

March 19, 2021

VIA EMAIL

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Mr. Mike Constantino
Supervisor, Project Review Section
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Mercy Hospital & Medical Center, COE Project No. 003-21 (the "Project")

Dear Courtney and Mike:

As you know, we are counsel to Mercy Hospital and Medical Center ("Mercy Hospital") and Mercy Health System of Chicago ("Mercy System"). On behalf of Mercy Hospital and Mercy System, please see the below answers to the questions that you posed regarding the above-referenced Project. We have only answered the questions that were applicable (directly or indirectly) to Mercy Hospital or Mercy System. We have not answered the questions that were applicable (directly or indirectly) to Insight Chicago Inc. ("Insight").

Warn Act Notices. How is that being handled now that there is a change of ownership being pursued? Are these being rescinded?

WARN Act Notices have been sent out on a rolling basis by Mercy Hospital for the past month and will continue to be sent out to comply with federal law. If this Project is approved by the Review Board, and the proposed transaction documents associated with the change of ownership contemplated by this Project are finalized, Mercy Hospital and Mercy System would ultimately seek permission from the Bankruptcy Court to dismiss the Chapter 11 bankruptcy proceedings, and Mercy Hospital and Mercy System would work with Insight to ensure a smooth transition of services to Insight. Under such a scenario, it is contemplated that Insight would retain a number of the current Mercy Hospital employees. It also bears noting that Mercy Hospital has structured a retention and severance program worth approximately \$25 million (to be funded by agreement with Trinity Health under this scenario). If the Review Board approves this Project, the proposed transaction documents are finalized, and Mercy Hospital is successful in dismissing its bankruptcy case, the Mercy Hospital employees would be able to collect those retention and severance payments without the approval of the Bankruptcy Court. If this Project is denied or deferred by the Review Board, Mercy Hospital will continue to wind-down operations at the Hospital and ultimately file a liquidating plan in the Bankruptcy Court.

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Should the Board approve the sale of the Hospital do you just withdraw your bankruptcy application or does the Bankruptcy Court have to approve the sale?

Again, if this Project is approved by the Review Board, and the proposed transaction documents associated with the change of ownership contemplated by this Project are finalized, Mercy Hospital and Mercy System would ultimately seek permission from the Bankruptcy Court to dismiss the Chapter 11 bankruptcy proceedings, and Mercy Hospital and Mercy System would work with Insight to ensure a smooth transition of services to Insight. Under such a scenario (i.e., dismissal of the respective bankruptcy cases), the Bankruptcy Court would not have to approve the sale to Insight. If this Project is denied or deferred by the Review Board, Mercy Hospital will continue to wind-down operations at the Hospital and ultimately file a liquidating plan in the Bankruptcy Court.

Has Mercy undertaken any review that Insight Chicago, Inc. has the wherewithal to operate this facility? Would the Bankruptcy Court have the responsibility do that?

Mercy Hospital and Mercy System have conducted a review of Insight's financial capacity and operational skillsets to own and operate Mercy Hospital. Based on that review, Mercy Hospital and Mercy System believe that Insight has access to sufficient capital and the operational skillsets to own and operate the Hospital. If this Project is approved by the Review Board, and the proposed transaction documents associated with the change of ownership contemplated by this Project are finalized, Mercy Hospital and Mercy System would ultimately seek permission from the Bankruptcy Court to dismiss the Chapter 11 bankruptcy proceedings, and Mercy Hospital and Mercy System would work with Insight to ensure a smooth transition of services to Insight. Under such a scenario (i.e., dismissal of the respective bankruptcy cases), the Bankruptcy Court would not have to approve the sale to Insight. It also bears noting that the Bankruptcy Court would likely not be concerned with the operational skillsets of Insight (or any bidder) because the bankruptcy sale process is driven by a need to maximize value to creditors. So, for example, if the highest bidder for the Hospital's real estate ultimately wanted to close the Hospital and construct a casino, the Bankruptcy Court would not be concerned with the operational skillsets of the bidder to operate a community hospital. If this Project is denied or deferred by the Review Board, Mercy Hospital will continue to wind-down operations at the Hospital and ultimately file a liquidating plan in the Bankruptcy Court.

Is Trinity going to pay the unsecured creditors of Mercy Hospital and Medical Center?

If this Project is approved by the Review Board, and the proposed transaction documents associated with the change of ownership contemplated by this Project are finalized, Mercy Hospital and Mercy System would ultimately seek permission from the Bankruptcy Court to dismiss the Chapter 11 bankruptcy proceedings. Under such a scenario (i.e., dismissal of the respective bankruptcy cases),



FOLEY & LARDNER LLP

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Trinity Health has agreed to pay, in full, Mercy Hospital's unsecured creditors (which includes, Mercy Hospital's vendors, employees, personal injury claimants, tort claimants, payors, etc.) to the extent Mercy Hospital does not have sufficient cash to pay Mercy Hospital's unsecured creditors. Trinity Health has also agreed to repay, in full, the HUD guaranteed mortgage on the Hospital's real estate under such a scenario. If this Project is denied or deferred by the Review Board, Mercy Hospital will continue to wind-down operations at the Hospital and ultimately file a liquidating plan in the Bankruptcy Court.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Edward J. Green".

Edward J. Green

EJGR:sc
Encls.

March 19, 2021

VIA EMAIL

Courtney Avery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Mercy Hospital & Medical Center, Exemption #003-21- Response
to Request for Additional Information

Dear Courtney:

We represent Insight Chicago, Inc., the applicant proposing to obtain ownership of Mercy Hospital & Medical Center (“Mercy”). We are in receipt of your request for additional information and request that you accept this letter as our response to your request. We would note that there was information that you have requested that would best be answered by the other parties to this proposed transaction. We expect that they will supply the Board with a response to those questions directed at them, but assure you there is a unified interest in providing the Board whatever information it needs to properly assess and approve this Project. To the extent you believe you need additional information from Insight Chicago, Inc. please let us know.

You sought clarification about whether Insight, Inc. is a not-for-profit entity and whether Insight, Inc. has control over Insight Chicago, Inc. The short answer is no. No other entity has control over Insight Chicago, Inc. The proposed owner of Mercy is an Illinois organized not-for-profit corporation. It will **not** have any for profit entities as a member of the organization. Insight Chicago, Inc. will operate as a not-for-profit hospital.

You requested information regarding any WARN Act notices sent to Mercy employees by the current owner and operator of the facility, Mercy Hospital and Medical Center. Insight Chicago, Inc. does not have control over any notices sent to employees of the hospital. Insight Chicago, Inc. is legally restricted from engaging employees of Mercy in any discussions involving their employment until a definitive asset purchase agreement has been executed by the parties, regulatory approval is approved by the Health Facilities and Services Review Board, and the pending bankruptcy court proceedings are dismissed.

You requested information about whether there is a binding agreement to sell the hospital. No. The parties have, as of the drafting of this correspondence, entered into a non-binding agreement for the change of ownership of Mercy. The parties are confident that they will be able

to negotiate and finalize a definitive agreement, the parties have agreed on the key terms of the transaction as described in the application, and while everything is ultimately contingent upon approval by the Board, it is the unified intention to finalize this transaction and for Insight Chicago, Inc. to operate this hospital.

You requested information as to whether Mercy Health System of Chicago has undertaken any review that Insight Chicago, Inc. has the financial wherewithal to operate Mercy, and whether the bankruptcy court has a responsibility to undertake such a review. As to any reviews by Mercy Health System of Chicago, we can inform the Board that the parties have been engaged in discussions regarding the change of ownership of Mercy since August 2020. Since that time, significant due diligence has been conducted by both parties. This proposed transaction has only progressed this far, to the precipice of completion, because Mercy Health System of Chicago has confidence in Insight Chicago, Inc.'s ability to operate the facility. Insight Chicago, Inc. has sufficient liquidity to operate the facility and the executive team has a proven track record of turning around hospitals in crisis.

Finally, you directed a question to Insight Chicago, Inc. requesting information regarding Insight Surgical Hospital in Warren Michigan and whether Insight Chicago, Inc. intends to operate Mercy in a similar fashion as a "small specialty hospital". You also requested additional information regarding Insight's experience in operating an acute care hospital. Insight Chicago, Inc. does not intend to operate a small specialty hospital. As described in the application, Insight Chicago, Inc. intends to operate a full service acute care hospital. Their intention is to operate the facility as a community hospital that services the needs of the community. Our change of ownership application **does not** call for the discontinuation of any categories of services. We have clarified that, ultimately, some changes in service lines may be required but Insight Chicago, Inc. fully understands its obligation to bring any such changes to the Board for approval. While Insight's experience has been operating a smaller format hospital, its core experience has been in turning around troubled healthcare facilities, assessing and assuring that communities have access to the care they need, and operating stable and successful ventures. These are the skills this community hospital needs and they fully embody the principles of the Health Facilities Planning Act to ensure access to underserved communities.

If you have any questions or need any additional information regarding this request, please feel free to contact me at 312-212-4967.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LP



Juan Morado, Jr.