

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:

Chapter 11

Vascular Access Centers, L.P.

Case No. 19-17117 (AMC)

Alleged Debtor.

**MOTION FOR (1) INTERIM AND FINAL ORDERS
(A) AUTHORIZING THE ALLEGED DEBTOR TO USE CASH COLLATERAL
OF EXISTING SECURED PARTY AND GRANTING ADEQUATE
PROTECTION FOR USE AND (B) PRESCRIBING FORM AND MANNER
OF NOTICE AND SETTING THE TIME FOR THE FINAL HEARING AND (2)
EXPEDITED HEARING ON THE RELIEF SOUGHT HEREIN**

Vascular Access Center, LP, alleged debtor and debtor-in-possession (the “Debtor”), by its undersigned proposed counsel, hereby moves this Court, pursuant to this motion (this “Motion”), for the entry of (1) an interim order substantially in the form attached hereto (the “Interim Order”) and a final order (the “Final Order,” and with the Interim Order, the “Cash Collateral Orders”), pursuant to 11 U.S.C. §§ 105, 361, and 363 and Fed. R. Bankr. P. 4001 and 9014, (a) authorizing the Debtor to use the cash collateral of the existing secured party and granting adequate protection to secured parties and (b) prescribing the form and manner of notice and setting the time for the final hearing on the Motion (the “Final Hearing”) and (2) an order expediting the hearing on the relief sought herein. In support of this Motion, the Debtor respectfully represents as follows:

BANKRUPTCY RULE 4001 AND LOCAL RULE 1002-4 CONCISE STATEMENT

1. The provisions described in Bankruptcy Rule 4001(b)(1)(B)(i)-(iv) are set forth at the following sections the Motion and Interim Order:

- a. *Name of Entity with Interest in Cash Collateral.* [See paragraph 15 hereto]
- b. *Purposes of Use of Cash Collateral.* [Interim Order ¶¶ 4, 5.]

- c. *Duration of Use of Cash Collateral.* [Interim Order ¶ 6.]
- d. *Liens, Cash Payments or Other Adequate Protection to Be Provided to the Entity with Interest in Cash Collateral.* [Interim Order ¶¶ 7-10.]

JURISDICTION

- 2. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 1334.

This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

- 3. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The bases for the relief requested herein are sections 105, 361 and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101 – 1532 (the “Bankruptcy Code”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 1002-4, 2002-1, and 9014-3 of the Local Rules of Bankruptcy Practice and Procedure (the “Local Rules”) of the United States Bankruptcy Court for the Eastern District of Pennsylvania (the “Court”).

BACKGROUND

5. On November 12, 2019 (the “Petition Date”), an involuntary petition was filed against the Debtor for relief under Chapter 11 of title 11 of the Bankruptcy Code. The Debtor has consented to the relief and, upon entry of an order for relief, will be operating its business and managing its property as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

6. As of the date of the filing of this Motion, no official committee of unsecured creditors, trustee, or examiner has been appointed or designated in this case.

The Debtor’s Operations

- 7. The Debtor was founded by Dr. James McGuckin as a Pennsylvania limited

partnership in 2005. Non-debtor Vascular Access Center, LLC (“VAC-LLC”) is the Debtor’s general partner. Dr. McGuckin is the Debtor’s CEO and the sole member and manager of VAC-LLC.

8. The Debtor operates its business through limited liability company subsidiaries, 10 of which have minority equity positions held by investors, [most] [all] of whom are referring physicians or practices. Those investors represent approximately 22% of the aggregate outstanding equity of the subsidiaries.

9. The subsidiaries operate/manage various outpatient vascular access centers (“Centers”), whereby physician interventionalists perform dialysis access procedures and certain other vascular access procedures on patients with end-stage renal disease (“ESRD”) and other vascular conditions or diseases. Physician interventionalists are physicians trained in interventional radiology, interventional nephrology, or vascular surgery with further training in using sophisticated imaging technology.

10. Dr. McGuckin founded the Debtor with a mission of providing clinical excellence and unparalleled service in a convenient outpatient setting. Today, the Debtor has its corporate offices in Philadelphia, PA and owns 15 Joint Commission certified Centers in eight states, has a fully integrated electronic medical records (EMR) system, employs approximately 100 full and part-time associates (non-physician) and services nearly 10,000 patient visits annually.

11. The Company was originally founded primarily to serve patients suffering with ESRD. There was a demand for expedient care for these hemodialysis (“HD”) patients that the Company believed hospitals were simply not meeting in an efficient manner. Outpatient centers were then generally considered unconventional, making the competition minimal. Over time, however, improvements in technology and increases in medical reimbursement for various

minimally invasive procedures made outpatient centers increasingly popular. In tandem, this also allowed for the expansion of the Company's service line offerings. In 2009, Peripheral Arterial Disease ("PAD") was officially launched as a companywide service line offering, with other minimally invasive therapies to follow. PAD remains the Company's highest revenue-yielding procedural line therapy on a per-treatment basis. The Company also offers other service lines, such as deep and superficial venous therapies, uterine artery embolization and kyphoplasty/vertebroplasty, as part of its diversification efforts.

12. Approximately 70% of the Debtor's revenues come from and are expected to continue to be derived from Medicare payments.

13. Approximately 20% of the Debtor's revenues come from and are expected to continue to be generated by patients who have private payors as the primary payor. The majority of such patients have insurance policies that reimburse the Company on terms and at rates higher than Medicare rates.

14. The Debtor operates Centers in the following locations: Prince George's County, Maryland; Pittsburgh, Pennsylvania; West Orange, New Jersey; Mays Landing, New Jersey; Memphis, Tennessee; Bolivar, Mississippi; New Orleans, Louisiana; North Shore, Louisiana; Piscataway, New Jersey; and Brandywine, Maryland.

The Secured Party

15. The Debtor's sole secured creditor is Philadelphia Vascular Institute LLC ("PVI"), of which Dr. McGuckin is the sole member and manager.

16. Pursuant to certain promissory notes issued on various dates beginning in 2007 and continuing through October 2019, PVI has loaned funds to the Debtor.

17. As of the Petition Date, the aggregate outstanding indebtedness under the various

promissory notes is \$4,257,626, secured by a properly perfected, first priority security interest in and lien on substantially all of the assets of the Debtor, including all of the Debtor's accounts receivable. Attached hereto as **Exhibit A** is a spreadsheet reflecting the outstanding balance of principal and interest under the promissory notes.

Sources of Cash Collateral

18. Over 90% of the Debtor's revenues comes from third party payors, either Medicare or private insurers, for procedures performed at the Centers.

19. All government and private insurance payments for services are deposited into the checking account of the Subsidiary that performed the service. The Debtor then periodically sweeps the LLC checking accounts to fund operating expenses for itself and the Subsidiaries, which are paid through the Debtor's master checking account.

RELIEF REQUESTED

20. The Debtor requires use of the foregoing cash, assets, and proceeds in which the Secured Parties may assert liens and security interests (the "Cash Collateral") in order to meet its payroll and other operating obligations. If the Debtor is unable to pay its employees and suppliers, it will not be able to continue to operate and provide much-needed services to its patients.

21. The Debtor intends to use Cash Collateral to operate its business, while it explores various restructuring alternatives. The Debtor is confident that it can do so and resolve its present financial difficulties through chapter 11; however, it can only do so with uninterrupted access to and use of the Cash Collateral.

22. By this Motion, pursuant to sections 105, 361 and 363 of the Bankruptcy Code and Bankruptcy Rules 4001 and 9014, the Debtor requests that the Court grant the following

relief as provided for in the Interim Order and the Final Order:

- a. authorize the Debtor on an interim basis pursuant to section 363(c) of the Bankruptcy Code, to use the Cash Collateral in accordance with the budget (as amended from time to time, the “Budget”) attached to the Interim Order as **Exhibit 1**; ¹
- b. authorize the Debtor on an interim basis, pursuant to sections 361 and 363 of the Bankruptcy Code, to provide the adequate protection described herein to the Secured Parties;
- c. schedule the Final Hearing, pursuant to Bankruptcy Rule 4001, no later than twenty (20) days after the entry of the Interim Order, to consider entry of a Final Order authorizing the use of the Cash Collateral and approving the notice procedures in respect of the Final Hearing;
- d. authorize the Debtor on a final basis pursuant to section 363(c) of the Bankruptcy Code, to use the Cash Collateral in accordance with the Budget and any supplemental budgets as approved by the Court after further notice and hearing; and
- e. authorize the Debtor on a final basis, pursuant to sections 361 and 363 of the Bankruptcy Code, to provide the adequate protection described herein to the Secured Parties with respect to any diminution in value of the Secured Parties’ interests in the Collateral whether from the use of the Cash Collateral or the use, sale, lease, depreciation, decline in market price, or otherwise of the Prepetition

¹ The Budget will include amounts budgeted for payment of quarterly bankruptcy fees to the United States Trustee (the “U.S. Trustee Fees”). Notwithstanding anything above or in the Budget, the Debtor seeks authority to pay the actual amounts owing on account of such U.S. Trustee Fees as and when due. It is anticipated that the budget will be amended prior to the hearing on the motion.

Collateral.

BASIS FOR RELIEF

A. The Debtor Has an Immediate Need for Use of the Cash Collateral.

23. The Debtor has an urgent need for the immediate use of the Cash Collateral pending the final hearing on this Motion. Accordingly, the Debtor seeks to use Cash Collateral existing on or after the Petition Date that may be subject to the Secured Parties' liens. As of the Petition Date, the Debtor does not have sufficient unencumbered cash to fund its business operations and pay present operating expenses.

24. Absent the ability to use Cash Collateral, the Debtor will not be able to pay wages, vendors, utility charges, and other critical operating expenses. Consequently, without access to Cash Collateral, the Debtor will not be able to maintain its business operations and continue its restructuring efforts, and would likely be forced to cease operations and liquidate. Accordingly, the Debtor's estate would be immediately and irreparably harmed.

25. If the Debtor is unable to obtain sufficient operating liquidity to meet its post-petition obligations on a timely basis, its provision of urgently needed behavioral health services will be interrupted and could cease. This would of course be detrimental to the communities and individuals the Debtor serves, and the potential loss of revenue and going concern value would likewise be extremely harmful to the Debtor, its estate and its creditors. The Debtor cannot obtain funds sufficient to administer its estate and operate the Centers other than by obtaining the relief requested herein pursuant to section 363 of the Bankruptcy Code.

26. The Debtor's management has formulated the Budget for the use of Cash Collateral from the Petition Date. The Debtor believes that the Budget includes all reasonable,

necessary and foreseeable expenses to be incurred in the ordinary course in connection with its operations and its restructuring efforts for the period set forth in the Budget. The Debtor also believes that the use of Cash Collateral in accordance with the Budget will provide the Debtor with adequate liquidity to pay administrative expenses as they become due and payable during the period covered by the Budget.

27. The Debtor's right to use Cash Collateral under the Interim Order shall commence on the date of the entry of the Interim Order and expire on the earlier of (a) the entry of a subsequent interim order, or (b) the entry of the Final Order.

B. The Secured Party Consents to the Use of Cash Collateral Upon Provision of Appropriate Adequate Protection.

28. Pursuant to section 363(c)(2) of the Bankruptcy Code, a debtor in possession may only use "cash collateral" with the consent of the secured party with an interest therein or court approval. See 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides that, upon request of an entity that has an interest in cash collateral sought to be used by a debtor, the court shall prohibit or condition such use of cash collateral as is necessary to provide adequate protection of such entity's interest. See 11 U.S.C. § 363(e).

29. Appropriate adequate protection is decided on a case-by-case basis. See, e.g., *In re Snowshoe Co.*, 789 F.2d 1085, 1088 (4th Cir. 1986); *In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996); *In re Beker Indus. Corp.*, 58 B.R. 725 (Bankr. S.D.N.Y. 1986); see also *In re JKJ Chevrolet, Inc.*, 190 B.R. 542, 545 (Bankr. E.D. Va. 1995) (adequate protection is a flexible concept that is determined by considering the facts of each case) (citing *In re O'Connor*, 808 F.2d 1393, 1396-97 (10th Cir. 1987)). Although adequate protection is not defined in the Bankruptcy Code, section 361 of the Bankruptcy Code provides the following three (3) nonexclusive examples of what may constitute adequate protection:

- (1) requiring the [debtor] to make a cash payment or periodic cash payments to such entity, to the extent that the . . . use . . . under section 363 . . . results in a decrease in the value of such entity's interest in such property;
- (2) providing to such entity an additional or replacement lien to the extent that such . . . use . . . results in a decrease in the value of such entity's interest in such property; or
- (3) granting such other relief . . . as will result in the realization by such entity of the indubitable equivalent of such entity's interest in such property.

11 U.S.C. § 361. Essentially, with the provision of adequate protection, the Bankruptcy Code seeks to shield a secured creditor from diminution in the value of its interest in the particular collateral during the period of use. See *In re Hubbard Power & Light*, 202 B.R. 680, 685 (Bankr. E.D.N.Y. 1996); *In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 631 (Bankr. S.D.N.Y. 1992); *In re Beker Indus. Corp.*, 58 B.R. at 736; see also *In re Nice*, 355 B.R. 554, 563 (Bankr. N.D. Va. 2006) (“adequate protection is solely a function of preserving the value of the creditor’s secured claim as of the petition date due to a debtor’s continued use of collateral”). The Debtor asserts that PVI is adequately protected by the granting of replacement liens, to the extent that its prepetition security interests are perfected and enforceable, and the continuation of the Debtor’s operations.

Replacement Liens

30. As adequate protection for any diminution in value of PVI’s interests, the Debtor requests that the Court grant PVI security interests (“Replacement Liens”) equivalent to a lien granted under section 364(c)(2) and (3) of the Bankruptcy Code, as applicable, in and upon the Debtor’s personal property and the Cash Collateral, whether such property was acquired before

or after the Petition Date, to the extent: (i) that PVI's prepetition security interests in the Collateral are valid and properly perfected, and (ii) of the amount of any diminution in value of the PVI's collateral. If granted, the Replacement Liens will adequately protect PVI's interests from any potential depreciation and deterioration.

Continued Operations

31. In addition to the proposed Replacement Liens, PVI is also adequately protected as a result of the continuation of the Debtor's operations. Without the use of the Cash Collateral, the Debtor would have to curtail or cease dialysis and other vascular access procedures provided through the Centers and its operations would be irreparably harmed. Indeed, absent use of the Cash Collateral, the Debtor likely will be unable to pay its ordinary business expenses, including employee wages and other payments to healthcare service providers. In that event, all operations will cease – the Debtor will no longer provide services, employees will be terminated, and all assets on which PVI asserts a lien will be liquidated. Those pledged assets will be worth less in a liquidation than they will be worth as a going concern reorganization. As going concern value exceeds liquidation value, adequate protection is being provided. Accordingly, the Debtor submits that use of the Cash Collateral will allow the Debtor to continue its operations and further protect the Secured Parties' interests.

32. Courts have recognized that the preservation of the going concern value of secured lender's collateral constitutes adequate protection of such creditor's interest in the collateral. See, e.g., *In re Pursuit Athletic Footwear, Inc.*, 193 B.R. 713, 716 (Bankr. D. Del. 1996) (holding that if there is no actual diminution of value of collateral and the debtor can operate profitably post-petition, then the secured creditor is adequately protected); *In re 499 W. Warren Street Assocs., Ltd. P'ship*, 142 B.R. 53, 56 (Bankr. N.D.N.Y. 1992) (where the court

found a secured creditor's interest in collateral adequately protected when cash collateral was applied to normal operating and maintenance expenditures on the collateral property); In re Willowood E. Apartments of Indianapolis II, Ltd., 114 B.R. 138, 143 (Bankr. S.D. Ohio 1990) (same); In re Stein, 19 B.R. 458, 460 (Bankr. E.D. Pa. 1982) (creditor's secured position would be enhanced by the continued operation of the debtor's business);

33. In summary, the Debtor submits that PVI is adequately protected by the proposed Replacement Liens and by the continued operation of the Debtor's business.

C. Interim Approval Should Be Granted.

34. The Debtor respectfully requests that the Court conduct an expedited preliminary hearing on this Motion and authorize the Debtor (from and after the entry of the Interim Order and pending the final hearing) to use the Cash Collateral in accordance with the Budget for, among other things, working capital purposes and the payment of certain obligations in accordance with the relief authorized by the Court. Interim access to the Cash Collateral will ensure that the Debtor maintains ongoing operations and avoids immediate and irreparable harm and prejudice to its estate and all parties in interest pending the Final Hearing.

35. The Debtor submits that, for the reasons set forth herein, immediate access to the use of Cash Collateral (first, on an interim basis as requested in this Motion), on the terms set forth in the Budget, is necessary to preserve the value of the Debtor's estate for the benefit of all parties in interest.

D. Request for Final Hearing

36. Pursuant to Bankruptcy Rule 4001(b)(2), the Debtor requests that the Court set a date for the Final Hearing that is as soon as practicable, but in no event later than twenty (20) days following the entry of the Interim Order, and fix the time and date prior to the Final Hearing

for parties to file objections to this Motion.

REQUEST FOR EXPEDITED RELIEF AND SHORTENED NOTICE

37. Pursuant to Local Bankruptcy Rule 5070-1(f) and 9014-1, the Debtor requests expedited consideration of the Motion.

38. Expedited consideration is vital to protect the Debtor's ability to continue to operate. Without the immediate ability to use cash collateral, the Debtor will be unable to meet its ongoing operating expenses and its operations will cease, causing harm to all parties in interest.

39. The Debtor proposes that it will serve notice of this motion by electronic mail to PVI, the banks in which the Debtor maintains accounts, the Office of the United States Trustee and any party that has entered an appearance requesting notice in this case. The Debtor submits that such notice is sufficient under the circumstances of this case. The Debtor has notified the Office of the United States Trustee of the anticipated filing and has notified PVI, the sole creditor required to be notified under Local Rule 1007-1, of this motion.

40. Expedited consideration is sought because the Debtor will be unable to fund payroll for its employees and healthcare providers, many of whom live paycheck to paycheck. Failure to compensate its employees and other individuals places the Debtor at significant risk that its employees will seek alternate employment and, more importantly, causes significant harm to the Debtor's employees who rely on regular compensation to satisfy their own obligations. In addition, the Debtor needs to be able to utilize cash collateral to fund its operations.

NOTICE

41. The Debtor will provide notice of the request for a final Order on the Motion to: (a) the Office of the United States Trustee for the Eastern District of Pennsylvania; (b) PVI; (c) all creditors on the list of the top 30 unsecured creditors (unless a committee is formed in the interim); and (d) the banks in which the Debtor maintains its bank accounts. In light of the nature of the relief requested, the Debtor respectfully submits that no further notice is necessary.

WHEREFORE, for the reasons set forth herein, the Debtor respectfully requests that the Court enter an order granting an expedited hearing at the Court's earliest convenience and, at such hearing enter an order, substantially in the form attached hereto as **Exhibit A**; and grant such other and further relief as is just and proper.

Dated: November 19, 2019
Philadelphia, Pennsylvania

/s/ Lawrence G. McMichael
DILWORTH PAXSON LLP
Lawrence G. McMichael
Anne M. Aaronson
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Proposed Counsel for the Alleged Debtor and Debtor-in-Possession

EXHIBIT A

[Proposed Interim Order]

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re: : Chapter 11
: :
Vascular Access Centers, L.P., : Case No. 19-17117 (AMC)
: :
Alleged Debtor. : :
: :

**INTERIM ORDER (A) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL
OF EXISTING SECURED PARTY AND GRANTING ADEQUATE PROTECTION FOR
SUCH USE AND (B) PRESCRIBING THE FORM AND MANNER OF
NOTICE AND SETTING THE TIME FOR A FINAL HEARING**

This matter came before the Court on the motion (the “Motion”)¹ of the above-captioned alleged debtor (the “Debtor”) for interim and final orders pursuant to sections 105, 361 and 363 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (a) authorizing the Debtor to use the cash collateral of an existing secured party and granting adequate protection to the existing secured party for the use of its cash collateral and (b) prescribing the form and manner of notice and setting the time for the final hearing on the Motion. Upon review of the Motion and based upon the evidence presented to this Court at the interim hearing (the “Interim Hearing”) on the Motion, the Court hereby makes the following findings of fact and conclusions of law:

A. Adequate and sufficient notice of the Motion and the Interim Hearing under the circumstances has been provided to all persons entitled thereto pursuant to Bankruptcy Rules 2002 and 4001. No further notice of the Motion is necessary and the Interim Hearing was held pursuant to Bankruptcy Rule 4001(b)(2).

¹ Capitalized terms not defined herein shall have the meanings set forth in the Motion.

B. This matter constitutes a “core proceeding” within the meaning of 28 U.S.C. § 157.

The Debtor’s Need to Use Cash Collateral

Solely for purposes of this Interim Order and without prejudice in all other respects, the Court finds that:

C. The Debtor requires use of the Cash Collateral, as well as any proceeds thereof, in which the Secured Party may assert liens and security interests in order to preserve the value of its business and assets and to avoid immediate and irreparable harm to the Debtor’s estate and to meet its operating obligations pending a final hearing on the Motion (the “Final Hearing”). If the Debtor is unable to pay amounts that come due prior to the Final Hearing, it will not be able to continue to operate and provide much-needed services to its patients.

D. Pursuant to sections 363(a) and 552(b) of the Bankruptcy Code, any Cash Collateral held by the Debtor as of the Petition Date may constitute “cash collateral” within the meaning of section 363(a) of the Bankruptcy Code. The Secured Party asserts that it has an interest in the Cash Collateral within the meaning of sections 363(c)(2) and 363(e) of the Bankruptcy Code.

E. The Debtor has an immediate need to use Cash Collateral on an interim basis through the date of the Final Hearing to, among other things, fund its obligations and pay other operating expenses that come due prior to the Final Hearing, in accordance with the Budget attached hereto as **Exhibit 1**.

F. Good cause has been shown for entry of this interim cash collateral order (the “Interim Order”), as an immediate and critical need exists for the Debtor to be permitted access to funds to continue its operations.

G. The record adequately demonstrates that without the use of such funds, the Debtor's estate would be immediately and irreparably harmed.

H. The Debtor seeks to use Cash Collateral existing on or after the Petition Date that may be subject to the Secured Party's liens, through the date of the Final Hearing solely for the purposes and in the amounts set forth in the Budget.

I. The Debtor has offered, pursuant to sections 361 and 363(e) of the Bankruptcy Code, to provide to the Secured Party as adequate protection of its interests, if any, in the Cash Collateral against (i) any diminution in value from the use of the Cash Collateral and other collateral, and (ii) for the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code: (a) the value of the Debtor's outstanding accounts receivable; (b) the continued, uninterrupted operation of the Debtor; and (c) the Replacement Liens (as defined herein).

J. Subject to compliance with the terms of this Interim Order, the Debtor is authorized to use the Cash Collateral solely during the period from the date of this Interim Order through the Final Hearing and solely in the amounts set forth in the Budget.

K. All conclusions of law that are or may be deemed to be findings of fact are hereby incorporated as findings of fact.

L. This Interim Order is entered pursuant to, and shall be construed and be consistent with sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b).

ACCORDINGLY, THE COURT HEREBY CONCLUDES THAT:

1. Good cause has been shown for the entry of this Initial Interim Order and the authorizations herein. Among other things, the entry of this Initial Interim Order pending the Second Interim Hearing will enable the Debtor to continue operating, avoid immediate and

irreparable harm to the Debtor's estate and otherwise is in the best interests of the Debtor, its creditors and its estate.

2. This Initial Interim Order is immediately valid and fully effective upon its entry.

3. All findings of fact that are or may be deemed to be conclusions of law are incorporated herein as conclusions of law.

ACCORDINGLY, IT IS ORDERED:

4. Pending expiration of this Initial Interim Order, the Debtor is permitted to use Cash Collateral, solely in accordance with the Budget for the period from the date of this Interim Order through the date of the Final Hearing, without setoff or recoupment by the Secured Party, for, among other things, working capital purposes, the payment of certain obligations in accordance with relief authorized by the Court and other obligations solely as set forth in the Budget. The Budget may be updated and modified through the date of the Final Hearing by: (i) consensual agreement between the Debtor and the Secured Party or (ii) further order of the Court.

5. The Debtor shall be, and hereby is, authorized to use Cash Collateral on the terms and conditions set forth in this Interim Order in accordance with the Budget.

6. The Debtor's right to use Cash Collateral under the Interim Order shall commence on the date of entry of the Interim Order and expire on the date of the Final Hearing.

7. As adequate protection: (i) to protect the Secured Party's interest, if any, in the Cash Collateral and other collateral pursuant to sections 361 and 363(e) of the Bankruptcy Code, (ii) for any diminution in value from the use of the Cash Collateral and other collateral, and (iii) for the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code, the Court hereby grants the Secured Party replacement security interests in and replacement liens

(exclusive of any avoidance actions available to the Debtor's estates pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code or any proceeds thereof) on all of the Debtor's personal property, whether such property was acquired before or after the Petition Date (the "Replacement Liens").

8. Such Replacement Liens shall be equal to the aggregate diminution in value, if any, after the Petition Date of the Cash Collateral and other collateral. The Replacement Liens shall be of the same extent, validity and priority as the liens of the Secured Party on the prepetition Cash Collateral and other collateral.

9. Subject to the foregoing paragraph, the Replacement Liens shall constitute valid and duly perfected security interests and liens as of the Petition Date. The Secured Party shall not be required to file or serve financing statements, notices of lien or similar interests which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such Replacement Liens.

10. The Replacement Liens shall be subject and subordinate solely to fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and the Clerk of the Bankruptcy.

11. The Debtor is directed to keep its books and records of original entry current and updated, so that all business activity is posted to them in the ordinary course of the Debtor's business. The Debtor shall provide to the Secured Party any reports of operations required to be provided by the prepetition agreements at the same time and in the same manner as set forth therein.

12. The Debtor shall promptly serve, by email, facsimile or overnight delivery, a copy of this Interim Order upon the parties having been given notice of the Interim Hearing and, any other party that has filed a request for notices with this Court.

13. The Final Hearing to consider the entry of a further order authorizing and approving use of Cash Collateral and providing adequate protection is hereby scheduled for _____, _____, at _____ a.m./p.m.

14. Any party in interest objecting to the relief sought at the Final Hearing shall serve and file a written objection upon the following parties: (a) counsel for the Debtor, Lawrence McMichael, Dilworth Paxson LLP, 1500 Market St., Suite 3500E, Philadelphia, PA 19102; (b) the Office of the United States Trustee for the Eastern District of Pennsylvania, 833 Chestnut Street, Suite 500, Philadelphia, PA 19107; and (c) Pennsylvania Vascular Institute, 585 County Line Road, Radnor, PA 19085. All objections to the entry of such Final Order shall be filed with the Clerk of the United States Bankruptcy Court, Eastern District of Pennsylvania, in each case to allow actual receipt by the foregoing notice parties no later than _____, 2019, at 4:00 p.m. (prevailing Eastern Time) (the "Objection Deadline").

15. This Initial Interim Order shall be fully effective upon its entry.

SO ORDERED this ___ day of November, 2019.

Honorable Ashley M. Chan
United States Bankruptcy Judge

Exhibit 1 (to Initial Interim Order)

[Budget]

| VAC, LP Projected 13 Week Budget 2019/2020 | | | | | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 | Week 10 | Week 11 | Week 12 | Week 13 |
|---|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|-------------|--------------|--------------|--------------|--------------|
| | Week of 10/15 | Week of 10/21 | Week of 10/28 | Week of 11/4 | Week of 11/11 | Week of 11/18 | Week of 11/25 | Week of 12/2 | Week of 12/9 | Week of 12/16 | Week of 12/23 | Week of 12/30 | Week of 1/6 | Week of 1/13 | Week of 1/20 | Week of 1/27 | Week of 2/3 |
| Receipts | | | | | | | | | | | | | | | | | |
| Patient Insurance receipts | \$ 515,542 | \$ 509,306 | \$ 452,352 | \$ 473,200 | \$ 740,378 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 |
| non-Patient Insurance | \$ - | \$ 32,386 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Refunds | \$ (17,727) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Receipts | \$ 497,815 | \$ 541,692 | \$ 452,352 | \$ 473,200 | \$ 740,378 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 |
| Total Gross Receipts | \$ 497,815 | \$ 541,692 | \$ 452,352 | \$ 473,200 | \$ 740,378 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ 550,000 |
| Expenses: | | | | | | | | | | | | | | | | | |
| Professional Supplies | \$ 117,283 | \$ - | \$ 115,844 | \$ 49,781 | \$ 13,701 | \$ 50,000 | \$ 75,000 | \$ 75,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 | \$ 154,000 |
| Physician W-2 Payroll | \$ - | \$ - | \$ 287,562 | \$ - | \$ 19,400 | \$ - | \$ 275,000 | \$ - | \$ - | \$ - | \$ 275,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Physician W-2 Bonus | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Physician/NP 1099 Payroll | \$ 16,791 | \$ - | \$ 13,158 | \$ 77,764 | \$ 33,076 | \$ - | \$ 15,000 | \$ - | \$ 15,000 | \$ - | \$ 15,000 | \$ - | \$ 15,000 | \$ - | \$ 15,000 | \$ - | \$ 15,000 |
| Staff Bi-weekly Payroll | \$ 234,650 | \$ - | \$ 227,530 | \$ - | \$ 234,346 | \$ - | \$ 235,000 | \$ - | \$ 235,000 | \$ - | \$ 235,000 | \$ - | \$ 235,000 | \$ - | \$ 235,000 | \$ - | \$ 235,000 |
| HQ Payroll | \$ - | \$ - | \$ 78,442 | \$ - | \$ - | \$ - | \$ 140,000 | \$ - | \$ - | \$ - | \$ 140,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 401K Funding | \$ - | \$ 7,936 | \$ - | \$ 15,110 | \$ - | \$ 8,000 | \$ - | \$ 12,000 | \$ - | \$ 8,000 | \$ - | \$ 12,000 | \$ - | \$ 8,000 | \$ - | \$ - | \$ 12,000 |
| 401K Safe Harbor Match | \$ 127,120 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| IA Self Pay | \$ 14,516 | \$ 46,182 | \$ 42,752 | \$ 36,417 | \$ 28,108 | \$ 52,000 | \$ 44,000 | \$ 44,000 | \$ 51,000 | \$ 41,000 | \$ 54,000 | \$ 45,000 | \$ 24,000 | \$ 24,000 | \$ 24,000 | \$ 24,000 | \$ 24,000 |
| Attorney Fees | \$ - | \$ - | \$ 158,753 | \$ 85,936 | \$ - | \$ 11,000 | \$ - | \$ - | \$ - | \$ - | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 |
| Insurance | \$ 20,818 | \$ - | \$ 14,996 | \$ 85,227 | \$ 44,409 | \$ 11,423 | \$ - | \$ 27,337 | \$ - | \$ - | \$ - | \$ 45,186 | \$ 22,967 | \$ - | \$ - | \$ 4,370 | \$ 31,970 |
| Professional Fees | \$ - | \$ - | \$ 20,641 | \$ 73,563 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Rent | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 298,000 | \$ - | \$ - | \$ - | \$ 143,000 | \$ - | \$ - | \$ - | \$ - | \$ 143,000 |
| AMEX | \$ - | \$ - | \$ 49,752 | \$ 44,945 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Administrative | \$ 33,133 | \$ 24,450 | \$ 39,442 | \$ 26,457 | \$ 53,687 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 |
| DOJ | \$ - | \$ - | \$ - | \$ 14,000 | \$ - | \$ - | \$ - | \$ - | \$ 14,000 | \$ - | \$ - | \$ 201,250 | \$ 14,000 | \$ - | \$ - | \$ - | \$ - |
| LLC Minority Partner Distr. | \$ 140,108 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 100,000 |
| Total Expenses | \$ 704,419 | \$ 78,567 | \$ 1,048,872 | \$ 509,200 | \$ 426,727 | \$ 167,423 | \$ 919,000 | \$ 491,337 | \$ 504,000 | \$ 238,000 | \$ 945,500 | \$ 672,936 | \$ 537,467 | \$ 258,500 | \$ 500,500 | \$ 819,870 | \$ 787,470 |
| NET CASH FROM OPERATIONS | \$ (206,604) | \$ 463,125 | \$ (596,520) | \$ (36,000) | \$ 313,651 | \$ 382,577 | \$ (369,000) | \$ 58,663 | \$ 46,000 | \$ 312,000 | \$ (395,500) | \$ (122,936) | \$ 12,533 | \$ 291,500 | \$ 49,500 | \$ (269,870) | \$ (237,470) |
| INVESTOR FUNDING | \$ - | \$ - | \$ 100,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| AVAILABLE CASH BEGINNING | \$ 275,000 | \$ 68,396 | \$ 531,521 | \$ 35,000 | \$ (1,000) | \$ 312,651 | \$ 695,228 | \$ 326,228 | \$ 384,891 | \$ 430,891 | \$ 742,891 | \$ 347,391 | \$ 224,455 | \$ 236,988 | \$ 528,488 | \$ 577,988 | \$ 308,118 |
| AVAILABLE CASH END | \$ 68,396 | \$ 531,521 | \$ 35,000 | \$ (1,000) | \$ 312,651 | \$ 695,228 | \$ 326,228 | \$ 384,891 | \$ 430,891 | \$ 742,891 | \$ 347,391 | \$ 224,455 | \$ 236,988 | \$ 528,488 | \$ 577,988 | \$ 308,118 | \$ 70,648 |

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