

QUINCY HEALTH, LLC

Consolidated Financial Statements

December 31, 2023 and 2022

QUINCY HEALTH, LLC
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QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

PART I – MANAGEMENT'S DISCUSSION AND ANALYSIS

You should read the following discussion of our financial condition, results of operations and cash flows, together with the audited consolidated financial statements and the accompanying notes included in Part II — Financial Information. The financial information discussed below may not necessarily reflect what our results of operations, financial position and cash flows may be in the future.

The primary business of Quincy Health, LLC, a Delaware limited liability company ("Quincy Health"), through its subsidiary, Quorum Health Corporation, a Delaware corporation ("QHC"), and its subsidiaries, is to provide hospital and outpatient healthcare services in its markets across the United States. Except as otherwise indicated or unless the context otherwise requires, all references in this management's discussion and analysis of the financial results for the three months and year ended December 31, 2023 to "we," "our," "us," and the "Company" refer to the consolidated business operations of Quincy Health and its wholly owned subsidiary, QHC.

Forward Looking and Cautionary Statements

Some of the matters discussed in the financial results for the three months and year ended December 31, 2023, include forward-looking statements. All statements, other than statements of historical or present facts, that address activities, events, outcomes, business strategies and other matters that we plan, expect, intend, assume, believe, budget, predict, forecast, project, target, estimate or anticipate (and other similar expressions) will, should or may occur in the future are forward-looking statements, including (but not limited to) disclosure regarding (i) our future earnings, financial position, and operational and strategic initiatives, and (ii) developments in the healthcare industry. Forward-looking statements represent management's expectations, based on currently available information, as to the outcome and timing of future events, but, by their nature, address matters that are indeterminate. They involve known and unknown risks, uncertainties and other factors, many of which we are unable to predict or control, that may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements.

Although we believe that these forward-looking statements are based upon reasonable assumptions, these assumptions are inherently subject to significant regulatory, economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and may be beyond our control. Accordingly, we cannot give any assurance that our expectations will in fact occur and caution that actual results may differ materially from those in the forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of April 26, 2024. We specifically disclaim any obligation to update any information contained in a forward-looking statement or any forward-looking statement in its entirety except as required by law.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

Overview

As of December 31, 2023, we owned or leased a portfolio of 12 hospitals in rural and mid-sized markets, which are located in 10 states and have a total of 856 licensed beds. Our hospitals provide a broad range of hospital and outpatient healthcare services, including general and acute care, emergency room, general and specialty surgery, critical care, internal medicine, diagnostic services, obstetrics, psychiatric and rehabilitation services. We are paid for our services by governmental agencies, commercial insurers and directly by the patients we serve.

Our business strategy is to provide high quality patient care to the communities we serve, with a near term focus of increasing the effectiveness of our revenue cycle functions, improving our operating margins through cost management initiatives and aligning our services with the evolving needs of the markets that we represent. We intend to grow our revenues and operating margins through selective hospital acquisitions and by expanding strategic service lines at our hospitals, primarily by recruiting talented physicians and medical staff. We also intend to improve margins by evaluating underperforming hospitals for divestiture and reducing corporate overhead. Our initiatives to reduce our operating costs include the efficient management of staffing, medical specialist costs, purchased service costs and medical supply costs, with a continued focus on enhancing patient safety and quality of care.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of SARS-CoV-2 (severe acute respiratory syndrome 2), a novel strain of coronavirus (COVID-19), a pandemic. As a front-line provider of health care services, the outbreak of the COVID-19 pandemic adversely affected our employees, patients, communities and business operations. See Note 1 — COVID-19 Pandemic in the accompanying consolidated financial statements for additional information.

Federal Coronavirus Relief Legislation

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency and address revenue losses and related expenses attributable to COVID-19. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act

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("CARES Act") was enacted and on April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act ("PPHCE Act") was enacted. On December 27, 2020, the Consolidated Appropriations Act of 2021 was enacted. On March 11, 2021, the American Rescue Plan Act was enacted, which provided \$8.5 billion to be distributed to rural health care providers to reimburse health care related expenses or revenue losses attributable to COVID-19. See Note 1 — Federal Coronavirus Relief Legislation in the accompanying consolidated financial statements for additional information, as well as the impact of these programs on our business, results of operations, financial condition and cash flows.

Financial Overview

Our net operating revenues for the year ended December 31, 2023 decreased \$324.6 million to \$1,049.4 million, compared to \$1,374.0 million for the year ended December 31, 2022, a 23.6% decrease. The decrease primarily consisted of a \$415.7 million decrease related to the divestitures group as defined in our Results of Operations section below partially offset by an \$91.1 million increase related to our continuing operations. Loss from operations for the year ended December 31, 2023 was \$23.8 million, compared to loss from operations of \$371.5 million for the year ended December 31, 2022. The decrease in loss from operations in the 2023 period was positively impacted by a decrease in impairment of \$240.9 million. Our operating results for the year ended December 31, 2023 reflect a 32.5% decrease in total admissions and a 26.9% decrease in total adjusted admissions compared to the same period in 2022. See definition of adjusted admissions in our Results of Operations section below.

Hospital Properties

The following table lists, by state, the hospitals wholly owned, operated as part of a joint venture or leased and operated by our wholly owned subsidiaries as of December 31, 2023:

State / Hospital	City	Licensed Beds ⁽¹⁾	Ownership Type
Alabama ⁽⁵⁾			
DeKalb Regional Medical Center ⁽⁶⁾	Fort Payne	134	Owned
Arkansas ⁽⁵⁾			
Forrest City Medical Center	Forrest City	118	Leased ⁽²⁾
Helena Regional Medical Center ⁽⁶⁾	Helena	155	Leased ⁽³⁾
California			
Barstow Community Hospital ⁽⁶⁾	Barstow	30	Owned
Kentucky ⁽⁵⁾			
Kentucky River Medical Center ⁽⁶⁾	Jackson	55	Owned
Three Rivers Medical Center ⁽⁶⁾	Louisa	90	Owned
Nevada ⁽⁵⁾			
Mesa View Regional Hospital ⁽⁴⁾	Mesquite	25	Owned
New Mexico			
Mimbres Memorial Hospital ⁽⁴⁾	Deming	25	Owned
Oregon ⁽⁵⁾			
McKenzie - Willamette Medical Center	Springfield	113	Owned
Texas			
Big Bend Regional Medical Center ⁽⁴⁾	Alpine	25	Owned
Utah			
Mountain West Medical Center	Tooele	44	Owned
Wyoming			
Evanston Regional Hospital ⁽⁶⁾	Evanston	42	Owned
Total number of licensed beds at December 31, 2023		856	
Total number of hospitals at December 31, 2023		12	

- (1) Licensed beds are defined as the number of beds for which the appropriate state agency licenses a hospital, regardless of whether the beds are actually available for patient use.
- (2) Prepaid lease expiring on February 28, 2046.
- (3) Prepaid lease expiring on January 1, 2025.
- (4) Designated by CMS as a critical access hospital.
- (5) Represents states with CON laws.
- (6) Represents a hospital considered a sole community hospital, as defined by Medicare regulations.

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UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
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Results of Operations

We have summarized our results of operations, including certain financial and operating data for the combined three months and years ended December 31, 2023 and 2022 on a comparative basis below. The definitions of certain terms used throughout the remainder of "Management's Discussion and Analysis" follows:

Same-facility Same-facility financial and operating data, as presented in the comparative discussions herein, excludes hospitals and entities that were sold or closed prior to and as of the end of the current reporting period. Our same-facility combined operating results for the three months and years ended December 31, 2023 and 2022, which are reported herein, have been adjusted to exclude the operating results of the following entities and affiliates.

Divestitures Group The divestitures group, as of December 31, 2023, includes all hospitals that had been sold or closed by us since Community Health Systems, Inc ("CHS") completed the spin-off of certain hospitals, affiliated facilities, and Quorum Health Resources, LLC ("QHR") to QHC on April 22, 2016 (the "Spin-off") through December 31, 2023 and QHR, which was sold on May 28, 2021. This group may have certain ongoing operations during the wind-down periods related to the assets and liabilities which were not part of the hospital sale, which typically includes patient accounts receivable, third-party receivables and accounts payable.

Hospital or Entity	Hospitals or Entities Divested as of December 31, 2023		
	Licensed Beds	Disposition	Divestiture Date
Sandhills Regional Medical Center ("Sandhills")	64	Sold	December 1, 2016
Barrow Regional Medical Center ("Barrow")	56	Sold	December 31, 2016
Cherokee Medical Center ("Cherokee")	60	Sold	March 31, 2017
Trinity Hospital of Augusta ("Trinity")	231	Sold	June 30, 2017
Lock Haven Hospital ("Lock Haven")	47	Sold	September 30, 2017
Sunbury Community Hospital ("Sunbury")	70	Sold	September 30, 2017
L.V. Stabler Memorial Hospital ("L.V. Stabler")	72	Sold	October 31, 2017
Affinity Medical Center ("Affinity")	156	Closed	February 11, 2018
Vista Medical Center West ("Vista West")	70	Sold	March 1, 2018
Clearview Regional Medical Center ("Clearview")	77	Sold	March 31, 2018
McKenzie Regional Hospital ("McKenzie")	45	Sold	September 30, 2018
Scenic Mountain Medical Center ("Scenic Mountain")	146	Sold	April 12, 2019
Watsonville Community Hospital ("Watsonville")	106	Sold	September 30, 2019
MetroSouth Medical Center ("MetroSouth")	314	Closed	September 30, 2019
Henderson County Community Hospital ("Henderson")	45	Sold	March 31, 2020
Galesburg Cottage Hospital ("Galesburg")	133	Sold	June 24, 2020
Quorum Health Resources ("QHR")	N/A	Sold	May 28, 2021
Paul B. Hall Regional Medical Center ("Paul B. Hall")	72	Sold	December 1, 2021
Union County Hospital ("Union")	25	Sold	January 13, 2023
Heartland Regional Medical Center ("Heartland")	106	Sold	January 13, 2023
Crossroads Community Hospital ("Crossroads")	47	Sold	January 13, 2023
Red Bud Regional Hospital ("Red Bud")	25	Sold	January 13, 2023
Gateway Regional Medical Center ("Gateway")	298	Sold	February 28, 2023
Fannin Regional Hospital ("Fannin")	50	Sold	June 30, 2023
Vista Medical Center East ("Vista")	228	Sold	June 30, 2023
Martin General Hospital ("Martin")	49	Closed	July 1, 2023
Alta Vista Regional Hospital ("Alta Vista")	54	Sold	November 30, 2023

Licensed Beds Licensed beds are the number of beds for which the appropriate state agency licenses a hospital, regardless of whether the beds are actually available for patient use.

Admissions Admissions represent the number of patients admitted for inpatient services.

Adjusted Admissions Adjusted admissions are computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

Surgeries Surgeries represent the number of inpatient and outpatient surgeries.

Emergency room visits Emergency room visits represent the number of patients registered and treated in our emergency rooms.

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(Continued)

Medicare case mix index Medicare case mix index is a relative value assigned to a diagnosis-related group of patients that is used in determining the allocation of resources necessary to treat the patients in that group. Medicare case mix index is calculated as the average case mix index for all Medicare admissions during the period.

Hospital operations man-hours per adjusted admission Hospital operations man-hours per adjusted admission is calculated as total paid employed and contract labor hours at both our hospitals and affiliated outpatient facilities divided by adjusted admissions. It is used by management as a measurement of productivity.

Days revenue outstanding Days revenue outstanding approximates the average collection period for patient accounts receivable. It is calculated by dividing net patient accounts receivable at the end of the period by average net operating revenues per day for the most recent three months. Net patient accounts receivable excludes the amounts reported as due from and to third-party payors related to final cost report settlements and state supplemental payment programs.

EBITDA EBITDA is a non-GAAP financial measure that consists of net income (loss) before interest, income taxes, depreciation and amortization.

Adjusted EBITDA Adjusted EBITDA, also a non-GAAP financial measure, is EBITDA adjusted to add back the effect of certain legal, professional and settlement costs, bankruptcy restructuring costs, reorganization items, impairment of long-lived assets and goodwill, net gain (loss) on sale of entities, net gain (loss) on closure of hospitals, net gain (loss) on lease extinguishment, transition of transition services agreements ("TSAs"), executive severance and retention costs, equity-based compensation expense, change in estimate related to the collectability of patient accounts receivable, and impairment of notes receivable. We use Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by our management to assess the operating performance of our hospital operations business and to make decisions on the allocation of resources. Additionally, management uses Adjusted EBITDA in assessing our consolidated results of operations and in comparing our results of operations between periods.

Same-facility Adjusted EBITDA Same-facility Adjusted EBITDA, also a non-GAAP financial measure, is further adjusted to exclude the effect of EBITDA of the divestitures group. We present Same-facility Adjusted EBITDA because management believes this measure provides investors and other users of our financial statements with additional information about how management assesses our results of operations.

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(Continued)

Three Months Ended December 31, 2023 Compared to Three Months Ended December 31, 2022

The following table provides a summary of our results of operations, both in dollars and as a percentage of net operating revenues (dollars in thousands):

	Three Months Ended December 31, 2023		2022		\$ Variance	Change in %
	Amount	% of Revenues	Amount	% of Revenues		
Net operating revenues	\$ 239,973	100.0%	\$ 354,748	100.0%	\$(114,775)	
Operating costs and expenses:						
Salaries and benefits	103,973	43.3 %	166,298	46.9 %	(62,325)	(3.6)%
Supplies	29,653	12.4 %	48,727	13.7 %	(19,074)	(1.3)%
Other operating expenses	82,929	34.4 %	149,803	42.2 %	(66,874)	(7.8)%
Depreciation and amortization	6,672	2.8 %	13,069	3.7 %	(6,397)	(0.9)%
Lease costs and rent	4,814	2.0 %	8,280	2.3 %	(3,466)	(0.3)%
Government stimulus funds	(37)	— %	(3,212)	(0.9)%	3,175	0.9 %
Legal, professional and settlement costs	2,540	1.1 %	5,217	1.5 %	(2,677)	(0.4)%
Impairment of long-lived assets and goodwill	200	0.1 %	122,601	34.6 %	(122,401)	(34.5)%
Loss (gain) on sale of entities, net	11,252	4.7 %	—	— %	11,252	4.7 %
Total operating costs and expenses	241,996	100.8 %	510,783	144.0 %	(268,787)	(43.2)%
Income (loss) from operations	(2,023)	(0.8)%	(156,035)	(44.0)%	154,012	43.2 %
Reorganization items, net	1	— %	330	0.1 %	(329)	(0.1)%
Interest expense, net	35,520	14.8 %	23,990	6.8 %	11,530	8.0 %
Income (loss) before income taxes	(37,544)	(15.6)%	(180,355)	(50.8)%	142,811	35.2 %
Provision for (benefit from) income taxes	(6,580)	(2.7)%	2,536	0.8 %	(9,116)	(3.5)%
Net income (loss)	(30,964)	(12.9)%	(182,891)	(51.6)%	151,927	38.7 %
Less: Net income (loss) attributable to noncontrolling interests	-	— %	60	— %	(60)	— %
Net income (loss) attributable to members' interests	<u>\$ (30,964)</u>	<u>(12.9)%</u>	<u>\$ (182,951)</u>	<u>(51.6)%</u>	<u>\$ 151,987</u>	<u>38.7 %</u>

The following table reconciles Adjusted EBITDA and Same-facility Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measure (in thousands):

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Net income (loss)	\$ (30,964)	\$ (182,891)
Interest expense, net	35,520	23,990
Provision for (benefit from) income taxes	(6,580)	2,536
Depreciation and amortization	6,672	13,069
EBITDA	4,648	(143,296)
Legal, professional and settlement costs	2,540	5,217
Reorganization items, net	1	330
Impairment of long-lived assets and goodwill	200	122,601
Loss (gain) on sale of entities, net	11,252	-
Transition of transition services agreements	317	366
Executive severance and retention costs	1,494	84
Equity-based compensation expense	153	383
Adjusted EBITDA	20,605	(14,315)
EBITDA of divested entities	2,776	18,667
Same-facility Adjusted EBITDA	<u>\$ 23,381</u>	<u>\$ 4,352</u>

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(Continued)

Revenues

The following table provides information related to our net operating revenues (dollars in thousands, except per adjusted admission amounts):

	Three Months Ended December 31,			
	2023	2022	\$ Variance	% Variance
Consolidated:				
Net patient revenues	\$ 230,962	\$ 349,899	\$ (118,937)	(34.0)%
Non-patient revenues	9,011	4,849	4,162	85.8 %
Total net operating revenues	\$ 239,973	\$ 354,748	\$ (114,775)	(32.4)%
Net patient revenues per adjusted admission	\$ 12,757	\$ 12,129	\$ 628	5.2 %
Net operating revenues per adjusted admission	\$ 13,255	\$ 12,297	\$ 958	7.8 %
Same-facility:				
Net patient revenues	\$ 225,987	\$ 195,422	\$ 30,565	15.6 %
Non-patient revenues	8,918	3,506	5,412	154.4 %
Total net operating revenues	\$ 234,905	\$ 198,928	\$ 35,977	18.1 %
Net patient revenues per adjusted admission	\$ 12,912	\$ 11,402	\$ 1,510	13.2 %
Net operating revenues per adjusted admission	\$ 13,422	\$ 11,606	\$ 1,816	15.6 %

The following table provides information related to certain drivers of our net operating revenues:

	Three Months Ended December 31,			
	2023	2022	Variance	% Variance
Consolidated:				
Number of licensed beds at end of period	856	1,738	(882)	(50.7)%
Admissions	5,410	9,580	(4,170)	(43.5)%
Adjusted admissions	18,105	28,848	(10,743)	(37.2)%
Surgeries	7,780	12,225	(4,445)	(36.4)%
Emergency room visits	57,574	93,917	(36,343)	(38.7)%
Medicare case mix index	1.83	1.64	0.19	11.6 %
Same-facility:				
Number of licensed beds at end of period	856	856	—	— %
Admissions	5,343	5,449	(106)	(1.9)%
Adjusted admissions	17,502	17,140	362	2.1 %
Surgeries	7,691	7,328	363	5.0 %
Emergency room visits	55,544	55,826	(282)	(0.5)%
Medicare case mix index	1.84	1.62	0.22	13.6 %

Net operating revenues for the three months ended December 31, 2023 decreased \$114.8 million compared to the three months ended December 31, 2022, consisting of a \$118.9 million decrease in net patient revenues and a \$4.1 million increase in non-patient revenues. Our decrease in net patient revenues consisted of a \$140.5 million decrease in the divestiture group, partially offset by a \$21.6 million increase in same-facility net patient revenues. The \$21.6 million increase in our same-facility net patient revenues was due to a \$17.3 million increase in rate and a \$4.3 million increase in volume. The increase in rate was primarily due to an increase in inpatient acuity and surgical volumes in the fourth quarter of 2023 when compared to the same period in 2022. On a consolidated basis, admissions decreased by 43.5% and adjusted admissions decreased by 37.2%, when comparing the fourth quarter of 2023 to the same period in

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(Continued)

2022. On a same-facility basis, admissions decreased 1.9% and adjusted admissions increased 2.1%, when comparing the fourth quarter of 2023 to the same period in 2022.

Salaries and Benefits

The following table provides information related to our salaries and benefits expenses (dollars in thousands, except per adjusted admission amounts):

	Three Months Ended December 31,		\$ Variance	% Variance
	2023	2022		
Salaries and benefits	\$ 103,973	\$ 166,298	\$ (62,325)	(37.5)%
Hospital operations salaries and benefits	\$ 96,827	\$ 160,352	\$ (63,525)	(39.6)%
Hospital operations salaries and benefits per adjusted admission	\$ 5,348	\$ 5,559	\$ (211)	(3.8)%
Hospital operations man-hours per adjusted admission	103.1	110.9	(7.8)	(7.0)%

Salaries and benefits decreased \$62.3 million for the three months ended December 31, 2023 compared to the three months ended December 31, 2022. Salaries and benefits decreased \$69.6 million related to the divestitures group and increased \$7.3 million related to same-facility salaries and benefits. The increase in same-facility salaries and benefits was primarily due to our conversion from contract labor to employees and normal merit increases.

Supplies

The following table provides information related to our supplies expense (dollars in thousands, except per adjusted admissions amounts):

	Three Months Ended December 31,		\$ Variance	% Variance
	2023	2022		
Supplies	\$ 29,653	\$ 48,727	\$ (19,074)	(39.1)%
Supplies per adjusted admission	\$ 1,638	\$ 1,689	\$ (51)	(3.0)%

Supplies expense decreased \$19.1 million for the three months ended December 31, 2023 when compared to the three months ended December 31, 2022. The \$19.1 million decrease consisted of a \$17.9 million decrease related to the divestiture group and a \$1.2 million decrease related to same-facility operations. The \$1.2 million decrease in our same-facility supplies is primarily related to increased surgical volumes during the three months ended December 31, 2023 compared to the same period in 2022 offset by a decrease in supplies expense related to remaining COVID-19 inventory.

Other Operating Expenses

The following table provides information related to our other operating expenses (dollars in thousands):

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	\$ Variance	% Variance
Purchased services	\$ 33,726	\$ 58,854	\$ (25,128)	(42.7)%
Taxes and insurance	18,963	33,161	(14,198)	(42.8)%
Medical specialist fees	15,940	24,027	(8,087)	(33.7)%
Repairs and maintenance	4,496	7,508	(3,012)	(40.1)%
Utilities	2,355	4,261	(1,906)	(44.7)%
Other miscellaneous operating expenses	7,449	21,992	(14,543)	(66.1)%
Total other operating expenses	\$ 82,929	\$ 149,803	\$ (66,874)	

Other operating expenses decreased \$66.9 million for the three months ended December 31, 2023 compared to the three months ended December 31, 2022. Other operating expenses increased \$1.4 million related to same-facility operations, offset by a \$68.3 million decrease in other operating expenses related to the divestiture group.

Depreciation and Amortization

Depreciation and amortization expense decreased \$6.4 million during the three months ended December 31, 2023 compared to the three months ended December 31, 2022. The \$6.4 million decrease consisted of a \$5.4 million decrease related to the divestiture group and a \$1.0 million decrease related to same-facility operations, primarily as a result of assets becoming fully depreciated.

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Lease Costs and Rent

Lease costs and rent expense decreased \$3.5 million during the three months ended December 31, 2023 compared to the three months ended December 31, 2022, primarily due to a \$3.8 million decrease related to the divestiture group.

Government Stimulus Funds

The Company recognized less than \$0.1 million and \$3.2 million of government stimulus funds related to the Relief Fund payments received from the CARES Act and other state agencies during the three months ended December 31, 2023 and 2022, respectively. See Note 1 — Federal Coronavirus Relief Legislation in the accompanying consolidated financial statements for additional information on these matters.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs decreased \$2.7 million for the three months ended December 31, 2023 compared to the three months ended December 31, 2022. Legal, professional and settlement costs include legal costs and related settlements, if any, related to regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters. See Note 16 — Commitments and Contingencies in the accompanying consolidated financial statements for additional information on these matters.

Reorganization Items, Net

We recognized less than \$0.1 million of reorganization items, net for the three months ended December 31, 2023. We recognized \$0.3 million of reorganization items, net for the three months ended December 31, 2022.

Impairment of Long-Lived Assets and Goodwill

For the three months ended December 31, 2023, we recognized \$0.2 million of impairment to long-lived assets and goodwill of certain hospitals which we identified as potential divestiture candidates or for which we had received letters of intent and goodwill. For the three months ended December 31, 2022, we recognized \$122.6 million of impairment of long-lived assets and goodwill.

Loss (Gain) on Sale of Entities, Net

We recognized an \$11.3 million loss on sale of entities, net during the three months ended December 31, 2023 primarily related to the sale of Alta Vista. We did not recognize any loss or gain on the sale of entities for the three months ended December 31, 2022.

Interest Expense, Net

Interest expense, net increased \$11.5 million for the three months ended December 31, 2023 compared to the three months ended December 31, 2022 primarily due to less favorable interest rates in the 2023 period when compared to the same period in 2022. See Liquidity and Capital Resources below and Note 7 — Long-Term Debt in the accompanying condensed consolidated financial statements for additional information on our indebtedness.

Income Taxes

The benefit from income taxes was \$6.6 million for the three months ended December 31, 2023 compared to a provision for income taxes of \$2.5 million for the three months ended December 31, 2022. Our effective tax rates were 17.5% and (1.4%) for the three months ended December 31, 2023 and 2022, respectively. See Note 12 — Income Taxes for more information.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

The following table provides a summary of our results of operations, both in dollars and as a percentage of net operating revenues (dollars in thousands):

	Year Ended December 31,					
	2023		2022			
	Amount	% of Revenues	Amount	% of Revenues	\$ Variance	Change in %
Net operating revenues	\$1,049,373	100.0%	\$ 1,373,988	100.0%	\$ (324,615)	
Operating costs and expenses:						
Salaries and benefits	481,850	45.9 %	636,635	46.3 %	(154,785)	(0.4)%
Supplies	124,462	11.9 %	175,187	12.8 %	(50,725)	(0.9)%
Other operating expenses	396,068	37.7 %	575,888	41.9 %	(179,820)	(4.2)%
Depreciation and amortization	34,560	3.3 %	62,138	4.5 %	(27,578)	(1.2)%
Lease costs and rent	23,060	2.2 %	31,681	2.3 %	(8,621)	(0.1)%
Government stimulus funds	(1,211)	(0.1)%	(18,670)	(1.4)%	17,459	1.3 %
Legal, professional and settlement costs	6,437	0.6 %	9,379	0.7 %	(2,942)	(0.1)%
Impairment of long-lived assets and goodwill	32,450	3.1 %	273,356	19.9 %	(240,906)	(16.8)%
Loss (gain) on sale of entities, net	(24,497)	(2.3)%	(65)	— %	(24,432)	(2.3)%
Total operating costs and expenses	1,073,179	102.3 %	1,745,529	127.0 %	(672,350)	(24.7)%
Income (loss) from operations	(23,806)	(2.3)%	(371,541)	(27.0)%	347,735	24.7 %
Reorganization items, net	87	— %	3,690	0.3 %	(3,603)	(0.3)%
Interest expense, net	116,548	11.1 %	77,171	5.6 %	39,377	5.5 %
Income (loss) before income taxes	(140,441)	(13.4)%	(452,402)	(32.9)%	311,961	19.5 %
Provision for (benefit from) income taxes	397	— %	2,528	0.2 %	(2,131)	(0.2)%
Net income (loss)	(140,838)	(13.4)%	(454,930)	(33.1)%	314,092	19.7 %
Less: Net income (loss) attributable to noncontrolling interests	248	— %	217	— %	31	— %
Net income (loss) attributable to members' interests	\$ (141,086)	(13.4)%	\$ (455,147)	(33.1)%	\$ 314,061	19.7 %

The following table reconciles Adjusted EBITDA and Same-facility Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measure (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income (loss)	\$ (140,838)	\$ (454,930)
Interest expense, net	116,548	77,171
Provision for (benefit from) income taxes	397	2,528
Depreciation and amortization	34,560	62,138
EBITDA	10,667	(313,093)
Legal, professional and settlement costs	6,437	9,379
Reorganization items, net	87	3,690
Impairment of long-lived assets and goodwill	32,450	273,356
Loss (gain) on sale of entities, net	(24,497)	(65)
Transition of transition services agreements	396	1,464
Executive severance and retention costs	4,036	2,920
Equity-based compensation expense	903	2,153
Adjusted EBITDA	30,479	(20,196)
EBITDA of divested entities	41,089	49,358
Same-facility Adjusted EBITDA	<u>\$ 71,568</u>	<u>\$ 29,162</u>

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Revenues

The following table provides information related to our net operating revenues (dollars in thousands, except per adjusted admission amounts):

	<u>Year Ended December 31,</u>			
	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Consolidated:				
Net patient revenues	\$ 1,002,938	\$ 1,363,917	\$ (360,979)	(26.5)%
Non-patient revenues	46,435	10,071	36,364	361.1 %
Total net operating revenues	<u>\$ 1,049,373</u>	<u>\$ 1,373,988</u>	<u>\$ (324,615)</u>	<u>(23.6)%</u>
Net patient revenues per adjusted admission	<u>\$ 12,252</u>	<u>\$ 12,177</u>	<u>\$ 75</u>	<u>0.6 %</u>
Net operating revenues per adjusted admission	<u>\$ 12,820</u>	<u>\$ 12,267</u>	<u>\$ 553</u>	<u>4.5 %</u>
Same-facility:				
Net patient revenues	\$ 837,223	\$ 785,945	\$ 51,278	6.5 %
Non-patient revenues	44,545	4,756	39,789	836.6 %
Total net operating revenues	<u>\$ 881,768</u>	<u>\$ 790,701</u>	<u>\$ 91,067</u>	<u>11.5 %</u>
Net patient revenues per adjusted admission	<u>\$ 12,221</u>	<u>\$ 11,938</u>	<u>\$ 283</u>	<u>2.4 %</u>
Net operating revenues per adjusted admission	<u>\$ 12,872</u>	<u>\$ 12,011</u>	<u>\$ 861</u>	<u>7.2 %</u>

The following table provides information related to certain drivers of our net operating revenues:

	<u>Year Ended December 31,</u>			
	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Variance</u>
Consolidated:				
Number of licensed beds at end of period	856	1,738	(882)	(50.7)%
Admissions	25,946	38,433	(12,487)	(32.5)%
Adjusted admissions	81,856	112,007	(30,151)	(26.9)%
Surgeries	35,098	48,558	(13,460)	(27.7)%
Emergency room visits	264,412	348,501	(84,089)	(24.1)%
Medicare case mix index	1.73	1.64	0.09	5.5 %
Same-facility:				
Number of licensed beds at end of period	856	856	—	— %
Admissions	20,950	21,275	(325)	(1.5)%
Adjusted admissions	68,505	65,833	2,672	4.1 %
Surgeries	30,522	28,829	1,693	5.9 %
Emergency room visits	213,850	207,053	6,797	3.3 %
Medicare case mix index	1.77	1.72	0.05	2.9 %

Net operating revenues for the year ended December 31, 2023 decreased \$324.6 million compared to the year ended December 31, 2022, consisting of a \$361.0 million decrease in net patient revenues and a \$36.4 million increase in non-patient revenues. Our decrease in net patient revenues consisted of a \$412.3 million decrease related to the divestitures group and a \$51.3 million increase in same-facility net patient revenues. The \$51.3 million increase in our same-facility net patient revenues was due to a \$35.9 million increase in rate and acuity and a \$15.4 million increase from higher volumes. On a consolidated basis, admissions decreased 32.5% and adjusted admissions decreased 26.9% when comparing the year ended December 31, 2023 to the same period in 2022. On a same-facility basis,

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

admissions decreased 1.5% and adjusted admissions increased 4.1%, when comparing the year ended December 31, 2023 to the same period in 2022.

Salaries and Benefits

The following table provides information related to our salaries and benefits expenses (dollars in thousands, except per adjusted admission amounts):

	Year Ended December 31,			
	2023	2022	\$ Variance	% Variance
Salaries and benefits	\$ 481,850	\$ 636,635	\$ (154,785)	(24.3)%
Hospital operations salaries and benefits	\$ 459,436	\$ 612,764	\$ (153,328)	(25.0)%
Hospital operations salaries and benefits per adjusted admission	\$ 5,613	\$ 5,471	\$ 142	2.6%
Hospital operations man-hours per adjusted admission	106.2	113.3	(7.1)	(6.2)%

Salaries and benefits decreased \$154.8 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. Salaries and benefits declined \$190.3 million related to the divestitures group and increased \$35.5 million related to same-facility salaries and benefits. The same-facility increase of \$35.5 million was primarily due to a transition from contract labor to employees and normal and customary annual wage increases.

Supplies

The following table provides information related to our supplies expense (dollars in thousands, except per adjusted admissions amounts):

	Year Ended December 31,			
	2023	2022	\$ Variance	% Variance
Supplies	\$ 124,462	\$ 175,187	\$ (50,725)	(29.0)%
Supplies per adjusted admission	\$ 1,520	\$ 1,564	\$ (44)	(2.8)%

Supplies expense decreased \$50.7 million for the year ended December 31, 2023 when compared to the year ended December 31, 2022, which included a \$49.8 million decline related to the divestitures group and a \$0.9 million decrease related to our same-facility hospitals. The \$0.9 million decrease in our same-facility supplies was primarily related to the increase in surgeries when comparing the year ended December 31, 2023 to the year ended December 31, 2022 offset by a decrease in supplies expense related to remaining COVID-19 inventory.

Other Operating Expenses

The following table provides information related to our other operating expenses (dollars in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Variance	% Variance
Purchased services	\$ 161,402	\$ 226,735	\$ (65,333)	(28.8)%
Taxes and insurance	78,957	116,944	(37,987)	(32.5)%
Medical specialist fees	74,081	90,119	(16,038)	(17.8)%
Repairs and maintenance	20,405	29,680	(9,275)	(31.3)%
Utilities	12,132	17,787	(5,655)	(31.8)%
Other miscellaneous operating expenses	49,091	94,623	(45,532)	(48.1)%
Total other operating expenses	\$ 396,068	\$ 575,888	\$ (179,820)	

Other operating expenses decreased \$179.8 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. Other operating expenses declined \$181.6 million related to the divestitures group, offset by a \$1.8 million increase in same-facility other operating expenses.

Depreciation and Amortization

Depreciation and amortization expense decreased \$27.6 million during the year ended December 31, 2023 compared to the year ended December 31, 2022. The \$27.6 million decrease consisted of an \$19.1 million decrease related to the divestiture group and a \$8.5 million decrease related to same-facility operations, primarily as a result of assets becoming fully depreciated and impairment on fixed assets recognized during the year ended December 31, 2023.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Lease Costs and Rent

Lease costs and rent expense decreased \$8.6 million during the year ended December 31, 2023 compared to the year ended December 31, 2022. The \$8.6 million decrease consisted of an \$11.8 million decrease related to the divestiture group, offset by a \$3.2 million increase related to same-facility operations.

Government Stimulus Funds

The Company recognized \$1.2 million and \$18.7 million of government stimulus funds related to the Relief Fund payments received from the CARES Act and state agencies during the years ended December 31, 2023 and 2022, respectively. See Note 1 — Federal Coronavirus Relief Legislation in the accompanying consolidated financial statements for additional information on these matters.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs increased \$2.9 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. Legal, professional and settlement costs include legal costs and related settlements, if any, related to regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters. See Note 16 — Commitments and Contingencies in the accompanying consolidated financial statements for additional information on these matters.

Reorganization Items, Net

We recognized a \$0.1 million loss on reorganization items, net for the year ended December 31, 2023 compared to a \$3.7 million loss on reorganization items, net for the year ended December 31, 2022.

Impairment of Long-Lived Assets and Goodwill

For the year ended December 31, 2023, we recognized \$32.5 million of impairment to long-lived assets of certain hospitals which we identified as potential divestiture candidates or for which we had received letters of intent and goodwill. For the year ended December 31, 2022, we recognized \$273.4 million of impairment to long-lived assets and goodwill of certain hospitals which we had identified as potential divestiture candidates or for which we had received letters of intent.

Loss (Gain) on Sale of Entities, Net

We recognized a \$24.5 million gain on sale of entities, net during the year ended December 31, 2023 related to the sale of Heartland, Union, Red Bud and Crossroads (the "Illinois Facilities"), Gateway, Vista, Fannin and Alta Vista. We recognized a negligible gain on sale of entities, net during the year ended December 31, 2022.

Interest Expense, Net

Interest expense, net increased \$39.4 million for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in the effective interest rates of our long term debt. See Liquidity and Capital Resources below and Note 7 — Long-Term Debt in the accompanying condensed consolidated financial statements for additional information on our indebtedness.

Income Taxes

The provision for income taxes was \$0.4 million for the year ended December 31, 2023 compared to a provision for income taxes of \$2.5 million for the year ended December 31, 2022. Our effective tax rates were (0.3%) and (0.6%) for the years ended December 31, 2023 and 2022, respectively. See Note 14 — Income Taxes for more information.

Liquidity and Capital Resources

Financial Outlook

Our primary sources of liquidity are cash flows from operations, proceeds from divestitures and available borrowing capacity under our Exit ABL Facility. See Note 7 — Long-Term Debt in the accompanying consolidated financial statements for additional information.

Our financial statements have been prepared under the assumption that we will continue as a going concern. Refer to Note 1 — Business and Basis of Presentation in the accompanying consolidated financial statements for additional information.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Statements of Cash Flows

The following table provides a summary of our cash flows (in thousands):

	Twelve Months Ended December 31,		
	2023	2022	\$ Variance
Net cash provided by (used in) operating activities	\$ (100,609)	\$ (56,095)	\$ (44,514)
Net cash provided by (used in) investing activities	155,494	(6,971)	162,465
Net cash provided by (used in) financing activities	(66,984)	7,114	(74,098)
Net change in cash and cash equivalents	<u>\$ (12,099)</u>	<u>\$ (55,952)</u>	<u>\$ 43,853</u>

Net cash used in operating activities was \$108.1 million for the year ended December 31, 2023 compared to net cash used by operating activities of \$56.1 million for the year ended December 31, 2022, an \$52.0 million increase in cash used. The increase in cash used in operations was primarily due to a decrease in our balance of accounts payable and other current liabilities in the current period when compared to the same period in 2022. Other changes in operating assets and liabilities on a comparative basis for the years ended December 31, 2023 and 2022 were affected by our normal business operations.

