

January 15, 2024

**VIA E-MAIL**

Steven Coskie  
Attorney III  
Office of Plan Licensing  
California Department of Managed Health Care  
Office of Plan Licensing  
909 9<sup>th</sup> Street, Suite 500  
Sacramento, CA 95814

Re: Response to the Department's January 5, 2024 Comment Letter Regarding Notice of Material Modification Proposing Minority Interest Transaction; Filed June 23, 2023; Filing No. 20232846-4

Dear Mr. Coskie:

We are in receipt of the comment letter from the Department of Managed Health Care (the "Department") dated January 5, 2024, regarding the above referenced Notice of Material Modification submitted by Prospect Health Plan, Inc. (the "Plan"). Below, please find the Plan's responses to the comment letter. If applicable, responses reference amendments to exhibits and attachments filed concurrently with this letter.

1. On December 22, 2023, Plan informed the Department, contrary to what it represented at Plan's June 22, 2023 pre-filing, MPT determined not to pursue a full conversion of the convertible note, has no current plans to convert the remaining amount of its convertible note into equity, and therefore, no additional filing will be forthcoming.
  - A. Respond to this comment by providing an explanatory Exhibit E-1. Within the Exhibit E-1 explain what happened to motivate MPT to discontinue its plan to convert the remaining amount of its convertible note into equity. Explain why MPT discontinued its plan to convert the remaining amount of its convertible note into equity. Provide an accurate accounting of the value of the remaining amount of MPT's convertible note. Describe MPT's rights and authority to convert the remaining amount of its convertible note into equity and any conditions precedent to MPT exercising those rights to convert the remaining amount of its convertible note into equity in Plan or any of its affiliates.

**Response:** On December 22, 2023, the Plan informed the Department that (i) after the June 22, 2023 pre-filing conference, MPT determined not to pursue the conversion of the Phase I Convertible Note (as defined in the Amended and Restated Master Restructuring Agreement), and (ii) no additional filings will be made with the Department relating to MPT's conversion of the Phase I Convertible Note. MPT made this determination because any additional conversion would not result in any economic or governance rights other than those already held by MPT pre-conversion in such Minority Interest Transaction. Because the Phase I Convertible Note carries the same economics, whether or not converted, MPT's decision not to seek conversion of the

Phase I Convertible Note will have no financial impact on the PHP Holdings, LLC or the Plan. Moreover, the continuing delays in approving the filings are resulting in undue expense and burden on the parties.

Under the Amended and Restated Master Restructuring Agreement, which has been filed with the Department, the amount of the Phase I Convertible Note is \$646,337,597.74. The current balance of the Phase I Convertible Note is approximately \$678,000,000.00 including accrued interest as of December 31, 2023.

MPT's rights and authority to convert the amounts of the Phase I Convertible Note into equity are only conditioned upon (i) obtaining regulatory approval, and (ii) MPT providing PHP Holdings, LLC notice of the exercise of its conversion right.

2. Provide an Exhibit E-2 explaining how MPT's decision not to currently pursue plans to convert the remaining amount of its convertible note into equity impacts Plan or any of Plan's affiliates' business and business plans.

**Response:** The Plan has filed concurrently herewith an Exhibit E-2 explaining how MPT's decision not to currently pursue plans to convert the remaining amount of its convertible note into equity impacts Plan or any of Plan's affiliates' business and business plans.

Very truly yours,

Matthew Goldman  
for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP