

1 RON BENDER (SBN 143364)  
2 MONICA Y. KIM (SBN 180139)  
3 JACQUELINE L. Rodriguez (SBN 198838)  
4 LEVENE, NEALE, BENDER, RANKIN & BRILL L.L.P.  
5 10250 Constellation Blvd., Suite 1700  
6 Los Angeles, California 90067  
7 Telephone: (310) 229-1234  
8 Facsimile: (310) 229-1244  
9 Proposed Attorneys for Chapter 11 Debtors  
10 and Debtors in Possession

11 UNITED STATES BANKRUPTCY COURT  
12  
13 CENTRAL DISTRICT OF CALIFORNIA  
14  
15 LOS ANGELES DIVISION  
16

17	In re:	)	Case No. LA 07-12312-EC
18		)	
19	PLEASANT CARE CORPORATION,	)	CHAPTER 11
20	et al.	)	
21		)	Jointly Administered with
22	Debtors.	)	Case Nos.:
23		)	
24	<hr/>	)	Case No. LA 07-12316-EC
25	<input checked="" type="checkbox"/> Affects All Debtors	)	Case No. LA 07-12319-EC
26	<input type="checkbox"/> Affects Pleasant Care Corporation only	)	Case No. LA 07-12322-EC
27	<input type="checkbox"/> Affects SNF Properties Incorporated only	)	Case No. LA 07-12326-EC
28	<input type="checkbox"/> Affects PCC Health Services, Inc. only	)	
29	<input type="checkbox"/> Affects Atlas Care Enterprises, Inc. only	)	
30	<input type="checkbox"/> Affects Ember Care Corporation only	)	
31		)	<b>DEBTORS' MOTION FOR ENTRY OF AN ORDER: (1) DECLARING CERTAIN MONIES HELD IN TRUST BY THE DEBTORS NOT TO BE PROPERTY OF THE ESTATE, (2) AUTHORIZING THE DEBTORS TO REMIT SUCH TRUST FUNDS TO PATIENTS IN THE ORDINARY COURSE OF BUSINESS, AND (3) AUTHORIZING THE DEBTORS TO HONOR OTHER OUTSTANDING PATIENT OBLIGATIONS IN THE ORDINARY COURSE OF BUSINESS; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF DAHLIA M. JIMENEZ IN SUPPORT THEREOF</b>
32		)	
33		)	<u>Hearing:</u>
34		)	Date: [To be scheduled]
35		)	Time: [To be scheduled]
36		)	Place: Courtroom 1639
37		)	255 E. Temple St.
38		)	Los Angeles, CA

1 TO THE HONORABLE ELLEN CARROLL, UNITED STATES BANKRUPTCY  
2 JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, ALL SECURED  
3 CREDITORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND  
4 ITS COUNSEL, ALL PARTIES WHO HAVE REQUESTED SPECIAL NOTICE, AND  
5 WELLS FARGO BANK AND ITS COUNSEL:  
6

7  
8 SUMMARY

9 Pursuant to Sections 541, 105, 507, and 363 of the  
10 Bankruptcy Code, Pleasant Care Corporation, SNF Properties  
11 Incorporated, PCC Health Services, Inc., Atlas Care  
12 Enterprises, Inc., and Ember Care Corporation, the debtors and  
13 debtors in possession in the abovementioned jointly  
14 administered Chapter 11 cases (the "Debtors"), hereby move for  
15 the entry of an order of the Court: (1) declaring certain  
16 monies held in trust by the Debtors not to be property of the  
17 estate, (2) authorizing the Debtors to remit such funds held in  
18 trust for the Debtors' patients/residents (collectively, the  
19 "Patients", and each one referred to herein as a "Patient") in  
20 the ordinary course of the Debtors' business to those Patients,  
21 (3) instructing Wells Fargo Bank (the "Bank") to release any  
22 administrative holds and/or freezes that the Bank may have on  
23 certain Patient trust accounts, and (4) authorizing the Debtors  
24 to honor certain other non-trust related obligations to their  
25 Patients in the ordinary course of business (the "Motion").  
26  
27  
28

1 The Debtors operate 30 skilled nursing and residential  
2 care facilities. In the ordinary course of their business, the  
3 Debtors hold in their possession certain funds in trust for  
4 their Patients (the "Trust Monies") in accordance with  
5 applicable non-bankruptcy law. The Trust Monies fall into two  
6 categories.

7 The first type of Trust Monies held by the Debtors  
8 consists of those monies that the Patients have on deposit with  
9 the facilities in which they reside, which funds belong to the  
10 Patients and are on deposit for their personal use (the  
11 "Patient Trust Fund Account Monies"). When a Patient living at  
12 one of the Debtors' facilities deposits, or arranges for the  
13 deposit, of personal funds with into the facility's patient  
14 trust account with Wells Fargo, the Debtor establishes a credit  
15 account for such Patient and the Patient becomes entitled to  
16 use the monies on deposit to pay for incidental expenses (not  
17 covered by California's Medi-Cal program or the federal  
18 government's Medicare program or by private insurances) such as  
19 grooming, clothing, books, and other personal items. In  
20 addition, the Patient has the ability to withdraw such funds  
21 upon demand.

22 Such funds, in excess of fifty dollars (\$50) are required,  
23 by applicable non-bankruptcy law, to be deposited into an  
24 interest-bearing account that is separate from the Debtors'  
25 operating accounts. In addition, Patients with funds on  
26 deposit are legally entitled to receive credit for all interest  
27 earned on their monies.  
28

1 Many of the Patients have personal funds on deposit with  
2 one of the Debtors' 30 care facilities. The Patient Trust Fund  
3 Monies are held in one of 30 segregated trust accounts  
4 established by the Debtors' prepetition for the benefit of the  
5 Patients. A list of the aforementioned 30 segregated trust  
6 fund accounts (the "Patient Trust Accounts"), which are located  
7 at Wells Fargo, is attached as Exhibit "1" to the Declaration  
8 of Dahlia M. Jimenez (the "Jimenez Declaration") appended  
9 hereto. The total balance of the Patient Trust Fund Monies  
10 equals approximately \$1 million.

11 At the moment, the Debtors are in the process of closing  
12 the prepetition Patient Trust Accounts and opening new debtor-  
13 in-possession patient trust accounts. However, in accordance  
14 with the Order entered by the Court granting the Debtors'  
15 motion authorizing the payment of prepetition payroll (the  
16 "Wage Order"), a copy of which is attached to the Jimenez  
17 Declaration as Exhibit "2," the Bank has holds on most, if not  
18 all, of the Patient Trust Accounts, which are preventing the  
19 Patients from accessing their monies.

20 The second type of Trust Monies consists of those monies  
21 held in resulting or constructive trust by the Debtors' pending  
22 the confirmation of the patient's eligibility for Medicare or  
23 other programs (the "Resulting Trust Monies").

24 When a Patient enters one of the Debtors' facilities, the  
25 Patient or some other person or entity responsible for the  
26 payment of the Patient's health services, including, for  
27 example, a public agency (all of which will be included within  
28

1 the meanings of "Patient" and "Patients" for the purpose of  
2 this Motion) becomes obligated to place on deposit with the  
3 Debtor, on a monthly basis, payment for the services provided  
4 to the Patient by the Debtor. Although such funds not held in  
5 any segregated trust accounts, these funds are held in  
6 resulting or constructive trust for the Patient and are to be  
7 remitted to the Patient following the Debtor's receipt of  
8 confirmation that the Patient is eligible for Medicaid. The  
9 amount of monies held in resulting or constructive trust for  
10 the Patients (the "Resulting Trust Monies") totals  
11 approximately \$200,000. A list of the Resulting Trust Monies  
12 is attached as Exhibit "3" to the Jimenez Declaration.

13 Lastly, in addition to the obligations that the Debtors  
14 have to their Patients in connection with the Trust Monies, as  
15 part of the Debtors' normal business operations, the Debtors  
16 also incur certain other obligations in favor of their  
17 Patients. In particular, prior to the Petition Date, in the  
18 ordinary course of the Debtors' business, the Debtors processed  
19 adjustments to billing, refunds of non-trust monies, and credit  
20 balances (collectively, the "Adjustments and Refunds") relating  
21 to services provided (or not provided) to patients and  
22 overpayments in the ordinary course of the Debtors' prepetition  
23 business. It is difficult (if not impossible) to accurately  
24 estimate the total cost of Adjustments and Refunds that existed  
25 as of the Petition Date. However, based on the Debtor's  
26 history with such policies, the Debtor estimates no individual  
27 possesses a claim for non-trust Adjustments and Refunds in  
28

excess of \$2,225.

1           The success and viability of the Debtors' business and  
2 their ability to reorganize depends directly upon their  
3 relationship with their Patients and their Patients' families  
4 (the "Families"). Any delay in honoring their trust and non-  
5 trust obligations to their Patients will severely and  
6 irreparably impair the Debtors' relationships with their  
7 Patients and the Families. The Debtors' inability to honor  
8 their non-trust fund related prepetition obligations to their  
9 Patients will jeopardize these relationships. However, perhaps  
10 even more importantly, the Debtors' inability to honor their  
11 trust-related obligations could also expose the Debtors'  
12 estates to post-petition liability under federal and state laws  
13 related to the maintenance of, and denial of access of the  
14 Patients, to the Trust Monies. As a result, the granting of  
15 the Motion is in the best interests of the Debtors' estates and  
16 their creditors.  
17

18           Based on the foregoing and the additional facts set forth  
19 in the attached Memorandum of Points and Authorities, it is  
20 critical that the Court: (1) declare the Trust Monies not to be  
21 property of the Debtors' estates immediately, (2) authorize the  
22 Debtors to honor their trust-related obligations to their  
23 Patients in order to allow the Patients free access to and/or  
24 remittance of the Trust Monies, (3) instruct the Bank to  
25 immediately release any holds and/or freezes that it may have  
26 upon the Patient Trust Fund Accounts, and (4) authorize the  
27 Debtors to honor their non-trust related obligations to the  
28

1 Patients in accordance with Section 507(a)(7) of the Bankruptcy  
2 Code.

3 **ADDITIONAL INFORMATION**

4 This Motion is based on this Motion, the supporting  
5 Memorandum of Points and Authorities, the Declaration of Dahlia  
6 M. Jimenez, the arguments and statements of counsel to be made  
7 at the hearing on the Motion, and other admissible evidence  
8 properly brought before the Court.

9 In order to provide maximum notice of this Motion,  
10 concurrently with the filing of this Motion with the Court (on  
11 Monday, April 2, 2007), the Debtor has served a copy of this  
12 Motion and all supportive papers (including notice of the  
13 hearing) upon the Office of the United States Trustee, all  
14 secured creditors, and the Official Committee of Unsecured  
15 Creditors and its counsel, on all of those parties who have  
16 requested special notice and on Wells Fargo, and its counsel  
17 and La Salle via overnight mail, and to the extent possible, by  
18 email. These parties will receive delivery of the Motion and  
19 all supportive papers by not later than Tuesday, April 3, 2007.

