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

In re:	:	Chapter 11
MODIVCARE INC., *et al.*,	:	Case No. 25-90309 (ARP)
Debtors.[1]	:	(Jointly Administered)

DECLARATION OF CHAD J. SHANDLER
IN SUPPORT OF CONFIRMATION OF THE
DEBTORS' PROPOSED PLAN OF REORGANIZATION

I, Chad J. Shandler, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true and correct:

1. I am the Chief Transformation Officer ("***CTO***") of ModivCare Inc. ("***ModivCare***" or the "***Company***") and its debtor affiliates (collectively the "***Debtors***"). I submit this declaration (the "***Declaration***") in support of the *First Amended Joint Chapter 11 Plan of Reorganization of ModivCare Inc. and Its Debtor Affiliates* [Docket No. 465] (as may be amended or supplemented from time to time, the "***Plan***").[2]

2. My background and qualifications are set forth in the *Declaration of Chad J. Shandler in Support of Debtors' Chapter 11 Petitions and First Day Relief* [Docket No. 14] (the "***First Day Declaration***"). I have over 30 years of experience in leading companies through restructuring efforts and serving in specialized roles such as Chief Executive Officer, Chief Restructuring Officer, and Chief Transformation Officer. I am frequently engaged in interim management and financial advisory roles to lead restructuring and business transformation efforts,

[1] A complete list of each of the Debtors in these chapter 11 cases (the "***Chapter 11 Cases***") and the last four digits of each Debtor's taxpayer identification number (if applicable) may be obtained on the website of the Debtors' claims and noticing agent at https://www.veritaglobal.net/ModivCare. Debtor ModivCare Inc.'s principal place of business and the Debtors' service address in these Chapter 11 Cases is 6900 E. Layton Avenue, Suite 1100 & 1200, Denver, Colorado 80237.

[2] Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan or the Debtors' confirmation brief [Docket No. 921] (the "***Confirmation Memorandum***"), as applicable.

including assessing financial performance, assisting with liquidity management, and developing projections. I have been a Senior Managing Director at FTI Consulting, Inc. ("***FTI***") for over seven years and serve as the Co-Leader of its Healthcare Practice and Co-Leader of its Healthcare Restructuring Services.

3. On January 9, 2025, I was appointed as CTO. Prior to my appointment as CTO, I provided financial advisory services to the Debtors in connection with my role as a Senior Managing Director at FTI. Since commencing work for the Debtors on November 29, 2024, together with the FTI team, I have been personally involved with the Debtors' business, financial projections, business planning and operations, and their restructuring process. Accordingly, I have acquired significant knowledge of the Debtors, their businesses, day-to-day operations, and the circumstances that led to the commencement of the Chapter 11 Cases, as well as the Debtors' books and records, financial affairs, capital structure, and related matters. In particular, as part of my evaluation of the Debtors' businesses, I have developed a firm understanding of the Debtors' cash flows, financial projections, and liquidity needs. I am also familiar with the terms of the Debtors' Plan.

4. Except as otherwise indicated herein, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by employees working under my supervision, my opinion based upon experience, knowledge, and information concerning the Debtors' operations and financial condition, my own reasonable inquiry, and/or my discussions with the Debtors' other officers, directors, and restructuring advisors, including professionals at Latham & Watkins LLP ("***Latham***"), Hunton Andrews Kurth LLP ("***Hunton***"), Moelis & Company ("***Moelis***"), FTI, and Kurtzman Carson Consultants, LLC d/b/a Verita Global ("***Verita***" and, together with Latham, Hunton, Moelis, and FTI, the "***Debtor Advisors***"). If called upon to testify, I would testify to the facts set forth in this Declaration. I am authorized to submit this Declaration.

BACKGROUND

I. The Debtors' Business Overview

5. The Debtors are a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. The Debtors are a provider of non-emergency medical transportation ("***NEMT***"), personal care services ("***PCS***"), and in-home monitoring solutions ("***RPM***"), all of which serve similar, highly vulnerable patient populations.

6. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services. NEMT's customers are public and private insurance providers (the "***Payors***"), including state Medicaid agencies and managed care organizations ("***MCO***") who provide managed Medicaid and Medicare benefits to their members. In 2024, the Debtors managed approximately 36.8 million trips for approximately 29.5 million average monthly members.

7. Its PCS segment includes placements of non-medical personal care assistants, home health aides and nurses in the seven (7) states it operates within to primarily Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. In 2024, the Debtors had approximately 14,000 caregivers throughout seven states who provided approximately 28 million hours of patient care.

8. The Debtors' RPM segment includes in-home clinical monitoring and quality improvement services that leverage personal emergency response systems, vitals monitoring devices, relationship-based care, and data-driven patient engagement solutions. In 2024, the Debtors served approximately 247,000 members of government insurance programs, members of healthcare provider organizations, and private individuals through RPM. Higi provides data-driven personal health technologies through the placement of health monitoring systems at certain third-party brick and mortar stores, and community health monitoring services.

