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Ronald J. Friedman
Brian Powers
Haley Trust

Hearing Date: April 14, 2026
Time: 10:00 a.m.

Objection Deadline: April 7, 2026
Time: 4:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: Chapter 11

COLD SPRING ACQUISITION, LLC., d/b/a COLD SPRING HILLS CENTER FOR NURSING & REHABILITATION, Case No.: 25-22002 (SHL)

Debtor.

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NOTICE OF HEARING ON THE OFFICIAL COMMITTEE OF UNSECURED CREDITOR'S APPLICATION FOR AN ORDER CONVERTING THE DEBTOR'S CHAPTER 11 CASE TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE, AND GRANTING RELATED RELIEF

PLEASE TAKE NOTICE, that on **April 14, 2026** at **10:00 a.m.**, or as soon thereafter as counsel can be heard, a virtual hearing (the "Hearing") will be held, *via* Zoom for Government, before the Honorable Sean H. Lane, United States Bankruptcy Judge, for the United States Bankruptcy Court of the Southern District of New York on the application (the "Application") of Ronald J. Friedman, Esq., counsel to the Official Committee of Unsecured Creditors (the "Committee") of Cold Spring Acquisition, LLC *d/b/a* Cold Spring Hills Center for Nursing and Rehabilitation (the "Debtor") pursuant to sections 105(a), 1112(a) and 1112(b) of title 11, United States Code (the "Bankruptcy Code") converting the Debtor's chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and granting the Committee such other, further, and different relief as this Court deems just and proper.

PLEASE TAKE FURTHER NOTICE, that, prior to the Hearing, all parties interested in participating in the Hearing, including clients and pro se parties, must register their appearance(s) for remote hearings (i.e., hearings held via Zoom or telephone) using eCourt Appearances at https://ecf.nysb.uscourts.gov/cgi-bin/nysbAppearances.pl, after which they will receive instructions on how to access the Hearing via email. Once on the Hearing, all phones must be placed on mute until your case is called and the following instructions are to be followed for the telephonic appearance:

1. Announce who you are each time you speak.
2. Avoid the use of a speaker phone and/or cell phone. Use a landline if possible.
3. All persons not speaking should mute their phones.

PLEASE TAKE FURTHER NOTICE, that the Hearing may be adjourned without further notice other than the announcement of such adjournment in open Court or the filing of a notice of adjournment on the docket of the Debtor's case.

Dated: Jericho, New York
March 31, 2026

RIMON P.C.
Attorneys for the Official Committee of Unsecured Creditors

By: *s/ Ronald J. Friedman*
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In re:

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FOR NURSING & REHABILITATION,

Debtor.

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Chapter 11

Case No.: 25-22002 (SHL)

THE OFFICIAL COMMITTEE OF UNSECURED CREDITOR'S APPLICATION FOR AN ORDER CONVERTING THE DEBTOR'S CHAPTER 11 CASE TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE, AND GRANTING RELATED RELIEF

The Official Committee of Unsecured Creditors (the "Committee") of Cold Spring Acquisition, LLC d/b/a Cold Spring Hills Center for Nursing and Rehabilitation (the "Debtor"), by its counsel, Rimon P.C., hereby submits this application (this "Application") for the entry of an Order, substantially similar to the proposed order annexed hereto as Exhibit A (the "Proposed Order"), seeking the entry of an order pursuant to sections 105(a), 1112(a) and 1112(b) of title 11, United States Code (the "Bankruptcy Code") converting the Debtor's chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and granting the Committee such other, further, and different relief as this Court deems just and proper, and respectfully represents the following:

BACKGROUND

The Bankruptcy

1. On January 2, 2025 (the "Petition Date"), the Debtor commenced this case (the "Bankruptcy Case") by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

2. On January 23, 2025, the Office of the United States Trustee (the "US Trustee") filed a *Notice of Appointment of Creditors' Committee* (ECF Doc. No. 73) appointing 1199 SEIU Benefit and Pension Funds (the "Funds"), Reliable Health Systems, LLC and Five Star Staffing, Inc. to the Committee.

3. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (O).

