

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 :

**RESPONDENT'S MEMORANDUM IN SUPPORT OF MOTION TO OVERRULE THE  
ROMAN CATHOLIC BISHOP OF PROVIDENCE'S OBJECTIONS TO SUBPOENA  
AND COMPEL RESPONSE TO SUBPOENA DUCES TECUM**

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November 21, 2017

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## INTRODUCTION

Since this Receivership action was instituted in August, the Bishop has striven to distance himself from St. Joseph Health Services of Rhode Island and the same Retirement Plan that it operated for decades.<sup>1</sup> Nevertheless, in an interview the Bishop gave to *The Rhode Island Catholic*, the Bishop stated:

We are deeply concerned for the participants in the pension fund of St. Joseph Health Services who were very dedicated and faithful employees of St. Joseph's for many years. We certainly hope and are praying truly that this comes to a very positive solution for them, as positive as will be possible. We feel very badly about the situation and hope and pray that it is resolved as well as possible in the end.

*An Interview with Bishop Thomas J. Tobin on the St. Joseph Health Services pension plan receivership*, Rhode Island Catholic, September 13, 2017.<sup>2</sup> In addition to offering his hopes and prayers, the Bishop pointed out that:

The important thing now is try to figure out what happened and also to see if anything can be done to rescue the pension fund, even to some degree.

Id.

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<sup>1</sup> In his interview with *The Rhode Island Catholic*, the Bishop stated:

It's important for people to understand that since CharterCARE was formed and even more clearly in 2014 when all of this was purchased by Prospect, the diocese has not been involved in the management of those hospitals. In fact, St. Joseph's Health Services, in effect ceased to exist and has not been involved in the operation of those hospitals either. We, for six or seven years now, have been no more involved in the oversight of pension funds than we have been in the renovation of a lobby.

*An Interview with Bishop Thomas J. Tobin on the St. Joseph Health Services pension plan receivership*, The Rhode Island Catholic, September 13, 2017 (available at <http://www.thericatholic.com/stories/an-interview-with-bishop-thomas-j-tobin-on-the-st-joseph-health-services-pension-plan,9164> and attached hereto as Exhibit 1). See also Exhibit 4 (August 23, 2017 Letter of Eugene G. Bernado II, Esq. to Chris Callaci, Esq.) discussed *infra*.

<sup>2</sup> Id.

Yet, now served with a subpoena<sup>3</sup> for documents relating to the Retirement Plan, the Bishop is raising senseless objections and interposing needless obstacles before producing even one scrap of paper to the Receiver.<sup>4</sup> Now is not the time for the Bishop to be withholding—or slow-walking the production of—documents.

On November 1, 2017, five days after appointment of the Permanent Receiver (“Receiver”), counsel for the Receiver served a subpoena on the Roman Catholic Bishop of Providence (“Bishop”) seeking documents relating to the Retirement Plan (“Plan”) and the Bishop’s role in the corporate governance of St. Joseph Health Services of Rhode Island (“SJHSRI”).<sup>5</sup>

Of course, the Bishop had been closely following these receivership proceedings since their inception in mid-August. Indeed, by August 23, 2017, five days after the Petition for Receivership was filed, the Bishop had already lawyered up. The Bishop’s legal counsel (the same law firm that has objected to the subpoena) wrote a letter to the general counsel of United Nurses & Allied Professionals, criticizing various statements quoted in media reports concerning the Receivership. See Exhibit 4 (August 23, 2017 Letter of Eugene G. Bernado II, Esq. to Chris Callaci, Esq.). This letter made numerous factual assertions about SJHSRI (“SJHSRI is not a diocesan entity”), the Plan (“the Church does not operate, manage, or administer the SJHSRI pension fund”)<sup>6</sup>, and the various hospital conversions (“Changes over the past decade, including an affiliation

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<sup>3</sup> A copy of the subpoena is attached hereto as Exhibit 2.

<sup>4</sup> A copy of the November 15, 2017 letter from Howard A. Merten, Esq. to Stephen P. Sheehan, Esq. is attached hereto as Exhibit 3.

<sup>5</sup> At least through the time of the 2013 hospital conversion application, Prospect and SJHSRI were claiming that the Bishop was a Class B member of SJHSRI.

<sup>6</sup> Interestingly, the Receivership Petition expressly refers to the Plan as a “church plan”.

with Roger Williams Medical Center, the formation of CharterCARE Health Partners, and, ultimately, the acquisition of CharterCARE Health Partners by Prospect Medical Holdings, accelerated declining Church involvement at the hospital”). The same letter denied that the Church “took money from the SJHSRI pension fund, used it for other purposes, and left it insolvent.” However, the Bishop is now withholding (and delaying production of) documents that could undermine or disprove the very contention that he claims to be untrue.

Clearly the Bishop should have anticipated months ago that it would be called upon to produce documents. Nevertheless, he has not produced even one page and offers no timeline for completion of the production he may someday begin.

### **ARGUMENT**

#### **I. The Bishop’s objections as to the timeframe for production should be overruled**

The Bishop objects to the subpoena’s two-week timeframe for production of documents as too short. As noted above, however, the Bishop should have started (and presumably did start) gathering these documents months ago. The Bishop’s refusal to produce *even a single document* by the subpoena’s return date is utterly unreasonable, especially in light of the urgency of these Receivership proceedings and the importance of forestalling or ameliorating any cuts to the pension benefits of the Plan’s 2,700+ participants. Likewise, the Bishop’s announcement that he will begin producing an unspecified number and undescribed category of documents on December 4, 2017 is unacceptable, especially in light of the Bishop’s profession of concern for the “very dedicated and faithful employees of St. Joseph’s.” Accordingly this objection should be overruled.

**II. The Bishop's boilerplate objections and objections to definitions should be overruled**

**A. The Bishop's hypothetically phrased objections should be overruled**

The Bishop objects to numerous requests by incorporating boilerplate language, objecting "to the extent that" the requests are overbroad, unduly burdensome, or unlimited in time or scope. Needless to say, the "burden" to the Bishop must be placed in the scale and weighed against the grievous effects to be borne by the Plan participants if there can be found no remedy for the Plan's shortfall.

In any event, the Bishop's practice of responding to requests by objecting "to the extent that" they call for various categories of documents, is improper:

This Court has on several occasions "disapproved of the practice of asserting a general objection 'to the extent' it may apply to particular requests for discovery." This Court has characterized these types of objections as "worthless for anything beyond delay of the discovery." Such objections are considered mere "hypothetical or contingent possibilities," where the objecting party makes "no meaningful effort to show the application of any such theoretical objection' to any request for discovery." Thus, this Court has deemed such "ostensible" objections waived, or declined to consider them as objections... [A] general objection which objects to a discovery request "to the extent" that it asks the responding party to provide documents or information protected by the attorney-client privilege or work product immunity is tantamount to asserting no objection at all. In other words, such a general objection does not preserve the attorney-client privilege or work product immunity.

Sonnino v. Univ. of Kansas Hosp. Auth., 221 F.R.D. 661, 666-667 (D. Kan. 2004).

The Court, therefore, should overrule the Bishop's boilerplate objections. If "a responding party fails to adequately state the reason for an objection, he or she may be sanctioned by being held to have waived the objections, including those based on privilege." Cipriani v. Migliori, No. PC 2002-6206, 2005 WL 668368, at \*6 n.14 (R.I. Super. Mar. 4, 2005) (citations omitted). See also Smith v. Bayer Material Science,

LLC, Civ. No. 5:12-cv-171., 2013 WL 3153467 (N.D. W.Va. 2013) (citations omitted) (“Any objection to discovery requests must be lodged with some specificity so the requesting party, and the Court if it becomes involved, can ascertain the basis for the objection. Accordingly, generalized, boilerplate objections that regurgitate the language from Rule 26—irrelevant, overly broad, and unduly burdensome—are highly disfavored and will usually result in a waiver of the objection.”).

In addition, the Bishop’s announcement (variously repeated) that he will produce documents “subject to the objections contained in this letter” and “without waiving” such objections impermissibly “creates an ambiguity as to what documents, if any, have been withheld.” Leisure Hospitality, Inc. v. Hunt Properties, Inc., 09-CV-272-GKF-PJC, 2010 WL 3522444, at \*3 (N.D. Okla. Sept. 8, 2010) (“[Defendant] attempted to both object and produce, but produce only ‘subject to and without waiving’ its objections. Rule 34 makes no provision for this sort of response. A party may object to some or all of the requested discovery, but it must be clear whether the responding party is objecting or not and, if objecting, to what part of the request and on what specific grounds.”) (citations omitted); Howard v. Segway, Inc., 11-CV-688-GKF-PJC, 2013 WL 869955, at \*4 (N.D. Okla. Mar. 7, 2013) (“The fundamental question is: Are all responsive documents being produced? If not, what portion of the universe of responsive documents is being produced?”). These objections too should be overruled. See PamLab, L.L.C. v. Rite Aid Corp., 2005 WL 1588238, at \*2 (E.D. La. June 27, 2005) (overruling all objections in order to “eliminate any ambiguity,” and requiring the producing party to certify that all responsive documents were produced).

**B. The Bishop's freestanding objections to definitions should be overruled**

At the outset, the Bishop objects to definitions of various bolded defined terms on groundless bases that improperly seek to reword and limit the subpoena's requests for documents. All of these objections should be overruled.

For example, the Bishop objects to the inclusion of Inter-Parish Loan Fund, Inc. within the definition of "Diocese":

. . . The Term "**Diocese**" also includes any corporation or entity controlled in whole or in part by the **Bishop of Providence** or **Diocese** having any connection of any nature with the Plan, including the Inter-Parish Loan Fund, Inc.

The Bishop makes this objection, notwithstanding that (1) Thomas J. Tobin is the President of Inter-Parish Loan Fund, Inc.;<sup>7</sup> (2) Thomas J. Tobin is a director of the Inter-Parish Loan Fund, Inc.;<sup>8</sup> and (3) Inter-Parish Loan Fund, Inc. evidently received over \$620,000 of the proceeds from the Asset Purchase Agreement transaction in 2014, money that was therefore unavailable for paying pensions.<sup>9</sup> Indeed, the Bishop held the same positions at the Inter-Parish Loan Fund, Inc. in 2008, when he served as SJHSRI's treasurer.<sup>10</sup> The Bishop wears many hats, and the Receiver is entitled to seek documents lurking under or relating to any of those hats insofar as they may lead to admissible evidence.

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<sup>7</sup> See Exhibit 5 (2017 Annual Report of Inter-Parish Loan Fund, Inc.).

<sup>8</sup> Id.

<sup>9</sup> See Exhibit 6 (Summary of Debt to be Extinguished).

<sup>10</sup> Compare Exhibit 7 (2008 Annual Report of Inter-Parish Loan Fund, Inc.) with Exhibit 8 (2008 Annual Report of St. Joseph Health Services of Rhode Island).



The Bishop also objects to the definition of “Bishop of Providence” as “appear[ing] to go beyond requesting records from the corporation sole”. The question of who is obligated to produce documents in response to the subpoena is governed by Super. R. Civ. P. 45, which obligates the production of documents in the possession, custody, or control of the subpoenaed person.<sup>11</sup> Although phrased as an objection to *whose* documents must be produced, this objection actually has the effect of limiting *which* documents within the Bishop’s control must be produced, *i.e.* documents in the Bishop’s control relating to his function as a corporation sole, but the Bishop is required to produce all responsive documents within his possession or control, regardless of the function which led to the Bishop’s possessing or controlling those documents. Accordingly, these objections should be overruled.

**C. The Bishop’s unarticulated claims of privilege and other unilateral attempts to rewrite his obligations to produce documents under Super. R. Civ. P. 45 should be overruled**

After asserting objections to various requests, the Bishop announces that he will produce “any reasonably accessible, responsive, non-privileged documents in its care, custody and control”. This language, which fails even to assert which hypothetical privileges might apply, fails to comply with the requirements of Super. R. Civ. P. 45 governing the preservation and assertion of privilege. In addition, if the phrase “reasonably accessible” is intended to provide a different standard for production of documents in variance with Super. R. Civ. P. 45, the Bishop should be compelled to comply with that rule.

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<sup>11</sup> The obligation to produce documents in the one’s “control” means one “must produce documents not in its possession if it has the practical ability to obtain the documents from the person (natural or fictitious) who has actual possession.” Kent, Simpson, Flanders, Wollin, Rhode Island Civil Procedure § 34:2.

### **III. The Bishop's specific objections should be overruled**

#### **A. Request #1**

Request #1 seeks: "All **documents** concerning the functions, duties, or responsibilities of the **Diocese**, the **Bishop of Providence**, or any individual appointed by the **Diocese** or the **Bishop of Providence**, concerning the **Plan** or the **Trust Funds**."

The Bishop does not object to Request #1, beyond the baseless general or definitional objections discussed above. Production of these documents should be compelled.

#### **B. Request #2**

Request #2 seeks: "All **documents** concerning the actions or role of the **Bishop of Providence** as a Class B member of **SJHSRI**."

The Bishop does not object to Request #2, beyond the baseless general or definitional objections discussed above. Production of these documents should be compelled.

#### **C. Request #3**

Request #3 seeks: "All **documents** concerning the actions or role of the **Bishop of Providence** as a Class B member of the Board of Trustees of **SJHSRI**."

The Bishop objects to producing any of these documents that do not themselves relate to the Plan. As the Court knows, however, one issue of paramount importance in these Receivership proceedings is the operation of the Retirement Plan as a purported "church plan," therefore arguably exempt from all the requirements and protections of federal pension law, principally ERISA. The issue of whether the Plan qualified as a

“church plan” is not controlled solely by documents that refer to the Plan. Additionally, as discussed below, these documents are relevant to whether or not the Plan ceased at some point to be a church plan and, if so, when. Finally, the requested documents are necessary to aid in the determination as to which claims can be asserted and against whom, in order to provide maximum relief to the Plan participants. Accordingly, the Bishop’s objection should be overruled.

**D. Request #4**

Request #4 seeks: “All **documents** concerning the sponsorship of **SJHSRI** by the Roman Catholic Church.”

The Bishop objects and states that he will produce only “documents that relate to the ‘sponsorship’ of SJHSRI as those terms [sic] are used and defined in the operative documents surrounding the Charter Care and Prospect transactions or the post-transaction governing documents of SJHSRI.” It is unclear what the scope of this objection is and whether it is intended to cabin the Bishop’s response in terms of dates or otherwise.

SJHSRI long held itself out as being under sponsorship by the Roman Catholic Church. Indeed, on Fatima Hospital’s website in 2001, almost a decade before the Charter Care or Prospect transactions, SJHSRI specifically stated: “Our Catholic sponsorship will guide us in the delivery of care and the development of services to meet the needs of our community with a special emphasis on vulnerable and underserved individuals.”<sup>12</sup> The issue of whether or not SJHSRI operated under the sponsorship of the Catholic Church is relevant both to the question of whether the Plan

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<sup>12</sup> See Exhibit 9.

was a “church plan” and whether the Bishop or others had a duty to fund the Plan. The Receiver is entitled to discovery of documents relating to such sponsorship, in order to attempt to maximize potential recoveries on behalf of vulnerable and underserved retirees and Plan participants.

#### **E. Requests #5**

Request #5 seeks: “All **documents** concerning any communications to or from any present or former employees of **SJHSRI** concerning pension benefits, including but not limited to the **Plan**.”

The Bishop states that he will only produce “any reasonably accessible” documents related to the Plan, and that he will not produce communications relating to any other pensions or pension benefits, even if those communications were made to present or former employees of SJHSRI. There is no privilege for such communications, and the Bishop does not even assert privilege. Instead, the apparent premise of the Bishop’s objection is that the “separate pension plans” maintained for “lay employees” and others are “wholly unrelated to SJHSRI.” That premise is false. To the contrary, the SJHSRI Plan contains provisions incorporating and interlocking with provisions of those other pension plans.<sup>13</sup> In any event, the Receiver is entitled to seek

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<sup>13</sup> See, e.g., St Joseph Health Services of Rhode Island Retirement Plan [executed January 30, 2017] at 10:

With respect to an Employee who leaves employment covered by the Lay Employees’ Plan (Other than in connection with the transfer of a business unit from the Roman Catholic Bishop of Providence, a corporation sole, or any other ‘Participating Diocesan Employer’ (as defined in the Lay Employees’ Plan) to an Employer participating in this Plan) and, within 30 days, enters into employment covered by this Plan, Continuous Service shall include employment covered under Section 2.7 of the Lay Employees’ Plan.

Exhibit A to the Receivership Petition.

all pension-related communications the Bishop made with SJHSRI employees, regardless of the plan to which the communications ostensibly pertain, because all of those communications are potentially relevant to the beliefs and understandings of SJHSRI's employees as to their own pension benefits under the Plan that is the subject of the Receivership. Accordingly these objections should be overruled.

**F. Requests #6, #7, and #8**

These requests seek:

6. All **documents** concerning any communications to or from any present or former employees of **Charter Care** concerning pension benefits, including but not limited to the **Plan**;
7. All **documents** provided or made available to any present or former employees of **SJHSRI** concerning pension benefits, including but not limited to the **Plan**;
8. All **documents** provided or made available to any present or former employees of **Charter Care** concerning pension benefits, including but not limited to the **Plan**;

The Bishop incorporates his objections to Request #5 in response to these requests. For the same reasons as before, these objections should be overruled here.

