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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re:

SHELTERING ARMS CHILDREN AND FAMILY SERVICES, INC.

Debtor.

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Chapter 11

Case No. 24-41037 (JMM)

AFFIDAVIT OF JUDITH PINCUS
PURSUANT TO LOCAL BANKRUPTCY RULE 1007-4
<u>AND IN SUPPORT OF FIRST DAY MOTIONS</u>

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

1. I am the Wind-Down Chief Executive Officer ("**<u>WD-CEO</u>**") of Sheltering Arms Children and Family Services, Inc. ("**<u>Sheltering Arms</u>**" or the "**<u>Debtor</u>**"), a voluntary not-for-profit health and human services organization formed and existing under the laws of the State of New York. I have been employed by the Debtor since June 13, 2023, initially as the Chief Administrative Officer and, since July 6, 2023, as the Debtor's WD-CEO. In my capacity as WD-CEO, I am familiar with the Debtor's day-to-day operations, business and financial affairs.

2. I submit this Affidavit (this "**<u>Affidavit</u>**") pursuant to Rule 1007-4 of the Local Bankruptcy Rules for the Eastern District of New York (the "**<u>Local Bankruptcy Rules</u>**") in

support of (i) the Debtor's petition for relief filed on the date hereof (the "**Petition Date**") under Chapter 11, Title 11 of the United States Code (the "**Bankruptcy Code**") (the "**Chapter 11 Case**") and (ii) the relief sought by the Debtor in its motions and applications simultaneously filed with the Court (each, a "**First Day Motion**" or "**First Day Application**"), as the case may be and collectively, the "**First Day Motions and Applications**"). The relief sought by each of the First Day Motions is designed to minimize the potential adverse impact of the commencement of the Chapter 11 Case on the continued wind-down of the Debtor's remaining business and to ensure that the Debtor's remaining goals, including the disposition of its remaining real properties, can be implemented with minimal disruption and in further support of its mission.

3. Unless otherwise stated, the facts set forth in this Affidavit are based upon information supplied to me by members and/or former members of the Debtor's management team and employees and/or former employees of the Debtor, upon my review of relevant documentation and financial information, advice and counsel of the Debtor's professionals, and my opinions based upon my knowledge and information concerning the Debtor's operations and financial affairs. If called as a witness, I would testify to the facts set forth in this Affidavit. Unless otherwise indicated, all financial information contained herein is presented on an unaudited basis. I am authorized to submit this Affidavit.

INTRODUCTION

4. As discussed more fully below, after 200 years of dedicated service to families and individuals in need throughout the City of New York, a confluence of challenges, resulting in large part from the COVID-19 pandemic, led to Sheltering Arms' financial crisis. After years of growth, Sheltering Arms suddenly faced decreased revenues and increased expenses due to,

among other things, COVID related low enrollment in many programs (particularly certain residential and school programs), slow and decreased reimbursements from government agencies, considerable staffing challenges including high turnover and a decreased talent pool, as well as drastic changes to the New York City real estate and construction markets. These factors, and others, combined to put the Debtor in an increasingly unstable financial position.

5. With the extent of the Debtor's rapidly deteriorating financial condition becoming clear, the Debtor ultimately made the difficult determination in the second half of 2022 that it could no longer ensure the long term safe operation of its programs. Over the course of the following year, the Debtor took multiple steps to (a) ensure it had sufficient liquidity for safe short-term operations, (b) find a pathway to effectuate the safe and orderly transition of as many programs as possible, (c) provide for the safe and orderly closure of programs that would not, or could not, be transitioned, (d) preserve as many jobs as possible for its more than 1,700 person workforce, and (e) preserve and create as much value as possible for its remaining stakeholders.

6. Ultimately, the Debtor was successfully able to safely transition, without interruption, or close all of its programs prior to the Petition Date, while at the same time procuring job offers for almost all of its former program-level employees. After completing these remarkable mission driven achievements, the Debtor began to work through the various remaining wind-down issues. It has commenced this Chapter 11 proceeding to facilitate the orderly sale and/or liquidation of its remaining assets and to complete its wind-down process. The Debtor believes that this Chapter 11 proceeding is the best available alternative to ensure both compliance with the Debtor's requirements under the New York State not-for-profit law and the fair and equitable treatment of the Debtor's various stakeholders.

PART I

THE DEBTOR'S HISTORY AND BUSINESS

Overview of the Debtor's History

7. Founded approximately 200 years ago, Sheltering Arms (formerly Episcopal Social Services of New York, Inc.), maintained a mission to foster a society where every child and family it served was given the opportunity to succeed and thrive. Driven by this mission, the Debtor maintained a wide array of innovative and compassionate programs and services designed to enhance the education, well-being and development of children, their families and communities. Through these programs the Debtor directly impacted over 15,000 lives every year in its four main program service areas of foster care, juvenile justice, developmental disability services, and early childhood programs, as well as an array of other health, preventative, youth and education programs.

8. Prior to the transition of the Debtor's programs, which is discussed more fully below, the Debtor's revenue peaked at approximately $106.4 million in 2020, up from $48.5 million in 2013. Prior to the pre-petition transition of the Debtor's programs, the Debtor employed over 1,700 employees.

9. The Debtor also sponsored three different pension plans – a 403(b) plan through which employees could voluntarily make pre-tax contributions, a defined contribution plan through which the Debtor made voluntary annual contributions on behalf of employees pursuant to a pre-determined formula, and a defined benefit plan which was frozen on June 30, 2008[1].

10. **FOSTER CARE PROGRAMS:** The Debtor's foster care programs provided foster care homes for approximately 250 children whose birth families were unable to care for

[1] On or about March 4, 2024, the Pension Benefit Guaranty Corporation filed a complaint in the United States District Court for the Eastern District of New York to, among other things, terminate the Defined Benefit Plan.

them for any number of reasons including drug and alcohol use, anger management issues, unsafe housing, poor parenting skills, or instances of domestic violence. These children were placed among approximately 200 foster families recruited and trained by the Debtor's personnel.

11. In addition to the foster family system, the Debtor also ran two group homes for youths in the Bronx where staff members served the role, to the extent possible, of surrogate parents. Sheltering Arms and its dedicated staff provided the residents of these homes with a wide array of support. At the most basic level, the Debtor's staff provided support in developing basic life skills including meal preparation and completing household chores. For older children, the Debtor provided homework review and other academic support including preparation for applying to and attending college and/or ensuring individuals in their care had the job readiness skills to succeed.

12. Over the years, these programs have touched thousands of lives and, in most cases, allowed children to more safely return to their birth families. Where such outcomes proved impossible or impractical, Sheltering Arms staff worked to facilitate adoptions or, in the case of teens, prepare them for independent living to close the gaps left by past abuse or neglect and to best situate such youths for personal development and future success.

13. **JUVENILE JUSTICE PROGRAMS:** In the Juvenile Justice space, the Debtor worked with the City of New York to implement the 2012 New York State Close To Home Juvenile Justice Reform Initiative. This initiative and related programs were based on the principle that, rather than being placed in detention facilities far from their homes and support networks, the goal of rehabilitating youths who are being adjudicated for crimes is best served by such youths remaining in their local communities.

14. The New York City Administration for Children Services ("**ACS**") contracted with the Debtor to operate multiple group homes for youths charged with and/or convicted of criminal offenses. These homes were intentionally located either within or in close proximity to the youths' communities. As part of the initiative, Sheltering Arms administered eight residences for teens charged with criminal offenses, providing differing and appropriate support at each stage of the juvenile criminal justice process.

