

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF ALABAMA**

In the Matter of:

**JACKSON HOSPITAL & CLINIC,
INC., et al.,**

Debtors.

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CASE NO.: 25-30256-CLH

CHAPTER 11

Jointly Administered

**GORDON REES SKULLY MANSUKHANI RESPONSE TO
ORDER TO SHOW CAUSE**

The law firm of Gordon Rees Skully Mansukhani, LLC (“Gordon Rees”) submits this Response to the Order to Cassie D. Preston and Gordon Rees Skully Mansukhani, LLC to Appear and Show Cause as to Why Sanctions Should Not be Imposed:

Lawyers owe legal, professional, and ethical duties to the Court, the parties, their clients, opposing counsel, and the public. Among those are the duty to refrain from conduct which abuses the judicial process and the duty to ensure that “the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument to extend, modify, or reverse existing law, or to establish new law.” Fed. R. Bankr. P. 9011(b)(2). Under Rule 9011(c)(1), “[a]bsent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee.” Lawyers also owe duties under the Court’s Local Rules and the Alabama Rules of Professional Conduct, including Rule

3.3(a)(1) which provides that “[a] lawyer shall not knowingly: make a false statement of material fact or law to a tribunal;....”

When a lawyer chooses to use artificial intelligence to research legal issues and then uses the results provided in court filings without independently verifying the existence and accuracy of the legal citations generated by artificial intelligence, these duties are violated. When lawyers are not candid with the Court in their filings and in their responses to questions from the Court, these duties are violated. That is unfortunately what happened here.

Gordon Rees is profoundly embarrassed by the events leading to the Show Cause Order, understands that such violations have caused parties and the Court to waste time and resources in addressing these violations, and sincerely apologizes to everyone affected. Gordon Rees recognizes that it is responsible for the actions of its attorneys and will accept whatever sanction the Court finds appropriate under these circumstances.

Procedural Background

Gordon Rees represented creditor Progressive Perfusion, Inc. (“Progressive”) in this matter. Attorney Cassie Preston from Gordon Rees’ Atlanta Office was the responsible attorney.¹

¹ Ms. Preston is licensed in Georgia, but not Alabama. Therefore, she submitted a Motion to be admitted *pro hac vice* as counsel for Progressive, and her motion was later granted. [Docs. 131 and 183].

On June 17, 2025, Ms. Preston filed Progressive’s “Motion to Determine Medicare Reimbursements Misappropriated By Debtor And Earmarked For Progressive Are Not Estate Property” (the “Constructive Trust Motion”). [Doc. 614]. The Constructive Trust Motion argued that the funds received by the Debtor as reimbursements from Medicare and other Third-Party Payors attributable to perfusion services provided by Progressive were misappropriated by Jackson Hospital, are held in a constructive trust for the benefit of Progressive, and are thus not part of the Debtors’ estate. [Id.].

On June 18, Ms. Preston filed Progressive’s “Motion to Compel the Designation of Progressive Perfusion, Inc. as a Critical Vendor and for Payment of the Outstanding Pre-Petition Debt” (the “Critical Vendor Motion”). [Doc. 617]. The Critical Vendor Motion argued that Progressive was a critical vendor and that the Debtors should be compelled to immediately pay Progressive for pre-petition obligations related to perfusion services Progressive had provided. [Id.].²

On July 11, the Debtors filed their response to the Critical Vendor and Constructive Trust Motions, urging the Court to deny them both. [Doc. 693]. On

² On June 19, Ms. Preston filed an Adversary Proceeding on behalf of Progressive to Determine Dischargeability, For Equitable Relief and to Recover Misappropriated Medicare funds. *Progressive Perfusion, Inc. v. Jackson Hospital and Clinic*, United States Bankruptcy Court, Middle District of Alabama, AP No. 25-0315.

July 14, Ms. Preston filed Progressive’s Reply in support of the Critical Vendor and Constructive Trust Motions. [Doc. 706].

On July 15, the Court issued orders denying both the Constructive Trust Motion and the Critical Vendor Motion. [Docs. 712 and 713].

On July 19, Ms. Preston filed Progressive’s “Motion to Reconsider Order Denying Motion to Compel Turnover and Recognize Constructive Trust in Medicare Funds”, asking the Court to reconsider its Orders denying the Constructive Trust and Critical Vendor Motions (the “Motion to Reconsider”). [Doc. 776].

On August 21, the DIP Lender filed its “Objection to Progressive Perfusion’s Motion For Reconsideration and Request for Sanctions”. [Doc. 842]. The Objection urged the Court to deny the Motion for Reconsideration and to impose sanctions against Ms. Preston and Gordon Rees under Rule 9011 and the Court’s inherent power to sanction conduct abusing the judicial process because the Motion for Reconsideration “fabricates quotes from case law and statutes, mis-cites case law, and wildly misstate[s] issues and holdings of existing cases.” [Id. at ¶ 24]. The DIP Lender suspected that the unchecked use of artificial intelligence was to blame. [Id. at ¶ 1]. In addition to whatever sanctions the Court found appropriate, the DIP Lender requested that its reasonable attorneys’ fees and costs associated with its Objection be reimbursed. [Id. at ¶ 27].

Also on August 21, the Debtors filed their “Response to And Motion to Strike Progressive’s Motion for Reconsideration Of Orders Denying Motion to Compel Turnover or to Recognize Constructive Trust in Medicare Funds”. [Doc. 843]. In their Response, the Debtors called on the Court to strike Progressive’s Motion to Reconsider in light of the “misuse and misrepresentation of case law, and in some cases, fabrication of quotation and case citations,” but if not stricken, to deny the Motion to Reconsider for failing to satisfy the legal standard for reconsideration. [Id. at p. 1, 8]. The Debtors’ Response pointed out that such errors are a strong indicator of the use of artificial intelligence. [Id. at p. 4, n.2].

On August 21, the Court set an August 26 hearing date to take up the DIP Lenders’ Objection to Reconsideration and for Sanctions as well as the Debtors’ Response to the Motion for Reconsideration and to Strike the Motion for Reconsideration. [Doc. 844]. On the day of the hearing, Ms. Preston filed a Supplemental Brief in Support of the Motion for Reconsideration (the “Supplemental Brief”). [Doc. 859]. Ms. Preston also filed a Joint Response to the DIP Lenders’ Objection and Request for Sanctions and Debtors’ Motion to Strike (the “Joint Response”). [Doc. 860]. In the Joint Response, Ms. Preston argued that sanctions require bad faith which was lacking and instead characterized the citation issues detailed in the DIP Lender and Debtors’ Motions as inadvertent citation or paraphrasing errors. [Id. at p. 1-2]. The Joint Response went on to state that “[t]he

speculation of ‘AI use’ is unsupported. Citation errors do not justify punishment.” [Id. at p.2]. Ms. Preston urged the Court to not allow its attention to be diverted by “focusing on clerical defects” but instead to focus on the merits of Progressive’s arguments and “not speculation about ‘fabricated’ quotations.” [Id. at p. 5].

At the outset of the hearing on August 26, the Court reminded Ms. Preston of her obligation to adhere to the Court’s local rules, the Alabama Rules of Professional Conduct, the Alabama Standards for Imposing Lawyer Discipline and The American Bar Association Model Rules of Professional Conduct. [Exhibit 1 at p.17, lines 4-13]. After reminding her of these obligations, including the obligation to not make a false statement to the Court, Ms. Preston was asked:

The Court: ...Was generative artificial intelligence used at any point in the preparation of the motion to reconsider?

Ms. Preston No, sir. I had a younger attorney start the motion. I finished it. I did not check the citations, to be frank with you, not to the degree that I should have....

[Id. at p. 17, lines 16-22].

Before taking up the merits of the Motion to Reconsider, the Court then asked Ms. Preston if she would like to withdraw the Motion for Reconsideration. [Id. at p. 18, lines 4-5]. After indicating it was not inclined to allow Ms. Preston to substitute the Supplemental Brief as a substitute for the Motion to Reconsider, the Court

allowed Ms. Preston a short recess to confer with her client. [Id. at p. 18 line 9 through page 19, line 4]. The Court also specifically encouraged Ms. Preston to confer with the leadership of Gordon Rees during the recess. [Id. at p. 19, lines 4-6].³ Upon returning from the recess, Ms. Preston withdrew both the Motion for Reconsideration and the Supplemental Brief. [Id. at page 19, line 20 through page 20, line 5]. The Court, concerned regarding the citations included in Progressive's filings, announced its intention to issue a separate show cause order regarding whether sanctions should be imposed against her and Gordon Rees. [Id. at p. 20, lines 7-13].

On August 28, the Court issued an Order to Cassie D. Preston and Gordon Rees To Appear and Show Cause As To Why Sanctions Should Not Be Imposed for making false statements of fact or law to the Court with respect to the Motion to Reconsider, the Supplemental Brief and the Joint Response. [Doc. 871]. Gordon Rees management first learned of these proceedings after the Court's Show Cause Order was entered on August 28. [Decl. of R. Giller, ¶ 8].

On September 5, the DIP Lender submitted its Motion for Sanctions Regarding Progressive Perfusion, Inc.'s Filings ("DIP Sanctions Motion"). [Doc. 898]. The DIP's Sanctions Motion was based not only on the Motion to Reconsider,

³ Ms. Preston did not confer with Gordon Rees management as the Court encouraged her to do. [Decl. of R. Giller at ¶ 8].

but “even more mis-citations, misstatements of existing case law....” in the Supplemental Brief and Joint Response. [Id. at ¶ 1] (emphasis in original). The DIP Sanctions Motion requested sanctions to at least include it being reimbursed for costs associated with the DIP Lender’s Objection to the Motion to Reconsider and the DIP Sanctions Motion. [Id. at ¶ 2]. The DIP Sanctions Motion sought sanctions against Ms. Preston under 28 U.S.C. § 1927, and against Ms. Preston and Gordon Rees under the Court’s inherent authority to sanction a party for conduct which abuses the judicial process and under Rule 9011 of the Federal Rules of Bankruptcy Procedure. The DIP Sanctions Motion requested reasonable attorneys’ fees to date of \$35,227.20. [Id. at §§ 35-37]. Gordon Rees later reached an agreement regarding the DIP Sanctions Motion and paid the DIP Lender the full amount sought - \$35,227.20. [Decl. of R. Giller at ¶ 5].

On September 8, 2025, the Debtors filed their Motion For Sanctions against Progressive, Ms. Preston and Gordon Rees pursuant to 11 U.S.C. § 105(a), Rule 9011 of the Federal Rules of Bankruptcy Procedure, 28 U.S.C. § 1927, and the Court’s inherent authority (the “Debtors’ Sanctions Motion”). [Doc. 902].⁴ The Debtors’ Sanctions Motion was based on “repeated false and manufactured claims of authority cited in the Motion for Reconsideration, Supplemental Brief [], and Joint

⁴ The Motion for Sanctions filed by the DIP Lender [Doc. 898] and the Debtors [Doc. 902] shall be referred to collectively hereinafter as the “Sanctions Motions.”

