THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re: Whitehall Trust, et al.,[1] Debtors.	Chapter 11 Case No. 25-15241 Jointly Administered

DEBTORS' MOTION FOR RELEASE OF FUNDS

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), by and through their proposed counsel, Dilworth Paxson LLP, hereby submit this motion (the "Motion") for entry to release funds held in trust by Dilworth Paxson and, in support hereof, respectfully state as follows:

JURISDICTION & VENUE

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A) and (O).

2. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are section 105 of title 11 of the United States Code (the "Bankruptcy Code").

BACKGROUND

4. On the date hereof (the "Petition Date"), the Debtors each filed a petition for relief under Chapter 11 of title 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

[1] The Debtors in these Chapter 11 Cases are: (i) Whitehall Trust; (ii) Saucon Trust; (iii) Whitehall Manor, Inc. (5606); (iv) Saucon Valley Manor, Inc. (2894).

5. As of the date of the filing of this Motion, no official committee of unsecured creditors, trustee, or examiner has been appointed or designated in these cases.

6. The occurrence of the Covid-19 pandemic in 2020 caused significant upheaval in the Debtors' operations. Notwithstanding, the Debtors have always put the Residents first. This includes going against a hedge-fund lender (Lehigh Valley LLC I) to protect its Residents and employees. Courts across the country, including bankruptcy courts, acknowledge that hedge-funds "pose significant risks to residents and workers due to profit-driven practices, high debt levels, and complex real estate transactions." PESP_Report_NursingHomes_April2025.pdf

The Debtors' Operations

7. Whitehall Manor, Inc. ("Whitehall") and Saucon Valley Manor, Inc. ("SVM," and, together with Whitehall, the "Manors") are Pennsylvania S-corporations. Through their missions, the Manors operate award winning senior living facilities at properties owned by Whitehall Trust and Saucon Trust (collectively, the "Trusts"). Real property located at 1177 Sixth Street, Whitehall Township, PA is held in trust by Whitehall Trust and real property located at 1050 Main Street, Hellertown PA is held in trust by Saucon Trust. The Trusts lease the properties to Whitehall and SVM, respectively, and Whitehall and SVM operate their Manors at those locations.

8. The Manors are classified as Personal Care Homes ("PCH") regulated under 55 PA Code 2600. PCHs are not designed for seniors to age in place, which distinguish such facilities from Assisted Living Communities ("ALC") and Skilled Nursing Facilities ("SNF"). PCHs are not required by regulation, for example, to have nurses or doctors on staff or to provide transportation, unlike ALCs and SNFs. Residents with increased care needs are

not eligible for PCH. PCHs are for those "who do not require the services in or of a licensed long-term care facility, but who do require assistance or supervision with Activities of Daily Living, Instrumental Activities of Daily Living, or both." 55 PA Code § 2600.1.2.

9. The Manors provide 24-hour supervision for adults and help with the tasks of daily living such as bathing, dressing, medication assistance, and meal preparation. Available services are based on the resident's needs after an evaluation.

10. The Manors lease spaces to Good Shepard that provides on-site physical therapy to residents.

11. Since the Petition Date, the Debtors' operations have continued in the ordinary course. Specifically, the Debtors are compliant with all requirements to operate and the Debtors are in good standing and maintain their licensed and accreditation status.

Mortgages

12. On January 26, 2012, M&T Realty Capital Corporation (M&T) provided a loan of $15,788,700.00 ("Whitehall Mortgage") to Whitehall Fiduciary LLC secured by a Note against real property at 1177 6th Street, Whitehall PA 18052. The monthly payment was $69,844.95. The last direct payment to lender was February 5, 2021. A reserve account of approximately $813,690.94 was offset by HUD to apply to delinquent March, April and May 2021 payments and property taxes.

13. On December 1, 2012, M&T provided a loan of $19,462,800.00 ("Saucon Mortgage") to Saucon Trust secured by a Note against real property at 1050 Main Street, Unit #1, Hellertown, PA. The monthly payment was $69,578.58. A reserve account of approximately $437,150.12 was offset by HUD to apply to delinquent March, April and May

[2] Activities of Daily Living and Instrumental Activities of Daily Living are defined under 55 PA Code 2600.4.

2021 payments and property taxes.

14. The Trusts defaulted on the mortgages. In 2023, after failed negotiations with HUD, the mortgages were auctioned. Upon information and belief, Windstream Capital LLC (a hedge fund) purchased the mortgages for a significant discount of approximately 2.8 million (Whitehall) and 3.2 million (Saucon). In June 2024, the mortgages were assigned to Lehigh Valley I LLC ("Lehigh"), the current mortgage holder, hedge fund, and affiliate of Windstream Capital.[3]

15. On June 20, 2024, Lehigh filed foreclosure actions in the Eastern District of Pennsylvania against Whitehall Fiduciary LLC, as Trustee of Whitehall Trust u/t/a dated August 1, 2007 (Docket No. 24-02627) and Saucon Trust u/t/a dated October 1, 2007 (Docket No. 24-02709).

16. On August 7, 2024, Lehigh filed a Motion to Appoint Receiver.

17. On May 2, 2025, the Court entered an order appointing Erin Duffy, Esq. of Duane Morris LLP as Receiver (the "Retention Order") for the benefit of Lehigh. Although the receivership and May 2nd Order only pertains to the Trusts, the Receiver and the Court (through subsequent court orders) have sought enforcement against the Manors as well. The Retention Order requires turnover by the Trusts and "all persons acting under their direction," however, the Manors are tenants of the Trusts, non-parties to the mortgages and foreclosure action, do not act under the Trusts' direction, and are subject to Federal and State laws related

[3] The Debtors believe that the assignments may not have been properly executed or recorded. Additionally, the assignment from HUD to Windstream may not have occurred in accordance with bidder qualification requirements.

to Personal Care Homes.

18. On December 19th, an order was issued directing Good Shephard to turnover its rent from October 31, 2025 to present to the receiver.

19. On December 26, 2025, the Debtors filed their bankruptcies.

20. On December 28, 2025, Good Shepherd turned over its October, November and December rents to the Receiver.

21. On January 2, 2026, the Receiver issued a report in federal court stating:

- On December 26, 2025, Defendants Saucon Trust, Whitehall Trust, Saucon Manor, Inc. and Whitehall Manor, Inc. filed Voluntary Petitions for Chapter 11 Relief under the United States Bankruptcy Code; so the matters that were subject to Order Granting Receiver's Motion for Sanctions are automatically stayed.
- Good Shepherd Rehabilitation Network on December 28, 2025 sent Receiver $25,258.88 for October, November, and December rental payments.
- Due to the bankruptcy proceedings, Receiver is currently holding the rental fees from Good Shepherd Rehabilitation Network in a client trust and will notify the Trustee of same.

22. On January 6, 2026, the Debtors made a demand for turnover from the Receiver pursuant to 11 USC 543(b)(1).

23. The Receiver initially refused to turnover the funds absent court order. The hedge-fund lender *claimed* it needed additional time to review the issue despite knowing that these funds were being held for more than a week.

24. However, by holding the funds, the Receiver was in violation of the automatic stay, specifically 362(a)(3) ("exercise control over property of the estate"). The funds were clearly estate property because they were received post-petition. By holding the post-petition, estate property, the Receiver and hedge-fund lender were preventing the Debtors from administering their property for the benefit of the estate and complying with the Code.

25. On January 8, 2026, the parties agreed that the Receiver would transfer the funds to Dilworth to be held in its trust account, and that these funds would not be used by the Debtors without a specific order from an appropriate court authorizing the use of those funds.[4]

26. The funds were transferred on January 9, 2026 and remain in Dilworth's IOLTA account.

Relief Requested

27. The Debtors seek the entry of an order to release the escrowed funds to permit the Debtors to use said funds in accordance with its cash collateral budget and to continue to provide the excellent service Residents are accustomed to.

28. The Debtors use the rental income in the ordinary course to provide services to Residents.

29. Diverting the escrowed funds from the Debtors diminishes the value of the estate, is wasteful, and frustrates the legal framework of 11 USC 363.

30. Of import, the Debtors are the only parties with a legitimate interest in the funds, as these funds solely belong to the estate under the Code. See 11 USC 362(a)(3), 11 USC 541, and 11 USC 543(b)(1).

31. Forcing the Debtors to go through additional steps to recover post-petition property is yet another attempt by the hedge-fund lender to drive-up costs in this case so the Debtors fail in their reorganization.

[4] Counsel for the lender and the Debtors would also meet and confer, which did not happen.

NOTICE

32. This Motion has been served upon (a) the Office of the United States Trustee for the Eastern District of Pennsylvania; (b) the Office of the Attorney General of Pennsylvania; (c) the entities listed on the List of Creditors Holdings the 20 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d) for each Debtor; (d) Duane Morris; (e) Whitehall Township Tax Office (f) Whitehall Coplay School District; (g) Borough of Hellertown; (h) County of Northhampton; (i) Saucon School District (j) Lehigh Valley LLC I; (k) Portnoff Law & Associates; (l) Office of the Unites States Attorney General for the Eastern District of Pennsylvania; and (m) all parties who have requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter an order releasing the funds and granting such other and further relief as it just and proper.

Dated: January 13, 2026
Philadelphia, Pennsylvania

/s/ Michelle V. Lee

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