

**SO ORDERED.**

**SIGNED this 21st day of January, 2026.**



*Mitchell L. Herren*  
Mitchell L. Herren  
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF KANSAS**

In re:

Rock Regional Hospital, LLC,  
Debtor.

Case No. 25-11362-11

**Order Denying  
Debtor's Amended Motion to Use Cash Collateral (Doc. 134)**

Rock Regional Hospital, LLC, the debtor in this Chapter 11 case, seeks an order authorizing its use of cash collateral over the objection of its primary secured creditor, Equity Bank. After considering the evidence presented, the Court concludes Debtor did not carry its burden to show it can provide adequate protection

of the creditor's interest under 11 U.S.C. § 363(e)<sup>1</sup> and therefore denies Debtor's amended motion as to its requested use of cash collateral.<sup>2</sup>

## **I. Findings of Fact**

Debtor's Chapter 11 petition was filed December 7, 2025, in advance of an impending eviction scheduled for December 10, 2025. Debtor's petition was filed without Schedules or supporting documents, but Debtor provided the Court with an overview of its financial health in a motion seeking interim use of cash collateral and approving interim debtor-in-possession financing.<sup>3</sup>

Debtor is a regional acute-care hospital established in 2019. Debtor's motion acknowledged it had never reached profitability but also stated it expected to become profitable in the next twelve to eighteen months. At filing, Debtor owed substantial rent to its landlord and had defaulted on long-term contracts with vendors and equipment leases.<sup>4</sup> The motion sought authority to use the cash collateral, which Debtor believed at that point to consist of: (1) accounts receivables (totaling \$14 million, \$5.1 million of which was not yet billed, and after insurance

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<sup>1</sup> Future statutory references are to the Bankruptcy Code, title 11, unless otherwise specified.

<sup>2</sup> Doc. 134. The amended motion sought the use of cash collateral, or in the alternative, dismissal. At the conclusion of the evidentiary hearing on cash collateral, the Court issued an oral ruling denying the use of cash collateral and now issues this written Order to memorialize its Findings of Fact and Conclusions of Law. Debtor's request for dismissal will be addressed separately. Debtor appears by David Prelle Eron of Prelle Eron & Bailey, P.A. Equity Bank appears by Mark J. Lazzo of Mark. J. Lazzo, P.A.

<sup>3</sup> Doc. 14.

<sup>4</sup> The Court addressed Debtor's relationship with its Landlord in an Order Granting Motion of CBC Derby LLC for Order Confirming Absence or Inapplicability of Automatic Stay or in the Alternative, Granting Relief for the Automatic Stay to Complete Eviction (Doc. 21) and Denying Debtor's Motion to Reimpose Automatic Stay (Doc. 97), Doc. 142, which is incorporated herein.

company write-downs, Debtor estimated to have a total value of approximately \$3 million); (2) inventory (with a net value of \$750,000); and (3) ERC claims (valued at \$3.5 million, but with the motion indicating Debtor believed the ERC was subject to IRS recoupment of approximately \$2,089,813). Debtor believed the total value of the cash collateral to be approximately \$5,160,187; but of that amount, \$800,000 was due from Medicare and not subject to liens. Therefore, Debtor valued the cash collateral to total approximately \$4,360,187.

Debtor's motion acknowledged the senior lien of Equity Bank in its cash collateral,<sup>5</sup> with a total of approximately \$4.8 million owed to Equity Bank. Multiple creditors were listed as junior lien holders, and the motion argued each of those junior creditors was wholly unsecured.<sup>6</sup> The motion indicated Debtor believed Equity Bank to be under secured and proposed offering Equity Bank an adequate protection super priority claim, a replacement lien, and a postpetition lien on any postpetition assets.

The motion also sought authority to cover the known deficiency in Debtor's budget through a DIP loan of up to \$2.5 million. Debtor planned to borrow from its investors with ownership interests when cash collateral was insufficient to cover

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<sup>5</sup> More precisely, the motion reported Equity Bank had a senior lien other than a small amount owed to McKesson Corporation of \$2254, which would be paid in full to eliminate McKesson's lien on the cash collateral.

