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6 Proposed Attorneys for Chapter 11
Debtors and Debtors in Possession

7
8 UNITED STATES BANKRUPTCY COURT
9
10 CENTRAL DISTRICT OF CALIFORNIA
11 LOS ANGELES DIVISION

12 In re:) Main Case No. LA 07-12312-EC
PLEASANT CARE CORPORATION, a)
13 California corporation,) Case No. LA 07-12322-EC
_____) Case No. LA 07-12319-EC
14) Case No. LA 07-12326-EC
In re:) Case No. LA 07-12316-EC
15 SNF PROPERTIES INCORPORATED,)
a California corporation,) Chapter 11
16 _____)
17 In re:) DEBTORS' STATUS UPDATE ON SECOND
PCC HEALTH SERVICES, INC., a) INTERIM CASH COLLATERAL ORDER
18 California corporation,) AND SECOND INTERIM FINANCING
_____) ORDER
19)
20 In re:) Date: April 5, 2007
ATLAS CARE ENTERPRISES,) Time: 3:00 p.m.
21 INC., a California) Place: Courtroom 1639
corporation,) 255 E. Temple St.
22 _____) Los Angeles, CA
))
23 In re:)
EMBER CARE CORPORATION, a)
24 California corporation,)
_____)
25 Debtors.)
26 _____)
27 _____)
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Pleasant Care Corporation, SNF Properties Incorporated, PCC Health Services, Inc., Atlas Care Enterprises, Inc., and Ember Care Corporation, California corporations, the debtors and debtors in possession in the above-entitled, jointly administrated, Chapter 11 cases (collectively, the "Debtors"), hereby file this Status Update on the Debtors' proposed second interim cash collateral order and second interim financing order as follows:

1. On March 22, 2007, the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code. Since the commencement of these cases, the Debtors have been operating their businesses as debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

2. The Debtors are principally engaged in the business of owning and operating 30 skilled nursing facilities and residential care facilities. A skilled nursing facility cares for patients who require a higher level of nursing care, most of whom remain there permanently. A residential care facility cares for patients who require a lesser level of care. Both types of facilities generally involve patients who remain at the facilities on a long term basis.

3. The Debtors currently have approximately 3,000 residents at the Debtors' various facilities and approximately 3,500 employees.

1 4. At a hearing held on March 27, 2007, the Court
2 approved a stipulated cash collateral order and a stipulated dip
3 financing order entered into between the Debtors and the Debtors'
4 two secured creditors, Bridge Healthcare Finance, LLC ("Bridge")
5 and Omnicare, Inc. ("Omnicare").

6 5. On March 29, 2007, the Office of the United States
7 Trustee formed an Official Committee of Unsecured Creditors (the
8 "Creditors Committee") comprised of four of the Debtors' largest
9 unsecured creditors/suppliers (Twin Med LLC; Healthcare Services
10 Group, Inc.; Comprehensive Therapy; and Dairy King) and one of
11 the Debtors' key employee unions (SEIU, United Healthcare Workers
12 West). Representatives of an "ad hoc" Committee of Unsecured
13 Creditors and counsel appeared at the hearing on March 27, 2007.
14 That same counsel has been retained as counsel to the Creditors
15 Committee.
16

17 6. Since the conclusion of the hearing on March 27, 2007,
18 the Debtors, Bridge, Omnicare and the Creditors Committee have
19 engaged in extensive negotiations and discussions regarding,
20 among other things, Bridge's continued financing of the Debtors
21 and the Debtors' continued use of cash collateral.

22 7. In addition, and as a condition to Bridge's continued
23 financing of the Debtors, the Debtors have employed an entirely
24 new senior management team, the details of which are set forth in
25 an employment application that the Debtors have filed with the
26 Court.
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1 8. In summary, with the consent of the other parties, the
2 Debtors have employed Joseph Tuteru ("JT") as the Debtors'
3 President and Chief Operating Officer (along with having the
4 significant resources of his company, LTC Services, behind him).

5 9. The Tuteru Group, an affiliate of LTC Services, by and
6 through various affiliates and subsidiaries (collectively,
7 "Tuteru"), is a nationally recognized health care management
8 and restructuring company based in Kansas City, Missouri. Tuteru
9 currently owns, operates or manages in excess of 40 skilled
10 nursing, assisted living, or retirement facilities in 10 states
11 and has operated as many as 90+ facilities at any given time over
12 the past several years. Tuteru is one of the largest privately
13 owned health care management companies in the United States.
14 Joseph Tuteru is the President and Chief Executive Officer of
15 Tuteru.
16 Tuteru.

