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

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Cold Spring Acquisition, LLC

Debtor.

Chapter 11

Case No. 25-22002 (SHL)

OBJECTION TO APPLICATION FOR ORDER CONVERTING CHAPTER 11 CASE TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE AND GRANTING RELATED RELIEF

Cold Spring Acquisition, LLC (the "Debtor") through its undersigned counsel, hereby files this objection (the "Objection") to the Official Committee of Unsecured Creditors' (the "Committee") 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 (Dkt. No. 675) (the "Motion"), which seeks to convert the case pursuant to Sections 105(a), 1112(a) and 1112(b) of the Title 11 of the United States Code (the "Bankruptcy Code"). In support of the Debtor's objection, including for the reasons set forth in the accompanying Declaration of Martin Cauz (the "Cauz Decl."), the Debtor respectfully states the following:

PRELIMINARY STATEMENT

1. The Committee's Motion should be denied. The Committee has not established "cause" under 11 U.S.C. § 1112(b), and, even if cause existed, conversion is not in the best interests of creditors and the estate. Bankruptcy courts in this Circuit have broad discretion in determining whether to convert a Chapter 11 case and that determination is based on the totality of the circumstances. That flexible standard requires the Court to look beyond a narrow snapshot of the Debtor's current liquidity and instead evaluate whether the Chapter 11 process is facilitating a viable path to maximize value for creditors. That is the case here.

2. Moreover, the sole basis for the Committee's motion is that the Debtor is administratively insolvent and thus it is unlikely that the Debtor will be able to confirm a plan. The Committee's complaint that the case is administratively insolvent is incorrect and the Committee itself is the major reason for the current lack of liquidity. Despite the current lack of liquidity, no payments are actually due (let alone past due) at this time and most of the payments the Committee refers to are disputed claims, which the Debtor believes should be expunged. Finally, the Debtor is working diligently to address the current lack of liquidity and is confident that sufficient funds to confirm a plan will be available in the near future. Accordingly, the motion should be denied.

3. In addition, as a threshold matter, the Motion is procedurally defective. The Committee failed to provide the notice required by Bankruptcy Rule 2002(a)(5), which mandates at least twenty days' notice of a hearing on a motion to convert a chapter 11 case. That failure independently bars consideration of the Motion.

BACKGROUND

A. The Debtor and Facility

4. The Debtor owns a 588-bed skilled nursing facility located in Woodbury, New York (the "Facility"), providing long-term care and rehabilitative services to senior patients. Prior to April 2025, the Debtor employed a substantial workforce and operated the Facility as an ongoing business. On April 22, 2025, operational control of the Facility was transferred to 378SYWOOD LLC (the "Receiver"). As of that date, the Debtor ceased all operations and has functioned solely as a non-operating debtor administering a chapter 11 liquidation.

5. Before the receivership, the Debtor employed unionized employees represented by 1199SEIU United Healthcare Workers East (the "Union"). Pursuant to collective bargaining agreements, the Debtor provided employee healthcare benefits through participation in the 1199SEIU National Benefit Funds (the "Funds"), which administered health coverage for eligible employees in exchange for employer contributions. (Cauz Decl. ¶ 5).

B. The Attorney General's Complaint

6. On December 16, 2022, the New York Attorney General ("AG") commenced a civil enforcement action against the Debtor in Nassau County Supreme Court (the "Nassau County Case"). (Verified Petition, *People of the State of New York v. Cold Spring Hills Acquisition, LLC,* Index No. 617709/2022, NYSCEF Dkt. No. 1 (Sup. Ct. Nassau Cty. Dec. 16, 2022)). In October 2023, during the pendency of that action, the state court entered an order directing the Debtor to ensure that employee healthcare benefits "remain available." (Nassau County Case, NYSCEF Dkt. No. 731). The order did not require the Debtor to pay any specific amount to the Funds and did not fix any monetary obligation. (*Id.*). In March 2024, the AG nevertheless moved for civil contempt, alleging that the Debtor failed to pay more than $2.6 million in purported benefit

contributions. (Nassau County Case, NYSCEF Dkt. No. 804). The Debtor opposed the motion, explaining that the prior order did not mandate payment of a fixed sum and that healthcare coverage remained available to employees during the relevant period. (Nassau County Case, NYSCEF Dkt. No. 828).

7. On April 19, 2024, the state court imposed a nominal $250 contempt fine and directed the Debtor to seek additional funding sufficient to maintain or reinstate benefits. (Nassau County Case, NYSCEF Dkt. No. 857). The court did not determine that the Debtor was obligated to make payment to the Funds, did not determine the amount of any obligation owed and did not find that the asserted amounts constituted allowed administrative expenses. On April 24, 2024, the Union terminated healthcare benefits for the Debtor's employees. From that date forward, the Debtor independently obtained replacement healthcare coverage. All premiums and all claims arising from for such coverage have been fully paid.