9. The Debtors also hold a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand ("***Matrix***"). Matrix,

which is included in the Debtors' Corporate segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

II. FTI's Engagement

10. FTI was engaged by the Debtors on or about November 29, 2024 as a financial advisor to address acute liquidity constraints and balance-sheet pressures. Through late November and December 2024, FTI worked with Moelis and legal counsel at Kirkland & Ellis, LLP ("***K&E***") to evaluate a range of alternatives to bridge to a more permanent solution, including equity financing, asset sales, out-of-court restructurings, improving liquidity, evaluating financing alternatives, and developing covenant-relief strategies. In January 2025, FTI assisted the Debtors with executing the Fifth Amendment and the related Exchange Agreement (the "***2025 Transactions***"), which delivered in the aggregate $105 million in new money financing, covenant relief, and improved near-term runway. On January 9, 2025, I was appointed as the CTO. As the CTO, my responsibilities, as well as those FTI professionals under my direct supervision, included but were not limited to, providing interim management and assisting with the transformation of the Debtors through strategic divestitures and other potential initiatives to address long term liquidity needs.

11. After the execution of the 2025 Transactions, FTI continued to advise the Debtors, including in connection with the issuance of Second Lien Notes in March 2025 and the pursuit of strategic alternatives. FTI worked alongside the Debtors' retained investment bankers to assist the Debtors with these strategic alternatives, including the potential asset sales of the Debtors' RPM and PCS business segments. With FTI's assistance, the Debtors also developed and implemented Project Forward, which sought and achieved reductions in costs including operating expenses.

12. FTI assisted the Debtors with navigating substantial financial and industry headwinds throughout 2025, including regulatory shifts affecting Medicare and Medicaid reimbursement, eligibility redeterminations, and program integrity, such as anticipated and enacted state budget cuts and changes under the One Big Beautiful Bill Act and American Rescue Plan Act of 2021, all of which pressured Medicaid funding and Medicare Advantage supplemental

benefits. FTI also assisted the Debtors with surmounting liquidity strains arising from surety and insurance cash collateral requirements.[3] The Debtors continued to face unexpected losses of key contracts, including the loss of its longstanding contract with United Healthcare ("***UHC***") and the non-renewal of the South Carolina Medicaid contract.

13. After receiving UHC's non-renewal notice for its Medicare contracts on July 1, 2025, discussions with UHC to rescind the UHC termination notice failed, and it became apparent that UHC would be issuing non-renewal notices for its remaining contracts with the Debtors, the Debtors, in consultation with the Debtor Advisors, began to pursue strategic alternatives, including: discussions with their secured lenders, identification of alternative sources of capital, and preparation for a Chapter 11 process. FTI was actively engaged throughout the Chapter 11 preparation and subsequent proceedings, including negotiation of the Restructuring Support Agreement ("***RSA***"), the DIP Loan Facility, and Chapter 11 Plan. FTI also worked with other members of the Debtors' management ("***Management***"), finance personnel, and Debtor Advisors to develop DIP cash flow forecasts and the exhibits to the Debtors' Disclosure Statement, including the Financial Projections (defined below) and Liquidation Analysis (defined below).

FINANCIAL PROJECTIONS

I. Overview

14. The Debtors' financial projections for fiscal years 2026 through 2030 (the "***Projection Period***") are attached as Exhibit D to the Disclosure Statement [Docket No. 466] (the "***Financial Projections***") and represent or otherwise incorporate Management's operating assumptions based on various strategic reviews, historical performance (including recent operating trends), Management's views of existing and probable future market dynamics, as well as corresponding assumptions regarding service volumes, pricing, cost structure, regulatory

[3] The Debtors posted approximately $50 million in collateral year to date through September 30, 2025 after posting none prior to 2025.

developments, and key performance indicators for each of the Debtors' business segments, (NEMT, PCS, and RPM, including Higi).

15. Upon my appointment as CTO, I met with the Debtors' senior finance and financial, planning and analysis ("***FP&A***") teams to develop an understanding of the Debtors' historical FP&A processes and procedures for developing financial projections. I evaluated these procedures based on my experience and determined them to be appropriate.

16. The methodology and process to prepare the Financial Projections for fiscal year 2026 mirrored their normal forecasting process for NEMT and PCS business segments and corporate overhead, including financial projections prepared during fiscal year 2025. The general process is described below, and details for RPM (including Higi) are described in Section II below.

(a) Each business segment and Corporate has its own FP&A team who is knowledgeable about its business segments' operations (including revenue and expense drivers) and have an established model and methodology for forecasting that business segment.

(b) Step one is the preparation of an initial draft segment forecast completed by each FP&A team, which is then evaluated by FTI and senior finance leadership for reasonableness of assumptions, consideration of current and anticipated operating trends and consistency with historic and recent operating results. Inconsistencies would be identified and further assessed.

(c) Step two involves sharing the revised segment draft forecast with the respective segment leadership to confirm business strategy, underlying assumptions and metrics, and forecasted results. This process included meeting with the segment leader, the respective FP&A team, and senior finance leadership.

(d) Step three mirrored step two but also shares with the Chief Executive Officer before the financial projections are presented to the full Board of Directors or appropriate sub-committee for review.

17. The Financial Projections were prepared assuming that the Plan will be consummated in December 2025 and considered many factors, including the following:

(a) ***Service Volumes and Gross Margin***: monthly covered members; trip volumes; probability weighted future market expansion; personal care hours; monitoring client volumes; unit revenue and pricing; unit and fixed service expense; and gross margin implied from the foregoing;

(b) ***Overhead Support***: general and administrative functions required to support each of the Business Segments; corporate overhead supporting the Debtors' operations on a more broad, enterprise-level; public-to-private savings based on historical public company and related legal, audit, and compliance spend; cost savings initiatives resulting from the Debtors' investment into automation and continued review of future state opportunities; and overhead spend rationalization during the pendency of the Chapter 11 Cases;

(c) ***Working Capital***: ordinary course fluctuations in the Debtors' working capital as a result of normal operations;

(d) ***Recapitalized Capital Structure***: impact of these Chapter 11 Cases to the Debtors' capital structure as set forth in the Plan, including the reduction of cash interest expense, while preserving the ability to leverage working capital features in the Exit Facilities.