Net cash provided by investing activities was \$155.5 million for the year ended December 31, 2023 compared to net cash used in investing activities of \$7.0 million for the year ended December 31, 2022, a \$162.5 million increase in cash provided. The increase in the cash provided was primarily due to proceeds from the sale of entities of \$174.4 million for the year ended December 31, 2023.

Net cash used in financing activities was \$67.0 million for the year ended December 31, 2023 compared to net cash provided by financing activities of \$7.1 million for the year ended December 31, 2022, a \$74.1 million increase in cash used. This increase was primarily related to an increase in net repayments of long-term debt primarily due to the \$62.6 million repayment on the Exit Term Loan using a portion of the funds received from divestitures during the year ended December 31, 2023.

Capital Expenditures

Capital expenditures for property, equipment and software were \$12.4 million and \$21.7 million for the years ended December 31, 2023 and 2022, respectively. In addition, we had \$0.2 million and \$1.6 million of capital expenditures related to property and equipment accrued in accounts payable at December 31, 2023 and 2022, respectively. Our capital expenditures primarily consist of purchases of medical equipment and renovations at our hospitals.

Debt

The following table provides a summary of activity related to our long-term debt including current maturities (in thousands):

	Twelve Months Ended December 31, 2023				
	Total Debt at Beginning of Period	Borrowings	Repayments	Other	Total Debt at End of Period
Exit Term Loan Facility, maturing 2025	\$ 685,249	\$ 49,996	\$ (62,564)	\$ —	\$ 672,681
Last Out Facility	—	8,075	—	—	8,075
Exit ABL Credit Facility, maturing 2024	89,600	35,850	(59,396)	—	66,054
Super Senior Debt Facility	—	20,000	(50)	—	19,950
Unamortized debt issuance costs and discounts	(23,481)	—	—	(9,051)	(32,532)
Capital lease obligations	14,813	—	(2,422)	(8)	12,383
Other debt	2,619	2,490	(276)	(141)	4,692
Total debt	768,800	116,411	(124,708)	(9,200)	751,302
Less: Current maturities of long-term debt	(3,199)	—	—	—	(3,660)
Total long-term debt	<u>\$ 765,601</u>	<u>\$ 116,411</u>	<u>\$ (124,708)</u>	<u>\$ (9,200)</u>	<u>\$ 747,642</u>

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table provides a summary of our long-term debt, allocated between fixed and variable debt (dollars in thousands):

	December 31, 2023	
	\$ Amount	% of Total Debt
Fixed	\$ 17,074	2.2%
Variable	766,760	97.8%
Total debt, excluding unamortized debt issuance costs and discounts	\$ 783,834	100.0%

Exit Term Loan Facility

On July 7, 2020 (the "Effective Date"), pursuant to the Joint Prepackaged Chapter 11 Plan of Reorganization (the "Plan"), QHC, as the borrower (the "Term Loan Borrower"), and Quincy Health entered into the Exit Term Loan Agreement (the "Exit Term Loan Agreement"). The Exit Term Loan Agreement provides for a senior secured term loan facility in the aggregate principal amount of \$732,153,485 (the "Exit Term Loan Facility"). On the Effective Date, the Company extinguished its obligations under its prior term loan facility and revolving credit facility. The Term Loan Borrower used the proceeds of the Exit Term Loan Facility to, among other things, fund cash distributions under the Plan.

The Exit Term Loan Facility (as amended) bears interest at an annual rate equal to the Term Secured Overnight Financing Rate ("SOFR") (with a floor of 1.00%), plus an applicable margin. The amended applicable margin is 8.25%. Upon the occurrence and continuance of an event of default under the Exit Term Loan Facility, UMB Bank NA (the "Term Loan Agent") is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit Facility was 15.76% as of December 31, 2023.

The Term Loan Borrower, Quincy Health and certain subsidiaries of the Term Loan Borrower, as guarantors, (collectively, together with Quincy Health, the "Term Loan Guarantors" and, together with the Term Loan Borrower, the "Term Facility Loan Parties") guaranteed the obligations of the Term Loan Borrower under the Exit Term Loan Agreement, subject to certain exclusions and qualifications, and granted a first priority lien on substantially all of their current and future assets, including personal and real property, except for the ABL Priority Collateral, in order to secure the payment and performance of their obligations under the Exit Term Loan Facility. The Term Facility Loan Parties also granted a second priority lien on the ABL Priority Collateral.

The Exit Term Loan Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations.

Moreover, the Exit Term Loan Agreement contains customary events of default, including, among others, defaults related to the failure to pay principal or interest, covenant violations, and cross-defaults with the Exit ABL Credit Agreement (defined below). The Exit Term Loan Agreement also contains customary representations and warranties related to the assets, properties, financial condition, business, and corporate status of the Term Facility Loan Parties.

The Exit Term Loan Facility will mature and become due and payable on April 29, 2025, unless the Exit Term Loan Facility is accelerated, prepaid, or extended prior to that date.

On December 4, 2020, Amendment No. 1 to the Exit Term Loan Facility was entered into in order to require the delivery of financial statements of Quincy Health instead of the Term Loan Borrower and to make a correction to a financial covenant testing period.

On March 18, 2021, Amendment No. 2 to the Exit Term Loan Facility was entered into in order to (i) make McKenzie-Willamette Regional Medical Center Associates, LLC ("McKenzie-Willamette") a guarantor of the Exit Term Loan Facility; (ii) provide that, in the event that QHC or its subsidiaries receive any net cash proceeds from the U.S. Department of Housing and Urban Development 242 Loan Program ("HUD Loan") or certain real estate indebtedness, then such net proceeds shall be used to prepay outstanding term loans under the Exit Term Loan Facility; and (iii) provide for the release of McKenzie-Willamette as a guarantor if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 14, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 14, 2021; therefore, it was automatically released as a guarantor of the Exit Term Loan Facility.

On June 6, 2022, Jefferies Finance, LLC resigned as administrative agent and collateral agent under the Exit Term Loan Agreement and UMB Bank, National Association was appointed as the successor administrative agent and collateral agent.

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On June 7, 2022, Jefferies Finance LLC, filed a lawsuit against the Term Loan Borrower alleging violations of the terms of the Exit Term Loan Agreement. The parties settled this matter in late November 2022.

On June 7, 2021, the Term Loan Borrower used \$61.5 million of the proceeds from the sale of Quorum Health Resources, LLC ("QHR") to prepay the Exit Term Loan Facility. The \$61.5 million payment consisted of \$60.0 million of the principal balance, \$0.9 million of interest, and \$0.6 million of prepayment fees.

On November 30, 2022, Amendment No. 3 and Waiver to the Exit Term Loan Agreement was entered into providing for a suspension of the Secured Net Leverage Ratio financial maintenance covenant until July 1, 2023 and raised such ratio for July 1, 2023 through September 30, 2023 from 5.00x to 7.50x. Amendment No. 3 to the Exit Term Loan Agreement provided that the maximum Secured Net Leverage Ratio would step back down to 5.00x for the quarter ended December 31, 2023 and thereafter. Amendment No. 3 to the Exit Term Loan Agreement also included requirements to meet certain specified asset sale milestones in 2023 and 2024, added a minimum liquidity covenant and delivery of supplemental financials, waived certain defaults consisting of (x) failure to maintain Secured Net Leverage Ratio as required for the fiscal quarters ended March 31, 2022 through September 30, 2022 and (y) alleged underpayment of interest and removed all references to LIBOR and replaced them with SOFR.

On January 19, 2023, we used \$62.8 million of the proceeds from the sale of the Illinois Facilities to prepay the Exit Term Loan Facility. The \$62.8 million prepayment consisted of \$62.5 million of the principal balance and \$0.3 million of interest.

On May 31, 2023, Amendment No. 4 to the Exit Term Loan Agreement was entered into to amend the deadline to meet certain specified asset sale milestones.

On June 7, 2023, Amendment No. 5 to the Exit Term Loan Agreement was entered into to amend certain definitions and requirements to meet specified asset sale milestones.

On September 27, 2023, Amendment No. 6 and Waiver to the Exit Term Loan Agreement was entered into. The amendment provided for certain default waivers related to specified asset sale milestones and liquidity requirements. Additionally, the amendment waived the liquidity covenant through the remainder of 2023, extended the Secured Net Leverage Ratio holiday through September 30, 2023, raised the maximum ratio from 5.00 to 7.00 from January 1, 2024 through March 31, 2024, modified deadlines and provisions of certain specific asset sales and allowed for the Super Senior facility (described below).

On January 31, 2024, Amendment No. 7 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024 Amendment No. 8 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 13, 2024, Amendment No. 9 to the Exit Term Loan was entered into. The amendment modified certain asset purchase agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter through 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 October 1, 2024 through December 31, 2024, and 5.0 thereafter.

Exit ABL Credit Facility

On the Effective Date, pursuant to the Plan, QHC as a borrower ("ABL Borrower" and, together with any other person that becomes a party to the Exit ABL Credit Agreement as a borrower, the "ABL Borrowers"), Quincy Health and certain subsidiaries of QHC (collectively, together with Quincy Health, the "ABL Guarantors" and, together with the ABL Borrowers, the "ABL Loan Parties"), Credit Suisse AG, New York Branch, as administrative agent (the "ABL Agent"), and the lenders party thereto have entered into the Exit ABL Credit Agreement (the "Exit ABL Credit Agreement"). As of December 31, 2023, the Exit ABL Credit Agreement provides for a senior secured asset-based credit facility in the maximum principal amount of \$73 million, subject to a borrowing base (the "Exit ABL Facility"). Under the borrowing base provisions, the ABL Borrowers are only permitted to draw revolving loans in an amount equal to (i) 85% of the aggregate amount of the ABL Loan Parties' domestic eligible accounts receivable, plus (ii) 50% of the aggregate amount of the ABL Loan Parties' supplemental program eligible accounts receivable, minus (iii) the amount by which, if any, the Last-Out Term Loans (as defined below) exceed the Last-Out Borrowing Base (as defined below). Further, at least \$15 million of the Exit ABL Facility is available for the issuance of letters of credit to the ABL Borrowers. The ABL Borrowers used the proceeds of the Exit ABL Facility to, among other things, refinance its prior asset-based credit facility. The ABL Borrowers may also use the proceeds of the Exit ABL Facility for working capital, capital expenditures and other general corporate purposes.

The Exit ABL Facility bears interest at a rate per annum equal to the sum of (i) Term SOFR plus 0.11448%, and (ii) a margin of 4.25%. The ABL Borrowers also paid an arranger fee equal to 1.25% of the aggregate principal amount of the Exit ABL Facility on the

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Effective Date. In addition to the upfront arranger fee, the ABL Borrowers must pay an unused facility fee equal to 0.5% per annum of the unborrowed principal available to the ABL Borrowers under the Exit ABL Facility. Upon the occurrence and continuance of an event of default under the Exit ABL Facility, the ABL Agent is permitted to charge a default rate of interest equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit ABL Credit Agreement was 9.72% as of December 31, 2023.

To secure the payment and performance of their obligations under the Exit ABL Credit Agreement, the ABL Loan Parties granted a first priority lien on, among other assets, the ABL Loan Parties' current and future accounts receivable, health-care receivables, cash, deposit accounts, payment intangibles, intercompany indebtedness funded directly with proceeds of the Exit ABL Facility or incurred in the ordinary course of business pursuant to the cash management structure of the ABL Borrowers and their subsidiaries, and securities and securities entitlements (the "ABL Priority Collateral"). The ABL Loan Parties granted a second priority lien on substantially all of their assets other than the ABL Priority Collateral. The Exit ABL Credit Agreement contains customary exclusions and qualifications on the liens granted by the ABL Loan Parties that are consistent with the Exit Term Loan Agreement. Further, the ABL Guarantors guaranteed the payment and performance of the ABL Borrowers obligations under the Exit ABL Credit Agreement, subject to customary exclusions and qualifications consistent with the exclusions and qualifications provided in the Exit Term Loan Agreement.

As of December 31, 2023, the Company had \$66.1 million of borrowings outstanding on the Exit ABL Facility and had \$0.8 million of letters of credit outstanding. As of December 31, 2023, the Company had borrowing capacity of \$0.1 million under its Exit ABL Facility.

The Exit ABL Credit Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations. The Exit ABL Credit Agreement (as amended) contains financial covenants requiring the ABL Borrowers to maintain certain levels of liquidity and a fixed coverage charge ratio equal to .65x for the fiscal quarter ending December 31, 2023 and 1.0x for the fiscal quarter ending March 31, 2024 and each fiscal quarter thereafter. Moreover, the Exit ABL Credit Agreement contains customary events of default, representations and warranties, which are substantially consistent with the Exit Term Loan Agreement, except for the inclusion of representations and warranties related to the borrowing base for the Exit ABL Facility.

The Exit ABL Facility will mature and become due and payable on July 7, 2024, unless the Exit ABL Facility is accelerated, prepaid, or extended prior to that date.

On December 7, 2020, Amendment No. 1 to the Exit ABL Credit Agreement was entered into in order to require the delivery of financial statements of Quincy Health instead of the ABL Borrower.

On March 18, 2021, Amendment No. 2 to the Exit ABL Credit Agreement was entered into in order to (i) reduce the aggregate revolving commitments under the Exit ABL Facility from \$145 million to \$130 million; (ii) make McKenzie-Willamette a subsidiary guarantor; and (iii) provide for the release of McKenzie-Willamette as a subsidiary guarantor in certain circumstances if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 18, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 18, 2021; therefore, it was automatically released as a subsidiary guarantor of the Exit ABL Facility.

On May 27, 2022, QHC, Amendment No. 3 to the Exit ABL Credit Agreement ("Amendment No. 3") was entered into to make certain amendments to the Exit ABL Credit Agreement in connection with the joinder of QHC Financing Services, LLC, a Delaware limited liability company ("QHC Financing"), to the loan documents pursuant to that certain Joinder No. 2, dated as of May 27, 2022 (the "ABL Joinder"), executed by QHC Financing and the ABL Agent. In connection with Amendment No. 3 a certain Sale Agreement (the "Receivables Sale Agreement"), dated as of May 27, 2022, between McKenzie-Willamette, as transferor, QHCCS, LLC, as the servicer, and QHC Financing was executed. Amendment No. 3 also removed all references to LIBOR and replaced with Daily and Term SOFR.

On January 13, 2023, Amendment No. 4 to the Exit ABL Credit Agreement was entered into to provide for capacity to incur a tranche of last out term loans and address certain changes reflected in Amendment No. 3 and Waiver to Credit Agreement (Exit Term Loan Agreement), dated as of November 30, 2022.

On February 23, 2023, Amendment No. 5 to the Exit ABL Credit Agreement was entered into to reduce the Revolving Commitment from \$130 million to \$100 million, increase the amount of the Letter of Credit Sublimit to \$30 million from \$21 million, and modify the definition of "Covenant Trigger Period."

On July 17, 2023, Amendment No. 6 to the Exit ABL Credit Agreement was entered into to specify the terms of an \$8.0 million term loan, (the "Last-Out Term Loans") incurred under the last out term loan tranche, subject to a borrowing base comprised of 13.5% of the aggregate amount of the ABL Loan Parties' domestic eligible accounts receivable (the "Last-Out Borrowing Base"). The Last-

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Out Loans bear interest at a rate per annum equal to the sum of (i) SOFR plus a 0.11448% adjustment and (ii) a margin of (x) 8.25% payable in cash and (y) 2.00% payable in kind by capitalizing such amount of accrued interest to the principal balance of the Last-Out Loans. The Last-Out Term Loans will mature and become due and payable on April 29, 2025, unless the Last-Out Term Loans are accelerated, prepaid, or extended prior to that date.

On September 27, 2023, Amendment No. 7 to the Exit ABL Credit Agreement was entered into. The amendment waived specified defaults, reduced the fixed charge coverage ratio from 1.00 to 0.65 for the period ending December 31, 2023, returning to 1.00 for the period ending March 31, 2024 and thereafter. Additionally, the amendment increased the applicable margin by 50 basis points, reduced the letter of credit sublimit to \$15.0 million and reduced the maximum principal balance to \$73.0 million.

On October 6, 2023, we entered into a Substitute Insurance Collateral Agreement ("SICA") with 1970 Group, an insurance collateral financing company, to move some of the letters of credit previously issued under the Exit ABL. As of December 31, 2023, 1970 Group had issued \$14.0 million of letters of credit on our behalf under this agreement relating to workers compensation and medical malpractice policies.

Super Senior Credit Facility

On September 26, 2023, Evanston Hospital Corporation and Tooele Hospital Corporation, each as borrowers (collectively, the "Super Senior Borrower"), QHC and Quincy Health and certain lenders party thereto, entered into a credit agreement (the "Super Senior Credit Facility"). The Super Senior Credit Facility provides for a senior secured loan facility in the aggregate principal amount of \$20 million.

The Super Senior Credit Facility bears interest at an annual rate equal to SOFR (with a floor of 1.00%), plus an applicable margin of 10.25%. Upon the occurrence and continuance of an event of default under the Super Senior Credit Facility, UMB Bank, National Association (the "Super Senior Term Loan Agent") is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Super Senior Credit Facility was 15.76% as of December 31, 2023.

The Super Senior Borrower granted a first priority lien on specified collateral, in order to secure the payment and performance of their obligations under the Super Senior Loan Agreement. QHC granted a first priority pledge on the equity of the Super Senior Borrower.

Finance Lease Obligations and Other Debt

Our debt arising from finance lease obligations primarily relates to our corporate office in Brentwood, Tennessee. As of December 31, 2023 and December 31, 2022, this finance lease obligation was \$11.6 million and \$12.9 million, respectively. The remainder of our finance lease obligations relate to property and equipment at our hospitals and corporate office. Other debt consists of physician loans and miscellaneous notes payable to banks.

PART II – FINANCIAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Quincy Health, LLC
1573 Mallory Lane
Brentwood, TN 37027

Opinion

We have audited the consolidated financial statements of Quincy Health, LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income (loss), equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company may not meet the Specified Asset Sale Milestones covenants without the completion of the specified asset sale set forth in the Exit Term Loan Agreement and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

April 26, 2024

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net operating revenues	\$ 1,049,373	\$ 1,373,988
Operating costs and expenses:		
Salaries and benefits	481,850	636,635
Supplies	124,462	175,187
Other operating expenses	396,068	575,888
Depreciation and amortization	34,560	62,138
Lease costs and rent	23,060	31,681
Government stimulus funds	(1,211)	(18,670)
Legal, professional and settlement costs	6,437	9,379
Impairment of long-lived assets and goodwill	32,450	273,356
Loss (gain) on sale of entities, net	(24,497)	(65)
Total operating costs and expenses	1,073,179	1,745,529
Income (loss) from operations	(23,806)	(371,541)
Reorganization items, net	87	3,690
Interest expense, net	116,548	77,171
Income (loss) before income taxes	(140,441)	(452,402)
Provision for (benefit from) income taxes	397	2,528
Net income (loss)	(140,838)	(454,930)
Less: Net income (loss) attributable to noncontrolling interests	248	217
Net income (loss) attributable to members' interests	\$ (141,086)	\$ (455,147)

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)

	<u>Year Ended</u> <u>December 31, 2023</u>	<u>Year Ended</u> <u>December 31, 2022</u>
Net income (loss)	\$ (140,838)	\$ (454,930)
Comprehensive income (loss)	(140,838)	(454,930)
Less: Comprehensive income (loss) attributable to noncontrolling interests	248	217
Comprehensive income (loss) attributable to Quincy Health, LLC	<u>\$ (141,086)</u>	<u>\$ (455,147)</u>

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,798	\$ 37,897
Patient accounts receivable	120,001	164,929
Inventories	19,348	29,713
Prepaid expenses	13,706	20,255
Due from third-party payors	37,150	26,493
Current assets of hospitals held for sale	6,652	16,890
Other current assets	29,201	10,351
Total current assets	251,856	306,528
Property and equipment, net	294,690	362,642
Goodwill	81,045	88,505
Intangible assets, net	35,689	48,673
Operating lease right-of-use assets	27,328	44,893
Long-term assets of hospitals held for sale	15,187	130,627
Other long-term assets	34,964	44,391
Total assets	<u>\$ 740,759</u>	<u>\$ 1,026,259</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 3,660	\$ 3,199
Current portion of operating lease liabilities	8,259	12,013
Accounts payable	128,224	213,843
Accrued liabilities:		
Accrued salaries and benefits	39,060	62,130
Accrued interest	22,660	19,709
Due to third-party payors	19,741	13,600
Current liabilities of hospitals held for sale	2,493	3,084
Other current liabilities	56,637	45,497
Total current liabilities	280,734	373,075
Long-term debt	747,642	765,601
Long-term operating lease liabilities	19,394	33,363
Deferred income tax liabilities, net	6,623	7,060
Long-term liabilities of hospitals held for sale	2,354	13,950
Other long-term liabilities	78,537	84,256
Total liabilities	1,135,284	1,277,305
Redeemable noncontrolling interests	—	—
Equity:		
Members' equity (deficit)		
Class A common members' units	320,805	320,805
Additional paid-in capital	9,421	3,206
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(724,751)	(583,665)
Total members' equity (deficit)	(394,525)	(259,654)
Nonredeemable noncontrolling interests	-	8,608
Total equity (deficit)	(394,525)	(251,046)
Total liabilities and equity	<u>\$ 740,759</u>	<u>\$ 1,026,259</u>

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

Quincy Health, LLC
Members' Equity

	Members' Units		Additional	Accumulated	Other	Accumulated	Nonredeemable	Total
	Units	Amount	Paid-in	Comprehensive	Income (Loss)	Deficit	Noncontrolling	Equity
			Capital				Interests	(Deficit)
Balance at December 31, 2021	32,012,735	\$320,805	\$ 1,044	\$	—	\$ (128,518)	\$ 11,632	\$ 204,963
Comprehensive income (loss)	—	—	—	—	—	(455,147)	217	(454,930)
Unit-based compensation expense	—	—	2,153	—	—	—	—	2,153
Cash distributions to noncontrolling investors	—	—	—	—	—	—	(1,058)	(1,058)
Acquisition (divestiture) of noncontrolling interests	—	—	75	—	—	—	(2,249)	(2,174)
Adjustments to redemption values of redeemable noncontrolling interests	—	—	(66)	—	—	—	66	—
Balance at December 31, 2022	32,012,735	320,805	3,206	—	—	(583,665)	8,608	(251,046)
Comprehensive income (loss)	—	—	—	—	—	(141,086)	248	(140,838)
Unit-based compensation expense	—	—	903	—	—	—	—	903
Cash distributions to noncontrolling investors	—	—	—	—	—	—	(1,335)	(1,335)
Acquisition (divestiture) of noncontrolling interests	—	—	5,312	—	—	—	(7,521)	(2,209)
Balance at December 31, 2023	32,012,735	\$320,805	\$ 9,421	\$	—	\$ (724,751)	\$ -	\$(394,525)

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	<u>Year Ended</u> <u>December 31, 2023</u>	<u>Year Ended</u> <u>December 31, 2022</u>
Cash flows from operating activities:		
Net income (loss)	\$ (140,838)	\$ (454,930)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,560	62,138
Non-cash interest expense, net	41,812	4,084
Provision for (benefit from) deferred income taxes	(437)	2,237
Unit-based compensation expense	904	2,153
Impairment of long-lived assets and goodwill	32,450	273,356
Loss (gain) on sale of entities	(24,497)	65
Changes in reserves for self-insurance claims, net of payments	(4,868)	2,361
Other non-cash expense, net	—	11
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Patient accounts receivable	18,330	5,395
Due from and due to third-party payors, net	(4,516)	4,996
Inventories, prepaid expenses and other current assets	(1,598)	(1,082)
Accounts payable and accrued liabilities	(51,344)	37,932
Long-term assets and liabilities, net	(567)	5,189
Net cash used in operating activities	<u>(100,609)</u>	<u>(56,095)</u>
Cash flows from investing activities:		
Capital expenditures for property and equipment	(12,388)	(18,977)
Capital expenditures for software	(60)	(2,733)
Acquisitions, net of cash acquired	(26)	(13)
Proceeds from the sale of entities	166,915	1,904
Proceeds from asset sales	1,053	12,848
Net cash provided by (used in) investing activities	<u>155,494</u>	<u>(6,971)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facilities	35,850	31,896
Repayments under revolving credit facilities	(59,396)	(14,296)
Borrowings of long-term debt	28,000	60
Repayments of long-term debt	(65,312)	(2,954)
Cash distributions to noncontrolling investors	(1,335)	(1,058)
Purchases of shares from noncontrolling investors	(450)	(2,173)
Payments of debt issuance costs	(125)	—
Payments on purchase contracts	(4,216)	(4,361)
Net cash provided by (used in) financing activities	<u>(66,984)</u>	<u>7,114</u>
Net change in cash and cash equivalents	(12,099)	(55,952)
Cash and cash equivalents at beginning of period	37,897	93,849
Cash and cash equivalents at end of period	<u>\$ 25,798</u>	<u>\$ 37,897</u>
Supplemental cash flow information:		
Interest payments, net	\$ 51,073	\$ 87,857
Income tax (payments) refunds, net	(595)	2,241
Payments of reorganization items, net	88	3,690
Non-cash purchases of property and equipment under finance lease obligations	—	—

See accompanying notes

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — BUSINESS AND BASIS OF PRESENTATION

Description of the Business

The primary business of Quincy Health, LLC, a Delaware limited liability company (“Quincy Health”), through its subsidiary, Quorum Health Corporation, a Delaware corporation (“QHC”), and its subsidiaries, is to provide hospital and outpatient healthcare services in its markets across the United States. As used in these notes and unless the context otherwise requires, the term “the Company” refers to the consolidated operations of Quincy Health and its wholly owned subsidiary, QHC. As of December 31, 2023, the Company owned or leased a portfolio of 12 hospitals in rural and mid-sized markets, which are located in 10 states and have a total of 856 licensed beds. The Company provides outpatient healthcare services through its hospitals and affiliated facilities, including urgent care centers, diagnostic and imaging centers, physician clinics and surgery centers.

Basis of Presentation

The consolidated financial statements and accompanying notes of the Company presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”). In the opinion of the Company’s management, the consolidated financial information presented herein includes all adjustments necessary to present fairly the results of operations, financial position and cash flows of the Company for the periods presented. The accompanying financial statements may not necessarily be indicative of the results of operations, financial position and cash flows of the Company in the future.

Going Concern

The Company’s consolidated financial statements have been prepared under the assumption that it will continue as a going concern in accordance with Accounting Standards Codification (“ASC”) 205-40, Presentation of Financial Statements — Going Concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Substantial doubt about an entity’s ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are available to be issued.

On February 23, 2024, the Term Loan Borrower, Quincy Health, and the required lenders under the Exit Term Loan entered into Amendment No. 9 to the Exit Term Loan Agreement and the Super Senior Credit Facility entered into Amendment No. 3 providing for a suspension of the liquidity financial covenant until September 30, 2024. In addition, Amendment No. 9 and No. 3 updated the Maximum Secured Net Leverage Ratio requirements. The maximum Secured Net Leverage Ratio permitted under the Exit Term Loan Agreement and Super Senior Credit Facility as amended on February 23, 2024 will be 8.00 as of December 31, 2023 and will be reduced to 6.50 on December 31, 2024, and 5.0 thereafter. Additionally, Amendment No. 3 to the Exit Term Loan Agreement and Amendment No. 3 of the Super Senior Facility included requirements to meet certain specified asset sale milestones to be considered in compliance with the amended Term Loan Agreement.

Based on our projected financial statements and absent any other action, the Company may not meet the specified asset sale milestones set forth in the Exit Term Loan Agreement, thus, raising substantial doubt about the Company’s ability to continue as a going concern.

The Company’s continuation as a going concern is dependent upon its ability to meet the specified asset sale milestones. Management and the Company’s Board of Directors are in ongoing, active discussions to complete the necessary divestitures; however, there are no assurances, that the Company will be successful in these endeavors. In the event the Company is unable to complete the divestitures or take other management actions, we forecast we may be unable to meet the required specified asset milestones. As a result, the Company has concluded that management’s plans do not alleviate substantial doubt about the Company’s ability to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Limitation of Liability

Quincy Health’s Limited Liability Agreement (the “LLC Agreement”) provides that, except to the extent set forth in the Delaware Limited Liability Company Act (the “Delaware Act”), no member of Quincy Health shall have any personal liability for the debts, obligations or liabilities of Quincy Health. The Delaware Act provides that a member who receives a distribution and knew at the time

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of the distribution that the distribution was in violation of certain provisions of the Delaware Act shall be liable to the limited liability company for the amount of the distribution for three years.

COVID-19 Pandemic

COVID-19 has affected, and may continue to affect, our operations. In addition, the emergence and effects related to a potential future pandemic, epidemic or outbreak of an infectious disease could adversely affect our business and operations. As a front-line provider of health care services, we have been and continue to be affected by the health and economic effects of COVID-19, and we may not be able to predict or effectively respond to future developments.

If public health conditions related to COVID-19 significantly worsen, any such developments could materially and adversely affect our business, results of operations, financial position and cash flows. The ongoing impact of COVID-19 on our business will depend on, among other factors, the duration and severity of any severe or widespread outbreaks of COVID-19; the impact of COVID-19 on economic conditions; the volume of canceled or rescheduled procedures at our facilities; the volume of COVID-19 patients cared for across our health systems; the availability, acceptance of, and need for effective vaccines and medical treatments; the spread of potentially more contagious and/or virulent forms of the virus; and the impact of government actions on the health care industry and broader economy.

If another pandemic, epidemic, outbreak of an infectious disease or other public health crisis were to occur in an area in which we operate, our operations could be adversely affected. Such a crisis could diminish the public trust in health care facilities, especially hospitals that fail to accurately or timely diagnose, or are treating (or have treated) patients affected by infectious diseases. If any of our facilities are involved, or perceived as being involved, in treating patients from such an infectious disease, other patients might cancel elective procedures or fail to seek needed care at our facilities, and our reputation may be negatively affected. Patient volumes may decline or volumes of uninsured and underinsured patients may increase, depending on the economic circumstances surrounding the pandemic, epidemic or outbreak. Further, a pandemic, epidemic or outbreak might adversely affect our operations by causing a temporary shutdown or diversion of patients, causing disruption or delays in supply chains for materials and products or causing staffing shortages in our facilities. Although we have contingency plans in place, including infection control and disaster plans, the potential impact of, as well as the public's and the government's response to, a future pandemic, epidemic or outbreak is difficult to predict and could adversely affect our business, results of operations, financial condition and cash flows.

As described under "Federal Coronavirus Relief Legislation" below, various legislative actions mitigated some of the economic disruption caused by the COVID-19 pandemic on the Company's business. The Company, however, is unable to assess the extent to which anticipated negative impacts arising from the COVID-19 pandemic, or any future pandemic, epidemic, or outbreaks may ultimately be offset by amounts received, and benefits which the Company may in the future receive, under such stimulus measures.

Federal Coronavirus Relief Legislation

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted. The CARES Act included support for healthcare professionals, patients and hospitals. The CARES Act included \$100 billion in funding to be distributed to eligible providers through the Public Health and Social Services Emergency Fund ("the Provider Relief Fund" (PRF)) to reimburse health care-related expenses and lost revenues attributable to COVID-19, an expansion of the Medicare Accelerated and Advance Payment Program ("MAAPP") and changes to the Net Operating Loss ("NOL") rules and the business interest expense deduction rules under Internal Revenue Code Section 163(j). PRF payments are intended to reimburse healthcare providers for health care related expenses and lost revenues attributable to COVID-19 that have not been reimbursed or are not obligated to be reimbursed by other sources ("allowed purposes"). If a recipient accepts PRF payments and uses the funds for prohibited purposes, the funds may be subject to repayment.

Congress provided an additional \$75 billion to the Department of Health and Human Services ("HHS") to be distributed to healthcare providers through the Paycheck Protection Program and Health Care Enhancement Act ("PPHCE Act"), enacted on April 24, 2020. The Consolidated Appropriations Act of 2021, enacted on December 27, 2020, provided an additional \$3 billion to HHS to be distributed to providers and provided instructions to HHS for how providers may use PRF payments. The American Rescue Plan Act, enacted on March 11, 2021, provided \$8.5 billion to HHS to be distributed to rural health care providers to reimburse health care related expenses or revenue losses attributable to COVID-19.

From the inception of the program through December 31, 2023, the Company has received approximately \$175.2 million in payments through the PRF, net of amounts returned or transferred through divestitures, and \$28.3 million in state grant programs. For the years ended December 31, 2023 and 2022, the Company did not receive any payments through the PRF or state grant programs. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the payments have been used for an allowed purpose under the applicable terms and conditions and that the Company will not be required to return the funds. Based on an analysis of the compliance and reporting requirements of the PRF, the

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

state grant programs and the impact of the pandemic on the Company's operating results for the year ended December 31, 2023, the Company recognized \$1.2 million, related to funds, that has been used for an allowed purpose and these payments are recorded as government stimulus funds in the consolidated statements of operations. For the year ended December 31, 2022, the Company recognized \$18.7 million as government stimulus funds in the consolidated statement of operations. As of December 31, 2023 and 2022, the Company had received but not recognized \$0.4 million and \$1.6 million, respectively, of payments that have yet to be used for an allowed purpose and have not been returned to HHS or the state. Such unrecognized amounts may be recognized as income in future periods if it is determined that the amounts have been used for an allowed purpose. The Company's determinations of whether PRF payments have been used for an allowed purpose are based on the Company's understanding of the latest guidance issued by HHS addressing the use of PRF payments. New guidance or changes to existing guidance addressing the use of PRF payments may result in changes in the Company's estimate of payment amounts that have been used for allowed purposes. The Company records deferred payments in Other Current Liabilities on the consolidated balance sheets.

The payments under MAAPP are advances on Medicare reimbursement that providers must repay. As debtors-in-possession under the Bankruptcy Code, the Company was not permitted to participate in MAAPP. In addition, the Company's NOLs and tax basis in property and equipment have been substantially reduced based on cancellation of debt income that was realized by the Company under the Plan. Therefore, the Company is not expected to receive benefit from the change in the treatment of NOLs under the CARES Act.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which it holds either a direct or indirect ownership of a majority voting interest. Investments in less-than-wholly-owned consolidated subsidiaries of QHC are presented separately in the equity component of the Company's consolidated balance sheets to distinguish between the interests of QHC and the interests of the noncontrolling investors. Revenues and expenses from these subsidiaries are included in the respective individual line items of the Company's consolidated statements of operations, and net income is presented both in total and separately to distinguish the amounts attributable to the Company and the amounts attributable to the interests of the noncontrolling investors. Noncontrolling interests that are redeemable, or may become redeemable at a fixed or determinable price at the option of the holder or upon the occurrence of an event outside of the control of the Company, are presented in mezzanine equity in the Company's consolidated balance sheets. Intercompany transactions and accounts of the Company are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions or conditions.

Restatement of 2022 Financial Statements

Immaterial errors related to the year ended December 31, 2022 were identified and recorded to restate the financial statements as of and for the year ended December 31, 2023. The impact of these adjustments are described below.

During the COVID-19 pandemic, the Company set up a centrally located warehouse to store and distribute personal protective equipment and other COVID-19 related supplies to the Quorum hospitals and other facilities managed by QHR. At the end of 2022, the warehouse was closed and remaining inventory auctioned off for a negligible amount with no corresponding impairment of the inventory balance. The result was Supplies expense of \$170.8 million being understated and Inventories being overstated by \$4.4 million as of and for the year ended December 31, 2022.

In the year-ended December 31, 2022, the Company's debt amendments resulted in cancellation of debt income (CODI) for tax purposes which was not identified until preparation of the tax return. The Company qualified for an insolvency exception to offset much of the income and had attributes (e.g., net operating losses or depreciable property) available to reduce to offset the remainder, resulting in no additional current income tax expense. However, the attribute reductions resulted in a change to the Company's deferred tax liabilities, deferred tax assets, and corresponding valuation allowance, which resulted in a change in deferred income tax expense. The result was an understatement of Income Tax Expense and Deferred Income Tax Liabilities, net of \$2.96 million as of and for the year ended December 31, 2022.⁷

An error in posting monthly depreciation expense during the year ended December 31, 2022 resulted in depreciation and amortization expense of \$64.7 being overstated by \$2.5 million and Property and Equipment, net of \$360.7 being understated by \$2.5 million as of and for the year ended December 31, 2022.

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As of December 31, 2022, the Company had recorded an estimate based on information received at the time under Centers for Medicare & Medicaid Services Disproportionate Share Hospital program for facilities in Kentucky and Arkansas. As part of the 2023 program review, the Company had additional information that was available during 2022, which would have impacted our change in estimate totaling \$0.9 million. The result was Net operating revenues of \$1,373 million being understated and Due from third-party payors of \$25.5 million being overstated by \$0.9 million as of and for the year ended December 31, 2022.

As of December 31, 2022, the Company had recorded capital expenditures for software assets as work in process Property and equipment. The result was Property and equipment, net of \$360.7 being overstated and net Intangible assets of \$48.1 million being understated by \$0.6 million.

As of December 31, 2022, the Company had understated Operating lease right-of-use assets of \$44.5 million and Current portion of operating lease liabilities of \$11.6 million by \$0.4 million.

Revenues and Accounts Receivable

Revenue Recognition

The Company reports revenues from patient services at its hospitals and affiliated facilities at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, governmental programs and third-party payors such as Medicare, Medicaid, health maintenance organizations, preferred provider organizations, private insurers and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Generally, the Company bills the patient and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as the performance obligations are satisfied.

