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JACKSON WALKER LLP
Michael S. Held (State Bar No. 09388150)
Jennifer F. Wertz (State Bar No. 24072822)
J. Machir Stull (State Bar No. 24070697)
2323 Ross Ave., Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6000
Facsimile: (214) 953-5822

Counsel for Intercity Investment Properties, Inc.

LEVENFELD PEARLSTEIN, LLC
Eileen M. Sethna, Esq. (admitted *pro hac vice*)
Harold D. Israel, Esq. (admitted *pro hac vice*)
Elizabeth B. Vandesteeg, Esq. (admitted *pro hac vice*)
2 North LaSalle St, Suite 1300
Chicago, Illinois 60602
Telephone: (312) 346-8380
Facsimile: (312) 346-8634

Counsel for Intercity Investment Properties, Inc.

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

In re:	)	Chapter 11
NORTHWEST SENIOR HOUSING CORPORATION, *et al.*[1]	)	Case No. 22-30659 (MVL)
	)	(Jointly Administered)
Debtors.	)	

INTERCITY INVESTMENT PROPERTIES, INC.'S REPLY IN SUPPORT OF MOTION TO DISMISS CHAPTER 11 CASES UNDER 11 U.S.C. § 1112(b)

Intercity Investment Properties, Inc. (the "Landlord") hereby files this reply (the "Reply") in support of its *Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112* (the "Motion")[2] [Dkt. No. 541] and in response to the (i) *Trustee's Objection to Intercity Investment Properties, Inc.'s Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112(b)* (the "UMB Objection") [Dkt. No. 622]; (ii) (a) *Debtors' Preliminary Objection to Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112(b)* (the "Debtors' Prelim. Objection") [Dkt. No. 564] and (b) *Debtors' Objection to Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112(b)* (the "Debtors'

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are Northwest Senior Housing Corporation (1278) (the "Edgemere") and Senior Quality Lifestyles Corporation (2669) ("SQLC"). The Debtors' mailing address is 8523 Thackery Street, Dallas, Texas 75225.

[2] Capitalized terms not defined herein bear the meanings attributed to them in the Motion.

Objection") [Dkt. No. 624]; and (iii) *Objection of the Official Committee of Unsecured Creditors to Intercity Investment Properties, Inc.'s Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112(b)* [Dkt. No. 627];[3] (the "Committee Objection," and collectively with the Debtors' Prelim. Objection, Debtors' Objection, and the UMB Objection, the "Objections"). In support of this Reply, the Landlord submits the *Declaration of Daniel S. Polsky in Support of Reply in Support of Motion to Dismiss* (the "Polsky Decl.") attached hereto as **Exhibit A**, and states:

PRELIMINARY STATEMENT

1. The Motion is predicated on two simple facts. First, the Plan is patently unconfirmable because there is no legal basis for either "Successful Outcome," and, second, the Debtors lack sufficient funding to reach such outcome. Stripping away the rhetoric of the Objections, neither of these facts has been refuted. While replete with insults, the Objections cite neither to statutory authority nor to case law to permit: (i) judicial blue-penciling of either the length or payment terms of the Lease; or (ii) equitable subordination of postpetition and post-Effective Date rent payments due under the Lease. Further, the Debtors freely admit that they do not have a current commitment for financing beyond December 31, 2022.

2. The situation has only worsened in the weeks since the Motion was filed. The Debtors have now submitted expert reports in the Adversary Proceeding, in which they not only concede that the Lease and their entrance fee model are incompatible, but also that the potential damages caused by the Defendants' alleged misconduct[4] is a mere fraction of the staggering financial burden that the Debtors seek to impose on the Landlord in form of their "Successful Outcome."

[3] The Debtors, the Trustee, the DIP Lender, and the Committee are referred to collectively as the "Objecting Parties."

[4] The Defendants deny all allegations that their conduct caused any damages to the Debtors.

3. Despite these admissions, the Debtors nonetheless continue to argue that it would be in the best interests of creditors to have them continue to squander the dwindling resources pursuing an unconfirmable Plan premised on the continuation of a business model (and a Lease) that their own expert and financial advisor has now affirmatively stated does not and cannot work with the Lease. These Cases should be dismissed.

ARGUMENT

4. Left without any substantive arguments, the Objecting Parties instead complain of Landlord's "scorched earth" tactics, seemingly forgetting that the Debtors themselves (with the Trustee's consent) are the ones who (i) unilaterally stopped paying timely rent during the period between September 2021, and March 2022; (ii) filed an aggressive seven-count Adversary Proceeding on April 14, 2022, seeking extraordinary and unprecedented relief; (iii) refused to timely pay postpetition rent until required to by the Court in these Chapter 11 Cases (and then only into escrow, rather than to the Landlord); and (iv) filed the patently unconfirmable Plan—all in what can only be described, most generously, as a continued attempt to bully the Landlord into a substantial financial contribution to a restructuring that it has no obligation (legal, equitable, or otherwise) to support. The Debtors' allegation that the Landlord's litigation tactics are designed to make these Cases as expensive as possible (Debtors' Objection at footnote 5) simply flies in the face of reality.

5. In the Expert Report of Chad J. Shandler of FTI Consulting (the "FTI Expert Report"), Mr. Shandler unambiguously concludes that the Lease and the entrance fee model are incompatible. The Defendants' expert agrees. In the Plan, either of the Debtors' "Successful Outcomes" in the Adversary Proceeding would impose actual financial damages on the Landlord well in excess of one hundred fifty million dollars ($150,000,000.00), in the form of future rent concessions and lost opportunity costs. Yet the expert report submitted by the Debtors' damages

expert, K. Scott Van Meter of B. Riley Advisory (the "B. Riley Expert Report", and collectively with the FTI Expert Report, the "Debtors' Expert Reports"), concludes that (assuming that the Debtors win on liability on all counts) potential damages arising from the Defendants' alleged misconduct are only a small fraction of the overall contribution the Debtors are seeking to extract from the Landlord through the guise of a "Successful Outcome." The B. Riley Expert Report provides clear evidence that the Plan seeks to take far more from the Landlord than the Debtors could ever claim to be owed, even if there were "brazen attempts to destabilize the Edgemere" (Debtors' Objection at ¶ 23), which of course there were not.[5]

6. Unless the Debtors are ready to pivot, now is clearly the appropriate time to consider dismissal of these Cases. It is simply not in the best interests of any creditor for the Debtors to proceed down the path of the current Plan, especially given that (i) the Objections cite no relevant authority to support the substantive relief the Debtors seek in the Adversary Proceeding; and (ii) the Debtors' admit that they lack a commitment for financing past December 31, 2022. While the Trustee and the Committee refer to hypothetical alternatives, (Committee Objection at ¶ 11; UMB Objection at ¶ 7) no such alternatives have been presented.[6]

7. Beyond being in the best interest of creditors, further cause for dismissal exists on the basis of the Debtors' continued failure to timely pay their mounting accrued liabilities, which

[5] Similarly, unsubstantiated, baseless, and unproven allegations such as those in paragraph 30 of the Debtors' Objection should be disregarded in their entirety as they are not relevant to the Motion. Likewise, the Defendants categorically deny the misleading and untrue misstatements in note 9 of the Debtors' Objection, as the Defendants did not provide any confidential information to the Dallas Morning News. The critique of the Debtors' entrance fee model was based solely on the ample public information on this issue (and has been bolstered by Mr. Shandler's expert report).

[6] On information and belief, the Committee presented a form of Non-Disclosure and Hold Harmless Agreement to Lifespace, the Edgemere, and UMB, seeking their consent to enter into the agreement to speak with the Landlord about a contingency plan, but the Committee was denied authority to speak with the Landlord under the trappings of such an agreement. As such, the Committee's abilities and duties under 11 U.S.C. § 1103(b) have been impeded by the Debtors.

do not even reflect Debtors' counsel's unrevealed, but no doubt substantial, accrued professional fees.[7]

A. There is No Case Law Supporting the Possibility of a "Successful Outcome"

8. Invited to present any legal basis to obtain a Successful Outcome in the Adversary Proceeding, either by (i) unilaterally rewriting the Lease in contravention of §§ 365 and 1124 of the Bankruptcy Code; or (ii) using equitable subordination to address postpetition and post-effective date rent obligations under the Lease, the Objecting Parties declined.

9. Instead, the Debtors offer nothing more than the Court's *Order Granting in Part the Defendants' Motion to Dismiss the Complaint for Failure to State a Claim* (the "August 24 Order") entered in the Adversary Proceeding. The August 24 Order, however, makes no substantive findings of fact or legal conclusions relating to the Debtors' claims in the Adversary Proceeding. [AP Dkt. No. 99]. The inescapable conclusion is that a "Successful Outcome" is not legally possible, rendering the Plan unconfirmable and requiring dismissal of these Cases.[8]

B. There is No Commitment to Renew the DIP Facility

10. The current DIP Facility matures on December 31, 2022.[9] Despite the Debtors' statement that they are negotiating additional financing with the DIP Lender (Debtors' Objection

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[7] Debtors' counsel has failed to timely file fee applications as the Court required in its *Order Establishing Procedures for Interim Compensation and Reimbursement of Professionals* (the "Interim Compensation Order"), [Dkt. No. 401].

[8] Conceding the unconfirmability of the Plan similarly establishes that the Plan was filed in bad faith in violation of § 1129(a)(3). Contrary to the Committee's contention, (Committee Objection at ¶ 8) the Motion does not make a Successful Outcome less likely. As set forth in the Motion, the Successful Outcome was not possible in the first place, which is precisely why the Motion was filed. Similarly, in response to the UMB Objection at paragraph 6, unlike the Debtors, the Committee, and perhaps the Trustee, the Landlord has no duty or obligation to any other parties in these Cases. The Landlord, however, has a strong incentive for the Edgemere community to operate under an economically viable model as opposed to the current entrance fee model.

[9] *See Final Order Authorizing Debtors in Possession to Obtain Post-Petition Financing; (2) Authorizing Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; and (4) Granting Liens, Security Interests and Superpriority* Claims (the "Final DIP Order") at ¶ R. [Dkt. No. 421].

at ¶ 31) they have not presented a firm commitment to the Court showing that such funding will be made, or that it will be sufficient. In fact, quite to the contrary, UMB's counsel approached the podium not once, but twice, at the hearing on September 12, 2022, to report to the Court that no commitment had been made. *See* (Excerpt of September 12, 2022, Hearing Transcript at p. 54:24-55:09, 65:21-67:18) attached hereto as **Exhibit B**.

11. It also should not be assumed that such a commitment will be forthcoming. As set forth in each of the Official Statements issued in connection with the 2015A, 2015B and 2017 bonds under the heading "Security Interest Securing the Notes is of Limited Value":

> The lien on the leasehold estate and lien on property granted under the Master Indenture provides *limited* security. Little property that is subject to the liens consist of general purpose buildings suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the property, and, upon a default, the Bond Trustee or the Master Trustee may not obtain an amount equal to the aggregate liabilities of the Obligated Group (including liabilities in respect of the Bonds then outstanding) from the sale or lease of the property . . ..
>
> If an event of default does occur under the Master Indenture, it is uncertain that the Master Trustee or the Bond Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Bonds . . ..

See (Excerpt from Official Statement related to $21,695,000 Tarrant County Education Facilities Finance Corporation – Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project Series 2017)) attached hereto as **Exhibit C**.[10]

[10] *See also Official Statement related to $53,600,000 Tarrant County Cultural Education Facilities Finance Corporation – Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015A* at 19 (same) (available at https://emma.msrb.org/ER877701-ER685728-ER1087371.pdf (last visited September 19, 2022))*; Official Statement related to $40,950,000 Tarrant County Cultural Education Facilities Finance Corporation – Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015B* at 19 (same) (available at https://emma.msrb.org/EA714188-EP667681-EP1069462.pdf (last visited September 19, 2022)).

12. It therefore cannot be assumed that the DIP Lender would be willing to make, in effect, an unsecured loan, to continue financing these Cases. Moreover, while the Court expressed concern at the September 12, 2022, hearing on the Landlord's Motion to Stay the Disclosure Statement Hearing about the Debtors being in default under the DIP Facility, [11] under the unique circumstances of these Cases, the Court need not be concerned.

13. First, upon information and belief, the DIP Lender has not issued any default letters to the Debtors, despite their numerous violations of the DIP Order.[12] Second, foreclosure is not an option because of the very limited value of the Trustee's collateral, and the Trustee is in no position to foreclose on its leasehold interest. It cannot operate the Edgemere as it does not, upon information and belief, have the necessary licenses to operate a CCRC under Texas law. The Debtors (and all other creditors) simply do not have to be concerned about the DIP Lender or Trustee taking enforcement action on their collateral under the unique circumstances of these Cases. UMB is a *de facto* unsecured creditor.

C. The Debtors Lack Sufficient Funds to Reach their "Successful Outcome" Without Additional Financing

14. The Debtors cannot dispute that they have been accruing certain liabilities at alarming rates:

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[11] *See* (Excerpt of September 12, 2022, Hearing Transcript at p. 51:3-7; 53:12-13, 24) attached hereto as **Exhibit D**.

[12] *See, e.g.*, (Final DIP Order at ¶ 22) (requiring filing of plan and disclosure statement by July 13, 2022, and other related deadlines). These deadlines were retroactively cured on July 18, 2022, when the requirement to file a plan was extended to July 18, 2022. [Dkt. No. 463]. This extended deadline was ignored by the Debtors as they did not file a Plan until August 3, 2022, again, to Landlord's knowledge, without the DIP Lender issuing a default letter. Finally, upon information and belief, the Debtors have also failed to comply with paragraph 21(i) of the Final DIP Order (complying with the Budget within permitted variances) during most of these Cases without any repercussions.

Category	May	June	July
DIP	$ 1,213,111.00	$ 1,221,444.00	$ 2,840,722.00
Postpetition AP	$ 677,379.00	$ 2,154,846.00	$ 1,944,048.00
Accrued Professional Fees[13]	$ 1,780,000.00	$ 2,821,091.00	$ 4,145,480.00
Accrued Payroll	$ 1,203,306.00	$ 991,722.00	$ 823,566.00
Accrued Property Taxes	$ 1,123,866.00	$ 1,304,724.00	$ 1,485,582.00
Due to Residents	$ --	$ --	$ 585,000.00
Due to Affiliates	$ --	$ --	$ 963,190.00
Total	**$ 5,997,662.00**	**$ 8,493,827.00**	**$ 12,787,588.00**

See Northwest Senior Housing Corporation Monthly Operating Report for the Month of May 2022 [Dkt. No. 413] (the "May MOR"); *Northwest Senior Housing Corporation Monthly Operating Report for the Month of June 2022* [Dkt. No. 472] (the "June MOR"); *Northwest Senior Housing Corporation Monthly Operating Report for the Month of July 2022* [Dkt. No. 576] (the "July MOR," referred to collectively with the May MOR and June MOR as the "MORs").

15. Counsel for the Landlord contacted Debtors' counsel via email correspondence on August 29, 2022, requesting further information on the accruals. Despite the Landlord's repeated follow up requests for explanations on September 7, 2022, and September 13, 2022, the Debtors, for the most part, rebuffed this request. *See* (email chain between counsel for Landlord and Debtors) attached hereto as **Exhibit E**.

16. The Objecting Parties do not contest that ten million one hundred thousand dollars ($10,100,000.00) is woefully insufficient to reach a Successful Outcome. As evidenced by the amended budget (the "Amended Budget"), [Dkt. No. 546] the DIP Loan draws are projected to total $7.5 million, without recognition of either accrued unpaid interest (for seven months through November 13, 2022), or DIP origination fees, through the end of the Amended Budget (beginning

[13] The true amount of accrued professional fees is unknown because, as the Debtors state, "[c]ounsel for the debtors will submit the first interim fee application as required" (Debtors' Objection at ¶ 28) as opposed to pursuant to the terms of the Interim Compensation Order.

August 15, 2022, and ending November 13, 2022, the "Amended Budget Period"). This leaves the Debtors with just over $2.0 million in undrawn availability under the DIP Loan on November 13, 2022, with $2.0 million in real estate taxes that must be paid on or before January 31, 2023, to avoid not being delinquent.

17. Instead, the Debtors' ironically attack the Landlord's solvency analysis in summary fashion with explanations that, on their face, defy logic. As discussed below, not one of the attacks changes the fact that, as of the date of this Reply, the Debtors are (i) near or already administratively insolvent; and (ii) lack sufficient funds to continue operating in chapter 11 through a trial on the Adversary Proceeding.

D. The Debtors Will Be Administratively Insolvent Prior to the Trial on the Adversary Proceeding

18. Since filing the Motion, the Debtors' financial situation has continued to deteriorate. The Debtors cavalierly claim that this is just fine, because "most debtors in possession lose money" and because "[o]perating losses are not atypical in chapter 11. . .." *See* (Debtors' Prelim. Objection at ¶ 9); (Debtors' Objection at ¶ 19). In other words, the Debtors ask the Court to turn a blind eye to the very real and continuing losses the Debtors have and will sustain during these Cases.

19. The MORs show that through July 2022, the Debtors already lost eleven million nine hundred sixty-two thousand one hundred sixty-five dollars **(**$11,962,165.00) since the Petition Date. *See* (July MOR at p. 14). The Amended Budget conveniently ends on November 13, 2022, instead of the month-end. This is no doubt by design, as that week is by far the Debtors' normal highest-collections week of the month. Thus, the Amended Budget ends at its intramonthly cash high-water mark. The Debtors do not show how they will get through the December 31, 2022,

DIP Loan termination date, given their ongoing losses, or how or when they will fund and pay their taxes.[14]

20. As set forth on Exhibit 1 to the Polsky Decl., (the "Edgemere Administrative Insolvency Analysis"), the Debtors' own projections result in the estates being administratively insolvent by approximately eight million four hundred thirty-eight thousand nine hundred thirty dollars ($8,438,930.00) at the conclusion of the Amended Budget Period. *See* (Polsky Decl. at ¶ 17).

21. The Edgemere Administrative Insolvency Analysis is based entirely on the Debtors' public filings. *Id.* at ¶¶ 8, 11. The Landlord does not have access to the Debtors' financial information beyond these filings, and constructed its analysis based upon the most conservative numbers available. *Id.* at ¶¶ 12-13. While the Debtors take umbrage at a creditor questioning their ability to pay postpetition claims, (Debtors' Objection at n. 5) the Bankruptcy Code is designed to allow any party in interest to raise the issue of administrative solvency with the Court. In fact, the Committee shares the Landlord's concerns about the Debtors' solvency. *See* (Committee Objection at ¶ 12).

22. Regardless, the Debtors miss the point. They argue that the *Plan* will provide sufficient financing (through deferred management fees and cash infusions) to cure their insolvency issues, assuming that they will survive long enough to reach a Successful Outcome, which ironically, is the condition precedent for the financing. Such result is highly unlikely for the reasons set forth in the Motion, the Expert Reports, and this Reply.

[14] Not coincidentally, the budget (the "DIP Budget," referred to collectively with the Amended Budget as the "Budgets") attached to the Final DIP Order presented the same gerrymandered picture of the Debtors' financial picture.

23. The Edgemere Administrative Insolvency Analysis is based upon the condition of the Debtors' estates at the end of the Amended Budget Period—which concludes long before the trial date in the Adversary Proceeding. This analysis demonstrates that the Debtors, whose aggregate cumulative net cash flow through November 13, 2022, will be negative—approximately six million four hundred seventy-six thousand eight hundred ninety dollars ($6,476,890.20)—will be administratively insolvent by more than eight million four hundred thousand dollars ($8,400,000.00) by mid-November 2022. (Polsky Decl. at ¶¶ 10, 17).

24. In response to the Debtors' specific comments stated at paragraph 29 of their Objection:

(a) The Debtors assert that they have collected six million five hundred thousand dollars ($6,500,000.00) in net entrance fees through July 2022, with more to come through November. New entrance fees that have or will be collected must be placed into Escrow for the benefit of new residents. Those funds are not part of the estates and on information and belief, are paid into and held in escrow at the direction of the Attorney General of Texas and the Texas Department of Insurance. As disclosed by the Debtors, these escrowed entrance fees can only be released to the Debtors upon a triggering event—consummation of a restructuring or refinancing of all the Debtors' bond debt. *See* [Dkt. No. 18, Ex. B]. If this triggering event cannot occur, those funds would be unavailable to assist the Debtors at the end of the Amended Budget Period.

(b) The real estate taxes are due and payable on October 1, 2022[15] and are therefore properly reflected on the Edgemere Insolvency Analysis. The fact that the real estate taxes are not deemed delinquent if not paid by January 31, 2023, does not change the fact that they will have fully accrued at the end of the Amended Budget Period in mid-November 2022.

(c) The Edgemere Administrative Insolvency Analysis accounts for both (i) the accrued, escrowed rent payments in equal and offsetting amounts, assuming that rent amounts (plus late fees) are paid currently into escrow. This issue

[15] *See* Tax Online | Statements, Billing & Payments (dallascounty.org) (last visited September 18, 2022).

will not be resolved as of mid-November. Regardless, the funds in escrow do not belong to the Debtors.

(d) According to the Debtors' Schedule of Assets and Liabilities, their fixed assets are worth approximately one million five hundred sixty-eight thousand dollars ($1,568,000.00). *See* [Dkt. No. 240 at Schedule A/B, Part 7]. These are net book values (cost less depreciation) and not reflective of what could be generated in a liquidation. Attributing a conservative liquidation value of 30% of this amount, given that liquidation values typically fall in the range of 10-15% of book value, is entirely reasonable. Even if capital expenditures could be made today to increase the value of the furniture, recoveries would be unlikely to reach the Landlord's conservative estimate, and would not make a material difference in the analysis when weighed against the liabilities outstanding against the Debtors.

(e) Similarly, without explanation, the Debtors allege that November expenses are overstated. Even if true, any such overstatement is trivial given the Debtors' overall financial picture.

(f) Finally, the Debtors argue that the Edgemere Administrative Insolvency Analysis includes five hundred eighty-five thousand dollars ($585,000.00) in amounts due to residents relating to *postpetition entrance fees* received and deposited in escrow. Once again, escrowed funds are not presently available to pay administrative expenses. Further, to the Landlord's knowledge, no new residents have moved into the Edgemere since the Petition Date, making this assertion irrelevant.

*See (*Polsky Decl. at ¶¶ 11-16).

25. In summary, without a substantial additional DIP Loan, the Debtors either are or will be administratively insolvent long before any party will be required to infuse cash pursuant to the Plan. Further, given the highly contingent nature of the proposed financing, it is likely that the cash infusion will never be made, constituting cause to dismiss these Cases.

E. The Lack of Alternatives to the Plan Supports Dismissal

26. The Objecting Parties spend significant time asserting that the Motion should be denied simply because they believe the Motion is premature, on the basis that these Cases are too

nascent or "embryonic," to dismiss, or that the Motion is simply a Plan objection that should be held in abeyance until the Adversary Proceeding has been fully resolved.

27. The Debtors, supported by the other Objecting Parties, assert that the Motion is premature because they have the right to amend the Plan and propose alternative paths for reorganizing (without disclosing any viable alternatives to the Court or the Landlord) as often as they wish, which presupposes that the Debtors should be allowed to file *multiple* unconfirmable plans in these Cases. *See* (Debtors' Objection at ¶¶ 18, 23, 24).

28. While technically true, given the Debtors' Expert Reports, this is no longer the case unless the Debtors are willing to abandon the entrance fee model. This model is incompatible with the Lease, which cannot be rewritten. Moreover, any alleged damages on account of the Defendants' conduct are not in the same orbit as those contemplated by the Plan, including the Projections.

29. The Debtors seem to argue that dismissal is only appropriate after the Debtors have tried and failed numerous times to propose a confirmable Plan. (Debtors' Objection at ¶ 24) (conceding the proposition that cause *does* exist to dismiss a chapter 11 case where the plan is contingent on speculative litigation outcomes, while attempting to distinguish cases cited by the Landlord on the basis that the debtors in some of those cases filed as many as five amended plans before their cases were ultimately dismissed or converted). This should not be permitted in these Cases.

30. If the Debtors are holding back an alternate plan that recognizes reality and actually complies with the Bankruptcy Code, they should release it immediately and stop wasting the time of this Court and creditors in these Chapter 11 Cases.

31. The Objections are otherwise misguided. Section 1112(b) contains no timing threshold before a chapter 11 case can be converted or dismissed. The Chapter 11 Cases have been pending for over five months, and the Debtors have filed a Plan (albeit an unconfirmable one). Their own reports and projections show that they are losing—and will continue losing—money at a high rate, and the Debtors do not presently have a commitment to fund these Cases beyond December 31, 2022. Without a meaningful alternative to the Plan, these Cases must be dismissed.

F. Dismissal is in the Best Interests of Creditors & the Debtors' Estates

32. The Objections mischaracterize the application of the "best interests" test in an attempt to avoid the mandatory nature of § 1112(b) which states that, where cause exists to dismiss a case, the Court "***shall*** convert a [chapter 11 case] to a case under chapter 7 or dismiss [the chapter 11 case], whichever is in the best interests of creditors and the estate," unless the Court concludes that appointing a chapter 11 trustee or examiner to be in the best interests of creditors and the estate. *See* 11 U.S.C. § 1112(b)(1); *see also In re Reserves Resort, Spa & Country Club LLC*, Case No. 12-13316 (KG), 2013 WL 3523289 at *2 (Bankr. D. Del. July 12, 2013).

33. The Debtors' hand wringing over the Motion's brevity regarding the best interests of creditors in these Cases is a distraction.[16] The Debtors reference case law discussing various factors courts have considered when exercising their discretion to dismiss or convert a chapter 11 case as though § 1112(b) requires that the Landlord discuss each of these factors. It does not.

34. Nor do the Debtors explain how the authority they cite to supports their position, failing to offer any concrete facts supporting their contention that creditors' interests are best served by allowing these Cases to continue. Similarly, the UMB and Committee Objections offer

[16] The Debtors' claim that the Landlord has somehow forfeited its arguments with respect to the best interests of creditors test is similarly unfounded. (Debtors' Objection at ¶ 35). The Landlord has established grounds for dismissal under § 1112(b) of the Bankruptcy Code and has cited ample authority in support of the relief sought in the Motion.

no substantive reasoning in support of their assertions that dismissal is not in the best interests of creditors.

35. The law is settled on this point. Where cause is established under § 1112(b), the Court has broad discretion to determine the appropriate remedy from those available to it. *See In re Koerner*, 800 F.2d 1358, 1367 (5th Cir. 1986); *In re Page*, 118 B.R. 456, 459 (Bankr. N.D. Tex. 1990). While the factors referenced by the Debtors may aid the Court in reaching a conclusion as to the appropriate remedy in a given case, "[t]here is no bright line test to determine whether conversion or dismissal is in the best interest of creditors and the estate. The decision is left to the Court's discretion." *In re Ozcelebi*, 639 B.R. 365, 425 (Bankr. S.D. Tex. 2022) (citing *In re Fleetstar LLC*, 614 B.R. 767, 781 (Bankr. E.D. La. 2020); *In re Babayoff*, 445 B.R. 64, 81 (Bankr. E.D.N.Y. 2011)).

36. When considering the facts of these Cases and the options available to the Court, dismissal is the natural and best outcome for all stakeholders. First, conversion to chapter 7 is not an option without the Debtors' consent given the Debtors' status as a not for profit. 11 U.S.C. § 1112(c). Second, as addressed in the Motion and this Reply, there does not appear to be an exit from chapter 11 for the Debtors without rewriting the Bankruptcy Code. Rather than allowing the Debtors to waste more time and expense leading up to the inevitable implosion of their estates, further harming the ability of creditors to recover their prepetition losses, these Cases should be dismissed, allowing for an orderly transition of the Edgemere to a use that is economically feasible, and for creditors to pursue their contractual and other substantive rights against the Debtors outside of bankruptcy.

G. The Plan Cannot Be Used as a Vehicle to Enrich Lifespace at the Expense of All Unsecured Creditors

37. As stated in the Motion, this is in an issue for confirmation. Nonetheless, the cases cited by the Debtors are clearly distinguishable and do not support their baseless contention that the absolute priority rule is not applicable in these Cases. *See, e.g. In re Otero Cty. Hosp. Ass'n*, 2012 WL 5376623, Case No. 11-13686-JA (Bankr. D.N.M. 2012) (mere confirmation order for a non-profit company; no substantive discussion regarding the absolute priority rule); *In re Gen. Teamsters, Warehouseman and Helpers Union Local, 890*, 225 B.R. 719, 736-37 (Bankr. N.D. Cal. 1998) (not applicable as the non-profit debtor was a teamsters union which, by its nature, could not have corporate members or equity holders); *Matter of Wabash Valley Power Ass'n,* 72 F.3d 1305 (7th Cir.1995), *cert. denied*, 519 U.S. 965 (1996) (a case that has since been abrogated, the debtor at issue was a non-profit cooperative providing public utility services that had individual members that did not exercise direct control over the debtor, they were merely entitled to vote for board members, and did not share in the profits of the debtor).

38. While *In re Independence Village, Inc.*, 52 B.R. 715 (Bankr. E.D. Mich. 1985) could be interpreted to support the Debtors' argument, it is factually distinct. In *Independence Village*, the court's analysis was in the context of a motion seeking relief from the automatic stay, not a plan, and mentions in *dicta* that it did not foresee issues with the absolute priority rule in that case, because of the debtor's non-profit status. *Id*. at 726. The court was not required to, and did not, engage in a meaningful analysis of the absolute priority rule and therefore is not applicable to these Cases.

39. As the saying goes, "if it looks like a duck, walks like a duck, and quacks like a duck, it is a duck." In these Cases, Lifespace is admittedly the Debtors' *de facto* equity holder. Lifespace is an insider of each of the Debtors as their sole corporate member; is identified as the

Sponsor under the Plan; is the sole party in control of the Debtors; and will reap considerable financial benefits under the Plan, to the tune of twenty million dollars ($20,000,000.00) paid for from the Debtors' "Excess Cash," meaning that in effect, Lifespace is entitled to receive the profits of the Debtors' business.[17]

40. As the Supreme Court noted in *Bank of Am. Nat. Tr. & Sav. Ass'n v. 203 N. LaSalle St. P'ship*, the reason for instituting the absolute priority rule was to avoid giving insiders an unfair advantage in the reorganization process. 526 U.S. 434, 444 (1999). Indeed, the logic of cases that *have* held non-profit debtors can be excused from complying with the absolute priority rule is based on facts where a non-profit debtor has individual members (such as a co-op or labor union) incapable of exercising direct control over the debtor, and who do not share in the debtor's profits. *See In re Castleton Plaza, LP*, 707 F.3d 821, 822-23 (7th Cir. 2013) (concluding that the absolute priority rule is violated where insiders are given preferential treatment under a plan even though they do not hold equity in the debtor); *see also In re Eastern Maine Electric Cooperative, Inc.*, 125 B.R. 329 (Bankr. D. Me. 1991) (absolute priority rule applied to non-profit debtor, a utility cooperative, where debtor's members had rights to recover patronage capital from the debtor's operations).

41. The Debtors' relationship to Lifespace is far more than one of loose association without profit-making motives. To the contrary, Lifespace operates the Debtors hand-in-glove, maintaining absolute control over the Debtors and their operations, and ultimately preserving and profiting off their contractual relationship under the terms of the Plan. The absolute priority rule clearly applies in these Cases.

[17] *See* (Plan § 1.62) (defining "Excess Cash," as "the Cash available to the Reorganized Debtors after payment of operating expenses, debt service and funding certain reserves. . ..").

CONCLUSION

42. For the foregoing reasons, these Cases should be dismissed under § 1112(b) of the Bankruptcy Code. Dismissal is in the best interests of creditors, because the Debtors have not and are unable to propose a confirmable plan of reorganization, and since the Petition Date have been suffering substantial, continuing losses with no hope of rehabilitating themselves.

WHEREFORE, for the reasons set forth in the Motion and this Reply, the Landlord requests that the Court enter an order, substantially in the form submitted with the Motion, granting the relief requested by the Motion, and any other further relief the Court deems appropriate under the circumstances.

Dallas, Texas
September 20, 2022

/s/ *Michael S. Held*

JACKSON WALKER LLP
Michael S. Held (State Bar No. 09388150)
Jennifer F. Wertz (State Bar No. 24072822)
J. Machir Stull (State Bar No. 24070697)
2323 Ross Ave., Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6000
Facsimile: (214) 953-5822
Email: mheld@jw.com
Email: jwertz@jw.com
Email: mstull@jw.com

Local Counsel for Intercity Investment Properties, Inc.

LEVENFELD PEARLSTEIN, LLC
Elizabeth B. Vandesteeg (admitted *pro hac vice*)
Harold D. Israel (admitted *pro hac vice*)
Eileen M. Sethna (admitted *pro hac vice*)
2 North LaSalle Street, Suite 1300
Chicago, IL 60602
Telephone: (312) 346-8380
Facsimile: (312) 346-7634
Email: evandesteeg@lplegal.com
Email: hisrael@lplegal.com
Email: esethna@lplegal.com

Counsel for Intercity Investment Properties, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on September 20, 2022, a true and correct copy of the foregoing was served electronically on all persons via the Court's CM/ECF system.

/s/ *Michael S. Held*
Michael S. Held

ICI Reply Exhibit A

Polsky Declaration

JACKSON WALKER LLP
Michael S. Held (State Bar No. 09388150)
Jennifer F. Wertz (State Bar No. 24072822)
J. Machir Stull (State Bar No. 24070697)
2323 Ross Ave., Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6000
Facsimile: (214) 953-5822

Counsel for Intercity Investment Properties, Inc.

LEVENFELD PEARLSTEIN, LLC
Eileen M. Sethna, Esq. (admitted *pro hac vice*)
Harold D. Israel, Esq. (admitted *pro hac vice*)
Elizabeth B. Vandesteeg, Esq. (admitted *pro hac vice*)
2 North LaSalle St, Suite 1300
Chicago, Illinois 60602
Telephone: (312) 346-8380
Facsimile: (312) 346-8634

Counsel for Intercity Investment Properties, Inc.

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

In re:	)	Chapter 11
NORTHWEST SENIOR HOUSING CORPORATION, *et al.*[1]	)	Case No. 22-30659 (MVL)
Debtors.	)	(Jointly Administered)

DECLARATION OF DANIEL S. POLKSY IN SUPPORT OF INTERCITY INVESTMENT PROPERTIES, INC.'S REPLY IN SUPPORT OF MOTION TO DISMISS CHAPTER 11 CASES UNDER 11 U.S.C. § 1112(b)

I, Daniel S. Polsky, hereby declare under 28 U.S.C. § 1764, as follows:

1. I am a Managing Director with the firm of Getzler Henrich & Associates LLC ("Getzler Henrich"). Getzler Henrich provides specialized services focusing on corporate financial distress including restructuring, turnaround and crisis management, financial and bankruptcy advisory, and performance improvement.

2. I have more than thirty-seven years of diversified corporate restructuring and bankruptcy experience, serving in advisory, expert, and crisis/turnaround management roles. I have led many engagements in formal bankruptcy proceedings and out-of-court restructurings, and

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

have advised unsecured creditors' committees, senior management and Boards of Directors of distressed businesses, bank lenders, private equity investors, and other parties in interest. I have assisted clients in a wide variety of industries including healthcare, retail, telecommunications, steel, transportation, professional services, manufacturing, and distribution, among others. I have advised investors considering potential business or asset acquisitions, as well as distressed businesses on disposition alternatives. I have been engaged in hundreds of distressed situations during my professional career.

3. My experience includes advising and/or managing distressed businesses, preparing and implementing financial and operational improvement plans, devising case recovery and litigation strategies, developing plans of reorganization and capital structures, designing operational and strategic plans, and creating and implementing cost reduction strategies. I have conducted various fraud and financial investigations, prepared insolvency and liquidation analyses, prepared expert reports, and provided expert testimony in connection with numerous bankruptcy, litigation and restructuring matters. Over the course of my diverse restructuring career, I have developed and successfully implemented plans of reorganization, negotiated corporate and asset sale transactions, forbearance agreements and complex multi-party settlement agreements, participated in mediations and have developed and implemented solutions to a wide array of complex client and technical matters.

4. I have a significant amount of experience in the healthcare industry, having worked extensively with senior care organizations including continuing care retirement communities ("CCRCs"), skilled nursing organizations, hospitals (acute care; psychiatric), physician practice groups and behavioral health organizations.

5. In its capacity as counsel to Intercity Investment Properties, Inc. (the "Landlord") in these Chapter 11 Cases and the Adversary Proceeding,[2] Levenfeld Pearlstein, LLC engaged Getzler Henrich by letter agreement dated June 15, 2022, to provide it with financial advisory services in connection with the Chapter 11 Cases, as well as providing litigation support and expert witness assistance in the Adversary Proceeding.

6. I submit this Declaration in support of the Landlord's *Reply in Support of Motion to Dismiss Chapter 11 Cases Under 11 U.S.C. § 1112(b)*. I am fully familiar with the facts stated in this declaration (the "Declaration"), and I am authorized to make this Declaration on behalf of the Landlord. The information contained in this Declaration is of my own personal knowledge or derived from reviews performed by me or at my direction of the filings in these Cases, unless otherwise noted.

A. The Edgemere Administrative Insolvency Analysis

7. Attached to this Declaration as **Exhibit 1** is an analysis (the "Edgemere Administrative Insolvency Analysis," or the "Analysis") of the Debtors' administrative solvency as of November 13, 2022, the conclusion of the Debtors' Amended Budget Period.

8. The Landlord does not have access to the Debtors' financial information beyond public filings in these Cases, and the Analysis was therefore constructed in the most conservative manner possible. The Analysis was prepared using the information and data made publicly available by the Debtors in these Chapter 11 Cases, including:

(a) the Debtors' Schedules of Assets & Liabilities (the "Schedules"); [Docket Nos. 20, 240]

(b) the Budget; [Docket No. 421, Ex. 1]

[2] Capitalized terms not defined in this Declaration bear the meanings given to them by the Reply.

(c) the Amended Budget; [Docket No. 546] and

(d) the MORs. [Docket Nos. 413, 472, 576].

9. At the inception of these Cases, the Debtors reported cash and equivalents totaling $796,262.20 per the Schedules. *See* [Dkt. Nos. 20, 240]. As of November 13, 2022, the Debtors forecast an ending cash balance of $1,819,372 per the Amended Budget. [Docket No. 546]. This represents an increase in cash of $1,023,109.80. This increase in cash, however, is the result of postpetition borrowings under the Debtors' DIP Loan totaling $7.5 million per the Amended Budget, along with a significant build-up of accrued and unpaid postpetition administrative obligations.

10. Thus, the Debtors' aggregate cumulative net cash flow from the Petition Date through November 13, 2022, is projected to be negative ($6,476,890.20). *See* [Docket Nos. 421 Ex. 1, 546]. The Analysis reflects the projected values of the remaining assets of the Debtors available to satisfy their projected accrued and unpaid administrative obligations as of the conclusion of the Amended Budget Period on November 13, 2022.

11. The Analysis is constructed using the Debtors' actual financial information disclosed by the MORs through the end of July 2022. *See* [Dkt. Nos. 413, 472, 576]. From there, the Analysis uses the Debtors' projections for the remainder of the Amended Budget Period based on the amounts set forth in the Amended Budget. I have made assumptions regarding accruals for various liabilities, as set forth in the Analysis.

12. In certain instances, the Analysis applies conservative estimates based on the Debtors' projections or disclosures. In most instances, the Analysis assumes no changes through the end of the Amended Budget Period. Professional fee accruals are estimated based on case run-rates or below, for purposes of conservatism.

13. In the case of the estimated value of the Debtors' fixed assets, which the Schedules report as having a book value of approximately $1.568 million as of the Petition Date in these Cases, [Dkt. No. 240] the Analysis applies a conservative valuation of $500,000, slightly more than 30% of this value, despite typical liquidation values falling in the range of 10-15% of book value.

14. The Analysis accounts for escrowed rent amounts in the Debtors' favor despite these escrowed funds not belonging to the Debtors. The Analysis assumes that rent amounts the Debtors are forecast to pay into escrow will be available at the end of the Amended Budget Period as the source for paying its accrued and unpaid postpetition administrative rent.

15. The Analysis properly accounts for the accrual of real estate taxes, which are due and payable on October 1 of the year in which the tax bill is issued.[3]

16. The Analysis does not account for any amounts attributable to postpetition entrance fees being paid or received because both pre- and postpetition, the Debtors have been escrowing new entrance fees, and will not have the ability to use these amounts at the conclusion of the Amended Budget Period because they are not assets of the Debtors' estates. *See* [Docket No. 393].

17. Using the Debtors' own reports and projections, the Analysis shows that the Debtors' estates will be administratively insolvent by ($8,438,930.00) at the conclusion of the Amended Budget Period.

[3] *See* Tax Online | Statements, Billing & Payments (dallascounty.org) (last visited September 20, 2022.

I certify under penalty of perjury in accordance with 28 U.S.C. § 1746 that to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Date: September 20, 2022

/s/ Daniel Polsky
Daniel S. Polsky
Managing Director
Getzler Henrich & Associates LLC

Polsky Declaration Exhibit 1

Edgemere Administrative Insolvency Analysis

Edgemere Administrative Insolvency Analysis
Projected as of November 13, 2022
September 5, 2022

	Actual - MOR July 31, 2022	Projected 8/1/22 - 11/13/2022	Projected November 13, 2022	
Sources:				
Cash and Equivalents	$ 3,488,998	$ (1,669,626)	$ 1,819,372	Per cash Forecast model (Includes cash + investments)
Investments	354,951		354,951	Per cash forecast model, investments included in cash balance; most conservative assumes not included in cash balance
Accounts Receivable	616,329		616,329	Assume no change
Due from Affiliate	25,403		25,403	Assume no change
Inventory	89,334		89,334	Assume no change
Prepaids and Other	741,551		741,551	Assume no change
Deposits	211,926		211,926	Assume no change
Utility Deposits	52,850		52,850	Assume no change
Ground Lease Escrow	1,712,321	1,551,222	3,263,543	July balance appears to include Ground Lease Escrow of $1,127,321 + Due Residents of $585,000; add'l 4 monthly GL payments
Retainers - debtors' professionals	550,000		550,000	Assume no change
Fixed assets - Leasehold Improvements (PP&E)	500,000		500,000	Estimated value of furniture and saleable equipment
Total Sources	$ 8,343,663	$ (118,404)	$ 8,225,259	
Accrued Post Petiton Administrative Liabilities:				
DIP (incl. fees + accrued interest)	$ 2,840,722	$ 5,000,000	$ 7,840,722	July 31, 2022 balance (incl. $240k fee) + drawdowns 8/1/22 - 11/13/22 ($4.9 million) + est. accrued interest through 11/13/22 ($100K)
Accrued Professional Fees	4,145,480		4,145,480	Per July MOR Balance Sheet
Professional Fees - Debtor: Payments		(4,604,547)	(4,604,547)	Assumes $542,614 paid 8/1/22 - 8/14/22 + Projected 13 weeks per 8/15/22 Cash Forecast ($4,061,933)
Professional Fees - Debtor: Accruals		2,100,000	2,100,000	Estimated @ $600k/month x 3.5 months
Professional Fees - UCC: Payments		(637,917)	(637,917)	Assumes no payments 8/1/22 - 8/14/22 + Projected 13 weeks per 8/15/22 Cash Forecast ($637,917)
Professional Fees - UCC: Accruals		350,000	350,000	Estimated @ $100k/month x 3.5 months
Professional Fees - DIP: Payments		(900,000)	(900,000)	Assumes $450,000 paid 8/1/22 - 8/14/22 + Projected 13 weeks per 8/15/22 Cash Forecast ($450,000)
Professional Fees - DIP: Accruals		525,000	525,000	Estimated @ $150k/month x 3.5 months
Patient Care Ombudsman - Payments		(42,737)	(42,737)	Assumes no payments 8/1/22 - 8/14/22 + Projected 13 weeks per 8/15/22 Cash Forecast ($42,737)
Patient Care Ombudsman - Accruals		35,000	35,000	Estimated at $10k/month x 3.5 months
United States Trustee - Payments		(107,548)	(107,548)	Assumes no payments 8/1/22 - 8/14/22 + Projected 13 weeks per 8/15/22 Cash Forecast ($107,548)
United States Trustee - Accruals		43,710	43,710	Estimated quarterly fee
Payroll & Benefits	823,566	-	823,566	Assume no change
Accounts Payable	1,944,048	1,551,222	3,495,270	July 31, 2022 MOR balance + 4 mos Ground Lease
Due Residents	585,000	-	585,000	Assume no change
Due Affiliates	963,190	-	963,190	Assume no change
Real Estate Taxes	1,485,582	564,418	2,050,000	Full year estimate as of 10/31/22 - due 1/31/23
Total	$ 12,787,588	$ 3,876,601	$ 16,664,189	
Projected Administrative Insolvency @ 11/13/22:	**$ (4,443,925)**	**$ (3,995,005)**	**$ (8,438,930)**	

ICI Reply Exhibit B

Excerpt of Transcript of September 12, 2022, Hearing

Honor, and we'll talk. I'll talk, I should say, --

THE COURT: Yes.

MR. BLECK: -- to the DIP Lender --

THE COURT: Yes. Of course.

MR. BLECK: -- and the Bond Trustee.

I just also want to point out: As I understand it, the motion to extend the schedule is scheduled for -- I believe for next Wednesday. Or there's been a request to --

THE COURT: The scheduling order?

MR. BLECK: The scheduling order.

THE COURT: And then --

MR. BLECK: It's a modification.

THE COURT: Yes.

MR. BLECK: Right.

THE COURT: Well, I think there's been a request --

MR. BLECK: There has a been a request.

THE COURT: -- to set it for the twenty --

MR. BLECK: First.

THE COURT: -- first.

MR. BLECK: Right.

THE COURT: Correct?

MR. BLECK: Which would be next Wednesday.

THE COURT: Right.

MR. BLECK: Right. Mr. Switzer went on to say that there have been discussions with the DIP Lender and the Bond

Trustee relative to an extension.

THE COURT: Yes.

MR. BLECK: I just want to let the Court know that there's been an initial discussion. There's no agreement yet. So I don't want to come in next Wednesday and you say, well, I heard that there was a representation that there had been discussions and it looked like it was moving forward with an extension of the DIP. I'm not there yet. Or I should say, we're not there yet.

THE COURT: I appreciate that.

MR. BLECK: Okay.

THE COURT: Okay.

MR. BLECK: So we'll go back on the disclosure statement order --

THE COURT: Okay.

MR. BLECK: -- milestone and we'll report back to the Court.

THE COURT: Okay.

MR. BLECK: All right. Thank you.

THE COURT: Thank you very much, Mr. Bleck.

Anyone else wish to be heard with the motion to stay the disclosure statement hearing?

Okay. Anything else that we need to take up before the break?

Okay. How much time do the parties want for the break?

that we have just been discussing in terms of scheduling that I wanted to follow up on.

THE COURT: Please.

MS. VANDESTEEG: Thing one, Your Honor, I believe that we now have consensus that the disclosure statement hearing will be pushed to some future date, although we don't know yet what that date will be.

THE COURT: Correct.

MS. VANDESTEEG: Your Honor, I think it's important, then, to note with whatever minute order or otherwise may be entered in connection with that that all related objection deadlines should also be stricken, then, and continued to some future date. I don't want parties to think that they still need to comply with the September 22nd current pending deadline.

THE COURT: Yes. Yes.

MS. VANDESTEEG: Excellent.

With respect to September 21st, I think I just heard now that what we are targeting is 9:30 a.m.

THE COURT: Yes, ma'am.

MS. VANDESTEEG: And we would be looking, then, to have an expedited setting on -- by my count we're at three -- on the Debtors' motion to modify the scheduling order, the Debtors' motion to extend the seal on their notice that they filed related to experts, and now, number three, then,

continued hearing on this amended proposed protective order.

Your Honor, the point I want to raise is with respect to the first one of those motions. And in the first instance, to be clear, I don't believe that the Adversary Defendants have yet stated a position on whether the 21st works. We are amenable to that expedited setting on September 21st.

With respect to the motion to extend, I believe that we heard Mr. Bleck before we went on recess advise the Court that while discussions had commenced with respect to changes in the DIP timing and facility, that they were not yet at resolution. Your Honor, I think that it would be critical in connection, then, with this motion being now set on an expedited basis for September 21st, looking to modify and extend the scheduling order, that there be some further update and commitment from UMB before we agree to further extend deadlines.

As we know, Your Honor, that DIP facility does expire December 31st of this year, and I would be very concerned about extending deadlines and moving trial dates without a commitment that there is indeed going to be that extension by UMB.

I'm just putting that out there as something that we would hope to be able to get further confirmation on from UMB at that time at the hearing next week.

THE COURT: Mr. Bleck is behind you. But to your first point, I haven't expedited anything else other than --

to the 21st yet. That's one of the many things I want to talk to the parties about.

MS. VANDESTEEG: Understood. Thank you, Your Honor.

THE COURT: You're welcome.

MR. BLECK: Yes, Your Honor. Daniel Bleck from Mintz Levin representing the Bond Trustee and the DIP Lender.

Your Honor, as I said, we've had some initial conversations. We have a fairly large group. We're working as quickly as we can. We understand the importance of it. Can I guarantee you I'm going to stand up here on September 21st and tell you what the terms and conditions of an extended DIP may or may not be? I can't make that commitment. I don't know if we have sufficient time to do that.

I understand the importance of it. We have a further hearing on the 29th on the amendment to the DIP. But I cannot commit to be in a position to inform the Court or the other parties by the 21st that we have an absolute agreement on an extension.

THE COURT: Thank you, Mr. Bleck.

MR. BLECK: Thank you.

MR. JOHNSON: Your Honor?

THE COURT: Mr. Johnson?

MR. JOHNSON: Yes. We spend more time off agenda than on agenda with some of these things, Your Honor.

I appreciate the concern. And again, there's a lot of

ICI Reply Exhibit C

Official Statement for 2017 Bonds

NEW ISSUE
BOOK ENTRY ONLY

Ratings: Fitch "BBB-"
(See "RATINGS" herein)

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, assuming compliance with certain covenants by the Obligor and the Issuer (each as defined below), under existing statutes, regulations, published rulings and judicial decisions existing on the date hereof, (i) interest on the Series 2017 Bonds is, except as set forth under "TAX MATTERS" herein, excludable from gross income for federal income taxation purposes and (ii) the Series 2017 Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). See the caption "TAX MATTERS" herein for a description of Bond Counsel's opinion, including a discussion of the alternative minimum tax consequences.

$21,685,000
TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
Retirement Facility Revenue Bonds
(Northwest Senior Housing Corporation – Edgemere Project)
Series 2017

EDGEMERE™
An SQLC Community

Dates, Interest Rates, Prices or Yields, and Maturities Are Shown on the Inside of the Front Cover

The Tarrant County Cultural Education Facilities Finance Corporation (the "*Issuer*") is issuing its Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2017 Bonds (the "*Series 2017 Bonds*") pursuant to Article 1528m, Tex. Rev. Civ. Stat. Ann., as amended (the "*Act*") under an Indenture of Trust, dated as of March 1, 2017 (the "*Bond Indenture*"), between the Issuer and The Bank of New York Mellon Trust Company, National Association, as Bond Trustee (the "*Bond Trustee*"). The proceeds of the Series 2017 Bonds will be loaned to Northwest Senior Housing Corporation, a Texas non-profit corporation (the "*Obligor*"), pursuant to a Loan Agreement dated as of March 1, 2017 (the "*Loan Agreement*"), between the Issuer and the Obligor. The Obligor owns and operates a retirement community known as Edgemere located on an approximately 16.25-acre site in Dallas, Texas (the "*Community*"). The Obligor will use the proceeds of the Series 2017 Bonds, together with certain other moneys, to (a) refinance the Issuer's Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006A (the "*Refunded Bonds*") currently outstanding in the aggregate principal amount of $14,910,000, the proceeds of which were used to finance or refinance a portion of the cost of acquiring, constructing and equipping the hereinafter described Community, (b) finance and reimburse the Obligor for certain capital expenditures at the Community, (c) establish a debt service reserve fund, and (d) pay costs of issuance of the Series 2017 Bonds.

Except as described in this Official Statement, the Series 2017 Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, the payments to be made by the Obligor pursuant to the Loan Agreement, and the Series 2017 Note (as defined herein) issued by the Obligor under an Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement, dated as of November 15, 1999, and effective as of April 1, 2006, between the Obligor and Senior Quality Lifestyles Corporation, a Texas non-profit corporation ("*SQLC*") and The Bank of New York Mellon Trust Company, National Association, as Master Trustee (the "*Master Trustee*"), as previously supplemented, and as further supplemented by Supplemental Indenture Number 6, dated as of March 1, 2017 (as supplemented, the "*Master Indenture*"). The sources of payment of, and security for, the Series 2017 Bonds are more fully described in this Official Statement.

The Series 2017 Bonds are subject to acceleration of maturity and optional and mandatory redemption, in whole or in part, prior to maturity at the prices and under the circumstances described herein.

The Series 2017 Bonds when issued will be registered only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Series 2017 Bonds. Purchasers of the Series 2017 Bonds will not receive certificates representing their interest in the Series 2017 Bonds purchased. Ownership by the beneficial owners of the Series 2017 Bonds will be evidenced by book-entry only. Principal of and interest on the Series 2017 Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Series 2017 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2017 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See **APPENDIX E—Book-Entry Only System.**

An investment in the Series 2017 Bonds involves a certain degree of risk related to, among other things, the nature of the Obligor's business, the regulatory environment, and the provisions of the principal documents. A prospective Bondholder is advised to read **"SECURITY FOR THE BONDS"** and **"BONDHOLDERS' RISKS"** herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2017 Bonds.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING TARRANT COUNTY, TEXAS, WILL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

The Series 2017 Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, and the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Issuer by its counsel, Brown Pruitt Wambsganss Ferrill & Dean, PC; for the Obligor by its special counsel, Thompson & Knight L.L.P., Dallas, Texas; and for the Underwriter by its counsel, Bracewell LLP, Dallas, Texas. It is expected that the Series 2017 Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about March 30, 2017.

Ziegler

Official Statement dated March 8, 2017

provisions of the Master Indenture) during each succeeding month, beginning on the first day thereof and on each day thereafter, until no payment default under the Master Indenture then exists.

On the fifth Business Day preceding the end of each month in which any Obligated Group Member has made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee will withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

FIRST, to the payment of all amounts due the Master Trustee under the Master Indenture;

SECOND, to the payment of the amounts then due and unpaid upon the Obligations, other than Obligations constituting subordinated indebtedness, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively;

THIRD, to the payment of the amounts then due and unpaid upon the Obligations constituting subordinated indebtedness for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively; and

FOURTH, to the Obligated Group Representative.

BONDHOLDERS' RISKS

General

The Series 2017 Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Obligor under the Loan Agreement.

A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION "**SECURITY FOR THE BONDS**" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS.

As described herein under the caption "**SECURITY FOR THE BONDS**," except to the extent that the principal of, premium, if any, and interest on the Series 2017 Bonds may be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Community, such principal, premium and interest will be payable solely from amounts paid by the Obligor under the Loan Agreement or by the Obligated Group (currently consisting of the Obligor and SQLC) under the Master Indenture.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the Obligor and SQLC together with future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal and interest on the Series 2017 Bonds in the amounts and at the times required to pay debt service on each series of the Series 2017 Bonds when due. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the Series 2017 Bonds. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

while maintaining the amount and quality of health services delivered. There can be no assurance that the Obligated Group Members' revenues from operations will be sufficient to enable the Obligated Group to service its debt and meet its other obligations.

The Obligated Group Members have in the past relied to an extent on individual gifts and bequests to fund capital replacements and improvements to the Community. While management of the Obligor believes there are alternative sources of funding for such capital replacements and improvements such as increases in rates and charges, it intends to continue to rely on gifts and bequests as a source of funding for these activities. Many of the same factors affecting the operation of the Community will affect the availability of gifts and bequests to the Obligor, and no assurance can be given that such gifts and bequests will continue to be available to the Obligor in the future.

Geographic Concentration

The Community is located in Dallas, Texas. Accordingly, the occupancy rates in the Community may be adversely affected by regional and local economic conditions, competitive conditions, applicable local laws and regulations, and general real estate market conditions, including the supply and proximity of senior living communities in such area.

Dependence on Attracting Residents with Sufficient Resources to Pay

Approximately 84.2% of the Obligated Group Members' total resident service fee revenue for the year ended December 31, 2016, were attributable to private pay sources. Inflation or other circumstances that adversely affect the ability of residents to pay for the Obligor's services could have a material adverse effect on the Obligor's business, financial condition, and results of operations.

Security Interest Securing the Notes is of Limited Value

The lien on the leasehold estate and lien on property granted under the Master Indenture provides limited security. Little property that is subject to the liens consist of general purpose buildings suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the property, and, upon a default, the Bond Trustee or the Master Trustee may not obtain an amount equal to the aggregate liabilities of the Obligated Group (including liabilities in respect of the Bonds then outstanding) from the sale or lease of the property, whether pursuant to a judgment against the Obligated Group, or otherwise.

The security interests in revenues, income, receipts, cash, negotiable instruments and certain contract rights granted by the Obligated Group to the Master Trustee pursuant to the Master Indenture may be affected by various matters, including (i) federal bankruptcy laws which would, among other things, preclude enforceability of the security interest as to revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to revenues arising prior to such commencement to the extent a security interest therein would constitute a voidable preference or fraudulent conveyance, (ii) rights of third parties in cash, securities and instruments arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (v) claims that might obtain priority if continuation statements or financing statement amendments are not filed in accordance with applicable laws, (vi) the rights of holders of prior perfected security interests in equipment and other goods owned by the Obligated Group and in the proceeds of sale of such property, (vii) statutory liens and (viii) the rights of parties secured by permitted encumbrances. Accordingly, such security interest is expected to provide only limited value in the event of default.

The value of the Mortgaged Property will at all times be dependent upon many factors beyond the control of the Obligor, such as changes in general and local economic conditions, changes in the supply of or demand for competing properties in the same locality, and changes in real estate and zoning laws or other regulatory restrictions. A material change in any of these factors could materially change the value of the Mortgaged Property. Any weakened market conditions may also depress the value of the Mortgaged Property. Moreover, the Mortgaged

Property is primarily composed of special purpose senior living facilities that may have substantially less or even no value if converted to other purposes. The value of the Mortgaged Property therefore is directly dependent on the economic viability of senior living providers in general and of services provided at the location of the Mortgaged Property in particular. Accordingly, the number of entities that would be interested in purchasing or leasing the Mortgaged Property might be limited and the value of the Mortgaged Property is likely to depreciate in the circumstances in which the Master Trustee may need to resort to the security afforded by the Master Indenture to protect the interests of Bondholders. Any reduction in the market value of the Mortgaged Property will adversely affect the security available to the Master Trustee. There is no assurance that the amount available upon foreclosure of the Mortgaged Property after the payment of foreclosure costs will be sufficient to pay the amounts owed by the Obligated Group on the Obligations.

If an event of default does occur under the Master Indenture, it is uncertain that the Master Trustee or the Bond Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Bonds. In addition, obligations other than the Note and the outstanding Obligations under the Master Indenture may be issued from time to time in the future pursuant to the Master Indenture. If and when issued, such obligations will be on a parity with the Note with respect to the benefits of the Master Indenture. In addition, should other entities become obligated under the Master Indenture in the future, the Obligated Group currently obligated under the Master Indenture would become jointly and severally liable for any obligations issued on behalf of such other entities under the Master Indenture.

In the event that the lien on the Mortgaged Property is foreclosed, then, in addition to the customary costs and expenses of operating and maintaining the Mortgaged Property, the party or parties succeeding to the interest of the Obligor in the Mortgaged Property (including the Master Trustee, if such party or parties were to acquire the interest of the Obligor in the Mortgaged Property) could be required to bear certain associated costs and expenses, which could include: the cost of complying with federal, state or other laws, ordinances and regulations related to the removal or remediation of certain hazardous or toxic substances; the cost of complying with laws, ordinances and regulations related to health and safety, and the continued use and occupancy of the Mortgaged Property, such as the Americans with Disabilities Act; and costs associated with the potential reconstruction or repair of the Mortgaged Property in the event of any casualty or condemnation.

The Mortgaged Property consists solely of certain personal property and the leasehold interest in the Community Site. Intercity, the fee owner of the Community Site, has the right to foreclose and take possession of the Community. The Mortgaged Property is subordinate to the lien of Intercity.

Property may be released from the liens of the Master Indenture. See "**THE MASTER INDENTURE—Liens on Property**" and "**—Sale or Lease of Property**" in **APPENDIX C**.

Limitation of Foreclosure Rights Under Texas Law

In Texas, foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust that authorizes the trustee to sell the mortgaged property to a third party upon default by the borrower under the terms of the note or bond secured by the deed of trust or under the terms of the deed of trust.

In Texas, a sale of real property under a power of sale conferred by a deed of trust or other contract lien must be a public sale at auction held on the first Tuesday of a month at the county courthouse in the county in which the land is located. Notice of the sale must be given at least 21 days before the date of the sale. The borrower, any successor in interest to the borrower, or any beneficiary under a junior deed of trust or any other person having a subordinate lien or encumbrance, may pay, prior to the proposed sale, the entire principal due as a result of the acceleration of the indebtedness secured by the prior lien, with interest and the costs and expenses actually incurred in enforcing the obligation. In both a judicial and non-judicial foreclosure of a deed of trust, the beneficiary of the deed of trust under foreclosure need not bid cash at the sale, but may instead make a "credit bid" to the extent of the amount due under the deed of trust, including legally cognizable costs and expenses incurred in enforcing the deed of trust.

A sale conducted in accordance with the terms of the power of sale contained in a deed of trust is generally presumed to be conducted regularly and fairly, and a conveyance of the real property by the trustee confers legal title to the real property to the purchaser, but the purchaser takes the foreclosed property "as is" without any expressed or implied warranties, except as to warranties of title, and at purchaser's own risk. The foreclosure, though, would eliminate all junior mortgages or deeds of trust and all other liens and claims subordinate to the deed of trust under which the sale is made (with the exception of certain governmental liens).

Because of the difficulty a potential buyer at the sale would have in undertaking any due diligence regarding the mortgaged property (e.g., determining any liens or other encumbrances that may run with the property after foreclosure, assessing the physical condition of the property, etc.), a third party may not be likely to purchase the mortgaged property at a foreclosure sale, whether that sale is a judicial sale or a trustee's sale. If a third-party does purchase the mortgaged property at a foreclosure sale, it may be for a purchase price less than the unpaid principal balance of the note, in which case the borrower would remain liable for any deficiency remaining after the application of the proceeds of foreclosure to the outstanding debt; provided, however, recovery of any such deficiency is governed by § 51.003 of the Texas Property Code, as amended. Perhaps more common is for the lender (or its designee) to purchase the mortgaged property from the trustee for an amount which may be as high as the unpaid principal balance of the note, plus accrued and unpaid interest and the costs and expenses of foreclosure. Thereafter, the lender will assume the burdens of ownership, including servicing any senior deed of trust, obtaining hazard insurance and making such repairs (at its own expense) as are necessary to render the mortgaged property suitable for sale.

Enforceability of Remedies

The remedies available upon an event of default under the Bond Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Indenture may not be readily available or may be limited.

The security interest in Gross Revenues granted by the Obligated Group Members to the Master Trustee pursuant to the Master Indenture may be affected by various matters, including (i) federal bankruptcy laws which could, among other things, preclude enforceability of the security interest as to Gross Revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to Gross Revenues arising prior to such commencement, to the extent a security interest therein would constitute a voidable preference, (ii) rights of third parties in cash, securities and instruments not in possession of the Master Trustee, including accounts and general intangibles converted to cash, (iii) rights arising in favor of the United States of America or any agency thereof, (iv) present or future prohibitions against assignment in any federal statutes or regulations, (v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (vi) claims that might obtain priority if continuation statements are not filed in accordance with applicable laws, (vii) the rights of holders of prior perfected security interest in equipment and other goods owned by the Obligated Group Members and in the proceeds of sale of such property, (viii) statutory liens, and (ix) the rights of parties secured by Permitted Encumbrances (as defined in **APPENDIX C**). If an event of default does occur, it is uncertain that the Master Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Series 2017 Bonds. See **"THE MASTER INDENTURE—Defaults and Remedies" in APPENDIX C** hereto.

