UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

In re:	:	Case No. 25-30191
The Bellevue Hospital	:	Chapter 11
	:	
Debtor.	:	Judge Mary Ann Whipple

DECLARATION OF SARA K. BROKAW

Sara K. Brokaw declares in accordance with 28 U.S.C. § 1746:

1. I am the President and Chief Executive Officer of The Bellevue Hospital, an Ohio not-for-profit corporation ("TBH"), the chapter 11 debtor and debtor-in-possession in this case. I am also a member of TBH's Board of Trustees. I have served as TBH's President since January of 2024, and in June of 2024 was named President and CEO. Prior to becoming President and CEO I was the Chief Operating Officer and the Chief Nursing Officer for TBH. I have worked in the medical field, and in particular in the context of a hospital environment, since 2005. I am personally familiar with all aspects of TBH's operations and financial affairs. I am authorized to submit this declaration on behalf of TBH.

2. Unless otherwise stated, all facts set forth in this declaration are based on my personal knowledge, review of relevant documents, discussions with the TBH's advisors and professionals, or reflect my opinion, which is based on my personal experience and knowledge of the TBH's operations and financial affairs. If I am called as a witness in this case, I would testify competently to the facts set forth in this declaration.

3. I submit this declaration to help the Court and parties in interest understand TBH's operations and the circumstances that occasioned the commencement of this case. Further, I submit this declaration to support TBH's' requests for relief with respect to its (a) voluntary petition for relief under chapter 11 of title 11 of the United States Bankruptcy Code; and (b) initial motions

and applications filed contemporaneously with this declaration (the "Motions"). This declaration is referred to as the "Brokaw Declaration" and is incorporated into each of the Motions.

4. To familiarize the Court with TBH and the nature of relief it seeks at the outset of this case, this declaration is organized into four parts. First, I provide general information regarding TBH history and organizational structure. Second, I provide a summary of TBH's debt structure. Third, I discuss the macro challenges facing community hospitals like TBH and what steps were taken to try to overcome those challenges. Fourth, and finally, I discuss the circumstances which led to the commencement of this case, including the activities over the past months to market TBH to third parties who might be interested in some form of acquisition or member substitution, and the need to seek relief in this Court to implement such acquisition or member substitution.

TBH's History and Organizational Structure

5. TBH is a membership organization governed by a board of trustees. TBH was originally established as an Ohio not-for-profit corporation in 1914 known as The Bellevue Hospital Association. Its name was changed to The Bellevue Hospital in 1974. Membership in TBH is composed of The Bellevue Hospital Association[1] (the "Association") (60 percent), Firelands Regional Health System ("Firelands") (20 percent) and Fisher-Titus Health f/k/a Norwalk Area Health Systems, Inc. "Fisher Titus") (20 percent).[2]

6. TBH has interests in several subsidiary entities, including the following (collectively, the "TBH Subsidiaries"):[3]

[1] This entity is an Ohio not-for-profit corporation separate from TBH and was formed in 2002.

[2] Both Firelands and Fisher Titus are Ohio not-for-profit corporations. Pursuant to that certain Definitive Agreement executed December 17, 2002, by and among the Association, Firelands and Fisher Titus, Firelands and Fisher Titus each made an equity investment of $7,500,000 in TBH to enable Bellevue to construct a new hospital facility.

[3] TBH is either the sole member or holds a controlling membership interest in each of the listed TBH Subsidiaries.

- The Bellevue Hospital Foundation (the "Foundation") – TBH is the sole member in the Foundation, which is an Ohio not-for-profit corporation. The Foundation raises funds for and transfers funds to TBH and maintains the TBH's capital campaign fund.

- Bellevue Professional Services, Inc. ("BPSI") – TBH is the sole shareholder of BPSI, which is an Ohio professional corporation. BPSI provides clinical and medial professional services to residents of Bellevue and Clyde, Ohio and the surrounding area.

- Bellevue Hospital Pain Management, LLC ("BPM") – TBH is a 51% member of BPM, which is an Ohio limited liability company. BHN operates a pain management practice in TBH's main medical campus.

- Prairie Ridge, LLC ("PR") - TBH is the sole member in PR, which is an Ohio limited liability company. PR was organized to develop real estate adjacent to TBH's location.

- Bellevue Hospital Medical Holdings, LLC ("BHMH") – TBH is the sole member of BHMH, which is an Ohio limited liability company. BHMH was organized to accept a membership interest in Northern Ohio Medical Specialists, LLC, an Ohio limited liability company

7. TBH is a major provider of health care services to residents of Bellevue, Clyde and Fremont, Ohio and surrounding communities. As of the filing of this case TBH has 360 employees. Total gross revenue for 2023 and 2024 from all sources, inclusive of its Subsidiaries, was approximately $53,940,000 and $59,180,000, respectively. Net operating income/(loss) for the same periods were ($9,833,700) and ($4,078,000), respectively.[4]

8. Among the services offered through TBH are cancer care and infusion, cardiac and pulmonary rehab, diagnostic imaging, emergency, laboratory, occupational health, orthopedics,

TBH also holds a minority, non-controlling interest in several other entities, each of which will be set forth in TBH's Schedules when filed in the case. Some of these entities include, without limitation,: East-West Holdings, Ltd., Northwest Ohio Medical Equipment, LLC, The Firelands Bellevue Urgent Care LLC, The Firelands Bellevue Real Estate Holding Company LLC, and North Coast Healthcare Collaborative, LLC.

[4]Based upon internal unaudited consolidating statements of operations of TBH and its Subsidiaries for years 2023 and 2024.

rehabilitation and respiratory therapy, and surgery.

9. TBH, its Laboratory Department and Sleep Disorders Center are accredited by The Joint Commission, which consists of the American College of Physicians, American College of Surgeons, American Medical Association, American Dental Association and the American Hospital Association. TBH has earned the "Gold Seal of Approval" by demonstrating compliance with national standards for healthcare quality and safety in hospitals. TBH is a member of the American Hospital Association, the Ohio Hospital Association, and the Hospital Council of Northwest Ohio.

10. TBH is a stable community centerpiece, with an unwavering commitment to serve others and its community through meaningful relationships that enhance its community, state-of-the-art facilities, strong affiliations and well trained, dedicated employees. TBH saves lives and enriches the livelihood of residents in its four-county service area. It helps to keep its community safe and well. It provides personalized and local healthcare on a 24 hour, 7 days a week basis. TBH strives to be a source of community pride and positive economic impact.

TBH Debt Structure

11. TBH's long term debt is comprised of four bond issues. They are the Village of Port Jefferson Hospital Revenue Bonds- Series 2012; the City of Bellevue Hospital Revenue Bonds – Series 2012; the County of Sandusky Hospital Revenue Bonds – Series 2012; and the County of Sandusky Hospital Revenue Bonds – Series 2017. The Trustee for each bond issue is the Bank of New York Mellon Trust Company, N.A. (the "Master Trustee"). The bonds were issued pursuant to that certain Master Trust Indenture, dated as of July 1, 2003, by and between Master Trustee (as successor in trust to Fifth Third Bank ("Fifth Third")) and TBH who is the sole

Obligated Issuer[5] thereunder and sole member of the Obligated Group bound thereby, as supplemented, amended or otherwise modified from time to time (as amended, supplemented or otherwise modified from time to time, the "Indenture"). TBH's liability under these bonds and Indenture include: (i) Obligation No. 6, dated as of August 28, 2012, made by TBH to Fifth Third in the original principal amount of $10,000,000, (ii) Obligation No. 7, dated as of September 12, 2012, made by TBH to Fifth Third in the original principal amount of $8,500,000, (iii) Obligation No. 8, dated as of October 3, 2012, made by TBH to Fifth Third in the original principal amount of $2,569,152.82, and (iv) Obligation No. 9, dated as of November 30, 2017, made by Pledgor to Fifth Third in the original principal amount of $9,000,000 (collectively with all other amount owed by TBH and its affiliates and subsidiaries to Fifth Third, the "Senior Obligations"). The outstanding principal balance of the Senior Obligations, exclusive of accrued and unpaid interest, fees, costs and expenses, as of the filing of this case is $17,331,975.54.

12. The Senior Obligations are secured by (a) first-priority mortgage liens on certain of TBH's real estate, including the hospital facilities located at 1400 West Main Street, Bellevue, Ohio 44811 (the "Main Campus"), and an office building located at 102 Commerce Park Drive, Bellevue, Ohio 44811 (the "Commerce Building"); and (b) first priority liens and security interests in substantially all of TBH's tangible and intangible personal property, including all of TBH's accounts, accounts receivables, cash, and cash equivalents, including Employee Retention Credit refunds, grants due and payable to TBH from the Federal Emergency Management Agency and approximately $2,400,000.00 of TBH's funds on deposit and invested with LPL Financial, LLC, which funds are (a) subject to a Pledge Agreement dated as of March 27, 2024, by and between

[5] Capitalized terms used but not otherwise defined in this recital shall have the meanings given to them in the Indenture (defined herein).

TBH and the Master Trustee for the Benefit of Fifth Third; and (b) subject to Master Trustee's control pursuant to one or more control agreements.[6]

13. TBH's debts also include a loan from Firelands made in June 2024 and is evidenced by an $800,000 Promissory Note. TBH's obligations to Firelands under this loan are secured by a pledge and security interest in: (a) twenty-five (25) units in The Firelands-Bellevue Real Estate Holding Company, LLC, and (b) twenty-five (25) units in The Firelands Bellevue Urgent Care Operating Company, LLC. As of the date of this Declaration, the outstanding principal balance owing to Firelands is $800,000.00.[7]

14. The balance of TBH's debts generally consists of various equipment vendors and suppliers, some holding specific liens on the products or equipment and systems sold TBH through financing or capital lease arrangements. TBH has approximately $6.0 million in trade debt.

Challenges Faced by Community Hospitals Like TBH

15. I am informed and believe that during the past year over twenty (20) rural and community hospitals have closed. Industry reports indicate that 360 rural hospitals remain at risk of closing over the next two to three years due to financial challenges. Rural and community hospitals face multiple continuing challenges, such as:

- Cost increases and inflation outpacing reimbursement gains from Medicare and Medicaid;

[6] Concurrently with the filing of TBH's chapter 11 case, the funds on deposit and invested in various market securities through LPL Financial are being liquidated and transferred to a blocked account held at Fifth Third, and will be made available to the TBH for operating and chapter 11 expenses in accordance with a court approved order authorizing use of cash collateral.

[7]

- Increases in third-party payer denials which has the effect of delaying access to payment for care, thereby disproportionately impacting community hospitals who are already operating with small margins;
- Payer indifference to the actual costs of providing hospital care further exacerbating the financial position of rural and small community hospitals;
- Provider shortages (it is estimated that 66% of provider shortages occur in rural areas);
- Pandemic funding is waning, leaving small community hospitals with the same challenges and headwinds as they were facing pre-pandemic;
- Lack of connection to a larger system for resources, supply chain, etc. negatively impacts community hospitals.

16. TBH was not immune to these overarching, industry-wide issues. Over the past several years TBH has attempted to meet these challenges by proactively working to improve TBH's operations. Efforts were made to enhance revenue by adding physicians to expand and provide orthopedics, mid-wife deliveries and pediatrics, general and vascular surgery, and oncology, and by revising the hospitalist program, all in an effort to generate additional revenue consistent with market demands. TBH also renegotiated a significant contract with a commercial payor resulting in more favorable and enhanced terms for TBH. Focus was also directed at efforts to reduce operating expenses. The number of administrative personnel was reduced, and changes were made to employee benefit programs that were designed to reduce salaries and benefit costs. In addition, TBH acted to evaluate and modify its laboratory services, pathology, pediatrics, anesthesia, electronic health records and debt collection contracts, all in an effort to reduce costs.

The Need for Relief in this Court for TBH

17. Notwithstanding TBH's best efforts, by July 2024, TBH began to face stringent

liquidity challenges. TBH retained VMG Health ("VMG") first to advise it as to its future strategic direction, such as seeking an acquisition partner, and thereafter to implement a marketing process targeted to local, regional and national health care systems with identifiable strategic or geographical interest, including both Firelands and Fisher Titus, as part of a request for proposal and eventual sale or other transaction.

18. After completing its analysis and marketing efforts to seek proposals for the acquisition of TBH, VMG identified Firelands as the likely potential purchaser of the assets or equity of TBH using a set of objective criteria to form its decision. On November 12, 2024, TBH approved entering into a due diligence process with Firelands with the goal of restructuring TBH through a sale of its assets or a member substitution in a chapter 11 bankruptcy proceeding.

19. Thereafter, Firelands, TBH, and Fifth Third engaged in good faith, arm's length negotiations regarding the terms by which Firelands would be substituted as the sole holder member in TBH, together with a settlement of the Senior Obligations to be accomplished through the initiation of this chapter 11 case and the filing and confirmation of a chapter 11 plan of reorganization which would include the restructuring of the Debtor's indebtedness and other obligations, including the Senior Obligations and the Firelands' Obligations pursuant to a Restructuring Support Agreement (the "RSA").

20. In addition to the chapter 11 plan confirmation process outline in the RSA, the RSA provides restructuring support from Fifth Third in the form of authorized use of cash collateral and from Firelands in the form of a debtor-in-possession financing facility not to exceed $1,500,000 in order for TBH to operate in the ordinary course throughout its chapter 11 case and fund court approved fees and expenses of the estates' professionals and advisors. Finally, the member substitution agreement to be entered into between TBH and Firelands, as implemented through

TBH's anticipated plan of reorganization, will serve as a stalking horse bid, subject to better and higher offers, through a court-approved bid process.[7]

21. I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 5, 2025.

Sara K Brokaw

/s/ Sara K. Brokaw
President & CEO
The Bellevue Hospital
Debtor and Debtor in Possession

[7] The RSA will be filed with the Court, and will be the subject of a motion filed by TBH seeking Court authority to assume the RSA.