IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re:	Chapter 11
Whitehall Manor, et al.,[1]	Case No. 25-15245 (PMM)
Debtors.	Jointly Administered

RESPONSE TO RECEIVER'S RENEWED MOTION FOR ENTRY OF ORDER ALLOWING AND DIRECTING PAYMENT OF ADMINISTRATIVE EXPENSE PURSUANT TO 11 U.S.C. § 503(b)(3)(E)

Debtors Whitehall Trust for Senior Care (f/k/a Whitehall Trust) and Saucon Trust (collectively, the "Trusts"), by and through undersigned proposed counsel, submit this Response to the Receiver's Renewed Motion for Entry of Order Allowing and Directing Payment of Administrative Expense Pursuant to 11 U.S.C. § 503(b)(3)(E) (the "Renewed Motion"). In support thereof, the Trusts respectfully state as follows:

PRELIMINARY STATEMENT

The Motion seeks extraordinary and untimely relief. The Receiver requests immediate payment of more than $300,000 from the Trusts' bankruptcy estates while the threshold question of whether the Trusts may remain in chapter 11 remains on appeal. While the Court's Lease Order, as defined in the Renewed Motion, has restored the pre-dismissal status quo and allows the Receiver to renew its request for an administrative expense, that restoration does not automatically entitle the Receiver either to a finding that its asserted claim is entitled to administrative expense status, or to immediate payment.

[1] The Debtors in these Chapter 11 Cases are: (i) Whitehall Manor, Inc. (5606); and (ii) Saucon Valley Manor, Inc. (2894) (the "Manor Debtors"). On March 19, 2026, this Court entered an order [D.I. 25] granting the motion to the Trusts as debtors in these jointly administered chapter 11 cases. Pursuant to an order of this Court dated April 2, 2026 [D.I. 67], the dismissals of the Trusts have been stayed pending appeal and the Trusts remain debtors in these jointly administered cases.

The Trusts' dismissal is presently stayed pending appeal. If the dismissals are affirmed, the Receiver will again assume control over the Trusts and its compensation will once again be guided by the Receivership Order. If the dismissals are reversed, the administration of these chapter 11 cases will continue and any claim for allowance and payment of an administrative expense can be addressed alongside other administrative claims at the appropriate time.[2] Either way, immediate payment, if possible, would effect a prioritization of the administrative expenses allowed to the Receiver over other administrative expenses. Such prioritization should not be permitted.

Moreover, for the reasons described herein and in the response filed to the Receiver's Initial Motion, the Receiver has not carried its burden of establishing that all amounts sought constitute actual and necessary expenses that conferred a benefit upon these bankruptcy estates. Absent the Receiver's satisfaction of that high bar, the Motion must be denied.

Even if some portion of the Receiver's claim ultimately is allowable, the Receiver has not demonstrated that immediate payment is appropriate, that the estates are administratively solvent, or that the requested amount is reasonable and necessary considering the services performed. Accordingly, the Motion should be denied without prejudice, or at least held in abeyance pending the outcome of the Trusts' dismissal appeals.

RELEVANT BACKGROUND

1. In June 2024, Lehigh Valley 1, LLC ("LV1"), the successor secured creditor in these cases, commenced foreclosure proceedings against the Trusts before the United States District Court for the Eastern District of Pennsylvania.

2. On July 31, 2025, LV1 moved to appoint a receiver within the foreclosure actions.

[2] It should be noted that substantial administrative expenses owed to counsel for the Trusts have not yet been paid and that, assuming the administrative expenses claimed by the Receiver are allowed, immediate payment, if possible (which it is not), would effect a prioritization of the administrative expenses allowed to the Receiver over the administrative expenses owed to Trusts' counsel. Such prioritization should not be permitted.

3. By memorandum and order dated May 2, 2025 (the "Receivership Order"), the District Court appointed Duane Morris LLP, through Erin Duffy, Esq., as Receiver. The Receivership Order authorizes the payment of the Receiver's fees via direct deduction from the rents, income and revenue received by the Receiver. *See* Receivership Order at 13.

4. On December 26, 2025 (the "Petition Date"), each of the Debtors filed a petition for relief under Chapter 11 of title 11 of the Bankruptcy Code.

5. 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.

6. No official committee of unsecured creditors has been appointed in these chapter 11 cases.

7. The Receiver had not received payment on account of its work prior to the bankruptcy filing.[3] Upon information and belief, the Receiver also did not seek or receive a retainer prior to beginning its work on behalf of LV1.

8. On February 18, 2026, the Receiver filed the initial Receiver's Motion for Entry of Order Allowing and Directing Payment of Administrative Expense Pursuant to 11 U.S.C. § 503(b)(3)(E), *see In re Whitehall Trust, et al.*, No. 25-15241, ECF 209 (the "Initial Motion"). The Debtors, including the Manor Debtors and the Trusts, filed an opposition in response to the Initial Motion on March 4, 2026, *Whitehall Trust*, ECF 254 (the "Initial Response"), a copy of which is

[3] While the Receiver filed pre-petition proofs of claim on behalf of the Trusts, it is unclear whether the Receiver filed separate protective prepetition proofs of claim with respect to the pre-petition fees and expenses asserted to be owed, and it is unclear whether the proofs of claim filed on behalf of the Trusts are intended to include these amounts. *See* claim nos. 5, 6, 12, 13; *see also* Order Establishing Bar Dates for Filing Proofs of Prepetition Secured, Unsecured and § 503(b)(9) Administrative Claims and Approving Form and Manner of Notice, ECF 187 (setting March 26, 2026 as the deadline for filing pre-petition proofs of claim in the Trusts' chapter 11 cases). To the extent the Receiver has not filed or included within prior proofs of claim such amounts, the Trusts do not take a position herein, but reserve all rights with respect thereto.

attached hereto as Exhibit A, and which is incorporated by reference hereto, and the Receiver filed a Reply to the Initial Response on March 9, 2026, *Whitehall Trust*, ECF 258 (the "Initial Reply").