<sup>6</sup> Junior lien holders purported to be wholly unsecured are reported in the motion as: Anatomy IT, LLC (\$466,900), Cedric Drewes (\$300,000, ERC only), The Convergence Group (\$603,013, ERC only), Sysco Kansas City, Inc. (\$10,685), Partners Capital Group, Inc. (\$0, based on a \$3000/mo equipment lease), Instafunders (\$876,000), Plum Creek Pork, Inc. (\$80,000, ERC only), Cedar Advance, LLC (\$292,000), and IRS (\$2,089,813, recoupment rights in ERC).

Debtor's budget and would give those investors a super priority administrative claim under § 364(c)(1), but such claim would be junior to Equity Bank's administrative claim.

Debtor's proposed budget was broken down into weekly expenditures and indicated Debtor would be operating at a significant loss. Debtor's total projected revenue was estimated to be fairly steady, but for the weeks Debtor would have to pay its payroll Debtor would be significantly underfunded, and the non-payroll week profits would not make up for those losses. In other words, Debtor's own budget indicated Debtor was not bringing in enough revenue to sustain operations. Debtor's proposed budget included a payment of \$50,000 a week to its landlord.

Multiple creditors objected to Debtor's motion, including Equity Bank and the landlord.<sup>7</sup> After a preliminary hearing on cash collateral the Court issued its Interim Order, reflecting the negotiated agreement of the parties.<sup>8</sup> The Interim Order placed the total estimated net value of the cash collateral as \$5,160,187 as of the filing date, although again acknowledging approximately \$800,000 of the receivables were Medicare receivables that are not subject to liens pursuant to

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<sup>7</sup> Initial objections were filed as follows: Objection of Equity Bank (Doc. 22), Objection of CBC Derby LLC (Doc. 23), Limited Objection of Phillips Medical Capital, LLC (Doc. 30), and Objection of U.S. Trustee (Doc. 33). Subsequent objections to entry of a final order on Debtor's motion were then filed as follows: Objection to Entry of Final Order by US Trustee (Doc. 67), Supplemental Objection filed by CBC Derby LLC (Doc. 74), Supplemental Objection filed by Equity Bank (Doc. 75), Objection of The Convergence Group, LLC (Doc. 77), Limited Objection of Anatomy IT, LLC (Doc. 78), and Supplemental Objection of Phillips Medical Capital, LLC (Doc. 82).

<sup>8</sup> Doc. 43.

applicable federal regulation.<sup>9</sup> Regarding Equity Bank's adequate protection, the Interim Order provided a replacement lien, a monthly report of postpetition accounts receivables and inventory, a super priority adequate protection claim, and "a separate reserve account for the benefit of Equity [requiring Debtor to] deposit into said account on a monthly basis an amount equal to the amount, if any, by which gross post-petition accounts receivable and inventory are below the amount of accounts receivable and inventory which existed at the time of filing."<sup>10</sup>

The budget adopted with the Interim Order raised the weekly payment to Debtor's landlord to \$85,000 a week and also required a balloon payment of \$108,000 before an evidentiary hearing on cash collateral and motions for relief from stay. That evidentiary hearing was scheduled for January 6, 2026.

Equity Bank and Debtor dispute whether Debtor complied with its obligations under the Interim Order. Equity Bank filed Notices of Default,<sup>11</sup> and Debtor responded to each,<sup>12</sup> but no party raised the issue with the Court via motion and no decision was issued.<sup>13</sup> Regardless, after the Court ruled at the January 6,

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<sup>9</sup> The Interim Order defines cash collateral as: "to the extent lienable and subject to liens under applicable law, cash and cash equivalents, such as funds held on deposit, negotiable instruments, rents, work in progress, accounts, receivables, general intangibles, governmental subsidies, tax refunds, Medicare proceeds, choses in action, hospital inventory, and other assets readily converted into operational funding for the Debtor, together with proceeds from or related to the foregoing items, and substitutes for these items." *Id.* p. 2-3.

