



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

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The following constitutes the ruling of the court and has the force and effect therein described.

Signed May 12, 2022

United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

Northwest Senior Housing Corporation, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 22-30659 (MVL)

(Jointly Administered)

**SECOND INTERIM ORDER (1) AUTHORIZING DEBTORS IN POSSESSION  
TO OBTAIN POST-PETITION FINANCING; (2) AUTHORIZING DEBTORS IN  
POSSESSION TO USE CASH COLLATERAL; (3) PROVIDING ADEQUATE  
PROTECTION; (4) GRANTING LIENS, SECURITY INTERESTS AND  
SUPERPRIORITY CLAIMS; AND (5) SCHEDULING A FINAL HEARING**

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtors' federal tax identification number, are Northwest Senior Housing Corporation (1278) ("NSHC") and Senior Quality Lifestyles Corporation (2669) ("SQLC"). The Debtors' mailing address is 8523 Thackery Street, Dallas, Texas 75225.



This Second Interim Order (1) Authorizing Debtors in Possession to Obtain Post-Petition Financing; (2) Authorizing Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; (4) Granting Liens, Security Interests and Superpriority Claims; and (5) Scheduling a Final Hearing (this “Second Interim Order”) is entered into by this Court after adequate notice of and hearings upon the *Emergency Motion for Interim Order and Final Order (1) Authorizing Debtors in Possession to Obtain Post-Petition Financing; (2) Authorizing the Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; and (3) Granting Liens, Security Interests and Superpriority Claims* (the “Motion”)<sup>2</sup>, and upon the terms agreed to by and among the above-captioned debtors (the “Debtors”), UMB Bank, N.A., as the successor bond trustee (in such capacity, the “Bond Trustee”) under the Bond Indentures (as defined below), UMB Bank, N.A., as successor master trustee (the “Master Trustee” and together with the Bond Trustee, the “Trustee”) with respect to the Master Indenture (as defined below), and UMB Bank, N.A., in its capacity as Trustee, as lender (the “DIP Lender”) with respect to the DIP Credit Agreement (as defined below). Upon the terms of the Motion, the stipulations, acknowledgements and agreements of the Debtors, the DIP Lender and the Trustee (collectively, the “Parties”), the statements of the Parties and their counsel at the hearings on the Motion, and the record of the proceedings, the Court makes the following findings of fact and rulings of law:

## FINDINGS OF FACT

### **The Debtors’ Chapter 11 Cases; Procedural Background; Jurisdiction and Notice**

A. On April 14, 2022 (the “Petition Date”), the Debtors each filed voluntary petitions

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<sup>2</sup> All defined terms not defined herein shall have the meaning ascribed in the Motion or in the DIP Credit Agreement, as applicable.

for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and thereby commenced their cases thereunder (the “Chapter 11 Cases”). Since the Petition Date, the Debtors have been operating their businesses and managing their property as debtors and debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. The Court held a hearing to consider granting the relief requested in the Motion on an interim basis on April 18, 2022. Following such hearing, the Court entered an order granting the relief requested in the Motion on an interim basis, which order was entered by the Court on April 20, 2022 [Docket No. 112] (the “First Interim Order” and together with the Second Interim Order, the “Interim Orders”).

C. On April 28, 2022, the Official Committee of Unsecured Creditors (the “Committee”) was appointed by the Office of the United States Trustee (the “U.S. Trustee”).

D. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. Venue of the Chapter 11 Cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

E. The Debtors have properly served notice of the Motion and the hearings thereon pursuant to sections 102, 105, 361, 362, 363 and 364 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002 and 4001, 6004, 9006, and 9014 and the Bankruptcy Local Rules which notice was sent to, among others (i) the U.S. Trustee; (ii) the holders of the thirty (30) largest unsecured claims against the Debtors on an aggregate basis, (iii) UMB Bank, N.A., as Trustee and counsel thereto, (iv) Lifespace, Inc. and counsel thereto, (v) Intercity Investment Properties, Inc. and counsel thereto; (vi) the United States Attorney’s Office for the Northern District of Texas, (vii) the Committee and counsel thereto; (viii) the Internal Revenue Service, (ix) the United States Department of Justice, (x) the Texas State Attorney General, (xi) the

United States Securities and Exchange Commission, (xii) the Texas Department of Insurance, and (xiii) any party that has requested notice pursuant to Bankruptcy Rule 2002 (the “Notice Parties”). Such notice is sufficient for all purposes under the Bankruptcy Code and the applicable Bankruptcy Rules in respect to the relief requested and no further notice of the relief sought in the Motion is necessary.

### **The Debtors and the Community**

F. The Debtors own and operate a continuing care retirement community on approximately 16.25 acres of real property in Dallas, Texas known as “Edgemere” (the “Community”).

G. The Debtors offer residential units for their residents (each a “Resident”) in independent living, assisted living, memory care, or skilled nursing units and provide those Residents with necessary healthcare services, multiple entertainment outlets and other social benefits. As of the Petition Date, the Debtors provide accommodations for more than 400 Residents. To provide the quality of care and safety the Residents require, as of April 13, 2022, the Debtors employ approximately 283 individuals to carry out the Debtors’ daily operations.

### **The Secured Bond Obligations**

H. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that NSHC is obligated to the Trustee for the benefit of the beneficial holders of the tax-exempt Bonds (as defined below), authorized and issued by the Tarrant County Cultural Education Facilities Finance Corporation (the “Issuer”), including (i) the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015A in the original aggregate principal amount of \$53,600,000 (the “2015A Bonds”) and the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015B in

the original aggregate principal amount of \$40,590,000 (the “2015B Bonds” and collectively with the 2015A Bonds, the “2015 Bonds”), issued pursuant to that certain Indenture of Trust, dated as of May 1, 2015 (the “2015 Bond Indenture”), by and between the Issuer and The Bank of New York Mellon Trust Company, National Association, as the prior bond trustee (the “Prior Bond Trustee”), and (ii) the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project), Series 2017 in the original aggregate principal amount of \$21,685,000 (the “2017 Bonds” and collectively with the 2015 Bonds, the “Bonds”), issued pursuant to the Indenture of Trust, dated as of March 1, 2017 (the “2017 Bond Indenture” and together with the 2015 Bond Indenture, the “Bond Indentures”), by and between the Issuer and the Prior Bond Trustee.

I. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that the Issuer loaned the proceeds of the Bonds to NSHC pursuant to that certain Loan Agreement, dated as of May 1, 2015, by and between the Issuer and NSHC (the “2015 Loan Agreement”) and that certain Loan Agreement, dated as of March 1, 2017, by and between the Issuer and NSHC (the “2017 Loan Agreement” and together with the 2015 Loan Agreement, the “Loan Agreements”). NSHC used the proceeds of the Bonds primarily to (i) finance or refinance the cost of the acquisition, construction, renovation and equipping of the Community, including capital expenditures; (ii) fund various accounts and funds held by the Trustee; and (iii) pay certain costs associated with the issuance of the Bonds.

### **The Bond Claim**

J. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that as of the Petition Date, the amounts due and owing by NSHC with respect to the Bonds and

the obligations under the Bond Documents (as defined below) are as follows (collectively, the “Bond Claim”):

- (i) Unpaid principal on the Bonds in the amount of \$109,185,000;
- (ii) Accrued but unpaid interest on the Bonds in the amount of \$2,543,919.22 as of April 13, 2022; and
- (iii) unliquidated, accrued and unpaid fees and expenses of the Trustee and its professionals incurred through the Petition Date. Such amounts, when liquidated, shall be added to the aggregate amount of the Bond Claim.

