

September 14, 2020 Transacting Parties' Response to RIAG Third Supplemental Questions Dated August 21, 2020

	HCA Question	AG Supplemental Question	Transacting Party Response
S3-1.	Exhibit 4	[REDACTED]	Please see Bates No. C-CIIH-007631 to C-CIIH-007642.
S3-2.	Exhibit 4	[REDACTED]	[REDACTED]
S3-3.	Question 10	Provide Conflict of Interest Forms for the individuals listed in the Revised Exhibit 3A and 3B in response to S2-1 that have not previously provided Conflict of Interest Forms.	Conflict of Interest forms have been provided for the individuals listed in the Revised Exhibit 3A and 3B in response to S2-1 that have not previously provided Conflict of Interest Forms. Please see Bates No. C-CIIH-007643 to C-CIIH-007657 for the Conflict of Interest Forms. The Transacting Parties have also provided the forms to the new Category A PCC Directors and will supplement this response when they receive the executed copies.

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S3-4.	Question 12	Please provide copies of preliminary term sheets, letters of intent, proposals or drafts reflecting changes in terms (in redline) circulated prior to: (1) the final Proposed Transaction documents; and (2) for the MPT Transaction	<p>The Transacting Parties object to this Request on the grounds that production of prior drafts of the Proposed Transaction Documents and the MPT Transaction Documents would be unduly burdensome, not relevant to the RIAG's review, and contain attorney-client privileged, attorney work product protected, and confidential information. The final transaction documents for the Proposed Transaction include the terms agreed to between the parties. The prior drafts are irrelevant due to the existence of the final agreed upon terms.</p> <p>[REDACTED]</p> <p>The MPT transaction did not involve the Rhode Island licensed facilities or require Rhode Island regulatory review and was consummated on July 10, 2019. Therefore, prior drafts of the MPT transaction documents are not relevant to the review of the Proposed Transaction</p> <p>[REDACTED]</p>
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S3-5.	Question 14	<p>Explain the regulatory process in California and provide evidence of California’s approval of the Proposed Transaction.</p>	<p><u>California Board of Pharmacy:</u></p> <p>The California Board of Pharmacy considers the transaction to be a “change of ownership” such that a new pharmacy permit application must be submitted, and a new pharmacy permit obtained effective on the date of closing, for each existing pharmacy permit held by the operating entities.</p> <p>In November 2019, the change of ownership applications were submitted to the Board.</p> <p>The change of ownership applications remain pending at the Board of Pharmacy, and we will receive permits upon completion of the Rhode Island regulatory review and closing the transaction.</p> <p><u>California Department of Managed Health Care</u></p> <p>California’s Knox-Keene Health Care Services Act requires California managed care health care service plans to obtain a license from the Department of Managed Health Care (“Department”), which is responsible for licensing and regulation. (California Health & Safety Code, §1340 et seq.).</p> <p>Prospect Health Plan, Inc. (“PHP), which has had a full service license since 2014, filed its material modification application with the Department on December 31, 2019, seeking approval of the merger transaction.</p>
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			<p>The Department's Office of Financial Review was tasked with the responsibility of reviewing and drafting the necessary approval of the transaction. Due to COVID-19 and a general backlog of work, the Department was not able to send a draft of its approval with undertakings for months. We have now received it and provided some non-material revisions which are under review with DMHC. We expect their final approval and to have signatures by the end of September.</p>
S3-6.	Financial	<p>The revised note in the 2019 audited financials provided to the Attorney General on August 11, 2020 is limited to the direct parent (PCC). Is the 85% parent of PCC (PEH) jointly and severally liable?</p>	<p>No, PEH is not obligated under the MPT transaction. PEH (a) is not a party to the agreement with MPT, (b) is not a guarantor of the obligations of PMH, or any of its other subsidiaries, owed to MPT or otherwise under the various agreements with MPT, and (c) has not pledged any of its assets as collateral for any obligations owed to MPT or otherwise pursuant to any agreement with MPT.</p>
S3-7.	Financial	<p>Please provide the solvency opinions for the \$459,930,000 dividend paid in 2018; and the planned \$12 million dividend for the Proposed Transaction.</p>	

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S3-8.	Financial	Provide the PMH balance sheets as of (1) February 22, 2018 and (2) September 24, 2019.	<p>Prospect does not maintain mid-month or interim balance sheets. As such, balance sheets for the exact dates requested are not available. We are providing balance sheets closest to the dates requested.</p> <p>(1) For February 22, 2018: - Please see Bates No. C-CIIH-007667 - Please see Bates No. C-CIIH-007668</p> <p>(2) For September 24, 2019: - Please see FY19 Financial Statement (for the year ended September 30, 2019) previously produced at CIIH16-006630 to CIIH16-006692</p>
S3-9.	Financial	Provide the annual routine capital needs of each of the Rhode Island Hospitals for the prior three (3) years, as well as the anticipated routine capital needs for the next year.	<p>Please see Bates No. CIIH-007734. For FY2021, Prospect expects to commit to spend approximately \$10 million on routine capital at CharterCARE hospitals, which routine capital may include expenditures on</p> <ol style="list-style-type: none"> 1) Equipment; 2) Infrastructure improvements; 3) Physician Engagement Strategies; and 4) Information Technology (including but not limited to new system implementation costs and software for clinical, financial and office functions).

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S3-10.	Financial	Provide a five-year capital plan for each of the Rhode Island Hospitals for non-routine expenditures. Please identify any prioritization of the capital needs and which items which require CON, or other regulatory approval.	We do not maintain a five year capital plan for non-routine expenditures.
S3-11.	Financial	Provide a copy of the Management Agreement between Prospect and Leonard Green ("Green") and an explanation of the basis for the management fee paid by Prospect to Green. Please include the current management fee paid to Green. Finally, confirm that this expense will be eliminated following the closing of the Proposed Transaction and explain if this expenses will be replaced with something equivalent from another party.	<p>Please see Bates No. C-CIIH-007669 to C-CIIH-007675.</p> <p>The management fee paid by PMH to LGP is a standard private equity fee intended to compensate LGP for its time and resources spent working with PMH. Following the closing of the Proposed Transaction, this fee will be eliminated and not replaced with anything equivalent from any other party.</p>
S3-12.	Financial	Please confirm Prospect's total outstanding debt under ABL as of the date of Prospect's response to these Third Set of Supplemental Questions.	

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S3-13.	Financial	Provide list any regular reporting, defaults, and/or waivers under ABL.	
S3-14.	Misc.	Please summarize and provide documentation of Prospect's consideration of various exit strategies from the Green private equity investments and how and when Prospect ultimately selected each of the leveraged dividend recapitalization, the MPT transaction, and the Proposed Transaction.	

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S3-15.	Misc.	<p>Please provide copies of any written or electronic (1) documentation of, or (2) communication between or among any of PMH and its affiliates, their board members, senior managers and shareholders concerning, each of the following:</p> <ul style="list-style-type: none"> a. the decision to pay, the calculation of the amount of, the source of funds and the timing of each dividend payment from 2014 to present (i.e. list amounts and dates); b. the calculation of the purchase price for the Proposed Transaction, and the decision as to the source of payment therefor, including the use of the Lee and Topper equity commitments and funding/ lack of funding thereof; c. the purpose, timing and use of funds from the MPT transaction; and d. any connection between or among the dividend payments, the purchase price, and the MPT financing. 	<p>The Transacting Parties object to this Request on the grounds that production of copies of all communications between and among PMH and its affiliates, their board members, senior managers, and shareholders concerning all dividend payments would be unduly burdensome, not relevant to the RIAG's review, and contain attorney-client privileged, attorney work product protected, and confidential information. The Board minutes already provided and the Proposed Transaction documents contain the final intent of the parties.</p> 
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			<p>b. The purchase price reflects negotiations with LGP, which is highly experienced in valuations and transactions of this type and the number of years LGP had invested – far longer than its typical investment.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>d. There is no connection between or among the dividend payments, the purchase price, and the MPT financing.</p>
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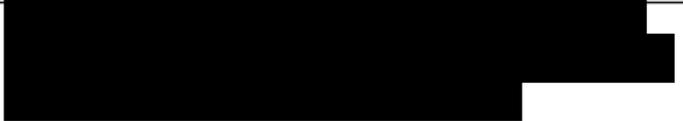
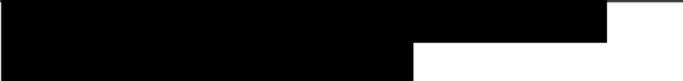
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S3-16.	Misc.	Please explain if Prospect is currently considering Other mergers, acquisitions, or other similar transactions. In your response, please include the plan for financing any anticipated transactions.	
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S3-17.	MPT Transaction	Provide agenda and minutes, as well as any other related documents, of all meetings of the board of directors (of all Parties) and any of its committees, subcommittees, task forces, or similar entities related to the review and approval of the MPT Transaction.	Please see Bates No. C-CIIH-007676 to C-CIIH-007692.
S3-18.	MPT Transaction	Please provide all documentation regarding the minority board consents and approvals of the MPT Transaction.	<p>Following clarification, the Transacting Parties understand this question to be asking about any approvals/consents required and/or received for the MPT Transaction from IH minority shareholders.</p> 
S3-19.	MPT Transaction	Do any representatives of MPT serve on any board of the Parties or their subsidiaries? If so, please indicate which individuals, and to the extent information has not been provided for those individuals, provide: (a) name; (b) addresses; (c) phone number; (d) occupation; and (e) tenure. If the answer to this question is no, please indicate if there is a plan to have MPT representatives on the boards after the close of the Proposed Transaction.	No representatives of MPT serve on any board of the Transacting Parties or their subsidiaries.