<sup>10</sup> *Id.* p. 5.

<sup>11</sup> See Doc. 50, Doc. 79.

<sup>12</sup> See Doc. 63, Doc. 87.

<sup>13</sup> The Court does not decide the issue. As noted, no motion was filed seeking such a determination. At the January 6, 2026, hearing in this case, the Court expressly ruled Debtor's use of cash collateral would continue under the Interim Order until the January 14, 2026, final hearing on cash collateral. See Doc. 129.

2026, hearing that Debtor's landlord's motion for an order confirming the absence or inapplicability of the automatic stay or in the alternative, motion for relief from the automatic stay to complete eviction<sup>14</sup> should be granted and that Debtor's motion to reimpose the automatic stay<sup>15</sup> should be denied,<sup>16</sup> Debtor filed its amended motion, seeking either authority to use cash collateral under a revised budget, or in the alternative, dismissal of the case.<sup>17</sup> The evidentiary hearing on cash collateral was continued to January 14, 2026, and the Court ordered the Interim Order to remain in effect until that hearing.

Equity Bank opposed the amended motion as to Debtor's proposed use of cash collateral,<sup>18</sup> but supported dismissal at the evidentiary hearing. The U.S. Trustee also supported dismissal. No other creditor took a position on the matters at the hearing.

In Debtor's amended motion, the estimates of the total value of the cash collateral are changed. The amended motion estimates current receivables are \$2.2 million, values inventory at \$250,000, and although the amended motion still values the ERC claims at \$3.5 million, Debtor no longer believes the IRS can offset the ERC. As a result of these changes, the amended motion claims the total cash collateral is valued at \$5,950,000. The amended motion also estimates Equity Bank's claim at about \$5 million.

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<sup>14</sup> Doc. 21.

<sup>15</sup> Doc. 97.

<sup>16</sup> See Doc. 142.

<sup>17</sup> Doc. 134.

<sup>18</sup> Doc. 138.

Regarding proposed use of cash collateral, there were approximately \$500,000 in unpaid administrative claims at the time of the amended motion that Debtor seeks to pay, primarily earned wages and payroll taxes. Thereafter, the weekly budget would be only about \$35,000 to \$45,000, the amount Debtor believes is needed to conduct its case and liquidate its assets (the inventory and the receivables).

The total estimated budget in the amended motion is about \$835,000. Debtor plans to pay \$341,666 in payroll and benefits the first week, and \$187,600 the second week, paying only \$9434 for three employees in each of the remaining weeks. The budget also proposes to pay for the IT contracts needed to maintain access to patient records to support Debtor's billing for receivables,<sup>19</sup> some fees to its billing provider, and some insurance, although Debtor's representatives testified the budgeted amounts for malpractice insurance and workers' compensation insurance could be reduced. Regarding the budget item "Building Lease-Hospital," Debtor proposes to pay nothing for the first two weeks it remains on site, and then \$250 per week for the last five weeks while it needs to store patient records after surrendering the site to its landlord. Conversely, Debtor will pay for utilities, repairs, and maintenance while still on site, but then reduce those budget items to

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<sup>19</sup> The IT contracts are with Anatomy IT, who runs and manages Debtor's servers and software and without which Debtor cannot issue billing, Microsoft and Adobe, who charge fees for use and again are necessary for billing, Cerner, the system used for billing and tracking inventory, Silicon Mesa, a separate software system for an onsite clinic, and Infiniti, for radiologic patient records.

zero after turning over the facility. Finally, Debtor proposes paying for document shredding and includes a small amount for miscellaneous expenses.