20 **WHEREFORE**, the Debtors respectfully request that this  
21 Court hold a hearing on the Motion and enter an order:

- 22 (1) affirming the adequacy of the notice given;  
23 (2) declaring that the Patient Trust Fund Monies are not  
24 property of the estate;  
25 (3) declaring that the Resulting Trust Monies are not  
26 property of the estate;  
27 (4) authorizing the Debtors to allow the Patients access  
28

to the Patient Trust Fund Monies in accordance with applicable  
1 non-bankruptcy law and in the ordinary course of their  
2 business;

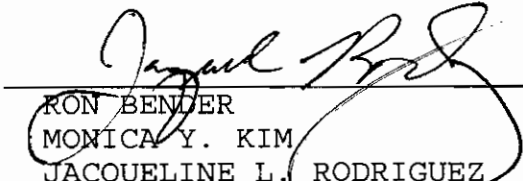
3 (5) authorizing the Debtors to remit the Resulting Trust  
4 Monies to the Patients in the ordinary course of their  
5 business;

6 (6) instructing Wells Fargo to immediately release any  
7 holds that it may have on any Patient Trust Fund Accounts, and  
8

9 (7) granting such other relief as the Court may deem just  
10 and proper under the circumstances.

11 Dated: April 2, 2007

PLEASANT CARE CORPORATION,  
SNP PROPERTIES, INC.,  
PCC HEALTH SERVICES, INC.,  
EMBER CARE CORPORATION, AND  
ATLAS CARE ENTERPRISES, INC.

14 By:   
15 \_\_\_\_\_  
16 RON BENDER  
17 MONICA Y. KIM  
18 JACQUELINE L. RODRIGUEZ  
19 LEVENE, NEALE, BENDER,  
20 RANKIN & BRILL L.L.P.  
21 Proposed Attorneys for  
22 Chapter 11 Debtors and  
23 Debtors in Possession  
24  
25  
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27  
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MEMORANDUM OF POINTS AND AUTHORITIES

I.

STATEMENT OF FACTS

A. Background.

On March 22, 2007 (the "Petition Date"), the Debtors each filed voluntary petitions under Chapter 11 of the Bankruptcy Code. Since the commencement of their cases, the Debtors have been operating their businesses as debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. On or about March 28, 2007, the Court entered an order approving the joint administration of the Debtors' cases.

B. The Necessity of Debtors' Chapter 11 Cases

1. The Debtors' Business Structure and Background.

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.

Pleasant Care Corporation ("PCC") owns and operates 14 such facilities; SNF Properties, Inc. ("SNF") owns and operates 5 such facilities; PCC Health Services, Inc. ("PCCH") owns and operates 5 such facilities; Ember Care Corporation ("ECC") owns and operates 5 such facilities; Atlas Care Enterprises, Incorporated ("Atlas") owns and operates one such facility.

1 The Debtors currently have approximately 3,000 residents at the  
2 Debtors' various facilities.

3 Although there are five separate corporate Debtors, the  
4 Debtors essentially operate as one consolidated business  
5 entity. There is one group of management for all five Debtors;  
6 all of the Debtors' approximately 3,500 employees are paid by  
7 one Debtor; and all of the Debtors' operating revenue is  
8 ultimately deposited into one general bank account. The  
9 Debtors prepare consolidated financial statements.

10 The business commenced in 1982, when Mr. Emmanuel Bernabe,  
11 the Debtors' founder, acquired one care facility. Over the  
12 next 25 years, Mr. Bernabe acquired and sold approximately 50  
13 facilities and built the Debtors' business to its current  
14 state. The Debtors collectively generate annual revenue of  
15 approximately \$200 million and employ approximately 3,500  
16 people. The Debtors have and care for approximately 3,000  
17 residents at their 30 care facilities.

18 In addition to the 30 care facilities, the Debtors have  
19 three business offices. The primary business office is located  
20 at 2258 Foothill Blvd., La Canada, California 91011. The other  
21 two business offices are located in Pasadena and Stockton.

22 The Debtors' generally operated profitably until  
23 approximately two years ago.

24 In mid-2005, the Debtors' facility located in Napa,  
25 California and the Debtors' facility located in San Joaquin,  
26 California were decertified by the Department of Health  
27 Services ("DHS"), which contended that the two facilities did  
28

not meet the standards for participation under the  
1 Medical/Medicare programs, which account for approximately 85%  
2 of the Debtors' revenue.

3 A temporary manager was assigned to the Napa facility by  
4 DHS, with the consent of the Debtors, who had the  
5 responsibility of restoring that facility into DHS compliance.  
6 The agreement was that the Debtors would have no oversight of  
7 the temporary manager, but assist and work with the temporary  
8 manager to restore the Napa facility into DHS compliance. DHS  
9 decided not to recertify the Napa facility even after the  
10 appointment of the temporary manager, and the Debtors closed  
11 the Napa facility, with the consent of DHS and in accordance  
12 with DHS regulations.  
13

14 The Debtors had no realistic alternative facility to which  
15 the Debtors could transfer the San Joaquin residents, leaving  
16 the Debtors in a position of shutting down the San Joaquin  
17 facility or continuing to incur the expenses associated with  
18 the San Joaquin facility without receiving the corresponding  
19 revenue from Medical/Medicare. At the urging of the San  
20 Joaquin residents and their families, the Debtors have  
21 permitted the San Joaquin location to remain open, which was  
22 costing the Debtors approximately \$1 million per month in  
23 operating expenses at the outset of the decertification. Those  
24 losses have reduced to a current level of approximately  
25 \$475,000 per month, resulting from normal resident attrition.  
26

27 Thereafter, in September 2006, DHS proceeded to decertify  
28 the Debtors' other two facilities under the same district as

1 Napa, located in Novato, California and Ukiah, California. The  
2 result of the decertifications was that Medical/Medicare ceased  
3 paying for services provided by those two facilities, which  
4 resulted in reducing the Debtors' monthly revenue by  
5 approximately \$775,000, broken down as \$570,000 for Novato and  
6 \$205,000 for Ukiah.

7 While the Debtors could have discharged the patients at  
8 the two decertified locations, at the urging of the residents  
9 and their families, who did not want the residents to be  
10 relocated, the Debtors have continued to this day to provide  
11 normal and required services for those residents without  
12 receiving the reimbursement from Medical/Medicare in exchange.  
13 In Novato, there is no alternative facility. The Debtors  
14 continued to provide services to the residents with the  
15 expectation that DHS would revisit the decertification issue  
16 and ultimately recertify the locations because the Debtors had  
17 taken what the Debtors believed to be the appropriate steps  
18 necessary to cause the locations to be recertified.  
19 Unfortunately, DHS has not at this time elected to recertify  
20 those locations.

21 The expenses associated with the decertified facilities  
22 without the corresponding revenue from Medical/Medicare have  
23 caused the Debtors to incur severe operating losses over the  
24 past approximately two years. In fiscal year 2006, which  
25 covered the period of July 1, 2005 through June 30, 2006, the  
26 Debtors incurred operating losses of approximately \$7,500,000.  
27 During the first approximately six months of fiscal year 2007  
28

(ending December 31, 2006), the Debtors incurred operating losses of approximately \$7,300,000. In their current configuration, the Debtors suffer operating losses of approximately \$2 million per month.

2. The Debtors' Business Plan to Stop the Operating Losses.

Given the Debtors' financial condition and need for emergency Chapter 11 bankruptcy filings, the Debtors understand and recognize that they cannot financially afford to wait and hope to have the three currently decertified facilities recertified. The Debtors must immediately sell, transfer or close all three decertified facilities (San Joaquin, Novato and Ukiah), which cost the Debtors approximately \$1,250,000 in monthly operating expenses without corresponding revenue from Medical/Medicare, along with a number of additional facilities which lose money from their business operations. The Debtors believe that the four facilities located at Petaluma, Alameda, Yuba City and Santa Cruz cause operating losses of approximately \$500,000 per month. The Debtors believe that selling or closing these seven facilities (the "Problem Facilities") will cause the Debtors' business operations to operate at essentially a break even level.

Shortly before filing their Chapter 11 petitions, the Debtors engaged Citra Capital Management, LLC ("Citra") as their financial advisor to assist the Debtors with the elimination of their operating losses, including the closing and/or selling of the seven Problem Facilities. Citra has

1 extensive experience in arranging financing for, and sales of,  
2 nursing homes for nearly 20 years. Citra has already assisted  
3 the Debtors to sell four of their facilities over the past  
4 year, and Citra is currently in discussions and negotiations  
5 with a number of prospective buyers of other facilities. Citra  
6 has two principals, Herb Saltzman and Michael L. Janda, both of  
7 whom have extensive experience in the health care industry.

8 3. The Debtors' Secured Debt.

9 Bridge Healthcare Finance, LLC and Bridge Opportunity  
10 Finance, LLC (jointly referred to herein as "Bridge") is the  
11 Debtors' primary secured creditor. (The Debtors also have  
12 other secured creditors including Omnicare, Inc. ("Omnicare")).  
13 Bridge is currently owed approximately \$9.7 million secured by  
14 a first priority lien against substantially all of the Debtors'  
15 accounts receivable and certain of the Debtors' real property  
16 leases. One of those leases is for the Debtors' location in  
17 San Diego which is likely the Debtors' most valuable location,  
18 worth in the range of approximately \$5-\$6 million. The Bridge  
19 loan was originated in 2004 in the original amount of  
20 approximately \$27 million.

21 Until March 21, 2007, the day before the date of the  
22 Debtors' Chapter 11 filings, all of the Debtors' collections  
23 were paid into a lock box controlled by Bridge and then swept  
24 by Bridge on a daily basis, and then Bridge would make daily  
25 advances to the Debtors. On March 21, 2007, Bridge advised the  
26 Debtors that it intended to continue to sweep the Debtors' lock  
27 box account, but that Bridge would no longer advance any funds  
28

to the Debtors. Bridge also advised the Debtors that Bridge  
1 intended to seek a state court receiver at a hearing to be held  
2 the next day, on March 22, 2007, on an ex parte basis. The  
3 Debtors also learned that Bridge instructed the Debtors'  
4 prepetition financial bank (Wells Fargo) to remit to Bridge all  
5 proceeds collected from private insurance providers and  
6 individuals. In order to protect the going concern value of  
7 the Debtors' the Debtors filed their Chapter 11 bankruptcy  
8 cases.

9  
10 **C. The Patient Trust Fund Monies**

11 In the ordinary course of their business, the Debtors hold  
12 in their possession certain funds in trust for their Patients  
13 (the "Trust Monies") in accordance with applicable non-  
14 bankruptcy law. The Trust Monies fall into two categories.

15 The first type of Trust Monies held by the Debtors  
16 consists of those monies that the Patients have on deposit with  
17 the facilities in which they reside, which funds belong to the  
18 Patients and are on deposit for their personal use (the  
19 "Patient Trust Fund Account Monies"). When a Patient living at  
20 one of the Debtors' facilities deposits, or arranges for the  
21 deposit, of personal funds with into the facility's patient  
22 trust account with Wells Fargo, the Debtor establishes a credit  
23 account for such Patient and the Patient becomes entitled to  
24 use the monies on deposit to pay for incidental expenses (not  
25 covered by California's Medi-Cal program or the federal  
26 government's Medicare program or by private insurances) such as  
27 grooming, clothing, books, and other personal items. In  
28

1 addition, the Patient has the ability to withdraw such funds  
2 upon demand.

3 Such funds, in excess of fifty dollars (\$50) are required,  
4 by applicable non-bankruptcy law, to be deposited into an  
5 interest-bearing account that is separate from the Debtors'  
6 operating accounts. In addition, Patients with funds on  
7 deposit are legally entitled to receive credit for all interest  
8 earned on their monies.

9 Many of the Patients have personal funds on deposit with  
10 one of the Debtors' 30 care facilities. The Patient Trust Fund  
11 Monies are held in one of 30 segregated trust accounts  
12 established by the Debtors' prepetition for the benefit of the  
13 Patients. A list of the aforementioned 30 segregated trust  
14 fund accounts (the "Patient Trust Accounts"), which are located  
15 at Wells Fargo, is attached as Exhibit "1" to the Declaration  
16 of Dahlia M. Jimenez (the "Jimenez Declaration") appended  
17 hereto. The total balance of the Patient Trust Fund Monies  
18 equals approximately \$1 million

19 **D. The Administrative Holds/Freezes**

20 At the moment, the Debtors are in the process of closing  
21 the prepetition Patient Trust Accounts and opening new debtor-  
22 in-possession patient trust accounts. However, in accordance  
23 with the Order entered by the Court granting the Debtors'  
24 motion authorizing the payment of prepetition payroll (the  
25 "Wage Order"), a copy of which is attached to the Jimenez  
26 Declaration as Exhibit "2," Wells Fargo Bank (the "Bank")  
27 currently has administrative holds or freezes on most, if not  
28

all, of the Patient Trust Accounts, which are preventing the  
1 Patients from accessing their monies.

2 **E. The Resulting Trust Monies**

3 The second type of Trust Monies consists of those monies  
4 held in constructive trust by the Debtors' pending the  
5 confirmation of the patient's eligibility for Medicaid or other  
6 programs (the "Resulting Trust Monies"). When a Patient enters  
7 one of the Debtors' facilities, the Patient becomes obligated  
8 to place on deposit with the Debtor, on a monthly basis,  
9 payment for the services provided to the Patient by the Debtor.  
10 Although such funds not held in any segregated trust accounts,  
11 these funds are held in resulting or constructive trust for the  
12 Patient and are to be remitted to the Patient following the  
13 Debtor's receipt of confirmation that the Patient is eligible  
14 for Medicaid. The amount of monies held in resulting or  
15 constructive trust for the Patients (the "Resulting Trust  
16 Monies") totals approximately \$ 200,000. A list of the  
17 Resulting Trust Monies is attached as Exhibit "3" to the  
18 Jimenez Declaration.  
19

20 **F. The Non-Trust Related Obligations To Patients**

21 In addition to the obligations that the Debtors have to  
22 their Patients in connection with the Trust Monies, as part of  
23 the Debtors' normal business operations, the Debtors also incur  
24 certain other obligations in favor of their Patients. In  
25 particular, prior to the Petition Date, in the ordinary course  
26 of the Debtors' business, the Debtors processed adjustments to  
27 billing, refunds of non-trust monies, and credit balances  
28

(collectively, the "Adjustments and Refunds") relating to  
1 services provided (or not provided) to patients and  
2 overpayments in the ordinary course of the Debtors' prepetition  
3 business. It is difficult (if not impossible) to accurately  
4 estimate the total cost of Adjustments and Refunds that existed  
5 as of the Petition Date. However, based on the Debtor's  
6 history with such policies, the Debtor estimates no individual  
7 possesses a claim for non-trust Adjustments and Refunds in  
8 excess of \$2,225.  
9

10 **G. The Debtors' Need to Honor Their Obligations to Their**  
11 **Patients**

12 The success and viability of the Debtors' business and  
13 their ability to reorganize depends directly upon their  
14 relationship with their Patients and their Patients' families  
15 (the "Families"). Any delay in honoring their trust and non-  
16 trust obligations to their Patients will severely and  
17 irreparably impair the Debtors' relationships with their  
18 Patients and the Families. The Debtors' inability to honor  
19 their non-trust fund related prepetition obligations to their  
20 Patients will jeopardize these relationships. However, perhaps  
21 even more importantly, the Debtors' inability to honor their  
22 trust-related obligations could also expose the Debtors'  
23 estates to post-petition liability under federal and state laws  
24 related to the maintenance of, and denial of access of the  
25 Patients to, the Trust Monies. As a result, the granting of  
26 the Motion is in the best interests of the Debtors' estates and  
27 their creditors.  
28

Based on the foregoing it is critical that the Court: (1) declare the Trust Monies not to be property of the Debtors' estates immediately, (2) authorize the Debtors to honor their trust-related obligations to their Patients in order to allow the Patients free access to and/or remittance of the Trust Monies, (3) instruct the Bank to immediately release any holds and/or freezes that it may have upon the Patient Trust Fund Accounts, and (4) authorize the Debtors to honor their non-trust related obligations to the Patients in accordance with Section 507(a)(7) of the Bankruptcy Code.

II.

DISCUSSION

A. **The Court Should Declare the Trust Monies Not To Be "Property Of The Estate."**

11 U.S.C. § 105 of the Bankruptcy Code provides that the Court "may issue any order [...] that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

Section 541(a)(1) of the Bankruptcy Code defines "property of the estate" as, among other things, "all legal or equitable interests of the debtor in property as of the commencement of the case" and "proceeds, product, offspring, rents, or profits of or from property of the estate, except such as are earnings from services performed by an individual debtor after the commencement of the case." 11 U.S.C. § 541(a)(1) and (a)(6).

/ / /

/ / /

1. The Monies In The Patient Trust Fund Accounts Are Not  
Property of the Estate.

1  
2 A patient in a nursing or residential care facility, such  
3 as those operated by the Debtors, has the right to manage his  
4 or her own financial affairs. 42 Code of Federal Regulations  
5 ("C.F.R.") § 483.10(c)(1). However, some such patients choose,  
6 or are required, to deposit such personal funds with the  
7 facility.

8 "A resident who gives the facility written authorization  
9 to hold, safeguard, manage, and account for personal funds  
10 which are deposited with the facility [...] is entitled to have  
11 personal funds in excess of \$50 deposited in an interest  
12 bearing account that is separate from any of the facility's  
13 operating accounts," to JOSEPH M. BASSANO ET AL., 70C AM. JUR. 2D  
14 SOCIAL SECURITY AND MEDICARE § 2125 (2<sup>nd</sup> ed. 2007). In addition,  
15 such a resident is entitled to receive credits for all of the  
16 interest earned those funds. "Each resident is entitled to a  
17 full and complete separate accounting of personal funds  
18 pursuant to an accounting system which precludes any  
19 commingling of resident funds with facility funds or with the  
20 funds of any person other than another resident." 42 C.F.R. §  
21 483.10(c)(4)(i).  
22

23 The Debtors cannot have under applicable non-bankruptcy  
24 law (and do not have) any legal or equitable interest in the  
25 Patient Trust Fund Monies other than as trustees. Under such  
26 circumstances, the Patient Trust Fund Monies cannot be property  
27 of any of the Debtors' estates. Based on the foregoing, the  
28

Debtors respectfully request the Court declare the Patient Trust Fund Monies not to be property of any of their estates and order Wells Fargo to release any holds and/or freezes that it may have on the Patient Trust Fund Accounts.

**B. The Monies Held In Resulting Trust for the Patients Are Not Property of the Estate.**

"A resulting trust arises from a transfer of property under circumstances showing that the transferee was not intended to take the beneficial interest." WITKIN, SUMMARY OF CALIFORNIA LAW § 311.A(1) (10<sup>th</sup> ed. 2005) (citations omitted). A constructive trust is a remedy that enforces the intentions of the parties or prevents a wrongful act by a party. Id.; WITKIN, SUMMARY OF CALIFORNIA LAW § 319.A(1).

The Resulting Trust Monies are not property of the estate because the transfer of the Resulting Trust Monies by the Patients was not intended to benefit the Debtors unless Medicaid eligibility was denied. As Medicaid eligibility was confirmed with respect to the Resulting Trust Monies prepetition, those funds belong to certain Patients and should not be deemed property of the estate.

1 If the debtor's right to property in its possession  
2 is the subject of a resulting or a constructive trust for  
3 someone else's benefit at the time that the petition is  
4 filed, that property is not property of the Debtors'  
5 bankruptcy estate. See e.g., Matter of Haber Oil Co.,  
6 Inc., 12 F.3d 426, 436, (5th Cir. 1994). In Habor, the  
7 Fifth Circuit Court of Appeals stated:

8 "We have consistently recognized that § 541(d)  
9 accords the beneficiary of a constructive trust,  
10 properly imposed under state law, the right to  
11 recover the trust property from the bankruptcy  
12 trustee or the debtor. ... § 541(d) excludes property  
13 subject to a constructive trust from the bankruptcy  
14 estate."

15 Id. at 436.

16 Funds that are held for the benefit of others are  
17 consistently determined by Courts to not be property of the  
18 debtor's estate. See e.g., In re Shank, 792 F.2d 829, 830 (9<sup>th</sup>  
19 Cir. 1986) (sales taxes required by state law to be collected  
20 by sellers from their customers are "trust fund" taxes);  
21 DeChiaro v. New York State Tax Commission, 760 F.2d 432, 433-34  
22 (2d Cir. 1985) (same); In re American Int'l Airways, Inc., 70  
23 B.R. 102, 103 (Bankr. E.D. Pa. 1987) (excise and withholding  
24 taxes also are not property of the estate); In re Flight  
25 Transp. Corp. Securities Litigation, 730 F.2d 1128 (8th Cir.  
26 1984); In re Reider, 177 B.R. 412 (Bankr. D. Me. 1994) (half of  
27 fire insurance proceeds held by trustee was subject of  
28 constructive trust in favor of former spouse); Reliance Ins.  
Co. v. Brown, 40 B.R. 214 (W.D. Mo. 1984); see also H.R. REP.

No. 595, 95TH CONG., 1ST SESS. 384 (1977), at 368, § 5:2 (if a  
1 debtor incurred medical bills that were covered by insurance,  
2 and the insurance company had sent payment to the debtor before  
3 the medical bills were paid, if the debtor filed a bankruptcy  
4 petition while holding this payment, the estate's interest in  
5 the payment would be limited by the constructive trust).

6 As the Debtors do not have any legal or equitable interest  
7 in the Resulting Trust Monies, and the Resulting Trust Monies  
8 were not property of the Debtors prepetition, the Resulting  
9 Trust Monies should also be declared not to be property of any  
10 of the Debtors' estates, and the Debtors should be authorized  
11 to remit the Resulting Trust Monies to the Patients to whom  
12 those Monies belong immediately.  
13

14 C. The Debtors Should Be Permitted To Honor Their Non-Trust-  
15 Related Obligations To Their Patients.

16 Bankruptcy Code section 507(a) (7) grants a claimant a  
17 priority claim for up to \$2,225 in deposits relating to the  
18 purchase of personal services:

19 The following expenses and claims have priority  
20 allowed unsecured claims of individuals, to the  
21 extent of \$2225 for each such individual, arising  
22 from the deposit before the commencement of the case,  
23 of money in connection with the purchase, lease, or  
24 rental of property, or the purchase of services, for  
25 the personal, family, or household use of such  
26 individuals, that were not delivered or provided.

27 11 U.S.C. § 507(a) (7).

28 Courts have recognized that authorization to honor  
certain, essential, pre-petition obligations, such as customer  
claims, must be granted to achieve chapter 11's rehabilitative

1 purposes. As the district court stated in Michigan Bureau of  
2 Worker's Compensation v. Chateaugay Corp. (In re Chateaugay  
3 Corp.), 80 B.R. 279 (S.D.N.Y. 1987):

4 A rigid application of the priorities of § 507 would  
5 be inconsistent with the fundamental purpose of  
6 reorganization and of the Act's grant of equity  
7 powers to bankruptcy courts, which is to create a  
8 flexible mechanism that will permit the greatest  
9 likelihood of survival of the debtor and payment of  
10 creditors in full or at least proportionately.