Payor Sources

The primary sources of payment for patient healthcare services are third-party payors, including federal and state agencies administering the Medicare and Medicaid programs, other governmental agencies, managed care health plans, commercial insurance companies, workers' compensation carriers and employers. Self-pay revenues are the portion of patient service revenues derived from patients who do not have health insurance coverage and the patient responsibility portion of services that are not covered by health insurance plans. Non-patient revenues primarily include revenues from rental income, hospital cafeteria sales, and transition services agreements entered into as part of the divestiture of certain facilities.

The following table provides a summary of net operating revenues by payor source (dollars in thousands):

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	\$ Amount	% of Total	\$ Amount	% of Total
Medicare	\$ 300,341	28.6%	\$ 438,038	31.9%
Medicaid	217,107	20.7%	289,542	21.1%
Managed care and commercial	419,210	40.0%	578,991	42.1%
Self-pay and self-pay after insurance	66,280	6.3%	57,346	4.2%
Non-patient	46,435	4.4%	10,071	0.7%
Total net operating revenues	<u>\$ 1,049,373</u>	<u>100.0%</u>	<u>\$ 1,373,988</u>	<u>100.0%</u>

Third-Party Program Reimbursements

Cost report settlements under reimbursement programs with Medicare, Medicaid and other managed care plans for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical experience, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Previous program reimbursements and final cost report settlements are included in due from and due to third-party payors in the consolidated balance sheets. Net adjustments arising from a change in the transaction price for estimated cost report settlements unfavorably impacted net operating revenues by \$6.2 million for the year ended December 31, 2023. Net adjustments arising from a change in the transaction price for estimated cost report settlements unfavorably impacted net operating revenues by \$2.8 million for the year ended December 31, 2022.

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Currently, several states have established supplemental payment programs, including disproportionate share programs, for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These state supplemental payment programs are designed with input from The Centers for Medicare & Medicaid Services (“CMS”) and are funded with a combination of federal and state resources, including, in certain instances, taxes, fees or other program expenses (collectively, “provider taxes”) levied on the providers. The receivables and payables associated with these programs are included in due from and due to third-party payors in the consolidated balance sheets.

The following table provides a summary of the components of amounts due from and due to third-party payors, as presented in the consolidated balance sheets (in thousands):

	December 31, 2023	December 31, 2022
Amounts due from third-party payors:		
Previous program reimbursements and final cost report settlements	\$ 4,812	\$ 2,713
State supplemental payment programs	32,338	23,780
Total amounts due from third-party payors	<u>\$ 37,150</u>	<u>\$ 26,493</u>
Amounts due to third-party payors:		
Previous program reimbursements and final cost report settlements	\$ 11,198	\$ 7,803
State supplemental payment programs	8,543	5,797
Total amounts due to third-party payors	<u>\$ 19,741</u>	<u>\$ 13,600</u>

The Company recognizes the revenues and related expenses based on the terms of each program in the period in which the amounts are estimable and revenue collection is reasonably assured. The revenues earned by the Company under these programs are included in net operating revenues and the expenses associated with these programs are included in other operating expenses in the consolidated statements of operations.

The following table provides a summary of the portion of Medicaid reimbursements included in the consolidated statements of operations that are attributable to state supplemental payment programs (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Medicaid state supplemental payment program revenues	\$ 122,753	\$ 156,240
Provider taxes and other expenses	36,386	57,870
Reimbursements attributable to state supplemental payment programs, net of expenses	<u>\$ 86,367</u>	<u>\$ 98,370</u>

Self-Pay and Self-Pay After Insurance

Generally, patients who are covered by third-party payors are responsible for related co-pays and deductibles, which vary in amount. The Company also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from the Company’s standard billing rates. The Company estimates the transaction price for patients with co-pays and deductibles and for uninsured patients based on historical collection experience and current market conditions. The initial estimate of the transaction price is determined by reducing the Company’s standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price, if any, are generally recorded as an adjustment to patient service revenue in the period of the change.

Accounts Receivable

Substantially all of the Company’s receivables are related to providing healthcare services to patients at its hospitals and affiliated outpatient facilities. For self-pay and self-pay after insurance receivables, the Company estimates the implicit price concession by reserving a percentage of all self-pay and self-pay after insurance accounts receivable without regard to aging category. The estimate of the implicit price concession is based on a model that considers historical cash collections, expected recoveries and any anticipated changes in trends. The Company’s ability to estimate the implicit price concessions is not significantly impacted by the aging of accounts receivable, as management believes that substantially all of the risk exists at the point in time such accounts are identified as self-pay. Significant changes in payor mix, outsourced third party business office operations, including their efforts in collecting the Company’s accounts receivables, economic conditions, or trends in federal and state governmental healthcare coverage, among others, could affect

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the Company's estimates of implicit price concessions for self-pay and self-pay after insurance accounts receivable. The Company also continually reviews its overall estimate of implicit price concessions by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net operating revenues and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables.

Concentration of Credit Risk

The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's hospitals and affiliated outpatient facilities and are insured under third-party payor agreements. Because of the economic diversity of the Company's markets and non-governmental third-party payors, Medicare receivables are a significant concentration of credit risk. Accounts receivable, net of contractual adjustments, from Medicare were \$25.2 million and \$31.0 million, or 9.4% and 8.0% of total patient accounts receivable as of December 31, 2023 and December 31, 2022, respectively.

The Company's revenues are particularly sensitive to regulatory and economic changes in certain states where the Company generates significant revenues. Accordingly, any changes in the current demographic, economic, competitive or regulatory conditions in certain states in which revenues are significant could have an adverse effect on the Company's results of operations, financial position or cash flows. Changes to the Medicaid and other government-managed payor programs in these states, including reductions in reimbursement rates or delays in reimbursement payments under state supplemental payment or other programs, could also have a similar adverse effect.

The following table provides a summary of the states in which the Company generates more than 5% of its total net patient revenues as determined in the most recent period (dollars in thousands):

	Number of Hospitals at December 31, 2023	Year Ended December 31, 2023		Year Ended December 31, 2022	
		\$ Amount	% of Total	\$ Amount	% of Total
Oregon	1	\$ 255,230	25.4%	\$ 248,118	18.2%
Utah	1	121,553	12.1%	110,189	8.1%
Illinois	0	105,130	10.5%	494,684	36.3%
Kentucky	2	90,271	9.0%	82,807	6.1%
New Mexico	1	89,925	9.0%	91,648	6.7%

During the year ended December 31, 2023, the Company divested of all remaining hospitals in Illinois. See Note 4 — Acquisitions and Divestitures for additional information related to these transactions.

Other Operating Expenses

The following table provides a summary of the major components of other operating expenses (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Purchased services	\$ 161,402	\$ 226,735
Taxes and insurance	78,957	116,944
Medical specialist fees	74,081	90,119
Repairs and maintenance	20,405	29,680
Utilities	12,132	17,787
Other miscellaneous operating expenses	49,091	94,623
Total other operating expenses	<u>\$ 396,068</u>	<u>\$ 575,888</u>

See Note 16 — Commitments and Contingencies — Insurance Reserves for additional information related to the Company's insurance reserves and related expenses.

General and Administrative Costs

Substantially all of the Company's operating costs and expenses are "cost of revenues" items. Operating expenses that could be classified as general and administrative by the Company are costs related to corporate office functions, including, but not limited to

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audit, human resources, risk management, legal, tax and treasury. These costs are primarily salaries and benefits expenses associated with these corporate office functions. General and administrative costs of the Company were \$34.7 million and \$40.5 million for the years ended December 31, 2023 and 2022, respectively.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs in the Company's consolidated statements of operations primarily include legal costs and related settlements, if any, associated with regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters.

Loss on Sale of Entities, Net

Loss (gain) on sale of entities, net is the loss (gain) incurred related to the Company's divestiture of entities, hospitals and outpatient facilities. It is calculated as the difference between the consideration received from the sale and the carrying values of the associated net assets sold at the date of sale, less certain incremental direct selling costs.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the provision for (benefit from) income taxes in the consolidated statements of operations in the period that includes the enactment date. The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent the Company believes that recovery is not likely, a valuation allowance is established. To the extent the Company establishes a valuation allowance or increases this allowance, the related expense is included in the provision for (benefit from) income taxes in the consolidated statements of operations. The Company classifies interest and penalties, if any, related to its tax positions as a component of provision for (benefit from) income taxes.

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments with a maturity of three months or less from the date acquired that are subject to an insignificant risk of change in value.

Other Current Assets

Other current assets consist of the current portion of the receivables from CHS related to professional and general liability and workers' compensation liability insurance reserves that were indemnified by CHS in connection with the Spin-off, non-patient accounts receivable, receivables related to IT transition services agreements, and other miscellaneous current assets.

Property and Equipment

Purchases of property and equipment are recorded at cost. Property and equipment acquired in a business combination are recorded at estimated fair value. Routine maintenance and repairs are expensed as incurred. Expenditures that increase capacities or extend useful lives are capitalized. The Company capitalizes interest related to financing of major capital additions with the respective asset. Depreciation is recognized using the straight-line method over the estimated useful life of an asset. The Company depreciates land improvements over 3 to 20 years, buildings and improvements over 5 to 40 years, and equipment and fixtures over 3 to 18 years. The Company also leases certain facilities and equipment under capital lease obligations. These assets are amortized on a straight-line basis over the lesser of the lease term or the remaining useful life of the asset. Property and equipment assets that are held for sale are not depreciated.

Leases

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities, and long-term operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, current portion of long-term debt, and long-term debt in the consolidated balance sheets.

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The Company enters into operating leases for real estate, medical office buildings, other administrative offices, as well as medical and office equipment. The Company's finance leases consist primarily of the Corporate office and other long-term building leases. The Company's real estate leases typically have initial lease terms of 5 to 10 years, and equipment leases typically have an initial term of 3 years.

Goodwill

Goodwill represents the excess of consideration paid over the fair value of net tangible and identifiable intangible assets acquired. The Company's goodwill is tested for impairment at least annually.

Intangible Assets

The Company's intangible assets primarily consist of purchase and development costs of software for internal use and contract-based intangible assets, including physician guarantee contracts, medical licenses, hospital management contracts, non-compete agreements, tradenames and certificates of need. There are no expected residual values related to the Company's intangible assets. Capitalized software costs are generally amortized over three years, except for software costs for significant system conversions, which are amortized over 8 to 10 years. Capitalized software costs that are in the development stage are not amortized until the related projects are complete. Assets related to physician guarantee contracts, hospital management contracts, non-compete agreements and certificates of need are amortized over the life of the individual contracts. Intangible assets held for sale are not amortized.

Cloud Computing Costs

The Company has transitioned its information technology services from the Computer and Data Processing Transition Services Agreement ("IT TSA") with CHS to its own standalone information systems infrastructure. As such, the Company has entered into various cloud computing arrangements related to the Company's information technology infrastructure, such as financial reporting and budgeting, payroll, compliance and revenue management services. The Company capitalizes certain costs associated with cloud computing arrangements, including, among other items, employee compensation and related benefits and third-party consulting costs that are part of the application development stage. These costs are included in other long-term assets on the consolidated balance sheet and are expensed into other operating expenses over the period of the hosting service contract which is generally 5 years. The Company reviews the amounts capitalized for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

Impairment of Long-Lived Assets and Goodwill

Whenever an event occurs or changes in circumstances indicate that the carrying values of certain long-lived assets may be impaired, the Company projects the undiscounted cash flows expected to be generated by these assets. If the projections indicate that the carrying values are not expected to be recovered, such amounts are reduced to their estimated fair value based on a quoted market price, if available, or an estimated fair value based on valuation techniques available in the circumstances.

Goodwill arising from business combinations is not amortized. Goodwill is evaluated for impairment at the same time every year and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. The Company performs its annual testing of impairment for goodwill in the fourth quarter of each year. The fair value of the Company's reporting units is estimated using both a discounted cash flow model as well as a multiple model based on earnings before interest, taxes, depreciation and amortization. The cash flow forecasts are adjusted by an appropriate discount rate based on the Company's best estimate of a market participant's weighted-average cost of capital. Both models are based on the Company's best estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium, in order to gain sufficient ownership to set policies, direct operations and control management decisions of the Company.

See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information related to impairment recorded in the consolidated statements of operations.

Other Long-Term Assets

Other long-term assets consist of the long-term portion of the receivables from CHS related to professional and general liability and workers' compensation liability insurance reserves that were indemnified by CHS in connection with the Spin-off, as well as deferred compensation plan assets, cloud computing costs, notes receivable, deposits and other miscellaneous long-term assets.

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Other Current Liabilities

Other current liabilities consist of the current portion of professional and general liability insurance reserves, including the portion indemnified by CHS in connection with the Spin-off, as well as property tax accruals, software license liabilities, physician guarantees and other miscellaneous current liabilities.

Professional and General Liability Insurance and Workers' Compensation Liability Insurance Reserves

As part of the business of owning and operating hospitals, the Company is subject to legal actions alleging liability on its part. To mitigate a portion of these risks, the Company maintains insurance exceeding a self-insured retention level for these types of claims. The Company's self-insurance reserves reflect the current estimate of all outstanding losses, including incurred but not reported losses, based on actuarial calculations as of period end. The loss estimates included in the actuarial calculations may change in the future based on updated facts and circumstances, including the Company's claims experience post Spin-off. The Company's insurance expense includes the actuarially determined estimates of losses for the current year, including claims incurred but not reported, the change in the estimates of losses for prior years based upon actual claims development experience as compared to prior actuarial projections, the insurance premiums for losses in excess of the Company's self-insured retention levels, the administrative costs of the insurance programs, and interest expense related to the discounted portion of the liability. The Company's reserves for professional and general liability and workers' compensation liability claims are based on semi-annual actuarial calculations, which are discounted to present value and consider historical claims data, demographic factors, severity factors and other actuarial assumptions. The reserves for self-insured claims are discounted based on the Company's risk-free interest rate that corresponds to the period when the self-insured claims are incurred and projected to be paid.

See Note 16 — Commitments and Contingencies for information related to the portion of the Company's insurance reserves for professional and general liability and workers' compensation liability that are indemnified by CHS.

Self-Insured Employee Health Benefits

The Company is self-insured for substantially all of the medical benefits of its employees. The Company maintains a liability for its current estimate of incurred but not reported employee health claims based on historical claims data provided by third-party administrators. The undiscounted reserve for self-insured employee health benefits was \$5.2 million and \$5.9 million as of December 31, 2023 and December 31, 2022, respectively, and is included in accrued salaries and benefits in the consolidated balance sheets. Expense each period is based on the actual claims received during the period plus the impact of any adjustment to the liability for incurred but not reported employee health claims.

Noncontrolling Interests

The Company's consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities that it controls. Certain of the Company's consolidated subsidiaries have noncontrolling physician ownership interests with redemption features that require the Company to deliver cash upon the occurrence of certain events outside its control, such as the retirement, death, or disability of a physician-owner. The carrying amount of redeemable noncontrolling interests is recognized in the Company's consolidated balance sheets at the greater of: (1) the initial carrying amount of these investments, increased or decreased for the noncontrolling interests' share of cumulative net income (loss), net of cumulative amounts distributed to the noncontrolling interest partners, if any, or (2) the redemption value of the investments held by the noncontrolling interest partners.

As of December 31, 2023, the Company acquired all outstanding ownership units of noncontrolling interests in entities it controls.

Unit-Based Compensation

The Company has issued 1,791,994 Deferred Units (as defined herein) to key employees and directors and recognizes unit-based compensation expense over the applicable requisite service periods based on the weighted-average estimated grant date fair value of \$2.97 per unit. See Note 13 — Unit-Based Compensation for additional information related to unit-based compensation.

Benefit Plans

The Company maintains various benefit plans, including defined contribution plans and deferred compensation plans, for which certain of the Company's subsidiaries are the plan sponsors. Benefits costs are recorded as salaries and benefits expenses in the consolidated statements of operations. The cumulative liability for these benefit costs is recorded in other long-term liabilities in the consolidated balance sheets.

See Note 14 — Benefit Plans for additional information on the Company's individual plans.

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Fair Value of Financial Instruments

The Company utilizes the U.S. GAAP fair value hierarchy to measure the fair value of its financial instruments. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies or similar techniques reflecting the Company's own assumptions.

See Note 10 — Fair Value of Financial Instruments for further information on the Company's estimated fair value of its long-term debt instruments which are considered level 2 inputs.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13 — Financial Instruments - Credit Losses to update the methodology used to measure current expected credit losses ("CECL"). This ASU applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. This ASU replaces the current incurred loss impairment methodology with a methodology to reflect CECL and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. This ASU was effective beginning in the first quarter of the Company's fiscal year ending December 31, 2023. The Company determined that ASU No. 2016-13 did not have a significant impact on its consolidated results of operations, financial position and related disclosures.

NOTE 3 — IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

Periodically, the Company evaluates the fair value of hospitals held for sale and intended for divestiture and recognizes any impairment as a result of that evaluation. Additionally, at least annually, the Company performs an evaluation of the value of goodwill and other intangibles not subject to amortization and recognizes any impairment indicated as a result of that evaluation.

The following table provides a summary of the components of impairment recognized (in thousands):

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Property and equipment	\$ 28,070	\$ 47,874
Capitalized software costs	4,380	3,270
Medicare licenses	—	13,712
Total Long-Lived Assets Impairment	32,450	64,856
Goodwill	—	208,500
Total Goodwill and Long-Lived Assets Impairment	<u>\$ 32,450</u>	<u>\$ 273,356</u>

During the year ended December 31, 2023, the Company recognized impairment of long-lived assets related to assets identified as intended for divestiture. Additionally, during the year ended December 31, 2022, the Company recorded impairment of goodwill and Medicare licenses.

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NOTE 4 —ACQUISITIONS AND DIVESTITURES

Acquisitions

McKenzie-Willamette Medical Center

On May 27, 2022, QHC and MWMC entered into a membership interest purchase agreement with Physician Investments, LLC (“PI”) for MWMC Holdings, LLC, a subsidiary of QHC (“MWMC”) to purchase from PI for cash consideration of \$2,174,465 an additional 0.99% of the units of limited liability company membership interests in McKenzie-Willamette. The transaction closed on May 27, 2022. Following the closing, MWMC owns 96% of the outstanding units of limited liability company membership interests in McKenzie-Willamette.

On December 31, 2023, QHC and MWMC entered into a membership interest purchase agreement with PI to purchase the remaining membership interests of MWMC Holdings, LLC for consideration of \$2.4 million.

Divestitures

2023 Divestitures

Illinois Facilities

On January 13, 2023, the Company sold 25-bed Union County Hospital, 106-bed Heartland Regional Medical Center, 47-bed Crossroads Community Hospital, and 25-bed Red Bud Regional Hospital and related affiliated facilities (“Illinois Facilities”), located in Illinois, for proceeds of \$145.7 million. The Company's operating results included pre-tax losses of \$6.3 million and pre-tax gains of \$3.3 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$44.0 million gain on the sale of the Illinois Facilities for the year ended December 31, 2023.

Gateway Regional Medical Center

On February 28, 2023, the Company sold 298-bed Gateway Regional Medical Center (“Gateway”) in Granite City, Illinois for proceeds of \$19.3 million. The Company's operating results included pre-tax losses of \$5.3 million and pre-tax gains of \$15.3 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$3.5 million loss on the sale of Gateway for the year ended December 31, 2023.

Fannin Regional Hospital

On June 30, 2023, the Company sold 50-bed Fannin Regional Hospital (“Fannin”) in Blue Ridge, Georgia for proceeds of \$4.8 million. The Company's operating results included pre-tax losses of \$3.5 million and \$6.9 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$1.2 million gain on the sale of Fannin for the three and year ended December 31, 2023.

Vista Medical Center East

On June 30, 2023, the Company sold 228-bed Vista Medical Center East (“Vista”) in Waukegan, Illinois for proceeds of \$8.8 million. The Company's operating results included pre-tax losses of \$16.4 million and \$32.1 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$7.3 million loss on the sale of Vista for the year ended December 31, 2023.

Martin General Hospital

On August 3, 2023, the Company suspended operations at Williamson Hospital Corporation d/b/a Martin General Hospital in Williamston, NC and filed a voluntary petition for Chapter 7 bankruptcy for that entity. The Company's operating results included pre-tax losses of \$8.2 million and \$15.5 million for the years ended December 31, 2023 and 2022, respectively.

Alta Vista Regional Hospital

On November 30, 2023, the Company sold 54-bed Alta Vista Regional Hospital (“Alta Vista”) in Las Vegas, New Mexico for proceeds of \$0.1 million. The Company's operating results included pre-tax losses of \$5.3 million and \$9.8 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$5.3 million loss on the sale of Alta Vista for the year ended December 31, 2023.

QUINCY HEALTH, LLC
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2022 Divestitures

The Company did not divest of any facilities during the year ended December 31, 2022. A gain on sale of hospitals, net of \$0.1 million was recorded related to the settlement of net working capital and other adjustments during the year ended December 31, 2022.

NOTE 5 — PROPERTY AND EQUIPMENT

The following table provides a summary of the components of property and equipment (in thousands):

	December 31, 2023	December 31, 2022
Property and equipment, at cost:		
Land and improvements	\$ 21,607	\$ 27,011
Building and improvements	252,960	292,875
Equipment and fixtures	110,756	119,648
Construction in progress	5,807	13,706
Total property and equipment, at cost	391,130	453,240
Less: Accumulated depreciation and amortization	(96,440)	(90,598)
Total property and equipment, net	<u>\$ 294,690</u>	<u>\$ 362,642</u>

Depreciation expense was \$26.3 million and \$44.9 million for the twelve months ended December 31, 2023 and 2022, respectively. See Note 6 — Goodwill and Intangible Assets for information on amortization expense recorded for property and equipment held under finance lease obligations. See Note 8 — Leases for information on ROU assets held under finance lease obligations.

Purchases of property and equipment accrued in accounts payable were \$0.2 million and \$1.6 million as of December 31, 2023 and December 31, 2022, respectively.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table provides a summary of changes in goodwill (in thousands):

	Goodwill
Balance at December 31, 2021	\$ 296,997
Acquisitions	8
Impairment	(208,500)
Balance at December 31, 2022	\$ 88,505
Acquisitions	26
Divestitures	(7,486)
Balance at December 31, 2023	<u>\$ 81,045</u>

Goodwill related to the Company's hospital operations reporting unit was \$81.0 million as of December 31, 2023 and \$88.5 million as of December 31, 2022. See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information.

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Intangible Assets

The following table provides a summary of the components of intangible assets (in thousands):

	December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
Finite-lived intangible assets:			
Capitalized software costs	\$ 27,982	\$ (18,955)	\$ 9,027
Physician guarantee contracts	785	(651)	134
Total finite-lived intangible assets, net	28,767	(19,606)	9,161
Indefinite-lives intangible assets:			
Tradenames	13,100	—	13,100
Licenses and other indefinite-lived intangible assets	13,428	—	13,428
Total indefinite-lived intangible assets	26,528	—	26,528
Total intangible assets	\$ 55,295	\$ (19,606)	\$ 35,689

	December 31, 2022		
	Cost	Accumulated Amortization	Net Book Value
Finite-lived intangible assets:			
Capitalized software costs	\$ 37,341	\$ (19,611)	\$ 17,730
Physician guarantee contracts	2,060	(1,043)	1,017
Other finite-lived intangible assets	400	(325)	75
Total finite-lived intangible assets, net	39,801	(20,979)	18,822
Indefinite-lives intangible assets:			
Tradenames	15,900	—	15,900
Licenses and other indefinite-lived intangible assets	13,951	—	13,951
Total indefinite-lived intangible assets	29,851	—	29,851
Total intangible assets	\$ 69,652	\$ (20,979)	\$ 48,673

See Note 16 — Commitments and Contingencies — Commitments Related to Information Technology for additional information on certain capitalized software costs related to the Company's transition of its information technology infrastructure.

Amortization Expense

The following table provides a summary of the components of amortization expense (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Amortization of finite-lived intangible assets:		
Capitalized software costs	\$ 4,602	\$ 11,113
Physician guarantee contracts	(102)	753
Other finite-lived intangible assets	66	279
Total amortization expense related to finite-lived intangible assets	4,566	12,145
Amortization of leasehold improvements and property and equipment assets held under finance lease obligations		
	2,321	5,106
Total amortization expense	\$ 6,887	\$ 17,251

QUINCY HEALTH, LLC
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The following table provides a summary of estimated future amortization expense for the next five years and thereafter related to intangible assets (in thousands):

2024	\$	5,181
2025		3,357
2026		568
2027		40
2028		14
Thereafter		1
Total estimated future amortization expense	\$	<u>9,161</u>

NOTE 7 — LONG-TERM DEBT

The following table provides a summary of the components of long-term debt (in thousands):

	December 31, 2023	December 31, 2022
Exit Term Loan Facility, maturing 2025	\$ 672,681	\$ 685,249
Last out Facility	8,075	—
Exit ABL Credit Facility, maturing 2024	66,054	89,600
Super Senior Term Loan	19,950	—
Unamortized debt issuance costs and discounts	(32,532)	(23,481)
Capital lease obligations	12,383	14,813
Other debt	4,692	2,619
Total debt	751,302	768,800
Less: Current maturities of long-term debt	(3,660)	(3,199)
Total long-term debt	<u>\$ 747,642</u>	<u>\$ 765,601</u>

Exit Term Loan Facility

On the Effective Date, pursuant to the Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”), QHC, as the borrower (the “Term Loan Borrower”), and Quincy Health entered into the Exit Term Loan Agreement (the “Exit Term Loan Agreement”). The Exit Term Loan Agreement provides for a senior secured term loan facility in the aggregate principal amount of \$732,153,485 (the “Exit Term Loan Facility”). On the Effective Date, the Company extinguished its obligations under its prior term loan facility and revolving credit facility. The Term Loan Borrower used the proceeds of the Exit Term Loan Facility to, among other things, fund cash distributions under the Plan.

The Exit Term Loan Facility (as amended) bears interest at an annual rate equal to the Term Secured Overnight Financing Rate (“SOFR”) (with a floor of 1.00%), plus an applicable margin. The amended applicable margin is 8.25%. Upon the occurrence and continuance of an event of default under the Exit Term Loan Facility, UMB Bank NA (the “Term Loan Agent”) is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit Facility was 15.76% as of December 31, 2023.

The Term Loan Borrower, Quincy Health and certain subsidiaries of the Term Loan Borrower, as guarantors, (collectively, together with Quincy Health, the “Term Loan Guarantors” and, together with the Term Loan Borrower, the “Term Facility Loan Parties”) guaranteed the obligations of the Term Loan Borrower under the Exit Term Loan Agreement, subject to certain exclusions and qualifications, and granted a first priority lien on substantially all of their current and future assets, including personal and real property, except for the ABL Priority Collateral, in order to secure the payment and performance of their obligations under the Exit Term Loan Facility. The Term Facility Loan Parties also granted a second priority lien on the ABL Priority Collateral.

The Exit Term Loan Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations.

Moreover, the Exit Term Loan Agreement contains customary events of default, including, among others, defaults related to the failure to pay principal or interest, covenant violations, and cross-defaults with the Exit ABL Credit Agreement (defined below). The

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Exit Term Loan Agreement also contains customary representations and warranties related to the assets, properties, financial condition, business, and corporate status of the Term Facility Loan Parties.

The Exit Term Loan Facility will mature and become due and payable on April 29, 2025, unless the Exit Term Loan Facility is accelerated, prepaid, or extended prior to that date.

On December 4, 2020, Amendment No. 1 to the Exit Term Loan Facility was entered into in order to require the delivery of financial statements of Quincy Health instead of the Term Loan Borrower and to make a correction to a financial covenant testing period.

On March 18, 2021, Amendment No. 2 to the Exit Term Loan Facility was entered into in order to (i) make McKenzie-Willamette Regional Medical Center Associates, LLC ("McKenzie-Willamette") a guarantor of the Exit Term Loan Facility; (ii) provide that, in the event that QHC or its subsidiaries receive any net cash proceeds from the U.S. Department of Housing and Urban Development 242 Loan Program ("HUD Loan") or certain real estate indebtedness, then such net proceeds shall be used to prepay outstanding term loans under the Exit Term Loan Facility; and (iii) provide for the release of McKenzie-Willamette as a guarantor if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 14, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 14, 2021; therefore, it was automatically released as a guarantor of the Exit Term Loan Facility.

On June 6, 2022, Jefferies Finance, LLC resigned as administrative agent and collateral agent under the Exit Term Loan Agreement and UMB Bank, National Association was appointed as the successor administrative agent and collateral agent.

On June 7, 2022, Jefferies Finance LLC, filed a lawsuit against the Term Loan Borrower alleging violations of the terms of the Exit Term Loan Agreement. The parties settled this matter in late November 2022.

On June 7, 2021, the Term Loan Borrower used \$61.5 million of the proceeds from the sale of Quorum Health Resources, LLC ("QHR") to prepay the Exit Term Loan Facility. The \$61.5 million payment consisted of \$60.0 million of the principal balance, \$0.9 million of interest, and \$0.6 million of prepayment fees.

On November 30, 2022, Amendment No. 3 and Waiver to the Exit Term Loan Agreement was entered into providing for a suspension of the Secured Net Leverage Ratio financial maintenance covenant until July 1, 2023 and raised such ratio for July 1, 2023 through September 30, 2023 from 5.00x to 7.50x. Amendment No. 3 to the Exit Term Loan Agreement provided that the maximum Secured Net Leverage Ratio would step back down to 5.00x for the quarter ended December 31, 2023 and thereafter. Amendment No. 3 to the Exit Term Loan Agreement also included requirements to meet certain specified asset sale milestones in 2023 and 2024, added a minimum liquidity covenant and delivery of supplemental financials, waived certain defaults consisting of (x) failure to maintain Secured Net Leverage Ratio as required for the fiscal quarters ended March 31, 2022 through September 30, 2022 and (y) alleged underpayment of interest and removed all references to LIBOR and replaced them with SOFR.

On January 19, 2023, we used \$62.8 million of the proceeds from the sale of the Illinois Facilities to prepay the Exit Term Loan Facility. The \$62.8 million prepayment consisted of \$62.5 million of the principal balance and \$0.3 million of interest.

On May 31, 2023, Amendment No. 4 to the Exit Term Loan Agreement was entered into to amend the deadline to meet certain specified asset sale milestones.

On June 7, 2023, Amendment No. 5 to the Exit Term Loan Agreement was entered into to amend certain definitions and requirements to meet specified asset sale milestones.

On September 27, 2023, Amendment No. 6 and Waiver to the Exit Term Loan Agreement was entered into. The amendment provided for certain default waivers related to specified asset sale milestones and liquidity requirements. Additionally, the amendment waived the liquidity covenant through the remainder of 2023, extended the Secured Net Leverage Ratio holiday through September 30, 2023, raised the maximum ratio from 5.00 to 7.00 from January 1, 2024 through March 31, 2024, modified deadlines and provisions of certain specific asset sales and allowed for the Super Senior facility (described below).

On January 31, 2024, Amendment No. 7 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024 Amendment No. 8 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 13, 2024, Amendment No. 9 to the Exit Term Loan was entered into. The amendment modified certain asset sale agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter

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through 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 October 1, 2024 through December 31, 2024, and 5.0 thereafter.

Exit ABL Credit Facility

On the Effective Date, pursuant to the Plan, QHC as a borrower (“ABL Borrower” and, together with any other person that becomes a party to the Exit ABL Credit Agreement as a borrower, the “ABL Borrowers”), Quincy Health and certain subsidiaries of QHC (collectively, together with Quincy Health, the “ABL Guarantors” and, together with the ABL Borrowers, the “ABL Loan Parties”), Credit Suisse AG, New York Branch, as administrative agent (the “ABL Agent”), and the lenders party thereto have entered into the Exit ABL Credit Agreement (the “Exit ABL Credit Agreement”). As of December 31, 2023, the Exit ABL Credit Agreement provides for a senior secured asset-based credit facility in the maximum principal amount of \$73 million, subject to a borrowing base (the “Exit ABL Facility”). Under the borrowing base provisions, the ABL Borrowers are only permitted to draw revolving loans in an amount equal to (i) 85% of the aggregate amount of the ABL Loan Parties’ domestic eligible accounts receivable, plus (ii) 50% of the aggregate amount of the ABL Loan Parties’ supplemental program eligible accounts receivable, minus (iii) the amount by which, if any, the Last-Out Term Loans (as defined below) exceed the Last-Out Borrowing Base (as defined below). Further, at least \$15 million of the Exit ABL Facility is available for the issuance of letters of credit to the ABL Borrowers. The ABL Borrowers used the proceeds of the Exit ABL Facility to, among other things, refinance its prior asset-based credit facility. The ABL Borrowers may also use the proceeds of the Exit ABL Facility for working capital, capital expenditures and other general corporate purposes.

The Exit ABL Facility bears interest at a rate per annum equal to the sum of (i) Term SOFR plus 0.11448%, and (ii) a margin of 4.25%. The ABL Borrowers also paid an arranger fee equal to 1.25% of the aggregate principal amount of the Exit ABL Facility on the Effective Date. In addition to the upfront arranger fee, the ABL Borrowers must pay an unused facility fee equal to 0.5% per annum of the unborrowed principal available to the ABL Borrowers under the Exit ABL Facility. Upon the occurrence and continuance of an event of default under the Exit ABL Facility, the ABL Agent is permitted to charge a default rate of interest equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit ABL Credit Agreement was 9.72% as of December 31, 2023.

To secure the payment and performance of their obligations under the Exit ABL Credit Agreement, the ABL Loan Parties granted a first priority lien on, among other assets, the ABL Loan Parties’ current and future accounts receivable, health-care receivables, cash, deposit accounts, payment intangibles, intercompany indebtedness funded directly with proceeds of the Exit ABL Facility or incurred in the ordinary course of business pursuant to the cash management structure of the ABL Borrowers and their subsidiaries, and securities and securities entitlements (the “ABL Priority Collateral”). The ABL Loan Parties granted a second priority lien on substantially all of their assets other than the ABL Priority Collateral. The Exit ABL Credit Agreement contains customary exclusions and qualifications on the liens granted by the ABL Loan Parties that are consistent with the Exit Term Loan Agreement. Further, the ABL Guarantors guaranteed the payment and performance of the ABL Borrowers obligations under the Exit ABL Credit Agreement, subject to customary exclusions and qualifications consistent with the exclusions and qualifications provided in the Exit Term Loan Agreement.

As of December 31, 2023, the Company had \$66.1 million of borrowings outstanding on the Exit ABL Facility and had \$0.8 million of letters of credit outstanding. As of December 31, 2023, the Company had borrowing capacity of \$0.1 million under its Exit ABL Facility.

The Exit ABL Credit Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations. The Exit ABL Credit Agreement (as amended) contains financial covenants requiring the ABL Borrowers to maintain certain levels of liquidity and a fixed coverage charge ratio equal to .65x for the fiscal quarter ending December 31, 2023 and 1.0x for the fiscal quarter ending March 31, 2024 and each fiscal quarter thereafter. Moreover, the Exit ABL Credit Agreement contains customary events of default, representations and warranties, which are substantially consistent with the Exit Term Loan Agreement, except for the inclusion of representations and warranties related to the borrowing base for the Exit ABL Facility.

The Exit ABL Facility will mature and become due and payable on July 7, 2024, unless the Exit ABL Facility is accelerated, prepaid, or extended prior to that date.

On December 7, 2020, Amendment No. 1 to the Exit ABL Credit Agreement was entered into in order to require the delivery of financial statements of Quincy Health instead of the ABL Borrower.

On March 18, 2021, Amendment No. 2 to the Exit ABL Credit Agreement was entered into in order to (i) reduce the aggregate revolving commitments under the Exit ABL Facility from \$145 million to \$130 million; (ii) make McKenzie-Willamette a subsidiary guarantor; and (iii) provide for the release of McKenzie-Willamette as a subsidiary guarantor in certain circumstances if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 18, 2021 (or, an earlier date specified by QHC if QHC

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certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 18, 2021; therefore, it was automatically released as a subsidiary guarantor of the Exit ABL Facility.

On May 27, 2022, QHC, Amendment No. 3 to the Exit ABL Credit Agreement ("Amendment No. 3") was entered into to make certain amendments to the Exit ABL Credit Agreement in connection with the joinder of QHC Financing Services, LLC, a Delaware limited liability company ("QHC Financing"), to the loan documents pursuant to that certain Joinder No. 2, dated as of May 27, 2022 (the "ABL Joinder"), executed by QHC Financing and the ABL Agent. In connection with Amendment No. 3 a certain Sale Agreement (the "Receivables Sale Agreement"), dated as of May 27, 2022, between McKenzie-Willamette, as transferor, QHCCS, LLC, as the servicer, and QHC Financing was executed. Amendment No. 3 also removed all references to LIBOR and replaced with Daily and Term SOFR.

On January 13, 2023, Amendment No. 4 to the Exit ABL Credit Agreement was entered into to provide for capacity to incur a tranche of last out term loans and address certain changes reflected in Amendment No. 3 and Waiver to Credit Agreement (Exit Term Loan Agreement), dated as of November 30, 2022.

On February 23, 2023, Amendment No. 5 to the Exit ABL Credit Agreement was entered into to reduce the Revolving Commitment from \$130 million to \$100 million, increase the amount of the Letter of Credit Sublimit to \$30 million from \$21 million, and modify the definition of "Covenant Trigger Period."

