Docket #1576 Date Filed: 06/05/2026
United States Bankruptcy Court
Southern District of Texas
ENTERED
June 05, 2026
Nathan Ochsner, Clerk

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	
	§	**CASE NO: 25-90309**
MODIVCARE INC., *et al.*,	§	
Debtors.	§	**Jointly Administered**
	§	**CHAPTER 11**

ORDER TO SHOW CAUSE (RELATES TO ECF NO. 1055)

I. THE DEBTORS' PLAN AND THE PROFESSIONAL FEE ESCROW.

On August 20, 2025, ModivCare Inc. and its affiliates (collectively the "Debtors" and after the Effective Date, the "Reorganized Debtors") filed voluntary petitions under Chapter 11 of the Bankruptcy Code.[1]

On December 5, 2025, the Debtors filed their Second Amended Chapter 11 Plan (hereinafter the "Plan").[2] On December 15, 2025, the Court entered the Order (I) Confirming Second Amended Joint Chapter 11 Plan of Reorganization of ModivCare Inc. and its Debtor Affiliates and (II) Denying Motions of Official Committee of Unsecured Creditors for Leave, Derivative Standing, and Authority to Commence and Prosecute Certain Causes of Action on Behalf of Debtors' Estates (hereinafter the "Confirmation Order"), confirming the Debtors' Plan.[3] On December 29, 2025, the Plan was substantially consummated and became effective (hereinafter the "Effective Date").[4]

Article II ¶ 2.5 of the Plan contains a provision requiring the Debtors to establish and fund a Professional Fee Escrow as soon as

[1] ECF No. 1.
[2] ECF No. 959.
[3] ECF No. 1055. A copy of the Plan is attached as Exhibit A to the Confirmation Order.
[4] ECF No. 1134.

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reasonably practicable post-Confirmation Date.[5] In particular, Article II ¶ 2.5 of the Plan provides:

> (a) As soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall establish and fund the Professional Fee Escrow with Cash equal to the Professional Fee Claims Estimate. No Liens, Claims, or Interests shall encumber the Professional Fee Escrow or Cash held in the Professional Fee Escrow in any way. Subject to the DIP Orders, the Professional Fee Escrow (including funds held in the Professional Fee Escrow) (i) shall not be and shall not be deemed property of the Debtors, their Estates, or the Reorganized Debtors, and (ii) shall be held in trust for the Professionals; *provided*, that funds remaining in the Professional Fee Escrow after all Allowed Professional Fee Claims have been irrevocably paid in full in cash pursuant to one or more Final Orders of the Bankruptcy Court shall revert to the Reorganized Debtors. Allowed Professional Fee Claims shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow when such Claims are Allowed by an order of the Bankruptcy Court; *provided*, that the Debtors' obligations with respect to Professional Fee Claims shall not be limited nor deemed to be limited in any way to the balance of funds held in the Professional Fee Escrow.
>
> (b) If the amount of funds in the Professional Fee Escrow is insufficient to fund payment in full of all Allowed Professional Fee Claims and any other Allowed amounts owed to Professionals, the deficiency shall be promptly, and, in any event, by no later than five (5) Business Days of the Debtors or the Reorganized Debtors, as applicable, being alerted to such deficiency, funded in Cash to the Professional Fee Escrow from the Debtors' Estates or Reorganized Debtors, as applicable, without any further action or order of the Bankruptcy Court.

[5] *See* Confirmation Order, Ex. A at 19.

> (c) Any objections to Professional Fee Claims shall be served and Filed no later than twenty-one (21) days after Filing of the final applications for compensation or reimbursement.

See Confirmation Order, Ex. A at 19–20 (original emphasis).

II. POST-EFFECTIVE DATE FEE APPLICATION DISPUTES.

On February 9, 2026, Cresa LLC (hereinafter "Cresa") filed the First and Final Fee Application (hereinafter the "Cresa Fee Application").[6]

On February 11, 2026, AlixPartners, LLP filed the Final Fee Application for Allowance and Compensation for Professional Services Rendered and Reimbursement of Expenses (hereinafter the "AlixPartners Fee Application").[7]

On February 12, 2026, White & Case, LLP (hereinafter "White & Case") filed the Final Application for Allowance of Compensation and Reimbursement of Expenses (hereinafter the "White & Case Fee Application" and together with the AlixPartners Fee Application, the "Objected Fee Applications").[8]

On March 4, 2026, the Court entered the Final Order Allowing Compensation and Reimbursement of Cresa, which in effect granted the Cresa Fee Application on a final and uncontested basis.[9]

Also on March 4, 2026, ModivCare TopCo, LLC (hereinafter "TopCo") filed Objections to the AlixPartners Fee Application and the White & Case Fee Application (together, the "Fee Application Objections").[10]

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[6] ECF No. 1272.
[7] ECF No. 1288.
[8] ECF No. 1290.
[9] ECF No. 1348.
[10] ECF Nos. 1351 and 1354, respectively.

On April 3, 2026, Cresa filed the Motion to Enforce the Final Fee Order, Compel Payment of Court-Approved Fees, and for Related Relief (hereinafter the "Motion to Enforce"), seeking enforcement of this Court's prior order granting the Cresa Fee Application.[11]

Also on April 3, 2026, AlixPartners and White & Case both filed Replies to the Fee Application Objections.[12]

Also on April 3, 2026, TopCo filed the Motion to Compel White & Case to Respond to Discovery Requests.[13]

On April 6, the Court held a hearing on the Objected Fee Applications.[14] During the hearing, the Court ordered the Parties to meet and confer regarding a proposed form of order bifurcating the Fee Application Objections into separate legal and factual components.[15] The Court also raised concerns during the hearing about the Reorganized Debtors' compliance with the Confirmation Order, specifically about its obligation to establish a bona fide professional fee escrow account and adequately fund the same. The Court made these comments in light of allegations made in Cresa's Motion to Enforce that despite entry of the final uncontested order allowing Cresa's fees, those funds had not been distributed:

> THE COURT: The other thing that I noticed, there was a motion filed by one of the parties that is the -- I had approved a fee app for them on an uncontested basis, and they haven't been paid. So I don't know how much money -- monies are still owed to White & Case and Alix, but I don't want, you know, to the extent I award additional fees, I don't want there to be any issue with the collection of those fees.[16]

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[11] ECF No. 1412.
[12] ECF Nos. 1411 and 1410, respectively.
[13] ECF No 1409.
[14] ECF No. 1413.
[15] *Transcript for Hearing on April 6, 2026, regarding Objected Fee Applications*, ECF No. 1438 at 5:1–20.
[16] *Id.* at 5:21–25, 6:1–5.

Based on the foregoing and allegations raised in Cresa's Motion to Enforce, the Court suggested it may order that TopCo escrow the difference in AlixPartners and White & Case's disputed fees with the Registry of the Court:

> THE COURT: So I'm inclined to issue an order asking that -- requiring the Debtor to escrow the delta in the fees with the Registry of the Court. So again, Mr. Patterson or Ms. Goott, if you could work with Mr. Zakia, figure out how much is still owed and put that in the Registry of the Court, you know, subject to my court order.[17]

On April 9, 2026, TopCo filed the Emergency Motion for Reconsideration of (I) Order Bifurcating Legal and Factual Issues and (II) Order Requiring Deposit of Funds Into Court's Registry (hereinafter the "Motion to Reconsider").[18] In the Motion to Reconsider, TopCo sought reconsideration of this Court's (i) *sua sponte* order that the Parties work on a proposed form of order to bifurcate the Fee Application Objections, and (ii) suggestion it may require TopCo escrow the delta in disputed fees.[19]

On April 24, 2026, White & Case filed an Objection to TopCo's Motion to Compel.[20]

On April 27, 2026, the Court entered the Joint Stipulated Order consensually resolving Cresa's Motion to Enforce.[21]

On April 28, 2026, White & Case filed an Objection to the Motion to Reconsider.[22]

On April 30, 2026, the Court held a status conference regarding the Fee Application Objections and Motion to Reconsider.[23] During the

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[17] *Id.* at 6:2–9.
[18] ECF No. 1427.
[19] *Id.*
[20] ECF No. 1458.
[21] ECF No. 1461.
[22] ECF No. 1466.
[23] ECF No. 1501.

status conference, the Court ruled it would (i) order TopCo escrow the disputed fees, (ii) enter the proposed bifurcation order previously filed by White & Case, and (iii) carry the Motion to Reconsider as an objection.[24] In addition, the Parties and Court had the following colloquy:

> MR. ZAKIA: Can I ask one question?
>
> THE COURT: Yeah.
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> MR. ZAKIA: And Mr. Patterson doesn't answer to me, so I'll ask the Court if you would -- as we raised in our briefing, I think that money was already supposed to be escrowed. We were unclear as to whether that happened or not, and I don't know if the Court's interested in that answer, but we'd be interested in that answer.
>
> THE COURT: Is that money set aside?
>
> MR. PATTERSON: It is set aside. I checked with my client this morning. There was -- there is a deficiency --
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> THE COURT: There's a provision in the Order that says it's set aside in a separate bank account.
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> MR. PATTERSON: I'm not sure the [P]lan is that specific, but it is set aside. I can't tell you it's a --
>
> THE COURT: Okay.
>
> MR. PATTERSON: -- separate account, but I think it is. I think it's an escrow account, because I got accounting on it this morning.[25]

The Court entered the Order Requiring the Reorganized Debtors to Deposit Funds in Escrow With the Court (hereinafter the "Escrow Order") the same day.[26]

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[24] *Transcript for Hearing on April 30, 2026, regarding Status Conference on Fee Application Objections*, ECF No. 1511 at 4:4–21.

[25] *Id.* at 26:1–20.

[26] ECF No. 1502.

On May 1, 2026, TopCo filed an appeal of the Escrow Order.[27]

On May 7, 2026, TopCo filed the Emergency Motion to Stay Pending Appeal of the Escrow Order.[28]

On May 9, 2026, the Court entered the Scheduling and Bifurcation Order.[29]

On May 11, 2026, White & Case filed the (I) Emergency Motion for Entry of an Order Finding TopCo in Civil Contempt, and (II) Emergency Objection to TopCo's Motion to Stay Pending Appeal (hereinafter the "Motion for Contempt").[30] In the Motion for Contempt, White & Case made concerning allegations the Reorganized Debtors had theretofore failed to comply with the terms of the Confirmation Order, by *inter alia* failing to establish a bona fide professional fee escrow account and failing to adequately fund the same.[31] The Motion for Contempt also made allegations the Reorganized Debtors had failed to comply with the terms of the Escrow Order after entry of the same.[32]

On May 20, 2026, the Court held a hearing on the Motion to Stay Pending Appeal and Motion for Contempt.[33] During counsel's opening statement regarding TopCo's Motion for Stay Pending Appeal, counsel represented to the Court that "the [professional fee escrow] account was set up months before confirmation, months before the effective date and the money was sitting there[.]"[34] The Court then asked:

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[27] ECF No. 1506.
[28] ECF No. 1518.
[29] ECF No. 1520.
[30] ECF No. 1521.
[31] *Id.* at 2–5 ¶¶ 1–8.
[32] *Id.*
[33] ECF No. 1536.
[34] *Transcript for Hearing on May 20, 2026, regarding Hearing on the Motion to Stay Pending Appeal and Motion for Contempt*, ECF No. 1554 at 6:19–21. TopCo argues that it was not possible to comply with the Escrow Order because the Order requires TopCo to deposit the disputed funds with the Court's Registry on or before April 14, 2026, despite the Order itself being entered April 30, 2026. ECF No. 1518 at 10 ¶ 43; ECF No. 1502. Without ruling on the merits of TopCo's Motion to Reconsider and Motion to Stay Pending Appeal, the Reorganized Debtors' inability to comply with

> THE COURT: Well, I asked you at the hearing if the money was escrowed and you said there wasn't a requirement to escrow it.
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> MR. PATTERSON: No, I don't think that's what I said. I wouldn't --
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> THE COURT: Well --
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> MR. PATTERSON: -- say that --
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> THE COURT: -- it certainly --
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> MR. PATTERSON: -- there was --
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> THE COURT: -- didn't give me any comfort that the money was escrowed.
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> MR. PATTERSON: I think I told you I wasn't sure because I hadn't asked that particular question. And quite frankly, I wasn't going to tell you it was unless I knew for sure whether it was or it wasn't. That's my recollection. I don't think I would tell you that it wasn't required because the [P]lan provides for the professional fee escrow account. I think what my -- I think what I said was I wasn't sure because I didn't have the detail, and that's what I told you, I believe.
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> (Participants confer)
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> THE COURT: I'll go back and look at the transcript
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> MR. PATTERSON: Right.[35]

Later, counsel for White & Case detailed allegations that on April 10, 2026, the Reorganized Debtors transferred approximately $3.5 million out of the purported professional fee escrow account to a non-estate professional affiliate, simultaneously leaving that account underfunded

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the terms of the Escrow Order has no bearing on the Reorganized Debtors' failure to comply with the terms of the Confirmation Order.

[35] *Transcript for Hearing on May 20, 2026, regarding Hearing on the Motion to Stay Pending Appeal and Motion for Contempt*, ECF No. 1554 at 6:22–25, 7:1–19.

by more than $1 million.[36] Counsel also alleged the Reorganized Debtors had failed to comply with the terms of the Confirmation Order at least until the Court entered the Escrow Order on April 30, 2026.[37]

Considering these allegations, the Court asked TopCo's counsel whether he could explain why the $3.5 million was transferred out of the professional fee escrow account to a non-estate professional affiliate on April 10, leaving the account underfunded.[38] Counsel responded:

> MR. PATTERSON: Well, number one, no, I can't. I'll look at it, but I'm not aware of any -- I -- look, I understand why White & Case wants to make this about the [P]lan. There's nothing about the [P]lan that is set for today or was any of the -- in the motion. It -- just every time we come, without pleadings, without allegations, it feels like everyone is searching for a piece or a bit to determine whether the [R]eorganized Debtors are complying. But the fact is no professional has not been paid. There hasn't been any order --
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> THE COURT: Mr Patterson --
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> MR. PATTERSON: Yes.
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> THE COURT: -- please answer my question.
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> MR. PATTERSON: I --
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> THE COURT: I mean --
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> MR. PATTERSON: I believe I did. I have no idea. I wasn't --
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> THE COURT: Okay.
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> MR. PATTERSON: -- prepared to --

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[36] *Id.* at 12:3–14.
[37] *Id.* at 12:15–19.
[38] *Id.* at 12:6–14.

> THE COURT: All right. So --
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> MR. PATTERSON: -- answer off the escrow account.
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> THE COURT: All right. All right. We're going to have an evidentiary hearing on the [M]otion for [C]ontempt because I find this to be a very serious breach of the [C]onfirmation [O]rder.
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> MR. PATTERSON: I'm sorry. The --
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> THE COURT: And I'm not going to --
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> MR. PATTERSON: A contempt of the [C]onfirmation [O]rder or contempt of the [E]scrow [O]rder or which?
>
> THE COURT: Of the [C]onfirmation [O]rder.
>
> MR. PATTERSON: Okay.
>
> THE COURT: And --
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> MR. PATTERSON: So that would --
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> THE COURT: And -- yes. Yeah. So I'm going to give you notice and we'll set it up. But moving the three and a half million dollars out of that account to an affiliate on an order that you're not -- that you're not on an account – it wasn't an escrow account. If you control it, it's not an escrow account. And then moving it out and leaving it underfunded until the day we -- until the day I entered the order, you know, that [] sounds like you're just violating the [C]onfirmation [O]rder right and left.[39]

Based on the foregoing, the Reorganized Debtors are hereby:

ORDERED to show cause why they should not be held in civil contempt for alleged violations of this Court's Confirmation Order; it is further

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[39] *Id.* at 18:21–25, 19:1–25, 20:1–12.

ORDERED that the Parties confer and schedule an evidentiary hearing with respect to this Show Cause Order; it is further

ORDERED that the Reorganized Debtors' CEO or such other responsible officer with full authority to bind the Reorganized Debtors appear at said hearing; it is further

ORDERED that all pending hearings with respect to the Fee Application Objections are cancelled pending the contempt hearing; it is further

ORDERED that failure to appear or provide the required evidence and witnesses may result in an adverse finding against the Reorganized Debtors with respect to White & Case's Motion for Contempt, in addition to potential monetary sanctions or other relief the Court deems proper following the conclusion of the hearing.

SIGNED 06/05/2026

Alfredo R Pérez
United States Bankruptcy Judge