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9 Proposed Attorneys for the Committee of Creditors Holding
10 Unsecured Claims

11 **UNITED STATES BANKRUPTCY COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **LOS ANGELES DIVISION**

14 In re:
15 PLEASANT CARE CORPORATION, *et al.*,
16 Debtors.

- 17 Affects All Debtors
18 Affects Pleasant Care Corporation Only
19 Affects SNF Properties Incorporated Only
20 Affects PCC Health Services, Inc. Only
21 Affects Atlas Care Enterprises, Inc. Only
22 Affects Ember Care Corporation Only

Case No.: LA 07-12312-EC

Jointly Administered with Case Nos.

LA 07-12322-EC
LA 07-12319-EC
LA 07-12326-EC
LA 07-12316-EC

Chapter 11

**APPLICATION OF COMMITTEE OF
CREDITORS HOLDING UNSECURED
CLAIMS TO EMPLOY PACHULSKI
STANG ZIEHL YOUNG JONES &
WEINTRAUB LLP AS ITS COUNSEL
NUNC PRO TUNC TO MARCH 23, 2007**

[NO HEARING REQUIRED UNLESS
REQUESTED PER L.B.R. 2014-(b)(1)]

23 The Committee of Creditors Holding Unsecured Claims in the above titled cases (the
24 “Committee”) hereby files this application (the “Application”) to employ Pachulski Stang Ziehl
25 Young Jones & Weintraub LLP (the “Firm”), whose business offices are located at 10100 Santa
26 Monica Blvd., Suite 1100, Los Angeles, California 90067, as its counsel. This Application is
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1 brought pursuant to section 1103 of title 11 of the United States Code,¹ Rule 2014 of the Federal
2 Rules of Bankruptcy Procedure, Local Bankruptcy Rule 2014-1, and the *Guide to Applications for*
3 *Employment of Professionals and Treatment of Retainers* issued by the Office of the United States
4 Trustee (the “US Trustee”). In support of the Application, the Committee respectfully represents as
5 follows:

6 1. On March 22, 2007 (the “Petition Date”), Pleasant Care Corporation; Ember Care
7 Corporation; PCC Healthcare Services, Inc.; SNF Properties, Inc.; and Atlas Care Enterprises, Inc.
8 (collectively, the “Debtors”), filed voluntary petitions under chapter 11 of the Bankruptcy Code, in
9 the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the
10 “Bankruptcy Court”), which cases are jointly administered under the title *In re Pleasant Care*
11 *Corporation*, Case No. 07-12312-EC.

12 2. One day later, on Friday March 23, 2007, the Firm was contacted by counsel for Twin
13 Med, who informed the Firm that an Ad Hoc Committee had been formed comprising 6 of the 9
14 largest creditors including Comprehensive Therapy; Dairy King; Dynamic Medical Systems, Inc.;
15 Healthcare Services Group, Inc.; South Pacific Rehabilitation Services; and Twin Med LLC. The
16 Ad Hoc Committee was concerned about a threat by Bridge Healthcare Finance (“Bridge”) to file a
17 motion to appoint a chapter 11 trustee in the cases, as the Committee members’ experience with such
18 trustees was negative. Moreover, they were concerned about the continuity of patient care in the
19 turmoil likely to follow the commencement of the bankruptcy case, which could be exacerbated by
20 the appointment of a trustee. For these reasons the Ad Hoc Committee retained the Firm to
21 coordinate with counsel for the Debtors to achieve the removal of the Debtors’ existing
22 management, to maintain Bridge’s funding, and to secure the appointment of a chief restructuring
23 officer or similar person to manage the Debtors’ facilities.

24 3. Over the first weekend after the Petition Date, the Firm, as counsel to the Ad Hoc
25 Committee, met with counsel for the Debtors and their management, as well as with counsel for
26 various unsecured and secured creditors and representatives of those creditors, and had numerous
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28 ¹ All subsequent references to “section” herein are to sections of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1530 (the “Bankruptcy Code”), unless otherwise noted.

1 long conference calls with parties in interest, including creditors and secured lender creditors, in an
2 effort to broker a solution which would satisfy all the constituencies and preserve the going concern
3 value of the Debtors' estates.

4 4. On Monday, March 26, 2007 the meetings and telephone calls continued between the
5 secured lenders, counsel for the Debtors, various creditors and attorneys from the Firm. Moreover,
6 Richard Pachulski attended a hearing on this date on behalf of the Ad Hoc Committee. The
7 telephonic conferencing continued late into the evening. As a result of the firm's efforts, Bridge
8 agreed to not press their chapter 11 trustee motion and the largest trade creditors agreed to give the
9 Debtors generous terms to allow the Debtors time to stabilize operations and organize a "go-
10 forward" strategy.

11 5. On Tuesday, March 27, 2007, the Firm's counsel continued to assist the Ad Hoc
12 Committee through negotiations, conference calls, and meetings with various parties in interest,
13 including secured lenders, unsecured creditors, the US Trustee, and the Debtors. Moreover, Sam
14 Maizel attended a hearing on this date on behalf of the Ad Hoc Committee.

15 6. On Wednesday, March 28, 2007, the Firm's attorneys continued to assist the Ad Hoc
16 Committee by contacting specialists in healthcare restructuring to arrange for interviews by the
17 Committee and the Debtors to choose a person or persons who could take over the management of
18 the Debtors' operations so that Bridge would continue to fund the Debtors. Counsel from the Firm
19 arranged for four firms to interview and coordinated their appearance and presentations. Counsel
20 from the Firm also, among other things, coordinated positions for the Ad Hoc Committee, assisted in
21 responding to the US Trustee's request for solicitation forms, coordinated with the US Trustee, and
22 spoke with state and federal regulators or their counsel regarding pending issues.

23 7. On Thursday, March 29, 2007 the US Trustee (the "US Trustee") appointed the
24 Committee, which is composed of the following members: Comprehensive Therapy; Dairy King;
25 Healthcare Services Group, Inc.; Twin Med LLC; and SEIU, United Healthcare Workers West. All
26 throughout this day counsel from the Firm continued to work with the members of the Committee,
27 four of five of which had also been members of the Ad Hoc Committee, by, among other things,
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1 responding to calls from other creditors, assisting in brokering a long term arrangement with Bridge
2 and ensuring the replacement of existing management.

3 8. On Friday, March 30, 2007 the Firm hosted and supervised a joint meeting of the
4 Committee, the Debtors and Bridge, where four well respected national firms which either operate
5 nursing homes or had a significant experience in owning and or managing skilled nursing facilities
6 were interviewed. The Tutera Group was selected and counsel from the Firm accompanied Mr. Joe
7 Tutera to a meeting with the US Trustee that evening. Thus, throughout the first week of this very
8 hectic and fast-paced case, the Firm has been able to provide a significant contribution to the case by
9 assisting the Ad Hoc Committee in brokering a consensual resolution with the secured lenders and
10 the Debtors. Frankly put, without the participation of the Ad Hoc Committee and the Firm prior to
11 the appointment of the Committee it is likely the case would have failed, to the detriment of patients,
12 creditors and lenders.

13 9. The Committee seeks Court approval to retain the Firm, effective as of March 23,
14 2007, at the expense of the Debtors' estate, to provide the legal services that will be required to
15 represent the creditors holding unsecured claims against the Debtors' estates. Because the
16 significant effort made by the Firm resulted in a substantial contribution, the Committee believes
17 that the Firm's employment should be *nunc pro tunc* to the date the Firm commenced work,
18 March 23, 2007. The request that the employment be retroactive has been raised with the Debtors
19 and Bridge, and both parties have said that they support that request.

20 10. The Committee desires to retain the Firm because of its particular expertise in the
21 areas of insolvency, business reorganization, and other debtor/creditor matters. The Firm has
22 extensive experience in representing debtors, trustees, ombudsman, individual creditors, committees
23 of various constituencies, asset purchasers, and investors in both in and out of court restructurings.
24 The Firm's depth of experience in bankruptcy cases makes it uniquely qualified to represent the
25 Committee. Therefore, the Committee believes that the Firm's retention is in its best interests.

26 11. The Firm has represented creditors' committees in numerous of chapter 11 cases
27 nationwide in a wide range of industries, including cases such as *Sega Gameworks*; *Country Home*
28 *Bakers*; *B.U.M. International* (the internationally known clothing manufacturer); and *Agway, Inc.*

1 (one of the country's largest agricultural cooperatives). Moreover, the Firm has represented
2 creditors' committees in health care industry cases such as *In re Mariner Post-Acute Network*; *In re*
3 *Associated Physicians of St. Johns*; and *In re Functional Restoration Medical Centers, Inc.*, and is
4 currently representing the creditors' committee in the chapter 9 bankruptcy of a health care district,
5 entitled *In re Contra Costa Health Care District*.

6 12. In addition, the Firm has significant experience in the health care industry, having
7 served as counsel to various constituencies in this highly regulated industry, including health care
8 providers, trustees, and governmental and private creditors in some of the nation's largest health care
9 industry bankruptcy cases. For example, health care cases where the Firm represented the debtor,
10 trustee or ombudsman in a California bankruptcy case in the health care industry includes *In re Triad*
11 *Healthcare*; *In re San Fernando (Mission) Community Hospital*; *In re Santa Paula Memorial*
12 *Hospital*; *Upland Surgical*; and *In re Health Plan of the Redwoods*.