17 10. In addition, with the consent of the other parties,
18 the Debtors have also employed Carol Van Horst ("CVH") as Chief
19 Clinical Officer to work in conjunction with LTC Services and
20 JT. CVH is highly qualified to fill this role for the Debtors.

21 11. With the Debtors' employment of JT and CVH, Bridge has
22 agreed to continue to provide the Debtors with their necessary
23 financing and consent to use of cash collateral. Omnicare has
24 provided its consent as well.

25 12. Attached hereto as Exhibit "1" is a copy of the most
26 current form of the second interim financing order. Attached
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28

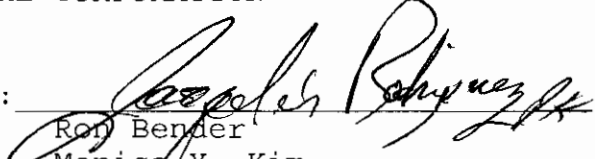
1 hereto as Exhibit "2" is a copy of the most current form of the
2 second interim cash collateral order.

3 13. Based upon conversations and email exchanges that
4 counsel to the Debtors has had with the other parties, the
5 Debtors are of the belief that all of the parties to the two
6 orders (i.e., the Debtors through JT, Bridge, Omnicare, and Mr.
7 Bernabe) are all willing and intend to sign both orders. The
8 Debtors also understand that the Creditors Committee has approved
9 both orders.

10 14. While it is possible that the orders may change by the
11 time of the hearing on April 5, 2007, at 3:00 p.m., the Debtors
12 are filing these versions of the orders with the Court so that
13 the Court has the maximum amount of time possible to review the
14 orders in advance of the hearing on April 5, 2007, at 3:00 p.m.

15 Dated: April 4, 2007

PLEASANT CARE CORPORATION; SNF
PROPERTIES INCORPORATED; PCC
HEALTH SERVICES, INC.; ATLAS CARE
ENTERPRISES, INC.; AND EMBER
CARE CORPORATION

16 By: 
17 Ron Bender
18 Monica Y. Kim
19 Jacqueline L. Rodriguez
20 Levene, Neale, Bender,
21 Rankin & Brill L.L.P.
22 Proposed Attorneys for
23 Debtors and Debtors
24 in Possession
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8 UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
9 LOS ANGELES DIVISION
10

11 In re:
PLEASANT CARE CORPORATION, a
California corporation, *et al.*,

12 Debtors.
13

Case No. LA 07-12312-EC

Jointly Administered

Chapter 11

14 **SECOND INTERIM ORDER PURSUANT**
15 **TO 11 U.S.C. §§ 361, 362 AND 364**
16 **(i) AUTHORIZING USE OF CASH**
17 **COLLATERAL, (ii) GRANTING**
18 **ADEQUATE PROTECTION, AND**
19 **SCHEDULING FINAL HEARING**

Date: April ____, 2007

Time: _____

Place: Courtroom 1639
255 E. Temple St.
Los Angeles, CA
20
21

22 This matter came before the Court on the Debtors' Emergency Motion (the "Motion")
23 dated April ____, 2007 seeking the entry of a Second Interim Order (the "Second Interim Order");
24 (a) authorizing, pursuant to 11 U.S.C. §§ 363 on an emergency basis, use of "Cash Collateral" (as
25 that term is defined in Section 363(a) pursuant to the Supplemental Budget (as defined herein);
26 (b) providing, pursuant to Sections 361 and 363(c) of the Bankruptcy Code, adequate protection
27 to Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC (collectively "Bridge")
28

EXHIBIT 1

1 or the “Lender”) and Omnicare, Inc. (“Omnicare”), with respect to any diminution in the value of
2 the Lender’s interest in its prepetition collateral and for the use of all Cash Collateral; and
3 requesting that a final hearing (the “Final Hearing”) be scheduled, to consider entry of a final
4 order authorizing the use of the Cash Collateral; the Preliminary Hearing having been held before
5 the Court on April ___, 2007; due and sufficient notice of the Motion under the circumstances
6 having been given; and the Court having found good and sufficient cause appearing therefore,

8 **IT IS ORDERED THAT:**

9 1. The Motion is granted on an interim basis, pursuant to the terms and conditions set
10 forth in this Second Interim Order.

11 2. Subject to the terms and conditions of this Second Interim Order,¹ the Debtors may
12 use Cash Collateral for the period from April 7, 2007 through and including April 27, 2007,
13 pursuant to the supplemental budget attached hereto and incorporated herein as Exhibit A (the
14 “Supplemental Budget”). In no event shall the Debtors use any Cash Collateral to pay any items
15 except as set forth in the Supplemental Budget or as may be consented to in writing by the Lender
16 and by Omnicare or as otherwise ordered by the Bankruptcy Court. The Debtors further agree not
17 to incur any administrative expenses other than as set forth in the Supplemental Budget (and other
18 than fees and expenses incurred by professionals employed in these cases and fees and costs
19 owing to the OUST or the Clerk of the Court) without the prior written consent of the Lender and
20 Omnicare or approval by the Bankruptcy Court after notice to the Lender and Omnicare and a
21 hearing. Not later than the second (2nd) business day of each week, the Debtors shall provide to
22 the Lender and Omnicare a variance report reflecting, on a line-item basis, the actual cash receipts
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25 ¹ Contemporaneously with the filing of this Motion, the Debtors have filed a motion seeking
26 authority to obtain additional secured post-petition financing under the terms of that certain
27 Second Interim Order Pursuant to 11 U.S.C. §§ 361, 362 and 364 (i) Authorizing Debtors to Incur
28 Post-Petition Secured Indebtedness and Granting Security Interests and Priority and
(ii) Scheduling a Final Hearing (the “Second Interim Financing Order”).

1 and disbursements for such week, the dollar variance and the percentage variance (the "Variance
2 Percent") of such actual receipts and disbursements from those reflected in the Supplemental
3 Budget for that week. Any disbursement by the Debtors other than for such expenses set forth in
4 the Supplemental Budget within the Variance Percent, shall constitute an Event of Default under
5 this Second Interim Order unless the Lender and Omnicare consent to such disbursements in
6 writing; provided, however, that the Debtors may make payments in excess of the total budgeted
7 disbursements so long as (i) the Variance Percent of the aggregate of all actual disbursements for
8 each week shall not exceed ten (10%) percent of the budgeted disbursements for that week and
9 shall at no time exceed the actual cash receipts of the Debtors; and (ii) the Variance Percent of the
10 aggregate of all actual disbursements prior to the expiration date shall not exceed five (5%)
11 percent of the aggregate of all budgeted disbursements prior to the Expiration Date
12 (subsections (i) and (ii) above are collectively, the "Allowed Variance"). Pursuant to the terms of
13 the Retention Agreement, the COO, CCO and LTC Services (as such terms are defined below),
14 will be compensated on a monthly basis, payable in advance each month, but shall still be
15 required to prepare and file final applications with the Bankruptcy Court at the conclusion of the
16 Debtors' bankruptcy cases or termination of Mr. Tutera as COO and/or Ms. Van Horst as CCO,
17 respectively.

20 3. The Debtors shall continue their cash management system, which shall include a
21 lockbox/blocked account agreement in the form and substance reasonably acceptable to the
22 Lender (the "Lock Box Account"), pursuant to which the Debtors shall direct all collections
23 whether from sales, business activities or otherwise as proceeds from the sale, use or lease of
24 Collateral (as defined below) to the Lock Box Account and the Lender will have full domain and
25 control over the Cash Collateral and the cash proceeds of the Collateral (as defined below). All
26 cash, checks, notes, drafts, instruments, acceptances and other property and interests in property
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1 of the Debtors (the "Cash Proceeds") currently in the possession of the Debtors or in any accounts
2 in financial institutions, including any lock box or depository accounts, shall be deemed proceeds
3 of the Prepetition Collateral.

4 4. The Debtors' right to use Cash Collateral shall commence on the date of the entry
5 of this Second Interim Order and expire on the earlier of (a) the close of business on April 27,
6 2007, (b) the occurrence of any Event of Default of this Second Interim Order, or (c) the date
7 scheduled for any subsequent hearing pursuant to paragraph 12 of this Second Interim Order (the
8 "Expiration Date"). In no event shall the Debtors be authorized to use Cash Collateral except
9 strictly in compliance with the terms and conditions of this Second Interim Order and the
10 Supplemental Budget. Except for repayment of the Secured Financing and Supplemental Secured
11 Financing provided by Lender pursuant to the Second Interim Financing Order and the prior
12 Interim Financing Order that was entered and approved by the Court, no Cash Collateral shall be
13 applied against the Lender's prepetition indebtedness without further court order.
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16 5. So long as no Events of Default exist under this Second Interim Order, the Lender
17 and Omnicare shall consent to the use by the Debtors of such amounts of Cash Collateral as are
18 deposited in the Lock Box Account and authorized for use by the Debtors pursuant to the terms
19 and conditions of this Second Interim Order and the limitations of the Supplemental Budget.
20

21 6. The Lender and Omnicare are hereby granted, as adequate protection for any
22 diminution in the value of the collateral securing their pre-petition indebtedness (the "Prepetition
23 Collateral"), and the proceeds thereof, and Cash Collateral, and the proceeds thereof, a
24 replacement lien (the "Replacement Liens") in and upon the Prepetition Collateral, and the
25 proceeds thereof, and Cash Collateral, and all postpetition assets of the Debtor except avoidance
26 actions, and the proceeds thereof, and all other real and personal property of the Debtors of any
27 description whatsoever, wherever located and whenever arising or acquired, including, without
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1 limitation, all accounts, inventory, instruments, investment property, documents, equipment,
2 fixtures, general intangibles, and any and all proceeds and products, whether tangible or
3 intangible, or any of the foregoing, including proceeds of insurance covering any of the foregoing
4 (collectively, all of the collateral described in this paragraph, the "Postpetition Collateral"), with
5 such Replacement Liens to have the same validity, priority and perfection as Lender's and
6 Omnicare's prepetition liens against the Prepetition Collateral. The Replacements Liens shall be
7 subject to an irreparable "carve-out" for the payment of all obligations due and owing under the
8 Retention Agreement to the COO, CCO and LTC Services (as such terms are defined below) (the
9 "Replacement Management Carve-Out").
10

11 7. The Replacement Liens herein granted: (i) are and shall be in addition to all
12 security interests, liens and rights of set-off of the Lender and Omnicare existing on the Petition
13 Date in the same order of priority as such security interests existed on the Petition Date; and
14 (ii) are and shall be valid, perfected, enforceable and effective as of the date of the entry of this
15 Second Interim Order without any further action by the Debtors or the Lender or Omnicare and
16 without the necessity of the execution, filing or recordation of any financing statements, security
17 agreements, vehicle lien applications, filings with the United States Patent and Trademark Office,
18 mortgages or other documents.
19

20 8. In addition to the Replacement Liens granted to the Lender and Omnicare pursuant
21 to this Second Interim Order, the Lender and Omnicare are hereby granted a superpriority
22 administrative claim under Section 507(b) of the Bankruptcy Code (the "507(b) Claim") in the
23 full amount allowable under Section 507(b) and the Bankruptcy Code. Such 507(b) Claim shall
24 be allowed and have priority in payment over all other costs and expenses, now existing or
25 hereafter arising, of the kind specified in or ordered pursuant to Sections 105, 326, 330, 331,
26 503(b), 506(c), 507(a), and 1114 of the Bankruptcy Code; provided that the 507(b) Claim shall
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1 not have priority over any allowed administrative claims in any Chapter 7 to which any or all of
2 these cases may be converted, and further shall not have priority over the obligations due and
3 owing under the Retention Agreement to the COO, CCO and LTC Services (as such terms are
4 defined below) which such budgeted fees and expenses shall have priority in payment over the
5 507(b) Claim pursuant to 11 U.S.C. §364(c)(1). The priorities of their respective 507(b) Claims
6 shall be the same as their respective pre-petition liens.
7

8 9. Any default of the terms and conditions of this Second Interim Order shall
9 constitute an "Event of Default" hereunder. Notwithstanding anything to the contrary in this
10 Second Interim Order, the Debtors' authority to use Cash Collateral pursuant to this Second
11 Interim Order shall terminate immediately and automatically (the "Termination Date"), (a) upon
12 twenty-four (24) hours after the delivery of written notice to the Debtors by the Lender or
13 Omnicare of any Event of Default of any terms and provisions of this Second Interim Order, and
14 (b) without notice of any kind upon (i) the Expiration Date, (ii) the conversion of the Chapter 11
15 Cases to Chapter 7 cases or appointment of a trustee without the consent of the Lender and
16 Omnicare, (iii) the Debtors' use of Cash Collateral in excess of amounts permitted under this
17 Second Interim Order, or (iv) the Debtors' termination of the COO or CCO, or otherwise taking
18 any action inconsistent with or that seeks to diminish, reduce or alter the terms of their
19 employment agreements approved by this Court. In the event of any such termination of the
20 Debtors' use of Cash Collateral pursuant to this Second Interim Order, the Debtors reserve all
21 rights to seek Court authority to use Cash Collateral after notice and a hearing, and the Lender,
22 Omnicare, and all other parties in interest reserve all rights to oppose any such request by the
23 Debtors to use Cash Collateral.
24
25

26 10. Any default of the terms and conditions of this Second Interim Order or under the
27 Second Interim Financing Order shall constitute the only "Events of Default" hereunder.
28

1 11. As a precondition to the Lender's and Omnicare's consent to the Debtors' use of
2 Cash Collateral, the Debtors shall obtain an Order of the Court, in form and substance satisfactory
3 to Lender and Omnicare, authorizing them to hire a Chief Operating Officer (the "COO")
4 acceptable to the Debtors, the Committee, the Lender, and Omnicare who cannot be terminated
5 by the Debtors' current management or board of directors. The COO shall assume full
6 operational control over the Debtors' businesses and shall be irrevocably granted the full
7 unfettered authority necessary to ensure that the Debtors carry out their fiduciary duties to their
8 estates, creditors, and elderly residents. In addition, as a precondition to the Lender's and
9 Omnicare's consent to the Debtors' use of Cash Collateral, the Debtors shall obtain an Order of
10 the Court, in form and substance satisfactory to Lender and Omnicare, authorizing them to hire a
11 Chief Clinical Officer (the "CCO") acceptable to the Debtors, the Committee, the Lender and
12 Omnicare who cannot be terminated by the Debtors' current management or board of directors.
13 The CCO shall assist the COO to ensure that the elderly residents of the Debtors' facilities are
14 receiving the quality of care and treatment necessary to protect their health, safety and well being
15 and shall further assist the COO in carrying out the Debtors' fiduciary duties to their estates,
16 creditors, and elderly residents. The Debtors, with consultation from the Committee, the Lenders
17 and Omnicare, have filed motions with this Court seeking the immediate authority to hire Joe
18 Tutera of LTC Services, L.L.C. ("LTC Services") as the COO and Carol Van Horst as the CCO,
19 pursuant to the terms of that certain Retention Agreement, dated April 1, 2007 (the "Retention
20 Agreement").
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24 12. A final hearing on the Motion shall be heard before this Court on April ____, 2007
25 at ____ p.m. at the United States Bankruptcy Court located at 255 East Temple Street, Los
26 Angeles, California. Any party-in-interest objecting to the relief sought in the final order shall be
27 made in writing and filed with the Court (with a courtesy copy to chambers) and served (so as to
28

1 be received) no later than April ____, 2007 at _____ p.m. pacific daylight time, on: (i) Levene,
2 Neale, Bender, Rankin & Brill L.L.P. (ATTN: Ron Bender and Monica Y. Kim), bankruptcy
3 counsel to the Debtors; (ii) Vedder, Price, Kaufman & Kammholz, P.C., 222 North LaSalle
4 Street, Suite 2600, Chicago, Illinois 60601 (ATTN: Eric S. Prezant) and Frandzel Robins
5 Bloom & Csato, L.C., 6500 Wilshire Boulevard, Seventeenth Floor, Los Angeles, California
6 90048-4920 (ATTN: Michael Gerard Fletcher and Marshall J. August), counsel to the Lender;
7 (iii) the OUST; and (iv) Theodore B. Stolman, Stutman Triester & Glatt, 1901 Avenue of the
8 Stars, 12th Floor, Los Angeles California, counsel for Omnicare.
9

10 **IT IS SO ORDERED THIS _____ DAY OF APRIL, 2007.**
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13 _____
14 ELLEN CARROLL
15 UNITED STATES BANKRUPTCY JUDGE
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1 Approved as to form and content by:

2 LEVENE, NEALE, BENDER, RANKIN &
3 BRILL L.L.P.

STUTMAN, TREISTER & GLATT P.C.

4 _____
5 By: Ron Bender / Jacqueline Rodriguez
6 Attorneys for the Debtors

By: Theodore B. Stolman
Counsel for Omnicare, Inc.

7 and

8 FRANDZEL ROBINS BLOOM & CSATO,
9 L.C.

10 _____
11 By: Michael Gerard Fletcher

12 VEDDER PRICE KAUFMAN &
13 KAMMHOLZ, P.C.

14 _____
15 By: Eric S. Prezant
16 Attorneys for the Lender

17 **CONSENT**

18 The Parties hereto consent and agree to the foregoing:

19 PLEASANT CARE CORPORATION,
20 PCC HEALTH CARE SERVICES, INC.,
21 EMBER CARE CORPORATION,
22 SNF PROPERTIES, INC.,
23 ARBOR CARE ENTERPRISES,
24 INCORPORATED
25 As Debtors

BRIDGE HEALTHCARE FINANCE, LLC,
and BRIDGE OPPORTUNITY FINANCE,
LLC as Lender

26 By: _____
27 Joe Tutera
28 Chief Operating Officer

By: _____
Shawn Andrews
Managing Director

Emmanuel I. Bernabe, Guarantor

1 RON BENDER (SBN 143364)
MONICA Y. KIM (SBN 180139)
2 JACQUELINE L. RODRIGUEZ (SBN 198838)
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5 Proposed Attorneys for Chapter 11
6 Debtors and Debtors in Possession

7
8 UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
9 LOS ANGELES DIVISION

