in the best interest of the Debtor's estate and its creditors and, therefore, the Debtor should be permitted to continue entering Intercompany Transactions in the ordinary course of business.

RESERVATION OF RIGHTS

84. Nothing contained in this motion is intended or should be construed as an admission as to the validity of any claim against the Debtor, a waiver of the Debtor's rights to dispute any claim, or an approval or assumption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

85. Similarly, if this Court grants the relief sought in this motion, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any claim or a waiver of the Debtor's rights to dispute such claim subsequently.

WAIVER OF RULES 6004(a) AND 6004(h) OF THE BANKRUPTCY RULES IS WARRANTED

86. To immediately implement the relief sought in this motion, the Debtor respectfully requests a waiver of the notice requirements under Rule 6004(a) of the Bankruptcy Rules and seeks a waiver of the stay imposed by Rule 6004(h) of the Bankruptcy Rules. The waiver of each is essential to provide for the immediate payment of any Bank Fees due, which is essential to prevent

potentially irreparable damage to the Debtor and the Debtor's operations, value, and ability to reorganize. Accordingly, the Debtor submits that ample cause exists to justify a waiver of the fourteen day stay imposed by Rule 6004(h) of the Bankruptcy Rules.

NOTICE

87. The Debtor has provided notice of this motion by electronic mail, facsimile, or overnight mail to: (a) the Office of the United States Trustee for the Southern District of Texas; (b) the Debtor's twenty (20) largest unsecured creditors; (c) the Debtor's secured creditors; (d) all parties entitled to notice pursuant to Rule 2002 of the Bankruptcy Rules, (e) the Cash Management Banks; and (f) all governmental agencies having a regulatory or statutory interest in this Chapter 11 Case.

88. Given the nature of the relief requested in this motion, the Debtor submits that no other or further notice is necessary or required.

NO PRIOR REQUEST

89. The Debtor has not made a prior request to this Court or any other court for the relief sought in this motion.

[Remainder of Page Intentionally Left Blank]

WHEREFORE, the Debtor respectfully requests that this Court: (a) enter the Interim Order, approving the relief sought in this motion on an interim basis and scheduling a final hearing to consider final approval of the relief sought in this motion; (b) after a final hearing, enter the Final Order, approving the relief sought in this motion; and (c) grant such other and further relief as this Court deems just and proper.

DATED: November 11, 2019
Nashville, Tennessee

Respectfully submitted,
WALLER LANSDEN DORTCH & DAVIS, LLP

/s/ Blake D. Roth

Ryan K. Cochran (Federal ID No. 3438844)
Blake D. Roth (Federal ID No. 2666808)
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-and-

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Facsimile: (512) 685-6417
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Evan.Atkinson@wallerlaw.com

Proposed Counsel for the Debtor and Debtor in Possession

Certificate of Service

I certify that on November 11, 2019, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Blake Roth

EXHIBIT A
PROPOSED INTERIM ORDER

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

WALKER COUNTY HOSPITAL CORPORATION,
d/b/a HUNTSVILLE MEMORIAL HOSPITAL,

Debtor and Debtor in Possession.¹

Chapter 11

Case No. 19-36300

Re: Docket No. ____

**INTERIM ORDER: (I) AUTHORIZING THE DEBTOR TO
(A) CONTINUE TO OPERATE THE DEBTOR'S CASH MANAGEMENT
SYSTEM, (B) PAY ANY PREPETITION OR POSTPETITION AMOUNTS
OUTSTANDING ON ACCOUNT OF BANK FEES, (C) MAINTAIN EXISTING
BUSINESS FORMS IN THE ORDINARY COURSE OF BUSINESS, AND (D)
CONTINUE TO PERFORM INTERCOMPANY TRANSACTIONS CONSISTENT
WITH HISTORICAL PRACTICE; AND (II) GRANTING RELATED RELIEF**

Upon consideration of the *Debtor's Emergency Motion for Entry of Interim and Final Orders: (I) Authorizing the Debtor to (A) Continue to Operate the Debtor's Cash Management System, (B) Pay Any Prepetition or Postpetition Amounts Outstanding on Account of Bank Fees, (C) Maintain Existing Business Forms in the Ordinary Course of Business, and (D) Continue to Perform Intercompany Transactions Consistent with Historical Practice; and (II) Granting Related Relief* (the "**Motion**");² and upon this Court finding it has jurisdiction over the Motion and the relief sought in the Motion; and upon this Court finding venue for the Motion is proper in this Court; and upon finding that due and sufficient notice has been given, the notice given satisfies the requirements of Rule 6004(a) of the Bankruptcy Rules, and no other or further notice is necessary or required; and upon finding the contents of the Motion satisfy the requirements of Rule 6003(b) of the Bankruptcy Rules; and this Court having reviewed the Motion and having heard

¹ The last four digits of the Debtor's federal tax identification number are: 0960. The location of the Debtor's service address is: P.O. Box 4001, Huntsville, TX 77342-4001, Attn: Steven Smith.

² Capitalized terms used in this order and not otherwise defined shall have the meanings ascribed to them in the Motion.

the statements in support of the relief requested therein at a hearing before this Court, if any (the “**Hearing**”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Debtor is authorized to (a) continue operating the Cash Management System, substantially as identified on Exhibit C and Exhibit D to the Motion, (b) honor the Debtor’s prepetition obligations related to the Cash Management System, including the Bank Fees, (c) maintain existing Business Forms, and (d) continue to perform Intercompany Transactions, in the ordinary course of business and consistent with historical practice.

2. The Debtor is authorized to (a) continue to use, with the same account numbers, the Bank Accounts in existence as of the Petition Date, (b) use, in their present form, all correspondence and Business Forms, *provided* that once the Debtor has exhausted its existing stock of Business Forms, it shall ensure that any new Business Forms are clearly labeled “Debtor In Possession” and with respect to any Business Forms that exist or are generated electronically, the Debtor shall ensure that such electronic Business Forms are clearly labeled “Debtor In Possession” within 10 business days, (c) treat the Bank Accounts for all purposes as accounts of the Debtor as a debtor in possession, (d) deposit funds in and withdraw funds from the Bank Accounts, in accordance with prepetition ordinary course practices, including checks, wire transfers, and other debits, and (e) pay Bank Fees, including any prepetition amounts, and any ordinary course Bank Fees incurred in connection with the Bank Accounts, and to otherwise perform the Debtor’s obligations under the documents governing the Bank Accounts (collectively,

the “**Bank Account Agreements**”), including to reimburse any Cash Management Bank for any indebtedness or obligation owed by the Debtor to a Cash Management Bank that arises out of or relates to the Cash Management System, regardless whether such indebtedness or obligation was incurred or arose prior to or after the Petition Date, including, without limitation, (i) all service charges, fees, and expenses related to the maintenance or administration of the Bank Accounts or the process of any ACH transaction or wire or other transfer, (ii) all overdrafts and indebtedness arising from checks or other payment items deposited in or credited to any Bank Account and returned or otherwise not collected for any reason, (iii) any adjustments or corrections of any posting or encoding errors, and (iv) all amounts payable or reimbursable in respect of ACH transactions, wire transfers, or other treasury management transactions arising under the Bank Account Agreements (collectively, the “**Bank Account Claims**”).

3. Subject to the Bank Account Agreements, the Cash Management Banks are expressly authorized, without further order of this Court, to exercise rights of offset against the Bank Accounts solely with respect to the Bank Account Claims that are incurred in connection with the Bank Accounts in the ordinary course of business.

4. All Bank Account Claims are accorded administrative expense status, pursuant to section 503(b) of the Bankruptcy Code.

5. To the extent any of the Debtor’s Bank Accounts are not in compliance with section 345(b) of the Bankruptcy Code or any of the U.S. Trustee’s requirements or guidelines, the Debtor shall have 45 days, without prejudice to seeking an additional extension, to come into compliance with section 345(b) of the Bankruptcy Code and any of the U.S. Trustee’s requirements or guidelines; provided that nothing herein shall prevent the Debtor or the U. S. Trustee from seeking further relief from the Court to the extent that an agreement cannot be reached. The Debtor may

obtain a further extension of the 45-day time period referenced above by entering into a written stipulation with the U.S. Trustee and filing such stipulation on the Court's docket without the need for further Court order.