Response....” [Id. at p. 2]. The Debtors’ Sanctions Motion sought sanctions only in the form of attorneys’ fees and costs against Progressive, Ms. Preston, and Gordon Rees, jointly and severally, for expenses incurred by the Debtors in connection with responding to the Motion to Reconsider and in preparing the Debtors’ Sanctions Motion. [Id. at p. 21]. The Debtors’ Sanctions Motion detailed legal fees of \$20,494.00 incurred in responding to the Motion for Reconsideration and in drafting the Debtors Sanctions Motion. [Id. at ¶ 50 and Id. at Exhibit C]. Gordon Rees has tendered to Debtors’ counsel a check for the full amount of legal fees sought in the Motion - \$20,494.00. [Decl. of R. Giller, ¶ 5].

On September 9, Ms. Preston filed a Withdrawal of the Joint Response. [Doc. 906].

Gordon Rees and its Response to the Use of Artificial Intelligence in General and Here in Particular

Gordon Rees adopted and distributed to all firm lawyers its official policy regarding the use of artificial intelligence in June of 2023. [Exhibit 2]. Among other things, this initial AI Policy provided that “no finalized versions of any [AI prepared] materials shall be utilized or released outside the firm absent the prior verification of the accuracy of the same by the user....” [Id. at ¶ 2]. Had Ms. Preston followed the Firm’s mandatory AI policy, this situation would have been avoided.

Though unaware of the events transpiring in this case, Gordon Rees updated and revised its AI Policy on July 30, 2025. [Exhibit 3]. Among other things, the

updated and revised AI Policy provided greater emphasis on key provisions, such as the provision which forbids the utilization or release of any artificial intelligence produced material absent prior verification of its accuracy. [Id., at ¶ 2].

Upon learning of this situation, Gordon Rees management implemented additional steps to help ensure that similar mis-uses of artificial intelligence are not repeated. On September 19, Gordon Rees adopted a new Cite Checking Policy which requires that prior to any brief being filed, it is checked in its entirety to determine: “(1) whether the cases are still good law; and (ii) whether the citations are accurate, in the correct form, and reflect what the cases actually say.” [Exhibit 4]. Gordon Rees also implemented additional education and training on the risks of using artificial intelligence, its updated AI Policy, and the new Cite Checking Policy. [Decl. of R. Giller, ¶ 17]. That training included training for all partners during the Gordon Rees annual firm retreat two weeks ago as well as additional training to be held at each Gordon Rees office. [Id.].

Gordon Rees also undertook an internal investigation to determine if any other filings by Ms. Preston contained suspected artificial intelligence hallucinations.⁵ A

⁵ When artificial intelligence applications generate legal citations to cases which do not exist or cite to existing cases which do not contain an alleged quotation or otherwise do not support the proposition of law for which they are cited, such events are commonly referred to as “hallucinations”. See *Wadsworth v. Walmart, Inc.*, 348 F.R.D. 489, 493 (D. Wyo. 2025) (recognizing that “[a] hallucination occurs when an AI database generates fake sources of information.”)

partner identified all court filings prepared by Ms. Preston during her tenure at the firm to determine which contained legal citations. [Decl. of R. Giller at ¶ 11]. Those filings were then cite checked through Westlaw to determine if any included citations were suspected artificial intelligence hallucinations. [Id.]. Other than a filing made in a Georgia State Court case that was brought to the attention of Gordon Rees management on September 11, 2025,⁶ no other issues were identified. [Id.].

Sanctions for Relying on Unverified Citations Generated by Artificial Intelligence

Courts faced with situations where an attorney has relied on unverified citations generated by artificial intelligence that turned out to be hallucinations overwhelmingly, if not universally, have recognized that such conduct is sanctionable. *See, e.g., Mata v. Avianca, Inc.*, 678 F. Supp. 3d 443 (S.D. NY 2023) (imposing sanctions under Rule 11 and the Court's inherent authority where lawyers submitted an opposition to a motion to dismiss which contained hallucinated legal citations provided by ChatGPT); *In re Martin*, 670 B.R. 636 (N.D. Ill. 2025) (imposing sanctions under Bankruptcy Rule 9011 where lawyer used hallucinated legal citations provided by ChatGPT in a filing without independently verifying their existence or accuracy); *Versant Funding LLC v. Teras Breakbulk Ocean Navigation*

⁶ Decl. of C. Shultz, ¶ 8.

Enters., LLC, 2025 U.S. Dist. LEXIS 98418 (S.D. Fla. May 20, 2025) (imposing sanctions under Rule 11, the Court’s inherent authority, and 28 U.S.C. §1927 where lawyers submitted a filing containing a hallucinated legal citation obtained from artificial intelligence without independently verifying it); *Jackson v. Auto-Owners Ins. Co.*, 2025 U.S. Dist. LEXIS 133070 (M.D. Ga. Jul. 14, 2025) (imposing sanctions under Rule 11 where lawyer used artificial intelligence as the source for nine hallucinated case citations found in a court filing he submitted).

Judge Manasco in the Northern District recently issued a ruling in a case where attorneys submitted two motions which included five hallucinated citations obtained from artificial intelligence. *Johnson v. Dunn*, 2025 U.S. Dist. LEXIS 141805 (N.D. Ala. July 23, 2025). The lawyers admitted that the citations resulted from the unverified use of legal citations generated by ChatGPT, which was a violation of their firm’s AI policy.

Following discovery of the problem, the law firm internally reviewed all Alabama Federal and Eleventh Circuit filings for two years that involved the lawyers at issue to determine if other similar citation issues existed. *Id.* at *27. No other hallucinated citations were identified. *Id.*

After the issue arose, the law firm sent a reminder to all lawyers to verify the accuracy of all legal citations, its AI committee began working on a comprehensive AI policy, and had plans to conduct additional firm-wide training on the appropriate

use of artificial intelligence. *Id.* at *29 – 30. The firm also adopted a prefiling protocol requiring review of all legal authority in any document to confirm its existence, accuracy, and relevance. *Id.*

Judge Manasco found that the conduct at issue was sanctionable under the Court’s inherent authority. As to the lawyers whose names appeared on the filings at issue, the Court issued a public reprimand, ordered them to provide a copy of the Order to their law partners as well as all clients, opposing counsel, and the presiding judges in all cases where they are counsel of record, disqualified them from further participation in the *Johnson* case, and referred the matter to the Alabama State Bar and any other general Bar counsel where they were licensed. *Id.* at *62-63.

Moving to the law firm, the Court recognized that it had been proactive, with an AI policy in place since 2023. *Id.* at *42. The firm also had an AI committee that was working on an updated policy. *Id.* at *42-43. Once this issue came to light, the firm reminded all lawyers of the firm’s policy, planned additional and firm-wide training on artificial intelligence, and updated its policies, including the inclusion of a new pre-filing policy. *Id.* at *43-44. Judge Manasco found that the law firm’s actions reflected that it understood the seriousness of the situation and responded accordingly, expending resources to investigate other citations. *Id.* at *44. Judge Manasco ultimately held that “[the law firm] acted reasonably in its efforts to prevent this misconduct and doubled down on its precautionary and responsive measures

when its nightmare scenario unfolded.” *Id.* at *46. Finding no bad faith on the part of the law firm, Judge Manasco released it from further disciplinary proceedings.⁷ *Id.* at *46-47.

Conclusion

Gordon Rees again apologizes to the Court and all affected parties and counsel for the events which required the DIP Lender and the Debtors to file Motions for Sanctions and the Court to enter a Show Cause Order. Gordon Rees recognizes that it is ultimately responsible for the acts of Ms. Preston and for that reason accepted responsibility for paying all requested attorneys’ fees of the Debtors and DIP Lender. It also investigated the issues involving Ms. Preston and took, and is in the process of taking, steps designed to ensure that such conduct does not happen again. The firm also stands ready to take such other steps as the Court might instruct to avoid such conduct in the future. If this Court determines that Gordon Rees nonetheless should be sanctioned, given the seriousness of the matter involved here, the law firm will understand the basis of the Court’s decision.

⁷ Unlike the case here, the issue in *Johnson* arose in the context of a discovery dispute, which meant that Rule 11 did not apply. *Id.* at * 39.

DATED this 23rd day of October, 2025.

/s/ J. David Martin

Robert D. Segall

J. David Martin

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CERTIFICATE OF SERVICE

I hereby certify that on the 23rd day of October, 2025, I electronically filed the above and foregoing instrument with the Court using the CM/ECF, which will send electronic notification of such filing to all parties who have appeared and requested electronic notice.

/s/ J. David Martin

Of Counsel

Exhibit 1

1 UNITED STATES BANKRUPTCY COURT

2 MIDDLE DISTRICT OF ALABAMA

3 Case No. 25-30256

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5 In the Matter of:

7 JACKSON HOSPITAL & CLINIC, INC.,

9 Debtors.

10 - - - - - x

12 United States Bankruptcy Court

13 One Church Street

14 Montgomery, AL 36104

16 Tuesday, August 26, 2025

17 12:12 PM

21 B E F O R E:

22 HON CHRISTOPHER L. HAWKINS

23 U.S. BANKRUPTCY JUDGE

25 ECRO: UNKNOWN

1 HEARING re #776 Motion for Reconsideration of Orders Denying
2 Motion to Compel Turnover or to Recognize Constructive Trust
3 in Medicare Funds filed by Progressive Perfusion, Inc.

4
5 HEARING re #841 Debtors' Second Emergency Motion for Entry
6 of an Order (I) Authorizing the Debtors to Further Amend the
7 DIP Credit Agreement and (II) Granting Related Relief

8
9 HEARING re #842 DIP Lender's Objection to Progressive
10 Perfusion, Inc.'s Motion for Reconsideration and Request for
11 Sanctions

12
13 HEARING re #843 Debtors' Response and Motion to Strike
14 Progressive Perfusion's Motion for Reconsideration of Orders
15 Denying Motion to Compel Turnover or to Recognize
16 Constructive Trust in Medicare Funds

17
18 HEARING re #848 Debtors' Emergency Motion for Entry of an
19 Order Pursuant to Bankruptcy Code Section 365(d)(4) Further
20 Extending the Time to Assume or Reject Unexpired Leases of
21 Nonresidential Real Property and Executory Contracts

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23
24
25 Transcribed by: Benjamin Graham, AAERT CET-3405

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BY: JUSTIN G. WILLIAMS

ALSO PRESENT:

ALLEN WILEN, Hospital CEO

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P R O C E E D I N G S

CLERK: All rise. The United States Bankruptcy Court is now in session, the Honorable Christopher L. Hawkins presiding.

THE COURT: All right. Good afternoon, everyone. Please be seated. Calling Case Number 25-30256, Jackson Hospital & Clinic, Incorporated.

Okay. Let's take appearances for the record, starting with Debtors' counsel, bankruptcy administrator, any other counsel that are in the courtroom.

MR. MEEK: Thank you, Your Honor. Derek Meek, with Burr & Forman, on behalf of the Debtors. Also present is Catherine Via and Marc Solomon, my colleagues, and Mr. Allen Wilen. The hospital's CRO is present by Webex. Thank you, Your Honor.

THE COURT: Thank you.

MS. GRIGGS: Good afternoon, Your Honor. Britt Griggs, for the bankruptcy administrator.

THE COURT: Thank you.

MR. S. WILLIAMS: Your Honor, Scott Williams, Rumberger Kirk, on behalf of the committee. I believe Mr. Sherman is on from the Sills firm on the Webex. Thank you.

THE COURT: All right.

MR. RETHERFORD: Good afternoon, Your Honor. Jeremy Retherford, with Balch & Bingham, for ServisFirst

1 Bank.

2 THE COURT: All right. Thank you. Is that
3 everybody in the courtroom that wants to appear?

4 Okay. Let's go to folks on the Webex, and I see
5 so far on the screen, I see Mr. Cahill.

6 MR. CAHILL: Yes, good afternoon, Judge. Matthew
7 Cadhill, appearing on behalf of the patient care ombudsman.

8 THE COURT: All right. Thank you.

9 And I saw Mr. Sherman?

10 MR. SHERMAN: Yes, Your Honor. Good afternoon.
11 Andrew Sherman, Sills Cummis, for the committee.

12 THE COURT: Thank you.

13 Okay. Anyone else on the Webex that would like to
14 enter an appearance?

15 MR. ROSENBLATT: Good afternoon, Your Honor. Paul
16 Rosenblatt, from Kilpatrick Townsend, on behalf of the DIP
17 lender.

18 THE COURT: Thank you.

19 MR. J. WILLIAMS: Your Honor, Justin Williams, on
20 behalf of UMB Bank.

21 THE COURT: Thank you. Do we have Ms. Preston on
22 the Webex? Is Cassie Preston or anyone on behalf of
23 Progressive Perfusion on the Webex?

24 Okay. In terms of what we have set this
25 afternoon, I think we have three matters set. Absent any

1 strong objection from Debtors' counsel, I'd like to take up
2 the motion to extend the time to assume or reject first,
3 followed by the motion to amend the DIP agreement and then
4 we'll save the motion to reconsider for last.

5 MR. MEEK: That sounds great with us, Your Honor.
6 Mr. Solomon will be handling the extension motion.

7 THE COURT: All right. Thank you.

8 MR. SOLOMON: Hello, Your Honor. Marc Solomon,
9 for the Debtors. In this case, Your Honor, the deadline to
10 assume nonresidential real property leases was previously
11 extended by this Court until September 1st of 2025, which is
12 next week. The Debtor continues to seek a buyer or
13 otherwise determine if a reorganization is possible. The
14 Debtor does seek a further extension of that deadline until
15 October 31st. However, in accordance with the Bankruptcy
16 Code, we only seek that extension for any landlords that
17 actually consent to that extension. And so this extension
18 will be limited to that. And that is allowed and provided
19 for by Section 365(d)(4)(B)(ii). Accordingly, we do ask the
20 Court to grant that extension.

21 THE COURT: Okay, and I didn't see any objections
22 on file with respect to that motion.

23 Does anybody in the courtroom or on the Webex wish
24 to be heard on that motion?

25 Okay. I will grant that motion. If you would

1 circulate and submit the order?

2 MR. SOLOMON: Yes, Your Honor. Thank you.

3 MR. MEEK: Next, Your Honor, the DIP extension.

4 First of all, thank you, Your Honor, for setting both that
5 motion and the motion to extend the DIP financing on an
6 expedited basis. We appreciate that.

7 Your Honor, the motion seeks an additional
8 extension of the DIP facility through September, and it also
9 seeks to delete the sale approval milestone in order to
10 complete a transaction, whether that transaction is through
11 a sale or a plan or otherwise.

12 Just in full disclosure, Your Honor, this may be
13 yet another interim measure. We may need to come back to
14 you for further relief, but this certainly would get us
15 through September 30th.

16 And if it pleases the Court, Your Honor, I'd like
17 to ask Mr. Wilen to give a brief update. I know Your Honor
18 has asked questions about kind of financial state and how
19 we're looking, and, you know, the ability to have liquidity
20 throughout this process. And if I could, I'd like to turn
21 it over to Mr. Wilen for a few brief remarks, if I could.

22 THE COURT: Yeah, go ahead.

23 MR. WILEN: Okay. Thank you, Your Honor. I
24 wanted to give everyone just a quick overview of where we
25 stand from a cash position and an operational position as we

1 talk about the DIP here.

2 Cash on hand today, by the end of the week, which
3 will be end of August, will be \$7.2 million. So we have
4 cash through the end of August. Through the end of
5 September. We're projecting about \$2.5 million that we'll
6 have at the end of September. So there's no need to
7 additionally pull on the DIP loan at all.

8 As we get into October, the end of October starts
9 to require potentially some draws because of a unique
10 payroll situation we have at the hospital of effectively
11 three payrolls all occurring on the same day. So that will
12 not be -- we're not sure we're going to fully need it, but
13 we believe that we may need to potentially draw upon any
14 additional availability we may have on that DIP facility or
15 some of that availability in late October. But I want to
16 make you comfortable that you know that through September,
17 we have no need for cash, additional cash, anywhere. We're
18 comfortable.

19 Our current post-petition accounts payable is just
20 under \$5 million at this point in time. We are also sitting
21 with accounts receivable of \$27 million approximately of net
22 AR. So I hope that helps you to understand Kind of where we
23 are from a cash position. Average daily census is running
24 about 170 people a night, which is a (indiscernible). Now
25 we are moving (indiscernible) hear from counsel in a minute

1 about the (indiscernible) potential transaction.

2 THE COURT: Okay. You got a little broken up,
3 maybe the last 30 seconds or so.

4 MR. WILEN: So all I was saying at the end was
5 that we are moving forward with a couple of potential
6 parties to try and get to a transaction that transfers the
7 hospital to new operators. And I know that counsel, you
8 know, is prepared to speak a little bit about that, but I
9 wanted to kind of preview that for everyone as to where we
10 stand today.

11 THE COURT: Okay. Thank you. I don't know if
12 this is a question for Mr. Wilen or Mr. Meek. But we had an
13 amendment to the DIP agreement that basically froze the
14 advances, for lack of a better term. Are you anticipating
15 that if we get to a situation beyond the end of September
16 that another amendment to the DIP agreement might include
17 more availability? Is that --

18 MR. MEEK: That's a great question, Your Honor.
19 And I hearing Mr. Wilen say at the end of September, end of
20 October, I believe we'll have -- or September, \$2 million or
21 so at the end of that time frame, I'm not sure is the
22 answer, really. It could be that we have to expand that.
23 Of course, that depends on our DIP lender or any other
24 source of DIP lending. And so I'm not sure.

25 It also depends, really, on the path. We're

1 talking to multiple parties, as Mr. Wilen previewed. What
2 that process looks like, we postponed but not canceled the
3 auction. We are talking to parties about a plan process
4 potentially to transfer ownership and operation of the
5 hospital. So all of that is still in play, hence the need
6 for an extension and a little unpredictability about where
7 we land and where it ends. I do think it's coming to a
8 head. I think I've said that every hearing, Your Honor, but
9 every day, we move closer to that transaction, whatever that
10 is.

11 THE COURT: Okay. Any ideas on when you might
12 have the answer on what direction you intend to go and how
13 long it would take to get to a --

14 MR. MEEK: Well --

15 THE COURT: -- a dispositive order one way or the
16 other?

17 MR. MEEK: Yeah. That was actually something I
18 was going to address maybe at the end if there was a
19 housekeeping moment, but now's the right time. With each
20 party that we're talking to right now, the concept of a plan
21 has come up. And the question I often get is, how quickly
22 could we do a plan? How quickly can you draft a plan, Mr.
23 Meek, is the first question. And then how quickly do you
24 can we get the plan process through? And my answer to that
25 is generally, well, that depends probably on the pleading

1 before the Court. You know, what has the Court done in
2 prior instances? I'm not sure on, you know, are we talking
3 about a combined plan of disclosure statement? Are we
4 talking about a conditional disclosure statement process?
5 Is there some other method of expediting confirmation that
6 we can employ and that this Court may have seen in the past
7 or done in the past? And my answer is, I don't think the
8 Court's going to give us just a feel good this is what I'm
9 going to do until there's an actual pleading.

10 The concept came up as recently as yesterday of,
11 well, could there -- could you ask the Court about
12 nonbinding comments on how to expedite a confirmation
13 process? So I'll leave that to you if you have any --

14 THE COURT: You can ask.

15 MR. MEEK: Yeah. Right.

16 THE COURT: But you're not going to get an answer.

17 MR. MEEK: I'll leave that to you if you have any.

18 However, we're talking about all that. I do think in the
19 next -- gosh, I'll look at Mr. Wilen and Solomon and Ms.
20 Via, you know, the next week or two, I hope, we hope to have
21 a lot more clarity. But I also recognize, I think I've said
22 that to Your Honor before. So this thing changes and moves
23 and our paramount concern, patient care, fiduciary duty to
24 creditors, and that's what comes first.

25 THE COURT: Thank you.

1 Mr. Rosenblatt or anybody else on the Webex, would
2 y'all like to be heard on the motion to amend the DIP
3 agreement?

4 MR. ROSENBLATT: Thank you, Your Honor. Paul
5 Rosenblatt, for the DIP Lender. We would support the motion
6 to extend the DIP loan through the end of September.

7 THE COURT: Okay. Thank you.

8 Any position from the committee?

9 MR. R. WILLIAMS: No objection, Your Honor.

10 THE COURT: Okay. Anybody else wish to be heard
11 on the motion to amend the DIP agreement?

12 MR. SHERMAN: Your Honor, it's Andrew Sherman.
13 Just one clarification. If Mr. Wilen -- and we appreciate
14 his statements. I wouldn't call it testimony because
15 obviously it's not under oath. But he referred to some cash
16 positions and obviously these cases and all Chapter 11 cases
17 are expensive. I just want to make sure Mr. Wilen can
18 confirm that the amounts that he set forth are net of
19 professional fees or how those numbers were calculated,
20 because we're talking about accounts payable. I just didn't
21 hear a line on proceeds.

22 MR. WILEN: There are some additional professional
23 fees which are being cleaned up as we speak. We have a
24 little bit more than \$7.2 million today in the bank, of
25 which a lot of that is being cleaned up between now and the

1 end of the month. So that is why those numbers are what
2 they are.

3 THE COURT: Okay.

4 MR. SHERMAN: Thank you, Your Honor.

5 THE COURT: Anyone else wish to be heard on the
6 motion to amend the DIP agreement?

7 Okay. I'll grant that motion. If you would
8 circulate and submit the order?

9 MR. MEEK: Thank you, Your Honor. We will.

10 THE COURT: I think that leaves us with the motion
11 for reconsideration of orders denying motion to compel
12 turnover or to recognize constructive trust and Medicare
13 funds. That's found at Docket Number 776. It's filed by
14 Progressive Perfusion, Inc. Previously, Ms. Preston was
15 representing Progressive Perfusion.

16 Ms. Preston, have you joined the Webex? Oh, is
17 that Ms. Preston?

18 MR. MEEK: I think it is.

19 MS. PRESTON: Yes, Your Honor.

20 THE COURT: Okay. We had already taken care of
21 the two other matters that were set for this afternoon, Ms.
22 Preston. We had just called the motion for reconsideration
23 of orders denying motion to compel turnover to recognize
24 constructive trust and Medicare funds that Progressive
25 Perfusion, Inc. filed at Docket Number 776.

1 So I think what I would like to do first is
2 discuss a few things with Ms. Preston, and then you guys
3 will definitely have an opportunity to be heard.

4 MR. MEEK: Thank you, Your Honor.

5 THE COURT: So if you could approach, Ms. Preston.
6 I'm going to refer to Docket Number 776 as the motion to
7 reconsider.

8 MS. PRESTON: Yes, sir.

9 THE COURT: I'll let you know that shortly after
10 adjourning the hearing in this case on August 13th, I went
11 back to chambers. I began to review the motion to
12 reconsider in preparation for today's hearing. I did become
13 concerned as I began comparing the arguments in the motion
14 to reconsider to the authorities cited in support of the
15 motion. I was concerned enough that I continued my review
16 late into the evening of August 13th. I resumed that review
17 early the next morning.

18 You know, my agitation with what I found when
19 reviewing the motion to reconsider, it's lingered since
20 August 13th. It's increased throughout the past two weeks.
21 And really, my concerns are consistent with some of the
22 points raised by the Debtors and the DIP lender and their
23 respective responses to a motion to reconsider.

24 With that backdrop, I'll note, Ms. Preston, that
25 you filed an application to appear pro hoc vice on March 7th

1 of this year, Docket Number 183, pursuant to Local Rule
2 2090-1 and Rule 83.1 of the Local Rules of the United States
3 District Court for the Middle District of Alabama.

4 The Local District Court Rule 83.1(g) provides
5 without limitation that attorneys admitted to practice
6 before this Court shall adhere to the Court's local rules,
7 the Alabama Rules of Professional Conduct, the Alabama
8 Standards for Imposing Lawyer Discipline, and, to the extent
9 not inconsistent with the proceeding, the American Bar
10 Association Model Rules of Professional Conduct. Alabama
11 Rule of Professional Conduct 3.3(a) provides, among other
12 things, that a lawyer shall not knowingly make false
13 statement of material fact or law to a tribunal.

14 So bearing those applicable rules in mind, which,
15 without limitation, prohibit making a false statement to the
16 Court, I first want to ask you this question. Was
17 generative artificial intelligence used at any point in the
18 preparation of the motion to reconsider?

19 MS. PRESTON: No, sir. I had a younger attorney
20 start the motion. I finished it. I did not check the
21 citations, to be frank with you, not to the degree that I
22 should have. I did go back and realize the mistakes myself.
23 And I have since created a table for myself with the actual
24 premise behind each of the cited cases. The Monongahela
25 Valley Hospital case --

1 THE COURT: Before we get to all that --

2 MS. PRESTON: Sure.

3 THE COURT: -- because before we start arguing the
4 actual motion, I first will ask you, would you like to
5 withdraw the motion to reconsider?

6 MS. PRESTON: Can I have a moment to talk to my
7 client?

8 THE COURT: Yes.

9 MS. PRESTON: Okay, and can we then substitute the
10 supplemental brief in support?

11 THE COURT: And that is the document that you
12 filed --

13 MS. PRESTON: This morning. Yes, sir.

14 THE COURT: -- less than an hour and a half ago?

15 MS. PRESTON: Yes, because -- well, I did, and I
16 also filed responses to the DIP lender and Jackson on their
17 measures that were filed, I think, yesterday or the day
18 before.

19 THE COURT: I'm not inclined to consider that to
20 be a substitute for the motion to reconsider because it
21 wasn't filed as such. You didn't withdraw the motion to
22 reconsider. You, in my eyes, decided to kind of double down
23 on what you said in the motion to reconsider by filing more
24 documents just within the last hour and a half. I'm happy
25 to take a short recess --

1 MS. PRESTON: Sure.

2 THE COURT: -- if you would like to confer --

3 MS. PRESTON: I would.

4 THE COURT: -- with your client. But I also would
5 encourage you to confer with the leadership of your firm
6 before we come back.

7 MS. PRESTON: Okay. Yes, sir.

8 THE COURT: So I will take a recess.

9 Mr. Livingston, if you would, can you stay in the
10 Court and let me know when everybody's ready?

11 Okay. So we're going to recess. Thank you.

12 CLERK: All rise.

13 (Recess)

14 CLERK: Back in session

15 THE COURT: Please be seated. Okay. We recessed
16 to allow Ms. Preston to discuss the motion to reconsider
17 with her client and potentially colleagues at her firm.

18 Ms. Preston, do you have any steps that you'd like
19 to take with respect to the motion to reconsider?

20 MS. PRESTON: We'll withdraw, Your Honor.

21 THE COURT: Okay. I'm going to note for the
22 record Ms. Preston was behind the bar. Progressive
23 Profusion has elected to withdraw the motion to reconsider.

24 Just for the sake of cleaning things up, there
25 were two documents filed, like I said, just a little earlier

1 this afternoon. One of them was a supplemental brief in
2 support of the motion for reconsideration.

3 MS. PRESTON: That is -- (indiscernible) --

4 THE COURT: Okay. That is going to be withdrawn
5 as well. There is a response to the DIP lender's objection
6 and request for sanctions and Debtors' motion to strike.
7 That's docket -- I'm sorry, let me, just for the record, the
8 other document that was being withdrawn was Docket Number
9 859, a supplemental brief in support of a motion for
10 reconsideration. And then there's Docket 860, which is
11 Progressive Perfusion's joint response to the DIP lender's
12 objection and request for sanctions and Debtors' motion to
13 strike.

14 I know that's addressing maybe some other issues,
15 but do you -- would you like to withdraw that or do you want
16 to --

17 MS. PRESTON: If their motion's going to stand,
18 then I (indiscernible) --

19 CLERK: Ms. Preston, you're going to need to come
20 forward.

21 MS. PRESTON: If the DIP lender's objection and
22 the Debtors' motion is going to stand, I think that I have
23 to respond, Your Honor. So I don't --

24 THE COURT: Okay, and that brings us to -- with
25 the motion to reconsider and the supplemental brief being

1 withdrawn, that takes certain issues off the table. But the
2 DIP lender's response did include a motion for sanctions.
3 And based on what I've seen, even though the motion to
4 reconsider has now been withdrawn, I still have concerns
5 about what I read. And so I will consider the motion to
6 reconsider and the supplemental brief withdrawn.

7 But I do intend to enter a separate order to
8 appear and show cause as to why sanctions are not
9 appropriate --

10 MS. PRESTON: Sure.

11 THE COURT: -- with respect to Ms. Preston
12 personally and her firm in connection with the documents
13 that were filed.

14 MS. PRESTON: Can you tell me specifically what
15 your -- besides the citation errors, specifically what the
16 concern is?

17 THE COURT: I would consider it to be more than
18 citation errors.

19 MS. PRESTON: Okay.

20 THE COURT: I would consider it to be potentially
21 something more serious than just a missed cite. But I do
22 not want -- I'm not going to rule on that today.

23 MS. PRESTON: Okay.

24 THE COURT: And just, Mr. Rosenblatt, I know that
25 there was a motion for sanctions under Bankruptcy Rule 9011

1 that was kind of included in the response to the motion to
2 reconsider. I do believe that technically under Bankruptcy
3 Rule 9011, that should have been presented in a separate
4 motion. I don't know whether any other parties, including
5 the Debtors, that have taken the time to respond to the
6 motion to reconsider, whether they will have any other
7 pleadings they want to file. But my intention is to enter
8 this order to appear and show cause, set it for a hearing
9 probably 30 to 45 days from now.

10 MS. PRESTON: If the motion was withdrawn, then
11 how are other parties going to enter responses?

12 THE COURT: I'm sorry? I didn't hear you.

13 MS. PRESTON: If the motion has been withdrawn,
14 how are other parties going to enter responses?

15 THE COURT: I'm not saying they necessarily would
16 respond to the motion. I'm saying that one party has asked
17 for sanctions, and I'm saying that may require a separate
18 motion, something separate from the response to the motion
19 to reconsider if they want the Court to take it up. And so
20 I'm going to -- this order to show cause, I intend to get
21 out within the next day.

22 MS. PRESTON: Okay.

23 THE COURT: I'll set that hearing far enough out
24 so that you and your firm will have an opportunity to
25 prepare for it. My intention is to put enough detail into

1 that that you will know exactly what I'm concerned about and
2 what I think is potentially, you know, a violation that is
3 sanctionable.

4 MS. PRESTON: Okay.

5 THE COURT: And I would just say that if anybody
6 else is seeking relief similar to that, you know, I would
7 like to see those things filed in a manner and in a timeline
8 that there's sufficient notice given to Ms. Preston and her
9 firm of what you're asking for and why.

10 But I did not confer with my clerk about a date
11 yet. But I would just say we'll put it 30 to 45 days out to
12 give people plenty of time.

13 Any other issues we need to take up today?

14 MR. R. WILLIAMS: Your Honor, my only concern as
15 it relates to the committee is that the committee doesn't
16 believe, not the initial motions that the Court denied that
17 I didn't think were meritorious and the Court made a ruling,
18 but this motion to reconsider and the subsequent pleadings
19 have cost the estate thousands of dollars.

20 MS. PRESTON: Absolutely not.

21 MR. R. WILLIAMS: And as part of your show cause
22 order, I would suggest, or I can file it myself, that the
23 Court direct any party that wishes to be set forth the time
24 and expenses they took because the committee didn't file a
25 response because I was told the Debtors were filing

1 something. I did not know that DIP lender would be filing
2 something.

3 But I took a fair amount of time reviewing that
4 motion to reconsider myself on behalf of the committee, that
5 the Court enter its order directing something as it relates
6 to fees and to address that motion. And I know that
7 bondholders may have had time and expenses as well related
8 to that. If the Court doesn't put it in its motion, then I
9 anticipate I will be filing something to ask for it. But
10 I'm raising it because I think it's probably appropriate to
11 be put in your motion.

12 MS. PRESTON: Can I respond to that, Your Honor?

13 THE COURT: Yes.

14 MS. PRESTON: Okay. First of all, you're supposed
15 to be co-counsel with me as to my client because he's one of
16 the top creditors. So I think it's inappropriate for you to
17 go against us, but -- without speaking to me first,
18 certainly.

19 Two, I mean, the fact that you say that it costs
20 (indiscernible) thousands is absurd. I mean, the fact is
21 the Debtor themselves has continuously extended deadlines.
22 There was already a hearing today, so this was just added to
23 the docket, then the motion was withdrawn. So I don't -- I
24 mean, for the life of me cannot see how it cost the estate
25 thousands of dollars. I just think that that is

1 disingenuous, so --

2 THE COURT: Okay. Well, and I think we are no --
3 we're now starting to approach the actual hearing --

4 MR. R. WILLIAMS: I don't (indiscernible) --

5 THE COURT: -- on the order to show cause that has
6 not even been entered yet.

7 MS. PRESTON: Yes, sir.

8 THE COURT: And I hear what you're saying, Mr.
9 Williams. It's --

10 MR. R. WILLIAMS: I'd simply ask the Court to
11 consider it.

12 THE COURT: Yeah. I'll take it under
13 consideration. I need to think about the mechanics of that
14 and whether -- my concern is I don't want to deny Ms.
15 Preston or her firm due process.

16 MR. R. WILLIAMS: Understood.

17 THE COURT: And I'm trying to figure out whether
18 that makes it more difficult, and it may require more than
19 one hearing is what I'm getting at. But I appreciate you
20 raising it, and I'm happy to consider it.

21 MR. R. WILLIAMS: I'll coordinate with other
22 parties as it relates to, after the Court enters its order,
23 try and get something so the Court can track things at the
24 same time and get an appropriate motion, if necessary,
25 filed.

1 THE COURT: Okay. Thank you.

2 MS. PRESTON: And Your Honor, is this going to be
3 simply on the motion to reconsider that was withdrawn?

4 THE COURT: Well, there were other documents filed
5 today that facially appeared to double down on what was in
6 the motion to reconsider.