13 13. A Declaration of Samuel R. Maizel in Support of this Application which includes a
14 copy of the resume of the Firm's partners (Exhibit A) currently expected to work on this matter is
15 filed concurrently herewith. Information on other attorneys in the Firm, and the Firm in general, can
16 be found at the Firm's website: www.pszyjw.com.

17 14. The Firm's services are necessary to enable the Committee to execute its duties.
18 Subject to further order of this Court, the Firm is expected to render the following services, among
19 others, to the Committee:

20 a. assisting, advising and representing the Committee in its consultations with
21 the Debtors regarding the administration of this case;

22 b. assisting, advising and representing the Committee in analyzing the Debtors'
23 assets and liabilities, investigating the extent and validity of liens and participating in and reviewing
24 any proposed asset sales, any asset dispositions, financing arrangements and cash collateral
25 stipulations or proceedings;

26 c. assisting, advising and representing the Committee in any manner relevant to
27 reviewing and determining the Debtors' rights and obligations under leases and other executory
28 contracts;

1 d. assisting, advising and representing the Committee in investigating the acts,
2 conduct, assets, liabilities and financial condition of the Debtors, the Debtors' operations and the
3 desirability of the continuance of any portion of those operations, and any other matters relevant to
4 this case or to the formulation of a plan;

5 e. assisting, advising and representing the Committee in its participation in the
6 negotiation, formulation and drafting of a plan of liquidation or reorganization;

7 f. advising the Committee on the issues concerning the appointment of a trustee
8 or examiner under Section 1104;

9 g. assisting, advising and representing the Committee in understanding its
10 powers and its duties under the Bankruptcy Code and the Bankruptcy Rules and in performing other
11 services as are in the interests of those represented by the Committee;

12 h. assisting, advising and representing the Committee in the evaluation of claims
13 and on any litigation matters; and

14 i. providing such other services to the Committee as may be necessary in these
15 cases.

16 15. To the best of the Committee's knowledge and based upon the Declaration of
17 Samuel R. Maizel ("Declaration") attached hereto, neither the Firm nor any of its partners, of
18 counsel, or associates has any connection with the Debtors, any creditors of the estates, any party in
19 interest, their respective attorneys or accountants, the US Trustee, or any person employed in the
20 office of the US Trustee, except as set forth in the Declaration. In addition, the Firm does not
21 employ any person that is related to a judge of this Court or the US Trustee for this region.

22 16. To the best of the Committee's knowledge and based on the attached Declaration,
23 neither the Firm nor any of its partners, of counsel, or associates represents any interest adverse to
24 that of the Committee or the Debtors or of the estates in the matters on which it is to be retained.
25 Accordingly, the Firm and its partners, of counsel, and associates are disinterested persons under
26 Sections 101(14), 327, and 328(c).

27 17. Subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local
28 Bankruptcy Rules, the US Trustee's Guide, and this Court's rules, the Committee proposes that the

1 Firm be paid its customary hourly rates in effect from time to time and be reimbursed according to
2 its customary reimbursement policies. The attorneys currently expected to be principally responsible
3 for this matter, and their respective hourly rates effective as of January 1, 2007, are as follows:
4 Richard M. Pachulski (\$795) and Samuel R. Maizel (\$550).

5 18. It is contemplated that the Firm may seek interim compensation during the case as
6 permitted by Sections 328(a) and 331(a) and Bankruptcy Rule 2016. The Firm understands that its
7 compensation in this case is subject to the prior approval of this Court and that no compensation will
8 be paid except upon application to and approval by this Court after notice and a hearing in
9 accordance with Sections 328(a) and 331(a), Bankruptcy Rule 2016, Local Bankruptcy Rule 2016-1,
10 and the US Trustee's Guide.

11 19. Pursuant to Section 328 and Local Bankruptcy Rule 2014-1(b)(1), a hearing is not
12 required in connection with this Application unless requested by the US Trustee, a party in interest,
13 or otherwise ordered by the Court.

14 20. Notice of Submission of this Application was provided to the Debtors' twenty largest
15 unsecured creditors, the US Trustee, the Debtors' purported secured creditors, and any party who
16 filed and served a request for special notice.

17 **WHEREFORE**, the Committee requests that this Court approve the employment of
18 Pachulski Stang Ziehl Young Jones & Weintraub LLP as its counsel, *nunc pro tunc* as of March 23,
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2007 to render services as described above, with compensation to be paid by the estates as an administrative expense in such amounts as this Court may hereafter determine and allow.

Dated: April 12, 2007

THE COMMITTEE OF CREDITORS
HOLDING GENERAL UNSECURED
CREDITORS

HEALTHCARE SERVICES GROUP

By Thomas Cook
Thomas Cook
Co-Chair

Dated: April 12, 2007

TWIN MED LLC

By Michael Tuchin
~~Steve Reehnitz~~ Michael Tuchin, Counsel
Co-Chair to Twin Med LLC