

# **In The Matter Of:**

*Interview*

*Joseph DiStefano - CONFIDENTIAL*

*November 9, 2020*



1 STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

2  
3  
4 IN RE:

5 INTERVIEW UNDER OATH OF JOSEPH DiSTEFANO

6  
7 DATE: NOVEMBER 9, 2020  
8 TIME: 12:00 P.M.  
9 PLACE: ZOOM CONFERENCE

10  
11 APPEARANCES:

12 STATE OF RHODE ISLAND, OFFICE OF THE ATTORNEY  
13 GENERAL

BY: MARIA LENZ, ASSISTANT ATTORNEY GENERAL

14 RHODE ISLAND DEPARTMENT OF HEALTH

15 BY: JACQUELINE KELLEY, ESQ.

16 ADLER, POLLOCK & SHEEHAN, P.C.

17 BY: PATRICIA ROCHA, ESQ.

18 BY: LESLIE PARKER, ESQ.

19 ON BEHALF OF THE TRANSACTING PARTIES AND  
20 INTERVIEWEE  
21  
22  
23  
24  
25

1           ALSO PRESENT:

2           STATE OF RHODE ISLAND OFFICE OF THE ATTORNEY  
3           GENERAL

4           Jennifer Gallop, Esq., Krokidas & Bluestein

5           James Carris, CPA

6           RHODE ISLAND DEPARTMENT OF HEALTH

7           Fernanda Lopes, MPH, Chief, Office of Health  
8           Systems Development

9           Michael Dexter, Chief, Center for Health Systems  
10          Policy and Regulations

## I N D E X

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(Exhibits furnished with transcript.)

## STIPULATIONS

It is hereby stipulated and agreed by all counsel present under the RI Executive Order No. 2020-09, Article No. 11, regarding (COVID-19) that this web-based remote proceeding is being conducted by parties in separate locations.

The oath shall be administered upon the witness providing a valid form of identification.

This proceeding will not be recorded by video or audio means without prior consent of all parties.

Exhibits may be presented and marked by counsel and provided to all parties prior to or at the time of questioning regarding the exhibit.

All parties shall bear their own costs for this proceeding unless otherwise agreed upon.

1 (INTERVIEW UNDER OATH COMMENCED AT 12:17 P.M.)

2 THE REPORTER: Is there any  
3 disagreement regarding the stipulations?

4 Great.

5 JOSEPH DiSTEFANO, first having been  
6 satisfactorily identified and duly sworn by the  
7 Commissioner, was examined and testified as  
8 follows:

9 EXAMINATION BY MS. LENZ:

10 Q. Good afternoon, Mr. DiStefano.

11 A. I couldn't hear that.

12 Q. Oh. Mr. DiStefano, can you hear me?

13 A. Yes, I can hear you now.

14 Q. Okay. Great. Good afternoon. How are you?

15 A. I'm fine, thank you.

16 Q. Mr. DiStefano, my name is Maria Lenz. I am an  
17 assistant attorney general here at the attorney  
18 general's office. With me today are the  
19 attorney general's experts: Jennifer Gallop,  
20 Esquire, and James Carris, CPA.

21 We also have representatives from the  
22 Rhode Island Department of Health: Jacqueline  
23 Kelley, Esquire, legal counsel to the Department  
24 of Health; Michael Dexter, chief for the Center  
25 for Health Systems Policies and Regulations; and

1           Fernanda Lopes, chief of the Office of Health  
2           Systems Development.

3                       We also have Prospect counsel, who I  
4           will let introduce themselves.

5                       MS. ROCHA: Good morning, everyone.  
6           Pat Rocha, representing the transacting parties  
7           and Mr. DiStefano.

8                       Leslie, I didn't hear you.

9                       THE REPORTER: We can't hear you.

10                      MS. PARKER: Can you hear me now?

11                      THE REPORTER: Yep.

12                      MS. ROCHA: Yes.

13                      MS. PARKER: I'm Leslie Parker, for  
14           the transacting parties and Mr. DiStefano as  
15           well.

16                      MS. LENZ: Thank you.

17   Q.   Mr. DiStefano, you are here today for an  
18       interview under oath as transcribed by a  
19       stenographer conducted pursuant to the  
20       Hospital Conversions Act, Rhode Island General  
21       Laws 23-17.14-14(a) in the matter of the  
22       following: The Hospital Conversion Initial  
23       Application of Chamber Inc.; Ivy Holdings, Inc.;  
24       Ivy Intermediate Holdings, Inc.; Prospect  
25       Medical Holdings, Inc.; Prospect East Holdings,

1 Inc.; Prospect East Hospital Advisory Services,  
2 LLC; Prospect CharterCARE, LLC; Prospect  
3 CharterCARE SJHSRI, LLC; and Prospect  
4 CharterCARE RWMC, LLC, known as the transacting  
5 parties.

6 I am going to share my screen and  
7 just show you a document that I'd like to have  
8 marked as Exhibit A.

9 Mr. DiStefano, can you see what is on  
10 your screen?

11 A. I can.

12 Q. Okay. Great.

13 And what is -- what document is on  
14 your screen?

15 A. It's the notice to attend that I received  
16 calling me to this interview.

17 Q. Great. Thank you.

18 MS. LENZ: I'd like to enter that in  
19 full as Exhibit A.

20 Exhibit A, Notice to attend, was  
21 received in evidence for identification.

22 BY MS. LENZ:

23 Q. Mr. DiStefano, I will be taking the interview  
24 under oath on behalf of the attorney general's  
25 office, and Jackie Kelley will be taking the



1 interview under oath on behalf of the Department  
2 of Health. I will ask the questions first, and  
3 then Jackie will follow up a bit later.

4 Do you understand?

5 A. I do.

6 Q. Okay.

7 MS. LENZ: And, Pat, as part of this  
8 proceeding, we would like an agreement with all  
9 parties that there will be no audio recording of  
10 this interview under oath by the transacting  
11 parties you represent or the interviewee or the  
12 AG or the Department of Health, and that if such  
13 unauthorized audio recording occurs, such  
14 unauthorized audio will not be used for any  
15 public purpose.

16 Do you agree?

17 MS. ROCHA: We do agree.

18 MS. LENZ: Okay. Do you also agree  
19 that no one -- the attorney general's office,  
20 the Department of Health, the transacting  
21 parties that you represent, including the  
22 interviewee, will also not record the Zoom video  
23 session, and that if such unauthorized video is  
24 recorded, such video will not be used by any  
25 public purpose?

1 MS. ROCHA: That's acceptable.

2 MS. LENZ: Now, of course these Zoom  
3 video proceedings present some new obstacles  
4 that normal in-person depositions or interviews  
5 under oath do not present.

6 Each side will have the opportunity  
7 to use the breakout rooms at certain points  
8 throughout this interview under oath. If there  
9 is a technical glitch and one side or another  
10 ends up in a breakout room where the other side  
11 is discussing privileged attorney-client  
12 information or work product, do we all agree to  
13 immediately notify the stenographer to adjoin  
14 the breakout room until the technology is worked  
15 out.

16 MS. ROCHA: Yes.

17 MS. LENZ: Okay. And we all agree on  
18 our end as well, both the Department -- the  
19 office of attorney general and Department of  
20 Health.

21 BY MS. LENZ:

22 Q. Now, Mr. DiStefano, the focus of your interview  
23 today is going to be about the Prospect  
24 CharterCARE board, specifically the board's  
25 mission and duties, your role on the board, your

1 appointment. We're going to talk a bit about  
2 the 2014 joint venture. We're also going to  
3 discuss the pending hospital conversion, which  
4 is the reason why you are here today. We're  
5 also going to discuss any relationship you  
6 personally or as a board member may have had  
7 with any representatives from Leonard Green, as  
8 well as any personal relationships you've had  
9 with Sam Lee and David Topper and any  
10 relationships as a board member that you've had  
11 with Sam Lee and David Topper. We will also  
12 cover any other issues that may arise.

13 Do you understand?

14 A. I do.

15 Q. Now, Mr. DiStefano, have you ever been deposed  
16 or interviewed under oath before?

17 A. Yes, I have.

18 Q. Okay. So you are familiar with the process;  
19 correct?

20 A. Yes, I am.

21 Q. Even though you are very much familiar with the  
22 process, I am going to reiterate a few ground  
23 rules.

24 Please remember you are answering all  
25 questions under oath, which means you must

1 answer all questions honestly, accurately, and  
2 to the best of your ability and knowledge.

3 Do you understand?

4 A. I understand.

5 Q. If you do not understand a question, please ask  
6 me to rephrase. If you do not request that I  
7 rephrase my question, I'm going to assume that  
8 you understand my question.

9 When you answer, please use your  
10 words. Do not nod or shake your head because  
11 the stenographer cannot transcribe such an  
12 action.

13 If you do not remember or do not  
14 know, please say so. If you do not know an  
15 answer to a question, but someone else in either  
16 Prospect or at the hospitals or someone else may  
17 know the answer, please indicate who may know  
18 the answer so we can seek the answer from them.

19 Finally, if your attorneys make an  
20 objection, you must answer the question anyway.  
21 The objections made by your attorney are to  
22 preserve the record for potential judicial  
23 review, if necessary, in the future.

24 Do you understand?

25 A. I understand.

1 Q. Do you have any questions before we proceed?

2 A. None whatsoever.

3 Q. Okay. Mr. DiStefano, you just said you have  
4 been deposed or given an interview under oath  
5 before.

6 Can you please tell us when you have  
7 been deposed or given an interview under oath?

8 A. Well, years ago I was president and general  
9 counsel for Providence-Worcester Railroad  
10 Company, and we were involved in a host of  
11 litigation involving our recovering the  
12 railroad, which was a leased line, from Penn  
13 Central. And there was much litigation, federal  
14 courts and before the Interstate Commerce  
15 Commission, and I was deposed quite frequently.

16 Q. How long ago was that?

17 A. Well, that would have been in the 1970s.

18 Q. Were you a plaintiff or a defendant in that  
19 case?

20 A. We were a plaintiff.

21 Q. And I assume that case has been resolved?

22 A. It's been resolved. The  
23 Providence-Worcester Railroad Company has been  
24 operating independently since 1973.

25 Q. Mr. DiStefano, has there been any other time

1       that you've been deposed or given an interview  
2       under oath?

3       A.     I was chairman of the Rhode Island State  
4       Board of Elections, and I think I was deposed in  
5       some federal litigation where the plaintiffs  
6       were contesting the constitutionality of a  
7       statute which was our obligation to enforce.

8       Q.     Do you remember when that was?

9       A.     Well, I was chairman between 1979 and 1994,  
10      so it was in that span of time.

11      Q.     Okay. Are there any other instances you can  
12      recall where you've been deposed?

13      A.     Not that I can immediately recall.

14      Q.     You discussed that you were a plaintiff in the  
15      railroad lawsuit.

16                   Have you been a plaintiff in any  
17      other lawsuit?

18      A.     No, no. The answer is no.

19      Q.     Have you ever been a defendant in a lawsuit?

20      A.     Well, with respect to the Board of  
21      Elections, I was a defendant many times in my  
22      official capacity as chairman. So if you check  
23      the federal reports, you'll see my last name  
24      there as having been sued several times.

25      Q.     Okay. Any other time you can recall where you

1 were a defendant?

2 A. No, not in my -- not in my individual  
3 capacity.

4 Q. In your professional capacity?

5 A. No. Just in my representative capacity as  
6 chairman of the Board of Elections.

7 Q. Okay. Mr. DiStefano, within the last 24 hours,  
8 have you taken anything that may impair your  
9 ability to answer questions honestly today?

10 A. No.

11 Q. Did you drink any alcohol?

12 A. No.

13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 Q. Okay. And have you taken any other drugs?

21 A. No.

22 Q. Mr. DiStefano, did you prepare for this  
23 interview under oath today?

24 A. Did I prepare? I talked to my legal  
25 counsel.

1 Q. Okay. Did you review any material in  
2 preparation for this interview?

3 A. No, I did not.

4 Q. So you did not review any documents?

5 A. No.

6 Q. Okay. Did you discuss this interview with  
7 anyone else besides legal counsel?

8 A. Well, I talked to Edward Santos. He called  
9 me on Saturday to tell me that he had testified  
10 for five and a half hours, and when he left, he  
11 was both mentally and physically exhausted. But  
12 we did not discuss -- we did not discuss any  
13 specific questions asked of him or any of his  
14 specific responses to questions asked.

15 Q. Did you discuss anything else during that phone  
16 call?

17 A. No.

18 Q. Okay. Mr. DiSantos [sic], I want to talk to you  
19 for a few minutes about your education and your  
20 professional background.

21 Could you please describe your  
22 education?

23 A. Yes. I'm a graduate of Providence College  
24 and Georgetown University Law School.

25 Q. When did you graduate Providence College?



1 A. 1959. And law school, 1962.

2 Q. What was your degree at PC in?

3 A. It was in political science.

4 Q. Okay. Do you have any other degrees?

5 A. No. Just the -- just the BA and the JD.

6 Q. Once you graduated from Georgetown in 1962, what  
7 was your first job after law school?

8 A. I was in the private practice of law  
9 briefly in Providence; then I became legal  
10 counsel in Rhode Island for Phillips 66  
11 Petroleum Company, Fire Rhode Island Oil  
12 Company, which was the local distributor; and  
13 then I became a secretary in general counsel for  
14 Providence and Worcester Railroad Company, which  
15 was a public company at some point in time; and  
16 then I became president of Capital Properties,  
17 which was a public company that developed the  
18 Capital Center project in downtown Providence,  
19 this being -- the building I'm sitting in right  
20 now being the first building developed as part  
21 of that; and then -- well, I should add, then,  
22 after that, I -- when I retired from Capital  
23 Properties, I became counsel at Adler, Pollock &  
24 Sheehan.

25 Q. Thank you, Mr. DiStefano.

1 I'd just like to go back.

2 Can you give me some dates as to when  
3 you were legal counsel to Phillip oil?

4 A. That would have been beginning of 1965, I  
5 believe, and that ran until 1973. I may be off  
6 a few years, but in that range. And then I was  
7 with a combination of Providence and Worcester  
8 Railroad Company and Capital Properties through  
9 to 1995, and then I -- I became counsel with  
10 Adler, Pollock & Sheehan.

11 Q. Did you become counsel at Adler, Pollock &  
12 Sheehan in 1995?

13 A. 1995, right. Late 1995.

14 Q. And were you jointly working for Capital  
15 Properties and the railroad company --

16 A. Yes.

17 Q. -- at the same time?

18 A. Yes. They were -- they were interrelated  
19 companies. Basically the -- owned by public  
20 entities, but managed by -- by -- with sort of a  
21 common management arrangement. And my service  
22 with both sometimes overlapped.

23 And then at -- at some point in time,  
24 I left the railroad and moved over full-time to  
25 Capital Properties. That would have been

1       sometime around 1971 or '72. I became president  
2       of Capital Properties at that time.

3       Q.   What was your role at Capital Properties prior  
4       to becoming its president in '71 to '72?

5       A.   Well, basically I was legal counsel, and  
6       then I became president when we began building  
7       the new passenger station in Providence and  
8       developing the first buildings in Capital  
9       Center, which was known as the finest example of  
10      cooperation between three levels of government  
11      in the private sector.

12      Q.   And when you became counsel at AP&S in 1995,  
13      what was your job title then?

14      A.   It was still counsel, and I was -- I  
15      practiced primarily in the area of representing  
16      real estate investors and developers.

17      Q.   And you are still at Adler, Pollock & Sheehan  
18      today; is that correct?

19      A.   Yes, I am.

20      Q.   Have you been at Adler, Pollock & Sheehan  
21      consistently from 1995 until today in 2020?

22      A.   Yes.

23      Q.   Have you always been counsel, or have you had  
24      differing roles over the past 25 years?

25      A.   I was never a partner. So basically I was

1	always counsel.
---	-----------------

2 | Q. Always counsel. Okay.

3 And what is your salary currently?

Row	Bar Length (approx. % of total)
1	85
2	95
3	90
4	45
5	90
6	55
7	90
8	95
9	45
10	80

15 Q. Okay. Mr. DiSantos --

16 | A. DiStefano.

17 Q. -- are you -- I'm sorry? Say that again.

18 | A. DiStefano.

19 Q. Oh, I'm -- excuse me, Mr. DiStefano. I  
20 apologize. I do apologize. Forgive me.

21                   Mr. DiStefano, are you a member of  
22                   any boards or committees currently?

23 A. I am a member of the -- the only board I'm  
24 a member of now is Prospect CharterCARE, but I  
25 have a history of involvement with both profit

1 and nonprofit boards.

2 Q. Okay. We'll go into that.

3 Are you currently, as you sit here  
4 today, a Prospect CharterCARE board member?

5 A. No.

6 Q. Okay. Can you please tell me the other boards  
7 and committees that you have been a member of  
8 within the past five years?

9 A. Oh, five years. No. You'd have to go back  
10 a little further than that.

11 Q. How about the last 10 years?

12 A. Only Prospect CharterCARE. And before  
13 that, it was -- no. Five years would be only  
14 Prospect CharterCARE.

15 Q. What about within the last 10 years? What other  
16 boards and committees have you been a part of?

17 A. Well, I was -- I was a chairman of the  
18 board of Salve Regina University in Newport.  
19 And if you go back a little further than 10  
20 years, I was -- I was on the board of Roger  
21 Williams University when we developed the first  
22 and only law school in Rhode Island. And at  
23 about the same time, I was a member of the board  
24 at Providence College for 13 years. And then I  
25 was a chairman of the Rhode Island State Board

1 of Elections and chairman of the Rhode Island  
2 Convention Center Authority.

3 Q. Okay. When were you --

4 A. I'm sorry. I was also a member of the  
5 board of the old Rhode Island Hospital Trust  
6 National Bank, which became part of Bank of  
7 Boston and can be traced to the current day  
8 Santander Bank.

9 Q. When were you -- approximately what were the  
10 dates for being on the board for the Rhode  
11 Island Hospital Trust?

12 A. Oh, God. That goes back to the late 1970s  
13 and into early 1980.

14 Q. Have you ever been compensated for any of your  
15 roles on the board -- on any of the boards?  
16 except for Prospect CharterCARE, which we will  
17 talk about separately.

18 A. No. The universities were nonprofit, so  
19 there was no compensation there, and I don't  
20 recall whether Rhode Island Hospital Trust  
21 National Bank paid us a stipend. I really don't  
22 remember.

23 Q. Okay. So, Mr. DiStefano, we are going to turn  
24 to the Prospect CharterCARE board and your  
25 involvement on that board.

1                   In your own words, what is the  
2 mission of the board?

3       A.     Well, the -- the mission of the board is  
4 actually to act as sort of a supervisory entity  
5 over the operation of the Heritage hospitals,  
6 which would be Roger Williams Medical Center and  
7 Fatima Hospital.

8   Q.   How did you come to be appointed as a member of  
9 the Prospect CharterCARE board? And just for  
10 clarification, I am going to use the word  
11 "board" and "Prospect CharterCARE board"  
12 interchangeably.

13   A.   Okay. Well, I was -- I was on the board of  
14 CharterCARE Health Partners, which consisted of  
15 Roger Williams Medical Center and Fatima  
16 Hospital. And when we -- when we linked up with  
17 Prospect Medical Properties, I was one of the  
18 board members who was asked to serve on the  
19 Prospect CharterCARE board.

20                   Prior to that time, prior to 2010, I  
21 was on the board of the old St. Joseph Health  
22 Services since the mid-1980s.

23   Q.   Who asked you to be a part of the Prospect  
24 CharterCARE board?

25   A.   It was the -- it was the Charter- --

1 CharterCARE Health Partners board appointed me.

2 Q. You were also a part of the CharterCARE Health  
3 Partners board; correct?

4 A. Yes, I was.

5 Q. Did you vote for yourself as a member of this  
6 CCHP board, or did you recuse yourself?

7 A. Oh, I don't -- I honestly don't recall.

8 Q. Okay. Who else from the CharterCARE Health  
9 Partners board was asked to be a Prospect  
10 CharterCARE board member?