On July 17, 2023, Amendment No. 6 to the Exit ABL Credit Agreement was entered into to specify the terms of an \$8.0 million term loan, (the "Last-Out Term Loans") incurred under the last out term loan tranche, subject to a borrowing base comprised of 13.5% of the aggregate amount of the ABL Loan Parties' domestic eligible accounts receivable (the "Last-Out Borrowing Base"). The Last-Out Loans bear interest at a rate per annum equal to the sum of (i) SOFR plus a 0.11448% adjustment and (ii) a margin of (x) 8.25% payable in cash and (y) 2.00% payable in kind by capitalizing such amount of accrued interest to the principal balance of the Last-Out Loans. The Last-Out Term Loans will mature and become due and payable on April 29, 2025, unless the Last-Out Term Loans are accelerated, prepaid, or extended prior to that date.

On September 27, 2023, Amendment No. 7 to the Exit ABL Credit Agreement was entered into. The amendment waived specified defaults, reduced the fixed charge coverage ratio from 1.00 to 0.65 for the period ending December 31, 2023, returning to 1.00 for the period ending March 31, 2024 and thereafter. Additionally, the amendment increased the applicable margin by 50 basis points, reduced the letter of credit sublimit to \$15.0 million and reduced the maximum principal balance to \$73.0 million.

On October 6, 2023, the Company entered into a Substitute Insurance Collateral Agreement ("SICA") with 1970 Group, an insurance collateral financing company, to move some of the letters of credit previously issued under the Exit ABL. As of December 31, 2023, 1970 Group had issued \$14.0 million of letters of credit on the Company's behalf under this agreement relating to workers compensation and medical malpractice policies.

Super Senior Credit Facility

On September 26, 2023, Evanston Hospital Corporation and Tooele Hospital Corporation, each as borrowers (collectively, the "Super Senior Borrower"), QHC and Quincy Health and certain lenders party thereto, entered into a credit agreement (the "Super Senior Credit Facility"). The Super Senior Credit Facility provides for a senior secured loan facility in the aggregate principal amount of \$20 million.

The Super Senior Credit Facility bears interest at an annual rate equal to SOFR (with a floor of 1.00%), plus an applicable margin of 10.25%. Upon the occurrence and continuance of an event of default under the Super Senior Credit Facility, UMB Bank, National Association (the "Super Senior Term Loan Agent") is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Super Senior Credit Facility was 15.76% as of December 31, 2023.

The Super Senior Borrower, granted a first priority lien on specified collateral, in order to secure the payment and performance of their obligations under the Super Senior Loan Agreement. QHC granted a first priority pledge on the equity of the Super Senior Borrower.

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Debt Issuance Costs and Discounts

The following table provides a summary of unamortized debt issuance costs and discounts (in thousands):

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Debt issuance costs	\$ 55,463	\$ 32,066
Debt discounts	—	—
Total debt issuance costs and discounts at origination	55,463	32,066
Less: Amortization of debt issuance costs and discounts	(22,931)	(8,585)
Total unamortized debt issuance costs and discounts	<u>\$ 32,532</u>	<u>\$ 23,481</u>

During the years ended December 31, 2023 and 2022, the Company entered into amendments to our debt agreements incurring costs and fees that were paid-in-kind ("PIK"). These PIK fees increase the outstanding debt liability and debt issuance costs. For the years ended December 31, 2023 and 2022, PIK costs and fees incurred were \$23.3 million and \$16.7 million, respectively.

Finance Lease Obligations and Other Debt

The Company's debt arising from finance lease obligations primarily relates to its corporate office in Brentwood, Tennessee. As of December 31, 2023 and December 31, 2022, this finance lease obligation was \$11.6 million and \$12.9 million, respectively. The remainder of the Company's finance lease obligations relate to property and equipment at its hospitals and corporate office. Other debt consists of physician loans and miscellaneous notes payable to banks.

Debt Maturities

The following table provides a summary of debt maturities for each of the next five years and thereafter (in thousands):

2024	\$ 71,335
2025	703,546
2026	1,894
2027	2,053
2028	1,321
Thereafter	3,685
Total debt, excluding unamortized debt issuance costs and discounts	<u>\$ 783,834</u>

Interest Expense, Net

The following table provides a summary of the components of interest expense, net (in thousands):

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2023</u>
Exit Term Loan Facility	\$ 91,606	\$ 65,710
Exit ABL Facility	6,886	5,729
Last-Out Tranche Facility	588	—
Super Senior Notes	837	
Amortization of debt issuance costs and discounts	14,345	3,381
All other interest expense (income), net	2,286	2,351
Total interest expense, net	<u>\$ 116,548</u>	<u>\$ 77,171</u>

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NOTE 8 — LEASES

The Company has operating and finance leases for its corporate office, certain of its hospitals, medical office buildings, medical equipment and office equipment.

The following table provides a summary of the components of lease costs and rent (in thousands):

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Operating lease costs:		
Operating lease costs	\$ 19,957	\$ 17,763
Variable lease costs	1,091	1,986
Short-term rent expenses	2,012	11,932
Total operating lease costs	<u>\$ 23,060</u>	<u>\$ 31,681</u>
Finance lease costs:		
Amortization of right-of-use assets	\$ 1,420	\$ 1,420
Interest on lease liabilities	706	779
Total finance lease costs	<u>\$ 2,126</u>	<u>\$ 2,199</u>

The following table provides supplemental balance sheet information related to finance leases (in thousands):

	<u>Balance Sheet Classification</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finance Leases:			
Finance lease ROU assets	Property and equipment	\$ 20,591	\$ 20,738
Accumulated amortization	Accumulated depreciation and amortization	11,372	8,543
Current finance lease liabilities	Current maturities of long-term debt	2,221	2,522
Long-term finance lease liabilities	Long-term debt	10,162	12,291

The following table provides supplemental cash flow information related to leases (in thousands):

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 19,987	\$ 17,946
Operating cash flows from finance leases	810	972
Financing cash flows from finance leases	2,437	2,485
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 4,359	\$ 22,872
Finance leases	—	—

The following table provides the weighted-average lease terms and discount rates used for the Company's operating and finance leases:

	<u>December 31, 2023</u>
Weighted-average remaining lease term (years):	
Operating leases	5.2
Finance leases	4.7
Weighted-average discount rate:	
Operating leases	10.4%
Finance leases	5.8%

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The following table provides a summary of lease liability maturities for the next five years and thereafter (in thousands):

	Operating Leases	Finance Leases
2024	\$ 10,933	\$ 2,761
2025	9,041	2,126
2026	4,366	2,157
2027	3,521	2,200
2028	3,097	1,486
Thereafter	3,797	3,685
Total lease payments	34,755	14,415
Less: Imputed interest	(7,103)	(2,032)
Total lease obligations	27,653	12,383
Less: Current portion	(8,259)	(2,221)
Total long-term lease obligations	\$ 19,394	\$ 10,162

During the year ended December 31, 2022, the Company entered into a sale-leaseback agreement with an unrelated third party to sell major movable equipment with a net book value of \$12.1 million and lease back the equipment for a period of 36 months with annual lease obligations of \$4.4 million. The transaction resulted in a gain on sale of equipment of \$0.1 million.

NOTE 9 — OTHER LONG-TERM ASSETS AND OTHER LONG-TERM LIABILITIES

The following table provides a summary of the major components of other long-term assets (in thousands):

	December 31, 2023	December 31, 2022
Non-Qualified Deferred Compensation Plan	\$ 11,057	\$ 12,096
Malpractice Receivable	8,543	8,569
Cloud computing implementation costs	1,189	6,264
Workers Compensation Receivable	10,867	9,987
Other	3,308	7,475
Total other long-term assets	\$ 34,964	\$ 44,391

The following table provides a summary of the major components of other long-term liabilities (in thousands):

	December 31, 2023	December 31, 2022
Professional and general liability insurance reserves	\$ 48,609	\$ 49,594
Benefit plan liabilities	13,508	13,795
Workers' compensation liability insurance reserves	14,216	13,975
Software license liabilities	—	2,966
Other miscellaneous long-term liabilities	2,204	3,926
Total other long-term liabilities	\$ 78,537	\$ 84,256

See Note 16 — Commitments and Contingencies for additional information about the Company's insurance reserves and Note 14 — Benefit Plans for additional information about the Company's benefit plan liabilities.

NOTE 10 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's cash and cash equivalents, patient accounts receivable, amounts due from and due to third-party payors, restricted cash and accounts payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company recorded impairments related to long-lived assets during the years ended December 31, 2023 and 2022. See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information on these impairments. The assessment of fair value was based on Level 3 inputs, as the valuation methodologies used to determine impairment were based on internal projections and

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unobservable inputs. The portion of the impairment related to hospital assets held for sale was determined based on Level 2 inputs, as the valuation methodologies used to determine impairment considered letters of intent received on these hospitals.

The following table provides a summary of the carrying amounts and estimated fair values of the Company's long-term debt, including any current maturities of long-term debt (in thousands):

	December 31, 2023		December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Exit Term Loan Facility	\$ 672,681	\$ 428,739	\$ 685,249	\$ 485,524
Exit ABL Credit Facility	66,054	66,054	89,600	89,600
Last Out Facility	8,075	8,075	—	—
Super Senior Debt Facility	19,950	19,950	—	—
All other debt	17,074	17,074	17,432	17,432
Total long-term debt, excluding debt issuance costs and discounts	<u>\$ 783,834</u>	<u>\$ 539,892</u>	<u>\$ 792,281</u>	<u>\$ 592,556</u>

The Company considers its long-term debt instruments to be measured based on Level 2 inputs. Information about the valuation methodologies used in the determination of the fair values for the Company's long-term debt instruments follows:

- Exit Term Loan Facility. The estimated fair value is based on publicly available trading activity and supported with information from the Company's lending institutions regarding relevant pricing for trading activity.
- Exit ABL Credit Facility and all other debt. The carrying values of the Company's other debt instruments, including the Exit ABL Credit Facility, Last Out Facility, Super Senior Debt Facility, finance lease obligations, physician loans and miscellaneous notes payable to banks, approximate their estimated fair values due to the nature of these obligations.

NOTE 11 — EQUITY

Quincy Health, LLC Members' Units

On the Effective Date, pursuant to the Plan, Quincy Health issued 28,166,674 Class A Units (including approximately 1.5 million Class A Units in respect of an equity commitment premium) for an aggregate purchase price equal to \$200,000,000 pursuant to the terms and conditions set forth in the Equity Commitment Agreement. Such Class A Units were issued in reliance upon the exemptions from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

In addition, on the Effective Date, pursuant to the Plan, 3,913,818 Class A Units of Quincy Health became issuable to the former holders of the Senior Notes pursuant to the Plan, of which 1,791,994 Class A Units have been issued as of December 31, 2023. Such Class A Units have been or will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 1145 of the Bankruptcy Code.

Deferred Units

The Board of Managers of Quincy Health approved and adopted the 2020 Management Incentive Equity Plan of Quincy Health, LLC (the "MIP") on August 14, 2020. The MIP offers equity-based compensation to certain key members of management of QHC and Quincy Health on the terms and conditions determined by the Board of Managers of Quincy Health. See Note 13 – Unit-Based Compensation for additional information related to the MIP.

During the year ended December 31, 2023, the Company recognized \$0.9 million in unit-based compensation expense for Deferred Units and had unrecognized compensation expense of \$0.9 million as of December 31, 2023.

Additional Paid-in Capital

In connection with QHC's emergence from bankruptcy, the Company issued Class A Units, as described above, to former holders of Senior Notes in exchange for a \$200.0 million cash contribution and forgiveness of QHC's Senior Notes.

NOTE 12 — INCOME TAXES

The Company and its subsidiaries are subject to U.S. federal income tax and income tax of multiple state and local jurisdictions. The Company provides for income taxes based on the enacted tax laws and rates in jurisdictions in which it conducts its operations.

QUINCY HEALTH, LLC
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The following table provides a summary of the components of the provision for (benefit from) income taxes (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current:		
Federal	216	—
State	618	291
Total provision for (benefit from) current income taxes	834	291
Deferred:		
Federal	196	1,964
State	(633)	273
Total provision for (benefit from) deferred income taxes	(437)	2,237
Total provision for (benefit from) income taxes	<u>\$ 397</u>	<u>\$ 2,528</u>

The following table reconciles the provision for (benefit from) income taxes utilizing the statutory federal income tax rate to the Company's effective income tax rate (dollars in thousands):

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	\$ Amount	% of Total	\$ Amount	% of Total
Provision for (benefit from) income taxes at statutory federal tax rate	\$ (29,493)	21.0 %	\$ (95,004)	21.0 %
State income taxes, net of federal income tax benefit (excluding valuation allowance)	(1,155)	0.8 %	(14,276)	3.2 %
Net (income) loss attributable to noncontrolling interests	52	— %	29	— %
Non-deductible goodwill and Spin-off costs	—	— %	43,785	(9.7)%
Other permanent items	161	(0.1)%	142	(0.1)%
Change in valuation allowance	19,039	(13.6)%	68,645	(15.2)%
Tax effects of divested hospitals	8,861	(6.3)%	—	— %
True up of NOL & Carryforwards	2,932	(2.1)%	(793)	0.2 %
Total provision for (benefit from) income taxes and effective tax rate	<u>\$ 397</u>	<u>(0.3)%</u>	<u>\$ 2,528</u>	<u>(0.6)%</u>

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement carrying values and tax basis of the Company's assets and liabilities under the provision of the enacted tax laws.

The following table provides a summary of the components of deferred income tax assets and liabilities (in thousands):

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	December 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Net operating loss and credit carryforwards	\$ 75,592	\$ —	\$ 103,320	\$ —
Property and equipment	—	53,521	—	86,502
Goodwill and intangible assets	—	7,525	—	8,152
Investments in unconsolidated affiliates	—	270	—	695
Accounts receivable	3,259	—	4,917	—
Accrued compensation and recruiting accruals	3,897	86	5,606	266
Deferred payroll taxes	—	—	—	16
Provider relief funds	1,582	—	1,371	—
Other accruals	477	—	479	—
Deferred compensation	5,480	—	5,377	—
Debt issuance costs	47,024	—	53,464	—
Other investments	—	363	28	—
Leases	11,070	7,532	23,430	16,834
Interest limitation	125,019	—	98,000	—
Insurance and settlement reserves	16,564	—	17,665	—
Total deferred income tax assets and liabilities, before valuation allowance	289,964	69,297	313,657	112,465
Valuation allowance	(227,290)	—	(208,252)	—
Total deferred income tax assets and liabilities	<u>\$ 62,674</u>	<u>\$ 69,297</u>	<u>\$ 105,405</u>	<u>\$ 112,465</u>
Total deferred income tax liabilities, net		<u>\$ 6,623</u>		<u>\$ 7,060</u>

As of December 31, 2023, the Company had federal net operating loss carryforwards of approximately \$99.3 that have an indefinite life but can only reduce future taxable income by 80% in any single tax year. The Company also had state net operating loss carryforwards of approximately \$827.0 million, which generally expire from 2024 to 2043. In addition, the Company has \$0.4 million of Work Opportunity Tax Credit carryforwards and \$1.1 million of California Enterprise Zone credits. The Company has concluded that it is not more likely than not that it will realize the benefit of its deferred tax assets, and as a result, has recognized a valuation allowance of \$227.3 million. With respect to the deferred tax liabilities pertaining to goodwill and intangible assets, as included in the table above, goodwill purchased in connection with certain business acquisitions is amortizable for income tax reporting purposes. However, for financial reporting purposes, there is no corresponding amortization allowed with respect to such purchased goodwill. As the Company does not expect to realize its state deferred tax assets, it has not recognized the corresponding federal tax benefit, and as such, the amounts presented above for the years ended December 31, 2023 and December 31, 2022 do not include the federal tax benefit.

The Company incurred a significant modification for federal income tax purposes on its Term Loan debt as a result of agreeing with its lenders to Amendment No. 3 on November 30, 2022, and also Amendment No. 6 on September 27, 2023. As a result, for tax purposes, the Company incurred Cancellation of Indebtedness Income (“CODI”) of \$167.2 million and \$52.7 million for the years ended December 31, 2023 and 2022, respectively. However, due to the insolvency exception under Internal Revenue Code Section 108(a)(1)(B), the Company was able to exclude from taxable income \$156.3 million and \$52.7 million in 2022 and 2023, respectively. However, pursuant to Internal Revenue Code Section 108(b), the Company was required to reduce its basis in certain tax attributes including reduction of Net Operating Loss carryforwards and tax basis in long-lived depreciable assets.

In prior years, the Company concluded that it is not more likely than not that it will realize the benefits of its deferred tax assets. The Company’s valuation allowance increased \$19.0 million in total during the year ended December 31, 2023 from \$208.3 million to \$227.3 million, all of which ran through tax expense.

As of December 31, 2023, the Company had an excess federal interest expense carryforward of \$499.6 million which has an indefinite life.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company’s income tax positions. The Company assesses its income tax positions and records income tax benefits for all tax years subject to examination based on management’s evaluation of the facts, circumstances, and information available at the reporting date. The Company is not aware of any unrecognized income tax benefits; therefore, it has not recorded any such amounts for the years ended December 31, 2023 and December 31, 2022.

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NOTE 13 — UNIT-BASED COMPENSATION

The Board of Managers of the Company approved and adopted the 2020 Management Incentive Equity Plan of Quincy Health, LLC (the “MIP”) on August 14, 2020. The MIP is designed to provide an incentive to certain key members of management of the Company or any of its affiliates (the “Eligible Individuals”) and to offer an additional inducement in obtaining the services of such individuals. The MIP provides for the grant of Deferred Units, which entitle an Eligible Individual to receive Common Units or cash, as determined by the Company’s Compensation Committee, at the end of a specified period, which right may also be conditioned, in whole or in part, on the satisfaction of specified performance or other criteria. The Deferred Units may be subject to contingencies or restrictions as set forth under the MIP and applicable award agreements. The aggregate number of Common Units that may be issued or used for reference purposes with respect to which awards may be granted under the MIP shall be equal to 3,849,659 Common Units.

The Company has granted 2,106,993 Deferred Units to Eligible Individuals, net of forfeitures. Of the Deferred Units granted, 800,763 are time-based Deferred Units granted to key members of management that vest in equal installments as defined in the award agreements, 251,333 are time-based Deferred Units granted to non-employee directors that vest in equal installments on each of the first three anniversaries of the vesting commencement date and 1,054,897 are performance-based Deferred Units granted to key members of management that vest in connection with a “sale of the Company,” as defined in the LLC Agreement. The degree to which the performance vesting occurs shall be based upon the level of aggregate Cash-on-Cash Return achieved by the Lead Investors upon the sale of the Company, as set forth in the applicable award agreements.

The following table provides a summary of the activity related to member unit awards:

	Quincy Health Awards Granted	
	Deferred Units	Weighted-Average Grant Date Fair Value Per Unit
Unvested restricted deferred units at December 31, 2022	1,526,428	\$ 6.45
Granted	616,599	0.45
Vested	(193,606)	5.82
Forfeited	(931,598)	6.09
Unvested restricted deferred units at December 31, 2023	1,017,823	\$ 2.97

The following table provides a summary of the components of member unit-based compensation expense (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Unit-based compensation	903	2,153
Total Unit-based compensation expense	\$ 903	\$ 2,153

The Company recognized \$0.9 million and \$2.2 million in unit-based compensation expense for Deferred Units for the years ended December 31, 2023 and 2022, respectively, and had unrecognized compensation expense of \$0.9 million and \$2.4 million as of December 31, 2023 and December 31, 2022, respectively. Unit-based compensation expense is recognized as a component of salaries and benefits expenses in the consolidated statements of operations.

NOTE 14 — BENEFIT PLANS

The Company maintains various benefit plans, including defined contribution plans and deferred compensation plans, of which certain of the Company’s subsidiaries are the plan sponsors.

Defined Contribution Plans

The Quorum Health Retirement Savings Plan (the “Retirement Savings Plan”) is a defined contribution plan, which covers the majority of the employees at the Company’s subsidiaries. The Company has other minor defined contribution plans at certain of its hospitals that cover employees under the terms of these individual plans. Total expenses to the Company under all defined contribution plans were \$2.3 million and \$7.5 million for the years ended December 31, 2023 and 2022, respectively. The benefit costs associated with these defined contribution plans are recorded as salaries and benefits expenses in the consolidated statements of operations.

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Deferred Compensation Plans

On August 18, 2016, the Compensation Committee of the QHC Board adopted the Executive Nonqualified Excess Plan Adoption Agreement (the “Adoption Agreement”) and the Executive Nonqualified Excess Plan Document (the “Plan Document”), that together, the Adoption Agreement names as the QHCCS, LLC Nonqualified Deferred Compensation Plan (the “NQDCP”). The NQDCP is an unfunded, nonqualified deferred compensation plan that provides deferred compensation benefits for a select group of management, highly compensated employees and independent contractors of the Company’s wholly-owned subsidiary, QHCCS, LLC, a Delaware limited liability company (“QHCCS”). The NQDCP permits participants to defer a portion of their annual base salary, service bonus and performance-based compensation, as well as up to 100% of their incentive compensation in any calendar year. In addition to participant deferrals, QHCCS, and/or its affiliates may make discretionary credits to participants’ accounts for any year. As of December 31, 2023, the assets and liabilities under this plan were \$11.1 million and \$13.5 million, respectively. As of December 31, 2022 the assets and liabilities under this plan were \$12.1 million and \$13.8 million, respectively. The assets and liabilities under this plan are included in other long-term assets and other long-term liabilities, respectively, in the consolidated balance sheets.

NOTE 15 — RELATED PARTY TRANSACTIONS

CHS was a related party to QHC prior to the Spin-off. The agreements between QHC and CHS as of and subsequent to the Spin-off are described below.

Agreements with CHS Related to the Spin-off

In connection with the Spin-off and effective as of April 29, 2016, QHC entered into certain agreements with CHS that allocated between QHC and CHS the various assets, employees, liabilities and obligations (including investments, property, employee benefits and tax-related assets and liabilities) that were previously part of CHS. In addition, QHC entered into certain transition services agreements and other ancillary agreements with CHS defining agreed upon services to be provided by CHS to certain or all QHC hospitals, as determined by each agreement, commencing on the Spin-off date. The IT TSA expired at the end of April 2021. As such, all transition services agreements with CHS have now been terminated or expired.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is a party to various legal, regulatory and governmental proceedings incidental to its business. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental proceedings, including the matters described herein, will have a material adverse effect on the operating results, financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company’s control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company’s consolidated financial position, results of operations or cash flows for any particular reporting period.

In connection with the Spin-off, CHS agreed to indemnify QHC for certain liabilities relating to outcomes or events occurring prior to the closing of the Spin-off, including (i) certain claims and proceedings known to be outstanding on or prior to the closing date of the Spin-off and (ii) certain claims, proceedings and investigations by governmental authorities or private plaintiffs related to activities occurring at or related to QHC’s healthcare facilities prior to the closing date of the Spin-off, but only to the extent, in the case of clause (ii), that such claims are covered by insurance policies maintained by CHS, including professional and general liability and workers’ compensation liability. In this regard, CHS will continue to be responsible for certain Health Management Associates, Inc. legal matters covered by its contingent value rights agreement that relate to the portion of CHS’ business now held by QHC. Notwithstanding the foregoing, CHS is not indemnifying QHC in respect of any claims or proceedings arising out of, or related to, the business operations of QHC at any time.

In connection with the sale of QHR effective as of May 28, 2021, the Company’s indirect, wholly owned subsidiary, Quorum Health Investment Company, LLC is subject to certain ongoing indemnification obligations pursuant to the terms of a definitive agreement with the buyer of QHR. These indemnification obligations include customary provisions in transactions of this type (e.g., breaches of representations and warranties, breaches of covenants, payment of taxes, etc.) and certain specifically identified damages (e.g., damages arising out of pre-closing professional health liability claims and damages arising out of pending litigation matters). Similarly, several subsidiaries of the Company have entered into definitive agreements with third parties since the Spin-off in connection with the sales of hospitals formerly affiliated with QHC. Such subsidiaries have customary indemnification obligations to the purchasers of such hospitals under the applicable definitive agreements. In addition, in most instances, QHC has guaranteed the obligations of the subsidiaries under the applicable definitive agreements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

With respect to all legal, regulatory and governmental proceedings, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated amount of loss. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the amount of possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the amount of possible loss or range of loss. However, the Company is unable to estimate an amount of possible loss or range of loss in some instances based on the significant uncertainties involved in, or the preliminary nature of, certain legal, regulatory and governmental matters.

Commercial Litigation and Other Lawsuits

- Daniel H. Golden, as Litigation Trustee of the QHC Litigation Trust, and Wilmington Savings Fund Society, FSB, solely in its capacity as indenture trustee v. Community Health Systems, Inc., et al. A complaint in this case was filed on October 25, 2021 in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) against various persons, including Community Health Systems, Inc. (“CHS”), certain subsidiaries of CHS, certain former executive officers of CHS and Credit Suisse Securities (USA) LLC. Plaintiff Daniel H. Golden is the litigation trustee for a litigation trust which was formed under the plan of reorganization of QHC and certain affiliated entities confirmed by order of the Bankruptcy Court wherein QHC and certain affiliated entities contributed various causes of action to such litigation trust. Plaintiff Wilmington Savings Fund Society is the indenture trustee for certain notes issued by QHC. The complaint seeks damages and other forms of recovery arising out of certain alleged actions taken by CHS and the other defendants in connection with the spin-off of QHC which was completed on April 29, 2016, and includes claims for unjust enrichment and for avoidance of certain transactions and payments by QHC to CHS connected with the spin-off, including the \$1.21 billion special dividend paid by QHC to CHS as part of the spin-off transactions, and certain indemnification obligations of QHC to CHS relating to the spin-off. CHS and several individual defendants made a subsequent demand for indemnification on QHC relating to these claims. QHC has sought to intervene in this matter to have the Bankruptcy Court decide its indemnification obligations pertaining to this suit. A hearing on QHC’s motion was conducted on July 21, 2022, and the motion remains pending. On March 16, 2023, the Bankruptcy Court granted in part and denied in part the motion to dismiss of CHS and certain other defendants. On August 30, 2023, the Bankruptcy Court denied QHC’s initial motion to intervene, but QHC filed a renewed, narrower motion to intervene in September 2023, to join certain claims made by the Plaintiff. The Court granted this renewed motion to intervene on December 14, 2023, and QHC subsequently filed a joinder to intervene in two of the Plaintiff’s claims. The parties, including QHC, are now participating in discovery. The Company is unable to predict the outcome of this matter. However, it is reasonably possible that the Company may incur a material loss.
- State of New Mexico ex rel. Raúl Torrez, Attorney General v. San Miguel Hospital Corporation d/b/a Alta Vista Regional Hospital Center, et. al., Fourth Judicial District Court, San Miguel County, New Mexico. The State of New Mexico, through the New Mexico Attorney General’s Office, has brought a lawsuit against San Miguel Hospital Corporation and other defendants pertaining to alleged violations of the New Mexico Unfair Practices Act. These allegations relate to the hospital’s advertising practices, medical care and oversight, pricing for services, and collections efforts. San Miguel Hospital Corporation and the other defendants filed their answers or other responses in late March 2023. This matter has been settled upon mutually satisfactory terms and the case was dismissed with prejudice on November 13, 2023.
- Scott Smith v. QHCCS, LLC, 1:23-CV-00321 (U.S.D.C. Del.). On March 23, 2023, Scott Smith, a former employee of Mountain West Medical Center, filed a wage-and-hour lawsuit in Delaware federal court alleging that certain pay practices violate the overtime requirements of the Fair Labor Standards Act (FLSA). Smith filed the lawsuit on behalf of himself and a nationwide collective of current and former employees. Smith named and sued QHCCS, LLC in the lawsuit, but QHCCS did not employ him. The Company successfully transferred the lawsuit to a federal court in Nashville, Tennessee. On November 14, 2023, the Company participated in a private mediation of the matter. The mediation did not resolve the matter, but the parties continued to engage in settlement negotiations. The Company negotiated and reached a favorable settlement. This matter has been settled upon mutually satisfactory terms and the case dismissed with prejudice on March 29, 2024.
- Clara Salm v. San Miguel Hospital Corporation d/b/a Alta Vista Regional Hospital, D-412-cv-2023-00394 (Fourth Judicial District Court, San Miguel County, New Mexico). On November 28, 2023, Clara Salm, a former employee of Alta Vista Regional Hospital, filed a wage-and-hour lawsuit in New Mexico state court. Salm filed the lawsuit on behalf of herself and a state-wide class of current and former employees. The Company, while in the process of evaluating the claims, including the full scope of the class, negotiated and reached a favorable settlement. This matter has been settled upon mutually satisfactory terms and the case dismissed with prejudice on April 1, 2024.

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- Neil Wise and Jill Wise v. Ambulance Services of Forrest City, LLC, 2:23-cv-0213 (U.S.D.C. Ark.). On October 19, 2023, the Wises, former employee of Ambulance Services of Forrest City, filed a wage-and-hour lawsuit in Arkansas federal court. The Wises filed the lawsuit on behalf of themselves and a nationwide collective of current and former employees. The Company is in the process of evaluating the claims, including whether and to what extent the litigation would expand to include a nationwide collective of current and former employees. The Company is unable to predict the outcome of this matter. However, it is reasonably possible that the Company may incur a material loss.

Insurance Reserves

As part of the business of owning and operating hospitals, the Company is subject to potential professional and general liability and workers' compensation liability claims or other legal actions alleging liability on its part. Prior to the Spin-off, CHS provided professional and general liability insurance and workers' compensation liability insurance to QHC and indemnified QHC from losses under these insurance arrangements related to the hospital operations business assumed by QHC in the Spin-off. The liabilities for claims prior to the Spin-off and related to QHC's hospital operations business are determined based on an actuarial study of QHC's operations and historical claims experience at its hospitals, including during the period of ownership by CHS. Corresponding receivables from CHS are established to reflect the indemnification by CHS for each of these liabilities for claims that related to events and circumstances that occurred prior to the Spin-off. After the Spin-off, QHC entered into its own professional and general liability insurance and workers' compensation liability insurance arrangements to mitigate the risk for claims exceeding its self-insured retention levels. The Company's insurance arrangements are underwritten on a claims-made basis. For claims reported prior to April 29, 2020, substantially all of the Company's professional and general liability risks were subject to a self-insured retention level of \$5 million per claim. For claims reported on or after April 29, 2020, the Company's professional and general liability risks were subject to a self-insured retention level of \$8 million per claim with an additional \$2 million per claim maximum and a \$4 million per aggregate maximum self-insured retention buffer. For claims reported on or after April 29, 2021, the Company's professional and general liability risks were subject to a self-insured retention level of \$10 million per claim. The Company, on occasion, has selectively increased the insured risk at certain hospitals based upon insurance pricing and other factors and may continue that practice in the future. The Company also maintains a \$0.5 million per claim, high deductible program for workers' compensation liability claims.

The following table provides a summary of the Company's insurance reserves related to professional and general liability and workers' compensation liability, distinguished between those indemnified by CHS and those related to the Company's own risks (in thousands):

	December 31, 2023			
	Current Receivable	Long-Term Receivable	Current Liability	Long-Term Liability
Professional and general liability:				
Insurance reserves indemnified by CHS, Inc.	\$ 3,834	\$ 8,543	\$ 3,834	\$ 8,543
All other self-insurance reserves	—	—	10,744	40,066
Total insurance reserves for professional and general liability	3,834	8,543	14,578	48,609
Workers' compensation liability:				
Insurance reserves indemnified by CHS, Inc.	2,480	10,867	2,480	10,867
All other self-insurance reserves	—	—	1,324	3,347
Total insurance reserves for workers' compensation liability	2,480	10,867	3,804	14,214
Total self-insurance reserves	\$ 6,314	\$ 19,410	\$ 18,382	\$ 62,823

	December 31, 2022			
	Current Receivable	Long-Term Receivable	Current Liability	Long-Term Liability
Professional and general liability:				
Insurance reserves indemnified by CHS, Inc.	\$ 3,846	\$ 8,569	\$ 3,846	\$ 8,569
All other self-insurance reserves	—	—	12,947	41,025
Total insurance reserves for professional and general liability	3,846	8,569	16,793	49,594
Workers' compensation liability:				
Insurance reserves indemnified by CHS, Inc.	1,742	9,987	1,742	9,987
All other self-insurance reserves	—	—	1,675	3,989
Total insurance reserves for workers' compensation liability	1,742	9,987	3,417	13,976
Total self-insurance reserves	\$ 5,588	\$ 18,556	\$ 20,210	\$ 63,570

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The receivables from CHS are included in other current assets and other long-term assets in the consolidated balance sheets. The liability for the current portion of professional and general liability claims is included in other current liabilities, while the current portion of the liability for workers' compensation claims is included in accrued salaries and benefits. The long-term portions of both claims liabilities are included in other long-term liabilities in the consolidated balance sheets.

Commitments Related to Information Technology

Through April 2021, the Company utilized MEDHOST INC.'s ("Medhost") software through its IT TSA with CHS. In connection with the Company's transition from the IT TSA with CHS, the Company entered into an agreement with Medhost to deploy Medhost's Electronic Health Record management platform. This agreement includes software license and service fees. The Company has capitalized \$38.9 million of costs related to the implementation of the Medhost software as of December 31, 2023 and December 31, 2022, which are included in intangible assets, net on the consolidated balance sheets. The total additional cost of this project, including Medhost and other software licenses, implementation fees and maintenance fees, are estimated to be approximately \$31.8 million to be incurred through 2025.

In addition, the Company has entered into various cloud computing arrangements related to the transition of the Company's information technology infrastructure, in areas such as financial reporting and budgeting, payroll, compliance and revenue management services. The Company has incurred \$12.4 million of implementation costs related to these cloud computing arrangements as of December 31, 2023 and December 31, 2022, which are included in other long-term assets in the consolidated balance sheets. The total additional costs of these arrangements, including hosting, implementation fees and maintenance fees, are estimated to be approximately \$1.3 million to be incurred through 2025.

NOTE 17 — OTHER SUBSEQUENT EVENTS

On January 25, 2024, the Company sold 155-bed Helena Regional Medical Center ("Helena") in Helena, Arkansas for proceeds of \$2.0 million.

On March 29, 2024, the Company completed the refinancing of our Exit ABL. A new revolving credit facility with Huntington Bank was established with a borrowing facility of \$70.0 million. Proceeds from the new facility were used to pay down the existing Exit ABL facility.

On March 31, 2024, the Company sold 134-bed Dekalb Regional Medical Center ("Dekalb") in Fort Payne, Alabama for proceeds of \$7.3 million.

Management evaluated all events and transactions that occurred subsequent to December 31, 2023 and through April 26, 2024, the date the consolidated financial statements were available to be issued. The Company did not have any material recognized subsequent events during the period, except as previously disclosed.

QUINCY HEALTH, LLC

Consolidated Financial Statements

December 31, 2024 and 2023

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QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT’S DISCUSSION AND ANALYSIS

PART I – MANAGEMENT’S DISCUSSION AND ANALYSIS

You should read the following discussion of our financial condition, results of operations and cash flows, together with the audited consolidated financial statements and the accompanying notes included in Part II – Financial Information. The financial information discussed below may not necessarily reflect what our results of operations, financial position and cash flows may be in the future.

The primary business of Quincy Health, LLC, a Delaware limited liability company (“Quincy Health”), through its subsidiary, Quorum Health Corporation, a Delaware corporation (“QHC”), and its subsidiaries, is to provide hospital and outpatient healthcare services in its markets across the United States. Except as otherwise indicated or unless the context otherwise requires, all references in this management’s discussion and analysis of the financial results for the three months and year ended December 31, 2024 to “we,” “our,” “us,” and the “Company” refer to the consolidated business operations of Quincy Health and its wholly owned subsidiary, QHC.

Forward Looking and Cautionary Statements

Some of the matters discussed in the financial results for the three months and year ended December 31, 2024, include forward-looking statements. All statements, other than statements of historical or present facts, that address activities, events, outcomes, business strategies and other matters that we plan, expect, intend, assume, believe, budget, predict, forecast, project, target, estimate or anticipate (and other similar expressions) will, should or may occur in the future are forward-looking statements, including (but not limited to) disclosure regarding (i) our future earnings, financial position, and operational and strategic initiatives, and (ii) developments in the healthcare industry. Forward-looking statements represent management’s expectations, based on currently available information, as to the outcome and timing of future events, but, by their nature, address matters that are indeterminate. They involve known and unknown risks, uncertainties and other factors, many of which we are unable to predict or control, that may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements.

Although we believe that these forward-looking statements are based upon reasonable assumptions, these assumptions are inherently subject to significant regulatory, economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and may be beyond our control. Accordingly, we cannot give any assurance that our expectations will in fact occur and caution that actual results may differ materially from those in the forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of April 26, 2024. We specifically disclaim any obligation to update any information contained in a forward-looking statement or any forward-looking statement in its entirety except as required by law.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Overview

As of December 31, 2024, we owned or leased a portfolio of 12 hospitals in rural and mid-sized markets, which are located in 10 states and have a total of 799 licensed beds. Our hospitals provide a broad range of hospital and outpatient healthcare services, including general and acute care, emergency room, general and specialty surgery, critical care, internal medicine, diagnostic services, obstetrics, psychiatric and rehabilitation services. We are paid for our services by governmental agencies, commercial insurers and directly by the patients we serve.