18. The Financial Projections were prepared based on the Debtors', Management's, and the Debtor Advisors' respective beliefs and understanding of the industry and market landscapes, which is heavily influenced by current, proposed, and speculative industry developments, including without limitation, the evolving trajectory of the reimbursement and regulatory environment.

II. RPM Segment and Higi

19. In connection with the sale process as referenced in Paragraph 11, a set of long-term projections for RPM and Higi (the "***Standalone Projections***") were prepared with the respective FP&A team, senior finance leadership, and the business-segment-leaders. The Standalone Projections were prepared assuming RPM (and Higi) would operate as a standalone company. For purposes of the Financial Projections, Management, the Debtor Advisors, and the RPM FP&A team needed to adjust the Standalone Projections to reflect retaining these businesses. The primary adjustment to the Standalone Projections was a downward adjustment to sales as the Standalone Projections assumed the carved-out business had finalized platform investments, possessed necessary capabilities, and executed on sales and/or partnerships. To achieve the level

of growth assumed in the Financial Projections, the Debtors would need to achieve the foregoing, which requires time and capital to execute.

III. Outcome

20. The result of the process described in Sections I and II, reflected in the Financial Projections, was as follows:

($ millions)	*Fcast* **2026**	*Fcast* **2027**	*Fcast* **2028**	*Fcast* **2029**	*Fcast* **2030**
[A] Income Statement					
Revenue	$ 2,298.4	$ 2,406.4	$ 2,487.1	$ 2,578.3	$ 2,666.5
Service Expense	(1,929.1)	(2,020.2)	(2,074.2)	(2,132.8)	(2,192.6)
Gross Profit	**$ 369.3**	**$ 386.2**	**$ 412.8**	**$ 445.5**	**$ 473.9**
Adj. SG&A	(242.7)	(239.6)	(249.6)	(265.8)	(281.2)
Adj. EBITDA	**$ 126.6**	**$ 146.6**	**$ 163.3**	**$ 179.7**	**$ 192.7**
[B] Statement of Cash Flows					
Restructuring Professionals & Severance	(24.0)	(5.0)	(5.0)	(5.0)	(5.0)
Cash Interest	(35.0)	(32.6)	(32.6)	(32.6)	(32.6)
Change in Working Capital & Other	(25.8)	(15.6)	(31.2)	(24.5)	(39.7)
Operating Cash Flow	**$ 41.8**	**$ 93.4**	**$ 94.5**	**$ 117.5**	**$ 115.4**
Capital Expenditures	(41.3)	(43.2)	(44.7)	(46.3)	(47.9)
Financing Activities	-	-	-	-	-
Net Cash Flow	**$ 0.5**	**$ 50.2**	**$ 49.8**	**$ 71.2**	**$ 67.5**
Beginning Cash	$ 120.4	$ 120.9	$ 171.0	$ 220.8	$ 292.0
Net Cash Flow	0.5	50.2	49.8	71.2	67.5
Ending Cash	**$ 120.9**	**$ 171.0**	**$ 220.8**	**$ 292.0**	**$ 359.5**

MAGRISI REPORT

21. On or about September 10, 2025, the Official Committee of Unsecured Creditors retained AlixPartners as its financial advisor.

22. On November 10, 2025, Mr. Greg Magrisi of AlixPartners issued the Expert Rebuttal Report of Greg Magrisi related to the Debtors' Business Plan and Projections (the "***Magrisi Report***"), despite the fact that neither the Debtors nor their professionals issued any expert report for Mr. Magrisi to rebut nor did the Debtors publish a business plan.

23. The Magrisi Report asserts that the Debtors' "Business Plan is not reasonable in that it does not fairly represent the anticipated earnings capacity of the Debtors' business through

the Projection Period (2026-2030). Adjusting for reasonable assumptions and key value and cost drivers should enhance Debtors' Adjusted ("***Adj.***") EBITDA projections by $45M - $73M on a full run-rate basis."[4] Mr. Magrisi's opinions on the "opportunities to enhance [the Debtors'] EBITDA" are summarized as follows:

(a) Retain revenue or replace lost revenue: $14 to 20 million;

(b) Reduce service expense: $9 to $18 million; and

(c) Reduce Selling, General and Administrative ("***SG&A***") expense: $23 to $35 million.[5]

24. I address each opinion below. Notably, the Magrisi Report *does not* provide alternative projections but merely purports to adjust the Debtors' underlying assumptions based on what Mr. Magrisi thinks the Debtors' future business operations and growth *should be* despite having no executive or operational experience with the Debtors' business and without consideration for how the Debtors actually operate their business segments, Management's business judgement, and execution risk. The Magrisi Report also has a number of fatal flaws, such as an inconsistent application of its own assertions and a hypothetical realignment of the Debtors' operating structure based solely on a Desktop Review (as defined below in Paragraph 40).

25. While I acknowledge there are further cost reduction initiatives the Debtors can pursue which are reflected as "go-gets" in the Financial Projections, the chart below summarizes certain of Mr. Magrisi's most egregious, hypothetical, and unsubstantiated $45 million to $73 million annual EBITDA improvement considerations.

