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

In Re:	**Case No.: 24-70418-JAD**
POTTSVILLE OPERATIONS, LLC, *et al.*,[1]	**Chapter 11**
Debtors.	***Joint Administration Requested***
	Doc. No.:
POTTSVILLE OPERATIONS, LLC, *et al.*	**Related to Document No.:**
Movants,	**Hearing Date:**
-vs-	**Hearing Time:**
NO RESPONDENTS,	**Response Deadline:**
Respondents.	

DECLARATION OF NEIL LURIA, CHIEF RESTRUCTURING OFFICER OF THE DEBTORS, IN SUPPORT OF CHAPTER 11 PETITIONS AND VARIOUS FIRST DAY APPLICATIONS AND MOTIONS

I, Neil Luria, hereby declare under penalty of perjury that the following statements are true to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer of each of the eleven (11) debtors ("Debtors") and have served in this position since approximately October 15, 2024. Prior to that time, SOLIC Capital Advisors LLC ("SOLIC") served in a financial advisory role to the Debtors since approximately July 18, 2024. I am also the President of SOLIC and the head of SOLIC's

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number are: Pottsville Operations, LLC (9467); Pottsville Propco, LLC (8685); Hampton House Operations, LLC (8969); Hampton House Propco, LLC (7258); Kingston Operations, LLC (1787); Kingston Propco, LLC (8562); Williamsport North Operations, LLC (9927); Williamsport Propco, LLC (2039); Williamsport South Operations, LLC (0298); Yeadon Operations, LLC (9296); and Yeadon Propco, LLC (5785). The Debtors' address is 425 West New England Avenue, Suite 300, Winter Park, Florida 32789.

restructuring and distressed asset support services divisions. I am an authorized officer for purposes of executing all documents in connection with the Debtors' bankruptcy petitions and related documents.

2. As Chief Restructuring Officer ("CRO"), I am generally familiar with the Debtors' business, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise indicated, the facts set forth in this declaration ("Declaration") are based upon my personal knowledge, my review of relevant documents, information provided to me by employees and consultants working under my supervision, or my opinion based on experience, knowledge, and information concerning the Debtors' operations and financial condition. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. Each of the Debtors for which joint administration is sought have filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code ("Bankruptcy Code") today ("Petition Date"), commencing the above-captioned Chapter 11 Cases ("Chapter 11 Cases") in the United States Bankruptcy Court for the Western District of Pennsylvania ("Bankruptcy Court").

4. I submit this Declaration in support of the Debtors' voluntary petitions for relief and of the motions filed requesting "first day" type relief to minimize the potential disruptions that filing this chapter 11 case may have on their operations (collectively, the "First Day Motions"). I am authorized to submit this Declaration on behalf of the Debtors.

5. Part I of this Declaration provides a high-level summary of the Debtors' objectives in these Chapter 11 Cases. Part II of this Declaration describes my background and experience. Part III of the Declaration describes the Debtors' businesses and organizational, financial, and

operational structure. Part IV of this Declaration explains the Debtors' existing indebtedness and obligations. Part V describes the events and the circumstances surrounding the filing of these Chapter 11 Cases. Part VI describes the DIP Financing Motion. Part VII sets forth the support of the Debtors' motions requesting emergency relief (the "First Day Motions").

I. SUMMARY OF THE DEBTORS' OBJECTIVES IN THE CHAPTER 11 CASES

6. As a result of the Debtors' deteriorating financial condition, discussed further below, the Debtors retained professionals, including SOLIC, to advise the Debtors on how to restructure existing obligations and evaluate strategic alternatives to maximize value for the benefit of these bankruptcy estates and to ensure continuing, quality care to the residents of the Facilities.

7. The Debtors filed these Chapter 11 Cases in an effort to maintain the *status quo* while pursuing the following two key objectives: (1) obtaining new liquidity through the DIP Financing Motion (as defined below) that will be used to satisfy operational obligations of the Debtors and that will avoid the need for an immediate shutdown of the Facilities; and (2) selling the Debtors' assets under section 363 of the Bankruptcy Code to a new operating group who can continue the business as a going concern. The successful accomplishment of these objectives should provide the Debtors with an opportunity to develop and effectuate a chapter 11 exit strategy that will be in the best interests of the Debtors' bankruptcy estates and their creditors.

II. MY BACKGROUND AND EXPERIENCE

8. I am currently the President of SOLIC. SOLIC is a professional services firm engaged in the business of providing restructuring, financial advisory, and distressed asset management services, with offices located in Winter Park, Florida, Chicago, Illinois, and Atlanta, Georgia. SOLIC provides restructuring, financial advisory, and distressed asset management services to a variety of businesses with a large range of enterprise values, including publicly traded and private companies.

9. Since its original engagement by the Debtors on July 18, 2024, SOLIC has been assisting the Debtor with respect to reviewing and assessing various financial elements of the Debtors' operations, managing liquidity, including identifying liquidity optimization strategies, and analyzing potential strategic alternatives. On October 15, 2024, the Debtors appointed me as CRO, and I have been serving in that capacity since my acceptance of that appointment on October 15, 2024.

10. SOLIC has widespread experience in providing restructuring and financial advisory services in reorganization proceedings. SOLIC's professionals have represented various stakeholders in distressed healthcare and non-healthcare situations over the last 15 years. Furthermore, I have previously served as the Chief Restructuring Officer in chapter 11 healthcare bankruptcies including serving as (a) Chief Restructuring Officer of Tamarac 10200 and Unipharma, LLC, Case No. 20- bk-23346-PDR (Bankr. S.D. Fla. 2020); (b) Chief Restructuring Officer of Sharity Ministries, Inc., Case No. 21-11001 (Bankr. Del. 2021); (c) Chief Restructuring Officer of Louisiana Medical Center and Heart Hospital, Case No. 17-10353 (Bankr. E.D. La. 2017), and (d) Chief Restructuring Officer of PBI Regional Medical Center, Case No. 06-16186 (Bankr. D.N.J 2006)). In addition, I served as Chief Restructuring of various non-healthcare chapter 11 cases including (a) *In re Ocala Funding, LLC*, Case No. 3:12-bj0945240-JAF (Bankr. M.D. Fla. 2012), and (b) *In re Taylor Bean & Whitaker Mortgage Corp*., Case No. 3:09-bk-07047-JAF (Bankr. M.D. Fla. 2009). Furthermore, I have served as Chief Restructuring Officer and Chief Executive Officer of various other distressed healthcare and non-healthcare companies that have been restructured outside of chapter 11.

III. DEBTORS' BUSINESSES AND STRUCTURE

A. Description of the Debtors and their Business

11. The Debtors own and operate six skilled nursing facilities in Pennsylvania (the "Facilities"). Collectively, the Debtors have 925 beds across the six Facilities, and 759 residents currently at the Facilities as of the Petition Date. The Debtors acquired the Facilities in May of 2021.

12. The PropCos[2] own the real property where the OpCos[3] operate the Facilities. The PropCos are all wholly owned by PAMC Realty, LLC. The OpCos are all wholly owned by LZ PA Holdings LLC.

13. The OpCos lease their facilities from the PropCos pursuant to a master lease dated May 28, 2021 ("Master Lease"). The Master Lease was executed in connection with the Term Loan discussed below.

14. Hampton House Operations, LLC is a 104-bed facility located in Wilkes-Barre, Pennsylvania doing business as Hampton House Rehabilitation & Nursing Center, which leases its facility from Hampton House Propco, LLC. Kingston Operations, LLC is a 176-bed facility located in Kingston, Pennsylvania doing business as Kingston Nursing and Rehabilitation Center, which leases its facility from Kingston Propco, LLC. Pottsville Operations, LLC is a 179-bed facility in Pottsville, Pennsylvania doing business as Pottsville Nursing and Rehabilitation Center, which leases its facility from Pottsville Propco, LLC. Williamsport North Operations, LLC is a 152-bed facility located in Williamsport, Pennsylvania doing business as Williamsport North Rehabilitation Center, which leases its facility from Williamsport Propco, LLC. Williamsport

---

[2] The PropCos are: Hampton House Propco, LLC; Kingston Propco, LLC; Pottsville Propco, LLC; Williamsport Propco, LLC; Yeadon Propco, LLC.

[3] The OpCos are: Hampton House Operations, LLC; Kingston Operations, LLC; Pottsville Operations, LLC; Williamsport North Operations, LLC; Williamsport South Operations, LLC; Yeadon Operations, LLC.

South Operations, LLC is a 116-bed facility located in Williamsport, Pennsylvania doing business as Williamsport South Rehabilitation & Nursing Center, which also leases its facility from Williamsport Propco, LLC. Yeadon Operations, LLC is a 198-bed facility located in Yeadon, Pennsylvania doing business as Yeadon Rehabilitation & Nursing Center, which leases its facility from Yeadon Propco, LLC. In this Declaration and in the First Day Motions generally, these will be referred to as the Facilities.

a. Organizational, Financial, and Operational Structure

15. An organizational chart showing the relationship among the various Debtors is attached as **Exhibit 1**.

16. The Debtors are Pennsylvania limited liability companies. Each of the Debtors either owns or operates a skilled nursing facility described above. Because of the overlapping, but not identical, indirect ownership interests among the Debtors, the Debtors are affiliated, limited liability companies.

17. With respect to their operating and financial structure, the OpCos contract with Eden East Healthcare Management, LLC ("Eden Management") to provide administrative services to the Facilities, including assistance with the general management of the Facilities.

18. Each of the Debtors maintains one or more separate bank accounts that are utilized in the ordinary course of business (the "Cash Management System"). The Cash Management System currently consists of approximately 55 bank accounts (the "Bank Accounts") that are maintained at Bankwell and PNC Bank. Additional information about the Cash Management System is set forth in the Cash Management Motion (defined below).

19. With respect to operational revenue, the OpCos derive the majority of their revenue from the residents residing in the Debtors' skilled nursing care facilities. The only source of

revenue for the PropCos is any rent paid to them under their leases with the affiliated OpCo Debtors.

IV. EXISTING INDEBTEDNESS

a. Secured Indebtedness

20. The Debtors have granted security interests in their assets as summarized in the chart below:

Secured Creditor	Obligated Debtors	Outstanding Amount	Collateral
Oxford Finance LLC (Term and AR Lender)	All	$49,368,523.63 on the Term Loan[4] $0 on the AR Loan	Security interest in all of the Debtors' property and assets, including receivables; Mortgages on the real property owned by the PropCos
Eden Senior Care LLC	OpCo Debtors	$281,191.50	Priority security interest in the Debtors' accounts receivables; second lien on the Debtors' other property and assets

21. On May 28, 2021, Oxford made two loans to the Debtors—a $66 million term loan to the PropCos (as amended, modified, renewed, restated, or supplemented, the "Oxford Term Loan") and a $13 million revolving loan to the OpCos (as amended, modified, renewed, restated, or supplemented, the "Oxford Revolver Loan"). Oxford recorded UCC financing statements reflecting a security interest in the Debtors' assets. Additionally, the Oxford Loans are also secured by recorded mortgages on the real property owned by the PropCos. The Oxford Revolver Loan was paid down to a balance of $0, but the recorded liens have not been released. As of the Petition Date, the outstanding amount of the Oxford Term Loan is reflected above and is approximately

[4] As of most recent bank statements dated September 24, 2024.

$49 million. Oxford's prepetition secured indebtedness is explained more fully in the DIP Financing Motion (defined below) and accompanying declaration in support.

b. Unsecured Debt & Other Obligations

22. Each of the OpCo Debtors owes significant sums to vendors and other creditors for goods and services provided. The total number of known unsecured creditors is estimated to be approximately 500, and the total amount of unsecured debt owed by all Debtors is approximately $56.5 million. This consists of accounts payable, notes payable, other unsecured loans, taxes, and assessments.

23. In addition, current and former residents or their representatives have also asserted claims against the Debtors alleging wrongful death, negligence, and related professional liability claims. This litigation is pending primarily in Pennsylvania state court.

24. Each of the OpCo Debtors also have potential obligations for nursing facility assessments (the "Nursing Facility Assessments") to the Commonwealth of Pennsylvania's Department of Human Services (the "Department"). The estimated potential total obligations are approximately $16 million through the quarter ending June 30, 2024. Nursing Facility Assessments continue to accrue. The Department has not recorded a lien against any of the Debtors with respect to the Nursing Facility Assessments.

c. Leases and Oxford Payments

25. As stated earlier, the OpCos lease their facilities from the PropCos under the Master Lease. The OpCos have not paid rent under the Master Lease in approximately two years, but the Debtors continue to service the Oxford debt each month. The average monthly payment to Oxford from January to September was $714,284.21. This includes debt service and interest.

d. Unionized Facilities; Information regarding Employees

26. As of the Petition Date, the OpCo Debtors employed approximately 818 people (collectively, the "Employees"). Most Employees are paid on an hourly basis, but some are paid a salary. Some Employees work part-time, but most work full-time. The Employees largely work at the Facilities in Pennsylvania. The Employees and related obligations are discussed in more detail in the Wages Motion (defined below).

27. Certain employees at the Facilities are subject to collective bargaining agreements executed between unions and the OpCos. The agreements are with different unions and cover certain groups of employees. The Debtors have obligations to employees under the CBAs, which are also discussed more fully in the Wages Motion. Certain CBAs require, for example, matching Employees' 401k contributions at year end. The following is a listing of the Debtors' collective bargaining agreements (the "CBAs"):

- Tentative Agreement between Bedrock Care-Hampton House and SEIU Healthcare Pennsylvania (November 16, 2022 – November 17, 2025);
- Collective Bargaining Agreement between Kingston Nursing & Rehab and Local Union 1310 (October 1, 2021 – September 30, 2026);
- Labor Agreement between Pottsville Rehab & Nursing Center and Local 262 RWDSU – UFCW (January 1, 2023 – December 31, 2025);
- Labor Agreement between Williamsport North Rehab & Nursing Center and Local 262 RWDSU – UFCW (January 1, 2023 – December 31, 2025);
- Labor Agreement between Williamsport South Rehab & Nursing Center and Local 262 RWDSU – UFCW (January 1, 2023 – December 31, 2025);
- Agreement between Yeadon Rehabilitation and Nursing Center – CNAS and SEIU Healthcare Pennsylvania, CTW, CLC (July 1, 2024 – June 30, 2025); and
- Agreement between Yeadon Rehabilitation and Nursing Center – LPNS and SEIU Healthcare Pennsylvania, CTW, CLC (July 1, 2024 – June 30, 2025).

V. CIRCUMSTANCES LEADING TO THE FILING OF THESE CASES

28. Like many other healthcare facilities and specifically skilled nursing facilities, the COVID-19 pandemic had a severe negative effect on the Debtors' facilities. Over the last five years, costs have increased dramatically for all facilities. Additionally, due to the pandemic, skilled

labor shortages resulted in increased staff wages and greater reliance on overtime pay and staffing agency needs. During this same period, resident headcounts at the facilities fluctuated and the reimbursement rates paid by the Commonwealth of Pennsylvania for many of the residents were not enough to keep up with the increased costs. Many residents of the Facilities are covered through Medicaid, and the reimbursement rate for Medicaid patients has reduced.

29. Besides the operational difficulties, recently, the Debtors defaulted under the Oxford AR Loan, and Oxford obtained the Debtors' line of receivables to fully pay down the Oxford AR Loan. This caused significant cash flow issues at the Facilities.

30. There is also significant litigation pending against the Facilities for various claims related to resident care and unpaid vendors. These lawsuits are in various stages of litigation and are causing an additional strain on the facilities.

31. As stated earlier in the Declaration, each of the OpCo Debtors have potential obligations for Nursing Facility Assessments of approximately $16 million through the quarter ending June 30, 2024. There was a moratorium on paying these Nursing Facility Assessments during the COVID-19 pandemic, but that moratorium has since been lifted. The Debtors paid some Nursing Facilities Assessments in June and July, but they largely remain outstanding.

32. The Debtors have identified a stalking horse bidder with respect to all or substantially all of their assets. As will be more fully set forth in the Debtors' motion to approve bidding procedures, entities affiliated with Eden Health Care LLC ("Eden") have offered to purchase the Debtors' real and personal property. After arm's length negotiations, the Debtors have executed a stalking horse Asset Purchase Agreement and Operations Transfer Agreement contemplating the sale of substantially all of the Debtors' assets to Eden. The Debtors will be

seeking approval of those agreements as a stalking horse offer and approval of bidding procedures governing potential overbids of that stalking horse offer.

33. I understand that Eastern Union Healthcare Group ("Eastern Union") conducted an expedited marketing process to find a buyer for the Debtors' property and operations. Eastern Union contacted potential acquirers in the Commonwealth of Pennsylvania. I understand that this process started in approximately June 2024, but Eastern Union was unable to identify any potential buyers.

34. Prior to the Petition Date, the Debtors retained Meridian Capital Group, LLC ("Meridian") as broker. The Debtors will be filing an application to approve Meridian as their exclusive broker to continue marketing the Debtors' assets in an effort to find competing bids to the stalking horse offer.

35. The Debtors' financial condition continues to deteriorate on a rapid basis. The Debtors can no longer operate without outside funding, and the transfers contemplated by these transactional documents are the appropriate path forward to ensure resident care remains intact.

36. The best way to maximize the value of the Debtors' assets and ensure quality care to the Facilities' residents is through a transfer of the Debtors' assets as quickly as possible through the Bankruptcy Court process. If the Debtors are unable to achieve the proposed sales through section 363 of the Bankruptcy Code, the Debtors will be faced with their only remaining choice—to close the Facilities. This will result in residents being displaced and Employees losing their jobs.

37. To avoid a shutdown of the Facilities, the Debtors intend to pursue two section 363 sale motions on an expedited basis. These motions will be filed shortly after the first day hearing and will be subject to higher and better offers.

38. The Debtors are all Pennsylvania limited liability companies. I understand that Pennsylvania limited liability companies are domiciled in the Commonwealth of Pennsylvania and, accordingly, venue is proper in any Pennsylvania district.

VI. DIP FINANCING MOTION[5]

39. The Debtors will seek the Court's authorization to use cash collateral and enter into a financing agreement with Eden that generally provides the Debtors access to a post-petition loan facility of $7.782 million, (i) $5 million in immediately available funds; (ii) $2.5 million in delayed draw availability determined solely in Eden's discretion; and (iii) approximately $282,000 for the Pre-Petition Bankruptcy Related Loan, which covered bankruptcy related necessary costs and expenses pre-petition (the "DIP Financing Motion"). The DIP Financing Motion proposes Eden be granted a first position senior priming lien on the Debtors' accounts receivable and a junior lien on the Debtors' other collateral (with Oxford retaining its priority position). The DIP Financing Motion also provides that the Prepetition Bankruptcy-Related Loan will be rolled up with and given the same priority status as the post-petition financing. I also executed a separate declaration in support of the DIP Financing Motion, which provides more details regarding the DIP Financing Motion.

VII. SUPPORT FOR FIRST DAY MOTIONS AND APPLICATIONS

40. Concurrently with the filing of the Chapter 11 Cases, the Debtors filed certain motions for expedited relief to ensure a smooth transition into this process (the "First Day Motions"). [6] The First Day Motions are as follows:

---

[5] Any capitalized terms not defined in this section shall have the meanings ascribe to them in the DIP Financing Motion.

[6] Any term not defined herein shall have the meaning ascribed to it in its respective First Day Motion.

- *Debtors' Motion for Emergency Consideration of First Day Motions* ("First Day Emergency Hearing Motion")

- *Debtors' Emergency Motion for Entry of an Order Establishing Certain Notice, Case Management, and Administrative Procedures as well as Granting Related Relief* ("Case Management Motion")

- *Debtors' Motion for Entry of An Order Directing Joint Administration of Chapter 11 Cases* ("Joint Administration Motion")

- *Debtors' Application for an Order Appointing Stretto, Inc. as Claims and Noticing Agent Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. § 105(A), and W. Pa. LBR 1002-8* ("Stretto Claims Agent Application")

- *Debtors' Application Pursuant to 11 U.S.C. § 327(a) and Fed. R. Bankr. P. 2014 for Entry of an Order Authorizing the Employment and Retention of Stretto, Inc. as Administrative Agent, Nunc Pro Tunc to the Relief Date* ("Stretto Administrative Agent Application")

- *Debtors' Motion for Entry of an Order: (I) Extending the Time to File Schedules and Statements; (II) Authorizing Consolidated Creditor Lists and Matrix; (III) Authorizing Certain Procedures to Maintain the Confidentiality of Patient Information as Required by Privacy Rules and Establishing Patient Notice Procedures; (IV) Establishing Employee Notice Procedures; and (V) Approving the Form and Manner of Notifying Creditors of the Commencement of These Chapter 11 Cases* ("Schedules and Noticing Motion")

- *Debtors' Motion for Entry of an Order (I) Establishing Scope of Notice; (II) Approving Opt-In Procedures for Additional Notice and (III) Granting Related Relief* ("Limit Notice Motion")

- *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Wages, Benefits, and Other Compensation Obligations, (II) Authorizing Financial Institutions to Honor All Related Obligations, and (III) Granting Related Relief* ("Wages Motion")

- *Debtors' Motion Pursuant to Section 366 of the Bankruptcy Code, for Entry of Interim and Final Orders: (A) Prohibiting Utilities from Altering, Refusing or Discontinuing Services to, or Discriminating Against, the Debtors on Account of Prepetition Invoices; (B) Determining that the Utilities are Adequately Assured for Future Payment; and (C) Establishing Procedures for Determining Requests for Additional Assurance* ("Utilities Motion")

- *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Continue their Insurance and Surety Bond Programs, (II) Continue to Finance Insurance Agreements, (III) Pay All Prepetition and Post-Petition Obligations with*

Respect Thereto, and (IV) Authorizing Banks to Honor and Process Checks and Transfers Related to Such Insurance Obligations ("Insurance Motion")

- *Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to (I) Maintain their Cash Management System and Pay Bank Fees, (II) Waives Certain U.S. Trustee Requirements, and (III) Continue Using Existing Checks and Business Forms, and (B) Authorizing and Directing the Debtors' Bank to Honor all Employee Related Payment Requests* ("Cash Management Motion")

- *Debtors' Emergency Motion for Entry of Interim and final Orders (I) Authorizing the Debtors to Obtain Post-Petition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Approving Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* ("DIP Financing Motion")

41. I have reviewed each of the First Day Motions, including the attachments thereto, and believe the facts set forth therein are true and correct, to the best of my knowledge, information, and belief, and based on the information provided to me by the Debtors and their employees. The facts set forth in the First Day Motions are incorporated herein to the extent necessary to support the relief requested. I believe that the relief sought in each of the First Day Motions is appropriate under the circumstances presented and necessary to preserve the assets and operations of the Debtors for the benefit of the estates and their creditors pending completion of the sale process and exit through the Chapter 11 Cases. The bases for seeking the relief sought in the First Day Motions is described in more detail below.

42. **First Day Emergency Hearing Motion**: The request for expedited hearings on the First Day Motions is caused by the nature of certain demands upon the Debtors immediately upon a bankruptcy filing, including, but not limited to, the need to: (i) obtain necessary post-petition financing; (ii) establish case management procedures; (iii) maintain and use their current cash management systems; (iv) pay prepetition wages, salaries, benefits, and other compensation to Employees; (v) prohibit utilities from altering, modifying, and/or discontinuing service and

approving the proposed adequate assurance of future payments; (vi) authorizing payment of certain amounts required to maintain insurance; (vii) retain a claims and noticing agent; (viii) jointly administer their chapter 11 cases for procedural purposes; and (ix) extend the time for filing schedules of assets and liabilities, the statement of financial affairs, and creditor lists and matrices as well as to file consolidated creditor lists and matrices. Emergency consideration is warranted to prevent serious disruption to the Debtors' businesses. I believe the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors, and it will make the Debtors' transition into chapter 11 smoother, less costly, and more orderly.

43. **Case Management Motion**: These Chapter 11 Cases require special scheduling and procedures because of a combination of factors, including, but not limited to (i) the number of debtors; (ii) the need for expedited hearings for consideration of case management and administrative orders and other "first day" motions, (iii) the size of the Chapter 11 Cases, (iv) the large number of parties in interest in the Chapter 11 Cases, and (v) the need for special noticing and hearing procedures. I understand that the Complex Chapter 11 Cases Procedures include a variety of procedures intended to promote judicial economy and to enhance the procedural predictability for the Court, the Debtors, creditors, and all interested parties in complex chapter 11 cases. Accordingly, I believe the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors, and it will make the Debtors' Chapter 11 Cases more efficient and orderly.

44. **Joint Administration Motion**: The Debtors have filed a motion requesting entry of an order directing the joint administration of the Debtors' Chapter 11 Cases for procedural purposes only. I believe the joint administration of these Chapter 11 Cases will dispense with the need for duplicative notices, motions, applications, hearings, and orders and will save the Debtors

and interested parties considerable time and expense. I believe the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors, and it will make the Debtors' transition into chapter 11 smoother, less costly, and more orderly.

45. **Stretto Claims Agent Application and Stretto Administrative Agent Application**: The Debtors have filed emergency applications requesting that the Court approve the Debtors' retention of Stretto, as a claims and noticing agent and to assist with the preparation of the Debtors' schedules and SOFAs. I believe the retention of a claims and noticing agent is necessary primarily to (i) handle the significant burden of noticing interested parties, including the Debtors' employees, residents, vendors, and litigation parties and (ii) handle the potentially voluminous proofs of claim filed in these Chapter 11 Cases. I also believe the retention of Stretto to assist with the schedules and SOFAs is necessary and appropriate in these cases to ease the significant burden that compiling the schedules and SOFAs will place on the Debtors' employees. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

46. **Schedules and Noticing Motion**: The Debtors have filed an emergency motion for extension of time to file their schedules and SOFAs. I believe cause exists to extend this deadline because the Debtors have not had sufficient time to assemble the financial data and other information required. The Debtors will also require the assistant of Stretto to assist with this process. Working with Stretto, the Debtors must thoroughly examine their books, records, and documents, which will require substantial time and effort. Additionally, filing these Chapter 11 Cases will impose significant and additional duties on the Debtors' workforce that would be responsible for assembling the Debtors' schedules and SOFAs. A brief extension will aid the Debtors in filing complete and accurate schedules and SOFAs, which will benefit all parties in

these Chapter 11 Cases. Additionally, the limited notice requested to employees and residents will further benefit the Debtors' bankruptcy estates and all interested parties, while giving residents and employees proper notice of the filing. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

47. **Limit Notice Motion**: The Debtors have filed an emergency motion to limit notice of certain filings in these Chapter 11 Cases to a list of parties who will be primarily interested in the filings. This will ease the administrative burden of providing notice to all parties of certain filings and also reduce costs to the bankruptcy estate. Any party who wants to opt-in to receive notice may do so. I believe the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors, and it will make the Debtors' transition into chapter 11 smoother, less costly, and more orderly.

48. **Wages Motion**: The Debtors have filed an emergency motion requesting the authority to pay certain pre-petition obligations due to the Debtors' employees. The Debtors request authority pay the employees' prepetition wages and honor certain employee policies (for example, paid time off and health and welfare obligations). The Debtors' next payroll date is October 22, 2024, and payroll must be funded no later than October 18, 2024. It is critical to the Debtors' ability to continue operating the Facilities and preserving estate assets that they timely pay their employees. If the Debtors are not permitted to fulfill their obligations to employees, the employees will not receive full payment for services that have already been performed. I believe such a result would undermine the morale and loyalty of the Debtors' workforce, and substantially jeopardize the Debtors' bankruptcy efforts. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

49. **Utilities Motion**: The Debtors have filed an emergency motion requesting that the Court determine that the Debtors have provided adequate assurance of payment for certain utility services and preclude these utility providers from altering, refusing, or discontinuing utility services. The monthly average cost of these utility services combined is approximately $180,000.00. In my opinion, the continuity of these utility services is essential for the Debtors to preserve and prevent damage to the value of the Debtors' estates. I believe a deposit payable to each utility provider in an amount equal to one half of the Debtors' monthly average utility bill is appropriate adequate assurance of payment for these utility services. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

50. **Insurance Motion**: The Debtors have filed an emergency motion requesting authority but not direction to continue operating its Insurance Program (as defined in the Motion). The Debtors' Insurance Program is essential to the continued operation of the Debtors' businesses. This relief is critical to preserve the status quo and ensure continued patient care at the Facilities. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

51. **Cash Management Motion**: The Debtors have filed an emergency motion requesting that the Court authorize the Debtors to continue using their prepetition cash management system, including existing bank accounts and business forms. The Debtors maintain a cash management system in the ordinary course of the Debtors' businesses. This system allows the Debtors to identify the Debtors' cash requirements, transfer cash as needed, forecast cash needs, maintain accounting records, and pay necessary expenses. I believe that discontinuing the use of the Debtors' existing cash management system would require a significant amount of time and effort and could negatively impact the Debtors' ability to efficiently fund necessary expenses

and preserve assets of the estates. These negative results would ultimately adversely affect the Debtors' ability to maximize the value of their estates for the benefit of all interested parties. I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors.

52. **DIP Financing Motion**: The Debtors require immediate access to funding to preserve the assets of the estates for the benefit of creditors and ensure the protection of the residents of the Facilities. The Debtors will seek the Court's authorization to use cash collateral and enter into a financing agreement with Eden that generally provides the Debtors access to a post-petition loan facility of $7.782 million, (i) $5 million in immediately available funds; (ii) $2.5 million in delayed draw availability determined solely in Eden's discretion; and (iii) approximately $282,000 for the Pre-Petition Bankruptcy Related Loan, which covered bankruptcy related necessary costs and expenses pre-petition. The DIP Financing Motion proposes Eden be granted a first position senior priming lien on the Debtors' accounts receivable and a junior lien on the Debtors' other collateral (with Oxford retaining its priority position). The DIP Financing Motion also provides that the Prepetition Bankruptcy-Related Loan will be rolled up with and given the same priority status as the post-petition financing. I also executed a separate declaration in support of the DIP Financing Motion, which provides more details regarding the DIP Financing Motion. I believe the relief requested in this motion is in the best interests of the Debtors, their estates, and their creditors. It will also provide the necessary financing to fund the Chapter 11 Cases and achieve the Debtors' bankruptcy goals.

This 15th day of October 2024.

/s/ Neil Luria
Neil Luria

EXHIBIT 1

Organizational Chart

Debtors' Organizational Chart