

Vickie L. Driver
State Bar No. 24026886
Christina W. Stephenson
State Bar No. 24049535
Christopher M. Staine
State Bar No. 24104576
CROWE & DUNLEVY, P.C.
Spaces McKinney Avenue
1919 McKinney Avenue, Suite 100
Dallas, TX 75201
Telephone: 214.420.2163
Facsimile: 214.736.1762
Email: vickie.driver@crowedunlevy.com
Email: christina.stephenson@crowedunlevy.com
Email: christopher.staine@crowedunlevy.com

PROPOSED COUNSEL FOR THE DEBTORS

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § **Chapter 11**
§
THE LASALLE GROUP, INC., et al.,¹ § **Case No. 19-31484-sgj-11**
§
Debtors. § **(Joint Administration Requested)**

**DEBTORS' EMERGENCY MOTION FOR AN INTERIM AND FINAL ORDER (I)
AUTHORIZING THE USE OF CASH COLLATERAL PURSUANT TO SECTIONS 105,
361, AND 363 OF THE BANKRUPTCY CODE AND FEDERAL RULE OF
BANKRUPTCY PROCEDURE 4001(B) AND (II) GRANTING ADEQUATE
PROTECTION TO THE PRE-PETITION SECURED LENDERS**

TO THE HONORABLE STACEY G. C. JERNIGAN,
UNITED STATES BANKRUPTCY JUDGE:

The above-captioned debtors and debtors-in-possession (the "Debtors"), in the above-referenced chapter 11 cases, hereby file this emergency motion (the "Motion") seeking an order from the Court (i) authorizing the use of cash collateral pursuant to Sections 105, 361, and 363 of

¹ A list of the Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, is attached hereto as Schedule 1. The Debtors' mailing address is 545 E. John Carpenter Freeway, Suite 500, Irving, Texas 75062.

the Bankruptcy Code and Bankruptcy Rule 4001(b); and (ii) granting adequate protection to the Debtors' pre-petition secured lenders. In support of the Motion, the Debtors submit and incorporate by reference the *Declaration of Karen Nicolaou in Support of the Debtors' Chapter 11 Petitions and Requests for First-Day Relief* (the "First Day Declaration"), filed concurrently herewith. In further support of the Motion, the Debtors respectfully represent as follows:

I.
STATUS OF THE CASE AND JURISDICTION

1. On May 2, 2019 (the "Petition Date"), the Debtors commenced the above captioned cases by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code §§ 101, *et seq.* (the "Bankruptcy Code").

2. The Debtors continue in the possession of their property and are operating and managing their businesses as debtors and debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request for a trustee or examiner has been made. No statutory committee of creditors has been appointed.

4. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion are proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

5. The statutory bases for the relief sought in this Motion are 11 U.S.C. §§ 105, 361, and 363 and Rule 4001(b) of the Federal Rules of Bankruptcy Procedure.

II. **BACKGROUND**

The LaSalle Group, Inc.

6. The LaSalle Group, Inc. (“LaSalle”) is a Texas corporation based in Irving, Texas. LaSalle, along with certain of its subsidiaries and affiliates, designs, develops, builds, manages, and owns interests in memory care assisted living communities designed specifically for people with Alzheimer’s disease and other forms of dementia. The communities operate under the name Autumn Leaves®. An organizational chart for each of the Debtors is attached to the First Day Declaration as **Exhibit A**. LaSalle directly and indirectly owns interests in forty (40) memory care assisted living communities (collectively, the “Memory Care Facilities”) located in Texas, Illinois, Georgia, Florida, Kansas, Missouri, Oklahoma, South Carolina, and Wisconsin. The RealCo Debtors own four (4) of the Memory Care Facilities. Of the Memory Care Facilities, three (3) remain under construction, leaving thirty-seven (37) open to residents.

7. On June 30, 2015,² LaSalle executed that certain *Promissory Note* in the original principal amount of \$4,000,000.00 payable to Community Trust Bank n/k/a Origin Bank, N.A. (“Origin”) bearing a variable rate of interest equal to what is commonly referred to as “Prime Rate” plus 3.25% per annum due upon demand, maturing on June 30, 2016 with interest due on the last day of each month while the loan remains outstanding.

8. Effective March 31, 2018, LaSalle executed that certain *Modification and Extension of Promissory Note* in the principal amount of \$3,722,989.77, which modified the Promissory Note referenced in the paragraph above (together, the “LaSalle Note”). The LaSalle

² LaSalle had other loans from the same back over prior periods but upon information and belief, this is the sole remaining secured loan as of the Petition Date.

Note reschedules the due date for monthly interest to the 5th day of each month and extended the maturity date until January 1, 2020, as well as adding quarterly principal payments in the stated amounts. Further, Origin required that any equity distributions to be made to LaSalle, Mitchell W. Warren or Melvin W. Warren, Jr. (both individual guarantors of the LaSalle Note) were to be funded into the applicable lockbox accounts.³ No other documents required any of LaSalle's cash to be deposited with Origin.

9. As of the Petition Date, the Debtors believe the amount owed to Origin under the LaSalle Note by LaSalle is \$3.7 million.

