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*Proposed Counsel for the Debtors and
 Debtors-in-Possession*

**IN THE UNITED STATES BANKRUPTCY COURT
 NORTHERN DISTRICT OF TEXAS
 FORT WORTH DIVISION**

In re:)	
)	Chapter 11
)	
INSPIRED HEALTHCARE CAPITAL)	Case No. 26-90004 (MXM)
HOLDINGS, LLC, <i>et al.</i> ¹)	
)	(Joint Administration Requested)
Debtors.)	(Emergency Hearing Requested)
)	

**DEBTORS' AMENDED EMERGENCY MOTION FOR
 ENTRY OF AN ORDER (I) AUTHORIZING THE
 DEBTORS TO (A) SATISFY PREPETITION EMPLOYEE
 COMPENSATION AND BENEFIT OBLIGATIONS AND (B) CONTINUE
 THEIR EMPLOYEE PROGRAMS, POLICIES, AND PROCEDURES IN
 THE ORDINARY COURSE; AND (II) GRANTING RELATED RELIEF**

¹ The last four digits of Inspired Healthcare Capital Holdings, LLC's federal tax identification number are 6696. There are 161 Debtors in these chapter 11 cases, which are being jointly administered for procedural purposes only. A complete list of the Debtors and the last four digits of their federal tax identification numbers are not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://dm.epiq11.com/InspiredHealthcare>. The Debtors' mailing address is 7033 East Greenway Parkway, Suite 250, Scottsdale, AZ 85254.

EMERGENCY RELIEF HAS BEEN REQUESTED. RELIEF IS REQUESTED NOT LATER THAN 3:00 P.M. (CT) ON FEBRUARY 4, 2026.

IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST APPEAR AT THE HEARING IF ONE IS SET, OR FILE A WRITTEN RESPONSE PRIOR TO THE DATE THAT RELIEF IS REQUESTED IN THE PRECEDING PARAGRAPH. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

A VIRTUAL HEARING WILL BE CONDUCTED ON THIS MATTER ON FEBRUARY 4, 2026 AT 3:00 P.M. (CT) IN ROOM 128, U.S. COURTHOUSE, 501 W. TENTH STREET, FORT WORTH, TEXAS, 76102.

YOU MAY PARTICIPATE IN THE HEARING EITHER IN PERSON OR BY AN AUDIO AND VIDEO CONNECTION.

AUDIO COMMUNICATION WILL BE BY USE OF THE COURT'S DIAL-IN FACILITY. YOU MAY ACCESS THE FACILITY AT 1-650-479-3207, MEETING ID: 2310-650-8783. VIDEO COMMUNICATION WILL BE BY THE USE OF THE CISCO WEBEX PLATFORM. CONNECT VIA THE CISCO WEBEX APPLICATION OR CLICK THE LINK ON JUDGE MULLIN'S HOME PAGE. CLICK THE SETTINGS ICON IN THE UPPER RIGHT CORNER AND ENTER YOUR NAME UNDER THE PERSONAL INFORMATION SETTING.

Inspired Healthcare Capital Holdings, LLC ("Holdings") and certain of its affiliates and subsidiaries, as debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), hereby move (the "Motion") for entry of an order, substantially in the form attached hereto as **Exhibit A** (the "Proposed Order"), granting the relief described below. In support thereof, the Debtors rely upon the *Declaration of M. Benjamin Jones in Support of Chapter 11 Petitions and First Day Pleadings* (the "First Day Declaration"),² filed contemporaneously herewith. In further support of the Motion, the Debtors respectfully represent as follows:

² Capitalized terms used but not otherwise defined in this Motion shall have the meanings ascribed to them in the First Day Declaration.

RELIEF REQUESTED

1. By this Motion, the Debtors respectfully request entry of the Proposed Order (a) authorizing, but not directing, the Debtors to (i) pay and remit any prepetition claims on a postpetition basis, as applicable, relating to Employee Compensation Obligations and Employee Benefit Obligations (each as defined below, and collectively, the “Workforce Obligations”), including related expenses, fees, and costs incident to the Workforce Obligations, and including amounts owed to third-party service providers, administrators, and tax authorities, and (ii) maintain, continue to honor, and pay amounts related to or on account of the Workforce Obligations on a postpetition basis in the ordinary course of business, as such business practices, programs, policies, and procedures giving rise to the Workforce Obligations may be modified, supplemented, or discontinued from time to time in the ordinary course of business; and (b) granting related relief.

2. The Debtors also request that the Proposed Order authorize the Debtors’ banks and other financial institutions (collectively, the “Banks”)³ to receive, process, honor, and pay any and all checks and other forms of payment drawn on the Debtors’ bank accounts, including fund transfers and electronic payment requests, to the extent they relate to any of the foregoing and to rely on the Debtors’ direction to pay amounts authorized under the Motion, provided that sufficient funds are available in the applicable accounts to make such payments.

3. The relief sought in the Proposed Order is discussed in further detail below and summarized in the following chart:

³ A description of the Banks is set forth in the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Their Existing Cash Management System and Maintain Their Existing Bank Accounts, (B) Continue to Perform Intercompany Transactions, and (C) Maintain Existing Business Forms and Books and Records; and (II) Granting Related Relief* (the “Cash Management Motion”) filed contemporaneously herewith.

Workforce Obligations ⁴	Estimated Prepetition Amount Outstanding
<u>Employee Compensation Obligations</u>	
Wages	\$754,000
Incentive Programs	\$252,300
Withholding Obligations	\$119,000
Employer Payroll Taxes	\$55,000
Payroll Administration Fees	\$13,300
Contractor Obligations	\$36,000
Employment Agency	\$14,400
Third-Party Manager Employee Expenses	\$3,400,000
Subtotal:	\$4,644,000
<u>Employee Benefit Obligations</u>	
Medical Plans	\$18,000
Dental Plans	\$2,200
Vision Plans	\$570
Basic Life, AD&D, and Disability Insurance Plans	\$1,000
Supplemental Insurance Plan	\$320
Employee Assistance Programs	\$350
FSA/HSA Program	\$2,800
COBRA Benefits	\$200
Employee Leave Benefits	\$85,000
Retirement Benefits	\$275,000
Reimbursable Expenses	\$700
Cell Phone Program	\$613
Subtotal:	\$386,753
Total:	\$5,030,753

JURISDICTION AND VENUE

4. The Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the *Order of Reference of Bankruptcy Cases and Proceedings Nunc Pro Tunc* dated August 3, 1984, entered by the United States District Court for the Northern District of Texas.

⁴ The Debtors are not seeking authority pursuant to this Motion to pay any amount in excess of the statutory priority caps imposed by sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code.

This matter is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and the Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

5. The legal predicates for the relief requested in this Motion are sections 105(a), 363, 503(b), 507(a), 541, 1107(a), and 1108 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 1007-1(d) of the Local Bankruptcy Rules for the Northern District of Texas (the “Local Rules”), and Section B.8(a) of the *Procedures for Complex Cases in the Northern District of Texas*, effective February 6, 2023 (the “Complex Case Procedures”).

6. The Debtors confirm their consent to the entry of a final order by the Court in connection with the Motion in the event that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

BACKGROUND

I. The Chapter 11 Cases

7. On the date hereof (the “Petition Date”), each Debtor commenced a case by filing a petition for relief under chapter 11 of the Bankruptcy Code (collectively, the “Chapter 11 Cases”) in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the “Court”). Contemporaneously herewith, the Debtors have requested procedural consolidation and joint administration of the Chapter 11 Cases pursuant to Bankruptcy Rule 1015(b). The Debtors continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

8. To date, the Office of the United States Trustee for Region 6 (the “U.S. Trustee”) has not appointed an official committee in these Chapter 11 Cases, nor has any trustee or examiner been appointed.

9. Additional information regarding the Debtors and these Chapter 11 Cases, including the Debtors' business operations, capital structure, financial condition, and the reasons for and objectives of these Chapter 11 Cases, is set forth in the First Day Declaration.

