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*Proposed Attorneys for the  
Debtors and Debtors-in-Possession*

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

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In re:	§	Case No.
	§	(Joint Administration Pending)
CHRISTIAN CARE CENTERS, INC. and	§	
CHRISTIAN CARE CENTERS FOUNDATION,	§	Chapter 11
INC.	§	
	§	
Debtors.	§	
-----X		

**DECLARATION OF MARK SHAPIRO, DEBTORS' CHIEF RESTRUCTURING  
OFFICER, IN SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS  
AND EMERGENCY FIRST DAY PLEADINGS**

I, Mark Shapiro, make the following declaration under penalty of perjury:

1. My name is Mark Shapiro; I am over 21 years of age, and I am competent to testify to the matters herein.

2. I am the Chief Restructuring Officer (“CRO”) of Christian Care Centers, Inc. (“CCCI”) and Christian Care Centers Foundation, Inc. (the “Foundation”) (collectively the “Debtors”) and have served in this capacity since February 2021.

3. I am a Senior Managing Director at GlassRatner Advisory & Capital Group LLC dba B. Riley Advisory Services which does business under the name B. Riley Advisory Services (“B. Riley”). I have over twenty-five years of professional experience in guiding restructuring alternatives, executing turnarounds, and otherwise providing financial guidance to companies in distress or need. My experience crosses various industries, including elder healthcare, healthcare, financial services, business services, energy, and automotive. As a turnaround consultant, I have experience in a number of disciplines needed to help improve a company’s performance including assessing a company’s financial performance, comparing operating results to industry norms, providing financial forecasts, providing cash management assistance, developing and executing business strategy and plans, analyzing markets, recreating a company’s prior year financial statements, assessing business valuations, determining cost-reduction opportunities, among others. I was introduced to the Board of the Debtors by Husch Blackwell LLP in January 2021 to assist with negotiating a forbearance agreement with the bondholders.

4. A representative list of my prior clients in the healthcare industry include the Buckingham Senior Living Community, Inc., Pine Creek Medical Center and Alliance Health/Uplift Rx. Prior appearances in the Northern District of Texas include those as Chief Restructuring Officer to Pine Creek Medical Center LLC (19-33079), Financial Advisor to the Debtors in GGI Holdings LLC *et al* (Gold’s Gym) (20-31318), and Chief Restructuring Officer in Fresh Acquisitions LLC *et al* (21-30721).

5. Contemporaneously herewith, the Debtors are filing the following motions and applications (collectively, the “First Day Motions”):

- a. Debtors’ Motion for Entry of an Order Pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1 Directing Joint Administration of Chapter 11 Cases and Granting Related Relief (the “Joint Administration Motion”);
- b. Request for Emergency Consideration of Certain First Day Matters;
- c. Debtors’ Application for Entry of an Order Authorizing the Retention and Employment of Epiq Corporate Restructuring as Claims, Noticing, and Solicitation Agent (the “Epiq Retention Application”);
- d. Debtors’ Motion for an Order Authorizing Procedures to Maintain and Protect Confidential Resident and Patient Information (the “Resident and Patient Confidentiality Motion”);
- e. Debtors’ Emergency Motion for Entry of Order (I) Authorizing (A) Continued Use of the Debtors’ Existing Cash Management System, (B) Maintenance of the Debtors’ Existing Bank Accounts, and (C) Continued Use of the Debtors’ Existing Business Forms, and (II) Granting Related Relief (the “Cash Management Motion”);
- f. Debtors’ Emergency Motion for Entry of Order (I) Prohibiting the Utility Providers from Altering, Refusing, or Discontinuing Service, (II) Deeming the Utility Providers Adequately Assured of Future Performance, and (III) Establishing Procedures for Determining Requests for Additional Adequate Assurance by the Utility Providers (the “Utilities Motion”);
- g. Debtors’ Emergency Motion for Entry of Order Authorizing (I) Payment of Pre-Petition Wages, Salaries, and Other Obligations, (II) Maintenance of Compensation and Benefits Programs, and (III) Payment of Related Administrative Obligations (the “Wage Motion”);
- h. Emergency Motion for Entry of Order Authorizing (I) Payment of Pre-Petition Taxes and Fees and (II) Necessary Taxes and Fees in the Ordinary Course (the “Tax Motion”);
- i. Debtors’ Emergency Motion for Entry of Order Authorizing the Debtors to (I) Maintain Existing Insurance Policies and Pay All Obligations Thereunder, (II) Renew, Revise, Extend, Supplement, Change, or Enter into New Insurance Policies, (III) Pay Brokerage and Financing Fees, and (IV) Granting Related Relief (the “Insurance Motion”);

- j. Debtors' Motion for Order Authorizing Debtors to (A) Honor Obligations Related to Resident Entrance Fees and (B) Segregate, Maintain, and Escrow Entrance Fees and Entrance Fee Deposits of New Residents and Directing Debtors' Financial Institutions to Honor Related Checks and Electronic Fund Transfers (the "Resident Entrance Fee Escrow Motion"); and
- k. Debtors' Motion for Entry of Interim and Final Orders (1) Authorizing Debtors in Possession to Obtain Postpetition Financing; (2) Authorizing the Debtors in Possession to Use Cash Collateral; (3) Providing Adequate Protection; and (4) Granting Liens, Security Interests and Superpriority Claims (the "DIP and Cash Collateral Motion").

6. In my capacity as the Debtors' CRO, I am familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records.

7. I submit this declaration (the "Declaration") to assist the Court and other parties-in-interest in understanding the circumstances that brought about the commencement of these Chapter 11 cases (the "Chapter 11 Cases") and in support of: (i) the Debtors' petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") filed on May 23, 2022; and (ii) the relief requested, in the form of the First Day Motions.

8. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with the Debtors' management team and Boards of Trustees, my review of relevant documents, or my opinion based upon experience, knowledge, and information concerning the Debtors' operations and financial affairs. If called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

### ***The Chapter 11 Filing***

9. On May 23, 2022 ("Petition Date"), the Debtors filed the Chapter 11 Cases. The Debtors continue to operate their business and manage their assets as debtors-in-possession pursuant to 11 U.S.C. §§ 1107(a) and 1108.

***The Debtor's Business, Background Information and Organizational Structure***

10. CCCI was incorporated in 1947 as a nonprofit Texas corporation. The Foundation was incorporated in 1994 also as a nonprofit Texas corporation. The Debtors are not-for-profit, non-stock corporations governed by independent Boards of Directors. There is no separate member of CCCI or the Foundation.

11. CCCI, a faith-based organization, operates three senior living housing and health care campuses in the Dallas / Fort Worth Metroplex. These campuses are located at: (1) 560 Prestige Circle, Allen, Texas; (2) 5100 Randol Mill Road, Fort Worth, Texas; and (3) 900 Wiggins Parkway, Mesquite, Texas (the "Campuses"). For more than seventy-five years, CCCI's purpose has been to serve the senior living community by providing quality housing and health care services for seniors in North Texas. It does so, in part, by providing its residents with an array of living options to meet their needs and to provide successively higher levels of care when and as needed.

12. Since it was founded, CCCI has grown from one to three campuses. The oldest of its current communities is located in Mesquite, Texas. CCCI's Mesquite campus opened in 1973 and has a total of 452 units, which consist of 229 independent living units, 60 assisted living units, 44 memory care units, and 119 skilled nursing units. The Mesquite campus is located on over 26 acres and includes services for respite care and day stays, outpatient therapy, a program referred to as Home2Stay Personal Assistance Services, and hospice care.

13. CCCI's Fort Worth community opened in 1982. CCCI's Fort Worth campus has a total of 218 units, which consists of 161 independent living units, 42 assisted living units, and 15 memory care units. CCCI also provides respite care, outpatient therapy, Home2Stay Personal Assistance Services, and hospice care at its Fort Worth location.

