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August 27, 2015

VIA HAND DELIVERY

Honorable Emily S. Mueller
Racine County Courthouse
730 Wisconsin Avenue
Racine, WI 53403

Re: *In re: Lincoln Lutheran of Racine, Wisconsin, Inc.*
Case No. 14CV2012

Dear Judge Mueller:

Enclosed please find an original and one copy of the following pleadings regarding the hearing scheduled in the above mentioned proceeding for October 19, 2015:

1. Notice of Hearing; and
2. Receiver's Motion to Sell Certain Assets of Lincoln Lutheran of Racine, Wisconsin, Inc. Free and Clear of All Liens, Claims and Encumbrances and For Authority to Disburse the Sale Proceeds.

Please have your clerk file the originals, file stamp the copies and return the file-stamped copies to the awaiting messenger. Thank you for your courtesies.

Very truly yours,

BECK, CHAET, BAMBERGER & POLSKY, S.C.

Michael S. Polsky

MSP:PAF

Enclosures

cc: See attached service list (w/encl)(via email)

File No. 14117

Service List - Application to Employ

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In re:

LINCOLN LUTHERAN OF RACINE,
WISCONSIN, INC.,

Case No. 14CV2012

Assignor.

NOTICE OF HEARING

PLEASE TAKE NOTICE that on Monday, October 19, 2015 at 3:00 p.m., Central Time, or as soon thereafter as counsel can be heard, a hearing will be held before the Honorable Emily S. Mueller, presiding in her courtroom, Racine County Courthouse, 730 Wisconsin Avenue, Racine, Wisconsin, on the Receiver's Motion to Sell Certain Assets of Lincoln Lutheran of Racine, Wisconsin, Inc. Free and Clear of All Liens, Claims and Encumbrances and For Authority to Disburse the Sale Proceeds (the "Motion to Sell")

If you do not want the Court to approve the Motion to Sell, or if you want the Court to consider your view on the Motion to Sell, you or your attorney must do each of the following:

- **File a written Objection to the Motion to Sell on or before 4:30 p.m. October 15, 2015, explaining the factual and legal basis for your position, at the following address:**

Honorable Emily S. Mueller
Racine County Courthouse
730 Wisconsin Avenue
Racine, WI 53403

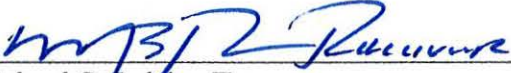
- **Mail, fax or e-mail a copy of your Objection so that it is received no later than 5:00 p.m. on October 15, 2015, to:**

Michael S. Polsky, Esq.
Wis. Stats. Chapter 128 Receiver
Beck, Chaet, Bamberger & Polsky, S.C.
Two Plaza East, Suite 1085
330 East Kilbourn Avenue
Milwaukee, WI 53202
(414) 390-5935: Telephone
(414) 273-7786: Fax
E-mail: mpolsky@bcblaw.net

- **Appear and explain your position at the hearing to be held before the Honorable Emily S. Mueller on October 19, 2015 at 3:00 p.m. Central Time.**

If you or your attorney do not take these steps, the Court may decide that you do not oppose the Motion to Sell and may enter an Order granting the relief which has been requested.

Dated this 27² day of August, 2015.



Michael S. Polsky, Esq.
Wis. Stats. Chapter 128 Receiver
State Bar No. 1016921

P.O. Address:

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In re:

LINCOLN LUTHERAN OF RACINE,
WISCONSIN, INC.,

Case No.: 14CV2012

Assignor.