Our business strategy is to provide high quality patient care to the communities we serve, with a near term focus of increasing the effectiveness of our revenue cycle functions, improving our operating margins through cost management initiatives and aligning our services with the evolving needs of the markets that we represent. We intend to grow our revenues and operating margins through selective hospital acquisitions and by expanding strategic service lines at our hospitals, primarily by recruiting talented physicians and medical staff. We also intend to improve margins by evaluating underperforming hospitals for divestiture and reducing corporate overhead. Our initiatives to reduce our operating costs include the efficient management of staffing, medical specialist costs, purchased service costs and medical supply costs, with a continued focus on enhancing patient safety and quality of care.

Financial Overview

Our net operating revenues for the year ended December 31, 2024 decreased \$131.5 million to \$917.9 million, compared to \$1,049.4 million for the year ended December 31, 2023, a 12.5% decrease. The decrease primarily consisted of a \$177.7 million decrease related to the divestitures and acquisitions groups as defined in our Results of Operations section below partially offset by a \$68.6 million increase related to our same-facility operations. Income from operations for the year ended December 31, 2024 was \$41.3 million, compared to loss from operations of \$23.8 million for the year ended December 31, 2023. The decrease in loss from operations in the 2024 period was positively impacted by no impairment for the year ended December 31, 2024 compared to the 32.5 million the year ended December 31, 2023. Our operating results for the year ended December 31, 2024 reflect a 17.0% decrease in total admissions and a 14.4% decrease in total adjusted admissions compared to the same period in 2023. See definition of adjusted admissions in our Results of Operations section below.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Hospital Properties

The following table lists, by state, the hospitals wholly owned, operated as part of a joint venture or leased and operated by our wholly owned subsidiaries as of December 31, 2024:

<u>State / Hospital</u>	<u>City</u>	<u>Licensed Beds ⁽¹⁾</u>	<u>Ownership Type</u>
<i>Arkansas ⁽⁴⁾</i>			
Forrest City Medical Center	Forrest City	70	Leased ⁽²⁾
<i>California</i>			
Barstow Community Hospital ⁽⁵⁾	Barstow	30	Owned
<i>Kentucky ⁽⁴⁾</i>			
Kentucky River Medical Center ⁽³⁾⁽⁵⁾	Jackson	25	Owned
Three Rivers Medical Center ⁽⁵⁾	Louisa	60	Owned
<i>Nevada ⁽⁴⁾</i>			
Mesa View Regional Hospital ⁽³⁾	Mesquite	25	Owned
<i>New Mexico</i>			
Mimbres Memorial Hospital ⁽³⁾	Deming	25	Owned
<i>Oregon ⁽⁴⁾</i>			
McKenzie - Willamette Medical Center	Springfield	113	Owned
<i>Texas</i>			
Big Bend Regional Medical Center ⁽³⁾	Alpine	25	Owned
Scenic Mountain Medical Center	Big Spring	211	Owned
Odessa Regional Medical Center	Odessa	146	Owned
<i>Utah</i>			
Mountain West Medical Center	Tooele	44	Owned
<i>Wyoming</i>			
Evanston Regional Hospital ⁽³⁾⁽⁵⁾	Evanston	25	Owned
Total number of licensed beds at December 31, 2024		799	
Total number of hospitals at December 31, 2024		12	

- (1) Licensed beds are defined as the number of beds for which the appropriate state agency licenses a hospital, regardless of whether the beds are actually available for patient use.
(2) Prepaid lease expiring on February 28, 2046.
(3) Designated by CMS as a critical access hospital.
(4) Represents states with CON laws.
(5) Represents a hospital considered a sole community hospital, as defined by Medicare regulations.

Results of Operations

We have summarized our results of operations, including certain financial and operating data for the combined three months and years ended December 31, 2024 and 2023 on a comparative basis below. The definitions of certain terms used throughout the remainder of “Management’s Discussion and Analysis” follows:

Acquisitions Group The acquisitions group, as of December 31, 2024, includes two new hospitals acquired on September 11, 2024. The acquisitions took place as a result of a court-ordered Chapter 11 bankruptcy

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

proceeding involving Steward Health Care Systems, LLC. See Note 4 — Acquisitions and Divestitures in the accompanying consolidated financial statements for additional information on these matters.

Same-facility Same-facility financial and operating data, as presented in the comparative discussions herein, excludes hospitals and entities that were sold or closed prior to and as of the end of the current reporting period. Our same-facility combined operating results for the three months and years ended December 31, 2024 and 2023, which are reported herein, have been adjusted to exclude the operating results of the divestitures and acquisitions groups.

Divestitures Group The divestitures group, as of December 31, 2024, includes all hospitals that had been sold or closed by us since Community Health Systems, Inc (“CHS”) completed the spin-off of certain hospitals, affiliated facilities, and Quorum Health Resources, LLC (“QHR”) to QHC on April 22, 2016 (the “Spin-off”) through December 31, 2024 and QHR, which was sold on May 28, 2021. This group may have certain ongoing operations during the wind-down periods related to the assets and liabilities which were not part of the hospital sale, which typically includes patient accounts receivable, third-party receivables and accounts payable.

Hospital or Entity	Hospitals or Entities Divested as of December 31, 2024		
	Licensed Beds	Disposition	Divestiture Date
Sandhills Regional Medical Center (“Sandhills”)	64	Sold	December 1, 2016
Barrow Regional Medical Center (“Barrow”)	56	Sold	December 31, 2016
Cherokee Medical Center (“Cherokee”)	60	Sold	March 31, 2017
Trinity Hospital of Augusta (“Trinity”)	231	Sold	June 30, 2017
Lock Haven Hospital (“Lock Haven”)	47	Sold	September 30, 2017
Sunbury Community Hospital (“Sunbury”)	70	Sold	September 30, 2017
L.V. Stabler Memorial Hospital (“L.V. Stabler”)	72	Sold	October 31, 2017
Affinity Medical Center (“Affinity”)	156	Closed	February 11, 2018
Vista Medical Center West (“Vista West”)	70	Sold	March 1, 2018
Clearview Regional Medical Center (“Clearview”)	77	Sold	March 31, 2018
McKenzie Regional Hospital (“McKenzie”)	45	Sold	September 30, 2018
Scenic Mountain Medical Center (“Scenic Mountain”)	146	Sold	April 12, 2019
Watsonville Community Hospital (“Watsonville”)	106	Sold	September 30, 2019
MetroSouth Medical Center (“MetroSouth”)	314	Closed	September 30, 2019
Henderson County Community Hospital (“Henderson”)	45	Sold	March 31, 2020
Galesburg Cottage Hospital (“Galesburg”)	133	Sold	June 24, 2020
Quorum Health Resources (“QHR”)	N/A	Sold	May 28, 2021
Paul B. Hall Regional Medical Center (“Paul B. Hall”)	72	Sold	December 1, 2021
Union County Hospital (“Union”)	25	Sold	January 13, 2023
Heartland Regional Medical Center (“Heartland”)	106	Sold	January 13, 2023
Crossroads Community Hospital (“Crossroads”)	47	Sold	January 13, 2023
Red Bud Regional Hospital (“Red Bud”)	25	Sold	January 13, 2023
Gateway Regional Medical Center (“Gateway”)	298	Sold	February 28, 2023
Fannin Regional Hospital (“Fannin”)	50	Sold	June 30, 2023
Vista Medical Center East (“Vista”)	228	Sold	June 30, 2023
Martin General Hospital (“Martin”)	49	Closed	July 1, 2023
Alta Vista Regional Hospital (“Alta Vista”)	54	Sold	November 30, 2023
Helena Regional Medical Center (“Helena”)	155	Sold	January 31, 2024
DeKalb Regional Medical Center (“DeKalb”)	134	Sold	March 31, 2024

Licensed Beds Licensed beds are the number of beds for which the appropriate state agency licenses a hospital, regardless of whether the beds are actually available for patient use.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Admissions Admissions represent the number of patients admitted for inpatient services.

Adjusted Admissions Adjusted admissions are computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

Surgeries Surgeries represent the number of inpatient and outpatient surgeries.

Emergency Room Visits Emergency room visits represent the number of patients registered and treated in our emergency rooms.

Medicare case Mix Index Medicare case mix index is a relative value assigned to a diagnosis-related group of patients that is used in determining the allocation of resources necessary to treat the patients in that group. Medicare case mix index is calculated as the average case mix index for all Medicare admissions during the period.

Hospital Operations Man-Hours per Adjusted Admission Hospital operations man-hours per adjusted admission is calculated as total paid employed and contract labor hours at both our hospitals and affiliated outpatient facilities divided by adjusted admissions. It is used by management as a measurement of productivity.

Days Revenue Outstanding Days revenue outstanding approximates the average collection period for patient accounts receivable. It is calculated by dividing net patient accounts receivable at the end of the period by average net operating revenues per day for the most recent three months. Net patient accounts receivable excludes the amounts reported as due from and to third-party payors related to final cost report settlements and state supplemental payment programs.

EBITDA EBITDA is a non-GAAP financial measure that consists of net income (loss) before interest, income taxes, depreciation and amortization.

Adjusted EBITDA Adjusted EBITDA, also a non-GAAP financial measure, is EBITDA adjusted to add back the effect of certain legal, professional and settlement costs, bankruptcy restructuring costs, reorganization items, impairment of long-lived assets and goodwill, net gain (loss) on sale of entities, net gain (loss) on closure of hospitals, net gain (loss) on lease extinguishments, transition of transition services agreements ("TSAs"), executive severance and retention costs, equity-based compensation expense, change in estimate related to the collectability of patient accounts receivable, and impairment of notes receivable. We use Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by our management to assess the operating performance of our hospital operations business and to make decisions on the allocation of resources. Additionally, management uses Adjusted EBITDA in assessing our consolidated results of operations and in comparing our results of operations between periods.

Same-facility Adjusted EBITDA Same-facility Adjusted EBITDA, also a non-GAAP financial measure, is further adjusted to exclude the effect of EBITDA of the divestitures and acquisitions groups. We present Same-facility Adjusted EBITDA because management believes this measure provides investors and other users of our financial statements with additional information about how management assesses our results of operations.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Three Months Ended December 31, 2024 Compared to Three Months Ended December 31, 2023

The following table provides a summary of our results of operations, both in dollars and as a percentage of net operating revenues (dollars in thousands):

	Three Months Ended December 31,				\$ Variance	Change in %
	2024		2023			
	Amount	% of Revenues	Amount	% of Revenues		
Net operating revenues	\$273,213	100.0%	\$ 239,973	100.0%	\$ 33,240	13.9 %
Operating costs and expenses:						
Salaries and benefits	118,381	43.3 %	103,973	43.3 %	14,408	— %
Supplies	29,963	11.0 %	29,653	12.4 %	310	(1.4)%
Other operating expenses	95,066	34.7 %	82,929	34.4 %	12,137	0.3 %
Depreciation and amortization	6,517	2.4 %	6,672	2.8 %	(155)	(0.4)%
Lease costs and rent	8,884	3.3 %	4,814	2.0 %	4,070	1.3 %
Government stimulus funds	—	— %	(37)	— %	37	— %
Legal, professional and settlement costs	1,598	0.6 %	2,540	1.1 %	(942)	(0.5)%
Impairment of long-lived assets and goodwill	—	— %	200	0.1 %	(200)	(0.1)%
Loss (gain) on Acquisition	—	— %	—	— %	—	— %
Loss (gain) on sale of hospitals, net	1,021	0.4 %	11,252	4.7 %	(10,231)	(4.3)%
Total operating costs and expenses	261,430	95.7 %	241,996	100.8 %	19,434	(5.1)%
Income (loss) from operations	11,783	4.3 %	(2,023)	(0.8)%	13,806	5.1 %
Reorganization items, net	1,915	0.7 %	1	— %	1,914	0.7 %
Interest expense, net	41,174	15.1 %	35,520	14.8 %	5,654	0.3 %
Income (loss) before income taxes	(31,306)	(11.4)%	(37,544)	(15.6)%	6,239	4.1 %
Provision for (benefit from) income taxes	804	0.3 %	(6,580)	(2.7)%	7,384	3.0 %
Net income (loss)	\$ (32,110)	(11.8)%	\$ (30,964)	(12.9)%	\$ (1,146)	1.1 %

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table reconciles Adjusted EBITDA and Same-facility Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measure (in thousands):

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Net income (loss)	\$ (32,110)	\$ (30,964)
Interest expense, net	41,174	35,520
Provision for (benefit from) income taxes	804	(6,580)
Depreciation and amortization	6,517	6,672
EBITDA	16,385	4,648
Legal, professional and settlement costs	1,599	2,540
Reorganization items, net	1,914	2
Impairment of long-lived assets and goodwill	—	200
Loss (gain) on acquisition, net	—	—
Loss (gain) on sale of entities, net	1,021	11,252
Transition of transition services agreements	(468)	317
Executive severance and retention costs	50	1,494
Equity-based compensation expense	121	153
Adjusted EBITDA	20,622	20,606
EBITDA of divested entities	(341)	7,078
Acquired entities loss (gain)	8,136	—
Same-facility Adjusted EBITDA	<u>\$ 28,417</u>	<u>\$ 27,684</u>

Revenues

The following table provides information related to our net operating revenues (dollars in thousands, except per adjusted admission amounts):

	Three Months Ended December 31, 2024	2023	\$ Variance	% Variance
Consolidated:				
Net patient revenues	\$ 268,063	\$ 230,962	\$ 37,101	16.1 %
Non-patient revenues	5,150	9,011	(3,861)	(42.8)%
Total net operating revenues	<u>\$ 273,213</u>	<u>\$ 239,973</u>	<u>\$ 33,240</u>	13.9 %
Net patient revenues per adjusted admission	<u>\$ 12,830</u>	<u>\$ 12,757</u>	<u>\$ 73</u>	0.6 %
Net operating revenues per adjusted admission	<u>\$ 13,077</u>	<u>\$ 13,255</u>	<u>\$ (178)</u>	(1.3)%
Same-facility:				
Net patient revenues	\$ 226,276	\$ 208,129	\$ 18,147	16.1 %
Non-patient revenues	4,262	8,211	(3,949)	(48.1)%
Total net operating revenues	<u>\$ 230,538</u>	<u>\$ 216,340</u>	<u>\$ 14,198</u>	6.6 %
Net patient revenues per adjusted admission	<u>\$ 14,461</u>	<u>\$ 13,753</u>	<u>\$ 708</u>	5.1 %
Net operating revenues per adjusted admission	<u>\$ 14,734</u>	<u>\$ 14,296</u>	<u>\$ 438</u>	3.1 %

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table provides information related to certain drivers of our net operating revenues:

	Three Months Ended December 31,			
	2024	2023	Variance	% Variance
Consolidated:				
Number of licensed beds at end of period	799	856	(57)	(6.7)%
Admissions	6,741	5,410	1,331	24.6 %
Adjusted admissions	20,893	18,105	2,788	15.4 %
Surgeries	6,879	7,780	(901)	(11.6)%
Emergency room visits	59,121	57,574	1,547	2.7 %
Medicare case mix index	1.90	1.71	0.19	11.1 %
Same-facility:				
Number of licensed beds at end of period	442	567	(125)	(22.0)%
Admissions	4,678	4,688	(10)	(0.2)%
Adjusted admissions	15,647	15,133	514	3.4 %
Surgeries	6,121	6,089	32	0.5 %
Emergency room visits	48,836	48,238	598	1.2 %
Medicare case mix index	1.90	1.89	0.01	0.5 %

Net operating revenues for the three months ended December 31, 2024 increased \$33.2 million compared to the three months ended December 31, 2023, consisting of a \$16.3 million increase in managed care and commercial revenues and a \$15.9 million increase in self pay and self pay after insurance. Our increase in net patient revenues consisted of a \$40.1 million increase in the divestitures and acquisitions group, partially offset by a \$3.9 million decrease in non-patient revenues. The \$37.1 million increase in our net patient revenues was due to a \$18.6 million from the divestiture and acquisitions group and a \$17.2 million increase in same-store revenue. The increase in rate was primarily due to an increase in inpatient acuity and surgical volumes in the fourth quarter of 2024 when compared to the same period in 2023. On a consolidated basis, admissions increased by 24.6% and adjusted admissions decreased by 15.4%, when comparing the fourth quarter of 2024 to the same period in 2023. On a same-facility basis, admissions decreased 0.2% and adjusted admissions increased 3.4%, when comparing the fourth quarter of 2024 to the same period in 2023.

Salaries and Benefits

The following table provides information related to our salaries and benefits expenses (dollars in thousands, except per adjusted admission amounts):

	Three Months Ended December 31,		\$ Variance	% Variance
	2024	2023		
Salaries and benefits	\$ 118,381	\$ 103,973	\$ 14,408	13.9%
Hospital operations salaries and benefits	\$ 114,614	\$ 96,827	\$ 17,787	18.4%
Hospital operations salaries and benefits per adjusted admission	\$ 5,486	\$ 5,348	\$ 138	2.6%
Hospital operations man-hours per adjusted admission	93.8	103.1	(9.4)	(9.1)%

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Salaries and benefits increased \$14.4 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. Salaries and benefits increased \$10.6 million related to the divestitures and acquisitions groups and increased \$3.8 million as a result of our conversion from contract labor to employees and normal merit increases.

Supplies

The following table provides information related to our supplies expense (dollars in thousands, except per adjusted admissions amounts):

	Three Months Ended December 31,		\$ Variance	% Variance
	2024	2023		
Supplies	\$ 29,963	\$ 29,653	\$ 310	1.0%
Supplies per adjusted admission	\$ 1,434	\$ 1,638	\$ (204)	(12.5)%

Supplies expense increased \$0.3 million for the three months ended December 31, 2024 when compared to the three months ended December 31, 2023. The \$0.3 million increase consisted of a \$0.8 million increase related to the divestiture and acquisition group and a \$0.5 million decrease related to same-facility operations. The \$0.3 million decrease in our same-facility supplies is primarily related to a decrease in patient days during the three months ended December 31, 2024 compared to the same period in 2023.

Other Operating Expenses

The following table provides information related to our other operating expenses (dollars in thousands):

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	\$ Variance	% Variance
Purchased services	\$ 37,925	\$ 33,726	\$ 4,199	12.5 %
Taxes and insurance	20,325	18,963	1,362	7.2 %
Medical specialist fees	20,845	15,940	4,905	30.8 %
Repairs and maintenance	4,903	4,496	407	9.1 %
Utilities	2,397	2,355	42	1.8 %
Other miscellaneous operating expenses	8,629	7,449	1,180	15.8 %
Total other operating expenses	<u>\$ 95,024</u>	<u>\$ 82,929</u>	<u>\$ 12,095</u>	14.6 %

Other operating expenses increased \$12.1 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. Other operating expenses increased \$3.2 million related to same-facility operations, offset by a \$8.9 million increase related to the divestiture and acquisition group.

Depreciation and Amortization

Depreciation and amortization expense decreased \$0.2 million during the three months ended December 31, 2024 compared to the three months ended December 31, 2023. The \$0.2 million decrease consisted of a \$1.1 million decrease related to the divestiture and acquisitions groups and a \$0.9 million increase related to same-facility operations, primarily as a result of assets becoming fully depreciated.

Lease Costs and Rent

Lease costs and rent expense increased \$4.1 million during the three months ended December 31, 2024 compared to the three months ended December 31, 2023, primarily due to a \$3.9 million increase related to the acquisition group.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Government Stimulus Funds

The Company recognized less than \$0.1 million and less than \$0.1 million of government stimulus funds related to the Relief Fund payments received from the CARES Act and other state agencies during the three months ended December 31, 2024 and 2023, respectively.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs decreased \$0.9 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. Legal, professional and settlement costs include legal costs and related settlements, if any, related to regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters. See Note 16 — Commitments and Contingencies in the accompanying consolidated financial statements for additional information on these matters.

Reorganization Items, Net

We recognized a \$1.9 million of reorganization items, net for the three months ended December 31, 2024. We recognized less than \$0.1 million of reorganization items, net for the three months ended December 31, 2023. These items relate to legal fees associated with previous bankruptcy.

Impairment of Long-Lived Assets and Goodwill

For the three months ended December 31, 2024, we recognized no impairment to long-lived assets and goodwill of certain hospitals which we identified as potential divestiture candidates or for which we had received letters of intent and goodwill. For the three months ended December 31, 2023, we recognized \$0.2 million of impairment of long-lived assets and goodwill.

Loss (Gain) on Sale of Entities, Net

We recognized an \$1.0 million gain on sale of entities, net during the three months ended December 31, 2024 primarily related to adjustments from prior divestitures. We recognized a loss of \$11.3 million on the sale of entities for the three months ended December 31, 2023.

Loss (Gain) on Acquisition, Net

We did not recognize any loss or gain on acquisition for the three months ended December 31, 2024 or 2023.

Interest Expense, Net

Interest expense, net increased \$5.7 million for the three months ended December 31, 2024 compared to the three months ended December 31, 2023 primarily due an increase in total debt in the 2024 period when compared to the same period in 2023. See Liquidity and Capital Resources below and Note 7 — Long-Term Debt in the accompanying condensed consolidated financial statements for additional information on our indebtedness.

Income Taxes

The benefit from income taxes was \$6.4 million for the three months ended December 31, 2024 compared to a provision for income taxes of \$2.5 million for the three months ended December 31, 2023. Our effective tax rates were 17.5% and (1.4%) for the three months ended December 31, 2024 and 2023, respectively. See Note 14 — Income Taxes for more information.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

The following table provides a summary of our results of operations, both in dollars and as a percentage of net operating revenues (dollars in thousands):

	Year Ended December 31,					
	2024		2023		\$ Variance	Change in %
	Amount	% of Revenues	Amount	% of Revenues		
Net operating revenues	\$ 917,907	100.0%	\$1,049,373	100.0 %	\$(131,466)	— %
Operating costs and expenses:						
Salaries and benefits	393,387	42.9 %	481,850	45.9 %	(88,463)	(3.0)%
Supplies	108,697	11.8 %	124,462	11.9 %	(15,765)	(0.1)%
Other operating expenses	329,243	35.9 %	396,068	37.7 %	(66,825)	(1.8)%
Depreciation and amortization	31,959	3.5 %	34,560	3.3 %	(2,601)	0.2 %
Lease costs and rent	23,139	2.5 %	23,060	2.2 %	79	0.3 %
Government stimulus funds	(305)	— %	(1,211)	(0.1)%	906	0.1 %
Legal, professional and settlement costs	7,390	0.8 %	6,437	0.6 %	953	0.2 %
Impairment of long-lived assets and goodwill	—	— %	32,450	3.1 %	(32,450)	(3.1)%
Loss (gain) on acquisition	144	— %	—	— %	144	— %
Loss (gain) on sale of hospitals, net	(15,038)	(1.6)%	(24,497)	(2.3)%	9,459	0.7 %
Total operating costs and expenses	878,616	95.7 %	1,073,179	102.3 %	(194,563)	(6.6)%
Income (loss) from operations	39,291	4.3 %	(23,806)	(2.3)%	63,097	6.6 %
Reorganization items, net	1,861	0.2 %	87	— %	1,774	0.2 %
Interest expense, net	161,226	17.6 %	116,548	11.1 %	44,678	6.5 %
Income (loss) before income taxes	(123,796)	(13.5)%	(140,441)	(13.4)%	16,645	0.1 %
Provision for (benefit from) income taxes	2,610	0.3 %	397	— %	2,213	0.3 %
Net income (loss)	(126,406)	(13.8)%	(140,838)	(13.4)%	14,432	(0.4)%
Less: Net income (loss) attributable to noncontrolling interests	—	— %	248	— %	(248)	— %
Net income (loss) attributable to members' interests	\$(126,406)	(13.8)%	\$ (141,086)	(13.4)%	\$ 14,680	(0.2)%

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table reconciles Adjusted EBITDA and Same-facility Adjusted EBITDA to net income (loss), the most directly comparable U.S. GAAP financial measure (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net income (loss)	\$ (126,406)	\$ (140,838)
Interest expense, net	161,226	116,548
Provision for (benefit from) income taxes	2,610	397
Depreciation and amortization	31,959	34,560
EBITDA	69,389	10,667
Legal, professional and settlement costs	7,390	6,437
Reorganization items, net	1,861	87
Impairment of long-lived assets and goodwill	—	32,450
Loss (gain) on acquisition, net	144	—
Loss (gain) on sale of entities, net	(15,038)	(24,497)
Transition of transition services agreements	(240)	396
Executive severance and retention costs	529	4,036
Equity-based compensation expense	550	903
Adjusted EBITDA	64,585	30,479
EBITDA of divested entities	17,072	52,723
Acquired entities loss (gain)	10,407	—
Same-facility Adjusted EBITDA	<u>\$ 92,064</u>	<u>\$ 83,202</u>

Revenues

The following table provides information related to our net operating revenues (dollars in thousands, except per adjusted admission amounts):

	Year Ended December 31, 2024	2023	\$ Variance	% Variance
Consolidated:				
Net patient revenues	\$ 894,058	\$ 1,002,938	\$ (108,880)	(10.9)%
Non-patient revenues	23,849	46,435	(22,586)	(48.6)%
Total net operating revenues	<u>\$ 917,907</u>	<u>\$ 1,049,373</u>	<u>\$ (131,466)</u>	(12.5)%
Net patient revenues per adjusted admission	<u>\$ 12,753</u>	<u>\$ 12,252</u>	<u>\$ 501</u>	4.1 %
Net operating revenues per adjusted admission	<u>\$ 13,093</u>	<u>\$ 12,820</u>	<u>\$ 273</u>	2.1 %
Same-facility:				
Net patient revenues	\$ 826,872	\$ 760,656	\$ 66,216	8.7 %
Non-patient revenues	22,483	42,817	(20,334)	(47.5)%
Total net operating revenues	<u>\$ 849,355</u>	<u>\$ 803,473</u>	<u>\$ 45,882</u>	5.7 %
Net patient revenues per adjusted admission	<u>\$ 13,497</u>	<u>\$ 13,032</u>	<u>\$ 465</u>	3.6 %
Net operating revenues per adjusted admission	<u>\$ 13,864</u>	<u>\$ 13,766</u>	<u>\$ 98</u>	0.1 %

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table provides information related to certain drivers of our net operating revenues:

	Year Ended December 31,			
	2024	2023	Variance	% Variance
Consolidated:				
Number of licensed beds at end of period	799	856	(57)	(6.7)%
Admissions	21,531	25,946	(4,415)	(17.0)%
Adjusted admissions	70,105	81,856	(11,751)	(14.4)%
Surgeries	26,763	35,098	(8,335)	(23.7)%
Emergency room visits	215,470	264,412	(48,942)	(18.5)%
Medicare case mix index	1.89	1.73	0.16	9.2 %
Same-facility:				
Number of licensed beds at end of period	442	567	(125)	(22.0)%
Admissions	18,379	18,115	264	1.5 %
Adjusted admissions	61,264	58,368	2,896	5.0 %
Surgeries	24,377	23,598	779	3.3 %
Emergency room visits	197,158	185,454	11,704	6.3 %
Medicare case mix index	1.93	1.77	0.16	9.0 %

Net operating revenues for the year ended December 31, 2024 decreased \$131.5 million compared to the year ended December 31, 2023, consisting of a \$105.9 million decrease in net patient revenues and a \$25.6 million decrease in non-patient revenues. Our decrease in net patient revenues consisted of a \$175.1 million decrease related to the divestitures and acquisitions groups offset by \$69.2 million increase in same-facility net patient revenues. The \$69.2 million increase in our same-facility net patient revenues was due to a \$29.6 million increase in rate and acuity and a \$24.0 million decrease from lower volumes. On a consolidated basis, admissions decreased 17.0% and adjusted admissions decreased 14.4% when comparing the year ended December 31, 2024 to the same period in 2023. On a same-facility basis, admissions increased 1.5% and adjusted admissions increased 5.0%, when comparing the year ended December 31, 2024 to the same period in 2023.

Salaries and Benefits

The following table provides information related to our salaries and benefits expenses (dollars in thousands, except per adjusted admission amounts):

	Year Ended December 31,			
	2024	2023	\$ Variance	% Variance
Salaries and benefits	\$ 393,387	\$ 481,850	\$ (88,463)	(18.4)%
Hospital operations salaries and benefits	\$ 377,825	\$ 459,436	\$ (81,611)	(17.8)%
Hospital operations salaries and benefits per adjusted admission	\$ 5,389	\$ 5,613	\$ (224)	(4.0)%
Hospital operations man-hours per adjusted admission	98.6	106.2	(7.6)	(7.2)%

Salaries and benefits decreased \$88.4 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. Salaries and benefits declined \$89.9 million related to the divestitures and acquisitions groups and increased \$35.5 million related to same-facility salaries and benefits. The same-facility increase of \$27.0 million was primarily due to a transition from contract labor to employees and normal and customary annual wage increases. Corporate salaries and benefits decreased \$25.6 million due to a transition from waged and salaried labor to contracted labor.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Supplies

The following table provides information related to our supplies expense (dollars in thousands, except per adjusted admissions amounts):

	<u>Year Ended December 31,</u>			
	<u>2024</u>	<u>2023</u>	<u>\$ Variance</u>	<u>% Variance</u>
Supplies	\$ 108,697	\$ 124,462	\$ (15,765)	(12.7)%
Supplies per adjusted admission	\$ 1,550	\$ 1,520	\$ 30	2.0%

Supplies expense decreased \$15.8 million for the year ended December 31, 2024 when compared to the year ended December 31, 2023, which included a \$22.4 million decline related to the divestitures and acquisitions groups and a \$0.4 million decrease related our same-facility hospitals. The \$0.4 million decrease in our same-facility supplies was primarily related to the decrease in patient days when comparing the year ended December 31, 2024 to the year ended December 31, 2023.

Other Operating Expenses

The following table provides information related to our other operating expenses (dollars in thousands):

	<u>Year Ended</u> <u>December 31, 2024</u>	<u>Year Ended</u> <u>December 31, 2023</u>	<u>\$ Variance</u>	<u>% Variance</u>
Purchased services	\$ 133,592	\$ 161,402	\$ (27,810)	(17.2)%
Taxes and insurance	74,056	78,957	(4,901)	(6.2)%
Medical specialist fees	66,882	74,081	(7,199)	(9.7)%
Repairs and maintenance	16,414	20,405	(3,991)	(19.6)%
Utilities	8,063	12,132	(4,069)	(33.5)%
Other miscellaneous operating expenses	30,236	49,091	(18,855)	(38.4)%
Total other operating expenses	<u>\$ 329,243</u>	<u>\$ 396,068</u>	<u>\$ (66,825)</u>	

Other operating expenses decreased \$66.8 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. Other operating expenses increased \$33.7 million related to the same store, offset by a \$106.5 million increase in for the divested other operating expenses.

Depreciation and Amortization

Depreciation and amortization expense decreased \$2.6 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. The \$2.6 million decrease consisted of an \$7.2 million decrease related to the divestiture and acquisition group and a \$2.0 million increase related to same-facility operations, primarily as a result of asset additions during the year ended December 31, 2024.

Lease Costs and Rent

Lease costs and rent expense decreased \$0.1 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. The \$0.1 million decrease consisted of an \$11.8 million decrease related to the divestiture and acquisition group, offset by a \$3.2 million increase related to same-facility operations.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Government Stimulus Funds

The Company recognized \$0.3 million and \$1.2 million of government stimulus funds related to the Relief Fund payments received from the CARES Act and state agencies during the years ended December 31, 2024 and 2023, respectively.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs increased \$1.0 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. Legal, professional and settlement costs include legal costs and related settlements, if any, related to regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters. See Note 16 — Commitments and Contingencies in the accompanying consolidated financial statements for additional information on these matters.

Reorganization Items, Net

We recognized a \$1.9 million loss on reorganization items, net for the year ended December 31, 2024 compared to a \$0.1 million loss on reorganization items, net for the year ended December 31, 2023.

Impairment of Long-Lived Assets and Goodwill

For the year ended December 31, 2024, we recognized no impairment to long-lived assets of certain hospitals which we identified as potential divestiture candidates or for which we had received letters of intent and goodwill. For the year ended December 31, 2023, we recognized \$32.5 million to long-lived assets and goodwill of certain hospitals which we had identified as potential divestiture candidates or for which we had received letters of intent.

Loss (Gain) on Sale of Entities, Net

In 2024, adjustments were made to the gain on sales of entities associated with divestitures in 2023. These adjustments primarily resulted from a final letter received from Blue Cross and Blue Shield of Illinois ("BCBSIL") in 2024 regarding the Company's liability to BCBSIL. Based on the final letter received in 2024, the Company relieved its liability and recorded a \$12.4 million gain related to these adjustments for the year ended December 31, 2024. For more details, refer to Note 4 — Acquisitions and Divestitures.

Loss (Gain) on Acquisition, Net

We recognized a loss of \$0.1 million on acquisition of Odessa Regional Medical Center and Scenic Mountain Medical Center for the year ended December 31, 2024. The net loss was due to the net assets acquired being less than the expected payment of cure costs to existing vendors to secure their services going forward. The Company did not recognize any gain or loss on acquisition for the year ended December 31, 2023.

Interest Expense, Net

Interest expense, net increased \$44.7 million for the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due to an increase in the long term debt balance. See Liquidity and Capital Resources below and Note 7 — Long-Term Debt in the accompanying condensed consolidated financial statements for additional information on our indebtedness.

Income Taxes

The provision for income taxes was \$0.4 million for the year ended December 31, 2024 compared to a provision for income taxes of \$2.5 million for the year ended December 31, 2023. Our effective tax rates were (0.3%) and (0.6%) for the years ended December 31, 2024 and 2023, respectively. See Note 14 — Income Taxes for more information.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Liquidity and Capital Resources

Financial Outlook

Our primary sources of liquidity are cash flows from operations, proceeds from divestitures and available borrowing capacity under our Exit ABL Facility. See Note 7 — Long-Term Debt in the accompanying consolidated financial statements for additional information.

Our financial statements have been prepared under the assumption that we will continue as a going concern. Refer to Note 1 — Business and Basis of Presentation in the accompanying consolidated financial statements for additional information.

Statements of Cash Flows

The following table provides a summary of our cash flows (in thousands):

	Twelve Months Ended December 31,		
	2024	2023	\$ Variance
Net cash provided by (used in) operating activities	\$ (69,791)	\$ (100,609)	\$ 30,818
Net cash provided by (used in) investing activities	(3,246)	155,494	(158,740)
Net cash provided by (used in) financing activities	53,422	(66,984)	120,406
Net change in cash and cash equivalents	<u>\$ (19,615)</u>	<u>\$ (12,099)</u>	<u>\$ (7,516)</u>

Net cash used in operating activities was \$69.8 million for the year ended December 31, 2024 compared to net cash used by operating activities of \$100.6 million for the year ended December 31, 2023, a \$30.8 million decrease in cash used. The decrease in cash used in operations was primarily due to a decrease in our balance of accounts payable and other current liabilities in the current period when compared to the same period in 2023. Other changes in operating assets and liabilities on a comparative basis for the years ended December 31, 2024 and 2023 were affected by our normal business operations.

Net cash provided by investing activities was \$3.2 million for the year ended December 31, 2024 compared to net cash provided by investing activities of \$155.5 million for the year ended December 31, 2023, a \$158.7 million decrease in cash provided. The decrease in the cash provided was primarily due to a decrease in proceeds from the sale of entities of \$157.4 million for the year ended December 31, 2024.

Net cash provided by financing activities was \$53.4 million for the year ended December 31, 2024 compared to net cash used in financing activities of \$67.0 million for the year ended December 31, 2023, a \$121.4 million increase in cash provided. This increase was primarily related to an increase in net borrowings of long-term debt primarily due to the \$81.1 million borrowing on delayed Draw A and Delayed Draw B during the year ended December 31, 2024. See Exit Term Loan Facility Amendment 13 for explanation of these facilities.

Capital Expenditures

Capital expenditures for property, equipment and software were \$14.7 million and \$12.4 million for the years ended December 31, 2024 and 2023, respectively. In addition, we had \$0.2 million and \$1.6 million of capital expenditures related to property and equipment accrued in accounts payable at December 31, 2024 and 2023, respectively. Our capital expenditures primarily consist of purchases of medical equipment and renovations at our hospitals.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Operating Lease Right-of-Use Assets

Operating lease right-of-use assets increased \$70.8 million from \$27.3 million at December 31, 2023 to \$98.1 million at December 31, 2024. This increase is due to the acquisition of Odessa Regional Medical Center and Scenic Mountain Medical Center.

Debt

The following table provides a summary of activity related to our long-term debt including current maturities (in thousands):

	Twelve Months Ended December 31, 2024			Total Debt at End of Period
	Total Debt at Beginning of Period	Borrowings	Repayments	
Exit Term Loan B	\$ 672,681	\$ 27,951	\$ —	\$ 700,632
Delayed Draw A	—	40,000	(100)	39,900
Delayed Draw B	—	30,000	(75)	29,925
Last Out Facility	8,075	166	—	8,241
Exit ABL	66,054	16,605	(18,300)	64,359
MPT Promissory Note	—	15,000	—	15,000
Super Senior Term Loan	19,950	54	(20,004)	—
Unamortized debt issuance costs and discounts	(32,532)	(5,029)	26,691	(10,871)
Capital lease obligations	12,383	(2,212)	—	10,171
Other debt	4,692	255	(1,872)	3,075
Total debt	751,303	122,790	(13,660)	860,433
Less: Current maturities of long-term debt	(3,660)	—	—	(18,274)
Total long-term debt	<u>\$ 747,643</u>	<u>\$ 122,790</u>	<u>\$ (13,660)</u>	<u>\$ 842,159</u>

The following table provides a summary of our long-term debt, allocated between fixed and variable debt (dollars in thousands):

	December 31, 2024	
	\$ Amount	% of Total Debt
Fixed	\$ 13,239	1.5%
Variable	858,057	98.5%
Total debt, excluding unamortized debt issuance costs and discounts	<u>\$ 871,297</u>	<u>100.0%</u>

Exit Term Loan Facility

On July 7, 2020 (the “Effective Date”), pursuant to the Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”), QHC, as the borrower (the “Term Loan Borrower”), and Quincy Health entered into the Exit Term Loan Agreement (the “Exit Term Loan Agreement”). The Exit Term Loan Agreement provides for a senior secured term loan facility in the aggregate principal amount of \$732,153,485 (the “Exit Term Loan Facility”). On the Effective Date, the Company extinguished its obligations under its prior term loan facility and revolving credit facility. The Term Loan Borrower used the proceeds of the Exit Term Loan Facility to, among other things, fund cash distributions under the Plan.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Exit Term Loan Facility (as amended) bears interest at an annual rate equal to the Term Secured Overnight Financing Rate ("SOFR") (with a floor of 1.00%), plus an applicable margin. The amended applicable margin is 8.25%. Upon the occurrence and continuance of an event of default under the Exit Term Loan Facility, UMB Bank NA (the "Term Loan Agent") is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit Facility was 16.776% as of December 31, 2024.

