

EXHIBIT B
Nicolaou Declaration

DECLARATION OF KAREN G. NICOLAOU IN SUPPORT OF DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO (I) MAINTAIN AND ADMINISTER THEIR RESIDENT REFUND PROGRAM, AND (II) HONOR AND PAY OBLIGATIONS RELATED THERETO - Page 1

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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.	§	(Jointly Administered)
	§	
	§	

**DECLARATION OF KAREN G. NICOLAOU IN SUPPORT OF DEBTORS’
EMERGENCY MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE
DEBTORS TO (I) MAINTAIN AND ADMINISTER THEIR RESIDENT REFUND
PROGRAM, AND (II) HONOR AND PAY OBLIGATIONS RELATED THERETO**

I, Karen G. Nicolaou, state and declare under penalty of perjury that the following is true and correct to the best of my knowledge and belief:²

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 to the Motion as Schedule 1. The Debtors’ mailing address is 545 E. John Carpenter Freeway, Suite 500, Irving, Texas 75062.

1. I am a Managing Director with the firm of Harney Management Partners, LLC and the proposed Chief Restructuring Officer of the Debtors. Except as otherwise noted, I have personal knowledge of the matters set forth in this Declaration.

2. I have over thirty (30) years of experience in providing a broad range of financial advisory, crisis management, and restructuring services to companies in distressed and transition situations, with a significant emphasis in the healthcare industry. Based on that experience and my familiarity with the Debtors' business, I submit this declaration (the "Declaration") in support of the *Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to (I) Maintain and Administer their Resident Refund Program, and (II) Honor and Pay Obligations Related Thereto* (the "Motion"). The Motion seeks authority for the Debtors to (i) continue to maintain and administer their Refund Program, (ii) to honor refund obligations that have accrued under the Refund Program prepetition, and (iii) to honor refund obligations that may accrue post-petition under the Refund Program in the ordinary course of the Debtors' business.

The Refund Program

3. In the ordinary course of the Debtors' business, the Debtors process refund claims submitted by or on behalf of Residents through their Refund Program. These refund claims typically seek a prorated refund for fees that were prepaid to the Debtors for services that could not be provided due to the untimely and unfortunate death of a Resident.

² Capitalized terms used but not otherwise defined in this Declaration have the same meaning given to them in the Motion.

4. In general, a Debtor and a Resident, through his/her authorized legal representative (the “Responsible Party”), enter into a Resident Agreement, substantially in the form attached as Exhibit “C” to the Motion, under which the Debtor agrees to provide the accommodations and services outlined under Section 2 of the Resident Agreement (collectively, the “Resident Services”) in exchange for an agreed-upon fee (“Rent”). Rent is due on the 1st of each month that Resident Services are requested.

5. Under Section 7 of the Resident Agreement, the Responsible Party may terminate the Resident Agreement by giving the Debtor written notice of termination, specifying an effective termination date that is at least thirty (30) days after the notice date. Alternatively, in the event of a Resident’s death, the Resident Agreement will terminate effective ten (10) days after the date of death.

6. Once the Resident Agreement is terminated, the Responsible Party or the Resident’s estate is responsible for vacating the Resident’s room, for removing all of the Resident’s belongings, and for returning all of the room keys to the Debtor (collectively, the “Move-Out Process”). Unless otherwise prohibited by applicable law, the Responsible Party and/or the Resident’s estate remain contractually liable for additional fees until the Move-Out Process is completed.

7. In the event the Resident Agreement is terminated due to a Resident’s death, then subject to the Responsible Party and/or Resident’s estate completing the Move-Out Process in the manner required under the Resident Agreement, the Debtors are contractually required to pay a pro-rated refund for any prepaid (but unused) Rent within thirty (30) days of the effective termination date of the Resident Agreement.

8. As part of the Debtors' Refund Program, the Debtors maintain a balance account (the "Resident Account") for each Resident that is subject to a Resident Agreement. The Resident Account is monitored in the Debtors' accounting system for billing purposes. Upon termination of the Resident Agreement, the Resident's Account is audited and reconciled to determine what, if any, Rent refund is owed by the Debtor to the Resident's estate. Any refund owed is recorded as a refund liability in the applicable Debtor's accounting system.

9. As of the filing of the Motion, the Debtors' estimated total aggregate debt obligation under the Refund Program is the amount scheduled in Exhibit "D" to the Debtors' Motion.

10. I believe the Debtors' ability to orderly liquidate their business and maintain value is dependent on the continued patronage and loyalty of the Residents and the ability to attract new residents.

11. I also believe it is critical to the Debtors' operations to continue to maintain and administer their existing Refund Program, and to pay those obligations that have accrued prepetition or that may accrue post-petition under the Refund Program in the ordinary course of the Debtors' business. In particular, I believe that the Debtors operate in a highly competitive industry. I also believe that Residents, who are expected to pay Rent in advance for Resident Services but are refused a refund for prepaid fees that are not earned by the Debtors due to a Resident death, will seek care from another memory care facility, to the detriment of the Debtors.

12. I further believe that the Debtors' Refund Program is an effective marketing tool that the Debtors use to attract new residents, because, without the Refund Program in place,

prospective residents might be reluctant to do business with the Debtors under a cloud of uncertainty about whether unearned prepaid Rent will be refunded.

13. All things considered, I believe the Refund Program is necessary and will materially help the Debtors maintain the continuity of their business, preserve the loyalty and patronage of current Residents, and effectively compete for the business of new residents in a highly competitive industry. This, in turn, will improve the Debtors' ability to preserve and enhance value for the benefit of the Debtors, their estates, and all stakeholders.

14. Pursuant to 28 U.S.C. §1746(2), I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on June 10, 2019.

/s/ Karen G. Nicolaou
Karen G. Nicolaou