

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW HAMPSHIRE

In re:

MORRISON HOSPITAL ASSOCIATION

Debtor.¹

Chapter 11

Case No. 26-10308-KB

**DEBTOR'S MOTION FOR INTERIM
AND FINAL ORDERS AUTHORIZING THE USE OF
CASH COLLATERAL ON SHORTENED NOTICE**

Morrison Hospital Association, the above-captioned debtor and debtor-in-possession (the "Debtor"), by and through its undersigned proposed counsel, hereby moves this Court, pursuant to Sections 363, 105, 361, 362, 506, 507, and 552 of the Bankruptcy Code, and Bankruptcy Rules 2002, 4001(b), 6004 and 9014, and LBR 4001-2 and 9013-1(e) for (a) entry of an interim order authorizing the interim use of cash collateral to avoid immediate and irreparable harm pending a final hearing (the "Interim Order"), (b) for entry of an order authorizing the use of cash collateral on a final basis (the "Final Order") through confirmation of the Debtor's chapter 11 reorganization plan (the "Use Period"), and (c) authorizing the Debtor to provide Service Credit Union (the "Credit Union") and the United States of America acting through the Rural Housing Service, United States Department of Agriculture (the "USDA" and with the Credit Union, the "Pre-Petition Lienholders") with adequate protection and other protections described herein, on shortened notice. This Motion is based, in part, on the Declaration of Shannon Lynch in Support of First Day Motions filed concurrently herewith. In support of this Motion, the Debtor respectfully states as follows:

SUMMARY REQUIRED BY BANKRUPTCY RULE 4001(b)(1)(B)

1. Pursuant to Bankruptcy Rule 4001(b)(1)(B), the Debtor provides the following

¹ The last four digits of Morrison Hospital Association's federal taxpayer identification number are 2504, and its principal place of business is 6 Terrace Street, Whitefield NH 03598.

concise statement of the relief requested by this Motion.

2. The Pre-Petition Lienholders assert liens on the Debtor's cash collateral which secures the Debtor's obligations to the Pre-Petition Lienholders.

3. Based on the Debtor's review of (a) a Liens Filing Search Result Report conducted at the New Hampshire Secretary of State's office, and (b) a title search conducted at the Coos County Registry of Deeds for the Debtor's real property located at 6 Terrace Street and 56 Summit Drive, Whitefield, New Hampshire, the Pre-Petition Lienholders have filed financing statements and mortgages asserting liens against the Debtor's cash collateral.

4. Now that the Debtor has commenced its chapter 11 case, the Debtor requires either the consent of the Pre-Petition Lienholders or approval of the Court to use the Pre-Petition Lienholders' cash collateral. *See* the First Day Declaration.

5. The Debtor requests authority to use cash collateral as detailed in the Budget (defined below), until a final hearing to avoid immediate and irreparable harm pursuant to Bankruptcy Rule 4001(b)(2). The Debtor further requests that the Court schedule a final hearing on this Motion in not less than 14 days pursuant to Bankruptcy Rule 4001(b)(2) and that the Court authorize the use of cash collateral on a final basis following that hearing.

6. As set forth on the budget attached as **Exhibit A** (the "Budget"), use of the cash collateral on an interim basis is necessary through a final hearing to: (1) make payroll to the Debtor's employees, including but not limited to, its nurses, therapists, dieticians and administration, all of whom are essential to the Debtor's continued operations; (2) pay insurance premiums as necessary to ensure continuation of the necessary insurance coverage; (3) pay vendors, suppliers and utilities for ongoing supplies and services; and (4) pay other necessary expenses to prevent an immediate cessation of the business.

7. The Debtor proposes to provide the Pre-Petition Lienholders with adequate

protection as follows:

a) the Pre-Petition Lienholders will receive monthly cash payments in the following amounts:

1. Credit Union – \$2,900.00
2. USDA – \$5,100.00

b) the Pre-Petition Lienholders shall be granted replacement liens on all cash collateral acquired by the Debtor after the petition date (other than the proceeds of any avoidance actions) pursuant to Bankruptcy Code Sections 361(2) and 552(b) only to the extent of any diminution in value of a prepetition secured claim after the commencement of the case. The replacement liens will be in the same scope, validity and priority as the Pre-Petition Lienholders' pre-petition liens; and,

c) The Pre-Petition Lienholders shall receive monthly financial reporting, comparing the revenues and expenses projected in the Budget to actual results. The Debtor will also provide copies of the foregoing reporting to the United States Trustee and, if appointed, to any official committee of unsecured creditors.

JURISDICTION, VENUE AND STATUTORY BASIS

8. This Court has jurisdiction to entertain this Motion pursuant to 28 U.S.C. §§ 157 and 1334.

9. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and this Court has constitutional authority to enter final judgment in this proceeding and the Debtor consents to the same.

10. Venue is proper in this district pursuant to 28 U.S.C. § 1408, and venue over this proceeding is proper in this district pursuant to 28 U.S.C. § 1409.

11. The statutory predicates and applicable rules for the relief sought herein are Sections 363, 105, 361, 362, 506, 507, and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001(b), 6004 and 9014, and LBR 4001-2 and 9013-1(e).

BACKGROUND

A. The Chapter 11 Case

12. On or about April 10, 2026 (the “Petition Date”), the Debtor commenced its chapter 11 case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court.

13. The Debtor continues to operate its business and manage its property as a debtor and debtor-in-possession. To date, no statutory committee has been appointed in the case by the Office of the United States Trustee.

B. The Debtor’s Business

14. Originally established in 1903 as Morrison Hospital, the Debtor has been providing quality healthcare to residents of northern New Hampshire for more than a century. Located in Whitefield, the Debtor is a not-for-profit corporation now operating The Morrison Skilled Nursing Facility (“Morrison Skilled Nursing Facility”) and Sartwell Place Assisted Living (“Sartwell”) on one campus, and Summit by Morrison (“Summit”) on a separate, nearby campus.

15. The Morrison Skilled Nursing Facility is a nursing home providing 24-hour skilled nursing care and Sartwell is an assisted living facility. The Morrison Skilled Nursing Facility maintains 57 beds and Sartwell offers a total number of 20 units to its residents, both facilities operating out of the 6 Terrace Street campus.

16. Opened in 2018, Summit is a senior living community providing independent living, assisted living, and memory care services, with 15 cottages, 33 independent living apartments, 24 assisted living studio apartments and 12 memory care studio apartments. The

Summit campus is located at 56 Summit Drive. The development of Summit was largely financed through loans with the USDA.

17. Through all of its facilities, the Debtor provides essential healthcare services to meet the region's growing need for care for aging adults. High-quality service and commitment to the community remains at the core of the Debtor's mission and business. While the Debtor has generally been able to pay its day-to-day expenses, servicing the USDA debt has not been manageable.

18. Through a series of financially disadvantageous roadblocks at the outset of the opening of Summit, coupled with financial difficulties plaguing the healthcare industry following the Covid-19 pandemic, the Debtor is facing financial distress. The Debtor commenced this proceeding to reorganize and restructure its debt with the USDA, among other reasons, and present a plan of reorganization to its creditors.

PREPETITION SECURED DEBT, PLEDGED ASSETS, AND CASH COLLATERAL

A. Credit Union

19. On October 20, 2016, in order to renovate Debtor's real property located at 6 Terrace Street, the Debtor executed a loan agreement and promissory note with the Credit Union in the principal amount of \$2,608,000.00 (the "Credit Union Loan"). The Credit Union Loan is secured by:

- a) a first priority Mortgage, Security Agreement and Fixture Filing which encumbers 6 Terrace Street, Whitefield, New Hampshire (the "Terrace Street Property") and is recorded in the Coos County Registry of Deeds at Book 1452, Page 232 (the "Credit Union Mortgage");
- b) a Collateral Assignment of Leases and Rents for the Terrace Street Property which is recorded in the Coos County Registry of Deeds at Book

1452, Page 248; and,

- c) an all-asset security interest in and to the Debtor's remaining assets. The Credit Union filed its UCC-1 Financing Statement with the New Hampshire Secretary of State's Office on October 19, 2016 and its Continuation Statement on October 5, 2021.

20. As of the Petition Date, the amount due under the Credit Union Loan is approximately \$847,000.00.

B. USDA

21. On February 17, 2018, in order to develop the Summit, the Debtor executed multiple loan agreements with the USDA in the aggregate principal amount of \$24,973,000.00 (the "USDA Loan"). The USDA Loan is secured by:

- a) a first priority Mortgage, Security Agreement and Fixture Filing which encumbers 56 Summit Drive, Whitefield, New Hampshire (the "Summit Drive Property") and is recorded in the Coos County Registry of Deeds at Book 1482, Page 457 (the "USDA First Mortgage");
- b) a second priority Mortgage, Security Agreement and Fixture Filing which encumbers the Terrace Street Property and is recorded in the Coos County Registry of Deeds at Book 1482, Page 457 (the "USDA Second Mortgage" and with the USDA First Mortgage and the Credit Union Mortgage, the "Mortgages"); and,
- c) an all-asset security interest in and to the Debtor's remaining assets. The USDA filed its UCC-1 Financing Statement with the New Hampshire Secretary of State's Office on February 8, 2018 and its Continuation Statement on September 25, 2022.

22. As of the Petition Date, the amount due under the USDA Loans is approximately \$22,994,000.00.

23. The Pre-Petition Lienholders assert perfected security interests/liens in and to the Terrace Street Property and the Summit Drive Property by virtue of the Mortgages.

24. The Credit Union and the USDA also assert perfected security interests in, among other things, the Debtor's accounts receivable, general intangibles, and contract rights by virtue of their respective UCC financing statements.

RELIEF REQUESTED

25. By this Motion, the Debtor seeks entry of (i) (a) an interim order, substantially in a form attached hereto as **Exhibit B** (the "Interim Order") granting the authority to use cash collateral in the amount as set forth in the Budget, on an interim basis pending a final hearing, and (b) a final order (the "Final Order") granting the authority to use cash collateral on a final basis after such hearing throughout the Use Period in the amounts reflected in the Budget; and (ii) the authority to provide the Pre-Petition Lienholders with adequate protection on the terms set forth herein.

BASIS FOR THE RELIEF REQUESTED

26. Section 363(a) of the Bankruptcy Code provides the definition of cash collateral. *See* 11 U.S.C. § 363(a). Cash collateral is defined by Section 363 to mean:

cash, negotiable instruments, documents of title, securities, deposit accounts, or other such cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property ... subject to a security interest as provided in section 552(b) of this title, whether existing before or after the commencement of a case under this title.

27. Pursuant to Section 363(c)(1) of the Bankruptcy Code, a debtor is authorized to use property of the estate in the ordinary course of business. This right of a debtor, however, does not extend to cash collateral of a debtor unless either: (a) the party with an interest in the cash collateral

consents to its use; or (b) the Court after notice and hearing authorizes its use. *See* 11 U.S.C. § 363(c)(2).

28. If a party with an interest in cash collateral does not consent to its use by the debtor, before a court can authorize its use, the debtor must demonstrate that it can adequately protect the interests of the party holding an interest in the cash collateral. *See* 11 U.S.C. § 363(e) (“[T]he court, with or without a hearing, shall prohibit or condition [the use, sale or lease of property under section 363] as is necessary to provide adequate protection of such interest”); *see also Save Power Limited v. Pursuit Athletic Footwear, Inc. (In re Pursuit Athletic Footwear, Inc.)*, 193 B.R. 713, 716 (Bankr. D. Del. 1996); *In re Dynaco Corp.*, 162 B.R. 389, 397 (Bankr. D.N.H. 1993). Adequate protection is a flexible concept that requires a court to make decisions on a case-by-case basis. *In re Harrington & Richardson, Inc.*, 48 B.R. 431, 433 (Bankr. D. Mass. 1985).

29. Various types of adequate protection are available to protect a secured creditor whose cash collateral is used by a debtor. *See* 11 U.S.C. §361. Section 361 of the Bankruptcy Code envisions adequate protection to be provided either by cash payments, replacement liens, or other relief that will result in the realization by the secured creditor of the indubitable equivalent of the secured creditor’s interest in such property. *See In re Issacson Steel*, 2013 BNH 10, 16 (*citing Baybank-Middlesex v. Ralar Distribs., Inc. (In re Ralar Distribs., Inc.)*, 182 B.R. 81, 85 (D. Mass. 1995)). In each instance, the focus of the Bankruptcy Code is on making sure that any decrease in the value of the collateral during the period involved is adequately protected.

30. The First Circuit has recognized that a sufficient equity cushion is itself a recognized form of adequate protection in Chapter 11 cases. *See Peaje Investments LLC v. García-Padilla*, 845 F.3d 505 (2017) (the court stated that an equity cushion—existing when “the value of the collateral available to the creditor exceeds by a comfortable margin the amount of the creditor's claim”—is one “common form” of adequate protection); *Baybank-Middlesex v.*

Ralar Distributors, Inc., 69 F.3d 1200 (1995) (noting that "a sufficient equity cushion is itself a recognized form of adequate protection"); *see also In re Dynaco Corp.*, 162 B.R. 389 (Bankr. D.N.H. 1993)

A. Interim Authority Pending a Final Hearing to Avoid Immediate and Irreparable Harm

31. Pursuant to Bankruptcy Rule 4001(b)(2):

The court may commence a final hearing on a motion for authorization to use cash collateral no earlier than 14 days after service of the motion. If the motion so requests, the court may conduct a preliminary hearing before such 14 day period expires, but the court may authorize the use of only that amount of cash collateral as is necessary to avoid immediate and irreparable harm to the estate pending a final hearing.

32. Interim use of the cash collateral pending a final hearing on the Motion is essential to avoid immediate and irreparable harm to the Debtor and its estate, residents, and employees. If the Debtor is unable to use cash collateral for the first 14 days of this case, the Debtor will be unable to pay payroll to the Debtor's employees, including but not limited to, its nurses, therapists, dieticians and administration, all of whom are essential to the Debtor's continued operations; (2) pay insurance premiums as necessary to ensure continuation of the necessary insurance coverage; (3) pay vendors, suppliers and utilities for ongoing supplies and services; and (4) pay other necessary expenses to prevent an immediate cessation of the business all as further described in the Budget. This would cause the Debtor to abruptly cease operations because without these critical services and supplies, the Debtor would not be able to maintain a safe and healthy environment for its residents.

33. Accordingly, the Debtor requests authority to use cash collateral for the purposes set forth in the Budget pending a final hearing on the Motion. Additionally, the Debtor requests that the Court schedule a final hearing on this Motion as soon as practicable after the expiration of the 14-day period described in Bankruptcy Rule 4001(b)(2).

B. Final Authority Through the Use Period Pursuant to the Budget

34. At the final hearing on this Motion, the Debtor requests authority to use cash collateral for reasonable and ordinary operating expenses, as well as bankruptcy-specific administrative expenses, in the amounts described in the Budget throughout the balance of the Use Period. As set forth in greater detail in the Budget, the Debtor will use cash collateral to: (a) continue operations to provide the highest level of patient and resident care; (b) continue to make payroll and to pay its necessary suppliers, utilities, insurance premiums and service providers; (c) and pay its professionals (with respect to the latter, subject to approval by this Court of appropriate fee applications).

35. Allowing the Debtor to continue to use its cash collateral, and therefore, operate in the ordinary course until confirmation of a plan is in the best interest of the Debtor's estate, the residents, employees and community, and will preserve the value of the estate for the benefit of creditors.

C. Proposed Adequate Protection

36. Pursuant to Sections 361 and 363(e), and notwithstanding Section 552(a), of the Bankruptcy Code, the Debtor proposes adequate protection to the Pre-Petition Lienholders as follows:

a) the Pre-Petition Lienholders will receive monthly cash payments in the following amounts:

1. Credit Union – \$2,900.00
2. USDA – \$5,100.00

b) the Pre-Petition Lienholders shall be granted replacement liens on all cash collateral acquired by the Debtor after the Petition Date (other than the proceeds of any avoidance actions) pursuant to Bankruptcy Code Sections 361(2) and 552(b) only to the extent of any diminution in value of a prepetition secured claim after the commencement of the case.

The replacement liens will be in the same scope, validity and priority as the Pre-Petition Lienholders' pre-petition liens; and,

c) the Pre-Petition Lienholders shall receive monthly financial reporting, comparing the revenues and expenses projected in the Budget to actual results. The Debtor will also provide copies of the foregoing reporting to the United States Trustee and, if appointed, to any official committee of unsecured creditors.

37. Nothing in this Motion, however, shall be construed as prejudicing any rights the Debtor may have to dispute or contest the amount of, or basis for, any claims and/or liens asserted by the Pre-Petition Lienholders or as an admission as to the validity or priority of any claim and/or lien against the Debtor. Moreover, nothing in the Motion shall be deemed or construed as an approval of an assumption or rejection of any contract pursuant to Section 365 of the Bankruptcy Code and all such rights are reserved.

REQUEST FOR HEARING ON SHORTENED NOTICE

38. The Debtor requests that this Motion be heard on shortened notice under LBR 9013-1(e). For the reasons set forth herein, without immediate authority to maintain the Cash Management System and related relief requested, the Debtor may suffer irreparable harm.

NOTICE

39. No trustee, examiner, or creditors' committee has been appointed in this chapter 11 case. Notice of this Motion has been given to: (i) the Office of the United States Trustee for the District of New Hampshire; (ii) the holders of the twenty (20) largest unsecured claims against the Debtor; (iii) the Office of the Attorney General of New Hampshire; (iv) the New Hampshire Department of Revenue; (v) the United States Attorney's Office (District of New Hampshire); (vi) the United States Department of Agriculture; (vii) Service Credit Union; (viii) the Town of Whitefield, New Hampshire; (ix) the Internal Revenue Service; and (x) all parties who have

requested notice in this chapter 11 case pursuant to Bankruptcy Rule 2002. The Debtor respectfully submits that no further notice of this Motion is required

NO PRIOR REQUEST

40. No previous request for the relief sought herein has been made by the Debtor to this or any other court.

CONCLUSION

WHEREFORE, the Debtor respectfully requests that the Court enter an order, substantially in the proposed interim order filed herewith, granting the Debtor the relief requested in this Motion.

Respectfully submitted,

MORRISON HOSPITAL ASSOCIATION

By Its Attorneys,

Dated: April 10, 2026

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