IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	**Chapter 11**
CANO HEALTH, INC., *et al.*,	:	**Case No. 24–10164 ( )**
Debtors.[1]	:	**(Joint Administration Requested)**

DECLARATION OF CLAYTON GRING
IN SUPPORT OF FIRST DAY RELIEF

I, Clayton Gring, pursuant to section 1746 of title 28 of the United States Code, hereby declare the following is true to the best of my knowledge, information, and belief:

1. I am a Partner and Managing Director at AlixPartners LLP ("**AlixPartners**"), a global independent restructuring consulting firm that specializes in providing restructuring advisory services, and has assisted, advised, and provided strategic advice to debtors, creditors, bondholders, investors, and other entities in numerous chapter 11 cases of similar size and complexity to these chapter 11 cases. I have been employed by AlixPartners since 2016.

2. I received a Bachelor of Business Administration from Southern Methodist University and a Masters of Business Administration in from University of Texas. I have advised on several large-scale restructurings, including, among others, Fieldwood Energy, Phoenix Services, Ditech Holdings, C&J Energy Services, Pacific Drilling, Refco, New Century and General Growth Properties. Prior to my time at AlixPartners, I served as Chief Financial Officer

[1] The last four digits of Cano Health, Inc.'s tax identification number are 4224. A complete list of the Debtors in the chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at https://www.kccllc.net/CanoHealth. The Debtors' mailing address is 9725 NW 117th Avenue, Miami, Florida 33178.

2410164240205000000000062

of a midstream oil & gas company in Midland, Texas. I have approximately 20 years of restructuring experience in providing both interim management and advisory services.

3. AlixPartners has served as financial advisor to Cano Health, Inc. and certain of its subsidiaries (collectively, the "**Debtors**") since November 3, 2023. I am knowledgeable and generally familiar with the Debtors' day-to-day operations, books and records, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 cases. I am also familiar with the Debtors' supply chain and the status of the Debtors' relationships with various vendors, suppliers, and service-providers.

4. Beginning on February 4, 2024 (the "**Petition Date**"), the Debtors each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). The Debtors are preparing to file an application with the Court to retain AlixPartners as its financial advisors in these chapter 11 cases. I submit this declaration (the "**Declaration**") in support of the requests for related relief, in the form of motions and applications the Debtors have filed with the Court on the Petition Date (the "**First Day Pleadings**").

5. Except as otherwise indicated, the facts set forth in this Declaration are based upon my personal knowledge, input from the Debtors' management team and professional advisors, including Weil, Gotshal & Manges LLP ("**Weil**"), as legal restructuring counsel and the AlixPartners team working under my supervision, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or my opinion based upon my experience, knowledge, and information concerning the operations of the Debtors. I am not being compensated specifically for this testimony other than through payments received by AlixPartners as a professional proposed to be retained by the Debtors. If

called upon to testify, I would testify to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

First Day Pleadings[2]

6. Contemporaneously herewith, the Debtors have filed with the Court First-Day Pleadings seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and orderly reorganization. The First-Day Pleadings seek relief to allow the Debtors to meet necessary obligations and fulfill their duties as debtors in possession.

7. The First-Day Pleadings seek authority to, among other things, (a) honor certain employee-related wages and benefits obligations, (b) pay claims of certain vendors and suppliers whose goods and services are necessary to provide essential healthcare services, maintain the safety of their medical facilities or are otherwise essential to the Debtors' health and wellness business, (c) process refunds and honor related obligations to patients, physician affiliates, and other third parties, and (d) ensure the continuation of the Debtors' cash management system and other operations in the ordinary course of business with as minimal interruption as possible on account of the commencement of these chapter 11 cases. I believe the relief requested in the First-Day Pleadings is necessary if the Debtors are to successfully restructure and will inure to the benefit of all creditors and stakeholders.

8. Several of the First-Day Pleadings request authority to pay certain prepetition claims against the Debtors. I understand, based on discussions with the Debtors' counsel, that the Court will only consider motions to pay prepetition claims during the first 30 days

[2] Capitalized terms used but not defined herein have the meanings ascribed to them in the applicable First Day Pleading.

following the filing of a chapter 11 petition to the extent relief is necessary to avoid immediate and irreparable harm to the Debtors. In light of this requirement, the Debtors have narrowly tailored their requests for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates.

9. The relevant facts in support of the relief requested in connection with each of the First Day Pleadings is described below. For the reasons set forth below, I submit that (a) the relief requested in the First Day Pleadings necessary to enable the Debtors to operate with minimal disruption during the pendency of their chapter 11 cases, and (b) approval of the First Day Pleadings is warranted.

I. *Motion of Debtors Pursuant to Fed. R. Bankr. P. 1015(b) for Entry of Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* (the "Joint Administration Motion")

10. Pursuant to the Joint Administration Motion, the Debtors are requesting entry of an order directing the consolidation and joint administration of these Chapter 11 Cases for procedural purposes only pursuant to Bankruptcy Rule 1015(b), and that the Bankruptcy Court maintain one file and one docket for all of the Chapter 11 Cases under the lead case, Cano Health, Inc.

11. I believe joint administration of the Chapter 11 Cases will provide significant administrative efficiencies, as it will save the Debtors and their estates substantial time and expense by removing the need to prepare, replicate, file, and serve duplicative notices, applications, and orders. Furthermore, joint administration will relieve the Bankruptcy Court of entering duplicative orders and maintaining duplicative files and dockets. The U.S. Trustee and other parties in interest will similarly benefit from joint administration of these chapter 11 cases, as it will spare them the time and effort of reviewing duplicative pleadings and papers.

12. Moreover, joint administration of these chapter 11 cases will not adversely affect creditors' rights because the Joint Administration Motion requests administrative consolidation of the Debtors' estates for procedural purposes only and does not seek substantive consolidation. As such, each creditor will continue to hold, and may file, its claim against a particular Debtor's estate after the Joint Administration Motion is approved.

13. Based on the foregoing, I believe that granting the relief requested in the Joint Administration Motion is appropriate.

II. ***Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 345, 363, 364, 503, and 541 Fed. R. Bankr. P. 6003 and 6004 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Existing Cash Management Systems, Bank Accounts, and Business Forms, (B) Implement Ordinary Course Changes to Cash Management System, and (C) Honor Certain Related Prepetition Obligations, (II) (A) Authorizing Continuation of Intercompany Transactions and Physician Affiliate Transfers and (B) Granting Administrative Expense Status for Postpetition Intercompany Claims, (III) Extending Time to Comply With Requirements of 11 U.S.C. § 345(B), (IV) Waiving Certain Requirements, And (V) Granting Related Relief*** **(the "Cash Management Motion")**

14. Pursuant to the Cash Management Motion, the Debtors are requesting entry of interim and final orders (i) authorizing, but not directing, them to (a) continue using their existing cash management system (the "**Cash Management System**"), including through the continued maintenance of their bank accounts (the "**Bank Accounts**") at the applicable financial institutions (collectively, the "**Banks**") and existing Business Forms (as defined below), consistent with the Debtors' prepetition practices, (b) make ordinary course changes to the Cash Management System as necessary, such as opening or closing their Bank Accounts, as set forth herein and in accordance with the Debtors' prepetition practices, and (c) honor and pay all prepetition and postpetition Bank Fees (as defined below) payable by the Debtors, (ii) authorizing, but not directing, the Debtors to (a) continue to perform under and honor Intercompany Transactions and Physician Affiliate Transfers (each as defined below) in the ordinary course of business, and

(b) provide administrative expense priority for claims arising from Postpetition Intercompany Transactions (as defined below) among Debtors, (iii) extending the time to comply with certain requirements of section 345(b) of the Bankruptcy Code, (iv) granting the Debtors a waiver of certain bank account and related requirements of the Office of the United States Trustee for the District of Delaware (the "**U.S. Trustee**") and (v) granting related relief.

15. To facilitate the operation of their healthcare and wellness businesses, the Debtors utilize the Cash Management System to collect, transfer, and disburse funds generated by their operations. The Cash Management System facilitates cash monitoring, forecasting, and reporting and enables the Debtors to maintain control over the administration of approximately 63 Bank Accounts, 41 of which are maintained at Wells Fargo Bank, N.A. ("**Wells Fargo**"), 18 of which are maintained at Fifth Third Bank ("**Fifth Third**"), two (2) of which are maintained at Banco Popular de Puerto Rico ("**Banco Popular**"), and 121 of which are maintained at Morgan Stanley Smith Barney LLC ("**Morgan Stanley**"). The Debtors also maintain a brokerage account through Raymond James & Associates, Inc. ("**Raymond James**"), which holds certain shares in MSP Recovery, Inc. As of the Petition Date, the Debtors have an aggregate amount of approximately $8,028,000 in cash in the Bank Accounts, of which approximately $5,065,000 is held in restricted cash accounts. Each of the Banks is designated as an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee's Operating Guidelines for chapter 11 cases.

16. I understand the Debtors' treasury department, located in Miami, Florida, and the Debtors' Interim Chief Financial Officer maintain daily oversight of the Cash Management System and implement cash management controls for entering, processing, and releasing funds. Although certain aspects of the Cash Management System are automated, personnel in the Debtors' executive team initiate payments, monitor the Cash Management System, and manage

the proper collection, processing and disbursement of funds, checks, wire transfers, and automated clearing house transactions.

17. The Debtors' primary sources of income are (i) payments from its commercial health plan contracts, through which the Debtors receive recurring per-member-per-month revenue, (ii) payments from health plan contracts with the government, including pursuant to the Medicare, Medicaid, and Accountable Care Organization Realizing Equity, Access, and Community Health ("**ACO Reach**") programs, (iii) its pharmacy business; (iv) fee-for-service amounts paid by insurers for services covered under patients' health insurance plans; and (v) direct payments from patients in full or as a co-payment for services. The Debtors may also continue to receive receipts in connection with their recent divestitures of their locations and operations in the Texas, Nevada, Illinois, California, New Mexico, and Puerto Rico markets.

18. When the Debtors' revenues and receipts enter the Cash Management System, they are generally deposited into one of approximately 57 depository or mixed-use accounts. The majority of receipts relating to the Debtors' platform are ultimately deposited into an operating account at Wells Fargo (the "**Wells Fargo Main Operating Account**") through a combination of daily automatic sweeps and manual transfers from the depository and mixed-use accounts. Funds collected in the Wells Fargo Main Operating Account are transferred to various disbursement or mixed-use accounts and used to fund the Debtors' expenses, including payroll and vendor payments. There are certain exceptions to this general process that are set forth in the Cash Management Motion.

19. ***Bank Accounts.*** A detailed description of the Bank Accounts is set forth in the chart below, which details the general categories of Bank Accounts set forth in the Cash Management Schematic attached to the Cash Management Motion.

Accounts	Description of Bank Accounts
Main Operating Accounts	
Wells Fargo Main Operating Account *(1 account)*	The Wells Fargo Main Operating Account is a mixed-use account that functions as the Debtors' main operating account. It receives a limited number of deposits directly from external parties, but is largely funded via daily sweeps and manual transfers from the Wells Fargo depository and mixed-use accounts. This account is also funded with manual transfers from the Fifth Third Main Operating Account and the Banco Popular accounts. Most of the Debtors' disbursements are automatically drawn from the Wells Fargo Main Operating Account to fund the Wells Fargo disbursement accounts, which then make disbursements to external parties for payroll, vendor and provider payments, and other operating expenses.
Fifth Third Main Operating Account *(1 account)*	The Fifth Third Main Operating Account is a mixed-use account that functions as the main operating account for the Fifth Third Bank Accounts and the conduit to the Wells Fargo Main Operating Account. This account receives certain deposits directly from third parties, but the majority of the funding comes from the automatic daily cash sweeps from the Fifth Third depository accounts and the Fifth Third Pharmacy Depository Accounts. Funds from the Fifth Third mixed-use accounts associated with the Illinois, Nevada, and Texas markets are manually transferred to the Fifth Third Main Operating Account. Finally, this account funds the Fifth Third Restricted Cash Depository Account when additional funds are needed. Funds from the Fifth Third Main Operating Account are manually transferred to the Wells Fargo Main Operating Account on a weekly basis. To the extent the Fifth Third Main Operating Account needs additional funding, manual transfers are made from the Wells Fargo Main Operating Account. No disbursements are made from this account.
Depository Accounts	
Wells Fargo Operating Depository Accounts *(12 accounts)*	Deposits from external parties are received via check, ACH, and wire payments to depository accounts held at Wells Fargo. Each legal entity that contracts with a health plan payor has its own depository account. Funds from these accounts are automatically swept on a daily basis to the Wells Fargo Main Operating Account. Amounts paid directly by patients in full or as a co-payment for check-ups and other services are deposited into the depository account associated with the entity at which the service was provided. No disbursements are made from the Wells Fargo depository accounts.
Wells Fargo CA, IL, NV, NM and	The Debtors recently exited the California, Illinois, Nevada, New Mexico, and Texas markets but may continue to receive residual deposits for services rendered prior to market exit. Although these accounts were held

Accounts	Description of Bank Accounts
TX Depository Accounts *(9 accounts)*	in the name of certain non-Debtor affiliates of the Debtors, they are controlled by the Debtors and the Debtors' treasury department has sole authority to initiate and make transactions with respect to these accounts. Prior to exiting these markets, receipts from these operations would be deposited into specific depository accounts at Wells Fargo after which the funds would flow to the Wells Fargo Main Operating Account, the Wells Fargo mixed-use accounts, and the Wells Fargo payroll disbursement accounts. Following the market exits, funds deposited from residual receipts now flow only to the Wells Fargo Main Operating Account. No disbursements are made from these accounts.
Wells Fargo ACO Reach Depository Accounts *(3 accounts)*	Three depository accounts held at Wells Fargo are dedicated to the ACO Reach business. Funds are deposited directly from the Centers for Medicare & Medicaid Services into these accounts and swept daily to the Wells Fargo Main Operating Account. No disbursements are made from these accounts.
Fifth Third Depository Accounts *(8 accounts)*	The Debtors maintain eight depository accounts with Fifth Third that receive deposits from customers via check, ACH, and wire payments. Each legal entity that contracts with a health plan payor has its own bank account. Funds from these accounts are automatically swept on a daily basis to the Fifth Third Main Operating Account. The majority of the Debtors' receipts from health plan payors go into the Fifth Third depository accounts. No disbursements are made from these accounts.
Fifth Third Pharmacy Depository Accounts *(4 accounts)*	The Debtors maintain several depository accounts at Fifth Third in connection with their pharmacy business. As described above, the Fifth Third Pharmacy Depository Accounts receive pharmacy-related receipts, which funds are automatically swept to the Fifth Third Main Operating Account on a daily basis. No disbursements are made from these accounts.
Morgan Stanley Depository Accounts *(2 accounts)*	The Debtors maintain two depository accounts at Morgan Stanley (the "**Morgan Stanley Accounts**"): an account in connection with their employee stock purchase plan ("**ESPP**") and a treasury money market fund. Each Morgan Stanley Account has a balance of $0 and is no longer actively used. The Debtors are in the process of closing these accounts and anticipate that they will be closed shortly after filing. When the accounts were previously in use, the ESPP account received deposits from employee contributions in connection with the ESPP, which were transferred to the Fifth Third Main Operating Account twice per year. The treasury money market fund could previously be drawn from as needed. No disbursements are made from these accounts.

Accounts	Description of Bank Accounts
Banco Popular Operating Depository Account *(1 account)*	This account is the depository account for the Debtors' Puerto Rico operations. As noted above, the Debtors have exited the Puerto Rico market as of January 2024, but may still receive residual deposits beyond January 2024 for the pre-market exit periods. Regular manual transfers are made between this account and the Wells Fargo Main Operating Account. No disbursements are made from this account.
Mixed-Use Accounts	
Wells Fargo Pharmacy Mixed-Use Accounts *(5 accounts)*	The Debtors maintain several mixed-use accounts at Wells Fargo in connection with their pharmacy business. As described above, the Wells Fargo Pharmacy Mixed-Use Accounts make payments to suppliers and receive pharmacy-related receipts.
Wells Fargo Other Mixed-Use Accounts *(4 accounts)*	The Debtors maintain three other mixed-use accounts at Wells Fargo. Two of these accounts were associated with the California and Illinois markets and are no longer used except for receiving residual deposits from health plan payors related to the pre-exit periods. Deposits from these two accounts are transferred to the Wells Fargo Main Operating Account via manual transfer. The third account is associated with Debtor DGM MSO, LLC, which contracts with providers and handles its own deposits and expenses. This account is primarily used to make provider payments, but also receives collections from one of the health plan payors. The mixed-use account associated with DGM MSO, LLC sweeps daily and automatically draws from the Wells Fargo Main Operating Account when funds are needed.
Fifth Third IL, NV, TX Mixed-Use Accounts *(4 accounts)*	The Debtors have a number of mixed-use accounts at Fifth Third associated with the Illinois, Nevada, and Texas markets, which the Debtors recently exited. Similar to the Wells Fargo accounts described above, these accounts are held in the name of certain non-Debtor affiliates of the Debtors but are controlled by the Debtors and only the Debtors' treasury department may initiate transfers from these accounts. The mixed-use accounts receive residual deposits related to services rendered prior to the Debtors' exit from these markets. Funds are swept to the Fifth Third Main Operating Account on a daily basis.
Banco Popular Mixed-Use Account *(1 account)*	This account is a mixed-use account held at Banco Popular that receives deposits directly from patients and, before the Debtors' market exit from Puerto Rico in January 2024, made vendor and provider payments on behalf of their Puerto Rico operations. This account does not receive funds directly from the Banco Popular Operating Depository Account. If funds are needed to meet vendor and provider payment obligations, the funds are manually transferred from the Wells Fargo Main Operating Account to the Banco Popular Mixed-Use Account.

Accounts	Description of Bank Accounts
Disbursement Accounts	
Wells Fargo Payroll Disbursement Accounts *(3 accounts)*	The Debtors have three disbursement accounts at Wells Fargo for payroll disbursements, but primarily use the payroll account associated with Debtor Cano Health, LLC, which automatically pulls funds from the Wells Fargo Main Operating Account to fund payroll. The other two disbursement accounts are no longer actively used for payroll due to the Debtors' recent market exits.
Wells Fargo AP Disbursement Accounts *(3 accounts)*	The Debtors have three disbursement accounts at Wells Fargo for accounts payable vendor disbursements. The disbursement account associated with Debtor Cano Health, LLC is the main accounts payable account for the Debtors and automatically pulls funds from the Wells Fargo Main Operating Account as needed. The disbursement account associated with Debtor American Choice Healthcare, LLC is dedicated to the ACO Reach business and automatically pulls funds from the Wells Fargo Main Operating Account when needed. The disbursement account associated with Debtor Physicians Partners Group Merger, LLC is used to fund the accounts payable for the operations acquired in the Physicians Partners Group acquisition transaction.
Restricted Cash Accounts	
Wells Fargo Restricted Cash Depository Account *(1 account)*	The Wells Fargo Restricted Cash Depository Account is a restricted cash collateral account that receives required funds from the Wells Fargo Main Operating Account via manual transfer and holds restricted cash for certain of the Debtors' letters of credit.
Fifth Third Restricted Cash Depository Account *(1 account)*	The Fifth Third Restricted Cash Depository Account is a restricted cash collateral account that receives required funds from the Fifth Third Main Operating Account via manual transfer and holds restricted cash for certain of the Debtors' letters of credit and a deposit for the Debtors' credit card program.
Brokerage Accounts	
Raymond James Brokerage Account *(1 account)*	Debtor Cano Health, LLC owns approximately 8,000,000 shares of the class A common stock of MSP Recovery, INC (LIFW), which are held in a brokerage account through Raymond James.

20. ***Business Forms.*** In the ordinary course of business, the Debtors use various preprinted business forms, including checks, letterhead, invoices, and other forms

(the "**Business Forms**"). The Debtors prepared communication materials to distribute to the various parties with which they conduct business that will, among other things, inform such parties of the commencement of these chapter 11 cases.