14. CCCI's Allen community was opened in fall 2016. CCCI's Allen campus has a total of 90 units, which consist of 22 independent living units, 50 assisted living units, and 18 memory care units. CCCI similarly provides respite care, outpatient therapy, Home2Stay Personal Assistance Services, and hospice care at its Allen campus.

15. In total, CCCI has 760 units at its Campuses comprised of 412 independent living units, 152 assisted living units, 77 memory care units and 119 skilled nursing units.

16. In addition to operating the residential and health care living units discussed above, CCCI provides various ancillary services. As referenced above, CCCI offers Home2Stay Personal Assistance Services at each of its locations, which consists of personal assistance services. These services include bathing, laundry, meal preparation, grocery shopping, and escort/transportation services. CCCI has a Medicare- and Medicaid-certified and state-licensed hospice agency that provides 24 hour, on-call services. Home hospice care is a division of CCCI and operates across all campuses and also provides services in private residences

17. Also, CCCI provides Medicare-certified outpatient therapy services at its Campuses to residents and the surrounding communities.

18. In addition to owning and operating the Campuses, CCCI owns unimproved real property in Dallas County and Tarrant County, adjacent to the Mesquite and Fort Worth communities.

19. The Foundation is a supporting organization that serves as an endowment organization for CCCI. The Foundation exists primarily to receive funds from wills, estates or other sources. The Foundation's bylaws require that the foundation establish endowment funds, the annual net income of which shall be distributable to CCCI.

20. Eighty units at CCCI's Mesquite location consist of an entrance-fee based continuing care retirement community (a "CCRC") known as Greenway Village. A CCRC is an attractive living option as it provides the opportunity to receive additional health care services at a higher level of care, when and as needed, on the same property.

21. The Greenway Village retirement apartments range in size from 560 to 1,245 square feet. An adjacent commons and support building are attached to the mid-rise building, which hosts the main dining room, recreation areas, a beauty/barber shop, library, craft rooms, a movie theater, lounges, convenience store, administrative offices, and support services areas.

22. In addition to the above amenities, residents of Greenway Village are entitled to a variety of services included as part of a monthly service fee. These include: (1) food services, (2) weekly housekeeping, (3) certain utilities, (4) security and emergency alert systems, (5) weekly laundry of bed linens and towels, (6) maintenance, (7) local transportation, (8) social and recreational programs, (9) payment of real property taxes, (10) wellness programming, (11) home health care services covered by Medicare, (12) a health care benefit, and (13) parking, among others. CCCI provides Greenway Village residents additional services on a fee-for-service basis.

23. Before a resident moves into a Greenway Village unit, the resident must sign a contract titled Greenway Village Independent Living Resident Agreement (the "Greenway Village Resident Agreement"). Under the terms of the Greenway Village Resident Agreement, a resident must pay a Resident Entrance Fee (the "Resident Entrance Fee") and agree to pay monthly service fees. In return, the resident is entitled to occupy a unit in the community for their lifetime unless sooner terminated in accordance with the Greenway Village Resident Agreement.

24. The Resident Entrance Fee can be paid over a period of time. The resident is required to pay 10% of the Resident Entrance Fee as a deposit (the “Resident Entrance Fee Deposit”) to reserve the apartment when the resident signs the Resident Agreement. The Resident Entrance Fee Deposit along with any interest less a processing fee is refundable to the resident if the resident terminates the Resident Agreement on or before the seventh day after the Resident Agreement is executed, except as otherwise provided in the Resident Agreement. If a resident terminates the Resident Agreement before moving into the apartment home, then the Resident Entrance Fee Deposit is refundable to the resident along with any interest less a processing fee within 30 days of the termination of the Resident Agreement.

25. A second 10% deposit must be paid by the time the resident moves into the apartment home. The second deposit is non-refundable. The remainder of the Resident Entrance Fee must be paid within six months after the resident moves into the apartment.

26. Upon termination of the Resident Agreement, ninety percent of the Resident Entrance Fee is refundable. The refundable amount of the Resident Entrance Fee is refunded to the resident or, if the resident is not alive, in accordance with the designation of beneficiary of resident deposit refund executed by the resident, or if none, to the personal representative for the resident’s estate.

27. For resident agreements entered into after April 1, 2021, after termination of the Resident Agreement, 90% of the Resident Entrance Fee is repaid upon the later of: (1) the date the Resident Deposit is paid in full, (2) the date the Resident Agreement is terminated, or (3) the date a new Resident Deposit is paid in full from a new resident and the new resident has taken occupancy of the same apartment home of the vacating resident. For resident agreements entered into before April 1, 2021, the refundable amount of the Resident Entrance Fee is repaid



upon the earlier of: (1) six months from the official move-out date of the apartment, or (2) the date a new Resident Deposit is fully paid from a new resident and the new resident has taken occupancy of the same apartment home of the vacating resident.

28. In 2020, Resident Entrance Fees ranged from \$104,805 to \$134,640 for a one-bedroom apartment with the monthly service fee ranging from \$2,335 to \$2,950. Resident Entrance Fees for a two-bedroom apartment ranged from \$178,750 to \$223,445 with monthly service fees ranging from \$3,645 to \$4,320. In 2021, the Resident Entrance Fees were unchanged, but the monthly service fee increased slightly. In 2021, the monthly service fee ranged from \$2,405 to \$3,040 for a one-bedroom apartment and \$3,755 to \$4,450 for a two-bedroom apartment. There has been no change in the amount of the Resident Entrance Fees and monthly service fees in 2022.

29. CCCI's current contingent obligation for refundable Resident Entrance Fees is \$6.868 million. Given concerns regarding the COVID-19 pandemic, the terms of the Resident Agreements and overall operating liquidity, CCCI determined that it was important to ensure it had sufficient cash on hand to satisfy its obligations under the Resident Agreements and placed funds in a separate account to segregate the funds needed to cover any amounts due related to refundable Resident Entrance Fees. At the end of April 2022, the Greenway Village account had cash and investments on hand of \$6.865 million.

### ***Financial Performance, Capital Structure and Overview***

30. CCCI and the Foundation have a calendar-based fiscal year and their financial statements are prepared on an accrual basis. As noted, CCCI and the Foundation are Texas non-profit, 501(c)(3) corporations. Based on its unaudited financial statements for the year ending December 31, 2021, CCCI had total revenue of \$36.6 million and total cash expenses of \$34.7

million resulting in net cash flow of \$1.9 million. Non-cash expenses totaled \$7.6 million. These revenue and cash flow figures include the benefit of government assistance through the Paycheck Protection Program (“PPP”) and other government economic stimulus and healthcare support programs totaling approximately \$4.9 million.

31. As of May 17, 2022, CCCI has approximately \$85,000 cash on hand, excluding funds restricted by Debtor CCCI’s board of trustees for liabilities associated with future repayment of the Resident Entrance Fees. The Foundation has approximately \$324,000 in illiquid securities that are held in a brokerage account at U.S. Capital Advisors.

32. As of March 31, 2022, CCCI had approximately \$60.8 million in assets and \$64.5 million in liabilities. CCCI’s main assets are its land, buildings, furniture and fixtures, and equipment. The Foundation’s only asset is the brokerage account referenced above. The Debtors intend to either liquidate the assets in the brokerage account and hold the proceeds as cash in a U.S Trustee approved financial institution or transfer the assets to a purchaser.

33. As of the Petition Date, the Debtors estimate trade payables of approximately \$2.6 million.

34. In May 2020, CCCI obtained a \$4.482 million PPP loan. 100% of the loan proceeds were forgiven in June 2021.

As of the Petition Date, the Debtors had no outstanding liability related to PPP loans.

