

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re

SC HEALTHCARE HOLDING, LLC, *et al.*,

Debtors.¹

Chapter 11

Case No. 24-10443 (TMH)

(Joint Administration Requested)

DECLARATION OF LUKE ANDREWS IN SUPPORT OF DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION FINANCING, (II) GRANTING SECURITY INTERESTS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (III) GRANTING ADEQUATE PROTECTION TO CERTAIN PREPETITION SECURED CREDIT PARTIES, (IV) MODIFYING THE AUTOMATIC STAY, (V) AUTHORIZING THE DEBTORS TO ENTER INTO AGREEMENTS WITH JMB CAPITAL PARTNERS LENDING, LLC, (VI) AUTHORIZING NON-CONSENSUAL USE OF CASH COLLATERAL, (VII) SCHEDULING A FINAL HEARING, AND (VIII) GRANTING RELATED RELIEF

Pursuant to 28 U.S.C. § 1746, I, LUKE ANDREWS, declare as follows:

1. My name is Luke Andrews. I am over the age of 18 and have personal knowledge of the matters discussed in this declaration (this "Declaration").

2. I am a Senior Director at Getzler Henrich & Associates LLC ("Getzler Henrich"), which is the proposed restructuring and financial advisor to SC Healthcare Holding, LLC and certain of its affiliates, as debtors and debtors in possession (collectively, the "Debtors"), in the above-captioned chapter 11 cases (these "Chapter 11 Cases") and is providing the Debtors' proposed Chief Restructuring Officer.

¹ The last four digits of SC Healthcare Holding, LLC's tax identification number are 2584. The mailing address for SC Healthcare Holding, LLC is c/o Petersen Health Care Management, LLC 830 West Trailcreek Dr., Peoria, IL 61614. Due to the large number of debtors in these Chapter 11 Cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information will be made available on a website of the Debtors' proposed claims and noticing agent at www.kccllc.net/Petersen.



3. I make this Declaration in support of the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Security Interests and Superpriority Administrative Expense Status, (III) Granting Adequate Protection to Certain Prepetition Secured Credit Parties, (IV) Modifying the Automatic Stay, (V) Authorizing the Debtors to Enter into Agreements with JMB Capital Partners Lending, LLC, (VI) Authorizing Non-Consensual Use of Cash Collateral, (VII) Scheduling a Final Hearing, and (VIII) Granting Related Relief* (the "DIP Motion").²

MY BACKGROUND AND QUALIFICATIONS

1. I hold a bachelor's degree in Economics from Washington and Lee University in Lexington, Virginia. I have over thirteen years of experience in corporate finance. Before joining Getzler nine years ago, I spent the previous four years of my career working in the alternative investment group of a Swiss private bank, and as a member of the investment team at a New York-based multi-family office.

2. Getzler Henrich has extensive experience negotiating and managing restructuring transactions (both outside of court and in chapter 11) and negotiating, structuring, and marketing debtor-in-possession financings. In my current role, I am responsible for tracking and staying current on market trends for special situations capital markets, including debtor-in-possession financings.

3. I am also generally familiar with the cash flow forecasts prepared by the Debtors' management. I understand that these forecasts reflect cash receipts and disbursements anticipated by the Debtors during the relevant thirteen-week period and take into consideration a number of

² Capitalized terms used but not defined in this Declaration have the meanings assigned in the DIP Motion or the proposed interim order attached as Exhibit A to the DIP Motion (the "Interim DIP Order").

factors, including but not limited to management's anticipated impact of the chapter 11 filing on the Debtors' operations and ability to continue to protect the Debtors' residents' health and welfare, fees and interest expenses associated with anticipated postpetition financing, professional fees, payroll costs, vendor relationships, and other required operational payments.