**Security for the Bond Obligations**

K. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that the rights of the Issuer under the Loan Agreements were assigned to the Trustee. In addition, as security for its obligations with respect to the Bonds, NSHC entered into that certain Master Trust Indenture, Deed of Trust and Security Agreement dated as July 1, 2007, as supplemented by the Supplemental Indenture Number 1, dated as of July 1, 2007, the Supplemental Indenture Number 2, dated as of September 1, 2014 and the Supplemental Indenture Number 3, dated as of August 1, 2015 (as supplemented, the “Master Indenture”) between NSHC and JPMorgan Chase Bank, National Association, as the prior master trustee (the “Prior Master Trustee”) pursuant to which NSHC granted the Prior Master Trustee a security interest in the following assets of NSHC: (i) all revenue, accounts, accounts receivable, and Gross Revenues (as defined in the Master Indenture) of NSHC; (ii) all general intangibles, equipment, inventory and other personal property of NSHC; (iii) NSHC’s leasehold interest created by that certain Ground Lease, dated as of November 5, 1999 (the “Ground Lease”), by and between NSHC and Intercity Investment Properties, Inc. (the “Landlord”), including NSHC’s interests in the Premises, Land and Existing Improvements (as each are defined in the Ground Lease), and any and all appurtenances, rights and benefits relating thereto and to the use and occupancy thereof, as set forth in Section 2.1 of

the Ground Lease; and (v) all funds held in the various accounts established under the Bond Indentures (all such collateral, the “Pre-Petition Bond Collateral” and the liens on such Pre-Petition Bond Collateral, the “Pre-Petition Liens”). The Bond Indentures, the Loan Agreements, the Master Indenture and any other document or agreement delivered as security for, or in respect of, the Bonds or NSHC’s obligations under any of such documents are collectively referred to herein as the “Bond Documents.”

**The Debtors’ Need for Use of Cash Collateral**

L. The Debtors have requested the use of the Cash Collateral of the Trustee in connection with the Chapter 11 Cases. The Trustee does not consent to the use of its Cash Collateral, except upon the express terms of the Interim Orders.

M. Without the use of Cash Collateral, the Debtors’ continued operation as a going concern would be disrupted, the value of the underlying assets would significantly decline, and the Debtors and their residents, estates and creditors would be immediately and irreparably harmed without the use of cash collateral, the Debtors would not have the funds necessary to maintain the Community, provide financial information, pay employee compensation, payroll taxes, overhead and other expenses. The Debtors require use of cash collateral as provided herein.

**The Debtors’ Need for Debtor-in-Possession Financing**

N. A critical need exists for the Debtors to obtain funds to cover the operational, capital and administrative needs of the Community, solely to the extent set forth under the Budget and under the DIP Facility (as each is defined below). The Debtors are unable to obtain postpetition financing on an unsecured basis under sections 364(c)(1) or 503(b)(1) of the Bankruptcy Code. Further, the Debtors assert that they are also unable to obtain secured credit

from sources other than the DIP Lender that would be allowable under sections 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code for the purposes set forth in the Interim Orders. Further, the Trustee would not consent to any priming liens and would have argued that the Debtors could not have provided adequate protection for any such proposed financing.

O. In addition to the use of the Trustee's Cash Collateral, the DIP Lender has agreed to provide the requested Initial DIP Loans (as defined below) under the DIP Facility and use of Cash Collateral in accordance with the terms contained in the Interim Orders, in the amounts, categories and times set forth in the Budget, which shall be used for the necessary operational costs associated with the Community and other costs and expenses of administration of the Chapter 11 Cases.

P. Without the Initial DIP Loans, the Debtors will be unable to pay necessary payroll, costs, and operating expenses, and obtain goods and services needed to preserve the Community in a manner that will avoid irreparable harm to the Debtors' estates and to the Community's residents. At this time, the Debtors' ability to finance the ongoing operation and availability of sufficient liquidity through the incurrence of new indebtedness for borrowed money and other financial accommodations as provided herein are vital to the preservation of the Community and maintenance of the going concern value of the Debtors' estates and to otherwise provide the necessary services to the residents of the Community.

Q. The Debtors requested that the DIP Lender provide the Initial DIP Loans up to an aggregate amount of \$2,000,000, which funds shall be used by the Debtors solely to the extent provided in the Budget attached as **Exhibit 1**. At the expiration of the Interim Orders, the DIP Lender, subject to entry of the Final Order in a form acceptable to the DIP Lender, shall continue



to advance funds through additional DIP loans (together with the Initial DIP Loans, the “DIP Loans”), up to an aggregate amount of up to \$10,100,000 (collectively, the “DIP Facility”).

R. The DIP Lender has provided the Initial DIP Loans, subject to the terms and conditions of the First Interim Order, including the provisions of the First Interim Order providing that the Post-Petition Liens (as defined below) and the various claims, superpriority claims and other protections granted pursuant to the First Interim Order will not be affected by any subsequent reversal or modification of the First Interim Order or any other order, as provided in section 364(e) of the Bankruptcy Code.

S. The DIP Lender’s lending of the Initial DIP Loans was conditioned upon the grant of a lien that: (a) primed and remained senior to the Trustee’s Pre-Petition Liens; and (b) otherwise constituted a first priority lien in all Post-Petition Collateral (as defined below), subject only to the Carve-Out and Permitted Liens (as defined in the DIP Credit Agreement).

T. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that the terms of the Initial DIP Loans were negotiated in good faith and at arm’s length among the Debtors and the DIP Lender; that the terms of the Initial DIP Loans were at least as favorable to the Debtors as those available from alternative sources, under all of the circumstances; that given the current market conditions and under the particular circumstances of the Chapter 11 Cases, no other sources of funding were available; and that given the exigencies of the case, the Debtors believed the Initial DIP Loans were the best and only option.

U. Pursuant to the First Interim Order, the Debtors admitted, stipulated, and agreed that the terms of the Initial DIP Loans were fair and commercially reasonable under the circumstances, reflected the Debtors’ exercise of their prudent business judgment consistent with their fiduciary duties, were supported by reasonably equivalent value and fair consideration, and

were enforceable in accordance with applicable law. As such, the funds advanced were deemed to have been extended by the DIP Lender in “good faith” as that term is used in section 364(e) of the Bankruptcy Code and, based upon the express reliance of the protections offered by section 364(e) of the Bankruptcy Code and the Post-Petition Liens and the Superpriority Claim (defined below), were entitled to the full protection of section 364(e) of the Bankruptcy Code, including in the event that the Interim Orders or any provision thereof was vacated, reversed or modified, on appeal or otherwise.

V. The Debtors shall continue to, segregate, remit, and deposit all Cash Collateral in the Debtors’ accounts, possession, custody or control and which the Debtors may receive in the future, in accordance with applicable cash management orders entered by this Bankruptcy Court and as permitted by the DIP Credit Agreement.

**Need for Adequate Protection to Trustee**

W. Pursuant to the Bankruptcy Code and in light of the foregoing, the Debtors are required to provide adequate protection to the Trustee in respect of the use of the Pre-Petition Collateral (including Cash Collateral) and granting of the priming Post-Petition Liens. The Debtors wish to provide adequate protection of the security interests in and liens on the Pre-Petition Collateral pursuant to the terms set forth in the Interim Orders.

X. The Debtors and the DIP Lender have represented to the Bankruptcy Court that they have negotiated at arm's length and have acted in good faith in the negotiation and preparation of the DIP Credit Agreement and the Interim Orders, have been represented by counsel, and intend to be and are bound by their respective terms. The terms and conditions of the Interim Orders and the DIP Documents reflect the Debtors’ exercise of prudent business

judgment under exigent circumstances and are consistent with their fiduciary duties and are supported by reasonably equivalent value and fair consideration.

Y. Good cause has been shown for the entry of the Interim Orders. The terms of the Interim Orders, inclusive of the adequate protection provided to the Trustee relating to the Pre-Petition Liens, are fair and commercially reasonable, reflect the Debtors' prudent business judgment consistent with their fiduciary duties and constitute reasonable equivalent value and fair consideration. Entry of the Interim Orders is in the best interest of the Debtors, their creditors, including the holders of the Bonds, and their estates.

Z. To the extent any portion of the foregoing constitute rulings of law, they shall constitute this Court's rulings with respect to the matters so-stated.

**NOW THEREFORE, THE COURT ORDERS AS FOLLOWS:**

**Motion Granted**

1. The Motion is hereby **GRANTED** in accordance with the terms and conditions set forth in the Interim Orders. Any objections to the Motion with respect to the entry of the Interim Orders that have not been withdrawn, waived, or settled, and all reservation of rights included therein, are hereby denied and overruled with respect to the Interim Orders.

**Approval of DIP Facility and DIP Loan Documents**

2. On an interim basis as set forth in the First Interim Order, the terms of the DIP Facility, that certain Priming Superpriority Debtor-in-Possession Credit Agreement between the Debtors and the DIP Lender (the "DIP Credit Agreement") and all documents executed in connection therewith (collectively with the DIP Credit Agreement, the "DIP Loan Documents") were deemed to be fair and reasonable, reflect the exercise of the Debtors' prudent business

judgment consistent with their fiduciary duties, and constitute reasonably equivalent value and fair consideration.

3. The Debtors are liable for the repayment in full of the Initial DIP Loans, and all DIP Obligations, upon the entry of the Final Order.

4. The DIP Facility and DIP Loan Documents have been negotiated in good faith and at arm's length among the Debtors and the DIP Lender, and the Initial DIP Loans shall be deemed to have been extended by the DIP Lender in good faith (as that term is used in section 364(e) of the Bankruptcy Code) and in express reliance upon, and with the full benefit of the protections afforded by, section 364(e) of the Bankruptcy Code, whether or not the Interim Orders or any provision thereof is vacated, reversed, or modified, on appeal or otherwise.

5. Absent the relief granted by the Interim Orders, the Debtors' estates, residents and creditors would suffer immediate and irreparable harm. Accordingly, the entry of the Interim Orders and related authorization of Borrowings of the Initial DIP Loans under the DIP Facility and DIP Loan Documents is in the best interests of the Debtors' estates, their residents, and creditors.

6. The DIP Facility and DIP Loan Documents were and are again approved on an interim basis, and the Debtors are authorized to borrow the Initial DIP Loans pursuant to the DIP Loan Documents, the budget attached as **Exhibit 1**, itemizing on a bi-weekly basis all uses, and anticipated uses, revenues projected to be received and all expenditures proposed to be made during such period, which Budget may be amended at the request of the Debtors and with the written consent of the DIP Lender and incorporated herein by reference (as it may be amended, supplemented, replaced or otherwise modified from time to time solely with the consent of the DIP Lender in its sole discretion, the "**Budget**") and the Interim Orders, the proceeds of which

shall be used for such purposes as are expressly permitted under the DIP Loan Documents, the Interim Orders and the Budget.

7. In furtherance of the foregoing and without further approval of this Court, the Debtors are authorized to perform all acts, to make, execute, and deliver all instruments and documents (including, without limitation, the execution or recordation of security agreements, mortgages, and financing statements), and to pay at the Maturity Date of the DIP Facility all fees, in each case that may be reasonably required or necessary for the Debtors' performance of the Initial DIP Loans, including, without limitation:

- (i) the execution, delivery, and performance of the DIP Loan Documents and any exhibits, schedules and other documents related thereto;
- (ii) the execution, delivery, and performance of one or more non-material amendments to the DIP Loan Documents, in each case in such form as the Debtors and the DIP Lender may agree (it being understood that no further approval of the Court, other than with respect to the Final Order, shall be required for amendments to the DIP Loan Documents that do not shorten the maturity of the extensions of credit thereunder, increase the commitments, or increase the rate of interest payable thereunder);
- (iii) the non-refundable payment to the DIP Lender of the reasonable costs and expenses as may be due from time to time in connection with the Initial DIP Loans in accordance with the terms of the DIP Loan Documents; and
- (iv) the performance of all other acts required under the DIP Loan Documents in connection with the Initial DIP Loans.

### **The Initial DIP Loans**

8. Initial DIP Loans. Pursuant to sections 361 and 364 of the Bankruptcy Code and the terms and conditions hereof, until the occurrence of an Event of Default (as defined below), the Debtors are hereby authorized to continue borrowing the Initial DIP Loans pursuant to the terms, conditions and provisions of the Interim Orders and the DIP Credit Agreement in an amount up to an aggregate amount of \$2,000,000 pursuant to the terms set forth herein (the

“Initial DIP Loans”); provided, however, that the Debtors shall use the proceeds of the Initial DIP Loans solely in compliance with the Budget and as expressly set forth herein.

9. Principal, Interest, Fees, Etc.

- (i) Interest shall accrue on the full amount of the DIP Loan Commitment from the Interim Order Entry Date through the Maturity Date at a simple rate per annum equal to ten percent (10%) (the “Applicable Rate”).
- (ii) The DIP Lender will be entitled to a fee equal to two percent (2%) of the DIP Loan Commitment, which shall be fully earned upon the Interim Order Entry Date (the “Commitment Fee”).
- (iii) Upon the occurrence and during the continuance of an Event of Default, the DIP Loan Commitment and any accrued interest, fees and other amounts owed under the DIP Credit Agreement (including the Commitment Fee), shall thereafter bear interest at a rate of twelve percent (12%) per annum.
- (iv) The principal, interest and any other obligations owed with respect to the Initial DIP Loans, including the Commitment Fee (the “DIP Obligations”) shall be due and payable upon the earlier of (i) the occurrence of an Event of Default; and (ii) December 31, 2022 (the “Maturity Date”). Subject to the terms of the Interim Orders, the Initial DIP Loans may be voluntarily paid at any time with no penalty or premium.

10. Conditions to the Initial DIP Loans. The continued funding of the Initial DIP Loans is conditioned on the entry of this Second Interim Order and compliance with the terms herein.

11. Disbursements of Initial DIP Loans. The following conditions and processes shall govern the funding of the Initial DIP Loans:

- (i) not less than four (4) business days prior to any borrowing date (each a “Borrowing Date”), the Debtors shall deliver to the DIP Lender a fully executed Borrowing Certificate (as defined below) no later than 10:00 a.m. (New York City time) on such date. Such Borrowing Certificate, a form of which is attached hereto as Exhibit B to the DIP Credit Agreement (each a “Borrowing Certificate”), shall specify the amount of the proposed DIP Loan and the Borrowing Date thereof, and shall certify that the amount of the proposed DIP Loan, after accounting for other available funds held by the Debtors, is reasonably expected to be needed to pay amounts coming due in the fourteen (14) days immediately following such Borrowing Date, as set forth in the Budget. On the

Borrowing Date specified in any Borrowing Certificate, the DIP Lender shall disburse such funds to the Operating Account (as defined in the DIP Credit Agreement) and shall use reasonable efforts to make the funds available to the Debtors no later than 2:00 p.m. (New York City time) on the requested Borrowing Date.

- (ii) each request for an Initial DIP Loan must exceed a minimum amount of \$100,000;
- (iii) such expenditures have not been subject to any prior requisition or payment or reimbursement from any other source;
- (iv) after making the DIP Loan requested, the aggregate outstanding principal amount of the Initial DIP Loans will not exceed the amount authorized under the Interim Orders and the DIP Credit Agreement;
- (v) the representations and warranties of the Debtors contained in the Interim Orders shall be true and correct in all material respects immediately prior to, and after giving effect to, the Initial DIP Loan; and
- (vi) the Debtors are in compliance in all material respects with each of the covenants contained in the Interim Orders and the DIP Loan Documents.

12. Use of Initial DIP Loan Proceeds. The Initial DIP Loans shall be used solely as set forth in the Budget for: (a) the necessary operation and maintenance costs associated with the Community in the amounts and categories and time set forth in the Budget; and (b) other costs and expenses of administration of the Chapter 11 Cases in the amounts and categories and time set forth in the Budget.

13. Effectiveness of Initial DIP Loans. From and after the entry of the First Interim Order (the “Effective Date”), the terms and conditions hereof constituted a valid and binding obligation of the Debtors, enforceable against the Debtors in accordance with the terms of the First Interim Order for all purposes during the Chapter 11 Cases, any subsequently converted cases of any of the Debtors under chapter 7 of the Bankruptcy Code or after the dismissal of the Chapter 11 Cases. No obligation, payment, transfer or grant of security under the Interim Orders shall be stayed, restrained, voidable, avoidable or recoverable under the Bankruptcy Code or

under any applicable law (including without limitation, under sections 502(d), 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any defense, reduction, setoff, recoupment or counterclaim.

