

**HEARING DATE:**  
**Thursday, June 28, 2018 AT 9:30 AM**  
**BUSINESS CALENDAR BEFORE JUDGE STERN**

**STATE OF RHODE ISLAND**  
**PROVIDENCE, SC.**

**SUPERIOR COURT**

St. Joseph Health Services of Rhode Island,  
Inc.

*Petitioner*

vs.

St. Josephs Health Services of Rhode Island  
Retirement Plan, as amended

*Respondent*

Bank of America, in its capacity as Trustee of  
Respondent

*Nominal Respondent*

PC-2017-3856

**RECEIVER'S FOURTH INTERIM REPORT AND REQUEST FOR AN EXPEDITED  
HEARING AND SHORTENED NOTICE REGARDING SAME**

NOW COMES Stephen F. Del Sesto, Esq., solely in his capacity as the Receiver (the "Receiver") for St. Josephs Health Services of Rhode Island Retirement Plan (the "Plan"), and hereby submits this Fourth Interim Report (the "Fourth Report"). In addition, in light of the recent litigation filings by Special Counsel, on behalf of the Receiver and other plaintiffs, in State and Federal Court the Receiver requests that this Court grant an expedited hearing on this Fourth Report and shorten the otherwise required ten (10) day notice period established by the RI Superior Court Rules of Civil Procedure, Rule 6. In support of the Fourth Report and request for an expedited hearing the Receiver states as follows:

1. This case was commenced on August 17, 2017, upon the Petition for the Appointment of a Receiver (the "Petition") filed by St. Joseph Health Services of Rhode Island, Inc. ("Petitioner"). As a result of that Petition, on August 18, 2017, this Court appointed Stephen F. Del Sesto, Esq. as Temporary Receiver of the Plan under surety bond ordered by this Court in the amount of One Million and 00/100 (\$1,000,000.00) Dollars (the "Temporary Receiver Order").

2. The Plan is a defined benefit plan organized by Petitioner on or about July 1, 1965, for the benefit of Petitioner's employees. As of the date of the Petition, the Plan had approximately 2,729 vested participants<sup>1</sup> of which approximately 1,229 were then receiving monthly benefits payments.

3. Typically, a hearing on permanent receiver is set for a date approximately twenty (20) days after the appointment of temporary receiver. Here however, the Petitioner requested that the Court set a hearing date no sooner than thirty (30) days to afford the Temporary Receiver time to consider the Petitioner's suggested 40% uniform benefit reduction. Based on that request, the Court docketed the hearing on permanent receiver for October 11, 2017.

4. Immediately upon appointment, in order to provide pension holders with a direct means to obtain answers to questions and access to information, the Receiver established a dedicated email address ([stjosephretirementplan@pierceatwood.com](mailto:stjosephretirementplan@pierceatwood.com)) and two dedicated phone lines (401-490-3436 and 401-865-6249). In addition, the Receiver established a dedicated, public website (<https://www.pierceatwood.com/st-joseph-health-services-rhode-island-retirement-plan>) where all pleadings and other information would be posted for easy accessibility to pension holders and other interested parties. Notice of the dedicated email, phone lines and website was sent to all Plan participants via first class mail. The Receiver believes that establishing these various means of communication has been invaluable to the pension holders and the Receiver. Since establishing the email address and phone lines the Receiver has received hundreds of email and voicemail communications from pension holders. The dedicated website has been revised to now include access to filings made in both the State and Federal litigation matters as well as other related litigation matters related to this proceeding.

5. Due to their day-to-day involvement with the Plan, the Receiver has had consistent and regular communications with Bank of America (the Plan's Trustee and custodian of the assets) and Angell Pension Group (the Plan's actuary and benefits administrator) regarding the

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<sup>1</sup> According to documents reviewed by the Receiver, excluding United Nurses and Allied Professionals Local 5110 ("UNAP") members hired before October 1, 2008, the Plan was closed to all employees on or about October 1, 2007. Thereafter, benefit accruals were frozen for non-union employees on September 30, 2009, for Federation of Nurses and Health Professionals and other non UNAP union employees on September 30, 2011 and for UNAP employees on June 19, 2014.

management and administration of the Plan. The Receiver has reviewed quarterly reports and had periodic discussions with Mercer Investment (the Plan's discretionary Investment Manager) regarding the performance of asset investments, the allocation of the asset investments and market conditions and projections that may impact those investments. The Receiver is aware that, among the pension holders and other interested parties, there existed a level of distrust and concern regarding the pre-receivership administration and oversight of the Plan. As a result, the Receiver continues to consider all options and the related benefits regarding the ongoing day-to-day management and administration of the Plan and its assets and, if prudent, will make changes as necessary.

6. Approximately each month throughout this proceeding the Receiver hosts town-hall style, informational meetings at Rhodes on the Pawtucket in Cranston, Rhode Island. At these meetings the Receiver provides a current status of the receivership proceedings. In addition and in an effort to assure complete transparency of the receivership process and the Receiver's efforts, the Receiver responds to questions raised by the meeting participants regarding various aspects of the receivership and the Plan. Understanding that not all participants can attend these meetings, the Receiver digitally records each meeting and a link to the meeting recordings are posted to the Receiver's dedicated website.

7. The Receiver provided a formal status report to the Court on September 8, 2017. In addition to the general status, during the report the Receiver: (a) advised the Court that he had begun discussions regarding the possible engagement of Wistow, Sheehan & Loveley, PC ("WSL") to serve as special litigation counsel to assist the Receiver in investigating potential claims against third parties involved in the prior transactions involving Petitioner and pre-receivership management and administration of the Plan; (b) requested that the Court expand his powers as Temporary Receiver to include subpoena powers; and (c) requested that the Petitioner's request that benefits be adjusted on October 11, 2017 be continued until after the start of 2018. With regard to (b) and (c), the Court granted the Receiver's requests.

8. On or about October 11, 2017, the Court held a hearing on the appointment of Permanent Receiver, the Receiver's Emergency Petition to Engage Special Counsel and the Receiver's Petition for Instruction regarding Service on Bank of America and the Plan Administrator. At the

hearing, the Receiver requested that the Court: (a) authorize the Receiver to engage WSL as special litigation counsel; (b) pass (i.e. not consider) the Petitioner's request for a 40% uniform reduction of benefits; (c) authorize the Receiver to formally serve the Plan's trustee and administrators; (d) add the Plan's trustee, Bank of America NA, as a nominal respondent to the matter for purposes of notice and proper jurisdiction over the Plan; and (e) postpone the hearing on Permanent Receiver for a period of 2 weeks to effectuate the service upon the trustee and plan administrators. Following the hearing, the Court entered orders granting all the requests made by the Receiver and docketed the hearing on Permanent Receiver for October 27, 2017. In addition and also to be heard on October 27<sup>th</sup>, the Court directed the Receiver to submit to the Court a request to establish plan participant committees to assist the Receiver and Court regarding communications, benefits adjustments and similar issues.

9. On or about October 27, 2017, the Court held a hearing on the appointment of Permanent Receiver and the Committee Petition. At the conclusion of the hearing, the Court entered an Order appointing the Temporary Receiver as the Permanent Receiver. The Court also approved the Receiver's formation of the advisory committees and recognized the "middle group" as a recognized and designated group in the receivership process.

10. On or about November 20, 2017, this Honorable Court held a hearing on the Receiver's First Interim Report and Request for Approval of Fees, Costs and Expenses (the "First Report"). Subsequent to that hearing, on or about November 29, 2017, this Court entered an Order approving the First Report and approving the Receiver's and WSL's request for fees, costs and expenses covering the period of August 18, 2017 through October 31, 2017.

11. On or about March 29, 2018, this Honorable Court held a hearing on the "Receiver's Second Interim Report and Request for Approval of Fees, Costs and Expenses" (the "Second Report"). Following the hearing on the Second Report, on or about April 3, 2018, this Court entered an Order approving the Second Report and approving the Receiver's and WSL's request for fees, costs and expenses covering the period of November 1, 2017 through February 28, 2018 (the "Second Report Order"). Through the Second Report Order, the Court approved, confirmed, and ratified all acts and doings of the Receiver through the Second Report hearing date. Further, all of the Receiver's and WSL's fees, costs and expenses incurred through the identified time

period were similarly approved and the Court approved the release of the previously held twenty percent (20%) reserve from the First Report.

12. In addition to the Second Report and also on March 29, 2018, this Honorable Court held a hearing on the “Receiver’s Initial Recommendations Regarding (1) Monthly Benefit Payment Modifications; and (2) Release of Stay Relative to the Processing of Pending Benefits Elections and Properly Filed Applications” (the “Initial Benefits Recommendation”). Subsequent to the hearing on the Initial Benefits Recommendation on April 4, 2018, this Court entered an Order (a) approving the Receiver’s recommendation, (b) deferring any recommendation on benefits modification for a period of approximately ninety (90) additional days, and (c) lifting the September 1, 2017, stay regarding the processing of elections and benefits applications (the “Initial Benefits Recommendation Order”).

13. On or about May 31, 2018, this Honorable Court held a hearing on the “Receiver’s Third Interim Report and Request for Approval of Fees, Costs and Expenses” (the “Third Report”). At the hearing on the Third Report, the Receiver provided the Court with an update of the events occurring since the Second Report. At that hearing, the Receiver and Special Counsel also provided the Court with a status update regarding the claims investigation and a projected time frame for completion of that investigation and related next steps. Following the hearing on the Third Report, on or about May 31, 2018, this Court entered an Order approving the Third Report and approving the Receiver’s and WSL’s request for fees, costs and expenses covering the period of March 1, 2018 through April 30, 2018 (the “Third Report Order”). Through the Third Report Order, the Court approved, confirmed, and ratified all acts and doings of the Receiver through the Third Report hearing date. Further, all of the Receiver’s and WSL’s fees, costs and expenses incurred through the identified time period were similarly approved. Copies of the First Report, Second Report and Third Report are on file with the Clerk of the Court, accessible on the Receiver’s dedicated website and all are incorporated by reference and made a part of this Fourth Interim Report as if fully set forth herein.

14. The Following are the actions and activities that have taken place since the filing of the Third Report on May 21, 2018:

- a. On or about April 26, 2018, the Receiver, Special Counsel and Prospect Medical Holdings, Inc. (“PMH”) agreed to the terms of and filed a Stipulated Protective Order regarding certain documents produced by PMH in connection with the April 4, 2018, Subpoena issued by Special Counsel. The Stipulated Protective Order was entered by the Court on or about May 2, 2018.
- b. On or about May 21, 2018, WSL, on behalf of the Receiver, filed a Motion and related Memorandum seeking to compel (the “Motion to Compel DOH”) the production of documents in connection with the April 17, 2018, Subpoena served upon the *Rhode Island Department of Health* (“RIDOH”).
- c. On May 24, 2018, the Court held a hearing on the Motion to Compel RIDOH and granted the Motion to Compel RIDOH. In connection with its Order, this Court directed that RIDOH complete its production of documents to Special Counsel no later than May 31, 2018, and scheduled a follow-up hearing for that day in the event that the RIDOH failed to fully comply. An Order to that effect was entered on or about June 7, 2018.
- d. As stated above, on or about May 31, 2018, the Court held a hearing on the Third Report and on that same date entered an Order approving the Third Report.
- e. Also on May 31, 2018, this Court held the follow-up hearing in connection with the Motion to Compel RIDOH. At the hearing, Special Counsel advised the Court that the RIDOH had, moments prior to the hearing, produced documents to Special Counsel but that Special Counsel had not had the opportunity to review the production to confirm if it complied with the Subpoena. During the hearing, the RIDOH asserted the deliberative process privilege with regard to certain handwritten, witness interview notes (the “Notes”) from the 2014 Hospital Conversion Application transaction. With regard to the deliberative process issue, the Court Ordered that it would hold an *in camera* review (a review by the Court only) to determine if the deliberative process privilege applied to the Notes. On or about June 5, 2018, the Court entered an Order determining that deliberative process privilege did not apply to the Notes.
- f. On or about June 18, 2018, after several months of investigation and the review of over 800,000 pages of information, Special Counsel, on behalf of the Receiver and

several other named plaintiffs (all of whom are participants of the Plan), filed a detailed, 170 page Complaint in Federal District Court for the District of Rhode Island captioned as Stephen Del Sesto, et. al. v. Prospect CharterCARE, LLC, CharterCARE Community Board; St. Joseph Health Services of Rhode Island; Prospect CharterCARE SJHSRI, LLC; Prospect CharterCARE RWMC, LLC; Prospect East Holdings, Inc.; Prospect Medical Holdings, Inc.; Roger Williams Hospital; CharterCARE Foundation; The Rhode Island Community Foundation; Roman Catholic Bishop of Providence; Diocesan Administration Corporation; Diocesan Service Corporation; and The Angell Pension Group, Inc. (1:18-cv-00328-WES-LDA). On that same date, Special Counsel, on behalf of the Receiver and several other named plaintiffs (all of whom are participants of the Plan), filed a detailed, 106 page Complaint in Rhode Island Superior Court captioned as Stephen Del Sesto, et. al. v. Prospect CharterCARE, LLC, CharterCARE Community Board; St. Joseph Health Services of Rhode Island; Prospect CharterCARE SJHSRI, LLC; Prospect CharterCARE RWMC, LLC; Prospect East Holdings, Inc.; Prospect Medical Holdings, Inc.; Roger Williams Hospital; CharterCARE Foundation; The Rhode Island Community Foundation; Roman Catholic Bishop of Providence; Diocesan Administration Corporation; Diocesan Service Corporation; and The Angell Pension Group, Inc. (PC-2018-4386).

- g. Also, on June 18, 2018, Special Counsel, on behalf of Receiver and several other named plaintiffs (all of whom are participants of the Plan), filed a Motion to Intervene and related memorandum (the “Motion to Intervene”) in the *Cy Pres* matter initiated in connection with the 2014 Hospital Conversion Application proceeding captioned as In re: CharterCARE Health Partners Foundation, Roger Williams Hospital and St. Joseph Health Services of Rhode Island, Inc. (KM-2015-0035). The Motion to Intervene is presently docketed hearing before this Court at 9:30 am on June 28, 2018.
- h. On June 19, 2018, due to the need to maintain transparency of this receivership proceeding and the substantial public interest of this matter, this Court entered an Order authorizing the Receiver to publish/post the State and Federal Complaints on

the Receiver's dedicated, public website. In light of the Order, the Complaints were posted to the website for access by the Plan participants and the general public.

15. As of the filing of the State and Federal Complaints, Special Counsel had reviewed more than 800,000 pages produced in connection with the subpoenas issued to the various parties by Special Counsel. The production and review of those documents was essential to develop the facts and substance of the recently filed State and Federal Complaints.

16. In addition and as has been reported to the Court on several occasions, the Receiver and Special Counsel are engaged in active discussions with the PBGC. The most recent communication occurred on or about June 5, 2018, when the PBGC delivered a letter to the Receiver, Special Counsel and Attorney Cohen stating that it was taking no position regarding the Plan. Since that communication from the PBGC, the Receiver and Attorney Cohen have had initial discussions with the US Department of Labor ("DOL") and the Internal Revenue Service ("IRS") regarding the Plan.

17. As was previously reported, the Receiver has asked Angell to complete the most recent annual valuation for the Plan. As of the filing of this Fourth Report, the valuation has not been completed and, in light of the recently filed Complaints, each which name Angell as a Defendant, the Receiver sought to replace Angell's services both as actuary and as benefits administrator for the Plan. As of the filing of this Fourth Report the Receiver has spoken to and received proposals from several experienced actuarial firms that have specialized experience in dealing with struggling and failing plans, both ERISA and non-ERISA. The Receiver expects to have one of these actuaries engaged prior to the hearing on this Fourth Report.

18. In addition to the above, the Receiver continues to receive and review documents related to the Plan and its history and explore options related to the ongoing management, investment and administration of the Plan. The Receiver is also reviewing and analyzing financial data relative to the possible benefits adjustment scenarios in an effort to identify the most equitable, interim adjustment while the investigation of third parties progresses.



19. The Receiver and Special Counsel will both be in attendance at the hearing on this Fourth Report to respond to any questions or concerns that the Court may have relative to the litigation process and any other issue involving this Plan and receivership proceeding.

20. In connection with the administration of the within proceeding, as of the filing of the Third Report, your Receiver had cash-on-hand totaling \$264,962.60. Since that time, your Receiver has had additional receipts totaling \$350,000.00 and has had additional disbursements totaling \$236,404.39, leaving current cash-on-hand in the sum of \$378,558.21, all as set forth in the **“Schedule of Receipts and Disbursements”** attached hereto.

21. Due to the expedited nature of the hearing on this Fourth Report, the Receiver is not requesting that the Court approve any fees, costs, and expenses at this time. Such a request will be made in connection with the Receiver’s Fifth Interim Report which is scheduled for hearing at 9:30 am on Thursday, July 26, 2018.

WHEREFORE, your Receiver prays that: (1) the Court grant the Receiver’s request for an expedited hearing on this Fourth Report and a shortened period of notice relative to the same and docket the hearing on this Fourth Report for 9:30 am on Thursday, June 28, 2018; (2) that all of his acts, doings, and disbursements as Temporary and Permanent Receiver as of the filing of this Fourth Report be approved, confirmed and ratified; (3) this proceeding remain open pending final resolution of all the issues identified herein and the general winding down of the receivership Estate; and (4) such further relief as this Honorable Court deems necessary and appropriate.

Respectfully submitted,

/s/ Stephen F. Del Sesto

Stephen F. Del Sesto, Esq. (#6336)

Solely in his capacity as Permanent Receiver  
for St. Josephs Health Services of Rhode  
Island Retirement Plan, and not individually  
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Dated: June 25, 2018

**CERTIFICATE OF SERVICE**

I hereby certify that on the 25<sup>th</sup> day of June, 2018, I electronically filed and served the within document via the Electronic Case Filing System of the Superior Court with notice to all parties in the system.

*/s/ Stephen F. Del Sesto*

## **SCHEDULE OF RECEIPTS AND DISBURSEMENTS**

**St Joseph Health Services of RI Retirement Plan**

**Transactions by Account**

As of June 25, 2018

2:45 PM  
06/25/18  
Accrual Basis

Date	Num	Name	Memo	Debit	Credit	Balance
<b>BankRI Checking Account</b>						
05/31/2018	252	Pierce Atwood LLP	3rd interim fees & costs in full thru 4/30/18		57,059.52	264,962.60
05/31/2018	253	Wistow Sheehan & Loveley, PC	3rd interim fees & costs in full thru 4/30/18		155,473.16	207,903.08
06/04/2018	254	Rhodes on the Pawtuxet	6/4/18 meeting with plan participants; inv #1627		1,710.72	52,429.92
06/05/2018	255	William White Legal Video Services	Inv #1590; 6/4/18 meeting video & audio		800.00	50,719.20
06/07/2018			funds from RW/St. Joes (R. Land)	350,000.00		49,919.20
06/11/2018	256	Gina Gomes	5/31/18 hearing transcripts		81.00	399,919.20
06/15/2018	257	Bailey & Ehrenberg PLLC	Inv #2667; consulting expert		17,545.00	399,838.20
06/15/2018	258	Angell Pension Group, Inc.	Inv #186275; benefit calculation & processing		275.00	382,293.20
06/22/2018	259	Relevant Discover-e	Inv #3522; copying and postage		3,459.99	382,018.20
Total BankRI Checking Account				350,000.00	236,404.39	378,558.21
<b>TOTAL</b>				<b>350,000.00</b>	<b>236,404.39</b>	<b>378,558.21</b>