

Trinitee G. Green (SBN 24081320)
Polsinelli PC
2950 N. Harwood, Suite 2100
Dallas, Texas 75201
Telephone: (214) 397-0030
Facsimile: (214) 397-0033
tggreen@polsinelli.com

Jeremy R. Johnson (*Pro Hac Vice* Pending)
Brenna A. Dolphin (*Pro Hac Vice* Pending)
Polsinelli PC
600 3rd Avenue, 42nd Floor
New York, New York 10016
Telephone: (212) 684-0199
Facsimile: (212) 684-0197
jeremy.johnson@polsinelli.com
bdolphin@polsinelli.com

PROPOSED COUNSEL TO THE DEBTORS
AND DEBTORS IN POSSESSION

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

In re:

Northwest Senior Housing Corporation, *et al.*,¹

Debtors.

Chapter 11

Case No. 22-30659 (MVL)

(Joint Administration Requested)

**DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS
(I) AUTHORIZING THE USE OF CASH COLLATERAL, (II) AUTHORIZING
POST-PETITION FINANCING, (III) GRANTING ADEQUATE PROTECTION,
(IV) MODIFYING THE AUTOMATIC STAY, (V) SCHEDULING THE FINAL
HEARING AND APPROVING THE FORM AND METHOD OF NOTICE
THEREOF, AND (VI) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (the “**Debtors**”) move (this “**Motion**”), pursuant to Sections 105, 361, 362, 363, 364, 506, 507, and 552(b) of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 2002, 4001, 6004, 7062 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Appendix H to the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas (the “**Local Rules**”), for entry of an interim order (the “**Interim Order**”), substantially in the form

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) and Senior Quality Lifestyles Corporation (2669). The Debtors’ mailing address is 8523 Thackery Street, Dallas, Texas 75225.



attached hereto as Exhibit A, (i) authorizing the Debtors to use cash collateral; (ii) authorizing the Debtors to obtain post-petition financing, on a priming, super-priority basis, by entering into the DIP Facility (as defined below), (iii) granting adequate protection to the Debtors' prepetition secured creditor, UMB Bank, N.A., as master trustee and bond trustee (collectively, the "**Trustee**") upon the terms set forth in the Interim Order and a final order entered after a final hearing (the "**Final Order**"); (iv) modifying the automatic stay to the extent necessary to implement and effectuate the relief requested herein; (v) scheduling a final hearing (the "**Final Hearing**") and approving the form and method of notice thereof; and (vi) granting such other and further relief as the Court deems just and appropriate. In support of the Motion, the Debtors rely upon the *Declaration of Nick Harshfield in Support of the Debtors' Chapter 11 Petition and First Day Pleadings* (the "**First Day Declaration**"),² filed concurrently herewith and submit the checklist contained in Appendix H, as Exhibit B, pursuant to the Local Rules. In further support of this Motion, the Debtors respectfully state as follows:

PRELIMINARY STATEMENT

1. The Debtors operate a continuing care retirement community ("**CCRC**") in Dallas, Texas, which offers senior citizen residents (the "**Residents**") a continuum of care with 504 residential units, including 304 independent living ("**IL**") residences, 68 assisted living ("**AL**") residences, 45 memory care ("**MC**") residences, and 87 skilled nursing facilities ("**SNF**") residences. As of April 11, 2022, 232 IL units were occupied (76.3% occupancy), 43 AL units were occupied (63.2% occupancy), 24 MS units were occupied (53.3% occupancy), and 54 SNF units were occupied (62.1% occupancy).

² Capitalized terms used but not defined in this Motion shall have the meanings given to them in the First Day Declaration.

2. As set forth more fully in the First Day Declaration, which is incorporated herein by reference, changes in the Debtors' primary market area, combined with the COVID-19 Pandemic, have posed challenges for the CCRC, resulting in depressed occupancy rates, reduced profitability and restricted liquidity. The Debtors have struggled with high management and employee turnover rates, among other things. As a result of these circumstances, the Debtors defaulted on certain Bond and Ground Lease obligations. Thereafter, as described in the First Day Declaration, the Debtors explored various strategic alternatives, including entering into multiple forbearance agreements with the Trustee. On or about December 21, 2021, that certain Forbearance Agreement was entered into by and between the Debtors, the Trustee, Lifespace Communities, Inc. ("**Lifespace**"), and Intercity Investment Properties, Inc. ("**Intercity**"), as landlord under that certain Ground Lease (the "**Lease**"), and on or about March 7, 2022, that certain Second Forbearance Agreement was entered into by and between the Debtors, the Trustee, and Lifespace, which, among other things, contemplated the filing of these chapter 11 cases and established related milestones. Prior to the Petition Date, the monetary defaults with respect to the Lease obligations were cured. The Debtors and the Trustee remain engaged in ongoing arms' length negotiations with respect to the Bonds (as defined below) and the Debtors' related obligations.

3. In the chapter 11 cases, the Debtors intend to, among other things, restructure or refinance their existing bond debt. However, the Debtors do not have sufficient unencumbered assets to satisfy all of their financial obligations while continuing to provide the exceptional service and high-quality care they are known for. If the Debtors are unable, on a consistent basis, to maintain their businesses and demonstrate financial stability, the Debtors may lose existing Residents and employees in addition to the ability to attract new residents. Accordingly, the

Debtors request authority to obtain post-petition financing on the terms set forth in the Interim Order and the Final Order and as discussed more fully below. The proposed DIP Facility (as defined below) will enable the Debtors to cover the administrative costs of the chapter 11 cases while providing their Residents, employees, vendors, creditors, bondholders, and other constituents with assurance that the Debtors will be able to successfully emerge from these chapter 11 cases as going concern businesses.

4. In addition to post-petition financing, the Debtors have an immediate need for the use of the Trustee's cash collateral (as defined in Bankruptcy Code Section 363(a)) (the "**Cash Collateral**"), without which the Debtors would be unable to continue to operate their businesses and administer their estates. Through immediate access to Cash Collateral, the Debtors will be able to continue their operations and preserve value for the benefit of their estates as such access to Cash Collateral will enable the Debtors to pay critical expenses in accordance with the 13-week budget attached to the Interim Order as Exhibit 1 (the "**Budget**").

5. Simply put, without the relief requested herein, the Debtors would ultimately be forced to cease operations, which would result in significant harm to Residents who depend on the Debtors for a continuum of quality care, which includes provision of food, medical supplies, medical care, and other necessary services. The DIP Facility and continued use of Cash Collateral, each on the terms set forth in the Interim Order, are necessary to avoid immediate and irreparable harm to the estates and are in the best interests of the Debtors, their estates, and their stakeholders. Indeed, the Trustee (i) consents to the Debtors' use of the Cash Collateral, in accordance with the Interim Order and the Budget attached thereto, and (ii) agrees to provide post-petition financing on the terms set forth herein and in the DIP Orders and DIP Loan Documents (each as defined below).

JURISDICTION AND VENUE

6. The Court has jurisdiction over these cases pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and the Debtors confirm their consent to the entry of a final order or judgment by the Court in connection with this Motion if it is determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

7. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

8. The statutory bases for the relief requested herein are Bankruptcy Code Sections 105, 361, 362, 363, 364, 506, 507, and 552(b), Bankruptcy Rules 2002, 4001, 6004, 7062, and 9014, and Appendix H to the Local Rules.

BACKGROUND

A. The Chapter 11 Cases

9. On the date hereof (the “**Petition Date**”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (the “**Court**”).

10. The Debtors continue to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code Sections 1107(a) and 1108.

11. No trustee, examiner, or official committee of unsecured creditors has been appointed.

12. The factual background regarding the Debtors and the events leading to the filing of the above-referenced chapter 11 cases (the “**Chapter 11 Cases**”) is set forth in the First Day Declaration, which is incorporated herein by reference.

B. The Debtors' Pre-Petition Capital Structure

i. The Series 2015 Bonds

13. At the request of the Northwest Senior Housing Corporation (the “NSHC”) and pursuant to that certain Indenture of Trust, dated May 1, 2015 (the “**2015 Bond Indenture**”), between the Tarrant County Cultural Education Facilities Finance Corporation (the “**Issuer**”) and the Bank of New York Mellon Trust Company, National Association, as initial bond trustee, the Issuer authorized and issued the Retirement Facility Revenue Bonds (Northwest Senior Houston Corporation – Edgemere Project) consisting of: (a) Series 2015A bonds in the original aggregate principal amount of \$53,600,000 (the “**Series 2015A Bonds**”); (b) Series 2015B bonds in the original aggregate principal amount of \$40,590,000 (the “**Series 2015B Bonds**” and together with the Series 2015A Bonds, the “**Series 2015 Bonds**”).

14. The proceeds of the Series 2015A Bonds were loaned to NSHC pursuant to a loan agreement (the “**2015 Loan Agreement**”), dated May 1, 2015, for the purpose of financing and refinancing certain costs relating to the CCRC, including: (a) the refunding of all of the Issuer’s Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006B, (b) funding a portion of interest during construction, (c) funding a debt service reserve fund, and (d) paying a portion of the cost of issuance.

15. The proceeds of the Series 2015B Bonds were loaned to NSHC pursuant to the 2015 Loan Agreement, for the purpose of financing and refinancing certain costs relating to the CCRC, including: (a) the refunding of a portion of the Issuer’s Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006A, (b) funding a debt service reserve fund, and (c) paying a portion of the cost of issuance.

ii. The Series 2017 Bonds

16. At the request of NSHC and pursuant to that certain Indenture of Trust, dated March 1, 2017 (the “**2017 Bond Indenture**”) between the Issuer and Bank of New York Mellon Trust Company, National Association, as initial bond trustee, the Issuer authorized and issued the Retirement Facility Revenue Bonds (Northwest Senior Houston Corporation – Edgemere Project) consisting of Series 2017 bonds in the original aggregate principal amount of \$21,685,000 (the “**Series 2017 Bonds**” and together with the Series 2015 Bonds, the “**Bonds**”).

17. The proceeds of the Series 2017 Bonds were loaned to NSHC pursuant to a loan agreement (the “**2017 Loan Agreement**”), dated March 1, 2017, for the purpose of financing and refinancing certain costs relating to the CCRC, including: (a) the refunding of all of the Issuer’s Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006A, (b) funding a debt service reserve fund, and (c) paying a portion of the cost of issuance.

18. As security for the obligations owing on the Bonds, NSHC granted to the Trustee a first priority security interest in certain of NSHC’ assets as set forth more particularly in that certain 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, by and between JPMorgan Chase Bank, National Association, in its capacity as initial master trustee (the “**Prior Master Trustee**”) and the Obligated Group, as supplemented by that certain Supplemental Indenture Number 4, dated as of May 1, 2015, and as further supplemented by that certain Supplemental Indenture Number 6, dated as of March 1, 2017 (collectively, as amended and supplemented, the “**Master Indenture**”), the 2015 Bond Indenture, the 2017 Bond Indenture, 2015 Loan Agreement, 2017 Loan Agreement, and other documents evidencing and/or securing the Bonds (collectively, the “**Bond Documents**”) and the DIP Credit Agreement (as defined below).

19. As of the Petition Date, NSHC is indebted and liable to the Trustee in the amount of \$111,728,919 (the “**Prepetition Bond Debt**”), which comprises the Debtors’ primary liabilities in the Chapter 11 Cases.

