

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

	)	
In re:	)	Chapter 11
	)	
GENESIS HEALTHCARE, INC., <i>et al.</i> ,	)	Case No. 25-80185 (SGJ)
	)	
Debtors. ¹	)	(Jointly Administered)
	)	

**DECLARATION OF ANDREW
TURNBULL IN SUPPORT OF THE OBJECTIONS
OF THE STATUTORY UNSECURED CLAIMHOLDERS'
COMMITTEE TO THE DEBTORS' VARIOUS REQUESTS FOR RELIEF
(Relates to Docket Nos. 17, 117)**

I, Andrew Turnbull, pursuant to Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy and Procedure and Rule 2014-1 of the Local Rules, make the following statements as follows:

1. I submit this declaration (the "Declaration") in support of (y) the *Objection of the Statutory Unsecured Claimholders' Committee to Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* (the "DIP Objection"), and (z) the *Objection of the Statutory Unsecured Claimholders' Committee to Debtors' Motion for Entry of an Order (I) Approving Bidding Procedures and Expense Reimbursement, (II) Approving the Debtors' Entry Into the Stalking Horse APA,*

¹ The last four digits of Genesis Healthcare, Inc.'s federal tax identification number are 4755. There are 299 Debtors in these chapter 11 cases, for which the Debtors have requested joint administration. A complete list of the Debtors and the last four digits of their federal tax identification numbers are not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://dm.epiq11.com/Genesis>. The location of Genesis Healthcare, Inc.'s corporate headquarters and the Debtors' service address is 101 East State Street, Kennett Square, PA 19348.

(III) Scheduling Certain Dates and Deadlines, (IV) Approving the Form and Manner of Notice Thereof, (V) Establishing Notice and Procedures for the Assumption and Assignment of Contracts and Leases, (VI) Authorizing the Assumption and Assignment of Assumed Contracts, and (VII) Authorizing the Sale of Assets (the “Bidding Procedures Objection” and, together with the DIP Objection, the “Objections”), each of which are being filed contemporaneously herewith.²

2. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents and information concerning the Debtors’ operations and financial affairs, information provided to me by professionals involved in advising the statutory unsecured claimholders’ committee in these chapter 11 cases (the “Committee”), including the Houlihan Lokey team, or my opinions based upon my experience and knowledge. I am over the age of 18 and authorized to submit this Declaration as the proposed investment banker for the Committee on behalf of the Committee. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

BACKGROUND AND QUALIFICATIONS

3. I am a Managing Director in the Financial Restructuring Group at Houlihan Lokey Capital, Inc. (“Houlihan Lokey”), and I have been authorized to make this Declaration on behalf of Houlihan Lokey. During the course of my career, I have advised debtors and creditors in financial restructurings, distressed mergers and acquisitions, private placements, and fairness opinions. My notable recent restructuring engagements in the healthcare space include, without limitation, the following: The Stayton at Museum Way (sale of a senior living facility), SantaFe Healthcare (two sale processes for two separate senior living facilities), Christian Care Centers (sale of three senior living facilities), Heywood Healthcare, Inc. (reorganization of two acute care

² Capitalized terms used herein that are not otherwise defined shall have the meaning given to them in the Objections.

hospitals), Steward Health Care System (sales, transfers and restructuring related to 31 hospitals), Nashville Senior Care (sale of five senior living facilities) and Prospect Medical Holdings (sale of various businesses including acute care hospitals, behavioral hospitals, ASC / outpatient facilities and a value based, integrated care delivery network).

4. I received a B.Sc. in Biology from the University of Western Ontario and an Honors Business Administration degree, from the Ivey Business School at the University of Western Ontario.