**G. Requests #9 and #10**

Requests #9 and #10 seek:

9. All **documents** concerning **SJHSRI** and the Catholic Directory for the period from January 1, 2005 through the present, including but not limited to documents concerning the inclusion, exclusion, status, or classification of **SJHSRI** in the Catholic Directory and any change of such status or classification;

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The Bishop has sought to distance himself from the Plan, at least from 2009 or at the latest by 2014. See Exhibit 2, supra at 1 n.2. Notably, the above-quoted references show a connection, as of January 30, 2017, between the Plan and the Diocese's Lay Employees' Plan and "any other Participating Diocesan Employer".

10. All **documents** concerning press releases issued by or on behalf of the **Diocese**, the **Bishop of Providence**, or **SJHSRI** concerning the following:
  - a. The **Plan** or the **Trust Funds**;
  - b. The affiliation of the **Hospitals** and/or **SJHSRI** with **Charter Care** or any related entity; or
  - c. The affiliation of the **Hospitals**, **SJHSRI**, or **Charter Care**, with **Prospect**;

The Bishop does not object to these requests, beyond the baseless general or definitional objections discussed above. Production of these documents should be compelled.

#### **H. Request #11**

Request #11 seeks: “All **documents** concerning the official role of the **Bishop of Providence**, the **Diocese**, or the Roman Catholic Church in the governance of **SJHSRI**.”

The Bishop objects “to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope as the term ‘official role’ is undefined.” This hypothetical “*to the extent that*” objection should be overruled, for the reasons discussed above.

The Bishop also objects to producing documents other than those “concerning the corporate capacity and functions ascribed to the Bishop in corporate documents related to SJHSRI.” As discussed above, the Bishop is required to produce all responsive documents within his possession or control, regardless of the function which led to the Bishop’s possessing or controlling those documents. Moreover, the Receiver is entitled to seek documents relating to the Bishop’s role in the governance of SJHSRI regardless of whether those documents are themselves “corporate documents related

to SJHSRI.” For example, if other church directives or documents bear on the Bishop’s governance role in SJHSRI, the Receiver is entitled to obtain those documents too. By way of one example, Prospect and CharterCare informed state regulators in 2014 that, on September 27, 2013, the Bishop “sent correspondence to Most Reverend Celso Morga Iruzubieta, Secretary, Congregation for the Clergy in Vatican City, indicating that he has no objection to the alienation and requesting canonical permission for the proposed alienation of substantially all of the assets of Saint Joseph Health Services of Rhode Island including Our Lady of Fatima Hospital to Prospect CharterCARE.”<sup>14</sup> Because the Bishop has not produced this document, the Receiver does not know whether it falls within the narrow category of corporate documents the Bishop has indicated he will produce. Accordingly the Bishop’s objections should be overruled.

**I. Request #12**

Request #12 seeks: “All **documents** concerning any assistance, including but not limited to financial assistance, provided by the **Bishop of Providence**, the **Diocese**, or the Roman Catholic Church to **SJHSRI**.”

The Bishop objects “to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope.” This hypothetical “*to the extent that*” objection should be overruled for the reasons discussed above.

**J. Request #13**

Request #13 seeks: “All **documents** concerning any denominational requirement for any employee of **SJHSRI** or any patient of the **Hospitals**.”

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<sup>14</sup> See Exhibit 10 at 11-12.

The Bishop does not object to Request #10, beyond the baseless general or definitional objections discussed above. Production of these documents should be compelled.

**K. Request #14**

Request #14 seeks: “All **documents** concerning the status of the **Plan** as a church plan, including but not limited to communications to or from the Internal Revenue Service or the United States Department of Labor concerning the status of the **Plan** as a church plan.”

The Bishop objects to this request “to the extent that the request is vague, overbroad, unduly burdensome, irrelevant and unlimited in time and scope.” This hypothetical “*to the extent that*” objection should be overruled as discussed above.

The Bishop also objects that the phrase “church plan” is undefined and announces that he will apply the definition provided in 29 U.S.C. § 1002(33)(A). This objection is not well taken. The definition provided in 29 U.S.C. § 1002(33)(A) is not even the only definition of a church plan provided in 29 U.S.C. § 1002, much less under all potentially applicable laws. Indeed, the Plan itself states that it is intended to be a “church plan within the meaning of Section 414(e) of the [Internal Revenue Service] Code and Section 3(33) of the Employment Retirement Income Security Act of 1974, as amended.”<sup>15</sup> In addition, the Bishop from time to time has generated documents or communications speaking to the Plan’s status as a quote-unquote “church plan” regardless of whether that phrase was being used in any particular legal or technical sense. Accordingly, this objection too should be overruled.

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<sup>15</sup> See Exhibit A to the Receivership Petition at 1.



**L. Request #15**

Request #15 seeks: “All **documents** that list the entities associated with the **Bishop of Providence** and/or the **Diocese**, including but not limited to any such lists that include **SJHSRI, Charter Care**, and/or the **Hospitals**.”

The Bishop objects to this request “to the extent that the request is vague, overbroad, unduly burdensome, irrelevant and unlimited in time and scope.” This hypothetical “*to the extent that*” objection should be overruled as discussed above.

The Bishop also objects that “[t]he term ‘associated’ is undefined and would include many ‘lists’ wholly unrelated to any factual or legal issue involved here.” As discussed above, however, the Plan’s status as a “church plan” depends in large part upon the association of these entities with the Bishop and the Diocese. In any event, the Bishop’s objection that “it would be an impossible task to locate any and all such ‘lists’” does not excuse him from making any attempts to locate any responsive documents whatsoever. The Bishop has a duty to make reasonably diligent efforts to locate documents. Accordingly this objection should be overruled.

**M. Request #16**

Request #16 seeks: “All **documents** concerning any loans or other transfers of funds to or from **SJHSRI** and any entity associated with the **Bishop of Providence** or the **Diocese**, including but not limited to the Inter-Parish Loan Fund, Inc.”

The Bishop objects to this request “to the extent that the request is vague, overbroad, unduly burdensome, irrelevant and unlimited in time and scope.” This hypothetical objection should be overruled as discussed above.

The Bishop also objects that “the term ‘associated’ is undefined” and states that he will produce documents “that concern any loans or other transfer of funds to or from

SJHSRI, regardless of the source of those funds.” The Respondent is happy to accept such documents, but asks that the Court direct the Bishop to segregate the documents relating to loans or transfers of funds from entities associated with the Bishop or the Diocese, so as not to bury the requested documents in a mass of other documents.

**N. Request #17**

Request #17 seeks: “All documents concerning the **Plan** or the **Trust Funds** not otherwise identified above.”

The Bishop objects “to the extent that the request is nothing more than a waste-basket catch-all thrown in at the end of a long list of overbroad requests, fails to describe any category of documents with reasonable particularity and to the extent it is vague, overbroad, unduly burdensome and unlimited in time and scope.”

These hypothetical “*to the extent that*” objections should be overruled for the reasons discussed above. In addition, Respondent rejects the Bishop’s characterization of this request, which properly requests the remaining universe of documents “concerning the Plan or the Trust Funds”. That request is hardly unlimited in time and scope, where the Plan and the Trust Funds have been in existence for a finite timespan. The Bishop’s objections to producing *any* documents concerning the Plan or the Trust Funds should be overruled.

**CONCLUSION**

For all of the foregoing reasons, the Respondent’s motion to compel discovery from the Roman Catholic Bishop of Providence should be granted.

Respondent,  
The Receivership Estate  
By its Attorneys,

/s/ Max Wistow

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Dated: November 21, 2017

**CERTIFICATE OF SERVICE**

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/s/ Max Wistow \_\_\_\_\_

# Exhibit 1

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# An Interview with Bishop Thomas J. Tobin on the St. Joseph Health Services pension plan receivership

Posted: Wednesday, September 13, 2017 12:00 am

Rhode Island Catholic Executive Editor Rick Snizek sat down Monday, Sept. 11 with Bishop Thomas J. Tobin to discuss the situation regarding the troubled St. Joseph Health Services of Rhode Island Inc. pension plan.

**RS: What is your message for those who have been affected by St. Joseph Health Services of Rhode Island's decision to place its pension fund into receivership?**

BT: We are deeply concerned for the participants in the pension fund of St. Joseph Health Services who were very dedicated and faithful employees of St. Joseph's for many years. We certainly hope and are praying truly that his comes to a very positive solution for them, as positive as will be possible. We feel very badly about the situation and hope and pray that it is resolved as well as possible in the end.

**RS: What changed with respect to the diocese's involvement in the SJHSRI Pension Plan following the 2009 merger with CharterCARE and again at the 2014 sale to Prospect Medical Holdings?**

BT: It's important for people to understand that since CharterCARE was formed and even more clearly in 2014 when all of this was purchased by Prospect, the diocese has not been involved in the management of those hospitals.

In fact, St. Joseph's Health Services, in effect ceased to exist and has not been involved in the operation of those hospitals either. We, for six or seven years now, have been no more involved in the oversight of pension funds than we have been in the renovation of a lobby. So it's a little bit frustrating, I think, and unfair for people to be asking what has the diocese been doing during this time. If you go into the lobby at Fatima Hospital, my picture is no longer there and neither is the pope's. Until six years ago those pictures were there because we were more directly involved. But those pictures were taken out because from a managerial point of view, and an administrative point of view, the bishop in the diocese hasn't been involved in that. It has become more secular and that's just a tangible expression of that. The pictures are gone. The only role that we have maintained — and that's by contract — is to ensure the Catholic identity and mission from a spiritual point of view at Our Lady of Fatima Hospital. Even though we sold the management and administration of that to CharterCARE and then to Prospect, our role solely was spiritual and pastoral to be sure that there was nothing there that was happening contrary to the Catholic faith in terms of religious and ethical directives and so forth.

**RS: For a major transaction that was so thoroughly scrutinized, including at the state level by the Attorney General's Office and the Department of Health, how could the pension plan have been left orphaned, without an owner following the merger and subsequent sale?**

BT: When CharterCARE was formed, but more so when CharterCARE was purchased by Prospect, that was carefully reviewed and approved by everybody who was involved in the process, certainly by the state regulators, by the Attorney General's Office, by the corporate boards who were involved at that point, even by the nurses' union. The nurse's union publicly supported this transaction. There are a lot of different parties pointing fingers now, but a lot of different parties were involved in this discussion and review and approval process. So I think the important thing for us not to form a circular firing squad here and start shooting at each other. The important thing now is to try to figure out what happened and also to see if anything can be done to rescue the pension fund, even to some degree.

**RS: Was it ever impressed upon you during the transaction process the fact that this pension plan was going to be orphaned?**

BT: I don't remember during my time on the board of St. Joseph Health Services, or since then, when these transactions took place — beginning six or seven years ago, and then three years ago — I don't remember one serious conversation about the status of the pension fund. And certainly since the transaction took place with CharterCARE, I haven't received one inquiry or piece of information about this since this all took place, which is a bit frustrating, because now, everyone is placing blame.

**RS: Who in your view has a "moral obligation" to help the pensioners?**

BT: I think our moral obligation was fulfilled by the transactions — the establishment of CharterCARE and the sale to Prospect. I think the St. Joseph's Health Board recognized a good number of years ago that this community hospital, as many community hospitals have realized, could no longer exist by itself. It was precisely because we couldn't support this any longer as a freestanding hospital that we entered into these negotiations — for the purpose of saving it. Also, for the purpose of maintaining the administration, and the survival of the hospitals, including the pension funds. So I think when these transactions took place, everything I've read shows that the pension fund was funded at 92 percent, which is very good. Now I think if there's any lacuna, that in effect through this process, the fund was orphaned. We were no longer involved, but the new owners didn't assume ownership. The only entity that can improve the condition of the pension funds now is Prospect Medical Holdings. They're a billion dollar for-profit corporation. I know when they've purchased other hospitals they've infused a lot of money into those pension funds to shore them up. And even though they abided by the original contract, I would hope they would look at that again and understand that a lot of these people we're talking

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Filed in Providence/Bristol County Superior Court

Submitted: 11/21/2017 5:06:26 PM

Envelope: 1299068

Reviewer: Alexa G.

about now continue to be their employees and see if they can use some of their profits to improve the condition of the pension fund. I think they are the only ones who can do it now. When we speak about moral responsibility some of it has to land there.

PRINT

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# Exhibit 2





**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**SUPERIOR COURT**  
**SUBPOENA - CIVIL**

<b>Plaintiff/Petitioner</b> St. Joseph Health Services of Rhode Island, Inc.	<b>Civil Action File Number</b> PC-2017-3856
<b>Defendant/Respondent</b> St. Josephs Health Services of Rhode Island Retirement Plan, as amended	

<input type="checkbox"/> Murray Judicial Complex Newport County 45 Washington Square Newport, Rhode Island 02840-2913 *(401) 841-8330	<input type="checkbox"/> Noel Judicial Complex Kent County 222 Quaker Lane Warwick, Rhode Island 02886-0107 *(401) 822-6900
<input type="checkbox"/> McGrath Judicial Complex Washington County 4800 Tower Hill Road Wakefield, Rhode Island 02879-2239 *(401) 782-4121	<input checked="" type="checkbox"/> Licht Judicial Complex Providence/Bristol County 250 Benefit Street Providence, Rhode Island 02903-2719 *(401) 222-3230

**TO:** Roman Catholic Bishop of Providence, c/o Eugene G. Bernardo, II, Esq., Registered Agent  
 of 40 Westminster Street, Suite 1100, Providence, Rhode Island 02903.

**YOU ARE HEREBY COMMANDED** to appear in the Superior Court listed above at the date, time, and courtroom specified below to testify in the above-entitled case and bring with you:

\_\_\_\_\_

\_\_\_\_\_

<b>Courtroom</b>	<b>Date</b>	<b>Time</b>

If you need language assistance, please contact the Office of Court Interpreters at (401) 222-8710 or by email at [interpreterfeedback@courts.ri.gov](mailto:interpreterfeedback@courts.ri.gov) before your court appearance.

\* If an accommodation for a disability is necessary, please contact the Superior Court Clerk's Office at the telephone number listed above as soon as possible. TTY users can contact the Superior Court through Rhode Island Relay at 7-1-1 or 1-800-745-5555 (TTY) to voice number.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**SUPERIOR COURT**

**YOU ARE HEREBY COMMANDED** to appear at the location, date, and time specified below to testify at the taking of a deposition in the above-entitled case.

Location of Deposition	Date	Time

**YOU ARE HEREBY COMMANDED** to produce and permit inspection and copying of the following documents or objects at location, date, and time specified below (list documents or objects):

See attached Exhibit A

Location	Date	Time
61 Weybosset Street, Providence, RI	November 15, 2017	10:00 a.m.

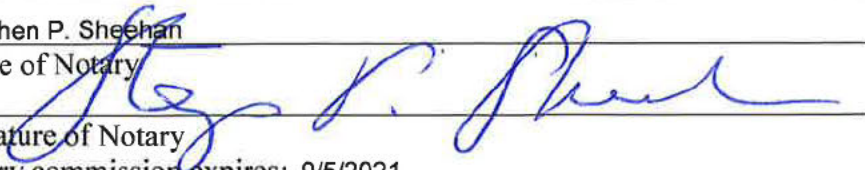
Any organization not a party to this suit that is subpoenaed for the taking of a deposition shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf and may set forth, for each person designated, the matters on which the person will testify. (Rule 30(b)(6) of the Superior Court Rule of Civil Procedure).

/s/ <u>Stephen P. Sheehan</u> Attorney for the <input type="checkbox"/> Plaintiff/Petitioner <input type="checkbox"/> Defendant/Respondent or <input type="checkbox"/> Plaintiff/Petitioner <input type="checkbox"/> Defendant/Respondent	Rhode Island Bar Number: 4030
	Date: 11/1/2017
Telephone Number: _____	

Issued by <input type="checkbox"/> Clerk, <input checked="" type="checkbox"/> Notary, or <input type="checkbox"/> Issuing Official pursuant to G.L. 1956 § 9-17-3	Date: _____
---	-------------

/s/ \_\_\_\_\_  
 Clerk

Stephen P. Sheehan  
 Name of Notary

  
 Signature of Notary

Notary commission expires: 9/5/2021

Notary identification number: 54616

\_\_\_\_\_  
 Name of Issuing Official

\_\_\_\_\_  
 Signature of Issuing Official

STATE OF RHODE ISLAND AND



PROVIDENCE PLANTATIONS

## SUPERIOR COURT

**The following information is being provided pursuant to Rule 45(c), (d), and (e) of the Superior Court Rules of Civil Procedure.**

### (c) Protection of Persons Subject to Subpoenas.

- (1) A party or an attorney responsible for the issuance and service of a subpoena shall take reasonable steps to avoid imposing undue burden or expense on a person subject to that subpoena. The court on behalf of which the subpoena was issued shall enforce this duty and impose upon the party or attorney in breach of this duty an appropriate sanction, which may include, but is not limited to, lost earnings and a reasonable attorney's fee.
- (2) (A) A person commanded to produce and permit inspection and copying of designated books, papers, documents, or tangible things or inspection of premises need not appear in person at the place of production or inspection unless commanded to appear for deposition, hearing, or trial.  
  
(B) Subject to paragraph (d)(2) of this rule, a person commanded to produce and permit inspection and copying may, within fourteen (14) days after service of the subpoena or before the time specified for compliance if such time is less than fourteen (14) days after service, serve upon the self-represented litigant or attorney designated in the subpoena written objection to inspection or copying of any or all of the designated materials or of the premises. If objection is made, the party serving the subpoena shall not be entitled to inspect and copy the materials or inspect the premises except pursuant to an order of the court by which the subpoena was issued. If objection has been made, the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production. Such an order to compel production shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection and copying commanded.
- (3) (A) On timely motion, the court by which a subpoena was issued shall quash or modify the subpoena if it:
  - (i) Fails to allow reasonable time for compliance;
  - (ii) Requires disclosure of privileged or other protected matter and no exception or waiver applies; or
  - (iii) Subjects a person to undue burden.  
(B) If a subpoena
  - (i) requires disclosure of a trade secret or other confidential research, development, or commercial information, or
  - (ii) requires disclosure of an unretained expert's opinion or information not describing specific events or occurrences in dispute and resulting from the expert's study made not at the request of any party,

the court may, to protect a person subject to or affected by the subpoena, quash or modify the subpoena or, if the party in whose behalf the subpoena is issued shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship and assures that the person to whom the subpoena is addressed will be reasonably compensated, the court may order appearance or production only upon specified conditions.

### (d) Duties in Responding to Subpoena.

- (1) A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand.
  - (2) When information subject to a subpoena is withheld on a claim that it is privileged or subject to protection as trial preparation materials, the claim shall be made expressly and shall be supported by a description of the nature of the documents, communications, or things not produced that is sufficient to enable the demanding party to contest the claim.
- (e) **Contempt.** Failure by any person without adequate excuse to obey a subpoena served upon that person may be deemed a contempt of the court in which the action is pending.

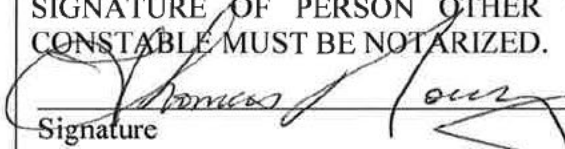
STATE OF RHODE ISLAND AND



PROVIDENCE PLANTATIONS

**SUPERIOR COURT**

<b>Plaintiff/Petitioner</b>	<b>Civil Action File Number</b>
<b>Defendant/Petitioner</b>	

<b>PROOF OF SERVICE</b>	
<input checked="" type="checkbox"/> I hereby certify that on the date below I served a copy of this Subpoena on <u>Roman Catholic Bishop of Providence</u> personally. <u>Atty Eugene Bernardo III Esq.</u>	
<input type="checkbox"/> I hereby certify that I was unable to make service after the following reasonable attempts: _____	
SERVICE DATE: <u>11 / 2 / 17</u> Month Day Year	SERVICE FEE \$ <u>45.00</u> <u>\$ 11.00 #3850</u>
Signature of SHERIFF or DEPUTY SHERIFF or CONSTABLE	
SIGNATURE OF PERSON OTHER THAN A SHERIFF or DEPUTY SHERIFF or CONSTABLE MUST BE NOTARIZED.	
 Signature	Thomas Noury P.O. Box 114026 North Providence, RI 02914
State of <u>RI</u>	
County of <u>Providence</u>	
On this <u>2</u> day of <u>Nov.</u> , 20 <u>17</u> , before me, the undersigned notary public, personally appeared <u>Thomas Noury</u>	
<input type="checkbox"/> personally known to the notary or <input type="checkbox"/> proved to the notary through satisfactory evidence of identification, which was _____, to be the person who signed above in my presence, and who swore or affirmed to the notary that the contents of the document are truthful to the best of his or her knowledge.	
Notary Public: <u>Dora Noury-Keating</u>	
My commission expires: _____	
Notary identification number: <u>Dora Noury-Keating</u>	
<i>Notary Public</i>	

*My Commission Exp. 5-27-21*

## EXHIBIT A

### Instructions

- (1) A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand.
- (2) When information subject to a subpoena is withheld on a claim that it is privileged or subject to protection as trial preparation materials, the claim shall be made expressly and shall be supported by a description of the nature of the documents, communications, or things not produced that is sufficient to enable the demanding party to contest the claim.

### Definitions

- a. The word "**documents**" as used herein is meant in the broad and liberal sense and includes hand-written, typed, recorded, electronically stored, or graphic material of any kind and description, and whether a draft, copy, original, or master, including, but not limited to, e-mails, electronic versions of documents, accounts, advertisements, letters, memoranda, prospectuses, resolutions, legislation, notes of conversations, contracts, agreements, drawings, tape recordings, internal policies or procedures, inter-office and intra-office memoranda, studies, working papers, corporate records, minutes of meetings, checks, diaries, diary entries, appointment books, desk calendars, photographs, transcriptions or sound recordings or any type, and documents stored on data storage modules, databases, servers, computers, tapes, discs or other memory devices, or other information retrievable from storage systems. If any document has been prepared in multiple copies which are not identical, each modified copy or non-identical copy is a separate "document." The word "document" also includes data compilations from which information can be obtained and translated, if necessary, by the requesting party in a reasonably usable form.
- b. The word "**concerning**" means anything connected, associated, related to, evidencing, or in any manner whatsoever having to do with the substance or subject matter of the information or document requested herein.
- c. The term "**any**" and the term "**all**" are intended to mean "**any and all**."
- d. Any word in the singular also includes the plural and vice versa.
- e. The term "**Hospitals**" refers to Our Lady of Fatima Hospital and/or St. Joseph Hospital;
- f. The term "**Plan**" refers to the St. Joseph Health Services of Rhode Island Retirement Plan and any of its versions or amendments.

- g. The term "**SJHSRI**" refers to St. Joseph Health Services of Rhode Island and each of its predecessors or successors.
- h. The term "**Charter Care**" includes Charter Care Health Partners and Charter Care Community Board and any related entities;
- i. The term "**Bishop of Providence**" includes the Roman Catholic Bishop of Providence, a corporation sole; Bishop Tobin; and any individual designees of the Roman Catholic Bishop of Providence or Bishop Tobin;
- j. The term "**Diocese**" includes the Diocese of Providence and any other diocese or archdiocese or component of the Catholic Church having any connection of any nature with the **Plan**, and each of their bishops, clergy, officers, executives, employees, agents, and designees. The term "**Diocese**" also includes any corporation or entity controlled in whole or in part by the **Bishop of Providence** or **Diocese** having any connection of any nature with the **Plan**, including the Inter-Parish Loan Fund, Inc.
- k. The term "**Prospect**" includes Prospect Medical Holdings, Inc. or any related entity, including subsidiaries and subsidiaries of subsidiaries;
- l. The term "**Trust Funds**" means such sums of money or other property paid or delivered to the Bank of America (as defined above) pursuant to the Plan (as defined above), and all property acquired using such sums of money or the proceeds from the sale or exchange of such other property, together with all earnings, profits, increments, dividends, and accruals thereon, and all amounts charged, withdrawn, or deducted by way of fees or compensation to Bank of America in relation to the Plan.

#### Documents Requested

- 1. All **documents** concerning the functions, duties, or responsibilities of the **Diocese**, the **Bishop of Providence**, or any individual appointed by the **Diocese** or the **Bishop of Providence**, concerning the **Plan** or the **Trust Funds**;
- 2. All **documents** concerning the actions or role of the **Bishop of Providence** as a Class B member of **SJHSRI**;
- 3. All **documents** concerning the actions or role of the **Bishop of Providence** as a member of the Board of Trustees of **SJHSRI**;
- 4. All **documents** concerning the sponsorship of **SJHSRI** by the Roman Catholic Church;
- 5. All **documents** concerning any communications to or from any present or former employees of **SJHSRI** concerning pension benefits, including but not limited to the **Plan**;

6. All **documents** concerning any communications to or from any present or former employees of **Charter Care** concerning pension benefits, including but not limited to the **Plan**;
7. All **documents** provided or made available to any present or former employees of **SJHSRI** concerning pension benefits, including but not limited to the **Plan**;
8. All **documents** provided or made available to any present or former employees of **Charter Care** concerning pension benefits, including but not limited to the **Plan**;
9. All **documents** concerning **SJHSRI** and the Catholic Directory for the period from January 1, 2005 through the present, including but not limited to documents concerning the inclusion, exclusion, status, or classification of **SJHSRI** in the Catholic Directory and any change of such status or classification;
10. All **documents** concerning press releases issued by or on behalf of the **Diocese**, the **Bishop of Providence**, or **SJHSRI** concerning the following:
  - a. The **Plan** or the **Trust Funds**;
  - b. The affiliation of the **Hospitals** and/or **SJHSRI** with **Charter Care** or any related entity; or
  - c. The affiliation of the **Hospitals**, **SJHSRI**, or **Charter Care**, with **Prospect**;
11. All **documents** concerning the official role of the **Bishop of Providence**, the **Diocese**, or the Roman Catholic Church in the governance of **SJHSRI**;
12. All **documents** concerning any assistance, including but not limited to financial assistance, provided by the **Bishop of Providence**, the **Diocese**, or the Roman Catholic Church to **SJHSRI**;
13. All **documents** concerning any denominational requirement for any employee of **SJHSRI** or any patient of the **Hospitals**;
14. All **documents** concerning the status of the **Plan** as a church plan, including but not limited to communications to or from the Internal Revenue Service or the United States Department of Labor concerning the status of the **Plan** as a church plan;
15. All **documents** that list the entities associated with the **Bishop of Providence** and/or the **Diocese**, including but not limited to any such lists that include **SJHSRI**, **Charter Care**, and/or the **Hospitals**;
16. All documents concerning any loans or other transfers of funds to or from **SJHSRI** and any entity associated with the **Bishop of Providence** or the **Diocese**, including but not limited to the Inter-Parish Loan Fund, Inc.; and

17. All **documents** concerning the **Plan** or the **Trust Funds** not otherwise identified above.



# Exhibit 3

PARTRIDGE SNOW & HAHN LLP

Howard A. Merten  
(401) 861-8277  
hm@psh.com

November 15, 2017

Stephen P. Sheehan, Esq.  
Wistow, Sheehan & Loveley, PC  
61 Weybosset Street  
Providence, RI 02903

Re: St. Joseph's Health Services of Rhode Island Receivership

Dear Stephen:

I am writing with regard to the subpoena issued in the St. Joseph's Health Services of Rhode Island Receivership served upon Eugene G. Bernardo, II, Esq. registered agent for the Roman Catholic Bishop of Providence, a corporation sole, on the afternoon of November 2, 2017. That subpoena seeks seventeen broad categories of documents. It contained a number of vague and overbroad definitions that multiply and complicate the issues raised by the individual subpoena requests. I called to tell you that we wanted to work with the Receiver to reach agreements as to the scope of the requested documents and provide responsive records. I asked that we agree to a date for us to discuss the scope of the subpoena and attempt to identify the information that you really want and need. In my experience, such discussions tend to focus the parties' efforts in responding to such requests and, if applicable, limit and define any remaining disputes so that they can be resolved expeditiously and with minimal court intervention. Your email response stated that you could not agree to any delays and demanded "a substantial production on schedule."

In light of your response, we feel compelled at this point to respond in writing pursuant to Super. R. Civ. P. 45(c)(2)(B) with the following objections to the subpoena issued by your firm. Please understand that we are working to produce relevant documents and we will continue to work to gather the records as best we can, given our understanding of the requests being made and the objections made here. We also stand ready to discuss, and try to reach agreements as to, the issues raised in this letter, as suggested in my original call to you. Many of the objections below are, I would suggest, the result of attempts to be all-encompassing in various requests, but with the effect of requesting records that you do not really want or need at the end of the day. However, given your email and the return date on your subpoena, we need to state the following objections for the record.

Objection to the timeframe provided in the subpoena for the production of records. The subpoena demanded production of responsive documents by November 15 – a mere thirteen days after the subpoena was served. Super. R. Civ. P. 34 provides that an actual

Stephen P. Sheehan, Esq.  
November 15, 2017  
Page 2

PARTRIDGE SNOW & HAHN LLP

party to a lawsuit is allowed forty (40) days to respond to a request for production – three times the length of time set forth in your subpoena, served on a non-party. That timeframe is unreasonable as a general matter, but is particularly burdensome given the scope of the subpoena and the unlimited nature of some of these requests. We have already begun the process of searching for responsive records and will produce documents in a reasonable timeframe, but such production will not be occurring within thirteen days and the request that such occur was and is unreasonable.

Objection to the definition of “concerning” as the definition of this term supplied in the subpoena is all-encompassing and renders many of the 17 individual requests overbroad and vague.

Objection to definition of “Bishop of Providence.” The subpoena was served upon the registered agent for the Roman Catholic Bishop of Providence, a corporation sole distinct legal entity. The definition of “Bishop of Providence” in the subpoena appears to go beyond requesting records from the corporation sole. We note the distinction in order to preserve that distinction for the record, but do not intend to contest the adequacy of service on Bishop Thomas Tobin. Rather, we will move forward with providing the Receiver with the records we understand to be sought by the subpoena, subject to the objections contained in this letter. We raise a separate objection for this definition to the extent that it includes the undefined phrase, “and any individual designee.” That phrase renders many of the 17 individual requests overbroad and vague. That phrase will be interpreted to mean “designee” as specifically referenced in any corporate documents relevant hereto.

Objection to the definition of the term “Diocese” to the extent it is an attempt to define the ecclesiastical term, “Diocese,” as such definition is incorrect, and to the extent that it purports to describe a legal entity that does not exist. To the extent the definition is proffered as an attempt to define the alleged reach of the care, custody and control retained or exercised by either the Roman Catholic Bishop of Providence, a corporation sole, or of Bishop Thomas Tobin, with respect to documents sought by the subpoena, it is legally inaccurate and overbroad. To the extent that the subpoena purports to seek documents from “any other Diocese or component of the Catholic Church” the request is overbroad unless such documents happen to be in the care, custody and control of the Roman Catholic Bishop of Providence, a corporation sole or of Bishop Thomas Tobin. We are not aware of any such records, but our search is continuing. Finally, we object to the implicit legal conclusion in this definition that the Inter-Parish Loan Fund, Inc. is controlled in whole or in part by the Roman Catholic Bishop of Providence, a corporation sole, or by Bishop Thomas Tobin. Without waiving this objection, to the extent that the Roman Catholic Bishop of Providence, a corporation sole, or Bishop Tobin, or his designee (as defined above) has reasonably accessible, responsive, non-privileged documents related to the Inter-Parish Loan Fund, Inc., those documents will be produced.

Objection to Subpoena Request 3 as overbroad to the extent it seeks documents “concerning” any actions or role of the “Bishop of Providence” as a member of the SJHSRI Board of Trustees, without any limitation of subject matter or time, particularly as “SJHSRI” as

Stephen P. Sheehan, Esq.  
November 15, 2017  
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PARTRIDGE SNOW & HAHN LLP

defined in the subpoena dates back to 1892. To the extent that we locate reasonably accessible, responsive, non-privileged documents related to the "Plan," those documents will be produced.

Objection to Subpoena Request 4 to the extent the term "sponsorship" is vague, undefined, and therefore overbroad. We will respond to the subpoena by producing any reasonably accessible, responsive, non-privileged documents that relate to the "sponsorship" of SJHSRI as those terms are used and defined in the operative documents surrounding the Charter Care and Prospect transactions or the post-transaction governing documents of SJHSRI.

Objection to Subpoena Request 5 to the extent it seeks documents concerning communications "concerning" pension benefits unrelated to the Plan at issue here. This request is overbroad and unduly burdensome because, read literally, it calls for any communication with any employee of SJHSRI, regardless of the date and regardless of the content of the communication. Several separate pension plans, both defined benefit and defined contribution, are maintained for priests, for lay employees, and for union employees that work for entities wholly unrelated to SJHSRI. Additionally, as drafted, the request seeks documents likely to contain sensitive, confidential, or otherwise protected information regarding individuals. The need to identify and redact such information from these documents represents an onerous, time-consuming, and expensive burden. We will produce any reasonably accessible, responsive, non-privileged documents responsive to this request that are related to the Plan as defined in the subpoena.

Objection to Subpoena Request 6. See Objection to Request 5, incorporated herein.

Objection to Subpoena Request 7. See Objection to Request 5, incorporated herein.

Objection to Subpoena Request 8. See Objection to Request 5, incorporated herein.

Objection to Subpoena Request 11 to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope as the term "official role" is undefined. We will respond to this request by producing any reasonably accessible, responsive, non-privileged documents concerning the corporate capacity and functions ascribed to the Bishop in corporate documents related to SJHSRI.

Objection to Subpoena Request 12 to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope. The term "assistance" is undefined and would encompass forms of tangible and intangible aid or support, including emotional and spiritual aid and encouragement. We will respond to this request by producing any reasonably accessible, responsive, non-privileged documents concerning financial aid or support to SJHSRI.

Stephen P. Sheehan, Esq.  
November 15, 2017  
Page 4

PARTRIDGE SNOW & HAHN LLP

Objection to Subpoena Request 14 to the extent that the request is vague, overbroad, unduly burdensome, irrelevant and unlimited in time and scope. The term “church plan” is undefined. We will respond to this request by producing any reasonably accessible, responsive, non-privileged documents concerning the status of the Plan as a “church plan,” as defined in 29 U.S.C. § 1002(33)(A).

Objection to Subpoena Request 15 to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope. The term “associated” is undefined and would include many “lists” wholly unrelated to any factual or legal issue involved here. For example, an old newspaper article reporting that Bishop McVinney spoke at the same event as other speakers could be a list of entities “associated with the Bishop of Providence.” Without a more precise definition, it would be an impossible task to locate any and all such “lists.”

Objection to Subpoena Request 16 to the extent that the request is vague, overbroad, unduly burdensome and unlimited in time and scope as the term “associated” is undefined. We will respond to this request by producing any reasonably accessible, responsive, non-privileged documents in its care, custody and control that concern any loans or other transfer of funds to or from SJHSRI, regardless of the source of those funds.

Objection to Subpoena Request 17 to the extent that the request is nothing more than a waste-basket catch-all thrown in at the end of a long list of overbroad requests, fails to describe any category of documents with reasonable particularity and to the extent it is vague, overbroad, unduly burdensome and unlimited in time and scope.

We are moving forward with efforts to identify and produce documents responsive to the subpoena as best as we can understand them and pursuant to the objections and clarifications outlined above. We expect to be in a position to produce records by December 4, which would be thirty-two (32) days from receipt of the subpoena, well short of the forty days referenced in Rule 34 for parties to respond to requests for production.

Sincerely,



Howard A. Merten

HM:tmp

3195994.1/1444-35

# Exhibit 4

# PARTRIDGE SNOW & HAHN LLP

Eugene G. Bernardo II  
(401) 861-8211  
egb@psh.com

August 23, 2017

Chris Callaci, Esq.  
General Counsel  
United Nurse & Allied Professionals  
375 Branch Avenue  
Providence, RI 02904

Dear Mr. Callaci:

This office represents the Roman Catholic Bishop of Providence, a corporation sole, and other charitable, educational and religious corporations organized and existing to conduct the temporal affairs of the Roman Catholic Church within the Diocese of Providence (herein, the "Church"). Recently, in various media reports surrounding a receivership petition filed in connection with St. Joseph's Health Services of Rhode Island, you have offered some statements regarding the Church which could reasonably be interpreted as inflammatory and inaccurate, and therefore warrant this correspondence and clarification.

First, St. Joseph's Health Services of Rhode Island ("SJHSRI") is not a diocesan entity, and SJHSRI does not operate or manage Our Lady of Fatima Hospital. Since St. Joseph's opened its doors in 1892 to the poor and suffering, it has undergone varied changes in governance and mission. Changes over the past decade, including an affiliation with Roger Williams Medical Center, the formation of CharterCARE Heath Partners, and, ultimately, the acquisition of CharterCARE Heath Partners by Prospect Medical Holdings, accelerated declining Church involvement at the hospital. I suspect this comes as no surprise since you participated in and advocated for your members in the public and governmentally-sanctioned transactions which effectuated these changes. In fact, the enclosed newsletter evidences your consent to the most recent hospital conversion which included a \$14 million infusion into the pension plan. Your support for the affiliation and conversion transactions is also cited in the respective Department of Health decisions.

Second, it is both inaccurate and inflammatory to suggest that the SJHSRI pension fund was "bled dry" and that the Church played a role in that. As indicated, SJHSRI is not a diocesan entity, and the Church does not operate, manage, or administer the SJHSRI pension fund. In addition, the fact that there is a gap in funding does not mean that anyone "bled dry" the SJHSRI pension fund. Actuarial valuation of pension assets can fluctuate widely depending on the assumptions used (re: investment earnings, mortality, and interest rates) and whether the valuation is done on an ongoing or termination basis. In contrast, your words imply that someone took money from the SJHSRI pension fund, used it for other purposes, and left it insolvent. We can

Chris Callaci, Esq.

August 23, 2017

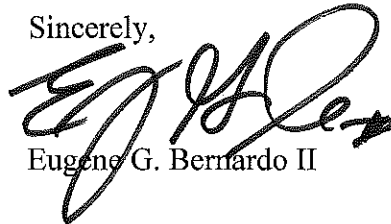
Page 2

PARTRIDGE SNOW & SHAHN LLP

unequivocally say that the Church did not do any such thing, indeed did not have the power or authority to do any such thing, and that we have no knowledge that anyone else did any such thing. It is rash and unjust to characterize the current situation as you have done.

We understand your well-placed concern for your membership. Diocesan hearts go out to those affected by the receivership, and there is a sincere hope that the receiver will be able to provide a significant portion of the hard-earned benefits of all participants. The Church also shares many of the questions you pose. At the time of the sale, the Church was under the impression that the \$14 million enhancement strengthened the plan's vitality. However, while we share some common concerns and queries, it's unproductive and unfair for you to knowingly assert blame and peer motive to a party who did not have ownership, management or oversight responsibilities for the plan. This only causes unnecessary confusion and animosity. Therefore, I'd urge you to refrain from continued misguided broadsides at the Church. Over many years, as the Church relinquished its standing to hospital professionals in an ever-changing and complex healthcare environment, concern for patients and those who serve them has been at the forefront. We hope that the receiver comes to a just and fair resolution of this troubling situation as quickly as possible.

Sincerely,



Eugene G. Bernardo II

EGB:nah  
Enclosures

3123706.1/1444-1



# Exhibit 5



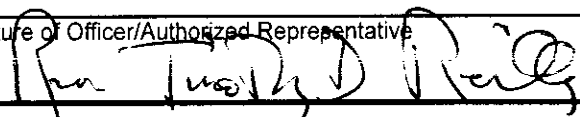
State of Rhode Island and Providence Plantations  
**Department of State - Business Services Division**

RECEIVED  
 R.I. DEPT. OF STATE  
 BUS. SVCS. DIV.  
 2017 JUL 28 PM 1:54

**Annual Report for the year: 2017**

**Non-Profit Corporation**

- Filing period: June 1 - June 30
- Filing Fee: \$20.00
- Penalty: Additional \$25.00 fee if form is not filed by July 30.

1. Entity ID Number <b>75274</b>		2. Exact name of the Corporation <b>Inter-Parish Loan Fund, Inc.</b>			
3. State of Incorporation <b>Rhode Island</b>		5. Brief description of the character of business conducted in Rhode Island <b>Religious, charitable and educational activities.</b>			
4. NAICS Code <b>813110 - Religious Organizer</b>					
6. Principal Office Address <b>One Cathedral Square</b>			City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
7. List ALL officers (names and addresses) <span style="float: right;">Check the box to indicate an attachment <input type="checkbox"/></span>					
President Name <b>Most Reverend Thomas J. Tobin</b>			Vice-President Name <b>Rev. Msgr. Albert A. Kenney</b>		
Street Address <b>One Cathedral Square</b>			Street Address <b>One Cathedral Square</b>		
City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>	City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
Secretary Name <b>Rev. Timothy D. Reilly</b>			Treasurer Name <b>Michael Sabatino</b>		
Street Address <b>One Cathedral Square</b>			Street Address <b>One Cathedral Square</b>		
City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>	City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
8. List ALL directors (names and addresses). RI Corporations <b>MUST</b> list at least <b>THREE</b> directors. <span style="float: right;">Check the box to indicate an attachment <input type="checkbox"/></span>					
Director Name <b>Most Reverend Thomas J. Tobin</b>			Director Name <b>Rev. Msgr. Albert A. Kenney</b>		
Street Address <b>One Cathedral Square</b>			Street Address <b>One Cathedral Square</b>		
City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>	City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
Director Name <b>Rev. Timothy D. Reilly</b>			Director Name <b>Michael Sabatino</b>		
Street Address <b>One Cathedral Square</b>			Street Address <b>One Cathedral Square</b>		
City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>	City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
9. Registered Agent in Rhode Island. This information is currently of record in the Department of State. Changes require filing Form 641.					
<b>Under penalty of perjury, I declare and affirm that I have examined this report, including any accompanying schedules and statements, and that all statements contained herein are true and correct.</b>					
<i>This report must be signed by either the President, Vice-President, Secretary, Assistant Secretary, Treasurer, duly Authorized Representative, Receiver or Trustee.</i>					
Name of Officer/Authorized Representative <b>Rev. Timothy D. Reilly, Secretary</b>				Date <b>7/28/17</b>	
Signature of Officer/Authorized Representative 					

MAIL TO:  
 Division of Business Services  
 148 W. River Street, Providence, Rhode Island 02904-2615  
 Phone: (401) 222-3040  
 Website: www.sos.ri.gov  
 3091306\_1/1444-30

**FILED**  
 JUL 28 2017  
 BY *[Signature]* 309300

# Exhibit 6

		Type:	Original Amount	Date of Original Loan	9/30/2013 End Bal	Plans for Disposition
01.2470.2625	N/P Inter-parish SJLC	Loan	850,000	Sep-07	622,566	To be paid off upon closing of transaction
01.2470.2627	SJHSRI RIHEBC Rax Exempt Revenue Bonds - Series 1999	Bond Debt	23,145,000	Mar-99	17,185,000	To be paid off upon closing of transaction
01.2470.2628	Bond Discount	Bond Debt	(898,423)	Mar-99	(653,132)	To be paid off upon closing of transaction
01.2470.2602	CL-VENTANA Histology Equipment	Capital Lease	328,000	Apr-11	173,300	To be paid in accordance with capital lease agreement,
01.2470.2603	CL-SIEMENS Blood Gas Instrumentation	Capital Lease	64,130	Oct-11	42,520	To be paid in accordance with capital lease agreement,
01.2470.2604	CL-IRIS Urinanalysis Equipment	Capital Lease	114,000	May-11	65,960	To be paid in accordance with capital lease agreement,
01.2470.2605	Cisco-IS Hardware	Capital Lease	317,896	Dec-11	111,568	To be paid in accordance with capital lease agreement,
01.2470.2606	Stryker - Endo Equipment	Capital Lease	404,753	Mar-13	277,594	To be paid in accordance with capital lease agreement,
21.2470.2473	RWMC RIHEBC Tax Exempt Revenue Bonds - Series 1998	Bond Debt	19,115,000	Dec-98	11,360,000	To be paid off upon closing of transaction
21.2470.2474	Bond Issue Costs	Bond Debt	(430,794)	Dec-98	(136,120)	To be paid off upon closing of transaction
21.2470.2531	Citizen Bank - Finance Redemption	Loan	2,500,000	Sep-08	1,666,667	To be paid in accordance with loan agreement,
21.2470.2471	Pantheon Capital Leasing - Cancer Center	Capital Lease	2,000,000	Apr-08	-	To be paid in accordance with capital lease agreement,
21.2470.2472	Pantheon Capital Leasing - Cancer Center (3)	Capital Lease	1,000,000	Dec-09	166,810	To be paid in accordance with capital lease agreement,
21.2470.2475	Pantheon Capital Leasing - Chiller (4)	Capital Lease	380,000	Mar-10	84,595	To be paid in accordance with capital lease agreement,
21.2470.2478	Endo Works - Olympus (capital lease)	Capital Lease	68,967	Apr-11	12,371	To be paid in accordance with capital lease agreement,
21.2470.2479	Cisco IS Hardware - Capital Lease	Capital Lease	342,104	Nov-11	257,253	To be paid in accordance with capital lease agreement,
21.2470.2485	Philips/Allura*	Capital Lease	686,735	Oct/Nov 2013	686,735	To be paid in accordance with capital lease agreement,
*Targeted start date						
28.2470.2104	RWR Mortgage Note Payable	Bond Debt	8,580,000	Nov-99	5,963,280	To be paid in accordance with loan agreement,
28.2470.2105	Operating Loss Loan	Loan	923,000	Jul-93	315,095	To be paid in accordance with loan agreement,
32.2470.2350	EEC LOAN-WHEELCHAIR BUS	Loan	35,144.0	May-11	14,528	To be paid in accordance with loan agreement,
32.2470.2496	EEC SODEXO-LONG TERM LOAN	Loan	32,000.0	Sep-10	6,480	To be paid in accordance with loan agreement,

C-PHCA14957

**CCHP**  
**Summary of Debt to be Extinguished**

			HCA 47 (b) (i)		HCA 47 (b) (ii)
		Type:	Original Amount	Date of Original Loan	9/30/2013 End Bal
01.2470.2625	N/P Inter-parish SJLC	Loan	850,000	Sep-07	622,566
01.2470.2627	SJHSRI RIHEBC Rax Exempt Revenue Bonds - Series 1999	Bond Debt	23,145,000	Mar-99	17,185,000
21.2470.2473	RWMC RIHEBC Tax Exempt Revenue Bonds - Series 1998	Bond Debt	19,115,000	Dec-98	11,360,000
21.2470.2531	Citizen Bank - Finance Redemption	Loan	2,500,000	Sep-08	1,666,667
28.2470.2104	RWR Mortgage Note Payable	Bond Debt	8,580,000	Nov-99	5,963,280
28.2470.2105	Operating Loss Loan	Loan	923,000	Jul-93	315,095
<b>Total Debt</b>					<b>37,112,608</b>

C-PHCA14958

# Exhibit 7

RI SOS Filing Number: 200812434130 Date: 06/30/2008 4:00 PM



State of Rhode Island  
 and Providence Plantations  
 Office of the Secretary of State

A. Ralph Mollis, Secretary of State  
 Corporations Division  
 148 W. River Street  
 Providence, RI 02904-2615  
 401.222.3040

**NON-PROFIT CORPORATION ANNUAL REPORT FOR THE YEAR 2008**

Filing Period: June 1 - June 30 • Filing Fee: \$20.00 \* THIS REPORT MUST BE TYPED OR PRINTED LEGIBLY IN BLACK INK  
 \* In accordance with R.I.G.L. 7-6-94, each corporation failing or refusing to file its annual report within the time prescribed by law (R.I.G.L. 7-6-91) is subject to a penalty fee of \$25.00.

1. Corporate ID No. <b>75274</b>		2. Name of Corporation <b>Inter-Parish Loan Fund, Inc.</b>	
3. State of Incorporation <b>Rhode Island</b>		4. Corporate address in Rhode Island - Street Address <b>312 Turks Head Building</b>	
		City <b>Providence</b>	Zip <b>02903</b>
5. Foreign corporation. Enter principal office address		City	State Zip
6. Brief Description of the character of the affairs which are actually conducted in Rhode Island <b>RELIGIOUS CHARITABLE AND EDUCATIONAL ACTIVITIES</b>			
7. NAMES AND ADDRESSES OF THE OFFICERS: ("X" BOX FOR ATTACHMENT) <input type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS			
President Name <b>Most Reverend Thomas J. Tobin</b>		Vice President Name <b>Rev. Msgr. William I. Varsanyi</b>	
Street Address <b>One Cathedral Square</b>		Street Address <b>One Cathedral Square</b>	
City <b>Providence</b>	State <b>RI</b>	City <b>Providence</b>	State <b>RI</b>
Zip <b>02903</b>		Zip <b>02903</b>	
Secretary Name <b>Rev. Msgr. John J. Darcy</b>		Treasurer Name <b>Michael Sabatino, CPA</b>	
Street Address <b>One Cathedral Square</b>		Street Address <b>One Cathedral Square</b>	
City <b>Providence</b>	State <b>RI</b>	City <b>Providence</b>	State <b>RI</b>
Zip <b>02903</b>		Zip <b>02903</b>	
8. NAMES AND ADDRESSES OF THE DIRECTORS: ("X" BOX FOR ATTACHMENT) <input type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS			
THE NUMBER OF DIRECTORS OF A DOMESTIC (RHODE ISLAND) CORPORATION SHALL NOT BE LESS THAN THREE (3). R.I.G.L. 7-6-23			
Director Name <b>Most Reverend Thomas J. Tobin</b>		Director Name <b>Rev. Msgr. William I. Varsanyi</b>	
Street Address <b>One Cathedral Square</b>		Street Address <b>One Cathedral Square</b>	
City <b>Providence</b>	State <b>RI</b>	City <b>Providence</b>	State <b>RI</b>
Zip <b>02903</b>		Zip <b>02903</b>	
Director Name <b>Rev. Msgr. John J. Darcy</b>		Director Name <b>Michael Sabatino, CPA</b>	
Street Address <b>One Cathedral Square</b>		Street Address <b>One Cathedral Square</b>	
City <b>Providence</b>	State <b>RI</b>	City <b>Providence</b>	State <b>RI</b>
Zip <b>02903</b>		Zip <b>02903</b>	
9. REGISTERED AGENT IN RHODE ISLAND - DO NOT ALTER - Changes require filing of Form 641 - R.I.G.L. 7-6-13 / 7-6-78			
Agent Name <b>William T. Murphy</b>		Address	
Address <b>312 Turks Head Building</b>		City <b>Providence</b>	Zip <b>02903</b>

This report must be signed by either the President, Vice President, Secretary, Assistant Secretary, Treasurer, Receiver or Trustee



**FILED**  
**JUN 30 2008**  
 By SS38

Under penalty of perjury, I declare and affirm that I have examined this report, including any accompanying schedules and statements, and that all statements contained herein are true and correct.

John J. Darcy 6-26-08  
 Signature of Officer Date  
JOHN J. DARCY  
 Print or Type Name of Officer  
SECRETARY  
 Title of Officer

File Date \_\_\_\_\_  
 Check No. \_\_\_\_\_  
 By \_\_\_\_\_  
 FOR SECRETARY OF STATE USE ONLY  
 24445-8-269951

# Exhibit 8



RI SOS Filing Number: 200812434130 Date: 06/30/2008 4:00 PM



State of Rhode Island  
 and Providence Plantations  
 Office of the Secretary of State

A. Ralph Mollis, Secretary of State  
 Corporations Division  
 148 W. River Street  
 Providence, RI 02904-2615  
 401.222.3040

**NON-PROFIT CORPORATION ANNUAL REPORT FOR THE YEAR 2008**

Filing Period: June 1 - June 30 • Filing Fee: \$20.00 \* THIS REPORT MUST BE TYPED OR PRINTED LEGIBLY IN BLACK INK

\* In accordance with R.I.G.L. 7-6-94, each corporation failing or refusing to file its annual report within the time prescribed by law (R.I.G.L. 7-6-91) is subject to a penalty fee of \$25.00.

1. Corporate ID No. 30205		2. Name of Corporation St. Joseph Health Services of Rhode Island			
3. State of Incorporation RHODE ISLAND		4. Corporate address in Rhode Island - Street Address 200 High Service Avenue		City North Providence	Zip 02904
5. Foreign corporation. Enter principal office address			City	State	Zip
6. Brief Description of the character of the affairs which are actually conducted in Rhode Island operation of a hospital					
7. NAMES AND ADDRESSES OF THE OFFICERS: ("X" BOX FOR ATTACHMENT) <input type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS					
President Name John Fogarty			Vice President Name None		
Street Address 200 High Service Avenue			Street Address		
City North Providence	State RI	Zip 02904	City	State	Zip
Secretary Name Reverend Monsignor William I. Varsanyi			Treasurer Name Most Reverend Thomas J. Tobin		
Street Address One Cathedral Square			Street Address One Cathedral Square		
City Providence	State RI	Zip 02903	City Providence	State RI	Zip 02903
8. NAMES AND ADDRESSES OF THE DIRECTORS: ("X" BOX FOR ATTACHMENT) <input checked="" type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS					
THE NUMBER OF DIRECTORS OF A DOMESTIC (RHODE ISLAND) CORPORATION SHALL NOT BE LESS THAN THREE (3). R.I.G.L. 7-6-23					
Director Name Most Reverend Thomas J. Tobin			Director Name Reverend Monsignor William I. Varsanyi		
Street Address One Cathedral Square			Street Address One Cathedral Square		
City Providence	State RI	Zip 02903	City Providence	State RI	Zip 02903
Director Name Honorable Joseph R. Weisberger			Director Name Reverend Monsignor Paul D. Theroux		
Street Address 250 Benefit Street			Street Address One Cathedral Square		
City Providence	State RI	Zip 02903	City Providence	State RI	Zip 02903
9. REGISTERED AGENT IN RHODE ISLAND - DO NOT ALTER - Changes require filing of Form 641 - R.I.G.L. 7-6-13 / 7-6-78			Agent Name Elaine Narducci		
Address 200 High Service Avenue			City North Providence	Zip 02904	

This report must be signed by either the President, Vice President, Secretary, Assistant Secretary, Treasurer, Receiver or Trustee



File Date	<b>FILED</b>
Check No.	<b>JUL 11 2008</b>
By:	<b>31605</b>
FOR SECRETARY OF STATE USE ONLY	

24445-8-269351

Under penalty of perjury, I declare and affirm that I have examined this report, including any accompanying schedules and statements, and that all statements contained herein are true and correct.

*[Signature]*  
 Signature of Officer  
 John Fogarty  
 Print or Type Name of Officer  
 President  
 Title of Officer  
 Date: 7/2/08

**St. Joseph Health Services of Rhode Island**

**Corp. ID No. 30205**

**2008 ANNUAL REPORT**

**ATTACHMENT TO ITEM 8**

**Additional Trustees**

**Mary L. Burke, R.N.**  
23-A Shadow Brook Lane  
Smithfield, RI 02917

**Mr. Frederick K. Butler**  
Vice President Business Ethics & Corporate Secretary  
Textron, Inc.  
40 Westminster Street  
Providence, RI 02903

**Karen DeIPonte, Esq.**  
Cameron & Mittleman  
56 Exchange Terrace  
Providence, RI 02903

**Joseph R. DiStefano, Esq.**  
Adler Pollock & Sheehan P.C.  
One Citizens Plaza, 8<sup>th</sup> Floor  
Providence, RI 02903

**Steven Colagiovanni, M.D.**  
1524 Atwood Avenue, suite 322  
Johnston, RI 02919

**Mr. Jeffrey R. Massotti**  
President  
Speidel Corporation  
25 Fairmont Avenue  
East Providence, RI 02914

**Joseph P. Mazza, M.D.**  
RI Cardiovascular Group  
68 Cumberland Street  
Woonsocket, RI 02895

**FILED**

**JUL 11 2008**

By 30205

**Mr. Marshall Raucci, Jr.**  
32 Fire Lane, 2  
Wakefield, RI 02879

**Ms. Nancy E. Rogers**  
Bank of America  
111 Westminster Street, 2<sup>nd</sup> Floor  
Providence, RI 02903

**Mr. Daniel J. Ryan, CPA**  
One Davol Square  
Providence, RI 02903

**Peter DeBlasio, Jr., M.D.**  
1532 Smith Street  
North Providence, RI 02911

**Joseph Samartano, Jr., DDS**  
St. Joseph Hospital for Specialty Care  
21 Peace Street, Room 535 East  
Providence, RI 02907

**Ms. D. Faye Sanders**  
Director, Government Law and Strategies Group  
Brown Rudnick  
121 South Main Street, 11<sup>th</sup> Floor  
Providence, RI 02903

**Mr. Matthew J. Smith**  
32 Riverview Drive  
North Providence, RI 02904

**Mr. Kevin P. Stiles**  
National Executive, Estate Settlement Services  
Bank of America  
50 Kennedy Plaza, RI1-536-02-05  
Providence, RI 02903

# Exhibit 9

<http://www.fatimahospital.com:80/mission.htm>

Go

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▼ About this capture

[13 captures](#)

2 Mar 2001 - 4 Dec 2003

[home](#)

## Mission Statement

The mission of St. Joseph Health Services of Rhode Island is to preserve, restore and enhance the health of individuals and families we serve within our communities guided by our core values of respect, compassion, responsibility, teamwork, and quality, consistent with the healing ministry of the Catholic Church.

[A Promise Kept: Our History](#)

## Vision Statement

### LEADERSHIP POSITION

We will be the preferred provider of community hospital-based health care delivery within the towns and communities served by our Organization.

### HEALTH STATUS POSITION

Our presence will continue to improve the health status of the communities we serve.

### MISSION DRIVEN

Our Catholic sponsorship will guide us in the delivery of care and the development of services to meet the needs of our community with a special emphasis on vulnerable and underserved individuals.

### CENTERS OF EXCELLENCE

We will be identified as a leading provider of patient care services in selected clinical areas where our resources and competencies provide us with the ability to do so.

### OUTPATIENT FOCUSED

We will become the leading provider of hospital-sponsored outpatient and ambulatory care in Rhode Island.

[About Us](#)[Programs & Services](#)[Hospital Profiles](#)[Find a Doctor](#)[News & Media](#)[Health Information](#)[Employment Opportunities](#)[Special Events](#)[Directions](#)[Questions & Comments](#)[Search](#)

13 captures  
2 Mar 2001 - 4 Dec 2003

Go FEB MAR APR  
02  
2000 2001 2002

About this capture

strategies taken by the Board of Trustees, the Medical Staff, and Our Employees.

### **RESPECT FOR THE AGING**

Our Organization will become a leading State resource for care of and services to our senior and elderly population.

### **PARTNERSHIP**

We will seek partnerships and affiliations where such will assist us in continuing our mission and improving the health status of the communities we serve.

### **RESPONSIBLE STEWARDSHIP**

We will always make prudent use of organizational resources to maintain financial stability and provide for continued operations for the good of the community.

### **FUTURE SERVICE TO THE COMMUNITY**

A successful capital campaign will provide the necessary resources to rebuild our physical plant and renew core clinical services for continued community service.

# Exhibit 10

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PROJECT REVIEW COMMITTEE

IN RE: APPLICATION OF PROSPECT CHARTERCARE SJHSRI, LLC, PROSPECT CHARTERCARE RWMC, LLC, PROSPECT CHARTERCARE ELMHURST, LLC, PROSPECT CHARTERCARE, LLC, CHARTERCARE HEALTH PARTNERS, PROSPECT EAST HOLDINGS, INC. AND PROSPECT MEDICAL HOLDINGS, INC.

Questions: Prospect/CharterCARE (CEC)

1. Financial Viability:

- a. Please provide any management letters provided by external auditors for Prospect Medical Holdings ("Prospect") for FY 2013.

**Response:** The management letters for FY 2012 are attached as Exhibit A. With regard to FY 2013, management letters have not yet issued.

- b. Please identify the bond rating assigned to the Prospect by each of the three major rating agencies: Standard & Poor's, Moody's and Fitch Group and discuss the implications of these bond rating as they relate to the financial strength of the company.

**Response:** PMH's Bond rating as assigned by Moody's is B2. PMH's Bond rating as assigned by Standard & Poor's is B-. Fitch Group does not rate PMH. The ratings translate to a "stable" outlook reflecting the agencies' expectation that PMH should see modest improvement in credit metrics as PMH realizes improvement at recently added facilities. It is stated that the rating could be changed upward based upon the following:

- a. If debt to EBITDA was expected to approach and be sustained at around 4.0 times.
- b. If PMH can grow its revenue base and diversify away from the Southern California market.
- c. If PMH undertakes the funding of shareholder initiatives through a conservative fiscal policy with respect to increases in leverage.

Currently, with regard to Point 1, PMH meets the debt to EBITDA criteria and it must be noted that PMH's bond indenture has a clause that limits additional permitted liens to an overall 3.75X pro forma leverage debt level. Regarding points 2 and 3, the instant transaction leads to further diversification away from the Southern California market and achieves a key shareholder initiative without additional leverage.



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
RHODE ISLAND DEPARTMENT OF HEALTH**

**In re: Application of Prospect CharterCARE, LLC; Prospect CharterCARE SJHSRI, LLC; Prospect CharterCARE RWMC, LLC; Prospect CharterCARE Elmhurst, LLC; CharterCARE Health Partners, Prospect East Holdings, Inc. and Prospect Medical Holdings, Inc.**

**RESPONSES TO SUPPLEMENTAL QUESTIONS TO THE  
CHANGE IN EFFECTIVE CONTROL APPLICATION**

**March 7, 2014**

- c. Please provide forecasted balance sheets, if the transaction is approved, for FY 2014-2019 for (1) Prospect for (if the proposal is approved); and (2) separately just for Prospect CharterCARE, LLC.

**Response:** The forecasted balance sheets as requested are attached as Exhibit B.

- d. Please identify the source of funds (including the terms of any debt funds) proposed to be utilized to finance (1) \$45 million to retire debt and support pension plan; and (2) \$50 million over 4 years to support capital needs. Please also discuss to what extent these sources of funds are sufficient to cover items (1) and (2) without significant impact on the availability of funds to the company for other uses.

**Response:** The \$45M at close is to be funded with cash on hand, that in accord with the 2013 financials is approaching \$90M. In turn, the \$50M to be used for capital expenditures over four years is to be funded with cash generated from PMH's operations, not including CCHP. PMH has a consistent track record of year-over-year earnings growth and generation of material positive cash flow. As of September 2013, year-over-year earnings before interest, taxes, depreciation and amortization totaled \$114.5M, which represents a 20.5% year-over-year earnings growth when prior year revenue recognition items are adjusted. In addition, during fiscal year 2012, PMH secured a \$50M senior secured credit facility, which has never been drawn upon. During fiscal year 2013, the relevant syndication of lenders increased the senior secured credit facility limit up to \$60M; all of which remains undrawn. This credit line remains available to PMH should it require additional cash.

- e. Please address the financial viability of Prospect as according to the balance sheet the accumulated deficit in FY 2013 was \$47 million.

**Response:** When evaluating the balance sheet, it is important to make a distinction between: (i) the stated value pursuant to generally accepted accounting principles, or "GAAP" reporting purposes; and (ii) the market valuation of an entity's assets and operations. GAAP accounting will reflect historical values adjusted for impairment, depreciation and amortization and not attempt to reflect the actual or market value. A variance between assets and liabilities as reported under GAAP, will begin to develop when those assets begin to increase in market value (versus book value) due to growth in performance. When all segments of the organization demonstrate this type of growth, the market value of an organization will begin to vary significantly from the book value. This dynamic when coupled with debt can lead to the existence of negative equity as defined by liabilities exceeding the adjusted book value of assets. When an entity is in a growth mode such as PMH, debt can fuel growth by providing capital that can be reinvested in the business, used for acquisitions, or returned to investors, thereby resulting in the company being an investment worthy entity. Furthermore, with an upward growth trend, debt provides capital for increased innovation and organizational capacities

that can lead to further growth and increased market valuation. To underscore these points with reference to the financials, PMH has demonstrated significant earnings growth over the last two years growing from approximately \$63M at September 2011 to \$114M at September 2013. PMH is an institutional investment worthy company and is confident representing that the company's market value is well in excess of the \$610M of total liabilities as of September 2013.

- f. Please provide a historical timeline for the past 5 years of major capital expenditures by Prospect.

**Response:** The historical timeline requested is attached as Exhibit C.

- g. Please discuss any other acquisition plans of Prospect (and its related companies) for the next five years and estimate the associated capital investments.

**Response:** PMH continues to pursue acquisitions within the market in which it operates, as well as those markets in which PMH's business model would align. To date, those states include California, Texas, Rhode Island and New Jersey.

On November 21, 2013, PMH entered into an Asset Purchase Agreement to acquire substantially all of the assets of three Southern California hospitals. This acquisition will be funded with operating cash on hand. PMH anticipates that any future acquisitions will be financed with a combination of debt, issuances of equity instruments, and cash flow from operations depending on the size of the transaction.

- h. Since 2011, Prospect's long-term debt is up 192%, and assets up 37%. Please identify the reasons for the growth in long-term debt above and beyond the growth in assets. Please demonstrate the long-term debt is serviceable with the revenue sources currently available to Prospect.

**Response:** On May 3, 2012, PMH closed the offering of \$325M in senior secured notes. The proceeds from the issuance were used as follows: (i) to repay \$152M of prior debt; (ii) \$88.1M was used to redeem the preferred stock of Ivy Holdings, Inc.; (iii) \$13.3M was used to pay a call premium on the repaid debt; (iv) \$5M was used to repay an outstanding, prior credit facility; and (v) the remaining funds were utilized for various operational requirements.

On November 16, 2012, PMH closed the offering of an additional \$100M which took the form of additional notes under the \$325M indenture. Funds from those notes were ultimately used to pay the common stockholders of Ivy Holdings Inc., as well as other fees related to the offering.

With regard to long term debt, interest payments on the senior secured notes are approximately \$35M annually and are a factor in PMH's overall cash planning and analysis that PMH utilizes for forecasting purposes.

- i. Please identify the underlying assumptions that resulted in projections of increases in patient revenue for RWMC and Fatima in 2014-2016, as reproduced below (and any associated investments in services).

	RWMC		Fatima	
	Revenue	% Change	Revenue	% Change
2010	\$ 148,652.00		\$ 153,358.00	
2011	\$ 151,684.00	2.0%	\$ 152,077.00	-0.8%
2012	156,653.00	3.3%	\$ 146,205.00	-3.9%
2013	156,137.00	-0.3%	\$ 144,341.00	-1.3%
	Projections		Projections	
2014	\$ 165,662.00	6.1%	\$ 151,291.00	4.8%
2015	\$ 173,879.00	5.0%	\$ 158,383.00	4.7%
2016	181,298.00	4.3%	\$ 165,540.00	4.5%

**Response:** The principal underlying revenue assumptions are based on the following:

- a. An increase in revenue to be generated by and through the Bone Marrow Transplant program. This assumption is based on the fact that in FY2013, the Bone Marrow Transplant program went through a significant restructuring. The unit is now again fully operational and discharges are expected to track FY2012 and then increase by 2% per year.
- b. An increase in revenue to be generated from the redesign of both emergency rooms within the CCHP network to be more senior friendly. This is part of what will be a geriatrics initiative. The focus on the senior emergency departments is especially meaningful in Rhode Island, where it is projected that one in every five Rhode Island residents will be 65 years or older by 2030. This focus, along with expanding the support for Elmhurst Elder Care and other local nursing homes is projected to increase overall Medicare discharges over a three year period. The discharges are spread over Medicare and Medicare HMO plans based on historical data.
- c. An increase in revenue from Roger Williams Medical Associates that is based upon the fact that the physicians employed by that entity were not in place for the full FY 2013 and thus, an increase in revenue is anticipated going forward.
- d. An increase in revenue to be generated from planned improvements to the revenue cycle.
- e. The assumptions included routine rate increases for commercial plans at 2.4%. The Existing Hospitals are also eligible for quality bonuses that generally average 5%. For the purpose of these projections, it was assumed that CCHP would qualify for a 4% bonus each year. Furthermore, Medicare, due to all of

the federally mandated changes, is projected to increase at a rate of 1% per year.

2. Presentation. At the meeting of 11 February 2014 meeting, representatives of the applicant showed a slide comparing the per capita costs of health care [slide 436]. Please clarify whether the statistics presented were adjusted for demographic differences (RI has an older population) and cost of living. If not, then please provide a similar slide that adjusts for such factors.

**Response:** The data contained in slide number 36 of the February 11, 2014 presentation to Project Review Committee I was obtained from the Kaiser Family Foundation. No adjustments were made to the information obtained from the Kaiser Family Foundation. Since the Transacting Parties did not compile the data, they do not have the underlying data necessary to adjust the information in any way including to account for demographic differences.

3. Change in Ownership Interest. A the meeting of 11 February 2014, representatives of the applicant noted the 15% ownership interest of CharterCARE may be further reduced to 5% and may have impact on its 50/50 board control. Please discuss in more details those situations that may cause this occur.

**Response:** CCHP's ownership interest in Prospect CharterCARE can only be reduced in the unlikely scenario that a capital call is made directly upon the members and CCHP cannot meet its obligations under said capital call. This is an unlikely scenario, because the long-term debt of CCHP is being eliminated by and through the \$45M being paid at closing. Therefore, the Existing Hospitals, post-Change in Effective Control, will be able to fund ongoing capital needs from ongoing operations. As such, it is projected that an additional \$10M per year will be available for capital needs. Moreover, PMH is committed to providing an additional \$50M over four (4) years for capital requirements.

Thus, Section 4.2 of the Amended and Restated Limited Liability Company Agreement of Prospect CharterCARE, LLC (PCEC000127-PCEC000129), entitled "Additional Capital Contributions", provides the following capital waterfall:

- a. Section 4.2(a) requires Prospect CharterCARE to fund additional capital expenditures in an annual amount of at least \$10,000,000.00 per year from operations.
- b. Section 4.2(b) requires PMH to commit additional long term capital commitment of \$50,000,000.00 over 4 years.
- c. If for any reason there are funds required beyond the capital contributions detailed above, that are necessary for the operation of Prospect CharterCARE, Prospect CharterCARE, must seek funds from the following sources in order of

priority:

- i. Cash generated by operations;
- ii. From PMH pursuant to PMH's long term capital commitment;
- iii. Commercial loans from third parties;
- iv. Loans from PMH or any PMH affiliate; and
- v. If commercially reasonable efforts have been made to obtain funds using the above options and these funds have not satisfied the needs of Prospect CharterCARE, upon approval of the Board, there may be a request that PMH and CCHP make additional capital contributions pro rata in accordance with each member's sharing percentage.

Therefore, a capital call upon the members is a last resort. As such, it is unlikely that CCHP would be called upon for capital in a manner that would reduce its ownership. However, pursuant to Section 4.2(e), if a request for additional capital contributions is made, no member shall be required to make such additional capital contribution. Yet, as is typical in limited liability companies, if a member fails to make a requested capital contribution, the member's ownership percentage shall be adjusted to reflect the decision not to meet the capital call. Notwithstanding the foregoing, CCHP's own interest cannot be reduced to less than 5%.

Regarding governance, the Board of Directors will consist of 8 members. The capacity to appoint board members is as follows: (i) 4 members elected or appointed by CCHP; and (ii) 4 members elected or appointed by PMH. If CCHP's ownership interest is reduced to 5%, the Board of Directors shall be reduced to 7 members with 3 being elected or appointed by CCHP and 4 being elected or appointed by PMH.

Reduction of ownership provisions are common in limited liability company agreements. The parties do not anticipate any type of reduction in ownership interest. The transaction between the parties was set up in such a manner that there are significant funds available through operations and capital commitments that will be more than sufficient to meet any capital needs without having to request capital contributions from members.

4. Contingencies. Please address the following:
  - a. Please identify all the contingencies provided for in the Asset Purchase Agreement that may result in the proposed transaction not being implemented. Please identify the likelihood and timeline for the resolution of each of these outstanding contingencies, separately for each such contingency.

**Response:** The transaction contingencies are detailed in Section 9 of the APA (PCEC000060-PCEC000063). The following contingencies have the potential to result in the proposed transaction not being implemented:

- a. **Approvals and Permits:** Prospect CharterCARE must receive all approvals and permits necessary to close. These permits and approvals include:
  - i. The Change in Effective Control process.
  - ii. The Hospital Conversion Act process. The Transacting Parties have submitted a Hospital Conversion Act application that is currently under review with the Department of Health and the Attorney General's office. A decision is due on or before May 16, 2014.
  - iii. Church Approval. The proposed transaction is contingent upon receiving approval from the Roman Catholic Church for the sale of the assets of St. Joseph Health Services of Rhode Island. The status of this contingency is further detailed in response to question 6(a) below.
  - iv. Licenses, Permits and Accreditations. There are a number of additional licenses, permits and accreditations that must be transferred. The Transacting Parties are currently preparing applications for these transfers. Additionally, the Transacting Parties are working closely with the Department of Health to submit applications subject to CEC and HCA approval to ensure the application process moves in a timely fashion. The Transacting Parties do not foresee any issues with transferring licenses, permits and accreditations that would delay the transaction.
- b. **Collective Bargaining Agreements** The United Nurses & Allied Professionals ("UNAP") is the union representing the vast majority of unionized employees at CCHP. All negotiations with UNAP have been completed to the mutual satisfaction of both sides. A copy of related correspondence from UNAP is attached as Exhibit D.

There are a small number of employees represented by the Federation of Nurses and Health Professionals ("FNHP"). The contract for FNHP is due to expire on April 30, 2014. CCHP continues to have positive labor relations with the bargaining unit and is seeking an extension of the contract into the summer of 2014, so it can be addressed in the normal course of business, post-approval, if such approval is secured.

- c. **Property Tax** The proposed transaction is contingent upon Prospect CharterCARE's agreements with the host communities regarding stabilization/exemptions from certain taxes. The status of this contingency is further detailed in response to question 4(b) below.

- d. **Material Adverse Development** There is a contingency that there be no Material Adverse Development prior to closing. Material Adverse Development is defined at PCEC000102. Generally this includes natural disasters, or other changes that would materially affect operations, not including financial changes, changes in law, economic conditions and reimbursement rates. The Transacting Parties do not foresee the need to utilize this contingency.
- e. Please address the following regarding the contingency related to the exemption from taxes:
- i. Please describe in detail the progress made with regards to this issue with the cities of Providence and North Providence. Please identify to what extent if any, these request have been proposed and/or considered to the City Council, Assessor's Office, or the Mayor's Office separately for the cities of Providence and North Providence.
  - ii. Please identify the dollar amount of exemptions sought from each city.
  - iii. Please discuss the timeline for the resolution of these matters and receipt of binding commitments from the applicable governmental entities (as noted in section 9.6 of the APA).

**Response:** The assessment and levy of property taxes on a hospital in Rhode Island, whether it is for-profit or non-profit, needs to be a topic of discussion; especially, a time when both acute-care, community hospitals and their host municipalities face an array of challenges. Rhode Island's entire property tax system, as it applies to hospitals, acknowledges that there must be some property tax relief for these institutions to be successful. With that said, several hospitals have originating charters which provide that their host municipalities cannot subject them to taxation. For example, Roger Williams has a charter that dates back to 1904 and it was amended as recently as the 1980s. Ultimately, the Rhode Island General Assembly codified the intent behind the charters and enacted a real and personal property tax exemption that is now found at R.I. Gen. Laws §44-3-3(12). The real and personal property tax exemption found at R.I. Gen. Laws §44-3-3(12), applies equally to for-profit and non-profit hospitals. This issue is presently being analyzed at the General Assembly.

It has never been and it is not the present intention of the Transacting Parties to rely on that existing exemption.

In addition, the host municipalities of Providence and North Providence receive grants from the State of Rhode Island, pursuant to R.I. Gen. Laws §44-13-5.1, to offset the fact that non-profit, tax exempt hospitals are being hosted in such communities and the municipalities have to provide services.



Thus, the Transacting Parties and the host municipalities have had a number of discussions working towards the goal of transitioning the host municipalities out of the state grant program under R.I. Gen. Laws §44-13-5.1 and into some type of reasonable Payment in Lieu of Taxes or tax exemption/stabilization agreement. In North Providence, the matter is currently before the Town Council's Ordinance Committee. In Providence, the Transacting Parties have been working with the City Tax Assessor's Office and the matter is now being transitioned to the City Council which will be initially reviewed by the City Council's Ways and Means Committee.

At this point, the Transacting Parties are continuing in good faith negotiations with their host communities to reach agreement on a model that would compensate the host communities, allow the Licensed Entities' hospital system to be successful, and to take into account that the non-profit entity of CharterCARE Health Partners will continue to own a fifteen (15%) percent stake in the Hospitals. Furthermore, the negotiations have to take into account that the CharterCARE Hospital system employs approximately 3,000 people with salaries and benefits in the approximate amount of \$178M per year. Moreover, the Existing Hospital system provides \$25M in medical care to citizens of the State of Rhode Island, who otherwise would not be able to afford such care. In turn, the CharterCARE system makes in excess of \$70M in purchases from vendors in the State of Rhode Island. Therefore, the property tax proposals that have been made to the host communities include economic development provisions that would be aimed towards making those purchases in the host communities and continuing a viable partnership out into the future.

It is difficult to answer the question of where these discussions will end up from a fiscal standpoint. The municipalities have to take into account what they are currently receiving by way of grant pursuant to R.I. Gen. Laws §44-13-5.1. Again, this issue is currently being analyzed by the General Assembly. In turn, the Transacting Parties and their host municipalities have to analyze how the real property of a hospital will be assessed at full and fair cash value which is not an easy issue.

As pursuant to further discussions with the City and Town, the Transacting Parties engaged Peter Scotti, who is a MAI licensed appraiser and has a great deal of experience in hospital valuations based on his work in the Landmark Medical Center proceeding. Mr. Scotti provided an assessed value of the Roger Williams Medical Center of \$13,781,200; an assessed value of the former St. Joseph Hospital Campus in the City of Providence of \$5,256,000; and an assessed value of the Fatima properties in North Providence of \$15,330,700. Mr. Scotti's work product comports with the three recent sales of Westerly Hospital, Landmark Medical Center and Memorial Hospital. Notwithstanding, the host municipalities are seeking additional consultation of the issue of assessed value. The Transacting Parties have suggested that the host communities utilize Mr. Scotti's baseline assessments as a valuable tool in negotiations. Moreover, the Transacting Parties have sought a tax

exemption/stabilization/payment in lieu of taxes ordinance that would phase in property taxation over a twelve (12) year period in accordance with the format that was recently suggested by the City of Providence with regard to taxation exemption/stabilization requests with the exception that the assessed value be stabilized.

5. Purchase Price and Uses. The purchase price for the proposed transaction is \$45 million (reflecting 85% ownership interest of Prospect). Please address the following:
- a. Please identify what, if any funds, CharterCARE will be contributing for its 15% ownership interest (and whether those funds will be drawn from the \$45 million).

**Response:** CCHP will not be contributing any funds to receive its 15% ownership interest.

- b. Additionally, please discuss the intend uses of the \$45 million that will be going to CharterCARE and how those uses for spending those funds would be established.

**Response:** Pursuant to Section 2.8 of the APA (PCEC000018), CCHP's Board must adopt a resolution as to the use of the \$45M in sale proceeds. Said resolution was passed by the CCHP Board on February 27, 2014. *See February 27, 2014 Resolution at Exhibit E.* Generally the funds will be used as follows: (i) \$31M will be used to retire CCHP's debt, and (ii) \$14M will be utilized to strengthen the St. Joseph Health Services of Rhode Island defined benefit plan ("St. Joseph Pension Plan").

More specifically:

- a. \$16,550,000 will be used to fully redeem St. Joseph Health Services of Rhode Island revenue bonds issued in 1999 by Rhode Island Health and Educational Building Corporation.
  - b. \$11,062,500 will be used to redeem Roger Williams Medical Center revenue bonds issued in 1998 by Rhode Island Health and Educational Building Corporation.
  - c. \$3,387,500 will be used to redeem Roger Williams Realty Corporation revenue bonds issued in 1999 by Rhode Island Health and Educational Building Corporation.
  - d. \$14,000,000 shall be applied to the St. Joseph Pension Plan.
- c. Please identify to what extent, if any, this purchase price will be used by CharterCARE for community benefit versus paying off debts.

**Response:** The use of the sale proceeds as described in Section (b) above will benefit the community in three ways:

- a. As a result of the payoff of CCHP's debt, \$31M in existing charitable assets will remain available for use for the benefit of the community and be transferred to the CharterCARE Health Partners Foundation.
- b. The use of \$14M to strengthen the St. Joseph Pension Plan will be of significant benefit to the community as it will assure that the pensions and retirement of many former employees, who reside in the community, are protected.
- c. As a result of the transaction the Existing Hospitals will be debt free. Any organization that can operate without debt is certainly a stronger organization than one that is burdened by significant debt. Thus, going forward, the result of the transaction will be two community hospitals transitioning from a weak financial position with significant debt to a strong, secure, debt free position with access to necessary capital.
- d. Section 2.8 of the Asset Purchase Agreement states "Seller shall adopt a board resolution specifying the manner in which Cash Purchase Price shall be used". Please provide more detail regarding this process and its timing.

**Response:** On February 27, 2014, CCHP's Board adopted a resolution as to the use of the \$45M in sale proceeds pursuant to Section 2.8 of the APA. *See Exhibit E and response 5(b) above.*

6. Asset Purchase Agreement. Please address the following:
  - a. Section 7.5 (e) of the APA relates to seller obtaining ecclesiastical approvals from the Roman Catholic Church including the authorization of the Bishop of the Roman Catholic Diocese of Providence, Rhode Island and the permission of the Holy See through the Vatican Congregation of Bishops. Please identify the status of and expected date for obtaining such approvals.

**Response:** On September 17, 2013, the Finance Council of the Diocese of Providence voted to consent to the alienation of substantially all of the assets of Saint Joseph Health Services of Rhode Island including Our Lady of Fatima Hospital to Prospect CharterCARE, a newly-formed affiliate of CCHP and PMH.

On September 26, 2013, the Roman Catholic diocese of Providence College of Consultors voted to consent to the alienation of substantially all of the assets of Saint Joseph Health Services of Rhode Island including Our Lady of Fatima Hospital to Prospect CharterCARE.

On September 27, 2013, Bishop Thomas J. Tobin, bishop of the Diocese of Providence, sent correspondence to Most Reverend Celso Morga Iruzubietta,

**Secretary, Congregation for the Clergy in Vatican City, indicating that he has no objection to the alienation and requesting canonical permission for the proposed alienation of substantially all of the assets of Saint Joseph Health Services of Rhode Island including Our Lady of Fatima Hospital to Prospect CharterCARE.**

**At the request of the Congregation for the Clergy, additional information was sent to Cardinal Beniamino Stella, Prefect, Congregation for the Clergy on February 17, 2014. A response is anticipated in the next few weeks.**

- b. Section 9.5 of the APA requires Change in Effective Control (and Hospital Conversion Act) approval that is not subject to any conditions that are unacceptable to Prospect. Please clarify what types of conditions would be found unacceptable.

**Response: There were no specific conditions under consideration when this contingency was developed. It merely provides protection to PMH if a condition is imposed on the transaction that PMH believes it could not meet or would otherwise threaten the success of the transaction. PMH is hopeful that if any such condition were imposed, that it could work within the framework of the conversion/transaction process to arrive at a condition that was acceptable to all interested parties.**

- c. Section 13.15 of the APA Prospect commits to maintain certain essential services at the hospitals for 5 years except for cases where such services are not financially viable, there are no qualified physicians to support these services, significant decrease in volume, and issues with the level of quality. Please address the following:
  - i. Please identify whether at this time any of such essential services and/or other services at the Rhode Island hospitals are expected to be reduced, relocated and/or eliminated within the first 5 years.

**Response: The APA requires that all Essential Services be maintained. Accordingly these services must be maintained.**

**In addition, at this time there are no plans to reduce, relocate and/or eliminate services, whether or not they have been deemed essential, within the first 5 years after completion of the transaction. That being said, the transaction involves the purchase of 85% of CCHP's interest in a network of hospitals and medical treatment facilities. It is possible that in the future Prospect CharterCARE may decide that it would be a benefit to centralize certain services in one of Prospect CharterCARE's locations, and in that case certain services may be consolidated. At this time, there are no such consolidation plans.**

- ii. Please address to what extent, if any, Prospect has eliminated and/or reduced any services at any of its other hospitals (within the first five years after acquisition) and identify all such affected services.

**Response:** As detailed in the response to inquiry 6 of Appendix G in the Applicants' CEC Application, in April of 2009, Brotman Medical Center ("Brotman") in Culver City, California successfully emerged from bankruptcy protection. PMH provided the investment funds needed to bring Brotman out of bankruptcy. Effective in April 2012, Brotman became a wholly-owned indirect subsidiary of Prospect (Brotman has been renamed Southern California Hospital at Culver City ("Culver City")).

As this Committee is aware from its previous experience with hospitals emerging from insolvency proceedings, many times a hospital in an insolvency proceeding will lose physicians or a service area will experience a substantial drop in volume. In the case of Culver City, in May 2010, the Transitional Care Unit experienced similar issues, and as a result was closed which resulted in 21 Skilled Nursing Facility beds being held in suspension.

On the other hand, there are many instances where PMH's acquisition of a facility has resulted in an expansion of services. Recent examples include:

**Nix Medical Facilities in and around San Antonio, Texas:**

- Summer 2013 - Expansion of 8 adult psychiatric beds.
- January 2014 - Opened unit of 31 beds for child/adolescent care. This also involved consolidating the child/adolescent units from multiple Nix Facilities.
- February 2014 - Expansion of geropsychiatric beds from 15 to 33. Additional units in development to be opened later in 2014.

**Culver City:**

- Summer 2013 - Added Psychiatric Emergency Department overflow area.
- Spring 2014 - Complete construction of 32 bed adult psychiatric unit.

- d. Please explain in layman's term section 13.18 of the Asset Purchase Agreement including the commitment not to sell interest to unaffiliated third parties for 5 years and regarding acquisition of 15% ownership of CharterCARE by Prospect.

**Response:** Section 13.18 of the APA restricts PMH from selling its interest in Prospect CharterCARE to an unaffiliated third party for five (5) years. This prohibition is not applicable under the following hypothetical circumstances: (i) it does not prevent PMH from transferring its interest in Prospect CharterCARE to one of its affiliates, (ii) it does not prevent a change in any direct or indirect parent of PMH, and (iii) it does not limit any rights of PMH's creditors to take action against PMH.

After five (5) years, PMH shall have the option to sell its interest in Prospect CharterCARE. Any buyer of Prospect CharterCARE would be required to expressly assume and/or reaffirm the obligations of PMH and Prospect CharterCARE. If PMH were to sell Prospect CharterCARE, CCHP has an option to sell its interest in Prospect CharterCARE to the buyer as well.

After five (5) years, a put option arises for CCHP. The put option allows CCHP to sell its interest in Prospect CharterCARE to PMH in exchange for a payment in cash equal to the appraised value of CCHP's interest in Prospect CharterCARE.

Additionally, at any time, CCHP has the right to provide its entire interest in Prospect CharterCARE to PMH, if necessary to protect tax exempt status or in the event of any foreclosure or attempted foreclosure of CCHP's assets.

7. Change to Single Beds Rooms. Part of the proposal, includes conversion of all rooms into single bed room at both hospitals. Please discuss what impact, if any, this would have on the number of staffed beds at each hospital.

**Response:** The conversion of all rooms into single bed rooms will not have an impact on the number of staffed beds at the Existing Hospitals, because CCHP currently operates as many private rooms as possible.

8. Asset Purchase Agreement. Please provide copies of any amendments and/or restatements to the Asset Purchase Agreement (from that provided in the application). Please explain any such changes.

**Response:** On February 27, 2014, the parties executed a First Amendment to the Asset Purchase Agreement. See *First Amendment to the Asset Purchase Agreement at Exhibit F*. The First Amendment to the Asset Purchase Agreement accomplished the following:

- a. Adds Prospect CharterCARE Ancillary Services, LLC, ("Ancillary Services") a Rhode Island limited liability company, as a party to the Asset Purchase Agreement. Ancillary Services has been recently established to hold the licensure for the Prospect CharterCARE labs.
  - b. The fiscal year for Prospect CharterCARE and its subsidiaries will be a twelve month (12) period commencing on October 1st and ending on September 30th.
9. Please provide an update regarding any outstanding negotiations with the unions, if any are remaining. And whether amicable resolution is anticipated.


**Response:** UNAP is the union representing the vast majority of unionized employees at CCHP. All negotiations with UNAP have been completed to the

**mutual satisfaction of both sides. A copy of related correspondence from UNAP is attached as Exhibit D.**

**There are a small number of employees represented by FNHP. The contract for FNHP is due to expire on April 30, 2014. CCHP continues to have positive labor relations with the bargaining unit and is seeking an extension of the contract into the summer of 2014, so it can be addressed in the normal course of business, post-approval, if such approval is secured.**

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10. Please attest to the following: I state that the information contained in this material is complete, accurate and correct.

  
\_\_\_\_\_  
Ken Belcher, CEO 3/7/14  
Signed and Dated by President or Chief Executive Officer

\_\_\_\_\_  
Sam Lee, CEO  
Signed and Dated by President or Chief Executive Officer



10. Please attest to the following: I state that the information contained in this material is complete, accurate and correct.

\_\_\_\_\_  
Ken Belcher, CEO  
Signed and Dated by President or Chief Executive Officer

\_\_\_\_\_  
Sam Lee, CEO  
Signed and Dated by President or Chief Executive Officer

# Exhibit A



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June 20, 2013

Ms. Alyse Wagner, Audit Committee Member  
Mr. Mike Heather, Chief Financial Officer  
Prospect Medical Holdings, Inc.  
10780 Santa Monica Blvd, Suite 400  
Los Angeles, California 90025

Dear Ms. Wagner and Mr. Heather:

In planning and performing our audit of the consolidated financial statements of Prospect Medical Holdings, Inc. (the "Company") as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, as noted below. This significant deficiency was communicated at the audit committee meeting which was held on December 12, 2012.

#### Medical Malpractice Liability - Brotman

BDO noted that during the testing of the Company's medical malpractice IBNR estimate, it was identified that it had not recorded an entry to reinstate the IBNR estimate at September 30, 2012. This was identified on review of a report prepared by the Company's actuaries as well as the examination of its insurance digest. The Company had changed its insurance policy during the year and accordingly a revised estimate had to be recorded. This matter was brought to the attention of management and an audit adjustment entry was recorded to true up the liability to \$1.3 million at September 30, 2012. Management did not appropriately review this significant material estimate during the close process. Additionally it would appear that management responsible for the close process were not aware of the changes in the policy nor the impact it could have on a significant estimate such as medical malpractice IBNR. We recommend that management of the Company

Ms. Alyse Wagner, Audit Committee Member  
Mr. Mike Heather, Chief Financial Officer  
Prospect Medical Holdings, Inc.  
June 20, 2013

include a specific step in the financial close process to inquire as to whether any significant changes have been made to the Company's insurance policies, and if so, appropriately ascertain what the impact is on the Company's IBNR estimates. This step could proactively prevent error and misstatements in financial reporting.

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BDO USA, LLP

# Exhibit B

Prospect Medical Holdings, Inc.  
 Proforma Consolidated Balance Sheets



(in 000's)

	FY14	FY15	FY16	FY17	FY18	FY19
	feet	feet	feet	feet	feet	feet
<b>CURRENT ASSETS:</b>						
Cash (includes restricted cash/investments of \$1.2M)	\$ 85,708	\$ 195,048	\$ 146,878	\$ 205,241	\$ 242,071	\$ 312,878
Accounts Receivable	118,926	127,934	130,783	133,828	136,839	138,739
Third-party Settlements	7,922	7,922	7,922	7,922	7,922	7,922
Due from Government Payors	23,691	36,571	36,673	36,776	36,885	36,982
Prepaid Expenses and Other Current Assets	25,492	25,243	24,950	24,715	24,501	24,301
Hospital Fee Program Receivable	13,398	26,264	17,669	7,074	22,031	11,436
Deferred Tax Asset / Income Tax Receivable	10,289	10,289	10,289	10,289	10,289	10,289
<b>Total Current Assets</b>	<b>285,426</b>	<b>325,270</b>	<b>374,874</b>	<b>425,847</b>	<b>485,539</b>	<b>542,757</b>
<b>FIXED ASSETS:</b>						
Property, Improvements & Equipment, net	195,716	195,046	195,048	191,898	187,837	185,868
<b>OTHER ASSETS:</b>						
Investment in Joint Ventures	2,911	2,911	2,911	2,911	2,911	2,911
Investment in Subsidiary	-	-	-	-	-	-
Deposits and Other Long-Term Assets	445	389	389	388	389	389
Deferred Tax Asset	2,015	2,015	2,015	2,015	2,015	2,015
Goodwill	165,214	165,214	165,214	165,214	165,214	165,214
Identifiable Intangibles	26,348	21,464	17,816	14,882	11,547	8,412
Deferred Financing Costs	9,554	7,483	5,413	3,542	1,271	(800)
<b>Total Other Assets</b>	<b>205,437</b>	<b>189,477</b>	<b>193,768</b>	<b>188,553</b>	<b>183,348</b>	<b>174,142</b>
<b>TOTAL ASSETS</b>	<b>\$ 687,828</b>	<b>\$ 723,792</b>	<b>\$ 763,678</b>	<b>\$ 805,268</b>	<b>\$ 851,744</b>	<b>\$ 905,757</b>
<b>CURRENT LIABILITIES:</b>						
Accrued Medical Claims/IBNR	31,837	32,930	33,900	34,377	35,142	35,908
Accounts Payable & Acquired Expenses	100,869	99,931	97,017	95,323	94,400	94,480
Other Payable	25,769	25,769	25,759	25,769	25,759	25,759
Third Party Settlements	5,800	5,800	5,800	5,800	5,800	5,800
Due to Government Payors	13,834	13,834	13,834	13,834	13,834	13,834
Income Taxes Payable	2,481	5,502	5,765	5,903	6,001	6,112
Capitalized Leases	4,350	2,910	1,470	1,190	951	751
Debt - Current Portion	178	178	178	178	178	178
Unconsolidated JV	5,369	10,341	15,892	22,126	28,880	35,380
Revolver Line of Credit	-	-	-	-	-	-
Hospital Fee Program Liability	7,022	7,237	7,453	7,689	7,885	8,101
<b>Total Current Liabilities</b>	<b>197,469</b>	<b>203,623</b>	<b>206,968</b>	<b>212,159</b>	<b>218,829</b>	<b>226,303</b>
<b>LONG TERM LIABILITIES:</b>						
Capitalized Leases	9,307	8,010	7,044	6,254	5,585	5,135
Debt - LT Portion	426,978	426,357	426,136	425,913	425,691	425,469
OP / (OID) on Notes Payable	(4,825)	(3,841)	(2,856)	(1,971)	(985)	(6)
Deferred Income Taxes	24,889	24,889	24,889	24,889	24,889	24,888
Other Long Term Liabilities	7,243	7,243	7,243	7,243	7,243	7,243
Malpractice Reserves	4,680	4,680	4,680	4,680	4,680	4,680
<b>Total Long Term Liabilities</b>	<b>457,331</b>	<b>457,197</b>	<b>456,995</b>	<b>456,968</b>	<b>457,063</b>	<b>457,376</b>
<b>TOTAL LIABILITIES</b>	<b>654,800</b>	<b>660,820</b>	<b>663,963</b>	<b>669,127</b>	<b>675,892</b>	<b>683,679</b>
<b>SHAREHOLDER'S EQUITY (DEFICIT)</b>						
Common Stock	0	0	0	0	0	0
Additional Paid in Capital	16,433	21,124	23,814	26,604	29,194	31,884
Retained Earnings (Accumulated Deficit) - Prior Year	82,504	75,251	105,864	139,831	174,446	217,361
Dividends Paid	(88,460)	(88,460)	(88,460)	(88,460)	(88,460)	(88,460)
Retained Earnings - Current Year	30,823	34,993	39,003	36,951	40,213	41,789
<b>Total Holdings Equity</b>	<b>13,305</b>	<b>42,907</b>	<b>79,350</b>	<b>116,725</b>	<b>155,392</b>	<b>202,573</b>
Noncontrolling Interest	9,123	10,164	10,354	10,415	10,459	10,505
<b>Total Shareholder's Equity</b>	<b>22,428</b>	<b>53,071</b>	<b>89,704</b>	<b>127,140</b>	<b>165,851</b>	<b>213,078</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>	<b>\$ 687,228</b>	<b>\$ 723,791</b>	<b>\$ 763,678</b>	<b>\$ 805,267</b>	<b>\$ 851,743</b>	<b>\$ 905,756</b>

CharterCARE, Inc.  
 Balance Sheets  
 (In 000's)

	FY14	FY15	FY16	FY17	FY18	FY19
	test	test	test	test	test	test
<b>CURRENT ASSETS:</b>						
Cash (includes restricted cash) Investments of \$1.2M	\$ (1,892)	\$ (701)	\$ 1,029	\$ 5,166	\$ 10,844	\$ 23,765
Accounts Receivable	33,237	34,768	35,226	37,313	38,432	39,432
Third-party Settlements	-	-	-	-	-	-
Due from Government Payors	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	11,780	11,531	11,284	11,069	10,855	10,865
Hospital Fee Program Receivable	-	-	-	-	-	-
Deferred Tax Asset / Income Tax Receivable	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>43,135</b>	<b>45,588</b>	<b>48,548</b>	<b>53,547</b>	<b>60,131</b>	<b>73,052</b>
<b>FIXED ASSETS:</b>						
Property, Improvements & Equipment, net	65,051	61,419	58,637	51,412	45,730	42,059
<b>OTHER ASSETS:</b>						
Investment in joint ventures	2,911	2,911	2,911	2,911	2,911	2,911
Investment in Subsidiary	-	-	-	-	-	-
Deposits and Other Long-Term Assets	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Identifiable Intangibles	-	-	-	-	-	-
Deferred Financing Costs	-	-	-	-	-	-
<b>Total Other Assets</b>	<b>2,911</b>	<b>2,911</b>	<b>2,911</b>	<b>2,911</b>	<b>2,911</b>	<b>2,911</b>
<b>TOTAL ASSETS</b>	<b>\$ 111,058</b>	<b>\$ 109,928</b>	<b>\$ 109,037</b>	<b>\$ 107,870</b>	<b>\$ 108,771</b>	<b>\$ 116,021</b>
<b>CURRENT LIABILITIES:</b>						
Accrued Medical Claims/IBNR	-	-	-	-	-	-
Accounts Payable & Accrued Expenses	43,170	42,170	39,174	37,440	36,545	36,545
Other Payable	-	-	-	-	-	-
Third Party Settlements	-	-	-	-	-	-
Due to Government Payors	-	-	-	-	-	-
Income Taxes Payable	-	-	-	-	-	-
Capitalized Leases	610	610	610	610	610	610
Debt - Current Portion	-	-	-	-	-	-
Unconsolidated JV	-	-	-	-	-	-
Revolver Line of Credit	-	-	-	-	-	-
Hospital Fee Program Liability	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>43,779</b>	<b>42,778</b>	<b>39,784</b>	<b>38,050</b>	<b>37,155</b>	<b>37,155</b>
<b>LONG TERM LIABILITIES:</b>						
Capitalized Leases	932	505	379	253	126	126
Debt - LT Portion	-	-	-	-	-	-
O/P / (O/D) on Notes Payable	-	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-
Other Long Term Liabilities	6,673	6,673	6,673	6,673	6,673	6,673
Malpractice Reserves	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>7,304</b>	<b>7,178</b>	<b>7,052</b>	<b>6,925</b>	<b>6,799</b>	<b>6,799</b>
<b>TOTAL LIABILITIES</b>	<b>51,084</b>	<b>49,957</b>	<b>46,836</b>	<b>44,975</b>	<b>43,954</b>	<b>43,954</b>
<b>SHAREHOLDER'S EQUITY (DEFICIT)</b>						
Common Stock	-	-	-	-	-	-
Additional Paid in Capital	66,999	66,999	66,999	66,999	66,999	66,999
Retained Earnings (Accumulated Deficit) - Prior Year	-	(6,884)	(7,928)	(5,737)	(4,104)	4,840
Dividends Paid	-	-	-	-	-	-
Retained Earnings - Current Year	(5,884)	(44)	1,291	1,633	1,923	2,229
<b>Total Holdings Equity</b>	<b>60,015</b>	<b>59,971</b>	<b>61,261</b>	<b>62,894</b>	<b>64,817</b>	<b>74,068</b>
Noncontrolling Interest	-	-	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>60,015</b>	<b>59,971</b>	<b>61,261</b>	<b>62,894</b>	<b>64,817</b>	<b>74,068</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>	<b>\$ 111,058</b>	<b>\$ 109,928</b>	<b>\$ 109,037</b>	<b>\$ 107,870</b>	<b>\$ 108,771</b>	<b>\$ 116,021</b>

**Note to PMH's Proforma Consolidated Balance Sheet**

The future capital contributions of \$50M that will be provided by PMH within four (4) years of the closing on the transaction ("Long-Term Funding Commitment") are not included in PMH's projected balance sheet, because the timing of the expenditure of said funds will be determined by Prospect CharterCARE's Board of Directors. That being said, PMH will have no problem funding the Long-Term Funding Commitment as the projections evidence significant cash, including cash in excess of \$200M after FY17. Moreover, as detailed in response 1(d), PMH maintains a senior secured credit facility limit up to \$60M, all of which remains undrawn.



# Exhibit C

**Prospect Medical Holdings, Inc.**  
**Detail of Capital Expenditures - Last 5 years**

	10/1/08 - 9/30/09 FY09	10/1/09 - 9/30/10 FY10	10/1/10 - 9/30/11 FY11	10/1/11 - 9/30/12 FY12	10/1/12 - 9/30/13 FY13
Land and land improvements	1,755	-	-	-	477,276
Buildings and improvements	295,381	667,371	1,571,319	2,812,812	3,737,513
Equipment, Furnitures & Fixtures	610,368	1,989,994	2,964,856	5,435,930	6,657,359
EHR Implementation	-	-	5,314,898	2,888,378	4,244,109
CIP, net	313,961	645,608	(192,153)	1,940,791	9,147,970
<b>Grand Total</b>	<b>1,221,465</b>	<b>3,302,972</b>	<b>9,658,921</b>	<b>13,077,911</b>	<b>24,264,227</b>

# Exhibit D



**United Nurses &  
Allied Professionals**

Linda McDonald, RN  
President

Via U.S. Mail

March 6, 2014

Michael K. Dexter  
Chief, Office of Health Systems Development  
Rhode Island Department of Health  
Cannon Building  
Three Capitol Hill  
Providence, RI 02908

**Re: Change in Effective Control Application of Prospect CharterCARE SJHSRI, LLC,  
Prospect CharterCARE RWMC, LLC, Prospect CharterCARE Elmhurst, LLC, Prospect  
CharterCARE Health Partners, Prospect East Holdings, Inc. and Prospect Medical  
Holdings, Inc.**

Dear Mr. Dexter:

The United Nurses & Allied Professionals [UNAP] respectfully submit the instant letter in full support of the above referenced application.<sup>1</sup>

Well before the filing of the instant application, Prospect reached out to representatives of the UNAP to discuss their vision and the proposed joint venture. They did so because they wanted to forge a partnership with the UNAP while doing so simultaneously with CharterCARE Health Partners (CCHP).

When we met with Prospect, we informed them that we were cautiously optimistic about the proposed joint venture, but also expressed concern about a broad range of issues important to the hundreds of registered nurses we represent at Our Lady of Fatima Hospital (Fatima). In particular, we raised concerns about the impact the proposed joint venture might have on job security, retirement security, medical and dental insurance coverage, wage rates, working conditions, seniority and the like. We explained that if these issues were not appropriately addressed in the joint venture, Prospect would not be able to recruit and retain a skilled and experienced compliment of nurses so essential to the delivery of quality patient care.

In response, Prospect agreed to engage the UNAP in a negotiation over all of these critical issues. In so doing, Prospect agreed to recognize the UNAP as the collective bargaining agent of the nurses, and agreed to assume nearly all of the terms and conditions of employment set forth in the

<sup>1</sup> The UNAP is a health care union representing approximately 6,000-7,000 health care professionals working at many of our State's acute care facilities (among them, Westerly Hospital, Kent County Hospital, Rhode Island Hospital, Memorial Hospital, Landmark Medical Center, Our Lady of Fatima Hospital, Zambarano Hospital, and the Rehabilitation Hospital of RI).

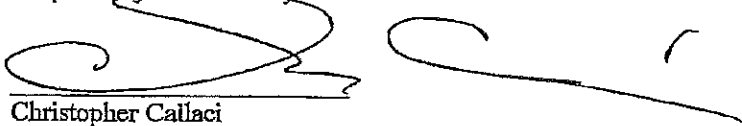
collective bargaining agreement (CBA) then in effect.<sup>2</sup> Beyond that, however, Prospect agreed to the terms of a successor agreement, the term of which runs from August 1, 2014 through July 31, 2015.

The successor agreement, which was overwhelmingly approved by the nurses at Fatima, will provide them with stability and security over the next few years. With respect to job security, the agreement provides the Fatima nurses with, among other things, job opportunities at Roger Williams Medical Center that they did not previously have. In addition, their seniority and other core benefits will be fully recognized and portable should they move to Roger Williams as a result of any system integration.<sup>3</sup> With respect to retirement security, CCHP has agreed to put \$14 million into the defined benefit pension plan which will bring the fund balance up to appropriate levels. And while the nurses did agree to a freeze of the defined benefit pension plan, that plan will be replaced with a competitive defined contribution retirement plan.<sup>4</sup> With respect to medical and dental insurance benefits, Prospect agreed to maintain those benefits at current levels for the life of the successor agreement. Prospect also agreed to increase pay so that the rates of pay for the nurses at Fatima will remain competitive.

At the heart of every health care system are its physicians, nurses, technologists, technicians and other health care professionals. They deliver the care. Without them, the system fails.

The partnership that has been successfully forged between Prospect and the UNAP will ensure that Prospect will continue to be able to retain and recruit skilled and experienced nurses. That, in turn, will go a long way in ensuring the success of the proposed joint venture. As such, the UNAP fully supports the pending application.

Respectfully submitted by:



Christopher Callaci  
General Counsel  
375 Branch Avenue  
Providence, RI 02904  
[401] 831-3647

<sup>2</sup> That agreement has a term that runs from August 1, 2011 through July 31, 2014.

<sup>3</sup> The Fatima nurses will continue to retain all job security protections afforded them under the CBA should they remain at the Fatima facility.

<sup>4</sup> Under the freeze, the Fatima nurses will keep the benefits already accrued but will not accrue benefits beyond the closing date of the joint venture.

# Exhibit E

**CharterCARE Health Partners**

**Resolution of the Board of Trustees  
February 27, 2014**

**RESOLVED:** That upon the Closing Date of the transaction between CharterCARE Health Partners, et. als. and Prospect Medical Holdings, et als., and pursuant to the Asset Purchase Agreement dated September 24, 2014, by and among those parties, the Cash Purchase price of Forty-Five Million Dollars (\$45,000,000) shall be used as follows:

- \$16,550,000 will be used to fully redeem St. Joseph Health Services of Rhode Island revenue bonds issued in 1999 by Rhode Island Health and Educational Building Corporation (RIHEBC).
- \$11,062,500 will be used to redeem Roger Williams Medical Center revenue bonds issued in 1998 by Rhode Island Health and Educational Building Corporation (RIHEBC).
- \$3,387,500 will be used to redeem Roger Williams Realty Corporation revenue bonds issued in 1999 by Rhode Island Health and Educational Building Corporation (RIHEBC).
- \$14,000,000 shall be applied to the St. Joseph Health Services of Rhode Island defined benefit plan.

# Exhibit F



## FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT (this "Amendment") is entered into as of February 27, 2014, by and among CharterCARE Health Partners, a Rhode Island non-profit corporation ("CCHP"), Roger Williams Medical Center, a Rhode Island non-profit corporation ("RWMC"), St. Joseph Health Services of Rhode Island, a Rhode Island non-profit corporation ("SJHSRI"), Roger Williams Realty Corporation, a Rhode Island non-profit corporation ("RWRC"), RWGH Physicians Office Building, Inc., a Rhode Island non-profit corporation ("RWOB"), Elmhurst Extended Care Facilities, Inc., a Rhode Island non-profit corporation ("Elmhurst ECF"), Roger Williams Medical Associates, Inc., a Rhode Island non-profit corporation ("RWMA"), Roger Williams PHO, Inc., a Rhode Island non-profit corporation ("PHO"), Elmhurst Health Associates, Inc., a Rhode Island corporation ("Elmhurst HA"), Our Lady of Fatima Ancillary Services, Inc., a Rhode Island corporation ("Our Lady"), The Center for Health and Human Services, a Rhode Island non-profit corporation ("TCHHS"), SJH Energy, LLC, a Rhode Island limited liability company ("SJHE"), and Rosebank Corporation, a Rhode Island corporation ("Rosebank" and together with CCHP, RWMC, SJHSRI, RWRC, RWOB, Elmhurst ECF, RWMA, PHO, Elmhurst HA, Our Lady, TCHHS and SJHE, each a "Seller" and, collectively, "Sellers"), Prospect Medical Holdings, Inc., a Delaware corporation ("Prospect"), Prospect East Holdings, Inc., a Delaware corporation ("Prospect Member"), Prospect CharterCare, LLC, a Rhode Island limited liability company (the "Company"), Prospect CharterCare RWMC, LLC, a Rhode Island limited liability company ("RWMC SMLLC"), Prospect CharterCare SJHSRI, LLC, a Rhode Island limited liability company ("SJHSRI SMLLC"), Prospect CharterCare Elmhurst, LLC, a Rhode Island limited liability company ("Elmhurst SMLLC"), and Prospect CharterCare Physicians, LLC, a Rhode Island limited liability company ("Physicians SMLLC" and together with RWMC SMLLC, SJHSRI SMLLC and Elmhurst SMLLC, each a "Company Subsidiary" and, collectively, the "Company Subsidiaries"). Terms used but not otherwise defined herein shall have the respective meanings specified in the Asset Purchase Agreement (defined below).

## RECITALS

WHEREAS, Sellers, Prospect, Prospect Member, the Company and the Company Subsidiaries (collectively, the "Parties") are parties to that certain Asset Purchase Agreement dated as of September 24, 2013 (the "Asset Purchase Agreement"), pursuant to which Sellers shall sell to the Company, and the Company shall acquire from Sellers, either directly or through the Company Subsidiaries, substantially all of the assets of Sellers used in the operation of the Facilities; and

WHEREAS, the Parties desire to amend the Asset Purchase Agreement in order to, among other things, add Prospect CharterCare Ancillary Services, LLC, a Rhode Island limited liability company ("Ancillary Services SMLLC"), as a party to the Asset Purchase Agreement; and

WHEREAS, the Parties desire to amend the form of Amended and Restated Agreement, which was Exhibit A to the Asset Purchase Agreement, in order to, among other things, change the fiscal year as set forth therein.

NOW, THEREFORE, for and in consideration of the agreements, covenants, representations and warranties hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendment to the Form of Amended and Restated Agreement (attached as Exhibit A to the Asset Purchase Agreement). Section 7.5 of the form of Amended and Restated Agreement is hereby deleted and replaced in its entirety with the following:

7.5 Fiscal Year. The fiscal year of the Company and each Company Subsidiary shall be the twelve (12) month period commencing on October 1st and ending on September 30th."

2. Replacement of Exhibit A to the Asset Purchase Agreement. Exhibit A to the Asset Purchase Agreement is hereby deleted and replaced in its entirety with Attachment 1 attached hereto.

3. Amendment to Preamble. The first sentence of the Preamble of the Asset Purchase Agreement is hereby deleted and replaced in its entirety with the following sentence:

"THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of September 24, 2013 by and among CharterCARE Health Partners, a Rhode Island non-profit corporation ("CCHP"), Roger Williams Medical Center, a Rhode Island non-profit corporation ("RWMC"), St. Joseph Health Services of Rhode Island, a Rhode Island non-profit corporation ("SJHSRI"), Roger Williams Realty Corporation, a Rhode Island non-profit corporation ("RWRC"), RWGH Physicians Office Building, Inc., a Rhode Island non-profit corporation ("RWOB"), Elmhurst Extended Care Facilities, Inc., a Rhode Island non-profit corporation ("Elmhurst ECF"), Roger Williams Medical Associates, Inc., a Rhode Island non-profit corporation ("RWMA"), Roger Williams PHO, Inc., a Rhode Island non-profit corporation ("PHO"), Elmhurst Health Associates, Inc., a Rhode Island corporation ("Elmhurst HA"), Our Lady of Fatima Ancillary Services, Inc., a Rhode Island corporation ("Our Lady"), The Center for Health and Human Services, a Rhode Island non-profit corporation ("TCHHS"), SJH Energy, LLC, a Rhode Island limited liability company ("SJHE"), and Rosebank Corporation, a Rhode Island corporation ("Rosebank" and together with CCHP, RWMC, SJHSRI, RWRC, RWOB, Elmhurst ECF, RWMA, PHO, Elmhurst HA, Our Lady, TCHHS and SJHE, each a "Seller" and, collectively, "Sellers"), Prospect Medical Holdings, Inc., a Delaware corporation ("Prospect"), Prospect East Holdings, Inc., a Delaware corporation ("Prospect Member"), Prospect CharterCare, LLC, a Rhode Island limited liability company (the "Company"), Prospect CharterCare Ancillary Services, LLC, a Rhode Island limited liability company ("Ancillary Services SMLLC"), Prospect CharterCare RWMC, LLC, a Rhode Island limited liability company ("RWMC SMLLC"), Prospect CharterCare SJHSRI, LLC, a Rhode Island limited liability company ("SJHSRI SMLLC"), Prospect CharterCare Elmhurst, LLC, a Rhode Island

limited liability company ("Elmhurst SMLLC"), and Prospect CharterCare Physicians, LLC, a Rhode Island limited liability company ("Physicians SMLLC") and together with Ancillary Services SMLLC, RWMC SMLLC, SJHSRI SMLLC and Elmhurst SMLLC, each a "Company Subsidiary" and, collectively, the "Company Subsidiaries")."


4. Counterpart Signature Page to Asset Purchase Agreement. Contemporaneously with the execution of this Amendment, Ancillary Services SMLLC shall execute a Counterpart Signature Page to the Asset Purchase Agreement in the form attached hereto as Attachment 2, in order become bound by all of the terms and provisions of, and be entitled to all of the benefits and privileges of, the Asset Purchase Agreement.
5. Ratification of the Asset Purchase Agreement. Except as expressly amended by this Amendment, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect without modification.
6. Entire Agreement. The Asset Purchase Agreement (including all schedules, annexes and exhibits thereto), as amended by this Amendment, constitutes the entire agreement among the Parties with respect to the subject matter thereof and hereof and supersedes all prior agreements and understandings among the Parties, oral or written, with respect to the subject matter thereof and hereof.
7. Execution of this Amendment. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A signature delivered by facsimile or PDF will be sufficient for all purposes among the Parties.

*[remainder of page intentionally left blank; signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their authorized representatives, all as of the date and year first above written.

SELLERS:


CHARTERCARE HEALTH PARTNERS

By:   
Name:  
Title:


ROGER WILLIAMS MEDICAL CENTER

By:   
Name:  
Title:

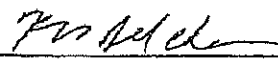
ST. JOSEPH HEALTH SERVICES OF  
RHODE ISLAND

By:   
Name:  
Title:


ROGER WILLIAMS REALTY  
CORPORATION

By:   
Name:  
Title:

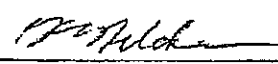
RWGH PHYSICIANS OFFICE BUILDING,  
INC.

By:   
Name:  
Title:


ELMHURST EXTENDED CARE  
FACILITIES, INC.

By:   
Name:  
Title:

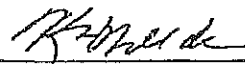
ROGER WILLIAMS MEDICAL  
ASSOCIATES, INC.

By:   
Name:  
Title:

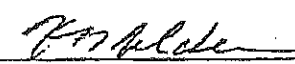
ROGER WILLIAMS PHO, INC.

By:   
Name:  
Title:

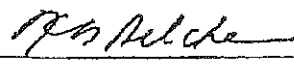
ELMHURST HEALTH ASSOCIATES, INC.

By:   
Name:  
Title:

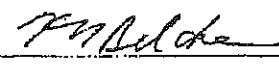
OUR LADY OF FATIMA ANCILLARY SERVICES, LLC

By:   
Name:  
Title:


THE CENTER FOR HEALTH AND HUMAN SERVICES

By:   
Name:  
Title:

SJH ENERGY, LLC


By:   
Name:  
Title:

ROSEBANK CORPORATION

By:   
Name:  
Title:

PROSPECT:

PROSPECT MEDICAL HOLDINGS, INC.

By:   
Name:  
Title:


PROSPECT MEMBER:

PROSPECT EAST HOLDINGS, INC.

By:   
Name:  
Title:

COMPANY:

PROSPECT CHARTERCARE, LLC

By:   
Name:  
Title:

COMPANY SUBSIDIARIES:

PROSPECT CHARTERCARE RWMC, LLC

By: \_\_\_\_\_  
Name:  
Title:

PROSPECT CHARTERCARE SJHSRI, LLC

By: \_\_\_\_\_  
Name:  
Title:

PROSPECT CHARTERCARE ELMHURST,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

PROSPECT CHARTERCARE PHYSICIANS,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

**ATTACHMENT 1**

**EXHIBIT A TO THE ASSET PURCHASE AGREEMENT**

See attached.

ATTACHMENT 2

COUNTERPART SIGNATURE PAGE

TO

ASSET PURCHASE AGREEMENT

February 27, 2014

The undersigned, desiring to become a party to that certain Asset Purchase Agreement dated as of September 24, 2013 (as amended by that certain First Amendment to Asset Purchase Agreement dated as of February \_\_, 2014, the "Asset Purchase Agreement"), by and among CharterCARE Health Partners, Roger Williams Medical Center, St. Joseph Health Services of Rhode Island, Roger Williams Realty Corporation, Physicians Office Building, Inc., Elmhurst Extended Care Facilities, Inc., Roger Williams Medical Associates, Inc., Roger Williams PHO, Inc., Elmhurst Health Associates, Inc., Our Lady of Fatima Ancillary Services, Inc., The Center for Health and Human Services, SJH Energy, LLC, Rosebank Corporation, Prospect Medical Holdings, Inc., Prospect East Holdings, Inc., Prospect CharterCare, LLC, Prospect CharterCare RWMC, LLC, Prospect CharterCare SJHSRI, LLC, Prospect CharterCare Elmhurst, LLC, and Prospect CharterCare Physicians, LLC, hereby agrees to be bound by all of the terms and provisions of, and shall be entitled to all of the benefits and privileges of, the Asset Purchase Agreement, and further authorizes the parties to the Asset Purchase Agreement to attach this signature page to the Asset Purchase Agreement in order to make the undersigned a party thereto.

PROSPECT CHARTERCARE ANCILLARY  
SERVICES, LLC

By: \_\_\_\_\_  
Name:  
Title: