

: [EXTERNAL] RE: ACP - DO N...

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From Frumkin, Jacob

Date 2023-02-28

Subject RE: [EXTERNAL] RE: ACP - DO NOT FORWARD OR SHARE

Thanks, [REDACTED]. I just sent an invite to you and [REDACTED] for 3:30ET this afternoon. [REDACTED]—please let us know if that time doesn't work well for you, happy to adjust.

From: [REDACTED] <[REDACTED]@sidley.com>

Sent: Monday, February 27, 2023 10:28 PM

To: Rich, Mark <Mark.Rich@steward.org>; [REDACTED]@johnsonoconnor.com; Frumkin, Jacob <Jacob.Frumkin@steward.org>

Cc: [REDACTED] <[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@toddweld.com>

Subject: [EXTERNAL] RE: ACP - DO NOT FORWARD OR SHARE

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Understood.

[REDACTED]

SIDLEY AUSTIN LLP

One South Dearborn
Chicago, IL 60603

[REDACTED] (mobile)
[REDACTED]@sidley.com
www.sidley.com

From: Rich, Mark <Mark.Rich@steward.org>

Sent: Monday, February 27, 2023 8:14 PM

To: [REDACTED] <[REDACTED]@sidley.com>

Cc: [REDACTED] <[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@johnsonconnor.com>; Frumkin, Jacob <Jacob.Frumkin@steward.org>; [REDACTED] <[REDACTED]@toddweld.com>

Subject: ACP - DO NOT FORWARD OR SHARE

Nope! – I guess I am trying to communicate that less is more. To you guys this is an easy straight-forward transaction. To the rest of us dummies, this is about as f'd looking thing as they come. Add to it that [REDACTED], probably for a very good

Nope! – I guess I am trying to communicate that less is more.

To you guys this is an easy straight-forward transaction. To the rest of us dummies, this is about as f'd looking thing as they come. Add to it that [REDACTED] probably for a very good internal reason kept this (buried it) topside in the corporate books and didn't allocate it to Davis or Jordan (i.e. he didn't want to hit [REDACTED] EBIDTA line mid-year bc it would throw off comparisons to budget – no "rent" in the budget, so you cannot mid-year start adding rent even though that was the substance of the transaction). Then add to it that I think [REDACTED] understood the transaction but no way in hell that dude could explain this to lay people – it just isn't in his DNA. It was probably like listening to the teacher on Charlie Brown, until he said something close to "so, yeah, the mortgage technically was never retired" or something like that. BING BING goes the light in one of the LP's brains. If the mortgage wasn't retired, AND, we have never seen "rent expense", well then –

So we have to back track all this bad history and bad explaining and "secret decoder ring topside only entries" and come up with a *simple, supportable* way to explain this. Everyone thinks the audit of Davis/Jordan will explain this. Guess what? It won't. Its all buried probably in partner's equity. And ██████ knows the audit won't cover this. So I don't know what he is doing by just asking for more and more documents. Sometimes I really don't know what side that guy is on. Right now he is on the side of expediency only bc the Church has called him to the Congo and he wants to get in as many rounds of golf at decent clubs before he goes. He can only do that when he knows the UT deal is put to bed.

That's where ██████ ██████ and Jacob – I need you guys to put your heads together and see what you can come up with. Neither Nick nor MBT, other than being a source of some data, can really help with this. This is not about the books, its about spin, right? It obvious in the corporate books. But that doesn't really help in the Davis books (unless I am wrong – which would be great news).

BTW – the LPs are right, we do owe their share of the last \$35m. ██████ totally screwed them on that one at the time but I assume we needed every nickel and he probably figured we would get around to paying them out deal proceeds anyway.

From: ██████. <bkirschner@sidley.com>
Sent: Monday, February 27, 2023 7:25 PM
To: Rich, Mark <Mark.Rich@steward.org>
Cc: ██████ <██████@sidley.com>
Subject: RE: [EXTERNAL] RE: ACP - Davis - LONG BUT URGENT

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Attached are the (i) 2020 Contribution Agreement and Amendment (the purchase agreement for the Mortgage Conversion), which I previously circulated to the larger group and (ii) the Put Option Agreement (the purchase agreement for the \$35MM sale of the 2.22% of the Steward/MPT JV).