Debtor primarily argues Equity Bank will be adequately protected despite this use of cash collateral because of the Bank's equity cushion. The amended motion proposes a postpetition adequate protection lien and senior adequate protection super priority claim, and also proposes to allow Equity Bank the unilateral right to determine whether or not to incur discretionary expenses.

Debtor presented evidence indicating its accounts receivables balance on December 31, 2025, was \$10,851,364, with an expected recoupment of 20%, yielding a collateral value of \$2,170,272.80. Debtor's accounts receivables have dropped since filing, although an exact number was difficult to ascertain. A drop is not surprising, however, because at the time Debtor filed its bankruptcy petition, the hospital stopped admitting acute care patients and operated only its outpatient services.

Regarding its inventory, Debtor's Schedules estimate a value on hand of about \$500,000, which is a cost-based value—the amount Debtor paid for the goods. Debtor's Chief Operating Officer testified he believed Debtor should be able to sell the inventory for the approximate same amount and recoup its costs.

Regarding the ERC claims, the claims are being made for the fourth quarter of 2020 and then the first three quarters of 2021, and total \$3,126,821. The ERC applications were submitted by Employer Flexible HR II LLC, Debtor's payroll company at the time the claims were made. The payroll taxes were paid under the Employer Flexible HR II LLC tax ID, not Debtor's tax ID, and therefore, Debtor

does not believe the ERC will be paid to Debtor but will instead be paid to Employer Flexible HR II LLC. As a result, Debtor no longer believes the IRS will assert setoff rights against those ERCs and anticipates, based on its prior understanding with Employer Flexible HR II LLC, that the funds will be turned over to Debtor upon receipt. In fact, the first of the four quarters of ERC, totaling \$750,768 has been paid out postpetition. It was paid to Employer Flexible HR II LLC and then turned over to Debtor's control. Debtor's Chief Operating Officer believes Debtor will receive interest on those ERC claims, based on his understanding of what has happened at other hospitals. But no evidence about that interest was presented, and Debtor did not receive interest on the first installment.

Regarding the cash collateral, Debtor also testified about three additional sources it has or will soon have on hand. First, United Healthcare released a garnishment it was processing for Phillips Medical Capital, LLC, and a check is being processed from United Healthcare to Debtor with those postpetition funds. Debtor has not yet received the check but anticipates it will be about \$233,000. Second, Debtor received a \$249,000 check from TRICARE after a year end audit, and that check has already been routed to Debtor's operating account. Finally, the receivables discussed above do not include any accounts receivables from Rock Regional Clinic, LLC. This LLC was set up for billing physician and cardiology claims separate from the hospital's claims. Those total receivables are approximately \$800,000, but it is difficult to estimate a recoupment percentage, because Debtor does not have historic data from which to pull average numbers.

Assuming the same 20% collection rate, the receivables would net approximately \$160,000. Debtor anticipates the collection rate will be higher, and the Court heard testimony that physician reimbursement is typically higher than hospital reimbursement, but no reliable estimate was given for a higher percentage. The estimated \$800,000 of receivables have not yet been billed because of delays in finalizing the credentialing process for the physicians.

These additional incoming funds notwithstanding, Debtor has paid out funds since the first of January that also are not reflected in its amended motion. Again, hard numbers were difficult to ascertain, but Equity Bank's representative testified \$659,000 had been spent from Debtor's operating account since December 31, 2025.

As noted, Equity Bank was the only party to oppose Debtor's amended motion. Equity Bank's total claim on the petition date was \$4,871,375.75. As of January 14, 2026, the Bank's claim totaled \$4,924,586. For junior creditors to receive any payment on their secured claims, the collateral at issue would have to exceed Equity Bank's claim.

## **II. Conclusions of Law**

### **A. Standards of Law Governing Cash Collateral**

A motion to use cash collateral is a core proceeding under 28 U.S.C. § 157(b)(2)(M) (“orders approving the use or lease of property, including the use of cash collateral”), over which this Court may exercise subject matter jurisdiction.<sup>20</sup>

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<sup>20</sup> 28 U.S.C. §§ 1334(b), 157(a), (b)(1) and (b)(2)(G), and Amended Order of Reference, D. Kan. S.O. 13-1.