RELIEF REQUESTED

20. Through this Motion, pursuant to Bankruptcy Code Sections 105, 361, 362, 363, 364, 506, 507, and 552(b), Bankruptcy Rules 2002, 4001, 6004, 7062, and 9014, and Appendix H to the Local Rules, the Debtors request entry of the Interim Order and the Final Order (collectively, the “**DIP Orders**”), granting, among other things, the following relief:

- (i) authorizing the Debtors to (a) obtain secured, super-priority, post-petition financing of \$2,000,000 on an interim basis and up to an additional \$8,100,000 on a final basis for a total of up to \$10,100,000 in the form of a term loan facility (the “**DIP Facility**”), as set forth in that certain Priming Superpriority Debtor-In-Possession Credit Agreement by and between Northwest Housing Corporation and Senior Quality Lifestyles Corporation as Debtors and UMB Bank, N.A., in its capacity as Trustee, as DIP Lender (the “**DIP Credit Agreement**”) and (b) to execute and deliver all agreements, documents, and instruments contemplated by the DIP Orders and the DIP Credit Agreement (collectively, the “**DIP Loan Documents**”) and take all actions necessary, appropriate, or required to comply with the Debtors’ obligations under the DIP Loan Documents and under the DIP Orders (such obligations, the “**DIP Obligations**”);
- (ii) authorizing the Debtors to grant the DIP Lender (as defined below) priming liens in the DIP Collateral (as defined below) to secure the DIP Facility and super-priority claims in respect of DIP Obligations, subject to the Carve-Out (as defined below);
- (iii) authorizing the Debtors to pay the principal, interest, fees, expenses, and other amounts due and owing under the DIP Loan Documents as such become due, including, without limitation, payment of reasonable costs and expenses of the DIP Lender’s attorneys and advisors, all to the extent provided in, and in accordance with, the applicable DIP Loan Documents, including on the terms set forth in the DIP Orders;
- (iv) authorizing the Debtors to use the Trustee’s Cash Collateral;
- (v) approving the forms of adequate protection to be provided to the Trustee to protect the Trustee’s interest in the Cash Collateral, and to compensate for any

decline in, or diminution of, the value of the Trustee's interest in the Cash Collateral;

(vi) modifying the automatic stay to the extent necessary to implement and effectuate the terms of the DIP Orders, as appropriate and on a limited basis as set forth herein;

(vii) scheduling the Final Hearing to consider entry of the Final Order and approving of the form and manner of the notice thereof; and

(viii) waiving any applicable stay, including under Bankruptcy Rule 6004, to provide for immediate effectiveness of the Interim Order (including, without limitation, a waiver pursuant to Bankruptcy Rule 6004(h)).

BANKRUPTCY RULES 4001(b)(1)(B), (c)(1)(B) AND (d)(1)(B)
CONCISE STATEMENT OF RELIEF REQUESTED

21. Pursuant to Bankruptcy Rules 4001(b)(1)(B), (c)(1)(B), and (d)(1)(B), the Debtors submit the following statement, summarizing the proposed material terms of the DIP Facility, as set forth in the DIP Orders and DIP Loan Documents:³

Provision	Summary	Location
Borrowers <i>Bankruptcy Rule 4001(c)(1)(B)</i>	Debtor Northwest Senior Housing Corporation and Debtor Senior Quality Lifestyles Corporation.	DIP Credit Agreement, Preamble
DIP Lender	UMB Bank, N.A., in its capacity as bond trustee (the " DIP Lender ").	DIP Credit Agreement, Preamble
DIP Facility and Commitment <i>Bankruptcy Rule 4001(c)(1)(B)</i>	A term loan facility to be disbursed in tranches in accordance with the terms of the DIP Loan Documents up to the aggregate principal amount of up to \$10,100,000 of which (a) \$2,000,000 shall be available to the Debtors upon entry of the Interim Order (the " DIP Loan Commitment ," and loans under the DIP Facility, the " DIP Loans "). The DIP Obligations shall be secured by the DIP Collateral.	Interim Order, ¶¶ O, 8; DIP Credit Agreement, § 2.1, Schedule 2.1
DIP Maturity Date <i>Bankruptcy Rules 4001(b)(1)(B)(iii) and (c)(1)(B)</i>	The maturity date (the " Maturity Date ") shall be the date that is the earliest of (a) December 31, 2022; (b) the closing date of any sale of all or substantially all of the Borrowers' assets pursuant to an order entered by the Bankruptcy Court in the Bankruptcy Cases; (c) the acceleration of the DIP Loans and the termination of the DIP Facility by the DIP Lender following the occurrence or during the continuation of an Event of Default and passing of any applicable cure	Interim Order, ¶ 9(iv); DIP Credit Agreement, § 1.1

³ Capitalized terms used but not defined in the summary shall have the meanings ascribed to them in the Interim Order, Final Order, or DIP Loan Documents, as applicable. The terms described in this summary are set forth in detail in the DIP Orders, and in the event of any inconsistency between the above summary and such DIP Orders, the terms of the DIP Orders shall control.

Provision	Summary	Location
	periods; or (d) the effective date of a plan of reorganization or liquidation for the Debtors in the Chapter 11 Cases.	
Use of DIP Facility Proceeds <i>Bankruptcy Rule 4001(b)(1)(B)(iii) and (c)(1)(B)</i>	<p>The Initial DIP Loans shall be used solely as set forth in the Budget for: (a) the necessary operation and maintenance costs associated with the Community in the amounts and categories and time set forth in the Budget; and (b) other costs and expenses of administration of the Chapter 11 Cases in the amounts and categories and time set forth in the Budget.</p> <p>The proceeds of the DIP Loans shall be used by the Debtors, subject to and in accordance with the Budget and the Financing Orders (as defined in the DIP Credit Agreement), solely for (i) working capital and general corporate purposes of the Debtors, (ii) bankruptcy-related costs and expenses, and (iii) the payment of administrative expenses approved by the Bankruptcy Court.</p>	Interim Order, ¶ 12; DIP Credit Agreement, § 2.3
Interest Rates <i>Bankruptcy Rule 4001(c)(1)(B)</i>	Interest on the DIP Loan Commitment will be at a fixed rate of 10% per annum, which accrued and unpaid interest shall be due and payable on the Maturity Date. All interest shall be computed on the basis of a 360-day year for the actual number of days elapsed in the period during which it accrues.	Interim Order, ¶ 9; DIP Credit Agreement, § 2.5
Conditions <i>Bankruptcy Rule 4001(c)(1)(B)</i>	<p><u>Conditions Precedent.</u> The funding of the Initial DIP Loans is conditioned on the satisfaction of the following: (i) entry of the Interim Order; (ii) evidence of insurance reasonably satisfactory to the DIP Lender (and receipt of additional insured and loss payee insurance certificates); and (iii) execution of the DIP Loan Documents.</p> <p><u>Conditions Subsequent:</u> The Debtors shall timely perform all obligations and commitments in any post-closing written agreement between the DIP Lender and the Debtors with respect to any requirement of Sections 3.1 or 3.2 of the DIP Credit Agreement that the DIP Lender has, in the exercise of its sole and absolute discretion, agreed to be satisfied at a later date.</p>	Interim Order ¶¶ 10, 11; DIP Credit Agreement, Article 3
DIP Facility Events of Default <i>Bankruptcy Rule 4001(c)(1)(B)</i>	Each of the following shall be considered an Event of Default (“ Event of Default ”) under the DIP Facility and the Interim Order: (i) the failure to make payments on the DIP Loans (including interest payments) as and when due; (ii) the failure of the Debtors to pay all of their administrative expenses in full in accordance with and subject to the terms as provided for in the Budget; (iii) the Interim Order becomes stayed, reversed, vacated, amended or otherwise modified in any respect without the prior written consent of the DIP Lender and the Trustee, except by the Final Order; (iv) failure to meet any of the Bankruptcy Milestones or other covenants set forth in the Interim Order; (v) the occurrence of a termination event under a Plan Support Agreement (as defined in the DIP Credit Agreement) if and when the Debtors and the Trustee execute a Plan Support Agreement; (vi) the Debtors resolve the Landlord Action (as defined in the Interim Order) in a manner which is not consented to by the DIP Lender and the Trustee; (vii) the dismissal of the Chapter 11 Cases, conversion of the Chapter 11 Cases to chapter 7 cases, or suspension of the Chapter 11 Cases under section 305 of the	Interim Order ¶ 28; DIP Credit Agreement, § 1.1 and Article VIII

Provision	Summary	Location
	<p>Bankruptcy Code; (viii) the appointment of a chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in section 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code); (ix) the granting of relief from the automatic stay to permit foreclosure with respect to a material asset of the Debtors, by any entity other than the DIP Lender or Trustee on any Post-Petition Collateral; (x) the entry of an order granting any superpriority claim which is senior or pari passu with the DIP Lender and/or the Trustee pursuant to the Interim Order; (xi) the payment of or granting adequate protection with respect to prepetition indebtedness of the Debtors other than as set forth in the Budget or as provided for in the Interim Order; (xii) the cessation of Post-Petition Liens, Rollover Liens, Adequate Protection Payments, Supplemental Liens, Superpriority Claims, or Pre-Petition Superpriority Claim granted pursuant to the Interim Order to be valid, perfected and enforceable in all respects; (xiii) the filing of any Challenge (as defined in the Interim Order) to the Pre-Petition Liens or Pre-Petition Collateral by the Debtors, or the Bankruptcy Court grants standing to the Committee or another third party to pursue such Challenge; (xiv) the payment of estate professional fees by the Debtors other than to the extent set forth in the Budget; (xv) the occurrence of an Event of Default under the DIP Credit Agreement; or (xvi) failure to pay the amounts due under the Interim Order by the Maturity Date.</p>	
<p>Default Interest Rate</p>	<p>Upon the occurrence and during the continuance of an Event of Default, the DIP Loan Commitment and any accrued interest, fees and other amounts owed under the DIP Credit Agreement (including the Commitment Fee), shall thereafter bear interest at a rate of twelve percent (12%) per annum.</p>	<p>Interim Order ¶ 9(iii); DIP Credit Agreement, 2.5(d)</p>
<p>Fees and Payments <i>Bankruptcy Rule 4001(c)(1)(B)</i></p>	<p>Pursuant to the DIP Loan Documents, the Debtors shall pay all fees described under the DIP Credit Agreement, including, without limitation, the Commitment Fee in favor of the DIP Lender that shall be equal to 2% of the DIP Commitment and earned upon entry of the Interim Order but payable no sooner than the Maturity Date.</p>	<p>Interim Order, 9(ii); DIP Credit Agreement, § 2.5</p>
<p>DIP Collateral; Liens and Priorities <i>Bankruptcy Rule 4001(c)(1)(B)</i></p>	<p>“DIP Collateral” means all currently owned or hereafter acquired property and assets of the Debtors of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof, including, without limitation, accounts, revenues, inventory, equipment, capital stock in subsidiaries, investment property, instruments, chattel paper, real estate, leasehold interests (including under the Ground Lease), contracts, general intangibles, patents, copyrights, trademarks, deposit accounts, intercompany claims, claims against affiliates, Actions, tax refund claims, commercial tort claims, insurance proceeds and insurance premium refunds.</p> <p>From and after the Interim Order Entry Date, the DIP Lender shall have first-priority perfected security interests and DIP</p>	<p>Interim Order, ¶ 15; DIP Credit Agreement, Recitals, §§ 1.1, 4.1(g)</p>