11 A. Mr. Santos went over. I don't recall the  
12 others. If you mentioned the names, it would  
13 refresh my memory, but I don't recall who else  
14 went over.

15 Q. Okay. Why did you accept the board appointment?

16 A. Well, I -- as I said, I started with -- I  
17 was appointed by the bishop back in the  
18 mid-1980s to the board of St. Joseph Health  
19 Services, which then, you know, controlled both  
20 Fatima Hospital and the old St. Joseph's  
21 Hospital. So I had a long history of  
22 involvement with the hospital, and I was  
23 interested. I -- I really had, you know, a deep  
24 interest in the delivery of health care, so it  
25 was very easy for me to accept.



1 Q. What was the original term of your appointment?

2 A. To the CharterCARE Health board --  
3 CharterCARE Health Partners board? Is that what  
4 you -- which one are you talking about?

5 Q. I apologize. I meant the Prospect CharterCARE  
6 board, your original appointment to the Prospect  
7 CharterCARE board.

8 A. I believe -- I believe that they were  
9 three-year terms.

10 Q. Was your term renewed?

11 A. No. My term -- my term expired, I believe,  
12 in June, and I received a notice in July from  
13 the -- from the trustee for the pension plan  
14 saying that they now controlled the 15 percent  
15 interest.

16 I should back up and say that  
17 CharterCARE -- Prospect CharterCARE was a joint  
18 venture, 85 percent belonging to Prospect,  
19 15 percent belonging to the old CharterCARE  
20 Community Board, when each interest, 85 percent  
21 and 15 percent -- each had the right to appoint  
22 four members.

23 So when the trustee for the pension  
24 plan assumed control of the 15 percent interest,  
25 when our terms expired, he -- I was not

1 reappointed, nor were the other three  
2 representatives.

3 Q. Mr. DiStefano, when did you join the Prospect  
4 CharterCARE board?

5 A. From the very inception in 2014.

6 Q. Okay. So when you joined in 2014, was it a  
7 three-year term limit?

8 A. I believe it was a three-year term. I'm  
9 not sure of that, but I believe it was a  
10 three-year term, yes.

11 Q. So if it was a three-year term, then the term  
12 would've expired in 2017; correct?

13 A. The first term. That was -- the first term  
14 would've expired in 2017, and the second term in  
15 2020.

16 Q. Was your term renewed in 2017 when it expired?

17 A. I believe it was, yes.

18 Q. Who approved your renewal in 2017?

19 A. I guess it was the CharterCARE Community  
20 Board, which held the 15 percent at the time.

21 Q. So did your term renewal need the approval of  
22 the entire Prospect CharterCARE board or just  
23 half of it?

24 A. No. It required -- I believe at the time,  
25 the CharterCARE Community Board held the

1 15 percent interest, and they were the ones that  
2 made the appointment.

3 Q. Okay. Did you vote at all on your renewal  
4 appointment?

5 A. No. I was not a member of the CharterCARE  
6 Community Board, so I did not vote on my  
7 reappointment.

8 Q. Okay. Do you recall who the members of the  
9 CharterCARE Community Board were at the time?

10 A. I know -- I believe Don McQueen who used to  
11 be a loan officer with one of the local banks,  
12 was the chairman. I don't specifically recall  
13 the other members of the community board.

14 Q. So, Mr. DiStefano, let's talk a bit about the  
15 mechanics of the Prospect CharterCARE board.

16 Where were the meetings held?

17 A. Well, most frequently, they were held at  
18 Rogers Williams Medical Center, but occasionally  
19 they were held on the Fatima campus.

20 Q. Where was that? Oh, I'm sorry. Excuse me.

21 Did you say the Fatima campus?

22 A. The Fatima campus on High Service Avenue in  
23 Providence -- in North Providence, I should say.

24 Q. How many times did the board meet a year?

25 A. Well, they -- the board met quarterly, but

1 the four 15 percent representatives would meet  
2 in between meetings with the president of -- of  
3 Prospect CharterCARE to be kept up-to-date on  
4 events that were occurring between meetings of  
5 the board.

6 Q. And who was the president of Prospect that you  
7 and the three other Category A members met with?

8 A. Well, Jeff Leibman currently -- was the  
9 current president.

10 Q. Okay. And then who was it before?

11 A. Well, there was a John -- John Holiver,  
12 H-o-l-i-v-e-r. There was a Les Schindel, who  
13 was a previous president. I believe -- I  
14 believe that's it. I may have forgotten one,  
15 but I think that's -- that was all of them.

16 Q. Mr. DiStefano, with respect to the meetings in  
17 between the quarterly meetings of Prospect  
18 CharterCARE, who else was at those meetings?

19 A. Well, it would've been the four -- the  
20 four -- I call them -- the 15 percent  
21 appointees -- I'll call the Rhode Island  
22 members -- would be the four Rhode Island  
23 members and the president.

24 Q. Okay. And how often would you meet?

25 A. We'd meet maybe once between board

1 meetings. So that would be about four times a  
2 year.

3 Q. Okay. And what would you discuss?

4 A. The president at the time would bring us  
5 up-to-date on events that were occurring since  
6 the last board meeting.

7 Q. Can you give me an example of some things --

8 A. Yeah. We'd talk about quality, admissions,  
9 any personnel changes, how we were doing  
10 financially, the things that you would normally  
11 discuss at meetings. No votes were taken,  
12 because it was simply an update on what was  
13 happening.

14 Q. Was it a regularly scheduled meeting, or was it  
15 more informal?

16 A. It was more informal. He would call us to  
17 find out if he could get all of us in the room  
18 on any particular day, and then we'd agree on a  
19 date and then meet.

20 Q. Were those meetings always initiated by the  
21 CEO --

22 A. Yes.

23 Q. -- of --

24 Do you know whether those meetings  
25 were ever initiated by the chairman of the

1 board, Mr. Santos?

2 A. A few may have been. I'm not sure. But my  
3 notification always came from the president's  
4 office, from the president's secretary.

5 Q. Going back to the quarterly meetings of the  
6 Prospect CharterCARE board, what kinds of issues  
7 did the board address?

8 A. Well, we -- we talked about, obviously,  
9 the -- the budgets of the hospitals --  
10 respective hospitals, the financial statements.  
11 We talked about quality. We talked about  
12 admissions. We talked about any major personnel  
13 changes. Those -- those are the kinds of things  
14 we discussed.

15 Q. Now, I'm going to refer to the 15 percent as  
16 Category A, and the other members that were the  
17 Prospect-appointed members as Category B.

18 In your experience, were there any  
19 issues between the Category A members and the  
20 Category B members during your tenure on the  
21 board?

22 A. By "issues," you mean disagreements?

23 Q. Yes, disagreements.

24 A. No, none whatsoever. In fact, we got along  
25 remarkably well. They -- you know, obviously we

1       were there to offer our local knowledge and  
2       local influence, but also in a way to be sure  
3       that they were living up to the commitments that  
4       they had made in the agreement with the  
5       CharterCARE Health Partners. And we got along  
6       remarkably well. There were no disagreements,  
7       and so far as I know, they have lived up to  
8       every commitment that they made.

9       Q. Can you describe the agreements, commitments  
10      that they made and, as you say, have lived up  
11      to?

12     A. Yes.

13               We -- when -- when we started the  
14      venture, they had agreed that they would  
15      initially put \$45 million into the venture,  
16      \$31 million of which went to pay off the  
17      respective hospital mortgages. \$14 million went  
18      into the pension plan. And they had committed  
19      to spend at least \$50 million -- an additional  
20      \$50 million on hospital improvements, both  
21      bricks and mortar and equipment. And then they  
22      agreed that they would budget an additional  
23      \$10 million annually on the operating revenues  
24      for additional capital improvements.

25               They have done that. As a matter of

1 fact, the expenditure of the \$50 million was  
2 audited by the office of the attorney general to  
3 be sure that those expenditures were made.

4 Q. Mr. DiStefano, during your tenure, were there  
5 any special board meetings outside of the  
6 quarterly meetings?

7 A. I -- I don't remember a special meeting,  
8 but that doesn't mean that one didn't occur.

9 Q. Now, did the board have final approval of the  
10 annual operating budget?

11 A. For the hospitals?

12 Q. For the local hospital.

13 A. For the local hospital.

14 Well, their budgets were presented.  
15 They were first adopted, obviously, at the  
16 hospital level, and then they were presented to  
17 us. I don't recall any instance where we  
18 overruled a -- you know, any hospital with  
19 respect to the budget presented, but if there  
20 were some item that jumped out at us as being  
21 inappropriate, obviously, you know, that would  
22 have been brought to the attention of the local  
23 board. I don't recall that ever happening, by  
24 the way.

25 Q. So would the Prospect CharterCARE board sign off



1 on the annual operating budget for the local  
2 hospitals?

3 A. Yes, it would.

4 Q. Would the Prospect CharterCARE board have to  
5 present that annual operating budget to Prospect  
6 Medical Holdings as a parent company?

7 A. It was presented to us, yes. It was  
8 presented to us. At one time, there were  
9 separate presidents of the two hospitals.  
10 St. Joe's had their own -- Fatima had its own  
11 president, and Roger Williams had its own  
12 president. That's not the case now. Jeff  
13 Leibman fills both roles. But that president  
14 would come in and make a presentation of the  
15 hospital budget.

16 Q. And so once the president comes in and makes a  
17 presentation to the Prospect CharterCARE board,  
18 did the board members then turn around and  
19 present the local hospital's budget to the  
20 parent company?

21 A. No.

22 Q. Was the parent company ever made aware of the  
23 local hospital's budget?

24 A. I'm sure they were, but that was not done  
25 by the board itself. It might have been done by

1           whoever the president of Prospect CharterCARE  
2           was.

3       Q.    So that did not go through the board; correct?

4       A.    No.

5       Q.    Was the mechanics for approving the annual  
6           capital budget similar to approving the annual  
7           operating budget?

8       A.    Yes, it was.

9       Q.    So the parent did not ever -- was -- strike  
10          that.

11                   Prospect CharterCARE board never  
12          presented the annual capital budget to the  
13          parent company?