14. Payments to the DIP Lender and/or the Trustee. Any and all payments or proceeds remitted to the DIP Lender and/or the Trustee pursuant to the provisions of the Interim Orders or otherwise shall be received by the DIP Lender and/or the Trustee, free and clear of any claim, charge, assessment or other liability, including, without limitation, any such claim or charge arising out of or based on sections 506(c) and/or 552(b) of the Bankruptcy Code, whether directly or indirectly, all of which are hereby waived by the Debtors.

#### **Security for the DIP Loan**

15. Post-petition Liens. As provided in the First Interim Order, pursuant to sections 364(c)(2), (c)(3) and (d) of the Bankruptcy Code and as security for the repayment of the Initial DIP Loans and the obligations under the DIP Loan Documents, the DIP Lender was granted valid, binding, enforceable and perfected first priority mortgages, pledges, liens and security interests (the “Post-Petition Liens”) in all currently owned or hereafter acquired property and assets of the Debtors of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof, including, without limitation, accounts, revenues, inventory, equipment, capital stock in subsidiaries, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, general intangibles, patents, copyrights, trademarks, deposit accounts, intercompany claims, claims against affiliates, causes of action, tax refund claims, commercial tort claims, insurance proceeds and insurance premium refunds (all of the foregoing,



the “Post-Petition Collateral”); provided, however, that the Post-Petition Collateral under the Interim Orders shall not include any and all cash or other property received by the Debtors in the form of gifts, charitable donations, bequests or grants that are by their terms, restricted in the manner in which they may be utilized by the Debtors to the extent, and only to the extent, that such restrictions would prohibit the granting of any such gifts, donations, bequests or grants as collateral (collectively, the “Charitable Assets”). In connection with the Interim Orders, Post-Petition Collateral shall also exclude actions for preferences, fraudulent conveyances or other avoidance power claims and any recoveries under sections 542, 544, 545, 547, 548 (exclusive of transferees under section 549), 550 and 553 and the Bankruptcy Code (collectively, the “Avoidance Actions”) and the proceeds thereof; provided that the DIP Credit Agreement contemplates that the Post-Petition Collateral includes Avoidance Actions and proceeds thereof, and the DIP Lender reserves the right to request that the Post-Petition Collateral include Avoidance Actions and proceeds thereof in any Final Order on the Motion.

16. The Post-Petition Liens are in addition to the superpriority administrative expense claim set forth in Paragraph 17 hereof, and pursuant to sections 364(c) and 364(d), are valid, binding, continuing, enforceable, fully-perfected, senior and priming on all Post-Petition Collateral that (a) will be and remain senior to the Pre-Petition Liens, Rollover Liens and Supplemental Liens granted to the Trustee as adequate protection for its Pre-Petition Liens; and (b) will otherwise constitute a first priority lien on all other assets of the Debtors, subject only to (i) Permitted Liens, if any, and (ii) the Carve-Out.

17. Superpriority Administrative Expense Claim. As provided in the First Interim Order, the Initial DIP Loans have the status of a superpriority administrative expense claim (the “Superpriority Claim”) pursuant to section 364(c)(1) of the Bankruptcy Code, including, without

limitation, having priority over all other unpaid administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code (subject only to the Carve-Out), and shall at all times be senior to the rights of the Debtors, any successor trustee or any creditor in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment. The Superpriority Claim granted to the DIP Lender by this Paragraph 17 shall be payable from and have recourse to all pre-and postpetition property of the Debtors and all proceeds thereof.

#### **Debtors' Use of Cash Collateral**

18. The Debtors are hereby authorized to continue using cash collateral (as defined in section 363(a) of the Bankruptcy Code) constituting proceeds of accounts and revenues from operations of the Community (collectively, the "Cash Collateral"). Cash Collateral shall include, without limitation, the advances under the DIP Facility, but shall not include any other funds received by the Debtors during these proceedings.

19. The Debtors' use of Cash Collateral shall be solely as set forth in the Budget and as otherwise provided in the Interim Orders for: (a) the necessary ordinary course operation and maintenance costs associated with the Community in the amounts and categories and time set forth in the Budget; and (b) other costs and expenses of administration of the Chapter 11 Cases in the amounts and categories and time set forth in the Budget. Except on the term and conditions of the Interim Orders and the DIP Credit Agreement, the Debtors are prohibited from

using Cash Collateral at any time or for any other purpose absent consent of the DIP Lender and the Trustee, or further order of the Bankruptcy Court.

**Adequate Protection to Trustee for the Pre-Petition Liens and Pre-Petition Collateral Securing the Bond Claim**

20. As provided in the First Interim Order, as adequate protection of the Trustee's interests in the Pre-Petition Collateral, including Cash Collateral, pursuant to sections 361, 363 and 552(b) of the Bankruptcy Code, and the Trustee's consent to the priming of its liens and claims pursuant to the Post-Petition Liens and the Superpriority Claim provided to the DIP Lender, the Trustee was provided the following adequate protection:

- (i) Rollover Liens. As adequate protection for any diminution in the value of the Pre-Petition Collateral, including based upon the priming by the DIP Lender ("Diminution"), the Trustee shall continue to have valid, binding, enforceable and perfected additional and replacement mortgages, pledges, liens and security interests in all Post-Petition Collateral and the proceeds, rents, products and profits therefrom, whether acquired or arising before or after the Petition Date, to the same extent, priority and validity that existed as of the Petition Date (such liens, the "Rollover Liens"); provided, however, the Rollover Liens shall be subject to the Post-Petition Liens, Permitted Liens and the Carve-Out;
- (ii) Supplemental Liens. Subject to approval on a final basis, as additional adequate protection for any Diminution, the Trustee shall have a valid, perfected and enforceable continuing supplemental lien on, and security interest in, all of the assets of the Debtors of any kind or nature whatsoever within the meaning of section 541 of the Bankruptcy Code, whether acquired or arising before or after the Petition Date, and the proceeds, rents, products and profits therefrom, exclusive of the Charitable Assets, Avoidance Actions and any proceeds therefrom (provided that the Trustee reserves the right to request that the Supplemental Liens include Avoidance Actions and proceeds thereof in any Final Order on the Motion) (collectively, the "Supplemental Liens"); provided, however, the Supplemental Liens shall be subject to the Post-Petition Liens, Permitted Liens and the Carve-Out;
- (iii) Pre-Petition Superpriority Claim. As additional adequate protection for any Diminution, the Trustee shall receive a superpriority expense claim allowed under section 507(b) of the Bankruptcy Code (the "Pre-Petition Superpriority Claim") against all assets of the Debtors' estate. The Pre-Petition Superpriority Claim shall have priority over any and all other unpaid administrative expenses now existing or hereafter arising, of any kind whatsoever, of the kind specified in

sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of the Debtors, any successor trustee or any creditor in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment; provided, however, the Pre-Petition Superpriority Claim shall be subject to the (i) the Post-Petition Liens, (ii) Permitted Liens, (iii) the Superpriority Claim, and (iv) the Carve-Out; and

- (iv) Financial Reports. The Debtors shall provide the Trustee with all reports, documents and other materials, including financial reports, as may be required in the Interim Orders and such other and further access to the Debtors' books and records, advisors and professionals as may be reasonably requested by the Trustee from time to time.

