

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
FILED

MAR 25 2019

In re:	§		
	§	Chapter 11	David J. Bradley, Clerk of Court
Neighbors Legacy Holdings, Inc., et al,	§		
	§	Case No. 18-33836	
Sohail (Sam) Alam, Creditor	§		

CREDITOR SOHAIL ALAM'S SECOND SUPPLEMENT TO HIS PROOF OF CLAIM AND OBJECTIONS TO CONFIRMATION

COMES NOW, Sohail Alam, Creditor # 197, files this his Second Supplement to his Proof of Claim and Objections to Confirmation, and would show the following:

1. On March 20, 2019, Creditor Alam, filed his Proof of Claim and 16 pieces of evidence in support of his Objections to the Confirmation of the Plan
2. On March 22, 2019, Creditor Alam, filed his First Supplement to his Proof of Claim and Objections on the ground that Debtors Counsel, Mr. John Higgins, at the hearing held on May 22, 2019, misled the Court about who had the possession of the Software. Alam, argued that the Software, as evidenced by the Agreement/Contract, had always been and “even up to March 22, 2019” was in the possession of the Debtor companies.
3. On March 22, 2019, Alam also received several exhibits from Kim D. Steverson, which included Mr. Chad Chandler’s, CRO’s affidavit [Exhibit 22]. These exhibits were also filed with the Court.
4. The review of Mr. Chandler’s affidavit affirmed two KEY points Alam had raised in his Objections to Confirmation of the Plan: (a) the Debtor defrauded Alam, (b) the Debtor in Possession (Cohen & Reznick) was aware, as far back as July 2018, that certain Principals of the



Debtor companies had in fact partnered up with Read King¹, a medical real estate developer causing the non-cancelable obligation commitments for operating and capital leases to approximately \$90 million dollars, and that Debtors Counsel (Porter & Hedges) although aware of the relationship between Dr. Setul Patel, CEO of Neighbor Health, LLC, Girish Capital, LLC and Read King, chose to ignore Alam's letter to Honorable Judge Isgur and continued to withhold impeaching information from this Court.

A. Alam's claim that Neighbors Health, LLC, et.al., defrauded Alam is proven through Mr. Chad Chandler's affidavit of July 2018.

- A1. Alam merged with Neighbors Health, LLC on March 31, 2017.
- A2. Alam was never informed that Neighbors Health, LLC was insolvent. Arguably, why would Alam invest his life-time savings into a bankrupt entity.
- A3. Neighbors formation of corporate headquarters was an aggressive growth strategy. Arguably, it served as a scheme to lure investors

Mr. Chandler's Affidavit *"In late 2016, the Debtors' business began experiencing financial difficulties"..... "In the fourth quarter of 2016, certain of the Debtors fell out of compliance"..... "The Debtors' aggressive growth strategy included investments in the new corporate Headquarters".... "I have served as the Chief Restructuring Officer of the Debtors since August 28, 2017.*

B. Alam's claim that relationship between Read King and certain Principals of the Debtor companies that caused Debtor \$90 million dollars in non-cancelable lease obligations was never disclosed to this Court and/or to the Creditors Committee. That failure to disclose violates the Rule on Candor towards the tribunal, especially after Alam

¹ The Debtor in Possession and the Debtor counsel were aware of two things: (a) In July 2018, a relationship existed between Dr. Setul Patel, CEO of Debtor companies and Girish Capital, LLC - company also owned by Dr. Setul Patel, and (b) In December 15, 2018, Alam's letter to Honorable Judge sought an investigation into this relationship. Both, the DIP and the Debtor's Counsel failed to disclose or purposefully withheld this information from the Court. Since, both, the DIP and the Debtors Counsel were aware that the D&O insurance precludes coverage arising from fraudulent conduct - was this the reason why all impeaching information has been withheld?

alerted the Court of the conflict of interest between Dr. Setul Patel, Girish Capital, LLC, Mr. Thomas Gruenert, Esq. and Neighbors et.al, in December 2018.

Mr. Chandler's Affidavit "*The Debtors primary real property landlord on closed and never-opened centers is Read King². **The Debtors (and certain principals of the Debtors³) partnered with Read King to develop new locations for Emergency Centers.** In many instances, the arrangement included Read King identifying a property⁴; Neighbors executing a long-term lease (typically 12 years); Read King financing the purchase of the real property and the building shell; Neighbors building out the interior, opening the site, and paying rent to Read King (the "RK Leases")".*

"The Debtors closed 13 underperforming Emergency Centers (the "Closed Centers") and elected not to open 8 centers that had been in various stages of planning and preparation for opening⁵.The non-cancelable obligation commitments for operating and capital leases are approximately \$90 million⁶".

"As tenants under the RK Leases⁷, the Emergency Centers are subject to a Master Guaranty of Leases (the "Master Guaranty"), which provides that the tenant Emergency Centers under the RK Leases are guarantors of all the RK Leases. Based on these cross-guarantees, as guarantors of the RK Leases, the tenant Emergency Centers are jointly and severally liable for default of any of the other Emergency Centers". "The Debtors' obligations still include costs related

²Read King is a well-established and well reputed real estate developer.

³For the Board of Directors to get involved in the buying, selling, and renting of real estate to the same company is a conflict of interest. Is there a proper Resolution?Usually, developers take 85% of the risk if the organization is an ongoing concern

⁴It is ironic. Developers NEVER select the property for the User. Users determine location based on the need and intensity of services. IF, Read-King was in fact given the charge to "select" the location for Neighbors then the Principals should be held 100% liable for their actions or ill actions.

⁵The recommendation by the DIP to close 13 underperforming ER's and 8 new ER's carrying a \$90 million dollar lease liability is a decision nearing malpractice because if the 22 ER's sold to Altus and others were combined with these 21 ER's (total of 42) the price for the bankrupt estate would be much-much larger and with less liability.

⁶How much of the \$90 million dollar expense was caused by the Principals who got involved with the Developer because directors and officers insurance precludes coverage arising from fraudulent misconduct


⁷Who was the legal counsel responsible for preparing documents involving the Principals

to unexpired leases related the Closed Centers Debtors cannot continue to service their secured debt and satisfy the burden of their closed or never-opened Emergency Centers”

RELIEF REQUESTED

Based on Mr. Chad Chandler’s Affidavit dated, July 2018 and Alam’s Objections to Confirmation filed on March 22, 2019 Alam requests this Court to sustain his objections.

Submitted By:
Creditor # 197



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Certificate of Service

I hereby certify that on March 25, 2019, I served a true and correct copy of the foregoing response to the emergency motion by first class mail postage prepaid to the address listed below:

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Counsel for Debtors