10. The LaSalle Note and its modification reference a security agreement dated June 2015; however, as of the date hereof, such a document has not been located for review and analysis. Origin did file a UCC-1 financing statement purportedly perfecting a security interest in LaSalle's personal property securing all amounts due under the LaSalle Note. No deposit account control agreements for any of the LaSalle deposit accounts were located or are known to exist, whether in the Debtors' records or referenced in the Origin documents reviewed to date.

11. In addition, various other entities filed UCC-1 financing statements, detailed in the chart attached to the First Day Declaration as **Exhibit B** and incorporated herein by reference. Certain of those are for leased equipment and another to US Foods is not supported by any security agreement reviewed to date. As such, we believe none of these creditors have a cognizable security interest in LaSalle's cash to be used in its budget.

RealCo Debtors

³ Per reporting from LaSalle's former CFO and current controller under contract, no equity distributions were owed to LaSalle from the date of the LaSalle Note's modification, therefore the balance in the lockbox account as of the Petition Date is zero.

12. Each of the facilities owned by the RealCo Debtors have forty-six (46) resident beds, are approximately 26,000 square feet, and are located in the Houston metroplex. Each of the RealCo Debtors are LLCs, owned 52% by a third party investor named for each investment as follows: SI Cinco Ranch Memory, LLC, SI Pearland Memory, LLC, SI Riverstone Memory, LLC, SI West Houston Memory, LLC (the “RealCo Silverado Investor”). The remainder of each RealCo Debtor is owned 4.75% by a LaSalle affiliated management company, 5.5% by an employee participation plan for a LaSalle affiliate, and variably between Mitchell W. Warren and Melvin W. Warren, Jr.

West Houston Secured Debt

13. On or about July 6, 2012, West Houston executed that certain *Promissory Note* in the original principal amount of \$8,550,000.00 maturing on July 1, 2018 (the “West Houston Note”). The West Houston Note was secured by the real estate located at 1725 Eldridge Parkway, Houston, Texas 77077 pursuant to that certain *Construction Deed of Trust* recorded in the real property records of Harris County on July 16, 2012 at Document No. 201220315682. In addition, Origin was granted a security interest in West Houston’s personal property to further secure the amounts due under the West Houston Note pursuant to the terms of that certain *Commercial Security Agreement* dated July 6, 2012, generally describing the security grant in West Houston’s inventory, accounts, account receivables, general intangibles, contract rights, licenses, chattel paper, machinery, furniture and fixtures, and any proceeds, products, or substitutions thereof. Origin Bank filed a UCC-1 financing statement in the Harris County real property records. No UCC financing statements as to West Houston were found with the Delaware or Texas Secretary of States Offices.

14. On or about June 30, 2017, West Houston and Origin entered into that certain *Modification of Real Estate Lien and Note*, noting that Origin was in fact the holder of the Note, as modified, and restating the principal amount as \$8,062,691.38, of which \$135,476.81 represented an advance made by Origin to pay certain property taxes due and owing by West Houston.

15. On or about April 2, 2018, West Houston and Origin entered into an additional *Modification of Real Estate Lien and Note*, restating the principal amount as \$7,861,968.08 and extending the maturity date of the indebtedness until December 31, 2018.

16. As of the Petition Date, the Debtors believe the amount owed to Origin by West Houston pursuant to the West Houston Note, as thereafter amended, modified or extended, is approximately \$8.1 million.

Riverstone Secured Debt

17. On or about March 16, 2010, Riverstone executed that certain *Promissory Note* in favor of First National Bank of Southlake (“FNB”) in the original principal amount of \$6,216,827.00 maturing on March 15, 2015 (the “Riverstone Note”). The Riverstone Note was secured by the real estate located at 20313 South University Blvd. Missouri City, Texas 77459 pursuant to that certain *Deed of Trust* recorded in the real property records of Fort Bend County on March 17, 2010. FNB filed a UCC-1 financing statement in the Fort Bend County real property records as well as with the Texas Secretary of State that was continued in February 2015.

18. As of the Petition Date, the Debtors believe the amount owed to FNB by Riverstone pursuant to the Riverstone Note is approximately \$5.9 million.

Pearland Secured Debt

19. On or about December 17, 2010, Pearland executed that certain *Construction Promissory Note* in favor of Green Bank, N.A., (“Green Bank”) in the original principal amount of \$6,812,242.00 maturing on December 17, 2015 (the “Pearland Note”). The Pearland Note was secured by the real and personal property described in that certain *Construction Deed of Trust and Security Agreement* recorded in the real property records of Brazoria County at Document No. 2010053744. LaSalle guaranteed the Pearland Note pursuant to its *Guaranty Agreement*.⁴ On December 29, 2014, the Debtor, LaSalle and Green Bank entered into that certain *Modification Agreement* whereby LaSalle agreed to be a co-borrower with Pearland and Mitchell Warren agreed to guarantee the Pearland Note. Multiple extensions of the maturity date were executed, the most recent extending through March 17, 2018. Green Bank filed a UCC-1 financing statement in the Texas Secretary of State.

20. As of the Petition Date, the Debtors believe the amount owed to Green Bank by Pearland pursuant to the Pearland Note, as thereafter modified and amended, is approximately \$5.9 million.