10
11 In re:
PLEASANT CARE CORPORATION, a
California corporation, *et al.*,

12 Debtors.

Case No. LA 07-12312-EC

Jointly Administered

Chapter 11

13
14
15 **SECOND INTERIM ORDER PURSUANT**
TO 11 U.S.C. §§ 361, 362 AND 364
16 **(i) AUTHORIZING DEBTORS TO INCUR**
POST-PETITION SECURED
17 **INDEBTEDNESS AND GRANTING**
SECURITY INTERESTS AND PRIORITY
18 **AND (ii) SCHEDULING FINAL HEARING**

19 Date: April ____, 2007

Time:

20 Place: Courtroom 1639
255 E. Temple St.
Los Angeles, CA

21
22 This matter came before the Court on the Debtors' Emergency Motion (the "Motion")
23 dated April ____, 2007 seeking the entry of a Second Interim Order (the "Second Interim Order");
24 (a) authorizing, pursuant to 11 U.S.C. §§ 361, 362 and 364(c) and (d) on an emergency basis, the
25 Debtors' to incur post-petition secured indebtedness and granting security interests and priority,
26 and (b) requesting that a final hearing (the "Final Hearing") be scheduled, to consider entry of a
27 final order authorizing the Motion; the Preliminary Hearing having been held before the Court on
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EXHIBIT 2

1 April ___, 2007; due and sufficient notice of the Motion under the circumstances having been
2 given; and the Court having found good and sufficient cause appearing therefore,

3 **THE DEBTORS AND LENDER STIPULATE THAT:**

4 A. The Debtors have an immediate need to incur the Supplemental Secured Financing
5 (as defined below) set forth in this Order in order to, *inter alia*, pay wages and generally conduct
6 their business affairs so as to avoid immediate and irreparable harm to their estates and the value
7 of their assets, and to afford the Debtors adequate time to negotiate and seek approval for
8 additional cash collateral use and post-petition financing.

10 B. Given the Debtors' current financial condition, financing arrangements and capital
11 structure, the Debtors cannot obtain sufficient unsecured credit allowable under 11 U.S.C.
12 § 503(b)(1) as an administrative expense to enable the Debtors to pay all of their necessary
13 operating expenses. Financing on a postpetition basis is not otherwise available without the
14 Debtors (i) granting, pursuant to 11 U.S.C. § 364(c)(1), claims having priority over any and all
15 administrative expenses of the kinds specified in 11 U.S.C. §§ 503(b) and 507(b), and
16 (ii) securing, pursuant to 11 U.S.C. §§ 364(c) and (d), such indebtedness and obligations with
17 security interests in and liens on all of the Debtors' personal property, real property and the Post-
18 Petition Collateral as described below.

20 C. From time to time prior to the Petition Date, Bridge Healthcare Finance, LLC and
21 Bridge Opportunity Finance, LLC (collectively, "Bridge" or "Lender") loaned money to or for the
22 benefit of the Debtors, pursuant to the terms and conditions of (a) that certain Loan and Security
23 Agreement dated November 5, 2005, among Bridge as lender and Pleasant Health Care
24 Corporation and PCC Health Services, Inc. as borrowers, as amended and supplemented from
25 time to time (the "Pleasant and PCC Loan Agreement"); and (b) that certain Loan and Security
26 Agreement dated November 5, 2005, among Bridge as lender and SNF Properties, Inc., Ember
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1 Care Corporation and Atlas Care Enterprises, Incorporated as borrowers, as amended and
2 supplemented from time to time (the “SNF, Ember and Atlas Loan Agreement” and collectively
3 with the Pleasant and PCC Loan Agreement, the “Loan Agreements”); and as further
4 documented, recorded and evidenced by various other agreements, instruments, financing
5 statements, and documents entered into in connection with the Loan Agreements, all as may have
6 been amended, modified or restated from time to time (collectively, the “Prepetition Loan
7 Agreements”).

9 **IT IS HEREBY ORDERED THAT:**

10 1. The Motion is granted on an interim basis, pursuant to the terms and conditions set
11 forth in this Second Interim Order.

12 2. Subject to the terms and conditions of this Second Interim Order, the Debtors are
13 hereby authorized to obtain the additional Secured Financing from Bridge in the aggregate
14 amount not to exceed \$3,300,000 (the “Supplemental Secured Financing”) pursuant to the terms
15 and conditions of this Order and the Prepetition Loan Agreements, as modified hereby with the
16 interest rate to be the non-default rate. The Supplemental Secured Financing shall be used to pay
17 when due only the actual and necessary expenses set forth in the Supplemental Budget attached as
18 Exhibit A to the Second Interim Order Pursuant to 11 U.S.C. §§ 361, 363, and 364
19 (I) Authorizing Use of Cash Collateral, (II) Granting Adequate Protection, and (III) Scheduling a
20 Final Hearing, entered by the Court on April ___, 2007 (the “Second Interim Cash Collateral
21 Order”).¹ The Supplemental Secured Financing shall be used to pay the expenses set forth in the
22 Supplemental Budget only after the application of all available Cash Collateral.
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26 _____
27 ¹ Capitalized terms not otherwise defined herein shall have the definitions set forth in the Second
28 Interim Cash Collateral Order.

1 3. As security for the Supplemental Secured Financing, the Lender shall have and is
2 hereby granted (effective upon the date of entry of this Order and without the necessity of the
3 recordation of mortgages, security agreements, pledge agreements, financing statements or
4 otherwise), valid and perfected security interests in, and liens on (collectively, the "Liens"), all
5 assets of the Debtors of any nature whatsoever and wherever located, tangible or intangible
6 (except for causes of action and any avoidance actions under 11 U.S.C. §§ 544, 545, 547, 548,
7 549, 550 or 553 and the proceeds thereof), whether now or hereafter acquired, including, without
8 limitation, accounts, inventory, instruments, investment property, documents, equipment, fixtures,
9 general intangibles, and any and all proceeds of the foregoing and in which any of the Debtors
10 have an interest and the stock of all of the Debtors' subsidiaries, investment property, leases and
11 all substitutions thereto, accessions, rents and proceeds and products of the foregoing, wherever
12 located, including insurance and other proceeds (the "Post-Petition Collateral"). Bridge shall
13 have the senior lien on all Postpetition Collateral pursuant to 11 U.S.C. §§ 364(e) and (d) to
14 secure the Supplemental Secured Financing, senior in priority to all Replacement Liens or any
15 other liens that may be granted with respect to the Postpetition Collateral, and subject only to
16 Replacement Management Carve Out.

19 4. In accordance with 11 U.S.C. § 364(c)(1), the Supplemental Secured Financing
20 shall constitute a claim (the "Superpriority Claims") with priority in payment over any and all
21 administrative expenses of the kinds specified or ordered pursuant to any provision of the
22 Bankruptcy Code, including, without limitation, Bankruptcy Code §§ 105, 326, 328, 330, 331,
23 503(b), 507(a) and 507(b), and shall at all times be senior to the rights of the Debtors, and any
24 successor trustee or any creditor in these Chapter 11 Cases, except for the priority administrative
25 expense claim granted under 11 U.S.C. 364(c)(1) to the COO, CCO and LTC Services under the
26 Second Interim Cash Collateral Order. No Chapter 11 cost or expense of administration under
27
28

1 Bankruptcy Code §§ 105, 503(b), 507(b) or otherwise, shall be senior to, or *pari passu* with, the
2 Superpriority Claims of the Lender arising out of the Supplemental Secured Financing, except for
3 the priority administrative expense claim granted under 11 U.S.C. 364(c)(1) to the COO, CCO
4 and LTC Services under the Second Interim Cash Collateral Order. Notwithstanding the
5 foregoing, the Superpriority Claims shall not have priority over any allowed administrative claims
6 in any Chapter 7 to which any or all of these cases may be converted.
7

8 5. The Supplemental Secured Financing shall be due and payable in full upon the
9 earlier of (a) the Expiration Date under the Interim Cash Collateral Order, (b) the occurrence of
10 any Event of Default of this Second Interim Order or under the Second Interim Cash Collateral
11 Order, or (c) the date scheduled for any subsequent hearing pursuant to paragraph 8 of this
12 Second Interim Order (the "Maturity Date"). In no event shall the Debtors be authorized to use
13 the Supplemental Secured Financing except strictly in compliance with the terms and conditions
14 of this Second Interim Order and the Second Interim Cash Collateral Order. After the
15 Supplemental Secured Financing becomes due and payable, the Lender may immediately apply
16 any Cash Proceeds against this outstanding indebtedness, but shall take no further action against
17 the Debtors or their assets as a result thereof except in accordance with a prior order of the
18 Bankruptcy Court after notice and a hearing.
19

20 6. Any default of the terms and conditions of this Second Interim Order or under the
21 Second Interim Cash Collateral Order shall constitute the only "Events of Default" hereunder.
22

23 7. As a precondition to the Lender's agreement to extend the Supplemental Secured
24 Financing, the Debtors shall obtain an Order of the Court, in form and substance satisfactory to
25 Lender, authorizing them to hire a Chief Operating Officer (the "COO") acceptable to the
26 Debtors, the Committee, the Lender, and Omnicare, Inc. who cannot be terminated by the
27 Debtors' current management or board of directors. The COO shall assume full operational
28