II. The Debtors' Workforce

A. Employees

10. As defined in and further described in the First Day Declaration, the Debtors develop Communities and subsequently lease the Communities to "Master Tenants" that operate and serve as a clearinghouse for the Communities. The Master Tenant enters into sub-management agreements (the "Sub-Management Agreements") with third-party managers (the "Third-Party Managers") that manage the day-to-day operations of the Communities. The Debtors' workforce across their business comprises a total of approximately 1,950 employees, (the "Employees") which can be categorized as follows:

- (a) Approximately 15 full-time salaried Employees employed by Inspired Healthcare Capital, LLC at the national level that provide management and administrative services;
- (b) Approximately 600 Employees at the Community level that are Debtor Employees consisting of 585 full-time Employees and 15 part-time Employees; and
- (c) Approximately 1,335 Employees of Third-Party Managers

11. The majority of the Employees are employed by the Third-Party Managers directly, with these Employees receiving their W-2 or 1090 forms, as applicable, from the Third-Party Managers.⁵ These Employees' wages and benefits are paid by the Third-Party Managers from the

⁵ The third-party managers include Orchard at Athens II LLC, Orchard at Brookhaven II, LLC, Blake Management Group LLC, RSC Eatonton Management, LCC, Capri Communities, LLC, Blue Ridge Senior Housing, LLC, LCB Senior Living, LLC, IntegraCare Easton, LLC, Thrive Senior Living LLC, and Leisure Care, LLC. Additional information regarding the third-party managers is set forth in *Debtors' Emergency Motion for Entry of Order (I) Authorizing the Debtors to (A) Honor and Incur Obligations to Third-Party Managers and (B) Obtain New Third-Party Management Agreements, (II) Extending Statutory Protections to Third-Party Managers, and (III) Granting Related Relief* [Docket No. 13] (the "Third-Party Management Motion").

receipts of funds at the applicable Community. Through this Motion and the Third-Party Management Motion, the Debtors seek the authority to honor the Debtors' obligations to the Third-Party Managers in the ordinary course of business.

12. However, approximately 600 of the Employees are employed by a Debtor through a legacy business line under Volante Senior Living, LLC ("Volante Senior Living"), which was formed by the Debtors as a captive management company. In July 2025, the Debtors shifted all management services from Volante Senior Living to the Third-Party Managers. However, at 11 Communities, the Third-Party Manager is serving as a consultant, and the Debtors continue to directly employ the approximately 600 Employees for those Communities.

13. The Employees are the lifeblood of the Debtors' operations and are critical to their ability to deliver high-quality and value-based health and wellness care to their residents. The Employees are distinctly familiar with the Debtors' services, practices, processes, and systems and possess specialized knowledge, skills, or experience that cannot be easily replaced.

B. Independent Contractors and Contractor Obligations

14. In addition to the Employees, the Debtors also use the services of approximately 4 independent contractors who are engaged through various agreements as contractors, consultants, and third-party service providers (collectively, the "Independent Contractors"). The Company's Independent Contractors have agreements directly with the Company and are paid on a monthly basis with a composite monthly average of approximately \$56,000. As of the Petition Date, the Debtors estimate that they have incurred approximately \$36,000 in accrued and unpaid obligations to the Independent Contractors (the "Contractor Obligations"). The Debtors rely on the Independent Contractors to provide important specialized services, including accounting and finance services. Given the institutional knowledge possessed by the Independent Contractors and the value they provide to the Debtors' business, it is important for the Debtors, as well as their

residents, to maintain existing arrangements with the Independent Contractors in the ordinary course of business on a postpetition basis. The Debtors request authority, but not direction, to continue to pay the Contractor Obligations in the ordinary course of business postpetition and continue to utilize the Independent Contractors, as necessary or appropriate in the ordinary course of business.

C. Employment Agency

15. To obtain specialized accounting services, the Debtors obtain the services of a supplemental employee (the “Agency Worker”) from Roth Staffing Companies, L.P. d/b/a Ledgent Financing & Accounting (the “Employment Agency”), which is a staffing agency. The Employment Agency invoices the Debtors based upon the number of hours worked by the Agency Worker and, in turn, the Employment Agency pays the Agency Worker’s wages and other amounts to which the Agency Worker is entitled. Historically, on average, the Debtors have paid the Employment Agency approximately \$3,600 a week for the Agency Worker. As of the Petition Date, the Debtors estimate that they have incurred approximately \$14,400 in accrued and unpaid obligations to the Employment Agency (the “Agency Worker Obligations”). The Debtors request authority, in their discretion, to continue to pay the Employment Agency in the ordinary course of business postpetition and continue to utilize the Agency Worker provided by the Employment Agency, as necessary or appropriate in the ordinary course of business.

D. Third-Party Manager Employees

16. As discussed above, the Third-Party Managers directly employ their own employees (the “Third-Party Manager Employees”) pursuant to the terms of the Sub-Management Agreements. Each of the Third-Party Managers use the cash receipts of the applicable Community they manage to pay their Employees. The Third-Party Manager Employees are crucial for the ongoing operations of the Communities where they are employed.

III. Employee Compensation Obligations

17. As of the Petition Date, the Debtors estimate that they have, in the aggregate, approximately \$1,244,000 in outstanding prepetition obligations related Wages, Incentive Programs, Withholding Obligations, Employer Payroll Taxes, Payroll Administration Fees, Contractor Obligations, and Employment Agency (collectively, the “Employee Compensation Obligations”),⁶ as described more fully below.

A. Wages

18. In the ordinary course of business, the Debtors incur and pay obligations relating to Employees’ salaries and wages (collectively, the “Wages”).⁷ The national level Employees are paid on a semi-monthly basis while Volante Senior Living’s Employees are paid on a bi-weekly basis. As part of ordinary course practices, certain of the Debtors offer standard annual merit-based raises related to Wages, based on an Employee’s performance during the preceding performance year.

19. The Debtors’ average payroll cost has been approximately \$2,800,000 per month, including, but not limited to, Wages, payroll, federal, local and state taxes, deductions, reimbursements, and various administrative fees. The most recent regularly scheduled payroll cycle for Volante Senior Living’s and the national level Employees ended January 24, 2026, and January 31, 2026, respectively. As of the Petition Date, the Debtors estimate that they have incurred approximately \$754,000 in accrued and unpaid Wages to the Employees.

⁶ The Third-Party Manager Employees receive benefits from the Third-Party Managers, which use the cash receipts of the Communities to pay such benefits. These amounts are included in the estimate in paragraph 21 below.

⁷ Wages include the payment of overtime. Generally, all hourly non-exempt Employees are compensated for all hours actually worked in excess of 40 hours in any one workweek at a rate of not less than one and one-half times the Employee’s regular hourly rate of pay, unless otherwise required by applicable law.

20. Given that the Debtors' business is primarily centered around providing treatment and care to residents at the Communities, the Employees are the lifeblood of the Debtors' business and essential to go-forward operations. Failure to pay the unpaid Employee Compensation Obligations would result in financial hardship for many Employees and likely would lead to decreased morale and/or numerous departures across the Debtors' organization, thereby putting the health and safety of the Debtors' patients and residents at risk. In light of the central role played by the Employees in the operation of the Debtors' business, and the costs, difficulties, and attendant risks associated with filling sudden vacancies—particularly those roles requiring specialized skills and training or familiarity with the Communities—the Debtors seek authority to make payments on account of unpaid Wages to Employees and to continue to pay Employee Wages in the ordinary course of business postpetition consistent with past practices during the administration of these Chapter 11 Cases.

B. Third-Party Manager Obligations

21. In the ordinary course of business and pursuant to the Sub-Management Agreements, the Debtors incur and pay obligations relating to the operations of the Communities, including costs related to the Third-Party Manager Employees for their role in managing the Communities. Historically, on average, the Third-Party Managers have paid wages, benefits, and related costs to the Third-Party Manager Employees of approximately \$6.25 million a month from cash receipts at the Community level. As of the Petition Date, the Debtors estimate that the Third-Party Managers have incurred approximately \$3.4 million in accrued and unpaid obligations to the Third-Party Manager Employees on account of their obligations to the Third-Party Manager Employees (the "Third-Party Manager Employee Obligations"), which ultimately are an obligation of the Debtors. The Debtors request authority, in their discretion, to continue to pay the

Third-Party Manager Employer Obligations, including those that have accrued prior to the Petition Date, and to continue such payments in the ordinary course of business.

C. Incentive Programs

22. To effectively align Employee incentives with the Debtors’ performance and ensure adequate compensation, the Debtors have developed various discretionary incentive and bonus programs to eligible non-insider Employees, as described below (the “Incentive Programs”).

The Incentive Programs are grouped into the following categories:

Bonus	Eligible Employees	Description	Estimated Prepetition Amount
Executive Director Bonus Program	Executive Directors	Executive directors in each of the Communities are eligible for a bonus of up to 20% of their annual salary. This annual bonus depends on the Community achieving net operating income targets as well as quarterly targets.	\$200,000
Community-Level Bonuses	Participation and plans vary by Community.	Created to incentivize rank and file employees, these incentive plans may include referral bonuses, pick-up shift bonuses, census bonus programs, and a supplemental bonus in the form of an employee recognition-type bonus.	\$52,300

23. Payment of amounts owed under the Incentive Programs are essential for maintaining Employee morale and the failure to make such payments may cause Employees to resign their position at the Debtors. As of the Petition Date, the Debtors estimate that they have incurred approximately \$252,300 in accrued and unpaid amounts on account of the Incentive Programs. Accordingly, the Debtors seek authority, in their discretion, to pay any prepetition amounts owed on account of the Incentive Programs and continue honoring the Incentive Programs

in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

24. Importantly, however, by the Motion, the Debtors do not request authorization to make any bonus or severance payments to any “insider” as the term is defined in Bankruptcy Code section 101(31). Consequently, the Debtors submit that Bankruptcy Code section 503(c) does not apply to the relief requested herein.

D. Withholding Obligations and Employer Payroll Taxes

25. During each applicable payroll period, the Debtors, with assistance from their Payroll Servicers (as defined below), routinely deduct certain amounts from the Employees’ paychecks, including pre-tax and after-tax deductions payable pursuant to certain Employee benefit plans discussed below, such as an Employee’s share of health care benefits and insurance premiums and other miscellaneous deductions including various garnishments, such as tax levies, child support, other court-ordered garnishments and 401(k) contributions (collectively, the “Deductions”) and forward such amounts to various third-party recipients. The total amount of Deductions may fluctuate from month to month based on the Employees’ benefit elections. The total amount of Deductions during the month of December 2025 was approximately \$130,000.

26. In addition to the Deductions, the Debtors are required by law to withhold from Employees’ paychecks amounts related to federal and state income taxes, Social Security and Medicare taxes (collectively, the “Employee Withholding Taxes” and together with the Deductions, the “Withholding Obligations”) and remit them to the appropriate taxing authorities. As of the Petition Date, the Debtors estimate that they have incurred approximately \$119,000 in accrued and unpaid amounts on account of the Withholding Obligations.

27. The Debtors are also required by law to make payments from their own funds related to federal and state income taxes, Social Security and Medicare taxes, and any additional amounts to the taxing authorities for, among other things, state and federal unemployment insurance and other state programs (the “Employer Payroll Taxes”). As of the Petition Date, the Debtors estimate that they have incurred approximately \$55,000 in accrued and unpaid amounts on account of the Employer Payroll Taxes.

28. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts with respect to Withholding Obligations and Employer Payroll Taxes and continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

E. Payroll Administration Fees

29. In the ordinary course of business, to efficiently manage the processing and payment of the various obligations described above, the Debtors rely on ADP, Inc. (“ADP”) and The S2 HR Group, LLC d/b/a Engage PEO (“Engage PEO” and, together with ADP, the “Payroll Servicers”) to provide payroll processing, tax computation, payment preparation, payroll transfer administration, and various administrative and miscellaneous services. The Payroll Servicers are paid fees for such services (the “Payroll Administration Fees”).

30. Each payroll period, two (2) days before payroll is due, the Payroll Servicers debit the Debtors’ payroll bank account in the amounts necessary to satisfy the Debtors’ payroll obligations. The Payroll Servicers then process direct deposit transfers or physical checks to certain Employees approximately two (2) business days later. The majority of Employees elect to receive payment by direct deposit. The services that the Payroll Servicers provide are critical to the smooth functioning of the Debtors’ payroll system. The Payroll Servicers are responsible for ensuring that (a) the Employees paid through direct deposit are paid on time, (b) appropriate

deductions are made, (c) payroll reporting is accurate, and (d) appropriate amounts are remitted to the applicable taxing authorities and other payees. Importantly, compensation is administered via direct deposit to Employees from the Debtors' designated bank accounts. This payroll process is also managed using the Payroll Servicers' software platforms.

31. On average, the Payroll Administration Fees total approximately \$50,000 per month. As of the Petition Date, the Debtors estimate they have incurred approximately \$13,300 in accrued and unpaid amounts on account of the Payroll Administration Fees. The Debtors submit that the postpetition use of the Payroll Servicers is in the best interests of the Debtors' estates, as their services are necessary to avoid delay or interruption in the remittance of the Employer Payroll Taxes. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid Payroll Administration Fees and continue honoring the Payroll Administration Fees in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

IV. Employee Benefit Obligations

32. In the ordinary course of business, the Debtors maintain various employee benefit plans and policies, including, the Health Benefit Plans, Basic Life, AD&D, and Disability Insurance Plans, the Supplemental Insurance Plan, Employee Assistance Programs, FSA/HSA Program, COBRA Benefits, Employee Leave Benefits, Retirement Benefits, Reimbursable Expenses, and the Cell Phone Program (collectively, the "Employee Benefit Obligations" incurred under the "Employee Benefit Programs"). The Employee Benefit Programs are, in each case, available to all Employees who work the requisite hours per week for a given benefit or who otherwise satisfy the eligibility requirements for any Employee Benefit Program (the "Eligible Employees" and, with respect to each plan or program in which they participate, the "Plan Participants").

33. The Debtors believe continuing to honor their obligations under the Employee Benefits Programs, particularly those related to healthcare, is essential for their Employees, underscores the high value they place on their Employees' welfare, and maintains the viability of the Debtors' workforce on a go-forward basis.

34. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid Employee Benefit Obligations and continue honoring the Employee Benefit Programs in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases, subject to the Debtors' ability to modify or discontinue any Employee Benefit Programs in their discretion and to reduce applicable costs, the scope of benefits provided, or reporting periods permitted thereunder.

A. Health Benefit Plans

35. Eligible Employees may participate in a number of health and welfare programs, including the Medical Plans, the Vision Plans, and the Dental Plan (each as defined below and, collectively, the "Health Benefit Plans"). With respect to Eligible Employees who are terminated, the Debtors also subsidize or continue to provide health benefits, including benefits provided under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA").

36. Eligible Employees may enroll in the Health Benefit Plans and choose providers (the "Health Benefits Providers") through the Debtors' plan administrators, Cigna Health and Life Insurance Company ("Cigna") or Engage PEO (collectively, the "TPAs"). SSA Insurance Services serves as the Debtors' broker for certain of the Debtors' employees and assists the Debtors in procuring programs for the Employee Benefit Programs.

37. The TPAs provide a wide range of benefits (the "Health Benefits") through the Health Benefit Plans, and the Eligible Employees may select an insurance carrier and coverage

level depending on their personal needs (*i.e.*, individual, family, etc.). The Debtors pay the TPAs directly per each Employee who enrolls in coverage.

38. The Health Benefit Plans are administered through preferred provider organizations that offer Employees and their families enhanced benefits when using a preferred doctor, dentist, pharmacy, or other healthcare provider. On average, the Debtors spend approximately \$168,000 per month on premium payments for Health Benefits Plans. The Debtors' contribution ranges from approximately 10-100% of the Employees' monthly premium, dependent on the plan, tier, type of employee and number of dependents covered. The remaining portion, if any, is withheld from the Employee's paycheck and remitted to the applicable plan provider on the Plan Participants' behalf.

39. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts on account of the Health Benefit Plans and to continue to pay Health Benefits premiums, including any administrative fees, as they come due in the ordinary course of business and consistent with the Debtors' past practices.

i. Medical Plans.

40. The Debtors offer medical health insurance coverage to Eligible Employees through Cigna or Gravie, Inc. ("Gravie") (collectively, the "Medical Plans"), which include a prescription drug benefit program. Approximately 115 Employees are enrolled in the Medical Plans.

41. The Medical Plan through Gravie provides administrative services under an individual coverage health reimbursement arrangement ("ICHRA") for Volante Senior Living's Employees. Under the ICHRA, Eligible Employees have the option to choose between different tiers of coverage for their Medical Plans or to seek their own individual health insurance on the health insurance exchange, with the Debtors contributing approximately 75% of the cost through

the ICHRA. The Debtors pay approximately \$67,200 per month for contributions through the ICHRA. The Debtors also pay Gravie a monthly administrative fee of approximately \$10,000.

42. For Employees eligible for the Cigna Medical Plan, there are different tiers that differ in deductible amount, out-of-pocket maximum amount, certain in-network benefits, and prescription drug coverage, among other benefits. Holding's Medical Plans under Cigna are level-funded plans, with the Debtors (a) paying fixed premiums to its TPAs who administer the Medical Plans and (b) being responsible to pay for claims that are below the stop loss amount of the policy. If the estimated claims under the Medical Plans are lower than expected, the Debtors will receive a refund of 50% of the savings from the fixed premiums that it paid. The Debtors estimate on average they pay monthly premiums and directly fund monthly claims of approximately \$18,000 on account of the Medical Plans.

43. As of the Petition Date, the Debtors estimate they have incurred approximately \$18,000 in accrued and unpaid amounts on account of premiums for the Medical Plans. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts on account of the Medical Plans and continue honoring the Medical Plans in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

ii. Dental Plans.

44. Similarly, the Debtors offer Eligible Employees the option to participate in a dental insurance plan through MetLife, Inc. ("MetLife") or Cigna (collectively, the "Dental Plans"). Approximately 170 Eligible Employees are enrolled in the Dental Plans. The Debtors estimate on average they pay approximately \$7,200 on account of monthly premiums for the Dental Plans. As of the Petition Date, the Debtors estimate they have incurred approximately \$2,200 in accrued and unpaid amounts on account of premiums for the Dental Plans. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts on account of the Dental Plans and

continue honoring the Dental Plans in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

iii. Vision Plans.

45. The Debtors offer vision insurance through Cigna or Metlife (collectively, the "Vision Plans"). The Debtors pay the premium for certain Employees, with all other Eligible Employees who choose to participate in the Vision Plans being responsible for the full cost. As of the Petition Date, the Debtors estimate they have incurred approximately \$570 in accrued and unpaid amounts on account of premiums for the Vision Plans. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts on account of the Vision Plans and continue honoring the Vision Plans in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

B. Basic Life, AD&D, and Disability Insurance Plans.

46. In the ordinary course of business, the Debtors provide all Eligible Employees, through Principal Benefits ("Principal") or Metlife, a basic life insurance, accidental death and dismemberment, and short term and long-term disability plans (collectively, the "Basic Life, AD&D, and Disability Insurance Plans"). Under the Basic Life, AD&D, and Disability Insurance Plans, Employees receive coverage ranging from \$10,000 to \$300,000, with the option to elect additional voluntary coverage up to \$500,000. Spousal coverage ranges from \$5,000 to \$100,000, and dependent coverage ranges from \$5,000 to \$10,000. Premiums, which are payable on the first day of each month, vary depending on the number of Employees enrolled. The Debtors cover 100% of participating Employees' premiums for the Basic Life, AD&D, and Disability Insurance Plan.

47. The average monthly cost to the Debtors for providing the Basic Life, AD&D, and Disability Insurance Plans to Plan Participants is approximately \$2,700. The Debtors estimate that

they owe approximately \$1,000 in prepetition amounts with respect to the Basic Life, AD&D, and Disability Insurance Plans, inclusive of past balances carried forward as well as accrued amounts as of the Petition Date. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid amounts on account of the Basic Life, AD&D, and Disability Insurance Plans and continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

C. Supplemental Insurance Plans

48. In the ordinary course of business, Eligible Employees have the option to voluntarily participate in a supplemental life insurance plan and/or a supplemental disability insurance plan through Principal or Metlife (collectively, the “Supplemental Insurance Plans”). Eligible Employees have the option to purchase Supplemental Insurance Plans at their own expense, with the applicable premiums deducted from their payroll. The Debtors also purchase supplemental insurance under the Supplemental Insurance Plans for certain Eligible Employees as part of their compensation package. As of the Petition Date, the Debtors estimate that they have incurred approximately \$320 in accrued and unpaid amounts with respect to the Supplemental Insurance Plans. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid amounts on account of the Supplemental Insurance Plans and continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

D. Employee Assistance Programs

49. In the ordinary course of business, the Debtors also provide all Employees additional benefits that provide discounts and rewards for travel, entertainment, dining, and retail services. The rewards can be used for additional discounts with participating businesses (the “Working Advantage Program”). Additionally, the Debtors provide access to a nationwide

network of health advocates to assist with healthcare issues, such as interpreting diagnoses, coordinating care, resolving billing matters, and assisting with identifying in-network provider (the “Health Advocate Program”). The average monthly premium for the Working Advantage Program and the Health Advocate Program (collectively, the “Employee Assistance Programs”) is approximately \$350. As of the Petition Date, the Debtors estimate that they have incurred approximately \$350 in accrued and unpaid amounts with respect to the Employee Assistance Programs. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid amounts on account of the Employee Assistance Programs and continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

E. FSA/HSA Program

50. In the ordinary course of business, the Debtors offer all Eligible Employees the ability to use their pre-tax compensation to pay for certain health care expenses or dependent care expenses through a flexible spending account program (the “FSA Program”) or health savings account (the “HSA Program”, and together with the FSA Program, the “FSA/HSA Program”) managed either by TASC or PayFlex, in tandem with Engage PEO. Employees may fund flexible spending accounts with deductions from their pre-tax payroll, up to a maximum annual contribution of \$3,300, excluding rollover amounts for health care expenses and \$5,000 for dependent care expenses.

51. In addition, the Debtors pay approximately \$2,800 per month in administrative fees related to the FSA/HSA Program for certain Employees. As of the Petition Date, the Debtors have incurred approximately \$2,800 in accrued and unpaid amounts with respect to the FSA/HSA Program. Accordingly, the Debtors seek authority, in their discretion, to pay or remit any unpaid amounts on account of the FSA/HSA Program in accordance with prepetition practices and

continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

F. COBRA Benefits

52. The Debtors maintain an account with Cigna and ICHRA to provide health insurance benefits (the “COBRA Benefits”) under COBRA to employees who have been terminated. Approximately nine (9) former employees are currently receiving COBRA Benefits. Under the COBRA Benefits, the relevant Employee is responsible to pay the employee and employer contribution rate to continue to receive medical benefits and, under the self-insured Medical Plans administered by TASC, the Debtors remain responsible for the costs of any claims that might be incurred. The Debtors pay approximately \$200 per month to Cigna and Engage PEO as an administrative fee to administer the COBRA Benefits. As of the Petition Date, the Debtors have incurred approximately \$200 in accrued and unpaid amounts to Cigna and Engage PEO to administer the COBRA Benefits. Accordingly, the Debtors seek authority, in their discretion, to continue to provide the COBRA Benefits to terminated employees on a postpetition basis in the ordinary course of business and pay any obligations related thereto.