11 The Court went on to state that "in this case, a restrictive  
12 interpretation of § 507 or of the powers accorded the  
13 bankruptcy court judge would similarly defeat the very end of  
14 Chapter 11 petitions. Id. at 287. The court held that if  
15 sound business reasons exist to pay certain prepetition  
16 claimants and the payments preserve and maximize the value for  
17 the debtor's estate, the court should authorize the payments.  
18 Id. at 282.

19 As set forth in the attached Jimenez Declaration, the  
20 Debtors believe that each of the Adjustments and/or Refunds is  
21 less than \$2,225. It is clear that honoring the Adjustments  
22 and Refund claims will help preserve the value of the Debtors'  
23 estates by preventing a great deal of negative publicity and  
24 loss of goodwill. A loss of patient goodwill would severely  
25 damage the Debtor's reorganization efforts. To prevent this  
26 loss, the Debtors should be permitted to honor all of their  
27 Adjustment and Refund claims up to the \$2225 limit established  
28 by Section 507(a)(7) of the Bankruptcy Code.

///

///

1 D. Honoring Customer Obligations Is In The Best Interests Of  
2 The Debtors' Estates.

3 Bankruptcy Code section 363, which permits a debtor in  
4 possession to use, sell, or lease estate property, also  
5 provides authority for honoring the claims of the Debtors'  
6 Patients. Holding that under Bankruptcy Code section 363 a  
7 court may authorize a debtor in possession to expend funds  
8 outside the ordinary course of business where, in the debtor's  
9 judgment, the expenditure is in the best interest of the  
10 estate, the bankruptcy court in In re Ionosphere Clubs, Inc.,  
11 90 B.R. 174 (Bankr. S.D.N.Y. 1989), authorized the debtor in  
12 possession to pay certain prepetition claims:

13 Section 363(b) gives the court broad flexibility in  
14 tailoring its orders to meet a wide variety of  
15 circumstances. However, the debtor must articulate  
16 some business justification, other than mere  
17 appeasement of major creditors, for using . . .  
18 property out of the ordinary course of business. . .  
19 In the instant case, Eastern had sustained its burden  
20 of articulating sound business reasons for its  
21 decision to pay prepetition wages. Eastern stated  
22 that it was critical for it to pay such pre-petition  
23 claims in order to preserve and protect its business  
24 and ultimately reorganize, retain its currently  
25 working employees and maintain positive employee  
26 morale. . . . Eastern has clearly demonstrated sound  
27 business reasons to justify such payments.

28 Id. at 175 (emphasis added, citations omitted). As in  
Chateaugay, the court looked to the debtor's business judgment  
in determining that certain payments on prepetition claims were  
in the best interests of the reorganization effort. Id. at  
176. Other courts have similarly held. For example, the Ninth  
Circuit Court of Appeals has permitted the payment of  
prepetition debts when necessary for rehabilitation. See

Burchinal v. Central Washington Bank (In re Adams Apple, Inc.),  
1 829 F.2d 1484, 1490 (9th Cir. 1987). Similarly, in In re  
2 Structuralite Plastics Corp., 86 B.R. 922, 932 (Bankr. S.D.  
3 Ohio 1988), the court found that payment of prepetition claims  
4 was justified where otherwise the debtor's rehabilitative  
5 effort would have been immediately aborted.

6 The Debtors have determined in the exercise of its  
7 business judgment that honoring the Adjustment and Refund  
8 claims of its customers up to the statutory limit of \$2225 per  
9 individual Patient is in the best interests of its  
10 reorganization efforts. Granting the Debtors the authority to  
11 honor the Adjustments and Refunds will greatly benefit the  
12 estates by preserving the Debtors' customer base and goodwill,  
13 generating profits, and avoiding the creation of additional  
14 claims.  
15

16 III.

17 CONCLUSION

18 WHEREFORE, the Debtors respectfully request that this  
19 Court hold a hearing on the Motion and enter an order:

- 20 (1) affirming the adequacy of the notice given;  
21 (2) declaring that the Patient Trust Fund Monies are not  
22 property of the estate;  
23 (3) declaring that the Resulting Trust Monies are not  
24 property of the estate;  
25 (4) authorizing the Debtors to allow the Patients access  
26 to the Patient Trust Fund Monies in accordance with applicable  
27 non-bankruptcy law and in the ordinary course of their  
28

business;

1 (5) authorizing the Debtors to remit the Resulting Trust  
2 Monies to the Patients in the ordinary course of their  
3 business;

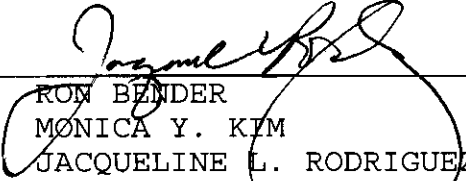
4 (6) instructing Wells Fargo to immediately release any  
5 holds that it may have on any Patient Trust Fund Accounts, and

6 (7) granting such other relief as the Court may deem just  
7 and proper under the circumstances.

8 Dated: April 2, 2007

9 PLEASANT CARE CORPORATION,  
10 SNP PROPERTIES, INC.,  
11 PCC HEALTH SERVICES, INC.,  
12 EMBER CARE CORPORATION, AND  
13 ATLAS CARE ENTERPRISES, INC.

14 By: \_\_\_\_\_

15   
16 RON BENDER  
17 MONICA Y. KIM  
18 JACQUELINE L. RODRIGUEZ  
19 LEVENE, NEALE, BENDER,  
20 RANKIN & BRILL L.L.P.  
21 Proposed Attorneys for  
22 Chapter 11 Debtors and  
23 Debtors in Possession  
24  
25  
26  
27  
28

DECLARATION OF DAHLIA M. JIMENEZ

1 I, DAHLIA M. JIMENEZ, hereby declare as follows:

2 1. I am the Vice President of Finance of Pleasant Care  
3 Corporation, SNF Properties Incorporate, PCC Health Services,  
4 Inc., Atlas Care Enterprises, Inc. I am the President of Ember  
5 Care Corporation. All of the abovementioned entities are  
6 debtors and debtors in possession herein (collectively, the  
7 "Debtors"). I am also a member of the Boards of Directors of  
8 all of the Debtors. Except as otherwise indicated, I have  
9 personal knowledge of the facts set forth herein, and if called  
10 as a witness, could and would testify competently with respect  
11 thereto.  
12

13 2. On March 22, 2007 (the "Petition Date"), the Debtors  
14 each filed voluntary petitions under Chapter 11 of the  
15 Bankruptcy Code. Since the commencement of their cases, the  
16 Debtors have been operating their businesses as debtors in  
17 possession pursuant to Sections 1107 and 1108 of the Bankruptcy  
18 Code.

19 3. I am informed and believe that, on or about March 28,  
20 2007, the Court entered an order approving the joint  
21 administration of the Debtors' cases.  
22

23 4. The Debtors are principally engaged in the business  
24 of owning and operating 30 skilled nursing facilities and  
25 residential care facilities. A skilled nursing facility cares  
26 for patients who require a higher level of nursing care, most  
27 of whom remain there permanently. A residential care facility  
28 cares for patients who require a lesser level of care. Both

1 types of facilities generally involve patients who remain at  
2 the facilities on a long term basis.

3 5. Pleasant Care Corporation ("PCC") owns and operates  
4 14 such facilities; SNF Properties, Inc. ("SNF") owns and  
5 operates 5 such facilities; PCC Health Services, Inc. ("PCCH")  
6 owns and operates 5 such facilities; Ember Care Corporation  
7 ("ECC") owns and operates 5 such facilities; Atlas Care  
8 Enterprises, Incorporated ("Atlas") owns and operates one such  
9 facility. The Debtors currently have approximately 3,000  
10 residents at the Debtors' various facilities.

11 6. Although there are five separate corporate Debtors,  
12 the Debtors essentially operate as one consolidated business  
13 entity. There is one group of management for all five Debtors;  
14 all of the Debtors' approximately 3,500 employees are paid by  
15 one Debtor; and all of the Debtors' operating revenue is  
16 ultimately deposited into one general bank account. The  
17 Debtors prepare consolidated financial statements.

18 7. The business commenced in 1982, when Mr. Emmanuel  
19 Bernabe, the Debtors' founder, acquired one care facility.  
20 Over the next 25 years, Mr. Bernabe acquired and sold  
21 approximately 50 facilities and built the Debtors' business to  
22 its current state. The Debtors collectively generate annual  
23 revenue of approximately \$200 million and employ approximately  
24 3,500 people. The Debtors have and care for approximately  
25 3,000 residents at their 30 care facilities.

26 8. In addition to the 30 care facilities, the Debtors  
27 have three business offices. The primary business office is  
28

located at 2258 Foothill Blvd., La Canada, California 91011.

1 The other two business offices are located in Pasadena and  
2 Stockton.

3 9. The Debtors' generally operated profitably until  
4 approximately two years ago.

5 10. In mid-2005, the Debtors' facility located in Napa,  
6 California and the Debtors' facility located in San Joaquin,  
7 California were decertified by the Department of Health  
8 Services ("DHS"), which contended that the two facilities did  
9 not meet the standards for participation under the  
10 Medical/Medicare programs, which account for approximately 85%  
11 of the Debtors' revenue.  
12

13 11. A temporary manager was assigned to the Napa facility  
14 by DHS, with the consent of the Debtors, who had the  
15 responsibility of restoring that facility into DHS compliance.  
16 The agreement was that the Debtors would have no oversight of  
17 the temporary manager, but assist and work with the temporary  
18 manager to restore the Napa facility into DHS compliance. DHS  
19 decided not to recertify the Napa facility even after the  
20 appointment of the temporary manager, and the Debtors closed  
21 the Napa facility, with the consent of DHS and in accordance  
22 with DHS regulations.  
23

24 12. The Debtors had no realistic alternative facility to  
25 which the Debtors could transfer the San Joaquin residents,  
26 leaving the Debtors in a position of shutting down the San  
27 Joaquin facility or continuing to incur the expenses associated  
28 with the San Joaquin facility without receiving the

1 corresponding revenue from Medical/Medicare. At the urging of  
2 the San Joaquin residents and their families, the Debtors have  
3 permitted the San Joaquin location to remain open, which was  
4 costing the Debtors approximately \$1 million per month in  
5 operating expenses at the outset of the decertification. Those  
6 losses have reduced to a current level of approximately  
7 \$475,000 per month, resulting from normal resident attrition.

8 13. Thereafter, in September 2006, DHS' proceeded to  
9 decertify the Debtors' other two facilities under the same  
10 district as Napa, located in Novato, California and Ukiah,  
11 California. The result of the decertifications was that  
12 Medical/Medicare ceased paying for services provided by those  
13 two facilities, which resulted in reducing the Debtors' monthly  
14 revenue by approximately \$775,000, broken down as \$570,000 for  
15 Novato and \$205,000 for Ukiah.

