

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW HAMPSHIRE**

In re:

MORRISON HOSPITAL ASSOCIATION

Debtor

Chapter 11

Case No. 26-10308-KB

DECLARATION OF SHANNON LYNCH IN SUPPORT OF FIRST DAY MOTIONS

I, Shannon Lynch, declare (the “Declaration”), pursuant to section 1746 of Title 28 of the United States Code, as follows:

1. I am the Chief Executive Officer of Morrison Hospital Association (the “Debtor”).
2. I submit this Declaration in the Debtor’s chapter 11 case and in support of the Debtor’s first day motions.
3. As CEO, I have personal knowledge of the facts and circumstances of Debtor’s business affairs and reorganization efforts, which include personal knowledge of the facts and circumstances set forth at length in the first day motions that have been filed with the Court including, but not limited to, the following facts:

I. The Chapter 11 Case

4. On or about April 10, 2026 (the “Petition Date”), the Debtor commenced its chapter 11 case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court.
5. The Debtor continues to operate its business and manage its property as a debtor and debtor-in-possession. To date, no statutory committee has been appointed in the case by the Office of the United States Trustee.

II. The Debtor's Business

6. Originally established in 1903 as a private hospital and a nurses training school, the Debtor has been providing quality healthcare to residents of northern New Hampshire for more than a century. Located in Whitefield, the Debtor is now a not-for-profit corporation operating The Morrison Skilled Nursing Facility (“Morrison Skilled Nursing Facility”) and Sartwell Place Assisted Living (“Sartwell”) on one campus, and Summit by Morrison (“Summit”) on a separate, nearby campus.

7. The Morrison Skilled Nursing Facility is a nursing home providing 24-hour skilled nursing care and Sartwell is an assisted living facility. The Morrison Skilled Nursing Facility maintains 57 beds and Sartwell offers a total number of 20 units to its residents, both facilities operating out of the 6 Terrace Street campus.

8. Opened in 2018, Summit is a senior living community providing independent living, assisted living and memory care services, with 15 cottages, 33 independent living apartments, 24 assisted living studio apartments and 12 memory care studio apartments. The Summit campus is located at 56 Summit Drive. The development of Summit was largely financed through loans with the United States Department of Agriculture (“USDA”).

9. Through all of its facilities, the Debtor provides essential healthcare services to meet the region’s growing need for care for aging adults. High-quality service and commitment to the community remains at the core of the Debtor’s mission and business. While the Debtor has generally been able to pay its day-to-day expenses, servicing the USDA debt has not been manageable. Through a series of financially disadvantageous roadblocks at the outset of the opening of Summit, coupled with financial difficulties plaguing the healthcare industry following the Covid-19 pandemic, the Debtor is facing financial distress. The Debtor commenced this

proceeding to reorganize and restructure its debt with the USDA and present a plan to its other creditors.

III. Facts Supporting Cash Collateral Motion

10. Service Credit Union (the “Credit Union” and with the USDA, the “Pre-Petition Lienholders”) assert liens on the Debtor’s cash collateral which secure the Debtor’s obligations to the Pre-Petition Lienholders.

11. Based on the Debtor’s review of (a) a Liens Filing Search Result Report conducted at the New Hampshire Secretary of State’s office, and (b) a title search conducted at the Coos County Registry of Deeds for the Debtor’s real property located at 6 Terrace Street and 56 Summit Drive, Whitefield, New Hampshire, the Pre-Petition Lienholders have filed financing statements and mortgages asserting liens against the Debtor’s cash collateral.

A. Credit Union

12. On October 20, 2016, in order to renovate Debtor’s real property located at 6 Terrace Street the Debtor executed a loan agreement with the Credit Union in the principal amount of \$2,608,000.00 (the “Credit Union Loan”). The Credit Union Loan is secured by:

- i) a first priority Mortgage, Security Agreement and Fixture Filing which encumbers 6 Terrace Street, Whitefield, New Hampshire (the “Terrace Street Property”) and is recorded in the Coos County Registry of Deeds at Book 1452, Page 232 (the “Credit Union Mortgage”);
- ii) a Collateral Assignment of Leases and Rents for the Terrace Street Property which is recorded in the Coos County Registry of Deeds at Book 1452, Page 248; and,
- iii) an all-asset security interest in and to the Debtor’s remaining assets. The Credit Union filed its UCC-1 Financing Statement with the New

Hampshire Secretary of State's Office on October 19, 2016 and its Continuation Statement on October 5, 2021.

13. As of the Petition Date, the amount due under the Credit Union Loan is approximately \$847,000.00.

B. USDA

14. On February 17, 2018, in order to develop the Summit, the Debtor executed multiple loan agreements with the USDA in the aggregate principal amount of \$24,973,000.00 (the "USDA Loan"). The USDA Loan is secured by:

- i) a first priority Mortgage, Security Agreement and Fixture Filing which encumbers 56 Summit Drive, Whitefield, New Hampshire (the "Summit Drive Property") and is recorded in the Coos County Registry of Deeds at Book 1482, Page 457 (the "USDA First Mortgage");
- ii) a second priority Mortgage, Security Agreement and Fixture Filing which encumbers the Terrace Street Property and is recorded in the Coos County Registry of Deeds at Book 1482, Page 457 (the "USDA Second Mortgage" and with the USDA First Mortgage and the Credit Union Mortgage, the "Mortgages"); and,
- iii) an all-asset security interest in and to the Debtor's remaining assets. The USDA filed its UCC-1 Financing Statement with the New Hampshire Secretary of State's Office on February 8, 2018 and its Continuation Statement on September 25, 2022.

15. As of the Petition Date, the amount due under the USDA Loans is approximately \$22,994,000.00.

16. The Pre-Petition Lienholders assert perfected security interests/liens in and to the

Terrace Street Property and the Summit Drive Property by virtue of the Mortgages.

17. The Credit Union and the USDA also assert perfected security interests in, among other things, the Debtor's accounts receivable, general intangibles, and contract rights by virtue of their respective UCC financing statements.

18. The Debtor requests authority to use cash collateral as detailed in the Budget, which is attached to Motion to Use Cash Collateral. I have reviewed the Budget and it accurately details the Debtor's income and expenses over the budget period.

19. Use of the cash collateral on an interim basis is essential to the Debtor in order to avoid immediate and irreparable harm to the Debtor and its estate, residents, and employees. If the Debtor is unable to use cash collateral for the first 14 days of this case, the Debtor will be unable to pay (a) payroll to the Debtor's employees, including but not limited to, its nurses, therapists, dieticians and administration, all of whom are essential to the Debtor's continued operations; (b) pay insurance premiums as necessary to ensure continuation of the necessary insurance coverage; (c) pay vendors, suppliers and utilities for ongoing supplies and services; and (d) pay other necessary expenses. The inability to immediately use cash collateral and pay for the foregoing would cause the Debtor to abruptly cease operations because without these critical services and supplies, the Debtor would not be able to maintain a safe and healthy environment for its residents.

20. The Debtor also requests authority to use cash collateral on a final basis for reasonable and ordinary operating expenses, as well as bankruptcy-specific administrative expenses, in the amounts described in the Budget throughout the balance of the budgeted period. As set forth in greater detail in the Budget, the Debtor will use cash collateral to: (a) continue operations to provide the highest level of patient and resident care; (b) continue to make payroll and to pay its necessary suppliers, utilities, insurance premiums and service providers; (c) and pay

its professionals (subject to approval by this Court of appropriate fee applications).

21. Allowing the Debtor to continue to use its cash collateral, and therefore, operate in the ordinary course until confirmation of a plan is in the best interest of the Debtor's estate, the residents, employees and community, and will preserve the value of the estate for the benefit of creditors.

IV. Facts Supporting Cash Management Motion

A. Overview of Debtor Cash Management System

22. In the ordinary course of business, the Debtor maintains an integrated cash management system that provides well-established mechanisms for the collection, concentration, and disbursement of funds used in its operations (the "Cash Management System"). The Cash Management System is similar to those commonly employed by enterprises comparable to the Debtor in economic scope and geographic reach. Indeed, like-sized enterprises use such systems because of the numerous benefits provided, including the ability to (a) quickly create status reports on the location and amount of funds, thereby allowing management to track and control corporate funds, (b) ensure cash availability, and (c) reduce administrative expenses by facilitating the movement of funds. These controls are particularly important because the Debtor relies on the continuity of its Cash Management System to seamlessly serve its business. Granting the Debtor authority to continue using the Cash Management System will facilitate a smooth transition into this chapter 11 case.

1. Bank Accounts

23. Prior to the commencement of this chapter 11 case, the Debtor maintained bank accounts at Bank of New Hampshire ("BNH") and Bar Harbor Bank & Trust (the "Bank Accounts") to receive incoming payments, deposit checks, concentrate funds and make disbursements in the ordinary course of the Debtor's business.

