

**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 (THM)

Jointly Administered

Ref. Docket Nos. 264, 341, 569, 614 & 682

**CERTIFICATION OF COUNSEL REGARDING REVISED PROPOSED
SALE ORDER WITH THE BANK OF FARMINGTON**

On May 1, 2024, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed the *Debtors’ Motion for Entry of (A) an Order (I) Scheduling a Hearing on the Approval of the Sale of All or Substantially All of the Debtors’ Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (II) Approving Certain Bidding Procedures and Assumption and Assignment Procedures, and the Form and Manner of Notice Thereof, (III) Authorizing the Debtors to Enter Into the Stalking Horse Purchase Agreement, and (IV) Granting Related Relief; and (B) an Order (I) Approving the Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors’ Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired*

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, whose cases are being jointly administered, 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 is available on a website of the Debtors’ claims and noticing agent at <http://www.kccllc.net/Petersen>.



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Leases, and (IV) Granting Related Relief [Docket No. 264] (the “Bid Procedures Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

On May 21, 2024, the Court entered an order approving the Bid Procedures Motion [Docket No. 341] (the “Bid Procedures Order”) and, among other things, the Bidding Procedures.

On June 26, 2024, in accordance with the Bid Procedures Order, the Debtors filed the *Notice of Stalking Horse Bidder and Proposed Bid Protections* [Docket No. 564] (the “Notice of Stalking Horse Bidder”),² designating Petersen Acquisitions, LLC as the Stalking Horse Bidder for certain of the Assets.³

On June 26, 2024, the Debtors filed a proposed form of order approving the Sale of substantially all of their Assets [Docket No. 569].

On July 3, 2024, the Debtors filed the *Amended Notice of Successful Bidders* [Docket No. 614], pursuant to which the Debtors announced that the Debtors, in consultation with the Consultation Parties, selected four Successful Bidders at the conclusion of the Auction: (i) HP Developers, LLC was selected as the Successful Bidder for three facilities, Courtyard Estates of Canton, Courtyard Estates of Sullivan, and Legacy Estates of Monmouth; (ii) Bank of Farmington (“Farmington”) was selected as the Successful Bidder for CYE Farmington (such Sale, the “Farmington Sale”); (iii) Hickory Point Bank & Trust was selected for CYE Girard; and (iv) Petersen Acquisitions, LLC, as the Stalking Horse Bidder, was selected as the Successful Bidder for the remainder of the Debtors’ Assets.⁴

² All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Bid Procedures Motion, the Bid Procedures Order, or the Notice of Stalking Horse Bidder, as applicable.

³ The Court approved the Stalking Horse Bidder Bid Protections a hearing on July 1, 2024 [Docket No. 596].

⁴ The Debtors designated Vantage Senior Care, LLC as the Back-Up Bidder for three facilities.

On July 10, 2024, the Court held a hearing to consider approval of the Sales of certain of the Debtors' Assets to Petersen Acquisitions, LLC and HP Developers, LLC. At the hearing, the Court advised that it would enter an order approving the Farmington Sale, if the Farmington Sale was consensual among all interested parties and the Debtors submitted an order under certification of counsel indicating such consensus.

On July 20, 2024, the Debtors filed the *Notice of Filing of Proposed Sale Order With the Bank of Farmington* [Docket No. 682], to which a proposed form of order approving the Farmington Sale (the "Proposed Farmington Sale Order") was attached as Exhibit A. Objections to entry of the Proposed Farmington Sale Order were due by 9:00 a.m. (ET) on July 26, 2024 (the "Objection Deadline").

Prior to the Objection Deadline, the Debtors received informal responses from the Official Committee of Unsecured Creditors (the "Committee") and JMB Capital Partners Lending, LLC (the "DIP Lender"). In resolution thereof, the Debtors revised the Proposed Farmington Sale Order (the "Revised Proposed Farmington Sale Order"), attached hereto as **Exhibit 1**. For the convenience of the Court and all parties in interest, a blackline of the Revised Proposed Farmington Sale Order marked against the Proposed Farmington Sale Order is attached hereto as **Exhibit 2**.

The Debtors have circulated the Revised Proposed Farmington Sale Order to the Committee, the DIP Lender, Farmington, and other parties in interest (collectively, the "Parties"), and the Parties have advised the Debtors' undersigned counsel that they, respectively, do not object to its entry.

Accordingly, the Debtors respectfully request that the Court enter the Revised Proposed Farmington Sale Order at its earliest convenience without further notice or a hearing.

Dated: July 29, 2024
Wilmington, Delaware

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

/s/ Shella Borovinskaya

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*Counsel for the Debtors and Debtors in
Possession*

EXHIBIT 1

Revised Proposed Farmington Sale Order

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)

Jointly Administered

Ref. Docket No. 682

ORDER APPROVING STIPULATION REGARDING COURTYARD ESTATES OF FARMINGTON TO RESOLVE DEBTORS' MOTION FOR ENTRY OF (A) AN ORDER (I) SCHEDULING A HEARING ON THE APPROVAL OF THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL ENCUMBRANCES OTHER THAN ASSUMED LIABILITIES AND PERMITTED ENCUMBRANCES, AND THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (II) APPROVING CERTAIN BIDDING PROCEDURES AND ASSUMPTION AND ASSIGNMENT PROCEDURES, AND THE FORM AND MANNER OF NOTICE THEREOF (III) AUTHORIZING THE DEBTORS TO ENTER INTO THE STALKING HORSE PURCHASE AGREEMENT, AND (IV) GRANTING RELATED RELIEF; AND (B) AN ORDER (I) APPROVING ASSET PURCHASE AGREEMENT, (II) AUTHORIZING THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL ENCUMBRANCES OTHER THAN ASSUMED LIABILITIES AND PERMITTED ENCUMBRANCES, (III) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING RELATED RELIEF [D.I. 264]

Upon consideration of the *Stipulation Regarding Courtyard Estates of Farmington to Resolve Debtors' Motion for Entry of (A) an Order (I) Scheduling a Hearing on the Approval of the Sale of All or Substantially All of the Debtors' Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (II) Approving Certain Bidding*

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Procedures and Assumption and Assignment Procedures, and the Form and Manner of Notice Thereof (III) Authorizing the Debtors to Enter Into the Stalking Horse Purchase Agreement, and (IV) Granting Related Relief; and (B) an Order (I) Approving Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors' Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief [D.I. 264] (the "Stipulation"),² entered into by and among the Debtors, on the one hand, and Bank of Farmington, on the other hand, a copy of which is attached hereto as **Exhibit 1**, and having determined that this Court has jurisdiction to enter this Order in accordance with 28 U.S.C. §§ 157 and 1334, and the Amended Standing Order of Reference from the United States District Court for the District of Delaware, dated February 29, 2012; and having determined that due and appropriate notice of the relief provided for herein has been given under the circumstances; and this Court having determined that the agreements set forth in the Stipulation are in the best interests of the Debtors, their estates, their creditors and other parties in interest; and good and sufficient cause appearing therefor, **IT IS HEREBY ORDERED THAT:**

1. The Stipulation attached to this Order as **Exhibit 1** is hereby approved and is incorporated herein by reference.
2. This Court shall retain jurisdiction to resolve any disputes arising from or related to this Order or the Stipulation.
3. Nothing in this Order shall alter or amend the rights of JMB Capital Partners Lending, LLC (the "DIP Lender") under the *Final Order (I) Authorizing the Debtors to Obtain*

² Capitalized terms used but not otherwise defined herein have the meaning given to such terms in the Stipulation.

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 Use of Cash Collateral, and (VII) Granting Related Relief (the “Final DIP Order”) [Docket No. 313]. As provided in the Final DIP Order, the Debtors shall hold all cash proceeds received from a Sale in escrow at a bank that has executed a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware until all DIP Obligations (as defined in the Final DIP Order) are paid in full, and such proceeds from the Sale shall be subject to the liens and superpriority claims granted in favor of the DIP Lender under the Final DIP Order and may not be distributed or otherwise used until all DIP Obligations are paid in full.

4. This Order and the Stipulation shall become effective immediately upon entry of this Order notwithstanding anything in the Federal Rules of Bankruptcy Procedure or otherwise to the contrary.

EXHIBIT 1

Stipulation

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)

Jointly Administered

Ref. D.I. 264

STIPULATION REGARDING COURTYARD ESTATES OF FARMINGTON TO RESOLVE DEBTORS' MOTION FOR ENTRY OF (A) AN ORDER (I) SCHEDULING A HEARING ON THE APPROVAL OF THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL ENCUMBRANCES OTHER THAN ASSUMED LIABILITIES AND PERMITTED ENCUMBRANCES, AND THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (II) APPROVING CERTAIN BIDDING PROCEDURES AND ASSUMPTION AND ASSIGNMENT PROCEDURES, AND THE FORM AND MANNER OF NOTICE THEREOF (III) AUTHORIZING THE DEBTORS TO ENTER INTO THE STALKING HORSE PURCHASE AGREEMENT, AND (IV) GRANTING RELATED RELIEF; AND (B) AN ORDER (I) APPROVING ASSET PURCHASE AGREEMENT, (II) AUTHORIZING THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL ENCUMBRANCES OTHER THAN ASSUMED LIABILITIES AND PERMITTED ENCUMBRANCES, (III) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING RELATED RELIEF [D.I. 264]

The above-captioned debtors and debtors in possession (collectively, the "Debtors") and Bank of Farmington (as agent, "BOF" and, together with the Debtors, the "Parties") hereby stipulate and agree as follows:

WHEREAS, on March 20, 2024 (the "Petition Date"), the Debtors each commenced with the United States Bankruptcy Court for the District of Delaware (the "Court") a voluntary case

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(collectively, the “Chapter 11 Cases”) under title 11 of the United States Code (the “Bankruptcy Code”).

WHEREAS, on March 21, 2024, the Debtors’ filed *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 Nonconsensual Use of Cash Collateral, (VII) Scheduling a Final Hearing, and (VII) Granting Related Relief* [D.I. 38] (the “DIP Motion”) seeking, among other things, authorization of a \$45 million debtor-in-possession financing facility (the “DIP Loan”).

