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**ATTORNEYS FOR OXFORD FINANCE LLC**

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

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**In re:**

**MASON COPPELL OP, LLC, ET AL.,  
  
Debtors.**

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§  
§ **Chapter 11 Cases**  
§ **(Jointly Administered)**  
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§ **CASE NO. 14-31327-SGJ-11**  
§  
§

**JOINT STIPULATION CONCERNING  
PAYMENT AND TREATMENT OF OXFORD FINANCE LLC'S SECURED CLAIM**

Dennis Faulkner, duly appointed Chapter 11 Trustee ("Trustee") of Mason Coppel OP, LLC and its affiliate debtors, the Official Committee of Unsecured Creditors (the "Committee"), and Oxford Finance, LLC ("Oxford") collectively file this *Joint Stipulation Concerning Payment and Treatment of Oxford Finance, LLC's Secured Claim* (the "Stipulation"), and would show as follows:

## **I. RECITALS**

1. On or about March 18, 2014 (the “Petition Date”), Mason Coppel OP, LLC, Mason Friendswood OP, LLC, Mason Georgetown OP, LLC, Mason Round Rock OP, LLC (the “Oxford Debtors”) and Mason Mesquite OP, LLC (“Mason Mesquite” and, collectively with the Oxford Debtors, the “Debtors”) filed for relief under Chapter 11 of the United States Bankruptcy Code. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(k)(m) and (o).

2. The Oxford Debtors are indebted to Oxford pursuant to, among other things, an Amended and Restated \$6 million Revolving Credit Agreement and Related Revolving Credit Note with Oxford.

3. Before the Petition Date, all of the Debtors and co-debtor Mason Georgetown RealCo, LLC were marketed for sale. After a long prepetition process, the Debtors and Oxford, with support of the Debtors’ significant trade creditors, moved to adopt a sales procedure through bankruptcy. Procedures were approved at a hearing on April 4, 2014, and a sale to THI of Baltimore, Inc., an affiliate of Fundamental Long Term Care (“Fundamental”), was approved pursuant to an order entered on April 18, 2014 [Doc. No. 178], and the resulting transaction closed on or about April 30, 2014. The sale resulted in proceeds of approximately \$16 million. Of that amount, approximately \$12 million went to pay off the debt associated with Mason Georgetown RealCo, LLC, the remaining \$4 million was paid in connection with the acquisition of the operating rights to Mason Mesquite, Mason Georgetown, Mason Coppel, and

Mason Round Rock.<sup>1</sup> Such proceeds, however, were not allocated under the order or sale documents.

4. On July 18, 2014, Oxford filed the following secured claims (collectively, the “Claims”):

| <b>Debtor (Case No.)</b>     | <b>Claim No.</b> | <b>Claim Amount<sup>2</sup></b> |
|------------------------------|------------------|---------------------------------|
| Mason Coppel (14-31327)      | 40               | \$ 3,945,179.97                 |
| Mason Friendswood (14-31328) | 25               | 3,945,179.97                    |
| Mason Georgetown (14-31329)  | 16               | 3,945,179.97                    |
| Mason Round Rock (14-31331)  | 34               | 3,945,179.97                    |

5. As set forth in this Court’s prior financing order,<sup>3</sup> Oxford held liens on, *inter alia*, the Oxford Debtors’ accounts receivable. Thus, through post-petition collections of these accounts receivables, Oxford’s Claims have been reduced substantially. On July 25, 2014, the Committee filed an objection to Oxford’s Claims, seeking *inter alia* an accounting of payments received.

6. As of the filing of this Stipulation, Oxford has advised the Trustee and Committee that the balances due, exclusive of certain post-petition attorneys’ fees and expenses that could be allowed under section 506(b) of the Bankruptcy Code, approximately as follows (the “Remaining Oxford Secured Claim”):

|                          |                       |
|--------------------------|-----------------------|
| Term Loan                | \$ 292,236.39         |
| Revolving Line of Credit | <u>\$1,308,837.94</u> |
| Total                    | \$1,601,674.33        |

The Remaining Oxford Secured Claim includes a prepayment penalty of approximately \$120,000 due to the Oxford Debtors’ early payment (the “Prepayment Penalty”) provided for

<sup>1</sup> Mason Friendswood was effectively transferred to its landlord in a separate transaction approved by this Court on April 30, 2014. [Doc. No. 199].

<sup>2</sup> All Claims were listed as of the Petition Date and exclude any post-petition advances, interest, and fees.

<sup>3</sup> See Final Order Granting Debtors’ Emergency Motion for Interim and Final Authority (i) to Obtain Secured Post-Petition Financing and (ii) to Utilize Cash Collateral [Doc. No. 128] (“DIP Order”).

under the applicable Oxford loan agreements. In addition to the foregoing, Oxford asserts that additional post-petition interest and attorneys' fees and expenses continue to accrue on the Remaining Oxford Secured Claim under the DIP Order and applicable Oxford loan agreements.