The request below only includes the Purchase Agreements, but I can quickly send additional closing documents for both

Thanks,

[Redacted]
[Redacted]

SIDLEY AUSTIN LLP

One South Dearborn
Chicago, IL 60603

[Redacted] (mobile)
[Redacted]@sidley.com
www.sidley.com

From: Rich, Mark <Mark.Rich@steward.org>

Date: Monday, Feb 27, 2023 at 6:10 PM

To: [Redacted] <[Redacted]@sidley.com>

Subject: RE: [EXTERNAL] RE: ACP - Davis - LONG BUT URGENT

Send to me first From: [Redacted] <[Redacted]@sidley.com> Sent: Monday, February 27, 2023 3:43 PM To: [Redacted]
<[Redacted]@steward.org>; [Redacted] <[Redacted]@steward.org>; [Redacted] <[Redacted]@lockelord.com>

Send to me first

From: [Redacted] <[Redacted]@sidley.com>

Sent: Monday, February 27, 2023 3:43 PM

To: [Redacted] <[Redacted]@steward.org>; [Redacted] <[Redacted]@steward.org>; [Redacted]
<[Redacted]@lockelord.com>

Cc: [Redacted] <[Redacted]@steward.org>; [Redacted] <[Redacted]@sidley.com>; [Redacted]
<[Redacted]@toddweld.com>; Rich, Mark <Mark.Rich@steward.org>; Frumkin, Jacob <Jacob.Frumkin@steward.org>

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We're gathering up materials to share. Will forward, shortly.

From: [REDACTED] <[REDACTED]@steward.org>

Date: Monday, Feb 27, 2023 at 3:38 PM

To: [REDACTED] <[REDACTED]@steward.org>, [REDACTED] <[REDACTED]@lockelord.com>, [REDACTED] <[REDACTED]@sidley.com>

Cc: [REDACTED] <[REDACTED]@steward.org>, [REDACTED] <[REDACTED]@sidley.com>, [REDACTED] <[REDACTED]@toddweld.com>, Rich, Mark <Mark.Rich@steward.org>, Frumkin, Jacob <Jacob.Frumkin@steward.org>

Subject: RE: ACP - Davis - LONG BUT URGENT

Adding [REDACTED]'s Sidley address here so he can weigh in on what might make sense to provide (and not create more confusion).

From: [REDACTED] <[REDACTED]@steward.org>

Sent: Monday, February 27, 2023 4:21 PM

To: [REDACTED] <[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@mwe.com>

Cc: [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@toddweld.com>; Rich, Mark <Mark.Rich@steward.org>; Frumkin, Jacob <Jacob.Frumkin@steward.org>

Subject: RE: ACP - Davis - LONG BUT URGENT

I just had a meeting with Dr. [REDACTED]. [REDACTED] (Davis LP) is still awaiting and wants the Propco sales documents for the LP that occurred in 2020 and also the Purchase Agreement for the MPT JV – apparently 50% this was sold in September 2022. The documents previously provided did not have the purchase agreement or pricing. Can we provide him something?

[REDACTED]
President, Western Region
Steward Health Care
406 W. South Jordan Parkway, Suite 500
South Jordan, Utah 84095
Office: [REDACTED]
[REDACTED]@steward.org
steward.org

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From: Rich, Mark <Mark.Rich@steward.org>
Sent: Friday, February 24, 2023 11:45 AM
To: [REDACTED] <[REDACTED]@steward.org>; Frumkin, Jacob <Jacob.Frumkin@steward.org>; [REDACTED] <[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@toddweld.com>
Cc: [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED], CPA, MST <[REDACTED]@johnsonoconnor.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@steward.org>;

ACP

█ – what can we give this guy to satisfy the highlighted section below? Some kind of write up on the mortgage conversion deal?

From: █ <█@steward.org>
Sent: Friday, February 24, 2023 11:56 AM
To: Frumkin, Jacob <Jacob.Frumkin@steward.org>; Rich, Mark <Mark.Rich@steward.org>; █
 <█@lockelord.com>; █ <█@toddweld.com>
Cc: █ <█@steward.org>; █ <█@sidley.com>; █
 <█@steward.org>; █, CPA, MST <█@johnsonoconnor.com>; █
 <█@steward.org>; █ <█@lockelord.com>; █ <█@steward.org>; █
 <█@steward.org>

Subject: RE: ACP - Davis - LONG BUT URGENT

I agree.

Just to be clear – their concern is not that cash is being swept. It is that cash is being swept AT THE detriment to Davis leaving their investment not funded for surgeries or other services. Hence, reducing the value of their investment because of inability to perform surgeries, etc. Unfortunately, as we were speaking he received notice that he could not transcribe because our transcription service put us on hold. I got this rectified within 8 hours.