7 MS. PRESTON: Well, we are doubling down because
8 we do believe that there is a constructive trust. We
9 absolutely believe that.

10 THE COURT: Okay. But you have withdrawn the
11 motion?

12 MS. PRESTON: We have.

13 THE COURT: Okay. I will make clear in order what
14 behavior or conduct I believe to be problematic.

15 MS. PRESTON: Yes, sir.

16 THE COURT: And like I said, we're going to do
17 that quickly. But we're not going to set a hearing next
18 week on it. We're going to give people time to process it
19 and figure out what they want to do with it.

20 MS. PRESTON: Okay.

21 MR. MEEK: Your Honor, mechanically, if I'm --
22 Derek Meek, for the Debtor. If I'm understanding, if we
23 want to seek those sanctions, we should file our own motion
24 is what the Court is expecting, or should we wait on the
25 order? I want to make sure I understand your wishes.

1 THE COURT: The way the rule reads, there may be
2 certain relief to which parties are entitled to that the
3 Court entering an order sua sponte would not --

4 MR. MEEK: Right.

5 THE COURT: -- have an opportunity to in the form
6 of sanctions. And so to the extent parties in interest
7 believe that there has been, you know, conduct that they
8 would like to be addressed, my approach is I would like that
9 to all be heard on the same day to give sufficient time and
10 we'll go from there.

11 MR. MEEK: Thank you, Your Honor.

12 MS. PRESTON: I feel like the Court is inviting
13 people to file motions for sanctions against us, and I think
14 that's inappropriate, Your Honor. I mean, if they wanted
15 to, they could've, without the urging of them to do so. I
16 think that's inappropriate.

17 THE COURT: I have not urged anybody to file
18 anything. One is already on file. What I did was I pointed
19 out that it probably needs to be in a separate pleading.

20 MS. PRESTON: Okay.

21 THE COURT: What I'm trying to do is give you
22 enough time to consider what has happened and consider what
23 the defense might be, if any.

24 MS. PRESTON: Sure.

25 THE COURT: I did not encourage folks to file

1 motions for sanctions. What I'm saying is, if they believe
2 that they're entitled to some sort of relief, I want to hear
3 it all on the same day --

4 MS. PRESTON: Sure.

5 THE COURT: -- because it's going to have common
6 facts and common law. That's all I'm saying. I'm not
7 encouraging anybody to file anything.

8 MS. PRESTON: Yes, sir.

9 MR. ROSENBLATT: Your Honor?

10 THE COURT: Yes?

11 MR. ROSENBLATT: Paul Rosenblatt, for the DIP
12 lender. The order to show cause could set a preliminary
13 date by which people could file whatever motion they intend
14 to file, if they choose to do so, and then a later date for
15 Progressive to respond, and that would create an organized
16 schedule to then roll up to one hearing to address the
17 issues.

18 THE COURT: Okay, and I will take that under
19 consideration as well. It's an unusual situation. So I'm
20 trying to navigate it and put people in the best position to
21 represent themselves.

22 Okay. Any other matters today?

23 MR. MEEK: Not from the Debtor, Your Honor. Thank
24 you.

25 THE COURT: Okay. Anybody else have anything

1 today? Okay. We're adjourned. Thank you all.

2 CLERK: All rise.

3 (Whereupon these proceedings were concluded at
4 2:13 PM)

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C E R T I F I C A T I O N

I, Benjamin Graham, certified that the foregoing
transcript is a true and accurate record of the proceedings.



Benjamin Graham, AAERT CET-3405

Veritext Legal Solutions

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Date: September 3, 2025

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From: Aaron Barton <abarton@grsm.com>
Sent: Tuesday, September 16, 2025 1:43 PM
To: Ronald Giller <rgiller@grsm.com>; Steven Bitter <sbitter@grsm.com>
Subject: FW: Important Risk Reminder: GRSM AI Policy

This went out firmwide on 6/28/23

From: Aaron Barton <riskmanagement2@grsm.com>
Sent: Wednesday, June 28, 2023 5:13 PM
To: Geoffrey Picus <gpicus@grsm.com>
Subject: Important Risk Reminder: GRSM AI Policy

GORDON&REES
SCULLY MANSUKHANI
YOUR 50 STATE PARTNER™

GRSM AI POLICY

Hello,

In light of emerging technology that incorporates artificial intelligence (AI), the Firm has established the following AI Policy that is applicable to all employees. Please review the policy below and reach out with questions. This policy is also posted on the [Risk Management page of SideBar and is available here.](#)

Thanks,
Aaron

GRSM AI POLICY

The goal of GRSM's AI policy is to at once leverage the immense potential benefits afforded by artificial intelligence for the benefit of our clients and the firm while at the same time ensuring that adequate protections exist against the misuse of this technology or any resultant harm therefrom. In so doing, the following requirements are to be followed by all employees of the firm without exception.

1. The use of any programs utilizing artificial intelligence in the workplace or in connection with the performance of any work performed on behalf of the firm must be pre-approved by the firm's Information Technology Department and no unauthorized programs utilizing AI shall be otherwise permitted in this context.
2. Regardless of its use or application, AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product. Although it may be used as tool of enhancement or to aid in the development of initial drafts, no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of same by the user or by another individual acting on his/her behalf, and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.
3. In utilizing artificial intelligence, the user must be mindful of avoiding any biases, discriminations or other prejudices that may be embedded or inherent in the program and is prohibited from engaging in any unlawful or unethical activity in connection with same.
4. The utmost care must be taken to protect the confidentiality, proprietary nature and privacy of the firm's clients and their information and no actions should be taken in connection with the utilization of AI which might tend to result in the possible release or dissemination of any confidential client or other protected information outside of the firm.
5. All employees should practice suitable diligence in protecting the firm and its clients from any possible exposures relating to deep-faking, phishing, social engineering, impersonation, spamming, or similar types of cyber threats that may be generated or enhanced by the use of AI.
6. At no time may any employee charge a client for time not actually expended in the performance of a service on the client's behalf and may never charge for the generation of work product created by AI.
7. When using any material or information generated by AI, the utmost care must be taken to ensure that no unlawful infringements or appropriations of any intellectual property or proprietary/confidential belonging to others occurs.
8. No employee may utilize AI to wrongfully impersonate or appropriate the likeness of any other person or to otherwise engage in any unlawful or unethical activity.
9. All applicable laws and regulations pertinent to the use of AI (including any rules of professional conduct or professional responsibility) are to be adhered to in connection with the use of such technology.

10. Adherence to this policy is mandatory and any instances of non-compliance may result in a variety of negative employment consequences including but not limited to, and ranging from, disciplinary action through termination/disassociation.

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GRSM Artificial Intelligence (AI) POLICY

The goal of GRSM's AI policy is to at once leverage the immense potential benefits afforded by artificial intelligence for the benefit of our clients and the firm, while at the same time ensuring that adequate protections exist against the misuse of this technology or any resultant harm therefrom. In so doing, the following requirements are to be followed by all employees of the firm without exception.

1. The use of any technology or software programs utilizing AI in the workplace or in connection with the performance of any work performed on behalf of the firm must be pre-approved, using the firm's IT Technology approval process, by the firm's Information Technology Department designated approvers and no unauthorized technologies or programs utilizing AI shall be otherwise permitted in this context. This includes cloud-based AI-enabled technologies. A non-inclusive list of approved and disallowed AI technologies is found on the firm's intranet and [at this link \(click here\)](#). Please note that this list is subject to change and should be reviewed on a regular basis as applicable.
2. Regardless of its use or application, **AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product.** Although it may be used as tool of enhancement or to aid in the development of initial drafts, **no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of same by the user or by another individual acting on his/her behalf**, and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.
3. In utilizing artificial intelligence, the user must be mindful of avoiding any bias, discrimination or other prejudice that may be embedded or inherent in the program and is prohibited from engaging in any unlawful or unethical activity in connection with same.
4. The utmost care must be taken to protect the confidentiality, proprietary nature and privacy of the firm's clients and their information and no actions should be taken in connection with the utilization of AI which might tend to result in the possible release or dissemination of any confidential client or other protected information outside of the firm. This includes not uploading client content or sensitive case strategy documents to any AI technologies not approved by the firm and designated for data exchange specifically for processing, retaining and ensuring data protection and privacy.
5. All employees should practice suitable diligence and security practices in protecting the firm and its clients from any possible exposures, such as impersonation and fraud relating to deep-faking, phishing, social engineering, spamming, or similar types of cyber threats that may be generated or enhanced by the use of AI.
6. At no time may any employee charge a client for time not actually expended in the performance of a service on the client's behalf.
7. When using any material or information generated by AI, the utmost care must be taken to ensure that no unlawful infringement or appropriation of any intellectual property or proprietary/confidential belonging to others occur.
8. No employee may utilize AI to wrongfully impersonate or appropriate the likeness of any other person or to otherwise engage in any unlawful or unethical activity.
9. All applicable laws and regulations pertinent to the use of AI (including any rules of professional conduct, local court rules, client guidelines or professional responsibility) and any applicable reporting requirements provided by firm clients are to be adhered to in connection with the use of such technology.

10. Agreements that involve the integration, deployment, or utilization of AI within the firm must explicitly include provisions that ensure robust data and privacy protections. Agreements should outline the specific types of data collected, used, or accessed by AI systems, and must comply with all applicable data protection laws and internal privacy standards. Furthermore, vendors or partners must guarantee that any AI tools deployed adhere to ethical data handling practices, including safeguards against unauthorized access, retention beyond required periods, allowed/disallowed AI model training and sharing without express consent. The language should provide protection to ensure sustained compliance and accountability.

11. Adherence to this policy is mandatory and any instances of non-compliance may result in a variety of negative employment consequences including but not limited to, and ranging from, disciplinary action through termination/disassociation.

From: GRSM Senior Management <Do-not-reply.srmgmt@grsm.com>

Sent: Friday, September 19, 2025 9:42 AM

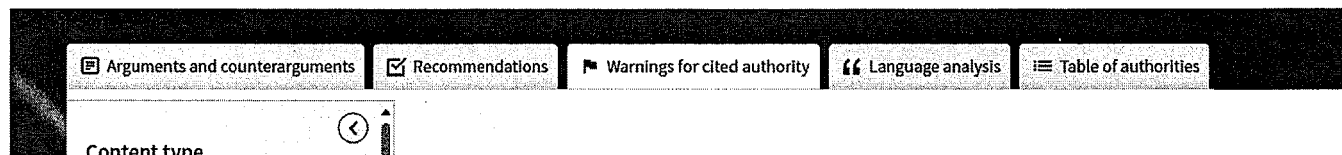
Subject: Cite Checking Policy

To: All GRSM Attorneys and Paralegals

Consistent with GRSM's policies regarding engagement handling and artificial intelligence, it is **mandatory** that before any attorney (associate, counsel or partner) files a brief, the document needs to be checked in its entirety for (i) whether the cases are still good law; and (ii) whether the citations are accurate, in the correct form, and reflect what the cases actually say. This is not just the responsibility of the associate/counsel but also the partner who may be approving documents for filing to ensure that someone has performed these checks. Also, if you are the person filing the brief, but did not perform the cite checks, please ask the attorney who drafted the filing to confirm this was done.

Note that the foregoing is easy to accomplish via our Westlaw subscription service which includes access to automated tools that can perform these checks (in addition to performing other helpful functions available in the "Tools" tab) and this only take a few minutes as follows:

1. When you sign into Westlaw, navigate to the “Tools” tab and click on the icon for “**Litigation Document Analyzer.**” Go to “Brief or memo analysis” and click “analyze your work.” It will ask you to upload a document and then it will take some time to process. When it’s finished, you’ll see the following tabs:



The “**Warnings for cited authority**” tab shows any citation issues and then a list of your cases with the flags for negative authority.

Citation issues (4)

The following citations match to a different authority on Westlaw, cite documents that are not available, or match multiple documents on Westlaw.

Citation from uploaded document	Citation on Westlaw
1 Richbell Info. Sevs. V. Jupiter Partners, 309 A.2d 288, 298 (1st Dept 2003)	Shangri-La, Inc. v. State, 113 N.H. 440 (Supreme Ct. 1973)
2 Matter of Steinbeck v. Gerosa, 4 N.Y. 302, 317 (1958)	Bush v. Pettibone, 4 N.Y. 300 (Ct. of Appeals 1850)
3 Trequi v. City of Lawrence, 455 N.J. Super. 235, 246 (App. Div. 2018)	Pisack v. B & C Towing, Inc., 455 N.J. Super. 225 (Sup. Ct. Appellate Div. 2018)
4 Rini v. Zwirn, 886 F. Supp. 2d 270, 291 (E.D.N.Y. 1995)	Chevron Corp. v. Donziger, 886 F.Supp.2d 235 (S.D. NY 2012)

Cases (51)

☐ Select all items 0 items selected

1. Pisack v. B & C Towing, Inc.
Superior Court of New Jersey, Appellate Division. • June 14, 2018 • 455 N.J. Super. 225 • 188 A.3d 1088
Depth of discussion ■■■□□

▼ Judgment Affirmed in Part, Reversed in Part by Pisack v. B & C Towing, Inc., N.J. January 16, 2020 ...connection with non-consensual towing of vehicles. The Superior Court, Law Division, Middlesex County, No. L-6501-13, and the Superior Court, Law Division, Bergen County, Nos. L-1606-17 and L-7929-13, granted summary judgment to companies. Owners appealed, and cases were consolidated. The Superior Court, Appellate Division 455 N.J. Super. 225, 188 A.3d 1088, reversed and remanded. Companies appealed. Holdings: The Supreme Court, LaVecchia, J., held that: (1) legislation amending Towing Act with regard to permissible fees for non-consensual towing of vehicles was not intended to be curative, and thus retroactive application was not indicated on that...

Negative treatment: Most recent Distinguished (0) All (2)

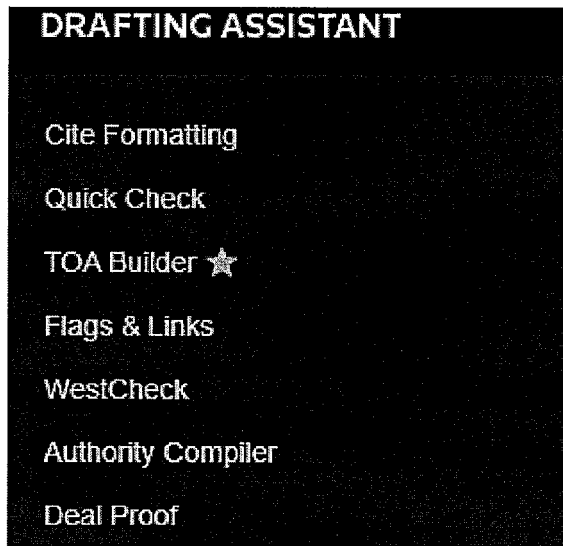
2. Chatlos Systems, Inc. v. National Cash Register Corp.
United States District Court, D. New Jersey. • October 22, 1979 • 479 F.Supp. 738 • 27 UCC Rep.Serv. 647
Depth of discussion ■■■□□

The “**Language Analysis**” tab takes the quotes and identifies any differences from the cited cases. For example in this case, there is a typo that the tool pointed out:

“since the complaint fails to make a showing sufficient to establish the existence of an enforceable joint venture agreement, it also fails to make a showing sufficient to establish to existence of a fiduciary obligation wed to the plaintiff by the defendant”

“Since the complaint fails to make a showing sufficient to establish the existence of an enforceable joint venture agreement, it also fails to make a showing sufficient to establish the existence of a fiduciary obligation owed to the plaintiff by the defendant

2. The other item that needs to be checked is citation format. On the "Tools" screen, click on "Drafting Assistant Essential." It will ask you to upload your document. After the document is uploaded, if you click on the home icon on the upper left, it will give you a menu of tasks:



Click on cite formatting. You can then select the jurisdiction where you're filing and it will give you a list of your citations and suggested corrections. The drafting assistant tool can also very quickly generate a table of authorities if you click on the TOA Builder. Although you can also run WestCheck in this tool, it will not give as detailed a report as you will get from the Litigation Document Analyzer.

Again the foregoing policy is **mandatory** for all GRSM attorneys as this is an important area of increased scrutiny in the legal profession and the consequences of not following proper procedures can be extreme. Thank you for all following these protocols and please direct any questions to the firm's Risk Management Department.



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GORDON REES SCULLY MANSUKHANI, LLP

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF ALABAMA**

In the Matter of:

**JACKSON HOSPITAL & CLINIC,
INC., et al.,**

Debtors.

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*
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CASE NO.: 25-30256-CLH

CHAPTER 11

Jointly Administered

Declaration of Chad Shultz

In accordance with 28 U.S.C. § 1746, I, Chad Shultz, declare as follows:

1. I am over the age of nineteen and am in all respects competent to give testimony under oath. The matters set forth below are based upon my own personal knowledge.

2. I am an attorney and the Managing Partner of the Atlanta office of Gordon Rees Skully Mansukhani (“Gordon Rees”).

Attorney Cassie Preston

3. In February of 2024, Gordon Rees hired Cassie Preston as Senior Counsel to work in the Atlanta office. Ms. Preston has been a licensed attorney since 2014 and had been named a Super Lawyer in 2022 and 2023.

4. Ms. Preston is a member in good standing of the Georgia Bar Association and is admitted to practice in the Middle and Northern Districts of the United States District Courts in Georgia as well as the Georgia Court of Appeals and the Georgia Supreme Court. I am unaware of any bar disciplinary matters involving Ms. Preston.

Gordon Rees and Attorney Cassie Preston Represent Progressive Perfusion

5. Progressive Perfusion, Inc. (“Progressive”) hired Gordon Rees and Ms. Preston to pursue a claim against Jackson Hospital and Clinic, Inc. arising from the alleged failure of Jackson

Hospital to pay money owed to Progressive for services Progressive provided. Because Ms. Preston was not licensed in Alabama, DeWayne Pope, a licensed Alabama lawyer with Gordon Rees' office in Birmingham, filed the lawsuit in the Circuit Court of Montgomery County, Alabama. Ms. Preston later filed an application to be admitted *pro hac vice*. Her motion was granted, but a few months after the case was filed, Jackson Hospital filed for bankruptcy in the United States Bankruptcy Court for the Middle District of Alabama, listing Progressive as a creditor. [Case No. 25-30256, Docs. 1 and 3].

6. Because Ms. Preston was not admitted to practice in Alabama, DeWayne Pope noticed an initial appearance on behalf of Progressive in the Jackson Hospital Bankruptcy. [Doc. 131]. Ms. Preston then submitted her Motion to be admitted *pro hac vice* as counsel for Progressive. [Doc. 183]. Her motion was later granted. [Doc.208].

Notification to Gordon Rees Management and Gordon Rees' Response

7. The management of Gordon Rees was unaware of any of the proceedings regarding Progressive's Motion To Reconsider,¹ the Supplemental Brief,² the Joint Response,³ the Court's August 26 hearing, or the Order to Appear and Show Cause⁴ until after the Order to Appear and Show Cause was entered by the Court on August 28, 2025. On that day, Stacy Moon, the managing partner of Gordon Rees' Birmingham, Alabama office learned of the Court's Order to Appear and Show Cause. Ms. Moon, in turn, advised me about the Order and I reported it to Gordon Rees'

¹ Progressive's Motion to Reconsider Order Denying Motion to Compel Turnover and Recognize Constructive Trust in Medicare Funds, Doc. 776.

² Progressive's Supplemental Brief in Support of the Motion for Reconsideration, Doc. 859.

³ Progressive's Joint Response to the DIP Lenders' Objection and Request for Sanctions and Debtors' Motion to Strike, Doc. 860.

⁴ Order to Cassie D. Preston and Gordon Rees Skully Mansukhani, LLC to Appear and Show Cause as to Why Sanctions Should Not be Imposed, Doc. 871.

Managing Partner (Dion Cominos), Chief Legal Officer (Ronald Giller) and General Counsel (Steven Bitter).

8. On September 11, 2025, I learned that a similar allegation regarding Ms. Preston had been made against her in a case she was currently defending in Georgia State Court: *Christine Daniels and Judith Webb v. Ace American Ins. Co., et al.*, State Court of Bibb County Georgia, Case No. 24-SCCV-099280 (the “*Daniels Case*”). Based on my review of the relevant filings, I reached what I considered the reasonable conclusion that Ms. Preston had used artificial intelligence in preparing a discovery motion in the *Daniels Case* and failed to verify the citations.

9. On September 23, I took over the defense of Gordon Rees’ clients in the *Daniels Case*. I immediately reached out to Plaintiffs’ counsel and settled the issues raised in his motion, which was subsequently withdrawn by counsel.

10. Gordon Rees has now assigned a partner to serve as co-counsel with Ms. Preston on every case that she was previously handling by herself, and he has reviewed each case in detail.

11. Gordon Rees is prepared to accept any sanction the Court ultimately deems is appropriate in this situation. Gordon Rees accepts ultimate responsibility for the actions of Ms. Preston in this case, actions which it recognizes have had real and serious consequences. Gordon Rees again apologizes to the Court, the parties, and their counsel for these events and confirms its commitment to taking steps to ensure they do not happen again.

12. I declare under penalty of perjury that the foregoing is true and correct.

Executed on this the 23 day of October, 2025.


Chad Shultz

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF ALABAMA**

In the Matter of:

**JACKSON HOSPITAL & CLINIC,
INC., et al.,**

Debtors.

*

*

CASE NO.: 25-30256-CLH

*

*

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CHAPTER 11

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Jointly Administered

Declaration of Ronald A. Giller

In accordance with 28 U.S.C. § 1746, I, Ronald A. Giller, declare as follows:

1. I am over the age of nineteen and am in all respects competent to give testimony under oath. The matters set forth below are based upon my own personal knowledge.
2. I am an attorney and the Chief Legal Officer of Gordon Rees Skully Mansukhani (“Gordon Rees”). Gordon Rees has over 1,800 attorneys located in eight-five offices in all fifty states. I practice primarily out of Gordon Rees’ Livingston, New Jersey office.
3. Based on the investigation that Gordon Rees has conducted, Cassie Preston, a senior counsel in Gordon Rees’ Atlanta office, used artificial intelligence which generated non-existent case citations and citations to existing cases which did not support the legal proposition for which they were cited. Ms. Preston failed to verify these citations provided by artificial intelligence before including them in filings with this Court. When confronted by the Debtors and the DIP Lender, Ms. Preston then sought to minimize the conduct and failed not only to admit what had occurred but also affirmatively denied the use of generative artificial intelligence when questioned by the Court. These actions are contrary to good judgment, Gordon Rees’ policy on the use of artificial intelligence, and Ms. Preston and Gordon Rees’ professional obligations. As a result, the

Court and the other parties have had to expend time and resources that should instead have been spent on the merits of the issues presented in this bankruptcy matter.

4. Gordon Rees understands the seriousness of the conduct that occurred in this matter. Gordon Rees is profoundly embarrassed by these events and sincerely apologizes to the Court, all affected parties, their counsel, and our former client.

5. In recognition of the seriousness of the conduct at issue and Gordon Rees' ultimate responsibility for it, Gordon Rees has tendered to the DIP Lender and the Debtors the full amount of the attorneys' fees that each sought in connection with the Motions for Sanctions that were filed relating to these events – a total of \$55,721.20.

6. Gordon Rees is ultimately responsible for the acts of its attorneys and expects its attorneys to adhere not only to its internal rules and policies but also to all ethical standards and applicable rules, including the Alabama Rules of Professional Conduct, the Federal Rules of Bankruptcy Procedure, and the Local Rules of this Court. Unfortunately, the conduct in this case fell short of those expectations.

7. Upon becoming aware of these events, and as discussed more fully below, Gordon Rees has implemented additional safeguards beyond its pre-existing artificial intelligence policy to help ensure that similar conduct does not occur in the future.

Notice to Gordon Rees' Management and Gordon Rees' Response

8. On August 28, 2025, I was notified by Chad Shultz, the managing partner of Gordon Rees' Atlanta Office, that an Order to Appear and to Show Cause had been entered against Gordon Rees and attorney Cassie Preston in this case. Prior to August 28, Gordon Rees management was unaware of the issues that had been raised regarding the content of Ms. Preston's filings on behalf of Progressive.

9. After reading the filings forming the basis of the Order to Show Cause, I became concerned regarding the citations and spoke with Ms. Preston about their origin. Ms. Preston acknowledged having used artificial intelligence in connection with the filings without independently verifying the legal citations it provided. She also admitted that she had prepared the filings herself without assistance from any other Gordon Rees attorneys.

10. The Motion to Reconsider,¹ which contained non-existent and inaccurate legal citations, should have never been filed. The Supplemental Brief,² which also contained inaccurate legal citations, should never have been filed. The Joint Response,³ which contains incomplete case citations that cannot be verified and a case citation which does not support the stated legal proposition, mis-characterized the problems with the prior filings as citation errors and clerical defects, and was not candid regarding the use of artificial intelligence, should have never been filed. By the time Gordon Rees management was informed of these issues, the Motion to Reconsider and the Supplemental Brief had already been withdrawn. Ms. Preston withdrew the Joint Response on September 9.

11. Between September 28 and October 6, 2025, Gordon Rees conducted an internal investigation into all filings containing legal citations prepared by Ms. Preston since she has been with Gordon Rees. Gordon Rees' IT department first pulled a list of all documents that Ms. Preston prepared, which totaled approximately 2700 documents. A Gordon Rees partner then went through those documents to identify which were filed with a court and contained legal citations. Those filings were then cite checked through Westlaw. Other than a Response in Opposition to a

¹ Progressive's Motion to Reconsider Order Denying Motion to Compel Turnover and Recognize Constructive Trust in Medicare Funds, Doc. 776.

² Progressive's Supplemental Brief in Support of the Motion for Reconsideration, Doc. 859.

³ Progressive's Joint Response to the DIP Lenders' Objection and Request for Sanctions and Debtors' Motion to Strike, Doc. 860.

Motion to Compel filed in a case pending in Georgia State Court (the *Daniels* Case), no other instances were identified where there was an AI-generated hallucination.

Gordon Rees Policy on Artificial Intelligence Use and New Cite Checking Policy

12. Recognizing the significant risks posed by this new technology, in June of 2023, Gordon Rees adopted a policy regarding the use of artificial intelligence (the “AI Policy”). The AI Policy provided, among other things, that:

1. The use of any programs utilizing artificial intelligence in the workplace or in connection with the performance of any work performed on behalf of the firm must be pre-approved by the firm’s Information Technology Department and no unauthorized programs utilizing AI shall be otherwise permitted in this context.

2. Regardless of its use or application, AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product. Although it may be used as a tool of enhancement or to aid in the development of initial drafts, no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of the same by the user or by another individual acting on his/her behalf, and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.

...

9. All applicable laws and regulations pertinent to the use of AI (including any rules of professional conduct or professional responsibility) are to be adhered to in connection with the use of such technology.

10. Adherence to this policy is mandatory and any instances of non-compliance may result in a variety of negative employment consequences including but not limited to, and ranging from, disciplinary action through termination/disassociation.

[Exhibit 1].⁴ Had the AI Policy been followed, this situation would have been avoided.

13. Under firm hiring policy and procedure, when Ms. Preston was hired by Gordon Rees in February of 2024, she was provided, through Gordon Rees’ internal intranet, the handbook containing all Gordon Rees policies – including the AI Policy.

⁴ Attached as Exhibit 1 is a true and correct copy of the Gordon Reese AI Policy.

14. Unaware of the events transpiring in this case, on July 30, 2025, Gordon Rees updated its AI Policy. [Exhibit 2].⁵ In addition to other revisions, certain language in paragraph 2 of the updated policy now appears in **bold** type for additional emphasis:

2. Regardless of its use or application, **AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product.** Although it may be used as tool of enhancement or to aid in the development of initial drafts, **no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of same by the user or by another individual acting on his/her behalf,** and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.

[Id. at paragraph 2] (emphasis in original).

15. A firm-wide email was sent to all employees on July 30, 2025, notifying them that the AI Policy had been updated and attaching a copy of the updated AI Policy. [Exhibit 3].⁶ The email directed employees to review and acknowledge the updated policy. [Id.].

16. Recognizing that the AI Policy alone had proven insufficient to prevent this incident from occurring, Gordon Rees adopted a new Cite Checking Policy on September 19, 2025, which provides in pertinent part:

Consistent with GRSM's policies regarding engagement handling and artificial intelligence, it is **mandatory** that before any attorney (associate, counsel or partner) files a brief, the document needs to be checked in its entirety for (i) whether the cases are still good law; and (ii) whether the citations are accurate, in the correct form, and reflect what the cases actually say. This is not just the responsibility of the associate/counsel but also the partner who may be approving documents for filing to ensure that someone has performed these checks. Also, if you are the person filing the brief, but did not perform the cite checks, please ask the attorney who drafted the filing to confirm this was done..... Again, the foregoing policy is **mandatory** for all GRSM attorneys as this is an important area of increased scrutiny in the legal profession and the consequences of not following proper procedures can be extreme. Thank you all for following these protocols and please direct any questions to the firm's Risk Management Department.

⁵ Attached as Exhibit 2 is a true and correct copy of the updated Gordon Rees AI Policy.

⁶ Attached as Exhibit 3 is a true and correct copy of the firm wide email which was sent to all Gordon Rees attorneys containing the updated Gordon Rees AI Policy.

[Exhibit 4]⁷ (emphasis in original).

17. Also in response to this incident, Gordon Rees has provided additional education and training to its attorneys regarding the use of artificial intelligence. From October 16 to 18, 2025, Gordon Rees held its annual firm retreat for partners. During the retreat, the firm took several steps to emphasize the importance of these policies and the mandatory requirement that they be followed. During the firm's general session, the firm's Managing Partner Dion Cominos discussed the issue and stressed its importance. Gordon Rees also brought in a speaker from Aon (who advises the firm on risk matters), Matt Corbin, who discussed the risks of using AI and the problems it can create. Finally, during separate meetings conducted by the firm's Regional Oversight Partners with all of the firm's office managing partners, it was again stressed that attorneys in their offices be made aware of and follow Gordon Rees' updated AI Policy, the new Cite Checking Policy, and the events of this case were used as a real-world example of what can happen with the un-verified use of artificial intelligence. This training explained the limits of large language model outputs, demonstrated reliable methods for validating citations using the Westlaw subscription all attorneys have access to, and reviewed the professional and ethical standards implicated by the use of artificial intelligence. The office managing partners were instructed to hold meetings in their offices with all attorneys to go over the updated AI Policy, the new Cite Checking Policy, and to use the events of this case as a real-world example of the repercussions that can flow from the un-verified use of artificial intelligence.

18. Gordon Rees is prepared to accept any sanction the Court ultimately deems is appropriate in this situation. Gordon Rees accepts ultimate responsibility for the actions of Ms. Preston in this case, actions which it recognizes have had real and serious consequences. Gordon Rees again

⁷ Attached as Exhibit 4 is a true and correct copy of an email containing the Gordon Rees Cite Checking Policy.

apologizes to the Court, the parties, and their counsel for these events and confirms its commitment to taking steps to ensure they do not happen again.

19. I declare under penalty of perjury that the foregoing is true and correct.

Executed on this the 23rd day of October, 2025.


Ronald A. Giller

From: Aaron Barton <abarton@grsm.com>
Sent: Tuesday, September 16, 2025 1:43 PM
To: Ronald Giller <rgiller@grsm.com>; Steven Bitter <sbitter@grsm.com>
Subject: FW: Important Risk Reminder: GRSM AI Policy

This went out firmwide on 6/28/23

From: Aaron Barton <riskmanagement2@grsm.com>
Sent: Wednesday, June 28, 2023 5:13 PM
To: Geoffrey Picus <gpicus@grsm.com>
Subject: Important Risk Reminder: GRSM AI Policy

GORDON&REES
SCULLY MANSUKHANI
YOUR 50 STATE PARTNER™

GRSM AI POLICY

Hello,

In light of emerging technology that incorporates artificial intelligence (AI), the Firm has established the following AI Policy that is applicable to all employees. Please review the policy below and reach out with questions. This policy is also posted on the [Risk Management page of SideBar](#) and is available [here](#).

Thanks,
Aaron

GRSM AI POLICY

The goal of GRSM's AI policy is to at once leverage the immense potential benefits afforded by artificial intelligence for the benefit of our clients and the firm while at the same time ensuring that adequate protections exist against the misuse of this technology or any resultant harm therefrom. In so doing, the following requirements are to be followed by all employees of the firm without exception.

1. The use of any programs utilizing artificial intelligence in the workplace or in connection with the performance of any work performed on behalf of the firm must be pre-approved by the firm's Information Technology Department and no unauthorized programs utilizing AI shall be otherwise permitted in this context.
2. Regardless of its use or application, AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product. Although it may be used as tool of enhancement or to aid in the development of initial drafts, no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of same by the user or by another individual acting on his/her behalf, and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.
3. In utilizing artificial intelligence, the user must be mindful of avoiding any biases, discriminations or other prejudices that may be embedded or inherent in the program and is prohibited from engaging in any unlawful or unethical activity in connection with same.
4. The utmost care must be taken to protect the confidentiality, proprietary nature and privacy of the firm's clients and their information and no actions should be taken in connection with the utilization of AI which might tend to result in the possible release or dissemination of any confidential client or other protected information outside of the firm.
5. All employees should practice suitable diligence in protecting the firm and its clients from any possible exposures relating to deep-faking, phishing, social engineering, impersonation, spamming, or similar types of cyber threats that may be generated or enhanced by the use of AI.
6. At no time may any employee charge a client for time not actually expended in the performance of a service on the client's behalf and may never charge for the generation of work product created by AI.
7. When using any material or information generated by AI, the utmost care must be taken to ensure that no unlawful infringements or appropriations of any intellectual property or proprietary/confidential belonging to others occurs.
8. No employee may utilize AI to wrongfully impersonate or appropriate the likeness of any other person or to otherwise engage in any unlawful or unethical activity.
9. All applicable laws and regulations pertinent to the use of AI (including any rules of professional conduct or professional responsibility) are to be adhered to in connection with the use of such technology.

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GRSM Artificial Intelligence (AI) POLICY

The goal of GRSM's AI policy is to at once leverage the immense potential benefits afforded by artificial intelligence for the benefit of our clients and the firm, while at the same time ensuring that adequate protections exist against the misuse of this technology or any resultant harm therefrom. In so doing, the following requirements are to be followed by all employees of the firm without exception.

1. The use of any technology or software programs utilizing AI in the workplace or in connection with the performance of any work performed on behalf of the firm must be pre-approved, using the firm's IT Technology approval process, by the firm's Information Technology Department designated approvers and no unauthorized technologies or programs utilizing AI shall be otherwise permitted in this context. This includes cloud-based AI-enabled technologies. A non-inclusive list of approved and disallowed AI technologies is found on the firm's intranet and [at this link \(click here\)](#). Please note that this list is subject to change and should be reviewed on a regular basis as applicable.
2. Regardless of its use or application, **AI may never be used as a substitute for individual critical thinking or the production of any finalized substantive work product.** Although it may be used as tool of enhancement or to aid in the development of initial drafts, **no finalized versions of any such materials shall be utilized or released outside the firm absent the prior verification of the accuracy of same by the user or by another individual acting on his/her behalf**, and the preparation of same shall be made in accordance with all of the terms and conditions contained in this policy.
3. In utilizing artificial intelligence, the user must be mindful of avoiding any bias, discrimination or other prejudice that may be embedded or inherent in the program and is prohibited from engaging in any unlawful or unethical activity in connection with same.
4. The utmost care must be taken to protect the confidentiality, proprietary nature and privacy of the firm's clients and their information and no actions should be taken in connection with the utilization of AI which might tend to result in the possible release or dissemination of any confidential client or other protected information outside of the firm. This includes not uploading client content or sensitive case strategy documents to any AI technologies not approved by the firm and designated for data exchange specifically for processing, retaining and ensuring data protection and privacy.
5. All employees should practice suitable diligence and security practices in protecting the firm and its clients from any possible exposures, such as impersonation and fraud relating to deep-faking, phishing, social engineering, spamming, or similar types of cyber threats that may be generated or enhanced by the use of AI.
6. At no time may any employee charge a client for time not actually expended in the performance of a service on the client's behalf.
7. When using any material or information generated by AI, the utmost care must be taken to ensure that no unlawful infringement or appropriation of any intellectual property or proprietary/confidential belonging to others occur.
8. No employee may utilize AI to wrongfully impersonate or appropriate the likeness of any other person or to otherwise engage in any unlawful or unethical activity.
9. All applicable laws and regulations pertinent to the use of AI (including any rules of professional conduct, local court rules, client guidelines or professional responsibility) and any applicable reporting requirements provided by firm clients are to be adhered to in connection with the use of such technology.

Version 25.1

GRSM AI POLICY v25.01 (FINAL DRAFT for DISTRIBUTION) - 7/30/2025 1:56 PM

10. Agreements that involve the integration, deployment, or utilization of AI within the firm must explicitly include provisions that ensure robust data and privacy protections. Agreements should outline the specific types of data collected, used, or accessed by AI systems, and must comply with all applicable data protection laws and internal privacy standards. Furthermore, vendors or partners must guarantee that any AI tools deployed adhere to ethical data handling practices, including safeguards against unauthorized access, retention beyond required periods, allowed/disallowed AI model training and sharing without express consent. The language should provide protection to ensure sustained compliance and accountability.

11. Adherence to this policy is mandatory and any instances of non-compliance may result in a variety of negative employment consequences including but not limited to, and ranging from, disciplinary action through termination/disassociation.

From: GRSM Senior Management
Sent: Thursday, July 31, 2025 9:59 AM
To: GRSM Senior Management
Cc: Floyd Withrow ; Aaron Barton
Subject: Updated GRSM AI Policy and Acknowledgement Form Link
Distribution: All Employees

The firm has updated its AI policy effective immediately (attached). **Please review and acknowledge the attached policy using the forms link below.** The policy document will also be posted on the firm's Sidebar intranet under the Risk Management department page (under General Risk Management Documents folder), and the Security Awareness and IT Department pages.

Online GRSM Acknowledgment Form: <https://forms.office.com/r/ygf6VvuSVH>
(may require login)

If you need assistance accessing the online form for acknowledgment, please reach out to the GRSM help desk.

[GRSM Tech Help Desk](#) or help desk phone (415) 875-4100.

Thank you,

GRSM Senior management



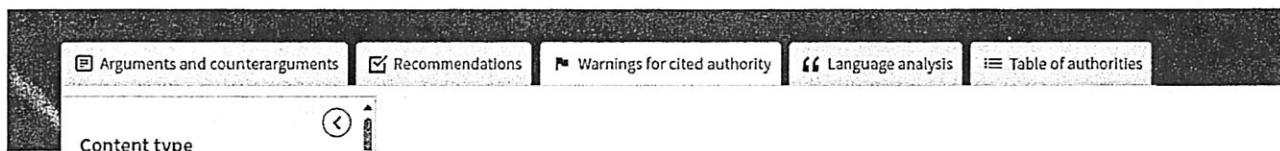
From: GRSM Senior Management <Do-not-reply.srmgmt@grsm.com>
Sent: Friday, September 19, 2025 9:42 AM
Subject: Cite Checking Policy

To: *All GRSM Attorneys and Paralegals*

Consistent with GRSM's policies regarding engagement handling and artificial intelligence, it is **mandatory** that before any attorney (associate, counsel or partner) files a brief, the document needs to be checked in its entirety for (i) whether the cases are still good law; and (ii) whether the citations are accurate, in the correct form, and reflect what the cases actually say. This is not just the responsibility of the associate/counsel but also the partner who may be approving documents for filing to ensure that someone has performed these checks. Also, if you are the person filing the brief, but did not perform the cite checks, please ask the attorney who drafted the filing to confirm this was done.

Note that the foregoing is easy to accomplish via our Westlaw subscription service which includes access to automated tools that can perform these checks (in addition to performing other helpful functions available in the "Tools" tab) and this only take a few minutes as follows:

1. When you sign into Westlaw, navigate to the “Tools” tab and click on the icon for “**Litigation Document Analyzer.**” Go to “Brief or memo analysis” and click “analyze your work.” It will ask you to upload a document and then it will take some time to process. When it’s finished, you’ll see the following tabs:



The “**Warnings for cited authority**” tab shows any citation issues and then a list of your cases with the flags for negative authority.

Citation issues (4)

The following citations match to a different authority on Westlaw, cite documents that are not available, or match multiple documents on Westlaw.

Citation from uploaded document	Citation on Westlaw
1 Richbell Info. Sevs. V. Jupiter Partners, 309 A.2d 288, 298 (1st Dept 2003)	Shangri-La, Inc. v. State, 113 N.H. 440 (Supreme Ct. 1973)
2 Matter of Steinbeck v. Gerosa, 4 N.Y. 302, 317 (1958)	Bush v. Pettibone, 4 N.Y. 300 (Ct. of Appeals 1850)
3 Trequi v. City of Lawrence, 455 N.J. Super. 235, 246 (App. Div. 2018)	Pisack v. B & C Towing, Inc., 455 N.J. Super. 225 (Sup. Ct. Appellate Div. 2018)
4 Rini v. Zwirn, 886 F. Supp. 2d 270, 291 (E.D.N.Y. 1995)	Chevron Corp. v. Donziger, 886 F.Supp.2d 235 (S.D. NY 2012)

Cases (51)

☐ Select all items 0 items selected

☒ 1. Pisack v. B & C Towing, Inc.
Superior Court of New Jersey, Appellate Division. • June 14, 2018 • 455 N.J. Super. 225 • 153 A.3d 1088
Depth of discussion ■■■

• Judgment Affirmed in Part, Reversed in Part by Pisack v. B & C Towing, Inc., N.J. January 16, 2020 ...connection with non-consensual towing of vehicles. The Superior Court, Law Division, Middlesex County, No. L-6501-13, and the Superior Court, Law Division, Bergen County, Nos. L-1606-17 and L-7929-13, granted summary judgment to companies. Owners appealed, and cases were consolidated. The Superior Court, Appellate Division 455 N.J. Super. 225, 188 A.3d 1088, reversed and remanded. Companies appealed. Holdings: The Supreme Court, LaVecchia, J., held that: (1) legislation amending Towing Act with regard to permissible fees for non-consensual towing of vehicles was not intended to be curative, and thus retroactive application was not indicated on that...

Negative treatment: Most recent Distinguished (0) All (2)

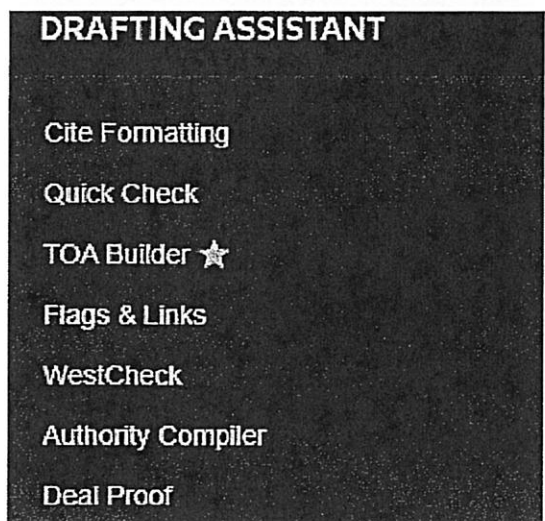
☐ 2. Chatlos Systems, Inc. v. National Cash Register Corp.
United States District Court, D. New Jersey. • October 22, 1979 • 479 F.Supp. 738 • 27 UCC Rep.Serv. 647
Depth of discussion ■■■

The “**Language Analysis**” tab takes the quotes and identifies any differences from the cited cases. For example in this case, there is a typo that the tool pointed out:

“since the complaint fails to make a showing sufficient to establish the existence of an enforceable joint venture agreement, it also fails to make a showing sufficient to establish to existence of a fiduciary obligation wed to the plaintiff by the defendant.”

“Since the complaint fails to make a showing sufficient to establish the existence of an enforceable joint venture agreement, it also fails to make a showing sufficient to establish the existence of a fiduciary obligation owed to the plaintiff by the defendant

2. The other item that needs to be checked is citation format. On the "Tools" screen, click on "Drafting Assistant Essential." It will ask you to upload your document. After the document is uploaded, if you click on the home icon on the upper left, it will give you a menu of tasks:



Click on cite formatting. You can then select the jurisdiction where you're filing and it will give you a list of your citations and suggested corrections. The drafting assistant tool can also very quickly generate a table of authorities if you click on the TOA Builder. Although you can also run WestCheck in this tool, it will not give as detailed a report as you will get from the Litigation Document Analyzer.

Again the foregoing policy is **mandatory** for all GRSM attorneys as this is an important area of increased scrutiny in the legal profession and the consequences of not following proper procedures can be extreme. Thank you for all following these protocols and please direct any questions to the firm's Risk Management Department.



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