5. Houlihan Lokey, together with the other subsidiaries of its direct parent company, Houlihan Lokey, Inc., is an internationally recognized investment banking and financial advisory firm, with offices worldwide and approximately 2,000 professionals. Houlihan Lokey is a leader in providing such services to debtors, unsecured and secured creditors, acquirers, and other parties-in-interest involved with financially troubled companies both in and outside of bankruptcy. Houlihan Lokey was selected to serve as an investment banker to the Committee on August 7, 2025. Although Houlihan Lokey is being compensated for its work as the investment banker proposed to be retained by the Committee, Houlihan Lokey is not being compensated separately for this Declaration or testimony.

6. Since its retention, Houlihan Lokey has worked tirelessly to review and analyze the information provided by the Debtors to assist the Committee in responding to the Debtors' motions and otherwise. While this analysis remains ongoing, I have gained significant knowledge regarding the Debtors, their financial affairs, their prepetition marketing process to obtain postpetition financing and to locate a potential purchaser of the Debtors' businesses, and the proposed stalking horse bid.

ANALYSIS

I. The Debtors Largely Squandered Their Opportunity for a Prepetition Marketing Process for Both DIP Financing and a Sale

7. The Debtors began planning for these cases in advance of May 2025 when they engaged Jefferies LLC (“Jefferies”) to conduct a restructuring, sale and marketing process. Between Jefferies’ retention on May 8 and the Petition Date on July 9, the Debtors had approximately two months to get a head-start and commence the prepetition marketing process and canvass the potentially interested parties for both a sale of their businesses, as contemplated by the Bidding Procedures Motion, and a potential DIP Loan. They, however, do not appear to have made any prepetition efforts to have marketed a sale of the Debtors’ businesses, and while they conducted a marketing effort for the DIP Loan, they (a) received only DIP Loan proposals requiring a priming position, and (b) did not receive any third-party proposals for a junior secured or unsecured DIP Loan. Upon receiving such feedback, the Debtors halted their third-party marketing process for a DIP Loan and retreated to negotiating a DIP Loan with some, but not all, of the Prepetition Secured Creditors. The Debtors do not adequately explain why they (a) did not continue to explore the priming DIP Loan if only to use that option as leverage against the proposed DIP Lenders and (b) would not engage with the Prepetition ABL Lender regarding a DIP Loan. Both decisions are not just unexplained by the Debtors but run contrary to my expectations if the Debtors were attempting to obtain the best deal for the Debtors’ estates. Based on my initial review of the Debtors’ prepetition efforts to locate a purchaser and a potential lender, I believe the Debtors failed to adequately market either opportunity.

8. As the Debtors themselves acknowledge, the proposed transactions outlined in the DIP Motion and Stalking Horse Agreement involve related parties. Despite this recognition, the Debtors’ process for soliciting postpetition financing was poorly executed.

A. Marketing Process for DIP Financing was Inadequate

9. According to Mr. Kanwal, Jefferies' marketing process for the DIP financing began on May 28, 2025, approximately 42 days before the Petition Date. Jefferies reached out to twelve potential third party financing sources. Based on the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] A third-party priming DIP Loan [REDACTED]

[REDACTED] would offer leverage to negotiate favorable terms with the prepetition lenders regarding a DIP Loan including reasonable sale milestones, no liens on avoidance actions, and no releases to prepetition lenders and landlords. Regardless, it appears that the Debtors did not entertain using a priming DIP loan proposal as leverage in discussions with the prepetition lenders. I do not believe that the Debtors' solicitation of the third-party DIP Loan was a comprehensive attempt to market test the proposed DIP Loan for \$30 million.

10. The Debtors' senior lender White Oak Healthcare Finance ("White Oak") confirmed at the first day hearing that the Debtors never reached out to negotiate a potential postpetition debt facility with White Oak. In most bankruptcy cases, contacting the senior secured ABL lender—here White Oak—regarding DIP financing would occur as a matter of course. Here, however, the Debtors did not contact, let alone attempt to make a deal with, a likely provider of DIP financing. The Debtors have not provided a sufficient explanation as to why they did not contact White Oak before opting to enter into a DIP Loan transaction with a related party. Failing to reach out to the Debtors' ABL Lender reflects another example of the Debtors' poorly executed

DIP Financing marketing process.

B. Debtors Failed to Conduct Any Prepetition Marketing of Businesses for Sale and Seek to Inappropriately Truncate Postpetition Marketing

11. While Jefferies at least made some attempt to market the DIP Facility to third parties, they do not appear to have made any prepetition attempt to solicit a third-party purchaser for the Debtors' businesses. That is, from what we can tell, not a single financial or strategic purchaser appears to have been solicited prior to the Petition Date other than the Stalking Horse Bidder.

12. Based on updates received from the Debtors as recently as the date of this Declaration, the Jefferies team is making outreach to potential buyers for the Debtors' businesses. In the interest of limiting disclosure of the details which could compromise the process undermine it, it is my opinion as follows:

- a. The breadth of the Debtors' outreach is insufficient in light of the numerous businesses that are being sold.
- b. The marketing materials being utilized by the Debtors are not what would be shared in a marketing process for each business if conducted separately. Potential buyers receive very limited insight into each business segment from the Confidential Information Memorandum and are thereafter being referred to the virtual data room for further information. This is not the approach that will lead to maximum engagement from potential buyers.
- c. The penetration that the Debtors have been able to achieve since launching the process in mid-July is poor. My experience in numerous sale processes that I have led is that general email campaigns of materials, especially given the current circumstances, is not a "high-quality" outreach. Given the proposed insider stalking horse, the diversity of acquisition

opportunities, the geographic dispersion, a willingness to sell pieces versus the whole, buyer parties need to be engaged in direct conversations and “sold” about the opportunity that exists. [REDACTED]

- [REDACTED]
- d. Based on the launch date of the marketing process and the requested date provided to buyers for submission of binding and documented bids, potential bidders have a total of [REDACTED] business days to complete all of their work – from a flat-footed start to a binding asset purchase agreement with no diligence or financing contingencies. As of the date of this Declaration, this is now just [REDACTED] business days remaining.
 - e. In order to execute this process correctly, the Debtors need additional time. As an investment banker on the sellside in many engagements, I acknowledge the pressures for pace that is often imposed by case constituents. With that said, the timetable that the DIP lender / proposed stalking horse bidder has imposed here, coupled with the current state of the outreach does not facilitate the comprehensive market-clearing process that is required.

13. The Debtors’ estates are complex— involving 299 Debtor entities operating in forty states with approximately 27,000 employees and 15,000 patients. The Debtors’ businesses include 175 healthcare facilities across 18 states with separate regulatory complexities, four ancillary businesses some of which are linked closely to the healthcare facilities while some are not, interests in various JVs, master and individual leases, and a complex debt structure. In my experience, a sale of this magnitude requires significant investment of time, resources, and effort. Further, it is unusual for the Debtors to have failed to make any attempt to market the Debtors’ assets prepetition prior to entering into the Stalking Horse Bid. It is common for debtors to conduct as comprehensive a prepetition marketing effort as possible to identify a stalking horse bidder, so that

it can justify a truncated postpetition overbid process, that minimizes both the time period in which a debtor's business is subject to the bankruptcy process and the high administrative costs associated therewith. Notably, the liabilities facing the Debtors did not sneak up on them, so reasonable foresight and business judgment seemingly would have favored a prepetition process. It is hard to conceive of a reasonable explanation for this process oversight that is not related to the fact that the Debtors and the Stalking Horse Bidder are related entities.

14. Generating prepetition bids for the Debtors' assets is not the only benefit to running a prepetition marketing process. Conducting such a process also ensures at least (i) the Debtors have diligence materials and other marketing matters organized and in process, and (ii) the Debtors have already begun to make known to industry players the potential for a sale so they could get started on diligence. Such prepetition efforts can generate critical momentum that is instrumental in making the postpetition marketing process a success. As the Debtors have not conducted any prepetition marketing process, the Debtors will not obtain these benefits, setting back postpetition attempts to solicit overbids for the Debtors' businesses.

