

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

In re:	§	
	§	Chapter 11
	§	
STEWARD HEALTH CARE SYSTEM	§	Case No. 24-90213 (CML)
LLC, <i>et al.</i> ,	§	
	§	(Joint Administration Requested)
Debtors. ¹	§	(Emergency Hearing Requested)
	§	

**EMERGENCY MOTION OF DEBTORS FOR
ORDER (I) AUTHORIZING DEBTORS TO (A) PAY
PREPETITION WAGES, SALARIES, EMPLOYEE BENEFITS,
EXPENSES, AND OTHER COMPENSATION, (B) MAINTAIN
EMPLOYEE BENEFITS PROGRAMS, AND (C) CONTINUE TO PAY
WORKFORCE OBLIGATIONS; AND (II) GRANTING RELATED RELIEF**

EMERGENCY RELIEF HAS BEEN REQUESTED. RELIEF IS REQUESTED NOT LATER THAN 10:00 A.M. (CENTRAL TIME) ON MAY 7, 2024.

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 HEARING WILL BE CONDUCTED ON THIS MATTER ON MAY 7, 2024 AT 10:00 A.M. (CENTRAL TIME) IN COURTROOM 401, 4TH FLOOR, 515 RUSK AVENUE, HOUSTON, TX 77002.

PARTICIPATION AT THE HEARING WILL ONLY BE PERMITTED 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 832-917-1510. ONCE CONNECTED, YOU WILL BE ASKED TO ENTER THE CONFERENCE ROOM NUMBER. JUDGE LOPEZ'S CONFERENCE ROOM NUMBER IS 590153. VIDEO COMMUNICATION WILL BE BY USE OF THE GOTOMEETING PLATFORM. CONNECT VIA THE FREE GOTOMEETING APPLICATION OR CLICK THE LINK ON JUDGE LOPEZ'S HOME PAGE. THE MEETING CODE IS "JUDGELOPEZ". CLICK THE SETTINGS ICON IN THE UPPER RIGHT CORNER AND ENTER YOUR

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors' service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

NAME UNDER THE PERSONAL INFORMATION SETTING.

HEARING APPEARANCES MUST BE MADE ELECTRONICALLY IN ADVANCE OF BOTH ELECTRONIC AND IN-PERSON HEARINGS. TO MAKE YOUR APPEARANCE, CLICK THE “ELECTRONIC APPEARANCE” LINK ON JUDGE LOPEZ’S HOME PAGE. SELECT THE CASE NAME, COMPLETE THE REQUIRED FIELDS AND CLICK “SUBMIT” TO COMPLETE YOUR APPEARANCE.

Steward Health Care System LLC (“**SHC**”) and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**” or the “**Company**”), respectfully represent as follows in support of this motion (the “**Motion**”):

Background

1. On May 6, 2024, (the “**Petition Date**”), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases.

2. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of these chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and Rule 1015-1 of the Bankruptcy Local Rules for the United States Bankruptcy Court for the Southern District of Texas (the “**Bankruptcy Local Rules**”).

3. The Debtors own and operate the largest private physician-owned for-profit healthcare network in the United States. Headquartered in Dallas, Texas, the Debtors’ operations include 31 hospitals across eight states, approximately 400 facility locations, 4,500 primary and specialty care physicians, 3,600 staffed beds, and a company-wide workforce of nearly 30,000 employees. The Debtors provide care to more than two million patients annually.

4. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the *Declaration of John R. Castellano in Support of Debtors' Chapter 11 Petitions and First-Day Pleadings* (the "**First Day Declaration**"), filed contemporaneously herewith and incorporated herein by reference.²

Jurisdiction

5. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

6. By this Motion, pursuant to sections 363(b), 507, and 105(a) of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Bankruptcy Local Rule 9013-1(b), the Debtors request entry of an order (i) authorizing, but not directing, them to (a) pay all obligations relating to Compensation Obligations and Employee Benefits (each as defined below), and related fees, costs and expenses incident to the foregoing, including amounts owed to third-party service providers and administrators, and taxing authorities, and (b) maintain, continue to honor, and pay amounts with respect to, the Debtors' business practices, programs, and policies for their Employees and Supplemental Workforce (each as defined below) as they were in effect as of the Petition Date, as may be modified, amended, or supplemented from time to time in the ordinary course of business, and (ii) granting related relief. The Debtors further request that the Court authorize financial institutions to receive, process, honor, and pay any and all checks presented for

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the First Day Declaration.

payment and to honor all funds transfer requests related to such fees, costs, expenses and obligations.

7. A proposed form of order granting the relief requested herein is annexed hereto as **Exhibit A** (the “**Proposed Order**”).

Prepetition Workforce Obligations

8. The Debtors’ ability to serve their patients and maintain business operations is entirely dependent on the support of their expansive and dedicated Workforce (as defined below). As further described herein, much of the Debtors’ Workforce is comprised of highly skilled physicians, nurses, and other specialized medical personnel and clinical staff, who are critical to providing effective patient care and maintaining compliance with regulatory requirements. These individuals, with their specialized skills and experience, are essential to the Debtors’ ongoing ability to provide quality patient care, while also pursuing value-maximizing transactions to be implemented in these chapter 11 cases.

9. The majority of the Debtors’ workforce is either based at, or provides services to, the Debtors’ various hospitals, which includes Employees, Affiliated Physicians, Independent Contractors, and Agency Workers (each as defined herein and collectively, the “**Workforce**”), and totals more than 34,500 individuals. The Workforce is comprised of, among others, physicians, nurses, and administrative and other support staff that serve critical functions in the Debtors’ business. In the ordinary course of business, the Debtors pay wages, salaries, and other amounts, and provide certain benefits to their Workforce in exchange for the rendering of services to the Debtors.

10. As of the Petition Date, the Debtors employ approximately 30,000 employees, including approximately 19,000 full-time employees (the “**Full-Time Employees**”), and approximately 11,000 part-time employees (the “**Part-Time Employees**,” and together with the Full-Time Employees, the “**Employees**”). Approximately 5,000 of the Debtors’ Employees are salaried and approximately 25,000 are paid on an hourly basis. For those Employees that are not based in a hospital, approximately 60 Employees work at the Debtors’ headquarters in Dallas, Texas, and 290 Employees work at the Debtors’ offices in Richardson, Texas.

11. Further, approximately 11,360 (39%) of the Debtors’ Employees (the “**Union Employees**”) are represented by unions (the “**Unions**”). A chart summarizing (i) the number of Employees that are a member of each of the Debtors’ eleven (11) Unions and (ii) the number of collective bargaining agreements the Debtors are party to (the “**CBAs**”) for each Union as of May 2024 is provided below:

Union Name	Approx. # of Employees	# of CBAs
Service Employees International Union	6,340	4
Massachusetts Nurses Association	2,860	8
National Nurses Organizing Committee	940	3
Ohio Council 8 and United Nurses of America Local 2026, American Federation of State, County and Municipal Employees	540	3
Florida Nurses Association, Local 713, Office and Professional Employees International Union	290	1
1199SEIU United Healthcare Workers East	180	2
Area Trades Council	80	1
United Federation of Special Police and Security Officers	60	3
Local 877 of the International Union of Operating Engineers	25	1
Ohio Nurses Association	25	1
Teamsters Local Union No. 25	20	1
Total	11,360	28

12. In addition to the Employees, in the ordinary course of hospital operations, the Debtors utilize at their hospitals and clinics, approximately 400 independent physicians (the “**Independent Physicians**”) and physicians who are members of approximately 450 physician groups (the “**Group Physicians**”), and contract with approximately 2,400 network physicians (or independent practices that employ network physicians) (the “**Network Physicians**”) and, together with the Independent Physicians and the Group Physicians, the “**Affiliated Physicians**”) to provide services to the Debtors’ patients at the Network Physicians’ independent

practices. The contractual arrangements of the Independent Physicians, Group Physicians, and Network Physicians are described in further detail below.

13. The Debtors also supplement their workforce by relying on approximately 140 individuals on a temporary or project basis (the “**Independent Contractors**”) across the United States and utilizing approximately 1,000 temporary agency workers staffed by active third-party staffing agencies (the “**Agency Workers**,” and together with the Affiliated Physicians and Independent Contractors, the “**Supplemental Workforce**”). The Supplemental Workforce complete discrete projects and fulfill duties similar to those provided by Employees and are a critical and cost-effective supplement to the Employees.

14. The Debtors incur a number of obligations to, or on account of, their Workforce relating to compensation (the “**Compensation Obligations**”), and incur a number of obligations on account of certain benefit programs and policies for their Employees (the “**Employee Benefits**” and, together with the Compensation Obligations, the “**Workforce Obligations**”).