21. ***Bank Fees.*** In the ordinary course of business, the Debtors incur and pay, honor, or allow to be deducted from the appropriate Bank Accounts certain service charges and other related fees, costs, and expenses charged by the Banks (collectively, the "**Bank Fees**"). To the extent the balance in a Bank Account amount decreases below a threshold established by the applicable Bank, the Debtors may incur additional fees for sending and receiving wire transfers, clearing checks, ACH transfers, and other transactions. The Debtors incur approximately $4,000 to $6,000 per month in Bank Fees total for all Bank Accounts. The Bank Fees are paid monthly and are automatically deducted from the Debtors' Bank Accounts as they are assessed by their respective Banks. As of the Petition Date, the Debtors owe approximately $15,000 in outstanding Bank Fees.

22. Additionally, in the ordinary course of business, the Debtors maintain a corporate credit card program (the "**Corporate Credit Card Program**"), pursuant to which certain of the Debtors' employees use credit cards issued by Fifth Third to pay expenses related to office supplies and services, utilities, human resources, information technology, business travel, and other work-related costs in connection with the Debtors' business operations (collectively, the "**Corporate Expenses**"). The Debtors, and not the employees, are liable for the Corporate Expenses incurred pursuant to the Corporate Credit Card Program. The Debtors incur, on average, approximately $260,000 each month on account of Corporate Expenses through the Corporate Credit Card Program. Payments for the Corporate Credit Card Program are paid from one the Wells Fargo disbursement accounts on a monthly basis. As of the Petition Date, the Debtors

believe that they have an outstanding balance of approximately $300,000 on account of the Corporate Credit Card Program.

23. ***Intercompany Transactions.*** In the ordinary course of business, the Debtors engage in intercompany transactions with each other ("**Intercompany Transactions**"), which in turn give rise to intercompany receivables and payables (each, an "**Intercompany Claim**"). Intercompany Transactions arise in the ordinary course, primarily on account of the intercompany provision of goods and services or expenditures made on affiliates' behalf. The Debtors record journal entries documenting all Intercompany Transactions.

24. At any given time, as a result of the Intercompany Transactions, there may be claims owing by one Debtor to another Debtor. The Debtors generally account for and record all Intercompany Transactions and Intercompany Claims in their centralized accounting system, the results of which are recorded concurrently on the Debtors' balance sheets and regularly reconciled. The accounting system requires that all general ledger entries be balanced at the legal entity level, and, therefore, when the accounting system enters an intercompany receivable on one entity's balance sheet, it also automatically creates a corresponding intercompany payable on the applicable affiliate's balance sheet. This results in a net balance of zero when consolidating all intercompany accounts.

25. The Debtors maintain, and will continue to maintain, records of intercompany transfers of cash and bookkeeping entries on a postpetition basis and will implement such other internal mechanisms as needed to permit them, with the assistance of their advisors, to accurately track the balance of and account for all prepetition and postpetition Intercompany Transactions on demand.

26. ***Physician Affiliate Transfers.*** Additionally, in the ordinary course, the Debtors receive payments from various health plans for services provided to patients by approximately 630 independent physician practices (the "**Physician Affiliates**") with whom the Debtors contract to coordinate the delivery of medical services through licensed physicians. The Debtors deposit these payments into their various depository accounts, and either retain the payments in full, or refund certain amounts pursuant to any deficits owing to the health plans. The Debtors then pass on the contractually negotiated share of such payments to Physician Affiliates pursuant to primary care physician provider agreements entered into with the Physician Affiliates (the "**Physician Affiliate Transfers**").

27. I believe the Cash Management System constitutes an ordinary course business practice providing significant benefits to the Debtors, including the ability to control corporate costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account information in order to provide seamless and efficient care for patients at the Debtors' medical centers. The continued use of the Cash Management System without interruption is essential to the Debtors' operations, the care of their patients, and the success of these chapter 11 cases.

III. *Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 507(a) and Fed. R. Bankr. P. 6003 and 6004 for Entry Of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Reimbursable Expenses, and Other Obligations on Account Of Compensation and Benefits Programs and (B) Continue Compensation and Benefits Programs in the Ordinary Course, And (II) Granting Related Relief* (the "Employee Wages Motion")

28. Pursuant to the Employee Wages Motion, the Debtors are requesting entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) pay, in their sole discretion, prepetition wages, salaries, reimbursable expenses, and other obligations on account of the Compensation and Benefits Programs (as defined below) in the ordinary course of business

and (b) continue to administer the Compensation and Benefits Programs as such were in effect as of the date hereof and as such may be modified, amended, or supplemented from time-to-time in the ordinary course of the Debtors' business, and honor any related administrative costs and obligations arising thereunder, and (ii) granting related relief.

29. As described more fully in the Employee Wages Motion, the Debtors' employees are the lifeblood of their operations and are critical to the Debtors' ability to deliver high-quality and value-based patient health and wellness care to their members. Many of the Debtors' employees are highly skilled physicians, nurses, and other specialized medical personnel and clinical staff. I believe the skills and experience of the Debtors' employees are essential to the Debtors' ongoing operations and the success of these chapter 11 cases. In many instances, the Employees are distinctly familiar with the Debtors' healthcare services, clinical practices, processes, and systems and possess specialized knowledge, skills, or experience that cannot be easily replaced. The Employees also engage in various functions to manage and support the operations of the Debtors' healthcare services, including administrative, marketing, legal, accounting, finance, and management-related tasks. Additionally, replacing Debtors' medical professionals would likely prove to be costly, time consuming and disruptive to operations.

30. It is my understanding that, as of the Petition Date, the Debtors' workforce is comprised of approximately 2,800 full-time employees and 10 part-time employees, in addition to a Supplemental Workforce of approximately 30, consisting of independent contractors and temporary hires. The Debtors pay their Workforce on a bi-weekly basis. In the ordinary course of business, the Debtors make various benefit plans available to their Workforce.

31. Prior to the Petition Date, the Debtors maintained various compensation and benefits programs on behalf of their Workforce, including, without limitation: (a) Compensation

Obligations; (b) Retention Programs; and (c) Employee Benefit Programs (collectively, the "**Compensation and Benefits Programs**"). Except as set forth in the Employee Wages Motion, the Debtors are seeking to continue to administer the Compensation and Benefits Programs in the ordinary course of business. In addition to the direct costs of the various Compensation and Benefits Programs, the Debtors also incur and pay various administrative fees and premiums in connection with the administration of these programs (each an "**Administrative Fee**"). The Debtors' timely payment of Workforce-related obligations, including the Administrative Fees, is necessary for the Debtors to maintain ordinary course operations, continue providing quality patient care, and avoid personal financial hardship to the Debtors' Workforce.

32. As summarized in the following chart and described in further detail in the Employee Wages Motion, the Debtors estimate that, as of the Petition Date, they owe approximately $13,287,000 on account of the Compensation and Benefits Programs, approximately $13,191,000 of which will become due and payable during the Interim Period.

Compensation and Benefits Program	Approximate Interim Amounts	Approximate Final Amounts (Inclusive of Interim Amounts)
Compensation Obligations	$13,031,000	$13,127,000
Bonus Programs	N/A	N/A
Employee Benefits Programs	$160,000	$160,000
Total Compensation and Benefit Obligations	$13,191,000	$13,287,000

33. The Debtors are not seeking authority pursuant to the Employee Wages Motion to pay to any individual any amount in compensation or benefits that collectively would exceed the priority cap imposed by section 507(a)(4) of the Bankruptcy Code.

34. I understand that a vast majority of the Debtors' Workforce rely exclusively or primarily on the compensation and benefits they receive through the Compensation and Benefits Programs to pay their daily living expenses and support their families. I believe the Workforce

will face significant financial consequences if the Debtors are not permitted to continue to administer the Compensation and Benefits Programs in the ordinary course of business. Further, the Debtors' failure to honor their obligations in connection with the Compensation and Benefits Programs likely would result in attrition at a time when the Debtors need to retain their Workforce, and motivate their Workforce to perform at peak efficiency.

Compensation Obligations

35. The Debtors' outstanding prepetition obligations related to the compensation of their Employees and the Supplemental Workforce (collectively, the "**Compensation Obligations**") are summarized in the following chart and described in further detail in the Employee Wages Motion:

Prepetition Obligations	Approximate Interim Amounts	Approximate Final Amounts (Inclusive of Interim Amounts)
Employee Compensation	$8,701,000	$8,701,000
Supplemental Workforce Compensation	$1,000,000	$1,000,000
Withholding Obligations	$2,793,000	$2,793,000
Employee Reimbursable Expenses	$137,000	$233,000
Payroll Processing Fees	$400,000	$400,000
Total Compensation Obligations	$13,031,000	$13,127,000

(i) Employee Compensation

36. The Debtors pay Employees' wages, salaries, commissions, and other compensation on a bi-weekly basis (collectively, the "**Employee Compensation**"). The Debtors' monthly gross payroll totals approximately $16,500,000, including Deductions.

37. With respect to unpaid Employee Compensation, the Debtors estimate that, as of the Petition Date, the Debtors owe approximately $8,701,000, including Withholding Obligations and Employer Taxes (as defined below), all of which will become due and payable

during the Interim Period. The Debtors do not believe they owe any Employee Compensation in an amount exceeding the Prepetition Compensation Caps.

(ii) Supplemental Workforce Compensation

38. The Debtors pay Supplemental Workers either directly or pay the agencies that employ and provide the Supplemental Workforce to the Debtors (the "**Staffing Agencies**"), which then make payments to the Supplemental Worker on the Debtors' behalf (collectively, the "**Supplemental Workforce Compensation Obligations**"). The Debtors remit compensation for the Supplemental Workforce as part of their regular accounts payable processes, with the frequency of payment varying depending on the individual contract or the Staffing Agencies manages the Supplemental Workforce.

39. It is critical that the Debtors are able to continue honoring their obligations with respect to the Supplemental Workforce Compensation Obligations. Remaining current with respect to the Supplemental Workforce Compensation Obligations will help minimize unnecessary disruption to the Debtors' business at a critical time.

40. On average, the Debtors generally pay approximately $5,500,000 in aggregate Supplemental Workforce Compensation Obligations each year. As of the Petition Date, the Debtors estimate they owe approximately $1,000,000 in Supplemental Workforce Compensation Obligations, all of which will come due and payable during the Interim Period.

(iii) Withholding Obligations

41. I understand that in connection with the wages and salaries paid to their Employees, the Debtors are required by federal, state, and local law to withhold from Employees' paychecks amounts related to, among other things, federal, state, and local income taxes and Social Security and Medicare taxes (collectively, the "**Employee Payroll Taxes**") for remittance to

applicable federal, state, and local taxing authorities. As of the Petition Date, the Debtors owe approximately $1,680,000 in Employee Payroll Taxes, all of which will become due during the Interim Period. The Debtors are also required to match Employee Payroll Taxes from their own funds and pay, based upon a percentage of gross payroll, additional amounts for state and federal unemployment insurance (the "**Employer Payroll Taxes**", and together with the Employee Payroll Taxes, the "**Payroll Taxes**"). Employer Payroll Taxes amount to approximately $472,000 per payroll cycle. As of the Petition Date, the Debtors estimate they owe approximately $567,000 in Employer Payroll Taxes, all of which will become due during the Interim Period.

42. During applicable pay periods, the Debtors also deduct (collectively, the "**Deductions**") certain amounts from Employees' paychecks, including garnishments, levies, child support and related fees, 401(k) contributions, and pre-tax contributions for certain of the Employee Benefit Programs. The Debtors deduct an aggregate amount of approximately $434,000 in Deductions each pay cycle from Employee wages, and such amounts are subsequently remitted by the Debtors to the appropriate third-party recipients. As of the Petition Date, the Debtors have not forwarded to the appropriate third-party recipients approximately $546,000 in Deductions already withheld from their prepetition Employee payroll.

43. As of the Petition Date, the Debtors estimate the total aggregate amount of accrued but unremitted weekly Deductions, Employer Payroll Taxes, and Employee Payroll Taxes (collectively, the "**Withholding Obligations**") is approximately $2,793,000, all of which will come due during the Interim Period.

(iv) Employee Reimbursable Expenses

44. In the ordinary course of business, the Debtors reimburse certain Employees for reasonable and customary business expenses incurred in the scope of their employment

(the "**Employee Reimbursable Expenses**"). Employee Reimbursable Expenses, include, but are not limited to, reimbursable expenses arising from transportation, lodging, and dining that are incurred in connection with business travel. In addition, the Debtors maintain a tuition reimbursement program that reimburses associates for tuition in an amount not to exceed $7,500 per Employee. The Debtors are seeking authority pursuant to the Employee Wages Motion to continue reimbursing Employees for Employee Reimbursable Expenses in the ordinary course of business and to honor any outstanding obligations related to the Employee Reimbursable Expenses, including paying any Administrative Fees related thereto. In the twelve (12) months prior to the Petition Date, the Debtors reimbursed, on average, approximately $100,000 in total aggregate Employee Reimbursable Expenses each month. As of the Petition Date, the Debtors estimate that approximately $233,000 in Employee Reimbursable Expenses remain outstanding, approximately $137,000 of which could become due and payable during the Interim Period.

(v) Payroll Fees

45. The Debtors utilize Automatic Data Processing, Inc. ("**ADP**"), Alight Payment Services ("**Alight**"), and Workday Inc. (**"Workday**") to administer their payroll obligations. Specifically, ADP provides, among other things, the Debtors' payroll processing system and ensures proper tax and benefits withholdings are made. Alight and Workday provide the Debtors with benefits administration and payroll processing services, respectively. The Debtors pay ADP, Alight, and Workday Administrative Fees averaging approximately $320,000 per month in the aggregate (together, the "**Payroll Processing Fees**"). As of the Petition Date, Debtors believe they owe approximately $400,000 in Payroll Processing Fees, all of which will come due and payable during the Interim Period.

Bonus Programs

46. As set forth in the Employee Wages Motion, prior to the Petition Date, the Debtors implemented various programs for Employees that provided additional compensation ("**Retention Bonuses**"), less usual withholdings and deductions, for certain Employees that remained employed by the Debtors through a specified date (the "**Retention Bonus Programs**"). Historically, the Debtors also, from time to time, granted special cash bonuses ("**Non-Insider Employee Incentive Bonuses**") to Employees for various performance based achievements (the "**Non-Insider Employee Incentive Programs**", together with the Retention Bonus Programs, the "**Bonus Programs**"). The Debtors are not seeking authority pursuant to the Employee Wages Motion to make any payments under any Bonus Program and will only seek to do so by separate motion.

Employee Benefit Programs

47. In the ordinary course of business, the Debtors maintain various employment benefit plans and policies, including, without limitation, medical plans, dental plans, vision plans, health savings and flexible spending accounts, life insurance, accidental death and dismemberment insurance, short and long term disability insurance, vacation and other paid time off policies, and other Employee programs (collectively, the "**Employee Benefit Programs**"). The Employee Benefit Programs are generally available to active, Full-Time Employees (collectively, the "**Eligible Employees**").

48. The Debtors' outstanding prepetition obligations related to Employee Benefits Programs are summarized in the following chart and further described in further detail in the Employee Wages Motion:

Category of Prepetition Obligations	Approximate Interim Amounts	Approximate Final Amounts (Inclusive of Interim Amounts)
Health Benefits Plans	$157,000	$157,000
HSA and FSA	$0	$0
Welfare and Benefit Programs	$3,000	$3,000
Total Compensation Obligations	$160,000	$160,000

49. The Debtors believe continuing to honor their obligations under the Employee Benefits Programs, particularly those related to healthcare, reflect their dedication to their Employees, underscores the high value they place on their Employee's welfare, and is essential to maintaining the viability of the Workforce on a go-forward basis.

IV. *Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363, and 503(b) for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Claims of (A) Patient Care, Safety, and Other Critical Vendors, (B) Lien Claimants and (C) 503(b)(9) Claimants, and (II) Granting Related Relief* (the "Critical Vendors Motion")

50. Pursuant to the Critical Vendors Motion, the Debtors are seeking entry of interim and final orders (i) authorizing, but not directing, the Debtors to pay in the ordinary course of business, and consistent with customary past practice, based on their sound business judgment, certain prepetition claims of (a) vendors whose goods and services are necessary to provide essential healthcare services, maintain the safety of their medical facilities or are otherwise essential to the Debtors' operations or the operations of their affiliated provider practices (the "**Critical Vendors**", and such claims, the "**Critical Vendor Claims**"); (b) service providers that may be entitled to assert statutory, common law, or possessory liens against the Debtors and their property if the Debtors fail to pay for certain goods delivered or services rendered (the "**Lien Claimants**", and such claims, the "**Lien Claims**"); and (c) vendors that have delivered goods to the Debtors in the ordinary course of business within twenty (20) days of the Petition Date (as defined below) (the "**503(b)(9) Claimants**", and such claims, the "**503(b)(9) Claims**"

and, together with the Critical Vendors and Lien Claimants, the "**Trade Claimants**" and, the Trade Claimants' prepetition claims, the "**Trade Claims**"); and (ii) granting related relief.

51. As of the Petition Date, the Debtors owe approximately $8,036,000 on account of prepetition payables to the Debtors' Critical Vendors, Lien Claimants, and 503(b)(9) Claimants. Pursuant to the Critical Vendors Motion, the Debtors are requesting authority to pay undisputed prepetition claims held by certain Critical Vendors, Lien Claimants, and 503(b)(9) Claimants, accrued in the ordinary course of business as such claims become due and payable, and to continue paying them in the ordinary course of business and consistent with customary past practice. I believe the relief requested in the Critical Vendors Motion will minimize any disruption to the Debtors' business, and allow for a smooth and expeditious reorganization in the Debtors' chapter 11 cases.

52. The Debtors are requesting authority to pay Trade Claims in an aggregate amount not to exceed (i) $5,689,000, on an interim basis to be used to satisfy Trade Claims that will become due during the Interim Period; and (ii) $8,036,000, upon entry of the Proposed Final Order to the Critical Vendors Motion, inclusive of amounts paid during the Interim Period, in each case as they become due in the ordinary course of business and consistent with customary past practice. The below table summarizes the amounts of Trade Claims per category the Debtors are requesting authority to pay pursuant to the Critical Vendors Motion:

Category of Trade Claims	**Amount Seeking Authority to Pay on Interim Basis**	**Amount Seeking Authority to Pay on Final Basis (Inclusive of Interim Amount)**
Critical Vendor Claims	$2,939,000	$4,409,000
Lien Claims	$130,000	$221,000
503(b)(9) Claims	$2,620,000	$3,406,000
Total Trade Claims:	$5,689,000	$8,036,000

i. **Critical Vendors.**

53. *Patient Care and Safety Vendors*. As healthcare providers, the Debtors operate in one of the most heavily regulated and closely scrutinized industries in the country. To operate and maintain their medical centers and pharmacy locations, the Debtors rely on a constant flow of supplies and services, including medical supplies, medical equipment, medication, and regular maintenance services from certain vendors (the "**Patient Care and Safety Vendors**"). I believe the Debtors' ability to succeed in the healthcare space relies, among other things, on their business relationships with the Patient Care and Safety Vendors.

54. In the ordinary course of business, the Debtors incur obligations to their Patient Care and Safety Vendors for such services—the payment of which is necessary to ensure the health, safety, environmental, and regulatory compliance of the Debtors' operations. A disruption in the supply of such goods and services could jeopardize the Debtors' ability to safely maintain and operate their medical centers, compromising the Debtors' ability to maintain their high standards of patient care and safety. The extensive, comprehensive regulations and requirements to which the Debtors are subject can only be fulfilled through uninterrupted access to the essential goods and services provided by Patient Care and Safety Vendors.

55. *RCM Vendors*. In addition, the Debtors and their affiliated provider practices require the services of certain Critical Vendors that provide revenue cycle management services (such Critical Vendors, the "**RCM Vendors**") to effectively operate their business. Revenue cycle management is the process by which healthcare providers track patient care episodes from initial registration and appointment scheduling through the final payment by patients and/or payors (such as insurance providers, Medicare, or Medicaid) for medical services provided. This process involves numerous parties and is highly complex. The services provided

by the RCM Vendors include collecting information from patients, such as insurance coverage before the patient arrives for an appointment; coding medical procedures and diagnoses; determining the appropriate billable charges for medical services provided; insurance identification chart abstraction; submitting claims to insurance companies; collecting and processing payments from patients; and collecting payments from third-party payors.

56. Revenue cycle management is directly related to the Debtors' ability to generate revenue—without the RCM Vendors to help manage this process, the Debtors would be unable to bill and collect payments for medical services provided to patients. The Debtors do not have the technology or personnel necessary to manage this complex process without the services provided by the RCM Vendors. Further, the RCM Vendors would be impossible to replace without causing significant disruption to the business—the RCM Vendors have longstanding relationships with the Debtors, are ingrained with the Debtors' technology and software, and have a deep understanding of the Debtors' complex business and how it operates. Even where alternative vendors exist, the time and costs associated with switching from an RCM Vendor to a new provider would likely be significant and detrimental to the Debtors' estates.

57. *Information Technology and Administrative Services Critical Vendors.* The Debtors and their affiliate provider practices also rely on Critical Vendors for the provision of business-critical information technology systems, products, and administrative services (the "**Information Technology and Administrative Services Critical Vendors**"). For example, some of the Information Technology and Administrative Services Critical Vendors provide the Debtors with the specialized information technology infrastructure necessary for the administration of the Debtors' day-to-day operational activities, including certain payroll, finance, medical operation, and billing support functions. Even a short interruption in the provision of any of these products

or services could have potentially disastrous effects on the Debtors' business and daily operations, with compounding long-term effects on the Debtors' reputation and, in turn, the success of the Debtors' chapter 11 cases. Most of these Critical Vendors are virtually irreplaceable due to the specialized nature of the products and services provided to the Debtors. Even where alternative vendors exist, the time and costs associated with switching from an Information Technology and Administrative Services Critical Vendor to a new provider would likely be significant and detrimental to the Debtors' estates due to the extensive development timeline required to produce replacement technologies.

58. *Patient Shuttle and Nutrition Vendors*. Lastly, the Debtors utilize crucial transportation services to shuttle patients to and from the Debtors' medical centers, pharmacies, and their affiliated provider practices (the "**Patient Shuttle Vendors**"). The Debtors' elderly and disabled patients rely on transportation services provided by the Patient Shuttle Vendors in order to safely access healthcare that the Debtors provide at their medical centers and pharmacies. Additionally, the Debtors are dependent on specialized catering and dining providers that prepare nutritionally balanced meals for the Debtors' patients that are tailored to intake restrictions, allergies, and dietitian and/or physician input (the "**Nutrition Vendors**" and, together with the Patient Shuttle Vendors, the "**Patient Shuttle and Nutrition Vendors**"). Even where alternative vendors exist, the time and costs associated with switching to a new provider would likely be significant and detrimental to the Debtors' estates, and could have an adverse effect on patient health. Even a temporary interruption of services provided by the Patient Shuttle and Nutrition Vendors would cause certain of the Debtors' patients to miss appointments or go malnourished, potentially threatening such patients' health and well-being, and could cause irreparable harm to the Debtors' go-forward business, goodwill, employees, patients, and market share.

ii. Lien Claimants.

59. The Debtors routinely do business with Lien Claimants, who perform various services for the Debtors, including the installation and repair of specialized medical equipment in the Debtors' medical centers and pharmacies, maintenance, improvement, renovation, and construction of the Debtors' medical centers and pharmacies, all of which are necessary for the Debtors' business.

60. The medical centers and pharmacies operated by the Debtors may require specialized maintenance and repair services provided by third parties on a regular or *ad hoc* basis. Repairing malfunctions and performing routine maintenance of the Debtors' medical equipment are essential parts of the Debtors' operations, and also require the skill of specialized third party servicers.

61. The Debtors may also undertake expansion, development, renovation, and maintenance opportunities across their facilities. Projects could involve the use of mechanics, electricians, and other skilled labor. The Debtors' business further requires them to partner with certain shippers to conduct smooth and fast deliveries of expensive medical equipment, and highly perishable medical supplies and medication, such as intravenous liquids, insulin, injections, vaccines, and other perishable medications that require refrigeration or special handling.

62. Non-payment of Lien Claims could lead to shortages of required services and equipment. Shortages would affect the Debtors' anticipated costs and operations. I believe such impacts would be value-destructive to the Debtors' estates and the Debtors' business.

iii. 503(b)(9) Claimants.

63. The Debtors may have received certain inventory, goods, and/or materials from 503(b)(9) Claimants within the twenty (20) days immediately preceding the Petition Date,

thereby giving rise to claims that are accorded administrative priority under section 503(b)(9) of the Bankruptcy Code. Many of the Debtors' relationships with the 503(b)(9) Claimants are not governed by long-term contracts. Instead, the Debtors obtain much of their medical supplies and equipment from such claimants on an order-by-order or as needed basis. As a result, a 503(b)(9) Claimant may refuse to fulfill new orders without payment of its 503(b)(9) Claims. Such refusal could negatively affect the Debtors' estates as the Debtors' business depends on the steady flow of medical equipment and supplies to provide patient care.

64. Certain 503(b)(9) Claimants supply goods or materials that are critical to the Debtors' ongoing operations. Even though the manufacture of certain goods, such as prescription medicine or bespoke healthcare products, may be completed, 503(b)(9) Claimants may refuse to ship postpetition unless the Debtors pay some or all of the prepetition claims. Any interruption in the flow of these goods would be highly disruptive to the Debtors' operations.

iv. Proposed Conditions to Receiving Payment.

65. Although the Debtors have effectively "pre-screened" certain vendors who have satisfied the criteria for Trade Claimant treatment, the Debtors are keenly aware they must be prepared to address new or additional exigencies should they emerge, particularly in light of the size and scope of the Debtors' operations. Thus, the Debtors' Payment Protocol, as summarized in the Critical Vendors Motion, includes specific processes by which vendors may be designated as "Critical Vendors" or as Trade Vendors on a case-by-case basis. This process will be handled by the Debtors' Trade Vendor Team, which includes the Debtors' Head of

Procurement, Chief Financial Officer, and Treasurer, and professionals from the Debtors' financial advisors and restructuring counsel.

v. Customary Trade Terms.

66. The Debtors propose to use commercially reasonable efforts to require each Trade Claimant to provide the most favorable trade terms, practices, and programs (including credit limits, pricing, cash discounts, timing of payments, allowances, product mix, availability, and other programs) in place in the twenty-four (24) months prior to the Petition Date (collectively, the "**Customary Trade Terms**") in exchange for the payment of such Trade Claimant's Trade Claims. Thus, where appropriate, the Debtors seek authority, but not direction, to require as a condition to payment of a Trade Claim that the applicable Trade Claimant (including a 503(b)(9) Claimant) enter into a trade agreement, substantially in the form attached as Exhibit C to the Critical Vendors Motion (each, a "**Trade Agreement**"). A Trade Agreement, once agreed to and accepted by a Trade Claimant, will be a legally binding contractual relationship between the parties governing the commercial trade relationship as provided therein.

67. The Debtors also seek limited authority to pay Trade Claimants in the event no Trade Agreement has been executed or if the Debtors determine, in their reasonable business judgment, that a formal Trade Agreement is prohibitive or unnecessary to provide for the continued provision of goods or services on a postpetition basis; *provided*, *that*, unless otherwise agreed to by the Debtors, if any party accepts payment pursuant to the relief requested by the Critical Vendors Motion and thereafter does not continue to provide goods or services on Customary Trade Terms (regardless of whether a Trade Agreement has been executed), and subject to any Trade Agreement that may be executed, (i) such payment may be deemed to be an improper postpetition transfer on account of a prepetition claim, and therefore such payment will be immediately

recoverable by the Debtors in cash upon written request; (ii) upon recovery by the Debtors, any prepetition claim of such party will be reinstated as if the payment had not been made; and (iii) if there exists an outstanding postpetition balance due from the Debtors to such party, the Debtors may elect to recharacterize and apply any payment made pursuant to the relief requested by the Critical Vendors Motion to such outstanding postpetition balance and such supplier or vendor will be required to repay to the Debtors such paid amounts that exceed the postpetition obligations then outstanding without the right of any setoffs, recoupments, claims, provisions for payment of any claims, or otherwise.

68. I believe that the relief requested in the Critical Vendors Motion is in the best interest of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption.

V. *Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b) and 541 and Fed. R. Bankr. P. 6003 and 6004 for Entry of Interim and Final Orders (A) Authorizing Debtors to (I) Maintain and Administer Prepetition Refund Programs, and (II) Pay and Honor Related Prepetition Obligations, and (B) Granting Related Relief* (the "Refunds Motion")

69. Pursuant to the Refunds Motion, the Debtors are requesting entry of interim and final orders (a) authorizing, but not directing, the Debtors to, in the ordinary course of business and consistent with prior practice, (i) maintain and administer their prepetition Refund Programs (as defined below), and (ii) pay and otherwise honor certain prepetition obligations related thereto, and (b) granting related relief.

70. In the ordinary course of their value-based healthcare and wellness operations, the Debtors operate pursuant to numerous contracts and agreements, as well as various state and federal laws and administrative rules (such laws and rules, collectively, the "**Regulations**"), that require in certain instances the Debtors issue refunds to patients and other third parties, including health plan insurers, and federal health care programs such as Medicare

and Medicaid (the "**Health Plans**"), as well as independent physician practices with whom the Debtors contract (the "**Physician Affiliates**") (collectively, the "**Refund Recipients**"). The Debtors may owe refunds to Refund Recipients as a result of overpayment by such parties, as well as pursuant to the terms of contractual agreements with the Health Plans or Physician Affiliates.

71. ***Patient Refunds.*** With respect to the Debtors' patients, in the ordinary course of business, the Debtors bill patients and insurers for medical services provided to patients. After a patient pays the Debtors for medical services, a "credit balance" may occur when the total payments and/or adjustments exceed the gross charges on a patient account. Once this credit balance has been identified and validated by the Debtors, the patient is entitled to a credit or refund from the Debtors (the "**Patient Refunds**"). Patient Refunds are assessed on a case-by-case basis and are identified in various ways, including system-generated notifications and outreach from patients. Once a potential credit balance has been identified, it is reviewed and verified by the Debtors' Revenue Cycle employees. If the credit balance is the result of overpayment, then, after the Debtors have established and validated the credit owed to the patient, the Debtors issue a refund check to the patient. The Debtors estimate these Patient Refunds to be *de minimis*.

72. ***Health Plan Refunds.*** With respect to the Health Plans, in the ordinary course of business, based upon the Debtors' contracts with the Health Plans (the "**Health Plan Agreements**"), and pursuant to the Regulations, if a Health Plan overpays for services rendered to patients, the Debtors are obligated to refund the overpaying party for the excess amounts paid to the Debtors (such refunds, the "**Health Plan Refunds**"). As a value-based healthcare provider, the Debtors are at risk of underperformance on those medical expenses incurred by Health Plans, including inpatient and hospital care, specialists, and medicines, net of rebate, for which the Debtors bears risk (the "**Third Party Medical Costs**"), relative to gross revenue received for

serving patients under those Health Plan Agreements. In a given month, if Third Party Medical Costs exceed the gross revenue for the plan, the Debtors may find themselves in a deficit position with that Health Plan.

73. These deficits are typically not refunded to the Health Plan; rather, they are offset with future surpluses to bring the credit account back to breakeven or a net surplus position. Thus, while a refund is not paid in cash, a Health Plan may apply future surplus to deficits which otherwise would be paid out in cash, to offset deficit positions when they occur. Alternatively, there may be circumstances in which deficits continue and are not satisfied by future surpluses. In these scenarios, based on contractual terms, the Health Plans may demand repayment or settlement of such deficits.

74. The Debtors identify potential credit balances for the Health Plans when the Health Plans contact the Debtors' billing and coding, contracting, or finance departments. Once the Debtors have identified, quantified, and validated credit balances associated with a Health Plan, the Debtors either submit a request to the Health Plan that the amount of the overpayment be recouped from future payments, per the surplus/deficit dynamic described above, or issue a refund check to the Health Plan. The mechanics for issuing refunds are set forth within the Health Plan Agreements.[3] The Health Plan Agreements are extremely complex, covering various different healthcare insurance programs, with varying billing cadences. Accordingly, it is difficult for the Debtors to estimate at any given time the aggregate surplus or deficit amounts owed from, or owing to, the various Health Plans.

[3] I understand that, with respect to the Debtors' ACO REACH and MSSP Contracts, the mechanics for issuing refunds to the government as payor, under Medicare or Medicaid are also governed by CMS.

75. ***Physician Affiliates.*** Additionally, in the ordinary course of business, the Debtors permit Physician Affiliates to participate in value-based cost-sharing under the Health Plans Agreements. The Debtors enter into primary care physician provider agreements with the Physician Affiliates (the "**Physician Affiliate Contracts**") in order to coordinate the delivery of medical services through approximately 630 affiliate provider practices. After the Debtors have (i) received payments from the Health Plans pursuant to the Health Plan Agreements, and, (ii) where applicable, refunded amounts to the Health Plans pursuant to any deficits owing under the Health Plan Agreements, the Debtors pass on the contractually negotiated share of such payments to Physician Affiliates in accordance with the terms of the Physician Affiliate Contracts.

76. Occasionally, a Physician Affiliate may dispute capitation payments, bonus, or shared savings amounts remitted as described above. Under such circumstances, Physician Affiliates contact the Debtors' local director, by phone or email with their concern. The Debtors then validate the request internally, and coordinate with any associated Health Plan, as well as the Debtors' platform vendor and finance department. After the Debtors have confirmed any discrepancy in amounts owed to a Physician Affiliate, the Debtors issue that Physician Affiliate a refund check. The Debtors estimate these Physician Affiliate Refunds to be *de minimis*.

77. The Debtors maintain approval procedures for processing Patient Refunds, Health Plan Refunds, and Physician Affiliate Refunds. Documentation and details are first sent to the Revenue Cycle Management Leader for review and approval. The Debtors' accounts payable department must then separately review and approve before issuing the refund. For Health Plan Refunds and Physician Affiliate Refunds, the Debtors also notify the Health Plan and receive the Health Plan's acknowledgement and agreement to the proposed Health Plan Refund before the Health Plan Refund is issued.

78. Failure to maintain the Refund Programs could not only materially harm the trust and confidence of the Debtors' patients and other Refund Recipients during these chapter 11 cases, but would potentially jeopardize the Debtors' ability to legally operate under the Regulations and to receive capitation payments for services rendered through agreements with the Health Plans.

VI. *Motion of Debtors Pursuant To 11 U.S.C. §§ 105(a), 363(b), 507(a), and 541(d) for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Prepetition Taxes and Fees, and (II) Granting Related Relief* (the "Taxes Motion")

79. Pursuant to the Taxes Motion, the Debtors are requesting entry of interim and final orders (i) authorizing, but not directing, the Debtors to pay prepetition taxes, assessments, fees, and other charges in the ordinary course of business, including any such taxes, assessments, fees, and charges due and owing to various local, state and federal taxing and other governmental authorities (collectively, the "**Taxing Authorities**"), subsequently determined upon audit, or otherwise, to be owed (collectively, the "**Taxes and Fees**"), and (ii) granting related relief. As of the Petition Date, the Debtors estimate they have accrued approximately $541,000 in Taxes and Fees, $303,000 of which approximately will become due and payable during the Interim Period.

80. As set forth in the Taxes Motion, the Taxes and Fees generally fall into the following categories: (i) Real and Personal Property Taxes (ii) Income and Franchise Taxes, (iii) Business License and Regulatory Fees, (iv) Sales and Use Taxes, and (v) Other Taxes and Fees (each as defined in the Taxes Motion). The Debtors pay Taxes and Fees monthly, quarterly or annually, in each case as required by applicable laws and regulations. A chart outlining the various categories and approximate amounts of the Taxes and Fees the Debtors are seeking authority to pay is set forth below and each of the various categories of Taxes and Fees is described in further detail in the Taxes Motion. The amounts of the Taxes and Fees set forth below are good

faith estimates based on the Debtors' books and records and remain subject to potential audits and other adjustments.

Category of Taxes and Fees	Approx. Amount Seeking Authority to Pay on Interim Basis	Approx. Amount Seeking Authority to Pay on Final Basis (Inclusive of Interim Amounts)
Real and Personal Property Taxes	$200,000	$420,000
Income and Franchise Taxes	$100,000	$100,000
Business License and Regulatory Fees	$0	$0
Sales and Use Taxes	$1,000	$1,000
Other Taxes and Fees	$2,000	$20,000
Total Taxes and Fees	**$303,000**	**$541,000**

81. I believe failure to pay the Taxes and Fees may interfere with the Debtors' continued operations and chapter 11 strategy, and increase the scope of secured and priority claims pursuant to section 507(a)(8) of the Bankruptcy Code held by the applicable Taxing Authorities against the Debtors' estates. Accordingly, the Debtors would suffer immediate and irreparable harm if the relief sought herein is not promptly granted. I am also advised that the Debtors must pay the Taxes and Fees to prevent the Taxing Authorities from taking actions that would interfere with the Debtors' continued business operations and potentially impose significant costs on the Debtors' estates. These potential actions include asserting liens on estate assets or seeking to lift the automatic stay. Moreover, I understand that failure to satisfy the prepetition Taxes and Fees may jeopardize the Debtors' maintenance of good standing to operate in the jurisdiction in which they do business.

VII. *Motion of Debtors Pursuant To 11 U.S.C. §§ 105(a), 362(d), and 363(b) and Fed. R. Bankr. P. 4001 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Maintain Their Insurance Policies, Surety Bond Programs, and Letters of Credit and (B) Honor All Insurance, Surety Bond, And Letters of Credit Obligations, (II) Modifying the Automatic Stay, and (III) Granting Related Relief* (the "Insurance and Surety Bond Motion")

82. Pursuant to the Insurance and Surety Bond Motion, the Debtors are requesting entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) maintain their Insurance Policies, Surety Bond Program and Letters of Credit (each as defined below) in accordance with their terms as provided for in the underlying agreements and to perform with respect thereto in the ordinary course of business, including with respect to Insurance Obligations (as defined below) arising during the administration of these chapter 11 cases, and (b) pay prepetition Insurance Obligations, including amounts owed to the Insurance Service Providers (as defined below), and prepetition obligations arising under the Surety Bond Program and Letters of Credit, (ii) modifying the automatic stay if necessary to permit the Debtors' employees to proceed with any claims they may have under the Workers' Compensation Program (as defined below), whether they arose before or after the Petition Date, in the appropriate judicial or administrative forum to proceed against the proceeds of such policies only, and (iii) granting related relief.

83. It is my understanding that, in the ordinary course of business, the Debtors maintain various insurance policies (collectively, the "**Insurance Policies**") through several insurance carriers (each, an "**Insurance Carrier**"). The Insurance Policies include various liability, property and other insurance policies that provide the Debtors with insurance related to, among other things, general liability, professional liability, property, automobile liability, umbrella liability, excess liability, employment practice liability, fiduciary liability, crime, cyber, excess loss, and workers' compensation coverage. Pursuant to the Insurance Policies, the Debtors pay premiums based on negotiated rates, as well as certain other obligations related thereto, including any brokers' fees, taxes, or other fees (collectively, the "**Insurance Obligations**"). The Debtors pay approximately $34,910,000 each year in Insurance Obligations, which is almost exclusively

comprised of premiums. The Debtors estimate approximately $2,500,000 of prepetition Insurance Obligations remain outstanding as of the Petition Date and expect an additional approximately $2,440,000 of prepetition Insurance Obligations to become due and payable during the period from the Petition Date through the final hearing on the Insurance and Surety Bond Motion.

84. It is also my understanding that, in the ordinary course of business, the Debtors provide surety bonds (the "**Surety Bonds**") securing payment or performance of certain obligations arising from contractual agreements between the Debtors and the beneficiaries of the Surety Bonds (collectively, the "**Surety Bond Program**"). The Debtors currently have one Surety Bond outstanding in an amount of approximately $37,000,000 for the benefit of the Centers for Medicare and Medicaid Services ("**CMS**" and such bond, the "**CMS Bond**") which secures the performance of obligations arising from the Debtors' participation agreement with CMS under the Accountable Care Organization Realizing Equity, Access, and Community Health (ACO REACH) program. The CMS Bond is partially collateralized by restricted cash in an amount of approximately $26,800,000.

85. It is also my understanding that, in the ordinary course of business, the Debtors maintain letters of credit for the benefit of third parties in connection with certain obligations including, among other things, their obligations related to the lease agreement for the Company's headquarters, certain provider participation agreements, and other insurance related obligations (the "**Letters of Credit**").

86. I believe that payment of the Insurance Obligations and the obligations under the Surety Bond Program and Letters of Credit is justified because such obligations are necessary costs of preserving the Debtors' estates. I am advised that the Debtors are contractually and legally obligated to maintain certain Insurance Policies, the Surety Bond Program and Letters

of Credit, and the Debtors must maintain certain of the Insurance Policies, the Surety Bond Program, and Letters of Credit in order to comply with the operating guidelines of the U.S. Trustee.

87. Moreover, I am advised that it would be difficult, if not impossible, to renew or replace the Debtors' existing Insurance Policies, the Surety Bond Program, and Letters of Credit on more favorable terms without incurring significant burden and costs to the estate. In this regard, the Insurance Policies, the Surety Bond Program and Letters of Credit are essential to the Debtors' operations, as the Debtors would be exposed to significant liability if the Insurance Policies and Surety Bond Program were allowed to lapse or terminate.

VIII. *Motion of Debtors Pursuant to 11 U.S.C. §§ 366 and 105(A) and Fed. R. Bankr. P. 6003 And 6004 for Entry of Interim and Final Orders (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment to Utility Providers, (II) Establishing Procedures for Determining Adequate Assurance of Payment for Future Utility Services, (III) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Utility Service, and (IV) Granting Related Relief* (the "Utilities Motion")

88. Pursuant to the Utilities Motion, the Debtors are requesting entry of interim and final orders (i) approving the Debtors' proposed form of adequate assurance of payment to the Utility Providers (as defined below), (ii) establishing procedures for determining adequate assurance of payment for future Utility Services (as defined below) (the "**Adequate Assurance Procedures**"), (iii) prohibiting Utility Providers from altering, refusing, or discontinuing Utility Services on account of the commencement of these chapter 11 cases and/or outstanding prepetition invoices, and (iv) granting related relief.

89. In the ordinary course of business, the Debtors incur utility expenses, including electricity, water, phone, internet, sewage, natural gas, and waste services (the "**Utility Services**"), at their various medical treatment centers, pharmacy facilities, and other locations, including their corporate headquarters. Utility Services for the Debtors' various locations are typically paid in one of two ways: (i) directly by the Debtors to the utility providers (collectively,

the "**Utility Providers**" and each individually, a "**Utility Provider**"), or (ii) by the Debtors' landlords as part of the Debtors' rent payments for certain locations or facilities. I believe that preserving the Utility Services on an uninterrupted basis is essential to the Debtors' ongoing operations and restructuring process. Any interruption in Utility Services, no matter how brief, would not only compromise the Debtors' business, but, more importantly, would endanger patient safety. Such a result could harm the Debtors' ability to remain in compliance with various government regulations and honor contractual commitments to private health plan counterparties, ultimately frustrating creditor recoveries and imperiling the trajectory of these chapter 11 cases.

90. I understand the Debtors propose to deposit into a segregated bank account for the benefit of the Utility Providers cash in an amount equal to two weeks' cost of the relevant Utility Services, calculated using the historical average weekly cost of such services incurred for the twelve (12) months preceding the Petition Date (the "**Adequate Assurance Deposit**"). Based on the historical average cost of Utility Services provided by each Utility Provider during the 12 months prior to the Petition Date, the Debtors calculate the total amount of the Adequate Assurance Deposit to be $186,106.

91. Based on the Adequate Assurance Deposit, I believe the Utility Providers are adequately assured against any risk of nonpayment for future services. Moreover, I believe the Debtors will have sufficient resources to pay, and intend to pay, all valid postpetition obligations for Utility Services in a timely manner.

IX. *Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 107, and 521(a)(1) and Fed. R. Bankr. P. 1007, 9018, and 9037 for Entry of Order (I) Authorizing Implementation of Procedures to Protect Confidential Patient Information and (II) Granting Related Relief* (the "Patient Confidential Information Motion")

92. Pursuant to the Patient Confidentiality Procedures Motion, the Debtors are seeking entry of an order (a) authorizing the implementation of procedures to protect confidential

information and (b) granting related relief. Specifically, the Debtors are requesting their Claims and Noticing Agent be allowed to prepare a separate creditor matrix of current and former patients (the "**Patient Matrix**"), whose information may be protected under HIPAA and Florida state law (collectively, the "**Patients**") and separate schedules of claims that may be asserted by and against the Patients (the "**Patient Matrix**").

93. The Debtors, as an independent primary care physician group, are subject to various laws and regulations regarding the protection and confidentiality of patient information, including HIPAA. These regulations impose stringent standards on healthcare providers and establish significant penalties for any healthcare provider that improperly uses or discloses patient information. What is more, the Debtors are also party to various agreements with healthcare providers that impose contractual obligations on the Debtors to comply with HIPAA and to protect PHI received from or used on behalf of these entities. If the Debtors were to violate these laws or contractual obligations, it would expose them to severe monetary penalties that could threaten the Debtors' ability to consummate a successful restructuring transaction, and threaten business relationships with providers who constitute a key source of revenue for the Debtors.

94. Accordingly, the Debtors are requesting they not be required to file the Patient Matrix or the Patient Schedules with the Court but, instead, be allowed to file redacted versions of the Patient Matrix and the Patient Schedules that redact the Patients' protected health information ("**PHI**"), such as the names, home and email addresses, phone numbers, account numbers, and any unique identifying numbers of the Patients (except those assigned by the Claims Agent to code data, such as "Patient 1"). In addition, the Debtors are requesting that, to the extent any paper filed or to be filed includes Patients' PHI, the Debtors be authorized to redact the Patients' PHI from such filing. The Debtors are proposing that any papers filed in these chapter 11

cases from which the Debtors have redacted the Patients' PHI may be reviewed without redactions by: (a) this Court, the U.S. Trustee, and counsel to any official committee appointed in these chapter 11 cases, in each case, upon request; (b) any applicable state regulatory agency (through the respective state attorney general); and (c) any other party in interest, that obtains, after notice and a hearing, authorization from this Court.

95. I believe the relief requested in the Patient Confidentiality Procedures Motion is in the best interest of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption.

X. *Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 107, and 521 and Fed. R. Bankr. P. 1007, 2002, 9007, and 9018 for Entry of Order (I) Authorizing Debtors to Redact Certain Personal Identification Information; (II) Modifying Requirement to File Equity Security Holder List; (III) Approving Form and Manner of Notice of Commencement, Including Special Noticing Procedures for the Debtors' Current and Former Patients; and (IV) Granting Related Relief* (the "Notice of Commencement Motion")

96. Pursuant to the Notice of Commencement Motion, the Debtors are requesting entry of an order (i) authorizing the Debtors to redact from their list containing the name and complete address of each creditor (the "**Creditor Matrix**") and other documents filed in these chapter 11 cases certain personal identification information of current and former patients and other individual creditors and interest holders; (ii) modifying the requirement to file a list of the Debtors' equity security holders; (iii) approving the form and manner of notifying creditors and other stakeholders of the commencement of these chapter 11 cases, including special noticing procedures for the Debtors' current and former patients; and (iv) granting related relief.

97. The Debtors seek relief to redact certain personal information of individual creditors to alleviate the risk of identity theft or other unlawful injury, and pursuant to Rule 9037(a) of the Bankruptcy Code, which authorizes the redaction of personally identifiable information of minors. I believe the Debtors should be permitted to redact from any paper filed or to be filed with

the Court (including the Creditor Matrix, schedules of assets and liabilities, and statements of financial affairs) (a) the names, home and email addresses, and other personally identifiable information relating to the Debtors' current and former patients;[4] (b) all personally identifiable information of minors; and (c) the home and email addresses of all other individual creditors, including, but not limited to, the Debtors' current and former employees, contract workers, vendors, suppliers, and any individual equity holders. The Debtors propose to file an unredacted version of the Creditor Matrix, with residential addresses, under seal with the Clerk of Court's office. In addition, the Debtors propose to provide, on a confidential basis, an unredacted version of the Creditor Matrix and any other applicable filings to (a) this Court; (b) the U.S. Trustee; (c) counsel to any official committee of unsecured creditors appointed in these chapter 11 cases; (d) the Debtors' Claims and Noticing Agent; (e) any applicable state regulatory agency (through the respective state attorney general); (f) any subsequently appointed trustee; and (g) any other party in interest, but only after this Court enters an order authorizing such disclosure after notice and a hearing; *provided*, *that*, any receiving party shall not transfer or otherwise provide such unredacted document to any person or entity not party to the request.

98. The Debtors are further seeking authority to modify certain requirements with respect to the Debtor's equity security holders. The requirements to file a list of, and to provide notice directly to, equity holders should be modified as to the Debtor entity Cano Health, Inc. ("**CHI**"). CHI has two classes of common stock: Class A common stock, which are voting and economic shares, and Class B common stock, which are non-economic shares. As of January 25, 2024, approximately 60 million shares of CHI's Class A common stock had been authorized with approximately 4,747,566 shares issued and outstanding, and 10 million shares of

[4] The Debtors will include identifiers assigned to code the data of current and former patients such as "Patient 1".

CHI's Class B common stock had been authorized with 661,834 shares issued and outstanding. CHI does not maintain a list of their Class A common shareholders. Accordingly, preparation of such a list and the provision of such notices will be expensive, time consuming, and will be of little or no benefit to the Debtors' estates.

99. Finally, I am advised that Bankruptcy Rule 2002 requires a debtor to provide notice of the commencement of a chapter 11 case, and certain other information related thereto, to creditors and certain other parties in interest. Here, the Debtors, through their proposed Claims and Noticing Agent, propose to serve the notice of commencement attached as Exhibit A to the Notice of Commencement Motion (the "**Notice of Commencement**") on creditors and certain other parties in interest to advise them of the meeting of creditors under section 341 of the Bankruptcy Code by first class mail.

100. In addition to the Notice of Commencement, the Debtors further request authority to distribute a cover letter to the Notice of Commencement containing overview information in a non-intimidating format with clear language, in both English and Spanish, to the Debtors' employees and providers, substantially in the form attached as Exhibit B to the Proposed Order to the Notice of Commencement Motion (the "**Accessible Cover Letter**")

101. As one of the largest independent primary care physician groups in the United States, the Debtors have nearly one million current and former patients as potential notice parties in these chapter 11 cases, many of whom live in economically disadvantaged and minority communities. If the Debtors were to provide service of the traditional, long-form, Notice of Commencement to all of these current and former patients (the "**Patients**"), the costs would be astronomical. Indeed, the Debtors' proposed claims and noticing agent estimates the cost to mail the Notice of Commencement and Accessible Cover Letter to Patients would likely exceed $1.6

million, inclusive of postage, labor, printing, and copying charges, and overhead costs. Taking into account the other mailings during the chapter 11 cases that would typically be served on all creditors, including the Patients, (e.g., bar date notices, disclosure statement hearing notices, confirmation hearing notices, etc.), the cost of mailing traditional, long-form paper notices to the Debtors' Patients would likely exceed $9,200,000 for the chapter 11 cases. Accordingly, given the excessive costs of mailing long-form notices to Patients, the Debtors are seeking authority to serve those Patients by postcard in both English and Spanish (the "**Patient Notice**"), supplemented by email where available, as outlined in the "Patient Noticing Procedures" in lieu of serving the traditional long-form Notice of Commencement.

102. I believe service of the Notice of Commencement, Accessible Cover Letter, and Patient Notice will not only prevent the Debtors' estates from incurring excessive costs but also be the most likely to facilitate responses and prevent creditor confusion. In addition, the Debtors propose to publish the Notice of Commencement in the national edition of the *Wall Street Journal* and the local editions of the *Miami Herald* and the *South Florida Sun Sentinel*. In my view, publication of the Notice of Commencement is the most practical method by which to notify those creditors and other parties in interest who do not receive the Notice of Commencement or Accessible Cover Letter, or the Patient Notice, of the commencement of these Chapter 11 Cases and constitutes an efficient use of the estates' resources.

103. Based on the foregoing, I believe that the relief requested in the Notice of Commencement Motion is in the best interests of the Debtors, their estates, and all other parties in interest.

XI. *Motion of Debtors Pursuant to 11 U.S.C. §§ 362 and 105(a) for Entry of Interim and Final Orders (I) Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in, and Claims Against, the Debtors and (II) Granting Related Relief* (the "NOL Motion")

104. Pursuant to the NOL Motion, the Debtors request entry of interim and final orders authorizing the Debtors to establish Stock Procedures (as defined and described in the NOL Motion) to protect the potential value of certain U.S. federal net operating losses (the "**NOLs**") and certain other tax benefits (including certain state tax attributes) (collectively, the "**Tax Attributes**") for use during the pendency of these chapter 11 cases. The Procedures apply to beneficial ownership (including direct and indirect ownership) of the Class A common stock of CHI (the "**Common Stock**") and any options or similar rights (within the meaning of applicable Treasury Regulations, as defined below) to acquire such stock (the "**Options**").

105. As of the September 30, 2023, the Debtors have approximately $290.1 million in estimated U.S. federal NOLs, estimated excess business interest expense carryforwards of approximately $80.6 million, and certain other favorable Tax Attributes, including state NOLs and net unrealized built-in losses. I understand that the Debtors have generated more Tax Attributes since September 30, 2023, and may generate more Tax Attributes in the 2024 tax year.

106. I have been advised that the Debtors' Tax Attributes would be adversely affected (and could be effectively eliminated) by an Ownership Change (as defined in the NOL Motion) during the pendency of these cases. Accordingly, I believe and am advised that it is in the best interests of the Debtors and their stakeholders to restrict transfers of the beneficial ownership of Common Stock that could result in an Ownership Change before the effective date of a chapter 11 plan or other applicable bankruptcy court order, in order to protect the Debtors' ability to use the Tax Attributes during the pendency of these chapter 11 cases and post-emergence.

XII. *Debtors Application Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. §§ 503 and 1107, and Fed. R. Bankr. P. 2002(f), For (I) Appointment of Kurtzman Carson Consultants*

LLC As Claims And Noticing Agent And (II) Granting Related Relief **(the "156(c) Retention Application")**

107. Pursuant to the 156(c) Retention Application, the Debtors are requesting authority to appoint Kurtzman Carson Consultants LLC ("**KCC**") as claims and noticing agent in these chapter 11 cases (the "**Claims and Noticing Agent**") in accordance with the terms and conditions of that certain KCC Agreement for Services, dated January 9, 2024, by and between the Debtors and KCC (the "**Engagement Agreement**"). KCC's duties will include assuming full responsibility for the distribution of notices and maintaining a list of all potential creditors, equity holders and other parties-in-interest in the chapter 11 cases.

108. I believe the Debtors' selection of KCC to serve as their Claims and Noticing Agent has satisfied the Protocol for the Employment of Claims and Noticing Agents under 28 U.S.C. § 156(c). Specifically, the Debtors have solicited and reviewed engagement proposals from at least three other Court-approved claims and noticing agents to ensure selection through a competitive process.

109. I believe KCC's rates are competitive and reasonable given KCC's quality of services and expertise. The terms of KCC's retention are set forth in the Engagement Agreement attached to, and filed contemporaneously therewith, the Claims and Noticing Agent Retention Application. Appointing KCC as the Debtors' Claims and Noticing Agent will maximize the efficiency of the distribution of notices, as well as relieve the Clerk of the Court of related administrative burdens. Moreover, I am informed that Local Bankruptcy Rule 5075-1(b) requires the retention—pursuant to an order of the Court—of an approved claims and noticing agent in a case having 250 or more creditors and/or equity security holders, such as the chapter 11 cases.

110. Based on the foregoing, I believe that the relief requested in the Prime Clerk Retention Application should be approved.

XIII. *Omnibus Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. §§ 365 and 554(a) and Fed. R. Bankr. P. 6006 and 6007 (I) Authorizing Debtors to (A) Reject Certain Unexpired Leases of Nonresidential Real Property and (B) Abandon De Minimis Property in Connection Therewith and (II) Granting Related Relief* (the "Lease Rejection Motion")

111. Pursuant to the Lease Rejection Motion, the Debtors are seeking authority to (a) reject certain real property leases associated with medical centers and other locations that were closed prior to the Petition Date and are currently vacant and no longer utilized by the Debtors (the "**Dark Leases**"), in each case effective *nunc pro tunc* to the Petition Date and (b) abandon any Remaining Property (as defined below); and (ii) granting related relief.

112. After considering the probability of reopening the closed medical centers associated with the Dark Leases through carefully evaluating a number of factors, including the revenue, occupancy costs, and capital and business planning variables surrounding each of the Dark Leases, the Debtors concluded the Dark Leases do not meet the requisite performance criteria to rationalize their continued operation. In addition, the Dark Leases have no go-forward value to the Debtors. Given the rents and current market conditions associated with the Dark Leases, and the overall losses the Debtors have been incurring in connection therewith, and the lack of strategic value provided by the Dark Leases to the Debtors' go-forward business plan, the Debtors have concluded, in consultation with their advisors, that the Dark Leases are unlikely to generate significant value for their estates.

113. As of the Petition Date, the Debtors have already vacated the Dark Leases and no patients are currently or will in the future be treated at these facilities. Rejection of the Dark Leases *nunc pro tunc* to the Petition Date will allow the Debtors to avoid the unnecessary economic burden of paying rent for the Dark Leases—many of which have been closed or are

nonoperational and some of which have never been operational—on an administrative expense basis. Furthermore, the counterparties to the Dark Leases will not be prejudiced by such retroactive rejection because the Debtors surrendered the respective properties to the applicable landlords (the "**Landlords**") prior to the Petition Date. On the Petition Date, the Debtors have served the Lease Rejection Motion on each Landlord and/or their agents or representatives by overnight delivery and/or electronic mail, thereby advising such Landlord that the Debtors intend to reject the Dark Leases effective as of the Petition Date.

114. During the ordinary course of business, the Debtors accumulated certain miscellaneous assets at the Dark Leases, including certain fixtures and equipment. The Debtors generally will remove such assets from the Dark Leases and transport them to the Debtors' remaining medical centers. The Debtors have determined, in the exercise of their business judgment, that certain of these assets will be exceedingly difficult or expensive to remove or store (the "**Remaining Property**"). The Debtors estimate that the Remaining Property is of *de minimis* value; therefore, the Debtors will not realize any economic benefit by retaining the Remaining Property. Accordingly, the Debtors request authority to abandon any Remaining Property at the Dark Leases.

115. I believe approval of the relief sought in each of the First-Day Pleadings is critical to the Debtors' ability to successfully implement their chapter 11 strategy, with minimal disruption to their business operations. Obtaining the relief sought in the First-Day Pleadings will permit the Debtors to preserve and maximize the value of their estates for the benefit of all of their stakeholders.

116. I declare under penalty of perjury that, after reasonable inquiry, the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed: February 5, 2024

/s/ Clayton Gring
Clayton Gring
Managing Director

AlixPartners LLP