Select Opportunities	Magrisi EBITDA Impact[6]	Commentary
Retain 40%-50% of UHC	$14M - $20M	Mr. Magrisi falsely claims the Debtors will retain a substantial portion (40-50%) of UHC revenue despite a

[4] *Magrisi Report at 10.*

[5] *Id.* at 13.

[6] *Id.* at 13, 56.

Select Opportunities	Magrisi EBITDA Impact[6]	Commentary
		settlement approved by this Court with termination dates and active disengagement efforts between UHC and the Debtors.
Employee Compensation	$8M - $10M	Mr. Magrisi proposes to (i) eliminate the Debtors' short term incentive bonus payments, (ii) reduce merit increases, and (iii) reduce the Debtors' 401k match without consideration of any impact to the Debtors' business operations (including employee morale and attrition).
Service Expense	$9M - $18M	Mr. Magrisi believes his service expense reductions would result in ***permanent***, recurring EBITDA improvement. While there are numerous flaws in his methodology, his basic premise highlights his lack of understanding of the Debtors' contracts and associated pricing mechanisms. As detailed below, many of these alleged cost-savings would be temporary at best and would significantly reduce Mr. Magrisi's suggested EBITDA improvement.
Transformation Team	$2M - $3M	Mr. Magrisi proposes headcount reductions to the Debtors' transformation team (the proposal of eliminating these positions) highlights Mr. Magrisi's fundamental lack of understanding of the team members' roles and importance to driving go-forward business.

A. Magrisi Report - Opinion 1: The Debtors unreasonably extrapolate current Revenue headwinds

26. The Magrisi Report asserts that $14 million to $20 million of lost EBITDA can be replaced in-year for 2026 and 2027 and beyond by (a) adjusting the Debtors' assumption on the customer loss in NEMT related to UHC from 100% to only 40-50% of associated revenue (meaning the Debtors retain half of UHC contract related revenue and associated EBITDA during the Projection Period), (b) continuing to push from risk-bearing to Fee-for-Service ("***FFS***") pricing in existing and new NEMT customer contracts, and (c) achieving higher rate realization for PCS.

27. With respect to UHC, the Magrisi Report pushes the false narrative that the UHC contract termination is only a negotiation ploy by UHC to extract more favorable contract terms from the Debtors, and that UHC will re-engage with the Debtors post-confirmation. I am not

aware of any *evidence or facts* presented to substantiate this assertion. This one assumption is material: ***$14 million to $20 million of Mr. Magrisi's enhanced Debtors' EBITDA opinion is solely related to this assumption.***

28. The Magrisi Report asserts that the Debtors "understate the stickiness with NEMT customers due to high switching costs and stronger customer preference for national integrated transport supportive care providers."[7] In fact, despite significant contract losses over the past two years including Humana and UHC, which represent over $600 million in annual contract value, the Debtors are confident in their ability to retain existing customers post-confirmation which is reflected in the Financial Projections. But, it is that same "stickiness" that Mr. Magrisi identifies in *retaining* existing customers that makes *winning new* NEMT business difficult, as doing so would mean the Debtors are likely replacing incumbent providers in these markets.

29. The Magrisi Report asserts the preference for customers to choose a national integrated transport provider. This assertion has been made without any support or citation. In fact, the Debtors have experienced increased competition from regional and local providers, and customers place significant emphasis on technology and price.

30. The Magrisi Report stated that the Debtors should continue to push from risk-bearing to FFS pricing in existing and new contracts. While this shift potentially has working capital benefits depending on payment terms, capitated pricing and trip volume, FFS contract pricing is typically lower than shared risk-bearing contracts thereby putting further downward pressure on revenue and EBITDA, the exact opposite effect Mr. Magrisi is attempting to promote. Additionally, the ability to make this contract shift only exists with a limited number of Payors and would need to be mutually agreed upon.

31. The Magrisi Report asserts that the Debtors' projected NEMT 2.1% compound annual growth rate ("***CAGR***") is conservative relative to historical performance. The Magrisi Report creates confusion by suggesting an NEMT CAGR between 2022 and 2024 of 5.2%. Upon

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7 *Id.* at 17.

a more detailed analysis, the overwhelming majority of the growth asserted in the Magrisi Report came between 2022 and 2023 (at over 10%), while the NEMT growth between 2023 and 2024 was only 0.3%. The Debtors expect NEMT revenue to contract by 4.8% and 18.5% from 2024 to 2025 and 2025 to 2026, respectively, before returning to a growth trajectory while facing downward pricing pressure from customers, increased competition, and anticipated industry impacts, including regulatory changes, beginning in 2027.

32. Finally, the Magrisi Report bases its assessment of anticipated PCS revenue and market growth on one industry report and national trends but fails to account for the local industry trends and competition solely in the seven states for which the Debtors operate and the current regulatory changes and local dynamics. The PCS business is not an exclusive arrangement. Competition is real and caregivers are transient, often moving from one employer to another, typically with the person being cared for. The Magrisi Report also fails to make a distinction between types of Payors for these services in considering market growth.

B. <u>Magrisi Report - Opinion 2A: Reduce Service Expense</u>

33. The Magrisi Report purports to identify $9 million to $18 million in run-rate annual savings related to service expense reductions. His savings are concentrated in the following areas: (1) NEMT Contact & Operations Centers; (2) non-labor savings focused on NEMT transport providers; (3) PCS Branch Operations and Management; and (4) PCS Scheduling.