16 14. While the Debtors could have discharged the patients  
17 at the two decertified locations, at the urging of the  
18 residents and their families, who did not want the residents to  
19 be relocated, the Debtors have continued to this day to provide  
20 normal and required services for those residents without  
21 receiving the reimbursement from Medical/Medicare in exchange.  
22 In Novato, there is no alternative facility. The Debtors  
23 continued to provide services to the residents with the  
24 expectation that DHS would revisit the decertification issue  
25 and ultimately recertify the locations because the Debtors had  
26 taken what the Debtors believed to be the appropriate steps  
27 necessary to cause the locations to be recertified.  
28

Unfortunately, DHS has not at this time elected to recertify  
1 those locations.

2 15. The expenses associated with the decertified  
3 facilities without the corresponding revenue from  
4 Medical/Medicare have caused the Debtors to incur severe  
5 operating losses over the past approximately two years. In  
6 fiscal year 2006, which covered the period of July 1, 2005  
7 through June 30, 2006, the Debtors incurred operating losses of  
8 approximately \$7,500,000. During the first approximately six  
9 months of fiscal year 2007 (ending December 31, 2006), the  
10 Debtors incurred operating losses of approximately \$7,300,000.  
11 In their current configuration, the Debtors suffer operating  
12 losses of approximately \$2 million per month.  
13

14 16. Given the Debtors' financial condition and need for  
15 emergency Chapter 11 bankruptcy filings, the Debtors understand  
16 and recognize that they cannot financially afford to wait and  
17 hope to have the three currently decertified facilities  
18 recertified. The Debtors must immediately sell, transfer or  
19 close all three decertified facilities (San Joaquin, Novato and  
20 Ukiah), which cost the Debtors approximately \$1,250,000 in  
21 monthly operating expenses without corresponding revenue from  
22 Medical/Medicare, along with a number of additional facilities  
23 which lose money from their business operations. The Debtors  
24 believe that the four facilities located at Petaluma, Alameda,  
25 Yuba City and Santa Cruz cause operating losses of  
26 approximately \$500,000 per month. The Debtors believe that  
27 selling or closing these seven facilities (the "Problem  
28

Facilities") will cause the Debtors' business operations to  
1 operate at essentially a break even level.

2       17. Shortly before filing their Chapter 11 petitions, the  
3 Debtors engaged Citra Capital Management, LLC ("Citra") as  
4 their financial advisor to assist the Debtors with the  
5 elimination of their operating losses, including the closing  
6 and/or selling of the seven Problem Facilities. Citra has  
7 extensive experience in arranging financing for, and sales of,  
8 nursing homes for nearly 20 years. Citra has already assisted  
9 the Debtors to sell four of their facilities over the past  
10 year, and Citra is currently in discussions and negotiations  
11 with a number of prospective buyers of other facilities. Citra  
12 has two principals, Herb Saltzman and Michael L. Janda, both of  
13 whom have extensive experience in the health care industry.  
14

15       18. Bridge Healthcare Finance, LLC and Bridge Opportunity  
16 Finance, LLC (jointly referred to herein as "Bridge") is the  
17 Debtors' primary secured creditor. (The Debtors also have  
18 other secured creditors including Omnicare, Inc. ("Omnicare")).  
19 Bridge is currently owed approximately \$9.7 million secured by  
20 a first priority lien against substantially all of the Debtors'  
21 accounts receivable and certain of the Debtors' real property  
22 leases. One of those leases is for the Debtors' location in  
23 San Diego which is likely the Debtors' most valuable location,  
24 worth in the range of approximately \$5-\$6 million. The Bridge  
25 loan was originated in 2004 in the original amount of  
26 approximately \$27 million.  
27  
28

19. Until March 21, 2007, the day before the date of the  
1 Debtors' Chapter 11 filings, all of the Debtors' collections  
2 were paid into a lock box controlled by Bridge and then swept  
3 by Bridge on a daily basis, and then Bridge would make daily  
4 advances to the Debtors. On March 21, 2007, Bridge advised the  
5 Debtors that it intended to continue to sweep the Debtors' lock  
6 box account, but that Bridge would no longer advance any funds  
7 to the Debtors. Bridge also advised the Debtors that Bridge  
8 intended to seek a state court receiver at a hearing to be held  
9 the next day, on March 22, 2007, on an ex parte basis. The  
10 Debtors also learned that Bridge instructed the Debtors'  
11 prepetition financial bank (Wells Fargo) to remit to Bridge all  
12 proceeds collected from private insurance providers and  
13 individuals. In order to protect the going concern value of  
14 the Debtors' the Debtors filed their Chapter 11 bankruptcy  
15 cases.  
16

17 20. In the ordinary course of their business, the Debtors  
18 hold in their possession certain funds in trust for their  
19 Patients (the "Trust Monies") in accordance with applicable  
20 non-bankruptcy law. The Trust Monies fall into two categories.  
21

22 21. The first type of Trust Monies held by the Debtors  
23 consists of those monies that the Patients have on deposit with  
24 the facilities in which they reside, which funds belong to the  
25 Patients and are on deposit for their personal use (the  
26 "Patient Trust Fund Account Monies"). When a Patient living at  
27 one of the Debtors' facilities deposits, or arranges for the  
28 deposit, of personal funds with into the facility's patient

1 trust account with Wells Fargo, the Debtor establishes a credit  
2 account for such Patient and the Patient becomes entitled to  
3 use the monies on deposit to pay for incidental expenses (not  
4 covered by California's Medi-Cal program or the federal  
5 government's Medicare program or by private insurances) such as  
6 grooming, clothing, books, and other personal items. In  
7 addition, the Patient has the ability to withdraw such funds  
8 upon demand.

9 22. Such funds, in excess of fifty dollars (\$50) are  
10 required, by applicable non-bankruptcy law, to be deposited  
11 into an interest-bearing account that is separate from the  
12 Debtors' operating accounts. In addition, Patients with funds  
13 on deposit are legally entitled to receive credit for all  
14 interest earned on their monies.

15 23. Many of the Patients have personal funds on deposit  
16 with one of the Debtors' 30 care facilities. The Patient Trust  
17 Fund Monies are held in one of 30 segregated trust accounts  
18 established by the Debtors' prepetition for the benefit of the  
19 Patients. A list of the aforementioned 30 segregated trust  
20 fund accounts (the "Patient Trust Accounts"), which are located  
21 at Wells Fargo, is attached hereto as Exhibit "1." As set forth  
22 in Exhibit "1," the total balance of the Patient Trust Fund  
23 Monies equals approximately \$1 million.

24 24. At the moment, the Debtors are in the process of  
25 closing the prepetition Patient Trust Accounts and opening new  
26 debtor-in-possession patient trust accounts.  
27

28 25. I am informed and believe that, in accordance with

1 the Order entered by the Court granting the Debtors' motion  
2 authorizing the payment of prepetition payroll (the "Wage  
3 Order"), a copy of which is attached hereto as Exhibit "2,"  
4 Wells Fargo Bank (the "Bank") currently has administrative  
5 holds or freezes on most, if not all, of the Patient Trust  
6 Accounts, which are preventing the Patients from accessing  
7 their monies.

8 26. The second type of Trust Monies consists of those  
9 monies held in constructive trust by the Debtors' pending the  
10 confirmation of the patient's eligibility for Medicaide or other  
11 programs (the "Resulting Trust Monies"). When a Patient enters  
12 one of the Debtors' facilities, the Patient becomes obligated  
13 to place on deposit with the Debtor, on a monthly basis,  
14 payment for the services provided to the Patient by the Debtor.  
15 Although such funds not held in any segregated trust accounts,  
16 these funds are held in resulting or constructive trust for the  
17 Patient and are to be remitted to the Patient following the  
18 Debtor's receipt of confirmation that the Patient is eligible  
19 for Medicaide. The amount of monies held in resulting or  
20 constructive trust for the Patients (the "Resulting Trust  
21 Monies") totals approximately \$ 200,000. A list of the  
22 Resulting Trust Monies is attached hereto as Exhibit "3."

23 27. In addition to the obligations that the Debtors have  
24 to their Patients in connection with the Trust Monies, as part  
25 of the Debtors' normal business operations, the Debtors also  
26 incur certain other obligations in favor of their Patients. In  
27 particular, prior to the Petition Date, in the ordinary course  
28

of the Debtors' business, the Debtors processed adjustments to  
1 billing, refunds of non-trust monies, and credit balances  
2 (collectively, the "Adjustments and Refunds") relating to  
3 services provided (or not provided) to patients and  
4 overpayments in the ordinary course of the Debtors' prepetition  
5 business. It is difficult (if not impossible) to accurately  
6 estimate the total cost of Adjustments and Refunds that existed  
7 as of the Petition Date. However, based on the Debtor's  
8 history with such policies, the Debtor estimates no individual  
9 possesses a claim for *non-trust* Adjustments and Refunds in  
10 excess of \$2,225.

11  
12 28. The success and viability of the Debtors' business  
13 and their ability to reorganize depends directly upon their  
14 relationship with their Patients and their Patients' families  
15 (the "Families"). Any delay in honoring their trust and non-  
16 trust obligations to their Patients will severely and  
17 irreparably impair the Debtors' relationships with their  
18 Patients and the Families. The Debtors' inability to honor  
19 their non-trust fund related prepetition obligations to their  
20 Patients will jeopardize these relationships. However, perhaps  
21 even more importantly, the Debtors' inability to honor their  
22 trust-related obligations could also expose the Debtors'  
23 estates to post-petition liability under federal and state laws  
24 related to the maintenance of, and denial of access of the  
25 Patients to, the Trust Monies. As a result, the granting of  
26 the Motion is in the best interests of the Debtors' estates and  
27 their creditors.  
28

29. Based on the foregoing it is critical that the Court:  
1 (1) declare the Trust Monies not to be property of the Debtors'  
2 estates immediately, (2) authorize the Debtors to honor their  
3 trust-related obligations to their Patients in order to allow  
4 the Patients free access to and/or remittance of the Trust  
5 Monies, (3) instruct the Bank to immediately release any holds  
6 and/or freezes that it may have upon the Patient Trust Fund  
7 Accounts, and (4) authorize the Debtors to honor their non-  
8 trust related obligations to the Patients in accordance with  
9 Section 507(a)(7) of the Bankruptcy Code.  
10

30. Based on the foregoing, I respectfully request that  
11 the Court grant the abovementioned relief.  
12

I declare under penalty of perjury that the foregoing is  
13 true and correct.  
14

Executed this \_\_\_th day of April at La Canada, California.  
15  
16

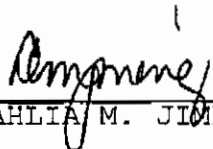
17  
18 (see attached)  
19 \_\_\_\_\_  
20 DAHLIA M. JIMENEZ  
21  
22  
23  
24  
25  
26  
27  
28

29. Based on the foregoing it is critical that the Court: (1) declare the Trust Monies not to be property of the Debtors' estates immediately, (2) authorize the Debtors to honor their trust-related obligations to their Patients in order to allow the Patients free access to and/or remittance of the Trust Monies, (3) instruct the Bank to immediately release any holds and/or freezes that it may have upon the Patient Trust Fund Accounts, and (4) authorize the Debtors to honor their non-trust related obligations to the Patients in accordance with Section 507(a)(7) of the Bankruptcy Code.

30. Based on the foregoing, I respectfully request that the Court grant the abovementioned relief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this \_\_\_th day of April at La Canada, California.