I. Wages, Salaries, and Other Compensation

15. The estimated accrued and unpaid Compensation Obligations as of the Petition Date are summarized in the following chart, and described in further detail below:

Compensation Obligation	Description	Approx. Amount Outstanding as of Petition Date
Employee Wages	Obligations related to Employee salaries and wages	\$68,000,000
Affiliated Physician Obligations	Obligations related to payments for the Affiliated Physicians' services	\$105,600,000
Independent Contractor Obligations	Obligations owed to Independent Contractors on account of wages and services	\$1,800,000
Employment Agency Obligations	Obligations owed to active Employment Agencies on account of individual wages and staffing services	\$47,700,000
Payroll Service Providers	Obligations owed to payroll services providers for their services	\$1,500,000
Withholdings	Obligations related to Payroll Taxes, Deductions, and Union Obligations	\$61,100,000
Reimbursable Expenses	Obligations related to expenses incurred by Employees related to the performance of their duties	\$3,700,000
Onboarding Vendors	Obligations related to onboarding new members of Workforce to comply with requirements by law	\$410,000
Total Estimate		\$289,810,000

A. Employee Wages

16. The Debtors incur and pay obligations relating to Employees' salaries, wages, and other compensation, including paid time off and overtime ("**Employee Wages**") in the

ordinary course of business. Employees are paid every two weeks by direct deposit or check. On average, the Debtors pay approximately \$150 million per month on account of Employee Wages.

17. A substantial number of Employees are paid in arrears and, accordingly, such employees are owed accrued but unpaid Employee Wages as of the Petition Date. Additional Employee Wages may also be due to certain Employees as a result of ordinary course reconciliation of Employee hours or overtime.³ As of the Petition Date, the Debtors estimate that they owe approximately \$68 million on account of accrued but unpaid Employee Wages.

18. The Debtors estimate that 619 Employees—which include 513 physician Employees and 106 non-physician Employees—are owed prepetition Employee Wages in excess of the \$15,150 cap imposed by section 507(a)(4) of the Bankruptcy Code. The Debtors' physician Employees that are owed Employee Wages in excess of the cap are compensated based on their highly-skilled and specialized nature and are essential to the Debtors' operations. Without these Employees, the Debtors would not be able to serve their patients and communities. Further, the non-physician Employees that are owed Employee Wages in excess of the cap serve critical functions in the Debtors' business such as nurse practitioners, hospital administrators, and technicians, among others.

³ Hourly Employees are paid overtime for hours worked in excess of 40 hours per work week. Overtime pay is one and one-half times an hourly Employee's regular rate of pay. Hourly Employees are also compensated for all travel time that takes place during regular hours of work and overnight when traveling for business purposes, hours worked while on-call, and hours spent in meetings and in-service training sessions. All such time is paid at an hourly Employee's regular rate of pay and at one and one-half times such regular rate of pay for all hours in excess of 40 hours per work week.

19. Accordingly, the Debtors seek authority, but not direction, to pay any accrued and unpaid prepetition Employee Wages, and to continue honoring Employee Wages obligations on a postpetition basis, in the ordinary course of business.⁴

B. Affiliated Physicians

20. The Affiliated Physicians—including Independent Physicians, Group Physicians, and Network Physicians—work side-by-side with the Debtors’ Employees to provide critical medical services to the Debtors’ patients.

21. The Debtors generally compensate Independent Physicians directly pursuant to services agreements between Independent Physicians and the Debtors on an hourly, daily, weekly, or monthly basis (the “**Independent Physician Obligations**”). Physician groups are generally compensated for services provided at the Debtors’ facilities by Group Physicians who are members of such physician groups on an hourly, daily, weekly, or monthly basis pursuant to services agreements between the physician groups and the Debtors (the “**Group Physician Obligations**,” and, together with the Independent Physician Obligations, the “**Direct Physician Obligations**”).

22. Network Physicians are generally compensated pursuant to participating provider agreements whereby (i) the Debtors enter into value-based contracts with payors on behalf of the Network Physicians (or physician groups the Network Physicians are a part of), (ii) the Network Physicians provide services to patients of the Debtors, (iii) the payors pay the Debtors for the Network Physicians’ services, and (iv) the Debtors remit these amounts to the Network

⁴ In the ordinary course of business, the Debtors also pay approximately \$470,000 in fees per quarter to non-management individuals to serve on the board of managers of Debtor Steward Health Care Holdings LLC. Such fees are part of the Debtors’ Compensation Obligations; however, no such fees are accrued and outstanding as of the Petition Date.

Physicians (such obligations, the “**PPA Obligations**” and, together with the Direct Physician Obligations, the “**Affiliated Physician Obligations**”).

23. In the twelve months prior to the Petition Date, the Debtors incurred an average of approximately \$52.5 million per month of Affiliated Physician Obligations. As of the Petition Date, the Debtors estimate that they owe an aggregate of approximately \$105.6 million on account of the Affiliated Physician Obligations related to the Debtors’ more than 3,000 Affiliated Physicians. Similar to the physician Employees, the compensation for these Affiliated Physicians reflect the highly-skilled and specialized nature of their services. The Affiliated Physicians supplement the Debtors’ physician Employees by providing the same services offered by the Debtors to hundreds of thousands of additional patients. Thus, the continued retention of the Affiliated Physicians is critical to the Debtors’ operations; without their continued engagement, the Debtors would not be able to serve their existing patient population and communities. Accordingly, the Debtors seek authority, but not direction, to pay any accrued but unpaid Affiliated Physician Obligations, and to continue honoring the Affiliated Physician Obligations on a postpetition basis, in the ordinary course of business.

C. Independent Contractors

24. The Debtors engage Independent Contractors in the ordinary course of business to perform a range of services, including clinical, legal, financial, communications, accounting, and administrative functions. Independent Contractors are paid pursuant to invoices for their services, and rates for Independent Contractors vary based on, among other things, location and function.

25. As of the Petition Date, the Debtors estimate that they owe approximately \$1.8 million of accrued but unpaid compensation to Independent Contractors (the “**Independent Contractor Obligations**”). Accordingly, the Debtors request authority, but not direction, to pay

any accrued but unpaid Independent Contractor Obligations, and to continue honoring the Independent Contractor Obligations on a postpetition basis, in the ordinary course.

D. Employment Agencies

26. To further supplement the staffing of their facilities, the Debtors obtain the services of various skilled Agency Workers, which include nurses, ultrasound technicians, medical laboratory technicians, and other supplemental and temporary employees through a variety of staffing agencies (collectively, the “**Employment Agencies**”). These Agency Workers are critical for the Debtors to provide the appropriate level of care for their patients. The Employment Agencies invoice the Debtors based upon the number of hours worked by the Agency Workers and, in turn, the Employment Agencies pay the Agency Workers’ wages and other amounts to which the Agency Workers are entitled. These Agency Workers serve critical and unique functions in the Debtors’ operations, such as, for example, nurses who speak multiple languages or technicians who specialize in specific medical equipment. On average, the Debtors incur approximately \$17.2 million in obligations each month to the active Employment Agencies (the “**Employment Agency Obligations**”). As of the Petition Date, the Debtors estimate that they owe an aggregate of approximately \$47.7 million on account of Employment Agency Obligations to critical Employment Agencies the Debtors continue to rely on.⁵ If the Debtors fail to pay these amounts, the Employment Agencies may refuse to continue providing Agency Workers.

27. The Debtors request authority, but not direction, to pay accrued but unpaid Employment Agency Obligations to those Employment Agencies providing Agency Workers to the Debtors and to continue honoring the Employment Agency Obligations on a postpetition basis, in the ordinary course of business.

⁵ Approximately \$32 million of this amount is on account of past due amounts.

E. Payroll Service Providers

28. The Debtors utilize UKG, Inc. d/b/a Kronos (“**Kronos**”) for valuable human resources information systems to manage the Debtors’ workforce and human resource-related functions, including timekeeping, payroll processing, and attendance tracking.⁶ The Debtors’ internal payroll department uses timekeeping, wage, and withholding information maintained on the Kronos system to calculate pay amounts, submit direct deposit transfer details to the banks, and complete payroll tax filings, among other things. The Debtors’ incur approximately \$120,000 per month on account of Kronos administrative fees, among other costs owed to Kronos (the “**Payroll Costs**”).

29. As of the Petition Date, the Debtors estimate that they owe approximately \$1.5 million to Kronos on account of accrued but unpaid Payroll Costs,⁷ payable in installments. Failure to pay such amounts could result in Kronos suspending critical support functions to the Debtors leading to the inability to access the Kronos platform. Accordingly, the Debtors seek authority, but not direction, to pay the accrued and unpaid Payroll Costs, and to continue honoring Payroll Costs on a postpetition basis, in the ordinary course of business.

⁶ As discussed in the *Emergency Motion of Debtors for Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Maintain Existing Business Forms and Intercompany Arrangements, (C) Continue Intercompany Transactions, and (D) Continue Employee Credit Card Program; (II) Extending Time to Comply With Requirements of 11 U.S.C. § 345(b); and (III) Granting Related Relief* (the “**Cash Management Motion**”), certain members of the Debtors’ senior management team are employed by non-Debtor affiliate Management Health Services, LLC, which provides management services to SHC pursuant to a management services agreement. SHC pays approximately \$1,000 per month to ADP, LLC on account of administrative fees for payroll services to such employees.

⁷ This amount includes the prepetition prorated amount owed to Kronos on account of annual subscription costs and the Debtors upgrading to a new version of Kronos’ platform.

F. Withholdings

1. Payroll Taxes

30. The Debtors are required by federal and state laws to withhold from Employee Wages amounts related to federal, state, and local income taxes, Medicare taxes, Social Security, and state-issued employment insurance for remittance to the appropriate federal, state, or local taxing authority (collectively, the “**Employee Payroll Taxes**”). Moreover, the Debtors are required by applicable statutory authority to match from their own funds Social Security, Medicare taxes, and certain additional amounts for federal and state unemployment insurance and short-term disability insurance (collectively, the “**Employer Payroll Taxes**,” and together with the Employee Payroll Taxes, the “**Payroll Taxes**”). The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, and local taxing authorities at the same time the Employees’ payroll payments are disbursed. On average, the Debtors pay and remit approximately \$65 million per month on account of Payroll Taxes.

31. In response to the COVID-19 pandemic, the federal government enacted relief under the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”) to allow businesses to defer paying the employer portion of contributions under the Federal Insurance Contributions Act (“**FICA Tax**”) on account of the Social Security tax imposed on employee earnings. In accordance with the CARES Act, the Debtors elected in 2020 to defer payment of approximately \$28.5 million in Employer Payroll taxes (the “**Deferred Employer Payroll Taxes**”).

32. As of the Petition Date, the Debtors estimate that they owe approximately \$42 million on account of the Payroll Taxes (exclusive of Deferred Employer Payroll Taxes), and the Debtors request authority, but not direction, to pay any accrued but unpaid Payroll Taxes as of

the Petition Date and to continue honoring the Payroll Taxes on a postpetition basis, in the ordinary course of business.

2. Deductions

33. The Debtors also routinely deduct certain amounts from Employees Wages, including, without limitation, garnishments, child support and service charges, and other similar deductions, as well as other pre- and post-tax deductions payable pursuant to certain of the Employee health and welfare benefits, including health insurance premiums and 401(k) plan contributions (collectively, the “**Deductions**”). On average, the Debtors withhold and remit approximately \$16.7 million per month on account of all Deductions.

34. As of the Petition Date, the Debtors estimate that they owe approximately \$18.7 million on account of the Deductions, and the Debtors request authority, but not direction, to deduct and pay any accrued but unpaid Deductions, and to continue honoring the Deductions on a postpetition basis, in the ordinary course of business.

3. Union Obligations

35. As discussed above, the Debtors employ approximately 11,360 Union Employees. Such Union Employees make certain Union-specific contributions that are withheld from their pay, including, but not limited to, Union dues and contributions (the “**Union Obligations**”). The Debtors withhold the Union Obligations from the Employee Wages of the Union Employees and remit the withheld amounts to the Unions. On average, the Debtors deduct and remit approximately \$330,000 per month on account of Union Obligations. The Debtors do not make any separate contributions to the Unions on behalf of the Union Employees.

36. As of the Petition Date, the Debtors estimate that they hold approximately \$430,000 on account of withheld Union Obligations, and the Debtors request authority, but not

direction, to remit the withheld unpaid Union Obligations, and to continue collecting and remitting the Union Obligations on a postpetition basis, in the ordinary course of business.

G. Reimbursable Expenses

37. The Debtors reimburse Employees for certain approved business expenses and other qualifying expenses incurred in carrying out their employment responsibilities, including, but not limited to, expenses for meals, hotels, flights, car rentals, parking, fuel, office supplies, continuing education costs, and other qualifying expenses (the “**Reimbursable Expenses**”).⁸ Certain of the Reimbursable Expenses are submitted by Employees via an expense reimbursement platform provided by Concur Technologies, Inc., and payments are issued by the Debtors to Employees via direct deposit. On average, the Debtors incur approximately \$2.1 million on a monthly basis on account of the Reimbursable Expenses.

38. As of the Petition Date, the Debtors estimate that they may owe approximately \$3.7 million on account of accrued but unpaid Reimbursable Expenses. Accordingly, the Debtors request authority, but not direction, to pay or reimburse any accrued but unpaid Reimbursable Expenses and any prepetition amounts incurred on account of the Reimbursable Expenses, and to continue to pay for the Employees’ eligible Reimbursable Expenses on a postpetition basis, in the ordinary course of business.

H. Onboarding Vendors

39. In the ordinary course of business, when an Employee, Affiliated Physician, Independent Contractor, or Agency Worker begins their employment and/or engagement with the Debtors, the Debtors are required under applicable law to perform certain background screenings,

⁸ As more fully described in the Cash Management Motion, the Debtors also provide certain Employees credit cards for paying business and other qualifying expenses incurred in carrying out their employment responsibilities. For the avoidance of doubt, the Debtors are only seeking authority to continue the credit card program through the Cash Management Motion, and not this Motion.

including drug testing, finger printing, and background checks, among other things (the “**Onboarding Obligations**”) through various service providers. On average, the Debtors incur approximately \$100,000 per month in connection with Onboarding Obligations. As of the Petition Date, the Debtors estimate that they owe the Onboarding Vendors approximately \$410,000 on account of prepetition obligations. The Debtors request authority, but not direction, to pay any accrued but unpaid amounts in connection with such obligations, and to continue honoring the Onboarding Obligations on a postpetition basis, in the ordinary course of business.

II. Employee Benefits

40. The Debtors also provide a number of benefits to their Employees through benefits plans and company policies. The Employee Benefits and the estimated outstanding prepetition amounts owed as of the Petition Date are summarized in the following chart, and described in further detail below:

Employee Benefits	Description	Approx. Amount Outstanding as of Petition Date
Health and Welfare Plans	Obligations relating to Health Benefit Plans, FSA Plans, a HSA Plan, Life Insurance Plans, and Disability Benefits (each as defined below and collectively, the “ Health and Welfare Plans ”)	\$62,000,000
Retirement Plans	Obligations relating to the 401(k) Plan, the Pension Plan, and Multiemployer Pension Plans (each as defined below and collectively, the “ Retirement Plans ”)	\$2,560,000
Employee Leave Benefits	Obligations relating to paid and unpaid leave benefits for Employees, including holiday time, vacation time, sick days, bereavement leave, parental leave and other paid leave (collectively, the “ Employee Leave Benefits ”)	\$470,000

Employee Benefits	Description	Approx. Amount Outstanding as of Petition Date
Employee Bonus Plans	Obligations relating to various incentive programs to bring value to the Debtors' estates by encouraging Employees to achieve company-side, business segment, and/or individual goals and targets, including the Physician Incentive Plans, Sign-On Bonuses, Referral Bonuses, and Retention Bonuses (collectively, the " Employee Bonus Plans ")	\$22,000,000
Other Employee Benefits	Obligations relating to other Employee benefits and programs, including tuition reimbursement, commuter benefits, an employee assistance program, auto and home insurance, identity theft prevention services, legal services, and relocation benefits (collectively, the " Other Employee Benefits ")	\$1,900,000
Total Estimate		\$88,930,000

A. Health and Welfare Plans

41. In the ordinary course of business, the Debtors offer several Health and Welfare Plans to provide benefits to their Employees, including Health Benefit Plans, FSA Plans, a HSA Plan, Life Insurance Plans, and Disability Benefits (each as defined below), which are each administered by Benefit Technology Resources LLC ("**iBTR**").⁹

42. As of the Petition Date, the Debtors estimate that they owe approximately \$62 million in the aggregate on account of accrued but unpaid obligations related to their Health and Welfare Plans (the "**Health and Welfare Obligations**"). The Debtors request authority, but not direction, to pay any accrued but unpaid Health and Welfare Obligations, and to continue

⁹ The Debtors do not make payments to iBTR directly. iBTR receives commissions on voluntary Employee-funded Health and Welfare Plans. As of the Petition Date, the Debtors do not believe they owe any amounts to iBTR.

honoring the Health and Welfare Obligations on a postpetition basis, in the ordinary course of business.

1. Health Benefit Plans

43. The Debtors offer eligible Employees the opportunity to participate in a variety of health benefit plans (varying by region), including health, vision, and dental plans (collectively, the “**Health Benefit Plans**”). The Debtors self-insure certain of the Medical Plans and the Prescription Drug Program. Specifically, the Debtors provide the following:

- a. Medical Plans: The Debtors offer medical plans (the “**Medical Plans**”) through Blue Cross Blue Shield of Massachusetts (“**BCBS**”) and The Cigna Group (“**Cigna**” and collectively with BCBS, the “**Medical Insurance Providers**”). Through the Medical Insurance Providers, the Debtors maintain several self-insured Medical Plans and one fully-insured Medical Plan. In accordance with the Medical Plans, the Debtors make premium payments every two weeks to the Medical Insurance Providers. On average, the Debtors estimate the cost of the Medical Plans is approximately \$19.5 million per month, which amount includes self-insured claims, employer contributions, and administrative fees. The Debtors are also responsible for paying claims under the Medical Plans under the Stop Loss Policy.¹⁰ As of the Petition Date, the Debtors estimate they owe approximately \$41.1 million on account of self-insured claims, employer contributions, and administrative fees related to the Medical Plans.
- b. Vision Plans: The Debtors provide optional, employee-funded vision plans (the “**Vision Plans**”) to eligible Employees through Ameritas Mutual Holding Company (“**Ameritas**”). All of the Vision Plans are fully funded by the Employees, and the Debtors do not make separate contributions on account of the Employee-funded Vision Plans. On average, the Debtors withhold and remit approximately \$180,000 per month on account of the Vision Plans. As of the Petition Date, the Debtors estimate they owe approximately \$200,000 on account of withheld but not yet remitted Employee contributions related to the Vision Plans.

¹⁰ The Debtors maintain a stop loss policy to cover amounts over \$400,000 per Employee per year (the “**Stop Loss Policy**”). For the avoidance of doubt, this Motion does not request relief to pay obligations related to the Stop Loss Policy. Relief related to the Stop Loss Policy is requested in the *Emergency Motion of Debtors for Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Insurance Policies, Surety Bonds, and Letters of Credit and (B) Satisfy Obligations Related Thereto; (II) Modifying the Automatic Stay to Permit Employees to Proceed with Workers’ Compensation Claims; and (III) Granting Related Relief*, filed contemporaneously herewith.

- c. Dental Plans: The Debtors provide dental plans (the “**Dental Plans**”) to eligible Employees through Ameritas. The Debtors and the Employees share premium costs for the Dental Plans. On average, the Debtors and the Employees respectively pay approximately \$150,000 and \$1 million per month on account of contributions to the Dental Plans. As of the Petition Date, the Debtors estimate they owe approximately \$3.4 million on account of employer contributions, deducted but not yet remitted employee contributions, and administrative fees in connection with the Dental Plans.
- d. COBRA: 110 of the Debtors’ former Employees receive benefits provided under the Consolidated Budget Reconciliation Act of 1985 (“**COBRA**”) following their termination, retirement, or disability leave. The Debtors do not pay for the COBRA benefits; rather, such costs are paid by the former Employees. However, the Debtors pay approximately \$10,400 per month in administrative fees to administrator HealthEquity on account of COBRA obligations. As of the Petition Date, the Debtors estimate they owe approximately \$38,000 in administrative fees on account of COBRA.
- e. Prescription Drug Program: In connection with the Medical Plans, the Debtors maintain prescription drug program services from Express Scripts, which is fully self-insured (the “**Prescription Drug Program**”). On average, the Debtors pay approximately \$4.1 million in self-insured claims and administrative fees per month for the Prescription Drug Program. As of the Petition Date, the Debtors estimate they owe approximately \$12.7 million on account of self-insured claims and administrative fees in connection with the Prescription Drug Program.
- f. Post-Retirement Health Plan: The Debtors sponsor the Employee Retiree Program (the “**ERP**”) administered by The Hartford Financial Services Group, Inc., a post-retirement health plan which provides health and prescription drug insurance coverage to former employees. As of the Petition Date, there are 31 current and former Employees enrolled in the ERP. The Debtors fully fund the ERP for certain participants. The Debtors estimate that they pay approximately \$2,000 per month in premium payments and administrative fees on account of the ERP. As of the Petition Date, the Debtors estimate they owe approximately \$2,200 in premium payments and administrative fees on account of ERP obligations.

44. The Debtors request authority, but not direction, to pay all outstanding prepetition amounts incurred on account of the Health Benefit Plans, and to continue honoring obligations related to the Health Benefit Plans on a postpetition basis, in the ordinary course of business.

2. Flexible Spending and Health Savings Accounts Plans

45. The Debtors offer Employees the opportunity to contribute a portion of their pre-tax compensation to pay for health care expenses or dependent care expenses through a healthcare flexible spending account or a dependent care flexible spending account (the “**FSA Plans**”), each administered through HealthEquity. In addition, the Debtors offer eligible Employees who select high-deductible Health Benefit Plans an option to enroll in a Health Savings Account Program (the “**HSA Plan**”), which is also administered by HealthEquity. Pursuant to the FSA Plans and HSA Plan, the Debtors withhold funds from program participants’ pre-tax payroll. Approximately 4,800 Employees participate in the FSA Plans and HSA Plan, and the Debtors estimate that they withhold approximately \$640,000 per month in connection with such programs. As of the Petition Date, the Debtors estimate that approximately \$2.9 million remains due and owing to HealthEquity on account of unused amounts under the FSA Plans and administrative fees relating to the FSA Plans and HSA Plan. The Debtors request authority, but not direction, to pay all outstanding prepetition amounts incurred on account of the FSA Plans and HSA Plan, and to continue paying obligations and withholding funds related to the FSA Plans and HSA Plan on a postpetition basis, in the ordinary course of business.

3. Life Insurance Plans

46. The Debtors offer certain Employees basic employee life insurance coverage and basic accidental death and dismemberment insurance. Eligible Employees receive basic term life, disability, and personal accident insurance (collectively, the “**Basic Life Insurance**”) through the Unum Group. In most cases, premiums for Basic Life Insurance are fully funded by the Employees. However, Basic Life Insurance premiums for certain eligible Employees are fully funded by the Debtors. On average, the Debtors contribute approximately \$210,000 per month on account of Basic Life Insurance.

47. Employees may also elect to purchase voluntary life, AD&D, critical illness, permanent term life, hospital indemnity and accident insurance through Chubb Limited (collectively, “**Voluntary Life and AD&D Insurance**,” and together with Basic Life Insurance, the “**Life Insurance Plans**”). Voluntary Life and AD&D Insurance plans are fully funded by the participating Employees. On average, the Debtors withhold and remit approximately \$760,000 per month on account of Employee contributions for Voluntary Life and AD&D Insurance. As of the Petition Date, the Debtors owe approximately \$250,000 on account of employer contributions to the Life Insurance Plans. The Debtors request authority, but not direction, to pay all outstanding prepetition amounts incurred on account of the Life Insurance Plans, and to continue to withhold and remit payments on account of Employee’s contributions to the Life Insurance Plans on a postpetition basis, in the ordinary course of business.

4. Disability Benefits

48. The Debtors provide eligible Employees with short-term and long-term disability benefits, each administered by Unum. Under the short-term disability benefits program, eligible Employees are entitled to approximately 60% of their base wages, up to a weekly limit of \$2,000, for a maximum period of 13 weeks in the event of a disabling accident or sickness (the “**Short-Term Disability Benefits**”). Short-Term Disability Benefits are generally voluntary and fully-funded by the Employees. The Debtors fund Short-Term Disability Benefits for certain non-insider Employees. For Employee contributions, the Debtors withhold amounts from the Employees’ paychecks.

49. Under the long-term disability benefits program, eligible Employees are entitled to between 50-66.67% (option-dependent) of their wages, up to a monthly limit between \$9,000 and \$20,000, in the event of a disabling accident or sickness and only after Short-Term Disability Benefits have been exhausted (the “**Long-Term Disability Benefits**,” and together with

the Short-Term Disability Benefits, the “**Disability Benefits**”). There is also a Long-Term Disability Benefits plan for all Employees that are fully-funded by the Debtors. Employees have the option to pay for additional Long-Term Disability Benefits coverage.

50. On average, the Debtors pay approximately \$350,000, and the participating Employees contribute approximately \$500,000, each on a monthly basis, on account of the Disability Benefits. As of the Petition Date, the Debtors owe \$1.5 million on account of the employer contributions to the Disability Benefits. The Debtors request authority, but not direction, to pay all outstanding prepetition amounts incurred on account of the Disability Benefits, and to continue paying the Disability Benefits on a postpetition basis, in the ordinary course of business.

B. Retirement Plans

1. 401(k) Plans

51. The Debtors sponsor two 401(k) plans: (i) the Steward Health Care 401(k) Retirement Savings Plan (the “**SHC 401(k) Plan**”) and (ii) the Western Reserve Health Education 401(k) Retirement Savings Plan (the “**WRHE 401(k) Plan**”, and together with the SHC 401(k) Plan, the “**401(k) Plans**”), each of which are defined contribution plans that meet the requirements of section 401(k) of the Internal Revenue Code and are available to eligible Employees. Each of the 401(k) Plans are administered by Fidelity, Inc. (“**Fidelity**”). Under the SHC 401(k) Plan, the Debtors are required to make matching contributions for certain Union Employee participants pursuant to the terms of their applicable collective bargaining agreements, and under both 401(k) Plans, the Debtors have the ability to make discretionary matching contributions with respect to other 401(k) Plan participants. There are approximately 25,400 Employees or former Employees with current account balances in the 401(k) Plans. The Debtors withhold approximately \$8.3 million each month from active 401(k) Plans participants’ paychecks on account of contributions to the 401(k) Plans, pay approximately \$500,000 each month on account of 401(k) Plans matching

obligations, and pay approximately \$100,000 each month on account of administrative fees to Fidelity.