Provision	Summary	Location
	<p>Liens in and to all of the DIP Collateral, free and clear of any Liens other than the Permitted Liens and the Carve-Out, and entitled to priority under applicable law, with no financing statements, hypothecations, chattel mortgages, real estate mortgages or similar filings on record with respect to such Debtor or the DIP Collateral anywhere other than such filings in connection with this Agreement, the DIP Collateral Documents or the Permitted Liens. Each of the representations and warranties made by such Debtor in each DIP Collateral Document to which it is a party is true and correct in all material respects as of each date made or deemed made.</p>	
<p>Entities with Interests in the Cash Collateral</p> <p><i>Bankruptcy Rule 4001(b)(1)(B)(i)</i></p>	<p>The Debtors have requested the use of the Cash Collateral of the Trustee in connection with the Chapter 11 Cases. The Trustee does not consent to the use of its Cash Collateral, except upon the express terms of the Interim Order.</p> <p>The Debtors and their estates waive any and all right to object to or contest the amount of the Bond Claim or the Trustee's security interests in the Pre-Petition Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens, subject and subordinate only to (a) Post-Petition Liens to the extent set forth in the Interim Order, (b) Permitted Liens; and (c) the Carve-Out.</p>	<p>Interim Order, ¶¶ J, U, 18-20, 33</p>
<p>Adequate Protection for Pre-Petition Secured Interests</p> <p><i>Bankruptcy Rules 4001(b)(1)(B)(iv)</i></p>	<p>The Debtors are required to provide adequate protection to the Trustee in respect of the use of the Pre-Petition Collateral (including Cash Collateral) and granting of the priming Post-Petition Liens. The Debtors wish to provide adequate protection of the security interests in and liens on the Pre-Petition Collateral pursuant to the terms set forth in the Interim Order.</p> <p>Such adequate protection, under the Interim Order, shall include, without limitation: (i) Rollover Liens; (ii) Supplemental Liens; and (iii) Pre-Petition Superpriority Claim (each as defined in the Interim Order and each only to the extent of Diminution).</p>	<p>Interim Order, ¶¶ U, 20.</p>
<p>Use of Cash Collateral</p> <p><i>Bankruptcy Rule 4001(b)(1)(B)(ii)</i></p>	<p>The Debtors are hereby authorized to use Cash Collateral, including, without limitation, the advances under the DIP Facility, but Cash Collateral shall not include any other funds received by the Debtors during the Chapter 11 Cases.</p> <p>The Debtors' use of Cash Collateral shall be solely as set forth in the Budget and as otherwise provided in the Interim Order for: (a) the necessary ordinary course operation and maintenance costs associated with the Community in the amounts and categories and time set forth in the Budget; and (b) other costs and expenses of administration of the Chapter 11 Cases in the amounts and categories and time set forth in the Budget. Except on the term and conditions of the Interim Order and the DIP Credit Agreement, the Debtors are prohibited from using Cash Collateral at any time or for any</p>	<p>Interim Order, ¶¶ 18, 19</p>

Provision	Summary	Location
	other purpose absent consent of the DIP Lender and the Trustee, or further order of the Bankruptcy Court.	
<p>Cash Collateral Budget</p> <p><i>Bankruptcy Rule 4001(b)(1)(B)(ii)</i></p>	<p>The Debtors shall comply with the Budget (subject to the permitted variances provided in the next immediate sentence), and shall not make any payments, or incur any obligations or liabilities, that are not projected and provided for in the Budget.</p> <p>On the last business day of every other week, payments for such cumulative period to date shall not exceed ten percent (10%) of the respective amounts, measured as to each line item in the Budget, and five percent (5%) of the respective amounts, measured on an aggregate basis, set forth for such cumulative period to date in the Budget (provided expenditures for estate professional fees shall not exceed one hundred percent (100%) of the amount allocated for such expenditures in the Budget for such cumulative period, provided further that estate professionals may carry forward any unused expenditures for estate professionals to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court and may carry backward any unused expenditures for estate professionals, up to an aggregate amount of \$150,000 per month, to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court); and receipts for such cumulative period to date shall not be less than ninety percent (90%) of the amounts, on an aggregate basis, set forth for such cumulative period to date in the Budget. This variance (the “Variance”) shall be measured, on a rolling four week period (the “Measuring Period”); provided, however, that for purposes of calculating such Variances, (i) the first Measuring Period shall be the first two weeks after the Petition Date and the first two weeks of the Budget, and (ii) the second Measuring Period shall be the first through fourth weeks after the Petition Date and the first through fourth weeks of the Budget. Any budgeted expenditures not paid in a particular budget period may be paid during a subsequent period and, for the purpose of calculating rolling four week variances set forth above, the Budget will be revised to move such expenditures to the later period, it being understood that such later period can be outside the four week period. Expenditures (except for professional fees which are addressed as noted above) may be paid in an earlier period in the reasonable discretion of the Debtors, in which event the Budget shall be deemed amended to move the expenditure into the week of the actual expenditure for the purpose of calculating rolling four week variances set forth above. The Debtors may, at any time, amend or reforecast the Budget, either for the period covered by the Budget or for any period thereafter, and the DIP Lender and Trustee may approve or not approve such amendment in their sole and absolute discretion. Notwithstanding anything to the contrary in the foregoing, if the Debtors exceed, or on a commercially reasonable basis expect to exceed, any line item in the Budget</p>	<p>Interim Order, ¶ 21(i), Exhibit 1</p>

Provision	Summary	Location
	by at least two hundred thousand dollars (\$200,000), they shall immediately notify the DIP Lender and the Trustee.	
Automatic Stay <i>Bankruptcy Rule 4001(c)(1)(B)(iv)</i>	Subject to the Debtor Default Period Rights, without further order from the Bankruptcy Court, the automatic stay provisions of section 362 of the Bankruptcy Code are vacated and modified to the extent necessary to permit, upon the occurrence of any Event of Default, (a) the DIP Lender to cease making any advances under the DIP Facility, including the Initial DIP Loans, and (b) the DIP Lender to exercise all of its rights and remedies under the DIP Credit Agreement or related documents.	Interim Order, ¶ 32; DIP Credit Agreement, § 3.1(c)
Carve-Out <i>Bankruptcy Rules 4001(b)(1)(B)(iii) 4001(c)(1)(B)</i>	<p>“Carve-Out” has the meaning set forth in the Financing Orders (as defined in the DIP Credit Agreement).</p> <p>The “Carve Out” means the sum of (a) an aggregate amount not to exceed the sum of: (i) the unpaid dollar amount of the fees and expenses of professionals retained by the Debtors or a Committee, if any, to the extent (A) incurred or accrued prior to the Termination Date and remaining unpaid and (B) provided for under the Budget, plus (ii) the dollar amount of the fees and expenses of the professionals retained by the Debtors to the extent incurred or accrued after the Termination Date in an aggregate amount not to exceed \$300,000, in each of (i) and (ii) to the extent allowed by the Bankruptcy Court at any time, whether by interim order, procedural order, or otherwise, plus (b) the statutory fees of the United States Trustee pursuant to 28 U.S.C. § 1930 and the fees of the Clerk of this Court plus any interest at the statutory rate.</p>	Interim Order, ¶ 36; DIP Credit Agreement, § 1.1
Covenants <i>Bankruptcy Rule 4001(c)(1)(B)</i>	The Debtors shall observe all covenants in the Interim Order and the DIP Credit Agreement at all times prior to and after the Termination Date (as defined in the Interim Order). The Debtors agree to comply with specified budget and reporting covenants (and the Parties (as defined in the Interim Order) acknowledge that failure to comply with such covenants shall constitute an Event of Default under the Interim Order.	Interim Order, ¶ 21; DIP Credit Agreement, Articles V and VI
Milestones <i>Bankruptcy Rule 4001(c)(1)(B)(v-vi)</i>	<p>“Bankruptcy Milestones” has the meaning set forth in the Financing Orders (as defined in the DIP Credit Agreement).</p> <p>The Debtors agree that failure to materially comply with the following milestone covenants shall constitute an Event of Default, unless any such conditions have been waived or modified by the DIP Lender and/or the Trustee in their sole discretion: (i) On Tuesday of each week (or such other day as may be agreed upon by the Parties), the Debtors shall make available representatives reasonably acceptable to the DIP Lender and the Trustee for a telephone conference call with the DIP Lender and the Trustee, holders of the Bonds, and their respective agents, advisors and/or representatives to discuss the cash flows and operations of the Community, and such other matters as are relevant or are reasonably requested by the DIP Lender and the Trustee; (ii) the Debtors shall initiate the Landlord Action on Petition Date; (iii) on or</p>	Interim Order, ¶ 22; DIP Credit Agreement, § 1.1

Provision	Summary	Location
	<p>before May 17, 2022, the Final Order shall be entered; (iv) within seventy-five (75) days of the Petition Date, the Debtors shall provide drafts of the Disclosure Statement and Plan of Reorganization to the DIP Lender and the Trustee; (v) within ninety (90) days of the Petition Date, the Debtors shall file the Disclosure Statement and Plan of Reorganization, each in form and substance reasonably acceptable to the DIP Lender and Trustee; (vi) within forty-five (45) days of the filing of the Disclosure Statement, the Bankruptcy Court shall have approved the Disclosure Statement and Solicitation Procedures; (vii) within seven (7) days of the approval of the Disclosure Statement, the Debtors shall have begun solicitation of the Plan of Reorganization; (viii) within forty-five (45) days of the approval of the Disclosure Statement, the Bankruptcy Court shall have confirmed the Plan of Reorganization; and (ix) within thirty (30) days of the Plan of Reorganization being confirmed, the effective date of the Plan of Reorganization shall have occurred. Each of the Bankruptcy Milestones may be extended or waived in writing by the DIP Lender and the Trustee.</p>	
<p>Stipulations and Acknowledgements</p> <p><i>Bankruptcy Rule 4001(c)(1)(B)(iii)</i></p>	<p>The Debtors and their estates waive any and all right to object to or contest the amount of the Bond Claim or the Trustee's security interests in the Pre-Petition Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens, subject and subordinate only to (a) Post-Petition Liens to the extent set forth herein, (b) Permitted Liens; and (c) the Carve-Out.</p>	<p>Interim Order, ¶¶ F-I, 33</p>
<p>Waivers and Consents</p> <p><i>Bankruptcy Rule 4001(c)(1)(B)(v) and (vii-x)</i></p>	<p>Any and all payments or proceeds remitted to the DIP Lender and/or the Trustee pursuant to the provisions of this Interim Order or otherwise shall be received by the DIP Lender and/or the Trustee, free and clear of any claim, charge, assessment or other liability, including, without limitation, any such claim or charge arising out of or based on sections 506(c) and/or 552(b) of the Bankruptcy Code, whether directly or indirectly, all of which are waived by the Debtors.</p> <p>No consent by the DIP Lender or the Trustee to any administrative claims, including fees and expenses of professionals, sought to be assessed against or attributed to the Trustee, as applicable, in the Pre-Petition Collateral, or the Post-Petition Collateral pursuant to the provisions of sections 506(c) and/or 552(b) of the Bankruptcy Code or otherwise by, through or on behalf of the Debtors, shall be implied from any action, inaction or acquiescence.</p>	<p>Interim Order, ¶¶ 14, 26; DIP Credit Agreement, § 3.1(c)</p>
<p>Governing Law</p>	<p>Subject to the Jurisdiction of the Bankruptcy Court, the DIP Credit Agreement and the other DIP Loan Documents and the rights and obligations of the Parties (as defined in the DIP Credit Agreement and in the DIP Loan Documents), shall except as otherwise provided in certain of the other DIP Loan Documents, be construed in accordance with and be governed by the internal law of the State of New York (without regarding to conflicts of law rules and principles</p>	<p>DIP Credit Agreement; Section 9.9</p>

Provision	Summary	Location
	thereunder) and, to the extent applicable, the Bankruptcy Code.	

BASIS FOR RELIEF

22. The Debtors submit that ample justification exists for entry of the DIP Orders approving the Debtors' request to use Cash Collateral and enter into the DIP Facility under Bankruptcy Code Sections 363 and 364. The Debtors' ability to immediately access and use Cash Collateral and obtain post-petition financing is critical to the success of the Chapter 11 Cases and to the well-being of the Residents who depend on the Debtors for personal services and healthcare. In short, the ultimate success of the Chapter 11 Cases hinges, in large part, upon the Debtors' ability to use Cash Collateral and obtain post-petition financing through the DIP Facility.

A. Bankruptcy Code Section 363 Authorizes the Debtors' Use of Cash Collateral.

23. The Debtors' use of property of their estates is governed by Bankruptcy Code Section 363, which provides in pertinent part that:

If the business of the debtor is authorized to be operated under section . . . 1108 . . . of this title and unless the court orders otherwise, the [debtor] may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1).

24. Bankruptcy Code Section 363(c)(2)(A) permits a debtor to use cash collateral with the consent of "each entity that has an interest in such cash collateral." 11 U.S.C. § 363(c)(2)(A) The Trustee is the only entity with an interest in the Cash Collateral and has consented to its use by the Debtors. Accordingly, the Debtors have satisfied Bankruptcy Code Section 363(c)(2)(A).

25. Courts, including this Court, have authorized debtors to use cash collateral with the consent of entities holding interests in such cash collateral. *See Senior Care Centers, LLC, et al.,*

Case No. 18-33967 (SGJ) (Bankr. N.D. Tex. December 7, 2018) [Docket No. 72]; *In re Taco Bueno Restaurants, Inc., et al.*, Case No. 18-33678 (SGJ) (Bankr. N.D. Tex. Nov. 30, 2018) [Docket No. 160]; *In re Hingham Campus, LLC and Linden Ponds, Inc.*, 11-33912 (SGJ) (Bankr. N.D. Tex. August 1, 2011) [Docket No. 171]; *see also In re Town & Country Partners, LLC*, Case No. 21-08430 (Bankr. N.D. Ill. Dec. 22, 2021) [Docket No. 81].

26. Additionally, Bankruptcy Code Section 363(e) requires a debtor to adequately protect a secured creditor's interest in property to be used by a debtor against any diminution in value of such interest resulting from the debtor's use of the property during the chapter 11 case. *See* 11 U.S.C. 363(e); *see also In re Mosello*, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996); *Beker*, 58 B.R. at 736; *In re WorldCom, Inc.*, 304 B.R. 611, 618-19 (Bankr. S.D.N.Y. 2004) ("The legislative history for Bankruptcy Code Section 361, which sets forth how adequate protection may be provided under Section 363, makes clear that the purpose is to insure that the secured creditor receives the value for which the creditor bargained for prior to the debtor's bankruptcy.").

27. A determination as to the adequacy of a debtor's proposed adequate protection is decided on a case-by-case basis. *See In re George Ruggiere Chrysler-Plymouth, Inc.*, 727 F.2d 1017, 1019 (11th Cir. 1984); *In re Swedeland Dev. Group. Inc.*, 16 F.3d 552, 564 (3d Cir. 1994); *In re O'Connor*, 808 F.2d 1393, 1396 (10th Cir. 1987); *In re Martin*, 761 F.2d 472 (8th Cir. 1985); *In re Columbia Gas Sys., Inc.*, 1992 WL 79323, at *2 (Bankr. D. Del. Feb. 18, 1992); *In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996); *In re Sw. Assocs.*, 140 B.R. 360 (Bankr. S.D.N.Y. 1992). By requiring adequate protection, the Bankruptcy Code seeks to shield a secured creditor from diminution in the value of its interest in its collateral during the period of use by the debtor in possession. *See Glasstream Boats*, 110 B.R. at 613; *George Ruggiere Chrysler-Plymouth*, 727 F.2d at 1019; *In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 631 (Bankr. S.D.N.Y. 1992); *In re*

Beker Indus. Corp., 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986); *In re Hubbard Power & Light*, 202 B.R. 680 (Bankr. E.D.N.Y. 1996). Section 361 identifies various types of adequate protection, including cash payments, additional liens, replacement liens, and such other relief that will result in the realization by the secured creditor of the “indubitable equivalent” of its interest in its collateral. *See* 11 U.S.C. § 361.

28. Here, the adequate protection proposed by the Debtors will fully protect the Trustee. The Trustee is receiving replacement liens in addition to super-priority treatment. Additionally, the Trustee is receiving Rollover Liens and Supplemental Liens, subject to the Post-Petition Liens, the Carve Out, and the Permitted Liens as set forth under the DIP Credit Agreement. Furthermore, the adequate protection and other terms of the Debtors’ use of Cash Collateral were the product of negotiations and agreement by the Trustee.

29. Based on the foregoing, the Debtors submit that the adequate protection proposed herein and in the Interim Order is fair and reasonable and sufficient to satisfy the requirements of Bankruptcy Code Sections 363(c)(2) and (e).

B. Bankruptcy Code Section 364 Authorizes the Debtors to Enter into the DIP Facility.

30. Bankruptcy Code Section 364 generally permits debtors to obtain credit or incur debt by either: (i) obtaining unsecured credit in the ordinary course of business, (ii) obtaining unsecured credit outside of the ordinary course of business, or (iii) obtaining credit with a specialized priority or with various types of security. *See* 11 U.S.C. § 364(a)-(c). If a debtor cannot obtain post-petition financing on an unsecured basis or an administrative expense basis under Bankruptcy Code Section 503, courts may authorize the debtor to obtain post-petition financing, the repayment of which is entitled to: (i) superpriority administrative expense status; (ii) a senior lien on unencumbered property; or (iii) a junior lien on unencumbered property. *See* 11 U.S.C.

§ 364(c). Additionally, Bankruptcy Code Section 364(d) provides that a debtor may obtain post-petition financing secured by a senior or equal lien on property of the estate that is subject to a lien only if the debtor is unable to obtain such creditor otherwise and the existing secured creditors' interests in the collateral are adequately protected. *See* 11 U.S.C. § 364(d).

31. The Debtors have determined in their sound business judgment that the Debtors require post-petition financing from the DIP Lender, and the DIP Lender is prepared to provide the DIP Facility on a priming, super-priority basis. The DIP Facility will provide the Debtors with the necessary working capital to sustain business operations through December 31, 2022 and, thereafter, to the extent necessary, subject to further agreement between the Debtors and the DIP Lender. The Debtors are not able to obtain (i) adequate unsecured credit allowable under Bankruptcy Code Sections 503(b)(1) or 364(b) as an ordinary administrative expense, (ii) unsecured credit entitled to priority under Bankruptcy Code Section 364(c)(1), or (3) adequate secured credit under section 364(c)(2), (c)(3) or (d)(1) from any source other than the DIP Lender that would be sufficient to enable the Debtors to continue business operations and administer these Chapter 11 Cases.

32. The Debtors and the DIP Lender have negotiated in good faith and at arms' length and, as a result, have agreed to the terms set forth in the proposed Interim Order. Without the approval of the DIP Loans, the Debtors will not be able to continue their post-petition operations during the Chapter 11 Cases. The initial DIP Loan of \$2,000,000 will, among other things, enable the Debtors to continue to pay their employees and vendors, as well as taxing authorities in the ordinary course. More importantly, approval of the post-petition financing requested herein is necessary to enable the Debtors to continue to provide uninterrupted care to Residents throughout the pendency of the Chapter 11 Cases.

C. Bankruptcy Rules 4001(b)(2), 4001(c)(2) and 6003(b) Have Been Satisfied.

33. Bankruptcy Rule 4001 permits courts to approve a debtors' request for the use of cash collateral and authority to obtain post-petition financing during the 14-day period following the filing of a motion requesting such relief "only . . . as is necessary to avoid immediate and irreparable harm to the estate pending a final hearing." *See* Fed. R. Bankr. P. 4001(b)(2), (c)(2).

34. In addition, Bankruptcy Rule 6003(b) provides that, "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition," grant relief upon "a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate[.]" Fed. R. Bankr. P. 6003(b).

35. Absent the use of Cash Collateral and funding provided by the DIP Facility, the Debtors will not be able to meet their working capital and liquidity needs, and the estates, Residents, and creditors will suffer immediate and irreparable harm. For these reasons, as more fully set forth above, the Debtors have an immediate and urgent need to use Cash Collateral and obtain post-petition financing through the DIP Facility. Accordingly, the Debtors submit that the requirements of Bankruptcy Rules 4001(b)(2) and (c)(2) and 6003(b) have been satisfied.

36. Additionally, the Debtors respectfully request that the Court schedule the Final Hearing and approve such notice of the Final Hearing as adequate and sufficient notice under Bankruptcy Rule 4001.

WAIVER OF BANKRUPTCY RULE 6004(a)

37. To the extent applicable, Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay under Bankruptcy Rule 6004(h), to the extent applicable. *See* Fed. R. Bankr. P. 6004(a), (h). As described above, the relief that the Debtors seek in this Motion is immediately necessary for the Debtors to be able to continue to operate their

business and preserve the value of their estates. The Debtors respectfully request that the Court waive the notice requirements imposed by Bankruptcy Rule 6004(a) and the 14-day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief

NOTICE

38. Notice of this Motion will be provided to (a) the U.S. Trustee; (b) the holders of the thirty (30) largest unsecured claims against the Debtors on an aggregate basis, (c) UMB Bank, N.A., as Trustee and counsel thereto, (d) Lifespace Communities, Inc. and counsel thereto, (e) the United States Attorney's Office for the Northern District of Texas, (f) the Internal Revenue Service, (g) the United States Department of Justice, (h) the Texas State Attorney General, (i) the United States Securities and Exchange Commission, and (j) any party that has requested notice pursuant to Bankruptcy Rule 2002.

39. The Debtors respectfully submit that, in light of the nature of the relief requested herein, no other or further notice need be given.

NO PRIOR REQUEST

40. No prior request for the relief sought in this Motion has been made by the Debtors to this or any other court.

[Remainder of page intentionally left blank]

WHEREFORE, the Debtors respectfully request that the Court enter the Interim Order, substantially in the form attached hereto, granting the relief requested herein and any further relief the Court may deem just and proper.

Dated: April 14, 2022
Dallas, Texas

POLSINELLI PC

/s/ Trinitee G. Green

Trinitee G. Green (SBN 24081320)
2950 N. Harwood, Suite 2100
Dallas, Texas 75201
Telephone: (214) 397-0030
Facsimile: (214) 397-0033
tggreen@polsinelli.com

– and –

Jeremy R. Johnson (*Pro Hac Vice* Pending)
Brenna A. Dolphin (*Pro Hac Vice* Pending)
600 3rd Avenue, 42nd Floor
New York, New York 10016
Telephone: (212) 684-0199
Facsimile: (212) 684-0197
jeremy.johnson@polsinelli.com
bdolphin@polsinelli.com

PROPOSED COUNSEL TO THE DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT A

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

In re:

Northwest Senior Housing Corporation, *et al.*,¹

Debtors.

Chapter 11

Case No. 22-30659 (MVL)

(Joint Administration Requested)

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

This Interim Order (1) Authorizing Debtors in Possession to Obtain Post-Petition Financing; (2) Authorizing Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; (4) Granting Liens, Security Interests and Superpriority Claims; and (5) Scheduling a Final Hearing (this “Interim Order”) is entered into by this Court after adequate notice and hearing upon the *Emergency Motion for Interim Order and Final Order (1) Authorizing Debtors in Possession to Obtain Post-Petition Financing; (2) Authorizing the Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; and (3) Granting Liens, Security Interests and Superpriority Claims* (the “Motion”)², and upon the terms agreed to by and among the above-captioned debtors (the “Debtors”), UMB Bank, N.A., as the successor bond trustee (in such

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

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

capacity, the “Bond Trustee”) under the Bond Indentures (as defined below), UMB Bank, N.A., as successor master trustee (the “Master Trustee” and together with the Bond Trustee, the “Trustee”) with respect to the Master Indenture (as defined below), and UMB Bank, N.A., in its capacity as Trustee, as lender (the “DIP Lender”) with respect to the DIP Credit Agreement (as defined below). Upon the terms of the Motion, the stipulations, acknowledgements and agreements of the Debtors, the DIP Lender and the Trustee (collectively, the “Parties”), the statements of the Parties and their counsel at the hearing on the Motion, and the record of the proceedings, the Court makes the following findings of fact and rulings of law:

FINDINGS OF FACT

The Debtors’ Chapter 11 Case; Procedural Background; Jurisdiction and Notice

A. On April 14, 2022 (the “Petition Date”), the Debtors each filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and thereby commenced their cases thereunder (the “Chapter 11 Cases”). Since the Petition Date, the Debtors have been operating their businesses and managing their property as debtors and debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. As of the date hereof, no committee of unsecured creditors (a “Committee”) has been appointed in the Chapter 11 Cases. No request has been made for the appointment of a trustee or examiner in the Chapter 11 Cases.

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

C. The Debtors have properly served notice of the Motion and the hearing thereon pursuant to sections 102, 105, 361, 362, 363 and 364 of the Bankruptcy Code and Federal Rules

of Bankruptcy Procedure 2002 and 4001, 6004, 9006, and 9014 and the Bankruptcy Local Rules which notice was sent to, among others (i) the U.S. Trustee; (ii) the holders of the thirty (30) largest unsecured claims against the Debtors on an aggregate basis, (iii) UMB Bank, N.A., as Trustee and counsel thereto, (iv) Lifespace, Inc. and counsel thereto, (v) Intercity Investment Properties, Inc. and counsel thereto; (vi) the United States Attorney's Office for the Northern District of Texas, (vii) the Internal Revenue Service, (viii) the United States Department of Justice, (ix) the Texas State Attorney General, (x) the United States Securities and Exchange Commission, (xi) the Texas Department of Insurance, and (xii) any party that has requested notice pursuant to Bankruptcy Rule 2002 (the "Notice Parties"). Such notice is sufficient for all purposes under the Bankruptcy Code and the applicable Bankruptcy Rules in respect to the relief requested and no further notice of the relief sought in the Motion is necessary.

The Debtors and the Community

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

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

The Secured Bond Obligations

F. The Debtors admit, stipulate, and agree that NSHC is obligated to the Trustee for the benefit of the beneficial holders of the tax-exempt Bonds (as defined below), authorized and issued by the Tarrant County Cultural Education Facilities Finance Corporation (the “Issuer”), including (i) the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015A in the original aggregate principal amount of \$53,600,000 (the “2015A Bonds”) and the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015B in the original aggregate principal amount of \$40,590,000 (the “2015B Bonds” and collectively with the 2015A Bonds, the “2015 Bonds”), issued pursuant to that certain Indenture of Trust, dated as of May 1, 2015 (the “2015 Bond Indenture”), by and between the Issuer and The Bank of New York Mellon Trust Company, National Association, as the prior bond trustee (the “Prior Bond Trustee”), and (ii) the Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project), Series 2017 in the original aggregate principal amount of \$21,685,000 (the “2017 Bonds” and collectively with the 2015 Bonds, the “Bonds”), issued pursuant to the Indenture of Trust, dated as of March 1, 2017 (the “2017 Bond Indenture” and together with the 2015 Bond Indenture, the “Bond Indentures”), by and between the Issuer and the Prior Bond Trustee.

G. The Debtors admit, stipulate, and agree that the Issuer loaned the proceeds of the Bonds to NSHC pursuant to that certain Loan Agreement, dated as of May 1, 2015, by and between the Issuer and NSHC (the “2015 Loan Agreement”) and that certain Loan Agreement, dated as of March 1, 2017, by and between the Issuer and NSHC (the “2017 Loan Agreement” and together with the 2015 Loan Agreement, the “Loan Agreements”). NSHC used the proceeds of the Bonds primarily to (i) finance or refinance the cost of the acquisition, construction, renovation and

equipping of the Community, including capital expenditures; (ii) fund various accounts and funds held by the Trustee; and (iii) pay certain costs associated with the issuance of the Bonds.

The Bond Claim

H. The Debtors admit, stipulate, and agree that as of the Petition Date, the amounts due and owing by NSHC with respect to the Bonds and the obligations under the Bond Documents (as defined below) are as follows (collectively, the “Bond Claim”):

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

Security for the Bond Obligations

I. The Debtors admit, stipulate, and agree that the rights of the Issuer under the Loan Agreements were assigned to the Trustee. In addition, as security for its obligations with respect to the Bonds, NSHC entered into that certain Master Trust Indenture, Deed of Trust and Security Agreement dated as July 1, 2007, as supplemented by the Supplemental Indenture Number 1, dated as of July 1, 2007, the Supplemental Indenture Number 2, dated as of September 1, 2014 and the Supplemental Indenture Number 3, dated as of August 1, 2015 (as supplemented, the “Master Indenture”) between NSHC and JPMorgan Chase Bank, National Association, as the prior master trustee (the “Prior Master Trustee”) pursuant to which NSHC granted the Prior Master Trustee a security interest in the following assets of NSHC: (i) all revenue, accounts, accounts receivable, and Gross Revenues (as defined in the Master Indenture) of NSHC; (ii) all general intangibles, equipment, inventory and other personal property of NSHC; (iii) NSHC’s leasehold interest created by that certain Ground Lease, dated as of November 5, 1999 (the “Ground Lease), by and

between NSHC and Intercity Investment Properties, Inc. (the “Landlord”), including all buildings, structures, fixtures, additions, enlargements, extensions, improvements, modifications or repairs associated therewith; (iv) all of the proceeds of the foregoing; and (v) all funds held in the various accounts established under the Bond Indentures (all such collateral, the “Pre-Petition Bond Collateral” and the liens on such Pre-Petition Bond Collateral, the “Pre-Petition Liens”). The Bond Indentures, the Loan Agreements, the Master Indenture and any other document or agreement delivered as security for, or in respect of, the Bonds or NSHC’s obligations under any of such documents are collectively referred to herein as the “Bond Documents.”

The Debtors’ Need for Use of Cash Collateral

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

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

The Debtors' Need for Debtor-in-Possession Financing

L. A critical need exists for the Debtors to obtain funds to cover the operational, capital and administrative needs of the Community, solely to the extent set forth under the Budget and under the DIP Facility (as each is defined below). The Debtors are unable to obtain postpetition financing on an unsecured basis under sections 364(c)(1) or 503(b)(1) of the Bankruptcy Code. Further, the Debtors assert that they are also unable to obtain secured credit from sources other than the DIP Lender that would be allowable under sections 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code for the purposes set forth in this Interim Order. Further, the Trustee would not consent to any priming liens and would have argued that the Debtors could not have provided adequate protection for any such proposed financing.

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

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

maintenance of the going concern value of the Debtors' estates and to otherwise provide the necessary services to the residents of the Community.

O. The Debtors have requested that the DIP Lender provide the Initial DIP Loans up to an aggregate amount of \$2,000,000, which funds shall be used by the Debtors solely to the extent provided in the Budget attached as **Exhibit 1**. At the expiration of the Interim Order, the DIP Lender, subject to entry of the Final Order in a form acceptable to the DIP Lender, shall continue to advance funds through additional DIP loans (together with the Initial DIP Loans, the "DIP Loans"), up to an aggregate amount of up to \$10,100,000 (collectively, the "DIP Facility").

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

Q. The DIP Lender's lending of the Initial DIP Loans is conditioned upon the grant of a lien that: (a) will prime and remain senior to the Trustee's Pre-Petition Liens; and (b) will otherwise constitute a first priority lien in all Post-Petition Collateral (as defined below), subject only to the Carve-Out and Permitted Liens (as defined in the DIP Credit Agreement).

R. The terms of the Initial DIP Loans have been negotiated in good faith and at arm's length among the Debtors and the DIP Lender. The terms of the Initial DIP Loans are at least as favorable to the Debtors as those available from alternative sources, under all of the circumstances. Given the current market conditions and under the particular circumstances of the Chapter 11

Cases, no other sources of funding are available. Given the exigencies of the case, the Debtors believe the Initial DIP Loans are the best and only option.

S. The terms of the Initial DIP Loans are fair and commercially reasonable under the circumstances, reflect the Debtors' exercise of their prudent business judgment consistent with their fiduciary duties, are supported by reasonably equivalent value and fair consideration, and are enforceable in accordance with applicable law. As such, the funds advanced shall be deemed to have been extended by the DIP Lender in "good faith" as that term is used in section 364(e) of the Bankruptcy Code and based upon the express reliance of the protections offered by section 364(e) of the Bankruptcy Code. The Post-Petition Liens and the Superpriority Claim (defined below) shall be entitled to the full protection of section 364(e) of the Bankruptcy Code, including in the event that this Interim Order or any provision hereof is vacated, reversed or modified, on appeal or otherwise.

T. The Debtors shall immediately and shall continue to, segregate, remit, and deposit all cash collateral in the Debtors' accounts, possession, custody or control and which the Debtors may receive in the future, in accordance with applicable cash management orders entered by this Bankruptcy Court and as permitted by the DIP Credit Agreement.

Need for Adequate Protection to Trustee

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

V. The Debtors and the DIP Lender have represented to the Bankruptcy Court that they have negotiated at arm's length and have acted in good faith in the negotiation and preparation of the DIP Credit Agreement and this Interim Order, have been represented by counsel, and intend to be and are bound by their respective terms. The terms and conditions of this Interim Order and the DIP Documents reflect the Debtors' exercise of prudent business judgment under exigent circumstances and are consistent with their fiduciary duties and are supported by reasonably equivalent value and fair consideration.

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

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

NOW THEREFORE, THE COURT ORDERS AS FOLLOWS:

Motion Granted

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

Approval of DIP Facility and DIP Loan Documents

2. The terms of the DIP Facility, that certain Priming Superpriority Debtor-in-Possession Credit Agreement between the Debtors and the DIP Lender (the “DIP Credit Agreement”) and all documents executed in connection therewith (collectively with the DIP Credit Agreement, the “DIP Loan Documents”) are fair and reasonable, reflect the exercise of the Debtors’ prudent business judgment consistent with their fiduciary duties, and constitute reasonably equivalent value and fair consideration.

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

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

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

6. The DIP Facility and DIP Loan Documents are hereby approved on an interim basis, and the Debtors are hereby authorized to borrow the Initial DIP Loans pursuant to the DIP Loan Documents, the budget attached as **Exhibit 1**, itemizing on a bi-weekly basis all uses, and anticipated uses, revenues projected to be received and all expenditures proposed to be made

during such period, which Budget may be amended at the request of the Debtors and with the written consent of the DIP Lender and incorporated herein by reference (as it may be amended, supplemented, replaced or otherwise modified from time to time solely with the consent of the DIP Lender in its sole discretion, the “Budget”) and this Interim Order, the proceeds of which shall be used for such purposes as are expressly permitted under the DIP Loan Documents, this Interim Order and the Budget.

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

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

The Initial DIP Loans

8. Initial DIP Loans. Pursuant to sections 361 and 364 of the Bankruptcy Code and the terms and conditions hereof, until the occurrence of an Event of Default (as defined below), the Debtors are hereby authorized to borrow the Initial DIP Loans pursuant to the terms, conditions and provisions of this Interim Order and the DIP Credit Agreement in an amount up to an aggregate amount of \$2,000,000 pursuant to the terms set forth herein (the “Initial DIP Loans”); provided, however, that the Debtors shall use the proceeds of the Initial DIP Loans solely in compliance with the Budget and as expressly set forth herein.

9. Principal, Interest, Fees, Etc.

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

10. Conditions to the Initial DIP Loans. The funding of the Initial DIP Loans is conditioned on the satisfaction of the following:

- (i) entry of this Interim Order;
- (ii) evidence of insurance reasonably satisfactory to the DIP Lender (and receipt of additional insured and loss payee insurance certificates); and

- (iii) execution of the DIP Loan Documents.

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

- (i) not less than four (4) business days prior to any borrowing date (each a “Borrowing Date”), the Debtors shall deliver to the DIP Lender a fully executed Borrowing Certificate (as defined below) no later than 10:00 a.m. (New York City time) on such date. Such Borrowing Certificate, a form of which is attached hereto as Exhibit B to the DIP Credit Agreement (each a “Borrowing Certificate”), shall specify the amount of the proposed DIP Loan and the Borrowing Date thereof, and shall certify that the amount of the proposed DIP Loan, after accounting for other available funds held by the Debtors, is reasonably expected to be needed to pay amounts coming due in the fourteen (14) days immediately following such Borrowing Date, as set forth in the Budget. On the Borrowing Date specified in any Borrowing Certificate, the DIP Lender shall disburse such funds to the Operating Account (as defined in the DIP Credit Agreement) and shall use reasonable efforts to make the funds available to the Debtors no later than 2:00 p.m. (New York City time) on the requested Borrowing Date.
- (ii) each request for an Initial DIP Loan must exceed a minimum amount of \$100,000;
- (iii) such expenditures have not been subject to any prior requisition or payment or reimbursement from any other source;
- (iv) after making the DIP Loan requested, the aggregate outstanding principal amount of the Initial DIP Loans will not exceed the amount authorized under this Interim Order and the DIP Credit Agreement;
- (v) the representations and warranties of the Debtors contained in the Interim Order shall be true and correct in all material respects immediately prior to, and after giving effect to, the Initial DIP Loan; and
- (vi) the Debtors are in compliance in all material respects with each of the covenants contained in the Interim Order and the DIP Loan Documents.

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

13. Effectiveness of Initial DIP Loans. From and after the entry of this Interim Order (the “Effective Date”), the terms and conditions hereof shall constitute a valid and binding obligation of the Debtors, enforceable against the Debtors in accordance with the terms of this Interim Order for all purposes during the Chapter 11 Cases, any subsequently converted cases of any of the Debtors under chapter 7 of the Bankruptcy Code or after the dismissal of the Chapter 11 Cases. No obligation, payment, transfer or grant of security under this Order shall be stayed, restrained, voidable, avoidable or recoverable under the Bankruptcy Code or under any applicable law (including without limitation, under sections 502(d), 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any defense, reduction, setoff, recoupment or counterclaim.

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

Security for the DIP Loan

15. Post-petition Liens. Pursuant to section 364(c)(2), (c)(3) and (d) of the Bankruptcy Code and as security for the repayment of the Initial DIP Loans and the obligations under the DIP Loan Documents, the DIP Lender is hereby granted valid, binding, enforceable and perfected first priority mortgages, pledges, liens and security interests (the “Post-Petition Liens”) in all currently owned or hereafter acquired property and assets of the Debtors of any kind or nature, whether real

or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof, including, without limitation, accounts, revenues, inventory, equipment, capital stock in subsidiaries, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, general intangibles, patents, copyrights, trademarks, deposit accounts, intercompany claims, claims against affiliates, causes of action, tax refund claims, commercial tort claims, insurance proceeds and insurance premium refunds (all of the foregoing, the “Post-Petition Collateral”); provided, however, that the Post-Petition Collateral under this Interim Order shall not include any and all cash or other property received by the Debtors in the form of gifts, charitable donations, bequests or grants that are by their terms, restricted in the manner in which they may be utilized by the Debtors to the extent, and only to the extent, that such restrictions would prohibit the granting of any such gifts, donations, bequests or grants as collateral (collectively, the “Charitable Assets”).

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

17. Superpriority Administrative Expense Claim. The Initial DIP Loans shall have the status of a superpriority administrative expense claim (the “Superpriority Claim”) pursuant to section 364(c)(1) of the Bankruptcy Code, including, without limitation, having priority over all other unpaid administrative expenses of the kind specified in sections 503(b) and 507(b) of the

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

Debtors' Use of Cash Collateral

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

19. The Debtors' use of Cash Collateral shall be solely as set forth in the Budget and as otherwise provided in this Interim Order for: (a) the necessary ordinary course operation and maintenance costs associated with the Community in the amounts and categories and time set forth in the Budget; and (b) other costs and expenses of administration of the Chapter 11 Cases in the amounts and categories and time set forth in the Budget. Except on the term and conditions of this Interim Order and the DIP Credit Agreement, the Debtors are prohibited from using Cash Collateral at any time or for any other purpose absent consent of the DIP Lender and the Trustee, or further order of the Bankruptcy Court.

Adequate Protection to Trustee for the Pre-Petition Liens and Pre-Petition Collateral

Securing the Bond Claim

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

- (i) Rollover Liens. As adequate protection for any diminution in the value of the Pre-Petition Collateral, including based upon the priming by the DIP Lender ("Diminution"), the Trustee shall continue to have valid, binding, enforceable and perfected additional and replacement mortgages, pledges, liens and security interests in all Post-Petition Collateral and the proceeds, rents, products and profits therefrom, whether acquired or arising before or after the Petition Date, to the same extent, priority and validity that existed as of the Petition Date (such liens, the "Rollover Liens"); provided, however, the Rollover Liens shall be subject to the Post-Petition Liens, Permitted Liens and the Carve-Out;
- (ii) Supplemental Liens. As additional adequate protection for any Diminution, the Trustee shall have a valid, perfected and enforceable continuing supplemental lien on, and security interest in, all of the assets of the Debtors of any kind or nature whatsoever within the meaning of section 541 of the Bankruptcy Code, whether acquired or arising before or after the Petition Date, and the proceeds, rents, products and profits therefrom, exclusive of the Charitable Assets (collectively, the "Supplemental Liens"); provided, however, the Supplemental Liens shall be subject to the Post-Petition Liens, Permitted Liens and the Carve-Out;
- (iii) Pre-Petition Superpriority Claim. As additional adequate protection for any Diminution, the Trustee shall receive a superpriority expense claim allowed under section 507(b) of the Bankruptcy Code (the "Pre-Petition Superpriority Claim") against all assets of the Debtors' estate. The Pre-Petition Superpriority Claim shall have priority over any and all other unpaid administrative expenses now existing or hereafter arising, of any kind whatsoever, of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of the Debtors, any successor trustee or any creditor in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment; provided, however, the Pre-Petition Superpriority Claim shall be subject to the (i) the Post-

Petition Liens, (ii) Permitted Liens, (iii) the Superpriority Claim, and (iv) the Carve-Out;

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

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

Covenants

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

Budget and Reporting Covenants:

- (i) The Debtors shall comply with the Budget (subject to the permitted variances provided in the next immediate sentence), and shall not make any payments, or incur any obligations or liabilities, that are not projected and provided for in the Budget. On the last business day of every other week, payments for such cumulative period to date shall not exceed ten percent (10%) of the respective amounts, measured as to each line item in the Budget, and five percent (5%) of the respective amounts, measured on an aggregate basis, set forth for such cumulative period to date in the Budget (provided expenditures for estate professional fees shall not exceed one hundred percent (100%) of the amount allocated for such expenditures in the Budget for such cumulative period, provided further that estate professionals may carry forward any unused expenditures for estate professionals to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court and may carry backward any unused expenditures for estate professionals, up to an aggregate amount of \$150,000 per month, to pay unpaid estate professional fees and expenses that have been allowed pursuant to any orders of the Bankruptcy Court); and receipts for such cumulative period to date shall not be less than ninety percent (90%) of the amounts, on an aggregate basis, set forth for such cumulative period to date in the Budget. This variance (the "Variance") shall be measured, on a rolling four week period (the "Measuring Period"); provided, however, that for purposes of calculating such Variances, (i) the first Measuring Period shall be the first two weeks after the Petition Date and the first two weeks of the Budget, and (ii) the second Measuring

Period shall be the first through fourth weeks after the Petition Date and the first through fourth weeks of the Budget. Any budgeted expenditures not paid in a particular budget period may be paid during a subsequent period and, for the purpose of calculating rolling four week variances set forth above, the Budget will be revised to move such expenditures to the later period, it being understood that such later period can be outside the four week period. Expenditures (except for professional fees which are addressed as noted above) may be paid in an earlier period in the reasonable discretion of the Debtors, in which event the Budget shall be deemed amended to move the expenditure into the week of the actual expenditure for the purpose of calculating rolling four week variances set forth above. The Debtors may, at any time, amend or reforecast the Budget, either for the period covered by the Budget or for any period thereafter, and the DIP Lender and Trustee may approve or not approve such amendment in their sole and absolute discretion. Notwithstanding anything to the contrary in the foregoing, if the Debtors exceed, or on a commercially reasonable basis expect to exceed, any line item in the Budget by at least two hundred thousand dollars (\$200,000), they shall immediately notify the DIP Lender and the Trustee.

- (ii) The Debtors shall provide the following reports to the DIP Lender and the Trustee:
- a. no later than 5:00 p.m. (prevailing Eastern time) on Friday of every other week or if such Friday is not a business day, then the immediate succeeding business day, the “Bi-Weekly Budget Report” which means, a bi-weekly report (i.e., a report issued once in each two-week period) certified by an Authorized Officer for the Debtors, substantially in the same form as the Budget, indicating (i) a comparative reconciliation, on a line-by-line and aggregate basis, of actual cash receipts and disbursements against the cash receipts and disbursements forecast in the Budget, and the percentage variance thereof, for (A) the bi-weekly period ended on (and including) the immediately preceding Sunday, (B) a rolling four-week period, and (C) the cumulative period to date; and (ii) a written explanation of such variances;
 - b. at any time and from time to time that the Debtors receive any material written notice from any Governmental Body, the Debtors shall provide a copy of such notice to the DIP Lender and the Trustee within one (1) business day of receipt, and the Debtors shall provide to the DIP Lender and the Trustee copies of all material reports, certificates and notices that the Debtors may provide to any Governmental Body within one (1) business day of transmission;
 - c. a monthly reporting package, no later than thirty (30) days after the end of each calendar month, including cash flow, income statement, occupancy reports and balance sheet for such month, accounts payable and receivable reports with aging information; and

- d. as promptly as reasonably practicable from time to time following the DIP Lender's and/or the Trustee's reasonable request therefor, such other information (including historical information) regarding the operations, business affairs and financial condition of the Debtors, the progress of the Chapter 11 Cases and the Landlord Action (as defined in the DIP Credit Agreement), including prompt notice of any developments associated therewith, and/or compliance with the terms of any DIP Loan Document.

Bankruptcy Milestones

22. The Debtors agree that failure to materially comply with the following milestone covenants (the "Bankruptcy Milestones") shall constitute an Event of Default, unless any such conditions have been waived or modified by the DIP Lender and/or the Trustee in their sole discretion:

- (i) On Tuesday of each week (or such other day as may be agreed upon by the Parties), the Debtors shall make available representatives reasonably acceptable to the DIP Lender and the Trustee for a telephone conference call with the DIP Lender and the Trustee, holders of the Bonds, and their respective agents, advisors and/or representatives to discuss the cash flows and operations of the Community, and such other matters as are relevant or are reasonably requested by the DIP Lender and the Trustee;
- (ii) On or before May 17, 2022, the Final Order shall be entered;
- (iii) Within seventy-five (75) days of the Petition Date, the Debtors shall provide drafts of the Disclosure Statement and Plan of Reorganization to the DIP Lender and the Trustee;
- (iv) Within ninety (90) days of the Petition Date, the Debtors shall file the Disclosure Statement and Plan of Reorganization, each in form and substance reasonably acceptable to the DIP Lender and Trustee;
- (v) Within forty-five (45) days of the filing of the Disclosure Statement, the Bankruptcy Court shall have approved the Disclosure Statement and Solicitation Procedures;
- (vi) Within seven (7) days of the approval of the Disclosure Statement, the Debtors shall have begun solicitation of the Plan of Reorganization;
- (vii) Within forty-five (45) days of the approval of the Disclosure Statement, the Bankruptcy Court shall have confirmed the Plan of Reorganization; and

(viii) Within thirty (30) days of the Plan of Reorganization being confirmed, the effective date of the Plan of Reorganization shall have occurred.

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

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

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

26. No Waiver. No consent by the DIP Lender or the Trustee to any administrative claims, including fees and expenses of professionals, sought to be assessed against or attributed to the Trustee, as applicable, in the Pre-Petition Collateral, or the Post-Petition Collateral pursuant to the provisions of sections 506(c) and/or 552(b) of the Bankruptcy Code or otherwise by, through or on behalf of the Debtors, shall be implied from any action, inaction or acquiescence.

27. No Challenge. Notwithstanding anything else herein, subject to the proviso at the end of this sentence, no amounts under the Carve-Out, the proceeds of the DIP Loans and the proceeds of Pre-Petition Collateral (including Cash Collateral) and Post-Petition Collateral shall

be used for the purpose of: (a) objecting to or contesting in any manner, or in raising any defenses to, the validity, extent, perfection, priority, or enforceability of (i) the Bond Claim or the Pre-Petition Liens, (ii) the DIP Loans or the Post-Petition Collateral with respect thereto, or (iii) any other rights or interests of the DIP Lender or the Trustee, (b) asserting any claims or causes of action, including, without limitation, any actions under chapter 5 of the Bankruptcy Code against the DIP Lender and/or the Trustee or the holders of the Bonds or invoking the equitable doctrine of “marshalling” or any other similar doctrine with respect to any of the Pre-Petition Collateral, the Post-Petition Collateral or otherwise; (c) preventing, hindering, or delaying the enforcement or realization by the DIP Lender or Trustee, as applicable, upon any of the Pre-Petition Collateral or Post-Petition Collateral; (d) incurring indebtedness except as permitted by this Interim Order; (e) funding acquisitions, capital expenditures, capital leases or other transactions not in the ordinary course of the Debtors’ business other than as set forth in the Budget; (f) modifying any adequate protection granted the DIP Lender and/or the Trustee; or (g) commencing or prosecuting any motion, proceeding or cause of action against the DIP Lender and/or the Trustee, or their respective agents, attorneys, advisors or representatives. Notwithstanding the foregoing, not more than \$25,000 of the Cash Collateral may be made available to reimburse the Committee, if appointed, upon appropriate application therefor, for the Committee’s fees and expenses in investigating the validity, priority, perfection, and enforceability of the Trustee’s liens in the Pre-Petition Collateral.

Events of Default

28. Each of the following shall be considered an Event of Default (“Event of Default”) under the DIP Facility and this Interim Order:

- (i) the failure to make payments on the DIP Loans (including interest payments) as and when due;

- (ii) the failure of the Debtors to pay all of their administrative expenses in full in accordance with and subject to the terms as provided for in the Budget;
- (iii) this Interim Order becomes stayed, reversed, vacated, amended or otherwise modified in any respect without the prior written consent of the DIP Lender and the Trustee, except by the Final Order;
- (iv) failure to meet any of the Bankruptcy Milestones or other covenants set forth in this Interim Order;
- (v) the occurrence of a termination event under a Plan Support Agreement (as defined in the DIP Credit Agreement) if and when the Debtors and the Trustee execute a Plan Support Agreement;
- (vi) the Debtors resolve the Landlord Action in a manner which is not consented to by the DIP Lender and the Trustee;
- (vii) the dismissal of the Chapter 11 Cases, conversion of the Chapter 11 Cases to chapter 7 cases, or suspension of the Chapter 11 Cases under section 305 of the Bankruptcy Code;
- (viii) the appointment of a chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in section 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code);
- (ix) the granting of relief from the automatic stay to permit foreclosure with respect to a material asset of the Debtors, by any entity other than the DIP Lender or Trustee on any Post-Petition Collateral;
- (x) the entry of an order granting any superpriority claim which is senior or *pari passu* with the DIP Lender and/or the Trustee pursuant to this Interim Order;
- (xi) the payment of or granting adequate protection with respect to prepetition indebtedness of the Debtors other than as set forth in the Budget or as provided for in this Interim Order;
- (xii) the cessation of Post-Petition Liens, Rollover Liens, Adequate Protection Payments, Supplemental Liens, Superpriority Claims, or Pre-Petition Superpriority Claim granted pursuant to this Interim Order to be valid, perfected and enforceable in all respects;
- (xiii) the filing of any Challenge (as defined below) to the Pre-Petition Liens or Pre-Petition Collateral by the Debtors, or the Bankruptcy Court grants standing to the Committee or another third party to pursue such Challenge;
- (xiv) the payment of estate professional fees by the Debtors other than to the extent set forth in the Budget;

- (xv) the occurrence of an Event of Default under the DIP Credit Agreement; or
- (xvi) failure to pay the amounts due under this Interim Order by the Maturity Date.

Termination and Maturity

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

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

31. Notwithstanding the occurrence of an Event of Default or anything herein to the

contrary, all of the rights, remedies, benefits and protections provided to the DIP Lender and the Trustee shall survive the Termination Date. Upon the Termination Date, the principal of and accrued interest and all other amounts owed to the DIP Lender under the DIP Loans shall be immediately due and payable.

Exercise of Rights

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

(b) The DIP Lender and Trustee shall be entitled to apply the payments or proceeds of the Post-Petition Collateral or the Pre-Petition Collateral as they deem appropriate, subject to the Permitted Liens, and the Carve-Out, and in no event shall the DIP Lender or the Trustee be subject to the equitable doctrine of “marshalling” or any other similar doctrine with respect to any of the Post-Petition Collateral or otherwise.

Release

33. Subject to paragraph 34 herein, the Debtors hereby release the DIP Lender and the Trustee, all holders of the Bonds, and their respective affiliates, agents, attorneys, officers, directors and employees of all claims and/or causes of action by, and liabilities owing to, the Debtors arising out of or based upon or related to, in whole or in part, the Bonds, and any aspect of the prepetition relationship between the Trustee and the Debtors and any other acts or omissions by the Trustee in connection with either the Bond Documents or its prepetition relationship with

the Debtors. Further, subject to paragraph 34 herein, the Debtors and their estates waive any and all right to object to or contest the amount of the Bond Claim or the Trustee's security interests in the Pre-Petition Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens, subject and subordinate only to (a) Post-Petition Liens to the extent set forth herein, (b) Permitted Liens; and (c) the Carve-Out.

34. Investigation Period. Any party in interest (including any Committee, but excluding the Debtors) as to claims against the Trustee may file an adversary proceeding or contested matter (a "Challenge") (a) challenging the amount, validity, extent, enforceability, perfection or priority of the Bond Claim or the Pre-Petition Liens in respect thereof, or (b) otherwise asserting any claims or causes of action against the Trustee and/or holders of the Bonds on behalf of the Debtors' estates so long as any Challenge is made on or before the date that is sixty (60) days after the Effective Date or, if later, the Committee, if any (but not any other party in interest), shall have until forty-five (45) days from the date of its formation to file a Challenge, provided, however, that in no event shall any Challenge be filed by any party in interest (including any Committee) on a date that is ninety (90) days after the Effective Date (such period of time, the "Investigation Period"). Any such Challenge brought after the conclusion of the Investigation Period shall be barred. If no Challenge is commenced by a party during the Investigation Period against the Trustee, and/or the holders of the Bonds, then as to such party, (a) the Bond Claim shall constitute an allowed claim, not subject to subordination or recharacterization and otherwise unavoidable, for all purposes in the Chapter 11 Cases and any subsequent chapter 7 case or cases, (b) the Pre-Petition Liens on the Pre-Petition Collateral shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise

unavoidable, (c) the Trustee, the Bond Claim and the Pre-Petition Liens of the Trustee on the Pre-Petition Collateral shall not be subject to any other or further claims, causes of action or challenges by any party in interest including, without limitation, any successor thereto; and (d) the Trustee, all holders of the Bonds and their respective affiliates, agents, attorneys, officers, directors and employees, shall be deemed released of all claims and/or causes of action by the Debtors, any Committee, the Debtors' estates, all parties in interest, and any subsequently appointed trustee arising out of or based on any facts or circumstances occurring prior to the date hereof; provided further that if one or more claims are timely under this Paragraph 34 and properly filed, then except for such claims, all other potential claims and causes of action are hereby deemed forever waived and barred. Notwithstanding the foregoing, no claims or cause of actions of any kind or nature may be asserted against the DIP Lender or the liens and claims granted to the DIP Lender under and/or related to the DIP Facility. Nothing in this Interim Order shall be deemed to confer standing on any Committee or any other non-Debtor party-in-interest to commence a Challenge, and such Committee or other non-Debtor party in interest shall be required to move for standing and satisfy the applicable standard for obtaining standing to pursue estate causes of action.

35. Section 364(e); Section 506(c); Section 552(b). The DIP Lender shall be entitled to all of the benefits of section 364(e) of the Bankruptcy Code for all Initial DIP Loans. Except to the extent of the Carve-Out and, upon entry of the Final Order, no expenses of administration of the Chapter 11 Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Post-Petition Collateral, the Pre-Petition Collateral or collateral subject to Rollover Liens and Supplemental Liens, pursuant to section 506(c) or 552(b) of the Bankruptcy Code or any similar principle of law, without the prior written consent of the DIP Lender and the Trustee and

no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Lender and/or the Trustee. **For the avoidance of doubt, and notwithstanding anything else in this Interim Order, nothing in this Interim Order shall be construed as a waiver of sections 506(c) or 552(b) of the Bankruptcy Code, with such waiver to be addressed at the time of the Final Hearing on the Motion.**

Carve-Out

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

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

Credit Bid

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

Miscellaneous

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

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

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

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

41. No Control. None of the DIP Lender, the Trustee or the holders of the Bonds shall be deemed to be in control of the operations of the Debtors or to be acting as a “responsible person,” “managing agent” or “owner or operator” (as such terms or any similar terms are used in

the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar Federal or state statute) with respect to the operation or management of the Debtors, notwithstanding any consent to this Interim Order and extending financial accommodations of any type, kind or nature under this Interim Order.

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

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

44. Modification of Stay. The automatic stay imposed by virtue of section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit (a) the Debtors to grant the Post-Petition Liens, the Rollover Liens and the Supplemental Liens to the DIP Lender and the Trustee, as applicable, (b) the Trustee to accept and receive disbursements and/or payments and to apply moneys pursuant to the Bond Documents, (c) the Parties to take any action specifically authorized or contemplated by this Interim Order and implement the DIP Facility, including the DIP Lender's ability to exercise all of its rights and remedies under the DIP Credit Agreement or related documents as provided herein, and (d) all acts, actions, and transfers contemplated herein,

including without limitation, transfers or application of cash collateral and other funds to the DIP Lender as provided herein;

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

46. Any notice required hereunder shall be served on:

(a) *counsel to the Debtors:*

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

(b) *counsel to the Trustee:*

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

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

47. Final Hearing. A final hearing with respect to this Interim Order is hereby scheduled for _____ at _____, at which time any party in interest may present any timely filed objections to the entry of a final order (the "Final Order"). The Debtors shall, within 24 hours of the Effective Date, promptly serve a copy of this Interim Order and a

notice of the final hearing by regular mail upon the Notice Parties. Such notice shall state that objections to the entry of a Final Order shall be in writing and shall be filed with the United States Bankruptcy Clerk for the Northern District of Texas no later than _____. Any objections by creditors or other parties in interest to any of the provisions of a Final Order incorporating the terms of this Interim Order, or including any other or different provisions, shall be deemed waived unless filed and served in accordance with this paragraph.

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

49. Notwithstanding anything contained herein to the contrary, nothing herein shall affect the rights of the Texas Health and Human Services Commission from exercising its rights of recoupment, but the Debtors or any Trustee subsequently appointed shall retain its right to exhaust administrative remedies to contest the dollar amount of any recoupment(s) effectuated.

Exhibit 1

Budget

Week Number:	1	2	3	4	Total
Week Ended:	4/24/2022	5/1/2022	5/8/2022	5/15/2022	4-Weeks
Total Operating Receipts	\$ 250,215	\$ 551,422	\$ 501,566	\$ 1,480,971	\$ 2,784,175
Operating Disbursements					
Salaries & Wages	530,338	31,230	434,443	1,565	997,576
Employee Benefits & Taxes	52,243	-	40,858	-	93,101
Culinary	235,434	-	-	-	235,434
Environmental Services	2,141	17,515	3,889	3,570	27,115
General & Administration	44,559	86,303	88,711	44,498	264,071
Leisure Services	2,319	16,941	4,450	3,538	27,248
Plant	79,944	85,014	30,165	32,358	227,480
Skilled Nursing	6,252	113,725	15,715	14,427	150,118
Ground Lease	-	-	-	-	-
Home Office Allocation	-	-	-	-	-
Other Disbursements ¹	361	2,221	-	1,703	4,285
Total Operating Disbursements	953,591	352,949	618,230	101,659	2,026,429
Net Cash from Operations	(703,376)	198,473	(116,664)	1,379,312	757,746
Non-Operating/Bankruptcy Receipts/(Disbursements)					
Capital Expenditures	(27,554)	(27,554)	(27,554)	(27,554)	(110,217)
Restructuring Professional Fees - Company ²	-	-	-	-	-
Restructuring Professional Fees - Bondholder ²	-	-	-	-	-
Restructuring Professional Fees - UCC ²	-	-	-	-	-
Independent Director Fees	-	(15,000)	-	-	(15,000)
Utility Deposit	-	(50,000)	-	-	(50,000)
UST Fees	-	-	-	-	-
Entrance Fee Refunds Paid	-	-	(292,657)	-	(292,657)
Net Cash Flow	\$ (730,930)	\$ 105,919	\$ (436,875)	\$ 1,351,758	\$ 289,872
Cash Rollforward					
Beginning Cash and Investments	\$ 419,876	\$ 788,946	\$ 894,865	\$ 757,989	\$ 419,876
Net Cash Flow	(730,930)	105,919	(436,875)	1,351,758	289,872
DIP Borrowing	1,100,000	-	300,000	-	1,400,000
Ending Cash and Investments	\$ 788,946	\$ 894,865	\$ 757,989	\$ 2,109,747	\$ 2,109,747
<i>Average Daily Cash Requirement</i>	<i>80,766</i>	<i>80,766</i>	<i>80,766</i>	<i>80,766</i>	<i>80,766</i>
<i>Days Cash on Hand</i>	<i>10</i>	<i>11</i>	<i>9</i>	<i>26</i>	<i>26</i>

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

2. \$930k in restructuring-related fees will be accrued and unpaid during this period.

EXHIBIT B

**CHECKLIST FOR LENGTHY MOTIONS AND ORDERS PERTAINING TO
CASH COLLATERAL AND POST-PETITION FINANCING**

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

IN RE: Northwest Senior Housing Corporation) **CASE NO. 22-30659 (MVL)**
)
) **HEARING:**
)
DEBTOR)

**ATTORNEY CHECKLIST CONCERNING MOTIONS AND ORDERS
PERTAINING TO USE OF CASH COLLATERAL AND POST-PETITION
FINANCING (WHICH ARE IN EXCESS OF TEN (10) PAGES)**

Motions and orders pertaining to cash collateral and post-petition financing matters tend to be lengthy and complicated. Although the Court intends to read such motions and orders carefully, it will assist the Court if counsel will complete and file this checklist. All references are to the Bankruptcy Code (§) or Rules (R).

PLEASE NOTE:

- “*” Means generally not favored by Bankruptcy Courts in this District.
- “**” Means generally not favored by Bankruptcy Courts in this District without a reason and a time period for objections.

If your motion or order makes provision for any of the following, so indicate in the space provided:

CERTIFICATE BY COUNSEL

This is to certify that the following checklist fully responds to the Court’s inquiry concerning material terms of the motion and/or proposed order:

Yes, at Page/Exhibit
Y means yes; N means no
N/A means not applicable
(Page Listing Optional)

Enter Y, N,
or N/A

1. Identification of Proceedings:		
(a)	Preliminary or final motion/order (circle one).....	_____
(b)	Continuing use of cash collateral (§ 363)	Y
(c)	New financing (§ 364)	Y
(d)	Combination of §§ 363 and 364 financing	N
(e)	Emergency hearing (immediate and irreparable harm)	Y
2. Stipulations:		
(a)	Brief history of debtor's businesses and status of debtor's prior relationships with lender	Y
(b)	Brief statement of purpose and necessity of financing	Y
(c)	Brief statement of type of financing (i.e., accounts receivable, inventory).....	Y
**	(d) Are lender's pre-petition security interest(s) and liens deemed valid, fully perfected and non-avoidable	Y
	(i) Are there provisions to allow for objections to above?.....	Y
(e)	Is there a post-petition financing agreement between lender and debtor?.....	Y
	(i) If so, is agreement attached?.....	N/A
**	(f) If there is an agreement are lender's post-petition security interests and liens deemed valid, fully perfected and non-avoidable?.....	Y
(g)	Is lender undersecured or oversecured? (circle one).....	_____
(h)	Has lender's non-cash collateral been appraised?.....	N
	(i) Insert date of latest appraisal.....	N/A
(i)	Is debtor's proposed budget attached?	Y
(j)	Are all pre-petition loan documents identified?.....	Y
(k)	Are pre-petition liens on single or multiple assets? (circle one).....	_____
(l)	Are there pre-petition guaranties of debt?	N
	(i) Limited or unlimited? (circle one)	N/A
3. Grant of Liens:		
*	(a) Do post-petition liens secure pre-petition debts?.....	Y
*	(b) Is there cross-collateralization?.....	N
**	(c) Is the priority of post-petition liens equal to or higher than existing liens?	Y
**	(d) Do post-petition liens have retroactive effect?	N
(e)	Are there restrictions on granting further liens or liens of equal or higher priority?.....	Y
*	(f) Is lender given liens on claims under §§ 506(c), 544-50 and §§ 522?.....	Y
**	(i) Are lender's attorneys fees to be paid?.....	Y
	(ii) Are debtor's attorneys fees excepted from § 506(c)?.....	Y
*	(g) Is lender given liens upon proceeds of causes of action under §§ 544, 547 and 548?.....	N

Enter Y, N,
or N/A

- | | | | |
|-----|---|--|-----|
| 4. | Administrative Priority Claims: | | |
| | (a) Is lender given an administrative priority? | | Y |
| | (b) Is administrative priority higher than § 507(a)? | | Y |
| | (c) Is there a conversion of pre-petition secured claim to post-petition administrative claim by virtue of use of existing collateral? | | Y |
| 5. | Adequate Protection (§ 361): | | |
| | (a) Is there post-petition debt service? | | Y |
| | (b) Is there a replacement/addition 361(l) lien? (circle one or both) | | |
| ** | (c) Is the lender's claim given super-priority? (§ 364(c) or (d)) [designate] | | Y |
| | (d) Are there guaranties? | | N |
| | (e) Is there adequate Insurance coverage? | | Y |
| | (f) Other? | | N/A |
| 6. | Waiver/Release Claims v. Lender: | | |
| ** | (a) Debtor waives or release claims against lender, including, but not limited to, claims under §§ 506(c), 544-550, 552, and 553 of the Code? | | Y |
| ** | (b) Does the debtor waive defenses to claim or liens of lender? | | Y |
| 7. | Source of Post-Petition Financing (§ 364 Financing): | | |
| | (a) Is the proposed lender also the pre-petition lender? | | Y |
| | (b) New post-petition lender? | | N |
| | (c) Is the lender an insider? | | N |
| 8. | Modification of Stay: | | |
| ** | (a) Is any modified lift of stay allowed? | | Y |
| ** | (b) Will the automatic stay be lifted to permit lender to exercise self-help upon default without further order? | | Y |
| | (c) Are there any other remedies exercisable without further order of court? | | Y |
| | (d) Is there a provision that any future modification of order shall not affect status of debtor's post-petition obligations to lender? | | Y |
| 9. | Creditors' Committee: | | |
| | (a) Has creditors' committee been appointed? | | N |
| | (b) Does creditors' committee approve of proposed financing? | | N/A |
| 10. | Restrictions on Parties in Interest: | | |
| ** | (a) Is a plan proponent restricted in any manner, concerning modification of lender's rights, liens and/or causes? | | Y |
| ** | (b) Is the debtor prohibited from seeking to enjoin the lender in pursuant of rights? | | N |
| ** | (c) Is any party in interest prohibited from seeking to modify this order? | | Y |

Enter Y, N,
or N/A

- (d) Is the entry of any order conditioned upon payment of debt to lender?..... N
- (e) Is the order binding on subsequent trustee on conversion? Y

- 11. Nunc Pro Tunc:
 - (a) Does any provision have retroactive effect?..... N

- 12. Notice and Other Procedures:
 - (a) Is shortened notice requested? Y
 - (b) Is notice requested to shortened list? Y
 - (c) Is time to respond to be shortened?..... Y
 - (d) If final order sought, have 15 days elapsed since service of motion pursuant to Rule 4001(b)(2)?..... N/A
 - (e) If preliminary order sought, is cash collateral necessary to avoid immediate and irreparable harm to the estate pending a final hearing?..... Y
 - (f) Is a Certificate of Conference included?..... N
 - (g) Is a Certificate of Service included? N
 - (h) Is there verification of transmittal to U.S. trustee included pursuant to Rule 9034? Y
 - (i) Has an agreement been reached subsequent to filing motion? N
 - (i) If so, has notice of the agreement been served pursuant to Rule 4001(d)(4)?..... N/A
 - (ii) Is the agreement in settlement of motion pursuant to Rule 4001(d)(4)? N/A
 - (iii) Does the motion afford reasonable notice of material provisions of agreement pursuant to Rule 4001(d)(4)? N/A
 - (iv) Does the motion provide for opportunity for hearing pursuant to Rule 9014? N/A

SIGNED this the 14th day of APRIL, 2022.

Firm: Polsinelli PC

By: /s/ Trinitee G. Green

Attorney's Name: Trinitee G. Green

Texas Bar No.: 24081320

Address: 2950 N. Harwood, Suite 2100
Dallas, Texas 75201

Telephone Number: (214) 397-0300

Identification Role in Case: Proposed Counsel for the Debtors