9. On March 19, 2026, this Court dismissed the chapter 11 cases filed by Debtors Whitehall Trust and Saucon Trust. *Whitehall Trust*, ECF 264. Thereafter, on March 23, 2026, the Receiver filed a Praecipe to Withdraw Motion Without Prejudice, *see Whitehall Trust*, ECF 268 (the "Praecipe"), withdrawing the Initial Motion as moot.

10. This Court entered an order on April 2, 2026, staying the effectiveness of the dismissal order pending appeal. *Whitehall Trust*, ECF 274. The Trusts are awaiting a decision by the Third Circuit Court of Appeals whether it will authorize a direct appeal of the dismissal order. The Trusts intend to seek expedited consideration of the appeal once the direct appeal is authorized. If not authorized, the Trusts will move as expeditiously as possible in the District Court to resolve the Dismissal Order Appeal, seeking further expedited appellate review by the Third Circuit Court of Appeals, if necessary. The Trusts are also appealing the disqualification of their prior bankruptcy counsel by the District Court.

11. On May 15, 2026, the Court entered the Lease Order, which denied LV1's motion seeking, *inter alia*, to have this Court compel the Manor Debtors to assume or reject their leases with the Trusts. *In re Whitehall Manor, et al.*, No. 25-15245, ECF 124. Nothing set forth in the Lease Order takes a position or offers guidance with respect to the treatment of the Receiver's fees and expenses incurred either pre- or post-petition.

12. On May 15, 2026, the Debtors filed their Plan and Disclosure Statement. *Whitehall Manor*, ECF 126, 127. Because the proposed plan contemplates alternative treatment depending on whether the Trusts remain debtors, the Trusts continue to have a direct and substantial interest in the administration of these chapter 11 cases and in the outcome of the pending appeals.

13. On June 1, 2026, the Receiver filed the Renewed Motion.

14. Further factual background relating to the Debtors' commencement of these chapter 11 cases is set forth in detail in the First Day Declaration filed on the Petition Date and incorporated herein by reference. *Whitehall Trust*, ECF 25.

ARGUMENT

15. Bankruptcy Code section 543(c)(2) permits the award of reasonable compensation for services rendered and costs and expenses incurred by a trustee that has been superseded by a bankruptcy filing. 11 U.S.C. § 543(c)(2). In turn, compensation may be granted administrative expense status pursuant to Bankruptcy Code section 503(b)(3)(E), which provides, in relevant part, for the granting of administrative claim status with respect to the "actual" and "necessary" expenses incurred by the superseded custodian. 11 U.S.C. § 503(b)(3)(E). Section 503(b)(4) likewise provides that the receiver's attorneys and accountants may be allowed an administrative expense for reasonable compensation for their services to the estate. 11 U.S.C. § 503(b)(4).

16. The granting of administrative expense status is not automatic. Section 503(b) is narrowly construed because every dollar paid as an administrative expense diminishes the recovery available to creditors. With that in mind, courts have long recognized that the allowance of compensation to a receiver is appropriate only to the extent the services rendered *actually* benefitted the bankruptcy estate. *See*, *e.g.*, *Randolph v. Scruggs*, 190 U.S. 533, 539 (1903) (holding that fees incurred by an assignee for the benefit of creditors pre-petition were not entitled to priority treatment and stating "We are not prepared to go further than to allow compensation for services *which were beneficial to the estate*. Beyond that point, we must throw the risk of his conduct on the assignee, as *he was chargeable with knowledge of what might happen*") (emphasis added); *In re Kenval Marketing Corp.*, 84 B.R. 32 (Bankr. E.D. Pa. 32, 25); *In re Lake Region Operating*

Corp., 238 B.R. 99, 102–03 (Bankr. M.D. Pa. 1999). The Receiver bears the burden of proving entitlement to administrative expense treatment with respect to both pre- and post-petition expenses. *See In re Energy Future Holdings Corp.*, 990 F.3d 728, 741 (3d Cir. 2021) (noting that the claimant bears the burden of establishing entitlement to administrative-expense priority and must show a concrete benefit to the estate); *In re O'Brien Env't Energy, Inc.*, 181 F.3d 527, 533 (3d Cir. 1999) (explaining that the movant must "carry the heavy burden of demonstrating that the costs and fees for which it seeks payment provided an actual benefit to the estate and that such costs and expenses were necessary to preserve the value of the estates") (internal citation omitted). That similarly is the case for fees and expenses incurred by a receiver's professionals. *In re Synergy Props., Inc.*, 130 B.R. 700, 704-05 (Bankr. S.D.N.Y. 1991) (holding that legal expenses incurred by a superseded receiver are compensable only to the extent they constitute actual and necessary expenses under §§ 503(b)(3)(E) and 503(b)(4)).

17. The central inquiry for a receiver is no different than any other party seeking allowance of an administrative expense; the only difference for a superseded custodian is that the court evaluates services and considers administrative expense payment incurred in connection with the receiver's prepetition preservation of estate assets and post-petition turnover obligations. *Lake Region*, 238 B.R. at 101-03. Accordingly, the Receiver must demonstrate that the services for which compensation is sought constituted actual and necessary efforts that produced a concrete benefit to the Trusts' estates.

I. WHILE THE DISMISSAL APPEALS ARE PENDING, THE COURT SHOULD DENY THE RENEWED MOTION WITHOUT PREJUDICE OR HOLD THE RENEWED MOTION IN ABEYANCE.

18. As an initial matter, this Court should either deny the Renewed Motion without prejudice or postpone its consideration of the Renewed Motion pending the resolution of the appeals of the Trusts' dismissals from bankruptcy, for which the Trusts have requested

certification directly to the Third Circuit. Pursuant to the Receivership Order, the Receiver is to be compensated via direct deduction from the rents, income and revenue received by the Receiver. *See* Receivership Order at 13. To the extent Bankruptcy Code sections 503(b) and 543 provide an avenue to payment for the Receiver (and the Trusts argue that they do not), that determination first requires the determination that the Trusts should remain in bankruptcy – an assertion the Receiver, together with LV1, disputes. *See Whitehall Trust*, ECF Nos. 102, 190.

19. With the appeal of the Trusts' dismissals currently pending, the Renewed Motion is a further drain on estate assets that have already been heavily taxed by the heavy litigation in these chapter 11 cases. If the dismissal is affirmed on appeal, the Renewed Motion, like its predecessor, will be moot. *See Praecipe.* The Receiver, which has aligned itself with and supports LV's repeated efforts to oppose the entities' ability to avail themselves of the protections afforded by the Bankruptcy Code, *see, e.g.*, *Whitehall Manor*, ECF 56, Joint Motion to Compel The Manor Debtors To Assume Or Reject Their Leases, (2) Establish The Cure Amount and (3) For Relief From The Automatic Stay, nevertheless seeks to use estate resources to skirt the waiting period that accompanies an appeal and to reimburse itself for fees that it failed to anticipate in connection with its appointment. The Receiver should not be permitted to, on the one hand, continue to support an argument that the Trusts may not be debtors under the Bankruptcy Code and simultaneously seek relief under the Bankruptcy Code requiring payment from the same entities.

II. THE RECEIVER HAS NOT ESTABLISHED THAT THE REQUESTED FEES AND EXPENSES PROVIDED AN ACTUAL AND NECESSARY BENEFIT TO THE ESTATES

A. The Receiver Has Not Established That Pre-Petition Fees and Expenses Are Appropriate

20. To the extent the Court disagrees and wishes to take up the Renewed Motion, the Trusts believe that the Receiver has failed to meet its burden. Courts evaluating requests under

section 503(b)(3)(E) require a showing that the services provided an actual and demonstrable benefit to the estate. *See Randolph*, 190 U.S. at 539 ("We are not prepared to go further than to allow compensation for services which were beneficial to the estate."); *see also In re Bodenheimer, Jones, Szwak, & Winchell, LLP*, 592 F.3d 664, 670 (5th Cir. 2009) (reversing award to superseded custodian because the bankruptcy court failed to consider whether the custodian's services "benefitted the estate" and expressly stating that the "'benefit-to-the-estate' doctrine remains a nearly universally-recognized interpretative scheme for § 503(b)(3)(E)."); *In re 29 Brooklyn Ave., LLC*, 535 B.R. 36, 37 (Bankr. E.D.N.Y. 2015) (disallowing portions of receiver's claim where receiver failed to establish entitlement to specific legal fees).

21. The court's analysis focuses on the benefit received by the estate—not the effort expended by the applicant or the losses allegedly incurred by the applicant. *See*, *e.g.*, *In re Kenval Mktg. Corp.*, 84 B.R. at 36 (Bankr. E.D. Pa. 1988) (denying compensation sought under a state-law assignment and emphasizing that entitlement to administrative priority in bankruptcy depends solely on whether the services conferred a benefit on the estate). *See also Bodenheimer*, 592 F.3d at 670-71 (requiring consideration of whether the custodian's services actually benefitted the estate); *In re Pris-Mm, LLC*, No. 08-16398-RAG, 2009 WL 2924166, at *4 (Bankr. D. Md. July 31, 2009) (holding that a superseded receiver's compensation "will only be permitted when a concrete benefit to the estate is realized" and that "[a] genuine benefit to the estate must be established"); *In re Synergy Props., Inc.*, 130 B.R. 700, 704-05 ("[C]ompensation for the receiver and his counsel must be determined by this court in accordance with the standards established under the Bankruptcy Code and not by conditions imposed under state law.") *In re Gherman*, 105 B.R. 714, 717 (Bankr. S.D. Fla. 1989) (finding that where receiver and his attorneys "recovered nothing and, therefore, turned over nothing to the bankruptcy trustee . . . [t]hey we]re entitled to

nothing from the bankruptcy estates"). Like the analysis under Bankruptcy Code section 503(b)(1), the benefit claimed must be real rather than hypothetical. *See Energy Future Holdings*, 990 F.3d at 742 (explaining that the benefit alleged to support an administrative expense claim "must be *actual*, not hypothetical.").

22. Here, the Renewed Motion does not provide facts or evidence to satisfy any of these factors. Like the Initial Motion, the Renewed Motion reflects efforts taken primarily to advance LV1's discount acquisition strategy. *See Initial Response* at ¶¶ 8-13; 18-24. It is unclear, at best, that conduct focused primarily on advancing the interests of a secured party that acquired its interests for cents on the dollar ran to the benefit of the Trust's estates and its creditors as a whole, rather than merely supporting LV1's motives. Indeed, while the Receiver continues to surmise that but for the bankruptcy, the Receiver would have brought value in excess of $7 million into the Trust's estates, the Receiver's speculative suggestion misses the point: the Receiver's pre-petition efforts did not benefit the estate. *See Initial Motion*, ¶ 58, Renewed *Motion*, ¶ 58.[4] Accordingly, the award of pre-petition fees and expenses is not appropriate here.

B. The Receiver Has Not Established That Post-Petition Fees and Expenses Are Appropriate

23. To the extent the Receiver seeks payments for post-petition activity that contravenes its express mandate under Bankruptcy Code section 543(a), the Receiver has failed to meet its burden. As the court explained in *Lake Region Operating Corp.*, "efforts expended in

[4] Further, to the extent that the fees and expenses were incurred by Receiver's counsel, and not the Receiver, the Receiver has failed to seek payment or show the propriety thereof under Bankruptcy Code section 503(b)(4) (allowing reasonable compensation for services rendered by a professional of, *inter alia*, a custodian). *See*, *e.g.*, *In re Pris-Mm, LLC*, No. 08-16398-RAG, 2009 WL 2924166, at *2 (Bankr. D. Md. July 31, 2009) (noting that "the receiver's attorneys and accountants may be allowed an administrative expense for reasonable compensation in light of their services to the estate"). Should this Court determine certain fees and expenses may be payable under section 503(b)(4) and undertakes a reasonableness review, the Trusts submit that the Court should consider the reasonableness test articulated in Bankruptcy Code section 330, *see*, *e.g.*, *In re Engel*, 124 F.3d 567, 573, 577 (3d Cir. 1997) (noting that there is an "express mandate of 'benefit-to-the-estate' imposed by § 330"), together with the lodestar approach endorsed by the Third Circuit. *In re Busy Beaver Building Centers, Inc.,* 19 F.3d 833, 856 (3d Cir. 1994).

resisting the bankruptcy cannot be compensated by the bankruptcy estate." 238 B.R. at 102; *see also In re Pris-Mm, LLC*, No. 08-16398-RAG, 2009 WL 2924166, at *5 ("It is well-settled that efforts undertaken to resist or oppose the bankruptcy process do not confer a compensable benefit upon the estate."(Bankr. D. Md. July 31, 2009).