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S3-20.	MPT Transaction	<p>Regarding MPT's consent to the Proposed Transaction:</p> <ul style="list-style-type: none"> a. What information was/will be provided to MPT or what diligence did MPT request regarding the Proposed Transaction in order to decide as to its consent? b. What is the status of the MPT consent? Please provide copy if/when available including with respect to any conditions to such consent. c. Does the consent require/will it result in any modifications to the existing MPT arrangements? Please detail. 	
S3-21.	MPT Transaction	Please provide a copy of any out of the ordinary course correspondence with MPT since the closing.	There has not been any out of the ordinary correspondence with MPT since the closing.
S3-22.	MPT Transaction	Have any of the MPT-related documents been amended since the closing and if not, are any amendments planned? If so, provide all amendments.	

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S3-23.	MPT Transaction	Please list any Prospect defaults, when they occurred and any waivers of defaults received by Prospect under any of the MPT documents.	There have been no Defaults to date and no waivers of defaults have been received by Prospect under any of the MPT documents.
S3-24.	MPT Transaction	Have the documents described in Section 6.4 "Closing of Special Condition Property" of the Real Estate Asset Purchase Agreement ("RPAPA") been agreed to in substantial draft form, including the joinder documentation to Master Lease II? If so, please provide. If not, which documents will be referenced in the joinder as it has been discussed between the parties?	
S3-25.	MPT Transaction	What other steps, if any, have been taken to satisfy the "Special Conditions"? Please detail if any have been waived.	
S3-26.	MPT Transaction	One of the requirements of the Closing of the Special Condition Property is the settlement of claims against MPT parties resulting from the Proposed Agreement. Please provide a summary of these claims, current status, and MPT's posture and plans with respect thereto.	There are no pending claims against the MPT parties resulting from the "Proposed Agreement."

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S3-27.	MPT Transaction	[REDACTED]	[REDACTED]
S3-28.	MPT Transaction	Please provide a copy of the reports provided to MPT under Article IVXX (b)(v), (b)(vi), (c) and (h) of Master Lease II regarding PMH on a consolidated basis. If Prospect has not made any of the required reports, please explain why and provide any related Documentation (e.g. extensions or waivers of ongoing reporting).	There is no Article IVXX (b)(v), (b)(vi), (c) and/or (h) of Master Lease II.
S3-29.	MPT Transaction	[REDACTED]	The statement that PMH and its Subsidiaries are solvent, as defined in the MPT APA, is still correct and will continue to be correct after closing of the Proposed Transaction.

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S3-30.	MPT Transaction		  <p>The above referenced method is not how Prospect determines routine and capital expenditures for all of its hospitals. Prospect does not have a pre-determined formula for its routine and capital expenditures. Rather, Prospect regularly reviews its equipment and facilities for compliance with regulatory requirements, necessary repairs and replacements, and for expansion projects.</p>
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			<p>Appropriate routine and capital budgets are then allocated based on such assessments.</p> <p>Prospect uses its capital expenditures to maintain its facilities and equipment to provide its high quality of care.</p>
S3-31.	MPT Transaction	<p>Regarding Exhibit C to the RPAPA, if the Rhode Island Hospital Properties are joined, will the Rhode Island Hospital Properties have repair requirements? It appears that MPT has already undertaken its due diligence with respect to the Rhode Island Hospital Properties. Please provide whatever capital requirements have been determined for the Rhode Island Hospital Properties.</p>	<p>Yes, the Rhode Island Hospital Properties would be subject to the same Reserves for Major Repair provisions per the agreement.</p>

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S3-32.	MPT Transaction	Please explain what [REDACTED] [REDACTED]	[REDACTED]
S3-33.	MPT Transaction	Has MPT provided funding of capital projects beyond the initial financing? If so, please provide a schedule of all capital projects funded by MPT beyond its initial financing, including the type of project funded, the amount of the project, and the location of the project. For any capital projects funded by MPT beyond its initial financing in Rhode Island, please also included any and all Documentation related to those Rhode Island projects.	No.

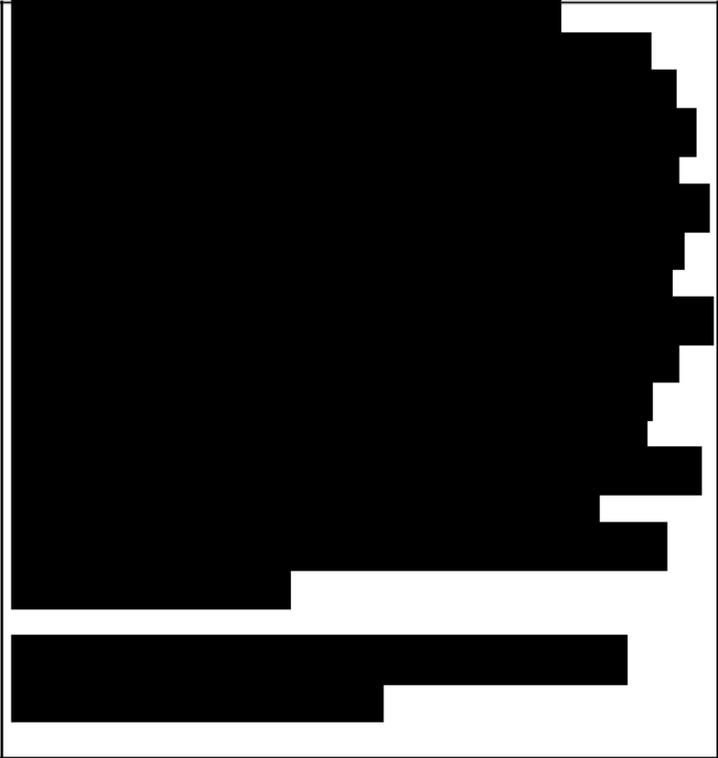
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S3-34.	MPT Transaction	Is an overdue interest rate in effect under any of the MPT documents? If so, please provide the rate and explain any adverse impact on the Rhode Island Hospitals.	No – there is no overdue interest rate in effect under any of the MPT documents.
S3-35.	MPT Transaction	Please provide any and all documentation related to a sale leaseback with MPT of Prospect's equipment. If no such sale leaseback is under way, will occur, and/or has been completed, please confirm such.	No, a sale leaseback with MPT of PMH's equipment has not taken place and is not under way. There are no present plans for any such sale/leaseback of equipment.
S3-36.	MPT Transaction	Please confirm that any and all equipment associated with the Rhode Island Hospitals are not and will not be part of any sale leaseback of equipment with MPT.	Any and all equipment associated with the Rhode Island Hospitals is not currently part of any sale leaseback of equipment with MPT. There are no present plans for any equipment associated with the Rhode Island Hospitals to be part of a sale leaseback of equipment with MPT.

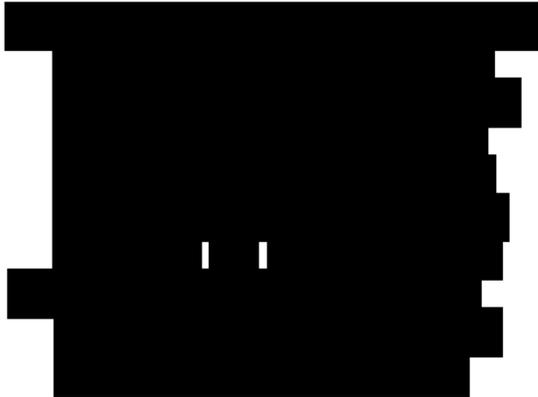
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S3-37.	MPT Transaction		
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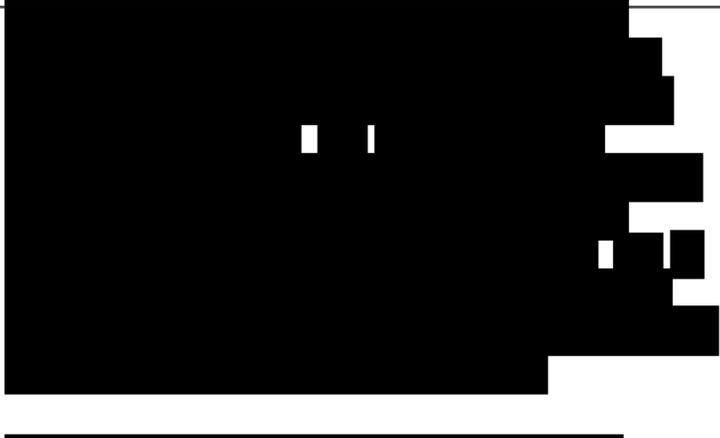
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S3-38.	MPT Transaction		
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S3-39.	MPT Transaction	 	 
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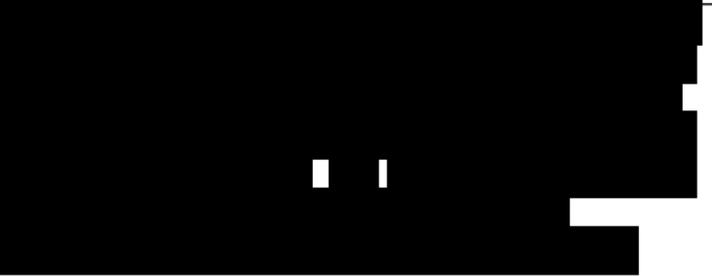
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S3-40.	MPT Transaction		
S3-41.	MPT Transaction	List each use and applicable amount of what the TRS funds were used for. If money was used for refinancing of debt, please describe including which if any mortgages were discharged.	Please see the flow of funds provided S3-15.
S3-42.	MPT Transaction	If any TRS funds remain, please describe the intended use(s) and amounts. Will any remaining funds be used to make the \$12 million purchase price of the Proposed Transaction?	Please see the flow of funds. None of the TRS funds will be used to make the \$12 million purchase price of the Proposed Transaction.

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S3-43.	MPT Transaction	[REDACTED]	This term was a result of negotiations with MPT.
S3-44.	MPT Transaction	Please confirm whether Prospect is prohibited from refinancing the TRS note with anyone other than MPT or if they would be allowed to take it out through other financing.	[REDACTED]
S3-45.	MPT Transaction	[REDACTED]	[REDACTED]
S3-46.	MPT Transaction	Please explain Prospect's options in the event it is unable to make payment on the TRS note when due.	[REDACTED]
S3-47.	MPT Transaction	Please explain MPT's options with respect to the Rhode Island assets if Prospect defaults on the TRS Note.	The Rhode Island assets are not pledged as part of the MPT transaction in any way. There is no Rhode Island collateral at issue if PMH defaults on the TRS Note.

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S3-48.	MPT Transaction	Attorney Rocha's August 11, 2018 letter states that "[t]he TRS Note under which MPT has advanced to PMH \$112,937,000 is not related to the value of the properties in 	
S3-49.	MPT Transaction		

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S3-50.	MPT Transaction	[REDACTED]	[REDACTED]
S3-51.	MPT Transaction	[REDACTED]	[REDACTED]