6. The Cash Management Banks are authorized to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtor as a debtor in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay, to the extent of available funds, any and all checks, drafts, wires, credit card payments, and ACH transfers issued and drawn on the Bank Accounts after the Petition Date by the holders or makers of the foregoing, as the case may be.

7. For the avoidance of doubt, the Cash Management Banks are not permitted to process, honor, or pay any checks, drafts, wires, credit card payments, or ACH transfers issued or drawn on the Bank Accounts by the holders or makers of the foregoing that would result in a Bank Account having a negative balance.

8. Subject to applicable law, those certain existing Bank Account Agreements shall continue to govern the postpetition cash management relationship between the Debtor and the Cash Management Banks, and all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect.

9. The Debtor and Cash Management Banks may, without further order of this Court, agree to and implement changes to the Cash Management System and procedures related to the Cash Management System in the ordinary course of business, including, without limitation, the closing of Bank Accounts or the opening of new bank accounts; *provided, however*, that such opening shall be timely indicated on the Debtor's monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee and to any statutory committee appointed

in this case; *provided, further*, that any new bank account that the Debtor opens will be (a) with a bank that is organized under the laws of the United States of America or any state therein, and that is insured by the FDIC or the Federal Savings and Loan Insurance Corporation, (b) with an authorized depository designated by the U.S. Trustee, (c) designated a “Debtor in Possession” account by the relevant bank, and (d) with a bank that agrees to be bound by the terms of this Interim Order.

10. The relief granted in this interim order is extended to any new bank account opened by the Debtor after the date of this interim order, which account(s) shall be deemed a Bank Account, and to the bank at which such account is opened, which bank shall be deemed a Cash Management Bank.

11. All Cash Management Banks maintaining Bank Accounts that are provided with notice of this interim order shall not honor or pay any bank payments drawn on the listed Bank Accounts or otherwise issued before the Petition Date for which the Debtor specifically issues a stop payment order in accordance with the applicable Bank Account Agreement.

12. The Cash Management Banks are authorized, without further order of this Court, to deduct all applicable Bank Fees from the applicable Bank Accounts, consistent with historical practice.

13. The Debtor shall promptly provide Cash Management Bank with lists of the checks (specifying by check sequencing number, dollar amount, and payee information), drafts, wires, ACH transactions or other payment items that are to be dishonored by such Cash Management Bank, if any (the “*Instructions*”), and the Cash Management Banks are authorized to accept and rely upon, without further inquiry, the Instructions.

14. Subject to the terms set forth in this interim order, any bank, including the Cash Management Banks, may rely upon, without further inquiry, the Instructions and no bank that honors a prepetition check or other item drawn on any account that is subject to this interim order (a) in reliance upon the Instructions, (b) in a good faith belief that this Court has authorized such prepetition check or item to be honored, or (c) as a result of a good faith error shall be deemed to be nor shall be liable to the Debtor or the Debtor's estate on account of such prepetition check or other item being honored postpetition, or otherwise deemed to be in violation of this interim order.

15. Any banks, including the Cash Management Banks, are further authorized to (a) honor the Debtor's directions with respect to the opening and closing of any Bank Account, (b) accept and hold the Debtor's funds in accordance with the Debtor's instructions, (c) accept and honor all representations from the Debtor as to which checks, drafts, wires, or ACH transfers and other withdrawals should be honored or dishonored, consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH transfers and other withdrawals are dated prior to, on, or subsequent to the Petition Date, and (d) have no duty to independently inquire as to whether such payments are authorized by an order of this Court; provided that the Cash Management Banks shall not have any liability to any party for relying on such representations to the extent such reliance otherwise complies with applicable law.

16. The Debtor is authorized to enter into and engage in the Intercompany Transactions and to take any actions and to pay prepetition obligations related to the Intercompany Transactions.

17. All postpetition Intercompany Claims are accorded administrative expense status and shall have priority over any administrative claims that arise under section 503(b) of the Bankruptcy Code.

18. In connection with the Intercompany Transactions, the Debtor shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts and shall make such records available upon request by the U.S. Trustee and any official statutory committee appointed in this case.

