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

IN RE:

THE LASALLE GROUP, INC. *et al*,

Debtors.

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Case No. 19-31484-sgj-11

Chapter 11

**TLG FAMILY MANAGEMENT’S RESPONSE
TO MOTION FOR ADEQUATE PROTECTION
[RELATES TO DKT. NO. 180]**

COMES NOW TLG Family Management, LLC (“TLGFM”), and files this *Response to Origin Bank’s Motion for Adequate Protection with Respect to Debtor The LaSalle Group, Inc.* (the “Motion”), and respectfully would show in support as follows:

Relevant Background

1. Years prior to the filing of these bankruptcy proceeding, TLGFM entered into those certain Management Agreements and Marketing and Accounting Services Agreements with each of the debtor and non-debtor subsidiaries of The LaSalle Group, Inc. (“LaSalle” or the “Debtor”), and is responsible for the performance of certain back-office services and property-level operations. Since the filing of these cases, and as more fully set forth in TLGFM’s administrative claim motion [Dkt. No. 304], TLGFM has further been asked by LaSalle to take on a further-expanded role, including coverage of a greater share of expenses benefitting the LaSalle enterprise

as a whole. TLGFM incorporates its separately filed administrative claim motion as if fully set forth herein.

2. Origin Bank, by its Motion, claims a lien on certain property of LaSalle, including as to “all distributions and proceeds arising from the sale of, or distributions on account of, the Equity Interests (defined in the Motion as the “Debtor’s ownership interests in the [limited partnerships and limited liability companies / “Subsidiaries”]). *See* Motion at paras. 2 and 10.

3. Origin Bank further claims in its Motion a security interest in “proceeds from the collection of the ‘Obligations’” (defined in the Motion as the indebtedness alleged by LaSalle to be owed to it as set forth in LaSalle’s Schedule B by certain of the Subsidiaries¹). *See* Motion at paras. 3 and 11.

4. In consideration of Origin Bank’s alleged interests in the Obligations and Equity Interests, Origin asks for extraordinary relief under the auspices of Bankruptcy Code section 361 (adequate protection), namely to take away the Debtor’s optionality in the case to, among other things, satisfy the administrative costs LaSalle is incurring to preserve and maximize the value of not only Origin Bank’s own collateral but also that of other parties as LaSalle determines the best next steps in the orderly liquidation of the LaSalle enterprise.

5. Specifically, Origin Bank purports to direct the Debtor to deposit funds into an escrow account and shortly thereafter, outside the protections of a plan process, have those funds be paid to Origin Bank. *See* Motion at para. 18 (asking for, among other things, segregation of proceeds from the sale of non-debtor property to be paid over to Origin Bank and applied to the Debtor’s indebtedness).

¹ Origin Bank’s Motion also implies that each facility’s right to contest the amount asserted as an “Obligation” in the Debtor’s Schedule B would expire on entry of an order granting Origin Bank’s Motion.

6. Origin Bank further proposes by its proposed order to receive payment as adequate protection, without regard to administrative expenses incurred by the Debtor's estate in preserving the value of the Debtor's Equity Interests, without further order of the Court, unless its liens are challenged. Origin Bank proposes such relief despite: (i) asserting it does not expect the Debtor to propose a plan of reorganization in these cases and (ii) admitting that the Debtor's sole source of income in these cases is to collect on the Obligations and on distributions from the Equity Interests. *See Motion at para. 17.*

Response

7. TLGFM raises the following responses with respect to the Motion:
- The meaning of “all distributions and proceeds arising from the sale of, or distributions on account of, the Equity Interests” as used in paragraph 10 of the Motion and “all proceeds the Debtor receives from the sale or disposition of the Equity Interests” as used in the proposed form of order should be clarified on the record in these cases before any order is entered. To the extent Origin Bank is asking LaSalle to hold and after a short period pay over to Origin Bank proceeds to which LaSalle had no claim prior to these cases, such intention could materially affect the Debtor's ability to sell non-Debtor entities and/or the rights of persons or entities that have not been served with notice of the Motion.
 - The meaning of “proceeds from the collection of the Obligations” as used in paragraph 11 of the Motion and “all proceeds arising from the collection or other disposition of the Obligations” as used in the proposed form of order should be clarified on the record of these cases before any order is entered.
 - Origin Bank should defend its service of the Motion as adequate in consideration of, among other things, its clarifications of the preceding points. To the extent the rights of non-debtor parties are being impacted by the Motion but those parties have not been noticed, a final order should not be entered on the Motion. For instance, TLGFM's lender, Dallas Capital Bank, claims a lien on certain proceeds due to non-debtor parties from the sale of certain non-debtor facilities. According to the certificate of service to the Motion, Dallas Capital Bank did not receive notice of the Motion.
 - No order should be entered on the Motion that would essentially (and purposefully) render the Debtor administratively insolvent, as such an order would, among other things, render the Debtor with little or no means to consider a plan of reorganization. The proposed order on the Motion purports to take away the right of creditors, whether or not having received notice of the Motion or proposed order, to request and receive

payment on account of administrative claims incurred in supporting the Debtor's reorganization proceeding (though a deadline for filing such claims has not even been set), other than a small carve out for Debtor's counsel, unless Origin Bank's lien rights are challenged, to say nothing of Origin Bank's asserted entitlement to automatic payment under the Bankruptcy Code or applicable case law. Even by Origin Bank's own assertion of the types of adequate protection available to it, this request is a bold one when balanced against principles of equity and fairness that govern reorganization cases.

- Origin Bank should be limited to the adequate protection it demonstrates is necessary to preserve the value of its collateral in accordance with applicable law. At this stage of the case, TLGFM asserts that, at a minimum, monies deposited in any escrow account (as defined in the Motion) should be held for a period long enough to permit an administrative claims bar date to be set and such claims to be determined as against Origin Bank's asserted right to payment ahead of such claims.

CONCLUSION

For these reasons, TLGFM respectfully requests that Origin Bank clarify on the record the intended implications for the Motion and proposed Order with respect to the sale of non-Debtor Subsidiaries, demonstrate sufficient notice has been given and/or will be given in light of the same, and be limited to receiving such adequate protection to which it may show itself justly entitled. TLGFM further requests such other and further relief be awarded as the Bankruptcy Court deems just and proper.

Dated: August 14, 2019

Respectfully submitted,

/s/Katharine Battaia Clark

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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing document was filed with the Court and served electronically upon those parties registered to receive electronic notice via the Court's CM/ECF system on this 14th day of August, 2019.

/s/Katharine Battaia Clark

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