  
\_\_\_\_\_  
DAHLIA M. JIMENEZ

**PATIENT TRUST FUND ACCOUNTS LOCATED AT WELLS FARGO BANK**

<b><u>No.</u></b>	<b><u>Facility</u></b>	<b><u>Balance</u></b>
1	Cypress Acres	\$5315.64
2	Millbrae	\$9123.31
3	Glendora	\$83066.00
4	San Joaquin	\$11639.79
5	Elach	\$32537.21
6	Ukiah	\$9467.13
7	West Covina	\$6753.55
8	Yuba	\$31481.70
9	Novato	\$9899.09
10	Bakersfield	\$32076.29
11	Norwalk	\$45424.08
12	Maclay	\$77838.56
13	Arbor	\$22987.02
14	Corona	\$63952.02
15	Maywood	\$46290.47
16	Pomona	\$50171.76
17	Petaluma	\$8581.34
18	Corona Ass. Living	\$15293.47
19	Alameda	\$35875.44
20	Glendale	\$11172.46
21	Vista	\$45925.86
22	San Jose	\$64777.60
23	Montevista	\$12420.68
24	Riverside	\$48793.67
25	San Diego	\$60217.29
26	Los Gatos	\$31732.46
27	Perris	\$24930.13
28	Charleston	\$12399.63
29	Santa Cruz	\$48692.37
30	Parkview	\$36942.75
	<b>Total Balance in Patient Trust Fund Accounts</b>	<b>\$995,778.77</b>

**EXHIBIT**   1

ORIGINAL

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RON BENDER (SBN 143364)  
MONICA Y. KIM (SBN 180139)  
JACQUELINE L. RODRIGUEZ (SBN 198838)  
LEVENE, NEALE, BENDER, RANKIN & BRILL L.L.P.  
10250 Constellation Blvd., Suite 1700  
Los Angeles, California 90067  
Telephone: (310) 229-1234  
Facsimile: (310) 229-1244

FILED  
MAR 27 2007  
CLERK U.S. BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
Deputy Clerk

ENTERED  
MAR 27 2007  
CLERK U.S. BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
Deputy Clerk

Proposed Attorneys for Chapter 11  
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re: ) Main Case No. LA 07-12312-EC  
PLEASANT CARE CORPORATION, a )  
California corporation, ) Case No. LA 07-12322-EC  
\_\_\_\_\_ ) Case No. LA 07-12319-EC  
\_\_\_\_\_ ) Case No. LA 07-12326-EC  
In re: ) Case No. LA 07-12316-EC  
SNF PROPERTIES INCORPORATED, )  
a California corporation, )  
\_\_\_\_\_ ) Chapter 11  
\_\_\_\_\_ )  
In re: ) ORDER GRANTING EMERGENCY MOTION  
PCC HEALTH SERVICES, INC., a ) FOR AUTHORITY TO (1) PAY  
California corporation, ) PREPETITION PRIORITY WAGES AND  
\_\_\_\_\_ ) COMMISSIONS AND (2) HONOR  
\_\_\_\_\_ ) ACCRUED VACATION AND LEAVE  
In re: ) BENEFITS IN THE ORDINARY COURSE  
ATLAS CARE ENTERPRISES, ) OF THEIR BUSINESSES  
INC., a California )  
corporation, ) Date: March 27, 2007  
\_\_\_\_\_ ) Time: 1:30 p.m.  
\_\_\_\_\_ ) Place: Courtroom 1639  
In re: ) 255 E. Temple St.  
EMBER CARE CORPORATION, a ) Los Angeles, CA  
California corporation, )  
\_\_\_\_\_ )  
\_\_\_\_\_ )  
Debtors. )  
\_\_\_\_\_ )  
\_\_\_\_\_ )

EXHIBIT 2

1           On March 26, 2007, the Court held a hearing on the  
2 motion, filed by Pleasant Care Corporation, SNF Properties  
3 Incorporated, PCC Health Services, Inc., Atlas Care  
4 Enterprises, Inc., and Ember Care Corporation, all California  
5 corporations, the debtors and debtors in possession in the  
6 above-entitled Chapter 11 cases (collectively, the "Debtors"),  
7 for the entry of an order authorizing the Debtors to: (1) pay  
8 prepetition priority wages<sup>1</sup>, commissions, and employee  
9 benefits and (2) honor prepetition accrued vacation and leave  
10 benefits in the ordinary course of the Debtors' businesses,  
11 provided that no employee shall receive in value over \$10,000  
12 on account of the foregoing prepetition claims (the "Motion").  
13 Appearances were made as set forth on the record of the Court.  
14

15           The Court, having considered the Motion and all papers  
16 filed by the Debtors in support of the Motion, and the  
17 Debtors' supplement to the Motion, and the oral arguments and  
18 statements of counsel made at the hearing on the Motion,  
19 having found that due and sufficient notice of the Motion and  
20 the hearing on the Motion were given; and after due  
21 deliberation and sufficient cause appearing, the Court HEREBY  
22 ORDERS AS FOLLOWS:  
23

24           A.    The Motion is hereby granted in its entirety.  
25

26  
27  
28           <sup>1</sup> The payment of prepetition priority wages shall include payment of all applicable federal and state withholding taxes and payroll taxes.

1           B.    The Debtor is hereby authorized to pay and/or honor  
2 all pre-petition priority wages, commissions, and employee  
3 benefits to their employees, including but not limited to  
4 those employees leased from the Debtor by LifeHouse Retirement  
5 Properties, Inc., and/ or its subsidiaries, and affiliates  
6 (the "Leased Employees"), and including those wages which are  
7 unpaid as a result of a pre-petition payroll check being  
8 returned for insufficient funds and/or which may be caused by  
9 a conversion of any of the Debtor's pre-petition bank accounts  
10 to debtor in possession accounts.

11  
12  
13           C.    The payment of pre-petition priority wages shall  
14 include the payment of all withholdings and payroll  
15 deductions, including but not limited to health insurance,  
16 garnishments, union dues, and applicable federal and state  
17 withholding taxes and payroll taxes.

18  
19           D.    The Debtors are authorized to pay the March 26, 2007  
20 payroll (for all of its employees, including but not limited  
21 to the Leased Employees) from their prepetition payroll  
22 accounts (the "Prepetition Accounts"); the Debtors will pay  
23 all subsequent payrolls from debtor in possession accounts.

24  
25           E.    The Debtors are authorized to honor accrued vacation  
26 and leave benefits by allowing all of their employees  
27 (including but not limited to the Leased Employees) to take  
28

1 their accrued vacation or leave time in the ordinary course of  
2 business, provided that no employee (including but not limited  
3 to the Leased Employees) shall receive in value over \$10,000  
4 on account of prepetition claims for wages, commissions, and  
5 vacation and leave benefits. *No departing employee shall be paid for  
6 accrued ~~prepetition~~ prepetition vacation  
or other leave benefits.*

7 F. LifeHouse Retirement Properties, Inc., its  
8 subsidiaries, and affiliates ("LP") are hereby directed to  
9 deposit by wire transfer the funds necessary to pay the wages  
10 and commissions owed to the Leased Employees for the March 26,  
11 2007 payroll into one of the Debtors' prepetition payroll  
12 accounts immediately following the entry of an order of the  
13 Court granting the Motion;  
14

15 G. LP is hereby directed to deposit by wire transfer  
16 the funds necessary to pay the wages and commissions owed to  
17 the Lease Employees for the April 10, 2007 payroll into one of  
18 the Debtors' post petition debtor in possession accounts by no  
19 later than April 9, 2007.  
20

21 H. No employee shall receive in value over \$10,000 on  
22 account of ~~an account of~~ <sup>(i)</sup> his/her pre-petition priority claims  
23 for wages, commissions and/or vacation/leave benefits  
24 (inclusive of any withholding taxes or payroll taxes), and no  
25 employee shall receive payment on account of any pre-petition  
26 claims for wages, commissions and/or vacation/leave benefits  
27

28 *and (ii) employer contributions to employee  
benefit plans based on services rendered  
within 180 days before the date of the filing  
of the petition.*

1 which were earned more than 180 days prior to the date of the  
2 Debtors' bankruptcy filings.

3 I. No insider of the Debtors may be paid on account  
4 of any pre-petition priority wages, commissions or benefits  
5 pursuant to this Order. The payment of any such pre-petition  
6 priority wages, commissions or benefits may only be made in  
7 accordance with a further order of this Court.

9 J. To the extent that the Debtors have issued any  
10 checks prepetition that do not comply with the terms of this  
11 Order, the Debtors shall immediately institute stop payments  
12 on all such checks.

14 J. Wells Fargo Bank shall honor all pre-petition and  
15 post-petition checks issued against the Debtors' pre-petition  
16 payroll accounts (account numbers 4100-169-515 and 4121-481-  
17 568), except those on which the Debtors place a stop payment;  
18 provided that such pre-petition payroll accounts contain  
19 sufficient collected and available funds to pay such checks.

21 K. Except with regard to the pre-petition payroll  
22 accounts described above, Wells Fargo Bank, ~~and any other~~  
23 ~~financial institutions and banks that have placed freezes,~~  
24 ~~and/or holds on the Debtors' other accounts (the "non-payroll~~  
25 ~~accounts").~~ <sup>is</sup> are hereby directed to release any and all such  
26 freezes and/or holds only to the extent of allowing the funds  
27  
28

1 in those accounts to be transferred to debtor in possession  
2 post petition accounts.

3 L. Notwithstanding the foregoing Wells Fargo Bank may  
4 keep an administrative freeze on a non-payroll account on  
5 approximately \$9,000 because of a pre-petition claim of setoff  
6 by Wells Fargo Bank for pre-petition fees of approximately  
7 \$9,000, by placing approximately \$9000 in an appropriately  
8 designated suspense account, pending further order of the  
9 Court.  
10  
11

12 ~~M. The requirements of 11 U.S.C. § 345(b) are waived~~  
13 ~~regarding the Debtors' post petition deposits at Wells Fargo~~  
14 ~~Bank.~~

15 IT IS SO ORDERED.

16 Dated: March 27, 2007



18 THE HONORABLE ELLEN CARROLL  
19 UNITED STATES BANKRUPTCY JUDGE

RON BENDER (SBN 143364)
MONICA Y. KIM (SBN 180139)
JACQUELINE L. RODRIGUEZ (SBN 198838)
LEVENE, NEALE, BENDER, RANKIN & BRILL L.L.P.
10250 Constellation Blvd., Suite 1700
Los Angeles, California 90067
Telephone: (310) 229-1234
Facsimile: (310) 229-1244
Proposed Attorneys for Chapter 11
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re:
In re: PLEASANT CARE CORPORATION, a California corporation, ) Main Case No. LA 07-12312-EC
Case No. LA 07-12322-EC
In re: SNF PROPERTIES INCORPORATED, a California corporation, ) Case No. LA 07-12319-EC
Case No. LA 07-12326-EC
Case No. LA 07-12316-EC
In re: PCC HEALTH SERVICES, INC., a California corporation, )
In re: ATLAS CARE ENTERPRISES, INC., a California corporation, )
In re: EMBER CARE CORPORATION, a California corporation, )
Debtors. )

NOTICE OF ENTRY JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING

TO ALL PARTIES IN INTEREST ON THE FOLLOWING SERVICE LIST:

1. You are hereby notified that a judgment or order entitled (specify):

ORDER GRANTING EMERGENCY MOTION FOR AUTHORITY TO (1) PAY PREPETITION PRIORITY WAGES AND COMMISSIONS AND (2) HONOR ACCRUED VACATION AND LEAVE BENEFITS IN THE ORDINARY COURSE OF THEIR BUSINESSES

was entered on (specify date): 3-27-07

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment of the persons and entities on the attached service list on (specify date):

3-28-07

See Attached Service List:

Dated: 3-28-07

JON D. CERETTO
Clerk of the Bankruptcy Court
by: Nancy Vandewert
Deputy Clerk

If a judgment is by default, a copy of the judgment must be attached to this notice.
This form is optional. It has been approved for use by the United States Bankruptcy Court for the Central District of California

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.