19. Nothing contained in the Motion or this interim order shall be construed to (a) create or perfect, in favor of any person or entity, any interest in cash of the Debtor that did not exist as of the Petition Date or (b) alter or impair any security interest or perfection of such security interest, in favor of any person or entity, that existed as of the Petition Date.

20. Notwithstanding the relief granted in this interim order and any actions taken pursuant to such relief, nothing in this interim order shall be deemed: (a) an admission as to the validity of any prepetition claim against the Debtor; (b) a waiver of the Debtor's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this interim order or the Motion; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtor's rights under the Bankruptcy Code or any other applicable law.

21. The Cash Management Banks on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved in this interim order are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this interim order.

22. The Debtor will provide the U.S. Trustee and any statutory committee with the location and account number of any additional debtor in possession accounts opened by the Debtor during this Chapter 11 Case.

23. The Debtor will provide the U.S. Trustee with sufficient evidence to show that all Bank Accounts are properly styled and maintained in accordance with this interim order.

24. Notice of the Motion as provided herein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are waived.

25. Notwithstanding Rule 6004(h) of the Bankruptcy Rules, the terms and conditions of this interim order are immediately effective and enforceable upon its entry.

26. As soon as practicable after the entry of this interim order, the Debtor shall serve this interim order on the Cash Management Banks.

27. Notwithstanding anything to the contrary herein, nothing in this Interim Order authorizes the use of cash collateral or debtor-in-possession financing. Any payments authorized to be made pursuant to the Motion shall be made only to the extent authorized under the cash collateral and debtor-in-possession financing budget approved by the Court in effect as of the time such payment is to be made (the Court orders approving such budgets, cash collateral use and debtor-in-possession financing, the “**DIP Financing Orders**”). To the extent of any inconsistency between this Order and the DIP Financing Orders, the DIP Financing Orders shall control.

28. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this interim order.

29. The Final Hearing on the Motion shall be held on _____, 2019, at __:__.m. prevailing Central Time, at the Bob Casey United States Courthouse, 515 Rusk Avenue, Courtroom No. [], 4th Floor, Houston, TX 77002, and any objections or responses to the Motion

shall be in writing, filed with the Court, with a copy to chambers, on or before _____, 2019, and served upon (i) the proposed attorneys for the Debtor: Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: Blake D. Roth (blake.roth@wallerlaw.com); (ii) the Office of the United States Trustee for the Southern District of Texas, 515 Rusk Avenue, Ste. 3516, Houston, TX 77002, Attn: Stephen Statham (stephen.statham@usdoj.com); (iii) counsel to Debtor's senior secured lender: (a) Vedder Price P.C., 222 North LaSalle Street, Chicago, IL 60601, Attn: Michael M. Eidelman (meidelman@vedderprice.com) and David L. Kane (dkane@vedderprice.com) and (b) Porter Hedges, LLP, 1000 Main Street, 36th Floor, Houston, TX 77002, Attn: John F. Higgins (jhiggins@porterhedges.com); and (iv) counsel to any statutory committee of unsecured creditors.

30. This Court shall retain exclusive jurisdiction with respect to all matters arising out of or related to this interim order or its implementation or enforcement.

Dated: _____, 2019
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B
PROPOSED FINAL ORDER

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

WALKER COUNTY HOSPITAL CORPORATION,
d/b/a HUNTSVILLE MEMORIAL HOSPITAL,

Debtor and Debtor in Possession.¹

Chapter 11

Case No. 19-36300

Re: Docket Nos. ____

**FINAL ORDER: (I) AUTHORIZING THE DEBTOR TO
(A) CONTINUE TO OPERATE THE DEBTOR'S CASH MANAGEMENT SYSTEM,
(B) PAY ANY PREPETITION OR POSTPETITION AMOUNTS OUTSTANDING
ON ACCOUNT OF BANK FEES, (C) MAINTAIN EXISTING BUSINESS
FORMS IN THE ORDINARY COURSE OF BUSINESS, AND (D) CONTINUE
TO PERFORM INTERCOMPANY TRANSACTIONS CONSISTENT WITH
HISTORICAL PRACTICE; AND (II) GRANTING RELATED RELIEF**

Upon consideration of the *Debtor's Emergency Motion for Entry of Interim and Final Orders: (I) Authorizing the Debtor to (A) Continue to Operate the Debtor's Cash Management System, (B) Pay Any Prepetition or Postpetition Amounts Outstanding on Account of Bank Fees, (C) Maintain Existing Business Forms in the Ordinary Course of Business, and (D) Continue to Perform Intercompany Transactions Consistent with Historical Practice; and (II) Granting Related Relief* (the "***Motion***")² and upon this Court finding it has jurisdiction over the Motion and the relief sought in the Motion; and upon this Court finding venue for the Motion is proper in this Court; and upon finding that due and sufficient notice has been given, the notice given satisfies the requirements of Rule 6004(a) of the Bankruptcy Rules, and no other or further notice is necessary or required; and upon finding the contents of the Motion satisfy the requirements of Rule 6003(b) of the Bankruptcy Rules; and this Court having reviewed the Motion and having heard

¹ The last four digits of the Debtor's federal tax identification number are: 0960. The location of the Debtor's service address is: P.O. Box 4001, Huntsville, TX 77342-4001, Attn: Steven Smith.

² Capitalized terms used in this order and not otherwise defined shall have the meanings ascribed to them in the Motion.

the statements in support of the relief requested therein at a hearing before this Court, if any (the “**Hearing**”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. Any objections or responses to the Motion that were not consensually resolved or otherwise withdrawn are expressly overruled.

2. The Debtor is authorized to (a) continue operating the Cash Management System, substantially as identified on Exhibit C and Exhibit D to the Motion, (b) honor the Debtor’s prepetition obligations related to the Cash Management System, including the Bank Fees, (c) maintain existing Business Forms, and (d) continue to perform Intercompany Transactions in the ordinary course of business and consistent with historical practice.

3. The Debtor is authorized to (a) continue to use, with the same account numbers, the Bank Accounts in existence as of the Petition Date, (b) use, in their present form, all correspondence and Business Forms, *provided* that once the Debtor has exhausted its existing stock of Business Forms, it shall ensure that any new Business Forms are clearly labeled “Debtor In Possession” and with respect to any Business Forms that exist or are generated electronically, the Debtor shall ensure that such electronic Business Forms are clearly labeled “Debtor In Possession” within 10 business days, (c) treat the Bank Accounts for all purposes as accounts of the Debtor as a debtor in possession, (d) deposit funds in and withdraw funds from the Bank Accounts, in accordance with prepetition ordinary course practices, including checks, wire transfers, and other debits, and (e) pay Bank Fees, including any prepetition amounts, and any

ordinary course Bank Fees incurred in connection with the Bank Accounts, and to otherwise perform the Debtor's obligations under the documents governing the Bank Accounts (collectively, the "***Bank Account Agreements***"), including to reimburse any Cash Management Bank for any indebtedness or obligation owed by the Debtor to a Cash Management Bank that arises out of or relates to the Cash Management System, regardless whether such indebtedness or obligation was incurred or arose prior to or after the Petition Date, including, without limitation, (i) all service charges, fees, and expenses related to the maintenance or administration of the Bank Accounts or the process of any ACH transaction or wire or other transfer, (ii) all overdrafts and indebtedness arising from checks or other payment items deposited in or credited to any Bank Account and returned or otherwise not collected for any reason, (iii) any adjustments or corrections of any posting or encoding errors, and (iv) all amounts payable or reimbursable in respect of ACH transactions, wire transfers, or other treasury management transactions arising under the Bank Account Agreements (collectively, the "***Bank Account Claims***").

4. Subject to the Bank Account Agreements, the Cash Management Banks are expressly authorized, without further order of this Court, to exercise rights of offset against the Bank Accounts solely with respect to the Bank Account Claims that are incurred in connection with the Bank Accounts in the ordinary course of business.

5. All Bank Account Claims are accorded administrative expense status, pursuant to section 503(b) of the Bankruptcy Code.

6. To the extent any of the Debtor's Bank Accounts are not in compliance with section 345(b) of the Bankruptcy Code or any of the U.S. Trustee's requirements or guidelines, the Debtor shall have 45 days, without prejudice to seeking an additional extension, to come into compliance with section 345(b) of the Bankruptcy Code and any of the U.S. Trustee's requirements or

guidelines; provided that nothing herein shall prevent the Debtor or the U. S. Trustee from seeking further relief from the Court to the extent that an agreement cannot be reached. The Debtor may obtain a further extension of the 45-day time period referenced above by entering into a written stipulation with the U.S. Trustee and filing such stipulation on the Court's docket without the need for further Court order.