Cinco Ranch Secured Debt

21. On or about May 29, 2013, Cinco Ranch executed that certain *Construction Promissory Note* in favor of Green Bank, N.A., in the original principal amount of \$8,166,654.00 maturing on May 19, 2018 (the “Cinco Ranch Note”). The Cinco Ranch Note was secured by the real and personal property described in that certain *Deed of Trust, Security Agreement, Assignment of Rents, and Financing Statement* was recorded in the real property records of Fort

⁴ The Pearland Note was also guaranteed by Melvin W. Warren, Jr., and LaSalle Pearland Management, LLC, the 4.75% managing member of Pearland (owned 100% by LaSalle).

Bend County at Document No. 2013065783. LaSalle guaranteed the Cinco Ranch Note pursuant to its *Guaranty Agreement*.⁵ On December 29, 2016, the Debtor, LaSalle, Melvin W. Warren, Jr. and Green Bank entered into that certain *First Amendment to Construction Loan and Construction Note* whereby (a) LaSalle agreed to be a co-borrower with Cinco Ranch (b) Cinco Ranch agreed to deposit a \$200,000 letter of credit in favor of Green Bank and (c) upon depositing the letter of credit, Cinco Ranch would no longer have any cross-default or cross-collateralization obligations on the Pearland Note and related obligations. Green Bank filed a UCC-1 financing statement with the Delaware Secretary of State that was continued in December 2017.

22. As of the Petition Date, the Debtors believe the amount owed to Green Bank by Cinco Ranch pursuant to the Cinco Ranch Note, is approximately \$7.9 million.

Silverado Interests Loan - Debtors' Joint Obligation

23. On or about September 20, 2016, Silverado Interests Holdings, LLC, an affiliate of the RealCo Debtors' majority owners loaned the RealCo Debtors, along with six other of the Memory Care Facilities \$1,450,000.00 (the "Silverado Loan"). As referenced by the *Loan Modification Agreement* dated December 26, 2016, the Silverado Loan was increased to a maximum amount of \$1,700,000. While the Modification Agreement contained references to the original Credit Agreement, Note and Security Agreement modified therein, at the time of this filing, the Debtors' professionals have been unable to locate or review copies of the original. The Silverado Loan purports to be guaranteed by LaSalle, Melvin W. Warren, Jr. and Mitchell W. Warren but owed by all ten (10) borrower entities. The Debtors have no record of any UCC

⁵ The Cinco Ranch Note was also guaranteed by Melvin W. Warren, Jr.

filed perfecting any security interest granted to secure the Silverado Loan filed against any of the RealCo Debtors.

III. **RELIEF REQUESTED**

24. Cash collateral is defined as “cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motels, or other lodging properties subject to a security interest as provided in section 552(b) of this title, whether existing before or after the commencement of a case under this title.”⁶ 11 U.S.C. § 363(a).

25. 11 U.S.C. § 363(c)(2) states as follows:

The trustee may not use, sell, or lease cash collateral under paragraph (1) of this subsection unless—

- (A) each entity that has an interest in such cash collateral consents;
- or
- (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.

26. Cinco Ranch and Pearland maintain their bank accounts at Green Bank. Otherwise, none of the other Debtors’ pre-petition secured lenders defined above have any control over any of the Debtors’ bank accounts. In addition, some security agreements do not adequately describe the source of the Debtors’ revenue, others failed to perfect any interest in property by failing *in toto* to file a UCC-1 financing statement or describing said collateral in a

⁶ The Debtors are still undergoing a review period and file this Motion out of an abundance of caution. The Debtors furthermore reserve the right to contest whether funds identified herein as cash collateral of any lender constitute cash collateral as that term is defined under the Bankruptcy Code or other applicable law.

UCC-1 financing statement. Other than the funds held at the Green Bank for Cinco Ranch and Pearland, the Debtors do not concede their funds on hand constitute cash collateral of any lender, they file this Motion out of an abundance of caution. Any reference to “cash collateral” herein is alleged cash collateral.

27. The Debtors require the use of cash collateral to pay reasonable and necessary operating expenses, including, but not limited to, employee payroll, rent, utilities, food, laundry service for residents, maintenance of real property, lease payments, medical supplies, taxes, and insurance. Those uses required in the next fourteen (14) days from the date of the emergency hearing are set forth on the budgets attached hereto as **Exhibit A** and incorporated herein by reference. The Debtors’ proposed emergency use of cash collateral is necessary to preserve the value of collateral and the Debtors’ estates for the benefit of all creditors, including the lenders referenced herein, and any other secured creditors purporting to hold an interest in the Debtors’ cash collateral during the first fourteen (14) days of the Chapter 11 Cases (the “Interim Period”). The Debtors’ also request that continued use of cash collateral is equally necessary to preserve all of the values and rights of the above constituencies during the life of these Chapter 11 Cases.

28. Section 363 of the Bankruptcy Code authorizes a debtor to use cash collateral if those parties having an interest in such cash collateral consent or the court authorizes the use. *See* 11 U.S.C. § 363(c)(2). The use of cash collateral, however, may be prohibited or conditioned, upon proper request, as necessary to adequately protect any interest in cash collateral. *See* 11 U.S.C. §363(e).

29. A court may authorize the use of cash collateral upon showing that those with an interest in the cash collateral are adequately protected. *In re Las Torres Dev., L.L.C.*, 413 B.R. 687, (Bankr. S.D. Tex. 2009) (“in order for this Court to authorize the use of cash collateral, the

Lender must be adequately protected); *In re Carbone Cos.*, 395 B.R. 631, 635 (Bankr. N.D. Ohio 2008) (A debtor requesting court approval to use cash collateral has the burden of proof as to the issue of “adequate protection”.) Adequate protection requires examination of the creditor(s)’ aggregate collateral position, not simply protection of its lien on cash. Adequate protection may be provided by granting replacement or additional liens “to the extent [that the use of cash collateral] results in a decrease in the value of [an] entity’s interest in property.” *See* 11 U.S.C. § 361(2). Authorizing a debtor to use cash collateral on an interim basis is appropriate where, as here, continuing the business as a going concern will cause the generation of future revenues upon which the secured lender is granted replacement liens. *See, e.g., In re Neise, Inc.*, 16 B.R. 600 (Bankr. D. Fla. 1981); *In re Certified Corp.*, 51 B.R. 768 (Bankr. D. Haw. 1985); *In re Post-Tron Systems, Inc.*, 106 B.R. 345 (Bankr. D.R.I. 1989).

30. By authorizing the Debtors to use cash collateral, the Court will place the Debtors in a position to fund their operating expenses and to operate as a going concern for the immediate future. The Debtors need to use cash collateral in order to, *inter alia*, pay their employees, suppliers, and meet other on-going business obligations. Without the authority to use cash collateral, the Debtors will be unable to fund their business operations in a manner that will allow the Debtors to continue to operate, to the detriment of *all* of the Debtors’ creditors, including the lenders referred to herein and the pool of unsecured creditors, not to mention the potential harm to the residents of each of the Memory Care Facilities if such cash is not available. Furthermore, without the ability to fund continuing operations, the Debtors and their estates will suffer immediate and irreparable harm. For example, employees will not continue to provide services at the Memory Care Facilities if they are not paid the wages for which they have already worked and suppliers will not continue to provide necessary food or medical supplies if

they are not paid for such supplies. Therefore, the Debtors seek the emergency relief requested herein.

31. Attached to this Motion as **Exhibit B** is a proposed form of the Interim Cash Collateral Order (the “Interim Cash Collateral Order”) that authorizes the Debtors’ use of cash collateral.

32. The proposed offer of adequate protection on an interim basis is set forth in the attached proposed Interim Cash Collateral Order and incorporated by reference herein for the purpose of setting forth the proposed offer of adequate protection for lenders. It includes replacement liens solely to the extent of any validly perfected, unavoidable security interest as of the Petition Date, and a priority administrative claim to the extent of the diminution of value of each lender’s collateral, if any, and failure of other forms of adequate protection provided by the Debtors. As described further in the proposed Interim Cash Collateral Order, the proposed replacement liens and priority administrative claim shall be subject to a carve-out for unpaid fees owed to the clerk of this Court or the United States Trustee, and court-approved administrative expense claims of estate professionals.

33. The Debtors believe that the terms of the proposed Interim Cash Collateral Order as set forth above are fair and reasonable under the circumstances. The Debtors assert that the aggregate value of each lender’s cash collateral will not diminish as a result of the use of cash in this case. The value of each lender’s interest in cash may fluctuate, but such value should not diminish, other than minimally, over the next fourteen (14) days, the period of interim relief requested.

34. The Debtors believe that the lenders are entitled to the protections set forth in the proposed Interim Cash Collateral Order. The adequate protection provisions have been drafted

to provide protection without taking undue or inappropriate value from the estate or its unsecured creditors. Given that the interests of the lenders will be adequately protected, it is in the best interest of the Debtors, their estates, and all of their creditors to be able to continue operations during the Interim Period and for the Debtors to be authorized to use cash collateral as requested herein.

35. Therefore, the Debtors respectfully ask that they be authorized to use cash collateral as proposed herein for the purposes of paying necessary business expenses as allowed by Section 363 of the Bankruptcy Code, and that the Court grant the lenders a replacement lien on post-petition assets, as allowed by Sections 361, and/or 363 of the Bankruptcy Code, consistent with the terms and provisions contained in this Motion. The Debtors request that this relief be granted on both an interim and final basis.

WHEREFORE, PREMISES CONSIDERED, the Debtors respectfully request the Court (i) authorize the use of cash collateral pursuant to Sections 105, 361, and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b); (ii) grant adequate protection to the pre-petition secured lenders; and (iii) grant such other and further relief as the Court may deem proper.

Dated: May 2, 2019.

Respectfully submitted,

By: /s/ Vickie L. Driver

Vickie L. Driver

State Bar No. 24026886

Christina W. Stephenson

State Bar No. 24049535

Christopher M. Staine

State Bar No. 24104576

Crowe & Dunlevy, P.C.

Spaces McKinney Avenue

1919 McKinney Avenue, Suite 100

Dallas, TX 7501

Telephone: 214.420.2163

Facsimile: 214.736.1762

Email: vickie.driver@crowedunlevy.com

Email: christina.stephenson@crowedunlevy.com

Email: christopher.staine@crowedunlevy.com

PROPOSED ATTORNEYS FOR DEBTORS

CERTIFICATE OF CONFERENCE

I hereby certify that on April 28, 2019, I spoke with Lisa Lambert with the US Trustee's Office regarding the relief requested herein. Ms. Lambert requested an opportunity to review the specific Motion and comment on the specific relief requested herein. Accordingly, we will continue to work with the US Trustee's Office to address any and all concerns in advance of the hearing on this Motion.

/s/ Vickie L. Driver

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading provided by me to Donlin Recano for service upon the parties listed below via e-mail, facsimile, overnight delivery, and/or courier on this 2nd day of May, 2019. I further certify that Donlin Recano will file a certificate of service with the court verifying service upon the following upon completion.

- (a) The Office of the United States Trustee for the Northern District of Texas
- (c) Counsel to each of the Debtors' pre-petition secured lenders, or if none, the lender itself;
- (d) The 20 largest unsecured creditors for each Debtor regarding which the pleading impacts, unless and until such time as an official committee of unsecured creditors is appointed, if any;
- (e) Counsel to any official committee established in these Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, if any;
- (f) The Office of the Attorney General of the State of Texas;
- (g) The United States Attorney's Office for the Northern District of Texas;
- (h) The Internal Revenue Service;
- (i) The Office of Health and Human Services; and
- (j) All parties who have filed a notice of appearance and request for notice or service of all pleadings pursuant to Bankruptcy Rule 2002.

/s/ Vickie L. Driver

Vickie L. Driver

Schedule 1**List of Debtors**

| # | Debtor Name | Case No. | EIN |
|----------|-------------------------------|-----------------|------------|
| 1 | The LaSalle Group, Inc. | 19-31484 | 0143 |
| 2 | West Houston Memory Care, LLC | 19-31485 | 2760 |
| 3 | Cinco Ranch Memory Care, LLC | 19-31486 | 2716 |
| 4 | Pearland Memory Care, LLC | 19-31488 | 5311 |
| 5 | Riverstone Memory Care, LLC | 19-31493 | 5407 |

West Houston Memory Care LLC*Debtor-in-Possession Cash Forecast*

| | 5/10/2019 | 5/17/2019 |
|--|---------------|---------------|
| Beginning Cash Balance | 3,700 | 38,200 |
| <i>Cash Receipts:</i> | | |
| Resident Rent | 50,000 | 35,000 |
| Other Cash Receipts | | |
| Total Cash Receipts | 50,000 | 35,000 |
| <i>Cash Disbursements:</i> | | |
| Resident Supplies & Services | - | 6,500 |
| Utilities | - | - |
| Insurance | - | 5,196 |
| Management Fees | - | - |
| Payroll & Benefits | 15,500 | 36,000 |
| Credit Card Fees | - | - |
| Other Operating Expenses | - | - |
| Total Cash Disbursements | 15,500 | 47,696 |
| <i>Bankruptcy-Related Disbursements:</i> | | |
| Attorneys | | |
| PCO / Committee | | |
| CRO / FA | | |
| Noticing Agent | | |
| US Trustee Fees | | |
| Total Bankruptcy Disbursements | - | - |
| DIP Advance / (Repayment) | | |
| Ending Cash Balance | 38,200 | 25,504 |
| <i>DIP Loan Summary:</i> | | |
| Beginning balance | - | - |
| Advances | | |
| Repayments | | |
| Ending balance | - | - |
| Total Disbursements | 15,500 | 47,696 |
| Cumulative Qtrly Disbursements | 15,500 | 63,196 |

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Riverstone Memory Care, LLC*Debtor-in-Possession Cash Forecast*

| | <i>Postpetition thru</i> | |
|--|--------------------------|---------------|
| | 5/10/2019 | 5/17/2019 |
| Beginning Cash Balance | 38,200 | 46,900 |
| <i>Cash Receipts:</i> | | |
| Resident Rent | 26,600 | 73,400 |
| Other Cash Receipts | | |
| Total Cash Receipts | 26,600 | 73,400 |
| <i>Cash Disbursements:</i> | | |
| Resident Supplies & Services | - | 6,000 |
| Utilities | - | - |
| Insurance | - | 4,622 |
| Management Fees | - | - |
| Payroll & Benefits | 16,000 | 32,000 |
| Credit Card Fees | 900 | - |
| Other Operating Expenses | 1,000 | 1,000 |
| Total Cash Disbursements | 17,900 | 43,622 |
| <i>Bankruptcy-Related Disbursements:</i> | | |
| Attorneys | | |
| PCO / Committee | | |
| CRO / FA | | |
| Noticing Agent | | |
| US Trustee Fees | | |
| Total Bankruptcy Disbursements | - | - |
| DIP Advance / (Repayment) | | |
| Ending Cash Balance | 46,900 | 76,678 |
| <i>DIP Loan Summary:</i> | | |
| Beginning balance | - | - |
| Advances | | |
| Repayments | | |
| Ending balance | - | - |
| Total Disbursements | 17,900 | 43,622 |
| Cumulative Qtrly Disbursements | 17,900 | 61,522 |

The LaSalle Group, Inc.*Debtor-in-Possession Cash Forecast*

| | 5/10/2019 | 5/17/2019 |
|--|-------------------------|-------------------------|
| Beginning Cash Balance | 1,788,230 | 2,857,630 |
| <i>Cash Receipts:</i> | | |
| Payroll Receipts from Facilities | 635,000 | 1,075,000 |
| Resident Rent Credit Card Receipts | 1,900,000 | 100,000 |
| Other Cash Receipts | | |
| Total Cash Receipts | <u>2,535,000</u> | <u>1,175,000</u> |
| <i>Cash Disbursements:</i> | | |
| Payroll | 1,075,000 | 685,000 |
| Benefits | 336,100 | 140,000 |
| Rent Collections to Facilities | - | 1,900,000 |
| Utilities | - | - |
| Insurance | - | 150,000 |
| Management Fees | - | - |
| Credit Card Fees | 52,000 | - |
| Other Operating Expenses | 2,500 | 2,500 |
| Total Cash Disbursements | <u>1,465,600</u> | <u>2,877,500</u> |
| <i>Bankruptcy-Related Disbursements:</i> | | |
| Attorneys | | |
| PCO / Committee | | |
| CRO / FA | | |
| Noticing Agent | | |
| US Trustee Fees | | |
| Total Bankruptcy Disbursements | <u>-</u> | <u>-</u> |
| DIP Advance / (Repayment) | | |
| Ending Cash Balance | <u><u>2,857,630</u></u> | <u><u>1,155,130</u></u> |
| <i>DIP Loan Summary:</i> | | |
| Beginning balance | - | - |
| Advances | | |
| Repayments | | |
| Ending balance | <u>-</u> | <u>-</u> |
| | | |
| Total Disbursements | 1,465,600 | 2,877,500 |
| Cumulative Qtrly Disbursements | 1,465,600 | 4,343,100 |

Pearland Memory Care, LLC*Debtor-in-Possession Cash Forecast*

| | <i>Postpetition thru</i> | |
|--|--------------------------|----------------------|
| | 5/10/2019 | 5/17/2019 |
| Beginning Cash Balance | \$ 12,500 | \$ 91,500 |
| <i>Cash Receipts:</i> | | |
| Resident Rent | 95,000 | 12,000 |
| GP Loan | | |
| Other Cash Receipts | | |
| Total Cash Receipts | <u>95,000</u> | <u>12,000</u> |
| <i>Cash Disbursements:</i> | | |
| Resident Supplies & Services | - | 8,000 |
| Utilities | - | - |
| Insurance | - | 4,843 |
| Management Fees | - | - |
| Payroll & Benefits | 15,000 | 37,500 |
| Credit Card Fees | - | - |
| Other Operating Expenses | 1,000 | 1,000 |
| Total Cash Disbursements | <u>16,000</u> | <u>51,343</u> |
| <i>Bankruptcy-Related Disbursements:</i> | | |
| Attorneys | | |
| PCO / Committee | | |
| CRO / FA | | |
| Noticing Agent | | |
| US Trustee Fees | | |
| Total Bankruptcy Disbursements | <u>-</u> | <u>-</u> |
| DIP Advance / (Repayment) | | |
| Ending Cash Balance | <u>91,500</u> | <u>52,157</u> |
| <i>DIP Loan Summary:</i> | | |
| Beginning balance | - | - |
| Advances | | |
| Repayments | | |
| Ending balance | <u>-</u> | <u>-</u> |
| | | |
| Total Disbursements | 16,000 | 51,343 |
| Cumulative Qtrly Disbursements | 16,000 | 67,343 |

Cinco Ranch Memory Care, LLC*Debtor-in-Possession Cash Forecast*

| | 5/10/2019 | 5/17/2019 |
|--|----------------|---------------|
| Beginning Cash Balance | 27,700 | 116,700 |
| <i>Cash Receipts:</i> | | |
| Resident Rent | 100,000 | 20,000 |
| Other Cash Receipts | | |
| Total Cash Receipts | 100,000 | 20,000 |
| <i>Cash Disbursements:</i> | | |
| Resident Supplies & Services | - | 9,000 |
| Utilities | - | - |
| Insurance | - | 4,841 |
| Management Fees | - | - |
| Payroll & Benefits | 10,000 | 36,000 |
| Credit Card Fees | - | - |
| Other Operating Expenses | 1,000 | 1,000 |
| Total Cash Disbursements | 11,000 | 50,841 |
| <i>Bankruptcy-Related Disbursements:</i> | | |
| Attorneys | | |
| PCO / Committee | | |
| CRO / FA | | |
| Noticing Agent | | |
| US Trustee Fees | | |
| Total Bankruptcy Disbursements | - | - |
| DIP Advance / (Repayment) | | |
| Ending Cash Balance | 116,700 | 85,859 |
| <i>DIP Loan Summary:</i> | | |
| Beginning balance | - | - |
| Advances | | |
| Repayments | | |
| Ending balance | - | - |
| Total Disbursements | 11,000 | 50,841 |
| Cumulative Qtrly Disbursements | 11,000 | 61,841 |

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § **Chapter 11**
§
THE LASALLE GROUP, INC., et al.,¹ § **Case No. 19-31484-sgj-11**
§
Debtors. § **(Joint Administration Requested)**

**INTERIM ORDER AUTHORIZING DEBTORS’ USE OF CASH COLLATERAL
AND PROVIDING PARTIAL ADEQUATE PROTECTION**

On May 2, 2019, The LaSalle Group, Inc. (“LaSalle”), West Houston Memory Care, LLC (“West Houston”), Cinco Ranch Memory Care, LLC (“Cinco Ranch”), Pearland Memory Care, LLC (“Pearland”), and Riverstone Memory Care Center, LLC (“Riverstone”) and (West Houston, Cinco Ranch, Pearland, and Riverstone are sometimes referred to herein as the “RealCo Debtors” and collectively with LaSalle, the “Debtors”) as debtors and debtors-in-possession in the above-captioned chapter 11 cases (the “Cases”), filed their *Emergency Motion*

¹ A list of the Debtors in these Chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, is attached hereto as Schedule 1. The Debtors’ mailing address is 545 E. John Carpenter Freeway, Suite 500, Irving, Texas 75062.

for an Interim and Final Order (I) Authorizing the Use of Cash Collateral Pursuant to sections 105, 361, and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 4001(b) and (II) Granting Adequate Protection to the Pre-Petition Secured Lenders [Docket No. ___] (the “Motion”). In the Motion, the Debtors requested, *inter alia*, entry of this interim order (this “Order”) pursuant to Sections 105, 361, and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”), and in accordance with Rules 2002, 4001, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), authorizing the Debtors’ use of Cash Collateral (as hereinafter defined), as set forth herein. The Court, having considered the Motion, and having held an interim hearing on the Motion on May __, 2019 (the “Interim Hearing”), and having considered the evidence presented or proffered and the statements and representations of the parties on the record at the Interim Hearing; and all objections, if any, to the entry of this Interim Order having been resolved or overruled; and after due deliberation and consideration and sufficient cause appearing therefor;

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACTS AND CONCLUSIONS OF LAW:²

A. The Chapter 11 Cases. On May 2, 2019 (the “Petition Date”), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (this “Court”).

B. Debtors-in-Possession. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. To date, no trustee or examiner has been appointed in the Cases.

² This Interim Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052.

C. Jurisdiction and Venue. This Court has jurisdiction over the Cases, the Motion, and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion is a core proceeding under 28 U.S.C. § 157(b). Venue of the Cases and the Motion in this Court is proper pursuant to 28 U.S. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105, 361, and 363 of the Bankruptcy Code, Bankruptcy Rule 4001, and the Local Rules of this Court (the "Local Rules").

D. Committee Formation. To date, no official committee (a "Committee") of unsecured creditors, equity interest holders, or other parties in interest has been appointed in the Cases.

E. Notice. On May 2, 2019, the Debtors served copies of the Motion and notice of the Interim Hearing to all creditors and parties in interest entitled to such notice in compliance with Bankruptcy Rules 2002, 4001, 9014, and the Local Rules, including: (i) the Office of the United States Trustee for this District, (ii) those creditors holding the twenty (20) largest unsecured claims against the Debtors' estate, (iii) Origin Bank, (iv) Green Bank, (v) First National Bank of Southlake, and (vi) any other secured parties of record. Under the circumstances, such notice of the Interim Hearing and the emergency relief requested in the Motion is due, proper, and sufficient notice and complies with Bankruptcy Rule 4001 and the Local Rules, and no other or further notice of the Interim Hearing or the relief granted in this Interim Order is necessary or required.

F. Immediate Need for Use of Cash Collateral. The Debtors assert that an immediate and critical need exists for the Debtors to use Cash Collateral in order to continue the operation of their businesses. Without such use of Cash Collateral, the Debtors asserts that they will not be able to pay post-petition direct operating expenses and obtain goods and services

needed to carry on their businesses in a manner that will avoid irreparable harm to the Debtors' estates. The Debtors further assert that their ability to use Cash Collateral is necessary to preserve and maintain the going concern value of the Debtors' estates.

G. Conditional Consent to Use of Cash Collateral. The Debtors seek authorization to use Cash Collateral to pay the Debtors' ordinary and necessary operating expenses set forth in the budget attached to the Motion as **Exhibit A** (the "Budget") for the period (the "Interim Period") from the Petition Date through and including May 16, 2019 (the "Termination Date"). [The lenders have agreed to the Debtors' use of Cash Collateral during the Interim Period exclusively in accordance with the terms, conditions, and limitations set forth in this Order and the Budget.]

H. Good Cause/Fair and Reasonable Terms. Good cause has been shown for the entry of this Order. Among other things, entry of this Order will minimize disruption of the business and operations of the Debtors and permit the Debtors to maintain the going concern value of their businesses. The use of Cash Collateral authorized hereunder is necessary, essential, and appropriate and is in the best interest of, and will benefit, the Debtors, their creditors, and the Debtors bankruptcy estates as it will, among other things, provide the Debtors with the necessary liquidity to (i) avoid immediate and irreparable harm to the Debtors and their bankruptcy estates; and (ii) preserve and maximize the value of the Debtors' business and assets. The terms and conditions of the use of Cash Collateral and the security interests, liens, rights, and priorities granted to the lenders hereunder are fair and appropriate under the circumstances.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Motion Granted. The Motion is hereby granted on an interim basis as set forth herein. Any objections to the entry of this Order that have not been previously resolved or withdrawn are hereby overruled on their merits.

2. Interim Order. This Order shall be considered an interim cash collateral order, and shall be binding upon all parties and upon all subsequently appointed court officers, including any trustee appointed in the Case under Chapter 7 or Chapter 11 of the Bankruptcy Code.