52. As of the Petition Date, the Debtors owe no prepetition amounts on account of withheld but not yet remitted employee contributions to the 401(k) Plans, and estimate that they owe approximately \$550,000 in prepetition amounts on account of 401(k) Plans matching obligations and approximately \$320,000 in prepetition amounts on account of administrative fees to Fidelity. The Debtors request authority, but not direction, to pay all outstanding prepetition amounts incurred on account of the 401(k) Plans and continue to transfer such amounts to the 401(k) Plans and honor their obligations under the 401(k) Plans and the applicable collective bargaining agreements on a postpetition basis, in the ordinary course of business.

2. Deferred Compensation Plans

53. The Debtors historically sponsored two non-qualified deferred compensation plans: (i) the Steward Health Care Deferred Compensation Plan (the “**SHC DC Plan**”), administered by NFP Corp. (“**NFP**”), and (ii) the IASIS Healthcare Executive Savings Plan (the “**IASIS Plan**”, together with the SHC DC Plan, the “**Deferred Compensation Plans**”), administered by Principal Financial Group (“**Principal**”).¹¹ The SHC DC Plan remains active, while the IASIS Plan was frozen in 2017 and no participant deferrals have been made since 2017. As of the Petition Date, there are 319 current and former Employees participating in the Deferred Compensation Plans (each, a “**DCP Participant**” and collectively, the “**DCP Participants**”). Under the Deferred Compensation Plans, the DCP Participants were or are permitted to defer up to 100% of eligible earnings on a pre-tax basis and may receive distributions

¹¹ The IASIS Plan was administered by the Institutional Retirement & Trust department of Wells Fargo Bank, N.A., which was subsequently acquired by Principal in 2019.

in the form of a lump sum, annuity payment (monthly or annually), or a combination of both, upon an eligible event. These deferred amounts are not placed in a separate account. Instead, the Debtors maintain a “notional” account for each DCP Participant that tracks the deferred amounts and credit such account with gains and losses based on hypothetical investments. As of the Petition Date, the DCP Participants’ aggregate balance in the Deferred Compensation Plans totaled approximately \$55.8 million.

54. Further, in the ordinary course of business, the Debtors maintain a “rabbi trust” (the “**SHC Deferred Compensation Trust**”) with Matrix Trust Company for the benefit of the SHC DC Plan participants. The assets of the SHC Deferred Compensation Trust consist of corporate owned life insurance contracts on certain employees as a means to fund the Debtors’ obligations under the SHC DC Plan. Separately, the Debtors maintain a “rabbi trust” with Principal Trust Company for the benefit of the IASIS Plan participants (the “**IASIS Deferred Compensation Trust**”) and together with the SHC Deferred Compensation Trust, the “**Deferred Compensation Trusts**”). As of the Petition Date, there is approximately \$55.9 million of assets (based on the cash surrender value with respect to the life insurance contracts and mutual funds) in the Deferred Compensation Trusts. Because each Deferred Compensation Trust is a “rabbi trust,” the DCP Participants have no preferred claim on, or any beneficial ownership interest in, any assets of such trusts. The assets in the Deferred Compensation Trusts are subject to the claims of the Debtors’ general creditors in the event of insolvency or chapter 11 filing.

55. The liabilities under the Deferred Compensation Plans are unsecured obligations of the Debtors and any payments owing to eligible DCP Participants must be made from assets available to the Debtors’ estates. Since the Debtors’ obligations under the Deferred Compensation Plans are unsecured, the DCP Participants may not receive their account balances,

whether such amounts relate to pre- or postpetition wages, absent a further order from the Court. Thus, rather than providing an income-enhancing tax benefit, any contributions or deferrals made on account of the Deferred Compensation Plans will inequitably lower the DCP Participants' compensation. Under the express terms of the Deferred Compensation Plans, the Debtors may terminate the Deferred Compensation Plans any time in their sole discretion, subject to Section 409A of the Internal Revenue Code of 1986, as amended, and Treasury Regulations thereunder (the statute and regulations, "**Section 409A**"). Terminating the future contributions, however, may subject the DCP Participants to adverse tax consequences absent compliance with Section 409A. Section 409A permits termination and liquidation of a nonqualified deferred compensation plan, and payment of plan amounts without adverse tax consequences with the approval of a bankruptcy court and to the extent such distributions would qualify as administrative claims under section 503(b)(1)(A) of the Bankruptcy Code and are made in accordance with Treas. Reg. § 1.409A-3(j)(4)(ix).

56. Accordingly, to avoid any prejudice to the DCP Participants in the Deferred Compensation Plans, the Debtors request an order (a) authorizing, but not directing, the Debtors to terminate the Deferred Compensation Plans retroactive to the Petition Date, (b) deeming as an administrative claim under section 503(b) of the Bankruptcy Code any portion of a DCP Participant's regular postpetition income, earned on account of postpetition services provided for the benefit of the Debtors, that has been deferred or contributed to the Deferred Compensation Plans, or that has been elected for contribution to the Deferred Compensation Plans going forward, and (c) authorizing, but not directing, the Debtors to pay to all DCP Participants amounts deferred or contributed prepetition to the Deferred Compensation Plans, subject to the cap set forth in section 507(a)(4) of the Bankruptcy Code.

3. Pension Plan

57. The Debtors sponsor the New England Sinai Hospital Pension Plan, a qualified defined benefit pension plan (the “**Pension Plan**”), which is administered by the Angell Pension Group. The Pension Plan was frozen as to benefit accruals as of December 31, 2008; however, pension obligations continue to exist for past services performed by certain current and former Employees. The Pension Plan covers approximately 350 participants, with approximately 30 active participants. As of the January 1, 2023, the actuarial value of the assets in Pension Plan totaled approximately \$17.3 million and the funding target liability totaled approximately \$21.7 million. The Debtors estimate that the Pension Plan is underfunded by approximately \$4.4 million. The Debtors owe \$790,000 in minimum required contributions for the 2023 plan year, which amount is due to be contributed to the Pension Plan no later than September 15, 2024.

58. Notably, the New England Sinai Hospital, some of whose Employees are participants in the Pension Plan, closed earlier this year. If the Pension Plan were to be terminated in 2024, the Debtors estimate that the termination liability would be approximately \$5 million (inclusive of any unpaid minimum required contributions, assuming distributions occur in December 2024). Therefore, the Debtors seek authority, but not direction, to pay and remit all prepetition obligations on account of the Pension Plan, continue to pay the Pension Benefit Guarantee Corporation premiums in the ordinary course, and continue to honor obligations related to the Pension Plan on a postpetition basis, in the ordinary course of business.

4. Multiemployer Pension Plans

59. The Debtors are participating employers and make contributions to the following multiemployer defined benefit pension plans: (i) the Central Pension Fund of the International Union of Operating Engineers and Participating Employers (the “**Central Pension Fund**”), and (ii) the Nurses and Local 813 IBT Retirement Plan (the “**Nurses Plan**”, and together

with the Central Pension Fund, the “**Multiemployer Plans**”). Pursuant to the terms of the applicable collective bargaining agreements, in 2023, the Debtors made contributions to the Multiemployer Plans on behalf of 2,335 Employee participants in the aggregate amount of approximately \$9.5 million. The Debtors make approximately \$795,000 in contributions to the Multiemployer Plans per month.

60. As of the Petition, the Debtors estimate that they owe approximately \$900,000 in accrued but unpaid prepetition obligations related to the Multiemployer Plans. The Debtors seek authority, but not direction, to pay and remit all prepetition obligations on account of the Multiemployer Plans and continue to honor obligations related to the Multiemployer Plans on a postpetition basis, in the ordinary course of business.

C. Employee Leave Benefits

61. In the ordinary course of business, the Debtors offer a range of paid and unpaid employee leave benefits for Employees, including holiday time, vacation time, sick days, bereavement leave, parental leave and other paid leave (*e.g.*, jury duty, voting leave, military leave, workers’ compensation leave, family illness leave, and personal leave). The Debtors incur Employee Leave Benefits as Employees accrue them or when an Employee’s employment with the Debtors ends, at which point the accrual of Employee Leave Benefits is determined by the duration of an Employee’s employment.¹² As of the Petition Date, the Debtors estimate they have accrued approximately \$90 million on account of the Employee Leave Benefits, of which, only \$470,000 is a current cash obligation (*i.e.* amounts owed on account of Employees who have cashed out their accrued vacation benefits).

¹² Employees are entitled to cash out their accrued vacation benefits upon termination, and the amounts Employees are entitled to cash out are commensurate with their daily rate of pay.

62. The Debtors seek authority, but not direction, to honor all Employee Leave Benefits, whether such benefits accrued prepetition or postpetition, in the ordinary course of business during these chapter 11 cases.

D. Non-Insider Employee Bonus Plans

63. In the ordinary course of business, to encourage Employees to maximize their efforts and performance, the Debtors maintain certain bonus and incentive programs for their Employees to bring value to the Debtors' estates by encouraging Employees to achieve stated goals and targets. For the avoidance of doubt, the Debtors are not requesting authority by this Motion to pay obligations under the Employee Bonus Plans to any "insider" as the term is defined in section 101(31) of the Bankruptcy Code.¹³

1. Physician Incentive Plans

64. In the ordinary course of business, the Debtors' non-insider physician Employees enter into contracts with the Debtors, pursuant to which the physician Employees earn relative value units ("RVUs") for actions performed during the course of their employment (for example, reviewing records, performing surgeries, updating patient files, etc.). Physician Employees are compensated based on either a pure production plan (the "**Pure Production Plan**") or tiered production plan (the "**Tiered Production Plan**," and together with the Pure Production Plan, the "**Physician Incentive Plans**").