Venue is proper in this District.<sup>21</sup> Debtor has the burden to show it can provide adequate protection of the creditor's interest.<sup>22</sup> “[I]ssues of adequate protection are questions of fact.”<sup>23</sup>

Motions to use cash collateral are governed by § 363.<sup>24</sup> Under § 363(c)(2), a debtor may use cash collateral if either the secured creditor consents or the court permits the use after notice and hearing. The secured creditor, Equity Bank, does not consent to the use of its cash collateral in this case.

Because Equity Bank does not consent, Debtor must provide adequate protection to the Bank.<sup>25</sup> Under § 363(e), “the court, with or without a hearing, shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest.”

The Bankruptcy Code does not define adequate protection, and instead, § 361 provides a list of nonexclusive examples. These include lump sum cash payments,

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<sup>21</sup> 28 U.S.C. § 1409(a).

<sup>22</sup> *In re Podzemny*, No. 09-14226-J11, 2011 WL 576591, at \*4 (Bankr. D.N.M. Feb. 8, 2011) (“The party requesting court approval to use cash collateral over a secured creditor’s objection must prove there is adequate protection for that creditor.”).

<sup>23</sup> *In re Gallegos Rsch. Grp., Corp.*, 193 B.R. 577, 584 (Bankr. D. Colo. 1995).

<sup>24</sup> Cash collateral is defined by § 363(a): “In this section, ‘cash collateral’ means cash, negotiable instruments, documents of title, securities, deposit accounts, or other 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 and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motels, or other lodging properties 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.”

<sup>25</sup> Section 363(e) expressly authorizes the court to condition the use of cash collateral to provide adequate protection to the interested entity.

periodic cash payments, and additional or replacement liens.<sup>26</sup> Alternatively, under § 361(3), courts may fashion other forms of adequate protection based upon equitable considerations arising from the particular facts in each case. The determination of the appropriateness of the offered adequate protection “is to be decided flexibly on the proverbial ‘case-by-case’ basis.”<sup>27</sup> As one bankruptcy court stated:

Despite its form, the entitlement to and measure of adequate protection is always determined by the extent of the anticipated or actual decrease in the value of the secured creditor’s collateral during the bankruptcy case. Therefore, to determine whether an entity is entitled to adequate protection and the type and the amount of adequate protection required, a court must determine the value of the collateral, the creditor’s interest in the collateral and the extent to which that value will decrease during the course of the bankruptcy case. Where a debtor desires to use cash collateral, a court must determine the value of the creditor’s interest in the cash collateral and whether the debtor’s proposed use of cash collateral would impair that interest, and to what extent adequate protection is required.

Because creditors are entitled to adequate protection only to the extent that the value of the property securing their claim diminishes, undersecured creditors are not entitled to adequate protection for lost opportunity costs. Oversecured creditors may not be entitled to cash payments or postpetition liens because they are adequately protected through the existence of a value cushion. Whether a value cushion is sufficient to provide adequate protection must be determined by the facts in each case. If the value cushion is small, the prospects for reorganization slim or the process will likely be protracted, the equity cushion may be insufficient adequate protection. However, where the

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<sup>26</sup> The provision of adequate protection required in § 363 is governed by § 361, which states “adequate protection may be provided by” (1) “a cash payment or periodic cash payments . . . to the extent” of the “decrease in the value of such entity’s interest in such property,” (2) “an additional or replacement lien to the extent that such stay, use, sale, lease, or grant results in a decrease in the value of such entity’s interest in such property,” or (3) “such other relief, other than entitling such entity to compensation allowable under section 503(b)(1) of this title as an administrative expense, as will result in the realization by such entity of the indubitable equivalent of such entity’s interest in such property.”

