

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
FORT MYERS DIVISION
www.flmb.uscourts.gov

In re:

Chapter 11 Cases

CHS FL, LLC, *et al.*,¹

Case No. 26-bk-01087 (LMR)

Debtors.

(Jointly Administered)

**DECLARATION OF DAVID GOLDWASSER IN SUPPORT OF THE
DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY RELIEF**

I, David Goldwasser of FIA Capital Partners, LLC ("FIA"), hereby declare under penalty of perjury:

1. I am the managing member of FIA with offices located at 3284 N. 29th Ct, Hollywood, FL 33021. FIA is a financial advisory firm with extensive experience in restructuring and providing financial and operational guidance to companies in distressed situations. FIA's professional staff and I have extensive experience working with financially troubled companies in complex financial restructurings both out of court and in Chapter 11. FIA professionals have provided financial advisory and accounting services to many debtors, creditors and other constituents in Chapter 11 cases.

2. I am the Chief Restructuring Officer ("CRO") of each of the above-captioned debtors and debtors in possession (collectively, the "Debtors" or the "Company"). I have served as the Debtors' CRO since May 6, 2026, but have worked with the Company since Summer 2025. As such, I am not only familiar with the Company, its management, the Debtors' day-to-day

¹ The address of the Lead Debtor is 3357 Tamiami Trail East, Naples, FL 34112. The last four digits of the Debtors' federal tax identification numbers are: (i) CHS FL, LLC (5547); (ii) CHS TX, Inc. (5886); (iii) CHS AL, LLC (0801); and (iv) YesCare Corp. (5691).

operations, business and financial affairs, and books and records, I am also familiar with key constituents involved in litigation and events leading up to these Chapter 11 Cases.

3. I am above 18 years of age and I am competent to testify. I am authorized to submit this Declaration on behalf of the Debtors. Except as otherwise indicated, all facts set forth in this Declaration are based upon (a) my personal knowledge of the Debtors' operations and finances; (b) my review of certain relevant documents; (c) information provided to me by FIA professionals working under my direction and supervision; (d) information provided to me by members of the Debtors' management, professionals and others working for the Debtor, or its other advisors; or (e) my opinion based upon my experience and knowledge.

4. I submit this Declaration to assist the Court and parties in interest in understanding the circumstances that led to the commencement of the above-captioned chapter 11 cases (the "Chapter 11 Cases") and in support of: (a) the Debtors' voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") filed on May 8, 2026 (the "Petition Date") in the United States Bankruptcy Court for the Middle District of Florida (the "Bankruptcy Court"); and (b) the relief that the Debtors have requested from the Court pursuant to the motions and pleadings (collectively, the "First Day Pleadings").

5. The Debtors remain in possession of their assets and continue to operate their businesses as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

6. References to the Bankruptcy Code, the chapter 11 process, and related legal matters are based on my understanding of such matters in reliance on the explanation provided by, and the advice of, counsel or from my personal experience. If called upon to testify, I would testify competently to the facts set forth in this First Day Declaration.

7. To familiarize the Court with the Debtors and the relief the Debtors seek early in these Chapter 11 Cases, this Declaration is organized into four sections. Section I provides an introduction to the Debtors and detailed information on the Debtors' corporate history and business operations. Section II provides an overview of the Debtors' prepetition capital structure. Section III describes the circumstances leading to the commencement of the Chapter 11 Cases and the objectives of the Chapter 11 Cases. Section IV sets forth the relevant facts in support of each of the First Day Pleadings filed in connection with the Chapter 11 Cases, which the Debtors believe are critical to administering the Chapter 11 Cases and preserving and maximizing the value of the Debtors' estates. With respect to Section IV of this Declaration, capitalized terms not otherwise defined therein shall have the same meanings as defined in the relevant First Day Pleading being discussed.

I. The Debtors' Business and History

8. The Company is a provider of physical health and mental health services to inmate patient populations in correctional facilities. In providing those services, the Company typically employs (via direct employees, independent contractors, or subcontractors) the on-site medical staff including nurses, physicians, mid-level clinicians, behavioral health staff and related support personnel. These individuals provide on-site care to the patient population. Additionally, the Company employs a central services group which provides clinical and operational guidance, recruiting and retention of personnel, clinical IT systems and other support services to the teams in the field.

9. In addition to the provision of on-site care, the Company contracts with pharmacies to fill medication prescriptions that are shipped to the facility and administered to the patients via the on-site staff. The Company also maintains a network of off-site providers (such as hospitals, emergency rooms, specialty physicians, etc.) to provide care that cannot be provided on-site.

10. The Company currently has over 1,500 employees and operates approximately nineteen (19) facilities across nine (9) states. Of the nineteen (19) facilities currently operated by the Company, nine (9) are located in Florida.² In the ordinary course of their business, the Company entered into agreements with various (typically governmental) entities under which the Debtors would provide, or arrange for, the provision of healthcare services to certain inmates or detainees of the contract counterparty. The Company serves nearly 20,000 patients daily.

11. In 2022, after experiencing significant financial difficulties, certain predecessor entities to the Company executed a divisional merger under the Texas Business Organizations Code, which permitted the Company to merge into new legal entities and reallocate assets and liabilities in manner that was binding on creditors. The end result was that two entities emerged from the process – Tehum Care Services (“Tehum”) and CHS TX, Inc. (“CHS TX”), one of the above-captioned debtors in these Chapter 11 Cases. CHS TX was subsequently acquired by YesCare Corp. (“YesCare”)

12. Tehum filed for Chapter 11 protection in the United States Bankruptcy Court for the Southern District of Texas, captioned *In re: Tehum Care Services, Inc.*, Case No. 23-90086 (CML) (the “Texas Proceeding”). Tehum was not operating at the time of filing and the bankruptcy case largely consisted of a negotiation with various creditors, including multiple mediations with two mediators over several years. The result was a global settlement that was approved and confirmed in the Joint Chapter 11 Plan of the Tort Claimants’ Committee, Official Committee of Unsecured Creditors, and Debtor (the “Tehum Plan”) on March 3, 2025.

13. The settlement terms of the Tehum Plan provided, among other things, that certain settlement parties agreed to pay Fifty Million Dollars (\$50,000,000) in monthly installments over

² The Company also operates two (2) facilities in Kentucky and one (1) facility each in New York, Maryland, New Jersey, New Mexico, Texas, Michigan and Virginia.

30 months. It required that at least 95% of the holders of certain alleged claims to opt in to the settlement but, permitted up to 5% of the holders to “opt-out” and pursue certain claims against the various settlement parties or other entities, including YesCare and CHS TX, two of the Debtors in these Chapter 11 Cases.

II. The Company’s Organizational and Capital Structure

14. The Company’s corporate structure is relatively simple, YesCare is the corporate parent and 100% owner of the each of the Debtors and certain non-operating affiliates. YesCare has one board member, Isaac Lefkowitz. YesCare’s officers are:

- Chief Executive Officer - Jeffrey Sholey,
- Chief Financial Officer – James T. Sprouse, Jr., and
- Chief Legal Officer – Scott King.

15. In the ordinary course of the Debtors’ business operations, once client invoices are generated, payments are remitted to a centralized operating account maintained by a non-debtor management entity that historically administers payment processing and cash management functions for the Debtors and affiliated entities (the “Management Account”).

16. The Debtors’ prepetition liabilities consist of secured and unsecured debt. The Debtors’ prepetition lender is M2 LoanCo, LLC (“M2”), an affiliate of the Debtors, pursuant to that certain Third Amended and Restated Credit Agreement (as amended from time to time). As of the Petition Date, the Debtors owe approximately \$21,000,000 to M2 on account of the prepetition debt.³

17. In light of the Company’s financial difficulties, it became apparent that the Debtors would need a CRO to advise them through a restructuring process and, if needed, the Chapter 11

³ The Debtors are continuing to investigate the nature of the indebtedness to M2 and reserve all rights in that regard.

Cases. Accordingly, on May 6, 2026, in a sound exercise of the Company's business judgment, the Company resolved to retain me as CRO given my prior experience with the Company as well as my prior experience in serving as CRO in other chapter 11 cases.

18. The Debtors have substantial unsecured debt, comprised of both trade debt and litigation exposure, the majority of which is contingent, unliquidated and disputed. As of the Petition Date, the Debtors estimate their outstanding obligations to their trade vendors and litigation creditors could be as high as \$400 million.

III. Events Leading Up to Chapter 11

19. One of the principal factors necessitating the commencement of these Chapter 11 Cases was the extraordinary financial and operational burden imposed by extensive litigation involving the Debtors. As of the Petition Date, the Debtors were parties to over 100 pending litigation matters involving alleged commercial disputes, professional negligence claims, civil rights allegations, and personal injury actions. A substantial majority of these proceedings were initiated by inmates at correctional facilities located across more than fifteen states, including Florida. The defense and administration of this volume of litigation, much of which the Debtors believe is legally and factually unsupported, has required the expenditure of substantial financial resources, management attention, insurance proceeds, and operational bandwidth. As a result, the Debtors have been forced to divert critical personnel and liquidity away from their core business operations and patient-care functions in order to respond to ongoing litigation demands, discovery obligations, trial preparation, and related matters.

20. The Debtors' litigation exposure was further complicated by claims asserted by certain creditors and claimants who elected to opt out of the Tehum Plan. Most significantly, in a matter pending in Michigan, plaintiff Kohchise Jackson asserted civil rights and medical malpractice claims against certain of the Debtors and, on April 2, 2026, obtained a jury verdict in

excess of \$307 million (the “Jackson Verdict”). Upon information and belief, the Jackson Verdict constitutes one of the largest jury verdicts ever rendered against a correctional healthcare provider. The Debtors strongly dispute both liability and damages associated with the Jackson Verdict and believe the verdict is contrary to the evidence presented at trial and unsupported under applicable law. The Debtors intend to vigorously pursue all available post-trial motions and appellate remedies at the appropriate time. Nevertheless, regardless of the ultimate outcome of the appellate process, the sheer magnitude of the Jackson Verdict has had an immediate and materially adverse effect on the Debtors’ business operations, liquidity position, access to counterparties, and overall financial condition.

21. In the wake of the Jackson Verdict, the Debtors experienced substantial operational disruption and increasing uncertainty among governmental agencies and other contract counterparties, which collectively constitute substantially all of the Debtors’ revenue base. Since entry of the Jackson Verdict, several significant contracts with state and local governmental entities representing over \$350 million in annual revenue have been terminated, suspended, not renewed, or otherwise canceled. This represents a loss of nearly 80% of the Debtors’ annual revenue. The Debtors further believe they have lost additional opportunities to obtain new contracts or renew existing engagements. Moreover, the publicity and reputational harm associated with the Jackson Verdict has adversely impacted certain of the Debtors’ relationships with vendors, insurers, employees, and other stakeholders, resulting in increased operational strain and additional liquidity pressure. The Debtors believe that absent the protections afforded by chapter 11, the continued effects of the Jackson Verdict and related litigation pressures would likely result in further contract attrition, diminished enterprise value, disruption to continuity of care, and potential piecemeal enforcement actions by creditors and claimants.

22. In addition, on April 27, 2026, certain liquidating trusts established in connection with the Tehum Plan commenced litigation against the Debtors and other parties in a matter captioned *Matt Dundon, GUC Trustee, et al. v. CHS TX, Inc., et al.*, Case No. 26-03138. The complaint asserts various causes of action relating to, among other things, alleged breaches of a settlement agreement entered in the Tehum Plan and claims arising from certain historical organizational restructuring transactions. The Debtors believe these allegations are without merit and intend to vigorously defend against the asserted claims. Nonetheless, the commencement of additional large-scale litigation further increased uncertainty surrounding the Debtors' financial condition and contributed to the need for a comprehensive restructuring process.

23. The Debtors commenced these Chapter 11 Cases to obtain the protections and breathing spell afforded by the Bankruptcy Code while they stabilize operations and evaluate value-maximizing restructuring alternatives. The Debtors only recently retained restructuring professionals, including myself as Chief Restructuring Officer, and are actively assessing strategic options for the business, including a potential sale transaction, balance-sheet restructuring, operational rationalization, recapitalization, or other restructuring transaction involving all or substantially all of the Debtors' assets or operations. Through these Chapter 11 Cases, the Debtors seek to preserve going-concern value, maintain continuity of patient care and operations, protect relationships with governmental counterparties and employees, and maximize recoveries for the benefit of all stakeholders.

IV. Relief Sought or to be Sought in Debtors' First Day Pleadings

24. Contemporaneously with the filing of their chapter 11 petitions, the Debtors have filed or will be filing the following First Day Pleadings:

- a. Debtors' Expedited Motion for Entry of an Order (I) Authorizing the Implementation of Procedures to Maintain and Protect Confidential Health

Information and (II) Granting Related Relief [Docket No. --] (the “Patient Confidentiality Motion”);

- b. Debtors’ Expedited Motion for Entry of an Order (I) Authorizing the Debtors to File (A) a Consolidated Creditor Matrix and (B) A Consolidated List of the Top Thirty Unsecured Creditors; (II) Authorizing the Debtors to Suppress Certain Personally Identifiable Information for Individual Creditors, Employees, and Parties in Interest; and (III) Granting Related Relief [Docket No. 23] (the “Consolidated Creditor Motion”);
- c. Debtors’ Expedited Motion for Entry of an Order Granting an Extension of the Deadline for Filing Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, Statements of Financial Affairs, and and Bankruptcy Rule 2015.3 Reports [Docket No. 21] (the “Schedules Extension Motion”);
- d. Debtors’ Expedited Motion for Authorization, Effective as of May 8, 2026, to File Consolidated Chapter 11 Case Management Summary by May 20, 2026 [Docket No. 20] (the “Case Management Summary Motion”);
- e. Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition (A) Wages, Salaries, and Other Compensation, (B) Reimbursable Employee Expenses, and (C) Obligations relating to Medical and Other Benefits Programs, and (II) Granting Related Relief [Docket No. 10] (the “Wages Motion”); and
- f. Debtors’ Emergency Application for Entry of Order Authorizing Debtors to Employ and Retain Omni Agent Solutions, Inc. as Notice, Claims and Solicitation Agent Effective as of the Petition Date [Docket No. 22] (the “Omni Application”).

25. The Debtors seek the relief set forth in the First Day Pleadings to minimize the disruption to and adverse effects of the commencement of the Chapter 11 Cases on business operations and to maximize the value of their assets. I have reviewed the Debtors’ petitions and the First Day Pleadings or have otherwise had their contents explained to me by the Debtors’ advisors, and it is my belief that the relief sought therein is essential to ensure the uninterrupted operation of the Debtors’ business and to successfully maximize the value of the Debtors’ estates. Additionally, the Debtors are continuing to evaluate whether additional emergency relief is necessary, and, if the Debtors determine to seek additional “first day” relief in the near term, this

First Day Declaration may be amended, supplemented, or modified to include testimony in support of additional pleadings.

26. Certain of the First Day Pleadings request authority to pay certain prepetition claims. I understand that Rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first twenty-one (21) days following the filing of a chapter 11 petition, “[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm.” In light of this requirement, the Debtors have narrowly tailored their request for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates. Other relief will be deferred for consideration at a later hearing.

27. In sum, for reasons set forth herein, and based on facts set forth in the First Day Pleadings, which are incorporated herein in their entirety, I believe that the relief sought in each First Day Pleading: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of value; (b) is necessary to avoid immediate and irreparable harm; and (c) best serves the interests of the Debtors’ stakeholders. Further, facts, as set forth in the various First Day Pleadings, are incorporated herein in their entirety.

A. Patient Confidentiality Motion

28. In the course of providing healthcare services to patients, the Debtors collect certain individually identifiable health information for patients. The Debtors must comply with confidentiality requirements, including those established under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, the Health Information Technology for

Economic and Clinical Health Act, Public Law 111-5 § 13001 *et seq.*, and their implementing regulations (collectively, “HIPAA”).

29. The Debtors could be subject to significant monetary penalties for any unauthorized disclosure of confidential health information. As such, the Debtors request authority to protect such information to the extent the Bankruptcy Code or Bankruptcy Rules would require disclosure that could cause the Debtors to be in violation of applicable non-disclosure requirements.

30. The Debtors have proposed confidentiality procedures that balance the need for disclosure and transparency in bankruptcy with the need to protect confidential health information of patients.

B. Consolidated Creditor Motion

31. The Debtors have thousands of creditors and potential parties in interest, and converting the Debtors’ information to a format compatible with the matrix requirements would be unnecessarily burdensome and time consuming and would greatly increase the risk of error with respect to information already available electronically on systems maintained by the Debtors and their agents. With respect to the top unsecured creditor lists, filing separate top 20 unsecured creditor list for each Debtor—instead of one consolidated list of the Debtors’ top 30 unsecured creditors—would be of limited utility and potentially duplicative to an extent, especially in comparison to the time and expense it would cost to compile separate lists when the Debtors’ management are trying to facilitate a smooth transition into chapter 11.

32. The Debtors are working with Omni to prepare a consolidated list of the Debtors’ creditors in electronic format. The Debtors are prepared to make such matrix available in electronic form to any party-in-interest who requests (or in non-electronic form at such requesting party’s sole cost and expense) in lieu of submitting a mailing matrix to the clerk of the Bankruptcy Court.

33. The Debtors operate as an integrated business under common ownership and control. They share financial and operational systems and, as a result, many of the same creditors. As a result, requiring the Debtors to maintain separate lists of top 20 unsecured creditors would likely result in redundant duplicative mailings, adding unnecessary administrative expense to the Debtors' estates.

34. The Debtors, in support of their request for authority to redact and/or suppress certain personal identifiable information, propose to provide unredacted copies of any document filed with the Court or to be filed with the Court in these Chapter 11 Cases and redacted pursuant to the Order, and limitations imposed by the Patient Confidentiality Motion, to (a) the Court, (b) the Office of the U.S. Trustee, (c) counsel to any statutory committee appointed in these chapter 11 cases, and (d) any party in interest upon a request to the Debtors (email being sufficient) or to the Court that sets forth a reasonable basis for the request that is reasonably related to these Chapter 11 Cases.

35. Over the years, the Debtors have provided care to millions of incarcerated or detained patients. In the ordinary course, the Debtors experience a high turnover rate in their patient population due to their patients' various lengths of incarceration or detention (ranging from overnight stays to long-term sentences). When the Debtors provide care, the patients reside at the facility in which they are incarcerated or detained and their files maintained by the Debtors reflect such residency. However, once a patient exits a facility, the Debtors no longer have access to such patient's address or contact information. Given the size and transient nature of the Debtors' patient population, the Debtors do not have the current addresses or contact information for the numerous patients for whom the Debtors provided care but the patients are no longer incarcerated or detained

at a facility and providing individual notice of every filing in these Chapter 11 Cases to every current and former patient would be administratively burdensome to the Debtors' estates.

C. Schedules Extension Motion

36. To prepare the Schedules and Statements and 2015.3 Reports, the Debtors must compile information from books, records, and documents relating to creditor claims, as well as the Debtors' assets, executory contracts, and unexpired leases. This information is voluminous. Collecting the necessary information requires a significant expenditure of time and effort on the part of the Debtors and their professional advisors in the near term, when these resources would be best used to address the immediate needs of the Debtors' business operations.

37. Collectively, the Debtors have more than 3,000 creditors. The Debtors, with the assistance of their professional advisors, are working diligently and expeditiously on preparing the Schedules and Statements and 2015.3 Reports. Given the amount of work entailed in completing the Disclosures and the competing demands on the Debtors, the Debtors may not be able to properly and accurately complete the Schedules and Statements within the required time period.

38. Given the complexity of their business operations, and the number of contracts, counterparties, and creditors, as well as the numerous matters the Debtors must attend to immediately in these Chapter 11 Cases, the Debtors do not anticipate they will be able to strictly comply with the deadlines applicable to the Disclosures. The Debtors' employees and management must devote time and resources to stabilizing business operations, responding to and addressing situations surrounding the bankruptcy, including litigation, and maximizing value during the beginning months of these Chapter 11 Cases.

D. Case Management Summary Motion

39. Requiring the Debtors to each file a separate case management summary would be unnecessarily burdensome, especially because much of the information will be duplicative. Filing a consolidated case management summary will provide the Court and parties in interest with an accurate, overall, financial picture as it relates to the Debtors. Additionally, the Court has jointly administered each of the Debtors' Chapter 11 Cases.

E. Wages Motion

40. The Debtors do not directly employ any employees, rather the Debtors lease their employees from a non-Debtor affiliate, CHS Employee Group, LLC. However, in connection with the Debtors' business opera, approximately 742 employees are employed, on a full-time basis and approximately 809 employees are employed, on a part-time basis (collectively, the "Employees"). The Employees are employed by specific business line or division for which they perform services. The Debtors' Employees and Workforce is critical to business operations, and replacing Employees can be difficult given the skills and experience required to provide services to patients.

41. If the Debtors are not able to assure their Workforce that they will promptly pay prepetition Compensation Obligations, to the extent allowed by the Bankruptcy Code, Employees will likely seek employment elsewhere and the Debtors will likely lose the services of not only their Employees but Independent Contractors and Temporary Workers. Any of these outcomes would seriously impair the Debtors' business operations and would materially impede the Debtors' ability to maximize value in the Chapter 11 Cases.

42. In the ordinary course of business, the Debtors incur payroll and other compensation obligations for their Workforce. The Debtors also provide other benefits to their Employees for the performance of services.

43. In the ordinary course of business, the Debtors incur payroll obligations to their Employees, comprised generally of salaries and wages. Approximately 310 Employees are paid a fixed salary and approximately 1,246 Employees are paid on an hourly basis. The Debtors utilize two, bi-weekly payroll cycles with the necessary payroll being funded on each Thursday with employees being paid each Friday. Additionally, employees are paid one week in arrears. Payroll and benefits for Employees are processed through UKG.

44. The Debtors' average weekly gross payroll obligation on account of the Employees is approximately \$2,634,858.48. As of the Petition Date, the Debtors will owe one group of Employees for approximately three weeks of work (April 19th through the Petition Date). The initial two-week period (April 19 through May 1) would normally have been paid on May 8, 2026. Unfortunately, the Debtors did not have sufficient liquidity to fund the payroll that was due May 8, 2026 and will require additional financing to make the payroll. This is one of the many reasons the Debtors filed for bankruptcy, to obtain the additional financing.⁴

45. A second group of Employees are owed for approximately two weeks of work (April 26th through the Petition Date). This payroll is due to be funded on May 14, 2026 and paid to employees on May 15, 2026.

46. The Debtors estimate that, as of the Petition Date, they owe approximately \$9,700,000 on account of accrued and unpaid prepetition salaries and wages. Certain employees are owed prepetition amounts in excess of the statutory cap of \$17,150, and in total, the amount in excess of the cap is approximately \$120,000.

⁴ The Debtors are exploring financing options and will file a motion for authority to obtain debtor in possession financing once the Debtors have selected a lender and finalized negotiations and have reached an agreement reflected in a term sheet to be filed with the motion.

47. The remaining facts, as set forth in the Wages Motion, are true and correct to the best of my knowledge and, as such, are incorporated herein by reference.

F. Omni Application

48. The Debtors have determined to engage Omni to provide noticing, claims processing and solicitation services, on the terms set forth in the Engagement Agreement attached to the Omni Application.

49. Prior to the Petition Date, the Debtors paid, or caused to be paid, Omni's retainer in the amount of \$25,000.

G. DIP and Cash Collateral Motion

50. As stated above, the Debtors intend to file a motion seeking authority to use Cash Collateral and obtain post-petition financing. The Debtors are exploring all options for such financing and will move as expeditiously as possible once negotiations have resulted in the terms of a financing agreement that will benefit the Debtors and their estates.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: May 10, 2026

/s/David Goldwasser

David Goldwasser
Chief Restructuring Officer