- a. General Operating Accounts: The Debtor maintains general operating accounts at the BNH and Bar Harbor Bank and Trust. The Debtor's revenue and receipts are posted to the Operating Account at BNH and ultimately swept to the ICS account (as defined in paragraph e below) on a nightly basis. The BNH Operating Account is then funded by and from the ICS with the funds necessary to cover the Debtor's daily operating expenses and other general administrative needs. The Operating Account at Bar Harbor Bank and Trust is held as a reserve and to secure the obligations of the Debtor's credit card, which is paid in full each month.
 - b. MNH Expansion (USDA) Accounts: The Debtor maintains USDA expansion accounts at the BNH and Bar Harbor Bank & Trust. These accounts were established in accordance with USDA requests and/or lending requirements.
 - c. Payroll Account: The Debtor maintains a payroll account at BNH. Funds swept from the ICS are posted to this account and are used to fund payroll expenses.
 - d. Donations Accounts: The Debtor maintains Donations Accounts at BNH and Bar Harbor Bank & Trust. Donations were and are made in accordance with various campaigns and are restricted to the uses or directions given by the donors.
 - e. Insured Cash Sweep Account: The Debtor maintains an Insured Cash Sweep (ICS) at BNH. Revenue generated by the Debtor's operations is posted or transferred to this account on a nightly basis. The account is tied to the Debtor's General Operating Account (BNH) and Payroll Account.
 - f. Funded Depreciation Account: The Debtor maintains a Funded Depreciation Account at Bar Harbor Bank & Trust. This fund is available to purchase equipment, cover major repairs and capital expenditures.
 - g. Summit Waitlist Deposits: The Debtor maintains an account holding deposits for those on the waitlist to reside at Summit at BNH and Bar Harbor Bank & Trust. These funds are held in trust and only available upon a residents' acceptance into the Summit facility. Certain of these funds are to be returned or, at the election of the depositor, donated to the Debtor.
 - h. Investment Management and Trust Accounts: The Debtor maintains an Investment Management Account at Community Financial Services Group. The Debtor is also the beneficiary of the George H. Morrison Trust, which was established by the founder of the Debtor and is maintained at Merrill Lynch.
24. The Cash Management System was organized to collect, concentrate and transfer the funds generated by the Debtor's business and to disburse the funds as necessary to satisfy the obligations of the business. The Debtor could not function without funding through the Cash Management System.

2. Collections

25. The Debtor generates revenue overwhelmingly from the provision of health care services and are paid by third-party payors, such as Medicaid, Medicare, Veterans' Administration, and private insurance companies. Payments received in the ordinary course of business are deposited into the ICS as described above and are swept into the General Operating Account (Bank of New Hampshire) and Payroll Account for disbursement and administrative expenses.

3. Disbursements

26. The majority of disbursements made in the ordinary course of the Debtor's business are made from its General Operating Account (Bank of New Hampshire) and Payroll Account and are usually made through one of three methods: (a) check; (b) wire transfers; or (c) ACH.

4. Resident Trust Accounts

27. The Debtor also maintains for the benefit of its residents checking accounts at Passumpsic Savings Bank. There is a resident account for each of the three facilities (Morrison Skilled Nursing Facility, Sartwell, and Summit) and administered for the benefit of the residents. The Debtor holds no interest in these accounts and merely offers the residents and their families the service of general administration of funds held in these accounts for their own use. While the Debtor is identified as the account holder, these accounts are entirely for the benefit of the residents that choose to participate in the service. Many of the residents have direct deposit directives from various third-party sources to these accounts. Any disruption to these accounts will cause the residents and their families significant burden and would take effort to re-establish the accounts and send new directives for direct deposits for the residents using the service.

28. Presently, the main accounts that the Debtor relies upon for its day-to-day operations are maintained with an institution (BNH) that has been designated as an Authorized Depository by the U.S. Trustee Guidelines. Bar Harbor Bank & Trust, however, is not on the approved list. Notwithstanding, the Debtor maintains that Bar Harbor Bank & Trust is well-capitalized, reputable and a secure financial institution, and, therefore, the Debtor can maintain all of the Bank Accounts without jeopardizing the receipt of any payments from third-party payors. As noted above, most of the Debtor's revenue is received from Medicaid, Medicare, Veterans' Administration, and private insurance companies. It can take several months from the provision of services to when payment is received. If the Debtor were to alter its Cash Management System, it could do irreparable harm to the viability of the Debtor's operations. Accordingly, the Debtor should be permitted to continue to maintain its Cash Management System as currently structured. By preserving business continuity and avoiding the disruption and delay to the Debtor's disbursement obligations, all parties in interest, including employees and residents, will be best served.

29. Any new account that the Debtor opens will be (a) with a bank that is (i) organized under the laws of the United States of America or any state therein and (ii) has executed, or is willing to execute, a Uniform Depository Agreement with the U.S. Trustee; and (b) designated a "Debtor in Possession" account by the relevant bank. Additionally, the Debtor will provide the U.S. Trustee with notice of any new accounts that are opened.

30. Strict enforcement of the U.S. Trustee's requirements here would impair the Debtor's business operations and its restructuring efforts. The Debtor's Cash Management System is automated and computerized, which allows the Debtor to manage cash flow needs and includes the necessary accounting controls to ensure that all transactions are adequately

documented and readily ascertainable. While the Debtor's case is pending, the Debtor will continue to maintain and administer detailed records reflecting all transfers of funds.

V. Facts Supporting The Wage Motion

A. Overview of the Debtor's Workforce

31. As of the Petition Date, the Debtor had 96 full-time employees, 8 part-time employees, and 54 per diem employees (collectively, the "Employees"). Of the Employees, 143 are paid on an hourly basis and 15 are salaried.¹

32. The Employees are paid weekly for their services in the preceding one-week period of Sunday to Saturday, with the funds required to satisfy the payroll obligations drawn from the Debtor's account on Wednesday of each week and paid to the Employees on Thursday. The Debtor's first post-petition payroll disbursement date will be April 16, 2026, covering the period April 5 to April 11.

33. Payroll is funded and managed through ADP as the payroll company (the "Payroll Company"). The Debtor pays the Payroll Company a service fee averaging \$1,800 per month (the "Payroll Fee").

34. The Employees hold various positions for the Debtor that are critical to Debtor's ongoing operations and ability to meet its obligations both as debtor-in-possession and to provide essential services to its residents. Those positions include roles related to operations, accounting, nursing, pharmacy, dietary services, administration, and support services. The Employees' skills, knowledge, and understanding of the Debtor's business, population served and general operations are essential to the effective operation of the Debtor's business and to successful, value-maximizing strategies in the Debtor's chapter 11 case.

¹ From time-to-time, the Debtor also contracts with various staffing companies to fill vacancies in healthcare positions, but these individuals are not classified as employees and are not paid directly by the Debtor.

35. Further, just as the Debtor depends on the Employees to operate its business on a daily basis, the Employees also depend on the Debtor. The Debtor is a large employer in the northern New Hampshire area. In an effort to minimize the personal hardships to the Employees and to maintain morale and stability in the Debtor's business operations during this critical juncture, the Debtor seeks authority to continue to pay and honor amounts arising under, or in connection with, the Debtor's pre-petition obligations to the Employees.

B. Summary of Workforce Obligations

36. The Debtor is responsible for wage and salary obligations to its Employees. The Employees are owed and have accrued various pre-petition payroll obligations that were not yet paid or otherwise realized in the ordinary course as of the Petition Date.

37. As of the Petition Date, the Employees were owed and had accrued various sums for wages as set forth herein for pre-Petition Date services (the "Employee Compensation Obligations"). The average gross wages in the pay period ending April 4, 2026 were \$114,803.55, which is comprised of \$87,809.03 for hourly Employees and \$26,994.52 for salaried employees. Because each payroll distribution is for services rendered in the prior week, a pro rata portion of the Employee Compensation Obligations paid after the Petition Date will constitute compensation for pre-petition services or approximately \$82,000.00, which is comprised of \$63,000.00 for hourly Employees and \$19,000.00 for salaried Employees.

38. Additionally, the Debtor provides vacation, sick, and personal time to all Employees, combined into one bank of hours for each Employee ("Annual Leave"). Employees accrue Annual Leave on a weekly basis, and the maximum Annual Leave per employee ranges between 96 and 216 hours per year, depending on length of employment service and hours worked. Employees are not permitted to accrue more Annual Leave than the maximum of 216 hours and are permitted to either use that time or "cash out" any Annual Leave above 40 hours

once a year. The “cashed out” Annual Leave is paid at half rate and is subject to normal wage deductions. As of the Petition Date, the Debtor estimates that the value of the Employees’ accrued unused Annual Leave is approximately \$217,091.48.

39. The Debtor also withholds taxes and other withholdings from wages and salaries as required by federal, state, and local laws. In particular, these laws require the Debtor to withhold amounts related to federal and state income taxes, Social Security and Medicare taxes, and certain wage garnishments for remittance to the appropriate federal, state, or local authorities, or other third parties (collectively, the “Withheld Amounts”). The Debtor is also required to pay additional amounts for employer-side contributions to Social Security and Medicare Taxes (such taxes and withholdings, together with the Withheld Amounts, the “Payroll Taxes”). A portion of the Payroll Taxes will relate to pre-petition services for the reasons set forth herein.

40. In addition, the Debtor funds the following benefits to eligible Employees (such benefit programs, the “Employee Benefit Programs” and the Debtor’s payment obligations in providing the Employee Benefit Programs to eligible Employees, the “Benefit Obligations”):

- a. Health Insurance through Cigna Health and Life Insurance Company, with the Debtor funding between 19.02% and 21.87% of the premiums for such coverage for eligible Employees;
- b. Accidental Death and Dismemberment Insurance through Mutual of Omaha, with the Debtor paying \$50 per month for such coverage;
- c. Life Insurance through Mutual of Omaha, with the Debtor paying approximately \$150 per month;
- d. Reimbursement to eligible Employees for purchases made by eligible Employees on behalf of the Debtor in the ordinary course, which amount is de minimis and funded through accounts payable; and
- e. 401(k) with the Debtor paying approximately \$1,100 per week for employer-side contributions.

41. The Employee Compensation Obligations, Annual Leave, the Payroll Fee, the Payroll Taxes, and the Benefit Obligations are collectively referred to herein as the (“Payroll Obligations”).

42. The Debtor’s ability to satisfy the Payroll Obligations is indispensable to the reorganization of the Debtor’s business, the continued care of patients and residents of Debtor’s facilities, and the Employees’ morale directly affects effectiveness, productivity, and quality of care. Consequently, it is critical that the Debtor continue, in the ordinary course, those personnel procedures that were in effect prior to the Petition Date. If such obligations are not timely paid post-petition, some individuals would likely suffer personal hardship, may be unable to pay their daily living expenses, may lose insurance, and may discontinue their employment with the Debtor. A loss of employees, workforce morale, and goodwill at this juncture would undermine the Debtor’s stability, and, undoubtedly, would have an adverse effect on the Debtor, the individuals within the Debtor’s care, the value of its assets and business, and its ability to achieve its objectives in chapter 11.

VI. Facts Supporting Resident Refund Motion

43. The Debtor seeks entry of an order authorizing the Debtor to continue to honor resident refunds and practices related to such refunds (the “Resident Refunds”).

44. Prior to the commencement of this chapter 11 case, in the ordinary course of business, and consistent with industry custom, residents pay the Debtor in advance for a full month of services at the beginning of each month. In the event a resident does not stay for the entire month, the Debtor refunds the prorated portion of prepaid fees attributable to services not rendered.

45. The Resident Refunds are integral to ensure the smooth functioning of the Debtor’s business. The Debtor believes that in order to maintain good relationships in the

community and to ensure that residents, or their estates, are not charged for services not rendered following the resident's discharge that honoring Resident Refunds are essential to the operation of the Debtor. Typically, Resident Refunds are less than \$5,000 per month.

VII. Facts Supporting the Resident Confidentiality Motion

46. The Debtor seeks entry of an order: (i) authorizing certain procedures to maintain the confidentiality of resident health care information as required by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and applicable New Hampshire confidentiality law (RSA 33-1:2, I(e)); and (ii) approving the form and manner of notice to be provided to residents and future residents of the commencement of this chapter 11 case, as well as a description of the means by which such residents may obtain notice of further proceedings in this Court.

47. Bankruptcy Rule 1007(a) requires the Debtor to file a matrix listing creditors by name and address. In addition, Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007 also require the Debtor to publish certain schedules listing information about creditors and executory contracts.

48. As set forth in the Motion, HIPAA and similar state law bar the Debtor from publishing or disclosing to any person, except as permitted by these laws, individually identifiable information about residents of the Debtor (either former or present). This prohibition applies to residents who may also be creditors, parties to an executory contract or otherwise parties-in-interest in this case. But for the applicability of HIPAA and similar state law, such names normally would appear on the Debtor's matrix and bankruptcy schedules.

49. The parties who fall under the purview of this Motion are the Debtor's residents who reside at one of the Debtor's facilities or otherwise have ongoing contracts with the Debtor. These parties would normally be listed on Schedule G ("Executory Contracts") and/or the

Statement of Financial Affairs. Under the Bankruptcy Code and applicable Bankruptcy Rules, the Debtor is required to publicly disclose information about such residents in its filing, including their names and addresses in the creditor matrix and in the Debtor's bankruptcy schedules. As of the filing of this Motion, the Debtor has not included any PHI and has not listed or disclosed the name of any past or present residents, in their capacities as creditors or as a party to an Executory Contract or on any other publicly filed document.

50. The Debtor has requested that the Court establish procedures to balance the need to protect PHI with the need to disclose information regarding these cases to the public, as well as to residents who may also be creditors or parties in interest in these proceedings.

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

/s/ Shannon Lynch
Shannon Lynch
Chief Executive Officer of Morrison
Hospital Association