

HEARING DATE: September 7, 2018

STATE OF RHODE ISLAND  
PROVIDENCE, SC.

SUPERIOR COURT

ST. JOSEPH HEALTH SERVICES OF :  
RHODE ISLAND, INC. :

vs. :

C.A. No: PC-2017-3856

ST. JOSEPHS HEALTH SERVICES OF :  
RHODE ISLAND RETIREMENT PLAN, :  
as amended :

**JOINT MOTION OF PROSPECT MEDICAL HOLDINGS, INC.,  
PROSPECT EAST MEDICAL HOLDINGS, INC., PROSPECT CHARTERCARE, LLC,  
PROSPECT CHARTERCARE SJHSRI, LLC AND  
PROSPECT CHARTERCARE RWMC, LLC TO CONTINUE HEARING ON  
RECEIVER'S PETITION FOR SETTLEMENT INSTRUCTIONS**

Prospect Medical Holdings, Inc., Prospect East Medical Holdings, Inc., Prospect Chartercare, LLC, Prospect Chartercare SJHSRI LLC and Prospect Chartercare RWMC (hereafter, "the Prospect Entities") hereby move this Court for an Order continuing the date for the hearing on the Receiver's Petition for Settlement Instructions. As grounds therefor, the Prospect Entities state as follows:

1. On September 4, 2018 at 4:09 PM, the Receiver served his Petition for Settlement Instructions and scheduled a hearing nine (9) days later on September 13, 2018.
2. As the Court is aware, the proposed settlement has direct and very complex implications for the defendants in the pending federal court litigation and with regard to administrative issues, including, without limitation, the Prospect Entities, to the extent that:
  - a. The proposed settlement seeks to transfer interests that are the subject of final administrative orders resulting from agency proceedings under R.I. Gen. Laws

§§23-17.14-1 *et seq.* and §§23-17-1 *et seq.* Those issues need to be carefully reviewed and considered.

- b. To be approved by the Court, a settlement must be one “which does not exhibit collusion, fraud, dishonesty, or other wrongful tortious conduct intended to prejudice the non-settling tortfeasors, irrespective of the settling or non-settling tortfeasors’ proportionate share of liability” Chapter 23-17.14 (3).
- c. The proposed Settlement Agreement on its face suggests the possibility of collusion and may be an attempt to prejudice the non-settling alleged tortfeasors, including the Prospect Entities in the ongoing federal court litigation.
- d. The Settlement Agreement tentatively agreed to by non-profit CharterCARE Community Board (“CCCB”), St. Joseph Health Services of Rhode Island (“SJHSRI”), and the corporation Roger Williams Hospital (collectively, the “Settling Defendants”) includes the following extraordinary provisions:
  - i. An agreement whereby the Receiver will direct the judicial liquidation of the Settling Defendants and to cooperate with the Receiver in the liquidation proceedings to oppose or limit claims of other creditors of the Settlement Defendants. Settlement Agreement, Paragraph 1(s), 24 and 25.
  - ii. An agreement by the Settling Parties to request that the federal court certify a class of litigants pursuant to Federal Rule 23 b)(1)(B);
  - iii. An agreement by the Settling Parties to execute an irrevocable assignment to the Receiver of all of CCCB Foundation’s rights and assets, notwithstanding the fact that CCCB is a 501 nonprofit organization formed for the express purpose of serving the health care needs of the Rhode Island community through various grants and programs.
  - iv. An agreement by CCCB to turn over to the Receiver more than \$11 Million Dollars in cash that is currently available to fund the non-profit programs and grants offered by CCCB to the Rhode Island community, all of which will be extinguished.
  - v. An agreement by the Settling Defendants to transfer to the Receiver their beneficial interest in their 15% membership interest in Prospect CharterCare LLC in direct violation of the Amended & Restated Limited Liability Company Agreement of Prospect CharterCare LLC (the “LLC Agreement”) which restrict transfers per the express terms of the LLC Agreement.

- vi. An admission of liability by the Settling Defendants to the Receiver's claims and an agreement that damages are "at least \$125,000,000." Settlement Agreement, Paragraph 28.
    - vii. A statement by the Settling Defendants that their proportionate fault in causing the \$125,000,000 in damages "is small compared to the proportionate fault of the other defendants in the Federal Court Action and the State Court Action..." Settlement Agreement, Paragraph 30.
    - viii. An agreement by the Settling Defendants to allow the Receiver to direct and control the Settling Defendants in the pending Cy Pres Proceeding. Settlement Agreement, Paragraph 32.
3. Not only are the above-cited provisions extraordinary in the context of any settlement, but the proposed transfer by the Settling Defendants of their 15% interest in Prospect CharterCare LLC may well violate the approved Hospital conversion which is incorporated into the existing Hospital licensure. Regulatory approval by the Rhode Island Department of Health is necessary to alter the voting authority of Prospect CharterCare LLC and the transfer of the 15% interest necessarily alters those voting rights.
4. In light of the foregoing, the Prospect Entities respectfully request the following:
  - a. That the hearing be continued for thirty (30) days to provide sufficient time for the parties to research and respond to the Petition;
  - b. That the Prospect Entities be permitted to conduct discovery in the form of a document request and depositions to determine whether the Settling Parties have improperly colluded with the Receiver in agreeing to the extraordinary settlement provisions.

Respectfully Submitted,

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Prospect East Holdings, Inc.  
By its Attorneys,

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Prospect CharterCare, LLC,  
Prospect CharterCare SJHSRI, and  
Prospect CharterCare RWMC,

By their attorneys,

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September 7, 2018

**CERTIFICATE OF SERVICE**

I hereby certify that, on the 7<sup>th</sup> day of September 2018:

X I filed and served this document through the electronic filing system on the following parties:

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**/s/ Preston W. Halperin**