34. First, Mr. Magrisi estimates a run-rate, permanent EBITDA improvement of $4.4 to $8.8 million associated with a 4% to 8% reduction in NEMT cost center labor cost. These savings are proposed to be achieved through "[l]evers such as utilization optimization, global staffing model and process improvement."[8] Mr. Magrisi fails to cite any basis for his proposed 4% to 8% cost reduction other than it representing that, in his opinion, it is a "conservative estimate."[9] Further, he includes proposed cost improvement initiatives that the Debtors have

[8] *Id.* at 114.

[9] *Id.* at 114.

already begun to undertake and are reflected in the Financial Projections, therefore potentially double counting savings already embedded in the Financial Projections. Mr. Magrisi held no discussions with Management to validate the feasibility of any of his potential savings. Additionally, Mr. Magrisi, without having an understanding of existing staff utilization levels, proposes that the Debtors should move towards multi-skill training to allow staff to flex between various tasks, which is the basis for his proposed full-time equivalent ("***FTE***") reduction.

35. Second, Mr. Magrisi estimates a run-rate, permanent EBITDA improvement of $3.3 to $6.9 million for NEMT by changing volume and route assignment frameworks to more efficient vendors and modes. These savings are driven by shifting trips from commercial trip providers to rideshare vendors. Similar to other cost savings initiatives, Mr. Magrisi arrives at these amounts in a vacuum without discussions or considerations from Management surrounding past and current initiatives to maximize rideshare where cost appropriate and within the limitations of rideshare usage. As such, Mr. Magrisi ignores multiple critical issues in arriving at his potential savings. For example, in order for rideshare to be a viable alternative to a commercial trip provider, it must be (a) contractually allowed, (b) available both geographically and from a use case perspective, and (c) be an appropriate mode of transportation to meet the medical necessities of the individual being transported. There has been no such analysis performed by Mr. Magrisi to evaluate these three critical items in relation to his savings, rendering his opinion imperfect at best.

36. Third, Mr. Magrisi estimates a run-rate, permanent EBITDA improvement of $0.7 to $1.6 million associated with the consolidation of PCS branch operations and oversight roles to "streamline organizational design." These savings relate to FTE reductions of 4 to 9 at the VP, Director, and Regional Director / Manager level. Mr. Magrisi did not identify specific people or roles proposed to be eliminated, nor did he address the impact to the business of eliminating these positions or whether, contractually, these reductions would be viable. Further, assuming none of these positions are backfilled, Mr. Magrisi did not appear to consider potential increases in compensation for remaining employees who would have added responsibilities as a result of the

headcount reductions which would decrease the proposed savings. Mr. Magrisi did not discuss with Management to validate any of these potential savings.

37. Fourth, Mr. Magrisi estimates the Debtors should "improve scheduling agents' utilization, staffing model and digital enablers (4% to 8% of labor cost savings)"[10] resulting in a run-rate, permanent EBITDA improvement of $0.4 to $0.8 million. Mr. Magrisi uses a similar methodology here as with the NEMT contact & operations centers, using an unsubstantiated 4% to 8% reduction in FTE spend to attain these potential savings without validating the viability with Management. Further, Mr. Magrisi infers that NEMT contact and operations and PCS scheduling are directly comparable to each other and applies the same cost saving methodology without providing any context or opinion as to any potential differences between the two.

38. But worse than the flaws outlined above, the most significant error in his analysis is his clear lack of understanding of the impact of his proposed savings on customer pricing and by extension EBITDA based on the Debtors' customer contract types and terms. Mr. Magrisi mistakenly believes that his savings are permanent when they would be temporary, at best. For example, the Debtors have many "cost plus" contracts, which means his proposed cost savings would have zero (or potentially negative) impact to EBITDA. Further, certain shared risk contracts include a "corridor" concept of profitability, whereby if the Debtors achieve a profit margin in excess of contracted levels, the Debtors accrue a "Contract Payable" and will need to return that excess amount to the customer, limiting the EBITDA impact of the cost savings outlined by Mr. Magrisi. Incremental to the specific contract types listed above, the majority of the NEMT customer contracts are subject to annual repricing discussions during which profitability is specifically reviewed. Savings to service expense would ultimately be shared with the Debtors' customers as part of this annual negotiation.

39. While the Debtors agree that reducing service expense is in the best interest of the Company, and Management is routinely looking to identify opportunities to reduce cost,

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[10] *Id.* at 108.

Mr. Magrisi displays a fundamental lack of understanding of the impact his proposed cost reductions would have to the Debtors' overall business, significantly overstating the potential opportunity (if any).

C. Magrisi Report - Opinion 2B: Reduce SG&A Spend

40. The Magrisi Report alleges between $23 million and $35 million in annual run-rate savings related to SG&A labor and non-labor expenses can be achieved, thereby resulting in a direct permanent uplift to EBITDA. According to Mr. Magrisi, these savings can be realized by "[a]pplying a variety of value-creation levers, such as increased offshoring, automation, spans improvement, and 3rd party spend reduction."[11] Mr. Magrisi's hypothetical expense savings are based solely on a limited assessment of the Debtors' information produced at his request and his comparison of this data to "industry" benchmarks of his choosing (known as a "***Desktop Review***").

41. But Mr. Magrisi's recommendations fall short, as he fails to adequately consider reasonability, viability, execution risk, regulatory or contractual constraints, and duplication of savings. Without interactive discussions with Management similar to those described below, Mr. Magrisi lacks the perspective for how the Debtors actually operate their business and related requirements, rather than how he thinks the Debtors "should" operate their business thereby replacing existing Management's business judgement and experience with his own.