Other remarks:

- See the attached signed CA by Dr. █
- Requested information – please see my comments below in the body of Dr. █:

█,

I am sending this email, per your request, as follow up to our phone conversation.

and Centura. Hoping to provide today.

2. I would also like to request (pursuant to the original NDA I signed in April of 2022):
 - a. A copy of the ENTIRE property sales agreement (proco) for Davis Hospital (and likely Jordan Valley given their simultaneous sales) and affiliates so that I may be familiar with what Steward is suggesting we have a third party review and abide by their recommendation. This is his biggest request
 - b. A copy of ALL the financials used by the Crowe auditors to evaluate the Davis Hospital Limited partnership. I have told him this will be in the presentation and discussion with the auditors
 - c. All additional documents relating to the MPT joint venture, including specifically lease documents and the documents that show the purchase price for our 1.2% interest that was sold September 2022. They received the documents and ask another question about their share of the proceeds since this dilution occurred in September 2022

3. I would also like to specifically request a prompt meeting with the independent Crowe auditor(s), as promised by Mr. [REDACTED] and others in our partnership meetings last year, prior to their completion of the audit, so that they are aware of our concerns and are prepared to answer many of the specific questions we will be asking upon completion of the audit. I would like to schedule so he can get to us the questions prior, i.e., schedule first week of March . I spoke with him last night and he just wants to know about his investment. The problem is we have promised him information on the Propco over 11 months ago and it has been ignored. This is his biggest concern and if we could provide some information, this will go a long way.

Thanks.

[REDACTED]
President, Western Region
Steward Health Care

406 W. South Jordan Parkway, Suite 500

South Jordan, Utah 84095

Office: [REDACTED]

[REDACTED]@steward.org

steward.org

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From: Frumkin, Jacob <Jacob.Frumkin@steward.org>

Sent: Friday, February 24, 2023 7:11 AM

To: Rich, Mark <Mark.Rich@steward.org>; [REDACTED] <[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@toddweld.com>

Cc: [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED]

<[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED], CPA, MST

<[REDACTED]@johnsonoconnor.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED]

<[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED]

<[REDACTED]@steward.org>

Subject: RE: ACP - Davis - LONG BUT URGENT

PRIVILEGED AND CONFIDENTIAL

Hi Mark—yes, exactly right on the cash sweeps. This existed for many years under IASIS (I'm sure back to before these hospitals were even syndicated 20 years ago, I just don't have records or knowledge going back that far).

Furthermore, because Steward purchased the stock of IASIS Healthcare Corp, which owns IASIS Healthcare LLC, which owns the GP interests in these entities, the mechanics did not even change at all upon Steward acquisition. All of the IASIS and Davis/hospital bank accounts came with the sale, and funds continued to sweep from (and to!) Davis account with the IASIS account. Nothing changed at all as it relates to Davis—the day before and the day after the transaction their funds swept in and out of an IASIS account—the same exact IASIS account. Steward is all upstream to this, did not change anything.

Further to this point—I found an old balance sheet. Shows evidence that cash was being swept before Steward acquisition

From: Rich, Mark <Mark.Rich@steward.org>

Sent: Friday, February 24, 2023 8:30 AM

To: [REDACTED] <[REDACTED]@lockelord.com>; [REDACTED] <[REDACTED]@toddweld.com>

Cc: [REDACTED] <[REDACTED]@steward.org>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED]

<[REDACTED]@sidley.com>; [REDACTED] <[REDACTED]@steward.org>; [REDACTED], CPA, MST

<[REDACTED]@johnsonoconnor.com>; [REDACTED] <[REDACTED]@steward.org>;

<[REDACTED]@lockelord.com>; Frumkin, Jacob <Jacob.Frumkin@steward.org>; [REDACTED] <[REDACTED]@steward.org>;

[REDACTED] <[REDACTED]@steward.org>

Subject: ACP - Davis - LONG BUT URGENT

Importance: High

ACP – for the purposes of developing legal strategy

[REDACTED] / [REDACTED] / [REDACTED] / [REDACTED] – Here are my thoughts on the approach to this meeting. I would like you guidance. Also, starting with the “All”, I am providing you additional data to inform your thoughts and guidance. (To all on this email – please remember that this is entire back and forth is in the context of a larger legal discussion involving the overall question of legal strategy vis-à-vis threats made by some of the UT LPs and their lawyer that boarder on potential violations on their part of the Stark and anti-kickback claims statutes. **Please continue to keep all conversations on this topic under privilege as we continue to develop our strategy.** (NOTE: Jacob and [REDACTED]/his firm are included as our agents under separate NDAs.) Lawyers weigh in with additional guidance please.

Apologies in advance for the long email but I want everyone to have the same information. Note that Crowe has not been included in this email. They are to remain independent in this process and therefore, this information, and the corresponding legal guidance should not be discussed with them.

MJR thoughts: BEFORE the good Dr. meets with “the auditor group” (Crowe - [REDACTED], [REDACTED] and [REDACTED] from Johnson O’Connor and maybe Jacob), we need:

- A place to meet – once we see the questions we can determine if this is face-to-face or not. It will be all or nothing for our team though. [REDACTED] – ever been to Utah? OR we pay for [REDACTED] to come to Dallas “because that is where all the records are in case he has other questions”)

disadvantage) with legal counsel in the room. (see comment at "ALL") Looking for guidance but I am ok with [REDACTED] letting [REDACTED] know that ahead of time. The worst thing that can happen is that we get into this meeting, one of their uneducated lawyers and we have to shut it down.

- A list of questions so we can properly prepare for the discussion
- A meeting of the internal auditor group to address the questions ([REDACTED] – please coordinate AFTER we get the list of questions.)

All – with respect to the accounting – this is NOT going to be an simple explanation. This is a classic combination of:

- GAAP/new lease accounting standards meets
- our poor but well-intentioned decision to essentially replicate a "mortgage-like" burden on Davis and Jordan, in part to not throw off their EBIDTA targets (the primary hospital performance metric at Steward) and retain much of the transaction on the "corporate ledger" meets
- "It doesn't matter, because it all washes out on consolidation" meets
- A very clever, but super complicated tax structure (very hard to explain to lay people) meets
- Not a lot of transparency overall meets
- A late round of perhaps misinformed or overly-complicated explanations from the prior CFO

That is to say, a royal shit show. And one frankly the audit itself will not necessarily tease out clearly. Crowe will follow GAAP. [REDACTED], [REDACTED] and [REDACTED] (and possibly Jacob) will be helping out with question responses (which I will weigh in on as well). This is why is it so important to get the questions first. For example, if Dr. [REDACTED] were to just ask [REDACTED] were we ripped off, his answer would be most likely no. With a lawyer in the room it would be "all I can speak to are that the financials are presented fairly". If Dr. [REDACTED] were to say, can you show me exactly where on these financials it shows we were not ripped off, that will be a much more difficult question to answer due to the above.

For the avoidance of doubt, the Dr's claim that we absconded with \$750m in cash and didn't it share with them is WRONG WRONG WRONG. There is absolutely NO question of that. The SUBSTANCE of the deal is crystal clear and supported by our internal AP records etc. This is just one of those cases where GAAP *might* lead us to a "form over substance"

Note also, that Crowe will have nothing to say about the cash sweep issue. No one in finance will. As far as I am concerned that is solely a legal issue. Per my review of the agreement and all the legal review I have seen, we are allowed to sweep under the agreement. And we have been. They know about it/knew about it. It is not materially different than the way lasis did it (JF-correct?). It has NO nexus with their unproven claim that the sweep has anything to do with AP holds in their market (there are 5 hospitals in that market and 38 in the system, plus the SMG groups in THAT market lose money as I recall). The sweep issue must be addressed by legal.

Lastly, for the legal team, I am still waiting on the step-by-step plan of what we will do if someone leaks the APA. What will we need to do to arrive at damages, where and when will we file, etc. I really want that plan, in writing, before we share this APA. I need to know we haven't just "talked about" watermarking the documents, etc. but, as noted in at least 2 of my other emails, that we have the gameplan ready TO GO, the VERY second a leak occurs. I don't want any daylight between the leak and our action. If we have to wait to come up with the plan, even a day, it just gives more time for the leak to perpetuate. When can I get that so that [REDACTED] tell [REDACTED] he will get the APA? Also, I think I missed the NDA, but is there a way in the NDA to just build in presumed damages rather than us having to prove damages, maybe as a base. Something like "the signor acknowledges that any leak of this document will result in a minimum of \$1m of damages to Steward. The Court may determine that more damages are due but all damages cannot be less than \$1m, payable to Steward upon determination of the leak traceable back to the signatory"? Something like that? The NDA needs teeth not threats. And before [REDACTED] yells at me, if they are going to leak, and truly guard this with their life as we expect bc of the confidentiality Sam pointed out REQUIRED by the buyers (NOT just us), then a \$1m penalty is a nothing burger. Need immediate feedback FROM LEGAL on this.

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