Personnel

The Obligor employed approximately 280 full-time equivalent employees and a total of approximately 336 total employees for the period ending December 31, 2016. Management of the Obligor believes that its salary and benefits package is competitive with other comparable institutions in the respective areas in which the Obligor operates and that its employee relations are satisfactory.

The health care industry has at times experienced a shortage of qualified health care personnel. The Obligor competes with other health care providers and with non-health care providers for both professional and nonprofessional employees. While the Obligor has been able to retain the services of an adequate number of qualified personnel to staff the Community appropriately and maintain its standards of quality care, there can be no assurance that continued shortages will not in the future affect its ability to attract and maintain an adequate staff of

ICI Reply Exhibit D

Excerpt of Transcript of September 12, 2022, Hearing

they're talking common sense --

MR. BLECK: Yeah.

THE COURT: -- about whether or not we proceed.

With that said, the Court is not willing to put the Debtor in a default situation under the DIP. So what I will tell you and the Debtors is we'll take a recess, and when we do I'd like you to discuss with the Debtors and with your clients whether or not, given the magnitude of the ongoing litigation and given what the disclosure statement hearing will ultimately become -- because I understand your view of disclosure statements, and I think I sat through a conference with I think Judge Leif Clark and Buzz Rochelle, --

MR. BLECK: Yep.

THE COURT: -- you know, basically telling everyone how they think they can get a disclosure statement down in 25 pages. And I was like, your mouth to God's ears. But --

MR. BLECK: But not DIP orders, Your Honor.

THE COURT: But not DIP orders.

MR. BLECK: Yes.

THE COURT: Thank you. Appreciate that.

MR. BLECK: Yes.

THE COURT: But with that said, at least two parties -- I think Mr. McCartin said this -- at least two parties -- it's going to be -- it's going to be on the estates' nickel. I mean, I think you know that ICI is going to object to the

accuracy of the disclosure statement.

MR. BLECK: They -- I'm not going to -- well, I'll hold my --

THE COURT: Yes. Okay.

MR. BLECK: -- comments.

THE COURT: And, you know, and I can tell you that, as a judge, historically, when I'm faced with a lot of really big fights on the disclosure statement, it should say this, it doesn't say that, it should state our position, it doesn't --

MR. BLECK: Right.

THE COURT: It doesn't state that. Odds are what I typically say is take their position and put it in. Okay? If the Debtors don't want to draft what ICI's position is, take ICI's position, you know, and put it in.

MR. BLECK: Yep.

THE COURT: Now, it doesn't make for a very readable disclosure statement and it reads more as a litigation piece. But that's kind of my view of the world.

So I understand the attractiveness of pulling them out, right, pulling out what the issues are. And you already, you know, you have my thoughts on what's a confirmation objection versus what's a disclosure statement objection. I'm just not sure that the best way for folks to spend the estates' money is to proceed to a disclosure statement that you know needs to be modified again.

MR. BLECK: Uh-huh.

THE COURT: And although I don't disagree with you and Mr. Johnson that the normal way this goes is to get to the disclosure statement and at that time, if it's not ready to go, it's not ready to go, and you proceed to another disclosure statement hearing.

But I see this disclosure statement a wee bit differently in that it's a disclosure statement where confirmation is conditioned on a piece of litigation and we're just, you know, we're barely in the middle of it. You know, so that's my thought process.

So, again, I'll tell you, I will not set the Debtor up for a default. Okay? I won't do that. I don't think that that's wise from a judicial standpoint.

However, I would like the parties to think about, you know, you're drawing out of a number of objections, the Debtor is going to want to respond to those, perhaps UMB wants to respond to those. The Committee is going to file its own objection. That's the Committee working. That might be its financial advisors working. And all of -- all that it takes to get there, and whether or not that and just the pageantry of the hearing itself is where we should spend the estate resources. But, again, I won't set the Debtor up for a default on the DIP. I won't do that.

MR. BLECK: All right. Well, I appreciate that, Your

ICI Reply Exhibit E

Email Correspondence Regarding Accrued Expenses

From: Harold D. Israel
Sent: Tuesday, September 13, 2022 2:40 PM
To: 'Trinitee Green'
Cc: 'Jeremy Johnson'; Elizabeth B. Vandesteeg; Eileen M. Sethna
Subject: RE: Edgemere/SQLC - July Report [LP-ACTIVE.46024.46024-131210.FID1166552]

Trinitee:

Following up, please.

Thank you

Harold

Harold D. Israel
(he/him/his)
T 312 476 7573
M 312 848 7764

Levenfeld Pearlstein, LLC
2 N LaSalle St, Suite 1300
Chicago, IL 60602 USA
lplegal.com

LinkedIn Twitter YouTube

From: Harold D. Israel
Sent: Wednesday, September 7, 2022 1:49 PM
To: Trinitee Green <tggreen@polsinelli.com>
Cc: Jeremy Johnson <jeremy.johnson@polsinelli.com>; Elizabeth B. Vandesteeg <evandesteeg@lplegal.com>; Eileen M. Sethna <esethna@lplegal.com>
Subject: RE: Edgemere/SQLC - July Report [LP-ACTIVE.46024.46024-131210.FID1166552]

Trinitee:

Can you please provide an update on FTI's responses to the questions set forth on the email below.

Thank you

Harold

From: Trinitee Green <tggreen@polsinelli.com>
Sent: Wednesday, August 31, 2022 10:53 AM
To: Harold D. Israel <hisrael@lplegal.com>
Cc: Jeremy Johnson <jeremy.johnson@polsinelli.com>; Elizabeth B. Vandesteeg <evandesteeg@lplegal.com>; Eileen M. Sethna <esethna@lplegal.com>
Subject: RE: Edgemere/SQLC - July Report [LP-ACTIVE.46024.46024-131210.FID1166552]

Harold,

Good morning. I've forwarded your requests to FTI, but their point person on MORs and the like is on vacation this week. As a result, we will have to respond to the bulk of your requests next week. In the interim, my understanding as to the professionals fees is that the $4,235,281 is comprised of the following:

- Debtors' Counsel, $1467,500
- FA, $1,172,999
- Claims Agent, $341,434
- UCC, $659,638
- PCO, $25,000
- Bondholder Professionals, $525,000, and
- UST, $43,710

Thanks,

Trinitee

From: Trinitee Green
Sent: Monday, August 29, 2022 12:42 PM
To: 'Harold D. Israel' <hisrael@lplegal.com>
Cc: Jeremy Johnson <jeremy.johnson@polsinelli.com>; Elizabeth B. Vandesteeg <evandesteeg@lplegal.com>; Eileen M. Sethna <esethna@lplegal.com>
Subject: RE: Edgemere/SQLC - July Report [LP-ACTIVE.46024.46024-131210.FID1166552]

Hi Harold,

Confirming receipt. We will coordinate with FTI and revert.

Thanks,

Trinitee

From: Harold D. Israel <hisrael@lplegal.com>
Sent: Monday, August 29, 2022 11:41 AM
To: Trinitee Green <tggreen@polsinelli.com>

Cc: Jeremy Johnson <jeremy.johnson@polsinelli.com>; Elizabeth B. Vandesteeg <evandesteeg@lplegal.com>; Eileen M. Sethna <esethna@lplegal.com>
Subject: RE: Edgemere/SQLC - July Report [LP-ACTIVE.46024.46024-131210.FID1166552]

EXTERNAL EMAIL **hisrael@lplegal.com**

Trinitee:

Following up on the July Report and MOR, we have the following questions:

1. We noticed two new categories of accruals – Due to Affiliates and Due to Residents. Can you provide further information and detail with respect to both)? Specifically:
    a. For Due to Affiliate, please provide. by affiliate, the name, amount owed, and a description of each amount making up the accrual
    b. For Due to Resident, the number of residents owed money and a description of the liability to each (understand you cannot disclose resident names – can be resident 1, resident 2, etc.)
2. What makes up the accrual for professionals – please provide a schedule with the name of each professional covered by the accrual and the amount owed to such professional
3. With respect to expenses, please provide a line item detail of the expenses
4. Lastly, please update the attached to reflect the prepetition payments reflected on the July MOR.

A response by the end of the week at the latest would be appreciated.

Thank you in advance.

Harold

Harold D. Israel
(he/him/his)
T 312 476 7573
M 312 848 7764

Levenfeld Pearlstein, LLC
2 N LaSalle St, Suite 1300
Chicago, IL 60602 USA
lplegal.com

LinkedIn Twitter YouTube

From: Trinitee Green <tggreen@polsinelli.com>
Sent: Tuesday, August 23, 2022 11:22 PM
To: Elizabeth B. Vandesteeg <evandesteeg@lplegal.com>; Harold D. Israel <hisrael@lplegal.com>
Cc: Jeremy Johnson <jeremy.johnson@polsinelli.com>
Subject: Edgemere/SQLC - July Report

Counsel,

Attached please find the Debtors' July report.

Thank you,

Trinitee

Trinitee G. Green
Associate

tggreen@polsinelli.com

312.463.6201
150 N. Riverside Plaza, Suite 3000
Chicago, IL 60606

713.374.1668
1000 Louisiana Street, Suite 6400
Houston, TX 77002

Polsinelli PC, Polsinelli LLP in California

polsinelli.com