14       A.    No.

15       Q.    Do you know who would have presented to the  
16          parent company?

17       A.    That would have been -- probably would've  
18          been the chief executive officer at the time of  
19          Prospect CharterCARE.

20       Q.    Do you know who at the parent company would have  
21          received a copy of the proposed budget or a  
22          presentation of the budget?

23       A.    I don't know.  Probably would have been the  
24          finance people and Prospect at the parent level,  
25          but I don't really know.  I'm speculating.

1 Q. Now, were patient care or quality reports  
2 reviewed by the Prospect CharterCARE board?

3 A. Yes.

4 Q. Okay. And how often did those reports come in  
5 front of the board?

6 A. At every board meeting, there was a -- a  
7 presentation by the -- the person in charge of  
8 quality at each hospital, giving us facts,  
9 figures, and statistics about quality. That was  
10 a very important factor to the board.

11 Q. Now, were employee satisfaction surveys reviewed  
12 by the board?

13 A. Employee satisfaction? I don't  
14 specifically recall. It may have been, but I  
15 don't recall.

16 Q. Were patient satisfaction surveys reviewed by  
17 the board?

18 A. Yes.

19 Q. How often were they reviewed by the board?

20 A. At each board meeting.

21 Q. Who would present those patient satisfaction  
22 surveys?

23 A. That would be -- probably the same people  
24 who presented on quality would have made the  
25 presentation.

1 Q. Okay. Do you recall the names of those people?

2 A. No, I don't.

3 Q. Did the board approve MD privileges for doctors?

4 A. No. Basically quality and credentialing  
5 are responsibilities of local hospitals  
6 themselves. So we had nothing to do with  
7 credentialing.

8 Q. Okay. Mr. Santos mentioned a -- an advisory  
9 board for each hospital.

10 Are you familiar with those?

11 A. Yes.

12 Q. Okay. What interactions did the Prospect  
13 CharterCARE board have with the advisory board  
14 of each hospital?

15 A. We would -- we would recommend people to  
16 serve on those boards, and then, occasionally,  
17 there would be -- well, more than occasionally,  
18 the chief executive officer of Prospect  
19 CharterCARE would meet with them and, you know,  
20 bring them up-to-date on what was happening so  
21 that they had -- with respect to their hospital  
22 now -- you know, bring them up-to-date with  
23 respect to personnel matters, financial matters,  
24 and so forth and so on.

25 The Prospect CharterCARE board itself

1 didn't have a whole lot of interaction with the  
2 advisory boards. There may -- I think there may  
3 have been, over the years, one or two social  
4 events involving the community boards and the  
5 Prospect CharterCARE board, but I -- I don't  
6 specifically recall when they were held.

7 Q. You just mentioned that the Prospect CharterCARE  
8 board would recommend people to serve on the  
9 advisory boards; is that correct?

10 A. Yes.

11 Q. So whom would you recommend -- or to whom would  
12 you make those recommendations?

13 A. Well, they would be made mostly to  
14 Mr. Santos, who was the chairman of the board,  
15 and then he would act on those one way or the  
16 other.

17 Q. When you say "act," do you mean -- can you  
18 explain what you mean?

19 A. I mean either appoint or not appoint.

20 Q. Did those appointments have to get full Prospect  
21 CharterCARE board approval?

22 A. No.

23 Q. Was that a function of the chair only?

24 A. It was -- yeah. It was a function  
25 designated to him, as I recall, because we were

1 looking for people who had deep community  
2 involvement and who were interested in health  
3 care. So somebody -- if somebody had a name,  
4 they would give it to Mr. Santos, and I guess he  
5 would discuss it with the president, although  
6 I'm not sure of that. Then he would mention the  
7 name to us, that such and such an individual is  
8 going to be appointed to the board of Fatima or  
9 the board of Roger Williams, the advisory board  
10 of both those hospitals. And I don't even  
11 recall a vote being taken on it.

12 Q. So do you know whether the -- Mr. Santos' chair  
13 would make the appointment or whether the CEO  
14 would make the appointment or someone else?

15 A. Well, what would happen is, if -- if they  
16 were looking for a board member, Mr. Santos  
17 would call the board chairman of the particular  
18 hospital and say, you know, we've got X, Y, and  
19 Z who's interested in serving, give him the  
20 background -- you know, their community  
21 background and involvement, and that person, I  
22 believe -- the chairman of that local hospital  
23 board would appoint the person.

24 Q. Do you recall who the chairman of the local  
25 hospital boards were?

1           A.     Well, it used to be Sheri Smith was the  
2           local board chair person at Roger Williams. I  
3           don't recall who it was at Fatima at the moment.

4   Q.    Now, did the Prospect CharterCARE board review  
5           and approve strategic plans for either  
6           acquisitions or divestitures?

7           A.     You're talking about at the hospital  
8           for the -- when you say "divestitures," what do  
9           you mean?

10   Q.   Do you mean -- I apologize.

11                    Would you approve of any acquisitions  
12           made by the local hospitals?

13           A.     Well, not routine acquisitions. You're  
14           talking about buying -- buying medicines and  
15           things of that nature? No. That -- that was  
16           left to them.

17                    If they were major purchases -- for  
18           example, if you're looking at a piece of medical  
19           equipment which was highly expensive -- that  
20           would be brought before the board of Prospect  
21           CharterCARE because of the nature of the  
22           expenditure and the size of it, and that would  
23           be discussed and approved. But that was for  
24           major, major acquisitions.

25                    Divestitures -- I don't know what you

1 mean by "divestitures." They -- they -- I'm not  
2 aware of any divestitures at the hospital  
3 levels.

4 Q. If -- if the -- if Prospect CharterCARE wanted  
5 to sell, you know, a rehab hospital or sell a  
6 building, would that come to -- before you?

7 A. Yes, that would.

8 Q. Okay. And what would the process be for  
9 approving/not approving that?

10 A. Well, that would come -- for example, if  
11 they wanted to get rid of one of the campuses or  
12 something, they -- they would -- that would come  
13 before the Prospect CharterCARE board for  
14 approval.

15 Q. Okay. And would that have to -- at what point  
16 would the parent company, Prospect Medical  
17 Holdings, get involved in the decisions of  
18 Prospect CharterCARE to approve or not approve,  
19 let's say, an acquisition?

20 A. All my service there, I never -- I never  
21 saw Prospect Medical Properties get involved in  
22 a decision. They may have back at the parent  
23 level, but it was never communicated to us. As  
24 far as I know, that decision was always made at  
25 the Prospect CharterCARE level.



1 Prospect CharterCARE board, you have  
2 to understand, had both Sam Lee and David Topper  
3 on the board until David Topper left about a  
4 year or so ago. So you had two of the -- the  
5 two top executives were both on this board to  
6 show you the importance of this particular board  
7 to the parent.

8 Q. Now, did the board approve local marketing  
9 plans?

10 A. Yes, they did.

11 Q. Was the board involved in any furloughs or  
12 layoffs or other budget cuts during your tenure?

13 A. Budget cuts. Not layoffs or furloughs as  
14 such, unless they related to the -- to an  
15 important executive position at each hospital.

16 Q. Okay. And in that case, who would have the  
17 final say over, let's say, letting someone go at  
18 the executive level at the hospital?

19 A. Well, if -- let's say it was the presidency  
20 of Prospect CharterCARE. That -- those orders  
21 would be sent down from the parent company,  
22 Prospect Medical Properties, and then the board  
23 would obviously ratify. But that's a major,  
24 major, you know, personnel -- positions of high  
25 executive authority.

1 Q. Now, in your opinion, did Prospect adequately  
2 fund operating and capital budgets on an annual  
3 basis?

4 A. Oh, yes, they did. I must honestly say  
5 that I never regretted my vote to combine with  
6 Prospect Medical Properties. They have been  
7 highly supportive of these two hospitals. All  
8 you need to do is visit each hospital to see the  
9 extent of the physical improvements that have  
10 been made. They have purchased a lot of  
11 equipment in support of patient care. In short,  
12 every promise they've made to us, they have  
13 kept, and they -- in an effort to maintain the  
14 highest quality of patient care.

15 Q. Let's talk a little bit about Sam Lee and David  
16 Topper's role on the board.

17 What were their roles on the board?

18 A. Well, obviously they were -- they were the  
19 part of the four Class B directors, and they  
20 were very active on the board. Sam Lee's still  
21 on the board. David Topper left maybe a little  
22 over a year ago, and they replaced him with  
23 Bruce Grimshaw, who is another executive from  
24 Prospect.

25 But they were very active members of

1 the board. They were there for most of the  
2 meetings. They took their role very seriously,  
3 because they were there to protect their  
4 investment in the two hospitals.

5 Q. Now, why did David Topper leave the board?

6 A. I don't know. You'd have to ask him.

7 Q. Okay. What was your professional relationship  
8 with David Topper?

9 A. It was that. It was a professional  
10 relationship. I mean, we had a good  
11 professional relation- -- as I have with Sam  
12 Lee. We're very cordial. I wouldn't say we're  
13 personal friends. Obviously we're not personal  
14 friends. But we are -- we are extremely  
15 cordial.

16 Q. So outside of the board meetings, would you have  
17 any direct communication with David Topper?

18 A. No.

19 Q. Outside of the board meetings, would you have  
20 any direct communication with Sam Lee?

21 A. You're talking about for business purposes?

22 Q. I --

23 A. I don't recall -- well, I don't recall  
24 having any conversations with Sam Lee outside of  
25 the board, other than we may have gone to dinner

1           one night and things of that nature, but no  
2           other communications.

3       Q.    Okay.  Would you consider Sam Lee a friend?

4       A.    Yes, he's a friend.

5       Q.    Okay.  Can you describe your personal  
6           relationship with Sam Lee?

7       A.    It's mostly -- when I say "a friend," it's  
8           like a business friend, somebody that you see  
9           for business purposes.  But other than maybe a  
10          dinner following a meeting, there's no other  
11          personal relationship.  And that dinner was  
12          never alone.  It was just most of the trustees  
13          would attend a dinner or two.

14      Q.    When you say "most of the trustees," do you mean  
15           the members of the Prospect CharterCARE board?

