

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

SC HEALTHCARE HOLDING, LLC *et al.*,

Debtors.¹

Chapter 11

Case No. 24-10443 (TMH)

Jointly Administered

Ref. Docket Nos. 739 & 740

**CERTIFICATION OF COUNSEL REGARDING ORDER APPROVING DEBTORS'
KEY EMPLOYEE INCENTIVE PLAN**

On August 7, 2024, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed the *Debtors' Motion for Order Pursuant to Sections 363(b) and 503(c) of the Bankruptcy Code Approving Debtors' (I) Key Employee Incentive Plan and (II) Key Employee Retention Plan* [Docket Nos. 739 (Redacted); 740 (Sealed)] (the "Motion")² with the United States Bankruptcy Court for the District of Delaware (the "Court"). A proposed order (the "Proposed Order") was attached to the Motion as Exhibit A. The deadline to file objections or otherwise respond to the Motion was established as August 21, 2024 at 4:00 p.m. (ET) (the "Objection Deadline") and a hearing to consider the relief requested in the Motion was scheduled for August 28, 2024.

Prior to the Objection Deadline, the Official Committee of Unsecured Creditors (the "Committee") and the Office of the United States Trustee for the District of Delaware

¹ The last four digits of SC Healthcare Holding, LLC's tax identification number are 2584. The mailing address for SC Healthcare Holding, LLC is c/o Petersen Health Care Management, LLC 830 West Trailcreek Dr., Peoria, IL 61614. Due to the large number of debtors in these Chapter 11 Cases, whose cases are being jointly administered, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information is available on a website of the Debtors' claims and noticing agent at <http://www.kccllc.net/Petersen>.

² Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Motion.



(the “U.S. Trustee”) each filed objections to the Motion [Docket Nos. 772 & 773] (together, the “Objections”). On August 30, 2024, the Court entered an order approving the relief requested in the Motion solely as it pertained to the KERP [Docket No. 802]. The hearing with respect to the KEIP was adjourned until September 16, 2024 at 2:00 p.m. (ET) (the “Hearing”).

On September 15, 2024, the Debtors filed a revised order approving the KEIP which reflected an agreement reached with the Committee with respect to revised KEIP metrics [Docket No. 817] (such order, the “Revised KEIP Order”). At the Hearing, the Debtors presented their case in support of the revised KEIP and, at the conclusion thereof, the Court advised that it would approve the revised KEIP after the Debtors, the Committee and the U.S. Trustee reached agreement on a final term of such plan.

Following good faith negotiations among the parties, the Debtors, the Committee, and the U.S. Trustee have agreed to a revised form of order (the “Further Revised KEIP Order”), a copy of which is attached hereto as **Exhibit A**, which reflects the Court’s ruling and memorializes the agreement reached by such parties. For the convenience of the Court and other interested parties, a blackline comparing the Further Revised KEIP Order against the Revised KEIP Order filed on September 15, 2024, is attached hereto as **Exhibit B**.

WHEREFORE, the Debtors respectfully request that the Court enter the Further Revised KEIP Order without further notice or hearing at the Court’s earliest convenience.

[Remainder of page intentionally left blank]

Dated: September 20, 2024
Wilmington, Delaware

Respectfully submitted,

**YOUNG CONAWAY STARGATT &
TAYLOR, LLP**

/s/ Carol E. Thompson

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*Counsel for the Debtors and Debtors in
Possession*

EXHIBIT A

Revised Proposed KEIP Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

SC HEALTHCARE HOLDING, LLC *et al.*,

Debtors.¹

Chapter 11

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Jointly Administered

Ref. Dkt. Nos. 739, 740, 817

ORDER APPROVING DEBTORS' KEY EMPLOYEE INCENTIVE PLAN

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), pursuant to sections 105(a), 363(b), and 503(c) of the Bankruptcy Code, authorizing and approving the Debtors' KEIP and KERP; and upon the *Notice of Filing of Revised Key Employee Incentive Plan and Proposed Order Approving Same* [Docket No. 817]; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and due and proper notice of the Motion and the hearing thereon having been given as set forth in the Motion; and such notice having been adequate and appropriate under the circumstances, and it appearing that no other or further notice need be

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² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Motion.

provided; and this Court having reviewed the Motion; and this Court having held hearings to consider the relief requested in the Motion (the "Hearings"), if any; and upon the applicable declarations and the record of the Hearings; and it appearing that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, and all parties in interest; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as to the KEIP, as defined, described, and set forth herein.
2. The KEIP is approved on the terms described in this Order and pursuant to the KEIP Payments and KEIP Metrics attached hereto as **Exhibit 1** (collectively, the "KEIP").
3. The Debtors are authorized to take all actions necessary to implement the KEIP on the terms and conditions set forth in this Order, including, but not limited to, making payments pursuant to the terms of the KEIP, subject to the following clarifying terms and conditions:
 - a. Any KEIP Participant who is terminated by the Debtors for reasons other than negligence, gross misconduct, or fraud shall nonetheless be entitled to any KEIP Payment for a KEIP milestone that was completed before the termination.
 - b. The Debtors are authorized, after consultation with the Committee, to reallocate some or all of any unused KEIP Payment.
 - c. Recovery by Marikay Snyder of any KEIP Payment shall be contingent on the Committee's receipt of detailed insurance-related information substantially in the form requested by the Committee.
 - d. The KEIP Participants, for the duration of their employment by the Debtors, shall reasonably cooperate with reasonable information requests by the Committee or by a

liquidating trustee or litigation trustee appointed under a plan. The Committee reserves the right to seek to compel compliance with this provision and/or seek other reasonable relief, including withholding of any KEIP Payment for such non-compliance.

e. The KEIP Payments, if any, will be paid upon the closing of the four Sales to Petersen Acquisitions LLC, HP Developers, LLC, and entities designated by Bank of Farmington and Hickory Point Bank & Trust as previously authorized by the Court; provided that if the effective date of a confirmed plan occurs after the closure of the four Sales, that portion of the KEIP Payments (tied to the effective date of a confirmed plan) will be made on the plan effective date.

4. The Debtors are authorized to take all actions necessary to implement the KEIP on the terms and conditions set forth in the Order, including, but not limited to, making payments pursuant to the terms of the KEIP.

5. All amounts earned and payable under the KEIP shall have administrative expense priority under sections 105(a), 503(b), and 507(a)(2) of the Bankruptcy Code for all purposes in these Chapter 11 Cases and in any other case under the Bankruptcy Code to which these Chapter 11 Cases may be converted.

6. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor entity; (b) a waiver of the Debtors' or any other party in interest's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Order or the Motion or a finding that any particular claim is an administrative expense or other priority claim; or (e) a waiver or limitation of the rights of any party in interest under the

Bankruptcy Code or any other applicable law.

7. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

8. This Court shall retain jurisdiction to hear and determine all matters arising or related to the implementation or interpretation of this Order.

EXHIBIT 1 – KEIP**KEIP Amounts**

Employee	Role	Total (\$)	Percentage of Salary
Berry, Dannelle	Chief Financial Officer (CFO)	100,000	53%
Currier, Doug	Director of Assisted Living	50,000	26%
Snyder, Marikay	General Counsel	200,000	43%
Wilson, Greg	Director of Senior Nursing Facilities	150,000	46%
	Total	500,000	44%

KEIP Metrics

The KEIP Payment is divided into four KEIP Metrics, with percentages of recovery for each KEIP Metric. Within each KEIP Metric, the amount of recovery to the KEIP Participant will be based on certain milestones as follows:

Weight/Portion of KEIP Payment	Description of KEIP Metric	Milestone Recovery Percentage
25%	The occurrence of a successful closure of the four Sales to Petersen Acquisitions LLC, HP Developers, LLC, and entities designated by Bank of Farmington and Hickory Point Bank & Trust as previously authorized by the Court. Closure is defined to refer to the approval of a change of ownership application.	100% of payment of this portion of the KEIP Payment will be earned if the Sales are closed within 8 months of entry of the July 29 Sale Orders. 75% of payment of this portion of the KEIP Payment will be earned if the Sales are closed within 11 months of entry of the July 29 Sale Orders. 50% of payment of this portion of the KEIP Payment will be earned if the Sales are closed within 14 months of entry of the July 29 Sale Orders.
25%	The occurrence of the effective date of a confirmed chapter 11 plan.	100% of payment of this portion of the KEIP Payment will be earned upon occurrence of the plan effective date within 8 months and one day of entry of the July 29 Sale Orders. 75% of payment of this portion of the KEIP Payment will be earned upon occurrence of the plan effective date within 11 months and one day of entry

