

STATE OF VERMONT

SUPERIOR COURT
WASHINGTON UNIT

COMMISSIONER OF THE
DEPARTMENT OF FINANCIAL
REGULATION

PLAINTIFF,

v.

NEELEY INCORPORATED CELL,
RESPONDENT.

CIVIL DIVISION

DOCKET NO. 24-CV-00275

LIQUIDATOR'S FIRST STATUS REPORT

I, J. David Leslie, Special Deputy Liquidator, hereby submit this status report concerning the liquidation of the Neeley Incorporated Cell (“Neeley” or the “Company”).

1. On January 23, 2024, the Commissioner of the Department of Financial Regulation (the “Commissioner”) filed an *ex parte* Petition for Seizure Order pursuant to 8 V.S.A. § 7042(b), seeking, among other things, authorization to take immediate possession and control of the property, books, accounts, documents and other records of the Neeley Incorporated Cell (“Neeley” or the “Company”). The Court granted the Commissioner’s petition by entering the requested order (“Seizure Order”) on January 27, 2024. Following entry of the Seizure Order, the Commissioner further investigated the Company’s condition, concluded rehabilitation would be futile, and filed a Petition for Order of Liquidation on February 15, 2024. On March 6, 2024, the Court entered its Order of Liquidation (“Liquidation Order”) that, among other things, appointed the Commissioner as Liquidator (“Liquidator”), authorized him to

appoint a special deputy liquidator, and approved the Plan of Liquidation that required the Liquidator to provide creditors and others with notice of the Liquidation Order and a claim filing deadline no less than six months from the date of the Liquidation Order. See Liquidation Order ¶¶ 1, 5, 6, and 7. The Liquidator appointed J. David Leslie to serve as Special Deputy Liquidator on March 7, 2024.

2. Petersen Health Care LLC's Chapter 11 Bankruptcy Petition. Neeley was formed to provide general and professional liability insurance to Petersen Health Care LLC ("Petersen") and its affiliates and subsidiaries, primarily assisted living facilities and nursing homes in Illinois. Such coverage was afforded by Neeley under policies issued for the periods: February 5, 2021-December 31, 2021; January 1, 2022-December 31, 2022; and January 1, 2023-December 31, 2023 (collectively, "Policies"). Before the Liquidator could provide the notices required by the Liquidation Order, on March 20, 2024, voluntary petitions for relief under chapter 11 of the Bankruptcy Code were filed by Petersen and certain of its affiliates and subsidiaries in the United States Bankruptcy Court for the District of Delaware. Upon the filing of those petitions, an automatic stay went into effect pursuant to 11 U.S.C. § 362.

3. Implications of Petersen's Bankruptcy on Neeley's Liquidation. The pending claims described in the Affidavit of Leslie Kaderavek submitted in support of the Commissioner's Petition for Order of Liquidation, are necessarily claims against Petersen. Consequently, the automatic stay in bankruptcy impacts the ability of the Liquidator to resolve those claims and therefore prevents him from timely giving the clear direction to Neeley creditors contemplated by the Plan of Liquidation since timelines cannot be set. In order to resolve Neeley's obligations in liquidation, it is necessary for the Liquidator to consult with Petersen's bankruptcy counsel about a coordinated claim determination process. The Liquidator

has monitored the docket in the Petersen bankruptcy proceeding to assess when that process might reach a point where an opportunity may be possible to consider a plan for the resolution of claims under the Policies. To that end, on September 6, 2024, the Special Deputy Liquidator wrote to Petersen's bankruptcy counsel to outline a going forward plan and request a meeting to discuss next steps.

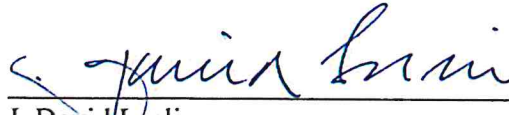
4. Neeley's Claim Against Petersen. Within the time period set forth in the order of the Bankruptcy Court, on July 15, 2024, the Liquidator filed a proof of claim in the Petersen bankruptcy proceeding for \$1,401,947.60 of premium unpaid by Petersen regarding the Policies.

5. Other Steps to Implement the Plan of Liquidation. The Special Deputy Liquidator promptly provided copies of the Order of Liquidation to Neeley's principal vendors, Marsh McLennan Agency LLC Company (claim administration) and AIG Insurance Management Services, Inc. (captive management services) as well as Neeley's banking institutions, M&T Bank (checking) and Wilmington Trust (invested assets). As of September 13, 2024, the balance in the M&T Bank checking account was \$160,023 while the investments held in the Wilmington Trust account had a market value of \$3,144,955 as of August 31, 2024.

6. Next Steps. The Liquidator will actively seek to obtain the support of Petersen and, if necessary, the Bankruptcy Court in a plan for the determination of claims against Neeley. The time required for completion of that process is beyond the Liquidator's control since it is dependent upon the cooperation of Petersen and the potential need for approval by the Bankruptcy Court.

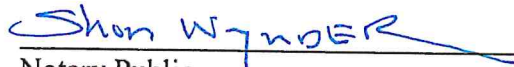
Under these uncertain circumstances, the Liquidator proposes to file his next status report no later than ninety days from the date of this report.

Dated this 17th day of September 2024.



J. David Leslie
Special Deputy Liquidator

Subscribed and sworn before me
this 17th day of September 2024,



Notary Public
My commission expires: 5/9/25



SHON L. WYNDER
Notary Public
Commonwealth of Massachusetts
My Commission Expires
May 9, 2025