

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

**IN RE:** §  
§  
**NEIGHBORS LEGACY HOLDINGS, INC.,** § **CASE NO. 18-33836-H1-11**  
§ **(Chapter 11)**  
**Debtor.** §

**INFINITY EMERGENCY MANAGEMENT GROUP, LLC’S  
OBJECTION TO SECOND AMENDED DISCLOSURE STATEMENT AND  
FIRST AMENDED JOINT PLAN OF LIQUIDATION OF  
NEIGHBORS LEGACY HOLDINGS, INC. AND ITS DEBTOR AFFILIATES  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

TO THE HONORABLE MARVIN ISGUR, U.S. BANKRUPTCY JUDGE:

COMES NOW, INFINITY EMERGENCY MANAGEMENT GROUP, LLC (“Infinity” or “Claimant”), and files this Infinity Emergency Management Group, LLC’s Objection to Second Amended Disclosure Statement First Amended Joint Plan of Liquidation of Neighbors Legacy Holdings, Inc. and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code as follows:

**I.**

**Jurisdiction and Authority**

1. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. § 1334(b). This matter is a core matter under 28 U.S.C. § 157(b)(2)(A). This Court has the constitutional authority to enter a final order in this matter. If the Court determines that it does not have such authority, the Claimant consents to entry of a final order by this Court in this matter.



## II.

### **Objections to the Disclosure Statement**

2. In the Second Disclosure Statement for the First Amended Joint Plan of Liquidation of Neighbors Legacy Holdings, Inc. and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code (“Disclosure Statement”) the Debtor does not provide any discussion of the litigation pending against the Debtor Defendants in the case styled *Infinity Emergency Management Group, LLC v. Neighbors Health System, Inc.*, Adv. P. No. 18-3276, In the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Infinity Case”). A discussion of the Claimant’s claims against the debtor defendants and the impact these claims have or could have on the expected recoveries under the Plan is needed. In addition, the Debtor has identified and discussed certain claims it may have against D&O insurance and/or against former officers and directors that are being assigned to the Unsecured Creditor Trust. As discussed in the paragraph above, the Debtor has not discussed those claims either. Without a discussion of those claims and their possible impact on the proceeds that may be available under the directors and officers insurance policy, the creditors do not have adequate information to decide whether to vote for or against the proposed Plan.

3. The Debtor does not provide any discussion of the directors and officers insurance policy of the Debtors and its impact on Infinity’s claim and causes of action. There is, as discussed above, no discussion of the possible claims the Debtor has against former officers and directors. Combined with the lack of information about coverage for the Debtor under the D&O insurance policy, there is not adequate information for any unsecured creditor to be able to determine the possible recovery under the Plan. This means there is inadequate information for creditors to decide whether to vote for or against the Plan.

4. The Debtor does not provide any discussion of what claims and causes of action it believes it may have against its former officers and directors, including but not limited to breaches of fiduciary duty, that the Debtor anticipates may be placed into the Unsecured Creditor Trust and pursued by the trustee of that trust. The Debtor states that the Unsecured Creditor Trustee will cause the Unsecured Creditor Trust to accept “(ii) Retained Causes of Action and (iii) claims under and proceeds of D&O Policies.” (Disclosure Statement, Subsection D, p. 28). The Debtor also states that “prosecution and settlement of all Retained Causes of Action shall be the sole responsibility of the Unsecured Creditor Trustee.” (Disclosure Statement, Subsection H, p. 31-32). The Debtor asserts that it is reserving and retaining the “Retained Causes of Action, . . . including . . . claims for relief that the Unsecured Creditor Trust may have against (i) any insurer and/or insurance policies, including the D&O Policies, in which either the Debtors and/or their current or former personnel have an insurable or other interest in or right to make a claim against, any other of the Debtors’ insurers; (ii) current and former directors, members, managers, officers, shareholders, holders of a Series LLC Interest, holders of a Neighbors Equity Interest, and employees.” (Disclosure Statement, Subsection H, p. 31-32). The Debtor defines “Retained Causes of Action” in the Plan to include “D&O Claims, and all Causes of Action, rights, privileges, claims and demands against any [sic.] the Debtors’ current and former subsidiaries, Affiliates, directors, members, managers, officers, principals, partners, agents, employees, shareholders, holder of Series LLC Interests...” (Plan, paragraph 123, p. 13).

### III.

#### **Objections to the Plan**

5. The Claimant objects to the First Amended Joint Plan of Liquidation of Neighbors Legacy Holdings, Inc. and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code (“Plan”) to the extent that the Plan seeks to transfer all proceeds of the D&O Policies into the Unsecured Creditor Trust. Claimant is a Plaintiff in the Infinity Case, and the insurer on the D&O Policies has recognized the Defendants’ rights to coverage under those policies. This means that to the extent the Claimant is successful on its claims in the Infinity Case, it should be able to seek payment from the O&D Policies. Pursuant to 11 U.S.C. § 1129(b), a plan must be “fair and equitable” with respect to each class of impaired claimants who do not accept the plan. Claimant has filed its proofs of claim and is a part of an impaired class of claimants under the Plan. Claimant has not accepted the Plan. To deny Plaintiff its possible right to proceeds of insurance is not “fair and equitable.”

6. In addition, to the extent that the Debtor is attempting to transfer claims that are the Plaintiff’s claims in the Infinity Case and do not belong to the Debtor, the Claimant objects to the Plan. (See Plan, p. 25, section D and p. 28 – 29, section I).

7. In addition, the Claimant objects to the Plan to the extent that section A of Article XI seeks to resolve and settle Claimant’s claims against the Debtor Defendants in the Infinity Case. The Claimant objects to the Plan to the extent that section B and C of Article XI seeks to release the Plaintiff’s claims made in the Infinity Case. The Claimant objects to the Plan to the extent that section E of Article XI seeks to enjoin the Plaintiff from pursuing its claims in the Infinity Case.

WHEREFORE, PREMISES CONSIDERED, Plaintiff, INFINITY EMERGENCY MANAGEMENT GROUP, LLC, respectfully requests that this Court deny final approval of the disclosure statement.

Respectfully submitted,

**WAUSON | PROBUS**

By:     /s/ Matthew B. Probus    

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*ATTORNEYS FOR CLAIMANT,  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been forwarded by electronic delivery through the ECF/PACER system and via United States regular mail, first class postage prepaid, to the parties listed on the Master Service List on the 20th day of March, 2019:

    /s/ Matthew Probus    

Matthew Probus