15. Sheltering Arms operated three Non-Secure Detention, or NSD, programs serving teens in residential settings while awaiting juvenile delinquency proceedings in Family Court. The NSD programs were intended to provide short-term solutions where youths were to be closely supervised, attend school and receive counseling.

16. Sheltering Arms also operated four Non-Secure Placement, or "NSP", programs as well as one Limited Secure Placement, or "LSP", program. The NSP programs served teens convicted in Family Court of criminal offenses and sentenced to serve terms of 12 to 18 months while the LSP specialized in serving youths diagnosed as severely emotionally disturbed.

17. **Programs for Individuals with Developmental Disabilities**: The Debtor's developmental disability services portfolio included the operation of six residences and two day habilitation programs for developmentally disabled adults under the auspices of the New York State Office for People with Developmental Disabilities ("**OPWDD**"). The group residences served more than 60 adults annually while providing person-centered support focused on improving skills and maintaining physical and emotional well-being. The day habilitation facilities supplement and support the group homes by providing work-like activities and excursions for individuals living in both Sheltering Arms', as well as third-party, group residences.

18. **Early Childhood and Miscellaneous Programs**: The Debtor also provided early childhood education services through both home and center-based alternatives for more than three decades. Serving over 1,000 children annually, the Debtor played an integral role in the lives of both children and their parents. The Debtor's early head start programming was designed to facilitate young children's ability to develop linguistic and motor skills. The head start programs continued to drive learning, supporting children's growth and development through diverse and complex learning opportunities. These programs further facilitated an ability to thrive in the pre-K environment where the Debtor's programs reinforced students' literacy, math and social skills. In addition, the early childhood programs served as an access point where the Debtor could offer additional and much needed services to other family members.

19. In addition to its core programs, the Debtor also operated a health clinic, various health-related facilities, programs for runaway and homeless youths, afterschool and community school programs, and programs designed to reduce gun violence.

Corporate Governance

20. The Debtor is a New York not-for-profit corporation that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Its primary purpose is philanthropic in nature and its mission, as noted above, is to foster a society where every child and family it served was given the opportunity to succeed and thrive. Its programmatic and client base vastly expanded over the years. Prior to the transition of its programs, the Debtor was governed by a 31- member board, which has since been reduced to 9 members (the "**Board**").

Capital Structure and Prepetition Indebtedness

21. **Morgan Stanley Portfolio Loan:** Prior to the Petition Date, the Debtor had a portfolio loan with Morgan Stanley (the "**Portfolio Loan**"). Given the nature of the Debtor's business and the uncertain timing of government payments, the loan was used for working capital and was secured by the Debtor's investment portfolio. As of June 30, 2021 the outstanding balance on the Portfolio Loan was $4.8 million which was reduced to $2.2 million by June 30, 2022. As of the Petition Date, the Portfolio Loan has been repaid in full but remains open solely as a means to provide continued support for the outstanding letters of credit described below.

22. **Outstanding Letters of Credit:** As of July 31, 2022 the Debtor had four outstanding letters of credit in the aggregate amount of approximately $2,070,100 (each an "**LOC**" and collectively the "**LOCs**"). The LOCs served as security for three separate leases as well the Debtor's obligations under a pre-petition insurance agreement. The Debtor had leases at 25 Broadway, 317 Lenox Avenue and 91-14 Merrick Boulevard which had security deposits in the form of LOCS in the amounts of $547,800, $297,300 and $300,000 respectively. Both the Lenox Avenue and Merrick Boulevard LOCs have been drawn by the respective landlords, either in full or in part, with any remaining amount having been released to the Debtor. The Debtor also had a LOC (the "**North River LOC**") in favor of North River Insurance Company ("**NRIC**") which was issued to support certain of the Debtor's obligations under its 2020 through 2022 workers compensation insurance. The original amount of the North River LOC was $625,000 which was subsequently increased to $925,000. On or about June 20, 2023 NRIC made a partial draw under the North River LOC in the amount of $249,648.10 to cover then outstanding obligations. On or about December 18, 2023, NRIC drew down on the remaining

amount of the North River LOC, holding such funds on account. As of January 22, 2024 NRIC applied an additional $380,174.14 of those funds to amounts outstanding and continued to hold the remaining $345,177.76 (which includes a $50,000 deposit in addition to the letter of credit funds) on account to support any future obligations of the Debtor.

23. **SeaChange Loan:** In April of 2022, SeaChange Capital Partners, Inc. ("**SeaChange**"), through the New York Pooled PRI Fund, LLC (the "**SeaChange Lender**"), of which SeaChange is the administrative agent, loaned $1,000,000 to the Debtor (the "**SeaChange Loan**") pursuant to that certain Cover Letter and Demand Note, dated as of April 26, 2022 (as the same has been and may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "**SeaChange Loan Documents**") by and between the Debtor, SeaChange as Administrative Agent and the Lender. The SeaChange Loan was subsequently increased to $2,000,000 on September 21, 2022 pursuant to an amendment to the SeaChange Loan Documents, with the Leviticus 25:23 Alternative Fund, Inc. becoming a participant in the SeaChange Loan. The SeaChange Loan is secured by the Debtor's property at 305 7th Avenue, New York, NY, is payable on demand and has an outside maturity date, which was last extended through August 31, 2023. On or about February 16, 2024, SeaChange sent a demand letter to the Debtor demanding payment of all amounts due under the SeaChange Loan documents.

24. **Mortgage Debt on Facilities for Persons with Developmental Disabilities:** The Debtor has two outstanding mortgage loans on properties where it previously ran residential programs for persons with developmental disabilities. One loan is secured by the Debtor's Morris Avenue Property in the original principal amount of $525,000. As of the Petition Date, the amount outstanding on the Morris Avenue loan is approximately $20,416.09. The second loan is secured by the Debtor's University Avenue Property in the original principal amount of

$1,035,828. As of the Petition Date, the amount outstanding on the University Avenue loan is approximately $417,720.47. Both loans were originated with Citibank N.A. and were recently sold to First Commerce, LLC.

25. On or about June 30, 2023, after the Debtor transitioned the operation of the programs it operated at University and Morris Avenues, the Debtor entered into triple net leases for the properties so that the new providers, and more importantly the residents, could remain in the homes. Prior to the Petition Date, and in connection with the negotiation and execution of the program transitions and triple net leases, the Debtor negotiated the terms of a sale or other disposition of both properties to ensure continuity for the residents of those programs. Subject to Bankruptcy Court approval, the Debtor intends to effectuate each transaction, which contemplate satisfying the related secured obligations in full, as part of these Chapter 11 proceedings.

26. **Unsecured Debt:** As of the Petition Date, based on its books and records, the Debtor estimates it owes approximately $30 million in trade debt, staffing-related claims, pension related claims, outstanding lease obligations, amounts related to outstanding program-related government advances and audits, as well as various other accounts payable. This amount is subject to reduction based on statutory limits and further reconciliation but does not include potentially substantial amounts of other contingent unliquidated unsecured claims such as those on account of actions brought against the Debtor pursuant to the New York Child Victims Act (the "**CVA**"). The CVA took effect August 14, 2019 and extended the statute of limitations to bring civil claims alleging sexual abuse. Many of these cases are against third-party agencies that were acquired by or merged with the Debtor over the years. As of the date hereof, the Debtor has been named as a defendant in approximately 20 lawsuits arising from alleged

misconduct in the 1960s to the 1980s. The Debtor has not been able to identify and secure insurance coverage for many of these cases.