7. The Cash Management Banks are authorized to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtor as a debtor in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay, to the extent of available funds, any and all checks, drafts, wires, credit card payments, and ACH transfers issued and drawn on the Bank Accounts after the Petition Date by the holders or makers of the foregoing, as the case may be.

8. For the avoidance of doubt, the Cash Management Banks are not permitted to process, honor, or pay any checks, drafts, wires, credit card payments, or ACH transfers issued or drawn on the Bank Accounts by the holders or makers of the foregoing that would result in a Bank Account having a negative balance.

9. Subject to applicable law, those certain existing Bank Account Agreements shall continue to govern the postpetition cash management relationship between the Debtor and the Cash Management Banks, and all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect.

10. The Debtor and Cash Management Banks may, without further order of this Court, agree to and implement changes to the Cash Management System and procedures related to the Cash Management System in the ordinary course of business, including, without limitation, the closing of Bank Accounts or the opening of new bank accounts; *provided, however*, that such

opening shall be timely indicated on the Debtor's monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee and to any statutory committee appointed in this case; *provided, further*, that any new bank account that the Debtor opens will be (a) with a bank that is organized under the laws of the United States of America or any state therein, and that is insured by the FDIC or the Federal Savings and Loan Insurance Corporation, (b) with an authorized depository designated by the U.S. Trustee, (c) designated a "Debtor in Possession" account by the relevant bank, and (d) with a bank that agrees to be bound by the terms of this Final Order.

11. The relief granted in this order is extended to any new bank account opened by the Debtor after the date of this order, which account(s) shall be deemed a Bank Account, and to the bank at which such account is opened, which bank shall be deemed a Cash Management Bank.

12. All Cash Management Banks maintaining Bank Accounts that are provided with notice of this order shall not honor or pay any bank payments drawn on the listed Bank Accounts or otherwise issued before the Petition Date for which the Debtor specifically issues a stop payment order in accordance with the applicable Bank Account Agreement.

13. The Cash Management Banks are authorized, without further order of this Court, to deduct all applicable Bank Fees from the applicable Bank Accounts, consistent with historical practice.

14. The Debtor shall promptly provide Cash Management Bank with lists of the checks (specifying by check sequencing number, dollar amount, and payee information), drafts, wires, ACH transactions or other payment items that are to be dishonored by such Cash Management Bank, if any (the "*Instructions*"), and the Cash Management Banks are authorized to accept and rely upon, without further inquiry, the Instructions.

15. Subject to the terms set forth in this order, any bank, including the Cash Management Banks, may rely upon, without further inquiry, the Instructions and no bank that honors a prepetition check or other item drawn on any account that is subject to this order (a) in reliance upon the Instructions, (b) in a good faith belief that this Court has authorized such prepetition check or item to be honored, or (c) as a result of a good faith error shall be deemed to be nor shall be liable to the Debtor or the Debtor's estate on account of such prepetition check or other item being honored postpetition, or otherwise deemed to be in violation of this order.

16. Any banks, including the Cash Management Banks, are further authorized to (a) honor the Debtor's directions with respect to the opening and closing of any Bank Account, (b) accept and hold the Debtor's funds in accordance with the Debtor's instructions, (c) accept and honor all representations from the Debtor as to which checks, drafts, wires, or ACH transfers and other withdrawals should be honored or dishonored, consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH transfers and other withdrawals are dated prior to, on, or subsequent to the Petition Date, and (d) have no duty to independently inquire as to whether such payments are authorized by an order of this Court; provided that the Cash Management Banks shall not have any liability to any party for relying on such representations to the extent such reliance otherwise complies with applicable law.

17. The Debtor is authorized to enter into and engage in the Intercompany Transactions and to take any actions and to pay prepetition obligations related to the Intercompany Transactions.

18. All postpetition Intercompany Claims are accorded administrative expense status and shall have priority over any administrative claims that arise under section 503(b) of the Bankruptcy Code.