***Pre-Petition Debt Structure***

35. The Debtors are obligated to UMB Bank, N.A., in its capacity as successor trustee under the Bond Indenture (as defined below) (in such capacity, the “Bond Trustee”), for the benefit of the beneficial holders of the tax-exempt Bonds (as defined below) authorized and issued by the Mesquite Health Facilities Development Corporation (the “Issuer”), including (i)

the Issuer's Retirement Facility Revenue Bonds (Christian Care Centers, Inc. Project), Series 2014 (the "Series 2014 Bonds"), issued in the original aggregate principal amount of \$30,770,000, and (ii) the Issuer's Retirement Facility Revenue Bonds (Christian Care Centers, Inc. Project), Series 2016 (the "Series 2016 Bonds," and together with the Series 2014 Bonds, the "Bonds"), issued in the original aggregate principal amount of \$26,205,000. The Bonds were issued pursuant to that certain Indenture of Trust dated as of May 15, 2000 (as amended or supplemented from time to time, the "Bond Indenture") between the Issuer and JPMorgan Chase Bank, N.A., as original bond trustee.

36. The Issuer loaned the proceeds of the Bonds to Christian Care Centers, Inc. pursuant to that certain Loan Agreement dated as of May 15, 2000 (as amended or supplemented from time to time, the "Loan Agreement") between the Issuer and CCCI. The proceeds of the Bonds were used to, among other things: (i) finance or refinance the costs of acquiring, constructing, equipping or expanding, as applicable, the Campuses; (ii) establish debt service reserve funds for the Bonds; (iii) fund capitalized interest on a portion of the Bonds; and (iv) pay certain costs associated with the issuance of the Bonds.

37. As of the Petition Date, the amounts due and owing by CCCI with respect to the Bonds and the obligations under the Bond Documents (as defined below) are as follows (collectively, the "Bond Claim"): (i) the outstanding principal of the Bonds in the amount of \$50,170,000.00; (ii) accrued and unpaid interest on the Bonds, as of May 16, 2022, in the amount 3,112,573.66; and (iii) unliquidated, accrued and unpaid fees and expenses of the Bond Trustee and its professionals incurred through the Petition Date, which such amounts, when liquidated, shall be added to the aggregate amount of the Bond Claim.

38. As security for the Bonds, the Issuer assigned to the Bond Trustee, *inter alia*, (a) substantially all of the Issuer's interest in the Loan Agreement, and (b) the Issuer's interest in the Notes described below.

39. In addition, as security for its obligations with respect to the Bonds, the Debtors issued their Series 2014 Note and their Series 2016 Note (collectively, the "Notes") to UMB Bank, N.A., in its capacity as successor master trustee (in such capacity, the "Master Trustee," and referred to together with the Bond Trustee as the "Secured Party") pursuant to that certain Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement dated as of September 15, 1996 and effective as of December 1, 2005 (as amended or supplemented from time to time, the "Master Indenture") between the Debtors and Charitable Properties, Inc. ("CPI")<sup>1</sup>, as members of an obligated group formed under and pursuant to such Master Indenture, and JPMorgan Chase Bank, N.A., as original master trustee. The Notes are secured by, *inter alia*, perfected liens on and security interests in (i) all Gross Revenues (as defined in the Master Indenture) of the Debtors, and (ii) the right, title and interest of the Debtors in the land and facilities comprising the Campuses (the "Mortgaged Property").

40. The Master Indenture, the Bond Indenture, the Loan Agreement and each and every other document or agreement delivered as security for, or in respect of, the Bonds or the obligations of the Debtors under any of such documents are referred to collectively herein as the "Bond Documents." The Revenues, the Mortgaged Property and any other tangible or intangible assets upon which the Issuer or the Obligated Group has granted a security interest in or lien on for the benefit of the Secured Party are referred to collectively herein as the "Pre-Petition

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<sup>1</sup> Pursuant to that certain Agreement and Plan of Merger dated effective January 1, 2020, between CCCI and CPI, and that certain Assignment of Property, dated as of January 1, 2020, by CPI in favor of CCCI, (i) CCCI and CPI merger, with CCCI as the surviving entity of such merger and (ii) CPI assigned and delivered to CCCI all of its right, title and interest in and to all property it owned immediately prior to such merger.

Collateral,” and the Secured Party’s valid and perfected first priority liens therein collectively as the “Pre-Petition Liens.”

41. The Debtors and the Trustee entered into a Forbearance Agreement dated as of January 1, 2020 (the “First Forbearance Agreement”), after the Debtors failed to achieve the required days cash on hand as of the December 31, 2018, testing date and as it did not expect to achieve the historical debt service coverage ratio for the year ending December 31, 2019, or the required days cash on hand for the subsequent testing dates.

42. For the 2020 fiscal year, the Debtors again failed to meet certain covenants and missed a required payment under the Series 2014 and Series 2016 Notes. After continuing to experience financial difficulties and operational challenges, which were exacerbated by the COVID-19 pandemic, the Debtors retained B. Riley as Chief Restructuring Officer in February 2021.

43. On April 9, 2021, the Trustee accelerated the maturity date of the Series 2014 and Series 2016 Notes and declared all principal obligations immediately due and payable.

44. During this time, the Debtors and the Trustee continued actively negotiating the terms upon which the Trustee would forbear from enforcing its remedies regarding the Debtors’ default. The Debtors and the Trustee entered into a subsequent Forbearance Agreement dated as of June 30, 2021 (the “Second Forbearance Agreement”, collectively with the First Forbearance Agreement, the “Forbearance Agreements”).

45. In July 2021, the Debtors retained Houlihan Lokey Capital, Inc. (“Houlihan Lokey”) as their investment banker in accordance with the conditions and milestones in the Forbearance Agreement.

46. As will be addressed in more detail below, the Debtors seek chapter 11 protection to resolve their outstanding defaults under the Bond Documents and to effectuate a sale of their assets.

***Events Leading to Bankruptcy***

47. As indicated above, the Debtors began experiencing financial difficulties in 2018 and 2019 that were exacerbated when the COVID-19 pandemic came to the United States and Texas in early 2020. Further, due to their financial difficulties, the Debtors did not, and have not, had the funds necessary to complete necessary capital expenditures. For example, CCCI had several different plans to upgrade dated portions of its facilities and to address other deferred maintenance issues. As a result, the Debtors entered into the forbearance agreements described above.

48. The COVID-19 pandemic caused a significant decline in the CCCI campus census. Residents and their families were concerned that COVID-19 would spread rapidly across the Campuses and were concerned regarding the health risks that COVID-19 would cause, particularly in light of the constituency of CCCI's residents. Increased care requirements for the residents over the course of the COVID-19 pandemic significantly impacted CCCI operating costs, in particular, increasing labor costs and a placing a greater reliance on higher-cost labor agency services. Market forces limited the ability to raise revenues from resident rent to match these increased liabilities. Decreases in fundraising contributions also meant donations were not sufficient to defray the shortfall.

49. The Debtors have been proactive in dealing with the financial issues they are facing. As addressed above, the Debtors negotiated two forbearance agreements with the Bond Trustee. As a condition of the Second Forbearance Agreement, CCCI was required to meet

milestones prescribed by the Trustee, including the retention of an investment banker. In accordance with these milestones, the Debtors retained Houlihan Lokey. The Debtors had previously retained me as CRO. Based on extensive financial analysis and other due diligence, the Debtors have determined it is in the best interest of their estates, their residents, and the future of their communities to sell substantially all of their assets. The Debtors determined it was necessary for them to file petitions for relief under chapter 11, title 11 of the United States Code to consummate a sale and to distribute the proceeds thereof to the Debtors' stakeholders.