42. As noted in Paragraph 11 above, the Debtors, with the assistance of FTI's business transformation professionals, pursued Project Forward in March 2025. Similar to Mr. Magrisi's approach, FTI's preliminary assessment began with an analysis of the Debtors' expense structure, including vendor spend, headcount, spans and layers, and compensation, using requested data and industry benchmarks. But this is where Mr. Magrisi's analysis stopped.

43. Following the identification of various potential opportunities, FTI then held multi-day, all-day intensive meetings with Management, including business segment leaders, and other personnel to review in detail each potential opportunity, determine the viability of each initiative,

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[11] *Id.* at 29.

the fully loaded cost savings, and the implementation plan and timetable. Project Forward resulted in 2025 in-year cost savings of $15.0 million and full-year cost savings of $25.0 million. These opportunities were executed upon in 2025 and are embedded into the Financial Projections.

Project Forward Summary Cost Savings:

Savings Type	2025 In-Year Savings	Run Rate Savings	Description of Savings
Headcount	$13.2M	$21.2M	Reduction in Force, reduction in temporary labor, span of control, offshoring and outsourcing
Non-Headcount	$1.8M	$3.8M	Primarily vendor cost reductions
Total	**$15.0M**	**$25.0M**	

44. In addition to Project Forward, the Financial Projections include $10 million to $15 million in annual future cost savings (the "***Future Cost Savings***"). These estimated savings reflect additional opportunities that need to be executed on that either (i) are not currently in process, but that Management will need to identify and execute upon or (ii) require lead time to implement and to achieve savings. Mr. Magrisi mistakenly testified at his deposition that he understood the Financial Projections had no "go-gets", when, in fact, they do as shown above. Additionally, certain of the viable opportunities identified by Mr. Magrisi are already actively under consideration and are expected to be in-range of the savings already included in the Financial Projections.

45. **Public to Private Cost Savings.** Mr. Magrisi opines that public company costs in the Financial Projections are understated and indicates that the Debtors could realize an incremental $2.0 million to $3.6 million of cost savings for labor and non-labor public-to-private company cost savings following privatization.[12]

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[12] *Id.* at 67.

46. Mr. Magrisi's methodology for sizing this opportunity is flawed. Mr. Magrisi misinterprets the Financial Projections and level of public-to-private cost savings that are assumed within them. The Financial Projections include public-to-private company cost savings of $5.0 million in 2026, $7.5 million in 2027, and $10.0 million per year thereafter. This phased approach relates to anticipated tail of spend required related to reporting and other requirements, and the Company's targeted approach to avoid future expense creep. Additionally, Mr. Magrisi recognizes that he and his team did not have the account mapping that he suggests was required to properly categorize the data. Mr. Magrisi and his team did not ask any questions on the Debtors' methodology in sizing this expense reduction. Rather, he independently increased his current estimated public-company costs incurred by the Debtors' (and therefore potential savings) based on an uncited benchmarking analysis.

47. ***Transformation Team***. Mr. Magrisi recommends a reduction in the Debtors' transformation team to minimal staffing required for court mandated bankruptcy activities and essential restructuring support, eliminating discretionary transformation initiatives ($2.2 million to $2.7 million).[13] Mr. Magrisi notes transformation functions are discretionary in bankruptcy and should be limited to court-driven needs. He recommends that the Debtors eliminate 70% to 85% of costs while retaining minimal headcount for essential restructuring support.

48. Even if the Debtors agree that the transformation function is discretionary and spending should be limited in bankruptcy (which they do not), Mr. Magrisi attempts to liken in-court spend rationalization concepts to the Reorganized Debtors' post-emergence business operations. Once the Debtors emerge from Chapter 11, transformation and growth are imperative to achieving the Financial Projections. The Debtors have embedded "go-get" cost savings related to service expense and other SG&A into the Financial Projections and, in order to achieve these savings, the transformation team is essential. Mr. Magrisi's staffing recommendations would undercut the very cost savings he says can be achieved.

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[13] *Id.* at 56.

49. ***Compensation.*** Mr. Magrisi is not a compensation expert, yet he has identified three general savings opportunities related to compensation and bonus structures of the Debtors as outlined below. Mr. Magrisi does not include any specific source as a basis for his conclusion and only notes these are based on industry norms and market benchmarks.

50. ***Eliminate Short Term Incentive Program and related Payments***. Mr. Magrisi proposes to eliminate Short Term Incentive ("***STI***") payments projected for March 2026 given recent retention bonus payments and Chapter 11 financial constraints ($6.3 million).[14] Mr. Magrisi notes that given Chapter 11 status and existing retention program, he believes that STI payments are duplicative and unnecessary for employee retention. In fact, only 66 employees of the Debtors' thousands of employees are eligible for the Debtors' retention program. Mr. Magrisi did not have any discussions with Management or Meridian, the Debtors' independent compensation consultant, regarding risk of talent loss or to validate the competitiveness of the Debtors' current compensation program. Further, Mr. Magrisi ignores several years of no bonus payouts which have already caused internal strife among employees. Removing the STI payments would certainly have an immediate and significant impact on employee morale during a critical time for the Debtors. Despite all the foregoing reasons why removing the STI payout for March 2026 should not be considered, Mr. Magrisi treats these savings as part of his run rate savings in 2027 and beyond, which effectively implies STI programs of the Debtors are terminated on a go-forward basis. The Financial Projections do not consider continued payout of both STI and retention beyond 2026. Mr. Magrisi's argument that these bonuses are duplicative in the outer years is factually wrong and should not be considered as part of the run-rate cost savings.