GETZLER HENRICH'S RETENTION

4. Prior to the Petition Date, the Debtors engaged Getzler Henrich to act as the Debtors' restructuring and financial advisor, and my colleague David Campbell, was appointed as the Debtors' Chief Restructuring Officer. Under David Campbell's supervision, the Getzler Henrich team has worked closely with the Debtors' management and other retained professionals, and has become knowledgeable and familiar with the Debtors' capital structure, liquidity needs, and business operations.

THE DEBTORS' NEED FOR DIP FINANCING

5. The Debtors require immediate access to the DIP Facility to, among other things, continue to operate their approximately eighty-eight facilities, protect the health and welfare of their residents, fund the administrative costs of these Chapter 11 Cases, and provide sufficient runway to prosecute a value-maximizing disposition of the Debtors' assets. The Debtors are entering chapter 11 with limited cash on hand. Without access to the DIP Facility, and the associated use of the lenders' cash collateral, the Debtors would not be able to fund costs associated with these Chapter 11 Cases, and the health and welfare of the Debtors' residents could be placed at risk, thereby causing immediate and irreparable harm to the Debtors' estates and their constituents.

6. The Debtors, with the assistance of their advisors, evaluated cash flow and liquidity needs in a chapter 11 scenario to determine how much postpetition financing the Debtors would

need to operate their businesses, including continuing to care for their residents, and pay the expenses of a chapter 11 process. Under the Debtors' current cash flow forecasts, the proposed DIP Facility and use of cash collateral provides the Debtors with sufficient liquidity to operate their business, maintain ordinary course operations (including caring for the Debtors' residents), meet their financial commitments through these Chapter 11 Cases, and fund the administrative costs to complete a potential sale and plan process.

7. The proposed DIP Facility is necessary to (a) continue operations during the anticipated sale and plan process, and (b) avoid immediate and potentially irreparable harm to the Debtors' estates. Absent the relief contemplated in the Interim DIP Order, I believe that the continued and uninterrupted operation of the Debtors' business will not be possible, and the health and welfare of the Debtors' residents could be jeopardized.

THE DEBTORS' EFFORTS TO OBTAIN DIP FINANCING

8. Beginning in January 2024, the Debtors, with the assistance of Getzler Henrich, implemented a marketing process to determine potential debtor-in-possession financing options. The Debtors and their advisors worked diligently to evaluate financing opportunities from the Debtors' existing secured lenders and potential third-party lenders. I led that marketing process on behalf of Getzler Henrich.

9. One complicating factor in these Chapter 11 Cases, however, is the sheer number of the Debtors' prepetition secured lenders. The Debtors own a large pool of assets with approximately fifteen secured lenders, and none expressed any interest or desire in providing funding, particularly to finance potential chapter 11 cases outside each lender's own prepetition collateral pool. Thus, even were it possible to obtain financing from the Debtors' many prepetition lenders, on an aggregate basis, negotiating a separate postpetition financing proposal with every

prepetition secured lender, or even with the largest prepetition secured lenders, would have been inefficient, burdensome, and, in the Debtors' estimation, unrealistic.

10. Additionally, the Debtors' unpledged assets that could be used to support a financing are limited. As a result, the Debtors, together with Getzler Henrich, determined that any postpetition financing would require pledging as collateral assets already subject to prepetition liens.

11. While soliciting financing interest from the Debtors' existing secured lenders, Getzler Henrich simultaneously approached third parties to gauge interest in alternative financing proposals. Getzler Henrich initially solicited proposals for DIP financing from twenty-seven potential third-party lenders. The list of potential lenders was populated through the broad experience of the Getzler Henrich team, reaching across the firm's relationships to find potential lenders who were likely to have interest in the potential transaction. At first, Getzler Henrich focused on lenders with a reputation for providing financing to skilled nursing facilities. Of note, however, these traditional skilled nursing lenders declined to participate in the process. Subsequently, Getzler Henrich looked at a broader group of lending partners.

12. Of the twenty-seven potential DIP lenders solicited by Getzler Henrich, thirteen executed non-disclosure agreements. Each of these thirteen potential DIP lenders received access to the Debtors' diligence materials, five ultimately provided term sheets for a potential DIP financing, and two were deemed viable by the Debtors, in consultation with their advisors.

13. The Debtors, with the assistance of their advisors, analyzed each proposal. As is further discussed below, the eventual DIP lender was selected due to the advantageous terms and structure proposed and its ability to close and fund on a timeline that would preserve the Debtors' assets and maximize value for all interested parties.

14. Among the proposals received from the potential DIP lenders, all included liens that would prime the liens held by the Debtors' prepetition secured lenders. Thus, during this process, it became clear to the Debtors that priming liens would be a necessary feature of any DIP financing available to the Debtors. Based on negotiations with all potential DIP lenders, I believe that no lender was willing to extend financing to the Debtors on a non-priming basis.

15. Among other advantageous components, the DIP Facility proposed by JMB Capital Partners Lending, LLC ("JMB") is a relatively simple term loan with no borrowing base feature where the DIP Lender could apply reserves or require a field audit which would put the Debtors' liquidity at risk. JMB also efficiently conducted its diligence and underwriting process, putting a loan in place in short order at a time when the Debtors' liquidity was weakening due to various factors. JMB was also able and willing to provide a larger loan than other potential postpetition lenders.

16. Further, the DIP Facility has the support of the Debtors' largest prepetition secured lenders, thereby allowing the Debtors to enter these proceedings on the best footing. I believe that there is significant value in avoiding a contested priming fight at the outset of these cases with the largest of the Debtors' prepetition secured lenders.

17. The proposal from JMB ultimately provided the structure for the DIP Facility. On March 18, 2024, the Debtors and their advisors finalized a term sheet (the "DIP Term Sheet") memorializing the DIP Facility's key terms. The DIP Term Sheet is attached as Exhibit 1 to the Interim DIP Order.

ARM'S LENGTH AND GOOD FAITH NEGOTIATION

18. The Debtors and JMB exchanged multiple drafts of the DIP Term Sheet outlining the terms of the proposed DIP Facility. The Debtors also included certain of their key prepetition

secured lenders in that process. In addition, the Debtors and JMB negotiated the Interim DIP Order on an arm's-length basis. Having personally participated in these negotiations, I believe that JMB acted in good faith at all times, and the negotiations were conducted at arm's length and were proper under the circumstances.

THE TERMS OF THE DIP FACILITY

19. The DIP Facility consists of \$45 million in postpetition secured financing. The Debtors will use the proceeds of the DIP Facility and cash collateral to repay in full the Debtors' prepetition revolving indebtedness, for working capital, and for other general corporate purposes of the Debtors, each in accordance with the DIP Term Sheet, Interim DIP Order, and Approved Budget.

20. Based on my experience and knowledge of the market, as well as my understanding of the Debtors' capital structure and need for postpetition financing, I believe that the DIP Facility is reasonable under current market conditions and in the best interests of the Debtors' estates.

NEED FOR INTERIM RELIEF

21. Based on discussions with the Debtors and their other advisors, I believe that the Debtors' access to the DIP Facility is necessary to maintain the Debtors' operation and the welfare of their residents, and will supplement the Debtors' liquidity needs, help the Debtors preserve the value of their estates, and increase the prospect of potentially executing successful sales and confirming a chapter 11 plan. It is my professional opinion that, absent the Court's entry of the Interim DIP Order, the Debtors' business, residents, and estates will be immediately and irreparably harmed.

22. Based on my experience in negotiating debtor-in-possession financings and involvement in this DIP financing as well as my discussions with the Debtors and their other

advisors, I believe that the DIP Facility is reasonable and necessary under the circumstances and that without it the Debtors would not have sufficient liquidity to prosecute these cases in a value-maximizing manner and, consequently, would risk facing enterprise-wide liquidation.

* * *

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: March 21, 2024

/s/ Luke Andrews

Luke Andrews
Senior Director
Getzler Henrich & Associates LLC