




May 6, 2020 Response to First Set of Supplemental Questions

| AG Issue | HCA Question | AG Request for Information | TP Response/Completed |
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| S-1 | Question 1 | Please explain in detail the \$1 Billion in liabilities being assumed as part of the Proposed Transaction as stated in the response to this question. | Please see Bates number C-CIIH-001185. |
| S-2 | Question 1 | Please explain how PMH's cash depletion to fund the purchase impacts its ability to subsidize PCC and the subsidiary hospitals for their deficits. | Funding the purchase does not impact PMH's ability to subsidize PCC and the subsidiary hospitals for their deficits. PMH will continue to have the ability to subsidize PCC and the subsidiary hospitals for their deficits, as appropriate. |
| S-3 | Exhibit 3(b) | Please provide all documents related to the four (4) directors who are resigning after the conversion from Ivy BOD and PMH Board: John Baumer, Jeereddi A. Prasad, M.D., Michael S. Solomon and Alyse Wagner. If no documents exist, please indicate. If documents evidencing resignation will exist upon completion of conversion, please indicate. | There are no documents responsive to this question and there are no plans to create such documents. |

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| S-4 | Question 4 | What notice and information has been provided to PCC, including the CharterCARE Community Board, in connection with the Proposed Transaction? | <p>Jeff Leibman, PCC's CEO, reviewed the transaction with Ed Santos, the Chairman of the PCC Board. Mr. Leibman also reviewed the transaction with the other PCC Board members before they signed their COIS.</p> <p>CCCB is not a Prospect entity and, as such, Prospect is not aware of what information has been discussed among CCCB Board members.</p> |
| S-5 | Question 4 | Please provide a copy of the minutes and votes from the Board meeting and approval of payment of the 2018 dividends on February 22, 2018. | Please see Bates No. C-CIIH4-000251A through C-CIIH4-000266A. |
| S-6 | Exhibit 4 | Please explain how IH will determine whether to retain the \$12 Million Dividend for ordinary business purposes and/or use it to fund the closing of the transaction (See C-CIIH4-000091). If the \$12 Million Dividend is not used to fund the Proposed Transaction, please explain in detail what the funds will be used for. | IH is contractually bound to fund the transaction and the \$12 Million Dividend will be used to fund the Transaction as confirmed by the PMH, IIH, and IH Board resolutions. |

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| S-7 | Exhibit 4 | Have any of the \$12M dividends already been paid/transferred as of the date of these Questions, and if not paid, where are those dividends sitting today? | No, the dividend has not been paid/transferred as of the date of these responses. The funds are on PMH's balance sheet and held in PMH's bank accounts. |
| S-8 | Exhibit 4 |  |  |
| S-9 | Question 10 | This response states John Baumer, Alyse Wagner, Michael Solomon, and Jeereddi A. Prasad, MD do not receive compensation for their position as current board members. However, certain other board members do receive stipends according to their respective COIS. Please explain why certain board members receive stipends but the four above-mentioned members do not, and identify all documents that set forth that difference in compensation. | A business decision was made to give PCC non-employee board members a stipend. Mr. Baumer, Ms. Wagner, Mr. Solomon, and Dr. Prasad are not PCC board members. Moreover, as PMH Board members, they do not receive any stipend because they receive compensation through their employment – <i>i.e.</i> , through employment with LGP or PMH. There are no responsive documents to this question. |

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| S-10 | Exhibit 12 | The Merger Agreement indicates that the capital stock of IHI consists only of common stock. Please explain the disposition of the 13.5% cumulative Preferred Stock issued to Green Equity Investors, when that occurred, and what the preference was. Please also explain if the \$.5B dividend was calculated in connection with Preferred Stock. |  |
| S-11 | Exhibit 12 | Please confirm there are no “In the Money Options” as referenced in Section 4.03(a) of the Merger Agreement. | Confirmed. |
| S-12 | Exhibit 12 | Do the Transacting Parties still plan to send a Drag-Along Notice under Section 6.03(b) of the Merger Agreement within the time period referenced in this section even though there has been a request for all to consent? Please explain. | Yes, the Drag-Along Notice is required to be sent within 15 days of closing as set forth in the Merger Agreement. The Transacting Parties are planning to send the Drag Along Notice in accordance with that requirement. |
| S-13 | Exhibit 12 | Under Section 6.03(b) of the Merger Agreement, “Special Stockholder Consent” is required prior to, and as a condition of, the closing. Please explain the process for obtaining such consent and when it be obtained. | Special Stockholder Consent was already received. Specifically, upon execution of the Merger Agreement, IHI sought the required consent and received at least 97.5% approval as required. Other than the Drag-Along Notice, no further consent is required. |
| S-14 | Exhibit 12 | Has any Stockholder elected to exercise their appraisal rights under the Agreement? If so, please explain. | No. |