51. ***Merit Assumption***. Mr. Magrisi proposes to reduce the merit increase assumption for 2026 from 4% to 2% to 3% ($1.5 million to $2.9 million).[15] He notes that the assumed 4% merit increase for 2026 is above current healthcare sector norms, where typical pay adjustments

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[14] *Id.* at 58.

[15] *Id.* at 102.

range between 1 and 3%. Mr. Magrisi fails to acknowledge that the Debtors are not, in fact, a healthcare company and does not offer an alternative measure of a "typical" pay adjustment. Once again, Mr. Magrisi did not hold any discussions with Management or Meridian to understand how this merit increase was arrived upon.

52. ***401(k) Match Rate***. Mr. Magrisi indicates that the current 401(k) match rate is generous compared to market benchmarks and proposes to reduce the Debtors' current 401(k) match contribution of 100% up to 6% to align more with his market benchmarks of 3% to 4.7% ($0.2 million to $0.6 million). Mr. Magrisi does not opine on the potential talent loss and related potential outrage of the employee base (and related potential performance deterioration) associated with the reduction of these benefits.

D. Magrisi Report - Opinion 3: Business Plan projects elevated Capital Expenditures compared to historical spend

53. The Magrisi Report asserts that the Debtors "assume elevated Capital Expenditures ("***Capex***") of 1.8% of projected Revenue for the Projection Period (exceeding historical average Capex levels of 1.3% of revenue), including delivery automation savings of $11M in 2027, with no identifiable Revenue uplift attached to the Capex investments."[16] Although Mr. Magrisi allows the Debtors a Capex exception of 1.8% of revenue for 2026 and 2027 to fund certain revenue generating and automation costs savings initiatives, he suggests that after 2027 Capex should be reduced to its 3-year historic calculated average of 1.3% of revenue after 2027 to fund "maintenance projects only."[17]

54. The Magrisi Report does not provide any justification for its opinion to reduce Capex beyond 2027 other than stating that Capex should be reduced to "maintenance levels" without defining "maintenance levels." Reducing Capex in 2028 through 2030 to levels proposed by the Magrisi Report, $32 million to $34 million, would result in the Debtors spending less on Capex than they did in 2022 and 2023 without adjusting for inflation.

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[16] *Id.* at 10.

[17] *Id.* at 33.

55. The Debtors' level of Capex investment is based on requirements of the Debtors' various business segments to generate revenue, meet the technology needs of its customers, and maintain its purchased service margins in an increasingly price competitive environment. Mr. Magrisi's argument that historical Capex as a percent of revenue represents go-forward maintenance Capex is baseless and ignores the current competitive landscape and needs of the Debtors.

56. First, the Debtors' RPM segment requires annual Capex purchases of new monitoring products for its members. Further, the Debtors project significant growth during the Projection Period in the RPM segment. To achieve this growth, the Debtors will need to continue to invest in RPM's CareEveryday and CareEverywhere offerings which remain under early stages of prioritization and development.

57. Second, for the NEMT segment, a major scoring component in a state's RFP evaluation grading for Medicaid contracts is technical scoring, which includes the quality and capabilities of a company's technology platform. MCO customers assess a transport partners' enhanced delivery platform, functionality, and ability to integrate into its systems. Liquidity constraints for the last two years have limited the Debtors' ability to maintain stability, enhance their platform, remain competitive, and meet their clients' expectations. The Debtors need to invest in their technology platforms to achieve a competitive advantage to other providers in order to retain their existing customers and win new contracts.

58. Further, the Debtors need to invest in both its NEMT and PCS systems to create efficiencies in service delivery, including ride deployment and caregiver staffing in order to improve performance and maintain service margins. As stated above, the Debtors have already experienced competitive pricing pressures before considering the anticipated impacts of the One Big Beautiful Bill and state and local governments' budget pressures and require efficiencies to offset those pressures.

E. Other Opinions of Mr. Magrisi

59. The Magrisi Report suggests that because the Debtors' prepared an initial and then two revised forecasts during 2025 plus the Financial Projections that this should suggest lower fidelity in the Debtors' Financial Projections. During his deposition, Mr. Magrisi's only comment was that "significant swings" were potential "red flags" in his opinion. He also stated that in his experience, his clients do not re-evaluate or reforecast their projection during the course of the year.

60. In my experience, companies routinely evaluate their performance during the course of a fiscal year. While they will have an approved budget at the beginning of their fiscal year, it is common for them to prepare revised forecasts during the course of a fiscal year to reflect in-year business performance and known or anticipated changes from budget.

THE PLAN COMPLIES WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE

61. Counsel to the Debtors has advised me of the applicable standards under which a plan of reorganization may be confirmed by the Court. For the reasons set forth below and as will be demonstrated at the Confirmation Hearing, I believe the Plan satisfies the applicable Bankruptcy Code requirements for confirmation. I have set forth the reasons for such belief below, except where such compliance is apparent on the face of the Plan, the Plan Supplement, and the related documents or where it will be the subject of other testimony or evidence introduced at the Confirmation Hearing.

I. Section 1129(a)(3): The Plan Has Been Proposed in Good Faith and Not by Any Means Forbidden by Law

62. I believe that the Debtors have proposed the Plan in good faith, with honesty and good intentions, and the Plan has a reasonable likelihood of success. Indeed, the Debtors formulated the Plan after consulting with Management and their legal and financial advisors to determine the best way for the Debtors to maximize value for all stakeholders. The terms of the Plan were negotiated, over several months, in good faith with the Consenting Creditors, and their respective advisors, and achieve an outcome that is fundamentally fair to all stakeholders.

Prepetition, the Debtors engaged in extensive, good faith negotiations with the Consenting Creditors, culminating in the RSA, which was supported by approximately 90% of the holders of the First Lien Claims and 70% of the holders of the Second Lien Notes. Postpetition, the Debtors and the Consenting Creditors engaged in further negotiations concerning the Plan, which resulted in the Plan that delivers immense benefits to all stakeholders and is supported by over 88% of voting creditors.

63. In particular, the Debtors' initial plan did not provide a recovery to General Unsecured Creditors. After the filing of the initial plan, the Debtors, with the consent of the Consenting Creditors, revised the Plan to provide for increased recoveries to General Unsecured Creditors in the form of 2% of primary equity and a robust warrant package. These negotiations demonstrate the Debtors' efforts to maximize value for all stakeholders and work with all parties to emerge successfully from the Chapter 11 process.

64. For the foregoing reasons, among others, I believe that the Plan has been proposed by the Debtors in good faith and solely for the legitimate and honest purpose of preserving their business and maximizing the value of their Estates.

II. Section 1129(a)(7): The Plan is in the Best Interests of all Creditors and Equity Interest Holders

65. I understand that Section 1129(a)(7) of the Bankruptcy Code requires that a plan be in the best interests of creditors and equity holders. This "best interests" test focuses on individual dissenting creditors, rather than classes of claims. The best interests test requires that each holder of a claim or equity interest either accept the plan or receive or retain under the plan property having a present value, as of the effective date of the plan, not less than the amount such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

66. Under the Plan, Claims in Classes 3, 4, and 5 are Impaired and allowed to vote on the Plan. The Plan was accepted, but not unanimously, by Classes 3 and 4. The Plan was not accepted by Class 5 and deemed rejected by Classes 7 and 9. As such, the best interests test is applicable to the rejecting Holders of Claims and Interests in Classes 3, 4, 5, 7, and 9.

67. Based on the liquidation analysis that I performed, with the assistance of Management and FTI, and annexed to the Disclosure Statement as Exhibit C (the "***Liquidation Analysis***"), including the methodology used and estimations and assumptions made therein, it is clear that the best interests test is satisfied as to those holders of claims or interests who have rejected the Plan. A chapter 7 liquidation of the Debtors' estates would result in a substantial loss of value otherwise available to Holders of Claims in Classes 3 and 4 when compared to the proposed distributions under the Plan, and would result in no change to the distribution of Holders of Claims and Interests (as applicable) in Classes 5, 7, and 9 on account of their claims and interests.[18]

68. A liquidation under chapter 7 as set forth in the Liquidation Analysis would materially and adversely affect the ultimate proceeds available for distribution to most Holders of Allowed Claims and Interests in the Chapter 11 Cases. The Plan provides Holders of Claims in Classes 3 and 4 with a recovery greater than what would be available in a liquidation under chapter 7, and Holders of Claims and Interests (as applicable) in Classes 5, 7, and 9 with a recovery no less than what would be available in a liquidation under chapter 7. Accordingly, I believe the Plan satisfies the best interests requirement of Section 1129(a)(7).

III. <u>Section 1129(a)(11): The Plan is Feasible</u>

69. I understand from counsel that, to satisfy the feasibility requirement of Section 1129(a)(11) of the Bankruptcy Code, a debtor must demonstrate that confirmation of a plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor, unless such liquidation or reorganization is proposed in the plan.

70. Here, the Financial Projections demonstrate that the Plan is feasible. These Financial Projections demonstrate that the Debtors will have sufficient earnings to meet their obligations under the Plan. Although the Debtors' businesses operate in a competitive industry

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[18] *See* Disclosure Statement, Ex. C.

and market, and although it is impossible to predict with certainty the precise future profitability of the Debtors' businesses or industries and markets in which the Debtors operate, confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors, the Reorganized Debtors, or any successors to the Reorganized Debtors under the Plan. The proposed Plan, negotiated in good faith between the Debtors and their major creditor constituencies, has more than a reasonable likelihood of success because the transactions contemplated under the Plan will enable the Debtors to continue their current operations while generating positive free cash flow while eliminating approximately $1.1 billion of prepetition funded debt.

71. In formulating the Plan, the Debtors and the Debtor Advisors sought to ensure that the Plan would provide sufficient free cash flow to allow the Debtors to continue to operate their business successfully after emergence and to satisfy all of their obligations under the Plan. By substantially reducing the Debtors' prepetition debt and entering the Exit Revolving Facility, the Reorganized Debtors will be better positioned to service ongoing debt obligations and generate cash flow to reinvest in their businesses. Indeed, the Plan ensures that the Debtors' capital structure is aligned with their businesses and long-term growth strategy. Accordingly, I believe the Plan provides for a workable reorganization, with more than a reasonable likelihood of success, and, therefore, satisfies Section 1129(a)(11) of the Bankruptcy Code.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

[*Remainder of page intentionally left blank*]

Dated: December 5, 2025
New York, New York

/s/ Chad J. Shandler
Name: Chad J. Shandler
Title: Chief Transformation Officer

CERTIFICATE OF SERVICE

I certify that on December 5, 2025, 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 on those parties registered to receive electronic notices.

/s/ Timothy A. ("Tad") Davidson II
Timothy A. ("Tad") Davidson II