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ATTORNEYS FOR MITCHELL W. WARREN

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT
DALLAS DIVISION

IN RE:	§	
	§	CASE NO. 19-31484-11
THE LASALLE GROUP, INC.	§	HEARING SCHEDULED:
DEBTOR	§	OCTOBER 10, 2019 @ 2:30 P.M.

OBJECTION TO MOTION TO ESTABLISH ESCROW PROCEDURES

TO THE HONORABLE STACEY G. C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

NOW COMES Mitchell W. Warren (“Warren”), and files this his Objection to Motion to Establish Escrow Procedures in response to the Motion to Establish Escrow Procedures for Sales Proceeds Due to Insiders (the “Motion”, Dkt. No. 375, and as amended 391), and in support thereof, would respectfully show the Court as follows:

I. Introduction

1. The LaSalle Group, Inc. (the “Debtor”), has filed the Motion seeking to establish procedures to authorize the escrow of non-debtor assets instead of proceeds being paid to non-

debtor owners of those assets. The Motion seeks to adjudicate the rights of non-debtor third parties with respect to non-debtor assets. The Motion is not supported by applicable law.

II. Jurisdiction and Venue

2. This Court has jurisdiction over the bankruptcy referenced above pursuant to 28 U.S.C. §157 and §1334(b). Portions of the relief requested are at best related to the bankruptcy of the Debtor.

3. The only statutory basis for the relief requested is Section 105 of the Bankruptcy Code. Section 105 of the Bankruptcy Code may be liberally construed, but does not justify the escrow of non-debtor assets owed to non-debtor third parties under the current set of circumstances.

4. Warren admits the allegations in paragraph 3 of the Motion concerning the filing of bankruptcy by the Debtor.

5. Warren admits the allegations in paragraph 4 of the Motion concerning the appointment of an official committee of creditors.

6. Paragraphs 5 through 11 of the Motion request relief and do not require admission or denial. To the extent those paragraphs contain factual allegations, those compound factual allegations are denied, except as expressly admitted herein. Warren agrees that liquidation is appropriate with respect to the majority of the interest of the Debtor in those entities which the Debtor refers to as the operating companies. There are many potential avenues for causing the liquidation to occur.

7. The Debtor correctly recognizes that in paragraph 6 of the Motion, absent the order of this Court, sale proceeds of assets not belonging to the Debtor should be distributed pursuant to the waterfall that is defined in the operating agreement for each entity. The Debtor has indicated

that some creditors of the Debtor have “concerns”. The Debtor has not cited any authority to suggest that concerns of creditors about potential causes of action is a justification for prejudgment remedies against assets not owned by a Debtor.

8. Warren has assigned his interest in certain entities to Dallas Capital Bank, N.A. The entities in which his interest has been pledged include:

Amarillo Memory Care, LLC

Arlington Heights Memorial Care, LLC

Fort Mill Memory Care, LLC

Gurnee Memory Care, LLC

Overland Park Memory Care, LLC, and

Lee’s Summit Memory Care, LLC

9. The Debtor’s effort to escrow the funds due to Warren, interferes with the contractual agreement between Warren and Dallas Capital Bank, N.A.

10. Warren agrees with the Debtor that it is appropriate for the Debtor to provide information concerning any potential sale.

11. That information properly provided by a Debtor in connection with the proposed sale of assets of the estate, should include the pertinent information to provide other potential purchasers the opportunity to participate in the sale, or to offer more money for the assets to be sold. That information would include at least the name of the purchaser, the purchase price and the

date of the closing of the sale, as well as other terms and conditions of the sale that must be disclosed in order to inform a potential buyer of the conditions related to the sale.

12. To the extent there are creditors with concerns, and if those creditors have a valid reason that funds due to Warren should not be paid to Dallas Capital Bank, N.A. or Warren if appropriate, then those creditors with concerns should articulate the concerns of the creditor.

III. CONCLUSION

13. The Debtor has not provided a factual basis, or valid legal theory to support the escrow of proceeds of third party assets in the bankruptcy court. The Motion of the Debtor should be denied.

WHEREFORE, PREMISES CONSIDERED, Mitchell W. Warren prays that the Motion of the Debtor seeking authority to escrow non-debtor assets owed to non-debtor parties should be denied; and for such other and further relief as may be just and equitable.

Respectfully submitted,

By: /s/Mark J. Petrocchi

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CERTIFICATE OF SERVICE

The undersigned certifies that he caused a true and correct copy of the foregoing document to be served electronically upon those persons registered on the ECF Filing system of the court on this 26 day of September 2019.

/s/Mark J. Petrocchi
Mark J. Petrocchi