The Term Loan Borrower, Quincy Health and certain subsidiaries of the Term Loan Borrower, as guarantors, (collectively, together with Quincy Health, the "Term Loan Guarantors" and, together with the Term Loan Borrower, the "Term Facility Loan Parties") guaranteed the obligations of the Term Loan Borrower under the Exit Term Loan Agreement, subject to certain exclusions and qualifications, and granted a first priority lien on substantially all of their current and future assets, including personal and real property, except for the ABL Priority Collateral, in order to secure the payment and performance of their obligations under the Exit Term Loan Facility. The Term Facility Loan Parties also granted a second priority lien on the ABL Priority Collateral.

The Exit Term Loan Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations.

Moreover, the Exit Term Loan Agreement contains customary events of default, including, among others, defaults related to the failure to pay principal or interest, covenant violations, and cross-defaults with the Exit ABL Credit Agreement (defined below). The Exit Term Loan Agreement also contains customary representations and warranties related to the assets, properties, financial condition, business, and corporate status of the Term Facility Loan Parties.

The Exit Term Loan Facility will mature and become due and payable on January 29, 2028, unless the Exit Term Loan Facility is accelerated, prepaid, or extended prior to that date. See note 17, subsequent events for more information.

On December 4, 2020, Amendment No. 1 to the Exit Term Loan Facility was entered into in order to require the delivery of financial statements of Quincy Health instead of the Term Loan Borrower and to make a correction to a financial covenant testing period.

On March 18, 2021, Amendment No. 2 to the Exit Term Loan Facility was entered into in order to (i) make McKenzie-Willamette Regional Medical Center Associates, LLC ("McKenzie-Willamette") a guarantor of the Exit Term Loan Facility; (ii) provide that, in the event that QHC or its subsidiaries receive any net cash proceeds from the U.S. Department of Housing and Urban Development 242 Loan Program ("HUD Loan") or certain real estate indebtedness, then such net proceeds shall be used to prepay outstanding term loans under the Exit Term Loan Facility; and (iii) provide for the release of McKenzie-Willamette as a guarantor if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 14, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 14, 2021; therefore, it was automatically released as a guarantor of the Exit Term Loan Facility.

On June 7, 2021, the Term Loan Borrower used \$61.5 million of the proceeds from the sale of Quorum Health Resources, LLC ("QHR") to prepay the Exit Term Loan Facility. The \$61.5 million payment consisted of \$60.0 million of the principal balance, \$0.9 million of interest, and \$0.6 million of prepayment fees.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
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On June 6, 2022, Jefferies Finance, LLC resigned as administrative agent and collateral agent under the Exit Term Loan Agreement and UMB Bank, National Association was appointed as the successor administrative agent and collateral agent.

On June 7, 2022, Jefferies Finance LLC, filed a lawsuit against the Term Loan Borrower alleging violations of the terms of the Exit Term Loan Agreement. The parties settled this matter in late November 2022.

On November 30, 2022, Amendment No. 3 and Waiver to the Exit Term Loan Agreement was entered into providing for a suspension of the Secured Net Leverage Ratio financial maintenance covenant until July 1, 2023 and raised such ratio for July 1, 2023 through September 30, 2023 from 5.00x to 7.50x. Amendment No. 3 to the Exit Term Loan Agreement provided that the maximum Secured Net Leverage Ratio would step back down to 5.00x for the quarter ended December 31, 2023 and thereafter. Amendment No. 3 to the Exit Term Loan Agreement also included requirements to meet certain specified asset sale milestones in 2023 and 2024, added a minimum liquidity covenant and delivery of supplemental financials, waived certain defaults consisting of (x) failure to maintain Secured Net Leverage Ratio as required for the fiscal quarters ended March 31, 2022 through September 30, 2022 and (y) alleged underpayment of interest and removed all references to LIBOR and replaced them with SOFR.

On January 19, 2023, we used \$62.8 million of the proceeds from the sale of the Illinois Facilities to prepay the Exit Term Loan Facility. The \$62.8 million prepayment consisted of \$62.5 million of the principal balance and \$0.3 million of interest.

On May 31, 2023, Amendment No. 4 to the Exit Term Loan Agreement was entered into to amend the deadline to meet certain specified asset sale milestones.

On June 7, 2023, Amendment No. 5 to the Exit Term Loan Agreement was entered into to amend certain definitions and requirements to meet specified asset sale milestones.

On September 27, 2023, Amendment No. 6 and Waiver to the Exit Term Loan Agreement was entered into. The amendment provided for certain default waivers related to specified asset sale milestones and liquidity requirements. Additionally, the amendment waived the liquidity covenant through the remainder of 2023, extended the Secured Net Leverage Ratio holiday through September 30, 2023, raised the maximum ratio from 5.00 to 7.00 from January 1, 2024 through March 31, 2024, modified deadlines and provisions of certain specific asset sales and allowed for the Super Senior facility (described below).

On January 31, 2024, Amendment No. 7 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024, Amendment No. 8 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 13, 2024, Amendment No. 9 to the Exit Term Loan was entered into. The amendment modified certain asset purchase agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter to 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 for the period October 1, 2024 through December 31, 2024, and 5.0 thereafter. Additionally, the PIK interest related to specified asset sale milestones was amended to remain at 3.0% per annum for the period February 13, 2024 through December 31, 2024 and will increase by 1.0% per annum on the first day of each calendar quarter, thereafter.

On March 28, 2024, Amendment No. 10 to the Exit Term Loan was entered into. The amendment allowed for a 45 day cure period for a default in payment of the April 10, 2024 interest payment. Additionally, the amendment

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
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modified "Applicable Percentage" to allow for the interest payment due April 10, 2024 that is not paid in full cash to accrue 0.01% per annum on each day commencing on April 18, 2024 until the April 10 interest is paid or cumulative amount of PIK has increased to 0.45% per annum.

On July 12, 2024, Amendment No. 11 was entered into. The Amendment removed specific language related to LOI Milestone Satisfaction Dates and Milestone Deadlines. The Milestone Satisfaction for the divestiture of Barstow was removed and the date for the Milestone Satisfaction for the Mimbres Nursing Home was removed. Additionally, this amendment allowed for the partial payment of the Exit Term Loan interest payment due July 10, 2024 and added a second installment date.

On September 11, 2024, Amendment No. 12 was entered into. The amendment among other provisions provides the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

On September 30, 2024, Amendment No. 13 was entered into. Amendment No. 13 to the Credit Agreement, among other provisions, permits the incurrence of a super senior facility including Delayed Draw A Commitment of \$40 million and Delayed Draw B Commitment of \$30 million, modifies the structure of the interest rate and provides a term loan extension to maturity to January 29, 2028, if terms of extension are met. Additionally, the net leverage ratio requirement was suspended until March 31, 2027. In accordance with ASC 470, the Company has classified the Exit Term Loan Agreement as long-term on the accompanying balance sheet, based on its ability to refinance the debt terms beyond one year from the balance sheet date.

Exit ABL Credit Facility

On the Effective Date, pursuant to the Plan, QHC as a borrower ("ABL Borrower" and, together with any other person that becomes a party to the Exit ABL Credit Agreement as a borrower, the "ABL Borrowers"), Quincy Health and certain subsidiaries of QHC (collectively, together with Quincy Health, the "ABL Guarantors" and, together with the ABL Borrowers, the "ABL Loan Parties"), Credit Suisse AG, New York Branch, as administrative agent (the "ABL Agent"), and the lenders party thereto have entered into the Exit ABL Credit Agreement (the "Exit ABL Credit Agreement"). As of December 31, 2024, the Exit ABL Credit Agreement provides for a senior secured asset-based credit facility in the maximum principal amount of \$75 million, subject to a borrowing base (the "Exit ABL Facility"). Under the borrowing base provisions, the ABL Borrowers are only permitted to draw revolving loans in an amount equal to (i) 85% of the aggregate amount of the ABL Loan Parties' domestic eligible accounts receivable, plus (ii) 50% of the aggregate amount of the ABL Loan Parties' supplemental program eligible accounts receivable, minus (iii) the amount by which, if any, the Last-Out Term Loans (as defined below) exceed the Last-Out Borrowing Base (as defined below). Further, at least \$15 million of the Exit ABL Facility is available for the issuance of letters of credit to the ABL Borrowers. The ABL Borrowers used the proceeds of the Exit ABL Facility to, among other things, refinance its prior asset-based credit facility. The ABL Borrowers may also use the proceeds of the Exit ABL Facility for working capital, capital expenditures and other general corporate purposes.

The Exit ABL Facility bears interest at a rate per annum equal to the sum of (i) Term SOFR plus 0.11448%, and (ii) a margin of 4.25%. The ABL Borrowers also paid an arranger fee equal to 1.25% of the aggregate principal amount of the Exit ABL Facility on the Effective Date. In addition to the upfront arranger fee, the ABL Borrowers must pay an unused facility fee equal to 0.5% per annum of the unborrowed principal available to the ABL Borrowers under the Exit ABL Facility. Upon the occurrence and continuance of an event of default under the Exit ABL Facility, the ABL Agent is permitted to charge a default rate of interest equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit ABL Credit Agreement was 8.72% as of December 31, 2024.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

To secure the payment and performance of their obligations under the Exit ABL Credit Agreement, the ABL Loan Parties granted a first priority lien on, among other assets, the ABL Loan Parties' current and future accounts receivable, health-care receivables, cash, deposit accounts, payment intangibles, intercompany indebtedness funded directly with proceeds of the Exit ABL Facility or incurred in the ordinary course of business pursuant to the cash management structure of the ABL Borrowers and their subsidiaries, and securities and securities entitlements (the "ABL Priority Collateral"). The ABL Loan Parties granted a second priority lien on substantially all of their assets other than the ABL Priority Collateral. The Exit ABL Credit Agreement contains customary exclusions and qualifications on the liens granted by the ABL Loan Parties that are consistent with the Exit Term Loan Agreement. Further, the ABL Guarantors guaranteed the payment and performance of the ABL Borrowers obligations under the Exit ABL Credit Agreement, subject to customary exclusions and qualifications consistent with the exclusions and qualifications provided in the Exit Term Loan Agreement.

As of December 31, 2024, the Company had \$64.4 million of borrowings outstanding on the Exit ABL Facility and had \$0.5 million of letters of credit outstanding. As of December 31, 2024, the Company had borrowing capacity of \$1.0 million under its Exit ABL Facility.

The Exit ABL Credit Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations. The Exit ABL Credit Agreement (as amended) contains financial covenants requiring the ABL Borrowers to maintain certain levels of liquidity, minimum consolidated EBITDA and a fixed coverage charge ratio equal 1.0x for the fiscal quarter ending December 31, 2024 and each fiscal quarter thereafter. Moreover, the Exit ABL Credit Agreement contains customary events of default, representations and warranties, which are substantially consistent with the Exit Term Loan Agreement, except for the inclusion of representations and warranties related to the borrowing base for the Exit ABL Facility.

The Exit ABL Facility will mature and become due and payable on January 29, 2028, unless the Exit ABL Facility is accelerated, prepaid, or extended prior to that date. See note 17, "Subsequent Events" for the information regarding the extension of the due date.

On December 7, 2020, Amendment No. 1 to the Exit ABL Credit Agreement was entered into in order to require the delivery of financial statements of Quincy Health instead of the ABL Borrower.

On March 18, 2021, Amendment No. 2 to the Exit ABL Credit Agreement was entered into in order to (i) reduce the aggregate revolving commitments under the Exit ABL Facility from \$145 million to \$130 million; (ii) make McKenzie-Willamette a subsidiary guarantor; and (iii) provide for the release of McKenzie-Willamette as a subsidiary guarantor in certain circumstances if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 18, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 18, 2021; therefore, it was automatically released as a subsidiary guarantor of the Exit ABL Facility.

On May 27, 2022, QHC, Amendment No. 3 to the Exit ABL Credit Agreement ("Amendment No. 3") was entered into to make certain amendments to the Exit ABL Credit Agreement in connection with the joinder of QHC Financing Services, LLC, a Delaware limited liability company ("QHC Financing"), to the loan documents pursuant to that certain Joinder No. 2, dated as of May 27, 2022 (the "ABL Joinder"), executed by QHC Financing and the ABL Agent. In connection with Amendment No. 3 a certain Sale Agreement (the "Receivables Sale Agreement"), dated as of May 27, 2022, between McKenzie-Willamette, as transferor, QHCCS, LLC, as the

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

servicer, and QHC Financing was executed. Amendment No. 3 also removed all references to LIBOR and replaced with Daily and Term SOFR.

On January 13, 2023, Amendment No. 4 to the Exit ABL Credit Agreement was entered into to provide for capacity to incur a tranche of last out term loans and address certain changes reflected in Amendment No. 3 and Waiver to Credit Agreement (Exit Term Loan Agreement), dated as of November 30, 2022.

On February 23, 2023, Amendment No. 5 to the Exit ABL Credit Agreement was entered into to reduce the Revolving Commitment from \$130 million to \$100 million, increase the amount of the Letter of Credit Sublimit to \$30 million from \$21 million, and modify the definition of "Covenant Trigger Period."

On July 17, 2023, Amendment No. 6 to the Exit ABL Credit Agreement was entered into to specify the terms of an \$8.0 million term loan, (the "Last-Out Term Loans") incurred under the last out term loan tranche, subject to a borrowing base comprised of 13.5% of the aggregate amount of the ABL Loan Parties' domestic eligible accounts receivable (the "Last-Out Borrowing Base"). The Last-Out Loans bear interest at a rate per annum equal to the sum of (i) SOFR plus a 0.11448% adjustment and (ii) a margin of (x) 8.25% payable in cash and (y) 2.00% payable in kind by capitalizing such amount of accrued interest to the principal balance of the Last-Out Loans. The Last-Out Term Loans will mature and become due and payable on April 29, 2025, unless the Last-Out Term Loans are accelerated, prepaid, or extended prior to that date.

On September 27, 2023, Amendment No. 7 to the Exit ABL Credit Agreement was entered into. The amendment waived specified defaults, reduced the fixed charge coverage ratio from 1.00 to 0.65 for the period ending December 31, 2023, returning to 1.00 for the period ending March 31, 2024 and thereafter. Additionally, the amendment increased the applicable margin by 50 basis points, reduced the letter of credit sublimit to \$15.0 million and reduced the maximum principal balance to \$73.0 million.

On October 6, 2023, we entered into a Substitute Insurance Collateral Agreement ("SICA") with 1970 Group, an insurance collateral financing company, to move some of the letters of credit previously issued under the Exit ABL. As of December 31, 2024, 1970 Group had issued \$14.0 million of letters of credit on our behalf under this Agreement relating to workers compensation and medical malpractice policies.

On March 29, 2024, Amendment No. 9 to the Exit ABL Credit Agreement was entered into. The amendment provided for the release of Credit Suisse and the assignment of Huntington National Bank as agent. Additionally, the amendment added certain provisions including a minimum EBITDA covenant tested monthly for the months ended April 30, 2024 through November 30, 2024, a \$5.0 million minimum liquidity reserve, and postponed the fixed charge coverage ratio testing requirements until the quarter ending December 31, 2024. Additionally, the maximum principal balance was reduced to \$70.0 million.

On June 3, 2024, Amendment No. 10 to the Exit ABL Credit Agreement was entered into. The amendment provided for a temporary increase to the maximum principal balance of the Exit ABL Credit Agreement to \$75.0 million for a period of up to three months, at which point, the maximum principal balance will return to \$70.0 million.

On August 11, 2024, Amendment No. 11 was entered into. The amendment changed the definition of "Facility Decrease Date" to extend it to the earlier of December 2, 2024 and a determination of the Availability amount to be less than \$70.0 million by the ABL agent.

On September 11, 2024, Amendment No. 12 was entered into. The amendment, among other provisions provides the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

On October 2, 2024, Amendment No. 13 to the Exit ABL Credit agreement was entered into. The amendment removes the concept of the 2023 Tooele and Evanston facility as payoff occurred, and among other provisions, amends a debt covenant to allow a super senior facility under the term loan agreement.

On December 13, 2024 Amendment No. 14 to the Exit ABL Agreement was entered into. The amendment provides for an automatic extension of the ABL Maturity Date until January 29, 2028 upon notice of the extension of the Term Loan maturity date. The Consolidated Fixed Charge definition was amended and the Revolver Facility was increased to \$75 million. The Company has classified the Exit Term Loan Agreement as long-term on the accompanying balance sheet, based on its ability to refinance the debt terms beyond one year from the balance sheet date.

Super Senior Credit Facility

On September 26, 2023, Evanston Hospital Corporation and Tooele Hospital Corporation, each as borrowers (collectively, the “Super Senior Borrower”), QHC and Quincy Health and certain lenders party thereto, entered into a Credit Agreement (the “Super Senior Credit Facility”). The Super Senior Credit Facility provided for a senior secured loan facility in the aggregate principal amount of \$20 million.

The Super Senior Credit Facility bore interest at an annual rate equal to SOFR (with a floor of 1.00%), plus an applicable margin of 11.25%. Upon the occurrence and continuance of an event of default under the Super Senior Credit Facility, UMB Bank, National Association (the “Super Senior Term Loan Agent”) was permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable.

The Super Senior Borrower granted a first priority lien on specified collateral, in order to secure the payment and performance of their obligations under the Super Senior Loan Agreement. QHC granted a first priority pledge on the equity of the Super Senior Borrower.

On January 31, 2024, Amendment No. 1 to the Super Senior Credit Facility was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024, Amendment No. 2 to the Super Senior Credit Facility was entered into. The amendment modified certain dates related to asset sale milestones.

On February 13, 2024, Amendment No 3. to the Super Senior Credit Facility was entered into. The amendment modified certain asset purchase Agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter to 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 for the period October 1, 2024 through December 31, 2024, and 5.0 thereafter.

On March 28, 2024, Amendment No. 4 to the Super Senior Credit Facility was entered into. The amendment allowed for a 45 day cure period for a default in payment of the April 10, 2024 interest payment. Additionally, the amendment modified “Applicable Percentage” to allow for the interest payment due April 10, 2024 that is not paid in full cash to accrue 0.01% per annum on each day commencing on April 18, 2024 until the April 10 interest is paid or cumulative amount of PIK has increased to 0.45% per annum.

On July 12, 2024, the Company entered into Amendment No. 5 for the Last Out Term Loan facility. This amendment removed language related to LOI milestone satisfaction date and milestone deadlines and added deadlines for specific asset sales.

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

On September 11, 2024, Amendment No. 6 was entered into. The amendment among other provisions provided the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

On October 2, 2024, the Company paid off the Super Senior Credit Facility, for the amount of \$19.9 million dollars.

Finance Lease Obligations and Other Debt

Our debt arising from finance lease obligations primarily relates to our corporate office in Brentwood, Tennessee. As of December 31, 2024 and December 31, 2023, this finance lease obligation was \$10.2 million and \$11.6 million, respectively. The remainder of our finance lease obligations relate to property and equipment at our hospitals and corporate office. Other debt consists of physician loans and miscellaneous notes payable to banks.

MPT Promissory Notes

On September 11, 2024, Odessa Texas Hospital Company, LLC ("Odessa") and Big Spring Texas Hospital, LLC ("Scenic"), subsidiaries of QHC, entered into working capital promissory notes ("Notes") in conjunction with the acquisition of the Odessa Regional Medical Center and Scenic Mountain Regional Medical Center. Odessa secured a \$12 million note with the landlord of the hospital, MPT Development Services, Inc. Scenic secured a \$3 million note with the same landlord. Both notes bear interest at a rate per annum equal to the sum of SOFR plus 5%. The effective interest rate on the Notes was 9.53% as of December 31, 2024. The Notes mature and become payable March 31, 2025, unless the Notes are accelerated, prepaid or extended prior to that date. If the note is not paid in full by March 31, 2025, the remaining unpaid balance will be subject to "overdue rent". Overdue rent is an interest rate per annum equal to the sum of SOFR plus 10%. The overdue rent rate will continue to accrue on the unpaid balance until the unpaid balance is paid in full. The Notes will not be considered in default if the payments are made in accordance with the schedule in the security agreement. See Note 17 Subsequent Events for more information on this Note.

PART II – FINANCIAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Quincy Health, LLC
1573 Mallory Lane
Brentwood, TN 37027

Opinion

We have audited the consolidated financial statements of Quincy Health, LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income (loss), equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

March 31, 2025

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net operating revenues	\$ 917,907	\$ 1,049,373
Operating costs and expenses:		
Salaries and benefits	393,387	481,850
Supplies	108,697	124,462
Other operating expenses	329,243	396,068
Depreciation and amortization	31,959	34,560
Lease costs and rent	23,139	23,060
Government stimulus funds	(305)	(1,211)
Legal, professional and settlement costs	7,390	6,437
Impairment of long-lived assets and goodwill	—	32,450
Loss (gain) on acquisition	144	—
Loss (gain) on sale of hospitals, net	(15,038)	(24,497)
Total operating costs and expenses	878,616	1,073,179
Income (loss) from operations	39,291	(23,806)
Reorganization items, net	1,861	87
Interest expense, net	161,226	116,548
Income (loss) before income taxes	(123,796)	(140,441)
Provision for (benefit from) income taxes	2,610	397
Net income (loss)	(126,406)	(140,838)
Less: Net income (loss) attributable to noncontrolling interests	—	248
Net income (loss) attributable to Quorum Health Corporation	\$ (126,406)	\$ (141,086)

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net income (loss)	\$ (126,406)	\$ (140,838)
Comprehensive income (loss)	(126,406)	(140,838)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	248
Comprehensive income (loss) attributable to Quincy Health, LLC	<u>\$ (126,406)</u>	<u>\$ (141,086)</u>

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	December 31, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 6,183	\$ 25,798
Patient accounts receivable	128,687	120,001
Inventories	25,724	19,348
Prepaid expenses	13,556	13,706
Due from third-party payors	47,985	37,150
Current assets of hospitals held for sale	1,093	6,652
Other current assets	26,971	29,201
Total current assets	250,199	251,856
Property and equipment, net	278,508	294,690
Goodwill	81,045	81,045
Intangible assets, net	31,509	35,689
Operating lease right-of-use assets	98,113	27,328
Long-term assets of hospitals held for sale	90	15,187
Other long-term assets	26,967	34,964
Total assets	\$ 766,431	\$ 740,759
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 18,274	\$ 3,660
Current portion of operating lease liabilities	13,527	8,259
Accounts payable	137,394	128,224
Accrued liabilities:		
Accrued salaries and benefits	32,553	39,060
Accrued interest	23,067	22,660
Due to third-party payors	22,585	19,741
Current liabilities of hospitals held for sale	258	2,493
Other current liabilities	27,184	56,637
Total current liabilities	274,842	280,734
Long-term debt	842,159	747,642
Long-term operating lease liabilities	89,265	19,394
Deferred income tax liabilities, net	6,433	6,623
Long-term liabilities of hospitals held for sale	—	2,354
Other long-term liabilities	74,114	78,537
Total liabilities	1,286,813	1,135,284
Redeemable noncontrolling interests	—	—
Equity:		
Members' equity (deficit)		
Class A common members' units	320,805	320,805
Additional paid-in capital	9,970	9,421
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(851,157)	(724,751)
Total members' equity (deficit)	(520,382)	(394,525)
Nonredeemable noncontrolling interests	—	—
Total equity (deficit)	(520,382)	(394,525)
Total liabilities and equity	\$ 766,431	\$ 740,759

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

	Quincy Health, LLC Members' Equity					
	Members' Units		Additional Paid-in Capital	Accumulated Deficit	Nonredeemable Noncontrolling Interests	Total Equity (Deficit)
	Units	Amount				
Balance at December 31, 2022	32,012,735	\$ 320,805	\$ 3,206	\$ (583,665)	\$ 8,608	\$ (251,046)
Comprehensive income (loss)	—	—	—	(141,086)	248	(140,838)
Unit-based compensation expense	—	—	903	—	—	903
Cash Distributions to noncontrolling investors	—	—	—	—	(1,335)	(1,335)
Acquisition (divestiture) of noncontrolling interests	—	—	5,312	—	(7,521)	(2,209)
Balance at December 31, 2023	32,012,735	320,805	9,421	(724,751)	—	(394,525)
Comprehensive income (loss)	—	—	—	(126,406)	—	(126,406)
Unit-based compensation expense	—	—	549	—	—	549
Balance at December 31, 2024	32,012,735	\$ 320,805	\$ 9,970	\$ (851,157)	—	\$ (520,382)

See accompanying notes

QUINCY HEALTH, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash flows from operating activities:		
Net income (loss)	\$ (126,406)	\$ (140,838)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,959	34,560
Non-cash interest expense, net	53,263	41,812
Provision for (benefit from) deferred income taxes	(190)	(437)
Unit-based compensation expense	549	904
Impairment of long-lived assets and goodwill	—	32,450
Loss (gain) on Acquisition	144	—
Loss (gain) on divested facilities, net	(15,038)	(24,497)
Changes in reserves for self-insurance claims, net of payments	6,954	(4,868)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Patient accounts receivable	(9,428)	18,330
Due from and due to third-party payors, net	(7,991)	(4,516)
Inventories, prepaid expenses and other current assets	(1,682)	(1,598)
Accounts payable and accrued liabilities	(6,067)	(51,344)
Long-term assets and liabilities, net	4,142	(567)
Net cash provided by (used in) operating activities	(69,791)	(100,609)
Cash flows from investing activities:		
Capital expenditures for property and equipment	(14,726)	(12,388)
Capital expenditures for software	(150)	(60)
Acquisitions, net of cash acquired		(26)
Proceeds from divested facilities	9,516	166,915
Proceeds from asset sales	2,114	1,053
Net cash provided by (used in) investing activities	(3,246)	155,494
Cash flows from financing activities:		
Borrowings under revolving credit facilities	19,932	35,850
Repayments under revolving credit facilities	(21,627)	(59,396)
Borrowings of long-term debt	84,995	28,000
Repayments of long-term debt	(24,268)	(65,312)
Cash distributions to noncontrolling investors	—	(1,335)
Purchases of shares from noncontrolling investors	—	(450)
Payments of debt issuance costs	(3,090)	(125)
Payments on purchase contracts	(2,520)	(4,216)
Net cash provided by (used in) financing activities	53,422	(66,984)
Net change in cash and cash equivalents	(19,615)	(12,099)
Cash and cash equivalents at beginning of period	25,798	37,897
Cash and cash equivalents at end of period	\$ 6,183	\$ 25,798
Supplemental cash flow information:		
Interest payments, net	\$ 111,837	\$ 51,073
Income tax (payments) refunds, net	(3,655)	(595)
Payments of reorganization items, net	1,861	88
Non-cash purchases of property and equipment under finance lease obligations	—	—

See accompanying notes

QUINCY HEALTH, LLC
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS

NOTE 1 — BUSINESS AND BASIS OF PRESENTATION

Description of the Business

The primary business of Quincy Health, LLC, a Delaware limited liability company (“Quincy Health”), through its subsidiary, Quorum Health Corporation, a Delaware corporation (“QHC”), and its subsidiaries, is to provide hospital and outpatient healthcare services in its markets across the United States. As used in these notes and unless the context otherwise requires, the term “the Company” refers to the consolidated operations of Quincy Health and its wholly owned subsidiary, QHC. As of December 31, 2024, the Company owned or leased a portfolio of 12 hospitals in rural and mid-sized markets, which are located in 10 states and have a total of 799 licensed beds. The Company provides outpatient healthcare services through its hospitals and affiliated facilities, including urgent care centers, diagnostic and imaging centers, physician clinics and surgery centers.

Basis of Presentation

The consolidated financial statements and accompanying notes of the Company presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”). In the opinion of the Company’s management, the consolidated financial information presented herein includes all adjustments necessary to present fairly the results of operations, financial position and cash flows of the Company for the periods presented. The accompanying financial statements may not necessarily be indicative of the results of operations, financial position and cash flows of the Company in the future.

Going Concern

The Company’s consolidated financial statements have been prepared under the assumption that it will continue as a going concern in accordance with Accounting Standards Codification (“ASC”) 205-40, Presentation of Financial Statements—Going Concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Substantial doubt about an entity’s ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are available to be issued.

Based on our projected financial statements, satisfaction of debt covenants and the removal of asset sale milestones in the current year, the Company expects to continue as a going concern.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management believes that the Company has sufficient resources to continue its operations and meet its obligations as they become due for at least the next twelve months from the date these consolidated financial statements are available to be issued.

Limitation of Liability

Quincy Health’s Limited Liability Agreement (the “LLC Agreement”) provides that, except to the extent set forth in the Delaware Limited Liability Company Act (the “Delaware Act”), no member of Quincy Health shall have any personal liability for the debts, obligations or liabilities of Quincy Health. The Delaware Act provides that a member who receives a distribution and knew at the time of the distribution that the distribution was in violation of certain provisions of the Delaware Act shall be liable to the limited liability company for the amount of the distribution for three years.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which it holds either a direct or indirect ownership of a majority voting interest. Investments in less-than-wholly-owned consolidated subsidiaries of QHC are presented separately in the equity component of the Company's consolidated balance sheets to distinguish between the interests of QHC and the interests of the noncontrolling investors. Revenues and expenses from these subsidiaries are included in the respective individual line items of the Company's consolidated statements of operations, and net income is presented both in total and separately to distinguish the amounts attributable to the Company and the amounts attributable to the interests of the noncontrolling investors. Noncontrolling interests that are redeemable, or may become redeemable at a fixed or determinable price at the option of the holder or upon the occurrence of an event outside of the control of the Company, are presented in mezzanine equity in the Company's consolidated balance sheets. Intercompany transactions and accounts of the Company are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions or conditions.

Revenues and Accounts Receivable

Revenue Recognition

The Company reports revenues from patient services at its hospitals and affiliated facilities at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, governmental programs and third-party payors such as Medicare, Medicaid, health maintenance organizations, preferred provider organizations, private insurers and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Generally, the Company bills the patient and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as the performance obligations are satisfied.

Payor Sources

The primary sources of payment for patient healthcare services are third-party payors, including federal and state agencies administering the Medicare and Medicaid programs, other governmental agencies, managed care health plans, commercial insurance companies, workers' compensation carriers and employers. Self-pay revenues are the portion of patient service revenues derived from patients who do not have health insurance coverage and the patient responsibility portion of services that are not covered by health insurance plans. Non-patient revenues primarily include revenues from rental income, hospital cafeteria sales, and transition services agreements entered into as part of the divestiture of certain facilities.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table provides a summary of net operating revenues by payor source (dollars in thousands):

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	\$ Amount	% of Total	\$ Amount	% of Total
Medicare	\$ 247,102	26.9%	\$ 300,341	28.6%
Medicaid	188,639	20.6%	217,107	20.7%
Managed care and commercial	394,896	43.0%	419,210	40.0%
Self-pay and self-pay after insurance	63,421	6.9%	66,280	6.3%
Non-patient	23,849	2.6%	46,435	4.4%
Total net operating revenues	<u>\$ 917,907</u>	<u>100.0%</u>	<u>\$1,049,373</u>	<u>100.0%</u>

Third-Party Program Reimbursements

Cost report settlements under reimbursement programs with Medicare, Medicaid and other managed care plans for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical experience, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Previous program reimbursements and final cost report settlements are included in due from and due to third-party payors in the consolidated balance sheets. Net adjustments arising from a change in the transaction price for estimated cost report settlements unfavorably impacted net operating revenues by \$4.2 million for the year ended December 31, 2024. Net adjustments arising from a change in the transaction price for estimated cost report settlements unfavorably impacted net operating revenues by \$6.2 million for the year ended December 31, 2023.

Currently, several states have established supplemental payment programs, including disproportionate share programs, for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These state supplemental payment programs are designed with input from The Centers for Medicare & Medicaid Services ("CMS") and are funded with a combination of federal and state resources, including, in certain instances, taxes, fees or other program expenses (collectively, "provider taxes") levied on the providers. The receivables and payables associated with these programs are included in due from and due to third-party payors in the consolidated balance sheets.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table provides a summary of the components of amounts due from and due to third-party payors, as presented in the consolidated balance sheets (in thousands):

	December 31, 2024	December 31, 2023
Amounts due from third-party payors:		
Previous program reimbursements and final cost report settlements	\$ 4,955	\$ 4,812
State supplemental payment programs	43,030	32,338
Total amounts due from third-party payors	<u>\$ 47,985</u>	<u>\$ 37,150</u>
Amounts due to third-party payors:		
Previous program reimbursements and final cost report settlements	\$ 11,343	\$ 11,198
State supplemental payment programs	11,242	8,543
Total amounts due to third-party payors	<u>\$ 22,585</u>	<u>\$ 19,741</u>

The Company recognizes the revenues and related expenses based on the terms of each program in the period in which the amounts are estimable and revenue collection is reasonably assured. The revenues earned by the Company under these programs are included in net operating revenues and the expenses associated with these programs are included in other operating expenses in the consolidated statements of operations.

The following table provides a summary of the portion of Medicaid reimbursements included in the consolidated statements of operations that are attributable to state supplemental payment programs (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Medicaid state supplemental payment program revenues	\$ 97,521	\$ 122,753
Provider taxes and other expenses	28,364	36,386
Reimbursements attributable to state supplemental payment programs, net of expenses	<u>\$ 69,157</u>	<u>\$ 86,367</u>

Self-Pay and Self-Pay After Insurance

Generally, patients who are covered by third-party payors are responsible for related co-pays and deductibles, which vary in amount. The Company also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from the Company's standard billing rates. The Company estimates the transaction price for patients with co-pays and deductibles and for uninsured patients based on historical collection experience and current market conditions. The initial estimate of the transaction price is determined by reducing the Company's standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price, if any, are generally recorded as an adjustment to patient service revenue in the period of the change.

Accounts Receivable

Substantially all of the Company's receivables are related to providing healthcare services to patients at its hospitals and affiliated outpatient facilities. For self-pay and self-pay after insurance receivables, the Company estimates the implicit price concession by reserving a percentage of all self-pay and self-pay after insurance accounts receivable without regard to aging category. The estimate of the implicit price concession is based on a model that considers historical cash collections, expected recoveries and any anticipated changes in trends. The Company's ability to estimate the implicit price concessions is not significantly impacted by the aging of accounts receivable, as management believes that substantially all of the risk exists at the point in time such accounts are

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

identified as self-pay. Significant changes in payor mix, outsourced third party business office operations, including their efforts in collecting the Company's accounts receivables, economic conditions, or trends in federal and state governmental healthcare coverage, among others, could affect the Company's estimates of implicit price concessions for self-pay and self-pay after insurance accounts receivable. The Company also continually reviews its overall estimate of implicit price concessions by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net operating revenues and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables.

Concentration of Credit Risk

The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's hospitals and affiliated outpatient facilities and are insured under third-party payor agreements. Because of the economic diversity of the Company's markets and non-governmental third-party payors, Medicare receivables are a significant concentration of credit risk. Accounts receivable, net of contractual adjustments, from Medicare were \$34.5 million and \$25.2 million, or 14.03% and 9.4% of total patient accounts receivable as of December 31, 2024 and December 31, 2023, respectively.

The Company's revenues are particularly sensitive to regulatory and economic changes in certain states where the Company generates significant revenues. Accordingly, any changes in the current demographic, economic, competitive or regulatory conditions in certain states in which revenues are significant could have an adverse effect on the Company's results of operations, financial position or cash flows. Changes to the Medicaid and other government-managed payor programs in these states, including reductions in reimbursement rates or delays in reimbursement payments under state supplemental payment or other programs, could also have a similar adverse effect.

The following table provides a summary of the states in which the Company generates more than 5% of its total net patient revenues as determined in the most recent period (dollars in thousands):

	Number of Hospitals at December 31, 2024	Year Ended December 31, 2024		Year Ended December 31, 2023	
		\$ Amount	% of Total	\$ Amount	% of Total
Oregon	1	\$273,230	31%	\$255,230	25%
Utah	1	135,605	15%	121,553	12%
Kentucky	2	94,006	11%	90,271	9%
California	1	81,469	9%	76,482	8%
Texas	3	77,874	9%	89,925	9%
New Mexico	1	74,220	8%	46,970	5%
Nevada	1	57,150	6%	29,670	3%
Wyoming	1	42,389	5%	50,235	5%

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

During the year ended December 31, 2024, the Company divested of the Helena and Dekalb facilities. The company acquired Odessa Regional Medical Center and Scenic Mountain Medical Center. See Note 4 — Acquisitions and Divestitures for additional information related to these transactions.