WHEREAS, on May 1, 2024, the Debtors filed the *Motion for Entry of (A) an Order (I) Scheduling a Hearing on the Approval of the Sale of all or Substantially all of the Debtors’ Assets Free and Clear of all Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (II) Approving Certain Bidding Procedures and Assumption and Assignment Procedures, and the Form and Manner of Notice thereof (III) Authorizing the Debtors to Enter into the Stalking Horse Purchase Agreement, and (IV) Granting Related Relief; and (B) an Order (I) Approving Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors’ Assets Free and Clear of All Encumbrances Other than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* [D.I. 264] (the “Sale Motion”).

WHEREAS, on May 14, 2024, the Court entered its *Final Order (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 Use of Cash Collateral, and (VII) Granting Related Relief [D.I. 313] (the “DIP Order”).

WHEREAS, the Debtors admit, stipulate, acknowledge and agree that Debtor Petersen Health Systems, Inc. (the “Debtor”) is party to various loan documents in favor of BOF (the “Farmington Loan”), pursuant to which the Debtor granted BOF a security interest in certain real and personal property assets related to an assisted living facility located at 1000 E. Fort Street, Farmington, IL, known as “Courtyard Estates of Farmington” (the “Farmington Facility”) and, as of the Petition Date, approximately \$2,845,278 is outstanding under the Farmington Loan (the “Farmington Claim”); *see also* DIP Order, ¶ R.(a).

WHEREAS, the Sale Motion requested approval for the sale of substantially all of the Debtors’ assets, including the Farmington Facility.

WHEREAS, on May 21, 2024, the Court entered its *Order (I) Approving (A) Bidding Procedures and (B) Assumption and Assignment Procedures and (II) Granting Related Relief* [D.I. 341] (the “Bid Procedures Order”).

WHEREAS, in accordance with the Bid Procedures Order, BOF submitted a partial credit bid with respect to the Farmington Facility (the “Bid”).

WHEREAS, on July 2 and July 3, 2024, the Debtors held an auction pursuant to the Bid Procedures Order.

WHEREAS, to resolve the Sale Motion, after extensive arms’ length negotiations, the Parties reached an agreement regarding the Bid and the disposition of the Farmington Facility, which terms (including, without limitation, the implementation of a credit bid by way of a receivership followed by

a title in lieu in favor of BOF on account of the Farmington Claim and a cash payment of \$309,806 (the “Cash Payment” and, collectively, with the title in lieu, the “Purchase Price”) are memorialized in this stipulation (this “Stipulation”).

NOW THEREFORE, in consideration of the recitals and agreements contained herein, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. Relief from the Automatic Stay. Immediately upon entry of the order approving this Stipulation (the “Order”), the automatic stay under section 362 of the Bankruptcy Code shall be lifted to allow BOF to commence a proceeding in Illinois on an expedited basis with the consent of the Debtor, in a form attached hereto as **Exhibit A** (the “Receivership Pleadings”), seeking the entry of the order substantially in the form attached hereto as **Exhibit B** (the “Receivership Order”) and the appointment of a receiver (the “Receiver”) with respect to the Farmington Facility and its operations. Debtor hereby agrees to waiver of service of process with respect to such proceeding, and to have such a proceeding heard on an expedited basis. For the avoidance of doubt, upon entry of this Order, and solely with respect to the Farmington Facility, the Debtor hereby consents and agrees to the appointment of the Receiver and entry of the Receivership Order.

2. Operations. Solely as it relates to the Farmington Facility, upon the earlier of (i) entry of the Receivership Order; or (ii) twenty-one days (21) days after the entry of this Order (the “Closing Date”), (i) in accordance with Paragraph 6 below, all expenses related to the Farmington Facility shall be the sole obligation of, and funded by, BOF and (ii) the management and operation of the Farmington Facility shall be the sole obligation of BOF or the Receiver, as applicable. Notwithstanding anything in the Receivership Order to the contrary, BOF (and not the Debtors) is solely responsible for any obligations otherwise attendant to the Debtors in a receivership scenario (including, without limitation,

any costs or expenses of the Receivership, provision of insurance, and related items). Such operations and receivership shall remain in place until the earlier of (a) a closed sale of the Farmington Facility by BOF to a third party or (b) October 1, 2024, at which time BOF (or its designee) will be deemed to have accepted title from the Debtor (and the Debtor will be deemed to have authorized the transfer of such title) issued to BOF (or its designee) for the real and personal property related to the Farmington Facility, which title issued to BOF (or its designee) shall have all force and effect as if approved by this Court pursuant to this Stipulation and the Order. With respect to subparagraph (b) herein, upon the failure to close a sale of the Farmington Facility by BOF to a third party by October 1, 2024, BOF (or its designee) will be deemed to have accepted title from the Debtor (and the Debtor will be deemed to have authorized the transfer of such title) issued to BOF (or its designee) to the real and personal property related to the Farmington Facility, which title issued to BOF (or its designee) shall have all force and effect as if approved by this Court pursuant to this Stipulation and the Order.

3. Indemnification. BOF shall indemnify, defend, and hold harmless the Debtor from and against, and shall reimburse the Debtor for, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and expenses of counsel for the Debtor) that may be imposed on, incurred by, or asserted against the Debtor in any manner related to or arising out of operations of the Farmington Facility during the period beginning on the Closing Date and ending on the date that the Farmington Facility is transferred to BOF (or its designee) or a third party in accordance with applicable law.

4. Reporting. Following entry of the Receivership Order, the Debtor's reporting obligations in the Chapter 11 Cases shall not include reporting with respect to the Farmington Facility.

5. No Affirmative Recovery. Notwithstanding anything to the contrary in this Stipulation

or the Order, BOF hereby waives any right to affirmative monetary recovery from the Debtors or the Debtors' estates (including from the Excluded Assets (as defined below)) on the Farmington Claim (but reserves the right to assert such claim defensively as a setoff) and, instead, BOF's recovery shall be from the proceeds with respect to the ultimate sale of the Farmington Facility by the Receiver (and BOF's lien and claim shall be preserved for that purpose).

6. Apportionment. All of the revenues and expenses related to the Farmington Facility shall be apportioned based upon the period for which each arose or accrued on a per diem basis (the "Apportionment") between the Debtors on the one hand and BOF on the other hand, as of the Closing Date. Specifically, entitlement to all revenues generated or accrued (and associated collections) and obligation for all expenses incurred or accrued shall apply to and be maintained by the Debtors on a per diem basis for the period prior to the Closing Date, and by BOF on a per diem basis for the period after the Closing Date. For the avoidance of doubt, (a) neither the Receiver nor BOF shall have any obligation to any party with respect to the Farmington Facility prior to the Closing Date, including to any of the Debtors' creditors, or with respect to any real estate taxes that are due and payable after the Closing Date but relating to a time period prior to the Closing Date and (b) other than the Apportionment or other obligations set forth herein, the Debtors shall have no obligation to any party with respect to the Farmington Facility after the Closing Date. Furthermore, BOF shall have a right to any deposits, prepayments or collections received by the Debtors with respect to the Farmington Facility relating to the period after the Closing Date.

7. Cash Payment. Upon entry of an Order approving this Stipulation, BOF hereby agrees to pay to the Debtor in immediately available funds THREE HUNDRED NINE THOUSAND EIGHT HUNDRED SIX DOLLARS (\$309,806), to be allocated as follows: (A) \$60,923 representing the Walker & Dunlop commission (2% of the Purchase Price); (B) \$48,000 representing the breakup fee

(3% of the allocation to the Farmington Facility as set by the stalking horse); and (C) \$200,883 representing BOF's allocated share of the direct and indirect expenses of the Debtors with respect to the DIP Loan, which amount shall be escrowed and shall be used to pay any and all administrative expenses relating to the Farmington Facility and to the extent any funds remain after payment of such administrative expenses, such funds shall remain escrowed pending further order of this Court. Following the provision of the Cash Payment, BOF shall have no further liability with respect to the DIP Loan.

8. Excluded Assets. Notwithstanding anything to the contrary set forth in this Stipulation, the Order, or the Receivership Order, the assets of the Debtor set forth on Exhibit C hereto (the "Excluded Assets") shall not (i) be subject to the Receivership or otherwise transferred to BOF (or its designee) or a third party or (ii) used to satisfy the Farmington Claim and shall remain property of the Debtor and its estate.

9. Access to Records. BOF, the Receiver, and any third party that acquires the Farmington Facility shall provide to the Debtors access to (a) their respective personnel who have custody of the Debtors' books and records for periods prior to the Closing Date and (b) all books and records for periods prior to the transfer of the Farmington Facility to BOF (or its designee) or a third party and shall preserve such books and records or deliver copies of such books and records to the Debtors, subject to compliance with applicable law, for purposes of (i) preparing any tax returns, (ii) enforcing rights or obligations of Debtor under this Stipulation, (iii) complying with the requirements of, or responding to inquiries by, any governmental authority, (iv) investigating and defending malpractice, employee or other claims, (v) filing or defending cost reports and tax returns, (vi) filing exceptions to the Medicare routine cost limits, or (vi) administering the Chapter 11 Cases. In addition, the Committee, any chapter 7 trustee, and any trustee appointed under a confirmed plan

of reorganization or liquidation in the Chapter 11 Cases (the “Plan Trustee”) shall have the same rights as the Debtors to access personnel and books and records as set forth in the previous sentence. The Committee, any Plan Trustee, and any chapter 7 trustee shall be given at least sixty (60) days’ notice prior to destruction of any of the Debtors’ books and records.

10. Final Resolution. This Stipulation shall constitute the final resolution of the Sale Motion and the Bid. Therefore, the Sale Motion is hereby resolved with respect to the Farmington Facility upon entry of the Order.

11. Notice. Any notice, consent, or consultation shall be provided, sought, or obtained for the respective Party by and through their undersigned counsel.

12. Miscellaneous.

a. The undersigned who executes this Stipulation by or on behalf of each respective party represents and warrants that they have been duly authorized and empowered to execute and deliver this Stipulation on behalf of such party.

b. This Stipulation may be executed in counterparts and each such counterpart together with the others shall constitute one and the same instrument.

c. This Stipulation shall not be modified, altered, amended, or vacated without the written consent of the Parties hereto.

d. The Parties are hereby authorized to take such further actions as are necessary effectuate this Stipulation. For the avoidance of doubt, in the event BOF (or its designee) accepts title from the Debtor to the Farmington Facility, the Parties shall cooperate to facilitate the conveyance, preparation, execution and recording of deeds and the execution of all related property transfer documents.

13. Jurisdiction. This Stipulation shall remain subject to the jurisdiction of the Court with

respect to all matters arising from or relating to the implementation, interpretation, and enforcement of this Stipulation, including the indemnification provision set forth in Paragraph 3.

14. Immediate Effect. This Stipulation and the Order shall become effective immediately upon entry of the order by the Court, notwithstanding anything to the contrary in the Federal Rules of Bankruptcy Procedure or otherwise.

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Dated: July 20, 2024

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

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Counsel to Bank of Farmington, as agent

/s/ Michael Flanagan

Michael Flanagan, in his capacity as
*proposed Receiver of the Courtyard Estates
of Farmington*

EXHIBIT A

Receivership Pleadings

**IN THE CIRCUIT COURT OF THE NINTH JUDICIAL CIRCUIT
FULTON COUNTY, ILLINOIS**

BANK OF FARMINGTON,

Plaintiff,

v.

**PETERSEN HEALTH SYSTEMS, INC., UNKNOWN
OWNER, and NON-RECORD CLAIMANTS,**

Defendants.

Case No. 2024-CH-

**VERIFIED COMPLAINT FOR APPOINTMENT OF RECEIVER
AND FOR OTHER RELIEF**

Defendant Bank of Farmington (“BOF”), by and through its undersigned counsel, David G. Lubben and Christopher J. Jump of Davis & Campbell L.L.C. files this Verified Complaint for Appointment of a Receiver and Other Relief pursuant to 735 ILCS § 5/15-1701 *et seq.*, against Defendants Petersen Health Systems, Inc. (“Debtor”), Unknown Owners, and Non-Record Claimants and states as follows in support thereof:

NATURE OF THE CASE

1. This is an action for breach of contract, appointment of a Receiver over the affected property pursuant to the provisions of a Mortgage and pursuant to the stipulation and agreement of Defendants, and for enforcement of security interests.
2. Debtor owns an assisted living and memory care facility known as Courtyard Estates of Farmington in Farmington, Illinois in Fulton County (the “Facility”).
3. Debtor is in default of its obligations to BOF under a \$3,200,000.00 commercial loan and has been failed to cure the defaults, instead filing a bankruptcy petition. Debtor pledged

all of its assets, including real property located at 1000 E. Fort Street, Farmington, Illinois to BOF as security for the loan.

PARTIES

4. BOF is an Illinois banking corporation with a principal address at 16 North Main Street, Farmington, Illinois 61531.

5. Debtor is an Illinois corporation with a principal address in Peoria, Illinois, who owns the Property (as defined below) and operates the Facility.

6. In addition to the Debtor, there are or may exist other persons who are interested in this action and who have or claim some right, title, interest, or lien in, to, or on the Property, or some parts thereof, and the name of these other persons is unknown, and all such persons are therefore made parties Defendant to this action by the name and description of Non-Record Claimants.

7. In addition to the Debtor, there are or may be other persons occupying or in possession of a portion of the Property, and the name of these other persons is unknown, and all such persons are, therefore, made parties Defendant to this action by the name and description of Unknown Owners.

JURISDICTION AND VENUE

8. This Court has original jurisdiction to hear this case pursuant to 735 ILCS §§ 5/15-1701 – 1704 and pursuant to the original jurisdiction to hear all justiciable matters pursuant to article VI of the Illinois Constitution.

9. This Court has personal jurisdiction over Defendants pursuant to 735 ILCS § 5/2-209 because each Defendant has conducted, and continues to conduct, ongoing business operations, and owns real and/or personal property located, within the State of Illinois.

10. Venue in Fulton County is appropriate pursuant to 735 ILCS § 5/2-102 because the Property is located in Fulton County and Defendants are conducting business in Fulton County.

FACTUAL BACKGROUND

A. The Loan

11. On March 15, 2017, pursuant to a Promissory Note ("Note"), BOF made a reconstruction finance loan to Debtor in the original principal amount of \$3,200,000.00 (the "Loan"). A true and correct copy of the Note is attached hereto as **Exhibit A**.

12. Pursuant to the terms of the Note and Loan, Debtor was obligated to make monthly payments to BOF of \$17,680.75 starting on May 15, 2017 and continuing through the 360 month payment period. *See Exhibit A*. The terms further provided that the Loan was a variable rate loan and that the amount of the monthly payments was subject to change after the 60th payment and every 60th payment thereafter.

13. In connection with the Loan, Debtor provided an Assignment of Rents dated March 15, 2017 and a Mortgage dated March 31, 2017 to BOF granting a mortgage on the Property and security interest in assets related thereto (the "Mortgage") to secure the Loan. A true and correct copy of the Mortgage is attached hereto as **Exhibit B** and a true and correct copy of the Assignment of Rents is attached hereto as **Exhibit C**.

14. As set forth in the Mortgage, Debtor's obligations and performance under the Loan Agreement are secured by a first priority lien in favor and for the benefit of BOF, on the real property located at 1000 E. Fort Street, Farmington, Illinois 61531 together with all improvements erected on the property and all easements, appurtenances and fixtures a part of the property (collectively, the "Property").

15. Pursuant to Paragraphs 17 and 19 of the Mortgage, BOF is entitled to the appointment of a receiver. Specifically, Section 17 provides that upon default and failure of Debtor to pay any sums when due under the Mortgage and notice, BOF shall have the right to declare all of the sums secured by the Mortgage to be immediately due and payable with recovery of all expenses of foreclosure, including but not limited to reasonable attorneys fees and costs.. Paragraph 19 of the Mortgage provides: “Upon acceleration under paragraph 17 hereof, or abandonment of the Property, [BOF] shall be entitled to have a receiver appointed by a court to enter upon, take possession of and manage the Property and to collect the rents of the Property including but not limited to receiver’s fees, premiums on receiver’s bonds, and reasonable attorney’s fees, and then to the sums secured by this Security Agreement.” **Exhibit B.**

B. Defaults

16. Debtor defaulted under the terms of the Loan by failing to pay the required monthly payments, starting in April 2024.

C. Amounts Due and Owing under the Loan Agreement

17. As of July 11, 2024, \$2,880,891.88 was due and payable under the Loan, which amount includes \$2,829,724.37 in principal due under the Note, \$51,167.61 in interest due under the Note, which interest will continue to accrue at \$387.63 per day, and which is exclusive of fees, collection costs, reasonable attorneys’ fees, and other charges payable under the Loan Agreement that continue to accrue.

18. BOF brings this action to recover its damages as a result of Debtor’s breaches of the Loan Agreement, and to appoint a receiver to protect the Property, for the benefit of creditors and residents of the Facility.

D. Lifting of the Automatic Stay and Stipulation to Appointment of Receiver

19. Debtor filed a bankruptcy petition under title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on March 20, 2024. *In re SC Healthcare Holding, LLC*, Case No. 24010443 (TMH).

20. On _____, 2024, the Bankruptcy Court entered an Order lifting the automatic stay under section 362 of the Bankruptcy Code to allow BOF to commence this proceeding on an expedited basis to seek the appointment of a receiver with respect to the Facility and its operations. Debtor agreed to waive service of process with respect to this proceeding, and to have the proceeding heard on an expedited basis, and Debtor consented and agreed to the appointment of a receiver and entry of the agreed Order Appointing Receiver. *See Exhibit D* (Bankruptcy Court Order approving Stipulation and lifting stay); *Exhibit E* (Stipulation regarding Courtyard Estates of Farmington); and *Exhibit F* (proposed agreed Order).

FIRST CAUSE OF ACTION
BREACH OF CONTRACT (NOTE AND LOAN)

21. BOF repeats and incorporates the allegations set forth in paragraphs 1 through 21 above as if fully set forth herein.

22. The Loan and Note are all enforceable agreements supported by valid consideration pursuant to which Debtor is obligated to pay certain specified amounts and perform certain obligations owed to BOF.

23. BOF has performed all of its obligations under the Loan and Note.

24. BOF is the holder of the Note.

25. Debtor failed to timely pay all amounts owed under the Loan and Note and otherwise perform its obligations under and pursuant to the Loan in breach of these agreements.

26. As of July 11, 2024, \$2,880,891.88 was due and payable under the Loan Agreement, which amount includes \$2,829,724.37 in principal due under the Note, \$51,167.61 in interest due under the Note, which interest will continue to accrue at \$387.63 per day, and which is exclusive of fees, collection costs, reasonable attorneys' fees, and other charges payable under the Loan and Note that continue to accrue.

27. As a result of Debtor's breaches of the Loan and Note, BOF has suffered significant actual damages, which damages are increasing and ongoing, and has incurred and continue to incur, significant costs, fees and expenses, including attorneys' fees, which BOF is entitled to recover from Debtor and from Debtor's property.

SECOND CAUSE OF ACTION
SPECIFIC PERFORMANCE OF THE MORTGAGE
APPOINTMENT OF A RECEIVER OVER FACILITY

28. BOF repeats and incorporates the allegations set forth in paragraphs 1 through 21 above as if fully set forth herein.

29. Paragraph 19 of the Mortgage provides that upon a default in payment, BOF shall be entitled to have a receiver appointed by a court to enter upon, take possession of and manage the Property and to collect the rents of the Property including but not limited to receiver's fees, premiums on receiver's bonds, and reasonable attorney's fees, and then to the sums secured by this Security Agreement."

30. A payment default has occurred under the Loan and the Mortgage.

31. Debtor has stipulated and agreed to appointment of a receiver over the Facility.

Exhibit E.

32. BOF is further entitled to appointment of a receiver to preserve the Property for the benefit of creditors and residents pursuant to Illinois law including 735 ILCS §§ 5/15-1701 through 1704.

REQUEST FOR RELIEF

WHEREFORE, BOF respectfully requests judgment be entered in its favor and against Defendants, and that this Court grant BOF the following relief:

(a) enter judgment on the First Cause of Action in BOF’s favor and against Debtor in the amount of at least \$2,880,891.88, plus pre-judgment at the additional per diem rate through the date of Judgment, and post-judgment interest, costs, expenses, attorneys’ fees and all other amounts to which BOF is entitled;

(b) enter judgment on the Second Cause of Action in BOF’s favor and enter an Order appointing Michael F. Flanagan as a receiver over the Facility; and ;

(c) grant BOF such other relief as this Court deems just and proper.