G. Employee Leave Benefits

53. In the ordinary course of business, Employees accrue paid time off and related benefits as generally described below (the “Employee Leave Benefits”). The Employee Leave Benefits are administered directly by the Debtors.

54. All Employees are generally eligible to earn paid time off (“PTO”), which, depending on applicable state or local law, accrues or is awarded either as a single total usable time for any type of absence (including vacation and sick leave) or in separate categories specific to vacation and sick leave. PTO accrual or award varies by Employee based on applicable state law and years of service up to a maximum amount. Employees may carry over a certain number of

accrued, unused PTO from year-to-year, but an Employee may not use more than the maximum accrual amount (based on years of service) in any given year. Once an Employee reaches the maximum PTO for their years of service, they will stop accruing PTO until it is used. Unless required by the applicable state or local law, accrued but unpaid PTO is not paid upon termination of an Employee. Employees accrue and use PTO regularly and in the ordinary course of employment, making it difficult to quantify the amount of accrued PTO as of the Petition Date.

55. Other Paid Time Off. In the ordinary course of business, the Employees receive various other types of paid time off, including (i) paid holiday leave on annual holidays observed by the Debtors plus an additional “floating” holiday leave an Employee earns for each calendar quarter the Employee is employed by the Debtors, (ii) paid bereavement leave, (iii) paid jury duty leave, (iv) job-protected leave in accordance with the Family Medical Leave Act of 1993, and (v) unpaid military leave consistent with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994.

56. The Debtors believe that the continuation of the Employee Leave Benefits in accordance with historical practice is essential to maintaining Employee morale during these Chapter 11 Cases. Further, the policies are broad-based programs upon which all Employees have come to depend. As of the Petition Date, the Debtors estimate approximately \$85,000 has accrued on the Debtors’ books and records with respect to the Employee Leave Benefits.⁸

57. Accordingly, the Debtors seek authority, in their discretion, to continue to pay any unpaid amounts on account of the Employee Leave Benefits and to continue the to honor Employee

⁸ The Employee Leave Benefits amount of approximately \$85,000 represents the Debtors accrual for current outstanding PTO. However, not all of this is due and owing as of the Petition Date and will only become due and owing in the event of an employee departure, dependent on the state in which the employee resides. The Debtors are not requesting authority to pay the total outstanding accrued amount of Employee Leave Benefits and are only seeking authority to continue to honor and pay Employee Leave Benefits in the ordinary course.

Leave Benefits the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

H. Retirement Benefits

58. In the ordinary course of business, the Debtors maintain safe harbor defined contribution plans for the benefit of all Employees meeting the requirements of sections 401(a) and 401(k) of the Internal Revenue Code (the “401(k) Savings Plans”). The 401(k) Savings Plans are managed either by (a) ADP or (b) Engage PEO, depending on whether the Employees are Volante Senior Living or national level Employees. The 401(k) Savings Plans are primarily funded with withholdings from Wages, which the Debtors remit to either ADP or Engage PEO/Slavic⁹ approximately two (2) business days prior to when Employees receive their paychecks. Additionally, the Debtors contribute a fixed percentage of an Employee’s compensation to the 401(k) Savings Plan (the “401(k) Contribution”, and together with the 401(k) Saving Plan, the “Retirement Benefits”).¹⁰

59. As of the Petition Date, the Debtors estimate that they have incurred approximately \$275,000 in accrued and unpaid amounts with respect to the Retirement Benefits. Accordingly, the Debtors seek authority, in their discretion, to pay or remit unpaid amounts on account of the Retirement Benefits and continue honoring such obligations in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

I. Reimbursable Expenses

60. The Debtors routinely reimburse Employees for travel, meals, supplies, and other business expenses (collectively, the “Reimbursable Expenses”). Employees may also incur

⁹ Slavic 401k is an administrator that Engage PEO utilizes as a TPA.

¹⁰ The 401(k) Contribution percentage varies by Debtor entity.

out-of-pocket Reimbursable Expenses and separately seek reimbursement from the Debtors. Accordingly, Employees incur Reimbursable Expenses with the expectation that they will be reimbursed by the Debtors, whether incurred on their Corporate Credit Cards (as defined below) or otherwise. Most charges, credits, and payments for Reimbursable Expenses are administered by the Debtors through Concur, which is an expense tracking system. Generally, the Debtors do not reimburse an Employee for Reimbursable Expenses unless the Employee has received approval for the expenses and any reimbursement requests are reviewed by the relevant supervisor and corporate office and approved prior to payment. Following such approval, the Debtors reimburse Employees directly through direct deposit or check.

61. Additionally, as discussed in the Debtors' Cash Management Motion filed contemporaneously herewith, historically, there were approximately 43 employees, across both the corporate and community-level, holding active corporate credit cards (collectively, the "Corporate Credit Cards") issued by Western Alliance and American Express, that are used to pay for certain of the Reimbursable Expenses. However, shortly prior to the Petition Date, the Debtors cancelled all Corporate Credit Cards with American Express and now only six (6) Employees hold a Western Alliance Corporate Credit Card. The Debtors expect approximately \$25,000 a month to be charged to the Corporate Credit Cards.

62. Certain prepetition Reimbursable Expenses may not have been reimbursed as of the Petition Date because, among other reasons, Employees had not yet submitted a request for reimbursement or approval of an expense report was still pending. Thus, there may be a lag time between the date expenses are incurred and the date expenses are reimbursed and, as such, it is difficult for the Debtors to determine with precision the actual amount of incurred, but not reported, Reimbursable Expenses as of any particular time. The average aggregate monthly amount

expended by the Debtors on account of Reimbursable Expenses varies and can be up to \$700. Based on historical trends, the Debtors estimate that approximately \$700 remains outstanding with respect to the Reimbursable Expenses.

63. The Debtors' ability to reimburse the Reimbursable Expenses has a significant effect on the Debtors' Employees, who are critical to the Debtors' business. Moreover, the Reimbursable Expenses represent a relatively minimal cost to the Debtors' estates in light of the overall benefits achieved. Accordingly, the Debtors seek authority, in their discretion, to reimburse all Reimbursable Expenses accrued and outstanding as of the Petition Date and to continue paying the Reimbursable Expenses as they accrue in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

J. Cell Phone Program

64. The Debtors have a "bring your own device" cell phone policy (the "Cell Phone Program"). Pursuant to the policy, Volante Senior Living pays a monthly stipend of \$50 to Eligible Employees who utilize their own personal electronic devices to perform their work. The Debtors generally pay approximately \$2,330 each month for the Cell Phone Program. As of the Petition Date, the Debtors estimate that they have incurred approximately \$613 in accrued and unpaid amounts with respect to the Cell Phone Program. Accordingly, the Debtors seek authority, in their discretion, to pay unpaid amounts on account of the Cell Phone Program and to continue the Cell Phone Program in the ordinary course of business consistent with past practices during the administration of these Chapter 11 Cases.

BASIS FOR RELIEF REQUESTED

I. Payment of Certain Workforce Obligations is Appropriate Because Substantial Portions of Such Obligations are Entitled to Priority Under Bankruptcy Code Sections 507(a)(4) and 507(a)(5).

65. Bankruptcy Code sections 507(a)(4) and 507(a)(5) entitle a substantial portion of the Workforce Obligations to priority treatment. *See* 11 U.S.C. §§ 507(a)(4)-(5). For example, Bankruptcy Code section 507(a)(4) grants priority to employee claims for “wages, salaries, or commissions, including vacation, severance, and sick leave pay” earned within 180 days before the Petition Date up to \$17,150 per employee. 11 U.S.C. § 507(a)(4). Similarly, Bankruptcy Code section 507(a)(5) provides that claims for contributions to certain employee benefit plans also are afforded priority treatment to the extent of the number of employees covered by each plan multiplied by \$17,150, less any amounts paid pursuant to Bankruptcy Code section 507(a)(4), plus any amounts paid by the estate on behalf of such employees to any other employee benefit plan. *Id.* § 507(a)(5). To the extent such claims are afforded priority status, the Debtors are required to pay these claims in full to confirm a chapter 11 plan. *See* 11 U.S.C. § 1129(a)(9)(B). Thus, granting the relief sought herein should only affect the timing of certain payments to the Employees and should not negatively affect recoveries for general unsecured creditors.

II. Payment of Certain Workforce Obligations is Appropriate Under Bankruptcy Code Section 541(d) and is Required by Law.

66. The Debtors seek authority to pay the Withholding Obligations, Employer Payroll Taxes, and any other amounts owed to the appropriate third-party entities. These amounts principally represent Employee earnings that governments, Employees, and judicial authorities have designated for deduction from Employees’ paychecks. The payment of the Withholding Obligations and Employer Payroll Taxes will not prejudice the Debtors’ estates because such

withholdings are held in trust for the benefit of the related payees and, thus, do not constitute property of the Debtors' estates. *See* 11 U.S.C. § 541(d).

67. Further, federal and state laws require the Debtors to withhold certain tax payments from the Employees' paychecks and to pay such amounts to the appropriate taxing authority. *See* 26 U.S.C. §§ 6672, 7501(a); *see also City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 95–97 (3d Cir. 1994) (finding that state law requiring a corporate debtor to withhold city income tax from its employees' wages created a trust relationship between debtor and city for payment of withheld income taxes); *In re Texas Pig Stands, Inc.*, 610 F.3d 937, 943 (5th Cir. 2010) (holding that a liquidating trustee could be held personally liable for failure to pay trust fund taxes); *In re Sheppard*, 253 B.R. 397 (Bankr. D.S.C. 2000) (officer responsible for a company not paying its federal employment tax liabilities found personally liable for such tax liabilities); *In re Geise*, 151 B.R. 432 (Bankr. N.D. Ohio 1992) (same). Indeed, certain of these deductions are not property of the Debtors' estates because the Debtors have withheld such amounts from Employees' paychecks on another third-party's behalf. *See* 11 U.S.C. § 541(b). Because the Withholding Obligations and Employer Payroll Taxes are not property of the Debtors' estates, the Debtors request that the Court authorize them, through third-party administrators discussed herein (as applicable), to transmit the Withholding Obligations and Employer Payroll Taxes to the proper parties in the ordinary course of business.

III. Payment of Workforce Obligations is Appropriate Under Bankruptcy Code Sections 105 and 363 and the Doctrine of Necessity.

A. The Court May Authorize the Prepetition Satisfaction of a Claim When Payment Is Critical to the Debtors' Business.

68. Section 363 of the Bankruptcy Code empowers the bankruptcy court to authorize a chapter 11 debtor to expend funds in the bankruptcy court's discretion outside the ordinary course of business. *See* 11 U.S.C. § 363. Section 363(b)(1) provides that “[t]he trustee, after notice and a

hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” *Id.* § 363(b)(1). To obtain approval for the use of estate assets outside the ordinary course of business, a debtor must articulate a valid business justification for the requested use. *See In re Filene’s Basement*, No. 11-13511, 2014 WL 1713416, at *12 (Bankr. D. Del. Apr. 29, 2014) (noting that under Section 363(b), “[w]here the debtor articulates a reasonable basis for its business decisions . . . courts will generally not entertain objections to the debtor’s conduct” (quoting *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986))).

69. Further, the bankruptcy court’s power to authorize the pre-plan satisfaction of prepetition claims whose payment is critical to the debtor’s business is firmly established under the “doctrine of necessity,” which “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operation of the debtor.” *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989).¹¹ Although the “doctrine of necessity” pre-dates the Bankruptcy Code, *see Miltenberger v. Logansport Ry. Co.*, 106 U.S. 286, 309 (1882), the modern application of the doctrine of necessity is grounded in specific provisions of the Bankruptcy Code, including sections 105(a), 1107(a), and 1108. *See In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (fiduciary duties implicit in Bankruptcy Code section 1107(a) justify the “preplan satisfaction of a prepetition claim” where necessary to preserve going concern value). As described herein,

¹¹ *See also In re C.A.F. Bindery, Inc.*, 199 B.R. 828, 835 (Bankr. S.D.N.Y. 1996); *In re Friedman’s Inc.*, No. 09-10161 CSS, 2011 WL 5975283, at *3 (Bankr. D. Del. Nov. 30, 2011) (“[N]ormally, a debtor only pays prepetition, unsecured claims through a confirmed plan of reorganization . . . most courts will allow such payments under the ‘doctrine of necessity,’ if the debtor establishes that in its business judgment making such payments is critical to the survival of the debtor’s business.”); *In re Just for Feet, Inc.*, 242 B.R. 821, 826 (D. Del. 1999) (“The Supreme Court, the Third Circuit and the District of Delaware all recognize the court’s power to authorize payment of pre-petition claims when such payment is necessary for the debtor’s survival during chapter 11.”); *In re NVR L.P.*, 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) (“[T]he court can permit the pre-plan payment of prepetition obligations when essential to the continued operation of the debtor.”); *In re Eagle-Pitcher Indus., Inc.*, 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) (“[T]o justify payment of a prepetition unsecured creditor, a debtor must show that the payment is necessary to avert a serious threat to the chapter 11 process.”).

payment of the Workforce Obligations is essential to the continued operation of the Debtors' businesses.

70. The Employees and Independent Contractors include, among others, corporate-level personnel, and other Community-level staff who provide care to the Debtors' residents and/or maintain the operations of the Debtors' Communities in the ordinary course. Without the services of the Employees and Independent Contractors, the Debtors simply would not be able to operate their Communities and provide quality care for their residents.

71. The majority of the Employees and Independent Contractors rely exclusively on the Workforce Obligations to satisfy their daily living expenses. If amounts owed are not received or other benefits are delayed, the Employees and Independent Contractors may be exposed to significant financial hardship and, in some cases, will be unable to meet their basic needs, which may make it impossible for them to continue working for the Debtors. This would be particularly detrimental to the Debtors as they transition into these Chapter 11 Cases. Failure to pay the Workforce Obligations likely would cause a significant exodus of Employees and an inability to retain the services of the Independent Contractors, which would be detrimental to the Debtors' operations as well as the health and safety of the residents under their care. Therefore, in order to maintain Employee morale, limit attrition, protect the health and safety of the patients and residents of the Communities, and generally minimize the adverse effects of the commencement of these Chapter 11 Cases, it is necessary to continue providing ordinary course wages and benefits to the Employees and compensation to the Independent Contractors.

72. Further, courts in this district routinely grant approval for the payment of prepetition claims of employees for wages, salaries, expenses, and benefits. *See, e.g., In re Genesis Healthcare, Inc.*, Case No. 25-80185 (SGJ) (Bankr. N.D. Tex. Aug. 22, 2025) [Docket No. 565];

In re Prospect Medical Holdings, Inc., Case No. 25-80002 (SGJ) (Bankr. N.D. Tex. Jan. 14, 2025) [Docket No. 98]; *In re TGI Friday's Inc.*, Case No. 24-80069 (SGJ) (Bankr. N.D. Tex. Nov. 4, 2024) [Docket No. 59]; *In re Eiger Biopharmaceuticals, Inc.*, Case No. 24-80040 (SGJ) (Bankr. N.D. Tex. Apr. 5, 2024) [Docket No. 86]; *In re Sunland Medical Found.*, Case No. 23- 80000 (MVL) (Bankr. N.D. Tex. Aug. 31. 2023) [Docket No. 42]; *In re Christian Care Ctrs., Inc.*, Case No. 22-80000 (SGJ) (Bankr. N.D. Tex. June 15, 2022) [Docket No. 148]; *In re Studio Movie Grill Holdings, LLC*, Case No. 20-32633 (SGJ) (Bankr. N.D. Tex. Oct. 27, 2020) [Docket No. 51]; *In re Senior Care Ctrs., LLC, et.al.*, Case No. 18-33967 (BJH) (Bankr. N.D. Tex. Jan. 18, 2019) [Docket No. 390].