65. Under Pure Production Plans, physician Employees are compensated per RVU earned during a pay period. Under Tiered Production Plans, physician Employees are paid a base salary and are paid additional compensation based on the number of RVUs earned in a pay

¹³ In addition to the Employee Bonus Plans described below, in the ordinary course of business the Debtors historically provided discretionary bonuses pursuant to employment contracts, which amounts were determined on a case-by-case basis as a percentage (typically 5-70%) of the Employee's base salary (the "**Discretionary Bonuses**"). However, the Debtors have not made any payments on account of Discretionary Bonuses since 2021.

period above a contracted-for RVU threshold. The length of the payout period varies per physician Employee, but is typically 120 days.

66. As of the Petition Date, the Debtors estimate they owe approximately \$10.8 million to physician Employees in connection with the Physician Incentive Plans. The Debtors request authority, but not direction, to pay their accrued but unpaid prepetition obligations related to the Physician Incentive Plans, and to continue to honor the Physician Incentive Plans on a postpetition basis, in the ordinary course of business.

2. Other Bonus Programs

67. In the ordinary course of business, the Debtors award (i) sign-on bonuses to certain non-insider Employees at the commencement of their employment, which may be due and payable upon commencement of employment, or at some later date after such Employee reaches an employment period threshold, (ii) referral bonuses to certain non-insider Employees who refer a candidate for employment with the Debtors who later becomes an Employee of the Debtors, and (iii) retention bonuses to certain non-insider, non-executive Employees, which are earned and paid after such Employees maintain employment with the Debtors for a period of time.

68. As of the Petition Date, the Debtors owe (i) sign-on bonuses to approximately 1,700 Employees totaling approximately \$10.8 million in the aggregate (*i.e.* an average of \$6,353 per Employee) (such prepetition amounts incurred, the “**Sign-On Bonuses**”), (ii) referral bonuses to approximately 110 Employees totaling approximately \$400,000 in the aggregate (*i.e.* an average of \$3,636 per Employee) (such prepetition amounts incurred, the “**Referral Bonuses**”), and (iii) retention bonuses to approximately 30 Employees totaling approximately \$120,000 in the aggregate (*i.e.* an average of \$4,000 per Employee) (such prepetition amounts incurred, the “**Retention Bonuses**,” and together with the Sign-On Bonuses and Referral Bonuses, the “**Other Bonus Programs**”). The Debtors seek authority, but not

direction, to pay any accrued and unpaid obligations on account of Other Bonus Programs in the ordinary course of business, and to continue to honor such awards in the ordinary course of business on a postpetition basis.

E. Employee Severance

69. In the ordinary course of business, certain Employees have covenant agreements with the Debtors that provide for severance payments once the Employee has been terminated (the “**Contract Severance Obligations**”). These agreements generally provide Employees with up to 12 months’ pay for termination without cause or resignation for good reason, depending on their position. Under the terms of certain collective bargaining agreements, the Debtors also have obligations to pay severance, which ranges from 1 to 2 weeks’ pay per year of service (and maximum severance of 13 to 26 weeks) depending on the CBA, to eligible full-time and non-temporary part-time Union Employees who have signed a release (the “**CBA Severance Obligations**,” and together with the Contract Severance Obligations, the “**Employee Severance Obligations**”).

70. The Debtors seek authority, but not direction, to pay any accrued and unpaid Employee Severance Obligations in the ordinary course of business, and to continue to honor such awards in the ordinary course of business, on a postpetition basis. For the avoidance of doubt, the Debtors are not seeking authority to pay or honor any severance payments to insider Employees absent further order of the Court.

F. Other Employee Benefits

71. In addition to the foregoing, in the ordinary course of business, the Debtors have certain other practices, programs, and policies that provide benefits to their non-insider Employees, including, but not limited to, (i) tuition reimbursement to eligible Employees taking courses applicable to their employment, (ii) commuter benefits, (iii) an employee assistance

program administered by Unum, (iv) discounts on auto and home insurance, (v) identity theft prevention services, (vi) legal benefits plans that provide access to lawyers, and (vii) relocation benefits (collectively, the “**Other Employee Benefit Programs**”). As of the Petition Date, the Debtors estimate that they owe approximately \$1.9 million on account of accrued but unpaid Other Employee Benefits, including withheld but not yet remitted Employee contributions. The Debtors request authority, but not direction, to pay any accrued but unpaid obligations related to the Other Employee Benefit Programs, and continue to honor the Other Employee Benefits Programs on a postpetition basis, in the ordinary course of business.

Relief Requested Should be Granted

72. The Workforce, including the Debtors’ nurses, physicians, and staff, are the backbone of the Debtors’ operations, and is critical to ensure delivery of patient care. Their skills, knowledge, and understanding of the Debtors’ hospital operations and infrastructure are essential to preserving operational stability and efficiency, as well as the continued effective care of the Debtors’ patients. The Workforce includes highly-trained personnel who are intimately familiar with the Debtors’ businesses, processes, and systems, who have established relationships with patients, suppliers, and other key counterparties and who cannot easily be replaced. The Workforce’s skills, training, experience, and familiarity with the Debtors’ operations and patients are essential to the Debtors’ ongoing operations and the safety of the Debtors’ patients. Failure to pay the Workforce Obligations as they come due and owing in the ordinary course would significantly interfere with the Debtors’ continued operations, delivery of care to patients, and the success of these chapter 11 cases.

73. Under section 507(a)(4)(A) of the Bankruptcy Code, claims of employees against a debtor for “wages, salaries, or commissions, including vacation, severance, and sick leave pay,” that are “earned within 180 days before” the date on which a debtor’s chapter 11 case is

commenced are afforded priority unsecured status up to \$15,150 per individual. 11 U.S.C. § 507(a)(4)(A). Similarly, under section 507(a)(5) of the Bankruptcy Code, employees' claims for contributions to certain employee benefits plans are also afforded priority unsecured status to the extent of \$15,150 per employee covered by such plans, less any amount paid pursuant to section 507(a)(4) of the Bankruptcy Code. *Id.* at § 507(a)(5).

74. The Court may grant the relief requested herein pursuant to section 363 of the Bankruptcy Code, which provides, in relevant part, that “[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Courts in the Fifth Circuit have granted a debtor’s request to use property of the estate outside of the ordinary course of business pursuant to section 363(b) of the Bankruptcy Code upon a finding that such use is supported by sound business reasons. *See, e.g., In re BNP Petroleum Corp.*, 642 F. App’x 429, 435 (5th Cir. 2016); *In re Cont’l Air Lines*, 780 F.2d 1223, 1226 (5th Cir. 1986) (“[F]or a debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.”); *see also In re Crutcher Res. Corp.*, 72 B.R. 628, 631 (Bankr. N.D. Tex. 1987) (“A Bankruptcy Judge has considerable discretion in approving a § 363(b) sale of property of the estate other than in the ordinary course of business, but the movant must articulate some business justification for the sale.”); *In re Terrace Gardens Park P’ship*, 96 B.R. 707, 714 (Bankr. W.D. Tex. 1989).

75. In addition, under section 1107(a) of the Bankruptcy Code, a debtor has, among other things, the “implied duty of the debtor-in-possession to ‘protect and preserve the estate, including an operating business’ going-concern value.” *In re CEI Roofing, Inc.*, 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004) (quoting *In re CoServ, L.L.C.*, 273 B.R. 487, 497

(Bankr. N.D. Tex. 2002)). Under section 105(a) of the Bankruptcy Code, “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” See *CoServ*, 273 B.R. at 497 (holding that sections 105 and 1107 of the Bankruptcy Code provide authority for a debtor-in-possession to pay prepetition claims); see also *In re Tusa-Expo Holdings, Inc.*, No. 08-45057-DML-11, 2008 WL 4857954, at *1 (Bankr. N.D. Tex. Nov. 7, 2008); *CEI Roofing*, 315 B.R. at 56; *In re Mirant Corp.*, 296 B.R. 427 (Bankr. N.D. Tex. 2003). Moreover, Bankruptcy Rule 6003 itself implies that the payment of prepetition obligations may be permissible within the first 21 days of a case where doing so is “necessary to avoid immediate and irreparable harm.” Accordingly, the Bankruptcy Code authorizes the postpetition payment of prepetition claims where, as here, such payments are critical to preserving the going-concern value of a debtor’s estate.

**Payment of Workforce Obligations Is Essential to Ensuring
Continued Patient Care and the Success of These Chapter 11 Cases**

76. Any delay in paying, or failure to pay, the Workforce Obligations could irreparably impair the morale of the Debtors’ Workforce at a time when their dedication, confidence, retention, and cooperation are most crucial. It could also inflict a significant financial hardship on their families, as the majority of the Workforce relies on their compensation and benefits to pay their daily living expenses and to support their families. The Debtors cannot risk such a substantial disruption to their operations and the uninterrupted delivery of patient care, and it is inequitable to put the Workforce at risk of such hardship.

77. Payment of the Workforce Obligations in the ordinary course of business will enable the Debtors to focus their efforts on the success of these chapter 11 cases and maximize the value of the estates, which will benefit all parties-in-interest. Without this relief, otherwise-loyal Employees and members of the Supplemental Workforce may seek other work opportunities,

thereby putting at risk the Debtors' continued operations and ability to deliver uninterrupted care to patients.

78. As a hospital operator whose business is predicated on physician services to patients, it is vital the Debtors be permitted to pay their physicians in accordance with the physicians' employment contracts, including those amounts that exceed the priority claim cap set forth in section 507(a)(4). Given the highly skilled nature of the medical services performed by individuals in the Workforce, the total amount sought to be paid by the Motion is modest compared to the magnitude of the Debtors' overall business and the harm that would befall the Debtors and their stakeholders, including their patients, if their physicians were to terminate their relationship with the Debtors. The Debtors' patients include individuals in critical condition and others who rely on the care of the Debtors' physicians to perform their day-to-day activities, among others. Even a minor disruption to the Debtors' ability to pay and retain their physicians and other skilled healthcare workers could have grave consequences for patients who are in vulnerable conditions.

79. Further, courts have noted that there are instances in which debtors may fulfill their fiduciary duties only "by the preplan satisfaction of a prepetition claim." *In re CoServ*, 273 B.R. at 497. The *CoServ* court specifically noted that the preplan satisfaction of prepetition claims would be a valid exercise of a debtor's fiduciary duties when the payment "is the only means to effect a substantial enhancement of the estate." *Id.* at 497.

80. The *Coserv* court held that a debtor must demonstrate the following three elements before a court will approve payment of a prepetition claim on the basis of necessity. First, it must be critical that the debtor deal with the claimant. Second, unless it deals with the claimant, the debtor risks the probability of harm or, alternatively, loss of economic advantage to the estate or the debtor's going concern value, which is disproportionate to the amount of the

claimant's prepetition claim. Third, there is no practical or legal alternative by which the debtor can deal with the claimant other than by payment of the claim. *Id.* at 498. Accordingly, the Bankruptcy Code authorizes the postpetition payment of prepetition claims where, as here, such payments are critical to preserving the going-concern value of a debtor's estate. Failure to pay the Workforce Obligations of key Employees—including physicians—may result in a critical mass of Employees finding employment elsewhere. The Debtors submit that paying the Workforce Obligations of these Employees is the most practical and cost-effective way to ensure that the Debtors retain their key Employees.

81. Courts in this jurisdiction and other jurisdictions have recently approved amounts that exceed the priority claim cap for physicians and other critical, highly-skilled professionals in a series of chapter 11 cases. *See, e.g., In re Akumin Inc.*, No. 23-90827 (CML) (Bankr. S.D. Tex. Oct. 23, 2023) (Docket No. 64) (approving payments of unpaid wages exceeding the priority claim cap for employees of the Debtors, a national provider of outpatient radiology and oncology solutions to hospitals, health systems, and physician groups); *In re Genesis Care Pty Limited*, No. 23-90614 (DRJ) (Bankr. S.D. Tex. Jun. 01, 2023) (Docket No. 75) (approving payments to approximately 311 physicians for their unpaid variable compensations that exceeded the priority claim cap); *In re Impel Pharmaceuticals Inc.*, No. 23-80016 (SGJ) (Bankr. N.D. Tex. Dec. 21, 2023) (Docket No. 50) (approving payments of owed compensations exceeding the priority claim cap for employees who were vital to the Debtors' sale process); *In re Pier 1 Imports, Inc.*, No. 20- 30805 (Bankr. E.D. Va. Mar. 13, 2020) (Docket No. 348) (approving payment of prepetition employee compensation obligations in excess of section 507(a)(4) priority cap over objection of United States Trustee, subject to a \$250,000 aggregate cap); *In re Gibson Brands, Inc.*, No. 18-11025 (Bankr. D. Del. July 12, 2018) (Docket No. 431) (approving payment of

prepetition employee compensation obligations in excess of section 507(a)(4) priority cap over objection of official committee of unsecured creditors, and noting at the hearing that “[t]he doctrine of necessity doesn’t rely on the provisions of Section 507 of the Code”, and that “employee morale is more of a concern in this instance than the dollars”), Hr’g Tr. 20:7-22:16 (Docket No. 428); *In re THQ Inc.*, No. 12-13398 (Bankr. D. Del. Jan. 11, 2013) (Docket No. 144) (approving payment of prepetition employee compensation obligations in excess of section 507(a)(4) priority cap over objection of official committee of unsecured creditors and ad hoc committee of noteholders).

82. In addition, certain prepetition Workforce Obligations constitute priority claims under sections 507(a)(4) and (a)(5) of the Bankruptcy Code. As priority claims, the Workforce Obligations must be paid in full before the Debtors may make distributions on account of their general unsecured obligations. By this Motion, the Debtors are not seeking relief to pay amounts to insider Employees on account of the Employee Bonus Plans.

83. Failure to timely pay Workforce Obligations may place the Debtors in violation of applicable law in a number of jurisdictions. In particular, payment of Employee Payroll Taxes would not prejudice other creditors because the Employee Payroll Taxes that the Debtors withhold are held in trust for the taxing authorities and the withheld funds are not property of the Debtors’ estates under section 541 of the Bankruptcy Code. *See Begier v. IRS*, 496 U.S. 53, 66–67 (1990) (concluding that withholding taxes are property held by a debtor in trust for another and are therefore not property of debtor’s estate). In any event, Payroll Taxes generally give rise to priority claims under section 507(a)(8) of the Bankruptcy Code and would be entitled to payment in full under any subsequent plan of reorganization.

84. In addition, reimbursement of Reimbursable Expenses is necessary because any other treatment of Employees would be inequitable. Employees who have incurred

Reimbursable Expenses should not be forced to bear the cost of the Reimbursable Expenses personally, when they incurred the Reimbursable Expenses for the Debtors' benefit, in the course of their employment by the Debtors, and with the understanding that they would be reimbursed for doing so. Further, payment of the Onboarding Vendors is necessary to hire new members of the Workforce and allow the Debtors to continue operations.

85. With respect to the 401(k) Plans, as plan sponsor of the 401(k) Plans, the Debtors have a fiduciary duty arising under Title IV of ERISA, to administer the 401(k) Plans in accordance with their terms. Moreover, the failure of the plan sponsor to administer the plans in accordance with their terms would be a violation of the qualification standards of Section 401(a) of the Internal Revenue Code. Disqualification of the plan would generally cause the trust under the plan to lose its tax-exempt status under Section 501(a) of the Internal Revenue Code causing participants to be currently taxed on their balances under the plan, and would adversely affect the Debtors' ability to take a current tax deduction under Section 404(a)(5) of the Internal Revenue Code.

86. Payment of administrative fees to the administrators and providers of the Employee Benefits Plans is also necessary. Without the continued service of these administrators and providers, the Debtors will be unable to continue to honor their obligations to Employees under the Employee Benefits Plans in an efficient and cost-effective manner. The Debtors do not seek to alter any of the Employee Benefits Plans other than the Deferred Compensation Plans. Other than the Deferred Compensation Plans, the Motion requests only permission for the Debtors, in their discretion, to (i) make payments consistent with existing policies to the extent that such payments could otherwise be inconsistent with the provisions of the Bankruptcy Code and

(ii) continue to honor practices, programs, and policies with respect to Employees as such were in effect before the Petition Date.

87. Further, the Debtors do not seek to alter their compensation, vacation, or other benefits policies at this time (with the exception of the Deferred Compensation Plans, for which the basis for relief is described in further detail below)—the Debtors simply seek permission, in their discretion, and as set forth herein to (i) make payments consistent with the Debtors' existing policies to the extent that, without the benefit of an order approving the Motion, such payments may be inconsistent with the relevant provisions of the Bankruptcy Code, and (ii) honor their practices, programs, and policies with respect to their Employees, as such practices, programs, and policies were in effect as of the Petition Date.¹⁴

88. For the foregoing reasons, payment of the Workforce Obligations, as requested herein and in accordance with the Debtors' prepetition business practices, is necessary, appropriate, and in the best interests of the Debtors, their estates, and all other parties in interest in these cases. Accordingly, the Court should authorize the relief requested by the Debtors.

89. Courts in this district and others have frequently approved payment of prepetition claims for compensation, benefits, and expense reimbursements similar to those described herein as a routine matter in similar cases. *See, e.g., In re Genesis Care Pty Limited*, No. 23-90614 (DRJ) (Bankr. S.D. Tex. June 1, 2023); *In re Envision Healthcare Corporation*, No. 23-90342 (CML) (Bankr. S.D. Tex. May 15, 2023) (Docket No. 109); *In re Serta Simmons Bedding, LLC*, No. 23-90020 (DRJ) (Bankr. S.D. Tex. Jan. 24, 2023) (Docket No. 85); *In re Core Scientific, Inc.*, No. 22-90341 (DRJ) (Bankr. S.D. Tex. Dec. 22, 2022) (Docket No. 121); *In re*

¹⁴ Although the Debtors believe continuation of the Employee Benefits in a manner consistent with their prepetition practices and policies is within the ordinary course of their business, out of an abundance of caution, the Debtors have sought the Court's authority for the same pursuant to sections 105(a) and 363(b) of the Bankruptcy Code.

Talen Energy Supply, LLC, No. 22-90054 (MI) (Bankr. S.D. Tex. May 10, 2022) (Docket No. 118). Similar relief is also appropriate here.

The Debtors Should be Authorized to Terminate the Deferred Compensation Plans Pursuant to Section 363(b) of the Bankruptcy Code

90. Terminating the Deferred Compensation Plans is a sound exercise of the Debtors' business judgment and is in the best interests of the Debtors' estates and stakeholders. Any portion of a participant's compensation deferred pursuant to the Deferred Compensation Plans will only be recoverable by participants as a general unsecured claim against the Debtors' estates. *See, e.g., In re Silicon Graphics, Inc.*, 363 B.R. 690, 700 (Bankr. S.D.N.Y. 2007); *In re The Colonial BancGroup, Inc.*, 436 B.R. 695, 712 (Bankr. M.D. Ala. 2010). Thus, if the Debtors do not terminate the Deferred Compensation Plans, rather than providing a compensation enhancing benefit to participants, the Deferred Compensation Plans could inequitably lower participants' effective compensation. Putting participants' compensation at risk would negatively impact the morale of key members of the Debtors' workforce and have a negative effect on the administration of the Debtors' chapter 11 cases, to the detriment of all stakeholders. Moreover, the express terms of the Deferred Compensation Plans permit the Debtors to terminate the Deferred Compensation Plans at any time.

91. Accordingly, the Debtors submit that the relief requested with respect to terminating the Deferred Compensation Plans is a valid exercise of the Debtors' business judgment, and that terminating the Deferred Compensation Plans is in the best interests of the Debtors, their estates, and all parties in interest in these chapter 11 cases.

92. Further, termination of the Deferred Compensation Plans may have adverse tax consequences to individual participants, absent Bankruptcy Court approval. Because the Deferred Compensation Plans provide a form of deferred compensation, it is subject to the

requirements of IRC Section 409A, which under certain circumstances imposes a tax penalty (in addition to ordinary income tax) on participants in nonqualified deferred compensation plans, including plans that are terminated and liquidated “proximate to a downturn in the financial health” of the employer, unless such terminations are made pursuant to bankruptcy court order. Treas. Reg. § 1.409A-3(j)(4)(ix)(C)(1). Nonqualified deferred compensation plans, can, however, be terminated “with approval of a bankruptcy court”. Treas. Reg. § 1.409A-3(j)(4)(ix)(A). Additionally, distributions upon plan termination can be made with respect to a deferred compensation plan subject to IRC Section 409A, without additional penalties, if such payments are authorized by a bankruptcy court to the extent such distributions would qualify as administrative claims under section 503(b)(1)(A) of the Bankruptcy Code and are made in accordance with Treas. Reg. § 1.409A-3(j)(4)(ix).

93. As discussed above, if the Debtors do not terminate the Deferred Compensation Plans in the near-term, a portion of certain of the DCP Participants’ postpetition salaries will be contributed to the Deferred Compensation Plans, inequitably reducing such participants’ postpetition base compensation. Accordingly, the Court should authorize termination of the Deferred Compensation Plans.

94. Further, out of an abundance of caution and to ensure compliance with IRC section 409(A), the Debtors request authority to pay to the DCP Participants, as an administrative expense under section 503(b)(1)(A), any postpetition deferrals or contributions of the DCP Participants’ salaries, earned on account of postpetition services provided to the Debtors, including any amounts that have been elected for deferral for calendar year 2024 but that have not yet been contributed under the Deferred Compensation Plans. Section 503(b)(1)(A) of the Bankruptcy Code expressly provides that “the actual, necessary costs and expenses of preserving the estate”

include “wages, salaries, or commissions for services rendered after the commencement of the case . . .” 11 U.S.C. § 503(b)(1)(A); *see also In re Continental Airlines, Inc.*, 148 B.R. 207, 212 (D. Del. 1992) (wage claims which are paid to induce employees to continue to work for an employer who has filed a petition for Chapter 11 are necessary).

95. Courts have similarly permitted debtors to terminate deferred compensation plans according to their terms. *See, e.g., Basic Energy Services, Inc.*, No. 21-90002 (DRJ) (ECF No. 44) (authorizing termination of deferred compensation plan effective as of the petition date and deeming post-petition deferred compensation to be an administrative expense claim); *In re Brooks Brothers Group, Inc.*, No. 20-11785 (CSS) (ECF No. 275) (same); *In re The NORDAM Group, Inc.*, No. 18-11699 (MFW) (Bankr. D. Del. Aug. 23, 2018) (ECF No. 192) (same); *In re Westinghouse Elec. Co. LLC*, No. 17-10751 (MEW) (Bankr. S.D.N.Y. Sept. 12, 2017) (ECF No. 1350) (same); *In re Alpha Nat. Res., Inc.*, No. 15-33896 (KRH) (Bankr. E.D. Va. June 1, 2016) (ECF No. 2587) (approving termination of supplemental benefit plans and directing return of trust funds to the debtors’ estates); *In re Patriot Coal Corp.*, No. 12-51502 (Bankr. E.D. Mo. Mar. 15, 2013) (ECF No. 3228) (authorizing debtor to terminate nonqualified deferred compensation plan and service agreement); *In re The PMI Group, Inc.*, No. 11-13730 (BLS) (Bankr. D. Del. Feb. 19, 2013) (ECF No. 760) (authorizing termination of deferred compensation plan according to its terms and return of trust assets).

Cause Exists to Authorize the Banks to Honor Checks and Electronic Fund Transfers

96. The Debtors further request that the Court authorize applicable financial institutions (the “**Banks**”) to receive, process, honor, and pay any and all checks issued, or to be issued, and electronic funds transfers requested, or to be requested, by the Debtors relating to the Workforce Obligations, to the extent that sufficient funds are on deposit in available funds in the

applicable bank accounts to cover such payment. The Debtors also seek authority to issue new postpetition checks or effect new postpetition electronic funds transfers in replacement of any checks or fund transfer requests on account of the Workforce Obligations dishonored or rejected as a result of the commencement of the Debtors' chapter 11 cases.

Debtors Have Satisfied Bankruptcy Rule 6003(b)

97. Pursuant to Bankruptcy Local Rule 9013-1, the Debtors respectfully request emergency consideration of this Motion under Bankruptcy Rule 6003, which provides that the Court may grant relief within the first 21 days after the Petition Date to the extent such relief is necessary to avoid immediate and irreparable harm. The relief requested is essential to avoid the immediate and irreparable harm that would be caused by the Debtors' inability to transition smoothly into chapter 11. Accordingly, the Debtors submit that the requirements of Bankruptcy Rule 6003 are satisfied.

Debtors' Compliance with Bankruptcy Rule 6004(a) and Waiver of Bankruptcy Rule 6004(h)

98. To implement the foregoing successfully, the Debtors request that the Court find that notice of the Motion is adequate under Bankruptcy Rule 6004(a) under the circumstances, and waive the 14-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h). As explained above, the relief requested herein is necessary to avoid immediate and irreparable harm to the Debtors. Accordingly, ample cause exists to justify finding that the notice requirements under Bankruptcy Rule 6004(a) have been satisfied and to grant a

waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent such notice requirements and such stay apply.

Reservation of Rights

99. Nothing contained herein is intended to be or shall be deemed as (i) an implication or admission as to the validity of any claim against the Debtors, (ii) a waiver or limitation of the Debtors' or any party in interest's rights to dispute the amount of, basis for, or validity of any claim, (iii) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable nonbankruptcy law, (iv) a waiver of the obligation of any party in interest to file a proof of claim, (v) an agreement or obligation to pay any claims, (vi) a waiver of any claims or causes of action which may exist against any creditor or interest holder, (vii) an admission as to the validity of any liens satisfied pursuant to this Motion, or (viii) an approval, assumption, adoption, or rejection of any agreement, contract, lease, program, or policy under section 365 of the Bankruptcy Code. Likewise, if the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended to be and should not be construed as an admission to the validity of any claim or a waiver of the Debtors' or any other party in interest's rights to dispute such claim subsequently.

Notice

100. Notice of this Motion will be served on any party entitled to notice pursuant to Bankruptcy Rule 2002 and any other party entitled to notice pursuant to Bankruptcy Local Rule 9013-1(d).

WHEREFORE the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: May 6, 2024
Houston, Texas

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*Proposed Attorneys for Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on May 6, 2024, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas, and will be served as set forth in the Affidavit of Service to be filed by the Debtors' proposed claims, noticing, and solicitation agent.

/s/ Clifford W. Carlson
Clifford W. Carlson

Exhibit A

Proposed Order