

**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: August 5, 2025 at 2:00 p.m. (ET)

Objection Deadline: July 25, 2025 at 4:00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER
(I) APPROVING THE DISMISSAL OF CERTAIN OF THE
DEBTORS' CHAPTER 11 CASES AND (II) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (each, a “Debtor” and, collectively, the “Debtors”) hereby submit this motion (this “Motion”) for entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Proposed Order”), pursuant to sections 105(a), 305, 349, and 1112(b) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), (i) approving the dismissal of the Chapter 11 Cases (as defined below) currently pending for the following Debtors: El Paso HCC, LLC, Flanagan HCC, LLC, Kewanee AL, LLC, Knoxville AL, LLC, Legacy Estates AL, LLC, Marigold HCC, LLC, Monmouth AL, LLC, Polo, LLC, El Paso HCO, LLC, Flanagan HCO, LLC, CYE Kewanee HCO, LLC, CYE Knoxville HCO, LLC, Legacy HCO, LLC, Marigold HCO, LLC, CYE Monmouth HCO, LLC, and Polo HCO, LLC (collectively, the “El Paso Receivership Debtors”) and (ii) granting related relief. In support of this Motion, the Debtors respectfully represent as follows:

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, P.O. Box 620, Delavan, IL 61734. 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 www.kccllc.net/Petersen.



2410443250711000000000001

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over this matter pursuant to 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 as of February 29, 2012 (the “Amended Standing Order”). The Debtors confirm their consent, pursuant to Rule 9013-1(f) of the Local Rules of the United States Bankruptcy Court for the District of Delaware, to the entry of a final order by the Court with respect to this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory and legal predicates for the relief requested herein are sections 105(a), 305, 349, and 1112(b) of the Bankruptcy Code.

BACKGROUND

I. General Background

4. On March 20, 2024, the Debtors each commenced with the Court a voluntary case (these “Chapter 11 Cases”) under chapter 11 of the Bankruptcy Code. The Debtors, with the exception of the El Paso Receivership Debtors, are authorized to operate their businesses and manage their properties as debtors in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. On or about April 9, 2024, the Office of the United States Trustee for the District of Delaware (the “U.S. Trustee”) appointed an official committee of unsecured creditors [Docket

No. 131] (the “Committee”). On April 16, 2024, the U.S. Trustee appointed a patient care ombudsman [Docket No. 160] (the “Patient Care Ombudsman”) in these Chapter 11 Cases.

6. The factual background regarding the Debtors, including their business operations, capital and debt structure, and the events leading to the filing of these Chapter 11 Cases, is set forth in more detail in the *Debtors’ Combined Disclosure Statement and Chapter 11 Plan of Liquidation* [Docket No. 1410] (the “Plan”, the “Disclosure Statement”, or the “Combined Disclosure Statement and Plan”).²

7. On June 11, 2025, the Court entered its *Findings of Fact, Conclusions of Law, and Order Confirming the Debtors’ Combined Disclosure Statement and Chapter 11 Plan of Liquidation, and Granting Related Relief* [Docket No. 1678] (the “Confirmation Order”), thereby confirming the Plan as to all Debtors in these Chapter 11 Cases with the exception of the El Paso Receivership Debtors, whose Chapter 11 Cases have been suspended since May 21, 2024, in accordance with the X-Caliber Order (as defined below). *See* Confirmation Order, ¶ 62.

II. Background Relevant to Dismissal of the El Paso Receivership Debtors’ Chapter 11 Cases

A. The Litigation with X-Caliber

8. On March 21, 2024, X-Caliber Funding LLC, in its capacity as servicer for U.S. Bank, N.A., as trustee of XCAL 2019-IL01 MORTGAGE TRUST, as lender to the El Paso Receivership Debtors and certain non-Debtor affiliates (“X-Caliber”), filed in these Chapter 11 Cases its (A) *Emergency Motion to Excuse Receiver’s Compliance with 11 U.S.C. § 543(a) & (b)* [Docket No. 59] (the “543 Motion”), (B) *Emergency Motion for an Order (I) Dismissing the Subject Chapter 11 Cases, (II) For Abstention, or (III) Appointment of Receiver as the Chapter 11*

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Combined Disclosure Statement and Plan or in the X-Caliber Stipulation (as defined below), as applicable.

Trustee [Docket No. 60] (the “Motion to Dismiss”), and (C) *X-Caliber Funding LLC’s Preliminary Objection to Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Security Interests and Superpriority Administrative Expense Status, (III) Granting Adequate Protection to Certain Prepetition Secured Credit Parties, (IV) Modifying the Automatic Stay, (V) Authorizing the Debtors to Enter Into Agreements with JMB Capital Partners Lending, LLC, (VI) Authorizing Non-Consensual Use of Cash Collateral, (VII) Scheduling a Final Hearing, and (VIII) Granting Related Relief* [Docket No. 61] (the “DIP Objection”).

9. On April 1, 2024, pursuant to agreement between the Debtors and X-Caliber, the Court entered the *Order Approving Stipulation to Retain Receiver for Subject Receivership Debtors Pending Further Court Order* [Docket No. 110].

10. On April 2, 2024, the Debtors filed *Debtors’ Motion for Entry of an Order Dismissing the Chapter 11 Case of Petersen MT4, LLC and Granting Related Relief* [Docket No. 118] (the “MT4 Motion to Dismiss”).

11. On April 18, 2024, the U.S. Trustee filed the *Limited Objections and Reservations of Rights* with respect to both the Motion to Dismiss and the 543 Motion [Docket Nos. 170 and 171] (collectively, with the 543 Motion, the Motion to Dismiss, the DIP Objection, the MT4 Motion to Dismiss, and any pleadings filed in response thereto (as and to the extent such pleadings respond thereto) the “Resolved Pleadings”).

12. After discovery and extensive arms’ length negotiations between the Debtors, X-Caliber, the U.S. Trustee, and the Committee, the Debtors submitted under certification of counsel the *Stipulation to Resolve (I) X-Caliber’s (A) Motion to Dismiss, (B) 543 Motion, and*

(C) *DIP Objection*, and (II) *the Debtors' MT4 Motion to Dismiss* (the "X-Caliber Stipulation") with respect to the Resolved Pleadings.

13. On May 21, 2024, the Court entered an order approving the X-Caliber Stipulation [Docket No. 340] (the "X-Caliber Order"). The X-Caliber Stipulation and the X-Caliber Order provided, among other things, that the Chapter 11 Cases of the El Paso Receivership Debtors were suspended pursuant to section 305 of the Bankruptcy Code.

14. Pursuant to the X-Caliber Stipulation, to the extent the Debtors received one or more binding offers acceptable to the Debtors for all of the assets of one or more of the El Paso Receivership Debtors, the suspension of the El Paso Receivership Debtors' Chapter 11 Cases was to be lifted to allow the El Paso Receivership Debtors, in consultation with X-Caliber and the Committee, to finalize a sale under section 363 of the Bankruptcy Code. *See* X-Caliber Stip. ¶ 2(c). The Debtors did not receive any acceptable bids for the assets of any of the El Paso Receivership Debtors. Accordingly, on July 3, 2024, X-Caliber filed the *X-Caliber Funding LLC's and X-Caliber Capital, LLC's Notice of Non-Consent to Sale* [Docket No. 610] (the "Notice of Non-Consent"), thereby exercising its consent right under the X-Caliber Order to reject the sale of the El Paso Receivership Debtors' assets pursuant to the Portfolio Bid or the SLF Bid (each as defined in the Notice of Non-Consent).

15. On October 11, 2024, X-Caliber assigned the debt and the loan documents applicable to the El Paso Receivership Debtors to Illinois Debt Acquisition Company, L.L.C., which was thereafter substituted as the plaintiff in the El Paso *et al.* Court.

16. As of the date hereof, the El Paso Receivership Debtors' Chapter 11 Cases remain suspended.

B. The Debtors' Winddown

17. On March 25, 2025, the Debtors filed the Combined Disclosure Statement and Plan, [Docket No. 1365], which was amended on April 16, 2025 [Docket No. 1398] and April 21, 2025 [Docket No. 1410], respectively.

18. On April 12, 2025, the Court entered that certain *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* [Docket No. 1413], (i) approving the Disclosure Statement on an interim basis, (ii) scheduling a combined hearing to approve the Disclosure Statement on a final basis and to confirm the Plan (the “Combined Hearing”), and (iii) establishing procedures for solicitation of the Plan and tabulation of votes to accept or reject the Plan.

19. On June 10, 2025, the Court held the Combined Hearing to consider final approval and confirmation of the Combined Disclosure Statement and Plan.

20. On June 11, 2025, the Court entered the Confirmation Order, thereby approving the Disclosure Statement on a final basis and confirming the Plan for all Debtors other than the El Paso Receivership Debtors (such Debtors, the “Confirmation Debtors”). With respect to the El Paso Receivership Debtors, the Confirmation Order expressly provides that “the Plan does not constitute a chapter 11 plan for the . . . El Paso Receivership Debtors, whose bankruptcy cases remain suspended under section 305 of the Bankruptcy Code [T]he El Paso Receivership Debtors’ bankruptcy cases will remain suspended, all matters related to the El Paso Receivership

Debtors will be addressed solely in the *El Paso et al.* Court, and no “remaining estates” of the El Paso Receivership Debtors will be remitted to the Debtors in these cases” Confirmation Order ¶ 62.

21. The Debtors expect that the Combined Disclosure Statement and Plan will go effective in the near term, thereby formally commencing the wind down of the Confirmation Debtors’ estates by the Liquidating Trustee and the Plan Administrator. Accordingly, in connection with the Combined Disclosure Statement and Plan going effective and the transition of the Confirmation Debtors’ Chapter 11 Cases to the Liquidating Trustee and the Plan Administrator, the Debtors seek dismissal of the El Paso Receivership Debtors’ Chapter 11 Cases so that the El Paso Receivership Debtors can continue to be managed by the Receiver and operate in the ordinary course of their business, with any and all matters related to such El Paso Receivership Debtors to be addressed by the *El Paso et al.* Court, to bring finality to the El Paso Receivership Debtors’ Chapter 11 Cases in the Court.

RELIEF REQUESTED

22. By this Motion, the Debtors seek entry of the Proposed Order, substantially in the form attached hereto as **Exhibit A**, (i) approving the dismissal of the El Paso Receivership Debtors’ Chapter 11 Cases upon entry of the Proposed Order and (ii) granting certain other related relief.

BASIS FOR RELIEF

A. The Court Must Dismiss the El Paso Receivership Debtors’ Chapter 11 Cases if the Elements for “Cause” Are Shown Under Section 1112(b)(4) of the Bankruptcy Code

23. Pursuant to section 1112(b)(1) of the Bankruptcy Code, absent unusual circumstances, a court shall dismiss a bankruptcy case “for cause.” Section 1112(b)(1) of the Bankruptcy Code states, in pertinent part:

on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause...

11 U.S.C. § 1112(b)(1). The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (“BAPCPA”) changed the statutory language with respect to conversion and dismissal from permissive to mandatory.³ See H.R. Rep. 109-31(I), at 442, *reprinted in* 2005 U.S.C.C.A.N. 88, 94 (stating that the Act “mandate[s] that the court convert or dismiss a chapter 11 case, whichever is in the best interests of creditors and the estate, if the movant establishes cause, absent unusual circumstances.”); see also *In re Gateway Access Solutions, Inc.*, 374 B.R. 556 (Bankr. M.D. Pa. 2007) (stating that the amendments to section 1112 of the Bankruptcy Code limit the court’s discretion to refuse to dismiss or convert a chapter 11 case upon a finding of cause); accord *In re TCR of Denver, LLC*, 338 B.R. 494, 498 (Bankr. D. Colo. 2006) (“Congress has purposefully limited the role of the Court in deciding issues of conversion or dismissal such that the Court has no choice, and no discretion in that it ‘shall’ dismiss or convert a case under Chapter 11 if the elements for ‘cause’ are shown under 11 U.S.C. § 1112(b)(4).”).

24. The amendments to section 1112 of the Bankruptcy Code thus limit the Court’s discretion to refuse to dismiss or convert a chapter 11 case upon a finding of cause. *In re 3 Ram, Inc.*, 343 B.R. 113, 119 (Bankr. E.D. Pa. 2006) (“Under new § 1112 when cause is found, the court shall dismiss or convert unless special circumstances exist that establish that the requested

³ Prior to BAPCPA, a bankruptcy court had wide discretion to use its equitable powers to dispose of a debtor’s case but was not mandated to dismiss a case if cause were shown. H.R. Rep. No. 95-595, at 405 (1977), *reprinted in* 1978 U.S.C.C.A.N. 5963; S. Rep. No. 95-989, at 117 (1978), *reprinted in* 1978 U.S.C.C.A.N. 5787; see also *Small Business Admin. v. Preferred Door Co. (In re Preferred Door Co.)*, 990 F.2d 547, 549 (10th Cir. 1993) (a court has broad discretion to dismiss a bankruptcy case); *In re Sullivan Cent. Plaza I, Ltd.*, 935 F.2d 723, 728 (5th Cir. 1991) (determination of whether cause exists under § 1112(b) “rests in the sound discretion” of the bankruptcy court); *In re Koerner*, 800 F.2d 1358, 1367 & n. 7 (5th Cir. 1986) (bankruptcy court is afforded “wide discretion” under section 1112(b)).

conversion or dismissal is not in the best interests of creditors and the estate.”); *see also In re Broad Creek Edgewater, LP*, 371 B.R. 752, 759 (Bankr. D.S.C. 2007).

25. For the reasons outlined herein, the Debtors submit that cause exists to dismiss the El Paso Receivership Debtors’ Chapter 11 Cases, which is in the best interests of the El Paso Receivership Debtors, their estates, and their creditors. Importantly, the Committee supports the relief requested herein. The Debtors sought the Receiver’s position prior to the filing of this Motion but have not received a response from the Receiver as of the date hereof.

B. Cause Exists to Dismiss the El Paso Receivership Debtors’ Chapter 11 Cases Because the El Paso Receivership Debtors Have No Reasonable Likelihood of Rehabilitation in these Chapter 11 Cases

26. Section 1112(b)(4) of the Bankruptcy Code provides a non-exhaustive list of sixteen (16) grounds for dismissal. 11 U.S.C. § 1112(b)(4)(A)-(P); *see In re Gateway Access Solutions*, 374 B.R. at 561 (“Generally, such lists are viewed as illustrative rather than exhaustive, and the Court should ‘consider other factors as they arise.’” (quoting *In re Brown*, 951 F.2d 564, 572 (3d Cir. 1991))); *In re 3 Ram, Inc.*, 343 B.R. at 117 (“While the enumerated examples of ‘cause’ to convert or dismiss a chapter 11 case now listed in § 1112(b)(4) have changed under BAPCPA, the fact that they are illustrative, not exhaustive has not.”); *accord In re Frieouf*, 938 F.2d 1099, 1102 (10th Cir. 1991) (stating that section 1112(b)’s list is non-exhaustive).⁴ One such ground is where a party in interest shows that there is a “substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation.” 11 U.S.C. § 1112(b)(4)(A).

⁴ In *In re TCR of Denver*, the court recognized the apparent typographical error in section 1112(b)(4) of the Bankruptcy Code. *See* 338 B.R. at 498. The sixteen (16) illustrative examples of “cause” set forth in that section are linked by the word “and” after subsection (O). Accordingly, strict construction of the statute would require that a debtor establish all of the items constituting “cause” before a case can be dismissed by the court. However, the *TCR* court held that Congress could not have intended to require a “perfect storm” of all sixteen (16) circumstances listed before a case be converted or dismissed. *Id.*

27. To demonstrate a continuing loss to or diminution of the estate and absence of a reasonable likelihood of rehabilitation, a debtor must establish: (a) that there has been a diminution of value of the estate; and (b) the debtor does not have a “reasonable likelihood of rehabilitation.” *See, e.g., In re Citi-Toledo Partners*, 170 B.R. 602, 606 (Bankr. N.D. Ohio 1994) (“Section 1112(b)(1) contemplates a ‘two-fold’ inquiry into whether there has been a ‘continuing diminution of the estate and absence of a reasonable likelihood of rehabilitation.’” (citing *In re Photo Promotion Associates, Inc.*, 47 B.R. 454, 458 (Bankr. S.D.N.Y. 1985))).

28. Under the two-fold inquiry, the El Paso Receivership Debtors must first demonstrate that there has been a diminution of value of their estates. *See, e.g., In re Citi-Toledo Partners*, 170 B.R. at 606 (finding that accumulation of real estate taxes impaired the value of the estate). Second, the El Paso Receivership Debtors must demonstrate that they have no “reasonable likelihood of rehabilitation.” *See, e.g., In re Clarkson*, 767 F.2d 417, 420 (8th Cir. 1985) (dismissal warranted where “the absence of financial data and certain sources of income for the [debtors] indicate[d] the absence of a reasonable likelihood of rehabilitation”).

29. Here, the El Paso Receivership Debtors satisfy the two-fold inquiry. First, the El Paso Receivership Debtors have no property subject to these Chapter 11 Cases to liquidate and distribute to satisfy the claims of any class of creditors. Indeed, the Notice of Non-Consent set forth that X-Caliber did not consent to the sale of the El Paso Receivership Debtors’ assets in connection with the Debtors’ sale process in these Chapter 11 Cases as provided for by the X-Caliber Order—the El Paso Receivership Debtors’ assets were not sold as part of the Sales—and the El Paso Receivership Debtors’ assets are and have been managed by the Receiver outside of the Court’s supervision for over a year in accordance with the X-Caliber Stipulation. Second, the El Paso Receivership Debtors’ have no “reasonable likelihood of rehabilitation” in these

Chapter 11 Cases; their Chapter 11 Cases have been suspended for over a year with no expectation of a change in circumstances. Moreover, the Plan was not confirmed as to the El Paso Receivership Debtors and the Debtors do not intend to confirm a plan or wind down the El Paso Receivership Debtors in these Chapter 11 Cases given that their affairs are managed by the Receiver and overseen by a different court. Accordingly, the Debtors submit that cause exists to dismiss the El Paso Receivership Debtors' Chapter 11 Cases.

C. Dismissal Is in the Best Interests of the El Paso Receivership Debtors' Creditors and Estates

30. Once a court determines that cause exists to dismiss a debtor's chapter 11 case, the court must evaluate whether dismissal is in the best interests of the debtor's creditors and of the estate. *See, e.g., In re Superior Siding & Window*, 14 F.3d 240, 242 (4th Cir. 1994) ("Once 'cause' is established, a court is required to consider this second question of whether to dismiss or convert."). A variety of factors demonstrate that it is in the best interest of the El Paso Receivership Debtors' estates and their creditors to dismiss their Chapter 11 Cases.

31. *First*, a dismissal of a chapter 11 bankruptcy case meets the best interests of creditors test where a debtor has nothing to reorganize. *See In re Camden Ordnance Mfg. Co. of Ark., Inc.*, 245 B.R. 794, 799 (E.D. Pa. 2000) (reorganization to salvage business which ceased business was unfeasible); *In re Brogdon Inv. Co.*, 22 B.R. 546, 549 (Bankr. N.D. Ga. 1982) (court dismissed chapter 11 proceeding in part where there was "simply nothing to reorganize" and no reason to continue the reorganization). As explained above, the El Paso Receivership Debtors have nothing to reorganize in these Chapter 11 Cases because their affairs and assets are managed by the Receiver under the supervision of the *El Paso et al.* Court. Thus, the Debtors believe it is in the best interests of the El Paso Receivership Debtors' creditors to dismiss their Chapter 11 Cases. Notably, as stated above, the Committee supports the relief sought herein.

32. *Second*, the best interests of creditors test is met where a debtor demonstrates the ability to oversee its own liquidation without bankruptcy court oversight. *See Camden Ordinance*, 245 B.R. at 798; *Mazzocone*, 183 B.R. at 412 (“Only when a Chapter 11 debtor has no intention or ability to . . . perform its own liquidation . . . should a debtor be permitted to remain in bankruptcy.”). Here, the El Paso Receivership Debtors have no assets to liquidate in these Chapter 11 Cases. The ultimate wind-down and dissolution, as applicable, of the El Paso Receivership Debtors can be accomplished outside the auspices of the Court. As set forth in the Combined Disclosure Statement and Plan, the El Paso Receivership Debtors remain subject to the jurisdiction of the *El Paso et al.* Court and the management of the Receiver, and any and all rights of creditors with respect to the El Paso Receivership Debtors are expressly preserved and may be pursued in the *El Paso et al.* Court. *See* Combined Plan and Disclosure Statement IV.A.3.f.

D. Dismissal of the El Paso Receivership Debtors’ Chapter 11 Cases Is Warranted Under Section 305(a) of the Bankruptcy Code

33. Alternatively, cause exists to dismiss the El Paso Receivership Debtors’ chapter 11 cases pursuant to section 305(a) of the Bankruptcy Code, which provides that:

(a) The court, after notice and a hearing, may dismiss a case under this title or may suspend all proceedings in a case under this title, at any time if—

(1) the interests of creditors and the debtor would be better served by such dismissal or suspension[.]

11 U.S.C. § 305(a).

34. Dismissal pursuant to section 305(a) of the Bankruptcy Code is appropriate where the court finds that both creditors and the debtor would be better served by dismissal. *In re AMC Investors, LLC*, 406 B.R. 478, 487–88 (Bankr. D. Del. 2009). Dismissal under this provision is determined on a case-by-case basis and rests in the sound discretion of the bankruptcy court. *In re Sky Group Intern, Inc.*, 108 B.R. 86, 91 (Bankr. W.D. Pa. 1989). Many factors are considered

when determining the best interests of creditors and the debtor, including (a) the economy and efficiency of administration, (b) whether federal proceedings are necessary to reach a just and equitable solution, (c) whether there is an alternative means of achieving an equitable distribution of assets, and (d) whether the debtor and the creditors are able to work out a less expensive out-of-court arrangement which better serves all interests in the case. *AMC Investors*, 406 B.R. at 488.

35. As described above, cause exists for dismissal. With no assets to administer or distribute in these Chapter 11 Cases, and with the El Paso Receivership Debtors' affairs subject to the Receiver's management and the *El Paso et al.* Court's oversight, conversion of the El Paso Receivership Debtors' Chapter 11 Cases to chapter 7 would not bring any benefit to the El Paso Receivership Debtors' creditors or their estates. Any and all matters related to the El Paso Receivership Debtors can, and should be, addressed in the *El Paso et al.* Court as contemplated by the X-Caliber Stipulation, the Combined Disclosure Statement and Plan, and the Confirmation Order, to the extent such documents affect the El Paso Receivership Debtors and their creditors. Accordingly, the Debtors submit that cause exists to dismiss the El Paso Receivership Debtors' Chapter 11 Cases.

NOTICE

36. Notice of this Motion has been provided to the following parties or, in lieu thereof, to their counsel, if known: (a) the U.S. Trustee; (b) counsel to the Committee; (c) counsel to X-Caliber; (d) counsel to the Receiver; (e) the office of the attorney general for each of the states in which the Debtors operate; (f) United States Attorney's Office for the District of Delaware; (g) counsel to the Prepetition Lenders; (h) counsel to the Patient Care Ombudsman; (i) all known creditors of the El Paso Receivership Debtors; and (j) any party that has requested notice pursuant

to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

[Remainder of Page Intentionally Left Blank]

WHEREFORE, the Debtors respectfully request that the Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, (i) approving the dismissal of the El Paso Receivership Debtors' Chapter 11 Cases, only, and (ii) granting to the Debtors such other and further relief as the Court may deem just and proper.

[Signature Page Follows]

Dated: July 11, 2025
Wilmington, Delaware

Respectfully submitted,

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

/s/ Shella Borovinskaya

Andrew L. Magaziner (No. 5426)
Shella Borovinskaya (No. 6758)
Carol E. Thompson (No. 6936)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Email: amagaziner@ycst.com
sborovinskaya@ycst.com
cthompson@ycst.com

and

WINSTON & STRAWN LLP

Daniel J. McGuire (admitted *pro hac vice*)
Gregory M. Gartland (admitted *pro hac vice*)
35 W. Wacker Drive
Chicago, IL 60601
Telephone: (713) 651-2600
Facsimile: (312) 558-5700
T: (312) 558-5600
Email: dmcguire@winston.com
Email: ggartland@winston.com

and

Carrie V. Hardman (admitted *pro hac vice*)
200 Park Avenue
New York, New York 10166
Telephone: (212) 294-6700
Facsimile: (212) 294-4700
Email: chardman@winston.com

Counsel for the Debtors and Debtors in Possession

**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: August 5, 2025 at 2:00 p.m. (ET)

Objection Deadline: July 25, 2025 at 4:00 p.m. (ET)

NOTICE OF MOTION

PLEASE TAKE NOTICE that the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed the *Debtors’ Motion for Entry of an Order (I) Approving the Dismissal of Certain of the Debtors’ Chapter 11 Cases and (II) Granting Related Relief* (the “Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

PLEASE TAKE FURTHER NOTICE that any objections to the Motion must be filed on or before **July 25, 2025 at 4:00 p.m. (ET)** (the “Objection Deadline”) with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must serve a copy of the objection upon the undersigned counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING TO CONSIDER THE MOTION WILL BE HELD ON AUGUST 5, 2025 AT 2:00 P.M. (ET) BEFORE THE HONORABLE THOMAS M. HORAN, UNITED STATES BANKRUPTCY COURT JUDGE FOR THE DISTRICT OF DELAWARE, 824 N. MARKET STREET, 3RD FLOOR, COURTROOM NO. 7, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT, IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR A HEARING.

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, P.O. Box 620, Delavan, IL 61734. 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 <https://www.kccllc.net/Petersen>.

Dated: July 11, 2025
Wilmington, Delaware

Respectfully submitted,

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

/s/ Shella Borovinskaya

Andrew L. Magaziner (No. 5426)
Shella Borovinskaya (No. 6758)
Carol E. Thompson (No. 6936)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Email: amagaziner@ycst.com
sborovinskaya@ycst.com
cthompson@ycst.com

and

WINSTON & STRAWN LLP

Daniel J. McGuire (admitted *pro hac vice*)
Gregory M. Gartland (admitted *pro hac vice*)
35 W. Wacker Drive
Chicago, IL 60601
Telephone: (713) 651-2600
Facsimile: (312) 558-5700
T: (312) 558-5600
Email: dmcguire@winston.com
Email: ggartland@winston.com

and

Carrie V. Hardman (admitted *pro hac vice*)
200 Park Avenue
New York, New York 10166
Telephone: (212) 294-6700
Facsimile: (212) 294-4700
Email: chardman@winston.com

*Counsel for the Debtors and Debtors in
Possession*

EXHIBIT A

Proposed Dismissal 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.

**ORDER (I) APPROVING THE DISMISSAL OF CERTAIN OF THE
DEBTORS' CHAPTER 11 CASES AND (II) GRANTING RELATED RELIEF**

Upon consideration of the motion (the “Motion”)² of the Debtors for entry of an order (this “Order”), pursuant to sections 105(a), 305(a), 349, and 1112(b) of the Bankruptcy Code and Bankruptcy Rule 1017, (i) dismissing the El Paso Receivership Debtors’ Chapter 11 Cases and (ii) granting related relief; and this Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and that this Court may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that due and proper notice of the Motion and the hearing thereon was adequate and appropriate under the circumstances and no other or further notice need be provided; and this Court having reviewed the

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, P.O. Box 620, Delavan, IL 61734. 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 www.kccllc.net/Petersen.

² Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Motion.

Motion; and upon the Motion and the record of any hearing on the Motion, as applicable; and this Court having determined that the legal and factual bases set forth in the Motion and at any applicable hearing establish just cause for the relief granted herein and that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, and all parties in interest; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. Pursuant to sections 1112(b) and 305(a) of the Bankruptcy Code, the Chapter 11 Cases of: (i) El Paso HCC, LLC (Case No. 24-10553); (ii) Flanagan HCC, LLC (24-10562); (iii) Kewanee AL, LLC (24-10576); (iv) Knoxville AL, LLC (Case No. 24-10579); (v) Legacy Estates AL, LLC (Case No. 24-10454); (vi) Marigold HCC, LLC (Case No. 24-10474); (vii) Monmouth AL, LLC (Case No. 24-10457); (viii) Polo, LLC (Case No. 24-10508); (ix) El Paso HCO, LLC (Case No. 24-10556); (x) Flanagan HCO, LLC (Case No. 24-10565); (xi) CYE Kewanee HCO, LLC (Case No. 24-10496); (xii) CYE Knoxville HCO, LLC (Case No. 24-10501); (xiii) Legacy HCO, LLC (Case No. 24-10459); (xiv) Marigold HCO, LLC (Case No. 24-10479); (xv) CYE Monmouth HCO, LLC (Case No. 24-10510); and (xvi) Polo HCO, LLC (Case No. 24-10505) are dismissed, effective as of the date of this Order.
3. Notwithstanding section 349 of the Bankruptcy Code, the X-Caliber Order, the X-Caliber Stipulation, and the Confirmation Order shall remain in full force and effect with respect to the El Paso Receivership Debtors, to the extent applicable as set forth therein, and shall survive the dismissal of the El Paso Receivership Debtors' Chapter 11 Cases.

4. To the extent applicable, each professional person's retentions by the El Paso Receivership Debtors' estates in these Chapter 11 Cases is terminated, effective immediately, without the need for further action on the part of this Court, the Debtors, or such firms.

5. The Debtors and the Clerk of Court are hereby authorized and empowered to take any and all steps necessary and appropriate to effectuate the terms of this Order.

6. The Clerk of the Court shall enter this Order individually on each of the dockets of the El Paso Receivership Debtors' Chapter 11 Cases and, thereafter, each docket shall be marked as "Closed."

7. To the extent applicable, Bankruptcy Rules 6004(h) and 6006(d) are waived, and this Order shall be effective and enforceable immediately upon entry.

8. Notwithstanding the dismissal of the El Paso Receivership Debtors' Chapter 11 Cases, this Court shall retain jurisdiction over all matters arising from or related to the interpretation, implementation, and enforcement of this Order and any other order of this Court entered in these Chapter 11 Cases.