3. DIP Account. The Debtors shall maintain debtor in possession (“DIP”) accounts at the Banks listed on the Exhibit D to the First Days Declaration which accounts shall contain all operating revenues and any other source of cash constituting Cash Collateral, which is (or has been) generated by and is attributable to the Debtors’ businesses (collectively, the “DIP Accounts”). Except as may be otherwise provided in an order, acceptable to the Court, approving the Debtors’ existing cash management system (the “Cash Management Order”), all cash generated by the Debtors or from the Debtors’ businesses or assets, including any cash held in any of the Debtors’ pre-petition bank accounts, shall be immediately transferred by the Debtors to the DIP Accounts. The Debtors shall be prohibited from withdrawing or using funds from the DIP Accounts except as provided for in the Budget, this Order, the Cash Management Order, or pursuant to further order of the Court.

4. Terms of Cash Collateral Use. The Debtors are hereby authorized to use Cash Collateral to pay the items set forth in the Budget, and up to the respective aggregate amount of disbursements set forth in the Budget for any week during the Interim Period, subject to the Permitted Variance (as hereinafter defined). The Permitted Variance shall be defined as 10% per line item and 20% of the overall Budget. The Debtors shall not use, sell, or expend, directly or

indirectly, the Cash Collateral except pursuant to the Budget and upon the terms and conditions set forth in this Order.

5. No Payments to Insiders. Other than as provided for in the Budget, the Debtors shall not make any payment to or for the benefit of any insider of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code.

6. Further Authorization. The Debtors are hereby authorized to enter into all agreements pursuant to the terms of this Order necessary to allow the Debtors to use Cash Collateral subject to the terms of this Order in the amounts and for the expenses set forth on the Budget. The Debtors are authorized to collect and receive all accounts receivable and other operating revenues and immediately deposit same in the DIP Accounts.

7. Taxes. Nothing in this Order shall be construed to grant Origin Bank, Green Bank, or First National Bank (the “Pre-Petition Lenders”) liens which are senior to pre- and post-petition statutory *ad valorem* real property tax liens. The Debtors shall remain current in all post-petition tax payments and reporting obligations, including, but not limited to, all *ad valorem* real property taxes and federal trust fund taxes.

8. Adequate Protection – Replacement Liens. As adequate protection for any diminution in value of each of the Pre-Petition Lenders’ interest in each of the Debtors’ collateral, if any, including Cash Collateral, resulting from the imposition of the automatic stay with respect to the Collateral and/or the Debtors use, sale or lease of the Collateral during the Case (the “Diminution in Value”), the Pre-Petition Lenders are each hereby granted, effective as of the Petition Date, valid, binding, enforceable, and automatically perfected liens (the “Replacement Liens”) in all currently owned or hereafter acquired property and assets of the applicable Debtor(s), of any kind or nature, whether real or personal, tangible or intangible,

wherever located, now owned or hereafter acquired or arising (excluding avoidance or other causes of action arising under chapter 5 of the Bankruptcy Code), and all proceeds and products of the foregoing (collectively, the “Adequate Protection Collateral”). The Replacement Liens granted pursuant to this Order shall have the same priority as each of the Pre-Petition Lender’s properly perfected unavoidable pre-petition liens, but shall be subject to the Carve Out.

9. Adequate Protection – Priority Administrative Claim. As additional partial adequate protection for the Debtors’ use of Cash Collateral, to the extent of any Diminution in Value and a failure of the other adequate protection provided by this Order the pre-petition lenders shall have an allowed priority administrative expense claim in this Case and any successor case as provided in and to the fullest extent allowed by Sections 503(b) and 507(b) of the Bankruptcy Code and otherwise (the “Adequate Protection Priority Claim”).

10. Carve Out. The Replacement Liens and Adequate Protection Priority Claim granted herein shall be subject to (a) unpaid fees payable to the Clerk of the Bankruptcy Court or the United States Trustee; (b) subject to the Budget, court-approved administrative expense claims of estate professionals, employed pursuant to order of this Court (collectively, “Estate Professionals”), for incurred but unpaid fees, expenses and other costs (all such carve-out amounts referenced above, collectively, the “Carve Out”).

11. Subsequent Modification of Order. If any or all of the provisions of this Order are hereafter modified, vacated or stayed, such modification, vacation or stay shall not affect the validity of any obligation, indebtedness or liability incurred by the Debtors from the Petition Date through the effective date of such modification, vacation or stay, or the validity or enforceability of any security interest, lien or priority authorized or created by this Order.

12. **Final Cash Collateral Hearing:** A final hearing on the Motion shall be held before this Court on **May __, 2019, at __:__ .m. Central time.** Objections to the entry of a final order approving the Motion shall be filed and served on counsel for the Debtors and pre-petition lenders not later than **4:00 p.m. Central time on May __, 2019.**

END OF ORDER

Submitted by:

/s/ Vickie L. Driver

Vickie L. Driver

State Bar No. 24026886

Christina W. Stephenson

State Bar No. 24049535

Christopher M. Staine

State Bar No. 24104576

CROWE & DUNLEVY, P.C.

Spaces McKinney Avenue

1919 McKinney Avenue, Suite 100

Dallas, TX 75201

Telephone: 214.420.2163

Facsimile: 214.736.1762

Email: vickie.driver@crowedunlevy.com

Email: christina.stephenson@crowedunlevy.com

Email: christopher.staine@crowedunlevy.com

PROPOSED COUNSEL FOR THE DEBTOR