Date: _____, 2024

BANK OF FARMINGTON, Plaintiff

By: _____
One of Its Attorneys

David G. Lubben, ARDC # 6207729
Christopher J. Jump, ARDC #
DAVIS & CAMPBELL L.L.C.
401 Main Street, Suite 1600
Peoria, IL 61602
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cjjump@dcamplaw.com

VERIFICATION

I, [_____], as an authorized signatory of Bank of Farmington certify that I have read the foregoing Complaint, the statements contained herein are true and based on my personal knowledge and my review of the relevant documents of Bank of Farmington, except as to those statements stated upon information and belief. With respect to statements based upon my information and belief, I believe those statements to be true based on information available to me and relevant documents of Bank of Farmington.

Signed under the pains and penalties of perjury this ___ day of _____, 2024.

_____, _____

State of Illinois
Fulton County

On this _____ day of _____, 2024 before me, the undersigned Notary Public, personally appeared _____, proved to me through satisfactory evidence of identification which was photographic identification with signature issued by a federal or state governmental agency, oath or affirmation of a credible witness, personal knowledge of the undersigned, to be the person whose name is signed on the attached document, and acknowledged to me that he signed it voluntarily and for its stated purpose.

_____, Notary Public

My Commission Expires: _____

**IN THE CIRCUIT COURT OF THE NINTH JUDICIAL CIRCUIT
FULTON COUNTY, ILLINOIS**

BANK OF FARMINGTON,

Plaintiff,

v.

PETERSEN HEALTH SYSTEMS, INC., et al.,

Defendants.

Case No. 2024-CH-

**EMERGENCY MOTION OF PLAINTIFF BANK OF FARMINGTON FOR
IMMEDIATE APPOINTMENT OF RECEIVER**

Plaintiff Bank of Farmington (“BOF”) moves for an Order appointing Michael F. Flanagan as receiver (“Receiver”) over the Courtyard Estates of Farmington assisted living and memory care unit facility (“Facility”) owned and operated by Defendant Petersen Health Systems, Inc. (“Debtor”) because Debtor is in default on its obligations to BOF, BOF is entitled to appointment of a receiver pursuant to the terms of the Mortgage between it and Debtor, and Debtor stipulated to appointment of a receiver in the United States Bankruptcy Court for the District of Delaware. Receiver’s appointment is necessary to provide a structured process for the management of the Facility, in order to safeguard the health and welfare of the Facility’s residents and ultimately to preserve assets and to prepare for sale of the Property to benefit creditors.

BOF made a \$3.2 million Loan to Debtor in 2017 secured by the Property. Debtor has defaulted on the Loan by failing to make the required monthly payments since March 2024. As of July 11, 2024, Debtor is currently obligated to BOF under the Loan in the total amount of

\$2,880,891.88 which includes the principal amount of \$2,829,724.37, with accrued unpaid interest of \$51,167.61 and ongoing interest accruing at the daily rate of \$387.63.

On March 20, 2024, Debtor and other related corporations and LLCs filed a bankruptcy petition under title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. *In re SC Healthcare Holding, LLC*, Case No. 24010443 (TMH). On July 10, 2024, the Bankruptcy Court entered an Order lifting the automatic stay under section 362 of the Bankruptcy Code to allow BOF to commence this proceeding on an expedited basis to seek the appointment of a receiver with respect to the Facility and its operations. Debtor agreed to waive service of process with respect to this proceeding, and to have the proceeding heard on an expedited basis, and Debtor consented and agreed to the appointment of a receiver and entry of the agreed Order Appointing Receiver. *See* Exhibits D and E to the Verified Complaint.

Debtor is not a manufacturer of widgets or other business that can be run on low cash flows – Debtor is responsible for maintaining the health and safety of humans in its care and its operations must be responsibly managed and preserved. BOF submits that Debtor has failed to uphold these obligations and a receiver is necessary.

Pursuant to loan documents with BOF, BOF is entitled to the appointment of a receiver upon default of the Mortgage. Moreover, despite Debtor's dispute as to any failure to uphold obligations to maintain health and safety of their residents, Debtor consents to the appointment of a receiver and waives service of process and further notice, as set forth in the Stipulation filed and approved in the Bankruptcy Court.

Cause to appoint a receiver also exists under 735 ILCS §§ 5/15-1701 through 5/15-1704 because Debtor is in default of its obligations to BOF and has failed to cure the default. The

mortgaged property is in danger of being lost, removed, materially injured, diminished in value, or squandered due to Debtor's lack of funds.

BOF's proposed receiver Michael F. Flanagan has over thirty five (35) years of experience as an attorney (who is currently licensed to practice in the States of Missouri, Kansas, Illinois and Nebraska) working with distressed long term care facilities, has served as a receiver, counsel or consultant for more than 275 skilled nursing and assisted living facilities in more than thirty (30) states and is fully qualified to step in and stabilize the situation created by Debtor. In fact, Mr. Flanagan has been appointed as receiver for 19 other Petersen facilities, pursuant to Orders entered in two cases pending in the United States District Court for the Northern District of Illinois. *X-Caliber Funding LLC v. El Paso HHC, LLC*, Case No. 3:24-cv-50034 (N.D. Ill. Jan. 25, 2024) (Order attached); *Capital Funding, LLC v. Batavia, LLC*, Case No. 1:24-cv-888 (N.D. Ill. Feb. 8, 2024) (Order attached).

Accordingly, as detailed in the Verified Complaint for Appointment of Receiver and for Other Relief filed herewith and the Memorandum in Support of this Motion filed contemporaneously, BOF requests the immediate appointment of a receiver over Debtor's assets with the authority to take control of and manage the Facility; to collect rents, accounts receivable and moneys owed to Debtor; and to marshal Debtor's assets to pay its debts.¹

¹ All undefined capitalized terms used herein shall have the meanings given to them in the Verified Complaint for Appointment of Receiver unless otherwise so stated.

Dated: _____, 2024

BANK OF FARMINGTON, Plaintiff

By: _____
One of Its Attorneys

David G. Lubben, ARDC # 6207729
Christopher J. Jump, ARDC #
DAVIS & CAMPBELL L.L.C.
401 Main Street, Suite 1600
Peoria, IL 61602
Tele : (309) 673-1681
dglubben@dcamplaw.com
cjjump@dcamplaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Emergency Motion for Immediate Appointment of Receiver was filed in the Odyssey online system and was Emailed to the counsel of record for the Debtor in the Bankruptcy Case pending in the Bankruptcy Court for the District of Delaware, *In re SC Healthcare Holding, LLC*, Case No. 24010443 (TMH), on _____, 2024.

/s/ David G. Lubben

Attorney for Bank of Farmington

**IN THE CIRCUIT COURT OF THE NINTH
JUDICIAL CIRCUIT
FULTON COUNTY, ILLINOIS**

BANK OF FARMINGTON,

Plaintiff,

v.

PETERSEN HEALTH SYSTEMS, INC., et al.,

Defendants.

Case No. 2024-CH-

**MEMORANDUM IN SUPPORT OF EMERGENCY MOTION OF PLAINTIFF BANK
OF FARMINGTON FOR IMMEDIATE APPOINTMENT OF RECEIVER**

Defendant Petersen Health Systems, Inc. (the “Debtor”) owns and operates the Courtyard Estates of Farmington, an assisted living and memory care facility in Fulton County (the “Facility”). Debtor is in default on the \$3.2 million Loan and Note with Plaintiff Bank of Farmington (“BOF”) and is unable to pay its bills. Debtor has stipulated to the lifting of the automatic stay in Bankruptcy Court and to the appointment of a receiver for the Facility and to the entry of the agreed order to this effect.

As explained in BOF’s Verified Complaint for Appointment of Receiver filed herewith, Debtor has defaulted on a commercial loan. As a result of the default, BOF seeks the appointment of receiver Michael F. Flanagan to take control of and operate the Facility.

Receiver’s appointment is necessary to provide a structured process for the management of the Facility to benefit creditors and the residents of the Facility.

I. Factual Background.

A. The Loan

On March 15, 2017, pursuant to a Promissory Note (“Note”), BOF made a reconstruction finance loan to Debtor in the original principal amount of \$3,200,000.00 (the “Loan”). A true and correct copy of the Note is attached to the Verified Complaint as **Exhibit A**. Pursuant to the terms of the Note and Loan, Debtor was obligated to make monthly payments to BOF of \$17,680.75 starting on May 15, 2017 and continuing through the 360 month payment period. See Exhibit A. The terms further provided that the Loan was a variable rate loan and that the amount of the monthly payments was subject to change after the 60th payment and every 60th payment thereafter.

In connection with the Loan, Debtor provided an Assignment of Rents dated March 15, 2017 and a Mortgage dated March 31, 2017 to BOF granting a mortgage on the Property and security interest in assets related thereto (the “Mortgage”) to secure the Loan. A true and correct copy of the Mortgage is attached to the Verified Complaint as **Exhibit B** and a true and correct copy of the Assignment of Rents is attached to the Verified Complaint as **Exhibit C**.

As set forth in the Mortgage, Debtor’s obligations and performance under the Loan Agreement are secured by a first priority lien in favor and for the benefit of BOF, on the real property located at 1000 E. Fort Street, Farmington, Illinois 61531 together with all improvements erected on the property and all easements, appurtenances and fixtures a part of the property (collectively, the “Property”).

Pursuant to Paragraphs 17 and 19 of the Mortgage, BOF is entitled to the appointment of a receiver. Specifically, Section 17 provides that upon default and failure of Debtor to pay any sums when due under the Mortgage and notice, BOF shall have the right to declare all of the sums

secured by the Mortgage to be immediately due and payable with recovery of all expenses of foreclosure, including but not limited to reasonable attorneys' fees and costs. Paragraph 19 of the Mortgage provides: "Upon acceleration under paragraph 17 hereof, or abandonment of the Property, [BOF] shall be entitled to have a receiver appointed by a court to enter upon, take possession of and manage the Property and to collect the rents of the Property including but not limited to receiver's fees, premiums on receiver's bonds, and reasonable attorney's fees, and then to the sums secured by this Security Agreement." **Exhibit B.**

B. Defaults

Debtor has defaulted on the Loan by failing to make the required monthly payments since March 2024. As of July 11, 2024, Debtor is currently obligated to BOF under the Loan in the total amount of \$2,880,891.88 which includes the principal amount of \$2,829,724.37, with accrued unpaid interest of \$51,167.61 and ongoing interest accruing at the daily rate of \$387.63.