24. In *Lake Region*, the bankruptcy court denied compensation for more than 132 hours spent by a receiver opposing the bankruptcy filing because those efforts benefited neither the estate nor its creditors. *Id.* The court held that the risk of undertaking litigation to oppose the bankruptcy falls upon the receiver, not the estate. *Id.* Similarly, to the extent all or any portion of the fees and expenses sought by the Receiver relate to efforts to oppose these bankruptcy cases, they are not payable as administrative expenses of these chapter 11 cases. *See id.* at 102 (disallowing compensation for time spent opposing the bankruptcy where those efforts conferred no benefit on the estate); *see also Bodenheimer*, 592 F.3d at 671-72 (denying expenses incurred opposing the bankruptcy because such expenses were not necessary to preserve the estate property and therefore were not compensable under § 503(b)(3)(E) and 543).

25. Further, Exhibit G to the Initial Motion and Exhibit A to the Receiver's Initial Reply reflect charges incurred in connection with the preparation of the Initial Application and related charges. Neither the Receiver nor its counsel is an estate professional, and their fee and expense claims are not rightfully expenses of the Debtors' bankruptcy estates. No amounts should be payable with respect to either the Initial Motion, the Renewed Motion, or any other motion practice in connection therewith.[5]

[5] In addition, once again, to the extent that the fees and expenses were incurred by Receiver's counsel, and not the Receiver, the Receiver has failed to seek payment or show the propriety of administrative status thereof under Bankruptcy Code section 503(b)(4). As noted above, should this Court determine certain fees and expenses may be payable under section 503(b)(4) and undertakes a reasonableness review, the Trusts submit that the Court should consider the reasonableness test articulated in Bankruptcy Code section 330 together with the lodestar approach endorsed by the Third Circuit. *See cases cited infra note* 3.

26. In any event, nearly all of the asserted fees and costs incurred post-petition by Receiver's counsel, other than those relating to the preparation of the Initial Motion, are redacted, rendering impossible the ability to determine whether all or any portion of these fees inured to the benefit of the Debtors' estates.

C. To the Extent Fees and Expenses Are Due and Owing, They Are More Appropriately Paid by LV1

27. As discussed herein and in prior motion practice regarding the Initial Motion, the Receiver's own evidence suggests that the Receiver's was working in concert with LV1 purely for LV1's benefit. *See Initial Motion*, *Exhibit G*; *Initial Reply, Exhibit A.* LV1 sought the appointment of a Receiver despite knowing that there were insufficient funds to compensate either itself or the Receiver. Indeed, while the Receiver asserts that it prevented the "diversion" of assets from the Trust's estates – an assertion the Trusts dispute – the Receiver forced the Trusts to incur significant expenses and took actions that ultimately led to the filing of these chapter 11 cases.[6] The Receiver should not benefit from the consequences of its actions. Rather, under the facts and circumstances of these cases, it is the Lender who should compensate the Receiver if any compensation is due. *See*, *e.g.*, *U.S. Bank Nat'l Ass'n v. Anderson Hill Cap.*, *LLC*, 231 A.D.3d 765 (2024); *Baldwin v. Baldwin*, 82 Cal. App. 2d 851, 856 (1947) ("Courts generally are vested with large discretion in determining who shall pay the costs and fees of receiverships. The court may assess the cost of the receivership against the fund or property in receivership or against the applicant for the receivership, or it may apportion them among the parties, depending on the circumstances.").

[6] Rather, to the extent the Receiver's allegation is a reference to the failure of the Manors pay rent, any amounts expended by the Manors in lieu of paying rent were applied to maintain and preserve the property that LV1 asserts is its collateral.

III. THE COURT'S LEASE ORDER DOES NOT ENTITLE THE RECEIVER TO AN ADMINISTRATIVE EXPENSE CLAIM

28. The Receiver suggests that the restoration of the "status quo" as addressed in the Lease Order entitles it to treatment of its fees and costs as an administrative expense. *See* Renewed Motion ¶ 14. This is an overstatement of the effect of the Court's order. The Lease Order addressed the state of the Manor Debtors' prepetition leases with the Trusts, and the ability of LV1 and the Receiver to seek relief with respect thereto. The Lease Order did not address, let alone adjudicate, the propriety of treating the Receiver's fees and expenses as administrative expense claims, nor– to the extent such claims are at all valid – the timing of payment thereof. It merely clarified the procedural effect of the Stay Order and restored the parties to the status quo that existed before dismissal. Those issues remain disputed and should properly be decided by this Court *after* a determination that the Trusts' may properly remain in Chapter 11. Absent such a finding, the question will once again be moot. Thus, any present allocation of further resources to this issue is inefficient and does not benefit the Debtors nor these estates.

IV. THE RECEIVER HAS NOT ESTABLISHED ANY BASIS FOR IMMEDIATE PAYMENT

29. Courts routinely distinguish between allowance of an administrative expense claim and payment of that claim. *See, e.g.*, *Lake Region*, 238 B.R. at 103 (allowing receiver compensation but delaying payment pending resolution of other issues affecting the estate). When Sections 503(b)(3)(E) and 543(c)(2) provide a basis for a superseded custodian to seek administrative expense treatment, neither provision requires immediate payment, nor do they eliminate the Court's discretion to determine when payment should occur. Rather, the Court must evaluate the circumstances of the case and the interests of all stakeholders before directing the distribution of estate assets.

30. Even where compensation is ultimately allowed, payment may be deferred when competing estate interests counsel caution. In *Lake Region*, for example, the court allowed compensation to a superseded receiver but nevertheless directed the bankruptcy trustee to postpone distribution of the award pending resolution of a potential claim against the estate. *Lake Region Operating Corp.*, 238 B.R. at 103.

31. Here, the Motion seeks immediate payment of more than $300,000 from the Trusts' estates without identifying any statutory provision, equitable consideration, exigent circumstance or prejudice to the Receiver warranting such extraordinary relief, and notwithstanding substantial uncertainty regarding the future administration of the estates. The Renewed Motion also fails to acknowledge the additional burden to the Trusts' estates in responding not once, but twice, to the Initial Motion and the Renewed Motion, and the payment prioritization of the Receiver's asserted trusts and expenses that a granting of the Motion would effect. Accordingly, given the relative pause of the Trusts' chapter 11 cases, and the relative illiquidity of the Trusts in the interim (where amounts coming into the Trusts are already being transferred to or for the benefit of LV1), the Trusts submit that it is appropriate – to the extent this Court determines that the Receiver is entitled to treat its fees as administrative expenses at all – to defer payment of such amounts.

[*Remainder of page intentionally left blank.*]

CONCLUSION

For the foregoing reasons, the Trusts respectfully request that the Court deny the Motion without prejudice. Alternatively, the Trusts request that the Court defer consideration of payment until resolution of the pending appeal and further administration of these chapter 11 cases, together with such other and further relief as the Court deems just and proper.

Dated: June 15, 2026

Respectfully submitted,

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Proposed Counsel to Saucon Trust and Whitehall Trust

Exhibit A

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' RESPONSE IN OPPOSITION TO RECEIVER'S MOTION FOR ENTRY OF ORDER ALLOWING AND DIRECTING PAYMENT OF ADMINISTRATIVE EXPENSE PURSUANT TO 11 USC 503(b)(3)(E)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), by and through their undersigned counsel, Dilworth Paxson LLP, hereby submit this Response in Opposition to Receiver's Motion for Entry of Order Allowing and Directing Payment of Administrative Expenses Pursuant to 11 UCS 503(b)(3)(E) and, in support hereof, respectfully state as follows:

BACKGROUND

1. On December 26, 2025 (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.

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

3. The Debtors consist of two Pennsylvania corporations, Whitehall Manor, Inc. and Saucon Valley Manor, Inc. (the "Manor Debtors") and two business trusts, Whitehall Trust and

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Saucon Trust (the “Trust Debtors”) that, together and under common management and control, operate two personal care homes in Whitehall Township, Pennsylvania and Hellertown, Pennsylvania, respectively.

The Appeal

4. Lehigh Valley I, LLC (“Lehigh”) initiated foreclosure actions against the Debtor Trusts in the Eastern District of Pennsylvania.[2]

5. On May 2, 2025, the District Court appointed Erin Duffy as Receiver (hereinafter “Receiver”) pursuant to Lehigh’s request.

6. The May 2nd Receiver Order (“Order”) was interlocutory and not final. The Debtors believe that the Order granted significantly broader powers to the Receiver, exceeding the limited receivership role (rent collection) contemplated by the security agreements entered between the parties. Through the Order, the Receiver sought to collect rents and profits for Lehigh’s benefit by attempting to obtain control over the Manor Debtors’ operations over their objection.[3]

7. The Manor Debtors are non-parties to the foreclosure action. Of import, the Manor Debtors are regulated healthcare facilities. As such, the Debtor Trusts appealed the Order to the Third Circuit Court of Appeals, case no. 25-1899 (the “Appeal”). The Appeal was

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[2] Windstream Capital LLC (a venture capital and private equity firm) purchased the Trust Debtors’ loans in a private auction from the Housing of Urban Development (“HUD”). Whitehall’s $12.5 million loan was purchased for $2.77 million and Saucon’s $16.24 million loan was purchased for $3.35 million. Windstream assigned its loans its affiliate, Lehigh. On May 14, 2024, Lehigh entered a Collateral Assignment with Northeast Bank. As security for a loan, Lehigh pledged the Trust Debtors’ mortgages, notes, security agreements, and other documents as collateral.

[3] Receiver timeslips show that Ms. Duffy was involved in the drafting of the Receiver Order. See Receiver Ex. “G” pg 4.

scheduled to be heard on or about March 5, 2026. However, the Appeal was stayed by the bankruptcy filing.

Receiver Claims

8. The Receiver claims that she and her law firm incurred $274,522.55 in fees and $29,716.73 in costs subsequent to entry of the Order because the Debtors resisted her efforts to collect rents and control the Debtors' operations and diverted funds.[4] Neither assertion is accurate.
9. The Receiver provides no support for her allegation that any funds were diverted or of any self-dealing. Indeed, the only payments being made to insiders were salary to the Debtors' administrators for services provided. The Debtors were not even paying their insider management company for shared services or out of pocket expenses, directing all revenues to their operations and care of their residents.
10. Prior to the Petition Date (December 26, 2025), the Receiver collected no pre-petition property on behalf of any Debtor.
11. The Receiver speculates in her Motion that her actions benefited the estate because she would have recovered $7,000,000 from the manors despite the fact that none of the Debtors had $7,000,000 at any time subsequent to the entry of the Order. As the third-party audits, weekly budgets, bank statements, Bankruptcy Schedules and Statements, pleadings, and testimony show, the collected rents are used to operate the Manors and to maintain the Debtors' properties. While, prior to the COVID pandemic, the Debtors

[4] Debtors' businesses were negatively impacted by Covid; all funds were spent guaranteeing the safety and wellbeing of residents and payment of staff; the Manor Debtors were not parties to the litigation; Debtors did cooperate; and Manor Debtors' regulatory compliance was paramount.

operated at a profit, since the losses suffered as a result of the pandemic, the Debtors have been steadfastly focused on restructuring their operations so that they may recover from those losses and again become profitable.