19. In connection with the Intercompany Transactions, the Debtor shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts and shall make such records available upon request by the U.S. Trustee and any official statutory committee appointed in this case.

20. Nothing contained in the Motion or this order shall be construed to (a) create or perfect, in favor of any person or entity, any interest in cash of the Debtor that did not exist as of the Petition Date or (b) alter or impair any security interest or perfection of such security interest, in favor of any person or entity, that existed as of the Petition Date.

21. Notwithstanding the relief granted in this order and any actions taken pursuant to such relief, nothing in this order shall be deemed: (a) an admission as to the validity of any prepetition claim against the Debtor; (b) a waiver of the Debtor's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this order or the Motion; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtor's rights under the Bankruptcy Code or any other applicable law.

22. The Cash Management Banks on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved in this order are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this order.

23. The Debtor will provide the U.S. Trustee and any statutory committee with the location and account number of any additional debtor in possession accounts opened by the Debtor during this Chapter 11 Case.

24. The Debtor will provide the U.S. Trustee with sufficient evidence to show that all Bank Accounts are properly styled and maintained in accordance with this order.

25. Notwithstanding anything to the contrary herein, nothing in this Final Order authorizes the use of cash collateral or debtor-in-possession financing. Any payments authorized to be made pursuant to the Motion shall be made only to the extent authorized under the cash collateral and debtor-in-possession financing budget approved by the Court in effect as of the time such payment is to be made (the Court orders approving such budgets, cash collateral use and debtor-in-possession financing, the “***DIP Financing Orders***”). To the extent of any inconsistency between this Order and the DIP Financing Orders, the DIP Financing Orders shall control.

26. Notice of the Motion as provided herein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are waived.

27. Notwithstanding Rule 6004(h) of the Bankruptcy Rules, the terms and conditions of this order are immediately effective and enforceable upon its entry.

28. As soon as practicable after the entry of this order, the Debtor shall serve this order on the Cash Management Banks.

29. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this order.

30. This Court shall retain exclusive jurisdiction with respect to all matters arising out of or related to this interim order or its implementation or enforcement.

Dated: _____, 2019
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C
BANK ACCOUNTS

Cash Report Name	Last 4 of Account #	Financial Institution (Name, Address, Telephone and Fax #)	Type of Account
HMH BBVA Government Collections	6045	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Deposit
HMH BBVA Non-Government Collections	6037	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Deposit
HMH US Bank - Athena Collections	E+11	US Bank Commerican Customer Service 5065 Wooster Rd Cincinnati OH 45226 (800)377-3053 F (866) 206-4145	Deposit
HMH BBVA Concentration	6029	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Disbursement Account
HMH BBVA Accounts Payable	6061	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Accounts Payable
WCHC BBVA A/R Refunds - Parallon	6053	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	A/R Refunds
WCHC BBVA Credit Card Account (Merchant Service)	6150	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Credit Card Processing
HMH BBVA Payroll	6088	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Payroll
HMH BBVA EFTPS	6118	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Payroll Taxes
WCHC Flex Spending Account	6142	BBVA USA 2200 Post Oak Blvd, 20th Floor, Houston Texas 77056 (713) 966-2363	Employee Flex Spending Acct
WCHC/HMH Fixed Income Mututal Fund	0100	First National Bank of Huntsville, 1300 11th St. Huntsville, Texas 77340 (936)294-8037, Fax (936) 291-8366	Mutual Fund
HMH Batten Nurse Scholarship Fund	1800	First National Bank of Huntsville, 1300 11th St. Huntsville, Texas 77340 (936)294-8037, Fax (936) 291-8366	Restricted Account
HMH FNB Vocational Nurse Scholarship Fund	9700	First National Bank of Huntsville, 1300 11th St. Huntsville, Texas 77340 (936)294-8037, Fax (936) 291-8366	Restricted Account
WCHC Mammogram Fund	8700	First National Bank of Huntsville, 1300 11th St. Huntsville, Texas 77340 (936)294-8037, Fax (936) 291-8366	Restricted Account

EXHIBIT D
DIAGRAM OF CASH MANAGEMENT SYSTEM

Physician Org.