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**UNITED STATES BANKRUPTCY COURT**
**CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

| | |
|---|---|
| In re<br><br>VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,<br><br>Debtors and Debtors In Possession. | Lead Case No. 2:18-bk-20151-ER<br><br>Jointly administered with:<br>Case No. 2:18-bk-20162-ER;<br>Case No. 2:18-bk-20163-ER;<br>Case No. 2:18-bk-20164-ER;<br>Case No. 2:18-bk-20165-ER;<br>Case No. 2:18-bk-20167-ER;<br>Case No. 2:18-bk-20168-ER;<br>Case No. 2:18-bk-20169-ER;<br>Case No. 2:18-bk-20171-ER;<br>Case No. 2:18-bk-20172-ER;<br>Case No. 2:18-bk-20173-ER;<br>Case No. 2:18-bk-20175-ER;<br>Case No. 2:18-bk-20176-ER;<br>Case No. 2:18-bk-20178-ER;<br>Case No. 2:18-bk-20179-ER;<br>Case No. 2:18-bk-20180-ER;<br>Case No. 2:18-bk-20181-ER;<br><br>Chapter 11 Cases<br>Hon. Judge Ernest M. Robles |
| ☒ Affects All Debtors<br>☐ Affects O'Connor Hospital<br>☐ Affects Saint Louise Regional Hospital<br>☐ Affects St. Francis Medical Center<br>☐ Affects St. Vincent Medical Center<br>☐ Affects Seton Medical Center<br>☐ Affects O'Connor Hospital Foundation<br>☐ Affects Saint Louise Regional Hospital Foundation<br>☐ Affects St. Francis Medical Center of Lynwood Foundation<br>☐ Affects St. Vincent Foundation<br>☐ Affects St. Vincent Dialysis Center, Inc.<br>☐ Affects Seton Medical Center Foundation<br>☐ Affects Verity Business Services<br>☐ Affects Verity Medical Foundation<br>☐ Affects Verity Holdings, LLC<br>☐ Affects De Paul Ventures, LLC<br>☐ Affects De Paul Ventures - San Jose Dialysis, LLC<br><br>Debtors and Debtors In Possession. | **POST-EFFECTIVE DATE DEBTORS AND LIQUIDATING TRUSTEE'S MEMORANDUM IN OPPOSITION TO PRIME HEALTHCARE SERVICES, INC.'S MOTION TO ENFORCE PROVISIONS OF THE ASSET PURCHASE AGREEMENT PERTAINING TO ACCOUNTS RECEIVABLE ADJUSTMENT; DECLARATION OF PETER CHADWICK**<br>**[Re: Docket No. 6645]**<br><br><u>Hearing Date and Time:</u><br>Date: October 5, 2021<br>Time: 11:00 a.m.<br>Place: Courtroom 1568<br>255 E. Temple Street<br>Los Angeles, CA 90012 |

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## TABLE OF CONTENTS

Page





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## TABLE OF AUTHORITIES

**Page(s)**

**Cases**



**Statutes**



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Verity Health System of California, Inc. ("VHS"), Saint Francis Medical Center ("SFMC") and certain affiliated debtors (collectively, prior to the effective date of the Joint Plan (defined below), the "Debtors" and after the effective date, the "Post Effective Date Debtors") and the Liquidating Trustee (the "Liquidating Trustee") of the VHS Liquidating Trust (the "Liquidating Trust"), established pursuant to the Modified Second Amended Joint Chapter 11 Plan of Liquidation (Dated July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and the Official Committee of Unsecured Creditors (the "Committee") [Docket No. 5466] (the "Joint Plan") confirmed by the order [Docket No. 5504] (the "Confirmation Order") entered August 14, 2020, and that certain Liquidating Trust Agreement, dated as of September 5, 2020 [Docket No. 6043] (the "Trust Agreement"), in the above-captioned chapter 11 bankruptcy cases (the "Cases"), hereby file this opposition (the "Opposition") to *Prime Healthcare Services, Inc.'s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment* (the "Motion") [Docket No. 6645], filed by Prime Healthcare Services, Inc. ("Prime") on September 2, 2021, and respectfully state as follows:

## ■ INTRODUCTION

The sale of certain assets used in the operation of SFMC to Prime (the "Sale"), pursuant to an Asset Purchase Agreement ("APA"), closed on August 13, 2020. The Court confirmed the Joint Plan the following day, which created the Liquidating Trust.

Now, nearly a year after confirmation, Prime continues to withhold funds that should have been turned over to the Liquidating Trust and is attempting to decrease the purchase price it is bound to pay under the terms of the APA.

As of January 25, 2021, Prime sought adjustments totaling more than $53 million in its favor. After the Post-Effective Date Debtors provided various explanations over months and months as to why Prime was not entitled to those amounts, Prime conceded on various issues, but now continues to seek by its Motion more than $28.3 million for its benefit. This amount is, however, misleading, as the parties agree Prime is entitled to an Accounts Receivable (as defined in the APA) adjustment (the "A/R Adjustment") of approximately $11.3 million.

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Consequently, the dispute between the parties is limited to the remaining $17 million difference: (i) $11.9 million of receivables that the parties agree Prime has already collected but for which it does not give Debtors credit; and (ii) an additional $5.1 million related to deficiencies with Prime's efforts at collecting Debtors' outstanding receivables. Yet, as of this filing, Prime is withholding approximately $24.1 million in pre-sale receivables that are owed to the Liquidating Trust, that Prime has collected under, among other things, California's Quality Assurance Fee ("QAF") programs, and that the APA and the Transition Services Agreement (the "TSA") required Prime to turn over—now with interest.[1]

Prime first argues that receivables in the amount of $11.9 million, known as "LA County Trauma funding," should not be included in the calculation of total collected receivables in order to determine if SFMC's pre-sale receivables that were collected by Prime post-sale exceeded the APA's A/R Target Amount. Prime's position is wrong and unfair. The accounts receivable collections materials provided by SFMC to Prime during its pre-sale due diligence *included* the LA County Trauma payments as part of SFMC's A/R Target Amount. Prime has agreed that the amounts collected on all other types of receivables should be included as part of the total collection amount. The clear intent of the APA is to give the Debtors a dollar-for-dollar credit for all receivables collections. Indeed, it would be absurd to believe that SFMC intended to give a gift of $11.9 million to Prime for one type of receivable, while getting credit for all other types. Prime claims that it collected $32.7 million of the $61 million A/R Target Amount, resulting in an A/R Adjustment to the purchase price of $28.3 million. In accordance with the intent of the APA, the $11.9 million of LA County Trauma funding received by Prime should be added to Prime's $32.7 million, resulting in a total collected amount of $44.6 million.

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[1] Today, September 21, 2021, Prime informed the Liquidating Trust that it transferred the following previously withheld amounts: (i) $6,987,948.56 on account of received QAF V payments and (ii) $1,277,821.50 on account of received disproportionate share payments. As of this filing, receipt of such payments has not been confirmed; therefore, while the Post-Effective Date Debtors and Liquidating Trustee reflect the payments in the current total withheld amount in good faith, they also preserve their arguments with respect to the entire amounts Prime had been withholding prior to these payments.

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Additionally, while Prime claims it used reasonable collection efforts to collect SFMC's receivables after the Closing, its collection results were poor, resulting in Prime artificially inflating its claim to an A/R Adjustment. As more fully described below, Prime failed to use industry standard collection efforts and, simply utilizing the historical collection rates achieved by SFMC, Prime should have collected at least an additional $5.1 million in pre-sale receivables. In total, Prime's purchase price adjustment on account of the A/R Adjustment should be no more than $11.3 million, as set forth below:

| SFMC A/R Reconciliation | |
|---|---|
| | (in millions) |
| A/R Target per the APA | $61.0 |
| A/R collections (excluding trauma payments) | -32.7 |
| A/R adjustment sought by Prime | $28.3 |
| | |
| A/R collections of trauma payments | -11.9 |
| Additional receivables had Prime collected at SFMC historical levels | -5.1 |
| | |
| A/R adjustment available to Prime | **$11.3** |

Prime's actions are not only inconsistent with the APA and this Court's previous order [Docket No. 4511] (the "Sale Order") authorizing the Sale, but threaten to significantly impact distributions by the Liquidating Trust under the Joint Plan. For the reasons set forth in this Opposition, the Court should issue an order: (i) limiting any purchase price adjustment on account of the A/R Adjustment to $11.3 million; (ii) requiring Prime to turn over all prior and future accounts receivable collections related to Excluded Assets, including all QAF V revenues and all QAF VI revenues in excess of $11.3 million to the Liquidating Trust; and (iii) requiring Prime to pay interest on all the collections inappropriately withheld.

## [redacted] FACTUAL BACKGROUND

### A. GENERAL BACKGROUND.

1. On August 31, 2018 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the

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"Bankruptcy Code").[2] Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

2. On the Petition Date, Debtor VHS, then a California nonprofit public benefit corporation, was the sole corporate member of five Debtor California nonprofit public benefit corporations that, on the Petition Date, operated SFMC, O'Connor Hospital ("OCH"), Saint Louise Regional Hospital ("SLRH"), St. Vincent Medical Center ("SVMC"), and Seton Medical Center, including Seton Medical Center Coastside Campus (collectively, "Seton" and, together with SFMC, OCH, SLRH, and SVMC, the "Verity Hospitals").

3. As of the Petition Date, VHS, the Verity Hospitals, and their affiliated entities (collectively, "Verity Health System") operated as a nonprofit health care system, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical specialties, including tertiary and quaternary care. *See* Docket No. 8 (the "First-Day Declaration"), at 4, ¶12.

4. On September 14, 2018, the Office of the United States Trustee appointed the Committee [Docket No. 197].

5. After the Debtors sold the Verity Hospitals during the Cases, and the Debtors, their prepetition secured creditors, and the Committee filed their Joint Plan, the Court entered the Confirmation Order on August 14, 2020 [Docket No. 5504].

**B. THE SALE AND POST-CLOSING ACTIVITIES.**

6. Prior to the entry of the Confirmation Order, on February 10, 2020, the Debtors filed a motion [Docket No. 4069] to approve the form of an asset purchase agreement and related bidding procedures for the sale of SFMC, which the Court approved on February 26, 2020 [Docket No. 4165] (the "Bidding Procedures Order"). After reviewing the bids, and in consultation with the Committee and the Debtors' prepetition secured creditors, the Debtors selected Prime as the stalking horse bidder because Prime had the highest and best bid. *See* Docket No. 4471 at 5. The Debtors did not receive any other "Qualified Bids" for SFMC under the terms of the Bidding

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[2] All references to "§" are to sections of the Bankruptcy Code.

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Procedures Order. *See id.* at 5-6. Consequently, Prime became the "Winning Bidder" pursuant to the terms of the Bidding Procedures Order. *See id.* at 6.

7. On April 9, 2020, the Court entered the Sale Order approving the Sale to Prime pursuant to the California law-governed APA [Docket No. 4511]. *See* APA, attached to Prime's Motion as **Exhibit 1**, at § 12.3. Under the Sale Order, this Court retained exclusive jurisdiction to interpret, construe and enforce the terms of the APA. *See* Docket No. 4511 at ¶32.

8. "The 'Closing Date' of the SFMC Sale under, and as defined in, the APA occurred on August 13, 2020. Pursuant to Section 1.3 of the APA, the 'Closing' was deemed to occur and to be effective as of 12:00 a.m. Pacific Time on August 14, 2020." *Notice of Occurrence of Closing Date of Sale of St. Francis Medical Center To Prime Healthcare Services, Inc.* [Docket No. 5502].

9. Among other things, the APA required the parties to enter into an Interim Management Agreement ("IMA"), a Leaseback Agreement (as defined in the APA), and a Transition Services Agreement (the "TSA"). After the Closing Date, the Debtors performed under all three agreements.[3]

10. In early November 2020, Prime obtained its hospital and pharmacy licenses and provided notice of the termination of the IMA and the Leaseback Agreement.[4]

11. The TSA's purpose was "to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers."[5] In relation thereto, the APA required the parties to "cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement."[6] Section 5.2 of the TSA, in turn, governed "General Cooperation and Turnover Obligations," and provided as follows with respect to Excluded Assets:

> The Parties shall cooperate to ensure that any and all payments that constitute Excluded Assets (as defined in the APA), shall be paid to and received by Sellers . . . . In the event that a deposit representing payment of any Excluded

[3] Declaration of Peter Chadwick ("Chadwick Decl.") at ¶6.

[4] *Id.*

[5] APA § 8.13.

[6] *Id.*

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> Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds.[7]

12. Section 10.2 of the APA addressed the handling of Excluded Assets post-Closing, including their remittance to the Debtors if received by Prime, and the accrual of interest to the extent Prime failed to remit them, as follows:

> Subject to [Preservation and Access to Records After the Closing], any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the Parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within ten (10) business days following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Sellers for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to Sellers under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

13. On January 25, 2021, Prime notified the Post-Effective Date Debtors of their intent (i) to offset QAF Receivables as a purchase price adjustment pursuant to the EBITDA Adjustment under section 1.1 of the APA, and (ii) to pursue an A/R Adjustment under section 1.12 of the APA.[8] Specifically, Prime threatened to offset such claimed adjustments against QAF V and QAF VI net

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[7] TSA § 5.2, a form of which is attached to the APA at Exhibit 1.4(f).

[8] Chadwick Decl. at ¶9; January 25, 2021 Letter from A. Joel Richlin, Prime's Vice President and General Counsel, to counsel for the Post-Effective Date Debtors regarding APA § 1.1 (the "Prime 1.1 Letter"), attached hereto as **Exhibit "A"**; January 25, 2021 Letter from A. Joel Richlin, Prime's Vice President and General Counsel, to counsel for the Post-Effective Date Debtors regarding APA § 1.12 (the "Prime 1.12 Letter" and together with the Prime 1.1 Letter, the "Prime Letters"), attached hereto as **Exhibit "B"**.

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payments owed to SFMC that have been collected by Prime post-closing.[9] The remaining issues, and the subject of Prime's Motion and this Opposition, focus on the A/R Adjustment under section 1.12 of the APA.

14. On February 12, 2021, Prime took over the SFMC lockbox account.[10] QAF and Medi-Cal payments can only be made to the entity that possesses the provider number and the lockbox has to stay in the possession of the entity that holds the provider number.[11] Consequently, the Department of Health Care Services and various managed healthcare plans deposit QAF into this lockbox account controlled by Prime, but the QAF funds specifically relate to service periods when the Debtors owned SFMC.[12] Pursuant to Section 10.1 of the APA, Prime must turn over QAF deposited into the lockbox account within 10 business days to the Debtors.[13]

15. To date, Prime has withheld approximately $24.1 million in QAF that should have been transferred to the Liquidating Trust.[14]

16. While the parties have exchanged correspondence and continued negotiations ever since, they have not been able to resolve their differences as to the Accounts Receivable issues presented in Prime's Motion.

## C. THE JOINT PLAN AND LIQUIDATING TRUST

17. The Joint Plan is a liquidating plan that, among other things, winds down the estates, prosecutes litigation, and makes distribution to beneficial interest holders. Joint Plan, § 6.2.

18. As part of the Joint Plan, the Debtors projected that $99 million in QAF would be received by the Liquidating Trust for the benefit of beneficial interest holders.[15] Specifically, in order to pay secured creditors and yield any recovery to unsecured creditors, the Debtors projected

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[9] *Id.*

[10] Chadwick Decl. at ¶7.

[11] *Id.*

[12] *Id.*

[13] *Id.*; APA § 10.1.

[14] Chadwick Decl. at ¶8.

[15] *Id.*

that the Liquidating Trust would have to collect $99 million in QAF (which, because of the regulatory lockbox mechanism, post-Closing Prime would receive then transfer back), along with approximately $50 million through the liquidation of other assets.[16] As of the filing of this Opposition, Prime has withheld approximately $24.1 million in QAF as of August 1, 2020, that should have been transferred to the Liquidating Trust.[17] The Post-Effective Date Debtors and Liquidating Trustee anticipate that Prime will receive at least another $28.5 million in QAF that should be transferred to the Liquidating Trust.[18]

## III. ARGUMENT

### A. PRIME'S A/R RECONCILIATION IS UNFAIR AND IMPROPER.

The parties expressly provided for a post-closing A/R Adjustment in Section 1.12 of the APA. The Accounts Receivable were transferred at Closing to Prime in exchange for a cash payment of $61 million.[19] $61 million was the "A/R Target Amount,"[20] which included a target of $10,466,874 for "S-9 COUNTY TRAMA" [*sic*].[21] During the 135 days following the Closing, Prime was to collect the Accounts Receivable—using good faith, commercially reasonable efforts—and 30 days thereafter, provide the Debtors with a schedule providing an accounting of the "Final A/R Collected."[22] The Debtors were given a 60-day opportunity to review the schedule, and in the event of a disagreement, both parties agreed to "reasonably cooperate" to resolve the dispute, and, if necessary, submit the disagreement to this Court for resolution.[23]

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[16] *Id*.

[17] *Id*.

[18] *Id*.

[19] *Id*. at ¶10.

[20] APA §1.1(a)(iii); Chadwick Decl. at ¶11.

[21] Chadwick Decl. at ¶14; SFMC Gross to Net A/R Spreadsheet attached hereto as **Exhibit "C"** (showing $61,282,267 in Accounts Receivable as of June 30, 2020, with $10,466,874 allocated to "S-9 COUNTY TRAMA").

[22] APA §1.12(a); Chadwick Decl. at ¶12.

[23] APA §1.12(c); Chadwick Decl. at ¶12.

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Prime asserts that it collected only $32.7 million from accounts receivable and is therefore entitled to a purchase price adjustment of $28.3 million ($61 - $32.7 = $28.3).[24] But as Prime acknowledges, its calculation ignores $11.9 million of collections for items included within the A/R Target Amount, and Prime disregards other amounts for which it did not make a good faith, commercially reasonable effort to collect.[25]

Furthermore, the degree to which Prime has attempted to unilaterally effectuate its A/R Adjustment through withholding is inappropriate. The APA provides Prime with only limited offset rights, compared with broad turnover obligations. If the Final A/R Collected is less than the A/R Target Amount, Prime has the "right to offset such amounts against Seller's QAF VI Seller Net Payments."[26] The Accounts Receivable reconciliation process provided Prime with no right, on the other hand, to withhold QAF V program payments,[27] which Prime has now conceded.[28] Moreover, both the APA and TSA require Prime to turn over any funds representing Excluded Assets,[29] and any such funds to the extent withheld will bear interest (which the Post-Effective Date Debtors and Liquidating Trustee hereby preserve all rights to recover).[30]

*1.* ***Prime Ignores LA County Trauma Center Payments Actually Received***

Prime contends that the Accounts Receivable reconciliation process described in Section 1.12 of the APA necessarily excludes "trauma payments" because Section 1.7(p) of the APA identifies trauma payments with "Other Receivables," and not specifically within "Accounts

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[24] Prime 1.12 Letter at 2 and schedule attached thereto; *see also* Chadwick Decl. at ¶13.

[25] Chadwick Decl. at ¶14 and Disbursement Schedule for County of Los Angeles trauma payments showing $11,974,080 for SFMC, attached hereto as **Exhibit "G"**.

[26] APA §1.12(d)(ii); Chadwick Decl. at ¶12.

[27] APA §1.12(d); Chadwick Decl. at ¶12.

[28] Today, September 21, 2021, Prime informed the Liquidating Trust that it transferred $6,987,948.56 on account of received QAF V payments.

[29] APA § 10.1 (within ten (10) business days following receipt"); TSA § 5.2 ("within five (5) business days of notice of the receipt of funds"); Chadwick Decl. at ¶12.

[30] APA § 10.1 (the withheld amounts bear interest "at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers"); Chadwick Decl. at ¶12.

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Receivable" found within the same section. The simple legal issue for determination is whether "Accounts Receivable" is broad enough to include any items identified within "Other Receivables," and without question it certainly is. The definition of the "Accounts Receivable" transferred at Closing was drafted to be comprehensive and included, without limitation, "all accounts . . . and *other receivables* . . . , in each case arising from the rendering of services or provisions of goods, products, or supplies to inpatients or outpatients at the Hospital . . . ."[31]

The proper interpretation of a contract is "disputable if the contract is susceptible of more than one reasonable interpretation. *Moore v. Wells Fargo Bank, N.A.*, 39 Cal. App. 5th 280, 287 (Cal. Ct. App. 2019). Contractual ambiguities such as presented here, with the proper interpretation of the accounts receivable being purchased, can be express or latent, and California law permits extrinsic evidence regarding the parties' meaning.[32] *Id*. at 288. What the parties intended to be purchased by Prime and what it was paying for can simply be determined from a review of the items included within the $61 million A/R Target, which most certainly included LA County Trauma funding.[33] While the A/R Target unquestionably included trauma payments, Prime reads the APA and its inclusion of trauma payments within "Other Receivables" as necessarily excluding the LA County trauma funding from the receivables for which it needed to pay. But the APA defines Accounts Receivable to broadly include, without limitation, "all other receivables . . . arising from the rendering of services to . . . inpatients or outpatients at the Hospital."[34] Moreover, without question, the derivation of the $61 million A/R Target Amount was a subject of the parties' due diligence review, and the schedule exchanged during that review plainly shows that "LA

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[31] APA §1.7(p); *see also* Chadwick Decl. at ¶10.