50. The Debtors have actively worked toward reaching a resolution of their financial issues, including in exploring a sale of their assets. Prior to filing the Chapter 11 Cases, the Debtors conducted a thorough marketing effort to explore the sale of their assets, individually and collectively, and have negotiated an asset purchase agreement with North Texas Benevolent Holdings, LLC ("Stalking Horse") which will serve as a stalking horse baseline bid in a proposed §363 bankruptcy sale ("Stalking Horse APA"). Under the Stalking Horse APA, the aggregate purchase price for the purchased assets shall be Forty-Four Million Two Hundred Fifty Thousand Dollars (\$44,250,000), which includes the assumption of certain assumed liabilities and a credit to Buyer of Seven Hundred Fifty Thousand Dollars (\$750,000). Additionally, the Stalking Horse will receive certain bid protections, which include a break-up fee of 3% of the purchase price set forth in the Stalking Horse APA plus actual expenses not to exceed \$350,000.

51. The Debtors have also worked actively with the Bond Trustee and its legal and financial advisors as they explored a potential sale to ensure their largest creditor was informed of the steps the Debtors were taking to alleviate and address the issues they were facing.

52. Accordingly, the Debtors filed for chapter 11 bankruptcy protection to address their liquidity needs and with the goal of resolving their outstanding debt obligations while

maximizing the value of their estate and the assets available to pay their creditors. It is the Debtors' ultimate goal that its communities in the Dallas Fort Worth Metroplex succeed, that the Debtor's financial issues are resolved as a result of these bankruptcy proceedings and that its residents continue to be well cared for – now and in the future.

53. I believe the relief requested in the First Day Motions is important and necessary to ensure the Debtors can continue to deliver the necessary care and services to their residents and to ensure the value of the Debtors' assets are adequately protected during the course of the bankruptcy proceedings.

#### **FACTS IN SUPPORT OF FIRST DAY MOTIONS**

54. As discussed above, the Debtors filed certain First Day Motions. The Debtors request the Court grant the First Day Motions as they are essential for ensuring the stabilization of the Debtors' business operations at the outset of the Chapter 11 Cases and protecting the value of the Debtors' assets. Capitalized terms not defined in this declaration shall have the meanings ascribed to them in the applicable First Day Motion.

#### ***Joint Administration Motion***

55. Pursuant to the Joint Administration Motion, the Debtors seek the joint administration of their Chapter 11 Cases for procedural purposes only. Many of the motions, hearings, and other matters involved in the Chapter 11 Cases will affect both Debtors. Therefore, I believe that the joint administration of these Chapter 11 cases will avoid the expense of duplicative motions, applications, and orders, which will thereby save considerable time and expense for the Debtors and result in substantial savings for their estates. Accordingly, I believe the Court should approve the joint administration of these Chapter 11 Cases.



***Consolidated Creditor Motion***

56. Pursuant to the Consolidated Creditor Motion, the Debtors request entry of an Order authorizing the Debtors to file one consolidated list of their thirty (30) largest unsecured creditors. Given the circumstances, the Debtors submit that it is appropriate for them to file one consolidated mailing matrix and one consolidated list of their thirty (30) largest unsecured creditors. The consolidated list of creditors will provide good and sufficient notice to all creditors and parties in interest in an efficient manner. Accordingly, on behalf of the Debtors, I respectfully submit that the Consolidated Creditor Motion should be approved.

***Epiq Retention Application***

57. Pursuant to the Epiq Retention Application, the Debtors seek authorization to retain Epiq as their claims and noticing agent with respect to these Chapter 11 Cases. Upon information and belief, Epiq is an experienced Claims and Noticing Agent and is frequently used by debtors in large chapter 11 cases. I believe the professionals at Epiq are well qualified to provide such services, expertise, consultation, and assistance to the Debtors and serve as Claims and Noticing Agent in these Chapter 11 Cases. The Debtors believe Epiq is capable of handling the requisite noticing responsibilities, thereby relieving the Clerk or, in the alternative, the Debtors of such burden. The employment of Epiq will provide efficient management of the claims and noticing processes in these Chapter 11 Cases, thereby allowing the Debtors' management and advisors to focus on the Debtors' reorganization efforts. Accordingly, I believe such experience, knowledge, and assistance will be valuable to the Debtors during these Chapter 11 Cases and therefore the Epiq Retention Application should be approved.

***Resident and Patient Confidentiality Motion***

58. CCCI provides health care services to its patients and residents, some of whom are interested parties or potential creditors in these Chapter 11 Cases. The Debtors request entry of an Order authorizing the implementation of procedures to protect confidential information of the Debtors' residents and patients as required by federal law, specifically the Health Insurance Portability Accountability Act of 1996 and its related regulations (collectively the "Privacy Rules").

59. Because the Privacy Rules may conflict with the Debtors' obligation to disclose certain information under the Bankruptcy Code, the Debtors filed the Resident and Patient Confidentiality Motion to balance the Debtors' requirements under the Bankruptcy Code and the Privacy Rules. I believe the Resident and Patient Confidentiality Procedures and the relief requested in the Resident and Patient Confidentiality Motion appropriately balance the need to maintain confidential personal health information under the Privacy Rules with the need for adequate disclosure under the Bankruptcy Code.

***Cash Management Motion***

60. Pursuant to the Cash Management Motion, the Debtors request the entry of interim and final orders (a) authorizing, but not directing, the Debtors to (i) continue to use the Debtors' existing Cash Management System, including existing bank accounts, (ii) honor certain prepetition obligations related thereto, (iii) maintain the Debtors' existing business forms; and (b) authorizing the banks holdings the Debtors' Bank Accounts to accept and honor all representations from the Debtors as to which checks, drafts, wires or ACH transfers should be honored or dishonored.

61. The Debtors maintain an integrated cash management system to collect, transfer and disburse funds generated by their operations (the “Cash Management System”). The Cash Management System facilitates the Debtors’ cash monitoring, forecasting and reporting functions, enabling the Debtors to administer cash through the Bank Accounts for the ordinary course operations of their businesses. Through the Debtors’ Cash Management System, the Debtors process a large number of transactions and, in connection therewith, maintain current and accurate records. The Cash Management System is similar to other cash management systems commonly employed by continuing care retirement communities.

62. The main components of the Cash Management System are the receipt of cash by the Debtors in the five (5) revenue accounts (the “Revenue Accounts”), the funding of the operational account (the “Operational Account”), and the disbursement of cash from the four (4) disbursement accounts (the “Disbursement Accounts”). A detailed list of all bank accounts included within the Cash Management System is set out in the Cash Management Motion (the “Bank Accounts”). All listed institutions are authorized depositories with the exception of U.S. Capital Advisors and American National Bank.

63. In the ordinary course of their businesses, the Debtors receive payments and reimbursements from residents, private payor insurance, Medicare, Medicaid, on account of the services the Debtors render to residents. All such received payments are deposited into the Revenue Accounts.

64. The Debtors make substantially all payments out of the Disbursement Accounts including, without limitation, payments to vendors, payment of insurance premiums, payroll obligations, benefits program obligations, debt service payments, payments to affiliates (as described below), taxes, and other obligations and expenses. Disbursements are made by check,

ACH transfer, or wire transfer. Most disbursements are initiated by Debtors, although certain ACH transfers are initiated automatically or by third parties, including, without limitation, payroll obligations and payments to certain utilities.

65. I believe the continued use of the Cash Management System and the business forms associated therewith (the “Business Forms”) is imperative to the continued operation and restructuring of the Debtors. By preserving business continuity and avoiding the disruption and delay in receipts of revenue and in the Debtors’ disbursement obligations, all parties in interest, including employees, secured creditors, vendors, and customers will be best served by the relief requested. Given the nature of the Debtors’ businesses, and the importance of cash receipts from Medicare and Medicaid which are inherently difficult and time consuming to redirect for any healthcare provider, any disruption of the accounting and cash management procedures would be enormously burdensome and disruptive, and could adversely impact the Debtors’ (a) efforts to transition into chapter 11 smoothly, and (b) operations during the pendency of the Chapter 11 Cases, which would impact the Debtors’ ability to provide the necessary care to existing residents and to pay employees. At this critical juncture, the Debtors must be able to conduct “business as usual” to the extent possible. To this end, it is essential to the success of these Chapter 11 Cases that the Debtors be permitted the relief requested in the Cash Management Motion.

***Utilities Motion***

66. Pursuant to the Utility Motion, the Debtors request the entry of interim and final orders (a) prohibiting the Debtors utility providers from altering, refusing, or discontinuing service, (b) authorizing the Debtors to set up a deposit account in the amount of \$70,000 as adequate assurance to their utility providers of future payment (d) deeming the utility providers

adequately assured of future performance, and (c) establishing procedures for determining requests for additional adequate assurance to the utility providers.

67. In connection with the operation of their business, Debtors utilize various utility services, including, but not limited to electric, water, sewer, natural gas, trash/recycling, telecom/internet and other similar utility services (the “Utility Providers”).

68. At all relevant times, the Debtors have attempted to remain current on obligations owed to the Utility Providers prior to the Petition Date. However, the Debtors do have limited unpaid obligations with eight (8) of the eleven (11) total Utility Providers, amounting to no more than one month or two months of overdue payments with each Utility Provider.

69. Prior to the Petition Date, the services rendered by the Utility Providers to the Debtors cost approximately \$132,650 per month on average. A detailed listing of all Utility Providers, the Debtors’ pre-petition obligations to each Utility Provider, and the average monthly obligation to each Utility Provider are set forth in the Utility Motion.

70. I believe that uninterrupted utility services are essential to the ongoing operation of CCCI, including its mission of resident care, and for the maintenance of CCCI’s assets, and thus the value of the Estates and the successful resolution of these Chapter 11 Cases. Any interruption of the Utility Services, even for a brief period of time, would be detrimental to the Campuses’ residents and patients, and would put the health, safety, and welfare of the Residents at risk. It is, therefore, critical, that utility services continue uninterrupted during these Chapter 11 Cases.

71. The Debtors propose to segregate, within twenty (20) days of the Petition Date, \$70,000 (the “Deposit”), an amount greater than the estimated cost for two weeks of Utility Services (i.e., approximately \$66,300), calculated based on the historical data, into one

segregated bank account designated for the Deposit (the “Utility Deposit Account”) for the benefit of all Utility Providers. The Utility Deposit Account will be held for the exclusive purpose of paying the Utility Providers for future bills. This \$70,000 Deposit amount will be sufficient to cover the approximately \$66,300 in obligations that the Debtors incur every two-weeks on average with the Utility Providers. The Utility Deposit Account and the Debtor’s ability to pay post-petition utility obligations as they come due in the ordinary course of business with the use of the Cash Collateral and DIP Financing shall meet the requirement of adequate assurance to the Utility Providers (the “Proposed Payment Adequate Assurance”).

72. Therefore, I believe that the Utility Providers have adequate assurance of future performance, and the relief sought in the Utility Motion is in the best interests of the Debtors, their Estates, their residents, the Utility Providers, and all stakeholders, and, therefore, should be approved.

***Wage Motion***

73. Pursuant to the Wage Motion, the Debtors request the entry of interim and final orders granting them the authority to (a) pay all employment related pre-petition obligations of the Debtors, including, but not limited to all wages, salaries, commissions, and payments owed to Employees and Independent Contractors of the Debtors (“Pre-Petition Workforce Compensation”), (b) pay any pre-petition amounts due and owing pursuant to the Employee Benefit Plans, including PTO, Health Plans, Vision Plans, Dental Plans, Workers Compensation Program, Life Insurance/AD&D Plans, Disability Insurance Plans, 403(b) Plans, Reimbursement Program, Flex Spending Accounts, Educational Scholarship Program, Joe Stull Emergency Assistance Fund, and a Legal Assistance Plans, (c) reimburse all pre-petition Employee business-related expenses incurred in the ordinary course of business under the employee Reimbursement

Program, (d) pay all employment, unemployment, social security, and similar federal state, and local taxes related to the Pre-Petition Workforce Compensation (the “Debtors’ Payroll Taxes”), and make other payroll deductions, including retirement and other Employee Benefit Plan contributions, and garnishments, as well as (e) authorizing applicable banks and other financial institutions to receive, process, honor, and pay any and all checks drawn on and transfers made from the Debtors’ accounts to the extent such checks or transfer related to any of the foregoing.

74. The Debtors employ approximately 489 employees (the “Employees”) — of which 363 are full-time Employees, 31 are part-time Employees, and 95 are per diem Employees — as well as 43 individual independent contractors over the past 12 months (the “Independent Contractors”). Prior to the Petition Date, the Debtors provided the Employees with compensation, employment benefits, reimbursement for business expenses, and other miscellaneous employment compensation. Prior to the Petition Date, the Independent Contractors received compensation in accordance with the terms of their individual contracts.

75. Prior to the Petition Date, the Debtors incurred payroll obligations to their Employees consisting of hourly wages and salary in the ordinary course of business (the “Pre-petition Employee Compensation”). These payroll obligations are incurred on a daily basis, and the obligations in arrears are paid to Employees on a biweekly basis.

76. The Employees are compensated six (6) days in arrears. The pay period closes for all Employees every other Saturday (“Close of Payroll”), and the Employees are paid the following Friday for the amount earned during the 14 days through and including Close of Payroll (the “Pay Date”). The last Pay Date prior to the Petition Date was May 13, 2022, on which the Employees were compensated for all work performed from April 24, 2022, through May 7, 2022.

77. The Debtors use third-party ADP, LLC (“ADP”) to administer Employee payroll. On or around the Wednesday prior to each Pay Date, the Debtors place the total amount of the payroll obligation in a zero-balance checking account with Veritex Community Bank (the “Veritex Payroll Account”). ADP then automatically draws directly from the Veritex Payroll Account to satisfy any payroll obligations for the period.

78. The Debtors’ payroll obligation per Pay Date is, on average, approximately \$690,000, including all Employment Deductions, Employee Tax Withholding, Debtors’ Payroll Taxes, and Garnishments as described below. As of the Petition Date, the Debtors estimate that there is approximately \$176,164 accrued in unpaid gross pre-petition salary, wages, and compensation, excluding the employer share of taxes.

79. The Independent Contractors are compensated individually in accordance with the contract executed with each contractor or provider. The Independent Contractors are issued a physical check or ACH payment for the required amount on a monthly basis, which is paid from CCCI’s general operations bank account with Veritex Community Bank. As of the Petition Date, the Debtors estimate that there is approximately \$8,000 accrued in unpaid compensation to the Independent Contractors (the “Pre-Petition Independent Contractor Compensation”, and together with the Pre-Petition Employee Compensation, the “Pre-Petition Workforce Compensation”).

80. The Debtors pay approximately \$8,000 per month to ADP for their administration of employee compensation, Employee Deductions, Employee Withholding Taxes, Debtor’s Payroll Taxes, and Garnishments (as defined below). To date, the Debtors have no unpaid obligations to ADP for payroll administration.



81. The Debtors maintain various Employee benefit programs, including, but not limited to, and as each are defined below, PTO, Health Plans, Vision Plans, Dental Plans, Workers Compensation Program, Life Insurance/AD&D Plans, Disability Insurance Plans, 403(b) Plans, Reimbursement Program, Flex Spending Accounts, Educational Scholarship Program, Joe Stull Emergency Assistance Fund, a Legal Assistance Plan, the Automobile Allowance Program, and the Cellphone Allowance Program (collectively, the “Employee Benefit Programs”).

82. The Debtors provide Employees with various forms of paid time off (“PTO”) in accordance with market standards. The Debtors have a standard general PTO accrual Policy (the “General PTO Policy”), and Extended Illness Leave Policy (the “EIL Policy”), and several other specialized types including PTO for Bereavement and Jury Duty. PTO accrues on an annual basis as explained in the Wage Motion. As of the Petition Date, the Debtors estimate that the value of PTO accrued under the General PTO Policy is \$552,243.10. As of the Petition Date, the Debtors estimate that the value of PTO accrued under the EIL Policy is \$693,280.50. PTO for Bereavement and Jury Duty does not accrue in advance.

83. Prior to the Petition Date, the Debtors offered their Employees certain health benefits (the “Health Benefits”), including, but not limited to health insurance, vision insurance, dental insurance, flexible spending accounts, life insurance, and short- and long-term disability insurance, which are provided to Employees in the ordinary course of business. The Debtors procure the insurance policies for their Employees and pay for a portion of the associated premiums.

84. The Debtors offer medical and prescription coverage to full-time Employees and their eligible dependents through LeadingAge Texas Health Plan, Inc. (“HPI”) (the “Medical”).

Plan”). As of the Petition Date, approximately 215 Employees participate in the Medical Plan, and the average monthly premium allocated to the Debtor under the Medical Plan is approximately \$124,253, exclusive of Employee contributions. As of the Petition Date, the Debtors estimate that approximately \$139,515 is owed to the Medical Plan.

85. The Debtors offer two dental plan options to full-time Employees and their eligible dependents, including both an HMO option and PPO option, through Cigna (the “Dental Plans”). As of the Petition Date, approximately 187 Employees participate in the Dental Plans, and both plans are fully funded by participants. As of the Petition Date, the Debtors owe \$6,725.66 to Cigna in compensation for the Dental Plan.

86. The Debtors offer vision coverage to full-time Employees and their eligible dependents through Cigna (the “Vision Plan”). As of the Petition Date, approximately 190 Employees participate in the Vision Plan, and the plan is fully funded by participants. As of the Petition Date, the Debtors owe \$1,816.59 Cigna in compensation for the Vision Plan.

87. The Debtors offer all full-time Employees the option of enrolling in basic life and death & dismemberment insurance for the Employee, their spouse, and their children through UNUM Insurance. The Employees are responsible for 100% of the premiums associated with the Life Insurance/AD&D Plans (as defined below).

88. The Debtors also offer an employer sponsored basic life and death & dismemberment insurance for all full-time exempt Employees the Employee, their spouse, and their children through UNUM Insurance (collectively, the “Life Insurance/AD&D Plans”). There are currently 67 participants in this plan and the monthly average cost to the Debtors is \$1,037.49.

89. The Debtors offer all full-time Employees the option of enrolling in both short- and long-term disability insurance through Colonial Life & Accident Insurance Company. The Employees are responsible for 100% of the premiums associated with the Disability Insurance Plans.

90. The Debtors also offer all employer sponsored short- and long-term disability insurance to full-time employees through UNUM Insurance (collectively, the “Disability Insurance Plans”). There are currently 67 participants in this plan and the monthly average cost to the debtors is \$1,868.14.

91. The Debtors offer both a Healthcare Flexible Spending Account and a Dependent Care Flexible Spending Account (collectively, the “Flex Spending Accounts”) to all of their full-time Employees, both of which are entirely funded by the Employees.

92. All full-time employees are eligible to contribute to a 403(b) plan through one of two sponsors and each sponsor offers two different 403(b) plans. The first sponsor, National Benefit Services, is a third-party administrator of both pre-tax and Roth plans offered by Pacific Life Insurance Company and Valic respectively (now known as AIG Retirement Services). The second sponsor, Pension Plan of the Christian Church, is the sponsor of its own 403(b) plans. Debtor CCCI matches 100% of the first 1% of salary contributed to Pension Plan of the Christian Church. All deductions and Employee and Debtor contributions to 403(b) plans are withheld and remitted directly Pension Plan of the Christian Church, Pacific Life, or Valic, respectively. On average, Employees collectively contribute monthly average of \$19,428.50 to the 403(b) Plans, and the Debtors contribute an average of \$2,398.00. As of the Petition Date, the Debtors are obligated to remit approximately \$4,752.00 for administrative fees, \$8,656.23 in Employee contributions and \$1,081.56 in Debtor contributions to the plan sponsors.

93. The Debtors provide workers' compensation insurance for the Employees in compliance with the Texas Workers' Compensation System (the "Workers' Compensation Program"). The Debtors maintain the Workers' Compensation Program policy through Zurich American Insurance Company and Salus serves as the third-party administrator.

94. During 2021, the Debtors paid fees and claims totaling approximately \$66,642 to Salus. As of the Petition Date, nothing is due and owing under the Worker's Compensation Program.

95. Employees are additionally provided with reimbursement for employment-related expenses that are incurred while performing their duties, including purchase of supplies and required trainings, among others (the "Reimbursement Program"). The Debtors' obligations under the reimbursement program are remitted through the Debtors' accounts payable department. As of the Petition Date, the Debtors estimate they owe approximately \$3,500 in unpaid obligations to Employees under the Reimbursement Program.

96. All full-time Employees are eligible to apply for limited educational, tuition scholarships on a semester-by-semester basis (the "Educational Scholarship Program"). Educational scholarships are limited to \$600 per session, with a maximum of \$2,400 per year per Employee. The Debtors have no outstanding pre-petition obligations under the Educational Scholarship Program.

97. Through the Joe Stull Emergency Assistance Fund, all full-time Employees who have been employed for at least six-months have access to an emergency, interest-free loan. The Debtors have no pre-petition obligations under the Joe Stull Emergency Assistance Fund program.

98. All full-time Employees are eligible to enroll in a voluntary legal assistance plan through Colonial Life & Accident Insurance Company (the “Legal Assistance Plan”). The Employees are responsible for 100% of the premiums associated with the Legal Assistance Plan. As of the Petition Date, the Debtors estimate they owe approximately \$126 in unpaid obligations to Legal Club.

99. Based on job responsibilities, eligible Employees may qualify to receive an automobile allowance to assist with covering the use of their personal vehicles for business-related purposes (the “Automobile Allowance Program”). As of the Petition Date, the Automobile Allowance Program has 13 participants, and the Debtors incur a monthly average of \$3,575.00 in obligations to program participants. Payments received by participants are provided as a flat bi-weekly rate, the amount of which is dependent on the Employee’s position. As of May 18, 2022, the Debtors estimate they owe \$3,191.96 in unpaid pre-petition obligations to participants of the Automobile Allowance Program.

100. Based on job responsibilities, eligible Employees may qualify to receive a cellphone allowance to assist with covering the use of their personal cellphones for business-related purposes (the “Cellphone Allowance Program”). As of the Petition Date, the Cellphone Allowance Program has 81 participants, and the Debtors incur a monthly average of \$5,244.81 in obligations to program participants. Payments received by participants are provided as a flat bi-weekly rate, the amount of which is dependent on the Employee’s position. As of May 18, 2022, the Debtors estimate they owe \$4,682.14 in unpaid pre-petition obligations to participants of the Cellphone Allowance Program.

101. The Debtors deduct amounts for certain employee benefits directly from Employee paychecks, including, but not limited to premiums for the above outlined Employee

Benefits as well as Employee contributions to 403(b) Plans (the “Employment Deductions”). On average, the Debtors withhold approximately \$80,000 per month to cover the Employee Deductions, which is then either (a) provided to ADP and remitted directly to the appropriate third-party recipients or (b) remitted directly by the Debtors through its accounts payable department. For the prepetition portion of the payroll payable on May 27, 2022, the Debtors estimate they will need to remit approximately \$22,857 to third-parties for Employee Deductions in relation to the payroll to be paid on May 27, 2022.

102. The Debtors are also required by law to withhold federal income taxes, as well as Social Security and Medicare taxes on behalf of the Employees (the “Employee Withholding Taxes”) and remit those withholdings to the appropriate taxing authorities. The Debtors withhold an average of \$200,000 per month to cover the Employee obligation for Federal Income, Social Security, and Medicare taxes. The Debtors are also required by law to make matching payments for Social Security and Medicare taxes from their own funds, and to make payments for state and federal unemployment insurance<sup>2</sup> and other taxes based on a percentage of payroll (the “Debtors’ Payroll Taxes”). The Debtors contribute on average \$100,000 per month for their portion of the Social Security, Medicare, and federal and state unemployment taxes. Both the Employee and Debtors’ required withholdings are collected and remitted to the appropriate taxing authorities directly by ADP. For the prepetition portion of the payroll payable on May 27, 2022, the Debtors estimate they will need to remit approximately \$28,571 to the various taxing authorities for the Debtors’ Payroll Taxes and \$57,142 for the Employee Withholding Taxes, which will be remitted to ADP for distribution on May 27, 2022.

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<sup>2</sup> Out of an abundance of caution, payments owed under the unemployment insurance policy held with the Ohio Indemnity Company in compliance with the laws and regulations of the State of Texas are also included in the Insurance Motion.

103. The Debtors may also be required by law in certain circumstances to withhold additional amounts from Employee paychecks for garnishments, child support, tax levies, and other similar deductions (the “Garnishments”). These Garnishments are again withheld and remitted directly to the appropriate authorities by ADP. Approximately \$1,520 per month in Garnishments, on average, is remitted to government authorities. As of the Petition Date, the Debtors are obligated to remit approximately \$400 in Garnishments, which will be remitted to ADP on May 27, 2022.

104. The Employees and Independent Contractors are vital to the continued operations of the Debtors. Without their services, there will be irreparable harm done to the Debtors and their senior residents, and thus it is imperative to take all measures necessary to retain the services of the Employees and Independent Contractors. As such, the Debtors have requested the authority to (a) pay all Pre-Petition Workforce Compensation (b) pay any pre-petition amount due and owing pursuant to the Employee Benefits Programs, (c) reimburse all pre-petition Employee business expenses incurred in accordance with the Reimbursement Program, (d) continue to pay all obligation incurred to pay wages, salaries, and contractual compensation to the Employees and Independent Contractors as well as maintain the Employee Benefits Programs in the ordinary course of business, and (e) withhold all federal, state, and local taxes related to Pre-Petition Workforce Compensation and future compensation of Employees and Independent Contractors.

105. Absent granting the relief requested herein, the Employees and Independent Contractors will experience significant economic hardship, and, absent competitive compensation, will likely seek employment elsewhere. Without these Employees and Independent Contractors, there will be a significant interruption in services to the senior

residents, and significant time and costs incurred in finding their replacements, diminishing the value of the Estates, and thus the improved chance for a successful reorganization. For these reasons, on behalf of the Debtors, I respectfully request that the Court grant the Wages Motion.

***Tax Motion***

106. Pursuant to the Tax Motion, the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors to pay any prepetition tax and fee obligations and taxes and licensing fees that accrue within the ordinary course; and (ii) authorizing and directing banks and other financial institutions to receive, process, honor, and pay all checks issued and electronic payment requests made related to the foregoing.

107. The Debtors are exempt from federal and state income taxes. However, the Debtors, in the ordinary course of business incur various tax liabilities to multiple taxing authorities (the "Taxing Authorities").

108. The Debtors are subject to the following taxes and fees (the "Taxes and Fees")<sup>3</sup>:

- a. **Sales and Use Taxes:** In the ordinary course of business, the Debtors collect sales and use taxes ("Sales and Use Taxes") from the limited sale of goods at giftshops on the Campuses. The Debtors typically pay Sales and Use Taxes to the Applicable Taxing Authorities on a monthly basis which average less than \$1,000 per month. The Debtors estimate that less than \$1,000 in prepetition Sale and Use Taxes will become due and payable following the Petition Date.
- b. **Property Taxes:** The Debtors are required to pay real and personal property taxes and fees for the Campuses and other personal property. The Debtors have approximately \$75,500 in unpaid pre-petition property tax obligations that accrued during 2021 and became due and payable in January of 2022 (the "Pre-Petition Property Tax Obligations"). The Debtors seek authority to pay these Pre-Petition Property Tax Obligations. Property taxes accruing for 2022 will not become due until January of 2023.

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<sup>3</sup> Payroll, withholding, and other employee-related tax obligations are separately address in the Debtors' Emergency Motion for Entry of Order Authorizing (I) Payment of Pre-petition Wages, Salaries, and Other Obligations, (II) Maintenance of Compensation and Benefits Programs, and (III) Payment of Related Administrative Obligations.



- c. **Licensing Fees and Taxes:** Due to the nature of the Debtors' business, the Debtors incur licensing and permit fees to various government and regulatory agencies which are *de minimis* in amount (the "Licensing Fees"). The Debtors have approximately \$700 in unpaid pre-petition license fee obligations (the "Pre-Petition Fee Obligations"). The Debtors will have an additional \$20 licensing fee which will become due within the first twenty-one (21) days after the Petition Date.
- d. **Provider Fees:** Every three (3) years, the Debtors pay a revalidation fee (the "Provider Fees") calculated by the number of Medicare-certified beds at the Campuses. This Medicare certification will need to be renewed as of September 1, 2022, and as such, payment of the Provider Fees will likely be due during the pendency of the Chapter 11 Cases.

109. As of the Petition Date, the Debtors owe approximately \$1,000 in Sales and Use Tax related to the pre-petition period that have accrued and will become due and payable to the Taxing Authorities within the first twenty-one (21) days of the Chapter 11 Cases, and \$75,500 in Pre-Petition Property Tax Obligations (the "Pre-Petition Tax Obligations") to various Taxing Authorities. As of the Petition Date, the Debtors owe \$700 Pre-Petition Fee Obligations (together, with the Pre-Petition Tax Obligations, the "Pre-Petition Tax and Fee Obligations"). The Pre-Petition Tax and Fee Obligations are detailed in the Tax Motion.

110. Lack of authority to pay the Pre-Petition Tax and Fee Obligations when needed during the pendency of the Chapter 11 Cases will cause the Debtors to suffer immediate and irreparable harm. Untimely payment risks cessation of normal relations between the Taxing Authorities and the Debtors and risks making these estates worse off than they will be having paid the Taxes and Fees. Failure to timely pay, or a precautionary withholding by the Debtors of payment of the Taxes and Fees may cause the Taxing Authorities to take precipitous action, including an increase in audits, a flurry of lien filings, attempts to revoke the Debtors' licenses, and significant administrative maneuvering at the expense of the Debtors' time and resources. Prompt and regular payment of the Taxes and Fees will avoid this unnecessary governmental action, and the expenditures of time and money resulting from such disputes. Avoiding these

costs and burdens is in the best interest of the Debtors' Estates and will ultimately preserve the resources of the Debtors' Estates and leave the estate in a better position. Accordingly, I respectfully submit that the Tax Motion should be granted.

***Insurance Motion***

111. Pursuant to the Insurance Motion, the Debtors request the entry of interim and final orders (i) authorizing the Debtors to (a) pay all pre-petition amounts owed to their insurance carriers and insurance financing company, (b) maintain the existing insurance policies and pay all obligations arising thereunder, including any insurance obligations, (c) maintain financing of their insurance premiums and pay all obligations in connection therewith, including monthly installment payments in connection with premium finance agreements, and (d) renew, revise, extend, supplement, change, or enter into new insurance policies as needed in their business judgment; and (ii) authorizing and directing banks and other financial institutions to receive, process, honor, and pay all checks issued and electronic payment requests made related to the foregoing.

112. In the ordinary course of business, CCCI maintains various insurance policies (the "Insurance Policies") through several third-party insurance carriers (the "Insurance Carriers"), all of which were obtained through broker, USI Southwest, Inc. ("USI" or the "Insurance Broker"). CCCI is covered by insurance for general liability & healthcare profession liability, auto liability, excess auto liability, occupational/accidental, accidental death & dismemberment/health, property, wind & hail, cyber liability, and equipment breakdown. The Debtors Insurance Policies are detailed in the Insurance Motion.

113. The premiums for many of the Insurance Policies are financed through two insurance premium financing agreements (the "Premium Financing Agreements") with IPFS

Corporation (“IPFS”). As of the Petition Date, the Debtors owe \$38,826.22 in unpaid pre-petition obligations under the Premium Financing Agreements.

114. Certain other insurance premiums not paid through the Premium Financing Agreements are paid directly by CCCI to the Insurance Carrier (the “Non-Financed Policies”). The Non-Financed Policies are generally one year in length and renew at various times throughout the year. As of the Petition Date, there are \$115,385.12<sup>4</sup> in unpaid pre-petition obligations owed under the Non-Financed Policies. A check has been issued to the appropriate Insurance Carrier for this amount, but the check has not yet cleared.

115. In total, the Debtors currently owe \$154,211.34<sup>5</sup> in unpaid pre-petition obligations under the Insurance Policies and Premium Financing Agreements (the “Pre-Petition Obligations”).

116. The Debtors seek to pay all Pre-Petition Obligations and maintain the existing Insurance Policies and Premium Financing Agreements by paying any obligations and fees that arise in the ordinary course of business, including brokerage fees. Failure to timely pay amounts due under the Insurance Policies and Premium Financing Agreements will harm the Debtors’ estates as non-payment of premiums may cause the Insurance Policies to be terminated. Such termination would (a) cause the Debtors to be out of compliance with UST Guidelines as well as applicable regulatory requirements to maintain insurance, (b) place additional strains on the Debtors’ relationships with employees and senior residents who benefit from the Debtors’

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<sup>4</sup> This pre-petition amount includes \$112,288.12 owed to Ohio Indemnity Company or unemployment insurance. Out of an abundance of caution, this amount is all addressed in the Debtors’ Emergency Motion for Entry of Order Authorizing (I) Payment of Pre-Petition Wages, Salaries, and Other Obligations, (II) Maintenance of Compensation and Benefits Programs, and (III) Payment of Related Administrative Obligations (the “Wage Motion”).

<sup>5</sup> This pre-petition amount again includes the \$112,288.12 owed to Ohio Indemnity Company, which, out of an abundance of caution, is also included in the Wage Motion.

insurance coverage, and (c) eviscerate the Debtors' ability to prevent loss in value from casualty, natural disaster, or another unforeseen event.

117. The continuation of the Debtors' Insurance Policies is especially important because if any of the Insurance Policies are discontinued, the Debtors would be exposed to substantial liability, to the detriment of senior residents, creditors, and all interested parties. In the event of termination of insurance coverage, the Debtors would need to obtain replacement insurance, likely at higher prices than they currently pay. Therefore, I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors, their estates, their residents, and all stakeholders and should, therefore, be approved.

118. Furthermore, the Debtors should be authorized to renew, revise, extend, supplement, or change existing Insurance Policies, or enter into new insurance policies as needed in the Debtors' business judgment, to ensure that appropriate insurance coverage is maintained during the Chapter 11 Cases and that the Debtors are fulfilling their fiduciary duties.

***Resident Entrance Fee Escrow Motion***

119. In the Resident Entrance Fee Escrow Motion, the Debtors request authority from the Court (a) authorizing CCCI, to during the pendency of CCCI's bankruptcy, to continue maintaining separate accounts for Resident Entrance Fees paid by residents who move into Greenway Village, (b) authorizing CCCI to refund the refundable amount of the Resident Entrance Fee in accordance with the terms of the Residence Agreements during the pendency of CCCI's bankruptcy, provided however that disbursements shall cease following an Event of Default under the DIP Indenture, and (c) directing CCCI's financial institution(s) to honor related checks and electronic fund transfers.

120. As addressed above, Greenway Village residents are entitled to a 90% refund of their Resident Entrance Fee pursuant to the terms of the Resident Agreement upon termination of the Resident Agreement. The Debtors are aware of at least five residents who will be entitled to the refundable amount of their Resident Entrance Fee during the course of the Chapter 11 Cases.

121. The Court should authorize CCCI to continue to maintain separate account(s) for Greenway Village Resident Entrance Fees and authorize CCCI to refund the refundable amount of the Resident Entrance Fees in accordance with the terms of the Resident Agreements during the pendency of CCCI's bankruptcy. In my opinion, this relief is necessary to ensure confidence in CCCI's continued stability and provide comfort to residents that their investment in their apartment and refund rights are safe and will provide assurances to Greenway Village residents so that they know that their Resident Agreements will operate as normal even though CCCI filed for bankruptcy.

122. This relief is also necessary to continue to attract new residents. A resident's willingness to move into the CCRC and pay the Resident Entrance Fee could be dependent upon their confidence that the Debtors' bankruptcy will not affect the right to the refundable portion of the Resident Entrance Fee. CCCI's business is providing residential and health care services to the senior community. It is important to protect CCCI's residents and to encourage new growth to ensure the stability of CCCI and its future. This relief will help protect the value of the assets and the Debtors' Estates, and thus is important to a successful reorganization.

123. I believe that the Resident Entrance Fee Escrow Motion is a practical approach to protect the interests of prospective residents, to generate trust and confidence in the Debtors' continuation and reorganization, while also allowing the Debtors to honor their pre-bankruptcy commitments to a vital constituent of their business.

***DIP and Cash Collateral Motion***

124. Pursuant to the DIP and Cash Collateral Motion, the Debtors request the entry of interim and final orders (i) authorizing the Debtors to obtain secured, super-priority, post-petition financing (ii) authorizing the Debtors to grant the DIP Lender priming lien in the DIP Collateral; (iii) authorizing the Debtors to pay the principal, interest, fees, expenses, and other amounts due and owing under the DIP Loan Documents, (iv) authorizing the Debtors to use the Secured Party's Cash Collateral, (v) approving the forms of adequate protection to be provided to the Secured Party, and (vi) modifying the automatic stay to the extent necessary to effectuate the DIP orders, among other relief.

125. Ample cause exists for entry of the proposed DIP orders approving the Debtors' request to use Cash Collateral and enter into the DIP Facility. The Debtors need to be able to use Cash Collateral and post-petition financing; both are essential to the success of the Chapter 11 Cases and to the Residents who depend on the Debtors for personal and healthcare services. The requests for relief contained in the DIP and Cash Collateral Motion should be approved. They are essential to the Debtors' operations and will enhance the Debtors' ability to emerge successfully from these Chapter 11 Cases.

**CONCLUSIONS**

126. For all the foregoing reasons, I respectfully request that the Court grant the relief requested in the First Day Motions and such other and further relief as is appropriate.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated this 23rd day of May 2022.

A handwritten signature in black ink, appearing to read 'Mark Shapiro', written over a horizontal line.

MARK SHAPIRO  
CHIEF RESTRUCTURING OFFICER