16      A.    Yes.

17      Q.    Did you ever have --

18      A.    I should say directors, not trustees.  
19           Directors.

20      Q.    The directors.

21                   Did you ever have any one-on-one  
22           dinners with Sam Lee?

23      A.    No.

24      Q.    Did you ever have one-on-one dinners with David  
25           Topper?

1 A. No.

2 Q. Did you ever have one-on-one dinners with any of  
3 the other two Category B members?

4 A. No.

5 Q. Now, was your interaction with the other  
6 Category A members limited to the general board  
7 meetings we discussed and also those four other  
8 interim meetings?

9 A. Yes. It was -- my interaction with them  
10 was always related to the hospitals.

11 Q. Would you consider any of the Category A members  
12 friends?

13 A. Only in a business sense. Business  
14 friends.

15 Q. Can you give me an example of what you mean by  
16 business friends?

17 A. Well, you know, I -- we would not socialize  
18 as friends would do. I wouldn't play golf with  
19 them. It was just -- it was only related to our  
20 responsibilities as directors of the hospitals  
21 and the relationships you develop because of the  
22 business, but not friendships in any sense of  
23 sociality that's normally part of a deep  
24 friendship.

25 Q. Mr. DiStefano, we're going to move on to that

1 letter you mentioned earlier from the receiver  
2 terminating your board tenure.

3 How did you find out you were removed  
4 from the Prospect CharterCARE board?

5 A. Well, I received the letter in July from  
6 the receiver holding the 15 percent for the  
7 benefit of the pension plan, telling me that  
8 essentially my services were no longer required.  
9 That was not unexpected. When they acquired the  
10 15 percent in the litigation, I expected that I  
11 would not be reappointed.

12 Q. Is it your understanding that this letter came  
13 at the time when your term would have expired  
14 anyway?

15 A. Well, I -- they could've done it earlier, I  
16 suppose, but they waited until the terms  
17 expired, and then they simply notified us that  
18 we would not be reappointed. I guess it was  
19 part of their litigation strategy, to attempt to  
20 appoint their own people.

21 Q. Were you ever given an opportunity to remain as  
22 the Category A member prior to your removal?

23 A. No.

24 Q. Was that letter the first time that you were  
25 officially made aware that you were removed?

1 A. Yes.

2 Q. Did you have any discussions with anyone prior  
3 to that letter that made you think you were  
4 going to be removed?

5 A. No.

6 Q. If given the opportunity to do so, would you  
7 have accepted a renewal of your appointment?

8 A. Yes.

9 Q. Do you know whether the other now former  
10 Category A board members were given an  
11 opportunity to remain on the board?

12 A. I don't know, but I'm -- I believe they  
13 were not.

14 Q. Do you know whether there have been any  
15 Category A members appointed?

16 A. Category -- well, I'm sorry. Would you  
17 repeat that question? I didn't quite get it.

18 Q. Sure.

19 Do you know whether there have been  
20 any new Category A members appointed?

21 A. Yes, there were.

22 Q. And do you know who appointed them?

23 A. I believe it was the receiver holding the  
24 15 percent for the benefit of the pension plan  
25 appointed four new people.

1 Q. Do you know who those four new people are?

2 A. I knew the names, but I can't -- I just  
3 can't recall them now.

4 Q. Are you familiar with any of them?

5 A. No.

6 Q. Are you --

7 A. Oh, yes. I'm sorry. I'm sorry. I'm  
8 wrong.

9 One of them, I believe, was the  
10 brother of a former attorney general, Lynch. I  
11 believe one of the Lynches was appointed.  
12 William Lynch was one of the appointees. I  
13 don't recall the others.

14 Q. So you don't know any of the new Category A  
15 members personally?

16 A. Except for Lynch -- except for Lynch, I  
17 don't know the others.

18 Q. Okay. Mr. DiStefano, we're going to get into  
19 the details of the pending transaction in a few  
20 minutes, but before we do, I just want to  
21 discuss what was submitted as part of the  
22 initial application to our office and the  
23 Department of Health, particularly your conflict  
24 of interest form. So I am going to share my  
25 screen.



1 Okay. Mr. DiStefano, can you see --

2 A. Yes. Yes, I can.

■

■

■

6 Q. Mr. DiStefano, what is the document on your  
7 screen?

8 A. It's a conflict of interest questionnaire.

9 Q. Okay. And whose conflict of interest  
10 questionnaire is it?

11 A. It's mine, Joseph DiStefano.

12 Q. Mr. DiStefano, is that your signature on page 4  
13 of your conflict of interest form?

14 A. Yes, it is.

15 Q. Okay.

16 MS. LENZ: I'd like to move to enter  
17 this exhibit as Exhibit B, if there are no  
18 objections.

19 Okay. Hearing none. So entered.

20 Exhibit B, Conflict of Interest  
21 Statement of Joseph DiStefano, was received in  
22 evidence for identification.

■

■

■

[illegible]

24 Q. Okay. So when did that monthly stipend begin?

25 A. Oh, God. It was not there at the

beginning. I'd say maybe four or five months from the inception of the joint venture, maybe a little longer. It wasn't at the beginning.

Q. Did that stipend continue each month until your removal of the board in July 2020?

A. Yes, it did.

Q. Okay. Mr. DiStefano, did you receive any other compensation as a board member?

A.      No.

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[illegible]

Row	Bar Length (approx. % of total width)
1	95
2	95
3	90
4	92
5	100
6	88
7	92
8	55
9	90
10	25
11	20
12	92
13	20
14	78
15	20
16	82
17	50
18	20
19	95
20	82
21	100
22	88
23	95
24	90
25	85

[illegible]



Row	Small Square	Large Square	Bar Start	Bar End
1	Yes	Yes	100	850
2	Yes	Yes	100	650
3	Yes	No	350	1000
4	Yes	Yes	100	300
5	Yes	Yes	100	720
6	Yes	Yes	100	250
7	Yes	Yes	100	800
8	Yes	No	100	950
9	Yes	Yes	100	850
10	Yes	Yes	100	850

11 Q. Let's move to the 2014 joint venture.

12                   You said that you and Mr. Santos were  
13                   the ones who -- who formulated CharterCARE; is  
14                   that correct?

15           A.     That 's correct.

16 Q. Can you describe that process? And when did  
17 that process begin?

18 A. Well, St. Joseph's Hospital was -- and  
19 Fatima -- I'm talking about -- St. Joseph's  
20 Health Center was one hospital with two  
21 campuses, Fatima and St. Joe's. So let's talk  
22 in terms of Fatima, but I'm including the whole  
23 operation.

24 Financially we were in trouble. We  
25 had the lowest reimbursement rates of any

1 hospital in Rhode Island. I'm talking about  
2 reimbursement by third-party payers, such as  
3 Blue Cross. And try as we might to increase  
4 those rates, we couldn't. We didn't have the  
5 bargaining power of a larger hospital, like  
6 Rhode Island Hospital -- I should say Lifespan  
7 or Care New England, who had many more insured  
8 lives, you know, that they were -- they were  
9 surveyed. So they could demand higher rates,  
10 but we could not.

11 So in order to continue with Catholic  
12 health care in Rhode Island, we looked to Roger  
13 Williams, which was a competing hospital only  
14 3 miles from us. There's two hospitals, both  
15 having financial difficulties, located less than  
16 3 miles apart. It only made sense that we  
17 should combine and try to achieve some economy  
18 of scale.

19 So we tried on three previous  
20 occasions. The last one succeeded. And even  
21 though we were able to strain out a conservative  
22 amount of expenses, there was still not  
23 sufficient capital there to do the things we  
24 needed to do, like buy new equipment, fix up our  
25 physical plants, and so forth and so on.

1           So it was decided that even though we  
2           were -- you know, we had -- we were managing to  
3           survive as -- as CharterCARE Health Partners, we  
4           needed to take a further step. We needed to  
5           find a partner with capital. That's why we  
6           conducted a national search and finally found  
7           Prospect Medical Properties. That was the  
8           genesis of the whole arrangement.

9           And if we hadn't done that, by the  
10          way -- I should say, if we hadn't done that, at  
11          least one of these hospitals would not be in  
12          existence today. I mean St. Joe's. And Fatima  
13          might have had its nose above water, but they  
14          would be teetering right now also.

15          So I think what we managed to  
16          accomplish was keep these two hospitals alive,  
17          doing reasonably well, as well as hospitals can  
18          do in Rhode Island, given the political climate  
19          here and the prevailing winds in terms of  
20          reimbursements and how difficult it is to  
21          operate hospitals in the first place. I'm proud  
22          to say today that both these hospitals are doing  
23          reasonably well, as well as can be done,  
24          concerning the fact that they have never been  
25          able to move the needle in terms of raising

1       their reimbursement levels, tried, though, as  
2       they might over the years. So I'm pretty proud  
3       of what we accomplished. The Catholic health  
4       care is still alive and breathing in Rhode  
5       Island.

6       Q. Let's talk about those reimbursement rates for a  
7       minute.

8               Why is that such a problem for the  
9       hospitals?

10      A. Well, as you know, each hospital negotiates  
11      its own rates with third-party payers. And the  
12      big 800-pound gorilla, as I mentioned, like Care  
13      New England and Lifespan, are able to do much  
14      better than the small community hospitals in  
15      terms of negotiating rates because of their  
16      sheer size, because they -- for example, if you  
17      were -- if you were Women & Infants Hospital,  
18      you could command a much higher reimbursement  
19      rate, because basically you're the only  
20      hospital, with minor exceptions, performing, you  
21      know, the gynecological and obste- -- obste- --  
22      obste- -- obstetricianal services. Whoa.  
23      That's a tough one. Delivering babies, let's  
24      put it that way. That was their only source of  
25      medical care, so they could command a higher

1 rate.

[REDACTED]

19 Q. So if there is no agreement, how is the  
20 understanding of what is being reimbursed  
21 memorialized between the two entities, the  
22 third-party payer and a hospital?

23 A. Let me -- I'm sorry if I misled you. There  
24 is an agreement. There is an agreement on those  
25 rates. Each time you approach these third-party

[illegible]

[illegible]

		[REDACTED]	
		[REDACTED]	
		[REDACTED]	[REDACTED]
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		[REDACTED]	



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 Q. Let's talk a little bit about why the -- why

12 CharterCARE chose Prospect.

13 Why did CharterCARE choose Prospect?

14 A. Okay. When we -- when we decided that we

15 had done all we could do at the CharterCARE

16 Health Partners level to straighten out

17 expenses, we still found ourselves short on

18 capital, so we hired an outside expert, and we

19 started soliciting bids. We had a number of

20 them come in. Some of them were companies that

21 we didn't feel had sufficient bulk to serve our

22 needs. We reviewed those and dismissed a lot of

23 them out of hand until Prospect came along.

24 Prospect was willing to do something

25 the others were not willing to do. They were

1 willing to have a local interest -- have people  
2 from the local community have input into the  
3 operations of the two hospitals. That's why you  
4 have the 85/15 percent divide that I just  
5 discussed.

6 They were also willing to put up some  
7 money into the pension plan. We were concerned  
8 about the pension plan. We would never have  
9 enough money at the St. Joe's level to fund it.  
10 Put \$14 million into that, which was a  
11 substantial boost. It didn't come anywhere near  
12 fully funding the pension plan, but it was a  
13 boost.

14 And then in terms of providing for  
15 the improvements -- physical improvements for  
16 bricks and mortar and buying equipment and so  
17 forth and so on, theirs was a very attractive  
18 offer.

19 As I say, they've lived up to all of  
20 those requirements and promises that they made.  
21 So we're alive today and kicking only because we  
22 found, I think, the right partner to go forward  
23 with.

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5                   Now, even though the board is four to  
6                   four -- I mean, even though they have 85 percent  
7                   and we only have 15, it's pretty much a 50-50  
8                   vote on the board. The way the -- if you look  
9                   at the formation documents, there is a provision  
10                  that says, if there is a -- if there's a tie  
11                  vote on a particular issue, there's an impasse.  
12                  You try every possible means to resolve that  
13                  impasse. At the end of a long road, after you  
14                  have exhausted all of those other means to  
15                  settle a dispute, obviously they would prevail.  
16                  They have the 85 percent. But it's a long,  
17                  torturous process before they prevail. So we  
18                  have a very strong voice in how health care is  
19                  delivered at Prospect CharterCARE.

20       Q.   Now, during that 2014 joint venture search  
21            process, there were no other close contenders?

22       A.   No. There were other contenders. They  
23            were -- they were dismissed for one reason or  
24            the other. I can't specifically recall. But  
25            CharterCARE offered the best -- the best

1 prospects for us. I'm not -- I mean, Prospect  
2 offered the best prospects for us. They were --  
3 they had the capital. They were willing to  
4 provide for a local -- a strong local interest.  
5 They were willing to put money into the pension  
6 plan. So they seemed to fit the bill, as far as  
7 we were concerned.

8 You know, people weren't exactly  
9 breaking down the doors to come into Rhode  
10 Island, especially for-profits. We -- first, we  
11 were looking for nonprofits. We couldn't find  
12 any nonprofits who were willing and able --  
13 able, meaning having sufficient capital -- so we  
14 had to turn to the nonprofit -- I mean, the  
15 for-profit side. And when we did, a lot of  
16 people who -- who -- recognized that Rhode  
17 Island had built-in hostility to for-profit  
18 health care. There's a conversion act here,  
19 which is one of the toughest in the country.  
20 And most people knew that. They knew that there  
21 was built-in hostility to this. These people  
22 were willing to grab the bull by the horns and  
23 come in and take a chance.

24 Q. Is there a difference between a nonprofit health  
25 care entity and a for-profit health care entity?

1           A.     That's a very good question, by the way.

2                     The -- yes, there is. There's a -- I  
3     think there's closer attention to the bottom  
4     line in a -- in a for-profit entity.

5                     Don't forget, this -- Charter --  
6     Prospect CharterCARE is paying taxes: income  
7     taxes, real estate taxes, sales taxes. These  
8     nonprofits aren't paying anything in taxes. So  
9     they're running this -- they're running this as  
10    close to a business as -- and I'm -- I'm  
11    convinced, over the years being involved with  
12    nonprofit health care, that there is less  
13    concern for the bottom line than there is in a  
14    for-profit venture; otherwise, it's the same.  
15    The charity care is the same under Prospect  
16    CharterCARE than it was under the two nonprofit  
17    hospitals. They simply carried over the policy  
18    on CharterCARE. Anybody coming through the  
19    doors gets treatment. No change.

20    Q.     What was the biggest change from going from a  
21    nonprofit organization to a for-profit?

22           A.     Well, I would say -- it certainly wasn't  
23    the -- the quality of care remained the same.  
24    As a matter of fact, it's been enhanced because  
25    of our ability to buy new equipment -- the

1 latest equipment in these various departments of  
2 the hospitals to support patient care.

3 Charter -- the charity care remains  
4 the same. No change whatsoever. I think better  
5 attention to the bottom line, being sure that  
6 dollars -- you spend a dollar, you get a  
7 dollar's worth of value for the dollar spent,  
8 only because they need -- they need to make a  
9 profit. They're -- they can't run like a  
10 nonprofit and say, Okay. We don't -- if we  
11 don't make the bottom line, fine. Maybe we can  
12 still have a little bit on an endowment or this  
13 or that. For-profit CharterCARE, a dollar's  
14 worth of value for a dollar spent.

15 So I think that's the biggest change.  
16 It's run more like a business, but a  
17 compassionate business.

18 Q. One more question before we break, because I see  
19 it's been about 90 minutes.

20 You mentioned that you hired an  
21 outside expert to do the search for the joint  
22 venture.

23 When you said you, do you mean the  
24 board?

25 A. The board.

1 Q. The board --

2 A. The CharterCARE Community Board -- I'm  
3 sorry. The CharterCARE Health Partners.

4 Q. CharterCARE Health Partners.

5 And who did CharterCARE Health  
6 Partners hire in that --

7 A. I knew that question was -- I can't recall,  
8 honestly.

9 Q. Okay.

10 A. You're looking at an 82-year-old brain. I  
11 can't remember what I had for breakfast this  
12 morning.

13 Q. Okay. Well --

14 A. I don't recall.

15 Q. Okay. Thank you, Mr. DiStefano.

16 MS. LENZ: We will take about a  
17 15-minute break and reconvene at 2:00 p.m., if  
18 everyone is on board with that.

19 MR. DiSTEFANO: It's fine by me.

20 MS. LENZ: So we'll go into our  
21 breakout rooms.

22 (Recess called at 1:48 p.m. The  
23 proceeding reconvened at 2:14 p.m.)

24 BY MS. LENZ:

25 Q. Mr. DiStefano, I am going to share my screen,



1 and I would like what I'm about to be -- pull up  
2 as -- marked as Exhibit -- marked for  
3 identification as Exhibit C.

4 Mr. DiStefano, can you see your  
5 screen?

6 A. Yes.

7 Q. What document appears on your screen?

8 A. "Amended & Restated Limited Liability  
9 Company Agreement of Prospect CharterCARE, LLC."

10 Q. Okay. And when is it dated?

11 A. June 20, 2014.

12 Q. Are you familiar with this document at all?

13 A. I was. I'm not sure if I remember much of  
14 it, but I was.

15 Q. Do you recall ever reading it?

16 A. Yes.

17 Q. Okay. So you have read it before?

18 A. Yes. Not recently, but I have.

19 Q. About when do you think you would have read it?

20 A. Well, I obviously read it at the time it  
21 was prepared, and I may have, you know, referred  
22 to it after 2014, but I don't specifically  
23 remember.

24 Q. Okay.

25 MS. LENZ: If no objections, I'd like

1 to move to enter this exhibit in full as  
2 Exhibit C.

3 All right. Hearing no objections.  
4 So entered.

5 Exhibit C, Amended & Restated Limited  
6 Liability Company Agreement of Prospect  
7 CharterCARE, LLC, dated June 20, 2014, was  
8 received in evidence for identification.

9 BY MS. LENZ:

10 Q. Mr. DiStefano, I'm just going to move down to  
11 Attachment A of the LLC agreement, if you give  
12 me one moment.

13 Attachment A to the LLC agreement  
14 reads: "Conflict of Interest Questionnaire and  
15 Disclosure Form Fiscal Year."

16 Are you familiar with this document?

17 A. Oh, I haven't seen it in a long while, but,  
18 yeah, I'm basically familiar with it. Yes.

[illegible]

Row	Bar Length (approx. % of total width)
1	75
2	55
3	100
4	95
5	60
6	98
7	92
8	100
9	65
10	85
11	95
12	98
13	92
14	75
15	85
16	98
17	98
18	95
19	65
20	40

21 All right. I'm actually going to  
22 move right into another exhibit, Mr. DiStefano.  
23 I'm going to share my screen again.

24	A. Okay.
----	----------

25 MS. LENZ: Okay. I'd like this to be

1 marked for identification as Exhibit D.

2 Q. Mr. DiStefano, do you see your screen?

3 A. Yes. It says it the decision of the  
4 department of attorney general, and it's dated  
5 May 16, 2014.

6 Q. Okay. Are you familiar with this decision?

7 A. I was, yes.

8 Q. Okay. Have you ever read the --

9 A. I haven't read it in a long while. I did  
10 no document reviews for this.

11 Q. When was the last time you -- you read this  
12 decision?

13 A. Oh, probably was in -- at or about the time  
14 it was issued.

15 Q. Okay.

16 MS. LENZ: I'd like to move to enter  
17 this as Exhibit D, if there are no objections.

18 Hearing none. So entered.

19 Exhibit D, State of Rhode Island  
20 Department of Attorney General Decision dated  
21 May 16, 2014, was received in evidence for  
22 identification.

23 BY MS. LENZ:

24 Q. Mr. DiStefano, at the time that you read this  
25 decision, did you discuss this decision with

1 Prospect legal counsel?

2 A. I don't recall if I did or not. I want to  
3 say no, but I can't be certain.

4 Q. Okay. Did you discuss this decision with the  
5 other Prospect CharterCARE board members?

6 A. I may have. I don't recall it, but I may  
7 have.

8 Q. Okay. Did anyone from Prospect Medical  
9 Holdings, the parent company, ever discuss this  
10 decision with you?

11 A. No.

12 Q. Okay. Are you familiar with what it means when  
13 our office issues a decision approving a  
14 transaction with conditions?