B. Payment of All Workforce Obligations Is a Sound Exercise of the Debtors' Business Judgment and Necessary to Prevent Irreparable Harm.

73. The relief requested by this Motion represents a sound exercise of the Debtors' business judgment, is necessary to avoid immediate and irreparable harm to the Debtors' estates and is justified under Bankruptcy Code section 105(a) and 363(b). Payment of the Workforce Obligations is critical to maintaining the Debtors' business operations and ensuring stability within the Debtors' workforce. Continuity of the Debtors' business operations is essential to preserving and maximizing the value of the Debtors' estate in these Chapter 11 Cases. The Debtors' Employees possess knowledge unique to the Debtors' operations. Other Employees have unique expertise in sales, marketing, or administration that is specific to the continuing care retirement community industry. Replacing the Employees' institutional knowledge would require the Debtors' and their remaining Employees to expend significant time, capital, and effort, all of which would distract the Debtors from the task at hand in these Chapter 11 Cases. Further, the loss of valuable Employees would diminish the Debtors' ability to execute their value-maximizing

strategy and harm the Debtors' stakeholders. By the Motion, the Debtors, in sound exercise of their business judgment, seek to prevent such harm.

74. A stable workforce is critical to ensuring uninterrupted business operations and is required to maximize the value of Debtors' estates. If amounts owed are not received, insurance reimbursements are not made, or other benefits are delayed, the Debtors risk losing Employees to attrition and distracting Employees from the requirements of their jobs. Moreover, in some instances, the Employees may suffer substantial personal hardship and in some cases will be unable to meet their basic needs, potentially making it difficult or impossible for them to continue working for the Debtors. To avoid Employee resignations and maintain Employee morale, it is critical that the Debtors be authorized to pay each of their Employees all compensation amounts that have been earned under the Debtors' prepetition contractual obligations or practices, subject to the limitations described herein.

75. Finally, as noted above, the Debtors are obligated to maintain and discharge certain Employee obligations under the laws of the states in which they operate. Any disruption to the ordinary course payment of claims would result in undue administrative burden and confusion without any concomitant benefit to the Debtors' estates.

C. The Debtors Have a Compelling Business Need to Honor the Incentive Programs and Continuation of the Incentive Programs is a Sound Use of the Debtors' Business Judgment and Necessary.

76. As set forth herein, the Debtors' Incentive Programs are critical to aligning the Debtors' commercial objectives with the interests of their Employees. While the Debtors believe that they may continue to administer the Incentive Programs in the ordinary course of business under Bankruptcy Code section 363(c), out of an abundance of caution and to avoid any unnecessary disputes, the Debtors seek under the Proposed Order authority to continue the Incentive Programs postpetition in the ordinary course of business in their discretion.

77. Payments under the Incentive Programs are reasonable and an integral part of the aggregate compensation package for Employees in key leadership, but non-insider, roles relating to the Communities and thereby encourage the most successful Employees to remain with the Debtors. Further, the Debtors have also recently enacted revised certain of the Incentive Programs that are engineered specifically to ensure that the health and safety of the Company's patients which remains at the forefront of the Debtors' go-forward business plan, by tying plan benchmarks to non-financial metrics that are reflective of those goals.

78. The Debtors' ability to maximize value and continue operations depends upon the retention and motivation of the Employees eligible to participate in the Incentive Programs. These Employees possess knowledge unique to the Debtors' operations. Further, most of the Debtors' competitors employ similar programs to the Incentive Programs and similar sales, recruiting, and other senior employees across the industry look to such programs as a major source of their personal livelihood. If the Debtors do not pay amounts earned under the Incentive Programs, they risk losing valuable Employees to attrition and destabilizing their business to the detriment of their stakeholders.

79. Courts in this district have previously granted the same or similar relief as requested in this Motion. *See, e.g., In re Genesis Healthcare, Inc.*, Case No. 25-80185 (SGJ) (Bankr. N.D. Tex. Aug. 22) [Docket No. 565] (authorizing payment of prepetition obligations related to non-insider incentive plans); *In re Prospect Medical Holdings, Inc.*, Case No. 25-80002 (SGJ) (Bankr. N.D. Tex. Jan. 14, 2025) [Docket No. 98] (same); *In re TGI Friday's Inc.*, Case No. 24- 80069 (SGJ) (Bankr. N.D. Tex. Dec. 31, 2024) [Docket No. 372] (same); *In re Sunland Medical Found.*, Case No. 23-80000 (MVL) (Bankr. N.D. Tex. Aug. 31. 2023) [Docket No. 42] (authorizing employee recognition program); *In re Studio Movie Grill Holdings, LLC*, Case No. 20-32633

(SGJ) (Bankr. N.D. Tex. Oct. 27, 2020) [Docket No. 51] (authorizing non-insider employee incentive plans); *In re Senior Care Ctrs., LLC, et.al.*, Case No. 18-33967 (BJH) (Bankr. N.D. Tex. Jan. 18, 2019) [Docket No. 390] (same).

IV. Cause Exists to Authorize the Debtors' Financial Institutions to Honor Checks and Electronic Fund Transfers.

80. The Debtors also request that all applicable Banks be authorized to receive, process, honor, and pay all checks presented for payment, and to honor all electronic payment requests made by the Debtors, related to the obligations described herein, whether such checks were presented or electronic requests were submitted prior to or after the Petition Date. The Debtors further request that all such Banks and other financial institutions be authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved pursuant to the Motion. The Debtors represent that they have sufficient availability of funds to pay any amounts described herein.

EMERGENCY CONSIDERATION

81. The Debtors request emergency consideration of this Motion pursuant to Bankruptcy Rule 6003, which empowers a court to grant relief within the first 21 days after the commencement of a chapter 11 case "to the extent that relief is necessary to avoid immediate and irreparable harm." Fed. R. Bankr. P. 6003. Here, the Debtors believe an immediate and orderly transition into chapter 11 is critical to the viability of their operations and that any delay in granting the relief requested could hinder the Debtors' operations and cause irreparable harm. Furthermore, the failure to receive the requested relief during the first 21 days of these Chapter 11 Cases would severely disrupt the Debtors' operations at this critical juncture. Accordingly, the Debtors submit that they have satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule 6003

and, therefore, respectfully request that the Court approve the relief requested in this Motion on an emergency basis.

WAIVER OF THE APPLICABLE STAY

82. The Debtors seek a waiver of any stay of the effectiveness of the order granting this Motion. Pursuant to Bankruptcy Rule 6004(h), any “order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” The Debtors submit that the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein. Accordingly, the Debtors submit that ample cause exists to justify a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent applicable.

RESERVATION OF RIGHTS

83. Nothing contained in this Motion nor any actions taken pursuant to the relief requested herein is intended or shall be construed as: (a) an implication or admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable non-bankruptcy law; (b) an impairment or waiver of the Debtors’ or any other party-in-interests’ rights to dispute the amount of, basis for, or validity of any claim against, or interest in, any Debtor, its property, or its estate on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any claim is of a type specified or defined in this Motion or any order granting the relief requested by this Motion; (e) a waiver of any claim or cause of action that may exist against any creditor or interest holder; (f) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or otherwise affecting the Debtors; rights under section 365 of the Bankruptcy Code to assume or reject any executory contract or unexpired lease; (g) a waiver or limitation of the Debtors’, or any other party-in-interest’s, rights under the Bankruptcy Code or any other

applicable law; (h) an implication or admission as to the validity, priority, enforceability, or perfection of any lien on security interest in, or other encumbrance of property of the Debtors' estates; (i) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to this Motion are valid and the rights of all parties-in-interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens; (j) a waiver of the obligation of any party in interest to file a proof of claim; or (k) an impairment or waiver of any claims or causes of action that may exist against any entity under the Bankruptcy Code or any other applicable law. If the Court grants the relief sought herein, any payment made pursuant to an order of the Court is not intended and should not be construed as a waiver of the Debtors' or any other party in interest's rights to subsequently dispute the extent, perfection, priority, validity, or amount of such claim.