Events Leading to the Filing

27. After 200 years of dedicated service, a confluence of challenges, resulting in large part from the COVID-19 pandemic, led to Sheltering Arms' financial crisis. After years of growth, Sheltering Arms suddenly faced decreased revenues and increased expenses due to, among other things, low enrollment in many programs (particularly certain residential and school programs), slow and decreased reimbursements from government agencies, considerable staffing challenges (including high turnover and a decreased talent pool), as well as drastic changes to the New York City real estate and construction markets. These factors, and others, combined to put Sheltering Arms in an increasingly unstable financial position.

28. **Program-Related Losses:** The most immediate impact of the COVID-19 pandemic could be felt in the Debtor's early childhood education programs. Historically, these early childhood programs operated under the auspices of ACS. However, in July of 2019 the City of New York moved those programs to the Department of Education ("**DOE**"), with which the Debtor was then required to enter into new contracts. These new contracts with DOE contained significant changes in the financial terms which ultimately served as impediments to successful operations, especially in a COVID-19 era operation. For example, under the revised DOE contracts, reimbursement and compensation were, for the first time, tied directly to enrollment and attendance. Before agreeing to the new DOE contracts, the Debtor analyzed the new terms and the attendant changes to the reimbursement scheme from the perspective of an agency whose early childhood programs were historically fully enrolled and well attended.

Assuming a reasonable slippage factor, the Debtor determined that it could continue its early childhood programs under the auspices of the DOE with the new contracts.

29. What the Debtor could not anticipate at the time was the COVID-19 pandemic and, in particular, the related stay-at-home orders which effectively closed the programs. The resulting plunge in enrollment and attendance led to significant losses from financial penalties for low enrollment and late payments by the City, which were exacerbated by the Debtor's largely fixed costs to operate those programs. These losses rippled through Sheltering Arms since it, like many not-for-profits, relied on program revenue not only to directly reimburse the expenses of a single program, but to pay for a portion of its overall overhead. Pandemic era relief funds made up for some of these losses but it was simply not enough, and did not cover any of the related indirect costs. Even when those programs were permitted to reopen, enrollment and attendance were slow to rebound, remaining at unprecedented low levels.

30. Beginning in 2021, and joining together with various advocacy groups, Sheltering Arms actively lobbied the City of New York to make up for the losses it suffered. The groups made some initial headway, obtaining preliminary assurances from the City that the agencies would be reimbursed for their losses. However, these negotiations stalled amidst a change in the mayoral administration and related staff.

31. The Debtor had various other programs that faced significant losses due to decreases in revenue during the pandemic, including the Debtor's Mental Health and Preventative Care programs. While telehealth services, for example, allowed for a slight recoupment, the nature of the Debtor's client population and the need for in person services did not allow for this gap to easily be closed.

32. **Real Estate Footprint and Related Losses**: The Debtor's historical corporate headquarters, as well as various program lines, were located in three floors it owned at 305 7th Ave in Manhattan ("**305 7th Ave**"). Prior to the pandemic, the Debtor embarked on a mission to revamp its social services delivery system. The gold standard of service the Debtor desired to create was a model of providing multiple service lines under one roof in a location that is easily accessible to its clients. The Debtor determined that midtown Manhattan, where 305 7th Ave was located, was not the right location to achieve that objective. Accordingly, the Debtor moved its corporate headquarters as well as the various service lines it previously operated out of 305 7th Avenue. The corporate headquarters were moved to a new rental space in lower Manhattan ("**25 Broadway**"), while many of the services were moved to a new space in Jamaica, Queens (the "**Jamaica Property**") as well as a pre-existing space in Harlem. As part of the move, the Debtor intended to build out each space to further achieve its mission-driven goals.

33. Unfortunately, pandemic era cost overruns and supply chain issues plagued the buildouts of both the new corporate headquarters at 25 Broadway as well as its new state of the art facilities at the Jamaica Property. The resultant delays and increased costs for these projects further eroded millions of dollars from the Debtor's reserves and endowment.

34. **Workforce Related Issues:** The Debtor also lost a material portion of its human resources and finance departments during the pandemic. Unable to fill open positions and needing immediate support, the Debtor began outsourcing these functions, hiring a third-party human resources provider and relying on several accounting and financial advisory firms to supplement its finance function. These outsourced functions resulted in additional costs in excess of $3 million during fiscal 2022. There were no additional revenue sources to offset these additional costs. In addition, the outsourcing led to additional operating inefficiencies and a

further diminution of organizational capacity, impacting everything from pension audits to the ability to support the Debtor's budgeting and programmatic billing.

35. **Financial Losses Coming into Focus:** The overall impact of these issues on the Debtor was not immediately clear, even as losses from multiple areas continued to mount. For example, the loss of employee capacity and subsequent outsourcing to multiple third-party vendors prevented the Debtor from interfacing properly with its financial management system. This resulted in additional inefficiencies, slow reporting, and, ultimately, an inability to recognize losses from operations in real time.

36. While the Debtor was aware that its financial condition was deteriorating during the pandemic, the sale of two of the Debtor's three full floor commercial condominiums at 305 7th Ave., which accounted for two cash infusions in excess of $6 million each, helped maintain ongoing operations. During the same period, the Debtor received pandemic era relief funds, most of which ultimately needed to be repaid. While receipt of these funds provided a much-needed financial safety net during the height of the pandemic, it ultimately proved insufficient to stabilize the Debtor.

37. With its reserves nearly exhausted it became clear in the winter and spring of 2022 that the Debtor was facing a cash flow crisis. In or around April of 2022, the Debtor borrowed $1 million for working capital which was secured by the remaining floor at 305 7th Ave. Several months later the Debtor closed out fiscal 2022 with a $7.6 million cash shortfall. Nonetheless, given its historically strong relationship with the City, coupled with the belief that the City would become more efficient coming out the pandemic, the Debtor continued to operate on the good faith belief that with a short-term liquidity solution and a concise well executed plan it could weather the storm. In an attempt to work through its liquidity crisis, the Debtor's board

constituted multiple subcommittees to review the financial wherewithal of the organization, each of the programs that it offered and potential alternatives to guide the Debtor back to financial viability. These subcommittees included a Special Financial Evaluation Committee, a Solutions Committee, and a Programs/Revenue Maximization Subcommittee. Initial cause for optimism was based on, among other things, the Debtor's active search for new programs and grants to generate additional revenue, the potential sale of its remaining floor at 305 7th Ave (as noted above, the previous two floors sold for over $6 million each), and its continued governmental outreach and related efforts to be fully reimbursed for pandemic era lost revenue from the City.

38. Notwithstanding these efforts to weather its liquidity crises, during the remainder of the summer of 2022 and into the early fall, losses continued to accelerate and Sheltering Arms depleted much of its remaining endowment.[2] In or around September of 2022, the Debtor borrowed an additional $1 million against its remaining 305 7th Avenue property to provide additional working capital in order ensure uninterrupted safe service and delivery of its programs to its clients.

<u>Restructuring and Transition Process</u>

39. Throughout this period of financial distress, the Debtor, and its senior leadership team, were looking at ways to stem its losses by right-sizing and or closing some of its less viable programs and facilities. Recognizing that it would not be able to return its early childhood programming to a breakeven level, Sheltering Arms began taking steps as early as the summer of 2022 to terminate those programs by year-end. In connection with the closing of the early childhood programs, the Debtor also made targeted layoffs in certain administrative areas and

[2] During that period of time the Debtor examined its endowment funds, including those funds it was carrying as restricted on its books. The Debtor concluded at the time that the funds it had been carrying as restricted were in large part proceeds from the sale of a summer camp it had owned and were not restricted funds. Upon reaching that conclusion the Debtor began utilizing those funds for operations.

continued its efforts to downsize its footprint, closing office space in the Bronx as well as relocating services that were previously provided at two additional Bronx locations. Even with a December 2022 targeted closure date for its early childhood programming, it became clear that those closings and cost cutting measures would not be enough.

40. As the Debtor's financial condition began to deteriorate at a more rapid pace, the Debtor's senior management began exploring more global alternatives. This included, among other things, seeking a merger partner or other type of consolidation. The Debtor was not a prime candidate for a traditional merger due to the number and magnitude of outstanding contingent and unliquidated liabilities (stemming largely from CVA cases - many of which were originally against third-party agencies that had been merged into the Debtor over a number of years), and its real estate footprint with a post-pandemic over-market lease for, among other things, its corporate headquarters at 25 Broadway.

41. **Seeking a Partner:** The Debtor's senior management compiled a list of providers with similar portfolios and missions and determined that there were very few options for a potential partner, especially if the Debtor's goals of transitioning most, if not all, of its program portfolio was to have a chance of landing with a single provider. This was an important objective for the Debtor for multiple reasons. From a mission standpoint this would allow many of the Debtor's clients who were enrolled in multiple programs across the Debtor's portfolio to continue receiving services from a single provider. As an employer of over 1,700 individuals, the Debtor believed that the best chance of securing continued employment for its workforce was to keep programs together. Ultimately, the Debtor identified Rising Ground, Inc. ("**Rising Ground**") as a potential partner, another New York not-for-profit agency with whom the Debtor had a substantially similar mission. In addition to the shared mission objectives, it was arguably

just as, if not more, important, that Rising Ground had both the willingness and the financial capacity to assist the Debtor. The chief executive officers of the two agencies began to discuss a general framework whereby Rising Ground could supply certain immediate support to the Debtor, and the two agencies would work together, as well as with the Governmental Agencies (defined below) under the auspices of which the Debtor's programs operated, to allow for the seamless transition of programs and services from the Debtor to Rising Ground.

42. With a potential pathway forward, the Debtor retained restructuring counsel to help effectuate the transactions contemplated by the senior management of the two agencies. The parties immediately began negotiating the terms of a non-binding Memorandum of Understanding (the "**SA/RG MOU**"). At or about the same time, the Debtor rehired a financial consultant who had previously spent time with Sheltering Arms, to help supplement the Debtor's taxed finance department. Shortly after arriving, the consultant determined that it was unclear for how long the Debtor would be able to continue to meet its payroll obligations and that it seemed unlikely there would be sufficient cash to continue to make payroll through the end of 2022.

43. With the clear understanding that the Debtor's need for an immediate cash infusion was greater than previously anticipated, the concept of Rising Ground providing a short-term liquidity solution to the Debtor was introduced into the negotiations surrounding the SA/RG MOU. The process was further complicated by the fact that the Debtor's programs – its main source of revenue – were not assets that could be sold or otherwise monetized. Rather, those programs were operated by the Debtor under the auspices of the NYC Administration for Children's Services, HHS Administration for Children's Families, NYC Department of Education, NYC Department of Probation, NYC Department of Youth and Community

Development, U.S. Department of Housing and Urban Development, Mayor's Office of Criminal Justice, NYS Office of Children and Family Services, NYS Office of Mental Health, the NYC Department of Health and Mental Hygiene, and NYS Office for People with Developmental Disabilities (collectively, the "**Governmental Agencies**"). The Debtor and Rising Ground ultimately reached an agreement pursuant to which the Debtor would get the short-term liquidity support it needed in the context of a global solution involving the transition of the Debtor's programs and the sale of certain of the Debtor's real property. On or about November 7, 2022, the parties executed the SA/RG MOU which contemplated, among other things, the following key terms:

- A sale-leaseback transaction for 5 parcels of real property owned by the Debtor located at; 1980 Morris Avenue, Bronx, NY 10453, 2597 Sedgwick Avenue, Bronx, NY 10468, 2604 Davidson Avenue, Bronx, NY 10468, 658 East 234th Street, Bronx, NY 10466, and 1226 College Avenue, Bronx, NY 10456 for an aggregate purchase price of $4.21 million ("**Sale Leaseback Transaction**"). The purchase price was based on the appraised value of each of the properties.[3]

- To the extent necessary, if the Sale Leaseback Transaction failed to close by January 1, 2023, the provision by Rising Ground to the Debtor of short-term secured bridge financing to fund continued interim operations as the parties continued to work towards the shared goals set forth in the SA/RG MOU, including the closing of the Sale Leaseback Transaction;

- Rising Ground's provision of interim operating and management level support to Sheltering Arms, the most immediate need being to supplement the Debtor's Human Resources function;

- To work collaboratively with the Government Agencies to offer a plan to transition the various programs operated by Sheltering Arms to Rising Ground – a plan which provided a pathway for continued uninterrupted services for Sheltering Arms' clients as well as continued employment for the majority of its former employees; and

- To explore additional transactions, including with respect to Sheltering Arms' other real estate holdings, to the extent such transactions would be mutually beneficial and in furtherance of the objectives of the SA/RG MOU.

[3] I understand that the transaction was in compliance with the New York State Not-For-Profit law as it was for less than all or substantially all of the Debtor's assets. The five parcels subject to the sale were valued at less than half of the total appraised value of the Debtor's remaining real estate portfolio.

44. Upon execution of the SA/RG MOU, the parties immediately began working on the Sale Leaseback Transaction contemplated by the SA/RG MOU. In accordance with the terms of the SA/RG MOU, Rising Ground identified a third party, the Emergency Shelter, to be the purchaser of the properties and to lease those properties back to the Debtor. As the transaction progressed, an issue with title for 1980 Morris Avenue resulted in its removal from the Sale Leaseback Transaction. The parties negotiated a substitution and the Debtor's property at 150-42 Shore Avenue, Bronx, NY was added. The substitution of the Shore Avenue property, which had a higher appraised value than the Morris Avenue property, increased the aggregate purchase price by approximately $400,000. When the Sale Leaseback Transaction closed on or about December 30, 2022, the Debtor's net proceeds were approximately $4,356,123.61. The Sale Leaseback Transaction provided the liquidity foundation necessary for the Debtor to continue providing safe and effective services to its clients while it completed its transition and closure process.

<u>Transition Efforts</u>

45. In January of 2023, senior management of the Debtor, working with senior management at Rising Ground, began an outreach program to the Governmental Agencies. They held in-person meetings where feasible with various New York State and City officials to explain the Debtor's financial condition, the steps it had taken to secure interim liquidity to support the programs, the need to quickly have those programs transitioned to other providers as well as the willingness of Rising Ground to assume the obligations under those programs. At or about the same time, the Debtor contacted the New York State Attorney General, Charities Bureau to similarly advise them of the Debtor's status.

46. The Government Agencies were appreciative that the Debtor did not come with just a problem, but instead with a problem and a potential solution. They expressed a sincere desire to work with the Debtor on effectuating the transition plan, with several New York City agencies going so far as to say that they believed they could effectuate a negotiated acquisition or other accelerated contract transition in light of the limited number of social services agencies, if any, other than Rising Ground, that had both the willingness, as well as the financial ability, to absorb the magnitude of programs Sheltering Arms needed to transition on the extremely limited timeline in which Sheltering Arms needed to act.

47. Over the course of the next six months, the Debtor worked tirelessly to effectuate either the transition or orderly closure of all of its programs. It held regular internal meetings to ensure cash flow and liquidity needs were being met. It also held regular meetings with the Government Agencies, Rising Ground and other agencies identified by the Government Agencies to take over certain programs. Among the topics discussed during these meetings were staff to resident ratios, background checks, records transfers, and billing closeouts.

48. While the process of transitioning the programs was not without delays and other challenges, the Debtor was ultimately successful in its mission-driven endeavor. By July 1, 2023, the majority of programs and employees had transitioned to Rising Ground and certain other agencies, allowing the programs to run continuously for thousands of Sheltering Arms' clients, while at the same time keeping staff connected to those programs and families. In addition to Rising Ground, Sheltering Arms' programs were dispersed among Wheelchairs Against Guns, IAHD, Center for Justice Innovation, Center for Community Alternatives, Child Center of NY, Harriman Summer Camp, Southern Queens Park Association, NYJTL, NYE, and the YWCA, among others. The Debtor's Foster Care and Group homes were subject to a new

request for proposal and related contract award process. Ultimately, those programs were transitioned to a wide array of agencies.

49. In the months following the programs transitions, the Debtor worked to close out its remaining contractual obligations, to devise a pathway for the disposition of its remaining assets, towards the termination of its three pension plans and to determine a path toward reconciling the outstanding tort claims. The Debtor commenced this Chapter 11 case proceeding to facilitate the orderly sale and/or liquidation of its remaining assets and to complete its wind-down process. The Debtor believes that this Chapter 11 case proceeding is the best available alternative to ensure both compliance with the Debtor's requirements under the New York State not-for-profit law and the fair and equitable treatment of the Debtor's various stakeholders.

LOCAL BANKRUPTCY RULE 1007-4 SCHEDULES

50. Attached hereto as Exhibit A and incorporated herein by reference are various schedules setting forth information required pursuant to Local Bankruptcy Rule 1007-4. Capitalized terms used in the attached schedules that are not otherwise defined therein shall have the meaning ascribed to them in preceding paragraphs of this Affidavit.

PART II

FIRST DAY MOTIONS AND APPLICATIONS

51. Simultaneously with the filing of its Chapter 11 petition, the Debtor filed its First Day Motions and Applications in order to minimize the adverse impact of the commencement of the Debtor's bankruptcy case and avoid administrative inefficiencies. I believe the approval of the First Day Motions and Applications is critical to the success of this Chapter 11 Case. I have reviewed the factual background in support of each First Day Motion and Application and certify the facts contained therein are true and correct to the best of my information, knowledge and

belief. A brief overview and summary of the more significant First Day Motions and Applications is set forth herein.[4]

A. Administrative/Procedural Motions

I. Motion of the Debtor for Entry of an Order: (A) Authorizing the Debtor to Prepare a List of Creditors in Lieu of a Formatted Mailing Matrix; and (B) Approving the Form and Manner of Notice of Commencement of the Debtor's Chapter 11 Case

52. In order to maximize efficiency, increase accuracy, and reduce costs, the Debtor is seeking authorization to prepare a single list of creditors in the format or formats currently maintained in the ordinary course of business in lieu of submitting any required mailing matrix and approving the form and manner of notice of commencement of the Debtor's Chapter 11 Case. Given the large number of potential parties in interest who may need to be noticed in connection with this Chapter 11 Case, the Debtor believes that the use of a list of creditors in lieu of a mailing matrix is warranted here and in the best interests of the Debtor and its estate.

53. Further authorization for the Debtor's claims and noticing agent to provide notice of commencement of this Chapter 11 Case through service of a notice, substantially in the form of Official Form 309F1, by regular mail, postage prepaid, on those entities entitled to receive such notice no later than five (5) business days after the Debtor receives notice from the U.S. Trustee of the time and place of the 341 Meeting is also in the best interests of the Debtor and its estate. Accordingly, on behalf of the Debtor, I submit that the motion should be granted.

II. Motion of the Debtor for Entry of an Administrative Order Establishing Case Management Procedures

54. In order to streamline the administration of the Debtor's estate and increase overall efficiencies, the Debtor is seeking to establish certain procedures (the "**Case**

[4] In the interest of brevity, summaries of all First Day Motions and Applications have not been included.

Management Procedures") which will govern and alleviate certain noticing and related administrative burdens and costs for the Court, the Debtor, its estate, and all parties in interest. The Debtor is working with limited funds and anticipates that many potential claimants and parties in interest will file requests for notice of filings pursuant to Bankruptcy Rule 2002. The Debtor also expects the filing of numerous motions and applications in this case. The proposed Case Management Procedures will permit the orderly and efficient presentation of such claims and filings to the Court.

55. The Case Management Procedures: (a) establish requirements for filing and serving notices, motions, applications, declarations, objections, responses, memoranda, briefs, supporting documents and other papers filed in this Chapter 11 Case; (b) delineate standards for service of notices of hearings and agenda letters; (c) fix periodic omnibus hearing dates and articulate mandatory guidelines for scheduling hearings and objection deadlines; and (d) limit matters that are required to be heard by the Court. The Debtor believes that the Case Management Procedures will facilitate the efficient administration of this Chapter 11 Case and permit less burdensome and costly service of Court Papers while still ensuring that appropriate notice is provided. Accordingly, on behalf of the Debtor, I submit that the motion should be granted and the proposed Case Management Procedures be approved and implemented in this Chapter 11 Case.

III. Debtor's Motion for Entry of an Order Authorizing the Implementation of Procedures to Maintain and Protect Confidential Client Information

56. In order to ensure the Debtor complies with its requirements under non-bankruptcy law with respect to confidentiality and privacy requirements with respect to its former clients (the "**Clients**"), as well as to ensure the protection of vulnerable groups among the

Clients, while also complying with its requirements under the Bankruptcy Code the Debtor is seeking authorization to implement procedures (collectively, the "**Confidentiality Procedures**") to protect certain confidential information of the Clients. Included in the proposed Confidentiality Procedures, which are more fully described in the motion, is the maintenance by the Debtor's claims and noticing agent of a separate client list and schedules to the extent necessary, which will only be filed, if necessary, in redacted form, assigning each Client a unique identifier, on the docket in the Chapter 11 Case. Additionally, the Debtor is also requesting authority for its proposed claims and noticing agent, Epiq Corporate Restructuring, LLC, to redact the addresses, telephone and facsimile numbers, and email addresses of all individuals on filed proofs of claim, as well as on any schedules and statements filed by Epiq in this Chapter 11 Case and on the website maintained by Epiq for this Chapter 11 Case. This is in order to prevent third-parties from accessing such contact information of individuals, including former employees of the Debtor

57. Accordingly, in order to protect Client confidentiality, as well as the contact information of individuals from unnecessary disclosure, while also ensuring that the Debtor complies with its requirements under the Bankruptcy Code, I submit, on behalf of the Debtor, that the motion should be granted and the proposed Confidentiality Procedures be approved and implemented in this Chapter 11 Case.

IV. Application for an Order Authorizing the Retention and Employment of Epiq Corporate Restructuring LLC, as Claims and Noticing Agent for the Debtor *nunc pro tunc* to the Petition Date

58. The Debtor is seeking the appointment of Epiq Corporate Restructuring LLC ("**Epiq**") to act as its official claims and noticing agent for this Chapter 11 Case, and to assume full responsibility for the distribution of notices and the maintenance, processing and docketing

of proofs of claim filed in the Debtor's Chapter 11 Case. In view of the large number of anticipated parties in interest requiring notice in this Chapter 11 Case the Debtor submits that the appointment of a claims and noticing agent is both necessary and in the best interests of the Debtor, its estate and all creditors.

59. By appointing Epiq as the Claims and Noticing Agent in this Chapter 11 Case, the distribution of notices and the processing of claims will be expedited, and the Clerk's office will be relieved of the administrative burden of processing what may be an overwhelming number of claims.

60. Epiq has acted as the claims and noticing agent in numerous cases of comparable size in this and other districts. Epiq has significant expertise in these matters and is well qualified to act as the claims and noticing agent in these cases. Details regarding GW's compensation as the Debtor's general bankruptcy counsel are detailed in the application for their retention.

61. Accordingly, on behalf of the Debtor, I submit that the application to retain Epiq as the Debtor's official claims and noticing agent in this Chapter 11 Case should be granted.

B. Operational Motions Requesting Immediate Relief

I. Debtor's Motion for Interim and Final Orders Authorizing Continued Use of the Debtor's: (A) Cash Management System; (B) Bank Accounts; (C) Business Forms; (D) Granting a Limited Waiver of Section 345 Investment and Deposit Requirements; and (E) Granting Related Relief

62. Prior to the commencement of this case, the Debtor maintained a cash management system (the "**Cash Management System**"), consisting of a series of bank accounts and related investment accounts (the "**Bank Accounts**") through which the Debtor collected deposits and made disbursements in the ordinary course of its operations. The Debtor's bank

accounts consist of two operating accounts, a payroll account, an employee benefit account, a disbursement account, and various collection/receipt accounts, as well as certain investment accounts. The Debtor routinely deposits, withdraws, and otherwise transfers funds to, from and between its respective bank accounts by various methods, including checks, automated clearing house transactions, electronic funds transfers, and direct deposits. Further details regarding the Debtor's Cash Management System, Bank Accounts, and existing business forms are laid out in the motion.

63. Through the motion the Debtor is seeking authorization for the continued use of its Cash Management System, Bank Accounts, and existing business forms, together with additional relief related thereto, including the waiver of certain requirements of the Bankruptcy Code and applicable U.S. Trustee guidelines, as more fully described in the motion. Such relief ensures the Debtor's ability to efficiently monitor and control cash receipts and disbursements. Replacement of the Debtor's Bank Accounts, Cash Management System, and existing business forms at the outset of this case would be a costly and time-consuming process given the Debtor's limited staff and resources.

64. Accordingly, on behalf of the Debtor, I submit that the motion should be granted.

II. Debtor's Motion for Interim and Final Orders: (A) Authorizing Payment of Prepetition Wages, Compensation, Employee Benefits, and Other Obligations; (B) Authorizing and Directing Banks to Honor Checks and Electronic Funds Transfer Requests with Respect Thereto; and (C) Granting Related Relief

65. By this motion the Debtor is seeking authorization to pay its employees prepetition wages, benefits, and other obligations, as well as directing its banks to honor checks and electronic funds transfers in connection therewith, and granting additional relief related thereto, as more fully described in the motion. Details regarding the prepetition obligations to

the Debtor's employees which are proposed to be paid, including estimates of the amounts of such obligations, are laid out in the motion.

66. Failure to pay such prepetition obligations to its employees would negatively impact employee morale and could lead to the significant risk of resignations by the Debtor's few remaining employees. Such results would undermine the efficient and successful administration of the Debtor's Chapter 11 Case by depriving the Debtor of necessary staff. Accordingly, on behalf of the Debtor, I submit that the motion should be granted.

III. Debtor's Motion for Interim and Final Orders Authorizing the Debtor to (A) Continue its Existing Insurance Policies and Related Agreements; (B) Renew, Revise, Amend, Supplement, Modify, or Enter Into New Insurance Policies as Needed in the Debtor's Business Judgment; (C) Pay Certain Prepetition Insurance Premiums, Claims and Related Expenses; and (D) Granting Related Relief

67. By this motion, the Debtor seeks entry of an order to: (a) continue its existing insurance policies and related agreements; (b) renew, revise, amend, supplement, modify, or enter into new insurance policies as needed in the Debtor's business judgment; (c) pay certain prepetition insurance premiums, claims and related expenses; and (d) grant related relief, as more fully described therein. Details regarding the Debtor's insurance policies are laid out in the motion.

68. The Debtor's insurance policies are essential to the viability of its Chapter 11 Case. If the insurance policies expire or lapse, the Debtor could be exposed to substantial liability. In many cases, coverage provided by such insurance policies is required not only by the regulations, laws, and contracts that govern the Debtor's activities, including requirements of the Office of the United States Trustee, but also by Section 1112 of the Bankruptcy Code which provides that "failure to maintain appropriate insurance that poses risk to the estate or to the

public" is "cause" for mandatory conversion or dismissal of a Chapter 11 case. Maintenance of such coverage is thus critical to the preservation of the Debtor's assets and the estate and this Chapter 11 Case. Accordingly, on behalf of the Debtor, I submit that the motion should be granted.

IV. Debtor's Motion for Entry of Interim and Final Orders: (A) Prohibiting Utilities from Altering, Refusing or Discontinuing Service to, or Discriminating Against the Debtor; (B) Determining Utilities are Adequately Assured of Payment; and (C) Establishing Procedures for Determining Requests for Adequate Assurance of Payment; and (D) Granting Related Relief

69. By this motion, the Debtor seeks entry of an order: (a) prohibiting the Utility Providers (as hereinafter defined) from altering, refusing or discontinuing services to, or discriminating against, the Debtor; (b) determining that the Utility Providers have been provided with adequate assurance of payment; (c) approving the Debtor's proposed procedures for determining the Utility Providers' requests for additional or different adequate assurance; and (d) granting related relief, as more fully described therein. Details regarding the Debtor's utility providers and the utility services provided to the Debtor are laid out in the motion.

70. Uninterrupted utility services are necessary to ensuring the efficient administration and success of the Debtor's Chapter 11 Case. Should a utility provider refuse or discontinue service, the Debtor's ability to effectively administer and complete its Chapter 11 Case could be disrupted. It is therefore crucial that the Debtor's utility services continue without interruption. Accordingly, on behalf of the Debtor, I submit that the motion should be granted

CONCLUSION

71. As discussed above, the Debtor determined to seek relief under Chapter 11 in order to facilitate the orderly sale and/or liquidation of its remaining assets and to complete its wind-down process in an attempt to preserve and maximize the value of its assets for the benefit

of all creditors and parties in interest. The Debtor believes that this Chapter 11 case proceeding is the best available alternative to ensure both compliance with the Debtor's requirements under the New York State not-for-profit law and the fair and equitable treatment of the Debtor's various stakeholders.

Judith Pincus, Wind-Down Chief Executive Officer

Sworn to me this 7R day of March, 2024

Notary Public

BURTON S. WESTON
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 02WE4941755
Qualified in NASSAU County
Commission Expires AUGUST 29, 2026

Exhibit A

Additional Information Required By Local Bankruptcy Rule 1007-4

List of Creditors Holding the 20 Largest Unsecured Claims

Attached is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) and LBR 1007-4(vi) for filing in this Chapter 11 Case. The list does not include: (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101; or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007 (m).

The information contained herein, including any claim amounts, shall not constitute an admission of liability by, nor is it binding, upon the Debtor. The Debtor reserves all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount or status of any such claim or debt. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

Fill in this information to identify the case:

Debtor name **Sheltering Arms Children and Family Services, Inc.**

United States Bankruptcy Court for the: **EASTERN DISTRICT OF NEW YORK**

Case number (if known): ______________

☐ Check if this is an amended filing

Official Form 204

Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders

12/15

A list of creditors holding the 20 largest unsecured claims must be filed in a Chapter 11 or Chapter 9 case. Include claims which the debtor disputes. Do not include claims by any person or entity who is an insider, as defined in 11 U.S.C. § 101(31). Also, do not include claims by secured creditors, unless the unsecured claim resulting from inadequate collateral value places the creditor among the holders of the 20 largest unsecured claims.

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
New York City Administration for Children's Services 150 Williams Street New York, NY 10038	Joseph Cardieri Tel: (212) 341-0927 Email: joseph.cardieri@acs.nyc.gov	Government Contract	Contingent Unliquidated Disputed			$10,389,878.56
Pension Benefit Guaranty Corporation 445 12th Street, SW Washington, DC 20024-2101	Zoe Wadge Tel: (202) 880-1890 Email: wadge.zoe@pbgc.gov	Pension Obligations	Contingent Unliquidated Disputed			$3,150,000.00
New York City Department of Education 52 Chambers Street New York, NY 10007	Liz Vladeck Tel: (212)-374-6888 Email: asklegal@schools.nyc.gov	Government Contract	Contingent Unliquidated Disputed			$1,376,274.06
New York State Department of Labor Unemployment Insurance Division Building 12, Room 256 W.A. Harriman Campus Albany, NY 12240	Attention: Julie Brazie Tel: (800)-456-1015	Unemployment Insurance Contributions	Contingent Unliquidated Disputed	$1,136,194.18	Unknown	Unknown
25 Broadway Office Properties, LLC Olshan Frome Wolosky LLP 1325 Avenue of the Americas New York, NY 10019	Jospeh Weiner Tel: (212) 451-2300 Email: jweiner@olshanlaw.com	Lease	Contingent Unliquidated Disputed	$1,627,390.88	$547,800.00	$1,079,590.88
New Jersey Manufacturers Insurance Company 301 Sullivan Way West Trenton, NJ 08628	Roxanne Wagner Tel: (609) 883-1300 x6540 Email: RWagner@njm.com	Trade Debt	Disputed			$975,734.00

Debtor **Sheltering Arms Children and Family Services, Inc.**
Name

Case number *(if known)*

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services,	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
New York State Office of the Medicaid Inspector General 800 North Pearl Street Albany, NY 12240	**Frank T Walsh Tel: (518) 474-5036 Email: collections@omig.ny.gov**	**Medicaid**	**Contingent Unliquidated Disputed**			**$417,246.00**
Tsafon Associates, LLC c/o Braun Management Inc. 160 Broadway, 1st Floor New York, NY 10038	**Tel: (212) 349-2154 Email: info@braunre.com**	**Lease**	**Contingent Unliquidated Disputed**	**$286,555.28**	**$58,813.01**	**$227,742.27**
New York City Department of Youth and Community Development 156 Williams Street 6th Floor New York, NY 10038	**Caroline Press Tel: (646) 343-6270 Email: cpress@dycd.nyc.gov**	**Government Contract**	**Contingent Unliquidated Disputed**			**$168,427.90**
Iron Mountain 2 Sun Court Norcross, GA 30092	**Lea Yco Tel: (866) 900-1350 x2223043 Email: lea.yco@ironmountain.com**	**Trade Debt**				**$70,933.05**
Quantum Strategies, LLC 1 Coopershawk Lane Chadds Ford, PA 19317	**Email: accounting@qs2500.com**	**Trade Debt**	**Contingent Disputed**			**$68,128.00**
Netsmart Technologies Inc. 11100 Nall Ave Overland Park, KS 66211	**Tel: (913) 327-7444 Email: ar@ntst.com**	**Trade Debt**	**Disputed**			**$59,076.30**
American Express 200 Vesey Street New York, NY 10285	**Matthew Heimann, GCO Tel: (800) 528-2121 Email: matthew.heimann@aexp.com**	**Trade Debt**	**Disputed**			**$58,340.14**
Pride Healthcare LLC 420 Lexington Ave 30th Floor New York, NY 10170	**Tel: (212) 661-1170 Email: accounting@pride-health.com**	**Trade Debt**	**Disputed**			**$50,049.25**

Debtor **Sheltering Arms Children and Family Services, Inc.**
Name

Case number *(if known)*

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services,	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
TemPositions Health Care 622 Third Avenue, 39th Floor New York, NY 10017	**Tel: (212) 916-0840 Email: gavancena@tempositions.com**	**Trade Debt**	**Disputed**			**$49,770.81**
Apex Mechanical Corp 2800 Webster Ave Bronx, NY 10458	**Tel: (718) 220-4200 Email: natashal@apexmechcorp.com**	**Trade Debt**	**Disputed**			**$44,383.50**
HealthFirst 100 Church Street New York, NY 10007	**Tel: (888) 801-1660**	**Trade Debt**	**Disputed**			**$44,115.00**
De Lage Landen Financial Services, Inc. 1111 Old Eagle School Road Wayne, PA 19087	**Tel: (800) 735-3273 Email: sfantini@leasedirect.com**	**Copier Lease**	**Contingent Unliquidated Disputed**	**$37,572.65**	**Unknown**	**$37,572.65**
Briscoe Protective Systems Inc. 99 Mark Tree Road Suite 201 Centereach, NY 11720-2276	**Tel: (631) 864-8666 Email: accounting@briscoeprotective.com**	**Trade Debt**	**Disputed**			**$36,571.36**
IMA Systems LLC 32 Broadway Suite 614 New York, NY 10004	**Tel: (212) 722-6677 Email: naomi@imasys.com**	**Trade Debt**	**Disputed**			**$33,502.50**

List of Creditors Holding the 5 Largest Secured Claims

In accordance with Local Rule 1007-4(a)(vii), the following chart lists the five largest secured claims against the Debtor.

The information contained herein, including any claim amounts, shall not constitute an admission of liability or of a proper security interest or lien by, nor is it binding, upon the Debtor. The Debtor reserves all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount or status of any such claim or debt. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

Creditor:	**Address; Telephone; Email:**	**Amount of Secured Claim:**	**Description and Estimated Value of Security Interest:**	**Contingent, Unliquidated, Disputed:**
New York Pooled PRI Fund, LLC	c/o SeaChange Capital Partners, Inc. 420 Lexington Avenue, Suite 300 New York, NY 10170 Attention: John MacIntosch Tel: 347-309-4931 Email: jmacintosh@seachangecap.org c/o Willkie Farr & Gallagher LLP Attention: Daniel Durschlag, Loren Flath and Caitlin Cosby 787 Seventh Avenue New York, NY 10019 Tel: 212-728-8985 Email: ddurschlag@willkie.com lflath@willkie.com ccosby@willkie.com	$2,000,000.00	Real Property Estimated Value: Unknown	
New York State Department of Labor	New York State Department of Labor Building 12 W.A. Harriman Campus Albany, NY 12226 Attention: Unemployment Insurance Division Tel: 800-456-1015	$724,137.31	Warrant Estimated Value: Unknown	Contingent Unliquidated Disputed
25 Broadway Office Properties, LLC	One State Street Plaza New York, NY 10004 Tel: 212-344-5210 Email: neil@wolfsongroup.com	$547,800.00	Letter of Credit as Security for Lease Obligations Estimated Value: $547,800.00	Contingent Unliquidated Disputed

Morgan Stanley Private Bank	Letter of Credit Department 1300 Thames Street, Wharf 4th Fl. Baltimore, MD 21231 Tel: 443-627-4555	$547,800.00	Deposit Account Collateralizing Letter of Credit Estimated Value: $547,800.00	Contingent Unliquidated
First Commerce LLC	155 "B" Avenue, Suite 300 Lake Oswego, OR 97034 Tel: 503-343-3245 Email: davewall@firstcommercellc.com	$425,588.52	Three Mortgages on Two Parcels of Real Property Estimated Value: Unknown	

Summary of Debtor's Assets and Liabilities

In accordance with Local Rule 1007-4(a)(viii), the Debtor's estimated assets and liabilities, as of February 29, 2024, are as follows:

Total Assets:	$12,664,506
Total Liabilities:	$34,711,317

The financial data set forth herein shall not constitute an admission of liability by the Debtor. The Debtor further reserves all rights to assert that any claim or debt listed herein as liquidated or fixed is in fact a disputed claim or debt. The Debtor reserves all rights to challenge the priority, nature, amount or status of any claim or debt.

Shares of Stock, Debentures, or Other Securities

In accordance with Local Rule 1007-4(a)(ix), the Debtor is a not-for-profit corporation. Accordingly, there are no shares of stock of the Debtor that are publicly held. Furthermore, there are no debentures or other securities of the Debtor that are publicly held.

<u>Debtor's Property in Possession of Third Parties</u>

Pursuant to Local Rule 1007-4(a)(x), to the best of the Debtor's knowledge, the Debtor does not have any property that is in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents or secured creditor, or any agent for any such entity, other than, if any:

(i) bank accounts that may be subject to claims of setoff by the Debtor's lenders, or their agents;

(ii) various security deposits held by certain lessors, utility companies, regulatory agencies, insurance companies, and others; and

(iii) property transferred by the Debtor to third parties for purposes of storage, repair, and/or delivery, in their ordinary course of business.

The foregoing information contained shall not constitute an admission of liability by, nor is it binding on, the Debtor. The Debtor reserves all rights to challenge the priority, nature, amount or status of any claim or debt. The Debtor further reserves the right to supplement this schedule if additional property is identified as being held by a third party.

Debtor's Premises

Pursuant to Local Rule 1007-4(a)(xi), below is a list of the premises owned, leased, or held under any other arrangement from which the debtor operates its business:

Owned Real Property:
- 2749 University Avenue, Bronx, New York 10468
- 1980 Morris Avenue, Bronx, New York 10453
- 305 7th Avenue, Units 4A & 4B, New York, New York 10001

Leased Real Property:
- 2 Park Avenue, 20^{th} Floor, New York, New York 10016

<u>Location of Debtor's Substantial Assets and Books and Records</u>

Pursuant to Local Rule 1007-4(a)(xii), the location of the Debtor's substantial assets, the location of their books and records, and the nature, location, and value of any assets held by the Debtor outside of the territorial limits of the United States is as follows:

<u>Location of Debtor's Substantial Assets</u>:

- 2 Park Avenue, 20th Floor, New York, New York 10016

<u>Location of Debtor's Books and Records</u>

- 2 Park Avenue, 20th Floor, New York, New York 10016
- 305 7th Avenue, Units 4A & 4B, New York, New York 10001

<u>Nature, Location and Value of Assets Held Outside of the United States</u>:

- None.

<u>Summary of Actions or Proceedings Pending Against the Debtor</u>
<u>Where a Judgement or Seizure May be Imminent</u>

In accordance with Local Rule 1007-4(a)(xiii), there are no actions or proceedings pending or threatened, against the debtor or its property where a judgment against the debtor or a seizure of its property may be imminent.

Senior Management of the Debtor

In accordance with Local Rule 1007-4(a)(xiv), below is a chart listing the Debtor's senior management, their tenure in position, and their responsibilities.

Name:	**Position:**	**Tenure in Position:**	**Responsibilities:**
Judith Pincus	Wind-Down Chief Executive Officer	07/2023	Management of the Debtor in connection with its wind-down

Payroll

Pursuant to Local Rule 1007-4(a)(xv)-(xvi), the following provides the estimated amount of payroll to the Debtor's employees (not including officers and directors) and the estimated amount to be paid to officers, stockholders and financial and business consultants for the thirty (30) day period following the filing of the Chapter 11 Petition.

Payments to Employees (Not Including Officers and Directors):	$61,707.18
Payments to Officers and Directors:	$13,186.80
Payments to Financial and Business Consultants:	$5,000.00

Debtor's Estimated Cash Receipts and Disbursements for the Thirty (30) Day Period Following the Filing of the Chapter 11 Petition

Pursuant to Local Rule 1007-4(a)(xvii), the following provides, for the 30-day period following the filing of the Debtor's Chapter 11 Petition, the estimated cash receipts and disbursements, estimated cash gain or loss, and estimated obligations and receivables expected to accrue that remain unpaid, other than professional fees.

Cash Receipts:	$11,799.50
Cash Disbursements:	$155,304.00
Net Cash Gain/Loss:	($143,504.50)
Receivables expected to accrue, but remain unpaid:	$0
Obligations expected to accrue, but remain unpaid:	$0

Debtor's Current Insurance Policies

Pursuant to Local Rule 1007-4(a)(xviii), the following is a list of the debtor's current insurance policies, including the identity of the insurer, policy period and type of insurance for each insurance policy listed.

Provider:	**Type of Plan:**	**Term of Policy:**
Travelers Casualty and Surety Company of America	Crime	03/16/2023-03/16/2024
Chubb/ACE American Insurance Company	Cyber	03/16/2023-03/16/2024
New Jersey Manufacturers Insurance Company	Workers Compensation and Employers Liability	07/01/2023-07/01/2024
Philadelphia Indemnity Insurance Company	Directors and Officers Liability, Employment Practices Liability, and Workplace Violence	07/12/2022-07/12/2024
Philadelphia Indemnity Insurance Company	Fiduciary Liability	07/12/2023-07/12/2024
Lexington Insurance Company	Commercial Property	07/15/2023-07/15/2024
Kinsale Insurance Company	General Liability	08/01/2023-08/01/2024

Bank Accounts

Pursuant to Local Rule 1007-4(a)(xix), the following is a list of the debtor's bank accounts, including the name and address of the banking institution where the accounts are held, the name on the account, and the nature of the account for each bank account listed.

Bank:	**Address:**	**Name on Account:**	**Last Four Digits of Account Number:**	**Purpose:**
Citibank, N.A.	6400 Las Colinas Blvd Irving, TX 75039	Sheltering Arms Children and Family Services, Inc.	9387	General Operating Account
Citibank, N.A.	6400 Las Colinas Blvd Irving, TX 75039	Sheltering Arms Children and Family Services, Inc.	9353	Collection/Receipt Account
TD Bank, N.A.	202 West 23rd Street New York, NY 10011	Sheltering Arms Children and Family Services, Inc.	6783	General Operating Account
TD Bank, N.A.	202 West 23rd Street New York, NY 10011	Sheltering Arms Children and Family Services, Inc.	6775	Disbursement Account for Vendor Payments
TD Bank, N.A.	202 West 23rd Street New York, NY 10011	Sheltering Arms Children and Family Services, Inc.	6816	Payroll Account
TD Bank, N.A.	202 West 23rd Street New York, NY 10011	Sheltering Arms Children and Family Services, Inc.	8498	Employee Benefit Program Account
TD Bank, N.A.	202 West 23rd Street New York, NY 10011	Sheltering Arms Children and Family Services, Inc.	8407	Collection/Receipt Account
Morgan Stanley	One Penn Plaza New York, NY 10119-0001	Sheltering Arms Children and Family Services, Inc.	4388	Investment Account
Morgan Stanley	One Penn Plaza New York, NY 10119-0001	Sheltering Arms Children and Family Services, Inc.	9523	Investment Account Liquidity Access Line