The Debtor's Business and Assets

4. The Debtor is a limited liability company formed in July 2014 which operated a skilled nursing and rehabilitation center in Woodbury, New York (the "Senior Care Facility"). The Senior Care Facility provides long-term care and rehabilitative services such as hospice, dementia care, medical needs, as well as short- and long-term rehabilitation care. The Senior Care Facility also operates a senior day program. As of the Petition Date, the Senior Care Facility had 588 beds and employed approximately 500 people. In 2023 the Senior Care Facility had approximately $75.5 million of annual gross revenue.

Appointment of the Examiner

5. On January 16, 2025, the US Trustee filed its *Motion Pursuant to 11 U.S.C. § 1104 For An Order Directing the Appointment of a Chapter 11 Trustee* (ECF Doc. No. 59). Thereafter, the Debtor and the US Trustee entered into a stipulation resolving the US Trustee's motion and appointing an examiner (ECF Doc. No. 74). The US Trustee appointed Leslie A. Berkoff, Esq., as the examiner (the "Examiner"), charged with the obligation to investigate any pre-petition causes of action with respect to: (a) the facts and circumstances underlying and leading to the filing of this chapter 11 case; and (b) all aspects of the Debtor's financial condition, including without limitation, (i) all leases and agreements, loans, vendor agreements, insurance agreements and trusts, federal and state agency agreements administering Medicare and Medicaid benefits, collective bargaining agreements, and (ii) the conduct of the Debtor, its owners and affiliates, without limitation to include Cold Spring Realty, LLC, the DIP Lender, and Graph MGA LLC and all "Graph" entities (including current and former members, owners, managers, and their respective professionals) in connection therewith and all aspects of the ownership and operations of the Debtor (the "Examiner Investigation"); and (c) otherwise perform the duties of an examiner set forth in Bankruptcy Code § 1106(a)(4).

The Debtor's Prepetition Litigation with New York State

6. On December 16, 2022, the New York State Office of the Attorney General filed a Verified Petition (the "AG's Complaint") in the Supreme Court of the State of New York County of Nassau against the Debtor and twenty-seven other respondents at Index No. 617709/2022 (the "State Court Action").

7. The AG's Complaint sets forth allegations of rampant fraud, financial loss to the taxpayer-funded New York Medicaid and federal Medicare programs, and repeated and persistent

violation of laws designed to protect vulnerable people who live in New York nursing homes. The AG's Complaint further highlights its findings of resident neglect, harm and suffering, and the persistent fraud and illegality of the Debtor and its insiders' operations of the Senior Care Facility.

8. The AG's Complaint sought "restitution, disgorgement, and injunctive relief to expose and stop the repeated and persistent fraud and illegality by the Debtor and others, including (1) repeated neglect and inhumane treatment of the Debtor's residents who have suffered while in the Debtor's charge and (2) a long history of insufficient staffing and poor quality of care that began well before the COVID-19 pandemic, in violation of and in reckless disregard of numerous New York State and federal laws, rules, and regulations." *See* AG's Complaint, ¶3.

9. Further, the AG's Complaint highlights that its allegations of egregious conduct of the Debtor and its insiders are directly traceable to their unconscionable fraudulent conversion of many millions of dollars in "up-front profit"[1] taken from the Debtor. The AG's Complaint also alleges the Debtor and its insiders further enriched themselves by flagrantly disregarding their legal and fiduciary duties, and diverted, through related-party transactions, over $22.6 million from the Debtor. The AG's Complaint elucidates an intricate web of the Debtor, its insiders, and its affiliates, and how they were able to exercise control over the Debtor's facility and to orchestrate multiple deceptive schemes to extract funds for their personal financial benefit. For example, the AG's Complaint illustrated three primary fraudulent schemes through which the Debtor and other respondents illegal converted over $22.6 million in Medicaid and Medicare funds from Cold Spring Hills from 2016 through 2021, including: (1) their fraudulent rent scheme through Cold

[1] As set forth in the AG's Complaint, "up-front profit" refers to the practice of making payments from the nursing home to the Debtor and other respondents under the guise of pre-determined and self-negotiated "expenses" and other transfers of funds, as a priority over, and without regard to, ensuring that the nursing home has used the public funds it received to meet the nursing home's duty to provide required care, with sufficient staffing to render such care, to its residents.