C. The Chapter 11 Bankruptcy

8. On January 2, 2025 (the "Petition Date"), the Debtor commenced this chapter 11 case.

9. Since April 22, 2025, the Debtor has not employed any operating or facility-level staff and the Receiver has conducted all operations. The Debtor's only material ongoing expenses consist of administrative expenses and professional fees incurred in connection with administering this chapter 11 case, pursuing recoveries and confirmation of a liquidation plan.

10. Following the transfer of operations to the Receiver, the Debtor has worked with the Receiver to move the sale forward, including numerous items such as obtaining approval of the sale by New York State Department of Health ("DOH"), addressing cash flow and working together towards closing. Among other things, this requires daily cash flow management because

the Receiver bills using the Debtor's provider numbers and all collections are received into the Debtor's bank account. In other words, the Receiver would have no funds if the Debtor did not cooperate, provide weekly (and sometimes more often) reconciliations and consistently make payments to the Receiver. (Cauz Decl. ¶ 9).

11. On September 2, 2025, the Debtor filed a Chapter 11 Plan of Liquidation. (Dkt. No. 394). On October 14, 2025, the Debtor filed an Amended Plan and Disclosure Statement, to which the Committee objected. (Dkt. Nos. 413, 414, 420). On February 7, 2026, the Debtor filed a Second Amended Chapter 11 Plan and Amended Disclosure Statement, incorporating additional disclosures requested by the Committee and various other parties. (Dkt. Nos. 617, 618, 629, 630; Cauz Decl. ¶ 18). Despite these efforts, the Debtor has been unable to obtain the Committee's support. (*Id.*). Indeed, the Debtor has agreed to numerous revisions requested by the Committee, only to have the Committee demand additional changes. The plan process remains ongoing, and the Debtor remains hopeful that the parties can reach agreement.

D. Status of Sale Closing

12. The Debtor continues to work with the Receiver towards the closing of the sale. At present, however, it is expected that the sale will not close for at least 6-8 weeks. (Cauz Decl. ¶ 10). During that time, the Debtor will continue to work on items that are needed for the closing and on the day-to-day financial transactions with the Receiver. The Debtor has been working with the Receiver on these issues for more than a year. Martin Cauz, the Debtor's Chief Restructuring Officer ("CRO") works closely with the Receiver—almost every day—to ensure that there are no disputes between and to ensure the Receiver has sufficient funds to operate the Facility. (*Id.* ¶ 11).

13. The sale includes the assumption of the Debtor's obligations to Greystone Funding Corporation and Greystone Funding Company LLC (collectively, "Greystone") the Debtor's pre-

petition lender. Greystone Funding Corporation filed a secured claim in the amount of $75,925,320.70 and Greystone Funding Company LLC filed an administrative expense claim in the amount of $3,617,232.00. No party has asserted an objection to these claims and the Debtor is not aware of any basis for an objection to the allowance or priority of these claims. (*Id.* ¶ 12). As a result of the Debtor's negotiations, however, Greystone has agreed to waive any claim against the estate, conditioned on closing of the sale to the Receiver. Any delay or failure to close, however, would result in Greystone asserting these claims, which would eliminate the possibility of any distribution to even priority creditors and would leave a Chapter 7 trustee without any funds for a winddown. (*Id.* ¶ 13).

14. Until closing of the sale, the Receiver is operating the Facility, on behalf of the Debtor. Upon conversion to chapter 7 all operations must cease, unless the trustee seeks and obtains an order from the court permitting continued operations. While it is possible that a chapter 7 trustee might agree to continue operating, operation of any business is unusual in chapter 7 and would undoubtedly result in delays and disruptions. 11 U.S.C. § 721.

E. The Debtor's Current Financial Picture and Efforts to Obtain Plan Funding

15. The Committee complains that the case should be converted because the Debtor is administratively insolvent. No unpaid administrative expenses, however, are presently due and the Debtor expects to be able to obtain sufficient funds to confirm a plan in the near future. The Debtor has paid all post-petition taxes and all US Trustee fees. The only unpaid administrative expenses are disputed claims and professional fees—but none of the professionals have even filed applications for payment, let alone have any fees been allowed.

16. Moreover, the Debtor has substantial funds on hand to make payment, if and when professionals fees are allowed. As of February 28, 2026, the Debtor reported $2,566,960 in cash

on hand, representing an increase of roughly $300,000 over prior months, of which $2,016,505 is unrestricted. (Dkt. No. 676). Since April 2025, the Debtor has no further payroll obligations, and its only expenses are professional fees. (Cauz Decl. ¶ 16).

17. The Funds have filed administrative and priority claims against the estate based on alleged unpaid benefit and pension contributions. (Cauz Decl. ¶ 17). As described in the Disclosure Statement, the Debtor disputes both the allowance and priority of those claims, including because benefits were terminated by the Union in April 2024 and because no court has fixed any monetary obligation or determined that the asserted amounts constitute administrative expenses. (Cauz Decl. ¶ 17; Dkt. No. 628). Those claims remain unresolved, but the Debtor believes they should not be allowed—and certainly not as administrative expenses.[1]

18. The Debtor has actively and continuously pursued recoveries to fund administrative expenses. There are several areas which the Debtor is continuing to pursue and which the Debtor believes will result in sufficient collections to fund the plan in the near future. The Debtor believes it has valid claims against several parties—each of which by itself would provide more than sufficient funding to confirm a plan. Collection of each of these is in progress and is not simply a pipe dream.

19. For example, the Debtor has more than $2.1 million in outstanding accounts receivable, collection of which is being actively pursued.

20. The Debtor also believes it has valid claims against the DOH in excess of $1.2 million, which it is well on the way to collecting. Beginning as far back as Spring 2025, the Debtor commenced efforts to recover improper setoffs by the DOH, including written communications,

[1] Of course, the Court need not determine whether these claims should be allowed at this point. Rather, the simple fact is that none of the claims have been allowed and none are presently due and payable. The Debtor intends to object to the Funds' claims and reserves all rights to object to these (and any other claims).

follow-ups throughout 2025, delivery of a draft complaint and continued engagement throughout that time. (Cauz Decl. ¶¶ 19-24). Indeed, the DOH previously refunded $352,692.60 in amounts for a similar basis to the Debtor in the winter of 2025. Just yesterday, the parties engaged in substantive discussions regarding a resolution of this dispute that would result in the Debtor receiving hundreds of thousands of dollars. If not resolved, the Debtor expects to file a complaint against the DOH seeking recovery of the full amount. (Cauz Decl. ¶ 22). Similar claims exist against Fidelis, one of the insurers that pays the Debtor.

21. The Debtor is also preparing to prosecute avoidance actions, totaling more than $2 million. (Cauz Decl. ¶ 23). As the Court is aware, the Debtor sought to retain Porzio, Bromberg & Newman P.C. ("Porzio") as special counsel for these actions, beginning in the summer of 2025. At the Committee's request, however, retention was delayed for months. Recently, the Debtor determined it was not appropriate to continue to wait and filed an application to retain Porzio as special counsel, which the Committee opposed. The Court, however, approved the application on March 24, 2026. Porzio has done much of the preparation for these actions and the Debtor expects Porzio to begin collecting soon.

22. The Debtor is also discussing potential funding arrangements with certain third parties and insiders that would provide additional liquidity—sufficient to cover administrative expenses and allow confirmation of a plan. (Cauz Decl. ¶ 24). The Debtor is actively pursuing such arrangements and expects that an arrangement will be finalized in the near future.[2]

23. Accordingly, the Debtor is a non-operating debtor with substantial cash on hand, disputed administrative claims, various active recovery efforts, a pending plan and, perhaps most importantly, the Debtor has obtained approval of this Court and the DOH for a sale, which will

[2] These discussions are confidential and may address numerous different issues. Accordingly, it is not appropriate to provide further details at this time.

ensure the continued operations of the Facility and assumption of the largest administrative expense and secured claims. Notwithstanding these facts, the Committee seeks conversion of this case to chapter 7 without having even considered the effect on the sale or claims or allowed the Debtor to complete the recovery efforts designed to maximize value for the estate.

OBJECTION

I. THE MOTION IS PROCEDURALLY DEFECTIVE FOR FAILURE TO PROVIDE THE REQUISITE NOTICE UNDER BANKRUPTCY RULE 2002(a)(4)

24. As a threshold matter, the Motion should not be heard because it fails to comply with the notice requirements of Bankruptcy Rule 2002(a)(4). That rule mandates that parties in interest receive at least 21 days' notice of a hearing on a motion to convert a chapter 11 case. Fed. R. Bankr. P. 2002(a)(4). Here, only 14 days' notice was provided—well short of the required period. Courts in this District strictly enforce Rule 2002 and treat compliance as a prerequisite to consideration of the motion. *See In re AP Industries, Inc*., 117 B.R. 789, 795-96 (Bankr. S.D.N.Y. 1990) (holding that where a party failed to provide the requisite Rule 2002 notice, "the motion may not be heard"). Because the Committee failed to provide the mandatory notice required by Rule 2002, the Motion is procedurally defective and should be denied.

II. LEGAL STANDARDS

25. Nevertheless, the Committee cannot satisfy its burden for conversion. Pursuant to 11 U.S.C. § 1112(b) ("Section 1112(b)"), a court shall convert a case under chapter 11 to a case under chapter 7 if conversion is in the best interests of creditors and the movant establishes cause. *In re The 1031 Tax Group, LLC*, 374 B.R. 78, 93 (Bankr. S.D.N.Y. 2007). In evaluating cause, "the bankruptcy court has wide discretion to determine if cause exists and how to ultimately adjudicate the case." *Id.* (denying conversion for lack of cause). To determine whether cause has been established, courts consider a non-exhaustive list of factors set forth in Section 1112(b)(4),

including: (i) substantial and continuing loss to the estate coupled with the absence of a reasonable likelihood of rehabilitation; (ii) inability to effectuate a plan; and (iii) unreasonable delay by the debtor that is prejudicial to creditors. 11 U.S.C. § 1112(b)(4); *1031 Tax Group, LLC*, 374 B.R. at 93.

26. Converting a chapter 11 case is a "drastic measure." *In re Dark Horse Tavern*, 189 B.R. 576, 580 (Bankr. N.D.N.Y. 1995) (denying motion to convert). The burden of demonstrating cause for conversion rests with the moving party. *In re First*, No. 22-11020, 2022 WL 17723916, at *4 (Bankr. S.D.N.Y. Dec. 15, 2022, Glenn, C.J.). Nevertheless, the ultimate determination of whether to convert a case to chapter 7 lies within the discretion of the Court. *1031 Tax Group*, 374 B.R. at 93.

27. Even where a movant attempts to show "cause," Section 1112(b) still requires the Court to evaluate whether conversion is in the best interests of creditors and the estate, taking into account the full circumstances of the case. *See In re MatlinPatterson Glob. Opportunities Partners II L.P.*, 644 B.R. 418, 438 (Bankr. S.D.N.Y. 2022) (denying motion to convert as contrary to best interests of creditors). Courts also recognize that the statutory factors for determining cause are not exhaustive and the Court may consider any circumstance relevant to the efficient and value-maximizing administration of the estate. *1031 Tax Group*, 374 B.R. at 93.

III. THE COMMITTEE HAS NOT—AND CANNOT—SATISFY ITS BURDEN TO ESTABLISH CAUSE FOR CONVERSION

28. The Committee's Motion is based on a single premise: that the estate is administratively insolvent and therefore cannot remain in chapter 11. (Motion ¶¶ 22-30). Section 1112(b) of the Bankruptcy Code provides that a chapter 11 case may be converted to chapter 7 only upon a showing of "cause," including "substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation." 11 U.S.C. § 1112(b)(4)(A).

Both elements must be established; the failure to prove either is fatal to a motion to convert. *1031 Tax Group*, 374 B.R. at 93.

29. "'Rehabilitation means to put back in good condition and reestablish a sound basis…signif[ying] that the debtor will be reestablished on a secured financial basis…impl[ying] establishing a cash flow from which its current obligations have been met.'" *In re Weiss Multi-Strategy Advisers LLC*, No. 24-10743 (MG), 2024 WL 2767893, at *9 (Bankr. S.D.N.Y. May 29, 2024) (citing *In re AdBrite Corp*., 290 B.R. 209, 215 (Bankr. S.D.N.Y. 2003)). Where a debtor is pursuing a liquidating plan supported by identifiable funding sources and recoveries which will establish a secured financial basis, conversion is inappropriate, particularly at an early or mid-stream stage of the plan process. See *First*, 2022 WL 17723916, at *4-5. The Committee cannot meet this standard.

30. Two cases are particularly instructive here. *Weiss*, 2024 WL 2767893 and *First*, 2022 WL 17723916. In *Weiss*, the court denied a motion to convert, recognizing that, under the circumstances, an orderly wind-down in chapter 11 overseen by existing management did not constitute cause for conversion. 2024 WL 2767893, at *14. Similarly, in *First*, the court declined to convert a chapter 11 case where the debtor's prospects depended on the outcome of pending litigation and the case remained at an early stage, holding that the debtor should be afforded an opportunity to pursue those potential recoveries before conversion was warranted. 2022 WL 17723916, at *4-5. As in *Weiss* and *First*, the Committee in this case cannot demonstrate the absence of a reasonable prospect of rehabilitation within the meaning of section 1112(b).

31. Where, as here, a debtor has proposed a liquidating plan under chapter 11, courts apply the rehabilitation inquiry differently than if the debtor were attempting to reorganize going-concern operations. In liquidations, the inquiry focuses on whether there is a reasonable

prospect of effectuating an orderly liquidation through chapter 11 that maximizes value for the estate. *See Weiss*, 2024 WL 2767893, at *15 (recognizing a plan of liquidation does not foreclose rehabilitation under Section 1112(b)); *In re Emerald Grande, LLC*, No. 17-bk-21, 2018 WL 2703071, at *4 (Bankr. N.D.W.V. June 4, 2018) (same)).

A. Administrative Insolvency Is Not Dispositive Because Viable and Active Funding Sources Exist

32. Administrative insolvency—particularly where based on estimates, disputed claims and incomplete information—is not, standing alone, sufficient to establish cause for conversion. *See 1031 Tax Group*, 374 B.R. at 93 ("the fact that there is a continuing loss to the estate, due to the mounting administrative costs and the lack of any new business entering the estate, is insufficient to establish 'cause' within the meaning of § 1112(b)"). The Committee's approach treats projections as to future administrative expenses as fixed liabilities and assumes the allowance and priority of disputed claims, while at the same time, ignores the Debtor's ongoing recovery and funding efforts (which the Committee has delayed) and the Debtor's projected recoveries.

33. Courts reject conversion motions where the alleged insolvency is temporary, disputed or capable of being addressed through funding, recoveries or plan treatment. *See, e.g., First*, 2022 WL 17723916, at *5. It is premature to conclude that an estate is administratively insolvent where the allowance, amount and treatment of administrative claims remain unresolved, and where additional funding sources are being pursued. *See id.*

34. That is the situation here, notwithstanding the Committee's contention that "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 the plan of liquidation." (Motion ¶ 27). Although the Debtor filed chapter 11 more than a year ago, the Debtor has been diligently working on the sale and wind

down of the estate and there has been no complaint by the Committee (or anyone else) about losses until last month. Indeed, the Debtor has suffered extreme liquidity issues since the Petition Date, but the Debtor has adequately addressed these concerns throughout and continues work to obtain additional funding to ensure timely payment all expenses.

35. Moreover, the Committee's calculation is simply wrong. The Committee's insolvency calculation relies on estimated professional fees and assumes those estimates will be allowed in full, without adjustment—and assumes these amounts are presently due and payable—which they are not. The Committee admits that these calculations are estimates. The Committee's framing therefore overstates the certainty and immediacy of any asserted administrative shortfall. (Motion ¶ 22).

36. The Committee's analysis also assumes that the Funds' asserted claims will be allowed as administrative claims in the amounts asserted. But the record demonstrates that the Union terminated healthcare benefits on April 24, 2024, and that the Nassau County court imposed only a nominal $250 fine without adjudicating any fixed payment obligation to the Funds. (Cauz Decl. ¶ 17; Nassau County Case, NYSCEF Dkt. No. 857). Those facts are inconsistent with the Committee's contention that the Funds' asserted amounts are established administrative liabilities that compel conversion. (See Motion ¶ 22). To the contrary, it is unclear why the Funds would be entitled to any payment for healthcare insurance coverage which the Funds terminated and which forced the Debtor to obtain alternative coverage—particularly since the Debtor paid for this full coverage for every employee and has paid all healthcare claims submitted by every employee. Moreover, it is unclear how the Funds could satisfy their burden to show that any such obligation benefited the estate. In any event, it is clear that the Funds do not have a present, undisputed right to payment of any amount and no amount is past due.

37. On the other hand, as of February 28, the Debtor had more than $2.1 million in available funds and has been actively pursuing additional funding and recoveries in order to provide sufficient funds to confirm a plan (Cauz Decl. ¶¶ 19-24), which efforts directly undermine the Committee's contention that there is "the absence of a reasonable likelihood of rehabilitation" in the context of this liquidation. 11 U.S.C. § 1112(b)(4)(A). If the case were to be converted, the estate would lose the benefit of the work completed to date, the institutional knowledge that has been developed and the ability of the Debtor to negotiate with funding sources. While a trustee could start over and attempt to assert litigation claims and other collection activities, the delay will be substantial. More importantly, conversion risks derailing the closing and a trustee will not be able to pursue the funding arrangements that the Debtor is pursuing. Consequently, creditors will lose these potential benefits.

38. The DOH recovery effort is a prime example of the extensive efforts that would be lost in the event of conversion. The CRO commenced communications with NYDOH regarding refunds from setoffs in Spring, 2025, followed by multiple follow-ups thereafter through as late as yesterday. (Cauz Decl. ¶¶ 21-22). The Debtor now seeks to recover approximately $1.2 million from the DOH—funds that would be more than sufficient to address all administrative expenses and support confirmation of a plan. The Debtor is also seeking to collect more than $2 million in accounts receivable and working with special counsel to prosecute avoidance claims. These are concrete and real recovery efforts that are in progress, which conversion would delay and disrupt.

39. Moreover, there is no merit to the Committee's assertions that the Debtor has engaged in "unreasonable delay" let alone that any such purported delay is "prejudicial to the Committee and all creditors of the Debtor's estate." (Motion ¶ 27). The Debtor has proceeded consistently and diligently through the Chapter 11 process, including filing multiple versions of a

plan and disclosure statement, revising those filings at the Committee's request, and continuing to pursue recoveries and funding sources for the benefit of the estate. Any delay in confirmation has resulted from the ongoing plan negotiation process, unresolved disputes regarding claim treatment, and the Committee's opposition to the Debtor's proposed actions, rather than from inaction or neglect by the Debtor.

40. The Committee cannot simultaneously (i) invoke the absence of avoidance recoveries as evidence of insolvency and (ii) resist or delay the retention process needed to pursue those recoveries. The record reflects repeated retention related communications and ongoing workstreams that have been affected by Committee position and timing.

41. Finally, the Debtor is pursuing additional funding from certain third parties that would provide additional liquidity to cover administrative expenses. While this remains a work in progress, conversion would deprive the estate of the opportunity to consummate additional liquidity arrangements that could directly address administrative expenses pending plan confirmation. (Cauz Decl. ¶ 24).

42. In short, the Committee's "administrative insolvency" theory rests on estimates, disputed liabilities and delays caused by the Committee itself, while the record shows active and ongoing efforts to secure recoveries and funding that materially change the picture. On this record, the Committee cannot establish the "absence of a reasonable likelihood of rehabilitation" required for conversion under § 1112(b)(4)(A).[3]

[3] The Committee also implies that the Debtor has not kept the Committee apprised of the Debtor's financial status. That assertion is undermined by the Motion itself, which relies on financial information communicated to the Committee (including cash levels and fee estimates) to support its requested relief. (Motion ¶ 20).

B. Chapter 11 will Ensure the Sale is Successfully Consummated and Will Avoid Risk and Delay

43. Even if the Court were to find some degree of administrative insolvency, conversion would still be inappropriate because chapter 11 is the superior vehicle for completing an orderly, value maximizing liquidation in these circumstances. Courts deny conversion where maintaining the chapter 11 framework allows the debtor to pursue ongoing sale or recovery efforts that may maximize value for creditors, rather than forcing a premature liquidation under chapter 7. *See, e.g., MatlinPatterson Glob*., 644 B.R. at 438 (denying conversion where imposing chapter 7 trustee would be "inefficient, costly, slow, and contrary to the estates' interests"); *In re New Rochelle Tel. Corp*., 397 B.R. 633, 641 (Bankr. E.D.N.Y. 2008) (denying conversion to allow debtor to complete sale of business).

44. The factual posture of this case underscores why continuity, and not change in control, is critical. Forcing a mid-stream transition to chapter 7 can impose delay and expense and jeopardize outcomes where the debtor and its professionals possess institutional knowledge necessary to administer the case effectively. Since the transfer of operations, the Debtor has worked closely with the Receiver to advance the sale process, including obtaining DOH approval, managing cash flow and coordinating day-to-day financial activities. The Receiver's ability to operate depends on the Debtor's ongoing cooperation, reconciliations, and timely payments. That integrated structure is the product of more than a year of coordination and cannot be replicated quickly—or cheaply—by a newly appointed chapter 7 trustee. Particularly since a chapter 7 trustee would first need to determine that continuing to operate is appropriate and then seek court approval for continued operations.

45. That concern is heightened because the estate's liquidation depends in material part on a sale process that has not yet closed. (Cauz Decl. ¶ 8). DOH approval for the sale was recently

granted, but there remain multiple closing conditions and operational steps still to be completed in the coming weeks. (Id. ¶¶ 8, 10). During that period, the Debtor and the CRO are working daily with the Receiver to resolve issues and avoid disputes. Converting the case now would replace that continuity with a trustee who has no familiarity with the transaction history, the regulatory posture or the mechanics of the sale and who would be required to reconstruct the process from the ground up. That is precisely the type of "mid-stream" conversion courts reject as inefficient and value-destructive. *MatlinPatterson Glob.*, 644 B.R. at 438.

46. The Committee's unfounded assertion that continuing this case under Chapter 11 "will only result in increased costs" (Motion ¶ 28), ignores these realities. The Debtor's current expenses are limited to administrative and professional fees incurred in connection with liquidation, recoveries and plan confirmation. By contrast, conversion would impose new administrative costs associated with appointing a trustee, retaining new professionals and bringing them up to speed on a complex, DOH-regulated transaction already deep into the closing process. Rather than "avoid unnecessary expenses," conversion would create them. *MatlinPatterson Glob.*, 644 B.R. at 438 (denying conversion where cost of converting outweighed any benefit). Accordingly, the Committee's assertion that "it is more economical, and efficient for the estate to be administered under the provisions of Chapter 7" is meritless. (Motion ¶ 29).

47. The stakes are significant. The sale requires the purchaser's assumption of the Debtor's obligations to Greystone, which filed secured and administrative claims exceeding $79 million. (Cauz Decl. ¶ 13). As a result of the Debtor's negotiations, Greystone has agreed to waive any claim against the estate—but only if the sale closes. If conversion delays or disrupts the closing, those claims will need to be satisfied by the Debtor, creating a threshold liability that would have to be addressed before any chapter 7 trustee could fund meaningful administration,

including chapter 7 administrative expenses. This risk weighs heavily against conversion, particularly since conversion will not reduce administrative expenses and will provide no benefit to the estate or creditors.

48. Finally, conversion would derail the Debtor's broader liquidation strategy. The Debtor has filed a plan and, until the filing of the Motion (without any notice), believed it was close to an agreement on the terms of the plan. Similarly, the Debtor has resolved nearly every objection to the Disclosure Statement and (although the Committee may object to confirmation) it appears that all parties agree that the Disclosure Statement contains adequate information. At the same time, the Debtor is pursuing concrete recoveries and funding sources—including accounts receivable, DOH and insurer claims, avoidance actions and third-party funding—that are specifically designed to fund administrative expenses and support confirmation. (Cauz Decl. ¶¶ 19-24). The Committee has not shown that chapter 7 would enhance or speed up any of those efforts. It has shown only that it would change who controls them. That is not cause under section 1112(b), and it is not in the best interests of creditors or the estate. *See MatlinPatterson Glob.*, 644 B.R. at 438 (denying motion to convert where "changing horses midstream" and imposing a chapter 7 trustee would be "contrary to the estates' interests in timely and cost-effective resolution").

CONCLUSION

For the foregoing reasons, the Debtor respectfully requests that the Court deny the Motion and grant such other, further and different relief as the Court deems just and proper.

Dated: April 7, 2026
New York, New York

MANATT, PHELPS & PHILLIPS, LLP

/s/ Schuyler G. Carroll

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

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Cold Spring Acquisition, LLC,

Debtor.

Chapter 11

Case No. 25-22002 (SHL)

DECLARATION OF MARTIN A. CAUZ IN SUPPORT OF OBJECTION TO APPLICATION FOR AN ORDER CONVERTING CHAPTER 11 CASE TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

I, Martin A. Cauz, under penalty of perjury, pursuant to 28 U.S.C. § 1746, hereby declare that the following is true and correct:

1. I am over the age of 18. I am the Chief Restructuring Officer ("CRO") of Cold Spring Acquisition, LLC (the "Debtor"). In that capacity, I am authorized to submit this declaration on behalf of the Debtor in Objection to the Official Committee of Unsecured Creditor's (the "Committee") 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 (Dkt. No. 675) (the "Motion").

2. The facts and matters set forth in this Declaration are based on my personal knowledge and/or my review of the Debtor's business records and are true to the best of my knowledge, information and belief. I make this Declaration without any intent or authority to waive or prejudice any privilege, defense or immunity of the Debtor. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

3. On or about December 26, 2024, I was appointed by the Debtor to serve as its CRO. Since my appointment, the Debtor and I have, among other things, reviewed the Debtor's historical operations and financial condition, overseen cash management, collections and reporting, assisted in the administration of this Chapter 11 case, coordinated efforts to pursue recoveries for the estate and to obtain funding, worked with the Receiver to obtain approval of the sale, prepare to consummate the sale, address sale transition issues and daily cash flow issues, as well as participated in plan negotiations with the Committee and other parties.

A. The Debtor's Operations and Workforce

4. The Debtor owns a 588-bed skilled nursing facility located in Woodbury, New York (the "Facility"), which provided long-term care and rehabilitative services to senior patients.

5. Prior to the Petition Date, the Debtor employed a substantial workforce, including unionized employees represented by 1199SEIU United Healthcare Workers East (the "Union"). Pursuant to applicable collective bargaining agreements, the Debtor provided employee healthcare benefits through participation in various 1199SEIU benefit and pension funds (the "Funds"), which administered healthcare coverage in exchange for employer contributions.

6. On April 24, 2024, the Union terminated healthcare benefits for the Debtor's employees. Following that termination, the Debtor independently obtained replacement

healthcare coverage for its employees and paid the applicable premiums directly, without contributions from the Union or the Funds. The Debtor also paid all claims made by all employees. All premiums and approved claims arising from such coverage have been fully paid.

B. The Receivership

7. On April 22, 2025, 378SYWOOD LLC (the "Receiver") assumed operational control of the Facility pursuant to a court-approved receivership. From that date forward, the Debtor stopped employing any operating or facility-level staff.

8. The Receiver, however, operates the Facility through the Debtor. For example, the Receiver cannot bill directly and instead bills using the Debtor's provider numbers—all collections are received in the Debtor's bank account. As a result, the Debtor provides the Receiver weekly (and sometimes more often) reconciliations and consistently makes payments to the Receiver. If the Debtor did not do so, the Receiver would have no funds.

9. Following the transfer of operations to the Receiver, the Debtor has worked with the Receiver to move the sale of the Facility forward, including by obtaining approval of the sale from the New York State Department of Health ("DOH"), addressing cash flow and working together with the Receiver almost daily to address various issues and towards closing.

C. Status of Sale Closing

10. The Debtor continues to work cooperatively with the Receiver toward closing of the sale of the Facility. At present, however, the Debtor expects the sale will not close for at last 6-8 weeks.

11. Moreover, for more than a year, I have been working with the Receiver on an almost daily basis regarding items that are needed for the closing and on day-to-day financial transactions to ensure there are no disputes between the parties and to ensure that the Receiver

has sufficient funds to operate the Facility. The Debtor intends to continue to work on items that are needed for the closing and on day-to-day financial transactions with the Receiver.

12. The sale includes the assumption of the Debtor's obligations to Greystone Funding Corporation and Greystone Funding Company LLC (collectively, "Greystone"), the Debtor's pre-petition lender. Greystone Funding Corporation filed a secured claim in the amount of $75,925,320.70 and Greystone Funding Company LLC filed an administrative expense claim in the amount of $3,617,232.00. No party has asserted an objection to these claims and the Debtor is not aware of any basis for an objection to the allowance or priority of these claims.