7. At the time of the filing of this Stipulation, the Debtors' estates have funds available to pay down at least \$500,000 to Oxford on account of the Remaining Oxford Secured Claim. As of the filing of this Stipulation, the Trustee holds approximately \$2.4 million cash in the aggregate for all of the Debtors. In addition to the cash on hand, the Trustee and Committee anticipate the Debtors will be able to collect an additional \$3.7 million in outstanding accounts receivable. Based on the Debtors' books, the Trustee and Committee believe approximately \$325,000 of this amount belongs to Mason Mesquite based on collections of Mason Mesquite's accounts receivable. Further, the Committee believes approximately \$975,000 of the aggregate cash held by the Trustee may be allocable to Mason Mesquite from the Fundamental Sale. Thus, even after deducting the cash allocable to Mason Mesquite, an immediate pay down to Oxford in the proposed amount of \$500,000 will leave the Oxford Debtors' estates with sufficient cash on hand to finish administering the estates.

8. Such a payment to Oxford is authorized under prior orders of this Court.<sup>4</sup> The payment will be made using proceeds of Oxford's collateral, and there is no genuine dispute that Oxford is entitled to at least this much.

9. The Committee and Trustee have been in discussions with Oxford to effectuate a payday prior to Plan Confirmation. It is in the estates' interests to:

(a) Fix the Remaining Oxford Secured Claim, to the extent possible;

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<sup>4</sup> In addition, the Debtors have collected accounts receivable of about \$4.5 million, although much of those funds have already been applied toward Oxford's debts pursuant to the DIP Order. *See* DIP Order, ¶ 4.

- (b) Minimize or stop further accruals of interest, fees, and expenses on the Remaining Oxford Secured Claim, to the extent possible; and
- (c) Resolve all controversies with Oxford.

10. It is in Oxford's interest to enter an agreement with the Committee and Trustee so that:

- (a) The Remaining Oxford Secured Claim amount is final;
- (b) Oxford is paid back as expeditiously as possible; and
- (c) All controversies with the Trustee and Committee are resolved.

## **II. STIPULATION**

11. Now, therefore, in consideration of the foregoing recitals and premises, and for the mutual agreements, covenants and stipulations set forth below, the receipt and sufficiency of which are hereby mutually acknowledged by the Parties, the Parties stipulate and agree as follows:

- (a) The Trustee will pay \$500,000 in partial satisfaction of the Remaining Oxford Secured Claim within three (3) business days after the filing of this Stipulation;
- (b) Upon the timely payment described in subsection (b) above, the Prepayment Penalty portion of the Remaining Oxford Secured Claim will be reduced by \$30,000.00;
- (c) Provided that the Remaining Oxford Secured Claim is paid down to a balance of \$90,000 on or before the effective date of a plan, Oxford will agree to release the Oxford Debtors from the remainder of the Prepayment Penalty portion of the Remaining Oxford Secured Claim, and the Remaining Oxford Secured Claim shall be deemed fully and finally satisfied by the Oxford Debtors;
- (d) Until the Remaining Oxford Secured Claim is paid down as set forth in paragraph (d) above, Oxford shall have the continued right to sweep all collections of the Oxford Debtors' accounts receivable; and
- (e) Oxford shall provide the Trustee and Committee, through their respective counsel of record, monthly notices and/or invoices showing any interest and attorneys' fees that have accrued from and after the filing of this Stipulation

until the Remaining Oxford Secured Claim is paid in full, and the Trustee and Committee each shall retain the right to review such invoices or notices and, if necessary, object to any attorneys' fees believed to be unreasonable or unnecessary.

12. This Stipulation constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, representations, warranties and understandings of the Parties, whether oral, written or implied, as to the subject matter hereof. No supplement, modification or amendment of this Stipulation, or waiver of rights hereunder, shall be binding unless executed in writing by the Parties affected thereby. Nothing in this Stipulation, however, shall be construed as a modification of the Plan and the Confirmation Order.

13. Nothing in this Stipulation or in any negotiations or proceedings in connection therewith shall constitute or be deemed evidence of an admission by the Parties of any liability, violation of law or wrongdoing whatsoever, the truth or untruth, or merit or lack of merit of any claim or defense of any of the Parties.

14. The Parties agree to use their best efforts and act in good faith in carrying out all the terms of this Stipulation. The Parties further agree that they will cooperate in executing all documents necessary to effectuate this Stipulation and the covenants and releases contemplated hereby.

15. This Stipulation shall be effective on the date the Stipulation is executed by both Parties and filed with the Bankruptcy Court.

**SIGNATURE PAGE**

IN WITNESS WHEREOF, each of the Parties hereto has caused this Stipulation to be executed on its behalf by its officers or other duly authorized representatives.

**DENNIS FAULKNER, CHAPTER 11 TRUSTEE**

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Dated: 9/5/14

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