12. The Receiver collected nothing pre-petition because there was nothing to collect.

13. The Receiver performed no services that preserved or benefited the estates and the entire pleading is an admission that any fees and costs incurred do not satisfy the requirements of or warrant administrative status.

LEGAL ARGUMENT

14. Section 543(c)(2) permits the award of **reasonable** compensation "for services rendered and costs and expenses incurred" by receiver. 11 USC 543(c)(2) (emphasis added).

15. Compensation awarded may then be elevated to administrative expense status under Section 503(b)(3)(E), which provides, in pertinent part:

> After notice and a hearing, there shall be allowed administrative expenses...including...(3) the actual, necessary expenses, other than compensation and reimbursement specified in paragraph (4) of this subsection, incurred by – (E) a custodian superseded under section 543 of this title, and compensation for the services of such custodian... 11 U.S.C. § 503(b)(3)(E).

16. Paralleling the foregoing, Section 503(b)(4) likewise provides that the receiver's attorneys and accountants may be allowed an administrative expense for reasonable compensation for their services to the estate. 11 U.S.C. § 503(b)(4).

17. "A party seeking payment of costs and fees as an administrative expense must ... carry the heavy burden of demonstrating that the costs and fees for which it seeks payment provided an actual benefit to the estate and that such costs and expenses were necessary to preserve the value of the estate assets." *In re O'Brien Env't Energy, Inc.,* 181 F.3d 527, 533 (3d Cir. 1999) (internal citation omitted). Compensation is only appropriate "so far

as his services, or services procured by him, tend to the preservation or benefit of the estate." *Randolph v. Scruggs*, 190 U.S. 533, 538 (1903).

18. Here, Receiver has not met her burden to establish an administrative claim. She admits that her actions provided no preservation or benefit to the estate and simply surmises that she could have provided a benefit but for the Debtors' lack of cooperation while the Order was pending appeal. The Receiver provides no detailed information or analysis with respect to the work for which she expects to receive compensation and what, if any, benefit the estate received from those services.

19. The Receiver claims that she would have recovered $7,000,000 from the manors, but provides no support or basis for this assertion.

20. The Receiver knew Debtors had no funds outside operating expenses. Consultations occurred with her bankruptcy department and a bankruptcy analysis was performed. *See*, e.g. Exhibit "G" p 6-7, 5/28/25 and 5/29/25 entries. Mr. Messinger conducted research related to the "ability to have lender pay receiver outstanding invoices when insufficient resources from proceeds of operation of property." *See* Exhibit "G" p 31, 10/29/25 and 10/30/25 entries.

21. Timeslips also show that there was no plan as to how the Receiver would operate the manors. The Receiver provides no explanation as to how she would pay herself first but nevertheless continue to operate the manors in compliance with state regulations when the Debtors were not even able to pay their own management company for actual services provided. The first note relating to being appointed to operate a nursing home is August 6th. *See* Exhibit "G" p17. On August 8th, a redacted note refers to "operation of facilities".[5] *See* Exhibit "G" p17. Months later, in November, inquiries are made to a potential

[5] It is not clear why this entry is redacted. Debtors request a privilege log.

property manager. *See* Exhibit "G" p. 33-34, entries 11/12 (multiple) and 11/17. The Receiver provides no information whether the proposed property manager is qualified as an operator of personal care homes under state law. Moreover, the Receiver provides no information as to how she intended to pay for the significant administrative and maintenance services currently being provided by the affiliated management company below cost and/or without compensation.

22. Essentially, the Receiver makes the creative suggestion that the benefit and reasonableness of her actions should be judged prospectively and based on an assumed, rather than any actual, benefit to the estate; i.e. that if a potential future benefit to the estate can reasonably be assumed, whether realized or not, then the fees incurred toward that effort should be allowed as a priority administrative expense payable by the estate. To the contrary, the Bankruptcy Code requires that the Receiver establish an actual and necessary benefit to the estate in order to be compensated on an administrative basis.

23. As of the Petition Date, the Receiver had not recovered anything for the benefit of the estate and had not resolved any issues with creditors.

24. Instead, the Receiver's proof of a benefit is limited to discovery disputes and bald allegations that the Debtors' were not cooperating and were self-dealing and diverting funds. Receiver cites no authority that would allow an administrative claim based on assertions that a benefit could not be provided to the estate because of Debtor's pre-petition failure to cooperate while the Order was on appeal.

25. Moreover, the record in these cases belies the Receiver's claims regarding her assumed ability to recover $7 million or otherwise benefit the estate.

26. On January 14, 2026, the Debtors appeared for the Initial Debtor Interview ("IDI"), having provided voluminous financial records to the Office of the United States Trustee,

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including tax returns for the businesses and the Atiyehs personally, bank statements, operating reports, and insurance.

27. The Debtors have timely filed their December and January monthly operating reports. [DI 111-114, 213-217]

28. The Debtors timely filed their Schedules and Statements [223-227]. The 341 is scheduled to be held on March 6, 2026.

29. The Debtors have provided voluminous financial data to Lehigh over the course of these cases.

30. None of this data in any way suggests that funds have been diverted from the estates to the Atiyeh family, especially to the extent baldly alleged by the Receiver.

31. Throughout the bankruptcy process (and during the foreclosure) Lehigh received voluminous financial records, including rent rolls, HUD documents, operating reports, tax returns, intercompany transfers, and weekly operating reports. Lehigh has not demonstrated that the Atiyehs diverted funds for any self-interest or for the “sole purpose” of diverting money from the estate to be managed by the Receiver. Instead, the financials support Debtors’ contention that the manors simply did not have the funds following the COVID pandemic and are not even paying many of the Debtors’ obligations to insiders since then.

32. On February 24, 2026, the court-appointed ombudsman provided the Court with a favorable report about the condition of the Manors. Prior to the court appointing the ombudsman, the Manors were routinely inspected by the state ombudsman. The Manors’ Certificates of Compliance are current. The conditions of the manors support Debtors’ position that all funds are used to care for the residents.

33. Considering the Debtors' transparency with its financial information and property inspections by Ombudsman, the Receiver cannot show that her services were reasonable and necessary or provided any actual and necessary benefit to the estates. The Receiver's request for an administrative claim must be denied.

11 USC 503(b)(4)

34. The Receiver claims that the standards of 503(b)(3)(E) apply to her services instead of 503(b)(4) without citing applicable caselaw. Section 503(b)(3)(E) is focused on the expenses of a custodian, while 503(b)(4) covers the professional fees of a person aiding the administration of a bankruptcy case. Section 503(b)(4) authorizes an award of legal fees only if the requirements of section 503(b)(3) are met. Here, the Receiver's fees provided no measurable gain to the estate as discussed above. Therefore, the Receiver cannot recover any of her fees and costs under 503(b)(4). Any claim asserted by the Receiver is a general unsecured claim under the facts and circumstances of this case.

35. The Receiver's fees provided no actual benefit to the estate under section 503(b)(3)(E). Therefore, the work performed by her as well as her attorneys is not recoverable under section 503(b)(4).

36. Even if fees may be recoverable under section 503(b)(3)(E), the Receiver here has not met her burden of proof. Court looks to 11 U.S.C. § 503(b)(4) to determine if the compensation sought is "reasonable" under an assessment of a number of factors. Specifically, section 503(b)(4) states:

> (4) **reasonable** compensation for professional services rendered by an attorney or an accountant of an entity whose expense is allowable under paragraph (3) of this subsection, **based on the time, the nature, the extent, and the value of such services, and the cost of comparable services** other than in a case under this

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> title, and reimbursement for actual, necessary expenses incurred by such attorney or accountant....

11 U.S.C. § 503(b)(4).

37. The Receiver has not met her burden of proof for any of the factors. Here, other lawyers in her firm performed much of the work and acted as her legal counsel. Their work provided no value to the estates. For example, the Debtors owed outstanding property taxes. It was the Debtors' attorneys who negotiated deals with the taxing authorities not the Receiver.

38. Much of the work, as reflected in the time reports, was duplicative. For example, at least five attorneys reviewed and researched the lease amendments to determine whether the amendments could be voided/cancelled. Three attorneys were used to file a simple Motion to Compel. *See* Exhibit "G" pp 33-35. The time was duplicative, excessive and not reasonable, especially for the drafting of simple motions and reviewing leases.

39. Administrative work was being billed at an attorney rate. There are multiple entries for "data room permission" and coordinating courtesy copies. *See*, e.g. Exhibit "G" pp 12, 13, 18, 29. There are also entries related to Ms. Hawekotte's attempts to be admitted into EDPA. *See* Exhibit "G" entries 6/3/25, 6/13/25. These provided no benefit to the estate.

40. The timeslips also show the Debtors provided documents and/or the Receiver had the ability to obtain information. *See, e.g.*, Exhibit "G" p13, 7/21/25 entries referring to insurance, bank statements and "search through new documents"; p. 18, 8/8/25 review Whitehall balance sheet; issuance of third-party subpoenas to Debtors' only bank (Truist) and to sublessee Good Shephard.

41. When reviewing the reasonableness and "time, the nature, the extent, and the value", this Court should be guided by a comparable section – section 330(a). Section 330(a) states:

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> **(3)** In determining the amount of reasonable compensation to be awarded …the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including--
>
> **(A)** the time spent on such services;
>
> **(B)** the rates charged for such services;
>
> **(C)** whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
>
> **(D)** whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
>
> **(E)** with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
>
> **(F)** whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.
>
> **(4)(A)** Except as provided in subparagraph (B), the court shall not allow compensation for--
>
> **(i)** unnecessary duplication of services; or
>
> **(ii)** services that were not--
>
> **(I)** reasonably likely to benefit the debtor's estate; or
>
> **(II)** necessary to the administration of the case.

11 U.S.C.A. § 330.

42. The Receiver has not offered sufficient support under section 330(a)(3) or 330(a)(4)(A) for the same reasons previously discussed.

43. Moreover, in this Circuit, an allowance of reasonable fees under section 330(a) for a professional, such as an attorney, is determined using the lodestar approach. *See, e.g., In re Busy Beaver Building Centers, Inc.,* 19 F.3d 833, 856 (3d Cir. 1994). The lodestar method involves the multiplication of a prevailing market hourly rate, taking into account the experience of the professional and the nature of the professional services provided, by

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the number of hours reasonably expended in providing those services. *See, e.g.*, *In re Busy Beaver Building Centers, Inc.*, 19 F.3d at 849 n.21.

44. The lodestar approach (because the statues are comparable) applies to 503(b)(4). However, no evidence was provided to make a lodestar determination other than the Court's order appointing the Receiver at her billable rate. Moreover, at least five (5) different attorneys worked on this file, including a first-year associate. However, the hourly rates for each are not provided.

45. When applying section 330(a), like section 503(b)(4), a bankruptcy court must consider the benefit achieved by the services rendered. *See, e.g.*, *In re Engel*, 124 F.3d 567, 573 (3d Cir. 1997). The Third Circuit Court of Appeals noted that there is an "express mandate of 'benefit-to-the-estate' imposed by § 330." *Id.* at 577. The language of section 330(a)(3), requires that the services be reasonably likely to yield a benefit to the estate at the time they were provided; not that they actually do so. *See In re Mushroom Transp. Co., Inc.*, 486 B.R. 148, 164 (Bankr. E.D. Pa. 2013)(Thus, "[s]ervices reasonably likely to provide an identifiable, tangible and material benefit to the estate when rendered are compensable even if they don't actually end up providing such a benefit (as long as the services are otherwise compensable under § 330(a)).")(internal citation omitted).

46. The Receiver's services were not "reasonably likely to provide an identifiable, tangible and material benefit to the estate." The Receiver speculates that she would recover $7,000,000 from the Debtor Manors knowing full well such funds did not exist. The Receiver had the Debtors' financials and bank statements showing insufficient funds and receivables. Any receivables that did exist were necessary for the Debtors' operations.

47. Section 543(c)(2) states that the court shall "provide for the payment of *reasonable* compensation for services rendered and costs and expenses incurred by" a custodian. 11

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U.S.C. § 543(c)(2). For the reasons stated above, the fees and costs incurred by the Receiver related to her legal fees were not reasonable or necessary and provided no benefit to the estate. The Receiver held no property for the estate and recovered no property for the estate. Accordingly, to the extent allowed, the asserted fees and costs should be treated as general, unsecured claims.

Post-petition fees

48. Section 543(a) of the Code provides that the commencement of a bankruptcy case supersedes a receiver's appointment and prohibits the receiver from continuing to work in that capacity. 11 U.S.C. §§ 543(a). Except as provided in Section 543(d), which is not applicable in these cases, Section 543(b) requires the receiver to immediately turn over to the trustee all estate property and account for any (including any proceeds or products) that came into her possession. 11 U.S.C. § 543(b).

49. To date, the Receiver has neither filed an accounting of property with this Court nor sought authorization to continue in any capacity post-petition.

50. Asserted fees and costs incurred post-petition are redacted. Therefore, Debtors cannot determine whether these fees were reasonable and reserves all rights.

51. The record is barren of evidence that the Receiver engaged in any post-petition activity that could be considered beneficial to the estate. [6] There are no averments that she identified, preserved and protected the assets received prepetition. Instead, the record shows that the Receiver refused to turnover post-petition property, which is not compensable.

[6] Of the approximately 50 entries, Ms. Duffy (the Receiver) is mentioned once. Therefore, it is not clear what she was doing to preserve or benefit the estate.

52. The Receiver was working with Lender to frustrate Debtors' attempts to recover estate and debtor property received post-petition.[7]

53. Receiver turned over the funds to be held in escrow only to avoid a violation of 543 and the automatic stay. Therefore, the post-petition fees must be denied. *See, e.g., In re Posadas Associates*, 127 B.R. 278 (Bankr. D. N.M. 1991) (denying administrative claim of custodian for post-petition costs where the custodian incurred costs not for complying with the turnover provisions of the Code but for resisting turnover).

54. Furthermore, a receiver's compensation will be awarded administrative priority status pursuant to Section 503 (b)(3)(E) for only those post-petition services that resulted in some benefit to the estate. *Randolph v. Scruggs,* 190 U.S. 533, 538 (1903); *In re Lake Region Operating Corp*., 238 B.R. 99, 102 (Bankr. M.D. Pa. 1999). As discussed, the record lacks evidence of any benefit to the Debtors' estates.

Lender to Compensate Receiver

55. Under the facts and circumstances of these cases, it is the Lender who should compensate the Receiver, if any compensation is due.

56. Receiver is not the agent of any party but acts for the benefit of all holding an interest in the receivership property. Here, the timeslips show that the Receiver was acting solely for the benefit of and in coordination with Lehigh.

57. Lehigh sought the Receiver with knowledge that insufficient funds existed to pay the Lender or Receiver.

[7] Debtors incorporate their pleadings related to the Motion to Release Funds as fully set forth herein. Interestingly, Lehigh claims that the rental income is not property of the estate or debtors because of constructive possession. If true (which it is not) then this is further proof that all the work performed by the Receiver was not for the benefit or preservation of the estates.

58. Accordingly, Lehigh must compensate the Receiver. *See e.g. U.S. Bank Nat'l Ass'n v. Anderson Hill Cap., LLC*, 231 A.D.3d 765 (2024); *Baldwin v. Baldwin*, 82 Cal. App. 2d 851, 856 (1947) ("Courts generally are vested with large discretion in determining who shall pay the costs and fees of receiverships. The court may assess the cost of the receivership against the fund or property in receivership or against the applicant for the receivership, or it may apportion them among the parties, depending on the circumstances.").

Conclusion

For the foregoing reasons, the Receiver's motion for entry of an order allowing and directing payment of an administrative claim must be denied. To the extent that the Receiver incurred fees and costs following the entry of the Order, there is no evidence that such fees and costs provided any actual or necessary benefit to the Debtors' bankruptcy estates. Accordingly, the Receiver has failed to meet her burden to establish an entitlement to an administrative claim and any fees or costs incurred by the Receiver are, at best, a general unsecured claim in these cases.

Dated: March 4, 2026
Philadelphia, Pennsylvania

/s/ Michelle Lee

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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

ORDER

Upon consideration of the Receiver's Motion for Entry of Order Allowing and Directing Payment of Administrative Expense Pursuant to 11 USC 503(b)(3)(E) and Debtors' Response in Opposition thereto, it is hereby ORDERED that the Motion is DENIED.

Dated: ______________________________
Honorable Patricia Mayer

[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).

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re: Whitehall Manor, et al.,[7] Debtors.	Chapter 11 Case No. 25-15245 (PMM) Jointly Administered

CERTIFICATE OF SERVICE

I, Rachel Jaffe Mauceri, certify that a true and correct copy of the foregoing Response has been filed electronically on June 15, 2026, which will send notification to all counsel of record, and is available for viewing and downloading from this Court's ECF System.

Dated: June 15, 2026

/s/ Rachel Jaffe Mauceri
Rachel Jaffe Mauceri

[7] The Debtors in these Chapter 11 Cases are: (i) Whitehall Manor, Inc. (5606); and (ii) Saucon Valley Manor, Inc. (2894) (the "Manor Debtors"). On March 19, 2026, this Court entered an order [D.I. 25] granting the motion to the Trusts as debtors in these jointly administered chapter 11 cases. Pursuant to an order of this Court dated April 2, 2026 [D.I. 67], the dismissals of the Trusts have been stayed pending appeal and the Trusts remain debtors in these jointly administered cases.