II. Legal Standard

The Illinois Mortgage Foreclosure Law ("IMFL") "employs mandatory language and drastically curtails a trial court's discretion in deciding motions to appoint a receiver." *Centerpoint Props. Trust v. Olde Prairie Block Owner, LLC*, 923 N.E. 2d 878, 882 (1st Dist. 2010) (citing *Mellon Bank. N.A. v. Midwest Bank & Trust Co.*, 638 N.E. 2d 640, 645 (1st Dist. 1993)). "The word 'shall' as used in [IMFL] means mandatory and not permissive." 735 ILCS § 5/15-1105(b).

IMFL section 15-1701(b)(2) provides that "if (i) the mortgagee is so authorized by the terms of the mortgage or other written instrument, and (ii) the court is satisfied that there is a reasonable probability that the mortgagee will prevail on a final hearing of the cause, the mortgagee shall upon request be placed in possession of the real estate, except that if the mortgagor shall

object and show good cause, the court shall allow the mortgagor to remain in possession.” 735 ILCS § 5/15-1701(b)(2).

IMFL section 15-1702(a) provides that “[w]henver a mortgagee entitled to possession so requests, the court shall appoint a receiver.” 735 ILCS § 5/15-1702(a). Further, [w]henver a receiver is to be appointed, the mortgagee shall be entitled to designate the receiver.” 735 ILCS § 5/15-1702(b).

IMFL section 15-1704(a) further provides that “upon request of any party and a showing of good cause, the court shall appoint a receiver for the mortgaged real estate.” 735 ILCS § 5/15-1704(a).

A receiver appointed under IMFL “shall have possession of the mortgaged real estate and other property subject to the mortgage during the foreclosure, shall have full power and authority to operate, manage and conserve such property, and shall have all the usual powers of receivers in like cases.” 735 ILCS § 5/15-1704(b).

Under IMFL section 15-1704(b), a receiver shall have the power and authority to:

- (1) secure tenants and execute leases for the real estate, the duration and terms of which are reasonable and customary for the type of use involved, and such leases shall have the same priority as if made by the owner of the real estate; but, unless approved by the Court, the receiver shall not execute oil, gas or other mineral leases, or (even if otherwise allowed by law) leases extending beyond the time of the receiver’s possession; provided, however, with respect to residential real estate leased by the receiver, nothing in this Section shall affect the legal rights of any lessee with respect to the safety and habitability of the residential real estate;
- (2) collect the rents, issues and profits from the mortgaged real estate;
- (3) insure the mortgaged real estate against loss by fire or other casualty;
- (4) employ counsel, custodians, janitors and other help; and

(5) pay taxes which may have been or may be levied against the mortgaged real estate.

735 ILCS § 5/15-1704.

Under section 1701(b)(2), evidence showing that the mortgagor is in default “establishes a reasonable probability of success in a mortgage foreclosure action.” *Centerpoint Props. Trust*, 923 N.E. 2d at 888-90. In deciding a receiver motion, a court need not hold an evidentiary hearing but can rule on the papers. *See Centerpoint Props. Trust*, 923 N.E. 2d at 888-90.

III. Argument.

BOF has satisfied the two requirements entitling it to possession of the Property. First, Paragraph 19 of the Mortgage entitles BOF to have a receiver appointed by a court to enter upon, take possession of and manage the Property and to collect the rents of the Property due and owing after the date of entry of the attached proposed Order Appointing Receiver. *See e.g. Centerpoint Props. Trust*, 923 N.E. 2d at 888-90 (finding authorization by terms of mortgage to take possession when mortgage provided for appointment of receiver upon the occurrence of an event of default).

Second, there is a reasonable probability that BOF will prevail on its claim of breach of the loan because Debtor is in default on the loan. *See id.* (“a proven default establishes a reasonably probability of success in a mortgage foreclosure action”).

Under IMFL section 15-1702(a), BOF is entitled to appointment of a receiver upon request because BOF is entitled to possession of the Property pursuant to section 15-1701(b)(2). BOF is also entitled to designate the receiver pursuant to section 15-1702(b).

In addition, on _____, 2024, the Bankruptcy Court entered an order lifting the automatic stay under section 362 of the Bankruptcy Code to allow BOF to commence this proceeding on an expedited basis to seek the appointment of a receiver with respect to the Facility and its operations. Debtor agreed to waive service of process with respect to this proceeding, and

to have the proceeding heard on an expedited basis, and Debtor consented and agreed to the appointment of a receiver and entry of the agreed Order Appointing Receiver. *See* Exhibits D and E to the Verified Complaint.

BOF respectfully recommends that Michael F. Flanagan be appointed as the receiver in this matter. Mr. Flanagan has significant experience in acting as a receiver in such matters. His credentials and experience are described in the resume attached as an Exhibit to this Memorandum. BOF further requests that Mr. Flanagan, in his capacity as receiver, be authorized to employ Tuteria Senior Living & Health Care, L.L.C. or its affiliated companies, including Walnut Creek Management Company, L.L.C. (the “Manager”), to provide management services for the Facility. An overview of the credentials and experience of the Manager is attached hereto as an Exhibit.

BOF’s proposed receiver Michael F. Flanagan has over thirty five (35) years of experience as an attorney (who is currently licensed to practice in the States of Missouri, Kansas, Illinois and Nebraska) working with distressed long term care facilities, has served as a receiver, counsel or consultant for more than 275 skilled nursing and assisted living facilities in more than thirty (30) states and is fully qualified to step in and stabilize the situation created by Debtor. In fact, Mr. Flanagan has been appointed as receiver for 19 other Petersen facilities, pursuant to orders entered in three cases pending in the United States District Court for the Northern and Central District of Illinois. *X-Caliber Funding LLC v. El Paso HHC, LLC, et al.*, Case No. 3:24-cv-50034 (N.D. Ill. Jan. 25, 2024) (Order attached); *Capital Funding, LLC v. Batavia, LLC, et al.*, Case No. 1:24-cv-888 (N.D. Ill. Feb. 8, 2024) (Order attached); *X-Caliber Capital LLC v. Charleston HCC, LLC, et al.*, Case No. 2:24-cv-02034 (C.D. Ill. Feb. 13, 2024) (Order attached).

BOF asks that the Court empower the receiver to take such actions as the receiver deems necessary and prudent in order to (i) take possession of, hold, manage, and control the Property

during the pendency of this action; (ii) protect the Property so that there will be no excessive depreciation or devaluation of the Property during the pendency of this action; (iii) manage the affairs of Debtor as it relates to the Facility, as and to the extent set forth in the attached proposed Order Appointing Receiver; (iv) marshal Debtor's assets as and to the extent set forth in the attached proposed Order Appointing Receiver to pay its debts and to preserve the Property; (v) as and to the extent set forth in the attached proposed Order Appointing Receiver, lease and collect the rents, income, and profits from the Property, if any, and apply the same toward the payment of expenses associated with the management and protection of the Property and toward the payment of judgments rendered herein in favor of BOF; (vi) employ any professionals required to complete the duties of the receiver pursuant to appropriate application being made and approved by the Court; (vii) submit applications and reports subject to further order(s) and rules of the Court; and (viii) do such other things as this Court may from time to time hereafter authorize by subsequent written order.

IV. Conclusion.

For the foregoing reasons, BOF requests that this Court appoint Michael F. Flanagan as receiver to take control of and manage the Property and Facility, collect rents and sale proceeds related to the Property and Facility, manage the affairs of the Facility, and marshal Debtor's assets related to this Property and Facility to pay its debts and to preserve the Property, as and to the extent set forth in the attached proposed Order Appointing Receiver.

Dated: _____,2024

BANK OF FARMINGTON, Plaintiff

By: _____
One of Its Attorneys

David G. Lubben, ARDC # 6207729
Christopher J. Jump, ARDC #
DAVIS & CAMPBELL L.L.C.
401 Main Street, Suite 1600
Peoria, IL 61602
Tele : (309) 673-1681
dglubben@dcamplaw.com
cjjump@dcamplaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Memorandum in Support of Emergency Motion for Immediate Appointment of Receiver was filed in the Odyssey online system and was Emailed to the counsel of record for the Defendants in the Bankruptcy Case pending in the Bankruptcy Court for the District of Delaware, *In re SC Healthcare Holding, LLC*, Case No. 24010443 (TMH), on _____, 2024.

/s/ David G. Lubben

Attorney for Bank of Farmington

EXHIBIT B

Receivership Order

[FULTON COUNTY]

BANK OF FARMINGTON (AS AGENT),

Plaintiff,

v.

PETERSEN HEALTH SYSTEMS, INC.,

Defendant.

Case No. _____

Hon. _____

ORDER APPOINTING RECEIVER

This matter came before the court on the Motion (the “Motion”) of Bank of Farmington (as agent) (“Plaintiff”), by and through its counsel, for Appointment of Receiver over the Subject Defendant Petersen Health Systems, Inc. (the “Defendant”) and all of the assets and operations of Defendant associated with the ownership or operations of the Courtyard Estates of Farmington (the “Facility”), other than the “Excluded Assets,” as such term is defined in the Bankruptcy Court Order and Stipulation (defined below), the Court having considered the Motion, the Complaint and any oral argument thereon and any objections thereto,

Now it is **ORDERED** that:

1. Michael F. Flanagan is hereby appointed receiver (“Receiver”) of and over Defendant solely with respect to the Facility and all of their respective assets of the Facility, other than the Excluded Assets (the “Receivership Assets”), with all of the powers and obligations set forth herein. The Receivership Assets include, without limitation, (a) the real property and operations located at 1000 East Fort Street, Farmington, IL 61531; (b) any and all resident/patient agreements held by the Defendant as to the Facility; (c) all legal and equitable claims of Defendant associated with the Facility; (d) all accounts receivable of Defendant associated with the Facility arising on or after the date of this Order; and (e) all money, income, earnings and revenue of

Defendant associated with the Facility that hereafter arise from operation or disposition of the Receivership Assets and after the date of this Order. The Receivership Assets do not include the Excluded Assets, or any rents, revenues, receivables, proceeds, or other sums payable with respect to the Excluded Assets, which shall remain under the control of the Defendant. For the avoidance of doubt, nothing in this Order shall grant to the Receiver control over, require any person to turnover to the Receiver, or prohibit any person from turning over to the Defendant, any of the Excluded Assets or any rents, revenues, receivables, proceeds, or other sums payable with respect to the Excluded Assets. For the avoidance of doubt, any and all accounts receivable, money, income, earnings and revenue of the Defendant accrued prior to the date of this Order, if received by the Receiver, shall be returned to the Defendant by the Receiver and/or the Receiver's agents within five (5) business days of receipt of such assets.

2. The Receivership Assets remain subject to Plaintiff's liens to the full extent of the amounts due and the appointment of Receiver shall in no way impair Plaintiff's rights or be deemed a waiver of Plaintiff's secured position; provided, however, that Plaintiff has agreed to waive its claim for an affirmative monetary recovery from the Defendant on account of Plaintiff's lien upon entry of this Order.

3. Receiver shall take immediate possession and full control of the Receivership Assets and shall take such other actions as Receiver deems reasonable and appropriate to effect this order, to prevent waste, and to preserve, manage, secure, and safeguard the Receivership Assets in accordance with the powers granted herein including, without limitation, hiring Walnut Creek Management Company, L.L.C. (or another manager of Receiver's choosing, in consultation with Plaintiff) as manager of the Facility.

4. Receiver shall have and may exercise the following powers, and such additional

powers, that are provided by law and the court may from time to time confer:

a. to operate the day-to-day business of the Facility and manage the Receivership Assets;

b. to do all things which the Plaintiff or Defendant may do with respect to the Facility in the exercise of ordinary business judgment or in the ordinary course of the operation and use of the Receivership Assets;

c. Receiver shall be vested with, and is authorized and empowered to exercise, all the powers with respect to the Facility of the Plaintiff, Defendant, and their officers, directors, shareholders, and general partners or persons who exercise similar powers and perform similar duties;

d. to assert any rights, claims, or choses in action of the Plaintiff or the Defendant with respect to the Facility, if and to the extent that rights, claims or choses in action are themselves Receivership Assets, to maintain in the Receiver's name any action to enforce any right, claim or chose in action, and to intervene in actions in which the Defendant are a party for the purpose of exercising the powers under this subsection;

e. to intervene in any action in which a Claim is asserted against the Plaintiff or the Defendant with respect to the Facility and that impacts the Receivership Assets, for the purpose of prosecuting or defending the claim and requesting transfer of venue of the action to this Court; and

f. to assert rights, claims or choses in action of the Receiver arising out of transactions in which the Receiver is a participant.

5. Receiver shall have and may exercise the following powers, and such additional powers that are provided by law and that the court may from time to time direct or confer:

- a. take and maintain possession of all documents, books, records, papers, and deposit accounts relating to the Receivership Assets;
- b. change any locks, passcodes or passwords to the Receivership Assets, as appropriate and exclude Defendant and their respective agents, servants, and employees wholly from the Receivership Assets;
- c. execute and deliver, in Receiver's own name, such documents and instruments as are necessary or appropriate to consummate transactions authorized hereunder;
- d. manage, operate, preserve and maintain the Receivership Assets as a prudent person would, including, without limitation, the power to enter into, terminate or negotiate contracts and make repairs or alterations to the Receivership Assets that Receiver in its business judgment reasonably believes necessary for the management, operation, preservation and maintenance of the Receivership Assets and to maximize their value;
- e. enter into leases, whether of real or personal property, or tenancy agreements, under such terms and conditions as Receiver may deem appropriate or desirable to preserve the Receivership Assets and to maximize their value;
- f. retain, hire, or discharge a manager for the Facilities (in consultation with Plaintiff), including, without, limitation, Tintera Senior Living & Health Care, L.L.C. or its affiliated companies, including Walnut Creek Management Company, L.L.C.;
- g. employ such consultants, managers, brokers, marketing agents, or other employees, agents, independent contractors, or professionals as Receiver may in its discretion deem appropriate or desirable to implement and effectuate the rights and powers herein granted;
- h. engage attorneys or other professionals, as appropriate, in consultation with Plaintiff, in order to advise and assist Receiver in carrying out its duties and appearing in court or

other proceedings on its behalf;

i. collect the rents, accounts receivable, insurance claim proceeds, real estate tax refunds, utility deposits, security deposits, proceeds, earnest money deposits and profits from the Receivership Assets, if any, from and after the date of appointment of the Receiver;

j. repossess personal property, as provided by law, for breaches of the conditions of their leases or other agreements;

k. sue for unpaid receivables, income, or proceeds solely with respect to the Facility;

l. subject to Plaintiff's prior written consent, compromise or give acquittance for receivables, income, or proceeds that may become due;

m. deal with issues and other matters with vendors, municipalities, and other governmental entities, as necessary;

n. open any mail intended for and/or directed to Defendant with respect to the Facility;

o. hire, fire, select, and retain employees of the Facility as Receiver deems reasonable or necessary to preserve and maintain the value of the Receivership Assets, including as necessary or desirable to provide appropriate quality resident care;

p. upon prior written consent of Plaintiff, enter into an agreement for the operation of the Facility;

q. with respect to taxes: (i) use all tax identification numbers of Defendant with respect to the Facility and cause to be filed all federal, state, and local income tax returns of Defendant with respect to the Facility for the period from the commencement of and through termination of this receivership; (ii) communicate with, negotiate with, enter into agreements with

respect to the Facility and serve as nonexclusive representative with respect to the Facility to all taxing authorities; and (iii) use reasonable efforts to issue all tax related forms, including, without limitation, Internal Revenue Service Forms W-2, 1099, and K-1;

r. upon a sale with respect to the Facility, take all actions necessary to maintain and/or transfer existing licenses, permits and authority from all relevant governmental agencies, managed care contracts, and third- party payor agreements, and to take all actions necessary to enroll or re-enroll the Facility in any and all available state and federal subsidy and reimbursement programs, including but not limited to Medicare and Medicaid;

s. subject to the prior written consent of Plaintiff, conduct a marketing or leasing program with respect to all or a portion of the Receivership Assets, or employ a marketing or leasing agent or agents to do so, direct the leasing or sale of all or portions of the Receivership Assets under such terms and conditions as Plaintiff may in its sole discretion deem appropriate or desirable, provided, however, that Receiver shall seek court approval of any sale of the Receivership Assets outside the ordinary course of business;

t. communicate and share information with prospective purchasers and provide Plaintiff with copies of such information;

u. in accordance with paragraph 14 below, borrow monies from Plaintiff or use Plaintiff's cash collateral, both secured by a senior and paramount lien upon the Receivership Assets for the purposes of performing Receiver's obligations under this or other orders of this Court, and preserving or enhancing the value of the Receivership Assets, on terms and conditions agreed upon by Plaintiff;

v. take possession or control of all existing bank accounts, cash and funds solely belonging to or for the sole benefit of the Facility in bank accounts associated with and/or used for

the operation of the Receivership Assets (provided that any cash and funds relating to the time period prior to the appointment of the Receiver shall be remitted to the Debtors within five (5) business days and further provided that any cash and funds relating to the time on or after the appointment of the Receiver shall be remitted to the Receiver within five (5) business days), and change all such bank accounts into the name of Receiver, if appropriate, or otherwise take such actions as necessary to ensure such bank accounts are under the control of Receiver and ensure Defendant do not have access to such accounts without consultation with Receiver, all in compliance with legal requirements; provided, however, for the sake of clarity, any accounts utilized by the Defendant for more than one facility (including the Facility), or for other Excluded Assets of the Defendant, shall not be subject to the Receiver's possession or control pursuant to this Order;

w. institute, defend, or compromise actions or proceedings in state or federal courts now pending and hereafter instituted, as may in Receiver's discretion be advisable or proper for the protection and administration of the Receivership Assets;

x. retain, hire, or discharge on-site employees, if appropriate, provided, however, no such employee shall be deemed an employee of Plaintiff;

y. obtain insurance covering the Receivership Assets, such insurance expense shall be deemed a normal, ordinary, and necessary operating expense of the Receivership Assets;

z. subject to the prior written consent of Plaintiff, obtain software licenses for billing and collections to the extent any such existing software license is deemed by Receiver to be inadequate; and

aa. to the extent necessary, transfer residents out of the Facility for purposes of protecting the health, safety and welfare of the residents of the Facility if an appropriate and duly licensed operator and/or manager/designee cannot be timely secured for the Facility, in accordance

with Paragraph 2(b) of the Bankruptcy Court Order and Stipulation, or any other Bankruptcy Court order in the Chapter 11 Case; and

bb. take all such further actions and enter into all such other agreements as Receiver in its professional discretion deems appropriate or desirable to preserve, protect and maximize the value of the Receivership Assets.

6. Defendant shall have neither possession nor control of, nor any right to, the Receivership Assets or money or other proceeds derived from the Receivership Assets.

7. Should Defendant come into possession of revenues, receivables, proceeds, or other sums payable with respect to the Receivership Assets arising subsequent to the date of entry of this Order, Defendant shall promptly remit the same to Receiver in the form received.

8. Until further order of this Court, all tenants, bailees, or other persons in possession of the Receivership Assets or any portion thereof shall turn over such Receivership Assets to Receiver, and until further order of this court (a) shall pay over to Receiver, or its duly designated agent, all rents, revenues, receivables, proceeds, or other sums payable with respect to the Receivership Assets which are now due and unpaid or hereafter become due; and (b) they are hereby enjoined and restrained from paying to Defendant or their agents, officers, directors, employees, or attorneys any such rents, receivables, revenues, proceeds, or other sums, except with the Receiver's consent.

9. Within fifteen (15) calendar days from the entry of this Order, and thereafter, forthwith upon request of Receiver (but no later than ten (10) calendar days following such request), Defendant and their agents and employees shall provide to Receiver, make available to Receiver, or cause their manager or employees to deliver or make available to Receiver the following, to the extent such items and things exist:

- a. all Receivership Assets and all funds generated by or from the Receivership Assets accruing on or after the entry of this Order, and all deposits held in escrow by Defendant with respect to the Facility for the purpose of prepaid rent for the period at and after the Receiver is appointed;
- b. copies of any and all service contracts pertaining to the Receivership Assets and/or to which any Subject Defendant is a party with respect to the Facility;
- c. copies of any and all management contracts and/or agreements pertaining to the Receivership Assets and/or to which any Subject Defendant is a party with respect to the Facility;
- d. copies of any and all leases, lease abstracts, purchase agreements and the like pertaining to the Receivership Assets and/or to which any Subject Defendant is a party with respect to the Facility;
- e. resident and other tenant contact names, addresses, telephone numbers and email addresses with respect to the Facility;
- f. all open invoices for services or goods relating to the Receivership Assets and/or to which any Subject Defendant is a party with respect to the Facility;
- g. copies of existing 2023 year-end and 2024 year-to- date, in both full and summary format, financial statements (and month by month detail) for Defendant with respect to the Facility, in both hard copy and electronic formats; balance sheets, income statements, accounts receivables (and receivables/arrearages aging), operating statements, current year budgets, sources and uses of cash flows, detailed rent rolls, accounts payable, check registers, security deposit listings, trial balances, general ledgers, contractor statements, lien waivers, sworn owner statements, construction draws, bank reconciliations, and bank statements, including any passwords which may be associated with any financial documents or accounts;

h. a complete set of keys (including all masters) and all security and/or access codes and/or cards to the Facility and a schedule (including full contact information) identifying each person or entity (including security companies, municipal/governmental agencies and utility companies), who currently has one or more keys and/or access cards to the Facilities or who has knowledge of any access codes thereto;

10. By this Order, Receiver shall be deemed a business associate of Defendant and Plaintiff pursuant to the Health Information Portability and Accountability Act and its implementing regulations.

11. Plaintiff shall cause, and Receiver shall be authorized on Plaintiff's behalf to cause, Receiver and its agents to be named as an additional insured on any insurance policies covering the Receivership Assets. For the sake of clarity, Defendant shall no longer be obligated to provide insurance covering the Receivership Assets; provided, that Defendant shall not cancel any existing insurance policies on the Receivership Assets prior to seven (7) days after the date of this Order.

12. Receiver shall enter into new contracts or leases as necessary for the operations of the Facility. For the sake of clarity, except as to any and all resident/patient agreements held by the Defendant as to the Facility, Receiver shall not be permitted to maintain, continue, or otherwise assume any contract or lease entered into prior to the date on which he assumes possession of the Receivership Asset.

13. Receiver shall perform its obligations hereunder and make disbursements in accordance with, and subject to, the terms of this Order.

14. Receiver is authorized to borrow funds from Plaintiff or use Plaintiff's cash collateral, both at Plaintiff's sole discretion; provided that Plaintiff shall provide sufficient funds to the Receiver to pay for any and all operating expenses incurred from and after the date of Receiver's

appointment, which operating expenses shall be paid on a timely basis. Any funds borrowed from Plaintiff by Receiver shall be secured by a first, valid and perfected lien and security interest in the Receivership Assets senior to all other liens and security interests in the Receivership Assets, which lien shall be valid and perfected without the necessity of recordation, filing, or any other act of Plaintiff, and Receiver is authorized, but not required, to issue receivership certificate(s) to evidence and secure any such protective advances by Plaintiff. Receiver shall, from time to time as Receiver deems appropriate after forecasting potential needs, remit to Plaintiff any income generated by the operations of the Receivership Assets subject to Plaintiff's security interests and liens for application against the amounts which Defendant owe Plaintiff, in accordance with the terms of the Loan Agreement. Loans from Plaintiff to Receiver not paid during the receivership, shall be paid as a first priority payment from the proceeds of the sale of the Receivership Assets and taxed as an administrative expense of the receivership.

15. Except in instances of gross negligence, fraud or willful misconduct, the liability of Receiver and any person engaged by Receiver hereunder is and shall be limited to the Receivership Assets, and neither Receiver nor any person or entity engaged by Receiver hereunder shall be personally liable for any actions taken pursuant to this Order or carrying out Receiver's duties, excepting only claims which arise from the gross negligence, fraud, or willful misconduct of such person as determined by a final order of this or another Court of competent jurisdiction. In carrying out Receiver's duties as set forth herein, Receiver is entitled to act in the exercise of Receiver's own sound business judgment as Receiver deems appropriate within Receiver's sole discretion subject only to the terms of this Order and applicable law. Receiver shall not be liable for any action taken or not taken by Receiver in good faith and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind unless caused by willful misconduct or gross

negligence or fraud. Receiver and all of his employees and agents shall be immune, each as an officer of this Court, for any personal liability of any kind arising from, caused by or in any way connected with exercising any rights or performing any duties in his capacity as Receiver unless caused by willful misconduct, gross negligence, or fraud. Plaintiff, to the extent of the value of and solely from the Receivership Assets, shall indemnify, hold harmless, and defend Receiver from and against any and all liabilities, costs, and expenses including, but not limited to, the cost of any bond required by this Order and legal and other fees and expenses incurred by Receiver arising from or in any way connected to the performance of the Receiver's duties as Receiver.

16. Notwithstanding anything to the contrary that may be contained in this Order, the obligations, duties, rights and liability provisions set forth upon Plaintiff, Defendant, and Receiver in Paragraph 15 and pursuant to this Order are at all times now and into the future subject to each party remaining in compliance with, and subject to, the Bankruptcy Court Order and Stipulation.

17. Plaintiff shall pay the costs, fees and expenses of Receiver in connection with the performance of his duties described in this Order, including the costs and expenses of those persons who may be engaged or employed by Receiver to assist him in carrying out his duties and obligations from the proceeds of the Receivership Assets. All applications for costs, fees and expenses for services rendered in connection with the receivership other than routine and necessary business expenses in conducting the receivership, such as salaries, rent and any and all other reasonable operating expenses, shall be submitted to Plaintiff for payment. Unless an objection is raised by Plaintiff within ten (10) days of receipt, the application shall be deemed approved and Receiver is then authorized to pay such fees contained within the fee application. Receiver shall be compensated a monthly fixed fee of \$10,000.00 per month for the first three (3) months, reducing to \$5,000 per month thereafter, plus a one percent (1%) sale disposition fee if the Facility is sold by

Receiver during the receivership, plus reimbursement for all reasonable and necessary out of pocket costs and expenses. Receiver's compensation shall be paid (a) first from the Receivership Assets including all monies or other proceeds derived therefrom, and, next; (c) from secured advances, if any, that Plaintiff, in its sole discretion in accordance with this Order, make to Receiver to pay such fees and expenses, but only to the extent that the Receivership Assets are insufficient to pay Receiver's compensation.

18. On or before thirty (30) days from entry of this Order, Receiver shall file, with a copy to Plaintiff and Defendant, an inventory (the "Inventory") of all the property and assets in Receiver's possession, or in the possession of others who hold possession as Receiver's agent, and in a separate schedule an inventory of the property and assets of the estate not reduced to possession by Receiver but claimed and held by others.

19. Receiver shall make an initial report to this Court and to Plaintiff on or before thirty (30) days from filing the Inventory regarding its initial finding. Receiver shall thereafter submit an updated status report on a monthly basis or as otherwise ordered by the court. Copies of all such reports shall be served upon all parties appearing in this case by the court's electronic filing system.

20. Receiver may at any time request from the court that it be exonerated, discharged and released from its appointment as Receiver. Receiver shall, during the pendency of this action, have the right to apply to this court for further instructions or directions.

21. As of the date of this Order, all persons and entities, including but not limited to Defendant's creditors and their respective officers, agents, representative and all other persons or entities acting under or in concert with such creditors are hereby placed on notice that all Receivership Assets are in *custodia legis*, and, as such, under the protection of this court, immune from attachment or other legal process, and subject entirely to control by Receiver as this Court's

appointee. All persons are hereby enjoined from commencing or continuing to prosecute any action against the Receivership Assets outside of this action. For the avoidance of doubt, nothing in this Order shall enjoin the Defendant from continuing to administer the Chapter 11 Case (defined below) consistent with the Bankruptcy Court Order and Stipulation.

22. Except to enforce the obligations under this Order and the Receiver's duties and solely with respect to any liabilities relating to the time period before appointment of the Receiver, no legal actions, administrative proceedings, self-help remedies, or any other acts or proceedings under any federal, state or municipal statute, regulation or by-law shall be taken or continued against Receiver or the Receivership Assets, or any part thereof, without leave of this Court first having been obtained; provided, however, nothing in this paragraph 22 shall in any way impair or inhibit the enforcement of the order or stipulation (collectively, the "Bankruptcy Court Order and Stipulation") authorizing Defendant's consent to the entry of this Order that has been entered in the chapter 11 proceedings of the Defendant in its bankruptcy case, jointly administered under *In re SC Healthcare Holding, LLC, et al.*, Case No. 24 10443 (TMH) (Bankr. D. Del.) (the "Chapter 11 Case"). The Bankruptcy Court shall retain sole jurisdiction to enforce the terms and conditions of the Bankruptcy Court Order and Stipulation.

23. No utility may terminate service or the provision of goods to the Receivership Assets as a result of the non-payment of pre-receivership obligations.

24. No insurance company shall be permitted to terminate coverage or refuse coverage for the Receivership Assets based on prior unpaid premiums, claims history or because of the appointment of the Receiver pursuant to this Order. In addition, no insurance company shall be allowed to put in place more stringent payment arrangements during the term of the receivership pursuant to this Order.

25. Subject to paragraph 11, Defendant shall not cancel any existing insurance policies on the Receivership Assets prior to seven (7) days after the date of this Order.

26. Nothing in this Order shall impair Plaintiff of its rights and remedies against any guarantor, indemnitors or obligors of the Obligations at issue in this matter.

27. The Court shall retain jurisdiction and supervision of all matters concerning Receiver, the receivership created hereby and the Receivership Assets. Any and all actions which affect Receiver or the Receivership Assets shall be brought in this Court. Receiver may seek instructions and additional authority from this court upon written notice to Plaintiff.