13. Greystone has agreed to waive any claim against the Debtor, conditioned on closing of the sale to the Receiver. Any delay or failure to close, however, would result in Greystone asserting these claims against the estate. In such event, the estate would have no funds available and a trustee would be unable to operate or to fund a wind down.

D. The Debtor's Current Operations and Financial Condition

14. As a result of the receivership, the Debtor is now a non-operating debtor. The Debtor has no payroll obligations and no revenue-generating operations. Its only material ongoing expenses consist of administrative expenses and professional fees incurred in connection with administering this Chapter 11 case.

15. The Debtor has no unpaid administrative expenses presently due. The Debtor has paid all post-petition taxes and US Trustee fees. The Debtor's only unpaid administrative expenses are disputed claims and professional fees.

16. As of February 28, 2026, the Debtor reported $2,566,960 in cash on hand, representing an increase of roughly $188,000 over prior months, of which $2,016,505 is unrestricted. (Dkt. No. 676).

17. The Funds have asserted administrative and priority claims against the estate arising from alleged unpaid benefit and pension contributions. Based on my review of the relevant facts, these claims should be expunged for several reasons, including because (a) healthcare benefits were terminated by the Union in April 2024, (b) the Debtor was forced to (and did) provide replacement benefits, to ensure that all employees' healthcare claims were fully paid and (c) no court has fixed any monetary obligation, let alone determined that the asserted amounts constitute allowed administrative expenses. Those claims remain unliquidated, disputed and unresolved as to both allowance and priority.

E. Plan Process and Committee Negotiations

18. The Debtor filed its plan and disclosure statement in 2025 and has spent considerable time negotiating with various parties, including Greystone, the DOH, the NYAG, the Receiver and the Committee. At the Committee's request, on February 7, 2026, the Debtor filed its Second Amended Chapter 11 Plan and Amended Disclosure Statement, incorporating additional changes and disclosures requested by the Committee and other parties. The Debtor expected that the Committee would agree to those changes, so that the parties could move forward towards consensual confirmation, but further issues developed. Thereafter, the Court conducted two hearings during which it appeared that the parties reached agreement on a consensual resolution. Unfortunately, that did not happen and shortly thereafter the Committee filed the Motion, without ever speaking with or contacting the Debtor.

F. Financial Relief and Recovery Efforts

19. Since the commencement of this Chapter 11 case, I have actively pursued potential sources of financial relief and recoveries to fund administrative expenses and distributions to creditors.

20. The Debtor has over $2.1 million in outstanding accounts receivable, collection of which the Debtor is in process. The Debtor also believes it has valid claims against the DOH in excess of $1.2 million for improper pre- and post-petition setoffs.

21. For more than a year, I have engaged in ongoing written communications, calls and follow-ups with DOH personnel regarding these setoffs. On February 2, 2026, the Debtor sent correspondence to the DOH attaching a draft complaint that set forth the basis of the setoff dispute. On April 1, 2026, the Debtor sent additional correspondence with a revised draft complaint to the DOH advising that, absent a resolution, the Debtor intended to file the complaint.

22. The DOH responded to the April 1, 2026 correspondence and advised that it would provide a settlement offer to resolve dispute. Yesterday, the DOH and the Debtor engaged in substantive discussions regarding a resolution of the dispute over the setoffs that would result in the Debtor receiving hundreds of thousands of dollars. If the dispute is not resolved in the coming days, the Debtor is prepared to file the complaint seeking recovery for the full amount. The Debtor possesses a similar claim against Fidelis Long Term Care, one of the insurers that pays the Debtor, in the amount of approximately $160,000.

23. The Debtor also intends to prosecute more than $2 million in non-insider avoidance actions. Beginning in the summer of 2025, I sought to retain special counsel to bring avoidance actions on behalf of the Debtor and after contacting numerous firms and interviewing several, the Debtor agreed to retain Porzio, Bromberg & Newman P.C. ("Porzio") on August 25, 2025. At the Committee's request, the Debtor delayed the retention for months while plan negotiations were ongoing. Throughout that time, the Debtor made repeated requests to the Committee to move forward with the retention of Porzio.

24. I have also explored potential funding arrangements with certain third parties and insiders that would provide additional liquidity to cover administrative expenses and allow confirmation of a plan. The Debtor is actively pursuing such arrangements and expects that an arrangement will be finalized in the near future.

25. Based on my experience, the Debtor's efforts should not be displaced by conversion. A chapter 7 trustee will not be able to administer the estate any less expensively. To the contrary, conversion will result in substantial delay and risk that the sale will be delayed or derailed. The Debtor is actively administering a non-operating Chapter 11 estate with cash on hand, disputed administrative claims, pending recovery litigation, a sale that has been approved by this Court and the DOH, but that has not yet been consummated and a viable path to completing an orderly liquidation through Chapter 11. Accordingly, the Court should deny the Motion.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct in all respects.

Dated: April 7, 2026

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Martin A. Cauz
Chief Restructuring Officer