<sup>27</sup> *In re Podzemny*, 2011 WL 576591, at \*4.

value cushion is substantial and is sufficient to provide for the entirety of the creditor's claim under 11 U.S.C. § 506(a), no additional protection may be required.<sup>28</sup>

The guiding principle is that "the value of the creditor's interest in the collateral must be protected from diminution while the property is being used or retained in the bankruptcy case."<sup>29</sup>

**B. Debtor Has Not Carried Its Burden to Show it can Provide Adequate Protection of Equity Bank's Interest**

The Court concludes Debtor has not carried its burden to show it can "provide adequate protection" of the creditor's interest, as required by § 363(e). There is no dispute that Equity Bank's claim is just short of \$5 million. Debtor claims the Bank is protected by an equity cushion, but the Court concludes the facts do not support that claim.

The cash collateral is made up of deposits on hand, accounts receivables, inventory on hand, and ERC claims. The largest item is the ERC claims. The starting value of the ERC claims is not disputed: the parties agree claims have been made for \$3,126,821. But nearly everything else about these ERC claims is undetermined. Debtor asserts the actual value is \$3.5 million, because Debtor will be entitled to interest on the claims. The only evidence of interest to be received came from Debtor's Chief Operating Officer, who testified he spoke to other hospital management and understood Debtor would receive interest. But the first of the four

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<sup>28</sup> *In re Gallegos Rsch. Grp., Corp.*, 193 B.R. 577, 584-85 (Bankr. D. Colo. 1995) (internal citations omitted).

<sup>29</sup> *Id.* at 584.

quarters has already been paid out, and it included no interest. On the other hand, Equity Bank argues the value should be reduced by the claim of the IRS of \$2,089,813, because IRS could recoup its claim from the ERC funds. But again, there was no evidence that would occur, and there was evidence the ERC is claimed by Debtor's payroll company, who turns over the funds to Debtor when received. And again, to date the IRS did not make a claim against the first quarter payment and the payroll company turned it over to Debtor. Ultimately, the Court concludes the evidence supports a value for the ERC claims of \$3,126,821. The argument to increase the value to \$3.5 million because of interest is not supported by evidence, and the argument to reduce the value by the amount of the IRS claim is similarly based on conjecture.

Another item of dispute is Debtor's accounts receivables. The evidence supports a starting value of \$10,851,364 for the hospital receivables, with a 20% recoupment, for a net value of \$2,170,272.80. Equity Bank argued for a lower gross value of \$9,172,632 based on an exhibit that was a snapshot from January 4, 2026, of what was described as an incomplete portion of the receivables. Debtor's number was based on a form submitted to Equity Bank by Debtor and attested by its financial analyst, and purports to be the total amount of receivables as of January 5, 2026. The Court finds Debtor's number of \$10,851,364 to be the more accurate starting number.

The evidence also supports a starting value of \$800,000 for the physician receivables.<sup>30</sup> Unfortunately, Debtor did not have the historic data to compute a recoupment value for those, and while the testimony was that a higher value might possibly be expected, no number was given. In addition, there was testimony that the process of qualifying many of the physicians for payment from the various insurance companies was incomplete, with a speculative timetable for completion, especially with the hospital no longer operating. The Court must therefore use the only recoupment value it was provided, 20%, which may prove to be a generous rate of return. The net physician receivables are therefore \$160,000. The Court concludes the evidence supports a total net value for the receivables of \$2,330,272.80.

Next in the collateral is Debtor's inventory. The value placed on the inventory has varied. In Debtor's original motion seeking use of cash collateral, Debtor valued the inventory at \$750,000.<sup>31</sup> In Debtor's Schedules inventory is valued at about \$500,000.<sup>32</sup> In Debtor's amended motion the inventory is valued at approximately \$250,000.<sup>33</sup> The only testimony provided was from Debtor's Chief Operating Officer, who thought the inventory could net the same as its cost value, \$500,000. But the Court concludes this is speculative, and no foundation for that guess was given. It is

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<sup>30</sup> There was some dispute as to who owns the receivables at issue or whether Equity Bank has a security interest in those receivables. The Court makes no factual finding on either issue and merely concludes if the funds belong to Debtor and if Equity Bank has a security interest in those funds, this is the value for purposes of this decision.

<sup>31</sup> Doc 14.

<sup>32</sup> Doc. 90 p. 3 and p. 6, p.

<sup>33</sup> Doc. 134.

difficult to believe Debtor could recoup its exact costs for the inventory. Even if the inventory could be sold at cost, there would be collection costs. The Court concludes the best estimate for the value of the inventory is found within Debtor's own amended motion at \$250,000.

Finally, the Court heard testimony about cash either on hand, or soon to be in hand. Debtor established it either has or will soon receive \$233,000 from United Healthcare and \$249,000 from TRICARE, for total deposits of \$482,000.

Even the reductions from Debtor's accounts are not easy to compute. Debtor has disbursed \$659,000 in January 2026, and Debtor's amended motion seeks to spend an additional \$835,000 of the cash collateral. But the Court heard testimony that some of the amounts in the budget supporting the amended motion may be elevated, *e.g.*, the \$16,415 malpractice insurance, noted twice, for a total of \$32,830, is no longer necessary. In addition, Debtor also may not need the full amount of the workers compensation insurance for the three remaining employees it seeks to retain. If the Court removes the full amounts from those two expenses, Debtor could reduce its budget expenses to \$798,170.

As a result of the above conclusions, the Court believes the accurate cash collateral position is as follows:

<b>Asset:</b>	<b>Net Value:</b>
ERC claims	\$3,126,821.00
Accounts receivables	\$2,330,272.80
Inventory	\$250,000
Deposits	\$482,000
<b>Total assets:</b>	<b>\$6,189,093.80</b>
<b>Reductions:</b>	
January 2026 disbursements	\$659,000

Budgeted disbursements	\$798,170
<b>Total equity:</b>	<b>\$4,731,923.80</b>

The Court concludes the total equity available is \$4,731,923.80. Equity Bank's claim on the petition date was \$4,871,375.75. The claim has already risen to \$4,924,586. The numbers can only yield the unfortunate conclusion that Debtor does not have sufficient collateral to support its use of cash collateral through its budgeted period. Equity Bank will not be adequately protected by an equity cushion; there is no equity cushion.

Not only is there no value cushion, Debtor's hopes for reorganization are also small. The Court has granted Debtor's landlord's motion concerning the automatic stay, and Debtor has ceased operations. The evidence was clear that as a result, no new receivables would be generated. Debtor anticipates vacating its premises within the next two weeks and is hoping to liquidate its collateral as best it can in its remaining weeks. Even this liquidation is a daunting task. Debtor's officers testified at length about the difficulties in completing the unfinished task of the physician credentialing process for many of its doctors so it could recoup its physician accounts receivables. Debtor's officers also testified about the difficulty in recoupment of *any* of its receivables without access to staff to review its chargemaster or its patient records.<sup>34</sup> The Court reaches the unfortunate conclusion

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<sup>34</sup> Regarding patient records, the Court heard no evidence as to the governing statutes or regulations concerning their ownership, storage, or disposal, and nothing herein should be read as making any findings concerning the patient records.

Debtor faces an uphill, prolonged battle with little hope for success. The best of the poor avenues available is to deny further impairment of the creditors' security.

### **III. Conclusion**

The Court's prior Interim Order on cash collateral<sup>35</sup> ceased as of the conclusion of the evidentiary hearing on cash collateral on January 14, 2026. The Court denies Debtor's amended motion as to Debtor's requested use of cash collateral.<sup>36</sup> Debtor did not carry its burden to show Equity Bank will be adequately protected. Debtor's alternative request for dismissal made within its amended motion will be addressed separately.

**It is so Ordered.**

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<sup>35</sup> Doc. 43.

<sup>36</sup> Doc. 134.