**RECEIVER'S MOTION TO SELL CERTAIN ASSETS OF LINCOLN LUTHERAN OF
RACINE, WISCONSIN, INC. FREE AND CLEAR OF ALL LIENS, CLAIMS AND
ENCUMBRANCES AND FOR AUTHORITY TO DISBURSE THE SALE PROCEEDS**

Michael S. Polsky, Esq., Wis. Stats. Chapter 128 Receiver (the "Receiver") of Lincoln Lutheran of Racine, Wisconsin, Inc. ("LLOR"), hereby moves the Court for authority to sell, assign and transfer certain assets of LLOR free and clear of all liens, claims and encumbrances, with any and all liens, claims and encumbrances to attach to the proceeds of sale to the same extent and priority as they existed with respect to the assets immediately prior to the sale, and for authority to disburse the sale proceeds (the "Sale Motion"). In support of the Sale Motion, the Receiver respectfully alleges as follows:

BACKGROUND

1. On December 30, 2014 (the "Filing Date"), Michael S. Polsky, Esq., was appointed as Receiver of LLOR by this Court pursuant to Chapter 128 of the Wisconsin Statutes.
2. LLOR formerly operated Lincoln Village Convalescent Center, a 122-bed long-term care nursing facility located at 1700 C.A. Becker Drive, Racine, Wisconsin 53406 ("Lincoln Village"). The Receiver previously sold Lincoln Village in an arm's length transaction approved by this Court.

3. Among other assets, LLOR owns certain equity interests, certain rights under management agreements, and subordinated loans associated with the “Lincoln Manor Project,” otherwise known as the Lincoln Manor Senior Apartments located at 5801 16th Street, Racine, Wisconsin, and the “Lincoln Villas Project,” known as the Lincoln Villas Senior Apartments located at 5820 Lincoln Village Drive, Racine, Wisconsin. The Lincoln Manor Project is a 120-unit senior affordable housing complex, while the Lincoln Villas Project is a 99-unit senior affordable housing complex.

4. Legally, LLOR controls the Lincoln Villas Project by virtue of its 100% ownership interest in the operating entity, Lincoln Villas Redevelopment, LLC (“Villas Redevelopment”), and its written agreement with Villas Redevelopment to manage and maintain the Lincoln Villas Project (collectively, the “Lincoln Villas Assets”).¹ LLOR also controls the Lincoln Manor Project, by virtue of its sole membership interest in LMR Managing Member, LLC (“LMR”), and its written agreement to manage and maintain the Lincoln Manor Project (collectively, the “Lincoln Manor Assets”). LMR is the managing member and minority owner of Lincoln Manor Redevelopment, LLC (“Manor Redevelopment”), which owns and operates the Lincoln Manor Project. The equity investor, and majority member of Manor Redevelopment, is an entity controlled by Wentwood Capital Advisors, LP, of Austin, Texas (“Wentwood”).

5. LLOR also holds a subordinated note from Manor Redevelopment in the principal amount of \$2,205,000 (the “Subordinated Note” and together with the Lincoln Manor Assets and the Lincoln Villas Assets, the “Senior Living Assets”). As of the date of this filing, approximately \$1.9 million is owed to LLOR under the Subordinated Note.

6. Johnson Bank is currently owed not less than \$1,350,000, plus interest and costs, which is secured by first position liens and mortgages on substantially all of LLOR’s assets.

¹ The Lincoln Villas Assets include certain personal property owned by Villas Redevelopment.

7. Pursuant to the Order Authorizing Receiver to Borrow Funds and to Grant Additional Liens and Security Interests entered by this Court (the “Financing Order”), Johnson Bank has agreed to extend credit to the Receiver pursuant to the terms of a Financing Agreement between Johnson Bank and the Receiver in order fund operations and to manage and maintain the assets owned by LLOR for the benefit of all of its creditors. Since the Filing Date, the Receiver has consistently managed the Lincoln Villas Project and the Lincoln Manor Project in the ordinary course of business.

8. On April 17, 2015, this Court approved the Receiver’s engagement of Affordable Housing Investment Brokerage, Inc. (“AHIB”) as broker to assist the Receiver in his efforts to sell the Senior Living Assets. AHIB has marketed the Senior Living Assets since that date.

9. As a result of those efforts, 72 potential purchasers received detailed marketing packages regarding the Senior Living Assets and 52 potential purchasers executed Confidentiality Agreements. Upon execution of a Confidentiality Agreement, potential purchasers were granted access to an online data room containing confidential due diligence information relating to the Senior Living Assets to enable potential buyers to evaluate whether to make a bid on those assets.

10. 13 potential purchasers submitted formal offers to purchase the Senior Living Assets, and the Receiver and AHIB engaged in multiple rounds of extensive negotiations with potential buyers regarding those offers.

11. The highest and best offer the Receiver received for the Senior Living Assets was submitted by Varin Acquisitions, LLC and its successors and assigns (“Varin”). On August 20, 2015, subject to Court approval, the Receiver entered into a Purchase Agreement (the “Purchase

Agreement”) with Varin for the sale of the Senior Living Assets for the sum of \$4,732,108.39 (the “Purchase Price”).

12. The Purchase Agreement is subject to certain contingencies which the Receiver anticipates will be waived or satisfied prior to the hearing to approve the Sale Motion.

13. In addition, the Purchase Agreement is subject to certain approvals and consents which the Receiver and Varin will seek after entry of an Order approving the Sale Motion.

14. Varin and its principals are not and have never been shareholders, officers, directors, employees or agents of LLOR.

15. Johnson Bank has consented to the Receiver’s sale of the Senior Living Assets to Varin on the terms set forth in the Purchase Agreement in exchange for receipt of the net sale proceeds up to the amount due and owing Johnson Bank.

16. The Receiver believes that the sale to Varin is in the best interests of all creditors of LLOR, and all parties in interest in this matter.

17. A hearing to approve the proposed sale of the Senior Living Assets is scheduled in this matter on October 19, 2015, at 3:00 p.m. Central Time (the “Sale Hearing”).

18. Under the circumstances, the Receiver requests authority to sell the Senior Living Assets free and clear of all liens, claims, and encumbrances, including the liens in favor of Johnson Bank, with all liens, claims and encumbrances to attach to the proceeds of sale in the same order and priority as they existed prior to the closing of the sale.

19. In addition, the Receiver requests authority to execute and deliver to Varin any and all documents necessary to carry out the provisions of the proposed sale on behalf of LLOR, Villas Redevelopment, LMR and Manor Redevelopment, including all such Bills of Sale, Deeds or other documentation as may be necessary or desirable to consummate the sale.

20. Notice of the Sale Motion is being sent to Wentwood, all parties-in-interest, creditors with possible liens against the Senior Living Assets, and all parties who have expressed an interest in the Senior Living Assets.

21. The Receiver requests authority to pay the following from the closing proceeds from the sale of the Senior Living Assets:


- a. All outstanding real estate and personal property taxes and outstanding special assessments;
- b. The necessary closing costs and expenses and all customary prorations;
- c. AHIB, a commission pursuant to its agreement with the Receiver;
- d. Evanston Financial, the full amount due in satisfaction of its first priority mortgage on certain real estate included in the Lincoln Villas Assets; and
- e. Johnson Bank, up to the full amount due and owing, in satisfaction of its secured claim in this matter; and
- f. The Receiver, the net remaining closing proceeds, to be held in trust pending further Order of this Court.

22. **The Sale Motion contains a summary of the terms of the Purchase Agreement. To the extent anything contained in the Sale Motion is inconsistent with the terms of the Purchase Agreement, the provisions of the Purchase Agreement are controlling. In addition, not all of the specific terms of the Purchase Agreement are described in the Sale Motion. In the event any parties-in-interest have any questions regarding the Purchase Agreement or the Sale Motion, please contact the Receiver for more information.**

WHEREFORE, the Receiver requests that the Court approve the sale of the Senior Living

Assets free and clear of all liens, claims and encumbrances, with any and all liens, claims and encumbrances attaching to the proceeds of sale in the same priority as they existed prior to the closing of the sale, and for such other and further relief as the Court deems appropriate under the circumstances.

Respectfully submitted this 27th day of August, 2015.


Michael S. Polsky, Esq.
Wis. Stats. Chapter 128 Receiver
State Bar No. 1016921

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