Weight/Portion of KEIP Payment	Description of KEIP Metric	Milestone Recovery Percentage
		<p>of the July 29 Sale Orders.</p> <p>50% of payment of this portion of the KEIP Payment will be earned upon occurrence of the plan effective date within 14 months and one day of entry of the July 29 Sale Orders.</p>
25%	The economic transition of all facilities subject to the Sales to Petersen Acquisitions LLC.	<p>100% of payment of this portion of the KEIP Payment will be earned if the economic transition of all facilities subject to the Sales to Petersen Acquisitions LLC are effectuated on or before November 1.</p> <p>75% of payment of this portion of the KEIP Payment will be earned if the economic transition of all facilities subject to the Sales to Petersen Acquisitions LLC are effectuated on or before December 1.</p> <p>50% of payment of this portion of the KEIP Payment will be earned if the economic transition of all facilities subject to the Sales to Petersen Acquisitions LLC are effectuated on or before January 1.</p>
25%	The prompt and effective closure of facilities that are designated for wind down by Petersen Acquisitions, LLC, as agreed by the Debtors. Such closures require, in certain cases, up to 90 days' notice to regulatory authorities, as well as the careful transition of residents to different facilities as part of the closure process.	<p>100% of payment of this portion of the KEIP Payment will be earned if the closure of identified facilities is completed within 1 day of the expiration of the latest notice period prescribed by applicable regulatory authority.</p> <p>75% of payment of this portion of the KEIP Payment will be earned if the closure of identified facilities is completed within 30 days of the expiration of the latest notice period prescribed by applicable regulatory authority.</p> <p>50% of payment of this portion of the KEIP Payment will be earned if the</p>

Weight/Portion of KEIP Payment	Description of KEIP Metric	Milestone Recovery Percentage
		closure of identified facilities is completed within 45 days of the expiration of the latest notice period prescribed by applicable regulatory authority.

EXHIBIT B

Blackline

**IN THE UNITED STATES BANKRUPTCY COURT
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Ref. Dkt. Nos. 739, 740, ~~817~~ [817](#)

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Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), pursuant to sections 105(a), 363(b), and 503(c) of the Bankruptcy Code, authorizing and approving the Debtors' KEIP and KERP; and upon the *Notice of Filing of Revised Key Employee Incentive Plan and Proposed Order Approving Same* [Docket No. ~~817~~], ~~setting forth certain revisions to the KEIP, as more fully described herein~~[817](#)]; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and due and proper notice of the Motion and the hearing thereon having been given as set forth in the Motion; and such notice having been adequate and appropriate under the

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circumstances, and it appearing that no other or further notice need be provided; and this Court having reviewed the Motion; and this Court having held hearings to consider the relief requested in the Motion (the “Hearings”), if any; and upon the applicable declarations and the record of the Hearings; and it appearing that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, and all parties in interest; and after due deliberation and sufficient cause appearing therefor,

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~~e. —The Debtors may modify the dates for any KEIP milestone with the consent of the Committee.~~

c. ~~d.~~ Recovery by Marikay Snyder of any KEIP Payment shall be contingent

on the Committee's receipt of detailed insurance-related information substantially in the form requested by the Committee.

d. ~~e.~~ The KEIP Participants, for the duration of their employment by the Debtors, shall reasonably cooperate with reasonable information requests by the Committee or by a liquidating trustee or litigation trustee appointed under a plan. The Committee reserves the right to seek to compel compliance with this provision and/or seek other reasonable relief, including withholding of any KEIP Payment for such non-compliance.

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interest's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Order or the Motion or a finding that any particular claim is an administrative expense or other priority claim; or (e) a waiver or limitation of the rights of any party in interest under the Bankruptcy Code or any other applicable law.

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