28. Plaintiff does not anticipate the total monies recovered from the operation (including operating expenses of the Receivership) and sale of the Receivership Assets to exceed the sums due to Plaintiff. Thus, with the exception of post-Receivership expenses and creditors, it does not appear there will be any proceeds for other creditors. Accordingly, Receiver shall not perform any claims administration tasks. Any claims arising or accruing prior to the entry of this order shall be asserted against the Debtors in these Chapter 11 Cases and adjudicated as part of the Defendant's Chapter 11 Cases, and neither Receiver nor Plaintiff shall have any liability with respect to such claims tasks.

29. The Receiver shall comply with all provisions in the Bankruptcy Court Stipulation and Order that are applicable to the Receiver. To the extent of any consistency between the terms of the Bankruptcy Court Order and Stipulation and this Order, the terms of the Bankruptcy Court Order and Stipulation shall control.

30. This Order shall be effective immediately upon its entry and for all purposes.

31. The terms of this Order shall continue in full force and effect unless and until further order of this Court.

32. **THIS IS A FINAL APPEALABLE ORDER AND THERE IS NO JUST REASON FOR DELAY.**

EXHIBIT C

Excluded Assets

Notwithstanding anything in the Stipulation, Debtor shall retain, from and after the Closing Date, all of its rights, title and interest in and to, and shall exclude from the sale, conveyance, assignment and transfer to BOF or the Receiver, as applicable, the following assets, properties and rights, which shall be considered “Excluded Assets” and shall not be included in the definition of the Farmington Facility (or otherwise) under this Stipulation:

(a) Debtor’s rights arising under this Stipulation or under the Farmington Loan;

(b) Debtor’s cash (including the Cash Payment), cash equivalents, bank accounts, money market accounts, investments, notes receivable and rights to accounts receivable and any other accounts or receivables of Debtor, including, without limitation, any tax refunds and insurance refunds as the same relate to any period prior to the date of the Receivership Order, regardless of when the same are paid to Debtor;

(c) all rights to settlements and retroactive adjustments, if any, for cost reporting periods ending prior to or as of to the date of the Receivership Order under the Medicare or Medicaid programs, and under all other third-party payor programs (including any rights arising under Debtors’ closing cost reports or any subsequent adjustment or cost report relating to adjustments due for services rendered through the date of the Receivership Order);

(d) any claim, cause of action, right of recovery, settlement or other legal right or remedy against other persons, including vendors, relating to the ownership or operation of the Farmington Facility on or before the date of the Receivership Order, all of the proceeds from the foregoing, all rights of indemnity, warranty rights, guaranties received from vendors, suppliers, or manufacturers, rights of contribution, rights to refunds, rights of reimbursement, and other rights of recovery possessed by Debtor against other persons and the prosecution files of Debtor related thereto, in each case, to the extent relating to the ownership or operation of the Farmington Facility on or before the Closing Date;

(e) all avoidance actions, including any and all claims and causes of action of the Debtor, arising under the Bankruptcy Code or similar state law claims, including under Chapter 5 of the Bankruptcy Code;

(f) any claims or actions against any persons who are insiders (as that term is defined in Section 101(31) of the Bankruptcy Code), affiliates, members, officers, directors, owners or employees of the Debtors, including, without limitation certain hotels and a sports arena;

(g) any claims or actions against the Debtors’ prepetition lenders;

(h) any claims or actions to recover intercompany transfers relating to the Debtors, the Debtors’ insiders, affiliates, the Debtors’ members, owners, employees, officers or directors or any affiliates of the Debtors’ officers or directors;

(i) any planes, watercraft, marine equipment, marine vehicles, and any private residences owned by the Debtor;

(j) all corporate records related to the ownership of the Farmington Facility that belong to Debtor and are required by law to be retained in the possession of Debtor, including, but not limited to, Debtor's proprietary or organizational documents and their financial, accounting, resident, employee and/or tax records;

(k) any and all contracts of the Farmington Facility, including, without limitation, Debtor's management agreement; excluding all patient/resident agreements related to the Farmington Facility, which such agreements shall transfer to the Receiver or BOF (or its designee);

(l) any property owned or held by the current management company, including but not limited to any proprietary policy and procedure manuals or computer software, which list may be supplemented as appropriate;

(m) all provider numbers and related agreements related to any reimbursement programs established by any governmental authority that cannot be assigned to BOF or a third party, including any and all provider agreements under which Debtor seeks to be reimburse, paid or otherwise compensated for the care rendered to certain residents at the Farmington Facility before the Closing Date pursuant to Titles XVIII and XIX of the Social Security Act, respectively;

(n) any and all assets located at the corporate office of Debtor that are not used exclusively in the operation of the Farmington Facility and its business;

(o) all records which by law Debtor is required to retain in its possession; provided, however, that at the Closing Date, BOF may request, and Debtor shall provide to BOF, copies of all such records to the extent that they are reasonably necessary for the operation of the BOF's business, to the extent not prohibited by applicable law;

(p) all corporate books and records of Debtor, all bank account records, documents subject to attorney-client privilege and proprietary information owned by a third party (excluding any rights in proprietary information conferred by any assigned contract);

(q) all insurance policies, programs, reserves and related bonds of any nature (and any dividends or claims payable in respect thereof) and any rights of recovery or other benefits under any of the foregoing;

(r) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind, against any person, including any encumbrances or other rights to payment or to enforce payment, in each case which are related solely to the Excluded Assets;

(s) all assets of any employee benefit plan, program, policy or arrangement of Debtor other than those plans, programs, policies or arrangements that constitute assigned contracts;

(t) any credit or refund of prior years' tax bills (for periods prior to the Closing Date);

(u) any right to the name “Petersen Health Care” or “Petersen” or any variation thereof, including any domain names that include any such terms;

(v) any vehicles used at the Farmington Facility that are not titled in the name of Debtors (which, for clarification, shall not include vans used at the Farmington Facility but shall include various cars that are titled in the name of one or more holding companies of Debtors); for the further sake of clarity, notwithstanding the foregoing, that certain 2016 Dodge Caravan with vehicle identification number 2C4RDGBGXGR125120 is not an Excluded Asset shall transfer to the Receiver or BOF (or its designee); and

(w) any and all other assets of Debtor that are not expressly identified as part of the Farmington Facility or that are not used solely for purposes of operating the Facility.

EXHIBIT 2

Blackline

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 (~~THM~~TMH)

Jointly Administered

Ref. Docket No. ~~---~~682

**ORDER APPROVING STIPULATION REGARDING
COURTYARD ESTATES OF FARMINGTON TO RESOLVE
DEBTORS' MOTION FOR ENTRY OF (A) AN ORDER (I)
SCHEDULING A HEARING ON THE APPROVAL OF THE SALE
OF ALL OR SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS
FREE AND CLEAR OF ALL ENCUMBRANCES OTHER THAN
ASSUMED LIABILITIES AND PERMITTED ENCUMBRANCES,
AND THE ASSUMPTION AND ASSIGNMENT OF CERTAIN
EXECUTORY CONTRACTS AND UNEXPIRED LEASES,
(II) APPROVING CERTAIN BIDDING PROCEDURES AND
ASSUMPTION AND ASSIGNMENT PROCEDURES, AND THE
FORM AND MANNER OF NOTICE THEREOF (III)
AUTHORIZING THE DEBTORS TO ENTER INTO THE
STALKING HORSE PURCHASE AGREEMENT, AND (IV)
GRANTING RELATED RELIEF; AND (B) AN ORDER (I)
APPROVING ASSET PURCHASE AGREEMENT,
(II) AUTHORIZING THE SALE OF ALL OR SUBSTANTIALLY
ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL
ENCUMBRANCES OTHER THAN ASSUMED LIABILITIES AND
PERMITTED ENCUMBRANCES, (III) AUTHORIZING THE
ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING
RELATED RELIEF [D.I. 264]**

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, whose cases are being jointly administered, 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 is available on a website of the Debtors' claims and noticing agent at <http://www.kccllc.net/Petersen>.

Upon consideration of the *Stipulation Regarding Courtyard Estates of Farmington to Resolve Debtors' Motion for Entry of (A) an Order (I) Scheduling a Hearing on the Approval of the Sale of All or Substantially All of the Debtors' Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (II) Approving Certain Bidding Procedures and Assumption and Assignment Procedures, and the Form and Manner of Notice Thereof (III) Authorizing the Debtors to Enter Into the Stalking Horse Purchase Agreement, and (IV) Granting Related Relief; and (B) an Order (I) Approving Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors' Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief [D.I. 264]* (the "Stipulation"),² entered into by and among the Debtors, on the one hand, and Bank of Farmington, on the other hand, a copy of which is attached hereto as **Exhibit 1**, and having determined that this Court has jurisdiction to enter this Order in accordance with 28 U.S.C. §§ 157 and 1334, and the Amended Standing Order of Reference from the United States District Court for the District

² Capitalized terms used but not otherwise defined herein have the meaning given to such terms in the Stipulation.

of Delaware, dated February 29, 2012; and having determined that due and appropriate notice of the relief provided for herein has been given under the circumstances; and this Court having determined that the agreements set forth in the Stipulation are in the best interests of the Debtors, their estates, their creditors and other parties in interest; and good and sufficient cause appearing therefor, **IT IS HEREBY ORDERED THAT:**

1. The Stipulation attached to this Order as **Exhibit 1** is hereby approved and is incorporated herein by reference.

2. This Court shall retain jurisdiction to resolve any disputes arising from or related to this Order or the Stipulation.

3. Nothing in this Order shall alter or amend the rights of JMB Capital Partners Lending, LLC (the “DIP Lender”) under the Final Order (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 Use of Cash Collateral, and (VII) Granting Related Relief (the “Final DIP Order”) [Docket No. 313]. As provided in the Final DIP Order, the Debtors shall hold all cash proceeds received from a Sale in escrow at a bank that has executed a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware until all DIP Obligations (as defined in the Final DIP Order) are paid in full, and such proceeds from the Sale shall be subject to the liens and superpriority

claims granted in favor of the DIP Lender under the Final DIP Order and may not be distributed or otherwise used until all DIP Obligations are paid in full.

4. ~~3.~~ This Order and the Stipulation shall become effective immediately upon entry of this Order notwithstanding anything in the Federal Rules of Bankruptcy Procedure or otherwise to the contrary.

EXHIBIT 1

Stipulation

[Intentionally Omitted]