

HEARING DATE: MARCH 6, 2020; JUDGE STERN @ 9:30AM

STATE OF RHODE ISLAND
PROVIDENCE, SC

SUPERIOR COURT

CHARTERCARE COMMUNITY BOARD

VS.

SAMUEL LEE, ET AL.

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C.A. NO. PC-2019-3654

**AFFIDAVIT OF PRESTON W. HALPERIN IN SUPPORT OF PROSPECT
CHARTERCARE, LLC, PROSPECT MEDICAL HOLDINGS, INC. , PROSPECT EAST
HOLDINGS, INC, AND PROSPECT EAST HOSPITAL ADVISORY SERVICES, LLC'S
OBJECTION TO
PLAN RECEIVER AND LIQUIDATING RECEIVER'S MOTION TO COMPEL**

I, Preston W. Halperin, hereby depose and state as follows:

1. I am an attorney licensed to practice law in Rhode Island.
2. In the above-captioned matter, I represent Prospect Medical Holdings, Inc., Prospect East Holdings, Inc. and Prospect East Hospital Advisory Services, LLC (collectively, "Prospect").
3. This Affidavit is being submitted in support of Prospect Chartercare, LLC ("PCC"), Prospect Medical Holdings, Inc., Prospect East Holdings, Inc., and Prospect East Hospital Advisory Services, LLC (the "Prospect Entities") Objection to the Plan Receiver and Liquidating Receiver's Motion to Compel Production of Documents and Other Information From Prospect CharterCare, LLC ("Objection").
4. On December 18, 2019, the Court appointed Attorney Thomas Hemmendinger as Temporary Liquidating Receiver for plaintiff, Charter Care Community Board ("CCCB").

5. Upon appointment, Attorney Hemmendinger contacted me as counsel to Prospect Medical Holdings, Inc., Prospect East Holdings, Inc., and Prospect East Hospital Advisory Services, Inc.
6. Attorney Hemmendinger advised me that he was in the process of getting up to speed, but that his understanding was that financial records of Prospect Chartercare LLC (“PCC”) had not been produced and that such records were needed to evaluate the put option.
7. I advised Attorney Hemmendinger that all financial records required by the prior proceedings had in fact been produced. Attorney Hemmendinger told me that he had been told that certain financial records were still outstanding. I told Hemmendinger that was not the case.
8. After my conversation with Mr. Hemmendinger, I followed up with a call to Receiver, Stephen DelSesto, who I was then dealing with directly regarding the put option. I told Mr. DelSesto that PCC had fully complied with the prior orders to produce financial records. Attorney DelSesto did not disagree and neither DelSesto nor Hemmendinger followed up with information as to what, if any, documents previously ordered by the Court had not been produced.
9. Thereafter, over a period of weeks beginning in mid-December 2019 and continuing to January 9, 2020, I dealt directly with Attorney DelSesto regarding the selection of appraisers pursuant to the LLC operating agreement. It appeared to me that he and CCCB were satisfied with the financial records that had been produced and were preparing to exercise the put option. DelSesto asked if Prospect would agree to ECG

as the Receiver's selected appraiser, despite the fact that ECG was not a MAI appraiser as mandated by the PCC limited liability company operating agreement.

10. Working cooperatively with Attorney DelSesto, the Prospect Entities agreed to accept ECG as CCCB/Receivers' appraiser. To resolve future issues about documents and information needed by different appraisers, I suggested that ECG and the appraiser selected by the Prospect Entities agree on one set of additional documents and information that would satisfy both appraisers once CCCB exercised the put option and the formal appraisal process commenced. By text message to Attorney DelSesto on January 8, 2020, I sent the following message:

My preference would be for you to exercise the option and we would agree not to initiate the formal appraisal process until we have agreed on the appraisers and they have agreed to the list of information necessary for the appraisers to be conducted. In other words, we would be in that period of time [under the LLC operating agreement] where we try to reach an agreement after the exercise of the put option.

11. The very next day, January 9, 2020, Attorney DelSesto sent me a text stating:

I just told Chris [Fragomeni] that I am in agreement with your preference stated above.

12. Attached as **Exhibit E** to the Memorandum filed herewith, is the January 9, 2020 e-mail that I sent to Attorneys DelSesto and Hemmendinger confirming the various communications that had been taking place between myself and Mr. DelSesto.
13. Despite the communications regarding the selection of appraisers and the agreement to allow the appraisers to agree on necessary information *after the put option was exercised*, by letter dated January 21, 2020, DelSesto and Hemmendinger requested additional documents and information, attaching a revised ECG spreadsheet with reference numbers 1.01, 1.02, 2.01-2.05, 3.01, 4.01-4.02. The letter also includes a list

of twenty questions to be answered by PCC. The January 21, 2020 letter is attached to the Receivers' Memorandum of Law in Support of the instant Motion to Compel as Exhibit 1.

14. Subsequently, we received the January 30, 2020 request for additional information (Exhibit 2 to Receiver's Memorandum of Law in Support of the instant Motion to Compel), in which the Receivers are seeking information relating to the financial condition and assets of Prospect Medical Holdings, Inc. and Prospect East Holdings, Inc., which have nothing whatsoever to do with a valuation of PCC, and whom are not parties to the instant Motion to Compel.
15. I have consistently communicated Prospect's position that it has complied with the requests for financial information needed for CCCB to decide whether to exercise the put option, and that the far more extensive information that was not readily available should wait until the put option was exercised and the appraisers request information in order to perform the necessary appraisals.

Signed under the penalties of perjury, this 3rd day of March 2020.


/s/ Preston W. Halperin

Certificate of Service

I certify that on the 3rd day of March 2020, the within document was electronically filed and electronically served through the Rhode Island Judiciary Electronic Filing System, on all counsel of record, and those parties registered to receive electronic service in this matter. The document is available for viewing and/or downloading from the Rhode Island Judiciary's Electronic Filing System.

/s/ Preston W. Halperin