15. As noted above, the Debtors' businesses are numerous, geographically disbursed and separable from a function perspective. As a result of these factors, the likelihood for a single overbid transaction is low. Moreover, the Debtors' ancillary businesses (Powerback Rehab, Powerback Respiratory, LTC ACO and AlignMed) are likely separable from the healthcare facilities business and warrant their own unique sale processes (materials, buyers lists, etc.) in addition to being a part of the broader process. In my view, which is informed by Houlihan Lokey's experience with comparable multi-site businesses and familiarity with industry players, the Debtors should be advocating for regional or by state sale transactions where possible to develop the maximum amount of competitive tension (and thus likely enhance the value obtained

for the Debtors' estates). This approach is complicated by the Debtors' master leases that likely will require either carve-out sales within the terms of the lease, obtaining the consent of the landlord to separating the master lease facilities into new lease groupings suitable for regional/state buyers, or, alternatively, for the properties to be sold after being freed from restrictions following a Court order on the recharacterization of one or more master leases. I am not understating the complexity with this dynamic, however, the economic significance of selling the Debtors' healthcare facilities on a regional/state basis is likely material. I am not aware of any such lease or other related impediment to selling the ancillary businesses separately.

16. Given all of the above, I believe that the timeline proposed for a postpetition marketing process for the Debtors' assets to be problematic. The Debtors propose to conduct the entire marketing process for this complex set of assets to reach binding overbids within 56 business days (by an [REDACTED] bid deadline as set out in the proposed Bidding Procedures). In my experience, and given the complexity of these assets, the proposed process provides potential bidders with an alarmingly short amount of time to (i) learn about the potential sale, (ii) meet with management, (iii) visit facilities across the country, (iv) perform general diligence on the business(es), (v) consider lease separation negotiations with numerous landlords or wait on lease recharacterization proceedings, and (vi) negotiate definitive purchase and other agreements. The issue presented by this abbreviated timeline is only further exacerbated by the Debtors' peculiar decision, discussed above, not to conduct any prepetition marketing process.

17. The marketing situation is only further complicated by the fact that the Debtors propose to have an insider as the Stalking Horse Bidder. Not only do I consider the Stalking Horse Bid to raise other problems, addressed below, but the simple fact that the Stalking Horse Bid is being proposed by an insider of the Debtors is itself likely to chill third party interest. It is my

belief that potential bidders will be reluctant to commence the process given the approach of the Debtors and this insider stalking horse bid coupled with an insider DIP facility seeking to control the sale process.

II. The Debtors' Proposed Stalking Horse Bid Will Foreclose a Value-Maximizing Sale Process

18. I have not reviewed the Debtors' proposed Stalking Horse APA, as it has still not been filed as of the filing of this Declaration. It is my understanding that counsel to the Debtors informed the Committee's Counsel that it does not intend to seek approval of the Stalking Horse APA at the hearing scheduled for August 18, 2025. Given the lack of clarity regarding the relief the Debtors actually seek, I reserve the right to supplement the following testimony to the extent necessary prior to or at the hearing on the Bidding Procedures Motion.

19. Based on my review of the term sheet for the Debtors' proposed Stalking Horse Bid, I do not believe that the proposed Stalking Horse Bid serves the purpose of a stalking horse bid. Typically, a stalking horse is entered into to set a floor for the value of a debtor's go-forward business, and it provides a target for interested parties to try and beat. The Stalking Horse Bid here should not be approved because it fails to advance that purpose. Moreover, and quite concerningly, the Stalking Horse Bid fails to meet the requirements the Debtors seek to impose on *all other potential bidders* for their bids to even be considered in the sale process. For example, for a third party's bid to even be looked at by the Debtors, the Debtors require that the bidder provide a deposit in cash to the debtors equal to 10% of their proposed purchase price. Not only is the Stalking Horse Bid not required to provide any deposit at all, but it is not clear that the Debtors have a right to force the Stalking Horse Bidder to go through with the purchase in court. Similarly, for a third-party bidder to be considered, it must specify all of the executory contracts and unexpired leases it seeks to assume in the bid. The Stalking Horse Bidder, however, has not

made any such identification, nor is it required to until a day before closing. Set forth below is a preliminary list of these concerns and double standards with the proposed stalking horse bid and the bidding procedures that prevent a sufficient and fair overbid process.

	<u>Stalking Horse</u>	<u>Potential Overbidder</u>
Free Option for the Stalking Horse	No deposit or specific performance remedy for a breach	10% earnest money deposit required for a Qualified Bid ("QB").
Leases Assumed	To be finalized up to one day prior to closing	Required identification of assumed leases and executory contracts to be a QB
Asset purchase agreement	Required by the term sheet by July 29. Not provided as of the date hereof.	Must submit a redline against the to be filed Stalking Horse APA (which no party has yet seen nor is there any clear deadline when it will become available).
Access to due diligence	N/A	Must describe what assets it intends to acquire before commencing due diligence
Deposit	None	10% of aggregate purchase price
Financing	No requirement of demonstration of committed, unconditional financing	Must include commitment(s) for unconditional financing
Employees	List to be provided two days prior to the auction, after the QB deadline. No minimum level of employees must be hired.	Must indicate intentions as to acceptance of employees in Qualified Bid
Employee obligations	No source of funds provided to satisfy (a) payroll, IBNR claims and WARN obligations for non-transferred employees and (b) other claims for all employees (transferred or not) including PTO, severance, workers compensation, COBRA	TBD based on general overbid standards
Contingency	Termination right in the event that there is no ABL Lender agreement,	No contingencies permitted
Identity	No disclosure provided	All entities, shareholders, partners, investors, etc. to be specifically identified
Cure Amounts	Subject to a cap, to be agreed by Purchaser and Seller	Must agree to pay all cure amounts
Collusion	DIP Lenders are permitted to submit a joint bid	None permitted
Back-up Bid	No requirement to serve as a back-up Bidder	Required to serve as a back-up bidder for 90 days after the Sale Hearing
Minimum Overbid	N/A	To be set at 2% plus \$750,000 over the Stalking Horse Bid although aspects of that bid are not determined until as late as one day before closing
Piecemeal Bids	N/A	The proposed Bidding Procedures provide no guidance to bidders seeking to acquire less than all of the

		Acquired Assets under the Stalking Horse Bid.
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20. I believe that the vagueness of the Stalking Horse Bid and the unlevel playing field between the standard applied to the Stalking Horse Bidder and the standard applicable to Qualified Bidders will further chill the process and make the likelihood of a competitive overbid meaningfully lower. Indeed, the different standards make it challenging for Qualified Bidders to even know the terms of the bid they are supposed to overbid, let alone craft a competitive offer. In my opinion and experience in this industry, the Corrected Bidding Procedures attached as **Exhibit A** to the Bidding Procedures Objection are fair in process and substance, and will better maximize value for the Debtors' estates than the Debtors' proposed Bidding Procedures.

CONCLUSION

21. Given its inadequacies, the Debtors' solicitation process for a competitive DIP Loan, does not support a conclusion that the Debtors' proposed DIP Loan is the best available financing for the Debtors.

22. In addition, with respect to the sale, given the absence of any prepetition sale marketing process or attempt to obtain an alternate stalking horse bid from a non-insider, and based on my review of the sale materials, Bidding Procedures and the Stalking Horse term sheet, I believe: (i) the proposed bidding deadline will hamper market participation in the bidding process, (ii) the Bidding Procedures have significant flaws that I believe are not conducive to the Debtors' maximizing the value of the Debtors' estates, and (iii) entry into the proposed Stalking Horse Bid would likely chill bidding on the Debtors' assets.

23. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: August 11, 2025
Chicago, Illinois

/s/ Andrew Turnbull

Andrew Turnbull, Managing Director
Houlihan Lokey, Inc.

Exhibit A

Debtors' DIP Loan Solicitation Materials

[Filed Under Seal]