

Responses to Inquiries Regarding the Consent Solicitation (updated 9/13/2024)

Lee Memorial Health System (LMHS) has received one or more inquiries regarding the Consent Solicitation and Information Statement dated September 10, 2024 (the "Information Statement"). A summary of the inquiries and the responses are provided below. Capitalized terms used in this document and not defined have the meanings ascribed to such terms in the Information Statement. These inquiries and the responses should be read in conjunction with the Information Statement.

1. **Question/Comment:** The Information Statement (including Appendix A thereto) refers to an expected loss of \$50 million in supplemental funding without detail on the possible monetary long-term benefits.

Response: The conversion from a public hospital will provide benefits that LMHS believes will provide long-term opportunities for growth in operations that are expected to offset any near-term loss in supplemental funding.

- a private governance structure would provide for more nimble reaction to changes in industry and the competitive healthcare market and the removal of public meeting and records requirements will provide for private discussion and implementation of strategic plans while lessening the risk of disruption of those plans by competitors.
- allow for development of facilities and provision of services outside the jurisdictional boundaries of Lee County, Florida, increasing access to a broader population base.
- better position the System to pursue and expand relationships with physicians and physician groups, as well as other hospitals and health systems.

2. **Question/Comment:** Also mentioned is the potential to reinstate some portion of that funding in 2027. Please elaborate.

Response: The new corporate entity may attain designation as a statutory teaching hospital and thus eligibility for higher IME/GME payments and eligibility for DSH payments. No estimate is available at this time regarding the amount of funding that may be available if the new corporate entity achieves designation as a statutory teaching hospital.

Section 408.07, Florida Statutes currently defines "Teaching hospital" as "any Florida hospital officially affiliated with an accredited Florida medical school which exhibits activity in the area of graduate medical education as reflected by at least seven different graduate medical education programs accredited by the Accreditation Council for Graduate Medical Education or the Council on Postdoctoral Training of the American Osteopathic Association and the presence of 100 or more full-time equivalent resident physicians."

LMHS currently has an affiliation agreement with Florida State University and has 27 full-time resident physicians in the Family Residency Program and 36 full-time residents in the Internal Medicine program (for a total of 63 resident physicians), both of which are accredited by the ACGME. LMHS expects it will take three years to expand the GME program to achieve designation as a statutory teaching hospital.

3. **Question/Comment:** Is there a draft tax opinion and/or a reference made that such consent is contingent upon receipt of a favorable tax opinion?

Response: The effectiveness of the amendments is conditioned on the receipt of the bond counsel opinion so if the bond counsel opinion is not delivered, the amendments will not be adopted. The opinion will be a standard bond counsel approving opinion typical for a qualified 501(c)(3) bond. No draft is currently available. Please see the information in the Information Statement under the headings “CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MODIFICATION OF THE OUTSTANDING BONDS” and “TAX MATTERS REGARDING THE REISSUED BONDS.”

4. **Question/Comment:** What will happen if sufficient consents are not obtained?

Response: If sufficient consents are not obtained, the amendments cannot be adopted. If the decision is made to proceed with the corporate reorganization and Conversion without the amendments, then the outstanding tax-advantaged debt will have to be paid, refunded or otherwise defeased. No current financing plans to fund any such payment, refunding, or defeasance have been made, other than with respect to the Series 2010 Build America bonds, as referenced in the Information Statement.

5. **Question/Comment:** Can there be an affirmative statement to the effect that the UCC’s will be re-filed to evidence the continuing security under the Master Trust Indenture for the changes contemplated?

Response: The security for the outstanding bonds is provided for under the Master Trust Indenture dated as of April 1, 1997. Upon the admission of a new Member to the Obligated Group, there will be filed a new UCC-1 to confirm the security interest in “Revenues” as defined in the Master Indenture. As described in the Official Statement for the Series 2019A Bonds dated April 2, 2019, master indenture financings generally and the enforceability of a lien on revenues, in particular, are subject to various risks and considerations which will not be reiterated here.

6. **Question/Comment:** What is the benefit of the Conversion to Lee Memorial?

Response: Please see Appendix A to the Information Statement including, in particular, the section titled “REORGANIZATION PLAN, PROPOSED AMENDMENTS, AND PLAN OF FINANCE—General.” See also the response to Question 1 above.

7. **Question/Comment:** Will the change of issuer result in a taxable event for bondholders?

Response: Please see the information in the Information Statement under the headings “CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MODIFICATION OF THE OUTSTANDING BONDS” and “TAX MATTERS REGARDING THE REISSUED BONDS.”