Spring Realty Acquisition, LLC; (2) their fraudulent promissory note scheme through Lending Partners, LLC; and (3) their fraudulent management/consulting company scheme through Ventura, Highview Management, Inc. and Roswell Associates, LLC.[2]

10. During the pendency of the chapter 11 case, the Committee and the Examiner have each been conducting investigations into the significant allegations made by the New York State Office of the Attorney General as set forth in the AG's Complaint (together, the "Insider Investigations"). That investigation remains ongoing,[3] but the Committee believes that, if the allegations are true, there will be substantial claims of the estate against the Debtor's insiders and other third parties that should be prosecuted for the benefit of creditors (the "Estate Claims").

The Debtor's Plan and Disclosure Statement

11. On April 24, 2025, the Debtor filed its *Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement and Solicit Acceptances Thereof* (ECF Doc. No. 282). On May 23, 2025, the Court entered an order extending the Debtor's exclusive periods to file a chapter 11 plan and solicit acceptances thereof until October 29, 2025 (ECF Doc. No. 317).

12. On September 25, 2025, the Debtor filed its *Notice of Hearing to Consider Approval of Debtor's Disclosure Statement* (ECF Doc. No. 398).[4]

13. On October 14, 2025, the Debtor filed its *Chapter 11 Amended Plan of Liquidation for Cold Spring Acquisition, LLC* (ECF Doc. No. 413) and the Disclosure Statement (ECF Doc. No. 414).

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[2] These schemes only depict a fraction of the allegations raised against the Debtor and other respondents included in the State Court Action.

[3] The Examiner's time to complete her report was extended through and including January 31, 2026.

[4] The Court should note that while that Notice was filed on twenty-eight (28) days' notice, the Debtor's Amended Plan and the Disclosure Statement were only filed on fourteen (14) days' notice.

14. On October 14, 2025, the Debtor filed its *Motion for Entry of an Order to Further Extend the Debtor's Exclusive Period to Solicit Acceptances of the Chapter 11 Plan* (ECF Doc. No. 415).

15. On October 21, 2025, the Committee filed *The Official Committee of Unsecured Creditors' Objection to (I) the Approval of the Debtor's Disclosure Statement for Its Chapter 11 Amended Plan of Liquidation and (II) the Debtor's Motion for Entry of an Order to Further Extend the Debtor's Exclusive Period to Solicit Acceptances of the Chapter 11 Plan* (ECF Doc. No. 420) (the "Committee's Objection to Disclosure Statement").

16. On December 31, 2025, the Debtor filed its *Motion to Further Extend the Debtor's Exclusive Period to Solicit Acceptances of the Chapter 11 Plan* (ECF Doc. No. 561). On January 16, 2026, the Court extended the Debtor's exclusive solicitation period through and including February 10, 2026 (ECF Doc. No. 586).

17. On January 27, 2026, the 1199SEIU United Healthcare Workers East (the "Union") and the Funds filed the Joint Objection to the Debtor's Amended Plan (ECF Doc. No. 594).

18. On January 30, 2026, the Debtor filed its *Motion to Extend Time for Debtor's Exclusive Period to Solicit Acceptances of the Chapter 11 Plan* (ECF Doc. No. 596). This motion was adjourned to April 14, 2026.

19. On February 9, 2026, the Debtor filed its *Second Amended Chapter 11 Plan of Liquidation for Cold Spring Acquisition, LLC* (ECF Doc. No. 627) (the "Second Amended Plan") and the *Amended Disclosure Statement for Chapter 11 Plan of Liquidation for Cold Spring Acquisition, LLC* (ECF Doc. No. 628) (the "Amended Disclosure Statement").

The Current State of the Debtor's Financial Budget

20. The Committee has repeatedly asked the Debtor and its Chief Restructuring Officer to keep the Committee apprised of the Debtor's current financial state.

21. The Committee has been informed of the Debtor's financial status as follows: as of January 31, 2026, the Debtor's cash balance at the end of the monthly operating report period for January 2026 (the "Monthly Operating Report") was $2,379,211.00.[5]

22. Based on the bank statement attached to the Monthly Operating Report, and the Committee Counsel's discussions with the Debtor and its Chief Restructuring Officer as of the end of February the Debtor maintained a bank balance of approximately $2.2 million. After giving credit and adjustments to the M&T Bank settlement and other adjustments for payments being made, the adjusted bank balance that the Debtor and its professionals discussed with Committee's counsel was $1,400,000 (the "Net Cash Available for Debtor's Estate"). From the Net Cash Available for Debtor's Estate there are claims due to the collection agency employed by the Debtor which are subject to commissions of 22% based on the sums collected. Further, the professional fees estimated by the Debtor for the period through March 31, 2026 was approximately $2.3 million. While there may be some adjustment to the $2.3 million approximate professional fee claims against the Debtor's estate, the adjustment will not make up the total difference between the Net Cash Available for Debtor's Estate and those claims[6]. Further, the Committee believes that there are also nonprofessional administrative claims against the Debtor's estate (for example from the Union) which have not been factored in or reserved for in any substantial manner. Given the shortfall of funds available at this juncture for the Debtor to continue in chapter 11, a significant

[5] The Committee notes that the Debtor has yet to file the monthly operating report for February 2026.