15 A. Am I familiar with what it means? Yes. It  
16 means that we better adhere to it or else there  
17 will be problems.

18 Q. Are you familiar at all with the conditions that  
19 our office put in our decision for Prospect  
20 CharterCARE to follow?

21 A. I was, and I would have to review them  
22 again, but in general terms, I was, yeah.

23 Q. Okay. What actions did the Prospect CharterCARE  
24 board take to implement the attorney general's  
25 conditions?

1           A.    They -- well, obviously, the -- the board  
2           knew that these conditions had to be met, and  
3           there was no action required by the board on  
4           what actions could you take.  You couldn't  
5           disapprove it because that was the bread and  
6           butter of getting this transaction through.  So  
7           we simply, you know, informed ourselves of what  
8           the conditions were and set out to abide by  
9           them.

10          Q.    Okay.  Was the board ever asked to take action  
11           to implement any of the attorney general's  
12           conditions?

13          A.    I don't -- if you mention a condition.  I  
14           don't -- I don't specifically recall any -- any  
15           action, but there may have been.  Is there any  
16           specific one you're referring to?

17          Q.    Well, for instance, let's take -- let's take  
18           No. 3.  So final notice to the attorney general  
19           of the board appointees was supposed to be given  
20           to our office within 60 days after the close of  
21           the transaction.

22                       Were you made aware of that deadline  
23           as a newly appointed board member?

24          A.    I may have been, but at the moment, I don't  
25           recall.

1 Q. Okay. What about condition No. 2, "there shall  
2 be no board or officer overlap between or among  
3 the Prospect entities and the CCHP Foundation,  
4 CCHP, and the Heritage hospitals"?

5 A. Yeah, I seem to remember that. Yes, I -- I  
6 think I do remember that, even though it's six  
7 years ago.

8 Q. Okay. Who -- who would have discussed that with  
9 you?

10 A. Nobody -- I don't think anybody had to  
11 discuss it with me. I don't recall specific  
12 discussions. I could read the material myself,  
13 obviously. I don't recall discussions with  
14 anybody specifically about that.

15 Q. What about condition No. 9, "That the  
16 transaction be implemented as outlined in the  
17 initial application, including all exhibits and  
18 supplemental responses"?

19 A. Yep. I -- I -- now that I read it, I  
20 recall it, but I -- I don't -- I -- I can't  
21 recall specifically discussing that condition  
22 with anybody.

23 Q. Okay.

24 A. It was what it was, and it had to be  
25 complied with.



1 Q. So was the board ever involved in drafting or  
2 putting together documents to show adherence to  
3 these conditions?

4 A. No. That would be the job of legal  
5 counsel.

6 Q. Okay. And which legal counsel would that be?

7 A. Well, 2014, I think this firm was involved.  
8 Adler Pollock was involved. There may have been  
9 other legal counsel. I can't recall. I believe  
10 there was, but I don't recall.

11 Q. All right. And, Mr. DiStefano, I'm going to go  
12 up a little bit to page 17. Let's see.

13 And it says, right after footnote  
14 46 -- I'm going to read for you -- "Further, the  
15 applicants have stated that board members of the  
16 Prospect CharterCARE, LLC, and the Newco  
17 hospitals will not be compensated."

18 Did I read that correctly as written?

19 A. Yes. It says, "Further, the applicants  
20 have stated that board members of the Prospect  
21 CharterCARE, LLC, and the Newco hospitals will  
22 not be" -- yes. Okay.

23 Q. Okay. Were you aware of that?

24 A. I am now. I don't recall seeing that  
25 before, but -- just let me read it again.

1 "Further, the applicants have stated  
2 that board members of the Prospect CharterCARE,  
3 LLC, and the Newco hospitals will not be  
4 compensated."

5 Yep. Okay.

6 Well, you just refreshed my memory.  
7 I wasn't aware of it until you brought it up.

8 Q. Were you ever aware of that?

9 A. I don't recall whether I was or not. I  
10 really don't recall.

11 Q. Okay.

12 A. And that wasn't a condition. Was that a  
13 condition, or was that simply in the document  
14 itself?

15 Q. That was in the document. It was Prospect's  
16 representation --

17 A. Okay.

18 Q. -- that the board members would not be  
19 compensated.

20 A. Okay.

21 Q. Mr. DiStefano, we're now going to turn to the  
22 Chamber/Ivy transaction at hand.

23 A. Uh-huh.

24 Q. In your own words, can you describe what you  
25 believe this transaction to be?

1           A.     The current transaction that you're -- that  
2           you're considering now?

3       Q.     Yes, the Chamber/Ivy transaction pending before  
4           both our office and the Department of Health.

5           A.     Yeah. Well, Leonard Green was the majority  
6           owner of the -- the controlling entity. I  
7           believe it was Prospect Medical Properties. I  
8           think they had something in the order of a, you  
9           know, 60 percent interest, something like that.  
10          And then David Topper and Mike [sic] Lee had, I  
11          think, 20 and 20 or something in that range.  
12          They were the minority members.

13                   But Leonard Green was a totally  
14          passive investor. The people actually operating  
15          the venture were Lee and Topper, and Lee and  
16          Topper now are proposing to acquire the majority  
17          interest from Leonard Green so that they would  
18          become the majority interest in the venture.  
19          And as far as I'm concerned, it's what's been  
20          happening all the way through. They are the  
21          ones that have been running this venture while  
22          Leonard Green just sat back and collected  
23          whatever bounties they were entitled to.

24       Q.     Let's talk about Leonard Green for a minute.

25                   Have you ever had any interaction

1 with representatives from Leonard Green?

2 A. No, I have not.

3 Q. No.

4 Are you aware whether any  
5 representatives from Leonard Green have come to  
6 visit the hospitals within the last six years  
7 since this joint venture?

8 A. I wouldn't know, but I -- I myself have  
9 never met any representative of Leonard Green.

10 Q. No representative from Leonard Green ever came  
11 before the Prospect CharterCARE board?

12 A. No.

13 Q. Is that unusual in your experience?

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

23 Q. Do you know if any of the other three former  
24 Category A board members had met representatives  
25 from Leonard Green?

1           A.     I don't know if they have.  I doubt it, but  
2           I don't know.

3 Q. How were you as a board member made aware of the  
4 pending Chamber/Ivy transaction?

5 A. Of this current transaction you're talking  
6 about? How was I made aware of it?

7	Q. Yes.
---	---------

[illegible]

A horizontal bar chart with 15 rows. Each row consists of a small black square on the left, followed by a gap, then another small black square, and then a long black bar. The bars vary in length and position, creating a fragmented, abstract pattern.

19 Q. Are you aware of any issues or disputes between  
20 Prospect and Leonard Green?

21	A. No, I'm not.
----	-----------------

22 Q. In your opinion, why do you think Leonard Green  
23 wants to be bought out?

24 A. Well, Leonard Green is an investment bank,  
25 and like all investment banks, they don't fall

1 in love with investments. They make an  
2 investment, and then when they think the time is  
3 appropriate, they exit those investments. I  
4 mean, that's not an unusual thing.

5 Q. What do you think the effect on Prospect will be  
6 if Green exits the company?

7 A. I don't think anything will change. I  
8 mean, Topper and Lee have been calling the shots  
9 here, as I said, with Leonard Green in a totally  
10 passive role. Now the people who own it, who  
11 own the majority interest, they're going to be  
12 the same people left in charge of the venture.  
13 It's not going to change health care here. It's  
14 not going to change their delivery of services.  
15 It's not going to change charity care.  
16 Actually, it makes no change whatsoever.

17 Q. Do you know if any other member of the board  
18 thinks that there will be a change?

19 A. I don't know. You'd have to ask them. I  
20 really don't know. I believe not, but I don't  
21 know.

22 Q. Did the board members discuss this proposed  
23 transaction outside of the meeting with Von  
24 Crockett?

25 A. I did not discuss it with anybody. If

1           somebody else discussed it among themselves, I  
2           was not aware of it.

3       Q.    I'd like to move to the -- a discussion about  
4           the hospital's finances in general.

5                        So what role did the board oversee --  
6           have in overseeing the finances of the hospital?

7       A.    Okay.  As I said earlier, we -- we approve  
8           their budgets, we review their financial  
9           statements, both those produced in-house and  
10          audited financial statements.  So we monitor  
11          their -- their admissions, their expenses,  
12          almost everything having to do with their  
13          finances.

14                       It's -- as I say, it's sort of like a  
15          super board just superimposed over the  
16          hospitals, just being sure that they are --  
17          they're heading down the right path at any  
18          particular time.

19       Q.    Does the board approve use of monies for  
20           improvement to the building?

21       A.    Yes.

22       Q.    Okay.  Does the board approve monies -- use of  
23           monies for improvement of equipment?



[illegible]

[illegible]

Q. We've talked some in the beginning about the major improvements that Prospect has made to Roger Williams and Fatima.

Can you give some examples of the top three major improvements that Prospect has made during your tenure as -- on the Prospect CharterCARE board?

A. Yes. Let's take Rogers Williams Medical Center.

The whole exterior facade on the front has been done over. Those windows were very old, and the facade gave the building kind of a creepy look. That's all been done over.

The entrances -- the foyer and entrances have been changed.

The biggest expenditure was on the emergency room. That emergency room at Roger Williams is state of the art.

At Fatima, they -- brand-new entrance, major improvements to the emergency room. Some of the nursing wards have all been done over.

And at both hospitals, new equipment. So as -- equipment was a major improvement in

1 the delivering of health care, and the physical  
2 improvements to the buildings really needed to  
3 be done. As a matter of fact, some of the  
4 improvements were to the infrastructure, which  
5 you don't see if you go into a hospital. But  
6 there was electrical and plumbing and so forth  
7 which needed to be done.