1 control over the Debtors' businesses and shall be irrevocably granted the full unfettered authority
2 necessary to ensure that the Debtors carry out their fiduciary duties to their estates, creditors, and
3 elderly residents. In addition, as a precondition to the Lender's agreement to extend the
4 Supplemental Secured Financing, the Debtors shall obtain an Order of the Court, in form and
5 substance satisfactory to Lender, authorizing them to hire a Chief Clinical Officer (the "CCO")
6 acceptable to the Debtors, the Committee, the Lender, and Omnicare, Inc. who cannot be
7 terminated by the Debtors' current management or board of directors. The CCO shall assist the
8 COO to ensure that the elderly residents of the Debtors' facilities are receiving the quality of care
9 and treatment necessary to protect their health, safety and well being and shall further assist the
10 COO in carrying out the Debtors' fiduciary duties to their estates, creditors, and elderly residents.
11 The Debtors, with consultation from the Committee, the Lender and Omnicare, have filed
12 motions with this Court seeking the immediate authority to hire Joe Tutera of LTC Services,
13 L.L.C. ("LTC Services") as the COO and Carol Van Horst as the CCO, pursuant to the terms of
14 that certain Retention Agreement dated April 1, 2007 (the "Retention Agreement").

17 8. A final hearing on the Debtors' authorization to incur the Supplemental Secured
18 Financing shall be heard before this Court on April ____, 2007 at ____ p.m. at the United States
19 Bankruptcy Court located at 255 East Temple Street, Los Angeles, California. Any party-in-
20 interest objecting to the relief sought in the final order shall be made in writing and filed with the
21 Court (with a courtesy copy to chambers) and served (so as to be received) no later than
22 April ____, 2007 at ____ p.m. pacific daylight time, on: (i) Levene, Neale, Bender, Rankin &
23 Brill, L.L.P. (ATTN: Ron Bender and Monica Y. Kim), bankruptcy counsel to the Debtors;
24 (ii) Vedder, Price, Kaufman & Kammholz, P.C., 222 North LaSalle Street, Suite 2600, Chicago,
25 Illinois 60601 (ATTN: Eric S. Prezant) and Frandzel Robins Bloom & Csato, L.C.,
26 6500 Wilshire Boulevard, Seventeenth Floor, Los Angeles, California 90048-4920 (ATTN:
27
28

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Michael Gerard Fletcher and Marshall J. August), counsel to the Lender; (iii) the United States Trustee; and (iv) Theodore B. Stolman, Stutman Triester & Glatt, 1901 Avenue of the Stars, 12th Floor, Los Angeles California, counsel for Omnicare, Inc.

IT IS SO ORDERED THIS ____ DAY OF APRIL, 2007.

ELLEN CARROLL
UNITED STATES BANKRUPTCY JUDGE

1 Approved as to form and content by:

2 LEVENE, NEALE, BENDER, RANKIN &
3 BRILL L.L.P.

4 _____
5 By: Ron Bender / Jacqueline Rodriguez
6 Attorneys for the Debtors

6 And

7 FRANDZEL ROBINS BLOOM & CSATO,
8 L.C.

STUTMAN, TREISTER & GLATT P.C.

9 _____
10 By: Michael Gerard Fletcher

By: Theodore B. Stolman
Counsel for Omnicare, Inc.

11 VEDDER PRICE KAUFMAN &
12 KAMMHOLZ, P.C.

13 _____
14 By: Eric S. Prezant
15 Attorneys for the Lender

15 **CONSENT**

16 The Parties hereto consent and agree to the foregoing:

17 PLEASANT CARE CORPORATION,
18 PCC HEALTH CARE SERVICES,
19 EMBER CARE CORPORATION,
20 SNF PROPERTIES, INC.,
21 ARBOR CARE ENTERPRISES,
22 INCORPORATED
23 As Debtors

BRIDGE HEALTHCARE FINANCE, LLC,
and BRIDGE OPPORTUNITY FINANCE,
LLC as Lender

21 By: _____
22 Joe Tutera
23 Chief Operating Officer

By: _____
Shawn Andrews
Managing Director

24 _____
Emmanuel I. Bernabe, Guarantor

EMAIL SERVICE LIST

Re: In re Pleasant Care Corporation, In re Ember Care Corporation, In re PCC Health Services, Inc., In re SNF Properties Incorporated, In re Atlas Care Enterprises, Inc.

Date: April 4, 2007

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In re SNF Properties Incorporated
In re Atlas Care Enterprises, Inc.

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In re Atlas Care Enterprises, Inc.
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