**Consolidated – Request for Special Notice**

Alvin Mar/Russell Clementson  
Office of the U.S. Trustee  
725 S. Figueroa St. Suite 2600  
Los Angeles, CA 90017

Counsel for Bridge Healthcare Finance, LLC  
and Bridge Opportunity Finance, LLC  
Michael Fletcher  
Frandzel Robins Bloom & Csato  
6500 Wilshire Boulevard, 17th Floor  
Los Angeles, CA 90048

Counsel for Bridge Healthcare Finance, LL  
and Bridge Opportunity Finance, LLC  
Eric S. Prezant  
Vedder Price Kaufman & Kammholz  
222 North LaSalle Street, Suite 2600  
Chicago, IL 60601

Ron Bender/Monica Y. Kim  
Jacqueline L. Rodriguez  
Levene, Neale, Bender, Rankin & Brill L.L.P.  
10250 Constellation Blvd., Suite 1700  
Los Angeles, California 90067

## RESULTING TRUST FUNDS LIST

NAME OF PAYEE	NAME OF FACILITY	AMOUNT DUE
ARMSTRONG, MICHAEL	EC-SAN DIEGO	2,624.93
AVILA, REBECCA	EC-SAN JOSE	6,769.00
BAKER, BARBARA SUE FAUROT	EC-GLENDALE	3,195.00
BARRAGAN, ROBERT	EHCC-GLENDORA	1,002.20
BARRETT, AUSTIN	EC-PERRIS	2,900.89
BATES, SUE	EC-PARKVIEW	2,958.00
BENNET, MARY LOU	EC-PARKVIEW	3,840.00
BLUE CROSS OF CALIFORNIA	CYPRESS ACRES	2,166.00
BROWN, HOLLY	EC-ALAMEDA	265.62
BURKE, VERON	PCC-BAKERSFIELD	1,694.94
CASTANARES, JUNE	EC-ALAMEDA	4,437.00
CRESSWELL, JOHN	EHCC-GLENDORA	1,086.56
DANIELS, DAN	PCC-CORONA	1,538.82
DAVIS DARLENE	PCC-CORONA	4,495.00
DEPT. OF HEALTH SERV	EC-ALAMEDA	314.10
DEPT. OF HEALTH SERV	EC-ALAMEDA	281.23
DEPT. OF HEALTH SERV	EC-MACLAY	747.61
DEPT. OF HEALTH SERV	EC-MACLAY	7,123.05
DEPT. OF HEALTH SERV	CYPRESS ACRES	2,261.00
DEPT. OF HEALTH SERV	CYPRESS ACRES	429.24
DEPT. OF HEALTH SERV	CYPRESS ACRES	965.30
DEPT. OF HEALTH SERV	CYPRESS ACRES	1,368.00
DEPT. OF HEALTH SERV	EC-PERRIS	912.00
DEPT. OF HEALTH SERV	EC-PERRIS	134.11
DEPT. OF HEALTH SERV	EC-PERRIS	1,196.00
DEPT. OF HEALTH SERV	EC-PERRIS	3,408.25
DEPT. OF HEALTH SERV	EC-LOS GATOS	173.50
DEPT. OF HEALTH SERV	EC-LOS GATOS	67.34
DEPT. OF HEALTH SERV	EC-LOS GATOS	94.65
DEPT. OF HEALTH SERV	EC-LOS GATOS	31.08
DEPT. OF HEALTH SERV	PCC-RIVERSIDE	456.00
DEPT. OF HEALTH SERV	PCC-RIVERSIDE	3,860.00
DEPT. OF HEALTH SERV	EHCC-WEST COVINA	2,234.00
DEPT. OF HEALTH SERV	EHCC-WEST COVINA	1,895.90
DEPT. OF HEALTH SERV	PCC-ARBOR	2,307.00
DEPT. OF HEALTH SERV	PCC-ARBOR	854.00
DEPT. OF HEALTH SERV	PCC-ARBOR	1,098.00
DEPT. OF HEALTH SERV	EAST LA CONV	968.00
DEPT. OF HEALTH SERV	EHCC-WEST COVINA	1,669.00
DEPT. OF HEALTH SERV	PCC-RIVERSIDE	3,830.00
DEPT. OF HEALTH SERV	SUTTER CO. PUBLIC GUARDIAN	2,608.50
DEWITT, MOZELLE	EC-SAN DIEGO	9,485.00
DIXON, AUDREY	PCC-VISTA	1,618.48
DOWNEY REGIONAL MEDICAL CENTER	EHCC-NORWALK	3,494.32
DUNCAN, ESTELLE	EC-PARKVIEW	1,500.00

**EXHIBIT** 3

## RESULTING TRUST FUNDS LIST

NAME OF PAYEE	NAME OF FACILITY	AMOUNT DUE
ELDER CONNECTION RP	EC-PARKVIEW	1,106.77
ESTATE OF BILL AMES	CYPRESS ACRES	415.56
ESTATE OF CHARLES MCINTOSH	EC-SAN DIEGO	3,095.55
ESTATE OF DENNIS PEDEROFSKI	EC-SAN DIEGO	1,442.07
ESTATE OF ROBERT SUNDQUIST	CYPRESS ACRES	4,658.17
FAGAN, MARIE	EC-SAN DIEGO	3,990.04
FREEMAN, RACHEL	PC-CORONA ASSTD	267.40
FRUGE, ANTHONY	CYPRESS ACRES	4,838.76
GAMMON, GREG	PCC-NOVATO	4,895.55
GATES, MICHAEL	EC-SAN DIEGO	4,559.00
GORDON, URIANA	EHCC-GLENDORA	1,642.00
GORDON, URIANA	EHCC-GLENDORA	311.60
GRIMES, DIANE	EC-PARKVIEW	1,350.00
HAGEN, PATRICIA	EC-SAN DIEGO	2,772.50
HEALTH NET	EC-PARKVIEW	1,829.82
HEATH, BEVERLY	EHCC-GLENDORA	1,318.00
HELFRICH, LEWIS	EC-PARKVIEW	65.89
JIMENEZ, ROSALIE	EAST LA CONV	980.00
JOHNSON, SADIE	EC-PARKVIEW	5,603.00
JONES, LINDA	PCC-ARBOR	2,301.00
KOSTOLEFSKY, CONSTANCE	PCC-PETALUMA	715.00
LASTOSKIE, KAREN	EHCC-GLENDORA	1,401.34
LUCERO, MARJORIE	EC-YUBA CITY	450.00
MARCHBAKS, PHYLLIS	EC-PARKVIEW	1,236.00
MAYO, AL/NAN	PCC-BAKERSFIELD	1,577.80
MCMULLEN, PHILLIP RICHARD	PCC-BAKERSFIELD	1,710.00
MEYER, SHIRLEY	PCC-NOVATO	4,095.00
MICHAUD, NANCY	EHCC-GLENDORA	1,142.00
MORAIN, RAYMOND	PCC-BAKERSFIELD	386.50
MUNIZ, JAVIER	ECC-MONTE VISTA	1,235.28
NEGRETE, VIDA	EHCC-GLENDORA	4,030.00
OLIVER, MARTHA	PCC-RIVERSIDE	1,048.00
OSHRY, PATRICIA	EC-MILLBRAE MANOR	800.00
PAEZ, DIANE	EHCC-NORWALK	700.00
PAPROCK, ROSEMARIE	PCC-VISTA	1,023.00
PAULA, STEPHANIE	EC-ALAMEDA	2,508.00
PRICE, BRAD	PCC-CORONA	1,634.00
ROBERTSON, LAVON	CYPRESS ACRES	6,682.23
ROSE, GAIL	EC-PARKVIEW	3,356.23
RUSKAUFF, JOE	EC-PERRIS	1,298.76
SADLER, DIANE	EC-PARKVIEW	3,994.05
SCHROTH, BRIAN	PCC-NOVATO	4,491.00
SETKA, CAROL	PCC-NOVATO	4,354.16
SMITH, BARBARA	EC-PARKVIEW	1,272.35
SMITH, JOELLA	EC-SAN DIEGO	2,123.70

## RESULTING TRUST FUNDS LIST

NAME OF PAYEE	NAME OF FACILITY	AMOUNT DUE
ST. ANN HOSPICE	EHCC-WEST COVINA	2,022.40
ST JOSEPH TRANSITIONAL REHAB	EHCC-CHARLESTON	2,475.00
SUTTER CO. PUBLIC GUARDIAN	EC-YUBA CITY	2,608.50
TAGGARD, RICHARD	EHCC-GLENDORA	609.00
THOMAS, JIM	EHCC-GLENDORA	1,856.00
TINOCO, LUPE	EC-PARKVIEW	1,918.63
TRAER, VAE LEE	PCC-RIVERSIDE	1,829.10
TREVA DARLENE FAUCET	PCC-BAKERSFIELD	2,071.26
VAN LOAN, VIRGINIA	PCC-RIVERSIDE	1,316.00
WAYNE, PAUL	EC-LOS GATOS	964.76
WEIKEL, ROSELLEN	EC-SAN DIEGO	2,192.50
WILD, DAVID	EHCC-GLENDORA	402.00
		<hr/>
<b>TOTAL</b>		<b>214,705.92</b>
		<hr/> <hr/>