NOTICE

84. The Debtors will provide notice of the Motion to: (a) the U.S. Trustee; (b) the Internal Revenue Service; (c) the United States Attorney for the Northern District of Texas; (d) the Attorney General for the State of Texas; (e) State Comptroller of Public Accounts; (f) the Centers for Medicare and Medicaid Services; (g) the Attorneys General for the states in which the Debtors conduct business; (h) the parties included on the Debtors' list of their 30 largest unsecured creditors; (i) counsel to the Debtors' prepetition lenders; (j) counsel to the proposed DIP Lenders; and (k) all parties entitled to notice pursuant to Bankruptcy Rule 2002. The Debtors submit that no other or further notice is required.

NO PREVIOUS REQUEST

85. No previous request for the relief sought herein has been made by the Debtors to this or any other court

WHEREFORE, the Debtors respectfully request that the Court enter the Proposed Order, substantially in the forms attached hereto as **Exhibit A** granting the relief requested herein and such other and further relief as may be just and proper.

Dated: February 3, 2026
Dallas, Texas

MCDERMOTT WILL & SCHULTE LLP

/s/ Marcus A. Helt

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

CERTIFICATE OF SERVICE

I hereby certify that on this date a true and correct copy of the foregoing Motion was served by the Court's CM/ECF system on all counsel of record registered in these Chapter 11 Cases through CM/ECF. Subject to the Court's approval of their retention and access to filing privileges, the Debtors' proposed claims and noticing agent will be filing a supplemental certificate of service on the docket to reflect any additional service of the foregoing Motion.

Dated: February 3, 2026
Dallas, Texas

MCDERMOTT WILL & SCHULTE LLP

/s/ Marcus A. Helt

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

Exhibit A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

In re:)	
)	Chapter 11
)	
INSPIRED HEALTHCARE CAPITAL)	Case No. 26-90004 (MXM)
HOLDINGS, LLC, <i>et al.</i> ¹)	
)	(Jointly Administered)
)	
Debtors.)	Related to Docket No. ____

**ORDER (I) AUTHORIZING THE
DEBTORS TO (A) SATISFY PREPETITION EMPLOYEE
COMPENSATION AND BENEFIT OBLIGATIONS AND (B) CONTINUE
THEIR EMPLOYEE PROGRAMS, POLICIES, AND PROCEDURES
IN THE ORDINARY COURSE; AND (II) GRANTING RELATED RELIEF**

¹ The last four digits of Inspired Healthcare Capital Holdings, LLC’s federal tax identification number are 6696. There are 161 Debtors in these chapter 11 cases, which are being jointly administered for procedural purposes only. A complete list of the Debtors and the last four digits of their federal tax identification numbers are not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://dm.epiq11.com/InspiredHealthcare>. The Debtors’ mailing address is 7033 East Greenway Parkway, Suite 250, Scottsdale, AZ 85254.

Upon the motion (“Motion”)² of the Debtors for entry of this final order (this “Order”), authorizing, but not directing, the Debtors to (a) authorizing, but not directing, the Debtors to (i) pay and remit any prepetition claims on a postpetition basis, as applicable, relating to the Workforce Obligations, and including amounts owed to third-party service providers, administrators, and tax authorities, and (ii) maintain, continue to honor, and pay amounts related to or on account of the Workforce Obligations on a postpetition basis in the ordinary course of business, as such business practices, programs, policies, and procedures giving rise to the Workforce Obligations may be modified, supplemented, or discontinued from time to time in the ordinary course of business, and (b) granting related relief, all as more fully set forth in the Motion; and upon consideration of the First Day Declaration; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the matter being a core proceeding within the meaning of 28 U.S.C. § 157(b)(2); and venue of this proceeding and the Motion in this District being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court being able to issue a final order consistent with Article III of the United States Constitution; and due and sufficient notice of the Motion having been given under the particular circumstances; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the “Hearing”); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and it appearing that no other or further notice is necessary; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and after due deliberation thereon; and good and sufficient cause appearing therefor; it is hereby

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

ORDERED, ADJUDGED, AND DECREED that:

1. The relief requested in this Motion is granted as set forth herein.
2. The Debtors are authorized, but not directed, in their sole discretion, to (a) to pay, remit, perform and/or honor, as applicable, any prepetition claims on a postpetition basis, as applicable, relating to the Workforce Obligations, including on account of Employee Compensation Obligations, Third-Party Manager Employee Obligations, Agency Worker Obligations, Contractor Obligations, and Employee Benefit Obligations, including related expenses, fees, and costs incident to the Workforce Obligations, and including amounts owed to third-party service providers, administrators, and tax authorities, and (b) maintain, continue to honor, and pay amounts related to or on account of the Workforce Obligations on a postpetition basis in the ordinary course of business, as such business practices, programs, policies, and procedures giving rise to the Workforce Obligations may be modified, supplemented, or discontinued from time to time in the ordinary course of business; *provided*, that nothing in this Order shall be deemed to authorize the payment of any amounts which are subject to section 503(c) of the Bankruptcy Code; *provided further*, that nothing herein shall prejudice the Debtors' ability to seek approval of relief pursuant to section 503(c) of the Bankruptcy Code pursuant to a separate motion.
3. Notwithstanding any other provision of this Order, nothing in this Order shall authorize the Debtors to make any payment to, or on behalf of, any Employee or Independent Contractor on account of the Workforce Obligations or other prepetition obligations in excess of the statutory caps set forth in sections 507(a)(4) and (5) of the Bankruptcy Code.
4. The Banks on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor,

and pay all such checks and electronic payment requests when presented for payment, and all such Banks are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Order without any duty to inquire otherwise and without liability for following the Debtors' instructions.

5. Notwithstanding anything to the contrary contained in the Motion or herein, any payment to be made hereunder, and any authorization contained herein, shall be subject to and in accordance with any interim and final orders, as applicable, authorizing or approving any postpetition debtor in possession financing or use of cash collateral for the Debtor (such orders, the "DIP Order"), including the budget attached thereto. To the extent there is any inconsistency between the terms of the DIP Order and any action taken or proposed to be taken hereunder, the terms of the DIP Order shall control.

6. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of the Chapter 11 Cases with respect to the relief granted herein.

7. Nothing contained in the Motion or this Order nor any actions taken pursuant to the relief granted herein is intended or shall be construed as: (a) an implication or admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable non-bankruptcy law; (b) an impairment or waiver of the Debtors' or any other party in interest's rights to dispute the amount of, basis for, or validity of any claim against, or interest in, any Debtor, its property, or its estate on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any claim is of a type specified or defined in the Motion, or in this Order granting the relief requested by the Motion, or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a waiver of any

claim or cause of action that may exist against any creditor or interest holder; (f) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or otherwise affecting the Debtors' rights under section 365 of the Bankruptcy Code to assume or reject any executory contract or unexpired lease; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other applicable law; (h) an implication or admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance of property of the Debtors' estates; or (i) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to this Order are valid and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens; (j) a waiver of the obligation of any party in interest to file a proof of claim; or (k) an impairment or waiver of any claims or causes of action that may exist against any entity under the Bankruptcy Code or any other applicable law. Any payment made pursuant to this Order is not intended and should not be construed as an admission as to the validity or priority of any claim or a waiver of the Debtors' or any other party in interest's rights to subsequently dispute the extent, perfection, priority, validity, or amount of such claim.

8. The Court finds and determines that the requirements of Bankruptcy Rule 6003 are satisfied and that the relief requested in the Motion is necessary to avoid immediate and irreparable harm.

9. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion under the circumstances, and the requirements of Bankruptcy Rule 6004(a) and the Local Bankruptcy Rules are satisfied by such notice.

10. Notwithstanding the applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

11. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Order.

12. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

END OF ORDER

Prepared and presented by:

/s/ Marcus A. Helt

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