

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)

Hearing Date: April 15, 2025, at 10:00 a.m. (ET)

Obj. Deadline: April 8, 2025, at 4:00 p.m. (ET)

Re: D.I. 1366

OBJECTION OF COLUMN FINANCIAL, INC. TO DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING THE COMBINED PLAN AND DISCLOSURE STATEMENT ON AN INTERIM BASIS FOR SOLICITATION PURPOSES ONLY; (II) ESTABLISHING THE DEADLINE FOR ADMINISTRATIVE EXPENSES CLAIMS; (III) ESTABLISHING SOLICITATION AND VOTING PROCEDURES; (IV) APPROVING THE FORM OF BALLOTS AND SOLICITATION MATERIALS; (V) ESTABLISHING THE VOTING RECORD DATE; (VI) FIXING THE DATE, TIME, AND PLACE FOR THE COMBINED HEARING AND THE DEADLINES FOR FILING OBJECTIONS THERETO; AND (VII) GRANTING RELATED RELIEF

Column Financial, Inc. (“**Column**”), as administrative agent for the lenders (the “**Column Lenders**”) under that certain Amended and Restated Loan Agreement dated August 5, 2020, by and through its undersigned counsel, hereby files this objection (this “**Objection**”) to the *Debtors’ Motion for Entry of an Order (I) Approving the Combined Plan and Disclosure Statement on an Interim Basis for Solicitation Purposes Only; (II) Establishing the Deadline for Administrative Expenses Claims; (III) Establishing Solicitation and Voting Procedures; (IV) Approving the Form of Ballots and Solicitation Materials; (V) Establishing the Voting*

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 are not provided herein. A complete list of such information will be made available on a website of the Debtors’ claims and noticing agent at www.kccclc.net/Petersen.



Record Date; (VI) Fixing the Date, Time, and Place for the Combined Hearing and the Deadlines for Filing Objections Thereto; and (VII) Granting Related Relief [Dkt. No. 1366] (the “**Motion**”).² In support of this Objection, Column respectfully states as follows:

PRELIMINARY STATEMENT

1. On March 25, 2025, the Debtors filed the Plan and Disclosure Statement³ and the Motion. Though at this procedural juncture the Motion seeks only interim approval of the Plan and Disclosure Statement, final approval of the Plan and Disclosure Statement will only occur after the solicitation process has run its course and the voting deadline has passed. The Court should not, even on an interim basis, approve the Plan and Disclosure Statement because it is materially deficient and cannot be approved in its current form. Allowing solicitation before requiring the Debtors to fix these fatal deficiencies would be a waste of judicial resources and the severely limited estate resources necessary to solicit creditors’ votes as requested.

2. This Court recently approved a settlement between the Debtors, Column, and the Committee. The crux of the settlement, as approved by the Court’s 9019 Order, is that Column agreed to allow the Debtors to use a certain portion of its accounts receivable collateral, the Estate Share, to pay administrative expenses so that the Debtors could attempt to confirm a plan, subject to various limits on the amounts that could be charged against Column’s collateral. In order to effectuate the 9019 Order, any such plan must necessarily require that the party collecting Column’s accounts receivable collateral provide sufficient reporting to ensure that Column

² Capitalized terms not otherwise defined in this Objection shall have the meanings ascribed to them in the Motion or in the Plan and Disclosure Statement (as defined below), as appropriate.

³ Capitalized terms not otherwise defined in this Preliminary Statement shall have the meanings ascribed to them elsewhere in this Objection.

receives the benefit of its bargain and that such party does not withhold more than that to which it is entitled.

3. Here, the Plan and Disclosure Statement provides that the Debtors will appoint the acting CRO to be the Plan Administrator to oversee collection and distribution of the Debtors' remaining accounts receivable, which represent the sole source of any additional recovery by Column. Unfortunately, the Plan and Disclosure Statement provides insufficient information regarding, among other things, the Plan Administrator's reporting obligations, stating only that the Plan Administrator will provide a "reconciliation" fourteen business days after the end of each month without clarifying what information will be included in such "reconciliation."⁴

4. Column has attempted to consensually resolve this issue by (a) asking the Debtors to include language in the Plan and Disclosure Statement that would expressly require the Plan Administrator to report the specific types of information relevant to Column's enforcement of the 9019 Order, (b) requesting the appointment of an unpaid committee to oversee the collection of accounts receivable, and (c) asking on numerous occasions for the Debtors to provide clarification of what information will be included in the "reconciliation" to determine if it would be sufficient. To date, the Debtors have rejected the requested clarifying language, refused to implement an oversight committee, and have not explained what information will be included in the "reconciliation," leaving Column with insufficient information regarding the Plan and Disclosure Statement and a concern that there will be deficient reporting and oversight to ensure compliance with the 9019 Order.

5. Accordingly, the Motion should be denied because the Plan and Disclosure Statement does not provide adequate information regarding the Plan Administrator's powers and

⁴ Plan and Disclosure Statement § VI.C.

obligations with respect to collection and distribution of accounts receivable to allow Column to make an informed decision regarding the Plan and Disclosure Statement.⁵

6. Additionally, Column is concerned that the Plan and Disclosure Statement as drafted has so little oversight and reporting that the Plan and Disclosure Statement will be unconfirmable because the Debtors will be unable to demonstrate that Column will be better off than they would be under a chapter 7. Because the Debtors are currently seeking approval only of the Disclosure Statement and solicitation procedures, Column will reserve such argument for the confirmation hearing but wishes to raise its concerns now given their importance.

BACKGROUND

7. On March 20, 2024 (the “**Petition Date**”), each of the above-captioned debtors (collectively, the “**Debtors**”) filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) and commenced their respective chapter 11 cases (the “**Chapter 11 Cases**”) in the United States Bankruptcy Court for the District of Delaware (this “**Court**”). These Chapter 11 Cases are jointly administered for procedural purposes only. *See* D.I. 79.

8. The Debtors continue to operate their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. On April 9, 2024, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the “**Committee**”) in these Chapter 11 Cases. *See* D.I. 131.

⁵ As further argued below, the Plan and Disclosure Statement also provides insufficient detail regarding the compensation of the Plan Administrator, whether he will owe Column and other creditors fiduciary duties, and the terms of any indemnification, exculpation, or limitations of liability relating to the Plan Administrator. Column reserves all rights regarding these issues with respect to confirmation of the Plan and Disclosure Statement.

A. The Motion to Convert and 9019 Motion

9. On January 16, 2025, Column filed *Column Financial, Inc.’s Motion to Convert Chapter 11 Cases to Chapter 7* [D.I. 1207] (the “**Motion to Convert**”) in which Column argued that the Chapter 11 Cases should be converted because, among other things, following the sale of the Debtors’ assets, the Debtors were administratively insolvent and continually accruing administrative expenses that constituted a substantial diminution of the estate.

10. In light of various disputes, the Debtors, the Committee, and Column engaged in discussions and settlement negotiations for many weeks. These discussions culminated in the parties entering into a settlement that, on February 13, 2025, was memorialized and brought before the Court in *Debtors’ Motion Pursuant to Bankruptcy Rule 9019 for Entry of an Order Approving Compromise and Agreement Between the Debtors, the Committee, and Column Financial, Inc.* [D.I. 1258] (the “**9019 Motion**”). Pursuant to this settlement, as set forth in the 9019 Motion, among other terms:

- (a) Column would receive, including under any plan of liquidation filed by the Debtors, all proceeds from collections of its collateral from December 4, 2024, and beyond, net of certain collection fees and a specified amount to be withheld for the Debtors’ estates (as defined in the 9019 Motion, the “**Estate Share**”);
- (b) Column would receive payment of its allocation of the purchase price from the sale of the Debtors’ assets;
- (c) Column would subordinate any remaining claim against any of the Debtors’ estates, including any remaining adequate-protection or diminution claims, to all general unsecured claims; and

(e) the Committee would dismiss the Adversary Proceeding⁶ against Column with prejudice, and the Debtors, the Committee, and Column would exchange mutual global releases.

11. On March 4, 2025, the Court entered its *Order Approving Compromise and Agreement Between the Debtors, the Committee, and Column Financial, Inc.* [D.I. 1310] (the “**9019 Order**”).

12. As a result of the 9019 Order and the settlement agreement approved thereby, Column received funds representing a recovery of approximately 44% of Column’s prepetition secured claim. Any further recovery to Column will come in the form of additional collections of accounts receivable attributable to Column’s prepetition collateral on the terms set forth in the 9019 Order.⁷

B. The Combined Plan and Disclosure Statement

13. On March 25, 2025, the Debtors filed *Debtors’ Combined Disclosure Statement and Chapter 11 Plan of Liquidation* [D.I. 1365] (the “**Plan and Disclosure Statement**”).

14. The Plan and Disclosure Statement classifies Column’s claim into Class 1a, of which Column is the sole member.⁸ Column’s treatment under the Plan and Disclosure Statement aligns with the 9019 Order in that Column shall receive all additional proceeds from collections

⁶ On August 7, 2024, the Committee commenced the adversary proceeding styled as *The Official Committee of Unsecured Creditors on Behalf of the Bankruptcy Estates of SC Healthcare Holding, LLC, et al., v. Column Financial, Inc., et al.*, Adv. Pro. No. 24-50099 (the “**Adversary Proceeding**”). In the Adversary Proceeding, the Committee asserted causes of action for (i) avoidance and recovery of fraudulent transfers and (ii) determination of the priority, extent, and validity of Column’s prepetition liens, security interests, and mortgages granted to Column by certain Debtors under Column’s prepetition loan facilities. On April 4, 2025, pursuant to the settlement with Column and the Debtors, the Committee dismissed the Adversary Proceeding with prejudice. *See* Adv. Pro. D.I. 45.

⁷ Under the 9019 Order, Column is entitled to receive any unused escrows and any property-tax and insurance refunds, in each case related to Column’s collateral. Column remains concerned about recent statements of the Debtors that call into question Column’s entitlement to those escrows and refunds, assertions (without support) that Column was “overpaid” as part of the initial distribution of the settlement amounts, and contentions that the Debtors are entitled to withhold \$1 million of collections (above and beyond the pre-effective date cap) from distribution to Column. Column reserves the right to seek to enforce the 9019 Order against the Debtors as necessary.

⁸ Column reserves all rights regarding whether its claim is appropriately classified, as well as all other potential objections to confirmation.

of its collateral from December 4, 2024, and beyond, net of (i) varying collection fees charged by third-party collection agents engaged by the Debtors and (ii) the Estate Share. *See* Plan and Disclosure Statement § V.B.1.a.

15. Pursuant to the Plan and Disclosure Statement, David R. Campbell, the Debtors' Chief Restructuring Officer, will be appointed as Plan Administrator on the Effective Date of the Plan and Disclosure Statement in order to, among other rights, powers, and duties, reconcile and collect all outstanding accounts receivable and distribute the proceeds in accordance with the Plan and Disclosure Statement and the 9019 Order. *Id.* § VI.A, B. The Plan and Disclosure Statement provides the Plan Administrator with the sole power of collection and distribution of accounts receivable and requires him to perform a "reconciliation" and distribution of accounts receivable within fourteen business days of the end of each calendar month. *Id.* § VI.C.

16. The Plan Administrator's appointment—as well as the details of the Plan Administrator's compensation, procedures to ensure that the Plan Administrator appropriately allocates and records fees and expenses, and the procedures and restrictions the Plan Administrator must observe in funding the reserve fund for fees and costs associated with winding down the estate (as defined in the Plan and Disclosure Statement, the "**Plan Administrator Reserve**")—shall be governed by a yet-to-be-filed Plan Administrator Agreement. *Id.* § VI.E. The Plan Administrator Agreement shall be filed as part of the Plan Supplement, which has not yet been filed and, per the terms of the Plan and Disclosure Statement, must only be filed at least seven days before the Voting Deadline, which is currently set for May 16, 2025. *See id.* § I.A.

17. To Column's knowledge, none of the terms of the Plan Administrator Agreement have yet been shared with parties in interest, including Column. Furthermore, while the Plan

Administrator Agreement must be in a form consented to by the Committee, Column has no such consent rights with regard to the form or substance of the Plan Administrator Agreement.

18. As such, as currently proposed, the Plan and Disclosure Statement seems to provide the Plan Administrator with non-transparent and unfettered control over the Debtors' primary remaining asset (and sole source of any additional recovery for secured creditors such as Column) with no means for Column to assure itself that the Plan Administrator will adequately and efficiently perform his role.

OBJECTION

The Motion should be denied because the Plan and Disclosure Statement does not provide adequate information about the Plan Administrator Agreement or the accounts-receivable collection process to enable Column to make an informed judgment about the Plan and Disclosure Statement.

19. Section 1125 of the Bankruptcy Code requires that a disclosure statement be “approved, after notice and a hearing, by the court as containing adequate information.” 11 U.S.C. § 1125(b). The Bankruptcy Code defines “adequate information” as “information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, . . . that would enable . . . a hypothetical investor of the relevant class to make an informed judgment about the plan” 11 U.S.C. § 1125(a)(1). The Plan and Disclosure Statement does not provide sufficient information regarding the Plan Administrator Agreement or about the process the Plan Administrator will follow as he collects and distributes accounts receivable to enable Column to make an informed judgment as to whether the Plan and Disclosure Statement will maximize any remaining recovery to which Column is entitled and, thus, whether Column should vote in favor of the Plan and Disclosure Statement.

20. The Plan Administrator will be shouldered with significant responsibility following the Effective Date, as he will have the sole power to enact the 9019 Order and collect and distribute the Debtors' accounts receivable, which represent the sole source of any additional recovery. Column and other secured creditors will receive in these Chapter 11 Cases. As such, it is vital for Column to have, and for the Plan and Disclosure Statement to provide, full transparency with regard to the Plan Administrator's rights, powers, duties, and obligations and the procedures he must follow as he collects and distributes accounts receivable. The Plan and Disclosure Statement, however, falls well short of providing Column the information it requires.

21. Despite Column's requests, the Debtors have (a) not agreed to share a draft Plan Administrator Agreement with Column in advance of filing the Plan Supplement, (b) refused repeated requests to clarify what information will be included in the "reconciliation" provided by the Plan Administrator,⁹ (c) rejected language suggested by Column to require the reporting of certain information relevant to the enforcement of the 9019 Order, and (d) denied a request to appoint an **unpaid** committee to oversee collection and distribution of accounts receivable. The Plan and Disclosure Statement also provides no details regarding the Plan Administrator's compensation. Thus, the Plan and Disclosure Statement provides insufficient information regarding the guardrails, if any, that will govern the Plan Administrator to ensure compliance with the 9019 Order and that post-Effective Date administrative expenses do not further deplete any remaining accounts receivable.¹⁰

⁹ The Plan and Disclosure Statement provides, without further detail, that each month the Plan Administrator "shall perform a reconciliation of accounts receivable and make distributions within fourteen (14) days of the last day of each calendar month." Plan and Disclosure Statement § VI.C.

¹⁰ As Column asserted in its Motion to Convert, Column has significant concerns regarding the Debtors' ongoing accrual of administrative expenses. Without knowing the terms of the Plan Administrator Agreement, Column has no way of knowing what guardrails, if any, will be in place to manage these expenses following the Effective Date of the Plan and Disclosure Statement to ensure that they comply with the 9019 Order.

22. While Column acknowledges that some of these issues could be addressed in the Plan Administrator Agreement and that it is not uncommon to file such agreements with a Plan Supplement, here, the issues are so fundamental that the Court should not approve solicitation until the Debtors address them.¹¹

RESERVATION OF RIGHTS

23. Because the Debtors currently seek only approval of the Disclosure Statement and solicitation procedures, Column reserves all rights regarding objections to confirmation. However, Column notes that, as currently drafted, it has concerns that the Plan and Disclosure Statement is unconfirmable. Among other issues, as currently drafted and based on the Debtors' refusal to provide proper reporting and oversight to ensure compliance with the 9019 Order, the Debtors may not be able to show that the Plan and Disclosure Statement provides a better recovery for Column than a chapter 7 would provide.

24. Specifically, the Debtors cannot demonstrate that the Plan Administrator can more efficiently collect and distribute accounts receivable than any chapter 7 trustee. The Plan and Disclosure Statement proposes to leave the Debtors' current leadership—Chief Restructuring Officer David Campbell—in place to serve as Plan Administrator and remain in control of collection and distribution of accounts receivable. The Plan and Disclosure Statement does not provide for any oversight of the Plan Administrator's collection efforts, does not expressly require adequate reporting requirements as to the status of these efforts, and does not (in its current form) appear to provide any guardrails to ensure compliance with the 9019 Order such as proper allocation of expenses.

¹¹ Column also objects to the failure to provide a Liquidation Analysis. Without this liquidation analysis, the Debtors cannot show—and Column cannot determine—whether Column will be better off under the Plan and Disclosure Statement or under chapter 7.

25. Though a chapter 7 process would involve its own expenses, at this stage Column is not convinced that the chapter 7 process would be as or more expensive than the Plan and Disclosure Statement would be as proposed. Additionally, the chapter 7 process would involve a degree of oversight and transparency well above what the Plan and Disclosure Statement proposes, which would allow Column to remain engaged with the chapter 7 trustee as necessary and, at a minimum, apprised of the status of the trustee's collection efforts. For example, the chapter 7 trustee must "unless the court orders otherwise, furnish such information concerning the estate and the estate's administration as is requested by a party in interest[.]" 11 U.S.C. § 704(a)(7). Furthermore, the chapter 7 trustee would clearly have fiduciary duties to Column and other creditors, whereas the Plan Administrator is merely an unmoored creation of the Plan and Disclosure Statement with no duties beyond those provided in the Plan and Disclosure Statement and the Plan Administrator Agreement.

26. Accordingly, Column reserves all rights as to this and other confirmation issues.

WHEREFORE, Column, as administrative agent and collateral agent for the Column Lenders, objects to the relief requested in the Motion as set forth above and reserves its right to raise any additional objections at the hearing on same.

Dated: April 8, 2025
Wilmington, Delaware

Respectfully submitted,

LANDIS RATH & COBB LLP

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**IN THE UNITED STATES BANKRUPTCY COURT
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Chapter 11

Case No. 24-10443 (TMH)

(Jointly Administered)

CERTIFICATE OF SERVICE

I, Joshua B. Brooks, Esquire, hereby certify that on April 8, 2025, a true and correct copy of the *Objection of Column Financial, Inc. to Debtors' Motion for Entry of an Order (I) Approving the Combined Plan and Disclosure Statement on an Interim Basis for Solicitation Purposes Only; (II) Establishing the Deadline for Administrative Expenses Claims; (III) Establishing Solicitation and Voting Procedures; (IV) Approving the Form of Ballots and Solicitation Materials; (V) Establishing the Voting Record Date; (VI) Fixing the Date, Time, and Place for the Combined Hearing and the Deadlines for Filing Objections Thereto; and (VII) Granting Related Relief* was caused to be served on the following parties via CM/ECF and/or Electronic Mail:

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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 are not provided herein. A complete list of such information will be made available on a website of the Debtors' claims and noticing agent at www.kccclc.net/Peterson.

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Dated: April 8, 2025
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/s/ Joshua B. Brooks

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