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 2, 2007

Name	Email address
Counsel for Secured Creditor Bridge Opportunity, Michael Gerard Fletcher	<a href="mailto:mfletcher@franzel.com">mfletcher@franzel.com</a>
Office of the U.S. Trustee (Alvin Mar and Russel Clementson)	<a href="mailto:russell.clementson@usdoj.gov">russell.clementson@usdoj.gov</a> ; <a href="mailto:alvin.mar@usdoj.gov">alvin.mar@usdoj.gov</a>
Leslie Cohen	<a href="mailto:lcohen@linerlaw.com">lcohen@linerlaw.com</a>
H. Alexander Fisch	<a href="mailto:afisch@stutman.com">afisch@stutman.com</a>
Eric S. Prezant	<a href="mailto:epezant@vedderprice.com">epezant@vedderprice.com</a>
Theodore Stoman, Counsel for Omnicare	<a href="mailto:TStolman@Stutman.com">TStolman@Stutman.com</a>
Richard Pachulski	<a href="mailto:rpachulski@pszyjw.com">rpachulski@pszyjw.com</a>
Pachulski, Stang	<a href="mailto:smaizel@pszyjw.com">smaizel@pszyjw.com</a>
Michael Tuchin	<a href="mailto:mtuchin@ktbslaw.com">mtuchin@ktbslaw.com</a>
James Smith, counsel to Well Fargo	<a href="mailto:Smithvj@wellsfargo.com">Smithvj@wellsfargo.com</a>
Ivan L. Kallick, Consel for Covenant Care	<a href="mailto:ikallick@manatt.com">ikallick@manatt.com</a>
Christian L. Raisner, Counsel for SEIU	<a href="mailto:craisner@unioncounsel.net">craisner@unioncounsel.net</a>
Gillian Goldberg, Counsel to Service Employee International Union	<a href="mailto:gilliangoldberg@hotmail.com">gilliangoldberg@hotmail.com</a>
Catherine Bauer, Counsel for U.S. America	<a href="mailto:catherine.bauer@usdoj.gov">catherine.bauer@usdoj.gov</a>
Andrew Goodman, Counsel for Golden West Trading	<a href="mailto:goodman@andyglaw.com">goodman@andyglaw.com</a>
Steven Oldham, Dept of Health Services	<a href="mailto:stevenoldham@dhs.ca.gov">stevenoldham@dhs.ca.gov</a>
Charles Schoor, Counsel for Wells Fargo	<a href="mailto:cschoor@bluelaw.net">cschoor@bluelaw.net</a>
Andrew Troop	<a href="mailto:Andrew.troop@cwt.com">Andrew.troop@cwt.com</a>
	<a href="mailto:dpalmer@cwt.com">dpalmer@cwt.com</a>
	<a href="mailto:Christopher.Mirick@cwt.com">Christopher.Mirick@cwt.com</a>
Joseph Tutera, The Tutera Group	<a href="mailto:Jct@tutera.com">Jct@tutera.com</a>
Michael Flanagan	<a href="mailto:Mikef@tutera.com">Mikef@tutera.com</a>
Herb Saltzman, Citra	<a href="mailto:Hsaltzman@citracm.com">Hsaltzman@citracm.com</a>
Michele Wong, Dept. of Justice	<a href="mailto:Michele.wong@dog.ca.gov">Michele.wong@dog.ca.gov</a>
Steven A. Narsutis, Bridge Finance Group	<a href="mailto:snarsutis@bridgefinancegroup.com">snarsutis@bridgefinancegroup.com</a>
	<a href="mailto:sandrews@BridgeHCF.com">sandrews@BridgeHCF.com</a>
	<a href="mailto:mtuchin@ktbslaw.com">mtuchin@ktbslaw.com</a>
	<a href="mailto:Qhc27@aol.com">Qhc27@aol.com</a>

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.  
**Consolidated – Request for Special Notice**

Alvin Mar/Russell Clementson  
Office of the U.S. Trustee  
725 S. Figueroa Street, Ste. 2600  
Los Angeles, CA 90017

Counsel for Bridge Healthcare Finance, LLC  
and Bridge Opportunity Finance, LLC  
Michael Fletcher  
Frandzel Robins Bloom & Csato  
6500 Wilshire Boulevard, 17th Floor  
Los Angeles, CA 90048

Counsel for Omni  
Theodore B. Stolman  
Stutman Treister & Glatt  
1901 Avenue of the Stars, 12<sup>th</sup> Floor  
Los Angeles, CA 90067

Counsel for Twin Med  
Richard M. Pachulski  
Pachulski, Stang, Ziehl, et al.  
10100 Santa Monica Blvd., #1100  
Los Angeles, CA 90067

Counsel for SEIU- United Healthcare Workers West  
Christian L. Raisner, Linelle Mogado  
Weinberger, Roger & Rosenfeld  
1001 Marina Village Parkway, Suite 200  
Alameda, CA 94501-1091

Herb Saltzman  
Citra Capital Management  
13428 Maxella Avenue, Ste 256  
Marina Del Rey, CA 90292

Michele L. Wong  
State of California, Dept of Justice  
Office of the Attorney General  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013-1230

Debtors  
Pleasant Care Corporation, et al.  
2258 Foothill Boulevard, #6  
La Canada, CA 91011

Steven Oldham  
Office of Legal Services - MS 0010  
State of California, Dept of Health Services  
PO Box 997413  
Sacramento, CA 95899-7413

Counsel for SEIU United Healthcare Workers West  
Christian L. Raisner  
Weinberg, Roger & Rosenfeld  
1001 Marina Village Parkway, Suite 200  
Alameda, CA 94501

Counsel for Covenant Care  
Ivan L. Kallick  
Ileana M. Hernandez  
Manatt Phelps & Phillips  
11355 W Olympic Blvd  
Los Angeles, CA 90064

Counsel for Wells Fargo  
Wells Fargo Bank  
Valdo James Smith  
333 S. Grand Ave. #1040  
Los Angeles, CA 90071

Michael Flanagan  
Law Offices  
7611 State Line Road, Suite 303  
Kansas City, MO 64114

Steven A. Narsutis  
Bridge Finance Group  
233 S. Wacker Drive  
Suite 5350  
Chicago, IL 60606

Counsel for Bridge Healthcare Finance, LL  
and Bridge Opportunity Finance, LLC  
Eric S. Prezant  
Vedder Price Kaufman & Kammholz  
222 North LaSalle Street, Suite 2600  
Chicago, IL 60601

Counsel for Golden West Trading, Inc.  
Andrew A. Goodman  
Law Offices of Andrew Goodman, P.C.  
200 N. Westlake Blvd., Suite 202  
Westlake Village, CA 91362

Counsel for the United States of America  
Cahterine Bauer  
Assistant United States Attorney  
Office US Attorney  
300 N. Los Angeles Street, #7516  
Los Angeles, CA 90012

Counsel for Service Employees Internation  
Union, Local 434B  
Dana S. Martinez/Gillian B. Goldberg  
Holguin & Garfield  
800 West 6th Street, Suite 950  
Los Angeles, CA 90017

Counsel for Wells Fargo  
Charles D. Schoor  
Blue & Schoor LLP  
350 South Grand Ave., Suite 3500  
Los Angeles, CA 90071

Josepch C. Tutera  
The Tutera Group  
7611 State Line Road, Suite 301  
Kansas City, MO 64114

Christopher R. Mirick  
Cadwalader, Wickersham & Taft LLP  
One World Financial Center  
New York, NY 10281

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.  
**Consolidated Secured Creditor List**

Bridge Opportunity Finance, LLC.  
Bridge Healthcare  
c/o Michael Fletcher/Frandzel et al  
6500 Wilshire Boulevard, 17th Floor  
Los Angeles, CA 90048

Finova Capital Corporation  
4800 North Scottsdale Road  
Scottsdale, AZ 85251

Finova Medical Receivables, Inc.  
311 S. Wacker Dr., Ste. 4400  
Chicago, IL 60606

Advantage Leasing Corporation  
324 East Wisconsin Avenue, Ste. 250  
Milwaukee, WI 53202

Wells Fargo Financial Leasing, Inc.  
4695 Macarthur Court, Ste. 350  
Newport Beach, CA 92660

US Bancorp  
1310 Madrid Street, Ste. 101  
Marshall, MN 56258

Bridge Healthcare Finance, LLC as Agent  
233 S. Wacker, Ste. 5350  
Chicago, IL 60606

Padco Lease Corp.  
100 W. Monroe Street, Ste. 706  
Chicago, IL 60603

Exchange Bank  
PO Box 760  
Santa Rosa, CA 95402

Counsel for Omnicare Inc.  
Theodore Stolman  
Stutman Treister & Glatt  
1901 Ave Of The Stars 12FL  
Los Angeles, CA 90067-6013

Finova Medical Receivables, Inc.  
311 S. Wacker Dr., Ste. 6000  
Chicago, IL 60606

HFG Healthco-4, LLC c/o Lord Securities  
Two Wall Street  
New York, NY 10005

US Bank National Association  
201 W. Wisconsin Ave.  
Milwaukee, WI 53259

Premier Capital Group, Inc.  
1308 8<sup>th</sup> Street, Ste. 5  
West Des Moines, IA 50265

Ford Motor Credit Company  
1655 Fairlane Circle #925  
Allen Park, MI 48101-

Commercial Equipment Lease Corporation  
PO Box 11826  
899 Pearl Street, 2<sup>nd</sup> Floor  
Eugene, OR 97440

TCCG, LLC  
22800 Savi Ranch Parkway, Ste. 204  
Yorba Linda, CA 92887

Evans National Leasing, Inc.  
One Grimsby Drive  
Hamburg, NY 14075

Counsel for Omnicare Inc.  
Andrew M. Troop  
Cadwalader, Wickersham & Taft LLP  
One World Financial Center  
New York, NY 10281

Healthcare Finance Group, Inc.  
Two Wall Street  
New York, NY 10005

Pleasant Care Funding Co., LLC  
2258 Foothill Blvd., Ste. 6  
La Canada, CA 91011

Trinity Capital Corporation  
475 Sansome St., 19<sup>th</sup> Floor  
San Francisco, CA 94111

Socal Laundry Equipment, Inc.  
1729 Coolidge Ave., Ste. B  
National City, CA 91950

Butler Capital Corporation  
10944 Beaver Dam Road  
Hunt Valley, MD 21030

FPC Funding II, LLC  
8700 Waukegan Road, #100  
Morton Grove, IL 60053

First Federal Leasing  
PO Box 1145  
Richmond, IN 47375-1145

Fortran Group International, Inc.  
201 N. Franklin Street, Ste. 3405  
Tampa, FL 33602

Omnicare, Inc.  
1600 Rivercenter II  
100 East Rivercenter Blvd.  
Covington, KY 41011

Kindred Rehab Services, Inc.  
dba Peoplefirst Rehabilitation  
680 S. Fourth Ave.  
Louisville, KY 40202

Credit Bureau of Santa Maria, Inc.  
dba Credit Bureaus of San Luis Obispo and  
Santa Barbara Counties  
PO Box 480  
Grover Beach, CA 93483

Ecolab Inc.  
370 Wabasha Street  
St. Paul, MN 55102

Omnicare, Inc.  
1600 Rivercenter II  
100 East Rivercenter Blvd.  
Covington, KY 41011

Susquehanna Patriot Commercial Leasing  
Company, Inc.  
1566 Medical Drive, #201  
Pottstown, PA 19464

Altec Capital Services, LLC  
33 Inverness Center Parkway Ste. 200  
Birmingham, AL 35242

Pentech Financial Services  
222 SW Columbia Street, #1000  
Portland, OR 97201

Santa Barbara Bank & Trust  
PO Box 60607  
Santa Barbara, CA 93160

IRS/OHIO  
PO Box 145595  
Cincinnati, OH 45250

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.  
**Creditor's Committee**

Alvin Mar/Russell Clementson  
Office of the U.S. Trustee  
725 S. Figueroa St. Suite 2600  
Los Angeles, CA 90017

Debtors  
Pleasant Care Corporation, et al.  
2258 Foothill Boulevard  
La Canada, CA 91011

TWIN MED  
11333 Greenstone Avenue  
Santa Fe Springs, CA 90670

Committee Counsel and Counsel for Twin Med  
Richard M. Pachulski  
Pachulski, Stang, Ziehl, et al.  
10100 Santa Monica Blvd., #1100  
Los Angeles, CA 90067

SEIU UNITED HEALTHCARE WORKERS-  
WEST  
P.O. Box 45218  
San Francisco, CA 94145

Counsel for SEIU- United Healthcare Workers  
West  
Christian L. Raisner, Linelle Mogado  
Weinberger, Roger & Rosenfeld  
1001 Marina Village Parkway, Suite 200  
Alameda, CA 94501-1091

COMPREHENSIVE THERAPY  
1261 Oakhaven Lane,  
Arcadia, CA 91006

DAIRY KING  
815 Thompson Ave.  
Glendale, CA 91201

HEALTHCARE SERVICES GROUP  
3220 Tillman Drive, Suite, 300  
Bensalem, PA 19020