## **PROVISIONS COMMON TO THE INITIAL DIP LOANS AND TRUSTEE AS HOLDER OF THE BOND CLAIM**

### **Covenants**

21. Covenants. The Debtors shall observe all covenants in the Interim Orders and the DIP Credit Agreement at all times prior to and after the Termination Date (as defined below). The Debtors agree as follows (and the Parties acknowledge that failure to comply with such covenants shall constitute an Event of Default under the Interim Orders):

### **Budget and Reporting Covenants:**

- (i) The Debtors shall comply with the Budget (subject to the permitted variances provided in the next immediate sentence), and shall not make any payments, or incur any obligations or liabilities, that are not projected and provided for in the Budget. On the last business day of every other week, payments for such cumulative period to date shall not exceed ten percent (10%) of the respective amounts, measured as to each line item in the Budget, and five percent (5%) of the respective amounts, measured on an aggregate basis, set forth for such cumulative period to date in the Budget (provided expenditures for estate professional fees shall not exceed one hundred percent (100%) of the amount allocated for such expenditures in the Budget for such cumulative period, provided further that estate professionals may carry forward any unused expenditures for estate professionals to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court and may carry backward any unused expenditures for estate professionals, up to

an aggregate amount of \$150,000 per month, to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court); and receipts for such cumulative period to date shall not be less than ninety percent (90%) of the amounts, on an aggregate basis, set forth for such cumulative period to date in the Budget. This variance (the “Variance”) shall be measured, on a rolling four week period (the “Measuring Period”); provided, however, that for purposes of calculating such Variances, (i) the first Measuring Period shall be the first two weeks after the Petition Date and the first two weeks of the Budget, and (ii) the second Measuring Period shall be the first through fourth weeks after the Petition Date and the first through fourth weeks of the Budget. Any budgeted expenditures not paid in a particular budget period may be paid during a subsequent period and, for the purpose of calculating rolling four week variances set forth above, the Budget will be revised to move such expenditures to the later period, it being understood that such later period can be outside the four week period. Expenditures (except for professional fees which are addressed as noted above) may be paid in an earlier period in the reasonable discretion of the Debtors, in which event the Budget shall be deemed amended to move the expenditure into the week of the actual expenditure for the purpose of calculating rolling four week variances set forth above. The Debtors may, at any time, amend or reforecast the Budget, either for the period covered by the Budget or for any period thereafter, and the DIP Lender and Trustee may approve or not approve such amendment in their sole and absolute discretion. Notwithstanding anything to the contrary in the foregoing, if the Debtors exceed, or on a commercially reasonable basis expect to exceed, any line item in the Budget by at least two hundred thousand dollars (\$200,000), they shall immediately notify the DIP Lender and the Trustee.

- (ii) The Debtors shall provide the following reports to the DIP Lender, the Trustee and the U.S. Trustee:
  - a. no later than 5:00 p.m. (prevailing Eastern time) on Friday of every other week or if such Friday is not a business day, then the immediate succeeding business day, the “Bi-Weekly Budget Report” which means, a bi-weekly report (i.e., a report issued once in each two-week period) certified by an Authorized Officer for the Debtors, substantially in the same form as the Budget, indicating (i) a comparative reconciliation, on a line-by-line and aggregate basis, of actual cash receipts and disbursements against the cash receipts and disbursements forecast in the Budget, and the percentage variance thereof, for (A) the bi-weekly period ended on (and including) the immediately preceding Sunday, (B) a rolling four-week period, and (C) the cumulative period to date; and (ii) a written explanation of such variances;
  - b. at any time and from time to time that the Debtors receive any material written notice from any Governmental Body, the Debtors shall provide a copy of such notice to the DIP Lender and the Trustee within one (1)

business day of receipt, and the Debtors shall provide to the DIP Lender and the Trustee copies of all material reports, certificates and notices that the Debtors may provide to any Governmental Body within one (1) business day of transmission;

- c. a monthly reporting package, no later than thirty (30) days after the end of each calendar month, including cash flow, income statement, occupancy reports and balance sheet for such month, accounts payable and receivable reports with aging information; and
- d. as promptly as reasonably practicable from time to time following the DIP Lender's and/or the Trustee's reasonable request therefor, such other information (including historical information) regarding the operations, business affairs and financial condition of the Debtors, the progress of the Chapter 11 Cases and the Landlord Action (as defined in the DIP Credit Agreement), including prompt notice of any developments associated therewith, and/or compliance with the terms of any DIP Loan Document.

### **Bankruptcy Milestones**

22. The Debtors agreed that failure to materially comply with the following milestone covenants (the "Bankruptcy Milestones") shall constitute an Event of Default, unless any such conditions have been waived or modified by the DIP Lender and/or the Trustee in their sole discretion, provided that the bolded Bankruptcy Milestone below shall replace the corresponding Bankruptcy Milestone set forth in the First Interim Order:

- (i) On Tuesday of each week (or such other day as may be agreed upon by the Parties), the Debtors shall make available representatives reasonably acceptable to the DIP Lender and the Trustee for a telephone conference call with the DIP Lender and the Trustee, holders of the Bonds, and their respective agents, advisors and/or representatives to discuss the cash flows and operations of the Community, and such other matters as are relevant or are reasonably requested by the DIP Lender and the Trustee;
- (ii) **On or before May 27, 2022, the Final Order shall be entered;**
- (iii) Within seventy-five (75) days of the Petition Date, the Debtors shall provide drafts of the Disclosure Statement and Plan of Reorganization to the DIP Lender and the Trustee;

- (iv) Within ninety (90) days of the Petition Date, the Debtors shall file the Disclosure Statement and Plan of Reorganization, each in form and substance reasonably acceptable to the DIP Lender and Trustee;
- (v) Within forty-five (45) days of the filing of the Disclosure Statement, the Bankruptcy Court shall have approved the Disclosure Statement and Solicitation Procedures;
- (vi) Within seven (7) days of the approval of the Disclosure Statement, the Debtors shall have begun solicitation of the Plan of Reorganization;
- (vii) Within forty-five (45) days of the approval of the Disclosure Statement, the Bankruptcy Court shall have confirmed the Plan of Reorganization; and
- (viii) Within thirty (30) days of the Plan of Reorganization being confirmed, the effective date of the Plan of Reorganization shall have occurred.

23. The Debtors covenant and agree that they will use their best efforts to comply with each of the Bankruptcy Milestones. Each of the Bankruptcy Milestones may be extended or waived in writing by the DIP Lender and the Trustee. The Debtors shall promptly file with this Bankruptcy Court a notice of any such extension or waiver.

24. No Liens or Encumbrances. Prior to payment in full of the DIP Loans, the Debtors shall not sell, pledge, hypothecate, or otherwise encumber any Post-Petition Collateral (any such sale, pledge, hypothecation, or other transfer shall be void ab initio other than the adequate protection granted to the Trustee pursuant to the Interim Orders). Further, there shall be no other claim or expense having priority or being *pari passu* to the priority granted to the DIP Lender and the Trustee in the Interim Orders while any portion of the DIP Loans remain outstanding, except with respect to the Carve-Out and the Permitted Liens.

25. No Modification. Nothing contained herein shall alter or modify, or be deemed to alter or modify, the Bond Documents (or any other agreement to which the Trustee is party).

26. No Waiver. No consent by the DIP Lender or the Trustee to any administrative claims, including fees and expenses of professionals, sought to be assessed against or attributed

to the Trustee, as applicable, in the Pre-Petition Collateral, or the Post-Petition Collateral pursuant to the provisions of sections 506(c) and/or 552(b) of the Bankruptcy Code or otherwise by, through or on behalf of the Debtors, shall be implied from any action, inaction or acquiescence.

27. No Challenge. Notwithstanding anything else herein, subject to the last sentence of this Paragraph 27, no amounts under the Carve-Out, the proceeds of the DIP Loans and the proceeds of Pre-Petition Collateral (including Cash Collateral) and Post-Petition Collateral shall be used for the purpose of: (a) objecting to or contesting in any manner, or in raising any defenses to, the validity, extent, perfection, priority, or enforceability of (i) the Bond Claim or the Pre-Petition Liens, (ii) the DIP Loans or the Post-Petition Collateral with respect thereto, or (iii) any other rights or interests of the DIP Lender or the Trustee, (b) asserting any claims or causes of action, including, without limitation, any actions under chapter 5 of the Bankruptcy Code against the DIP Lender and/or the Trustee or the holders of the Bonds or invoking the equitable doctrine of “marshalling” or any other similar doctrine with respect to any of the Pre-Petition Collateral, the Post-Petition Collateral or otherwise; (c) preventing, hindering, or delaying the enforcement or realization by the DIP Lender or Trustee, as applicable, upon any of the Pre-Petition Collateral or Post-Petition Collateral; (d) incurring indebtedness except as permitted by the Interim Orders; (e) funding acquisitions, capital expenditures, capital leases or other transactions not in the ordinary course of the Debtors’ business other than as set forth in the Budget; (f) modifying any adequate protection granted the DIP Lender and/or the Trustee; or (g) commencing or prosecuting any motion, proceeding or cause of action against the DIP Lender and/or the Trustee, or their respective agents, attorneys, advisors or representatives. Notwithstanding the foregoing, subject to approval on a final basis, not more than \$25,000 of the



Cash Collateral may be made available to reimburse the Committee upon appropriate application therefor, for the Committee's fees and expenses in investigating the validity, priority, perfection, and enforceability of the Trustee's liens in the Pre-Petition Collateral.

### **Events of Default**

28. Each of the following shall be considered an Event of Default ("Event of Default") under the DIP Facility and the Interim Orders:

- (i) the failure to make payments on the DIP Loans as and when due;
- (ii) the failure of the Debtors to pay all of their administrative expenses in full in accordance with and subject to the terms as provided for in the Budget;
- (iii) the Interim Orders become stayed, reversed, vacated, amended or otherwise modified in any respect without the prior written consent of the DIP Lender and the Trustee, except by the Final Order;
- (iv) failure to meet any of the Bankruptcy Milestones or other covenants set forth in the Interim Orders (except such Bankruptcy Milestone in the First Interim Order that was modified by this Second Interim Order);
- (v) the occurrence of a termination event under a Plan Support Agreement (as defined in the DIP Credit Agreement) if and when the Debtors and the Trustee execute a Plan Support Agreement;
- (vi) the Debtors resolve the Landlord Action in a manner which is not consented to by the DIP Lender and the Trustee;
- (vii) the dismissal of the Chapter 11 Cases, conversion of the Chapter 11 Cases to chapter 7 cases, or suspension of the Chapter 11 Cases under section 305 of the Bankruptcy Code;
- (viii) the appointment of a chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in section 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code);
- (ix) the granting of relief from the automatic stay to permit foreclosure with respect to a material asset of the Debtors, by any entity other than the DIP Lender or Trustee on any Post-Petition Collateral;
- (x) the entry of an order granting any superpriority claim which is senior or *pari passu* with the DIP Lender and/or the Trustee pursuant to the Interim Orders;

- (xi) the payment of or granting adequate protection with respect to prepetition indebtedness of the Debtors other than as set forth in the Budget or as provided for in the Interim Orders;
- (xii) the cessation of Post-Petition Liens, Rollover Liens, Adequate Protection Payments, Supplemental Liens, Superpriority Claims, or Pre-Petition Superpriority Claim granted pursuant to the Interim Orders to be valid, perfected and enforceable in all respects;
- (xiii) the filing of any Challenge (as defined below) to the Pre-Petition Liens or Pre-Petition Collateral by the Debtors, or the Bankruptcy Court grants standing to the Committee or another third party to pursue such Challenge;
- (xiv) the payment of estate professional fees by the Debtors other than to the extent set forth in the Budget;
- (xv) the occurrence of an Event of Default under the DIP Credit Agreement; or
- (xvi) failure to pay the amounts due under the Interim Orders by the Maturity Date.

#### **Termination and Maturity**

29. Notwithstanding anything herein, the Debtors shall no longer, pursuant to the Interim Orders or otherwise, be authorized to borrow funds and/or use Cash Collateral for any purpose hereunder upon the earliest of (a) the occurrence of an Event of Default or (b) the Maturity Date (such earlier date, the “Termination Date”), provided, however, that the DIP Lender and/or Trustee shall provide five (5) business days (the “Default Notice Period”) written notice via email to counsel to the Debtors, the U.S. Trustee, counsel to Dallas County and counsel to the Committee of any Event of Default (the “Default Notice”) and the Debtors may continue to use Cash Collateral pursuant to the Budget for five (5) Business Days after receipt of such Default Notice while the Debtors or the Committee seeks an expedited hearing to contest whether an Event of Default has occurred (including the failure to meet a Bankruptcy Milestone), and the DIP Lender and the Trustee consent to the holding of such an expedited

hearing within five (5) business days of such a filing (collectively, the “Debtor Default Period Rights”).

30. Notwithstanding the occurrence of an Event of Default, the DIP Lender and/or Trustee may elect in writing not to terminate the Debtors’ authority to borrow funds and/or use Cash Collateral hereunder, as applicable, to waive defaults hereunder, to forbear from the exercise of rights and remedies hereunder and, subject to Bankruptcy Court approval and the approval of the DIP Lender, to modify the Maturity Date and any Event of Default. Any such continued extension of financial accommodations shall be without prejudice to the DIP Lender’s ability to terminate funding.

31. Notwithstanding the occurrence of an Event of Default or anything herein to the contrary, all of the rights, remedies, benefits and protections provided to the DIP Lender and the Trustee shall survive the Termination Date. Upon the Termination Date, the principal of and accrued interest and all other amounts owed to the DIP Lender under the DIP Loans shall be immediately due and payable.

### **Exercise of Rights**

32. (a) Subject to the Debtor Default Period Rights, without further order from the Bankruptcy Court, the automatic stay provisions of section 362 of the Bankruptcy Code are vacated and modified to the extent necessary to permit, upon the occurrence of any Event of Default, (i) the DIP Lender to cease making any advances under the DIP Facility, including the Initial DIP Loans, and (ii) upon entry of the Final Order, the DIP Lender, upon prior written notice to be filed with the Court, may exercise all of its rights and remedies under the DIP Credit Agreement or related documents.

(b) The DIP Lender and Trustee shall be entitled to apply the payments or proceeds

of the Post-Petition Collateral or the Pre-Petition Collateral as they deem appropriate, subject to the Permitted Liens, and the Carve-Out, and in no event shall the DIP Lender or the Trustee be subject to the equitable doctrine of “marshalling” or any other similar doctrine with respect to any of the Post-Petition Collateral or otherwise. In the event that it is determined by final order of the Court that the Trustee is not entitled under Bankruptcy Code section 506(b) to any postpetition interest, fees and expenses relating to the Bond Claim, then any payments or proceeds remitted to the Trustee shall reduce the Bond Claim held by the Trustee.

### **Release**

33. Subject to Paragraph 34 herein, as provided in the First Interim Order, the Debtors released the DIP Lender and the Trustee, all holders of the Bonds, and their respective affiliates, agents, attorneys, officers, directors and employees of all claims and/or causes of action by, and liabilities owing to, the Debtors arising out of or based upon or related to, in whole or in part, the Bonds, and any aspect of the prepetition relationship between the Trustee and the Debtors and any other acts or omissions by the Trustee in connection with either the Bond Documents or its prepetition relationship with the Debtors. Further, subject to Paragraph 34 herein, the Debtors and their estates waived any and all rights to object to or contest the amount of the Bond Claim or the Trustee’s security interests in the Pre-Petition Collateral and agreed that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens, subject and subordinate only to (a) Post-Petition Liens to the extent set forth herein, (b) Permitted Liens; and (c) the Carve-Out. For the avoidance of doubt, the waiver and stipulation set forth in this Paragraph 33 shall not affect the Committee’s rights under Paragraph 34 herein. This release provision is without prejudice to the U.S. Trustee’s

and/or the Committee's rights to object to the release on a final basis at the Final Hearing and all rights to object to the release on a final basis are reserved.

34. Investigation Period. Any party in interest (including the Committee, but excluding the Debtors) as to claims against the Trustee may file an adversary proceeding or contested matter (a "Challenge") (a) challenging the amount, validity, extent, enforceability, perfection or priority of the Bond Claim or the Pre-Petition Liens in respect thereof, or (b) otherwise asserting any claims or causes of action against the Trustee and/or holders of the Bonds on behalf of the Debtors' estates so long as any Challenge is made on or before June 20, 2022 (such period of time, the "Investigation Period"), provided further that the Investigation Period shall be subject to approval on a final basis. Any such Challenge brought after the conclusion of the Investigation Period shall be barred. If no Challenge is commenced by a party during the Investigation Period against the Trustee, and/or the holders of the Bonds, then as to such party, (a) the Bond Claim shall constitute an allowed claim, not subject to subordination or recharacterization and otherwise unavoidable, for all purposes in the Chapter 11 Cases and any subsequent chapter 7 case or cases, (b) the Pre-Petition Liens on the Pre-Petition Collateral shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise unavoidable, (c) the Trustee, the Bond Claim and the Pre-Petition Liens of the Trustee on the Pre-Petition Collateral shall not be subject to any other or further claims, causes of action or challenges by any party in interest including, without limitation, any successor thereto; and (d) the Trustee, all holders of the Bonds and their respective affiliates, agents, attorneys, officers, directors and employees, shall be deemed released of all claims and/or causes of action by the Debtors, the Committee, the Debtors' estates, all parties in interest, and any subsequently appointed trustee arising out of or based on

any facts or circumstances occurring prior to the date hereof; provided further that if one or more claims are timely under this Paragraph 34 and properly filed, then except for such claims, all other potential claims and causes of action are hereby deemed forever waived and barred. Notwithstanding the foregoing, no claims or cause of actions of any kind or nature may be asserted against the DIP Lender or the liens and claims granted to the DIP Lender under and/or related to the DIP Facility. Nothing in the Interim Orders shall be deemed to confer standing on the Committee or any other non-Debtor party-in-interest to commence a Challenge, and the Committee or other non-Debtor party in interest shall be required to move for standing and satisfy the applicable standard for obtaining standing to pursue estate causes of action; provided that a standing motion may be filed simultaneously with a Challenge.

35. Section 364(e); Section 506(c); Section 552(b). The DIP Lender shall be entitled to all of the benefits of section 364(e) of the Bankruptcy Code for all Initial DIP Loans. Except to the extent of the Carve-Out and, upon entry of the Final Order, no expenses of administration of the Chapter 11 Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Post-Petition Collateral, the Pre-Petition Collateral or collateral subject to Rollover Liens and Supplemental Liens, pursuant to section 506(c) or 552(b) of the Bankruptcy Code or any similar principle of law, without the prior written consent of the DIP Lender and the Trustee and no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Lender and/or the Trustee. **For the avoidance of doubt, and notwithstanding anything else in the Interim Orders, nothing in the Interim Orders shall be construed as a waiver of sections 506(c) or 552(b) of the Bankruptcy Code, with such waiver to be addressed at the time of the Final Hearing on the Motion.**

**Carve-Out**

36. In partial consideration of the Debtors' acknowledgement of the debt due and owing and the Debtors' waiver of any claims under sections 506(c) and 552(b) of the Bankruptcy Code (upon entry of the Final Order), the DIP Lender and Trustee consent to the payment of certain expenses and professional fees incurred during the pendency of these Chapter 11 Cases that shall be superior in all instances to the liens and claims of the DIP Lender and Trustee and all other parties (the "Carve Out"). For purposes hereof, the "Carve Out" means the sum of (a) an aggregate amount not to exceed the sum of: (i) the unpaid dollar amount of the fees and expenses of professionals retained by the Debtors or the Committee to the extent (A) incurred or accrued prior to the Termination Date and remaining unpaid and (B) provided for under the Budget, plus (ii) the dollar amount of the fees and expenses of the professionals retained by the Debtors to the extent incurred or accrued after the Termination Date in an aggregate amount not to exceed \$300,000, in each of (i) and (ii) to the extent allowed by the Bankruptcy Court at any time, whether by interim order, procedural order, or otherwise, plus (b) the statutory fees of the United States Trustee pursuant to 28 U.S.C. § 1930 and the fees of the Clerk of this Court plus any interest at the statutory rate, plus (c) reasonable fees and expenses up to \$25,000 incurred by the patient care ombudsman appointed in these Chapter 11 Cases; provided however that the Carve Out shall be subject to approval on a final basis and all parties reserve their rights to object or be heard regarding the same. Prior to the payment of such fees and expenses from the amount available under the Carve Out, such professionals shall first apply any retainers held by such professional to their allowed fees and expenses. Nothing herein shall constitute a waiver of any right of the DIP Lender or Trustee to object to fees and expenses of any professionals or to challenge any assertion that any amount of the fees and expenses remain unpaid (or the Debtors'

right to respond thereto). Except to the extent of and in consideration of the Carve Out, subject to entry of the Final Order, (a) no expenses of administration of the Chapter 11 Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the DIP Lender, the Trustee, the Pre-Petition Collateral, or the Post-Petition Collateral pursuant to section 506(c) of the Bankruptcy Code or a similar principal of law; and (b) the “equities of the case” exception under section 552(b) of the Bankruptcy Code is waived as to the DIP Lender, the Trustee, the Pre-Petition Collateral, and the Post-Petition Collateral. Any payment or reimbursement made in respect of any Carve-Out Expenses incurred by any Debtor Professional on or after an Event of Default shall permanently reduce the Carve-Out on a dollar for dollar basis.

### **Credit Bid**

37. The Debtors reaffirm that the DIP Lender and the Trustee have an absolute right to credit bid their respective obligations in any sale or other disposition of their respective collateral under the Bankruptcy Code.

### **Miscellaneous**

38. The Debtors shall execute and deliver to the DIP Lender and the Trustee as applicable, any and all such agreements, financing statements, instruments and other documents as such parties may reasonably request to evidence, confirm, validate or perfect the liens granted pursuant hereto. The Debtors are authorized to do and perform all acts, to make, execute and deliver all instruments and documents, including the DIP Loan Documents; provided, however, that the Interim Orders shall be sufficient and conclusive evidence of the validity, perfection, and priority of the Post-Petition Liens, Rollover Liens and Supplemental Liens to the DIP Lender and



Trustee, as applicable, without the necessity of filing or recording any financing statement, mortgage, notice, or other instrument or document which may otherwise be required under the law or regulation of any jurisdiction or the taking of any other action to validate or perfect the Post-Petition Liens, Rollover Liens and Supplemental Liens or to entitle those liens to the priorities granted herein

39. Based on the findings herein set forth, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of the Interim Orders are hereafter modified, amended or vacated by a subsequent order of this or any other Court, no such modification, amendment or vacation shall affect the validity and enforceability of any lien or priority authorized or created hereby. Notwithstanding any such modification, amendment or vacation, any claim granted to the DIP Lender and the Trustee hereunder arising prior to the effective date of such modification, amendment or vacation shall be governed in all respects by the original provisions of the Interim Orders and the DIP Lender and the Trustee shall be entitled to all of the rights, remedies, privileges and benefits, including the liens and priorities granted herein, with respect to any such claim.

40. Payments to the DIP Lender. The DIP Lender, up to the amounts set forth in the Budget, will be paid its monthly reasonable and documented fees, costs and expenses contemplated under the DIP Credit Agreement, including, without limitation, legal and other professional fees and expenses (the “DIP Lender Fees”). In the absence of a Termination Event, within ten (10) business days of the DIP Lender charging the DIP Loans for payment of DIP Lender Fees, the DIP Lender will submit a written statement to counsel to the Debtors, the Trustee, the Committee and the U.S. Trustee itemizing the DIP Lender Fees in reasonably sufficient detail that the DIP Lender charged against the DIP Loans, and such parties shall have

fourteen (14) days from the date of such statement to object to any amount in such statement. If the parties are unable to resolve an objection to a statement within a reasonable amount of time, any party subject to the dispute may seek resolution by motion from this Court. DIP Lender Fees shall be deemed allowed unless otherwise (i) agreed by the parties in writing, or (ii) ordered by the Court. The DIP Lender and their respective professionals shall not be required to comply with the U.S. Trustee Fee Guidelines or any other fee application and approval process. Upon a Termination Event, all DIP Lender Fees will be due and payable immediately.

41. Deemed Request for Stay Relief. The Interim Orders shall be deemed to constitute a request by the Trustee for relief from the automatic stay with respect to the Pre-Petition Collateral and for adequate protection as of the Petition Date and shall suffice for all purposes of section 507(b) of the Bankruptcy Code.

42. No Control. None of the DIP Lender, the Trustee or the holders of the Bonds shall be deemed to be in control of the operations of the Debtors or to be acting as a “responsible person,” “managing agent” or “owner or operator” (as such terms or any similar terms are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar Federal or state statute) with respect to the operation or management of the Debtors, notwithstanding any consent to the Interim Orders and extending financial accommodations of any type, kind or nature under the Interim Orders.

43. To the extent obligations remain due and owing under the DIP Loans, such obligations of the Debtors in respect of the DIP Loans shall not be discharged by the entry of an order confirming a plan of reorganization or a plan of liquidation in the Chapter 11 Cases, but rather shall be required to be paid in full on the effective date of such plan.

44. No Third Party Beneficiaries. The provisions of the Interim Orders shall be binding upon and inure to the benefit of the DIP Lender, the Trustee, the Debtors and their respective successors and assigns (including any trustee or other fiduciary hereafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors). No rights are created hereunder for the benefit of any third party, any creditor, or any direct, indirect or incidental beneficiary.

45. Modification of Stay. The automatic stay imposed by virtue of section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit (a) the Debtors to grant the Post-Petition Liens, the Rollover Liens and the Supplemental Liens to the DIP Lender and the Trustee, as applicable, (b) the Trustee to accept and receive disbursements and/or payments and to apply moneys pursuant to the Bond Documents, (c) the Parties to take any action specifically authorized or contemplated by the Interim Orders and implement the DIP Facility, including the DIP Lender's ability to exercise all of its rights and remedies under the DIP Credit Agreement or related documents as provided herein, and (d) all acts, actions, and transfers contemplated herein, including without limitation, transfers or application of cash collateral and other funds to the DIP Lender as provided herein;

46. Effectiveness. The findings of fact and conclusions of law contained in the Interim Orders shall take effect immediately upon the Effective Date. The liens and claims granted to the DIP Lender and the Trustee under the Interim Orders, and the priority thereof, and any payments made pursuant to the Interim Orders, shall be binding (subject to the terms of the Interim Orders) on the Debtors, any successor trustee or examiner, and all creditors of the Debtors, as provided in section 364(e) of the Bankruptcy Code.

47. Any notice required hereunder shall be served on:

(a) *counsel to the Debtors:*

POLSINELLI PC  
Attn: Bobby Guy  
401 Commerce Street, St. 900  
Nashville, TN 37219  
Bguy@polsinelli.com

(b) *counsel to the Trustee:*

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.  
Attn: Daniel S. Bleck  
One Financial Center  
Boston, MA 02111  
Dsbleck@mintz.com

(c) *the Office of the U.S. Trustee:*

Meredyth Kippes  
Earle Cabell Federal Building  
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48. Final Hearing. A final hearing with respect to the Interim Orders is hereby scheduled for May 26, 2022 at 9:30 a.m. CT, at which time any party in interest may present any timely filed objections to the entry of a final order (the “Final Order”). The Debtors shall:

a. Within 24 hours of the entry of this Second Interim Order, promptly serve a copy of the Second Interim Order and a notice of the final hearing by CM-ECF and regular mail upon the Notice Parties. Such notice shall state that objections to the entry of a Final Order shall be in writing and shall be filed with the United States Bankruptcy Clerk for the Northern District of

Texas no later than May 19, 2022 at 4:00 p.m. CT; provided, however, that the Landlord shall have until May 20, 2022 at 4:00 p.m. CT to file any such objection; provided, further, that the deadlines in this subsection shall be extended by one day for each day the filing deadline in subsection (b)(i) is not met;

b. On or before May 17, 2022, (i) file a proposed Final Order, Budget, and modifications, amendments, supplements, if any, to the DIP Credit Agreement, with the United States Bankruptcy Clerk for the Northern District of Texas and serve a copy of the same by CM-ECF upon the Notice Parties and (ii) provide any requested documentation supporting the Budget, to counsel for the Landlord, that the Debtors and the DIP Lender determine, in their discretion, to be reasonable; and

c. On or before May 23, 2022, file their Witness and Exhibit List with the United States Bankruptcy Clerk for the Northern District of Texas and serve a copy of the same by CM-ECF upon the Notice Parties.

Any objections by creditors or other parties in interest to any of the provisions of a Final Order incorporating the terms of the Interim Orders, or including any other or different provisions, may be deemed waived unless filed and served in accordance with this paragraph; provided that the parties may agree to modify any such deadlines within this paragraph without the need for court approval of such modification.

49. To the extent there exists any conflict between the Motion, any other motion, pleading, document, agreement or term sheet, any DIP Loan Document and the terms of the Interim Orders, the Interim Orders shall govern and control.

50. Notwithstanding anything contained herein to the contrary, nothing herein shall affect the rights of the Texas Health and Human Services Commission from exercising its rights

of recoupment, but the Debtors or any trustee subsequently appointed shall retain its right to exhaust administrative remedies to contest the dollar amount of any recoupment(s) effectuated.

### END OF ORDER ###

**Exhibit 1**

**Budget**

Edgemere  
4-Week Cash Flow

Week Number:	1	2	3	4	Total
Week Ended:	5/8/2022	5/15/2022	5/22/2022	5/29/2022	4-Weeks
Total Operating Receipts	\$ 501,566	\$ 1,480,971	\$ 248,019	\$ 549,471	\$ 2,780,027
Operating Disbursements					
Salaries & Wages	533,095	1,565	504,342	1,565	1,040,568
Employee Benefits & Taxes	72,521	-	173,229	11,043	256,792
Culinary	188	-	232,882	-	233,069
Environmental Services	3,917	3,570	2,146	17,557	27,190
General & Administration	220,721	44,498	46,723	59,279	371,220
Leisure Services	8,566	3,538	2,319	16,941	31,365
Plant	62,109	32,358	75,101	79,857	249,425
Skilled Nursing	16,871	14,427	6,399	116,391	154,087
Ground Lease	-	-	-	-	-
Home Office Allocation	-	-	-	-	-
Other Disbursements <sup>1</sup>	1,291	1,703	370	2,221	5,585
Total Operating Disbursements	919,278	101,659	1,043,510	304,856	2,369,302
<b>Net Cash from Operations</b>	<b>(417,712)</b>	<b>1,379,312</b>	<b>(795,490)</b>	<b>244,615</b>	<b>410,725</b>
Non-Operating/Bankruptcy Receipts/(Disbursements)					
Capital Expenditures	(27,554)	(49,654)	(49,654)	(49,654)	(176,517)
Restructuring Professional Fees - Company	-	-	-	-	-
Restructuring Professional Fees - Bondholder	-	-	-	-	-
Restructuring Professional Fees - UCC	-	-	-	-	-
Independent Director Fees	-	-	-	-	-
Utility Deposit	-	-	-	-	-
UST Fees	-	-	-	-	-
Entrance Fee Refunds Paid	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ (445,266)</b>	<b>\$ 1,329,658</b>	<b>\$ (845,145)</b>	<b>\$ 194,960</b>	<b>\$ 234,207</b>
Cash Rollforward					
Beginning Cash and Investments	\$ 1,903,336	\$ 1,458,070	\$ 2,787,728	\$ 1,942,583	\$ 1,903,336
Net Cash Flow	(445,266)	1,329,658	(845,145)	194,960	234,207
DIP Borrowing	-	-	-	-	-
<b>Ending Cash and Investments</b>	<b>\$ 1,458,070</b>	<b>\$ 2,787,728</b>	<b>\$ 1,942,583</b>	<b>\$ 2,137,543</b>	<b>\$ 2,137,543</b>
<i>Average Daily Cash Requirement</i>	<i>80,636</i>	<i>80,636</i>	<i>80,636</i>	<i>80,636</i>	<i>80,636</i>
<i>Days Cash on Hand</i>	<i>18</i>	<i>35</i>	<i>24</i>	<i>27</i>	<i>27</i>
DIP Loan Facility					
Beginning Balance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Borrowing	-	-	-	-	-
<b>Ending Balance</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>

1. Other Disbursements includes assisted living, memory support, taxes, and COVID related disbursements.