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| S-15 | Exhibit 12 | Please explain the reasoning for the restrictions on distributions in Section 6.09 of the Merger Agreement. | LGP drafted the Merger Agreement and proposed its terms, which were agreed to by the Transacting Parties. The restrictions were one part of the many financial negotiations between the parties. The Transacting Parties cannot speak for LGP's reasoning. |
| S-16 | Question 15 | Were there any redemptions of stock or other transactions since the acquisition of OLF and RWMC for which the Fair Market Value was required to be determined? Please provide a chronological chart of stock valuations and explain the circumstances for each. | [REDACTED] |
| S-17 | Question 15 | Please provide documentation of the minority stockholder consent to the Merger Agreement. | Please see Bates No. C-CIIH-001194 to C-CIIH-001227 (Joinders to Written Stockholders Consent) for the minority stockholders consents received by PMH. |
| S-18 | Question 15 | Please provider a list of Stockholders who objected or did not consent, identifying each and provide all associated documentation regarding any objections. | No stockholders objected to the Transaction. Please see Bates No. C-CIIH-001194 to C-CIIH-001227 (Joinders to Written Stockholders Consent) for the minority stockholders consent received by PMH and Bates No. C-CIIH-001186 to C-CIIH-001193 for the written consent of the majority stockholders received by PMH reflecting all consents received. |





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| S-19 | Exhibit 15 | Please provide a copy of the “Written Consent” attached as Annex B to the October 15, 2019 consent of majority stockholders. | Please see Bates No. C-CIIH-001185 to C-CIIH-001193. |
| S-20 | Exhibit 15 | Did every subsequent stockholder (i.e. holders of stock options) of IHI become a party to the Stockholders Agreement provided in this Exhibit so that every share of stock is subject to this Agreement? | Yes. |
| S-21 | Exhibit 15 | Please explain the circumstances surrounding the issuing of the “Supplemental Notice to Shareholders” dated October 29, 2019 (CIIH15-000531). | The Supplemental Notice to Shareholders dated October 29, 2019 was provided due to requirements of Delaware law. |
| S-22 | Exhibit 15 | Please confirm whether or not there have been no For Value Shares (shares purchased at FMV) as referenced in the Stockholders Agreement. | Confirmed. |
| S-23 | Question 16 | Please confirm the investments made/held by Chamber, Ivy, IIH, PEH and/ or PEHAS. Please explain where those investments are held and provide current account statement(s). | Chamber, Ivy, IIH, PEH, and/or PEHAS do not hold any investments. |
| S-24 | Question 16 | Please explain why there has been no financial activity for Chamber, Ivy, IIH, PEH or PEHAS as stated in this response. | There has been no financial activity in those entities because there has been no operations in those entities. PEHAS provides its services through PMH. |

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| S-25 | Question 16 | Please explain the process for deciding whether PMH and/or PEHAS makes an equity contribution to PCC and the hospital subsidiaries, and if so, in what amount and for what purpose. | PMH and PEHAS comply with their respective contractual obligations and operating agreements when deciding whether to make an equity contribution. PMH also takes into account the needs of PCC and the hospital subsidiaries in that determination. |
| S-26 | Question 16 | Please provide a detailed summary of the current status of material weaknesses for RWMC and OLF. | Their current status does not include any finding of material weaknesses for RWMC or OLF. <i>See</i> 2019 Audited Financial Statements. |
| S-27 | Question 16 | This response states that “The Transacting Parties will not ...distribute any dividends to the acquiror as a result of this Transaction” and the Response to Question 1 states that “There were no dividends made in connection with the Transaction prior to the date of the Initial Application.(CIIH-000022).” However, a \$0.5B dividend has been paid. Please provide details concerning that dividend and a detailed explanation as to how/why the initial dividend paid to the investors relates to the calculation of the merger compensation. | The dividend that was paid in February 2018 is unrelated to the transaction that is the subject matter of the HCA review (the Transaction). Accordingly, at the time the dividend was paid, the Transaction had not been considered. |
| S-28 | Question 16 | Please explain why the RWMC financial statements for year ending 9/2017 do not reference FY16 when the other entities’ financial statements do. | The outside accounting firm, BDO prepared and issued the financial statements. The Transacting Parties are not aware of any specific reason why FY16 was not referenced in the RWMC financial statements. |

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| S-29 | Exhibit 16 | All Notes to Consolidated Financial Statements for PMH (CIIH16-000635; CIIH16-000796; CIIH-16-000955) indicate “significant intercompany balances and transactions have been eliminated in consolidation.” Please explain. | In consolidation, intercompany balances are eliminated to comply with generally accepted accounting principles (“GAAP”). |
| S-30 | Exhibit 16 | Please explain how the amount to subsidize liabilities referenced in FY 2019 Financials for PCC in Note 1 at CIIH16-001013 and Note 7 at CIIH16-001025, was determined. | Please see response to S-31. |
| S-31 | Exhibit 16 | Please describe in detail any prior instances of PMH converting related party debt of PCC or the hospital subsidiaries into equity, including an explanation of what the debt was for (e.g. forgiveness of management fees, loan forgiveness) and what portion of the particular debt was converted. Please indicate if the converted debt is considered part of the \$50M long-term capital commitment required under the Prospect CharterCARE Asset Purchase Agreement dated September 24, 2014, as amended, and explain this determination. Please describe how the decision is made to convert debt into equity and how to calculate the applicable portion to be converted. | Prior to fiscal year 2019, there were no other instances where PMH converted related party debt of PCC or hospital subsidiaries of PCC into equity. The one time conversion of inter-company debt between PCC and PMH through its wholly owned subsidiary PEHAS in fiscal year 2019 was part of PMH’s \$50 million capital commitment to PCC under the Asset Purchase Agreement. Prior to the conversion of such inter-company debt, PMH was funding investments and capital expenditures of PCC as required under the Asset Purchase Agreement either through cash or by not collecting management fees owed under the Asset Purchase Agreement and its operating agreement. The uncollected management fees were recorded as inter-company debt. In May 2019, PMH through its subsidiary PEAS converted \$24.7 million of inter-company debt from debt to equity. By converting such inter-company debt to an equity contribution akin to cash, PMH satisfied its obligations under the Asset Purchase Agreement. |

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| S-32 | 16 | The mortgage on the Rhode Island property referenced at CIIH16-000986 matures in August 2022 or upon conversion to sale-lease back. Are there any plans for a future sale of Rhode Island hospital real estate similar to the MPT sale? | First, there are no mortgages on the Rhode Island real estate. Second, there are no current plans for a future sale of Rhode Island hospital real estate. |
| S-33 | 16 | PMH's Notes to Consolidated Financial Statements refers to full impairment of Rhode Island hospitals at CIIH16-000966. Does PMH have a policy or practice once an asset's goodwill is fully impaired? If so, please explain such policy or practice. | <p>Full impairment of the Rhode Island hospitals was booked in order to comply with GAAP. PMH complies with GAAP when reporting its audited financial statements.</p> <p>Even if goodwill of an entity is fully impaired in accordance with GAAP, it is PMH's practice to continue to operate the hospitals to provide high quality efficient care to the communities it serves.</p> |
| S-34 | 16 | Please explain why Prospect sold and/or closed its hospitals in TX and NJ as mentioned in Section 5 of the Notes to Consolidated Financial Statements at CIIH16-000976. | PMH has neither sold nor closed any of its hospitals in New Jersey. In Texas, PMH closed the Nix Health system based on a business decision grounded in business strategy, market demand, and financial results, as well as a business decision to concentrate on markets in which PMH has a greater presence. |

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| S-35 | 16 | Section 11 of the Notes to Consolidated Financial Statements states that “the exercise price of an incentive stock option (“ISO”) may not be less than 100% of the fair market value of the Company’s common stock on the date of the grant” (CIIH16-000987). Please provide a schedule listing the exercise price at the time of each grant since the closing of the Prospect CharterCARE transaction in 2014. |     |
| S-36 | 16 | The responses provided in the RIDOH CEC indicate RWMC has “sufficient revenues.” Please reconcile this statement with RWMC’s FY 2018 and 2019 financial statements showing losses. See CIIH16-000919 and CIIH16-001074. | Revenues are different from losses identified in the financial statements. In the event any additional funds are required, PMH has sufficient cash to fund such operating needs. |
| S-37 | Question 20 | According to the financial statements provided in response to Question 16, RWMC has optional pension match but OLF does not. Please explain the plans for the next fiscal year and how the decision for pension matching is made. | RWMC and OLF sponsor Defined Contribution 401(k) plans. Neither entity sponsors a Defined Benefit Pension Plan. Each 401(k) has a matching contribution which complies with the requirement of the U.S. Department of Labor as well as IRS laws and regulations. In the next fiscal year we plan to abide by the same plan documents. |

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| S-38 | Question 20 | Please describe any impact of the Proposed Transaction on PMH's pension matches at PCC, OLF, and RWMC. | None. Neither RWMC, OLF, nor PCC sponsors a Defined Benefit Pension Plan. |
| S-39 | Question 20 | Please explain how PMH determines when a hospital subsidiary will receive a pension match. | Assuming that this question is regarding our RI operations, please note that none of our entities in RI (PCC, RWMC & OLF) have Defined Benefit Pension Plans. PCC however, sponsors Defined Contribution 401(k) plans. Matching contributions are made based upon our 401(k) plan documents. |
| S-40 | Question 20 | Please explain the current union status for RWMC and OLF, including whether the collective bargaining agreements that expired in 2018 have been renewed, and the length of each CBA. | The current CBA agreement effective dates for RWMC and OLF are listed below: Roger Williams, Teamsters: 2/4/18-2/4/21 OLF, UNAP RN: 7/31/19-7/30/21 OLF/UNAP SW: 7/31/19-7/30/22 |
| S-41 | Question 23 | Please explain the calculation of the total stockholder payments of \$16,882,998 and the discrepancy with the capital costs of the transaction of approximately \$12 million. Does the \$16,882,998 include the value of the Lee and Topper stock being contributed in addition to the majority and minority stock being purchased? If so, please explain this response. | \$16,882,998 represents the aggregate value of all outstanding shares and options in Prospect Medical Holdings including shares held by Mr. Lee and the Topper Family Trust. The \$12 million represents the aggregate consideration for the redemption of the shares and options in order to effectuate the transaction. |

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| S-42 | Exhibit 23 | Please explain the decision to enter into the MPT transaction and if the transaction was connected to obtaining cash flow after the \$.5 billion dividend payment. | PMH entered into a transaction with MPT in order to refinance its existing debt at more favorable terms and conditions than its existing long-term debt at that time. The transaction had the added benefit of providing additional liquidity to PMH after it sustained unforeseeable losses following the dividend payment. |
| S-43 | Exhibit 23 | Please provide a summary of the balance on the original \$1.55B MPT financing (i.e. of all outstanding MPT transactions to date) (See also Notes to PCC FY2019 financials at CIIH16-001027). | [REDACTED] |

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| S-44 | Exhibit 23 | <p>Please explain the current MPT financing impacts on:</p> <ul style="list-style-type: none"> a. Contingent liability of the hospital subsidiaries for all cross defaulted and cross collateralized financing arrangement at the top of the organizational chart (See Note 10 to PMH's financial statement regarding MPT at CIIH16-000985-986; and see e.g. Note 8 to the RWMC financial statements at CIIH16-000648); b. Ability of PMH to continue to subsidize hospital subsidiaries particularly if deficits increase; c. PMH's supporting pension matches at the hospital subsidiaries. | <p>As stated in response to question S-42, PMH entered into a transaction with MPT in order to refinance its existing debt at more favorable terms and conditions than its existing long-term debt at that time.</p> <p>The transaction also provided additional liquidity to PMH.</p> <p>As such, PMH will continue to meet its obligations under its contingent liabilities and will continue to subsidize its hospital subsidiaries and support their retirement plan obligations.</p> <p>It is important to note that neither PMH, PCC, RWMC, SHJRI nor any of the PMH's subsidiaries have obligations under a defined benefit plan in RI.</p> |
| S-45 | Governance | <p>Have there been any amendments to the management agreement between PEHAS and PCC since the Prospect CharterCARE transaction closed in 2014? If yes, please provide all amendments.</p> | <p>There have not been any amendments to the management agreement between PEHAS and PCC since the PCC transaction closed in 2014.</p> |
| S-46 | Miscellaneous | <p>Please provide a summary of the investments Green Equity Investors has made to PMH since it became a private equity investor in PMH.</p> | <p>There have been no investments by GEI since it became a private equity investor in PMH. Instead, the GEI entities purchased shares at the time it became a private equity investor.</p> |

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| S-47 | Miscellaneous | Please explain Green Equity's shareholder interest post-transaction. Why, as a non-party, is Green Equity requiring that no dividends are issued and that a pension contribution be made? | Pursuant to the terms of the Merger Agreement, GEI has no shareholder interest post-transaction. The terms of the Merger Agreement are the results of negotiations between and among the parties in an effort to ensure the financial viability of the healthcare system. |
| S-48 | Miscellaneous | What criteria does Prospect use when evaluating whether to close a hospital, and which entity(ies) make the decision? | When deciding to close a hospital, PMH evaluates whether the hospital services are necessary for the community and whether there is demand for the hospital services. |
| S-49 | Miscellaneous | Does Prospect have any plans to sell and/or close OLF or RWMC? | No. |
| S-50 | Miscellaneous | Will there continue to be equity-based compensation under new ownership structure? If yes, please provide new Stock Options plan. | It is anticipated that equity-based compensation will be part of compensation for certain executives. However, no plan has yet been finally designed or adopted. |
| S-51 | Miscellaneous | Please reconcile the payment of dividends since the Prospect/CharterCARE transaction closed in 2014 with the response in S4-22 in the Non-Confidential Responses to the Fourth Supplemental Questions to the HCA Application of Prospect CharterCARE, LLC, et al. that "Prospect does not plan to make another dividend ..." Please explain the policies and criteria for that govern Prospect's decision to pay dividends. | At the time of the closing of transaction in 2014, there were no plans to make another dividend. Approximately four years later, the decision was made to make a special cash dividend as more fully set forth in the Board Meeting minutes [Bates Number C-CIIH4-00251A], which includes the policies and criteria that govern the decision to make such payments. |

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| S-52 | Miscellaneous | Please explain Prospect's five-year strategic plan, including but not limited to whether Prospect is considering additional acquisitions in Rhode Island. | <p>Prospect continually surveys the marketplace and, if potential acquisitions exist, PMH will pursue that possibility to evaluate whether it would be a viable acquisition. PMH is currently unaware of any hospital in RI that is for sale.</p> <p>While PMH does not have a 5 year strategic plan, it focuses on acquisitions that are low cost, provide a safety net, and are population oriented. RI plays an important part in Prospect's future.</p> |
| S-53 | Miscellaneous | Please explain how the Rhode Island subsidiaries are performing in comparison with the rest of PMH's subsidiaries. | <p>Each one of the operating hospitals in PMH's portfolio is unique due to:</p> <ol style="list-style-type: none"> 1. The demographics of the communities it serves; 2. Service lines; 3. Payor mix; and 4. Regulatory environment. <p>As such, RWMC and OLF are very different than PMH's other hospitals, but important providers in the PMH healthcare system.</p> |
| S-54 | Miscellaneous | Please state whether RWMC and OLF are treated differently than other hospital subsidiaries. If so, please explain how and why. | No, other than the fact that RWMC and OLF are the only PMH hospitals with a joint venture partner (15% CCCB). |

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| S-55 | Miscellaneous | Please explain if Chamber, IH and IHI currently have or plan to have any additional activities outside of Prospect. | Chamber, IH, and IHI currently do not have and do not have plans to have any additional activities outside of PMH. |
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