[32] Prime focuses the Court on post contractual communications and the parties' negotiations to resolve the current receivables reconciliation dispute. In doing so, it asserts that its principals did not admit in settlement discussions that trauma payments should be included. Debtors certainly dispute this, and stands by its position that Prime indeed did admit trauma payments were always intended to be included. Chadwick Decl. at ¶ 13, but the real evidence of what was included in the A/R Target is the schedule that derives the $61 million target, which undisputedly included a line item for "S-9 COUNTY TRAMA." *See* Exhibit "C".

[33] Chadwick Decl. at ¶14.

[34] APA §1.7(p).

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County Trauma funding" was considered and explicitly included in calculating the A/R Target Amount.[35]

Yet, in preparing the schedules for the Final A/R Collected, Prime now excludes $11.9 million in LA County Trauma payments that it admits having collected.[36] Despite recognizing that "trauma payments" were used to calculate the A/R Target amount, Prime contends that simply because trauma payments were identified as part of the APA's definition of "Other Receivables,"[37] and despite the breadth of "Accounts Receivable," including its use of the phrase "other receivables," that the LA County Trauma payments actually received should be excluded from Final A/R Collected even though they were a part of the A/R Target. But given that such payments clearly were included in the calculation of the A/R Target Amount, the unfairness of Prime's interpretation is obvious. "An interpretation of the Agreement which would make it extraordinary, harsh, unjust, inequitable or which would result in absurdity, should be avoided unless plainly mandated by its terms." *In re Amica, Inc.*, 135 B.R. 534, 548 (Bankr. N.D. Ill. 1992) (*citing Cty. of Marin v. Assessment Appeals Bd*., 64 Cal. App. 3d 319, 325, 134 Cal. Rptr. 349, 352 (Ct. App. 1976)); Cal. Civ. Code § 1638 ("The language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity.").

Prime also argues that to include trauma payments in the A/R collection process "would violate the surplusage canon, as it would render the definition of <u>Other Receivables</u> a nullity and read it out of the APA." But what Prime does not tell the Court is that "Other Receivables" is actually a defined term that is used *nowhere else in the APA* and it serves no apparent purpose at all. The definition on its face is effectively a nullity, and reading it into or out of the APA should change nothing, and it certainly should not be used to justify providing Prime a nearly $12 million windfall.

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[35] Chadwick Decl. at ¶11; Exhibit "C".

[36] *Id*. at ¶14; Prime 1.12 Letter.

[37] APA at §1.7(p).

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Per section 1.7(p) of the APA, "Accounts Receivable," "Other Receivables," and "Receivables" are all assets to be transferred from Seller to Prime. Prime argues that Other Receivables, as defined in section 1.7(p), includes more than just trauma payments, and in particular, includes "disproportionate share payments" that would also have to be included in the Accounts Receivable collections if trauma payments are included. But as Prime recognizes, section 1.7(p) of the APA qualifies disproportionate share payments as "subject to Section 1.8(c)," and section 1.8 deals with "Excluded Assets" that "[n]otwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets . . ." that are defined as Excluded Assets. This provision aptly demonstrates that, unlike trauma payments, disproportionate share payments were not included in the A/R Target Amount of $61 million that Prime was buying. Because of the qualifying language regarding disproportionate share payments in Section 1.7(p) and such payments being defined as Excluded Assets in Section 1.8(c), disproportionate share payments were intended to be treated differently than trauma payments and other receivables, and there is simply no basis to include them within the A/R Target Amount.[38] But as much as Prime wants to contend otherwise, that hardly suggests Prime did not have to pay for, even though it was clearly acquiring, the trauma payment assets.

Here, the plain language of the APA and the parties' negotiations and actions all support including the LA County Trauma payments in the Final A/R Collected as they are a receivable arising from the rendering of services at SFMC, and both parties were involved in including them in the setting of the A/R Target Amount. The exclusion of those payments actually received is unjust and results in an absurdity. *See Scotty of California, Inc. v. Evenflo Co., Inc.*, No. 05-CV-1438 H (AJB), 2006 WL 8455622, at *7 (S.D. Cal. July 27, 2006) (concluding that a contract provision should not be read in a manner that would undermine the overall purpose of the contract

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[38] Today, September 21, 2021, Prime informed the Liquidating Trust that it transferred $1,277,821.50 on account of received disproportionate share payments. Although Prime represented in the Motion that $1,630,868 was the amount "expects to receive in disproportionate share payments related to dates of service prior to the Effective Time," Prime represented to the Post-Effective Debtors in connection with today's payment that the $1.6 million figure includes estimated future funds but the payment amount reflects funds received to date.

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and that such a reading leads to an absurd result); *Falkowski v. Imation Corp.*, 132 Cal. App. 4th 499, 513 (Cal. Ct. App. 2005) (refusing to interpret terms of contract in a way that would lead to an absurd result). It would be harsh and unjust to think that the Debtors simply intended to give Prime a gift of the $11.9 million LA County Trauma payments when the Debtors were otherwise receiving credit for the collection of all other receivables. On the other hand, whether "trauma payments," including the $11.9 million payments from LA County, are in the definition of "Other Receivables" makes no difference to the respective rights of the parties. Indeed, the "Other Receivables" definition is not used in any other place in the APA, and thus has no meaning or relevance to the Accounts Receivable reconciliation process that unquestionably included consideration of these amounts. Accordingly, the Post-Effective Date Debtors and Liquidating Trustee request that the Court resolve the parties' disagreement by declaring that the LA County Trauma payment in the amount of $11.9 million should be included in the Final A/R collected.

*2.* ***Prime Did Not Use Good Faith, Commercially Reasonable Efforts To Collect A/R***

Section 1.12(e) of the APA established Prime's responsibility for collecting the Accounts Receivable and a standard for assessing that responsibility. Specifically, Section 1.12(e) states:

> During the one hundred thirty-five (135) day period immediately following the Closing Date, Purchaser shall (i) use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables) within the one hundred thirty-five (135) day period immediately following the Closing Date; (ii) not take any action for the purpose of or which would be reasonably likely to result in any of the Accounts Receivable not being collected in a timely manner and within the one hundred thirty-five (135) day period immediately following the Closing Date; and (iii) provide Sellers with weekly written updates on its collection of the Accounts Receivable.

Prime's own Accounts Receivable collection efforts failed to meet commercially reasonable standards, and have effectively cost the Debtors' estates at least an additional $5 million in lost revenues as a result, which should be available to compensate creditors.[39]

[39] Chadwick Decl. at ¶¶15, 22.

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As Prime's Motion acknowledges, even before Prime approached the Post-Effective Date Debtors and Liquidating Trustee with its proposed receivables reconciliation under Section 1.12 of the APA in January 2021, the Post-Effective Date Debtors and Liquidating Trustee had raised concerns with Prime about its collection efforts.[40] While Prime now claims that it "generally" maintained four full time employees, two managers and others to assist with SFMC collections, a review of the data from the Debtors' legacy billing system indicates otherwise.

Prime simply did not devote significant effort to following up with payors on individual claims as had been historically done.[41] Collections of hospital services accounts receivable require direct attention from a team of trained specialists interacting with the health plans to ensure claims are being processed timely and any questions or requirements for additional information are addressed timely.[42] The Debtors relied upon a records system known as TRAC to pursue receivables and log its collection efforts.[43] As the TRAC data illustrates, Prime significantly curtailed efforts to follow up directly with payors of SFMC receivables.[44] Pre-sale activity levels of 3,377 follow-ups on the week ending July 31, 2020 dropped to 257 follow-ups during the week ending October 30 and then to only 65 follow-ups for the week ending November 13.[45] Prime's excuse then and now was that it was now pursuing claims collectively, rather than individually, and so the follow-up data was not relevant.[46] But conversations with Prime's head of collections affirmed the deliberate reduction in collection efforts. Prime's PFS Director, Ana Goff, stated on November 17, 2020 that there were systems issues preventing her team's ordinary course follow

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[40] *Id.* at ¶16; Dec. 23, 2020 Letter from Tania Moyron, Debtors' counsel, to Prime and its counsel ("Debtors' Dec. 2020 Letter"), attached to Prime's Motion as **Exhibit 3**.

[41] Chadwick Decl. at ¶16.

[42] *Id.*

[43] *Id.*

[44] *Id.*; Debtors' Dec. 2020 Letter at 1-2. Attached as **Exhibit "D"** hereto are examples of TRAC data during the relevant time period.

[45] Chadwick Decl. at ¶16; Debtors' Dec. 2020 Letter at 1; Exhibit "D".

[46] Chadwick Decl. at ¶16.

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up, without explaining what type of issues.[47] In addition, Ms. Goff indicated that collections people had been pulled away from SFMC to focus on a Prime audit.[48] She stated that the impact was effectively two collectors working five days a week.[49] Ms. Goff also stated that she had staffing issues and had insufficient staff to assist her with the legacy accounts.[50]

The Post-Effective Date Debtors and Liquidating Trustee also complained to Prime that, as of December 2020, Prime was holding over $1.6 million in unbilled claims and had failed to submit adequate documentation to support an additional $16 million in claims.[51] Many of these claims required action from ancillary departments in order to bill the payors, including medical necessity, treatment authorization requests, and other case management actions.[52] The Debtors' contracts require claims to be billed timely, which in most cases is defined as within 90 days.[53] Prime's response is simply that it cannot verify the information the Debtors provided to it.[54] The negligence of Prime to bill timely deprived the Debtors' estates of those recoveries.[55]

However caused or created, and regardless of Prime's excuses, the simple fact is that Prime's collection rate on pre-closing billed claims was substantially lower than historical collection rates, and if Prime had collected SFMC claims at historical rates, an additional $5.1 million would be available to creditors.[56] The SFMC historical collections data show that SFMC's cumulative collection rate after 135 days was 90.3%, but that Prime's collection rate on the SFMC pre-closing receivables was only 78.1%.[57] Adjusting for the $11.9 million in LA County Trauma

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[47] *Id.*

[48] *Id.*

[49] *Id.*

[50] *Id.*

[51] *Id.* at ¶18; Debtors' Dec. 2020 Letter at 2.

[52] Chadwick Dec. at ¶18.

[53] *Id.*

[54] *Id.*

[55] *Id.*

[56] Chadwick Decl. at ¶19.

[57] *Id.*; *see also* TRAC data, attached hereto as **Exhibit "E"**; a spreadsheet of SFMC's historical vs. actual A/R collections, attached hereto as **Exhibit "F"**. Prime's 78.1% collection rate is based upon Debtor

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payments that were indeed collected but Prime was not recognizing, and applying this 12.2% differential in collection rate to the outstanding receivables balance yields $5,105,731, meaning that if Prime had collected the non-trauma receivables at SFMC historical rates, at least an additional $5.1 million would be available to SFMC creditors as opposed to being subject to QAF VI offsets with the money remaining with Prime.[58]

Prime attempts to argue that its collection rate modestly increased over what SFMC collected, but it does so by comparing collections for services provided January-April 2020 (collected throughout the remainder of 2020) against services provided May-August 2020 (which were then collected within the following 135 days). *See* Prime's Mem. at 17 and Aleman Dec. at ¶¶7-8. The fallacy of Prime's collection rate data is that one cannot discern how much of January-August receivables were collected by SFMC and how much by Prime.[59] The collection rates that Prime and its witness, Steve Aleman, present are not Prime's collections versus SFMC's, as are presented above, but rather an amalgam of what both Prime and SFMC collected on pre-Closing 2020 receivables.[60] Prime does not explain why a comparison of the first four months of 2020 to the next four months has any relevance, when it was acquiring all Accounts Receivable as of the Closing, which it was then responsible for collecting over the next 135 days.[61] It was not responsible for only collecting receivables for services provided from May-August 2020.[62] The apt comparison is how it collected all of what was on the books versus how SFMC previously collected, and in that critical context, Prime's performance was relatively poor, collecting only 78.1% as opposed to SFMC's historical 135-day collection rate of 90.3%.[63]

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financials that show accounts receivable outstanding as of the Closing of $41,915,599. This, compared to Prime's contention of having collected $32,736,688, yields the 78.1% collection rate. Chadwick Decl. at ¶19.

[58] Chadwick Decl. at ¶19; Exhibit "F".

[59] Chadwick Decl. at ¶20.

[60] *Id.*

[61] *Id.*

[62] *Id.*

[63] *Id.*

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While Prime also claims that the parties simply have not been able to reconcile their data on billed and unbilled claims, its only explanation for the declining historical rate of collections is COVID—i.e., that because of COVID, less was billed and thus less was collected.[64] But that explanation does not address the *rate* of collections at all. Moreover, the Post-Effective Date Debtors and Liquidating Trustee are not contending that pre-closing receivables should somehow be adjusted for what they would have been in the absence of COVID; to the contrary, such anticipated discrepancy was the whole purpose of the pre-closing EBITDA and earnings analysis in Section 1.1 of the APA (which Prime also raised on January 25, 2021 but is not currently an issue before the Court).[65] In sum, Prime has not, and cannot, explain why its collection efforts, if commercially reasonable, yielded substantially lower revenues than were collected historically.

The overall impact of this deficient performance was significant. A receivable-by-receivable accounting is, of course, impossible under the circumstances.[66] Yet, if Prime had merely collected the Accounts Receivable at SFMC's historical rates, an additional $5.1 million would have been collected.[67] Accordingly, the Post-Effective Date Debtors and Liquidating Trustee ask that the Final A/R Collected amount be adjusted by at least an additional $5.1 million to reflect Prime's deficient collection efforts.

*3.* ***Prime Was Required To Turn Over Excluded Assets***

Finally, Prime's withholding of Excluded Assets pending resolution of the disputed A/R Adjustment is improper. The APA provides Prime with a limited offset right against Seller's QAF VI Seller Net Payments to the extent the Final A/R Collected is less than the A/R Target Amount.[68] Outside that limited context, the APA and TSA expressly require Prime to turn over to the Debtors any Excluded Assets it receives. Pursuant to Section 5.2 of the TSA, Prime must turn over to the Debtors funds received by Prime representing any Excluded Assets (which includes SFMC's QAF

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[64] Chadwick Decl. at ¶21.

[65] *Id.*

[66] *Id.* at ¶22.

[67] *Id.*

[68] APA §1.12(d)(ii); Chadwick Decl. at ¶12.

funds) within five (5) business days of notice of such receipt.[69] Pursuant to Section 10.1 of the APA, Prime must transfer any Excluded Asset or proceeds thereof (which includes SFMC's QAF funds) that comes into Prime's possession, custody, or control, within ten (10) business days following receipt.

Section 10.1 of the APA further provides that if Prime fails to remit such Excluded Assets or their proceeds as required, "such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers."

Accordingly, pursuant to the APA, Prime must turn over the amounts it has withheld, plus interest.

## IV. CONCLUSION

WHEREFORE, for all the foregoing reasons and such additional reasons as may be advanced at or prior to the hearing regarding the Motion, the Post-Effective Date Debtors and Liquidating Trustee respectfully request that the Court enter an order (i) limiting any purchase price adjustment pursuant to the A/R Adjustment to $11.3 million, (ii) requiring Prime to turn over to the Liquidating Trust all Accounts Receivable it has or will receive related to Excluded Assets (including QAF) in excess of $11.3 million, (iii) requiring Prime to pay interest on the amounts withheld to date, and (iv) granting such other and further relief as the Court deems just and proper.

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[69] APA § 10.1 (within ten (10) business days following receipt"); TSA § 5.2 ("within five (5) business days of notice of the receipt of funds").

Dated: September 21, 2021

DENTONS US LLP
Samuel R. Maizel
Tania M. Moyron
Roger K. Heidenreich (*Pro Hac Vice* to be filed)
Stephen J. O'Brien (*Pro Hac Vice* to be filed)

By *____/s/ Tania M. Moyron___*
Tania M. Moyron
Attorneys for the Post-Effective Date Debtors

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**DECLARATION OF PETER CHADWICK**

I, Peter Chadwick, declare that I have personal knowledge of the facts set forth in this declaration, and I would competently testify to them under oath if called as a witness.

1. This declaration (the "Declaration") is in support of the *Post-Effective Date Debtors and Liquidating Trustee's Memorandum in Opposition to Prime Healthcare Services, Inc.'s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment* (the "Opposition"), and for all other purposes permitted by law. All capitalized terms not otherwise defined herein shall have the same meaning as in the Opposition.

2. I am a Managing Director of Berkeley Research Group, LLC ("BRG"). On November 7, 2018, the Court entered an order employing BRG as the financial advisors to Verity Health System of California, Inc. ("VHS") and their affiliated debtors and debtors in possession (collectively, the "Debtors") in their chapter 11 bankruptcy cases (the "Cases"). Pursuant to the Debtors' request and further Court orders, I agreed to serve in the role of Chief Financial Officer to the Debtors. Accordingly, I have been serving as Chief Financial Officer of VHS, effective as of October 1, 2019, and have been serving as the CFO of certain other Debtors since September 1, 2019. I am duly authorized to make this Declaration on behalf of BRG, the Post-Effective Date Debtors, and the Liquidating Trustee.

3. I obtained a BA from Pennsylvania State University, and an MBA in Finance from Babson College, Olin School of Business. Before joining BRG, I was an Executive Director at Capstone Advisory Group, LLC. Prior to that, I was a Senior Managing Director at FTI Consulting. For more than twenty years, I have served as a chief restructuring officer, chief executive officer, chief operating officer, chief financial officer and as a financial advisor and trustee in complex restructuring matters. Among other things, I have significant experience in the healthcare arena and effectuating sale transactions.

4. I have diligently worked with the Debtors on every aspect of their Cases. In relation to my work for Verity, I am familiar with the circumstances surrounding the April 3, 2020 Asset Purchase Agreement (the "APA") involving St. Francis Medical Center ("SFMC"), VHS, and

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Prime Healthcare Services, Inc. ("Prime"), and the corresponding sale (the "Sale") of certain assets used in the operation of the general acute care hospital known as St. Francis to Prime.

5. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents or information provided to me by employees of BRG and the Debtors and Post-Effective Date Debtors. In preparing this Declaration, I have relied on my experience as described above. I am also assisted by others at BRG who work at my direction in the preparation of the analysis and other information included herein. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

*Interim Operations*

6. After the Close of the Sale, the Debtors performed under an Interim Management Agreement ("IMA"), a Leaseback Agreement, and Transition Services Agreement ("TSA"). In early November 2020, Prime obtained its hospital and pharmacy licenses and provided notice of the termination of the IMA and Leaseback Agreement.

7. On February 12, 2021, Prime took over the SFMC lockbox account. QAF and Medi-Cal payments can only be made to the entity that possesses the provider number and the lockbox has to stay in the possession of the entity that holds the provider number. Consequently, the Department of Health Care Services and various managed healthcare plans deposit QAF into this lockbox account controlled by Prime, but the QAF funds specifically relate to service periods when the Debtors owned SFMC. Pursuant to Section 10.1 of the APA, Prime must turn over QAF deposited into the lockbox account within 10 business days to the Debtors.

*Joint Plan Projections*

8. As a result of the Sale, as part of the Joint Plan, the Debtors projected that $99 million in QAF would be received by the Liquidating Trust for the benefit of beneficial interest holders. Specifically, in order to yield a recovery of approximately $5 million to unsecured creditors, the Debtors projected that the Liquidating Trust would have to collect $99 million in QAF (which, because of the regulatory lockbox mechanism, post-Closing Prime would receive then transfer back), along with approximately $50 million through liquidation of other assets. To date,

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Prime has withheld approximately $24.1 million in QAF that should have been transferred to the Liquidating Trust. The Post-Effective Date Debtors and Liquidating Trustee currently anticipate that Prime will receive another $28.5 million in QAF VI net payments that should be transferred to the Liquidating Trust.

*Improper A/R Adjustment*

9. On January 25, 2021, more than five months after the Closing, Prime for the first time notified the Post-Effective Date Debtors of their intent to offset QAF Receivables as a purchase price adjustment under section 1.1 of the APA. Specifically, Prime asserted arguments in an effort to obtain a post-closing price adjustment by effectively offsetting asserted adjustments against QAF V and QAF VI net payments. Exhibit "A" attached to the Opposition is a true and accurate copy of the letter from A. Joel Richlin, Prime's Vice President and General Counsel, to counsel for the Post-Effective Date Debtors, along with the exhibits that Prime attached to the letter. The same day, Prime also notified the Post-Effective Date Debtors of their intent to offset amounts owed to the Post-Effective Date Debtors based on a reconciliation of the SFMC accounts receivable ("Accounts Receivable" or "A/R") under section 1.12 of the APA. Exhibit "B" attached to the Opposition is a true and accurate copy of the letter from Mr. Richlin, along with the schedule that Prime enclosed with the letter.

10. The Accounts Receivable transferred at Closing were defined to comprehensively include, without limitation, "all accounts and other receivables, in each case arising from the rendering of services or provisions of goods, products, or supplies to inpatients or outpatients at the Hospital . . . ." The Accounts Receivable were transferred at Closing to Prime in exchange for a cash payment of $61 million.

11. The parties agreed that $61 million was the "A/R Target Amount." The derivation of the $61 million A/R Target Amount was a subject of the parties' due diligence review, and the schedule exchanged during that review plainly shows that "S-9 COUNTY TRAMA" was considered and explicitly included in calculating the A/R Target Amount.

12. During the 135 days following the Closing, Prime was to collect the Accounts Receivable—using good faith, commercially reasonable efforts—and 30 days thereafter, provide the Debtors with a Schedule providing an accounting of the "Final A/R Collected." The Debtors were given a 60-day opportunity to review the Schedule, and in the event of a disagreement, both parties agreed to "reasonably cooperate" to resolve the dispute and, if necessary, submit the disagreement to this Court for resolution. If the Final A/R Collected is less than the A/R Target Amount, Prime has the "right to offset such amounts against Seller's QAF VI Seller Net Payments." The Accounts Receivable reconciliation process provided Prime with no right, on the other hand, to withhold QAF V program payments, which Prime has now conceded. Moreover, both the APA and TSA require Prime to turn over any funds representing Excluded Assets, and any such funds to the extent withheld will bear interest.

13. Prime asserts that it collected only $32.7 million in A/R, and is entitled to an offset of $28.3 million.

14. In doing so, Prime's schedules for the Final A/R Collected exclude—and their calculation ignores—more than $11.9 million in receivables associated with LA County Trauma Center payments that unquestionably have been received by SFMC; receivables that were included in the original $61 million baseline. Exhibit "C" to the Opposition is a true and correct copy of a spreadsheet showing $61,282,267 in SFMC A/R as of June 30, 2020, with $10,466,874 allocated to "S-9 COUNTY TRAMA." Exhibit "G" is a true and accurate copy of a disbursement schedule for County of LA Trauma payments showing $11,974,080 for SFMC. In negotiations between the parties to resolve this dispute, a telephone conversation that Prime indicates occurred on February 18, 2021, Steve Aleman, Prime's CFO conceded that if LA County Trauma payments were included in the A/R Target Amount then that should be dispositive of whether they should be included in the Final A/R Collected. Afterwards, Prime and its counsel have denied that Aleman made such a representation, but I stand by what I heard him say in that telephone conversation.

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*Inadequate Collection Efforts*

15. In addition to accounting adjustments Prime is now attempting to make, its own conduct in operating SFMC post-closing has adversely affected the Post-Effective Date Debtors and the Liquidating Trust and their abilities to compensate the Debtors' creditors. In particular, Prime's accounts receivable efforts failed to meet commercially reasonable standards, which have deprived the Debtors' estates of significant revenues that would have been available to compensate creditors.

16. Even before Prime approached the Post-Effective Date Debtors with its proposed receivables reconciliation under Section 1.12 of the APA in January 2021, the Post-Effective Date Debtors and Liquidating Trustee had raised concerns with Prime about its collection efforts. Exhibit 3 attached to Prime's Motion is a true and correct copy of the letter send by counsel to the Post-Effective Date Debtors and Liquidating Trustee to Prime on December 23, 2020.

17. Reviewing the data from the Debtors' legacy billing system, indications were that Prime simply did not devote significant effort to following up with payors on individual claims as had been historically done. Collections of hospital services accounts receivable require direct attention from a team of trained specialists interacting with the health plans to ensure claims are being processed timely and any questions or requirements for additional information are addressed timely. The Debtors relied upon a records system known as TRAC to pursue receivables and log its collection efforts. As the TRAC data illustrates, Prime significantly curtailed efforts to follow up directly with payors of SFMC receivables. Exhibit "D" to the Opposition is a true and correct copy of examples of TRAC data. Pre-sale activity levels of 3,377 follow-ups on the week ending July 31, 2020 dropped to 257 follow-ups during the week ending October 30 and then to only 65 follow-ups for the week ending November 13. Prime's excuse was that it was now pursuing claims collectively, rather than individually, and so the follow-up data was not relevant. But conversations with Prime's head of collections affirmed the deliberate reduction in collection efforts. Prime's PFS Director, Ana Goff, stated on November 17, 2020 that there were systems issues preventing her team's ordinary-course follow up, without explaining what type of issues. In addition, Ms.

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Goff indicated that collections people had been pulled away from Verity A/R to focus on a Prime audit. She stated that the impact was effectively two collectors working five days a week. Ms. Goff also stated that she had staffing issues and had insufficient staff to assist her with the legacy accounts.

18. The Post-Effective Date Debtors and Liquidating Trustee also complained to Prime that, as of December 2020, Prime was holding over $1.6 million in unbilled claims and had failed to submit adequate documentation to justify an additional $16 million in claims. Many of these claims required action from ancillary departments in order to bill the payors, including medical necessity, treatment authorization requests, and other case management actions. The Debtors' contracts require claims to be billed timely, which in most cases is defined as within 90 days. Prime's response is simply that it cannot verify the information the Debtors provided to it. The negligence of Prime to bill timely likely deprived the Debtors' estates of those recoveries.

19. However caused or created, and regardless of Prime's excuses, Prime's collection rate on pre-closing billed claims was substantially lower than historical collection rates, and if Prime had collected SFMC claims at historical rates, an additional $5.1 million would be available to creditors. The Debtors' historical collections data show that their cumulative collection rate after 135 days was 90.3%, but that Prime's collection rate on the SFMC pre-closing receivables was only 78.1%. (Exhibit "E" to the Opposition is a true and correct copy of a TRAC data spreadsheet demonstrating the collection rate of 90.3%; and Exhibit "F" to the Opposition is a true and correct copy of SFMC's historical vs. Prime's actual A/R collections.) Prime's 78.1% collection rate is based upon Debtor financials that show accounts receivable outstanding as of the Closing of $41,915,599. This, compared to Prime's contention of having collected $32,736,688, yields the 78.1% collection rate. Adjusting for the $11.9 million in LA County Trauma payments that were indeed collected but Prime was not recognizing, and applying this 12.2% differential in collection rate (90.3% minus 78.1%) to the outstanding receivables balance as of the Closing yields $5,105,731, meaning that if Prime had collected the non-trauma receivables at SFMC historical

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rates, at least an additional $5.1 million would be available to SFMC creditors as opposed to being subject to QAF VI offsets with the money remaining with Prime.

20. Prime attempts to argue that its collection rate modestly increased over what SFMC collected, but it does so by comparing collections for services provided January-April 2020 (collected throughout the remainder of 2020) against services provided May-August 2020 (which were then collected within the following 135 days). The fallacy of Prime's collection rate data is that one cannot discern how much of January-August receivables were collected by SFMC and how much by Prime. The collection rates that Prime and Steve Aleman present are not Prime's collections versus SFMC's, as I presented above, but rather an amalgam of what both Prime and SFMC collected on pre-Closing 2020 receivables. Prime does not explain why a comparison of the first four months of 2020 to the next four months has any relevance, when it was acquiring all Accounts Receivable as of the Closing, which it was then responsible for collecting over the next 135 days. Prime was not responsible for only collecting receivables for services provided from May-August 2020. The apt comparison is how it collected all of what was on the books versus how SFMC previously collected, and in that context, Prime's performance was relatively poor, collecting only 78.1% as opposed to SFMC's historical 135-day collection rate of 90.3%.

21. While Prime claims to date that the parties simply have not been able to reconcile their data on billed and unbilled claims, its only explanation for the declining historical rate of collections is COVID—that because of COVID, less was billed and thus less was collected. But that explanation does not address the *rate* of collections at all, and the Post-Effective Date Debtors and Liquidating Trustee are not contending that pre-closing receivables should somehow be adjusted for what they would have been in the absence of COVID (indeed that was the whole purpose of the pre-closing EBITDA and earnings analysis in Section 1.1 of the APA in which Prime did not timely participate). Prime has not, and cannot, explain why its collection efforts, if commercially reasonable, yielded substantially lower revenues than were collected historically.

22. The overall impact of this deficient performance was significant. A receivable-by-receivable accounting is, of course, impossible under the circumstances. Yet, if Prime had merely

collected the Accounts Receivable at the Debtors' historical rates, at least an additional $5.1 million would have been collected.

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

Executed this 21st day of September, 2021, in Washington, D.C.

Peter Chadwick

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# EXHIBIT "A"

Prime Healthcare
Saving hospitals. Saving jobs. Saving lives.

January 25, 2021

**VIA FEDERAL EXPRESS**

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**Attention:** Chief Executive Officer

Dentons US LLP
601 South Figueroa St., Suite 2500
Los Angeles, CA 90017-5704
**Attention:** Tania Moyron, Esq.
Telephone: 213-243-6101

**VIA EMAIL ONLY**

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**RE: St. Francis Medical Center: Purchaser's Notice of Offset of Future QAF Receivables Pursuant to Section 1.1 of Asset Purchase Agreement**

Hope, Tania, and Sam,

I am writing pursuant to Section 1.1 of that certain Asset Purchase Agreement dated April 3, 2020 (the "APA"), by and among St. Francis Medical Center, a California nonprofit public benefit corporation ("SFMC"), Verity Holdings, LLC, a California limited liability company ("Verity Holdings"), Verity Health System of California, Inc., a California nonprofit public benefit corporation ("VHS" and, together with SFMC and Verity Holdings, the "Sellers" and each individually a "Seller") and Prime Healthcare Services, Inc., a Delaware corporation ("Purchaser"), to follow up on the Annualized Normalized EBITDA calculation which entitles Purchaser to an offset of QAF V and QAF VI Seller Net Payments in the amount of $25.397 Million.[1] As you know, Section 1.1(a)(i) of the APA provides that in the event the Annualized Normalized EBITDA is more than $50 Million less than the Prior Period Annualized Normalized EBITDA, Purchaser shall offset a portion of such amount from future QAF V and VI receivables. We have now had a chance to thoroughly review the Annualized Normalized EBITDA calculation provided by VHS on the eve of Closing (the "Sellers' EBITDA Calculation") as well as prepare what we believe is an accurate calculation based on the criteria identified in the APA (the "Purchaser EBITDA Calculation"). As you recall, the Purchaser insisted Sellers remove their purported Sellers' EBITDA Calculation **(Exhibit A)** from the Closing Statement and Sellers agreed to and in fact removed the calculation, with both sides reserving their rights.

[1] All capitalized terms used but not defined herein shall have the meanings ascribed in the APA.

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The Annualized Normalized EBITDA calculation is governed by the methodology set forth in Schedule 1.1(a)(i), which includes a sample calculation for clarity. As demonstrated by the attached Purchaser EBITDA Calculation **(Exhibits B and C)**[2] and described below, the Sellers' EBITDA Calculation fails to comply with the methodology agreed to in Schedule 1.1(a)(i). It is important to note that in preparing the Purchaser EBITDA Calculation, the Purchaser used the same 3-month period as Sellers (April through June 2019 versus April through June 2020) for an apples to apples comparison. The Purchaser also used the same underlying balances for the Trailing Twelve Months Operating (Loss) / Income and the Trailing Twelve Months Deficit. However, the Purchaser EBITDA Calculation varies from the Sellers' EBITDA Calculation based on the following:

(1) Normalized Monthly QAF Net Benefit: The Sellers' EBITDA Calculation incorrectly uses $6.809 Million for the normalized monthly amount of QAF V Net Benefit and $6.242 Million for the normalized monthly amount of QAF VI Net Benefit. Based on the DHCS QAF payment models, the normalized monthly amount of QAF V Net Benefit is actually $7.424 Million **(Exhibit D)** and the normalized monthly amount of QAF VI Net Benefit is actually $5.652 Million **(Exhibits E and F)**.[3]

(2) COVID Stimulus Monies Per GAAP: The Sellers' EBITDA Calculation incorrectly recognizes $2.160 Million per month in April, May, and June of 2020 from COVID stimulus funds in the line item titled "Covid funding earning accrual (Over 12 mos.)." The funds derive from Footnote 2 where Sellers identify $25.925 Million in "Covid funding received to date through CARES Act." Sellers further identify a total of $10.693 Million in COVID stimulus funds ($10.550 Million in April 2020 and $143,000 in May 2020) backed out in the line item titled "Back out Covid revenue booked on cash basis." Purchaser agrees that the $10.693 Million booked on a cash basis needs to be backed out, but these funds and the purported total of $25.925 Million received through August of 2020 cannot simply be recognized on a pro rata basis over a 12-month period and applied to April, May, and June of 2020. These funds also cannot be recognized retrospectively to periods before they were received. Under applicable HHS guidance, COVID stimulus funds can only be recognized in the period where there is lost revenue due to COVID or COVID-related expenses.[4] However, Sellers have failed to provide any

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[2] Exhibit B is a summary of the key differences between Purchaser's EBITDA Calculation and Sellers' EBITDA Calculation. Exhibit C is Purchaser's EBITDA Calculation.
[3] Exhibit F is the calculation for the Projected PDHP Adjustment which feeds into Exhibit E.
[4] Consistent with HHS guidance, Schedule 1.1(a)(i) states that "COVID grants and other forms of funding, not related to specific patient accounts, will be applied to the designated period as

detail or support regarding revenue recognition for these months and therefore these funds cannot be recognized under applicable HHS guidance. Because these funds cannot be recognized under applicable HHS guidance, these funds also cannot be recognized under GAAP and must be removed from the calculation.

(3) Allocated Expense Excluded From Corporate Allocation: Purchaser has conducted a detailed review of Sellers' corporate allocations and related expenses to ensure that these costs were properly allocated. Based on this review **(Exhibit G)**, Sellers improperly recorded the "Corp allocations" line item for the following months in the following amounts: April 2019, understated by $37,000; May 2019, understated by $379,000; June 2019, understated by $110,000; April 2020, overstated by $348,000; May 2020, understated by $26,000; and June of 2020, overstated by 39,000.

(4) DSH Funds: The Sellers' EBITDA Calculation incorrectly recognizes $2.7 Million in "Other revenue" in June of 2020 which comes from an out-of-period DSH true-up paid in June of 2020. However, the DSH funds in question do not related to services provided in June of 2020, and therefore cannot be recognized in that month.[5]

(5) HCC Funds: The Sellers' EBITDA Calculation incorrectly recognizes $3.954 Million in "Other revenue" in June of 2020 which comes from an out-of-period HCC funds true-up paid in June of 2020. However, the HCC funds in question do not relate to services provided in June of 2020, and therefore cannot be recognized in that month.

(6) Third-Party Settlements: Purchaser has conducted a detailed review of third-party settlements to ensure that they were properly recorded to the period they relate. Based on this review **(Exhibit H)**, Sellers misstated revenue for the following months in the following amounts: April 2019, understated by $95,000; May 2019, understated by $94,000; June 2019, understated by $95,000; and May of 2020, overstated by $3,000.

(7) Bundled Payment Care Improvement ("BPCI") Funds: The Sellers' EBITDA Calculation incorrectly recognizes $1.164 Million in "Other revenue" in December of 2019 which relates to clinical episodes occurring from the 9-month period of

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specified in the funding to compensate for COVID related costs incurred and reflected in the periodic income statement."

[5] Schedule 1.1(a)(i) states that the Annualized Normalized figures must "remove the effect of one-time items and allocating revenue and expense items over the period to which they apply."

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October of 2018 to June of 2019 **(Exhibit I)**. These PBCI funds need to be appropriately allocated pro rata ($129,000 per month) to the period which they relate and therefore $129,000 must be added to each of April, May, and June of 2019.

(8) Quality of Revenue: As part of Purchaser's standard purchase price accounting, our independent auditor, Ernst & Young LLP ("EY"), conducted a quality of revenue analysis **(Exhibit J)**. EY concluded that Sellers had improperly included $1.542 Million in revenue in its EBITDA Calculation and that Purchaser should remove $3.129 Million from its EBITDA calculation. Specifically, EY determined that Sellers miscalculated the "Net patient revenue" line item for the following months in the following amounts: April 2019, overstated by $43,000; May 2019, understated by $395,000; June 2019, understated by $1.190 Million; April 2020, understated by $420,000; May 2020, overstated by $540,000; and June of 2020, overstated by $3.009 Million. These amounts are corrected on Purchaser's EBITDA Calculation in the line item for "Quality of Revenue."

(9) Property Taxes: The Sellers' EBITDA Calculation incorrectly recognizes $689,000 in "Other Revenue" in April of 2020 which comes from an out-of-period property tax refund paid in April of 2020 **(Exhibit K)**. However, the property tax refund in question does not relate to taxes owed for April of 2020 and therefore cannot be recognized in this month.

(10) Employee Health Incurred But Not Reported ("IBNR") Claims: EY also determined that Sellers neglected to properly record employee expense based on actuarial analysis, in some months recording a lesser or greater expense than appropriate **(Exhibit L)**. Specifically, in April, May, and June of 2019, Sellers over recorded IBNR in the amount of $5,000 per month and in April, May, and June of 2020, Sellers under recorded IBNR in the amount of $30,000 per month.

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As set forth above, the corrected Annualized Normalized EBITDA calculation entitles Purchaser to an offset of QAF V and QAF VI Seller Net Payments in the amount of $25.397 Million. We would like the opportunity to discuss these issues with you and are happy to review our calculations and share additional analysis. Please let us know once you have had a chance to review and we can set up a time to discuss the calculation.

Very Truly Yours,

Joel Richlin

A. Joel Richlin, Esq.
Vice President & General Counsel
Prime Healthcare Services, Inc.
Direct: 909-235-4235
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Enclosures (*Via E-mail*)

CC (*Via E-mail*):

Counsel for Purchaser, Gary Gertler
GGertler@mwe.com

# Exhibit A

# Sellers' EBITDA Calculation

**Verity-Prime SFMC Transaction - EBITDA Adjustment**

WORKING DRAFT

**Operating results**

| *$ in 000's* | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | 12-mo. Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net patient revenue | $ 23,154 | $ 20,764 | $ 22,646 | $ 20,925 | $ 20,353 | $ 19,605 | $ 21,019 | $ 22,984 | $ 21,325 | $ 22,828 | $ 20,808 | $ 22,285 | $ 21,909 | $ 25,802 | $ 16,640 | $ 18,646 | $ 17,916 | $ 22,721 | **$ 254,883** |
| Other revenue | 11,717 | 12,234 | 13,081 | 12,472 | 13,889 | 12,893 | 11,969 | 11,498 | 8,217 | 8,516 | 8,015 | 10,200 | 10,386 | 9,870 | 9,800 | 23,154 | 12,398 | 18,208 | **142,232** |
| Net QAF revenue | 2,264 | 2,264 | 2,264 | 2,264 | 56,014 | 2,448 | - | - | - | 12,701 | - | - | - | 13,023 | 31,775 | 13,289 | 1,761 | 1,761 | **74,310** |
| Total revenue | 37,135 | 35,263 | 37,991 | 35,661 | 90,256 | 34,946 | 32,988 | 34,482 | 29,542 | 44,045 | 28,823 | 32,485 | 32,295 | 48,695 | 58,215 | 55,090 | 32,075 | 42,690 | **471,424** |
| Salaries and benefits | 20,209 | 18,596 | 20,145 | 18,703 | 19,143 | 20,784 | 19,613 | 19,490 | 20,083 | 20,074 | 19,476 | 20,214 | 21,907 | 20,091 | 20,841 | 19,855 | 20,765 | 22,294 | **244,704** |
| Pension | 78 | 78 | 78 | 78 | 78 | 78 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | **1,915** |
| Supplies | 3,791 | 3,531 | 3,277 | 3,833 | 3,736 | 3,717 | 3,728 | 3,965 | 3,728 | 3,626 | 3,455 | 3,792 | 3,244 | 3,697 | 2,627 | 4,258 | 2,606 | 2,975 | **41,701** |
| Purchased services | 9,513 | 9,270 | 9,643 | 10,089 | 8,952 | 12,315 | 9,955 | 10,377 | 8,926 | 10,873 | 8,942 | 9,839 | 11,532 | 11,350 | 11,745 | 9,146 | 9,864 | 11,314 | **123,862** |
| Insurance | 496 | 506 | 494 | 573 | 581 | 568 | 671 | 519 | 586 | 528 | 552 | 580 | 2,393 | 523 | 540 | 543 | 514 | 525 | **8,474** |
| Corp allocations | 3,932 | 3,322 | 4,889 | 4,810 | 4,530 | 3,579 | 4,531 | 4,824 | 4,825 | 4,537 | 3,671 | 3,668 | 3,747 | 3,563 | 3,259 | 2,475 | 3,073 | 4,616 | **46,788** |
| Depreciation and amortization | 645 | 678 | 671 | 670 | 679 | 701 | 667 | 667 | 669 | 653 | 661 | 661 | 633 | 627 | 644 | 625 | 662 | 674 | **7,844** |
| Interest, net | 317 | 317 | 317 | 316 | 317 | 318 | 317 | 315 | 317 | 319 | 321 | 321 | 321 | 321 | 321 | 322 | 321 | 321 | **3,834** |
| Total expenses | 38,981 | 36,297 | 39,515 | 39,071 | 38,017 | 42,060 | 39,642 | 40,317 | 39,294 | 40,769 | 37,236 | 39,233 | 43,937 | 40,332 | 40,135 | 37,384 | 37,964 | 42,879 | **479,122** |
| **Operating (loss) / income** | **(1,846)** | **(1,034)** | **(1,524)** | **(3,410)** | **52,239** | **(7,114)** | **(6,653)** | **(5,835)** | **(9,753)** | **3,277** | **(8,413)** | **(6,748)** | **(11,642)** | **8,363** | **18,079** | **17,706** | **(5,889)** | **(189)** | (7,697) |
| Reorganization costs | 1,242 | 1,421 | 2,225 | 2,022 | 2,407 | 1,448 | 1,620 | 1,445 | 2,140 | 2,136 | 2,868 | 2,222 | 1,693 | 1,648 | 1,306 | 2,038 | 2,774 | 1,730 | **23,620** |
| **Excess / (deficit) of revenue over exps** | **$ (3,088)** | **$ (2,456)** | **$ (3,749)** | **$ (5,432)** | **$ 49,833** | **$ (8,562)** | **$ (8,273)** | **$ (7,280)** | **$ (11,892)** | **$ 1,140** | **$ (11,282)** | **$ (8,969)** | **$ (13,335)** | **$ 6,715** | **$ 16,773** | **$ 15,668** | **$ (8,662)** | **$ (1,919)** | **$ (31,317)** |
| **Net QAF Normalization** | | | | | | | | | | | | | | | | | | | |
| QAF V net benefit by month | 6,809 | 6,809 | 6,809 | 6,809 | 6,809 | 6,809 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| QAF VI net benefit by month[1] | - | - | - | - | - | - | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | 6,242 | **74,907** |
| Back out Net QAF revenue recorded | (2,264) | (2,264) | (2,264) | (2,264) | (56,014) | (2,448) | - | - | - | (12,701) | - | - | - | (13,023) | (31,775) | (13,289) | (1,761) | (1,761) | **(74,310)** |
| **Net QAF Normalization** | **$ 4,545** | **$ 4,545** | **$ 4,545** | **$ 4,545** | **$ (49,205)** | **$ 4,361** | **$ 6,242** | **$ 6,242** | **$ 6,242** | **$ (6,458)** | **$ 6,242** | **$ 6,242** | **$ 6,242** | **$ (6,780)** | **$ (25,533)** | **$ (7,047)** | **$ 4,481** | **$ 4,481** | **$ 598** |
| **Covid Funding Normalization (SUBJECT TO CHANGE)** | | | | | | | | | | | | | | | | | | | |
| Covid funding earning accrual (Over 12 mos.)[2] | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,160 | 2,160 | 2,160 | **6,481** |
| Back out Covid revenue booked on cash basis | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (10,550) | (143) | - | **(10,693)** |
| **Covid Funding Normalization** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ (8,390)** | **$ 2,017** | **$ 2,160** | **$ (4,212)** |
| **EBIDA Adjustments** | | | | | | | | | | | | | | | | | | | |
| *Add back:* | | | | | | | | | | | | | | | | | | | |
| *Corp allocations* | *3,932* | *3,322* | *4,889* | *4,810* | *4,530* | *3,579* | *4,531* | *4,824* | *4,825* | *4,537* | *3,671* | *3,668* | *3,747* | *3,563* | *3,259* | *2,475* | *3,073* | *4,616* | ***46,788*** |
| *Depreciation and amortization* | *645* | *678* | *671* | *670* | *679* | *701* | *667* | *667* | *669* | *653* | *661* | *661* | *633* | *627* | *644* | *625* | *662* | *674* | ***7,844*** |
| *Interest, net* | *317* | *317* | *317* | *316* | *317* | *318* | *317* | *315* | *317* | *319* | *321* | *321* | *321* | *321* | *321* | *322* | *321* | *321* | ***3,834*** |
| *Reorganization costs* | *1,242* | *1,421* | *2,225* | *2,022* | *2,407* | *1,448* | *1,620* | *1,445* | *2,140* | *2,136* | *2,868* | *2,222* | *1,693* | *1,648* | *1,306* | *2,038* | *2,774* | *1,730* | ***23,620*** |
| **Normalized EBIDA** | **$ 7,593** | **$ 7,827** | **$ 8,899** | **$ 6,930** | **$ 8,560** | **$ 1,846** | **$ 5,104** | **$ 6,213** | **$ 2,300** | **$ 2,327** | **$ 2,481** | **$ 4,144** | **$ (699)** | **$ 6,093** | **$ (3,230)** | **$ 5,691** | **$ 4,666** | **$ 12,064** | **$ 47,155** |

**ILLUSTRATIVE CALCULATION USING MOST RECENT THREE MONTHS**

| **Prior Period Normalized EBIDA** | |
|---|---|
| 1 month prior EBIDA | $ 1,846 |
| 2 months prior EBIDA | 8,560 |
| 3 months prior EBIDA | 6,930 |
| Total - 3 months prior EBIDA | **$ 17,336** |
| *Annualization factor* | *4* |
| **Prior Period Annualized Normalized EBIDA** | **$ 69,346** |

| **Annualized Normalized EBIDA** | |
|---|---|
| 1 month prior EBIDA | 12,064 |
| 2 months prior EBIDA | 4,666 |
| 3 months prior EBIDA | 5,691 |
| Total - 3 months prior EBIDA | **$ 22,422** |
| *Annualization factor* | *4* |
| **Annualized Normalized EBIDA** | **$ 89,687** |
| Variance to Prior Period | $ 20,341 |
| Adjustment Hurdle | $ (50,000) |
| **QAF V Payments to Purchaser** | **$ -** |

**[1] Accrued Net QAF Benefit based on CHA-scheduled QAF VI total of $187 million.**

**[2] SFMC Covid funding received to date through CARES Act: $ 25,925**

# Exhibit B

# Summary of Variance Between Sellers and Purchaser

**Prime Healthcare**
**Comparison of Sellers (Verity) and Purchasers (Prime) Annualized Normalized EBIDA Calculation**
**January 25, 2020**

| | Sellers | Purchaser | | | | |
|---|---|---|---|---|---|---|
| 1) **Comparison Period (Apr '20 - June '20) (Apr '19 - June '19)** | X | X | *No Dispute 2019 or 2020* | | | |
| 2) **Trended TTM Income Statement Balances** | *TTM 6/30/20* | | *No Dispute 2019 or 2020* | | | |
| *TTM Op. (Loss) / Income* | *-$7,697* | *-$7,709* | *Variance* | *($12)* | *0.1524%* | *Immaterial* |
| *TTM Deficit* | *-$31,317* | *-$31,326* | *Variance* | *($9)* | *0.0287%* | *Immaterial* |
| | | | | | | |
| 3) **QAF Normalization** | | | | | | |
| *Back out of net QAF recorded* | -$74,310 | -$75,002 | *Variance* | *-$692.05* | *0.9313%* | *Immaterial* |
| *Addback: QAF V Net benefit by month* | | $7,424 | *DHCS QAF monthly payment models.* | | | |
| *Addback: QAF VI Net benefit by month* | | $5,652 | *DHCS QAF monthly payment models. PDHP Adjusted* | | | |
| *Addback: QAF V Net benefit by month* | $6,809 | | *?* | | | |
| *Addback: QAF VI Net benefit by month* | $6,242 | | *?* | | | |
| | | | | | | |
| 3) **Covid Funding Normalization** | | | | | | |
| *Back out of Covid revenue recorded* | $10,693 | $10,693 | *No Dispute* | | | |
| *Covid Accrual* | $6,481 | $0 | *Dispute. Guidance doesn't allow accruals. No support provided for recognition.* | | | |
| | | | | | | |
| 5) **Add Back** | | | | | | |
| Corp. Allocations | *$46,788* | *$46,454* | *Monthly variance identified impacting 2019 and 2020 calculations* | | | |
| Depreciation & Amortization | *$7,844* | *$7,844* | *Variance* | *-$0.11* | *-0.0014%* | *Immaterial* |
| Interest, Net | *$3,834* | *$3,845* | *Variance* | *$10.98* | *0.2864%* | *Immaterial* |
| Reorganization Costs | *$23,620* | *$23,617* | *Variance* | *-$2.74* | *-0.0116%* | *Immaterial* |
| DSH True-UP | *$0* | *-$2,700* | *2020 Out of period true-up adjustment identified* | | | |
| HCC Funds True-Up | *$0* | *-$3,954* | *2020 Out of period true-up adjustment identified* | | | |
| *Bundled Payment Care Improvement Funds* | *$0* | *$387* | *2019 Out of period true-up adjustment identified* | | | |
| *Quality of Revenue* | *$0* | *-$3,129* | *Collection analysis calculates '19 understatement /'20 overstatement of revenue* | | | |
| *Property Taxes* | *$0* | *-$689* | *2020 Out of period true-up adjustment identified* | | | |
| *Employee Health IBNR* | *$0* | *-$89* | *Pro rata recognition of $360K Employee health IBNR under accrual per EY.* | | | |

# Exhibit C

# Purchaser's EBITDA Calculation

**St Francis Medical Center**
**Income Statement Analysis**
**April 2019 - June 2020**

| | | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | 20-Mar |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Ptnt Rev | 20,925 | 20,353 | 19,605 | 21,019 | 22,984 | 17,638 | 18,766 | 17,519 | 16,996 | 18,847 | 22,837 | 13,869 |
| | Other Rev | 12,472 | 13,889 | 12,893 | 11,969 | 11,498 | 11,903 | 12,578 | 11,304 | 15,489 | 13,448 | 12,835 | 12,570 |
| | Net QAF | 2,264 | 56,014 | 2,448 | - | - | - | 12,819 | - | - | - | 13,144 | 32,071 |
| | Ttl Rev | 35,661 | 90,256 | 34,946 | 32,988 | 34,482 | 29,542 | 44,164 | 28,823 | 32,485 | 32,295 | 48,816 | 58,511 |
| | Sal & Ben | 18,703 | 19,143 | 20,784 | 19,613 | 19,490 | 20,083 | 20,074 | 19,476 | 20,214 | 21,907 | 20,091 | 20,841 |
| | Pension | 78 | 78 | 78 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 |
| | Supplies | 3,833 | 3,736 | 3,717 | 3,728 | 3,965 | 3,728 | 3,626 | 3,455 | 3,792 | 3,244 | 3,697 | 2,627 |
| | Purch Servcs | 10,661 | 9,533 | 12,882 | 10,626 | 10,896 | 9,503 | 11,514 | 9,490 | 10,414 | 13,921 | 11,995 | 12,581 |
| | Corp Alloc | 4,810 | 4,530 | 3,579 | 4,531 | 4,824 | 4,835 | 4,541 | 3,674 | 3,672 | 3,752 | 3,563 | 3,259 |
| | Dep & Amort | 670 | 679 | 701 | 667 | 667 | 669 | 653 | 661 | 661 | 633 | 627 | 644 |
| | Interest Net | 316 | 317 | 318 | 317 | 316 | 318 | 320 | 322 | 322 | 322 | 322 | 322 |
| | Total Exp | 39,071 | 38,016 | 42,059 | 39,642 | 40,318 | 39,295 | 40,888 | 37,237 | 39,234 | 43,938 | 40,455 | 40,432 |
| | Operating (loss) / Inc | (3,410) | 52,240 | (7,113) | (6,654) | (5,836) | (9,754) | 3,275 | (8,414) | (6,749) | (11,643) | 8,362 | 18,078 |
| | Reorg Costs | 2,022 | 2,407 | 1,448 | 1,620 | 1,445 | 2,140 | 2,136 | 2,868 | 2,222 | 1,693 | 1,648 | 1,306 |
| | Excess / (Def) of rev over exp | (5,432) | 49,833 | (8,561) | (8,274) | (7,281) | (11,893) | 1,139 | (11,283) | (8,971) | (13,336) | 6,714 | 16,772 |
| | **QAF Normalization** | | | | | | | | | | | | |
| QAFN 1 | QAF V Net ben by Month | 7,424 | 7,424 | 7,424 | - | - | - | - | - | - | - | - | - |
| QAFN 2 | QAF VI Net ben by Month | | | | 5,652 | 5,652 | 5,652 | 5,652 | 5,652 | 5,652 | 5,652 | 5,652 | 5,652 |
| | Back out of Net QAF Recorded | 2,264 | 56,014 | 2,448 | - | - | - | 12,819 | - | - | - | 13,144 | 32,071 |
| | **Net QAF Normalization** | 5,160 | (48,590) | 4,976 | 5,652 | 5,652 | 5,652 | (7,167) | 5,652 | 5,652 | 5,652 | (7,492) | (26,419) |
| | **Add back** | | | | | | | | | | | | |
| | *Corp Alloc* | 4,810 | 4,530 | 3,579 | 4,531 | 4,824 | 4,835 | 4,541 | 3,674 | 3,672 | 3,752 | 3,563 | 3,259 |
| WS 1 | *Allocated expense excluded from corporate allocation accounts:* | 37 | 379 | 110 | | | | | | | | | |
| | *Dep & Amort* | 670 | 679 | 701 | 667 | 667 | 669 | 653 | 661 | 661 | 633 | 627 | 644 |
| | *Interest, Net* | 316 | 317 | 318 | 317 | 316 | 318 | 320 | 322 | 322 | 322 | 322 | 322 |
| | *Reorg Costs* | 2,022 | 2,407 | 1,448 | 1,620 | 1,445 | 2,140 | 2,136 | 2,868 | 2,222 | 1,693 | 1,648 | 1,306 |
| | *Stimulus Monies Per GAAP* | | | | | | | | | | | | |
| | *DSH funds* | | | | | | | | | | | | |
| | *HCC Funds* | | | | | | | | | | | | |
| WS 4 | *Third-Party Settlements* | 95 | 94 | 95 | | | | | | | | | |
| WS 5 | *BPCI* | 129 | 129 | 129 | | | | | | | | | |
| WS 6 | *Quality of Revenue* | (43) | 395 | 1,190 | | | | | | | | | |
| WS 7 | *Property Taxes* | | | | | | | | | | | | |
| WS 8 | *Employee health IBNR* | *5* | *5* | *5* | | | | | | | | | |
| | **Normalized EBIDA** | **$ 7,768** | **$ 10,178** | **$ 3,990** | **$ 4,513** | **$ 5,623** | **$ 1,720** | **$ 1,623** | **$ 1,895** | **$ 3,558** | **$ (1,285)** | **$ 5,381** | **$ (4,117)** |

| | | Apr-20 | May-20 | Jun-20 | TTM Totals | MAC Analysis 4/19 - 6/19 | 4/20 - 6/20 | 19 - '20 Variance | 2019 Annualized | 2020 Annualized | 19 - '20 Variance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Ptnt Rev | 18,646 | 17,920 | 22,721 | 229,763 | 60,883 | 59,287 | (1,596) | 243,532 | 237,149 | (6,383) |
| | Other Rev | 23,154 | 12,394 | 18,208 | 167,351 | 39,254 | 53,757 | 14,503 | 157,016 | 215,027 | 58,011 |
| | Net QAF | 13,413 | 1,777 | 1,777 | 75,002 | 60,726 | 16,968 | (43,758) | 242,904 | 67,871 | (175,033) |
| | Ttl Rev | 55,214 | 32,092 | 42,706 | 472,116 | 160,863 | 130,012 | (30,851) | 643,452 | 520,047 | (123,405) |
| | Sal & Ben | 19,855 | 20,765 | 22,294 | 244,704 | 58,630 | 62,914 | 4,284 | 234,520 | 251,655 | 17,135 |
| | Pension | 160 | 160 | 160 | 1,915 | 234 | 479 | 245 | 936 | 1,915 | 979 |
| | Supplies | 4,258 | 2,606 | 2,975 | 41,701 | 11,286 | 9,839 | (1,447) | 45,144 | 39,356 | (5,788) |
| | Purch Servcs | 9,814 | 10,394 | 11,855 | 133,001 | 33,076 | 32,062 | (1,014) | 132,304 | 128,250 | (4,054) |
| | Corp Alloc | 2,475 | 3,073 | 4,616 | 46,815 | 12,919 | 10,164 | (2,755) | 51,676 | 40,657 | (11,019) |
| | Dep & Amort | 625 | 662 | 674 | 7,844 | 2,050 | 1,962 | (88) | 8,200 | 7,846 | (354) |
| | Interest Net | 322 | 322 | 322 | 3,845 | 951 | 965 | 14 | 3,804 | 3,860 | 56 |
| | Total Exp | 37,508 | 37,981 | 42,896 | 479,825 | 119,146 | 118,385 | (761) | 476,584 | 473,540 | (3,044) |
| | Operating (loss) / Inc | 17,706 | (5,890) | (190) | **(7,709)** | 41,717 | 11,627 | (30,090) | 166,868 | 46,507 | (120,361) |
| | Reorg Costs | 2,038 | 2,773 | 1,729 | 23,617 | 5,877 | 6,540 | 663 | 23,508 | 26,160 | 2,652 |
| | Excess / (Def) of rev over exp | 15,668 | (8,662) | (1,919) | **(31,326)** | 35,840 | 5,087 | (30,753) | 143,360 | 20,347 | (123,013) |
| | **QAF Normalization** | | | | | | | | | | |
| QAFN 1 | QAF V Net ben by Month | - | - | - | - | 22,272 | - | (22,272) | 89,087 | - | (89,087) |
| QAFN 2 | QAF VI Net ben by Month | 5,652 | 5,652 | 5,652 | 67,824 | - | 16,956 | 16,956 | - | 67,824 | 67,824 |
| | Back out of Net QAF Recorded | 13,413 | 1,777 | 1,777 | **75,002** | 60,726 | 16,968 | (43,758) | 242,904 | 67,871 | (175,033) |
| | **Net QAF Normalization** | (7,761) | 3,875 | 3,875 | (7,178) | (38,454) | (12) | 38,443 | (153,817) | (47) | 153,771 |
| | **Add back** | | | | | | | | | | |
| | *Corp Alloc* | 2,475 | 3,073 | 4,616 | | 12,919 | 10,164 | (2,755) | 51,676 | 40,657 | (11,019) |
| WS 1 | *Allocated expense excluded from corporate allocation accounts:* | (348) | 26 | (39) | | 526 | (361) | (887) | 2,104 | (1,444) | (3,548) |
| | *Dep & Amort* | 625 | 662 | 674 | | 2,050 | 1,962 | (88) | 8,200 | 7,846 | (354) |
| | *Interest, Net* | 322 | 322 | 322 | | 951 | 965 | 14 | 3,804 | 3,860 | 56 |
| | *Reorg Costs* | 2,038 | 2,773 | 1,729 | | 5,877 | 6,540 | 663 | 23,508 | 26,160 | 2,652 |
| | *Stimulus Monies Per GAAP* | (10,550) | (143) | | **(10,693)** | - | (10,693) | (10,693) | - | (42,772) | (42,772) |
| | *DSH funds* | | | (2,700) | | - | (2,700) | (2,700) | - | (10,800) | (10,800) |
| | *HCC Funds* | | | (3,954) | | - | (3,954) | (3,954) | - | (15,818) | (15,818) |
| WS 4 | *Third-Party Settlements* | | (3) | - | | 284 | (3) | (287) | 1,136 | (12) | (1,148) |
| WS 5 | *BPCI* | - | - | - | | 387 | - | (387) | 1,548 | - | (1,548) |
| WS 6 | *Quality of Revenue* | 420 | (540) | (3,009) | | *1,542* | *(3,129)* | *(4,671)* | *6,166* | *(12,518)* | *(18,684)* |
| WS 7 | *Property Taxes* | (689) | | | | *-* | *(689)* | *(689)* | *-* | *(2,756)* | *(2,756)* |
| WS 8 | *Employee health IBNR* | (30) | (30) | (30) | | *15* | *(89)* | *(104)* | *60* | *(356)* | *(416)* |
| | **Normalized EBIDA** | **$ 2,170** | **$ 1,352** | **$ (436)** | | **$ 21,936** | **$ 3,087** | **$ (18,849)** | **$ 87,745** | **$ 12,348** | $ (75,397) |

**Illustrative Calculation Using Most Recent Three months reconciled prior to close of transaction**

| Prior Period Normalized EBITDA | |
|---|---|
| 1 month prior EBIDA | $ 3,990 |
| 2 months prior EBIDA | 10,178 |
| 3 months prior EBIDA | 7,768 |
| **Total - 3 months prior EBIDA** | **$ 21,936** |
| Annualization Factor | 4 |
| **Prior period normalized EBIDA** | **$ 87,745** |

| Annualized Normalized EBITDA | |
|---|---|
| 1 month prior EBIDA | $ (436) |
| 2 months prior EBIDA | 1,352 |
| 3 months prior EBIDA | 2,170 |
| **Total - 3 months prior EBIDA** | **$ 3,087** |
| Annualization Factor | 4 |
| **Prior period normalized EBIDA** | **$ 12,348** |

| Var to Prior Period | Adj to Hurdle | QAF Payment to Purchaser |
|---|---|---|
| $ 75,397 | $ (50,000) | $ 25,397 |

# Exhibit D

# QAFN 1

# (QAF V Calculation)

# Adjusted EBITDA - HQAF - Fee/payment model - HQAF V

| *Currency: $ 000* | SFY 16/17 | HQAF V<br>SFY 17/18 | SFY 18/19 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpatient Payment Supplemental PRIVATE | 21,458 | 40,509 | 41,302 | 10,127 | 10,127 | 10,127 | 10,127 | 10,326 | 10,326 | 10,326 | 10,326 |
| Outpatient Payments PRIVATE | 3,741 | 11,479 | 11,563 | 2,870 | 2,870 | 2,870 | 2,870 | 2,891 | 2,891 | 2,891 | 2,891 |
| Psych Payment PRIVATE | 685 | 1,371 | 1,371 | 343 | 343 | 343 | 343 | 343 | 343 | 343 | 343 |
| **Medi-Cal** | **25,884** | **53,360** | **54,236** | **13,340** | **13,340** | **13,340** | **13,340** | **13,559** | **13,559** | **13,559** | **13,559** |
| Pass Through IP Managed Care Payments | - | 16,845 | 18,303 | 4,211 | 4,211 | 4,211 | 4,211 | 4,576 | 4,576 | 4,576 | 4,576 |
| Pass Through OP Managed Care Payments | - | 7,481 | 8,057 | 1,870 | 1,870 | 1,870 | 1,870 | 2,014 | 2,014 | 2,014 | 2,014 |
| Pass Through Carve-Out Services Managed | - | 10,009 | 10,841 | 2,502 | 2,502 | 2,502 | 2,502 | 2,710 | 2,710 | 2,710 | 2,710 |
| Directed Payments | - | 29,507 | 31,958 | 7,377 | 7,377 | 7,377 | 7,377 | 7,989 | 7,989 | 7,989 | 7,989 |
| IP Managed Care Payments | 27,109 | - | - | - | - | - | - | - | - | - | - |
| OP Managed Care Payments | 5,041 | - | - | - | - | - | - | - | - | - | - |
| **Medi-Cal managed care** | **32,150** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Revenue** | **58,034** | **117,202** | **123,395** | **29,301** | **29,301** | **29,301** | **29,301** | **30,849** | **30,849** | **30,849** | **30,849** |
| Medi-Cal Fee-For-Service Fee | 10,441 | 22,716 | 23,819 | 5,679 | 5,679 | 5,679 | 5,679 | 5,955 | 5,955 | 5,955 | 5,955 |
| Fee- For-Service Fee | 3,426 | 7,862 | 8,470 | 1,966 | 1,966 | 1,966 | 1,966 | 2,118 | 2,118 | 2,118 | 2,118 |
| **Medi-Cal** | **13,867** | **30,579** | **32,290** | **7,645** | **7,645** | **7,645** | **7,645** | **8,072** | **8,072** | **8,072** | **8,072** |
| Medi-Cal Managed Care Fee | - | - | - | - | - | - | - | - | - | - | - |
| Managed Care Fee | 1,009 | 2,018 | 2,018 | 504 | 504 | 504 | 504 | 504 | 504 | 504 | 504 |
| **Medi-Cal managed care** | **1,009** | **2,018** | **2,018** | **504** | **504** | **504** | **504** | **504** | **504** | **504** | **504** |
| **Expense** | **14,875** | **32,596** | **34,308** | **8,149** | **8,149** | **8,149** | **8,149** | **8,577** | **8,577** | **8,577** | **8,577** |
| **HQAF, net** | **43,159** | **84,606** | **89,087** | **21,151** | **21,151** | **21,151** | **21,151** | **22,272** | **22,272** | **22,272** | **22,272** |
| Monthly Average | 7,193.2 | 7,050.5 | 7,423.9 | **7,050** | **7,050** | **7,050** | **7,050** | **7,424** | **7,424** | **7,424** | **7,424** |

Source: HQAF V fee and payment model (DHCS)

Ref: Adjusted EBITDA - HQAF - Fee/payment model - HQAF V -

7,424

**Notes to table:**

SFY 16/17: July 1, 2016 - June 30, 2017.
SFY 17/18: July 1, 2017 - June 30, 2018.
SFY 18/19: July 1, 2018 - June 30, 2019.

# Exhibit E

# QAFN 2

# (QAF VI Calculation)

**HQAF6 IMPLEMENTATION MODEL (ESTIMATE)**

**Covers Services for Period of July 1, 2019 to December 31, 2021**

***Projected Dates May Change - Managed Care Directed Payment Amounts Subject to Change***

ST. FRANCIS MEDICAL CENTER

**CMS Approved the Tax Waiver and FFS Supplemental Payment Amounts on 2/25/2020**

**Last Updated 1/7/2021**

| Attributed Cal. Year | | Estimate | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Quarter | State Fiscal Year (SFY) | SFY Quarter | Projected Transaction Dates* | FFS Fee Due to DHCS | Supplemental FFS Payments to Hospitals | Estimated Net Benefit |
| 2019 | 3 | SFY 19-20 | 1 | 4/29/2020 | 5,932,090 | | |
| 2019 | 3 | SFY 19-20 | 1 | 5/18/2020 | | 11,264,298 | 5,332,208 |
| 2019 | 4 | SFY 19-20 | 2 | 5/20/2020 | 5,932,090 | | |
| 2019 | 4 | SFY 19-20 | 2 | 6/8/2020 | | 11,264,298 | 5,332,208 |
| 2020 | 1 | SFY 19-20 | 3 | 7/8/2020 | 5,932,090 | | |
| 2020 | 1 | SFY 19-20 | 3 | 7/27/2020 | | 11,264,298 | 5,332,208 |
| 2020 | 2 | SFY 19-20 | 4 | 10/14/2020 | 5,932,090 | | |
| 2020 | 2 | SFY 19-20 | 4 | 11/2/2020 | | 11,264,298 | 5,332,208 |
| 2020 | 3 | SFY 20-21 | 1 | 1/20/2021 | 6,253,523 | | |
| 2020 | 3 | SFY 20-21 | 1 | 2/8/2021 | | 12,431,379 | 6,177,856 |
| 2020 | 4 | SFY 20-21 | 2 | 4/7/2021 | 6,253,523 | | |
| 2020 | 4 | SFY 20-21 | 2 | 4/26/2021 | | 12,431,379 | 6,177,856 |
| 2021 | 1 | SFY 20-21 | 3 | 5/26/2021 | 6,253,523 | | |
| 2021 | 1 | SFY 20-21 | 3 | 6/14/2021 | | 12,431,379 | 6,177,856 |
| 2021 | 2 | SFY 20-21 | 4 | 10/27/2021 | 6,253,523 | | |
| 2021 | 2 | SFY 20-21 | 4 | 11/15/2021 | | 12,431,379 | 6,177,856 |
| 2021 | 3 | SFY 21-22 | 1 | 1/12/2022 | 6,253,037 | | |
| 2021 | 3 | SFY 21-22 | 1 | 1/31/2022 | | 12,336,373 | 6,083,336 |
| 2021 | 4 | SFY 21-22 | 2 | 4/13/2022 | 6,253,037 | | |
| 2021 | 4 | SFY 21-22 | 2 | 5/2/2022 | | 12,336,373 | 6,083,336 |
| | | **FFS Modeled Subtotals** | | | **61,248,526** | **119,455,456** | **58,206,930** |

| Attributed Cal. Year | | Managed Care Scheduled Implementation | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Quarter | State Fiscal Year (SFY) | SFY Quarter | Projected Payment Dates* (Fees Due Approx. 60 Days Prior) | Managed Care Fees due to DHCS | Estimated Managed Care Payment | Estimated Net Benefit |
| 19/20 | 3/4/1/2/3/4 | SFY 19-20 +1st 6 Months of SFY20-21 (Managed Care Bridge Period Pass Through) | All | Fee Due: 12/23/20; Payment Feb/Mar 2021 | 9,066,125 | 36,165,925 | 27,099,800 |
| 2019 | 3/4 | SFY 19-20 PHDP Phase 1 | 1-2 | October 2021 | 5,427,242 | 25,578,095 | 20,150,853 |
| 2020 | 1/2 | SFY 19-20 PHDP Phase 2 | 3-4 | April 2022 | 5,427,242 | 25,578,095 | 20,150,853 |
| 2020 | 3/4 | SFY 20-21 PHDP Phase 1 | 1-2 | October 2022 | 5,661,366 | 26,386,160 | 20,724,794 |
| 2021 | 1/2 | SFY 20-21 PHDP Phase 2 | 3-4 | April 2023 | 5,661,366 | 26,386,160 | 20,724,794 |
| 2021 | 1/2/3/4 | CY 2021 Pass Through | 1-2 | April 2023 | 6,095,200 | 24,396,871 | 18,301,671 |
| 2021 | 1/2 | SFY 21-22 PHDP Phase 1 | 1-2 | October 2023 | 5,853,938 | 27,228,384 | 21,374,446 |
| | | **Managed Care Modeled Subtotals** | | | **43,192,480** | **191,719,690** | **148,527,210** |

*** Transaction Date above is reflective of receipt of net benefit. In general fee will be due 2 months prior to payment receipt date**

| HQAF 6 DRAFT Program | Modeled Total Fees - HQAF 6 | Modeled Total Payments | Estimated Net Benefit | Avg Monthly Net Benefit | Proj PDHP Adjustment | Adj Avg Monthly Net Benefit |
|---|---|---|---|---|---|---|
| **Total Modeled QAF 6 Program** | **104,441,006** | **311,175,147** | **206,734,140** | | | |
| Note: Values may be off by +-$1 due to rounding | | | | | | |
| SFY 19-20 | 40,604,463 | 120,216,298 | 79,611,835 | 6,634,319.62 | (982,215) | 5,652,104.62 |
| SFY 20-21 | 42,425,839 | 126,823,857 | 84,398,018 | 7,033,168.13 | (982,215) | 6,050,953.13 |
| SFY 21-22 (6 Months) | 21,410,704 | 64,134,991 | 42,724,287 | 7,120,714.57 | (982,215) | 6,138,499.57 |
| **Total Modeled HQAF 6 Program** | **104,441,006** | **311,175,147** | **206,734,140** | | | |

***Projected Transaction Dates are subject to change***

**Timing of Managed Care Pass Through Payments may be impacted by 'Bridge Period'. Under Medi-Cal Managed Care, starting January 1, 2021, Managed Care rate setting will be based on a Calendar Year instead of a State Fiscal Year. This necessitates rate setting being applicable for 7/1/2019-12/31/2020 (18 month Bridge Period), followed by a Calendar Year period of 1/1/2021-12/31/2021). At this time, the entirety of the 'Bridge Period' will be applied in HQAF with one 18 month lump sum pass-through payment.**

**PHDP (Private Hospital Directed Payments) should be considered variable throughout the duration of the program. The PHDP figures modeled in this chart are from SFY 17-18 Phase 1 Final PHDP data. Actual payments to be based on contracted encounter data submitted by the plans during the period.**

This 'Bridge Period Managed Care Payment' has been moved up approximately 8 Months as of 10/16/2020. Previously, this cycle was scheduled to be completed in October 2021, but DHCS

*Based on Statewide Figures, Hospital actual figures may be slightly different

****Projected PDHP Adjustment** **29,466,450.0**

# Exhibit F

# Projected PDHP Adjustment Calculation

***Saint Francis Medical Center***
***QAF Comparison - QAF V vs. QAF VI (DRAFT)***

| Line | Type | IP/OP | Stat | Service | | QAF V (Last 12 Months 7/1/18-6/30/19) Stat | Rate | Revenue | | | QAF VI (First 12 Months 7/1/19-6/30/20) Stat | Rate | Revenue | Change in Days | | QAF VI Data Sources |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Medi-Cal | IP | Days | Acute | [2] | 26,294 | $ 1,541 | $ 40,509,325 | | [2] | 25,321 | $ 1,410 | $ 35,695,496 | (973) | | *CY16 Inpatient Days from Provider Claims Data (warehouse/CAMMIS)* |
| 2 | Medi-Cal | IP | Days | Psych | [2] | 1,406 | $ 975 | $ 1,370,850 | | [2] | 2,417 | $ 975 | $ 2,356,575 | 1,011 | | *18-19 MUR File* |
| 3 | Managed Care | IP | Days | Directed MC Payments | [1], [2] | 27,053 | $ 1,085 | $ 29,351,423 | [a] | [1], [2] | 35,832 | $ 1,258 | $ 45,075,559 | 8,779 | [b] | *Phase 1 Directed Payments Results (7/1/17-12/31/17 * 2)* |
| 4 | Managed Care | IP | Days | Pass-Thru Carveout Svcs. | [1], [2] | 9,177 | $ 1,085 | $ 9,956,678 | | [1], [2] | 9,892 | $ 1,258 | $ 12,443,833 | 715 | | *CY16 Inpatient Days from Provider Claims Data (warehouse/CAMMIS)* |
| 5 | Managed Care | IP | Days | Pass-Thru | | 29,421 | $ 573 | $ 16,849,701 | | | 33,387 | $ 219 | $ 7,315,577 | 3,966 | | *18-19 MUR File* |
| 6 | **Total Revenues - Inpatient** | | | | | | | **$ 98,037,977** | | | | | **$ 102,887,041** | 13,498 | | |
| 7 | **Unique Managed Care Patient Days [1]** | | | | | | **Sum of [1]** | **36,230** | | | | **Sum of [1]** | **45,724** | | | |
| 8 | **Revenues per Managed Care Patient Day** | | | | | | | **$ 1,550** | | | | | **$ 1,418** | | | |
| 9 | Medi-Cal | OP | Collections | All | | $ 3,633,218 | 316% | $ 11,479,542 | | | $ 2,633,162 | 266% | $ 7,005,123 | | | *CY16 Outpatient Totals by Provider Claims Data (warehouse/CAMMIS)* |
| 10 | Managed Care | OP | Visits | Directed MC Payments (OP/ER) | | - | $ - | $ - | [a] | | 36,126 | $ 168 | $ 6,080,630 | | | *Phase 1 Directed Payments Results (7/1/17-12/31/17 * 2)* |
| 11 | Managed Care | OP | Visits | Pass-Thru | | 50,438 | $ 148 | $ 7,480,964 | | | 46,821 | $ 91 | $ 4,243,505 | | | *2016 OSHPD MEDI-CAL MC OP* |
| 12 | **Total Revenues - Outpatient** | | | | | | | $ 18,960,506 | | | | | $ 17,329,257 | | | |
| 13 | **Total Revenues** | | | | | | | **$ 116,998,483** | | | | | **$ 120,216,298** | | | |
| 14 | Medi-Cal FFS & HMO | IP | Days | Exc. LTC and Nursery | | 51,618 | $ 440 | $ 22,716,049 | | | 55,198 | $ 558 | $ 30,814,284 | | | *2016 OSHPD REPORTED DAYS (6/30/16)* |
| 15 | McR Trad/CHAMP/VA | IP | Days | Exc. Medi-Cal, LTC, Other & nursery | | 18,892 | $ 416 | $ 7,862,473 | | | 16,753 | $ 350 | $ 5,864,220 | | | *2016 OSHPD REPORTED DAYS (6/30/16)* |
| 16 | Managed Care (non-Medi-Cal) | IP | Days | Exc. Medi-Cal, LTC, Other & nursery | | 10,619 | $ 190 | $ 2,017,610 | | | 13,297 | $ 295 | $ 3,925,939 | | | *2016 OSHPD REPORTED DAYS (6/30/16)* |
| 17 | **Total Expenses** | | | | | **81,129** | **$ 402** | **$ 32,596,132** | | | **85,248** | **$ 476** | **$ 40,604,443** | | | |
| 18 | **Net Revenues from Program** | | | | | | | **$ 84,402,351** | | | | | **$ 79,611,856** | | | |
| 19 | **Total Unique Patient Days [2]** | | | | | | **Sum of [2]** | 63,930 | | | | **Sum of [2]** | 73,462 | | | |
| 20 | **IP+OP Revenues per Unique Patient Day (Line 13 / Line 19)** | | | | | | | **$ 1,830** | | | | | **$ 1,636** | | | |
| 21 | **Expense per Unique Patient Day (Line 17 / Line 19)** | | | | | | | **$ (510)** | | | | | **$ (553)** | | | |
| 22 | **Net Revenue per Patient Day, After Expense** | | | | | | | **$ 1,320** | | | | | **$ 1,084** | | | |

***Footnotes:***

[a] **The initial $1,085 per diem rate was broken down into two parts: $801 IP per diem and $107 per visit. These amounts are not final and will be fully earned as part of the PHDP Phase 1 and Phase 2+ projects currently ongoing.**

[b] **The 35,382 days are based on annualized 7/1/17 - 12/31/17 PHDP Phase 1 contracted paid days (post-certification) (17,916*2 = 35,382). The 35,382 will be trued up to actual paid days for the period 7/1/19-6/30/20. However, when comparing to the QAF V program, the total QAF VI days appear overstated based on actual volumes. This $45M reimbursement is overstated by around $11.5M as calculated below. For the full program, this equates to a potential $29.4M overstatement:**

***Overpayment Estimate***

| | | | |
|---|---|---|---|
| 41,308 | Total SFY 6/30/18 MCAL MC Days per OSHPD (Acute+Psy+Nursery) | | |
| 54% | Trend factor | | |
| 22,306 | Estimated 7/1/17-12/31/17 MCAL MC Days per OSHPD (Acute+Psy+Nursery) | | |
| 17,916 | PHPD Phase 1 Certified Paid Days | | |
| 25% | Discount Factor | | |
| 22% | 3% | Improvement Factor (23%=5%-10% denial, 5%-10% non-contracted, 5-10% reporting) | |
| 33,394 | Total SFY 6/30/19 MCAL MC Days per OSHPD (Acute+Psy+Nursery) | | |
| (7,181) | Less Discount Factor (remove non-contracted, denied, unreported days) | | |
| 26,213 | Expected MC Directed Payment Days | | |

| Y1 | Y2 | Y3 | |
|---|---|---|---|
| 35,832 | | | Estimated per QAF VI |
| (26,213) | | | Less Expected |
| 9,619 | 9,619 | 4,810 | Overestimated days |
| $ 1,258 | $ 1,297 | $ 1,339 | Model Rate |
| $ 1,195 | $ 1,232 | $ 1,272 | @ 95% Improvement Factor |
| **$ 11,495,850** | **$ 11,852,528** | **$ 6,118,171** | 12 Months |
| | | **29,466,550** | 30 Months |

# Exhibit G

# WS 1

# (Corporate Allocations Calculation)

# Pro forma EBITDA - Corporate allocations

| *Currency: $ 000* | 4Q19 | 4Q20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|
| Corporate management svcs | 5,673 | 3,539 | 2,563 | 2,111 | 999 | 1,033 | 1,138 | 1,368 |
| It management fees | 4,228 | 4,346 | 1,278 | 1,351 | 1,600 | 589 | 1,275 | 2,482 |
| Pfs outsource net expense | 1,901 | 1,328 | 576 | 629 | 697 | 525 | 362 | 441 |
| Vbs and so allocation | 1,116 | 951 | 394 | 439 | 283 | 328 | 298 | 325 |
| Ps-related org reg lab testing | 9 | - | - | 5 | 4 | - | - | - |
| Management fee charges | - | - | - | - | - | - | - | - |
| Purch - svcs reg orgs | - | - | - | - | - | - | - | - |
| **Corporate allocations, net** | **12,928** | **10,164** | **4,810** | **4,535** | **3,583** | **2,475** | **3,073** | **4,616** |
| | | | | | | | | |
| **Allocated expense excluded from corporate allocation accounts:** | | | | | | | | |
| Consultant & mgmt fees | 406 | 76 | 11 | 348 | 48 | 25 | 26 | 24 |
| Legal | 119 | (436) | 26 | 31 | 62 | (374) | - | (63) |
| Other professional fees | - | - | - | - | - | - | - | - |
| **Professional fees** | **526** | **(360)** | **37** | **379** | **110** | **(348)** | **26** | **(39)** |
| | | | | | | | | |
| **Total** | **13,453** | **9,804** | **4,847** | **4,914** | **3,693** | **2,127** | **3,100** | **4,577** |

Source: 3.3.1.50_10 SFMC IS TRENDED Apr20 Final (1).xlsx, Copy of 3.3.1.6_St. Francis Trended IS - FY 2018.xlsx, Copy of 3.3.1.25_09 SFMC IS TRENDED Mar19 FINAL.xlsx, 12 SFMC IS TRENDED Jun20 v6.xlsx

Ref: Pro forma EBITDA - Corporate allocations -

# Exhibit H

# WS 4

# (Third-Party Settlements Calculation)

## Adjusted EBITDA - Third party settlements detail

| *Currency: $ 000* | 4Q19 | 4Q20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|
| Medi-Cal FY2017 Final | - | - | - | - | - | - | - | - |
| FY19 SB855 Final Amt | - | - | - | - | - | - | - | - |
| SB 1732 Reconciliation FY14 | - | - | - | - | - | - | - | - |
| Medicare 2019 cost report true-up | - | - | - | - | - | - | - | - |
| Tricare 2017 | - | - | - | - | - | - | - | - |
| SB855 FY17 payment update | - | - | - | - | - | - | - | - |
| SB855 FY15 Final Allotment | - | - | - | - | - | - | - | - |
| SB855 FY18 payment update | - | - | - | - | - | - | - | - |
| RNPR 06/30/15 | - | - | - | - | - | - | - | - |
| Medicare 2018 cost report true-up | - | - | - | - | - | - | - | - |
| Medicare RNPR 06/30/2008 | - | - | - | - | - | - | - | - |
| Medicare RNPR 06/30/2009 | - | - | - | - | - | - | - | - |
| SSI Ratio Update FFY2017 | - | - | - | - | - | - | - | - |
| Champus/Tricare FY2018 | - | - | - | - | - | - | - | - |
| Champus/Tricare FY2015 | 1 | - | - | 1 | - | - | - | - |
| SSI Ratio FFY 2015 update - FY16 | - | - | - | - | - | - | - | - |
| SSI Ratio FFY 2015 update - FY17 | - | - | - | - | - | - | - | - |
| SB855 FY15/16 update | - | - | - | - | - | - | - | - |
| Medicare 2017 cost report true-up | - | - | - | - | - | - | - | - |
| SB 855 DSH FY13/14 and FY15/16 | - | - | - | - | - | - | - | - |
| Medicare 2017 tentative settlement | - | - | - | - | - | - | - | - |
| Medicare NPR 2015 | - | - | - | - | - | - | - | - |
| SB 855 DSH FY16/17 | - | - | - | - | - | - | - | - |
| Medicare RNPR 1999 | - | - | - | - | - | - | - | - |
| Medicare RNPR 2006 | - | - | - | - | - | - | - | - |
| SSI Ratio FFY 2016 update - FY17 | - | - | - | - | - | - | - | - |
| SB 855 FY18 | - | - | | | | - | - | - |
| Medi-Cal FY2017 Final | - | - | | | | - | - | - |
| FFY 2018 SSI Update | - | - | | | | - | - | - |
| FY19 Tricare | - | 3 | | | | - | 3 | - |
| **Third party settlements, as reported** | **1** | **3** | **-** | **1** | **-** | **-** | **3** | **-** |
| | | | | | | | | |
| Medi-Cal FY2017 Final | - | - | - | - | - | - | - | - |
| FY19 SB855 Final Amt | 216 | - | 72 | 72 | 72 | - | - | - |
| SB 1732 Reconciliation FY14 | - | - | - | - | - | - | - | - |
| Medicare 2019 cost report true-up | 68 | - | 23 | 23 | 23 | - | - | - |
| Tricare 2017 | - | - | - | - | - | - | - | - |
| SB855 FY17 payment update | - | - | - | - | - | - | - | - |
| SB855 FY15 Final Allotment | - | - | - | - | - | - | - | - |
| SB855 FY18 payment update | - | - | - | - | - | - | - | - |
| RNPR 06/30/15 | - | - | - | - | - | - | - | - |
| Medicare 2018 cost report true-up | - | - | - | - | - | - | - | - |
| Medicare RNPR 06/30/2008 | - | - | - | - | - | - | - | - |
| Medicare RNPR 06/30/2009 | - | - | - | - | - | - | - | - |
| SSI Ratio Update FFY2017 | - | - | - | - | - | - | - | - |
| Champus/Tricare FY2018 | - | - | - | - | - | - | - | - |
| Champus/Tricare FY2015 | (1) | - | - | (1) | - | - | - | - |
| SSI Ratio FFY 2015 update - FY16 | - | - | - | - | - | - | - | - |
| SSI Ratio FFY 2015 update - FY17 | - | - | - | - | - | - | - | - |
| SB855 FY15/16 update | - | - | - | - | - | - | - | - |
| Medicare 2017 cost report true-up | - | - | - | - | - | - | - | - |
| SB 855 DSH FY13/14 and FY15/16 | - | - | - | - | - | - | - | - |
| Medicare 2017 tentative settlement | - | - | - | - | - | - | - | - |
| Medicare NPR 2015 | - | - | - | - | - | - | - | - |
| SB 855 DSH FY16/17 | - | - | - | - | - | - | - | - |
| Medicare RNPR 1999 | - | - | - | - | - | - | - | - |
| Medicare RNPR 2006 | - | - | - | - | - | - | - | - |
| SSI Ratio FFY 2016 update - FY17 | - | - | - | - | - | - | - | - |
| SB 855 FY18 | - | - | - | - | - | - | - | - |
| Medi-Cal FY2017 Final | - | - | - | - | - | - | - | - |
| FFY 2018 SSI Update | - | - | - | - | - | - | - | - |
| FY19 Tricare | 1 | (3) | 0 | 0 | 0 | - | (3) | - |
| **Earnings adjustment** | **284** | **(3)** | **95** | **94** | **95** | **-** | **(3)** | **-** |

Source: 2.41.1-4_2018-2020 Pro Forma (June, Dec)

Ref: Adjusted EBITDA - Third party settlements detail -

# Exhibit I

# WS 5

# (BPCI Calculation)

## Adjusted EBITDA - BPCI

| *Currency: $ 000* | Oct18 | Nov18 | Dec18 | Jan19 | Feb19 | Mar19 | Apr19 | May19 | Jun19 | Dec19 | Jan20 | Feb20 | Mar20 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reported BPCI income | - | - | - | - | - | - | - | - | - | 1,164 | - | - | - | - | - | - |
| Normalized BPCI income | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | - | - | - | - | - | - | - |
| **Earnings adjustment** | **129** | **129** | **129** | **129** | **129** | **129** | **129** | **129** | **129** | **(1,164)** | **-** | **-** | **-** | **-** | **-** | **-** |

Source: 3.3.1.50_10 SFMC IS TRENDED Apr20 Final (1).xlsx, Copy of 3.3.1.6_St. Francis Trended IS - FY 2018.xlsx, Copy of 3.3.1.25_09 SFMC IS TRENDED Mar19 FINAL.xlsx, 12 SFMC IS TRENDED Jun20 v6.xlsx

Ref: Adjusted EBITDA - BPCI -

# Exhibit J

# WS 6

# (Quality of Revenue Calculation)

## Quality of revenue

Collections through July 31, 2020

| *Currency: $ 000* | FY19 | FY20 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net revenue analyzed** | **251,848** | **241,457** | **67,750** | **64,441** | **62,218** | **57,438** | **62,262** | **62,437** | **60,879** | **55,879** |
| Actual cash collections | 248,576 | 218,891 | 63,559 | 63,738 | 62,479 | 58,800 | 60,635 | 59,437 | 58,274 | 40,545 |
| Projected cash collections | 230 | 17,667 | 4 | 4 | 43 | 180 | 492 | 1,592 | 3,380 | 12,204 |
| **Total estimated collections** | **248,806** | **236,558** | **63,563** | **63,742** | **62,522** | **58,980** | **61,127** | **61,029** | **61,654** | **52,749** |
| **Revenue (excess) deficit** | (3,041) | (4,899) | **(4,187)** | **(699)** | **303** | **1,542** | **(1,136)** | **(1,409)** | **775** | **(3,129)** |
| *Under(over) as % of net revenue* | *(1.2)* | *(2.0)* | *(6.2)* | *(1.1)* | *0.5* | *2.7* | *(1.8)* | *(2.3)* | *1.3* | *(5.6)* |
| *Completion rate (%)* | *99.9* | *92.5* | *100.0* | *100.0* | *99.9* | *99.7* | *99.2* | *97.4* | *94.5* | *76.9* |
| Reported gross charges | 1,870,999 | 1,742,076 | 484,553 | 473,235 | 464,590 | 448,621 | 458,882 | 466,599 | 448,161 | 368,434 |
| *Collection rate (%)* | *13.3* | *13.6* | *13.1* | *13.5* | *13.5* | *13.1* | *13.3* | *13.1* | *13.8* | *14.3* |
| Adjusted patient days | 141,138 | 135,724 | 36,735 | 35,344 | 35,390 | 33,668 | 36,258 | 35,397 | 34,891 | 29,178 |
| NPRA / APD | 1,784 | 1,779 | 1,844 | 1,823 | 1,758 | 1,706 | 1,717 | 1,764 | 1,745 | 1,915 |
| Collections / APD | 1,763 | 1,743 | 1,730 | 1,803 | 1,767 | 1,752 | 1,686 | 1,724 | 1,767 | 1,808 |
| **Inpatient** | | | | | | | | | | |
| Actual cash collections | 211,907 | 187,510 | 54,272 | 54,831 | 53,397 | 49,407 | 51,713 | 50,277 | 49,781 | 35,739 |
| Projected cash collections | 183 | 15,466 | 4 | 1 | 30 | 147 | 397 | 1,360 | 2,897 | 10,811 |
| **Total estimated collections** | **212,090** | **202,976** | **54,276** | **54,832** | **53,427** | **49,554** | **52,110** | **51,637** | **52,678** | **46,550** |
| *Completion rate (%)* | *99.9* | *92.4* | *100.0* | *100.0* | *99.9* | *99.7* | *99.2* | *97.4* | *94.5* | *76.8* |
| Reported gross charges | 1,348,175 | 1,276,273 | 347,963 | 343,842 | 336,787 | 319,583 | 328,118 | 332,689 | 327,244 | 288,222 |
| *Collection rate (%)* | *15.7* | *15.9* | *15.6* | *15.9* | *15.9* | *15.5* | *15.9* | *15.5* | *16.1* | *16.2* |
| Patient days per Management | 100,308 | 97,765 | 26,061 | 25,346 | 25,237 | 23,664 | 25,540 | 24,836 | 24,984 | 22,405 |
| Collections/patient day | 2,114 | 2,076 | 2,083 | 2,163 | 2,117 | 2,094 | 2,040 | 2,079 | 2,108 | 2,078 |
| **Outpatient** | | | | | | | | | | |
| Actual cash collections | 36,669 | 31,381 | 9,287 | 8,907 | 9,082 | 9,393 | 8,922 | 9,160 | 8,493 | 4,806 |
| Projected cash collections | 48 | 2,201 | 0 | 2 | 13 | 33 | 94 | 231 | 482 | 1,393 |
| **Total estimated collections** | **36,717** | **33,582** | **9,287** | **8,909** | **9,095** | **9,426** | **9,016** | **9,391** | **8,975** | **6,199** |
| *Completion rate (%)* | *99.9* | *93.4* | *100.0* | *100.0* | *99.9* | *99.7* | *99.0* | *97.5* | *94.6* | *77.5* |
| Reported gross charges | 522,824 | 465,803 | 136,590 | 129,393 | 127,803 | 129,038 | 130,764 | 133,910 | 120,917 | 80,212 |
| *Collection rate (%)* | *7.0* | *7.2* | *6.8* | *6.9* | *7.1* | *7.3* | *6.9* | *7.0* | *7.4* | *7.7* |
| Visit per Management | 124,308 | 104,344 | 33,963 | 30,718 | 29,523 | 30,104 | 31,074 | 29,605 | 27,068 | 16,597 |
| Collections/visit | 295 | 322 | 273 | 290 | 308 | 313 | 290 | 317 | 332 | 374 |

| *Currency: $ 000* | Apr19 | May19 | Jun19 | Jul19 | Aug19 | Sep19 | Oct19 | Nov19 | Dec19 | Jan20 | Feb20 | Mar20 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net revenue analyzed** | **19,821** | **19,202** | **18,415** | **20,022** | **21,978** | **20,263** | **21,617** | **19,663** | **21,157** | **20,825** | **24,634** | **15,420** | **17,390** | **17,660** | **20,829** |
| Actual cash collections | 19,722 | 19,541 | 19,537 | 19,430 | 21,840 | 19,365 | 20,113 | 19,036 | 20,288 | 21,368 | 19,178 | 17,728 | 15,881 | 14,299 | 10,365 |
| Projected cash collections | 56 | 56 | 68 | 100 | 188 | 203 | 388 | 488 | 716 | 924 | 1,047 | 1,408 | 1,929 | 2,821 | 7,455 |
| **Total estimated collections** | **19,778** | **19,597** | **19,605** | **19,530** | **22,028** | **19,568** | **20,501** | **19,524** | **21,004** | **22,292** | **20,225** | **19,136** | **17,810** | **17,120** | **17,820** |
| **Revenue (excess) deficit** | **(43)** | **395** | **1,190** | **(491)** | **50** | **(695)** | **(1,116)** | **(139)** | **(153)** | **1,467** | **(4,408)** | **3,716** | **420** | **(540)** | **(3,009)** |
| *Under(over) as % of net revenue* | *(0.2)* | *2.1* | *6.5* | *(2.5)* | *0.2* | *(3.4)* | *(5.2)* | *(0.7)* | *(0.7)* | *7.0* | *(17.9)* | *24.1* | *2.4* | *(3.1)* | *(14.4)* |
| *Completion rate (%)* | *99.7* | *99.7* | *99.7* | *99.5* | *99.1* | *99.0* | *98.1* | *97.5* | *96.6* | *95.9* | *94.8* | *92.6* | *89.2* | *83.5* | *58.2* |
| Reported gross charges | 148,079 | 154,678 | 145,863 | 151,976 | 153,719 | 153,187 | 161,488 | 147,087 | 158,024 | 165,228 | 150,621 | 132,312 | 114,469 | 120,548 | 133,418 |
| *Collection rate (%)* | *13.4* | *12.7* | *13.4* | *12.9* | *14.3* | *12.8* | *12.7* | *13.3* | *13.3* | *13.5* | *13.4* | *14.5* | *15.6* | *14.2* | *13.4* |
| Adjusted patient days | 10,969 | 11,415 | 11,284 | 11,639 | 12,111 | 12,508 | 12,016 | 11,283 | 12,098 | 12,692 | 11,650 | 10,548 | 9,238 | 9,710 | 10,230 |
| NPRA / APD | 1,807 | 1,682 | 1,632 | 1,720 | 1,815 | 1,620 | 1,799 | 1,743 | 1,749 | 1,641 | 2,114 | 1,462 | 1,882 | 1,819 | 2,036 |
| Collections / APD | 1,803 | 1,717 | 1,737 | 1,678 | 1,819 | 1,564 | 1,706 | 1,730 | 1,736 | 1,756 | 1,736 | 1,814 | 1,928 | 1,763 | 1,742 |
| **Inpatient** | | | | | | | | | | | | | | | |
| Actual cash collections | 16,640 | 16,369 | 16,398 | 16,499 | 18,720 | 16,494 | 16,876 | 15,834 | 17,567 | 18,185 | 16,151 | 15,445 | 14,391 | 12,489 | 8,859 |
| Projected cash collections | 49 | 45 | 53 | 82 | 153 | 162 | 322 | 416 | 622 | 798 | 881 | 1,218 | 1,756 | 2,342 | 6,713 |
| **Total estimated collections** | **16,689** | **16,414** | **16,451** | **16,581** | **18,873** | **16,656** | **17,198** | **16,250** | **18,189** | **18,983** | **17,032** | **16,663** | **16,147** | **14,831** | **15,572** |
| *Completion rate (%)* | *99.7* | *99.7* | *99.7* | *99.5* | *99.2* | *99.0* | *98.1* | *97.4* | *96.6* | *95.8* | *94.8* | *92.7* | *89.1* | *84.2* | *56.9* |
| Reported gross charges | 105,746 | 108,878 | 104,958 | 108,024 | 108,533 | 111,561 | 115,253 | 103,685 | 113,751 | 119,726 | 108,435 | 99,083 | 92,967 | 93,337 | 101,919 |
| *Collection rate (%)* | *15.8* | *15.1* | *15.7* | *15.3* | *17.4* | *14.9* | *14.9* | *15.7* | *16.0* | *15.9* | *15.7* | *16.8* | *17.4* | *15.9* | *15.3* |
| Patient days per Management | 7,712 | 7,941 | 8,011 | 8,168 | 8,419 | 8,953 | 8,428 | 7,871 | 8,537 | 9,004 | 8,210 | 7,770 | 7,352 | 7,406 | 7,647 |
| Collections/patient day | 2,164 | 2,067 | 2,054 | 2,030 | 2,242 | 1,860 | 2,041 | 2,065 | 2,131 | 2,108 | 2,074 | 2,145 | 2,196 | 2,003 | 2,036 |
| **Outpatient** | | | | | | | | | | | | | | | |
| Actual cash collections | 3,082 | 3,172 | 3,139 | 2,931 | 3,120 | 2,871 | 3,237 | 3,202 | 2,721 | 3,183 | 3,027 | 2,283 | 1,490 | 1,810 | 1,506 |
| Projected cash collections | 7 | 11 | 15 | 18 | 35 | 41 | 66 | 72 | 94 | 126 | 167 | 190 | 173 | 479 | 742 |
| **Total estimated collections** | **3,089** | **3,183** | **3,154** | **2,949** | **3,155** | **2,912** | **3,303** | **3,274** | **2,815** | **3,309** | **3,194** | **2,473** | **1,663** | **2,289** | **2,248** |
| *Completion rate (%)* | *99.8* | *99.7* | *99.5* | *99.4* | *98.9* | *98.6* | *98.0* | *97.8* | *96.7* | *96.2* | *94.8* | *92.3* | *89.6* | *79.1* | *67.0* |
| Reported gross charges | 42,333 | 45,800 | 40,905 | 43,952 | 45,186 | 41,626 | 46,235 | 43,402 | 44,273 | 45,502 | 42,186 | 33,229 | 21,502 | 27,211 | 31,499 |
| *Collection rate (%)* | *7.3* | *6.9* | *7.7* | *6.7* | *7.0* | *7.0* | *7.1* | *7.5* | *6.4* | *7.3* | *7.6* | *7.4* | *7.7* | *8.4* | *7.1* |
| Visit per Management | 9,697 | 10,363 | 10,044 | 10,818 | 11,007 | 9,249 | 10,731 | 9,466 | 9,408 | 10,109 | 9,123 | 7,836 | 4,701 | 5,523 | 6,373 |
| Collections/visit | 319 | 307 | 314 | 273 | 287 | 315 | 308 | 346 | 299 | 327 | 350 | 316 | 354 | 414 | 353 |

# Exhibit K

# WS 7

# (Property Taxes Calculation)

# Adjusted EBITDA - Property taxes

| *Currency: $ 000* | Ref. | FY18 | FY19 | FY20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reported property taxes** | | **152** | **545** | **(248)** | **37** | **48** | **45** | **(676)** | **13** | **13** |
| [redacted] | | | | | | | | | | |

| *Currency: $ 000* | | Real | Personal | Total |
|---|---|---|---|---|
| Total value | | 200,000 | 20,000 | 220,000 |
| Exemptions | | - | - | - |
| Taxable value | | 200,000 | 20,000 | 220,000 |
| Tax rate | | 1.3645 | 1.3641 | na |
| **Ad valorem taxes** | | **2,729** | **273** | **3,002** |
| Proration | | 1 | 1 | na |
| **Total ad valorem taxes** | | **2,729** | **273** | **3,002** |
| Direct assessments | | 32 | - | 32 |
| **Total estimated taxes** | **A** | **2,761** | **273** | **3,034** |

| | |
|---|---|
| Adjustment | 689 |
| Property Tax after Adj | 13 |

Source: 3.3.1.50_10 SFMC IS TRENDED Apr20 Final (1).xlsx, Copy of 3.3.1.6_St. Francis Trended IS - FY 2018.xlsx, Copy of 3.3.1.25_09 SFMC IS TRENDED Mar19 FINAL.xlsx, 12 SFMC IS TRENDED Jun20 v6

Ref: Adjusted EBITDA - Property taxes -

# Exhibit L

# WS 8

# (Employee Health IBNR Calculation)

# Adjusted EBITDA - Employee health

| *Currency: $ 000* | FY18 | FY19 | FY20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|
| Health | 17,594 | 18,058 | 21,487 | 721 | 1,532 | 1,946 | 1,611 | 1,314 | 2,277 |
| Dental | 769 | 1,030 | 691 | 99 | 82 | 94 | 7 | (15) | 28 |
| Group health vision | 27 | 72 | 73 | 6 | 9 | (3) | (9) | (14) | (5) |
| **Reported expense** | **18,389** | **19,160** | **22,251** | **826** | **1,623** | **2,038** | **1,610** | **1,285** | **2,300** |
| *As a % of salaries/wages* | *11.6* | *11.1* | *12.5* | *5.7* | *11.6* | *13.5* | *11.3* | *9.1* | *15.7* |

| *Currency: $ 000* | Jun18 | Jun19 | Jun20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|
| Medical | 1,866 | 3,002 | 2,913 | 2,735 | 3,241 | 3,002 | 2,833 | 3,004 | 2,913 |
| Dental | 323 | 171 | 141 | 143 | 153 | 171 | 133 | 143 | 141 |
| Vision | 9 | 10 | 9 | 8 | 8 | 10 | 9 | 9 | 9 |
| **Reported IBNR** | **2,198** | **3,182** | **3,064** | **2,886** | **3,402** | **3,182** | **2,975** | **3,156** | **3,064** |
| Medical | 0.5 | 1.9 | 1.6 | 1.8 | 2.2 | 1.9 | 1.5 | 1.6 | 1.6 |
| Dental | 3.2 | 2.7 | 2.1 | 1.6 | 1.7 | 1.8 | 2.1 | 2.9 | 3.3 |
| Vision | - | 4.0 | 1.5 | 1.1 | 0.9 | 1.1 | 0.9 | 1.4 | 2.4 |
| **Average monthly accrual (6 months)** | **0.6** | **1.9** | **1.6** | **1.8** | **2.1** | **1.9** | **1.5** | **1.7** | **1.7** |

| *Currency: $ 000* | FY18 | FY19 | FY20 | Apr19 | May19 | Jun19 | Apr20 | May20 | Jun20 |
|---|---|---|---|---|---|---|---|---|---|
| **Normalization:** | | | | | | | | | |
| Medical/Rx | 1,820 | 2,655 | 2,913 | | | | | | |
| Projected medical | 112 | 181 | 185 | | | | | | |
| Projected dental | 112 | 135 | 110 | | | | | | |
| Projected vision | 9 | 10 | 10 | | | | | | |
| **IBNR per Alliant** | **2,053** | **2,981** | **3,219** | | | | | | |
| Over (under) accrual | 145 | 201 | (155) | | | | | | |
| **Estimated earnings impact** | **nq** | **56** | **(356)** | **5** | **5** | **5** | **(30)** | **(30)** | **(30)** |

Source: 3.3.1.50_10 SFMC IS TRENDED Apr20 Final (1).xlsx, Copy of 3.3.1.6_St. Francis Trended IS - FY 2018.xlsx, Copy of 3.3.1.25_09 SFMC IS TRENDED Mar19 FINAL.xlsx

Ref: Adjusted EBITDA - Employee health -

# EXHIBIT "B"

Prime Healthcare
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January 25, 2021

**VIA FEDERAL EXPRESS**

Verity Health System of California, Inc.
601 South Figueroa St., Suite 4050
Los Angeles, CA 90017-5704
**Attention:** Chief Executive Officer

Dentons US LLP
601 South Figueroa St., Suite 2500
Los Angeles, CA 90017-5704
**Attention:** Tania Moyron, Esq.
Telephone: 213-243-6101

**VIA EMAIL ONLY**

Counsel for Verity, Hope Levy-Biehl
HopeLevyBiehl@dwt.com

Counsel for Verity, Samuel Maizel
Samuel.Maizel@dentons.com

Counsel for Verity, Tania Moyron
Tania.Moyron@dentons.com

**RE: St. Francis Medical Center: Purchaser's Notice of Accounts Receivable Reconciliation Pursuant to Section 1.12 of Asset Purchase Agreement**

Hope, Tania, and Sam,

I am writing pursuant to Section 1.12 of that certain Asset Purchase Agreement dated April 3, 2020 (the "APA"), by and among St. Francis Medical Center, a California nonprofit public benefit corporation ("SFMC"), Verity Holdings, LLC, a California limited liability company ("Verity Holdings"), Verity Health System of California, Inc., a California nonprofit public benefit corporation ("VHS" and, together with SFMC and Verity Holdings, the "Sellers" and each individually a "Seller") and Prime Healthcare Services, Inc., a Delaware corporation ("Purchaser"), to provide Purchaser's A/R Accounting Schedule, together with supporting data.[1] As you know, Purchaser paid $61 Million for the Accounts Receivable based on an A/R Target Amount, subject to a post-close reconciliation process. Pursuant to Section 1.12, Purchaser collected the Accounts Receivable for 135 days after the Closing Date (August 13, 2020), and continues to work on collections. 135 days after the Closing Date of August 13, 2020 is December 26, 2020, so that is the last day of the reconciliation period. Section 1.12 states that 30 days after the end of the reconciliation period, January 25, 2021, Purchaser shall provide Sellers "in good faith, a schedule which provides an accounting of the Final A/R Collected (the 'A/R Accounting Schedule'), together with reasonably detailed schedules and data supporting such accounting." After receipt of the A/R Accounting Schedule, Sellers have 60 days to review the proposed Final A/R Collected amount. If Sellers disagree with Purchaser's calculations, Sellers shall notify Purchaser within 60 days of receipt of Purchaser's A/R Accounting Schedule. The parties shall

[1] All capitalized terms used but not defined herein shall have the meanings ascribed in the APA.

then work in good faith to resolve any discrepancies. If the parties are unable to resolve such disagreements within 30 days of Sellers' notice of disagreement, the matter shall be submitted to the Bankruptcy Court for resolution.

After the Final A/R Collected is determined, if the Final A/R Collected is less than the A/R Target Amount, then under Section 1.12(d)(ii), "such deficit amount shall be paid by Sellers to Purchaser within ten (10) business days of the delivery of the accounting of the Final A/R Collected to Sellers (and if not paid, Purchaser shall have the right to offset such amounts against Seller's QAF VI Seller Net Payments)." As set forth in the enclosed Purchaser's A/R Accounting Schedule (the "Schedule"), Purchaser collected a total of $32,736,688 during the reconciliation period and therefore Sellers owe Purchaser an additional payment of $28,263,312. The Schedule is a native Excel file with five tabs. The first tab titled Summary is a summary pivot table showing the calculation of the Final A/R Collected. The second tab titled MS4 Detail is cash transaction data out of the electronic medical record ("EMR"). The third tab titled Epic Detail is also cash transaction data out of the EMR. The fourth tab titled Crossover Proration shows the allocation of collections for cross-over claims, where the patient was admitted in MS4, but not discharged prior to midnight on the evening of August 13, 2020. Specifically, the collections for these cross-over claims were allocated by relative portion of total charges after the Closing Date.

The fifth tab titled Collections and Vol. Trend shows total patient billings and volume stratified between inpatient and outpatient from January 2020 through August of 2020. This data and trending analysis shows a precipitous drop in patient volume and billings contemporaneous with the COVID pandemic. Significantly, however, when you take the ratio of collections to patient volume, it demonstrates that average collections by patient (stratified by inpatient versus outpatient) are remarkably consistent from January through August of 2020. This is powerful evidence that the performance of collections on legacy claims remained consistent under Purchaser's watch after the Closing Date. This consistent performance is all the more persuasive because the total collections for January 2020 claims, worked for over 6 months by Sellers, includes nearly a year of collections, and are still less on average than average collections for August 2020 claims worked primarily by Purchaser and which includes only 135 days of collections.

On December 23, 2020, Sellers sent Purchaser a letter identifying certain concerns that Purchaser was purportedly not fulfilling its obligations under the APA with respect to collecting the Accounts Receivable. Sellers' first concern was that Purchaser had not adequately followed up on the status of unpaid claims with respective payors. The basis for this concern was a report from the TRAC system which purported to show that Purchaser had curtailed efforts to follow-up directly with payors from 3,377 follow-ups on the week ending July 31st, to 257 follow-ups on the week ending October 30th, to only 65 contacts for the week ending November 13th. However, the TRAC data relied upon by Sellers does not capture all of Purchaser's efforts to follow-up on claims. Specifically, the TRAC system merely pulls data from MS4, the legacy EMR. But TRAC only logs a follow-up if the collector goes into individual accounts. If a collector is following up with payors by trying to resolve entire groups of claims, rather than working single accounts, then the TRAC system does not capture that activity. Purchaser's historic and current practice for its other accounts is to follow up with payors on groups of claims, rather than working a single claim at a time. This practice has proven effective and is consistent with Section 1.12(e) of the APA, which states that Purchaser shall "use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables)." Sellers also suggest that Purchaser did not devote sufficient collectors to working the Accounts Receivable, however, Purchaser generally maintained 4 FTEs plus 2 managers to work on the legacy Accounts Receivable.

Sellers' second and third concerns was that Purchaser may not have billed certain claims. Specifically, Sellers include one chart purporting to identify $1,647,468.51 in claims that Purchaser may not have billed, as well as a second chart purporting to identify another $16,011,364 in claims that Purchase may not have billed or adequately pursued. As an initial matter, Purchaser has been unable to replicate these charts to determine which claims they purport to represent and therefore requests copies of the reports as well as claim detail for any claim allegedly not billed. Absent a full understanding of these charts, Purchaser can respond at this time by noting that the charts likely represent cross-over claims, which were patients undergoing treatment in the hospital prior to midnight on the evening of the Closing Date and discharged from the hospital after the Closing Date. As Sellers are aware, Purchaser implemented an EMR conversion from MS4 to Epic immediately upon close. Therefore, all cross-over claims were billed out of Epic, not MS4. It appears that these claims remain open in MS4 because they were never billed out of MS4. However, the claims were billed out of Epic and are identified in the fourth tab of the Schedule titled Crossover Proration.

Moreover, with regard to the allegation that Purchaser may not have performed sufficient follow up with ancillary departments in order to bill payors, the fact is that Purchaser dedicated enormous resources to following up on legacy Accounts Receivable. To the extent the chart under Sellers' third concern represents a high volume of medical necessity denials, these are clinical issues as well as prior authorization issues that were handled by Sellers, not Purchaser. Therefore, Purchaser cannot be blamed for the fact that these claims are difficult to collect. Purchaser is eager to review the claims detail for the two charts and will provide a further response upon having sufficient information to do so.

Sellers' fourth concern was that Purchaser purportedly did not provide transparency into the collections process. Specifically, Sellers point to an email dated December 1, 2020 with Ken Wheeler as an example, where Mr. Wheeler directed Sellers to refer questions on collections to him instead of Ana Goff, Director of PFS at the hospital, because Mr. Wheeler stated that Purchaser had moved a corporate team to the collections of those legacy accounts for now. However, the truth is that Sellers have had and continue to have extensive access to Purchaser's

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employees and information related to ongoing collections at the hospital. This includes regular calls, emails, and meetings between the Business Office and Finance Departments, with ongoing exchanges of information, data, and reports. Moreover, Sellers retained direct access into the hospital billing and data systems, and regularly accessed that data, as reflected in Sellers' letter. Finally, Sellers have failed to identify any prejudice from Purchaser's alleged lack of transparency into the collections process or the one supposedly illustrative email.

In sum, Purchaser disagrees with the concerns raised in Sellers' December 23, 2020 letter. Based on the enclosed Purchaser's A/R Accounting Schedule, Sellers owe Purchaser an additional payment of $28,263,312. The fifth tab contained in the Schedule easily demonstrates that the reduction in collections over time is the result of dramatic drops in patient volume and billings due to COVID, not any lack of effort by Purchaser. To the contrary, Purchaser invested enormous resources to collect the Accounts Receivable and was highly motivated to bring in much-needed operating revenue. Purchaser simply would have no reason not to make every effort to collect on these claims. Purchaser is committed to working with Sellers in good faith to review and resolve any disputes related to the schedule. Please let us know once you have had a chance to review and we can set up a time to discuss the schedule.

Very Truly Yours,

Joel Richlin

A. Joel Richlin, Esq.
Vice President & General Counsel
Prime Healthcare Services, Inc.
Direct: 909-235-4235
Email: JRichlin@primehealthcare.com

Enclosures (*Via Email*): Excel File Titled "Purchaser's AR Accounting Schedule (1-25-21) (Redacted)"

CC (*Via E-mail*):

Counsel for Purchaser, Gary Gertler
GGertler@mwe.com

***SFMC Collections Based on Discharges 1/1/2020 - 8/13/2020, Payments through 12/26/2020***

| Collections | Dis. Month | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **PT Type** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** |
| I | $ 18,661,797 | $ 15,559,680 | $ 15,191,507 | $ 15,123,428 | $ 15,723,467 | $ 15,878,404 | $ 16,822,065 | $ 7,770,775 |
| O | $ 2,827,293 | $ 2,727,718 | $ 2,116,384 | $ 1,373,025 | $ 1,968,262 | $ 2,128,337 | $ 2,145,728 | $ 875,613 |
| **Grand Total** | **$ 21,489,090** | **$ 18,287,398** | **$ 17,307,891** | **$ 16,496,453** | **$ 17,691,728** | **$ 18,006,742** | **$ 18,967,793** | **$ 8,646,388** |

| Volume | Dis. Month | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **PT Type** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** |
| I | 1,771 | 1,623 | 1,473 | 1,246 | 1,418 | 1,490 | 1,606 | 711 |
| O | 6,523 | 6,071 | 4,603 | 2,610 | 3,290 | 4,354 | 4,701 | 1,904 |
| **Grand Total** | **8,294** | **7,694** | **6,076** | **3,856** | **4,708** | **5,844** | **6,307** | **2,615** |

| Collections / Volume, IP/OP Split | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **PT Type** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** |
| I | $ 10,537 | $ 9,587 | $ 10,313 | $ 12,138 | $ 11,088 | $ 10,657 | $ 10,475 | $ 10,929 |
| O | $ 433 | $ 449 | $ 460 | $ 526 | $ 598 | $ 489 | $ 456 | $ 460 |
| | | | ***1/20 - 4/20 Average*** | **$ 10,644** | | | ***5/20 - 8/20 Average*** | **$ 10,787** |
| | | | | **$ 467** | | | | **$ 501** |

| Charges | Dis. Month | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **PT Type** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** |
| I | $ 127,989,829 | $ 109,540,151 | $ 98,017,049 | $ 89,650,074 | $ 99,581,994 | $ 98,711,740 | $ 109,501,001 | $ 50,936,865 |
| O | $ 41,375,470 | $ 39,561,672 | $ 30,056,221 | $ 19,274,500 | $ 25,669,966 | $ 31,174,176 | $ 33,655,697 | $ 13,125,402 |
| **Grand Total** | **$ 169,365,299** | **$ 149,101,823** | **$ 128,073,270** | **$ 108,924,574** | **$ 125,251,960** | **$ 129,885,916** | **$ 143,156,698** | **$ 64,062,268** |

# EXHIBIT "C"

**ST. FRANCIS MEDICAL CENTER**
FYE JUNE 30, 2020 GROSS AR / NET AR

GROSS AR

| Sum of Gross AR | 07/31/18 | 08/31/18 | 09/30/18 | 10/31/18 | 11/30/18 | 12/31/18 | 01/31/19 | 02/28/19 | 03/31/19 | 04/30/19 | 05/31/19 | 06/30/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A-2-HMO/PPO | 57,953,887 | 57,380,329 | 58,789,243 | 59,326,320 | 62,026,191 | 57,527,073 | 56,668,840 | 57,992,799 | 52,992,454 | 49,719,460 | 49,228,531 | 46,547,106 |
| B-9-METROCARE | 757,548 | 1,241,092 | 2,496,025 | 2,216,309 | 832,360 | - | - | - | - | - | - | - |
| C - CHAR | 611,214 | 796,516 | 802,170 | 673,786 | 848,057 | 508,602 | 672,674 | 529,841 | 522,503 | 518,320 | 676,900 | 764,756 |
| C-5-MEDICARE | 28,549,488 | 30,623,446 | 31,574,919 | 29,425,242 | 29,527,013 | 32,865,555 | 35,005,047 | 36,022,478 | 35,837,798 | 35,929,157 | 32,529,160 | 39,886,414 |
| D-6-MEDI-CAL | 75,641,581 | 72,373,227 | 71,315,411 | 66,846,282 | 75,322,871 | 76,745,902 | 73,334,452 | 64,851,440 | 70,330,182 | 57,609,584 | 60,715,542 | 72,523,133 |
| E-RISK | 35,426,175 | 36,448,510 | 46,531,662 | 50,770,551 | 37,095,047 | 39,570,850 | 44,131,868 | 50,116,696 | 68,197,840 | 65,014,491 | 68,699,325 | 60,616,694 |
| K-1-KAISER | 7,355,413 | 7,262,400 | 6,909,148 | 7,767,965 | 6,028,583 | 5,874,093 | 6,351,477 | 5,999,577 | 6,797,573 | 7,220,996 | 5,472,137 | 5,541,682 |
| Q-OTHER GOV'T | 11,667,592 | 11,972,996 | 13,682,125 | 15,759,540 | 15,374,216 | 15,204,389 | 15,219,458 | 15,936,736 | 13,325,627 | 12,287,273 | 12,532,176 | 12,135,249 |
| S-8-SELF | 22,255,212 | 21,165,343 | 21,105,964 | 20,804,559 | 20,017,562 | 22,095,555 | 21,382,189 | 22,750,889 | 22,606,151 | 23,045,718 | 24,404,708 | 21,109,942 |
| S-SR HMO | 72,805,032 | 76,310,379 | 75,894,741 | 71,639,486 | 66,325,302 | 70,514,012 | 71,439,040 | 68,852,571 | 62,158,937 | 61,994,727 | 64,519,040 | 63,500,242 |
| W-w-MEDI-CAL/HMO | 193,530,430 | 208,144,751 | 210,910,836 | 208,628,714 | 210,408,222 | 211,290,827 | 211,985,001 | 192,941,082 | 195,724,840 | 184,301,401 | 177,201,786 | 166,998,365 |
| X-x-WC | 2,105,692 | 2,890,298 | 4,077,918 | 4,551,074 | 4,049,592 | 2,040,704 | 2,055,405 | 2,251,824 | 2,217,930 | 1,929,588 | 1,859,979 | 1,670,537 |
| S-9 COUNTY TRAMA | 7,721,231 | 8,765,512 | 3,558,093 | 3,336,855 | 5,192,019 | 4,278,790 | 4,664,189 | 4,883,631 | 5,433,439 | 5,103,968 | 4,985,617 | 4,234,453 |
| **Grand Total** | **516,380,493** | **535,374,799** | **547,648,254** | **541,746,683** | **533,047,035** | **538,516,352** | **542,909,640** | **523,129,564** | **536,145,274** | **504,674,683** | **502,824,902** | **495,528,573** |

NET AR

| Sum of Net AR | 07/31/18 | 08/31/18 | 09/30/18 | 10/31/18 | 11/30/18 | 12/31/18 | 01/31/19 | 02/28/19 | 03/31/19 | 04/30/19 | 05/31/19 | 06/30/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A-2-HMO/PPO | 8,828,491 | 8,747,644 | 8,784,152 | 8,609,449 | 9,201,297 | 8,230,412 | 8,655,498 | 10,268,038 | 9,277,216 | 8,662,095 | 8,434,631 | 8,035,920 |
| B-9-METROCARE | 41,918 | 70,105 | 185,120 | 69,572 | 60,401 | - | - | - | - | - | - | - |
| C - CHAR | - | - | - | - | - | - | - | - | - | - | - | - |
| C-5-MEDICARE | 5,025,209 | 5,520,384 | 5,624,537 | 5,502,974 | 5,513,835 | 6,529,605 | 6,803,291 | 6,986,062 | 6,967,995 | 6,960,411 | 6,173,088 | 7,468,548 |
| D-6-MEDI-CAL | 9,460,581 | 8,996,375 | 9,119,353 | 8,364,315 | 9,683,742 | 10,551,325 | 9,968,974 | 8,423,950 | 9,069,323 | 7,302,403 | 7,506,787 | 8,482,644 |
| E-RISK | - | - | - | - | - | - | - | - | - | - | - | - |
| K-1-KAISER | 2,708,540 | 2,667,979 | 2,462,724 | 3,023,309 | 2,382,512 | 2,236,224 | 3,132,601 | 2,893,560 | 3,535,107 | 4,139,121 | 3,012,943 | 2,907,666 |
| Q-OTHER GOV'T | 1,489,061 | 1,533,473 | 1,802,065 | 2,319,642 | 2,183,893 | 2,195,703 | 2,183,368 | 2,244,781 | 1,947,688 | 1,752,105 | 1,830,651 | 1,575,553 |
| S-8-SELF | 274,379 | 251,800 | 260,323 | 228,801 | 277,825 | 392,689 | 424,603 | 494,132 | 294,196 | 310,100 | 302,123 | 396,032 |
| S-SR HMO | 8,928,658 | 9,341,679 | 9,102,072 | 8,054,160 | 7,094,823 | 7,872,299 | 8,446,796 | 8,464,022 | 8,005,970 | 8,010,329 | 8,559,132 | 8,454,602 |
| W-w-MEDI-CAL/HMO | 15,812,137 | 17,514,686 | 17,601,661 | 15,922,233 | 16,725,525 | 17,200,855 | 17,571,239 | 15,667,077 | 16,836,918 | 15,891,246 | 14,730,120 | 13,374,021 |
| X-x-WC | 304,623 | 513,615 | 842,849 | 857,703 | 728,581 | 222,255 | 238,716 | 274,627 | 251,396 | 203,702 | 195,313 | 120,406 |
| S-9 COUNTY TRAMA | 10,032,254 | 10,855,182 | 2,468,785 | 3,291,713 | 4,114,641 | 4,937,569 | 5,760,498 | 6,583,426 | 9,214,302 | 10,238,112 | 11,295,565 | 10,466,874 |
| **Grand Total** | **62,905,851** | **66,012,922** | **58,253,640** | **56,243,871** | **57,967,076** | **60,368,936** | **63,185,584** | **62,299,675** | **65,400,111** | **63,469,624** | **62,040,353** | **61,282,267** |

# EXHIBIT "D"

# TRAC® Trends SFMC

Verity Health System

Week Ending: 07/31/2020

Facility: SFMC - St Francis Medical Center

| | | | Baseline | 6/19 | 6/26 | 7/03 | 7/10 | 7/17 | 7/24 | 7/31 | Goal |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Follow-Up WIP** | | | | | | | | | | | |
| ($000) | $10K+ | # | 1,524 | 1,048 | 1,031 | 1,144 | 1,148 | 1,153 | 1,192 | 1,151 | |
| | | $ | $65,509 | $46,350 | $44,194 | $48,932 | $47,658 | $46,405 | $56,653 | $53,899 | $32,300 |
| | $1K - $10K | # | 6,507 | 5,044 | 4,903 | 4,813 | 4,816 | 4,737 | 4,709 | 4,324 | |
| | | $ | $22,165 | $18,978 | $18,268 | $18,220 | $17,939 | $17,619 | $17,324 | $15,891 | $16,000 |
| | $0 - $1K | # | 4,005 | 2,813 | 2,916 | 2,829 | 3,061 | 3,097 | 3,084 | 2,974 | |
| | | $ | $905 | $921 | $962 | $923 | $978 | $971 | $967 | $958 | $700 |
| | **Total** | **#** | **12,036** | **8,905** | **8,850** | **8,786** | **9,025** | **8,987** | **8,985** | **8,449** | |
| | **Total** | **$** | **$88,579** | **$66,249** | **$63,424** | **$68,076** | **$66,575** | **$64,995** | **$74,944** | **$70,748** | **$49,000** |
| | **Total Days** | | **26.0** | **16.6** | **15.6** | **16.5** | **15.8** | **15.1** | **17.2** | **16.0** | |
| **Follow-Up Activity** | | | | | | | | | | | |
| | **Total #** | | **1,837** | **3,643** | **3,790** | **3,160** | **3,505** | **3,485** | **3,234** | **3,377** | **1,576** |
| **A/R Aging From Discharge (91+ DFD)** | | | | | | | | | | | |
| ($000) | $10K+ | | $64,722 | $62,979 | $61,667 | $61,844 | $62,446 | $61,831 | $62,225 | $60,395 | $76,134 |
| | $1K - $10K | | $15,945 | $18,344 | $17,647 | $17,080 | $16,915 | $16,094 | $15,898 | $13,893 | $8,519 |
| | $0 - $1K | | $724 | $1,068 | $1,091 | $1,038 | $1,050 | $1,052 | $1,010 | $963 | $512 |
| | **Total** | | **$81,391** | **$82,391** | **$80,406** | **$79,962** | **$80,411** | **$78,977** | **$79,133** | **$75,251** | **$85,166** |
| | $10K+ | | 27.7% | 25.3% | 24.1% | 23.5% | 23.9% | 23.2% | 22.8% | 22.2% | 28.0% |
| | $1K - $10K | | 29.6% | 51.6% | 49.0% | 47.2% | 47.1% | 44.3% | 44.2% | 40.8% | 25.0% |
| | $0 - $1K | | 35.0% | 63.7% | 63.1% | 61.2% | 59.9% | 59.2% | 57.6% | 56.4% | 30.0% |
| | **Total** | | **28.1%** | **28.8%** | **27.4%** | **26.5%** | **26.9%** | **25.9%** | **25.5%** | **24.5%** | **27.7%** |



HuronHealthcare

# TRAC(R) Trends SFMC

Verity Health System

Week Ending: 12/11/2020

Facility: SFMC - St Francis Medical Center

| | | | Baseline | 10/30 | 11/06 | 11/13 | 11/20 | 11/27 | 12/04 | 12/11 | Goal |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Follow-Up WIP** | | | | | | | | | | | |
| ($000) | $10K+ | # | 1,524 | 1,179 | 1,203 | 1,289 | 1,330 | 1,400 | 1,402 | 1,361 | |
| | | $ | $65,509 | $53,011 | $55,958 | $62,816 | $67,124 | $83,403 | $80,738 | $71,900 | $32,300 |
| | $1K - $10K | # | 6,507 | 4,034 | 4,021 | 4,107 | 4,144 | 4,191 | 4,216 | 3,953 | |
| | | $ | $22,165 | $14,812 | $14,770 | $15,134 | $15,267 | $15,416 | $15,501 | $14,481 | $16,000 |
| | $0 - $1K | # | 4,005 | 1,610 | 1,680 | 1,719 | 1,751 | 1,759 | 1,784 | 2,853 | |
| | | $ | $905 | $680 | $687 | $701 | $713 | $717 | $727 | $684 | $700 |
| | **Total** | **#** | **12,036** | **6,823** | **6,904** | **7,115** | **7,225** | **7,350** | **7,402** | **8,167** | |
| | **Total** | **$** | **$88,579** | **$68,503** | **$71,416** | **$78,651** | **$83,105** | **$99,536** | **$96,966** | **$87,065** | **$49,000** |
| | | **Total Days** | **26.0** | **106.8** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | |
| **Follow-Up Activity** | | | | | | | | | | | |
| | | **Total #** | **1,837** | **257** | **291** | **59** | **47** | **85** | **65** | **132** | **1,576** |
| **A/R Aging From Discharge (91+ DFD)** | | | | | | | | | | | |
| ($000) | | $10K+ | $64,722 | $68,978 | $70,936 | $97,563 | $97,563 | $97,563 | $97,563 | $85,619 | $24,105 |
| | | $1K - $10K | $15,945 | $14,897 | $15,393 | $16,177 | $16,177 | $16,177 | $16,177 | $14,992 | $3,824 |
| | | $0 - $1K | $724 | $800 | $826 | $854 | $854 | $854 | $854 | $784 | $243 |
| | | **Total** | **$81,391** | **$84,675** | **$87,155** | **$114,594** | **$114,594** | **$114,594** | **$114,594** | **$101,394** | **$28,172** |
| | | $10K+ | 27.7% | 68.9% | 72.3% | 99.4% | 99.4% | 99.4% | 99.4% | 99.5% | 28.0% |
| | | $1K - $10K | 29.6% | 89.0% | 92.9% | 97.7% | 97.7% | 97.7% | 97.7% | 98.0% | 25.0% |
| | | $0 - $1K | 35.0% | 89.4% | 93.0% | 96.2% | 96.2% | 96.2% | 96.2% | 96.7% | 30.0% |
| | | **Total** | **28.1%** | **71.9%** | **75.4%** | **99.1%** | **99.1%** | **99.1%** | **99.1%** | **99.2%** | **27.6%** |

**CONFIDENTIAL**

# EXHIBIT "E"

| | |
|---|---|
| Location | * |
| IP/OP | Total |
| Insurance | Total |
| Other | |
| Other | |

**Total - Total**

| DoS | Gross charge | Adj. % | Adj gross charge | 1 | 2 | 3 | 4 | 5 | 4.5mo. Total | % anticipated | % collected w/in 135 days |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Prior | | | | | | | | | | | |
| 7/31/2016 | 143,918 | 107% | 153,417 | 0.3 | 6.6 | 4.4 | 1.0 | 0.5 | **12.9** | **15.4** | **84%** |
| 8/31/2016 | 136,176 | 107% | 145,163 | 1.3 | 5.7 | 3.3 | 0.8 | 0.6 | **11.7** | **13.8** | **85%** |
| 9/30/2016 | 138,594 | 107% | 147,742 | 0.8 | 5.8 | 2.1 | 2.4 | 0.3 | **11.6** | **14.2** | **82%** |
| 10/31/2016 | 148,036 | 107% | 157,807 | 0.6 | 3.5 | 2.0 | 3.5 | 0.4 | **10.1** | **14.5** | **70%** |
| 11/30/2016 | 138,450 | 107% | 147,588 | 0.1 | 2.8 | 4.1 | 2.0 | 0.6 | **9.7** | **13.7** | **71%** |
| 12/31/2016 | 144,278 | 107% | 153,800 | 0.4 | 4.6 | 3.0 | 1.8 | 0.6 | **10.4** | **14.7** | **71%** |
| 1/31/2017 | 145,941 | 107% | 155,573 | 0.5 | 3.9 | 3.3 | 1.8 | 0.4 | **9.9** | **13.7** | **72%** |
| 2/28/2017 | 135,056 | 107% | 143,969 | 0.8 | 4.2 | 3.2 | 1.2 | 0.5 | **10.0** | **13.9** | **72%** |
| 3/31/2017 | 144,353 | 107% | 153,880 | 1.1 | 5.1 | 3.4 | 1.4 | 0.4 | **11.3** | **14.0** | **81%** |
| 4/30/2017 | 140,625 | 107% | 149,907 | 1.0 | 5.6 | 2.9 | 1.2 | 0.4 | **11.1** | **13.8** | **81%** |
| 5/31/2017 | 152,619 | 107% | 162,692 | 1.1 | 5.0 | 3.1 | 1.1 | 0.3 | **10.6** | **14.1** | **75%** |
| 6/30/2017 | 150,768 | 107% | 160,719 | 1.5 | 5.4 | 2.6 | 1.0 | 0.6 | **11.0** | **14.6** | **75%** |
| 7/31/2017 | 151,053 | 107% | 161,023 | 1.2 | 5.4 | 3.2 | 1.0 | 0.5 | **11.3** | **15.0** | **76%** |
| 8/31/2017 | 161,490 | 107% | 172,148 | 1.5 | 5.1 | 2.1 | 1.3 | 0.5 | **10.6** | **14.2** | **75%** |
| 9/30/2017 | 154,039 | 107% | 164,205 | 1.1 | 6.6 | 2.7 | 1.1 | 0.4 | **11.8** | **14.0** | **84%** |
| 10/31/2017 | 158,641 | 107% | 169,111 | 1.4 | 4.6 | 2.7 | 1.2 | 0.6 | **10.5** | **13.0** | **80%** |
| 11/30/2017 | 156,269 | 107% | 166,583 | 1.5 | 4.5 | 2.8 | 1.8 | 0.6 | **11.2** | **13.4** | **84%** |
| 12/31/2017 | 164,965 | 100% | 164,965 | 1.1 | 5.2 | 3.2 | 1.8 | 0.3 | **11.7** | **13.7** | **85%** |
| 1/31/2018 | 165,317 | 100% | 165,317 | 1.3 | 5.8 | 3.2 | 1.3 | 0.4 | **11.9** | **14.2** | **84%** |
| 2/28/2018 | 155,982 | 100% | 155,982 | 0.8 | 6.6 | 2.9 | 1.8 | 0.3 | **12.3** | **14.4** | **86%** |
| 3/31/2018 | 174,742 | 100% | 174,742 | 1.4 | 5.8 | 4.0 | 1.2 | 0.3 | **12.6** | **14.4** | **88%** |
| 4/30/2018 | 158,970 | 100% | 158,970 | 1.1 | 7.0 | 2.3 | 1.3 | 0.3 | **11.8** | **13.4** | **89%** |
| 5/31/2018 | 162,576 | 100% | 162,576 | 1.4 | 5.9 | 3.8 | 1.2 | 0.2 | **12.6** | **14.3** | **88%** |
| 6/30/2018 | 153,745 | 100% | 153,745 | 1.2 | 6.9 | 3.1 | 1.2 | 0.3 | **12.8** | **14.0** | **91%** |
| 7/31/2018 | 158,240 | 100% | 158,240 | 1.4 | 5.8 | 2.6 | 1.6 | 0.4 | **11.9** | **12.8** | **93%** |
| 8/31/2018 | 166,897 | 100% | 166,897 | 1.2 | 5.7 | 3.8 | 0.7 | 0.2 | **11.7** | **13.0** | **90%** |
| 9/30/2018 | 155,250 | 100% | 155,250 | 0.9 | 7.0 | 2.5 | 0.8 | 0.2 | **11.4** | **13.0** | **88%** |
| 10/31/2018 | 157,688 | 100% | 157,688 | 1.5 | 6.7 | 2.5 | 1.1 | 0.4 | **12.2** | **13.9** | **88%** |
| 11/30/2018 | 152,706 | 100% | 152,706 | 1.1 | 6.8 | 2.6 | 1.3 | 0.3 | **12.0** | **13.5** | **89%** |
| 12/31/2018 | 155,042 | 100% | 155,042 | 1.3 | 5.6 | 2.7 | 1.2 | 0.4 | **11.3** | **12.7** | **89%** |
| 1/31/2019 | 165,521 | 100% | 165,521 | 1.3 | 6.3 | 2.3 | 1.2 | 0.4 | **11.6** | **13.4** | **86%** |
| 2/28/2019 | 150,771 | 100% | 150,771 | 0.8 | 6.2 | 3.7 | 1.2 | 0.3 | **12.2** | **13.7** | **89%** |
| 3/31/2019 | 153,860 | 100% | 153,860 | 0.9 | 6.3 | 2.8 | 0.9 | 0.4 | **11.3** | **13.0** | **87%** |
| 4/30/2019 | 148,635 | 100% | 148,635 | 1.4 | 6.3 | 3.3 | 1.3 | 0.3 | **12.6** | **13.7** | **92%** |
| 5/31/2019 | 154,442 | 100% | 154,442 | 1.2 | 5.6 | 3.4 | 1.1 | 0.1 | **11.5** | **12.7** | **91%** |
| 6/30/2019 | 147,035 | 100% | 147,035 | 0.9 | 6.9 | 3.1 | 0.9 | 0.3 | **12.0** | **13.0** | **92%** |
| 7/31/2019 | 159,317 | 100% | 159,317 | 1.4 | 7.4 | 3.2 | 0.7 | 0.3 | **12.9** | **13.2** | **98%** |
| 8/31/2019 | 148,077 | 100% | 148,077 | 1.2 | 6.5 | 3.7 | 0.9 | 0.2 | **12.4** | **13.6** | **92%** |
| 9/30/2019 | 155,373 | 100% | 155,373 | 1.1 | 6.6 | 2.7 | 1.4 | 0.2 | **12.0** | **13.1** | **91%** |
| 10/31/2019 | 160,739 | 100% | 160,739 | | | | | | | | |
| 11/30/2019 | 145,310 | 100% | 145,310 | **8.8%** | **48.4%** | **22.7%** | **8.3%** | **2.2%** | **90.3%** | | **90.3%** |
| 12/31/2019 | 152,045 | 100% | 152,045 | | | | | | | | |
| 1/31/2020 | 175,900 | 100% | 175,900 | | | | | | | | |
| 2/29/2020 | 152,761 | 100% | 152,761 | | | | | | | | |
| 3/31/2020 | - | 100% | - | | | | | | | | |
| 4/30/2020 | - | 100% | - | | | | | | | | |
| 5/31/2020 | - | 100% | - | | | | | | | | |
| 6/30/2020 | - | 100% | - | | | | | | | | |
| 7/31/2020 | - | 100% | - | | | | | | | | |
| 8/31/2020 | - | 100% | - | | | | | | | | |
| 9/30/2020 | - | 100% | - | | | | | | | | |
| 10/31/2020 | - | 100% | - | | | | | | | | |
| 11/30/2020 | - | 100% | - | | | | | | | | |
| 12/31/2020 | - | 100% | - | | | | | | | | |
| 1/31/2021 | - | 100% | - | | | | | | | | |
| 2/28/2021 | - | 100% | - | | | | | | | | |
| 3/31/2021 | - | 100% | - | | | | | | | | |
| 4/30/2021 | - | 100% | - | | | | | | | | |
| 5/31/2021 | - | 100% | - | | | | | | | | |
| 6/30/2021 | - | 100% | - | | | | | | | | |
| Total | 3,115,609 | | 3,115,609 | | | | | | | | |

12

# EXHIBIT "F"

**Verity-Prime Sale Transaction**
**Accounts Receivable Reconcilation Tracker**
**Illustrative Calculation as of January 0, 1900**

| | ACTUAL Aug-20 +0-18 days | ACTUAL Sep-20 +19-48 days | ACTUAL Oct-20 +49-79 days | ACTUAL Nov-20 +80-109 days | FORECAST Dec-20 +110-135 days |
|---|---|---|---|---|---|
| **Historical Collections by Month based on QoR** | | | | | |
| Collections by Month | 4.4% | 28.6% | 35.5% | 15.5% | 6.3% |
| Cumulative | 4.4% | 33.0% | 68.5% | 84.0% | 90.3% |
| Actual Cumulative/Excluding Trauma | 78.1% | | | | |
| Historical Cumulative | 90.3% | | | | |
| **Actual variance to Historical** | **-12.2%** | | | | |
| Net A/R at 8/13, excluding Trauma | $ 41,915,599 | | | | |
| **$ value of variance to Historical** | **$ (5,105,731)** | | | | |

# EXHIBIT "G"

County of Los Angeles - Department of Health Services
FY 2019-20 Trauma Center Services Agreement
Disbursement Schedule

| Non-County Hospitals | Payments from County | Payments from State [1] | Total (Before addn't 6.2% FMAP) | Payments from State [2] | Total (After addn't 6.2% FMAP) |
|---|---|---|---|---|---|
| Private Hospitals | | | | | |
| California Hospital MC | $ 568,830 | $ 12,141,468 | $ 12,710,298 | $ 859,328 | $ 13,569,626 |
| Cedars-Sinai MC | 282,987 | 7,592,768 | 7,875,755 | 537,388 | 8,413,143 |
| Children's Hospital LA | 87,661 | 3,385,996 | 3,473,657 | 239,648 | 3,713,305 |
| Henry Mayo Newhall Memorial MC | 199,791 | 4,273,902 | 4,473,693 | 302,491 | 4,776,184 |
| Huntington Memorial Hospital | 82,532 | 5,696,258 | 5,778,790 | 403,160 | 6,181,950 |
| Long Beach Memorial MC | 285,352 | 7,377,862 | 7,663,214 | 522,178 | 8,185,392 |
| Northridge Hospital MC | 1,181,932 | 8,153,364 | 9,335,296 | 577,065 | 9,912,361 |
| Pomona Valley Hospital MC | 163,223 | 7,352,924 | 7,516,147 | 520,412 | 8,036,559 |
| Providence Holy Cross MC | 697,615 | 8,732,060 | 9,429,675 | 618,023 | 10,047,698 |
| St. Francis Medical Center | 543,625 | 10,674,924 | 11,218,549 | 755,531 | 11,974,080 |
| St. Mary Medical Center | 47,363 | 4,605,656 | 4,653,019 | 325,971 | 4,978,990 |
| Subtotal | $ 4,140,910 | $ 79,987,182 | $ 84,128,092 | $ 5,661,195 | $ 89,789,287 |
| Public Hospitals | | | | | |
| Antelope Valley Hospital | $ 6,224,279 | $ - | $ 6,224,279 | $ - | $ 6,224,279 |
| Ronald Reagan UCLA MC | 6,717,715 | - | 6,717,715 | - | 6,717,715 |
| Subtotal | $ 12,941,994 | $ - | $ 12,941,994 | $ - | $ 12,941,994 |
| **Total** | **$ 17,082,904** | **$ 79,987,182** | **$ 97,070,086** | **$ 5,661,195** | **$ 102,731,281** |

[1] *DHCS will issue payments to the trauma hospitals, including 50% Federal Medical Assistance Percentage (FMAP) and 50% County payments.*

[2] *DHCS will issue and additional 6.2% FMAP payments to the trauma hospitals for dates of service from January 1 to June 30, 2020 due to the Families First Coronavirus Response Act.*