[6] To be conservative, the Committee estimates the shortfall to address solely the professional fee claims to be approximately $650,000.

sum which at this point is likely in excess of $650,000 (even with a conservative estimate solely of the professional fee claims as stated above), the Debtor is administratively insolvent and cannot continue in chapter 11.

CAUSE EXISTS TO CONVERT THE DEBTOR'S CHAPTER 11 CASE TO ONE UNDER CHAPTER 7

23. Section 1112(b) of the Bankruptcy Code provides the statutory basis for a chapter 11 trustee to convert a case to one under chapter 7, and requires that "cause" be established in order to convert the case. *See* 11 U.S.C. § 1112(b). Although cause is not a defined term in the Bankruptcy Code, Section 1112(b) describes a variety of factors which may constitute "cause" for the conversion of a chapter 11 case to a chapter 7 case or for the dismissal of a chapter 11 case in its entirety. *See id.* Under that provision, the Court may find cause in the following circumstances, *inter alia*:

a. continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation;

b. inability to effectuate a plan; or

c. unreasonable delay by the debtor that is prejudicial to creditors.

See 11 U.S.C. § 1112(b)(1)-(3). However, the examples of cause enumerated in Section 1112(b) were not intended by Congress to be exhaustive. *See* 11 U.S.C. § 102(3), *see also In re C-TC 9th Avenue Partnership*, 113 F.3d 1304, 1310-11 (2d Cir. 1997); *In re Tornheim*, 181 B.R. 161, 163 (Bankr. S.D.N.Y. 1995), *appeal dismissed*, 1996 WL 79333 (S.D.N.Y., Feb. 23, 1996); *In re Mechanical Maintenance, Inc.*, 128 B.R. 362, 386 (E.D. Pa. 1991).

24. There are several reasons mandating conversion of the Debtor's chapter 11 case, all of which are substantive and vital to the purpose and intent of a chapter 11 filing. Congress clearly described the goal of filing a chapter 11 petition as follows:

> The purpose of a business reorganization case . . . is to restructure a business' finances so that it may continue to operate, provide its employees with jobs, pay its creditors and produce a return for its stockholders . . .

H.R. Rep. No. 595, 95th Cong. 1st Sess. 220-21 (1977), U.S.C.C.A.N. 1978, pp 5963, 6174, 6180. The key phrases in this explanation of the chapter 11 purpose are "restructure a business' finances" and "business reorganization." *See In re HBA East, Inc.*, 87 B.R. 248, 259 (Bankr. E.D.N.Y. 1988).

The Debtor's Estate is Administratively Insolvent

25. As set forth above, after a review of the state of the Debtor's financial status as the Debtor and the Committee have been engaged in negotiations regarding the Second Amended Plan and Amended Disclosure Statement, it has come to the Committee's attention that the Debtor's estate is administratively insolvent.

26. The Debtor's financial state, as it stands now, makes it difficult for the Committee to continue negotiations regarding the Second Amended Plan and Amended Disclosure Statement in good faith as the Committee is now aware that it may be impossible to confirm a plan. Further, the Committee does not seek to continue to waste estate funds to pursue the confirmation of a plan if the Debtor's estate is currently administratively insolvent. The Committee's purpose and goal is to preserve the funds of the Debtor's estate and to help guide the Debtor in the most cost-efficient manner to administer the Debtor's estate and ultimately provide the greatest recovery for its creditors.

27. There is cause to convert the Debtor's case as there is a continuing loss to and diminution of the Debtor's estate and it is highly likely that the Debtor will not be able to effectuate its plan of liquidation. *See* 11 U.S.C. § 1112(b)(1)-(3). The unreasonable delay by the Debtor is now prejudicial to the Committee and all creditors of the Debtor's estate. *See id.* Due to the

administrative costs of remaining in chapter 11 and continuing negotiation so the Second Amended Plan and Amended Disclosure Statement, the Committee believes the most cost-effective and efficient way to administer the Debtor's estate would be to convert this case to one under Chapter 7 of the Bankruptcy Code. Conversion of this case is in the best interests of the Debtor's estate and it creditors.

28. Moreover, continuing this case under Chapter 11 will only result in increased costs that could be avoided if the case were converted to one under Chapter 7. First, the estate continues to accrue and pay United States Trustee quarterly fees. Second, continuing this case as a liquidating chapter 11 requires the accrual of additional professional and administrative fees associated with the continued negotiations of the plan and disclosure statement, along with serving and soliciting votes on the liquidating plan. The conversion of this case to one under Chapter 7 would avoid those unnecessary expenses, as those expenses are ultimately diminishing any recovery a creditor might receive.

29. Every one of the Committee's remaining duties in this case can be performed within a Chapter 7 case without incurring the aforementioned costs, and doing so would likely facilitate a more expeditious resolution of this case. Given the current status of the Debtor, it is more economical, and efficient for the estate to be administered under the provisions of Chapter 7 of the Bankruptcy Code.

30. It should be noted that the Debtor does not consent to the conversion of this Chapter 11 case to one under Chapter 7 of the Bankruptcy Code.

CONCLUSION

31. The Committee has provided courtesy copies of the Application and the Proposed Order to the Debtor, its Counsel, the Office of the U.S. Trustee for Region 2, all creditors of the Debtor's estate, and all other parties receiving service in this case via ECF.

32. The Committee respectfully requests that the Court waive the requirement set forth in Local Bankruptcy Rule 9013-1 of the Local Bankruptcy Rules of the Southern District of New York that any application filed with the Court shall have an accompanying memorandum of law in support of the Application. No novel issues of law are raised in the Application and the relevant legal authority for the relief sought has been discussed herein.

33. No prior application for the relief requested herein has been made to this or any other Court.

WHEREFORE, the Trustee respectfully requests that this Court enter an order in accordance with §§ 105(a) and 1112(b) of the Bankruptcy Code converting this Chapter 11 case to a Chapter 7 liquidation proceeding, and granting such other and further relief as may be deemed just and proper.

Dated: Jericho, New York
March 31, 2026

RIMON P.C.
Attorneys for the Official Committee of
Unsecured Creditors

By: *Ronald J. Friedman*
Ronald J. Friedman
Partner
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(516) 479-6300

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	Chapter 11
COLD SPRING ACQUISITION, LLC., d/b/a COLD SPRING HILLS CENTER FOR NURSING & REHABILITATION,	Case No.: 25-22002 (SHL)
Debtor.	

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ORDER CONVERTING DEBTOR'S CHAPTER 11 CASE TO A CASE UNDER CHAPTER 7

Upon the application (the "Application") of the Official Committee of Unsecured Creditors (the "Committee") of Cold Spring Acquisition, LLC d/b/a Cold Spring Hills Center for Nursing and Rehabilitation (the "Debtor"), by its counsel, Rimon P.C., seeking the entry of an order pursuant to sections 105(a), 1112(a) and 1112(b) of title 11, United States Code (the "Bankruptcy Code") converting the Debtor's chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and granting the Committee such other, further, and different relief as this Court deems just and proper; and upon a hearing on the Application having been held on April 14, 2026 (the "Hearing"), the transcript and record of which is incorporated herein by reference; and this Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§1408 and 1409; and this Court having determined that the relief requested in the Application is in the best interests of the Debtor's estate, creditors and other parties-in-interest; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefore; it is

ORDERED, that, upon the entry of this order, the Debtor's chapter 11 case is hereby converted to a case under chapter 7 of the Bankruptcy Code in accordance with Bankruptcy Code § 1112(a); and it is further

ORDERED, that the Office of the United States Trustee is directed to appoint a chapter 7 trustee in the Debtor's case; and it is further

ORDERED, that any additional notice of the conversion of this case shall be provided by the Clerk of the Court; and it is further

ORDERED, that the Trustee, the interim chapter 7 trustee, and the permanent chapter 7 trustee, are authorized, empowered and directed to do such things, execute such documents and expend such funds as are necessary and consistent with the terms of this Order.

Dated: White Plains, New York
_____, 2026

THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE