

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ROME DIVISION**

IN RE:) **CHAPTER 11**
)
REGIONAL HOUSING & COMMUNITY) **PROPOSED**
SERVICES CORP., et al.,) **Jointly Administered Under**
) **CASE NO. 21-41034-pwb**
Debtors.)

**MOTION FOR AUTHORITY TO (A) MAINTAIN EXISTING
BANK ACCOUNTS AND CASH MANAGEMENT SYSTEM, AND
(B) CONTINUE USE OF EXISTING BUSINESS FORMS**

COME NOW the above-captioned debtors and debtors and debtors-in-possession (collectively, the “**Debtors**”)¹ in the above-styled proposed jointly administered case (the “**Case**”), by and through the undersigned counsel, and file this Motion, respectfully showing the Court as follows:

Relief Requested

1.

By this Motion, the Debtors seek entry of an order pursuant Section 105 of Title 11 of the United States Code (the “**Bankruptcy Code**”) authorizing them to (a) maintain their existing bank accounts and cash management system, and (b) continue the use of their existing business forms.

¹ The Debtors in these chapter 11 cases include: Regional Housing & Community Services Corporation, RHCSC Columbus AL Holdings LLC, RHCSC Columbus Health Holdings LLC, RHCSC Douglas AL Holdings LLC, RHCSC Douglas Health Holdings LLC, RHCSC Gainesville AL Holdings LLC, RHCSC Gainesville Health Holdings LLC, RHCSC Montgomery I AL Holdings LLC, RHCSC Montgomery I Health Holdings LLC, RHCSC Montgomery II AL Holdings LLC, RHCSC Montgomery II Health Holdings LLC, RHCSC Rome AL Holdings LLC, RHCSC Rome Health Holdings LLC, RHCSC Savannah AL Holdings LLC, RHCSC Savannah Health Holdings LLC, RHCSC Social Circle AL Holdings LLC, and RHCSC Social Circle Health Holdings LLC.



Jurisdiction

2.

This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. § 1334. Consideration of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

3.

On August 26, 2021, (the “**Petition Date**”), the Debtors each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors are authorized to operate their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

4.

Information about the Debtors’ businesses and the events leading up to the Petition Date can be found in the *Declaration of Katie Goodman in Support of First Day Applications and Motions* (the “**Goodman Declaration**”) filed with the Court which is incorporated herein by reference.

5.

As described more fully below, prior to the commencement of these Chapter 11 cases, the Debtors maintained approximately 33 bank accounts with CIBC, a schedule of which is attached hereto as Exhibit A.

6.

The cash management system operates as follows and as shown on Exhibit B attached hereto:

- a. Regional Housing & Community Services Corporation (the “**Parent Debtor**”) maintains a primary operating account into which funds are deposited for operations and out of which funds are transferred to operating accounts at the facility level.
- b. Each operating facility (the “**OpCos**”) maintains a deposit account which is funded by accounts receivable and advances from the Parent Debtor and used for payments to vendors and to fund payroll and petty cash accounts.
- c. Each OpCo maintains a payroll account which is a zero balance account. This account is funded by the OpCo operating account and the third party payroll provider debits this account for wages, taxes, and other payroll related benefits.
- d. Each OpCo maintains a petty cash account. Funds are transferred monthly from the OpCo operating account based on a calculation (number of residents x allocated amount for resident transportation, resident activities, and postage), plus a set amount for maintenance and any other approved expenses. Funds are debited from this account by way of debit cards.
- e. Each real estate holding company (the “**PropCos**”) maintains an operating account which is funded by advances from the Parent Debtor and used for payments to vendors.

Relief Requested

6.

In order to supervise the administration of Chapter 11 cases, the Office of the United States Trustee has established certain operating guidelines for debtors-in-possession that operate their businesses. These guidelines require Chapter 11 debtors, among other things, (i) to close all existing bank accounts and open new debtor-in-possession bank accounts, and (ii) to obtain business forms, including checks, that bear the designation “debtor-in-possession,” the bankruptcy case number, and the type of account for each debtor-in-possession account. These requirements are designed to provide a clear line of demarcation between pre-petition and post-petition transactions and operations and to prevent the inadvertent post-petition payment of pre-petition claims through the payment of checks drawn prior to the filing of the bankruptcy petition.

7.

As more fully set forth below, to avoid disruption to the ordinary and usual cash management and day-to-day operations of the Debtors, and to ensure an orderly transition into Chapter 11, the Debtors respectfully request entry of an Order: (i) authorizing them to continue to maintain their existing bank accounts and to utilize their cash management system; (ii) authorizing them to continue to utilize their existing business forms, including checks; and (iii) granting a waiver, to the extent required, from the United States Trustee's guidelines with respect to those requirements identified above.

Basis For Relief Requested

8.

Authorizing the Debtors to continue to use their existing bank accounts is essential to a smooth and orderly transition of the Debtors into Chapter 11 and to avoid disruption to their businesses.

9.

Moreover, the commencement of the Debtors' Chapter 11 cases will undoubtedly place a substantial strain not only on the Debtors' relationship with their employees, but also on their relationships with their customers and their third-party payors which are vital to the Debtors' continued operations and to achievement of a successful resolution of their cases. Requiring the Debtors to open new debtor-in-possession bank accounts to receive payments would cause delay and confusion among such customers and payors, further straining these relationships, and would inevitably lead to delays in the Debtors' receipt of vital revenue.

10.

Finally, a transition to new debtor-in-possession bank accounts at this time would be disruptive and time-consuming at this critical juncture. By permitting existing accounts to remain open, preserving business continuity, and avoiding the operational and administrative paralysis that closing the accounts and opening new ones would necessarily entail, all parties-in-interest, including the Debtors' employees, vendors, and customers, will be best served, and the Debtors' estates will benefit considerably.

11.

Similarly, the Debtors' cash management procedures constitute ordinary course and essential business practices. Such systems provide significant benefits to the Debtors, including facilitating their ability: (i) to provide for the availability of funds when necessary; (ii) to reduce the costs of borrowing funds by enabling the Debtors to utilize all funds within the system; and (iii) to develop more timely and accurate account balance information.

12.

It is critical for the Debtors to be able to continue their existing cash management system during the pendency of these Chapter 11 cases. Any disruption to the Debtors' ordinary business affairs at this critical state in the reorganization process could adversely impact their ability to successfully reorganize. Consequently, maintenance of the existing cash management system is in the best interests of all creditors, parties-in-interest, and the Debtors' estates. The Debtors will continue to maintain strict records with respect to all transfers of cash so that they may readily provide an accounting thereof.

13.

Finally, by virtue of the nature and scope of the Debtors' businesses, the number of accounts, and the numerous employees, customers, suppliers of goods and services, and others with whom the Debtors transact business, it is imperative that the Debtors be permitted to continue to use their existing business forms, including checks. A substantial amount of time and expense would be required to print new business forms and stationery and would also likely result in a substantial risk of disruption to the Debtors' ordinary business affairs.

14.

This Court is authorized to grant the relief requested in this Motion pursuant to Section 105(a) of the Bankruptcy Code, which provides as follows:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, *sua sponte*, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process.

11 U.S.C. § 105(a).

15.

Bankruptcy courts routinely grant Chapter 11 debtors authority to continue using their existing cash management systems and treat such requests for such authority as a relatively "simple matter." In re Baldwin-United Corp., 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). This is particularly true where, as here, the Chapter 11 cases involves complex financial affairs. In fact, the Eleventh Circuit has specifically held that a debtor's use of its pre-petition "routine cash management system" is "entirely consistent" with the provisions of the Bankruptcy Code. See In re Charter Co., 778 F.2d 617, 621 (11th Cir. 1985). Likewise, in another context, the United States Bankruptcy Court for the District of Delaware has explained that a centralized cash

management system “allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for many different purposes that require cash.” In re Columbia Gas Sys., Inc., 136 B.R. 930, 934 (Bankr. D. Del. 1993).

16.

Courts in this and other jurisdictions have recognized that a bankruptcy court has the discretion to allow the Debtors continued use of their pre-petition cash management procedures, existing pre-petition bank accounts, and business forms. See, e.g., In re Hutcheson Medical Center, Inc., et al., Case No. 14-42863 (Bankr. N.D. Ga. November 25, 2014) (Bonapfel, J.); In re Beaulieu Group, LLC, et al., Case No. 17-41677 (jointly administered) (Bankr. N.D. Ga. July 19, 2017) (Diehl, J.); In re Rhodes, No. 04-78434 (Bankr. N.D. Ga. Nov. 5, 2004) (Diehl, J.); In re Galey & Lord, Inc., et al., No. 04-43098 (Bankr. N.D. Ga. Aug. 19, 2004) (Diehl, J.); In re Dan River Inc., et al., No. 04-10990 (Bankr. N.D. Ga. Apr. 1, 2004) (Drake, J.). Because of the severe disruption to the Debtors’ cash management system and, by extension, the Debtors’ business that would result if the Debtors were forced to open new accounts, the Debtors believe it is extremely important that this Court grant their request for maintaining the existing bank accounts, cash management system, and business forms.

17.

For the foregoing reasons, the Debtors believe that granting the relief requested herein is appropriate and in the best interest of their estates.

Notice

18.

Notice of this Motion has been provided to the Office of the United States Trustee, counsel to the Debtors’ pre-petition secured lender, counsel to the Debtors’ proposed debtor-in-

possession lender, any other party asserting a security interest in assets of the Debtors, and the Debtors' thirty (30) largest unsecured creditors on a consolidated basis. In light of the nature of the relief requested, the Debtors submit that no further notice is necessary.

Conclusion

WHEREFORE, the Debtors respectfully request that this Court:

- (a) enter an order authorizing the Debtors to maintain their existing bank accounts and cash management systems;
- (b) enter an order authorizing the Debtors to continue the use of their existing business forms; and
- (c) grant the Debtors such other and further relief as is just and proper.

This 27th day of August, 2021.

Respectfully submitted,

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Proposed Counsel for Debtors

EXHIBIT A

Bank	Routing	Account Number	Legal Name	Community Name
CIBC	071006486	*3242	Regional Housing & Community Service Corp	Holding Company RHCSC PropCos
CIBC	071006486	*6329	RHCSC Columbus AL Holdings, LLC Operating	The Gardens of Columbus
CIBC	071006486	*6315	RHCSC Columbus AL Holdings, LLC Payroll	The Gardens of Columbus
CIBC	071006486	*7058	RHCSC Columbus AL Holdings, LLC Petty Cash Operating	The Gardens of Columbus
CIBC	071006486	*0021	RHCSC Columbus Health Holdings, LLC	PropCo Columbus
CIBC	071006486	*9218	RHCSC Douglas AL Holdings, LLC Operating	The Landings of Douglas
CIBC	071006486	*6978	RHCSC Douglas AL Holdings, LLC Payroll	The Landings of Douglas
CIBC	071006486	*5732	RHCSC Douglas AL Holdings, LLC Petty Cash Operating	The Landings of Douglas
CIBC	071006486	*5945	RHCSC Douglas Health Holdings, LLC	PropCo Douglas
CIBC	071006486	*4121	RHCSC Gainesville AL Holdings, LLC Operating	The Landings of Gainesville
CIBC	071006486	*0652	RHCSC Gainesville AL Holdings, LLC Payroll	The Landings of Gainesville
CIBC	071006486	*8364	RHCSC Gainesville AL Holdings, LLC Petty Cash Operating	The Landings of Gainesville
CIBC	071006486	*6868	RHCSC Gainesville Health Holdings, LLC	PropCo Gainesville
CIBC	071006486	*0716	RHCSC Montgomery I AL Holdings, LLC Operating	The Gardens of Waterford
CIBC	071006486	*4962	RHCSC Montgomery I AL Holdings, LLC Payroll	The Gardens of Waterford
CIBC	071006486	*1959	RHCSC Montgomery I AL Holdings, LLC Petty Cash Operating	The Gardens of Waterford
CIBC	071006486	*2277	RHCSC Montgomery I Health Holdings, LLC	PropCo Montgomery I
CIBC	071006486	*2219	RHCSC Montgomery II AL Holdings, LLC Operating	The Landings of Montgomery
CIBC	071006486	*6972	RHCSC Montgomery II AL Holdings, LLC Payroll	The Landings of Montgomery
CIBC	071006486	*7987	RHCSC Montgomery II AL Holdings, LLC Petty Cash Operating	The Landings of Montgomery
CIBC	071006486	*1771	RHCSC Montgomery II Health Holdings, LLC	PropCo Montgomery II
CIBC	071006486	*9152	RHCSC Rome AL Holdings, LLC Operating	The Gardens of Rome
CIBC	071006486	*9906	RHCSC Rome AL Holdings, LLC Payroll	The Gardens of Rome
CIBC	071006486	*0668	RHCSC Rome AL Holdings, LLC Petty Cash Operating	The Gardens of Rome
CIBC	071006486	*9194	RHCSC Rome Health Holdings, LLC	PropCo Rome
CIBC	071006486	*8758	RHCSC Savannah AL Holdings, LLC Operating	The Gardens of Savannah
CIBC	071006486	*9491	RHCSC Savannah AL Holdings, LLC Payroll	The Gardens of Savannah
CIBC	071006486	*6534	RHCSC Savannah AL Holdings, LLC Petty Cash Operating	The Gardens of Savannah
CIBC	071006486	*1793	RHCSC Savannah Health Holdings, LLC	PropCo Savannah
CIBC	071006486	*5276	RHCSC Social Circle AL Holdings, LLC Operating	The Gardens of Social Circle
CIBC	071006486	*6023	RHCSC Social Circle AL Holdings, LLC Payroll	The Gardens of Social Circle
CIBC	071006486	*3036	RHCSC Social Circle AL Holdings, LLC Petty Cash Operating	The Gardens of Social Circle
CIBC	071006486	*7314	RHCSC Social Circle Health Holdings, LLC	PropCo Social Circle

EXHIBIT B