Other Operating Expenses

The following table provides a summary of the major components of other operating expenses (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Purchased services	\$ 133,592	\$ 161,402
Taxes and insurance	74,056	78,957
Medical specialist fees	66,882	74,081
Repairs and maintenance	16,414	20,405
Utilities	8,063	12,132
Other miscellaneous operating expenses	30,236	49,091
Total other operating expenses	<u>\$ 329,243</u>	<u>\$ 396,068</u>

See Note 16 — Commitments and Contingencies — Insurance Reserves for additional information related to the Company’s insurance reserves and related expenses.

General and Administrative Costs

Substantially all of the Company’s operating costs and expenses are “cost of revenues” items. Operating expenses that could be classified as general and administrative by the Company are costs related to corporate office functions, including, but not limited to audit, human resources, risk management, legal, tax and treasury. These costs are primarily salaries and benefits expenses associated with these corporate office functions. General and administrative costs of the Company were \$25.5 million and \$34.7 million for the years ended December 31, 2024 and 2023, respectively.

Legal, Professional and Settlement Costs

Legal, professional and settlement costs in the Company’s consolidated statements of operations primarily include legal costs and related settlements, if any, associated with regulatory claims, government investigations into reimbursement payments, strategic initiatives and other litigation matters.

Loss on Sale of Entities, Net

Loss (gain) on sale of entities, net is the loss (gain) incurred related to the Company’s divestiture of entities, hospitals and outpatient facilities. It is calculated as the difference between the consideration received from the sale and the carrying values of the associated net assets sold at the date of sale, less certain incremental direct selling costs.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the provision for (benefit from) income taxes in the consolidated

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

statements of operations in the period that includes the enactment date. The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent the Company believes that recovery is not likely, a valuation allowance is established. To the extent the Company establishes a valuation allowance or increases this allowance, the related expense is included in the provision for (benefit from) income taxes in the consolidated statements of operations. The Company classifies interest and penalties, if any, related to its tax positions as a component of provision for (benefit from) income taxes.

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments with a maturity of three months or less from the date acquired that are subject to an insignificant risk of change in value.

Other Current Assets

Other current assets consist of the current portion of the receivables from CHS related to professional and general liability and workers' compensation liability insurance reserves that were indemnified by CHS in connection with the Spin-off, non-patient accounts receivable, receivables related to IT transition services agreements, and other miscellaneous current assets.

Property and Equipment

Purchases of property and equipment are recorded at cost. Property and equipment acquired in a business combination are recorded at estimated fair value. Routine maintenance and repairs are expensed as incurred. Expenditures that increase capacities or extend useful lives are capitalized. The Company capitalizes interest related to financing of major capital additions with the respective asset. Depreciation is recognized using the straight-line method over the estimated useful life of an asset. The Company depreciates land improvements over 3 to 20 years, buildings and improvements over 5 to 40 years, and equipment and fixtures over 3 to 18 years. The Company also leases certain facilities and equipment under capital lease obligations. These assets are amortized on a straight-line basis over the lesser of the lease term or the remaining useful life of the asset. Property and equipment assets that are held for sale are not depreciated.

Leases

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities, and long-term operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, current portion of long-term debt, and long-term debt in the consolidated balance sheets.

The Company enters into operating leases for real estate, medical office buildings, other administrative offices, as well as medical and office equipment. The Company's finance leases consist primarily of the Corporate office and other long-term building leases. The Company's real estate leases typically have initial lease terms of 5 to 10 years, and equipment leases typically have an initial term of 3 years.

Goodwill

Goodwill represents the excess of consideration paid over the fair value of net tangible and identifiable intangible assets acquired. The Company's goodwill is tested for impairment at least annually.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Intangible Assets

The Company's intangible assets primarily consist of purchase and development costs of software for internal use and contract-based intangible assets, including physician guarantee contracts, medical licenses, hospital management contracts, non-compete agreements, tradenames and certificates of need. There are no expected residual values related to the Company's intangible assets. Capitalized software costs are generally amortized over three years, except for software costs for significant system conversions, which are amortized over 8 to 10 years. Capitalized software costs that are in the development stage are not amortized until the related projects are complete. Assets related to physician guarantee contracts, hospital management contracts, non-compete agreements and certificates of need are amortized over the life of the individual contracts. Intangible assets held for sale are not amortized.

Cloud Computing Costs

The Company has transitioned its information technology services from the Computer and Data Processing Transition Services Agreement ("IT TSA") with CHS to its own standalone information systems infrastructure. As such, the Company has entered into various cloud computing arrangements related to the Company's information technology infrastructure, such as financial reporting and budgeting, payroll, compliance and revenue management services. The Company capitalizes certain costs associated with cloud computing arrangements, including, among other items, employee compensation and related benefits and third-party consulting costs that are part of the application development stage. These costs are included in other long-term assets on the consolidated balance sheet and are expensed into other operating expenses over the period of the hosting service contract which is generally 5 years. The Company reviews the amounts capitalized for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

Impairment of Long-Lived Assets and Goodwill

Whenever an event occurs or changes in circumstances indicate that the carrying values of certain long-lived assets may be impaired, the Company projects the undiscounted cash flows expected to be generated by these assets. If the projections indicate that the carrying values are not expected to be recovered, such amounts are reduced to their estimated fair value based on a quoted market price, if available, or an estimated fair value based on valuation techniques available in the circumstances.

Goodwill arising from business combinations is not amortized. Goodwill is evaluated for impairment at the same time every year and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. The Company performs its annual testing of impairment for goodwill in the fourth quarter of each year. The fair value of the Company's reporting units is estimated using both a discounted cash flow model as well as a multiple model based on earnings before interest, taxes, depreciation and amortization. The cash flow forecasts are adjusted by an appropriate discount rate based on the Company's best estimate of a market participant's weighted-average cost of capital. Both models are based on the Company's best estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium, in order to gain sufficient ownership to set policies, direct operations and control management decisions of the Company.

See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information related to impairment recorded in the consolidated statements of operations.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Other Long-Term Assets

Other long-term assets consist of the long-term portion of the receivables from CHS related to professional and general liability and workers' compensation liability insurance reserves that were indemnified by CHS in connection with the Spin-off, as well as deferred compensation plan assets, cloud computing costs, notes receivable, deposits and other miscellaneous long-term assets.

Other Current Liabilities

Other current liabilities consist of the current portion of professional and general liability insurance reserves, including the portion indemnified by CHS in connection with the Spin-off, as well as property tax accruals, software license liabilities, physician guarantees and other miscellaneous current liabilities.

Professional and General Liability Insurance and Workers' Compensation Liability Insurance Reserves

As part of the business of owning and operating hospitals, the Company is subject to legal actions alleging liability on its part. To mitigate a portion of these risks, the Company maintains insurance exceeding a self-insured retention level for these types of claims. The Company's self-insurance reserves reflect the current estimate of all outstanding losses, including incurred but not reported losses, based on actuarial calculations as of period end. The loss estimates included in the actuarial calculations may change in the future based on updated facts and circumstances, including the Company's claims experience post Spin-off. The Company's insurance expense includes the actuarially determined estimates of losses for the current year, including claims incurred but not reported, the change in the estimates of losses for prior years based upon actual claims development experience as compared to prior actuarial projections, the insurance premiums for losses in excess of the Company's self-insured retention levels, the administrative costs of the insurance programs, and interest expense related to the discounted portion of the liability. The Company's reserves for professional and general liability and workers' compensation liability claims are based on semi-annual actuarial calculations, which are discounted to present value and consider historical claims data, demographic factors, severity factors and other actuarial assumptions. The reserves for self-insured claims are discounted based on the Company's risk-free interest rate that corresponds to the period when the self-insured claims are incurred and projected to be paid.

See Note 16 — Commitments and Contingencies for information related to the portion of the Company's insurance reserves for professional and general liability and workers' compensation liability that are indemnified by CHS.

Self-Insured Employee Health Benefits

The Company is self-insured for substantially all of the medical benefits of its employees. The Company maintains a liability for its current estimate of incurred but not reported employee health claims based on historical claims data provided by third-party administrators. The undiscounted reserve for self-insured employee health benefits was \$3.5 million and \$5.2 million as of December 31, 2024 and December 31, 2023, respectively, and is included in accrued salaries and benefits in the consolidated balance sheets. The expense each period is based on the actual claims received during the period plus the impact of any adjustment to the liability for incurred but not reported employee health claims.

Noncontrolling Interests

The Company's consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities that it controls. Certain of the Company's consolidated subsidiaries have noncontrolling physician ownership interests with redemption features that require the Company to deliver cash upon the

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

occurrence of certain events outside its control, such as the retirement, death, or disability of a physician-owner. The carrying amount of redeemable noncontrolling interests is recognized in the Company's consolidated balance sheets at the greater of: (1) the initial carrying amount of these investments, increased or decreased for the noncontrolling interests' share of cumulative net income (loss), net of cumulative amounts distributed to the noncontrolling interest partners, if any, or (2) the redemption value of the investments held by the noncontrolling interest partners.

As of December 31, 2024, the Company acquired all outstanding ownership units of noncontrolling interests in entities it controls.

Unit-Based Compensation

The Company has issued 1,791,994 Deferred Units (as defined herein) to key employees and directors and recognizes unit-based compensation expense over the applicable requisite service periods based on the weighted-average estimated grant date fair value of \$3.52 per unit. See Note 13 — Unit-Based Compensation for additional information related to unit-based compensation.

Benefit Plans

The Company maintains various benefit plans, including defined contribution plans and deferred compensation plans, for which certain of the Company's subsidiaries are the plan sponsors. Benefits costs are recorded as salaries and benefits expenses in the consolidated statements of operations. The cumulative liability for these benefit costs is recorded in other long-term liabilities in the consolidated balance sheets.

See Note 14 — Benefit Plans for additional information on the Company's individual plans.

Fair Value of Financial Instruments

The Company utilizes the U.S. GAAP fair value hierarchy to measure the fair value of its financial instruments. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

- Level 1 — Quoted market prices in active markets for identical assets and liabilities.
- Level 2 — Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies or similar techniques reflecting the Company's own assumptions.

See Note 10 — Fair Value of Financial Instruments for further information on the Company's estimated fair value of its long-term debt instruments which are considered level 2 inputs.

NOTE 3 — IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

Periodically, the Company evaluates the fair value of hospitals held for sale and intended for divestiture and recognizes any impairment as a result of that evaluation. Additionally, at least annually, the Company performs

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

an evaluation of the value of goodwill and other intangibles not subject to amortization and recognizes any impairment indicated as a result of that evaluation.

The following table provides a summary of the components of impairment recognized (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Property and equipment	\$ —	\$ 28,070
Capitalized software costs	—	4,380
Medicare licenses	—	—
Total long-lived assets impairment	—	32,450
Goodwill	—	—
Total goodwill and long-lived assets impairment	<u>\$ —</u>	<u>\$ 32,450</u>

During the year ended December 31, 2024, the Company did not recognize impairment of long-lived assets related to assets identified as intended for divestiture.

NOTE 4 —ACQUISITIONS AND DIVESTITURES

Acquisitions

2024 Acquisitions

Odessa Regional Medical Center and Scenic Mountain Medical Center

On September 10, 2024, the United States Bankruptcy Court for the Southern District of Texas, Houston Division, approved the transfer of Odessa Regional Medical Center (“Odessa”) and Scenic Mountain Medical Center (“Scenic”) to the Company as part of the Chapter 11 bankruptcy proceedings of their parent company, Steward Health Care System, LLC. Beginning on September 11, 2024, the Company assumed the role of interim manager for both Odessa and Scenic, effectively taking ownership of these facilities with full management rights granted, though no financial consideration was exchanged for the 100% ownership interest as part of the global settlement in the Chapter 11 case. On October 17, 2024, the Bankruptcy Court further designated the Company as the Operator of Odessa and Scenic. Additionally, the Company entered into a Transition Services Agreement (TSA) with Steward to provide various services, including IT, revenue cycle, quality reporting, supply chain, procurement, accounts payable, and provider IT services, to help maintain the operations of the hospitals. As of December 31, 2024, the only remaining services under TSA are IT and revenue cycle as other services have transitioned under the control of the Company.

The transaction was accounted for under ASC 805 as a transfer of ownership under bankruptcy proceedings. The results of operations of Odessa and Scenic since September 11, 2024, are included in the Company’s consolidated financial statements for the year ended December 31, 2024.

The fair value allocation of the assets acquired, and liabilities assumed in connection with this transfer as of September 11, 2024, is as follows (in thousands):

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	As of September 11 2024
Inventories	\$ 5,349
Prepaid expenses	150
Property and equipment, net	3,035
Operating lease right-of-use assets	6,458
Accounts payable	(4,245)
Accrued salaries and benefits	(4,433)
Current portion of operating lease liabilities	(1,277)
Long-term operating lease liabilities	(5,181)
Net assets acquired	<u>\$ (144)</u>

Odessa and Scenic had combined net operating revenue, loss from operations and loss on acquisition for the period from the date of acquisition to December 31, 2024, as follows (in thousands):

	Period of September 11 to December 31, 2024
Net revenue	\$ 45,164
(Loss) from operations	(10,406)
(Loss) on acquisitions	(144)

The net loss was due to the net assets acquired being less than the expected payment of cure costs to existing vendors to secure their services going forward.

2023 Acquisitions

McKenzie-Willamette Medical Center

On May 27, 2022, QHC and MWMC entered into a membership interest purchase agreement with Physician Investments, LLC (“PI”) for MWMC Holdings, LLC, a subsidiary of QHC (“MWMC”) to purchase from PI for cash consideration of \$2,174,465 an additional 0.99% of the units of limited liability company membership interests in McKenzie-Willamette. The transaction closed on May 27, 2022. Following the closing, MWMC owns 96% of the outstanding units of limited liability company membership interests in McKenzie-Willamette.

On December 31, 2023, QHC and MWMC entered into a membership interest purchase agreement with PI to purchase the remaining membership interests of MWMC Holdings, LLC for consideration of \$2.4 million.

Divestitures

2024 Divestitures

Dekalb Regional Medical Center

On March 31, 2024, the Company sold 134-bed Dekalb Regional Medical Center (“Dekalb”) in Fort Payne, Alabama for proceeds of \$7.0 million. The Company’s operating results included pre-tax losses of \$11.8 million and \$10.6 million for the twelve months ended December 31, 2024 and 2023, respectively. In addition to the above, the Company recorded a \$4.9 million loss on the sale of Dekalb for the year ended December 31, 2024.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Helena Regional Medical Center

On January 31, 2024, the Company sold 155-bed Helena Regional Medical Center (“Helena”) in Helena, Arkansas for proceeds of \$2.4 million, pre-tax profit of \$1.6 million and loss of \$7.5 million for the year ended December 31, 2024 and 2023, respectively. In addition to the above, the Company recorded a \$1.9 million gain on the sale of Helena for the twelve months ended December 31, 2024.

2023 Divestitures

Adjustments to prior year divestitures

In 2024, adjustments were made to the gain on sales of entities associated with divestitures in 2023. These adjustments primarily resulted from a final letter received from Blue Cross and Blue Shield of Illinois (“BCBSIL”) in 2024 regarding the Company’s liability to BCBSIL. Based on the final letter received in 2024, the Company relieved its liability and recorded a \$12.4 million gain related to these adjustments for the year ended December 31, 2024.

Illinois Facilities

On January 13, 2023, the Company sold 25-bed Union County Hospital, 106-bed Heartland Regional Medical Center, 47-bed Crossroads Community Hospital, and 25-bed Red Bud Regional Hospital and related affiliated facilities (“Illinois Facilities”), located in Illinois, for proceeds of \$145.7 million. The Company’s operating results included pre-tax losses of \$6.3 million and pre-tax gains of \$3.3 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$44.0 million gain on the sale of the Illinois Facilities for the year ended December 31, 2023.

Gateway Regional Medical Center

On February 28, 2023, the Company sold 298-bed Gateway Regional Medical Center (“Gateway”) in Granite City, Illinois for proceeds of \$19.3 million. The Company’s operating results included pre-tax losses of \$5.3 million and pre-tax gains of \$15.3 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$3.5 million loss on the sale of Gateway for the year ended December 31, 2023.

Fannin Regional Hospital

On June 30, 2023, the Company sold 50-bed Fannin Regional Hospital (“Fannin”) in Blue Ridge, Georgia for proceeds of \$4.8 million. The Company’s operating results included pre-tax losses of \$3.5 million and \$6.9 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$1.2 million gain on the sale of Fannin for the year ended December 31, 2023.

Vista Medical Center East

On June 30, 2023, the Company sold 228-bed Vista Medical Center East (“Vista”) in Waukegan, Illinois for proceeds of \$8.8 million. The Company’s operating results included pre-tax losses of \$16.4 million and \$32.1 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$7.3 million loss on the sale of Vista for the year ended December 31, 2023.

Martin General Hospital

On August 3, 2023, the Company suspended operations at Williamson Hospital Corporation d/b/a Martin General Hospital in Williamston, NC and filed a voluntary petition for Chapter 7 bankruptcy for that entity. The

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(Continued)

Company's operating results included pre-tax losses of \$8.2 million and \$15.5 million for the years ended December 31, 2023 and 2022, respectively.

Alta Vista Regional Hospital

On November 30, 2023, the Company sold 54-bed Alta Vista Regional Hospital ("Alta Vista") in Las Vegas, New Mexico for proceeds of \$0.1 million. The Company's operating results included pre-tax losses of \$5.3 million and \$9.8 million for the years ended December 31, 2023 and 2022, respectively. In addition to the above, the Company recorded a \$5.3 million loss on the sale of Alta Vista for the year ended December 31, 2023.

NOTE 5 — PROPERTY AND EQUIPMENT

The following table provides a summary of the components of property and equipment (in thousands):

	December 31, 2024	December 31, 2023
Property and equipment, at cost:		
Land and improvements	\$ 21,872	\$ 21,607
Building and improvements	268,144	252,960
Equipment and fixtures	106,906	110,756
Construction in progress	2,825	5,807
Total property and equipment, at cost	399,747	391,130
Less: Accumulated depreciation and amortization	(121,239)	(96,440)
Total property and equipment, net	<u>\$ 278,508</u>	<u>\$ 294,690</u>

Depreciation expense was \$27.1 million and \$26.3 million for the twelve months ended December 31, 2024 and 2023, respectively. See Note 6 — Goodwill and Intangible Assets for information on amortization expense recorded for property and equipment held under finance lease obligations. See Note 8 — Leases for information on ROU assets held under finance lease obligations.

Purchases of property and equipment accrued in accounts payable were \$0.1 million and \$0.2 million as of December 31, 2024 and December 31, 2023, respectively.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table provides a summary of changes in goodwill (in thousands):

	Goodwill
Balance at December 31, 2023	\$ 81,045
Acquisitions	—
Divestitures	—
Balance at December 31, 2024	<u>\$ 81,045</u>

Goodwill related to the Company's hospital operations reporting unit was \$81.0 million as of December 31, 2024 and December 31, 2023, respectively. See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information.

QUINCY HEALTH, LLC
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Intangible Assets

The following table provides a summary of the components of intangible assets (in thousands):

	December 31, 2024		
	Cost	Accumulated Amortization	Net Book Value
Finite-lived intangible assets:			
Capitalized software costs	\$ 28,491	\$ (22,683)	\$ 5,808
Physician guarantee contracts	318	(188)	130
Total finite-lived intangible assets, net	28,809	(22,871)	5,938
Indefinite-lives intangible assets:			
Tradenames	13,100	—	13,099
Licenses and other indefinite-lived intangible assets	12,472	—	12,472
Total indefinite-lived intangible assets	25,572	—	25,571
Total intangible assets	<u>\$ 54,381</u>	<u>\$ (22,871)</u>	<u>\$ 31,509</u>
	December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
Finite-lived intangible assets:			
Capitalized software costs	\$ 27,982	\$ (18,955)	\$ 9,027
Physician guarantee contracts	785	(651)	134
Other finite-lived intangible assets	—	—	—
Total finite-lived intangible assets, net	28,767	(19,606)	9,161
Indefinite-lives intangible assets:			
Tradenames	13,100	—	13,100
Licenses and other indefinite-lived intangible assets	13,428	—	13,428
Total indefinite-lived intangible assets	26,528	—	26,528
Total intangible assets	<u>\$ 55,295</u>	<u>\$ (19,606)</u>	<u>\$ 35,689</u>

See Note 16 — Commitments and Contingencies — Commitments Related to Information Technology for additional information on certain capitalized software costs related to the Company's transition of its information technology infrastructure.

Amortization Expense

The following table provides a summary of the components of amortization expense (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Amortization of finite-lived intangible assets:		
Capitalized software costs	\$ 6,158	\$ 4,602
Physician guarantee contracts	85	(102)
Other finite-lived intangible assets	—	66
Total amortization expense related to finite-lived intangible assets	6,243	4,566
Amortization of leasehold improvements and property and equipment assets held under finance lease obligations	2,763	2,321
Total amortization expense	<u>\$ 9,006</u>	<u>\$ 6,887</u>

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table provides a summary of estimated future amortization expense for the next five years and thereafter related to intangible assets (in thousands):

2025	\$ 4,243
2026	944
2027	683
2028	51
2029	16
Thereafter	1
Total estimated future amortization expense	<u>\$ 5,938</u>

NOTE 7 — LONG-TERM DEBT

The following table provides a summary of the components of long-term debt (in thousands):

	December 31, 2024	December 31, 2023
Exit Term Loan B	\$ 700,632	\$ 672,681
Delayed Draw A	39,900	—
Delayed Draw B	29,925	—
Last Out Facility	8,241	8,075
Exit ABL	64,359	66,054
MPT Promissory Note	15,000	—
Super Senior Term Loan	—	19,950
Unamortized debt issuance costs and discounts	(10,871)	(32,532)
Capital lease obligations	10,171	12,383
Other debt	3,076	4,692
Total debt	860,433	751,302
Less: Current maturities of long-term debt	(18,274)	(3,660)
Total long-term debt	<u>\$ 842,159</u>	<u>\$ 747,642</u>

Exit Term Loan Facility

On July 7, 2020 (the “Effective Date”), pursuant to the Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”), QHC, as the borrower (the “Term Loan Borrower”), and Quincy Health entered into the Exit Term Loan Agreement (the “Exit Term Loan Agreement”). The Exit Term Loan Agreement provides for a senior secured term loan facility in the aggregate principal amount of \$732,153,485 (the “Exit Term Loan Facility”). On the Effective Date, the Company extinguished its obligations under its prior term loan facility and revolving credit facility. The Term Loan Borrower used the proceeds of the Exit Term Loan Facility to, among other things, fund cash distributions under the Plan.

The Exit Term Loan Facility (as amended) bears interest at an annual rate equal to the Term Secured Overnight Financing Rate (“SOFR”) (with a floor of 1.00%), plus an applicable margin. The amended applicable margin is 8.25%. Upon the occurrence and continuance of an event of default under the Exit Term Loan Facility, UMB Bank NA (the “Term Loan Agent”) is permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit Facility was 16.776% as of December 31, 2024.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Term Loan Borrower, Quincy Health and certain subsidiaries of the Term Loan Borrower, as guarantors, (collectively, together with Quincy Health, the “Term Loan Guarantors” and, together with the Term Loan Borrower, the “Term Facility Loan Parties”) guaranteed the obligations of the Term Loan Borrower under the Exit Term Loan Agreement, subject to certain exclusions and qualifications, and granted a first priority lien on substantially all of their current and future assets, including personal and real property, except for the ABL Priority Collateral, in order to secure the payment and performance of their obligations under the Exit Term Loan Facility. The Term Facility Loan Parties also granted a second priority lien on the ABL Priority Collateral.

The Exit Term Loan Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations.

Moreover, the Exit Term Loan Agreement contains customary events of default, including, among others, defaults related to the failure to pay principal or interest, covenant violations, and cross-defaults with the Exit ABL Credit Agreement (defined below). The Exit Term Loan Agreement also contains customary representations and warranties related to the assets, properties, financial condition, business, and corporate status of the Term Facility Loan Parties.

The Exit Term Loan Facility will mature and become due and payable on January 29, 2028, unless the Exit Term Loan Facility is accelerated, prepaid, or extended prior to that date. See note 17, subsequent events for more information.

On December 4, 2020, Amendment No. 1 to the Exit Term Loan Facility was entered into in order to require the delivery of financial statements of Quincy Health instead of the Term Loan Borrower and to make a correction to a financial covenant testing period.

On March 18, 2021, Amendment No. 2 to the Exit Term Loan Facility was entered into in order to (i) make McKenzie-Willamette Regional Medical Center Associates, LLC (“McKenzie-Willamette”) a guarantor of the Exit Term Loan Facility; (ii) provide that, in the event that QHC or its subsidiaries receive any net cash proceeds from the U.S. Department of Housing and Urban Development 242 Loan Program (“HUD Loan”) or certain real estate indebtedness, then such net proceeds shall be used to prepay outstanding term loans under the Exit Term Loan Facility; and (iii) provide for the release of McKenzie-Willamette as a guarantor if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 14, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 14, 2021; therefore, it was automatically released as a guarantor of the Exit Term Loan Facility.

On June 7, 2021, the Term Loan Borrower used \$61.5 million of the proceeds from the sale of Quorum Health Resources, LLC (“QHR”) to prepay the Exit Term Loan Facility. The \$61.5 million payment consisted of \$60.0 million of the principal balance, \$0.9 million of interest, and \$0.6 million of prepayment fees.

On June 6, 2022, Jefferies Finance, LLC resigned as administrative agent and collateral agent under the Exit Term Loan Agreement and UMB Bank, National Association was appointed as the successor administrative agent and collateral agent.

On June 7, 2022, Jefferies Finance LLC, filed a lawsuit against the Term Loan Borrower alleging violations of the terms of the Exit Term Loan Agreement. The parties settled this matter in late November 2022.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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On November 30, 2022, Amendment No. 3 and Waiver to the Exit Term Loan Agreement was entered into providing for a suspension of the Secured Net Leverage Ratio financial maintenance covenant until July 1, 2023 and raised such ratio for July 1, 2023 through September 30, 2023 from 5.00x to 7.50x. Amendment No. 3 to the Exit Term Loan Agreement provided that the maximum Secured Net Leverage Ratio would step back down to 5.00x for the quarter ended December 31, 2023 and thereafter. Amendment No. 3 to the Exit Term Loan Agreement also included requirements to meet certain specified asset sale milestones in 2023 and 2024, added a minimum liquidity covenant and delivery of supplemental financials, waived certain defaults consisting of (x) failure to maintain Secured Net Leverage Ratio as required for the fiscal quarters ended March 31, 2022 through September 30, 2022 and (y) alleged underpayment of interest and removed all references to LIBOR and replaced them with SOFR.

On January 19, 2023, we used \$62.8 million of the proceeds from the sale of the Illinois Facilities to prepay the Exit Term Loan Facility. The \$62.8 million prepayment consisted of \$62.5 million of the principal balance and \$0.3 million of interest.

On May 31, 2023, Amendment No. 4 to the Exit Term Loan Agreement was entered into to amend the deadline to meet certain specified asset sale milestones.

On June 7, 2023, Amendment No. 5 to the Exit Term Loan Agreement was entered into to amend certain definitions and requirements to meet specified asset sale milestones.

On September 27, 2023, Amendment No. 6 and Waiver to the Exit Term Loan Agreement was entered into. The amendment provided for certain default waivers related to specified asset sale milestones and liquidity requirements. Additionally, the amendment waived the liquidity covenant through the remainder of 2023, extended the Secured Net Leverage Ratio holiday through September 30, 2023, raised the maximum ratio from 5.00 to 7.00 from January 1, 2024 through March 31, 2024, modified deadlines and provisions of certain specific asset sales and allowed for the Super Senior facility (described below).

On January 31, 2024, Amendment No. 7 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024, Amendment No. 8 to the Exit Term Loan was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 13, 2024, Amendment No. 9 to the Exit Term Loan was entered into. The amendment modified certain asset purchase agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter to 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 for the period October 1, 2024 through December 31, 2024, and 5.0 thereafter. Additionally, the PIK interest related to specified asset sale milestones was amended to remain at 3.0% per annum for the period February 13, 2024 through December 31, 2024 and will increase by 1.0% per annum on the first day of each calendar quarter, thereafter.

On March 28, 2024, Amendment No. 10 to the Exit Term Loan was entered into. The amendment allowed for a 45 day cure period for a default in payment of the April 10, 2024 interest payment. Additionally, the amendment modified “Applicable Percentage” to allow for the interest payment due April 10, 2024 that is not paid in full cash to accrue 0.01% per annum on each day commencing on April 18, 2024 until the April 10 interest is paid or cumulative amount of PIK has increased to 0.45% per annum.

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On July 12, 2024, Amendment No. 11 was entered into. The Amendment removed specific language related to LOI Milestone Satisfaction Dates and Milestone Deadlines. The Milestone Satisfaction for the divestiture of Barstow was removed and the date for the Milestone Satisfaction for the Mimbres Nursing Home was removed. Additionally, this amendment allowed for the partial payment of the Exit Term Loan interest payment due July 10, 2024 and added a second installment date.

On September 11, 2024, Amendment No. 12 was entered into. The amendment among other provisions provides the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

On September 30, 2024, Amendment No. 13 was entered into. Amendment No. 13 to the Credit Agreement, among other provisions, permits the incurrence of a super senior facility including Delayed Draw A Commitment of \$40 million and Delayed Draw B Commitment of \$30 million, provides a term loan extension to maturity and modifies the structure of the interest rate. Additionally, the net leverage ratio requirement was suspended until March 31, 2027. In accordance with ASC 470, the Company has classified the Exit Term Loan Agreement as long-term on the accompanying balance sheet, based on its ability to refinance the debt terms beyond one year from the balance sheet date.

Exit ABL Credit Facility

On the Effective Date, pursuant to the Plan, QHC as a borrower (“ABL Borrower” and, together with any other person that becomes a party to the Exit ABL Credit Agreement as a borrower, the “ABL Borrowers”), Quincy Health and certain subsidiaries of QHC (collectively, together with Quincy Health, the “ABL Guarantors” and, together with the ABL Borrowers, the “ABL Loan Parties”), Credit Suisse AG, New York Branch, as administrative agent (the “ABL Agent”), and the lenders party thereto have entered into the Exit ABL Credit Agreement (the “Exit ABL Credit Agreement”). As of December 31, 2024, the Exit ABL Credit Agreement provides for a senior secured asset-based credit facility in the maximum principal amount of \$75 million, subject to a borrowing base (the “Exit ABL Facility”). Under the borrowing base provisions, the ABL Borrowers are only permitted to draw revolving loans in an amount equal to (i) 85% of the aggregate amount of the ABL Loan Parties’ domestic eligible accounts receivable, plus (ii) 50% of the aggregate amount of the ABL Loan Parties’ supplemental program eligible accounts receivable, minus (iii) the amount by which, if any, the Last-Out Term Loans (as defined below) exceed the Last-Out Borrowing Base (as defined below). Further, at least \$15 million of the Exit ABL Facility is available for the issuance of letters of credit to the ABL Borrowers. The ABL Borrowers used the proceeds of the Exit ABL Facility to, among other things, refinance its prior asset-based credit facility. The ABL Borrowers may also use the proceeds of the Exit ABL Facility for working capital, capital expenditures and other general corporate purposes.

The Exit ABL Facility bears interest at a rate per annum equal to the sum of (i) Term SOFR plus 0.11448%, and (ii) a margin of 4.25%. The ABL Borrowers also paid an arranger fee equal to 1.25% of the aggregate principal amount of the Exit ABL Facility on the Effective Date. In addition to the upfront arranger fee, the ABL Borrowers must pay an unused facility fee equal to 0.5% per annum of the unborrowed principal available to the ABL Borrowers under the Exit ABL Facility. Upon the occurrence and continuance of an event of default under the Exit ABL Facility, the ABL Agent is permitted to charge a default rate of interest equal to 2.00% above the rate otherwise applicable. The effective interest rate on the Exit ABL Credit Agreement was 8.72% as of December 31, 2024.

To secure the payment and performance of their obligations under the Exit ABL Credit Agreement, the ABL Loan Parties granted a first priority lien on, among other assets, the ABL Loan Parties’ current and future accounts receivable, health-care receivables, cash, deposit accounts, payment intangibles, intercompany indebtedness

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funded directly with proceeds of the Exit ABL Facility or incurred in the ordinary course of business pursuant to the cash management structure of the ABL Borrowers and their subsidiaries, and securities and securities entitlements (the “ABL Priority Collateral”). The ABL Loan Parties granted a second priority lien on substantially all of their assets other than the ABL Priority Collateral. The Exit ABL Credit Agreement contains customary exclusions and qualifications on the liens granted by the ABL Loan Parties that are consistent with the Exit Term Loan Agreement. Further, the ABL Guarantors guaranteed the payment and performance of the ABL Borrowers obligations under the Exit ABL Credit Agreement, subject to customary exclusions and qualifications consistent with the exclusions and qualifications provided in the Exit Term Loan Agreement.

As of December 31, 2024, the Company had \$64.4 million of borrowings outstanding on the Exit ABL Facility and had \$0.5 million of letters of credit outstanding. As of December 31, 2024, the Company had borrowing capacity of \$1.0 million under its Exit ABL Facility.

The Exit ABL Credit Agreement contains certain negative and affirmative covenants, including, among others, customary affirmative covenants related to providing financial information, maintaining ordinary business operations and maintaining the collateral and customary negative covenants related to incurrence of debt, creating liens, making investments, affiliate transactions, disposal of assets, declaration of dividends or distributions, and engaging in mergers or consolidations. The Exit ABL Credit Agreement (as amended) contains financial covenants requiring the ABL Borrowers to maintain certain levels of liquidity, minimum consolidated EBITDA and a fixed coverage charge ratio equal 1.0x for the fiscal quarter ending December 31, 2024 and each fiscal quarter thereafter. Moreover, the Exit ABL Credit Agreement contains customary events of default, representations and warranties, which are substantially consistent with the Exit Term Loan Agreement, except for the inclusion of representations and warranties related to the borrowing base for the Exit ABL Facility.

The Exit ABL Facility will mature and become due and payable on January 29, 2028, unless the Exit ABL Facility is accelerated, prepaid, or extended prior to that date. See note 17, “Subsequent Events” for the information regarding the extension of the due date.

On December 7, 2020, Amendment No. 1 to the Exit ABL Credit Agreement was entered into in order to require the delivery of financial statements of Quincy Health instead of the ABL Borrower.

On March 18, 2021, Amendment No. 2 to the Exit ABL Credit Agreement was entered into in order to (i) reduce the aggregate revolving commitments under the Exit ABL Facility from \$145 million to \$130 million; (ii) make McKenzie-Willamette a subsidiary guarantor; and (iii) provide for the release of McKenzie-Willamette as a subsidiary guarantor in certain circumstances if McKenzie-Willamette does not receive approval to incur a HUD Loan prior to September 18, 2021 (or, an earlier date specified by QHC if QHC certifies that a HUD Loan will not be obtained by McKenzie-Willamette). McKenzie-Willamette did not receive approval to incur a HUD loan prior to September 18, 2021; therefore, it was automatically released as a subsidiary guarantor of the Exit ABL Facility.

On May 27, 2022, QHC, Amendment No. 3 to the Exit ABL Credit Agreement (“Amendment No. 3”) was entered into to make certain amendments to the Exit ABL Credit Agreement in connection with the joinder of QHC Financing Services, LLC, a Delaware limited liability company (“QHC Financing”), to the loan documents pursuant to that certain Joinder No. 2, dated as of May 27, 2022 (the “ABL Joinder”), executed by QHC Financing and the ABL Agent. In connection with Amendment No. 3 a certain Sale Agreement (the “Receivables Sale Agreement”), dated as of May 27, 2022, between McKenzie-Willamette, as transferor, QHCCS, LLC, as the servicer, and QHC Financing was executed. Amendment No. 3 also removed all references to LIBOR and replaced with Daily and Term SOFR.

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On January 13, 2023, Amendment No. 4 to the Exit ABL Credit Agreement was entered into to provide for capacity to incur a tranche of last out term loans and address certain changes reflected in Amendment No. 3 and Waiver to Credit Agreement (Exit Term Loan Agreement), dated as of November 30, 2022.

On February 23, 2023, Amendment No. 5 to the Exit ABL Credit Agreement was entered into to reduce the Revolving Commitment from \$130 million to \$100 million, increase the amount of the Letter of Credit Sublimit to \$30 million from \$21 million, and modify the definition of “Covenant Trigger Period.”

On July 17, 2023, Amendment No. 6 to the Exit ABL Credit Agreement was entered into to specify the terms of an \$8.0 million term loan, (the “Last-Out Term Loans”) incurred under the last out term loan tranche, subject to a borrowing base comprised of 13.5% of the aggregate amount of the ABL Loan Parties’ domestic eligible accounts receivable (the “Last-Out Borrowing Base”). The Last-Out Loans bear interest at a rate per annum equal to the sum of (i) SOFR plus a 0.11448% adjustment and (ii) a margin of (x) 8.25% payable in cash and (y) 2.00% payable in kind by capitalizing such amount of accrued interest to the principal balance of the Last-Out Loans. The Last-Out Term Loans will mature and become due and payable on April 29, 2025, unless the Last-Out Term Loans are accelerated, prepaid, or extended prior to that date.

On September 27, 2023, Amendment No. 7 to the Exit ABL Credit Agreement was entered into. The amendment waived specified defaults, reduced the fixed charge coverage ratio from 1.00 to 0.65 for the period ending December 31, 2023, returning to 1.00 for the period ending March 31, 2024 and thereafter. Additionally, the amendment increased the applicable margin by 50 basis points, reduced the letter of credit sublimit to \$15.0 million and reduced the maximum principal balance to \$73.0 million.

On October 6, 2023, we entered into a Substitute Insurance Collateral Agreement (“SICA”) with 1970 Group, an insurance collateral financing company, to move some of the letters of credit previously issued under the Exit ABL. As of December 31, 2024, 1970 Group had issued \$14.0 million of letters of credit on our behalf under this Agreement relating to workers compensation and medical malpractice policies.

On March 29, 2024, Amendment No. 9 to the Exit ABL Credit Agreement was entered into. The amendment provided for the release of Credit Suisse and the assignment of Huntington National Bank as agent. Additionally, the amendment added certain provisions including a minimum EBITDA covenant tested monthly for the months ended April 30, 2024 through November 30, 2024, a \$5.0 million minimum liquidity reserve, and postponed the fixed charge coverage ratio testing requirements until the quarter ending December 31, 2024. Additionally, the maximum principal balance was reduced to \$70.0 million.

On June 3, 2024, Amendment No. 10 to the Exit ABL Credit Agreement was entered into. The amendment provided for a temporary increase to the maximum principal balance of the Exit ABL Credit Agreement to \$75.0 million for a period of up to three months, at which point, the maximum principal balance will return to \$70.0 million.

On August 11, 2024, Amendment No. 11 was entered into. The amendment changed the definition of “Facility Decrease Date” to extend it to the earlier of December 2, 2024 and a determination of the Availability amount to be less than \$70.0 million by the ABL agent.

On September 11, 2024, Amendment No. 12 was entered into. The amendment, among other provisions provides the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

On October 2, 2024, Amendment No. 13 to the Exit ABL Credit agreement was entered into. The amendment removes the concept of the 2023 Tooele and Evanston facility as payoff occurred, and among other provisions, amends a debt covenant to allow a super senior facility under the term loan agreement.

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On December 13, 2024 Amendment No. 14 to the Exit ABL Agreement was entered into. The amendment provides for an automatic extension of the ABL Maturity Date until January 29, 2028 upon notice of the extension of the Term Loan maturity date. The Consolidated Fixed Charge definition was amended and the Revolver Facility was increased to \$75 million. In accordance with ASC 470, the Company has classified the Exit Term Loan Agreement as long-term on the accompanying balance sheet, based on its ability to refinance the debt terms beyond one year from the balance sheet date.

Super Senior Credit Facility

On September 26, 2023, Evanston Hospital Corporation and Tooele Hospital Corporation, each as borrowers (collectively, the “Super Senior Borrower”), QHC and Quincy Health and certain lenders party thereto, entered into a Credit Agreement (the “Super Senior Credit Facility”). The Super Senior Credit Facility provided for a senior secured loan facility in the aggregate principal amount of \$20 million.

The Super Senior Credit Facility bore interest at an annual rate equal to SOFR (with a floor of 1.00%), plus an applicable margin of 11.25%. Upon the occurrence and continuance of an event of default under the Super Senior Credit Facility, UMB Bank, National Association (the “Super Senior Term Loan Agent”) was permitted to charge a default rate of interest on overdue amounts equal to 2.00% above the rate otherwise applicable.

The Super Senior Borrower granted a first priority lien on specified collateral, in order to secure the payment and performance of their obligations under the Super Senior Loan Agreement. QHC granted a first priority pledge on the equity of the Super Senior Borrower.

On January 31, 2024, Amendment No. 1 to the Super Senior Credit Facility was entered into. The amendment modified certain dates related to asset sale milestones and letter of intent milestones.

On February 5, 2024, Amendment No. 2 to the Super Senior Credit Facility was entered into. The amendment modified certain dates related to asset sale milestones.

On February 13, 2024, Amendment No 3. to the Super Senior Credit Facility was entered into. The amendment modified certain asset purchase Agreement milestones. Additionally, the amendment raised the maximum Secured Net Leverage Ratio from 7.5 to 8.0 for the period October 1, 2023 through December 31, 2023, from 7.0 to 9.25 for the period January 1, 2024 through March 31, 2024, from 5.0 thereafter to 8.5 for the period April 1, 2024 through June 30, 2024, 7.0 for the period July 1, 2024 through September 30, 2024, 6.5 for the period October 1, 2024 through December 31, 2024, and 5.0 thereafter.

On March 28, 2024, Amendment No. 4 to the Super Senior Credit Facility was entered into. The amendment allowed for a 45 day cure period for a default in payment of the April 10, 2024 interest payment. Additionally, the amendment modified “Applicable Percentage” to allow for the interest payment due April 10, 2024 that is not paid in full cash to accrue 0.01% per annum on each day commencing on April 18, 2024 until the April 10 interest is paid or cumulative amount of PIK has increased to 0.45% per annum.

On July 12, 2024, the Company entered into Amendment No. 5 for the Last Out Term Loan facility. This amendment removed language related to LOI milestone satisfaction date and milestone deadlines and added deadlines for specific asset sales.

On September 11, 2024, Amendment No. 6 was entered into. The amendment among other provisions provided the ability to incur the MPT (Medical Properties Trust) A/R Loans and to enter into the MPT Leases (Facility real estate leases for Odessa and Scenic Mountain) and related documents thereto.

On October 2, 2024, the Company paid off the Super Senior Credit Facility, for the amount of \$19.9 million dollars.

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MPT Promissory Notes

On September 11, 2024, Odessa Texas Hospital Company, LLC (“Odessa”) and Big Spring Texas Hospital, LLC (“Scenic”), subsidiaries of QHC, entered into working capital promissory notes (“Notes”) in conjunction with the acquisition of the Odessa Regional Medical Center and Scenic Mountain Regional Medical Center. Odessa secured a \$12 million note with the landlord of the hospital, MPT Development Services, Inc. Scenic secured a \$3 million note with the same landlord. Both notes bear interest at a rate per annum equal to the sum of SOFR plus 5%. The effective interest rate on the Notes was 9.53% as of December 31, 2024. The Notes mature and become payable March 31, 2025, unless the Notes are accelerated, prepaid or extended prior to that date. If the note is not paid in full by March 31, 2025, the remaining unpaid balance will be subject to “overdue rent”. Overdue rent is an interest rate per annum equal to the sum of SOFR plus 10%. The overdue rent rate will continue to accrue on the unpaid balance until the unpaid balance is paid in full. The Notes will not be considered in default if the payments are made in accordance with the schedule in the security agreement. The Notes will not be considered in default if the payments are made in accordance with the schedule in the security agreement. See Note 17 Subsequent Events for more information on this Note.

Debt Issuance Costs and Discounts

The following table provides a summary of unamortized debt issuance costs and discounts (in thousands):

	December 31, 2024	December 31, 2023
Debt issuance costs	\$ 60,492	\$ 55,463
Debt discounts	—	—
Total debt issuance costs and discounts at origination	60,492	55,463
Less: Amortization of debt issuance costs and discounts	(49,622)	(22,931)
Total unamortized debt issuance costs and discounts	<u>\$ 10,870</u>	<u>\$ 32,532</u>

During the years ended December 31, 2024 and 2023, the Company entered into amendments to our debt agreements incurring costs and fees that were paid-in-kind (“PIK”). These PIK fees increase the outstanding debt liability and debt issuance costs. For the years ended December 31, 2024 and 2023, PIK costs and fees incurred were \$26.2 million and \$23.3 million, respectively.

Finance Lease Obligations and Other Debt

The Company’s debt arising from finance lease obligations primarily relates to our corporate office in Brentwood, Tennessee. As of December 31, 2024 and December 31, 2023, this finance lease obligation was \$10.2 million and \$11.6 million, respectively. The remainder of our finance lease obligations relate to property and equipment at our hospitals and corporate office. Other debt consists of physician loans and miscellaneous notes payable to banks.

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Debt Maturities

The following table provides a summary of debt maturities for each of the next five years and thereafter (in thousands):

2025	\$ 18,274
2026	12,928
2027	2,561
2028	834,052
2029	3,489
Thereafter	—
Total debt, excluding unamortized debt issuance costs and discounts	<u>\$ 871,304</u>

Interest Expense, Net

The following table provides a summary of the components of interest expense, net (in thousands):

	<u>Year Ended</u> <u>December 31, 2024</u>	<u>Year Ended</u> <u>December 31, 2023</u>
Exit Term Loan Facility	\$ 120,003	\$ 91,606
Exit ABL Facility	6,995	6,886
Last-Out Tranche Facility	1,283	588
MPT Promissory Note	428	—
Delayed Draw A	1,146	—
Delayed Draw B	545	—
Super Senior Notes	2,539	837
Amortization of debt issuance costs and discounts	26,529	14,345
All other interest expense (income), net	1,758	2,286
Total interest expense, net, from long-term debt	<u>\$ 161,226</u>	<u>\$ 116,548</u>

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 8 — LEASES

The Company has operating and finance leases for its corporate office, certain of its hospitals, medical office buildings, medical equipment and office equipment.

The following table provides a summary of the components of lease costs and rent (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating lease costs:		
Operating lease costs	\$ 19,053	\$ 19,957
Variable lease costs	641	1,091
Short-term rent expenses	3,445	2,012
Total operating lease costs	<u>\$ 23,139</u>	<u>\$ 23,060</u>
Finance lease costs:		
Amortization of right-of-use assets	\$ 3,025	\$ 1,420
Interest on lease liabilities	3,311	706
Total finance lease costs	<u>\$ 6,336</u>	<u>\$ 2,126</u>

The following table provides supplemental balance sheet information related to finance leases (in thousands):

	Balance Sheet Classification	December 31, 2024	December 31, 2023
Finance leases:			
Finance lease ROU assets	Property and equipment	\$ 20,591	\$ 20,591
Accumulated amortization	Accumulated depreciation and amortization	14,083	11,732
Current finance lease liabilities	Current maturities of long-term debt	1,730	2,221
Long-term finance lease liabilities	Long-term debt	8,441	10,162

The following table provides supplemental cash flow information related to leases (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 15,736	\$ 19,987
Operating cash flows from finance leases	627	810
Financing cash flows from finance leases	1,446	2,437
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 2,463	\$ 4,359
Finance leases	—	—

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table provides the weighted-average lease terms and discount rates used for the Company's operating and finance leases:

	<u>December 31, 2024</u>
Weighted-average remaining lease term (years):	
Operating leases	8.3
Finance leases	3.7
Weighted-average discount rate:	
Operating leases	12.8%
Finance leases	5.8%

The following table provides a summary of lease liability maturities for the next five years and thereafter (in thousands):

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 15,270	\$ 2,089
2026	13,547	2,114
2027	10,725	2,157
2028	10,238	2,200
2029	9,989	1,486
Thereafter	63,821	2,237
Total lease payments	123,590	12,283
Less: Imputed interest	(20,798)	(2,112)
Total lease obligations	102,792	10,171
Less: Current portion	13,527	1,730
Total long-term lease obligations	<u>\$ 89,265</u>	<u>\$ 8,441</u>

NOTE 9 — OTHER LONG-TERM ASSETS AND OTHER LONG-TERM LIABILITIES

The following table provides a summary of the major components of other long-term assets (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-Qualified Deferred Compensation Plan	\$ 9,859	\$ 11,057
Malpractice receivable	8,223	8,543
Cloud computing implementation costs	3,540	1,189
Workers compensation receivable	735	10,867
Other	4,610	3,308
Total other long-term assets	<u>\$ 26,967</u>	<u>\$ 34,964</u>

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table provides a summary of the major components of other long-term liabilities (in thousands):

	December 31, 2024	December 31, 2023
Professional and general liability insurance reserves	\$ 53,338	\$ 48,609
Benefit plan liabilities	11,991	13,508
Workers' compensation liability insurance reserves	6,871	14,216
Software license liabilities	—	—
Other miscellaneous long-term liabilities	1,914	2,204
Total other long-term liabilities	<u>\$ 74,114</u>	<u>\$ 78,537</u>

See Note 16 — Commitments and Contingencies for additional information about the Company's insurance reserves and Note 14 — Benefit Plans for additional information about the Company's benefit plan liabilities.

NOTE 10 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's cash and cash equivalents, patient accounts receivable, amounts due from and due to third-party payors, restricted cash and accounts payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company recorded no impairment related to long-lived assets during the year ended December 31, 2024 but did record impairment for the year ended December 31, 2023. See Note 3 — Impairment of Long-Lived Assets and Goodwill for additional information on these impairments. The assessment of fair value was based on Level 3 inputs, as the valuation methodologies used to determine impairment were based on internal projections and unobservable inputs. The portion of the impairment related to hospital assets held for sale was determined based on Level 2 inputs, as the valuation methodologies used to determine impairment considered letters of intent received on these hospitals.

The following table provides a summary of the carrying amounts and estimated fair values of the Company's long-term debt, including any current maturities of long-term debt (in thousands):

	December 31, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Exit Term Loan B	\$ 700,632	\$ 555,608	\$ 672,681	\$ 428,739
Delayed Draw A	39,900	39,900	—	—
Delayed Draw B	29,925	29,925	—	—
Last Out Facility	8,241	8,241	—	—
Exit ABL	64,359	64,359	66,054	66,054
MPT Promissory Note	15,000	15,000	8,075	8,075
Super Senior Debt Facility	—	—	19,950	19,950
All other debt	13,246	13,246	17,074	17,074
Total debt, excluding debt issuance costs and discounts	<u>\$ 871,303</u>	<u>\$ 726,279</u>	<u>\$ 783,834</u>	<u>\$ 539,892</u>

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The Company considers its long-term debt instruments to be measured based on Level 2 inputs. Information about the valuation methodologies used in the determination of the fair values for the Company's long-term debt instruments follows:

- Exit Term Loan Facility. The estimated fair value is based on publicly available trading activity and supported with information from the Company's lending institutions regarding relevant pricing for trading activity.
- Non-Exit Term Loan Facility Debt. The carrying values of the Company's other debt instruments, including the Exit ABL Credit Facility, Last Out Facility, Super Senior Debt Facility, Delayed Draw A, Delayed Draw B and MPT Promissory Note, finance lease obligations, physician loans and miscellaneous notes payable to banks, approximate their estimated fair values due to the nature of these obligations.

NOTE 11 — EQUITY

Quincy Health, LLC Members' Units

On the Effective Date, pursuant to the Plan, Quincy Health issued 32,012,735 Class A Units (including approximately 1.5 million Class A Units in respect of an equity commitment premium) for an aggregate purchase price equal to \$200,000,000 pursuant to the terms and conditions set forth in the Equity Commitment Agreement. Such Class A Units were issued in reliance upon the exemptions from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

In addition, on the Effective Date, pursuant to the Plan, 3,913,818 Class A Units of Quincy Health became issuable to the former holders of the Senior Notes pursuant to the Plan, of which 1,791,994 Class A Units have been issued as of December 31, 2024. Such Class A Units have been or will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 1145 of the Bankruptcy Code.

Deferred Units

The Board of Managers of Quincy Health approved and adopted the 2020 Management Incentive Equity Plan of Quincy Health, LLC (the "MIP") on August 14, 2020. The MIP offers equity-based compensation to certain key members of management of QHC and Quincy Health on the terms and conditions determined by the Board of Managers of Quincy Health. See Note 13 — Unit-Based Compensation for additional information related to the MIP.

During the year ended December 31, 2024, the Company recognized \$0.5 million in unit-based compensation expense for Deferred Units and had unrecognized compensation expense of \$0.9 million as of December 31, 2024.

Additional Paid-in Capital

In connection with QHC's emergence from bankruptcy, the Company issued Class A Units, as described above, to former holders of Senior Notes in exchange for a \$200.0 million cash contribution and forgiveness of QHC's Senior Notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 — INCOME TAXES

The Company and its subsidiaries are subject to U.S. federal income tax and income tax of multiple state and local jurisdictions. The Company provides for income taxes based on the enacted tax laws and rates in jurisdictions in which it conducts its operations.

The following table provides a summary of the components of the provision for (benefit from) income taxes (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Current:		
Federal	\$ 1,298	\$ 216
State	1,502	618
Total provision for (benefit from) current income taxes	2,800	834
Deferred:		
Federal	(322)	196
State	132	(633)
Total provision for (benefit from) deferred income taxes	(190)	(437)
Total provision for (benefit from) income taxes	<u>\$ 2,610</u>	<u>\$ 397</u>

The following table reconciles the provision for (benefit from) income taxes utilizing the statutory federal income tax rate to the Company's effective income tax rate (dollars in thousands):

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	\$ Amount	% of Total	\$ Amount	% of Total
Provision for (benefit from) income taxes at statutory federal tax rate	\$ (25,988)	21.0 %	\$ (29,493)	21.0 %
State income taxes, net of federal income tax benefit (excluding valuation allowance)	(483)	0.4 %	(1,155)	0.8 %
Net (income) loss attributable to noncontrolling interests	—	— %	52	— %
Non-deductible goodwill and Spin-off costs	—	— %	—	— %
Other permanent items	115	(0.1)%	161	(0.1)%
Change in valuation allowance	31,839	(25.7)%	19,039	(13.6)%
Tax effects of divested hospitals	—	— %	8,861	(6.3)%
True up of NOL & Carryforwards	(2,873)	2.3 %	2,932	(2.1) %
Total provision for (benefit from) income taxes and effective tax rate	<u>\$ 2,610</u>	<u>(2.1)%</u>	<u>\$ 397</u>	<u>(0.3)%</u>

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement carrying values and tax basis of the Company's assets and liabilities under the provision of the enacted tax laws.

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table provides a summary of the components of deferred income tax assets and liabilities (in thousands):

	December 31, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Net operating loss and credit carryforwards	\$ 71,437	\$ —	\$ 75,592	\$ —
Property and equipment	—	55,334	—	53,521
Goodwill and intangible assets	—	8,091	—	7,525
Investments in unconsolidated affiliates	—	205	—	270
Accounts receivable	2,258	—	3,259	—
Accrued compensation and recruiting accruals	4,590	28	3,897	86
Deferred payroll taxes	—	—	—	—
Provider relief funds	1,041	—	1,582	—
Other accruals	157	—	477	—
Deferred compensation	4,929	—	5,480	—
Debt issuance costs	14,473	—	47,024	—
Other investments	—	405	—	363
Leases	30,757	26,743	11,070	7,532
Interest limitation	195,208	—	125,019	—
Insurance and settlement reserves	18,652	—	16,564	—
Total deferred income tax assets and liabilities, before valuation allowance	343,502	90,806	289,964	69,297
Valuation allowance	(259,130)	—	(227,290)	—
Total deferred income tax assets and liabilities	\$ 84,372	\$ 90,806	\$ 62,674	\$ 69,297
Total deferred income tax liabilities, net		\$ 6,433		\$ 6,623

As of December 31, 2024, the Company had federal net operating loss carryforwards of approximately \$76.8 million that have an indefinite life but can only reduce future taxable income by 80% in any single tax year. The Company also had state net operating loss carryforwards of approximately \$834.6 million, which generally expire from 2025 to 2044. In addition, the Company has \$1.1 million of California Enterprise Zone credits. The Company has concluded that it is not more likely than not that it will realize the benefit of its deferred tax assets, and as a result, has recognized a valuation allowance of \$259.1 million. With respect to the deferred tax liabilities pertaining to goodwill and intangible assets, as included in the table above, goodwill purchased in connection with certain business acquisitions is amortizable for income tax reporting purposes. However, for financial reporting purposes, there is no corresponding amortization allowed with respect to such purchased goodwill. As the Company does not expect to realize its state deferred tax assets, it has not recognized the corresponding federal tax benefit, and as such, the amounts presented above for the years ended December 31, 2024 and December 31, 2023 do not include the federal tax benefit.

The Company incurred a significant modification for federal income tax purposes on its Term Loan debt as a result of agreeing with its lenders to Amendment No. 6 on September 27, 2023. As a result, for tax purposes, the Company incurred cancellation of indebtedness income of \$167.2 million for the year ended December 31, 2023. However, due to the insolvency exception under Internal Revenue Code section 108(a)(1)(B), the Company was able to exclude from taxable income the \$167.2 million in 2023. However, pursuant to Internal Revenue Code section 108(b), the Company was required to reduce its basis in certain tax attributes including reduction of net operating loss carryforwards and tax basis in long-lived depreciable assets. During the year ended December

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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31, 2024, the Company entered into Amendments No. 7, 8, 9, 10, 11, 12 and 13 on its long-term debt, but none of such Amendments resulted in cancellation of indebtedness income for tax purposes in 2024.

In prior years, the Company concluded that it is not more likely than not that it will realize the benefits of its deferred tax assets. The Company's valuation allowance increased \$31.8 million in total during the year ended December 31, 2024 from \$227.3 million to \$259.1 million, all of which ran through tax expense.

As of December 31, 2024, the Company had an excess federal interest expense carryforward of \$774.3 million which has an indefinite life.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records income tax benefits for all tax years subject to examination based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Company is not aware of any unrecognized income tax benefits; therefore, it has not recorded any such amounts for the years ended December 31, 2024 and December 31, 2023.

NOTE 13 — UNIT-BASED COMPENSATION

The Board of Managers of the Company approved and adopted the 2020 Management Incentive Equity Plan of Quincy Health, LLC (the "MIP") on August 14, 2020. The MIP is designed to provide an incentive to certain key members of management of the Company or any of its affiliates (the "Eligible Individuals") and to offer an additional inducement in obtaining the services of such individuals. The MIP provides for the grant of Deferred Units, which entitle an Eligible Individual to receive Common Units or cash, as determined by the Company's Compensation Committee, at the end of a specified period, which right may also be conditioned, in whole or in part, on the satisfaction of specified performance or other criteria. The Deferred Units may be subject to contingencies or restrictions as set forth under the MIP and applicable award agreements. The aggregate number of Common Units that may be issued or used for reference purposes with respect to which awards may be granted under the MIP shall be equal to 3,849,659 Common Units.

The Company has granted 2,106,993 Deferred Units to Eligible Individuals, net of forfeitures. Of the Deferred Units granted, 800,763 are time-based Deferred Units granted to key members of management that vest in equal installments as defined in the award agreements, 251,333 are time-based Deferred Units granted to non-employee directors that vest in equal installments on each of the first three anniversaries of the vesting commencement date and 1,054,897 are performance-based Deferred Units granted to key members of management that vest in connection with a "sale of the Company," as defined in the LLC Agreement. The degree to which the performance vesting occurs shall be based upon the level of aggregate Cash-on-Cash Return achieved by the Lead Investors upon the sale of the Company, as set forth in the applicable award agreements.

The following table provides a summary of the activity related to member unit awards:

	Quincy Health Awards Granted	
	Deferred Units	Weighted-Average Grant Date Fair Value Per Unit
Unvested restricted deferred units at December 31, 2023	1,017,823	\$ 2.97
Granted	—	—
Vested	(387,576)	3.84
Forfeited	—	—
Unvested restricted deferred units at December 31, 2024	630,247	\$ 3.52

QUINCY HEALTH, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table provides a summary of the components of member unit-based compensation expense (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Unit-based compensation	\$ 549	\$ 903
Total Unit-based compensation expense	<u>\$ 549</u>	<u>\$ 903</u>

The Company recognized \$0.5 million and \$0.9 million in unit-based compensation expense for Deferred Units for the years ended December 31, 2024 and 2023, respectively, and had unrecognized compensation expense of \$0.5 million and \$0.9 million as of December 31, 2024 and December 31, 2023, respectively. Unit-based compensation expense is recognized as a component of salaries and benefits expenses in the consolidated statements of operations.

NOTE 14 — BENEFIT PLANS

The Company maintains various benefit plans, including defined contribution plans and deferred compensation plans, of which certain of the Company’s subsidiaries are the plan sponsors.

Defined Contribution Plans

The Quorum Health Retirement Savings Plan (the “Retirement Savings Plan”) is a defined contribution plan, which covers the majority of the employees at the Company’s subsidiaries. The Company has other minor defined contribution plans at certain of its hospitals that cover employees under the terms of these individual plans. Total expenses to the Company under all defined contribution plans were \$3.8 million and \$2.3 million for the years ended December 31, 2024 and 2023, respectively. The benefit costs associated with these defined contribution plans are recorded as salaries and benefits expenses in the consolidated statements of operations.

Deferred Compensation Plans

On August 18, 2016, the Compensation Committee of the QHC Board adopted the Executive Nonqualified Excess Plan Adoption Agreement (the “Adoption Agreement”) and the Executive Nonqualified Excess Plan Document (the “Plan Document”), that together, the Adoption Agreement names as the QHCCS, LLC Nonqualified Deferred Compensation Plan (the “NQDCP”). The NQDCP is an unfunded, nonqualified deferred compensation plan that provides deferred compensation benefits for a select group of management, highly compensated employees and independent contractors of the Company’s wholly-owned subsidiary, QHCCS, LLC, a Delaware limited liability company (“QHCCS”). The NQDCP permits participants to defer a portion of their annual base salary, service bonus and performance-based compensation, as well as up to 100% of their incentive compensation in any calendar year. In addition to participant deferrals, QHCCS, and/or its affiliates may make discretionary credits to participants’ accounts for any year. As of December 31, 2024, the assets and liabilities under this plan were \$9.8 million and \$11.9 million, respectively. As of December 31, 2023, the assets and liabilities under this plan were \$11.1 million and \$13.2 million, respectively. The assets and liabilities under this plan are included in other long-term assets and other long-term liabilities, respectively, in the consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 — RELATED PARTY TRANSACTIONS

CHS was a related party to QHC prior to the Spin-off. The agreements between QHC and CHS as of and subsequent to the Spin-off are described below.

Agreements with CHS Related to the Spin-off

In connection with the Spin-off and effective as of April 29, 2016, QHC entered into certain agreements with CHS that allocated between QHC and CHS the various assets, employees, liabilities and obligations (including investments, property, employee benefits and tax-related assets and liabilities) that were previously part of CHS. In addition, QHC entered into certain transition services agreements and other ancillary agreements with CHS defining agreed upon services to be provided by CHS to certain or all QHC hospitals, as determined by each agreement, commencing on the Spin-off date. The IT TSA expired at the end of April 2021. As such, all transition services agreements with CHS have now been terminated or expired.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is a party to various legal, regulatory and governmental proceedings incidental to its business. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental proceedings, including the matters described herein, will have a material adverse effect on the operating results, financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's consolidated financial position, results of operations or cash flows for any particular reporting period.

In connection with the Spin-off, CHS agreed to indemnify QHC for certain liabilities relating to outcomes or events occurring prior to the closing of the Spin-off, including (i) certain claims and proceedings known to be outstanding on or prior to the closing date of the Spin-off and (ii) certain claims, proceedings and investigations by governmental authorities or private plaintiffs related to activities occurring at or related to QHC's healthcare facilities prior to the closing date of the Spin-off, but only to the extent, in the case of clause (ii), that such claims are covered by insurance policies maintained by CHS, including professional and general liability and workers' compensation liability. In this regard, CHS will continue to be responsible for certain Health Management Associates, Inc. legal matters covered by its contingent value rights agreement that relate to the portion of CHS' business now held by QHC. Notwithstanding the foregoing, CHS is not indemnifying QHC in respect of any claims or proceedings arising out of, or related to, the business operations of QHR at any time.

In connection with the sale of QHR effective as of May 28, 2021, the Company's indirect, wholly owned subsidiary, Quorum Health Investment Company, LLC ("QHICL") is subject to certain ongoing indemnification obligations pursuant to the terms of a definitive agreement with the buyer of QHR. These indemnification obligations include customary provisions in transactions of this type (e.g., breaches of representations and warranties, breaches of covenants, payment of taxes, etc.) and certain specifically identified damages (e.g., damages arising out of pre-closing professional health liability claims and damages arising out of pending litigation matters). Similarly, several subsidiaries of the Company have entered into definitive agreements with third parties since the Spin-off in connection with the sales of hospitals formerly affiliated with QHC. Such subsidiaries have customary indemnification obligations to the purchasers of such hospitals under the applicable

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definitive agreements. In addition, in most instances, QHC has guaranteed the obligations of the subsidiaries under the applicable definitive agreements.

With respect to all legal, regulatory and governmental proceedings, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated amount of loss. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the amount of possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the amount of possible loss or range of loss. However, the Company is unable to estimate an amount of possible loss or range of loss in some instances based on the significant uncertainties involved in, or the preliminary nature of, certain legal, regulatory and governmental matters.

Commercial Litigation and Other Lawsuits

- Daniel H. Golden, as Litigation Trustee of the QHC Litigation Trust, and Wilmington Savings Fund Society, FSB, solely in its capacity as indenture trustee v. Community Health Systems, Inc., et al. A complaint in this case was filed on October 25, 2021 in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) against various persons, including Community Health Systems, Inc. (“CHS”), certain subsidiaries of CHS, certain former executive officers of CHS and Credit Suisse Securities (USA) LLC. Plaintiff Daniel H. Golden is the litigation trustee for a litigation trust which was formed under the plan of reorganization of QHC and certain affiliated entities confirmed by order of the Bankruptcy Court wherein QHC and certain affiliated entities contributed various causes of action to such litigation trust. Plaintiff Wilmington Savings Fund Society is the indenture trustee for certain notes issued by QHC. The complaint seeks damages and other forms of recovery arising out of certain alleged actions taken by CHS and the other defendants in connection with the spin-off of QHC which was completed on April 29, 2016, and includes claims for unjust enrichment and for avoidance of certain transactions and payments by QHC to CHS connected with the spin-off, including the \$1.21 billion special dividend paid by QHC to CHS as part of the spin-off transactions, and certain indemnification obligations of QHC to CHS relating to the spin-off. CHS and several individual defendants made a subsequent demand for indemnification on QHC relating to these claims. QHC has intervened in this matter to join certain claims made by the Plaintiff that are relevant to a determination of QHC’s indemnification obligations. The parties, including QHC, are still participating in late stages discovery. The Company is unable to predict the outcome of this matter. However, it is reasonably possible that the Company may incur a material loss.
- Neil Wise and Jill Wise v. Ambulance Services of Forrest City, LLC, 2:23-cv-0213 (U.S.D.C. Ark.). On October 19, 2023, the Wises, former employees of Ambulance Services of Forrest City, filed a wage-and-hour lawsuit in Arkansas federal court. The Wises filed the lawsuit on behalf of themselves and a nationwide collective of current and former employees. The Company filed a dispositive motion to dismiss on January 25, 2024, which was denied on July 26, 2024. The Company filed its answer to the complaint on August 9, 2024. The parties are now in the late stages of discovery discussions. The Company is unable to predict the outcome of this matter. However, it is reasonably possible that the Company may incur a material loss.
- Juenger v. Deaconess Health Systems, et al, (U.S.D.C. S.D.Ill.) This is one of several putative class action lawsuits brought against various Illinois hospitals alleging the improper disclosure of protected health information (PHI) via the use of tracking tools on hospital websites. Several of these hospitals were sold by affiliates of QHC to affiliates of Deaconess Health System (“Deaconess”), including the

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subject matter of this suit: Red Bud Regional Hospital in Red Bud, Illinois. The allegations implicate various indemnification obligations that QHC and Deaconess have made to each other. See Note 17 for further discussion on this matter

Insurance Reserves

As part of the business of owning and operating hospitals, the Company is subject to potential professional and general liability and workers' compensation liability claims or other legal actions alleging liability on its part. Prior to the Spin-off, CHS provided professional and general liability insurance and workers' compensation liability insurance to QHC and indemnified QHC from losses under these insurance arrangements related to the hospital operations business assumed by QHC in the Spin-off. The liabilities for claims prior to the Spin-off and related to QHC's hospital operations business are determined based on an actuarial study of QHC's operations and historical claims experience at its hospitals, including during the period of ownership by CHS. Corresponding receivables from CHS are established to reflect the indemnification by CHS for each of these liabilities for claims that related to events and circumstances that occurred prior to the Spin-off. After the Spin-off, QHC entered into its own professional and general liability insurance and workers' compensation liability insurance arrangements to mitigate the risk for claims exceeding its self-insured retention levels. The Company's insurance arrangements are underwritten on a claims-made basis. For claims reported prior to April 29, 2020, substantially all of the Company's professional and general liability risks were subject to a self-insured retention level of \$5 million per claim. For claims reported on or after April 29, 2020, the Company's professional and general liability risks were subject to a self-insured retention level of \$8 million per claim with an additional \$2 million per claim maximum and a \$4 million per aggregate maximum self-insured retention buffer. For claims reported on or after April 29, 2021, the Company's professional and general liability risks were subject to a self-insured retention level of \$10 million per claim. The Company, on occasion, has selectively increased the insured risk at certain hospitals based upon insurance pricing and other factors and may continue that practice in the future. The Company also maintains a \$0.5 million per claim, high deductible program for workers' compensation liability claims.

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The following table provides a summary of the Company's insurance reserves related to professional and general liability and workers' compensation liability, distinguished between those indemnified by CHS and those related to the Company's own risks (in thousands):

	December 31, 2024			
	Current Receivable	Long-Term Receivable	Current Liability	Long-Term Liability
Professional and general liability:				
Insurance reserves indemnified by CHS, Inc.	\$ 3,690	\$ 8,223	\$ 3,690	\$ 8,223
All other self-insurance reserves	—	—	14,541	44,723
Total insurance reserves for professional and general liability	3,690	8,223	18,231	52,946
Workers' compensation liability:				
Insurance reserves indemnified by CHS, Inc.	1,193	3,540	1,193	3,540
All other self-insurance reserves	—	—	1,196	3,330
Total insurance reserves for workers' compensation liability	1,193	3,540	2,389	6,870
Total self-insurance reserves	<u>\$ 4,883</u>	<u>\$ 11,763</u>	<u>\$ 20,620</u>	<u>\$ 59,816</u>
	December 31, 2023			
	Current Receivable	Long-Term Receivable	Current Liability	Long-Term Liability
Professional and general liability:				
Insurance reserves indemnified by CHS, Inc.	\$ 3,834	\$ 8,543	\$ 3,834	\$ 8,543
All other self-insurance reserves	—	—	10,744	40,066
Total insurance reserves for professional and general liability	3,834	8,543	14,578	48,609
Workers' compensation liability:				
Insurance reserves indemnified by CHS, Inc.	2,480	10,867	2,480	10,867
All other self-insurance reserves	—	—	1,324	3,347
Total insurance reserves for workers' compensation liability	2,480	10,867	3,804	14,214
Total self-insurance reserves	<u>\$ 6,314</u>	<u>\$ 19,410</u>	<u>\$ 18,382</u>	<u>\$ 62,823</u>

The receivables from CHS are included in other current assets and other long-term assets in the consolidated balance sheets. The liability for the current portion of professional and general liability claims is included in other current liabilities, while the current portion of the liability for workers' compensation claims is included in accrued salaries and benefits. The long-term portions of both claims liabilities are included in other long-term liabilities in the consolidated balance sheets.

Enterprise Resource Planning (ERP) System Implementation

As of December 31, 2024, the Company has commenced a major implementation of a new Enterprise Resource Planning (ERP) system to enhance its operational efficiency and streamline business processes. The ERP system is expected to be fully operational by August 2025. The total cost of the ERP implementation is estimated to be approximately \$9.3 million, which includes software development, hardware upgrades, and related consulting services.

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As of December 31, 2024, the Company has incurred costs totaling approximately \$0.2 million related to the ERP system, which have been primarily classified as expenses. These costs are expected to continue to be incurred through the completion of the project.

The implementation of the ERP system involves various contractual commitments, including ongoing software licenses, maintenance agreements, and consulting contracts. The Company is committed to additional payments of approximately \$9.1 million under these agreements, which will be made in the next 15 years.

The Company expects that the new ERP system will provide significant operational efficiencies and improve financial reporting capabilities. However, the project is subject to risks, including potential delays and unforeseen costs, which may affect the ultimate timing and cost of the implementation.

NOTE 17 — SUBSEQUENT EVENTS

On January 8, 2025, the Term Loan maturity date was automatically extended to January 29, 2028, per Amendment No. 13.

The ABL maturity date was extended to January 29, 2028.

Juenger v. Deaconess — In late January 2025, Red Bud Illinois Hospital Company, LLC, a subsidiary of QHC, filed a dispositive motion to dismiss in connection with an ongoing legal matter. As of the date of issuance of these financial statements, the motion is still pending. The Company is unable to predict the outcome of this matter. However, it is reasonably possible that the Company could incur a material loss related to this litigation.

Golden Sun TSA Services

On March 12, 2025, the Company, through its subsidiary Golden Sun TSA Services, LLC (“Golden”), purchased certain assets from Steward Health Care System, LLC (“Steward”). The transaction consideration involves the assumption of certain liabilities, amounting to \$13.9 million.

Under the terms of the agreement, Golden acquired all rights, title, and interest in specific data center leases, hired certain employees of Steward whose roles are related to transition services, assume accrued vacation, sick leave, holiday, and other paid time off benefits for the transferred employees. Golden also provided various wind-down services to Steward. Additionally, Golden will offer services to company-owned and other hospitals in the United States on a service fee basis.

MPT Promissory Note

On March 31, 2025, the Company entered into an amendment to the MPT Promissory Notes. The amendment adjusts the maturity date of the loans to March 31, 2026.

The Company has assessed the impact of this amendment on its liquidity and financial position and believes that the extension of the loan maturity does not materially affect its ability to meet its obligations as they become due.