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ATTORNEYS FOR ORIGIN BANK

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

IN RE: § CASE NO. 19-31484-sgj11
§
THE LASALLE GROUP, INC., et al.¹ § Chapter 11
§
Debtor. §
§

ORIGIN BANK’S OBJECTION TO (I) APPLICATION PURSUANT TO FED. R. BANKR. P. 2014(a) FOR ORDER UNDER SECTION 1103 OF THE BANKRUPTCY CODE AUTHORIZING THE EMPLOYMENT AND RETENTION OF DRINKER BIDDLE & REATH LLP AS COUNSEL TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE LASALLE GROUP, INC. ET AL. NUNC PRO TUNC TO JULY 3, 2019, AND (II) APPLICATION PURSUANT TO FED. R. BANKR. P. 2014(a) FOR ORDER UNDER SECTION 1103 OF THE BANKRUPTCY CODE AUTHORIZING THE EMPLOYMENT AND RETENTION OF DUNDON ADVISERS LLC AS FINANCIAL ADVISER TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE LASALLE GROUP, INC. ET AL. NUNC PRO TUNC TO JULY 3, 2019,

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

Origin Bank (“Origin”), a creditor herein, files its objection (the “Objection”) to the (I) *Application Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of Drinker Biddle & Reath LLP as Counsel to the Official Committee of Unsecured Creditors of the LaSalle Group, Inc. et al. Nunc Pro Tunc to July 3, 2019* (the “DBR Application”) [Docket No. 234], and the (II) *Application Pursuant to Fed.*

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: The LaSalle Group, Inc. (0143) (“LaSalle”); West Houston Memory Care, LLC (2760) (“West Houston”); Cinco Ranch Memory Care, LLC (2716); Pearland Memory Care, LLC (5311); and Riverstone Memory Care, LLC (5407). The Debtors’ mailing address is 545 E. John Carpenter Freeway, Suite 500, Irving, Texas 75062.

R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of Dundon Advisers LLC as Financial Adviser to the Official Committee of Unsecured Creditors of the LaSalle Group, Inc. et al. Nunc Pro Tunc to July 3, 2019 (the "Dundon Application", and with the DBR Application, the "Applications") [Docket No. 235], filed by the Official Committee of Unsecured Creditors (the "Committee") and, in support thereof, states as follows:

I. JURISDICTION

1. The Court has jurisdiction pursuant to 28 U.S.C. § 1334. These bankruptcy cases and all related proceedings have been referred to this Court pursuant to 28 U.S.C. § 157. This matter constitutes a "core" proceeding pursuant to 28 U.S.C. § 157(b)(2).

II. BACKGROUND

2. On May 2, 2019 (the "Petition Date"), the Debtors filed voluntary petitions commencing these bankruptcy cases under chapter 11 of the Bankruptcy Code.

3. Origin Bank is a secured creditor of LaSalle, with claims as of the Petition Date of approximately \$3.9 million in direct liability and \$12.1 million in guaranteed liability, and is a secured creditor of West Houston, with a claim as of the Petition Date of approximately \$8.2 million.

4. On July 3, 2019, the US Trustee appointed the Official Committee of Unsecured Creditors (the "Committee").

5. On July 25, 2019, the Committee filed the DBR Application, requesting appointment of Drinker Biddle & Reath LLP ("DBR") as counsel for the Committee.

6. On July 25, 2019, the Committee filed the Dundon Application, requesting the appointment of Dundon Advisers, LLC ("Dundon") as the financial advisor for the Committee.

III. OVERVIEW OF COMMITTEE

7. The Committee was formed on July 3, 2019, pursuant to the U.S. Trustee's *Appointment of the Official Unsecured Creditors' Committee* (the "Notice of Appointment")

[Docket No. 189]. The Notice of Appointment appointed the Committee with respect to the LaSalle case and not for the other jointly administered cases. The Notice of Appointment refers to the singular “above-referenced case” rather than the plural “cases.” On August 12, 2019, the US Trustee filed *Amended Appointment of the Official Unsecured Creditors’ Committee* (the “Amended Notice of Appointment”) [Docket 297], which includes a footnote to make clear that the Committee was formed only with respect to LaSalle.

8. The LaSalle Committee consists of three (3) former employees of LaSalle (the “Debtor”). Two of the Committee members were members of the Ad Hoc Committee of Litigants (the “Ad Hoc Committee”), which was likewise represented by counsel DBR and, informally, by financial advisor Dundon.

9. Importantly, none of the Committee members holds an allowable general unsecured claim against LaSalle (the “Debtor”) at the present time. Member ShaQaz Wilder is not listed on the Debtor’s Schedules and has not filed a Proof of Claim. Member Aracelis Ruffolo is listed as holding a contingent, disputed and unliquidated claim, and has not filed a Proof of Claim. Member Vilora L. Williams has filed a Proof of Claim asserting only a priority wage claim in the amount of \$4,230.78. [POC No. 13-1] Further, none of the Committee members is listed on the Debtor’s Top-20 List of Unsecured Creditors [Docket 22]. As such, the Committee does not consist of the “seven largest claims against the debtor of the kinds represented on such committee” as contemplated by section 1103 (b)(1) of the Bankruptcy Code.

10. The Committee is made up entirely of former employees, two of which are parties to wage-related litigation with the Debtor outside of the bankruptcy case. As none of the Committee members holds a trade claim, and none holds any allowable general unsecured claim at the present time, it is difficult to contemplate how the Committee can fairly represent the interests of general unsecured creditors.

IV. OBJECTION

11. Origin objects to the appointment of Committee professionals for three (3) primary reasons. First, Origin questions whether the Committee serves any purpose in the present case and whether it is representative of the interests of general unsecured creditors. Second, there are no available funds to pay Committee professionals, who can only add to the administrative burden of the case and make it less likely for unsecured creditors to receive a recovery. Third, the rates proposed by Committee counsel are significantly out of step with industry standards and other fees in this case. With respect to the Dundon Application, Origin additionally contends that there is no need in this case for the Committee to retain a financial advisor.

12. Debtor's counsel has made clear that the LaSalle cases will be converted or dismissed in the near term. In either event, the Debtor's case is not expected to remain in Chapter 11 much longer and the Committee will be dissolved. The Committee has no discernable role in the LaSalle case going forward. It seems evident now, as it has from the outset, that unsecured creditors likely will not receive a dividend in this case.

13. Origin holds secured claims to secure a debt of approximately \$16 million. Origin's security interests extend to LaSalle's equity interests and receivables. The Debtor's schedules indicate that these two sources of Origin's collateral comprise the overwhelming portion of the Debtor's assets. Other than bank accounts, presumably used for current operating expenses, the Debtor's personal property appears to consist of office furniture and supplies valued at \$52,500. On a liquidation basis, it seems doubtful that these assets would be sufficient to cover administrative and priority wage claims. Further, LaSalle has no present source of income. As a result, there does not appear to be any unencumbered assets or income source that could provide a recovery for general unsecured creditors. Moreover, as noted above, Origin questions whether the Committee, as currently comprised, is representative of the interests of general unsecured creditors.

14. The Committee does not serve a discernable function in the LaSalle case because there simply are no recoverable assets or sources of income for general unsecured creditors. Committee professionals can only add to the administrative burden and further reduce the likelihood that general unsecured creditors will be paid in this case. Indeed, the Committee's very existence, by adding to the Debtor's administrative burden, puts unsecured creditors further and further away from any expected recovery. Origin has not agreed to a carve out from cash collateral or from the liquidation of equity interests to pay Committee expenses because the Committee does not add value in this case and its professional fees cannot meet the exacting standards of section 506(c). Thus, the Committee does not serve its intended function of representing the interests of general unsecured creditors.

15. In addition, the proposed fees for Committee counsel and financial advisor are out of step with industry standards for this case. For instance, Debtor's counsel's fees are indicated to be as follows²:

- Shareholders/Directors \$370-545
- Associates \$220-285
- Paraprofessionals \$150-200

16. By comparison, DBR's proposed fees are as follows³:

- Shareholders/Counsel \$650-1,010
- Associates \$515
- Paraprofessionals \$350-425

17. The hourly rates proposed by the Committee's financial advisors are as follows⁴:

- Principals \$675-700

² *Debtor's Application for Entry of an Order Authorizing the Retention and Employment of Crowe & Dunlevy, P.C. as the Debtor's Counsel Effective Nunc Pro Tunc to the Petition Date* [Docket No. 114], at p. 5.

³ *Declaration of Vincent P. Slusher* attached to DBR Application, at p. 9.

⁴ Dundon Application, at p. 6.

- Managing Directors \$675
- Directors \$475-575
- Associates \$300-400

18. The Committee's professionals' rates are exorbitant for this particular case and out of line with industry standards. For instance, DBR's associates bill at rates comparable to the Debtors' highest-rate partners. Indeed, one of DBR's paralegals charges the same rate as Origin's undersigned 30-year bankruptcy attorney. If the Court is inclined to approve the appointment of Committee professionals, DBR's proposed rates should be adjusted to reflect industry standards.

19. Origin additionally objects to the retention of Dundon as financial advisor to the Committee. There is simply no need in this case for the Committee to retain a financial advisor. The Debtor's case will convert to Chapter 7 or be dismissed in the near future and the Committee will be dissolved. All material assets are fully encumbered. The Debtor will not reorganize. The Debtor has no continuing business operations and no ongoing source of income. Any fees charged by the financial advisor can only diminish the chance of recovery for unsecured creditors.

PRAYER FOR RELIEF

WHEREFORE, Origin Bank respectfully requests that this Court enter an order denying the Applications and granting such other relief as is just and appropriate.

DATED: August 26, 2019.

Respectfully Submitted,

/s/ Lynda L. Lankford

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CERTIFICATE OF SERVICE

I hereby certify that on August 26, 2019, a true and correct copy of the above and foregoing document was served via ECF Electronic Notice on all counsel of record.

/s/ Lynda L. Lankford

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