8 And those expenditures, I repeat,  
9 were monitored by the office of the attorney  
10 general.

11 Q. What about equipment? What has Prospect done to  
12 improve equipment?

13 A. I can't recall. I can't give you a listing  
14 of specific equipment. But, you know, each of  
15 the -- the different disciplines in the medical  
16 staff, you know, may make a list of the  
17 equipment that they need, either because what  
18 they're using now is either out-motored or  
19 outdated, and they make expenditure -- they ask  
20 for new equipment to stay up-to-date on the  
21 latest in that particular field. And -- and  
22 more often -- in case cases, more often than  
23 not, those expenditures have been approved and  
24 the equipment purchased. Now, I can't give you  
25 specific equipment, but it's happened.

1 Q. Are you aware whether there are --

2 A. Lithotripsy -- lithotripsy comes to mind.  
3 That's one of the major improvements that they  
4 had.

5 Q. Can you -- can you explain that?

6 A. That -- I believe that's like a -- what do  
7 you call that? -- like an ultrasound-type  
8 machine that is used in urology -- mostly in  
9 urology, but in some of the other disciplines  
10 too.

11 Q. Okay. Are you aware if there are capital needs  
12 lists for each hospital?

13 A. Well, there are always capital needs.  
14 Always. I mean, the doctors are relentless in  
15 asking for new equipment. And, you know,  
16 each -- those requests have to be first taken up  
17 at the local level, and then decisions made.  
18 Then they're brought to us. But always, in  
19 every hospital -- in every hospital, you've got  
20 doctors constantly asking for new equipment.

21 Q. So those capital needs are brought to the board;  
22 correct?

23 A. Yes.

24 Q. Does the board approve those capital needs?

25 A. Not in all instances.

1 Q. But the board has the authority to approve or  
2 deny those needs; correct?

3 A. Yes. Yes, it does.

4 Q. Okay. At what point does the board bring the  
5 capital needs of the hospitals to Prospect  
6 Medical Holdings or the parent company?

7 A. Well, in their presentations of the budget.

8 Q. Has Prospect, as a parent, ever told the board  
9 no to a requested capital need?

10 A. Not to my knowledge. I don't recall  
11 Prospect ever intervening in any of those  
12 discussions. Their representatives took part in  
13 the discussion, but not -- not Prospect itself.  
14 The Class B members -- the Class B members  
15 participated in those discussions.

16 Q. Were -- was there ever any pushback for -- you  
17 know, was there ever any pushback by the  
18 Category B members on a capital need?

19 A. I don't recall any such pushback.

20 Q. Are there any improvements to the hospitals that  
21 have been deferred?

22 A. I'm not aware of any, no.

23 Q. In your experience, is there any immediate need  
24 for improving the building or equipment?

25 A. I don't think there's any -- I don't recall

1 any immediate need. You have to understand  
2 that -- you know, with bricks and mortar,  
3 there's always a need for something or other,  
4 but I don't recall anything that's immediate  
5 that would impact patient care if it's not done  
6 right away.

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ ■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ ■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

22 Q. Do you know about how big the capital needs  
23 lists are for the hospitals?

24 A. No, not offhand. No.

25 Q. Okay. Mr. DiStefano, at the time of your

1 removal from the board on July 22nd, what was  
2 your understanding of the finances of Roger  
3 Williams Hospital?

4 A. Well, I think they were doing reasonably  
5 well, considering the very low reimbursement  
6 rate that I discussed earlier. I think they --  
7 they both have their nose above water. Look,  
8 they're not making millions, obviously. The  
9 margins are small. But had we not done what we  
10 did, at least one of these hospitals would not  
11 be around now. They would've gone the way of  
12 Pawtucket Memorial. So I am -- I am pleased  
13 with where they are now financially. I think  
14 they're solvent, and they are doing okay.

15 Q. Does the same statement apply to Fatima,  
16 Mr. DiStefano?

17 A. Yes, both hospitals.

18 Q. Which one is doing better financially, in your  
19 opinion?

20 A. I think Roger Williams is doing a little  
21 better financially.

22 Q. Why is that?

23 A. Well, they're a teaching hospital, so their  
24 Medicare reimbursements are a little higher  
25 because of their teaching status. Rhode



1 Island -- I mean, Fatima is not a teaching  
2 hospital, which means Roger Williams gets a  
3 little more from Medicare patients from the  
4 federal government than Fatima does. So they're  
5 doing a little better financially.

6 Q. At the time of your removal from the board, what  
7 was your understanding of the parent company's  
8 finances?

9 A. By "parent," you mean Prospect Medical?

10 Q. Prospect Medical Holdings.

11 A. Yeah. Frankly, I didn't have much  
12 information on their condition. They are  
13 continuing to acquire hospitals around the  
14 country. They acquired some in Connecticut. So  
15 I believe that they're doing fine, but I have  
16 never seen a financial statement from Prospect  
17 Medical Properties, at least not maybe since  
18 2014.

19 Q. So the company does not keep Prospect  
20 CharterCARE board abreast of their own  
21 finance -- finances?

22 A. No. I have -- I personally have not seen a  
23 financial statement from Prospect Medical  
24 Properties.

25 Q. Have any financial statements from Prospect

1 Medical Properties been presented at a board  
2 meeting?

3 A. Not to my knowledge.

4 Q. Do you know whether any statements or the  
5 financial status have been discussed informally  
6 among board members?

7 A. I have not taken part in any such  
8 discussion.

9 Q. Do you know if any such discussions exist?

10 A. No, I don't.

11 Q. Are you aware --

12 A. My understanding is -- my understanding --  
13 and it's just an understanding -- is they  
14 continue to acquire hospitals, which, you know,  
15 required that their finances be, you know, more  
16 than satisfactory. So I assume from that, that  
17 they're doing reasonably well.

18 Q. You know that Prospect owns several hospitals  
19 throughout the United States; correct?

20 A. Yes.

21 Q. Are you aware of the health system, I believe in  
22 Texas, Nix Health Systems?

23 A. I'm aware of it. Right.

24 Q. I'm sorry. Could you repeat that?

25 A. I said, I am aware of it, yes.

1 Q. Are you aware that it closed?

2 | A. No, I'm not.

3 Q. Mr. DiStefano, are you aware of the payment of a  
4 half billion dollar dividend to shareholders of  
5 Prospect and Leonard Green?

6 A. No. That would not come from the hospitals  
7 here, so it came -- that is many levels above  
8 us.

9 Q. Okay. So you're not aware of the dividend  
10 payment?

11	A.	No.
----	----	-----

12 Q. That payment never was mentioned at a board  
13 meeting?

14 A. Not to my knowledge, no, and it wouldn't  
15 have to be, because it did not require our  
16 approval. Like I said, that's many levels above  
17 Prospect CharterCARE.

\_\_\_\_\_

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25 Q. Mr. DiStefano, do you have any concerns that

1 Prospect will close the Rhode Island hospitals?

2 A. None whatsoever. I don't even know the  
3 genesis of that question. They've invested a  
4 lot of money in these hospitals, and they've  
5 gotten them to the point now where they're  
6 beginning to come to fruition. They're  
7 beginning to show growth. I think the furthest  
8 thing from their mind is closing these  
9 hospitals.

10 Q. You said that the hospitals are beginning to  
11 show growth.

12 Can you expound about that?

13 A. Yeah. I think that these have -- keep in  
14 mind where these hospitals began. St. Joe's was  
15 desperately close to being closed. Roger  
16 Williams wasn't doing much better. And today,  
17 they are solvent hospitals delivering quality  
18 health care. I don't know why there's even a  
19 thought that they would close these hospitals.

20 Q. Well, they've closed other hospitals, like the  
21 Nix system.

22 A. Well, we don't know what the circumstances  
23 were there. You know, there's different  
24 circumstances. I -- I wasn't aware that the  
25 Texas hospitals had closed. That's the first

time hearing of it.

Q. So when -- when Prospect closes a hospital, that -- the board is not made aware of that?

A. Not -- no. That's -- that's at another level. So if they close a hospital, we very rarely find out about it, because it doesn't require any approval by the local board. Our focus is on the Rhode Island -- the two Rhode Island hospitals.

Q. What about if Prospect acquires another hospital outside of Rhode Island? Would the board be made aware of that?

A. Yeah. We hear about acquisitions. We do. We heard about acquisitions in Connecticut recently. So we're more likely to hear about acquisitions.

Q. Why is that? Why would the Prospect CharterCARE board be more likely to hear about acquisitions than closures?

[illegible]

[illegible]

[illegible]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

7 Q. Mr. DiStefano, I'm going to share my screen for  
8 what should be my last exhibit of the day, if  
9 you give me one moment.

10 Okay. Mr. DiStefano, do you see your  
11 screen?

12 A. Yes. I don't know what it is.

13 Oh, okay.

14 Q. Do you recognize the document on your screen?

15 A. Let me read it. "Investors Extracted..."

16 Yeah, I see it.

17 Q. Okay.

18 A. Where did that appear? Is that in some  
19 article?

20 Q. It is. If you scroll down, I'm reading where --  
21 I don't know if you can see my cursor or not.  
22 Let me just make this a little bit bigger.

23 Do you see where my cursor is?

24 A. Yeah. I can see -- oh. "ProPublica is a  
25 nonprofit" -- yeah, I see that. So that's an

1 article; right?

2 Q. Yes, it is. It is.

3 A. Okay.

4 MS. LENZ: And I would like it marked  
5 as Exhibit E, and I would also like to move to  
6 enter it in full, if no objections.

7 MS. PARKER: Like we've said on this  
8 exhibit, it can be entered as an exhibit for  
9 what it's worth.

10 MS. LENZ: Noted. Thank you.

11 Exhibit E, ProPublica article, was  
12 received in evidence for identification.

13 BY MS. LENZ:

14 Q. Mr. DiStefano, have you read this article?

15 A. No, I have not.

16 Q. No.

17 Are you familiar with the ProPublica  
18 publication at all?

19 A. I've heard of it. I'm not terribly  
20 familiar with it. I don't read their material.

21 Q. Okay. Have you discussed this article with  
22 anybody?

23 A. No.

24 Q. Has anyone ever brought it up to you in  
25 conversation?

1 A. No.

2 Q. I'm just going to turn your attention to  
3 page 12. Okay.

4 Do you see the paragraph where my  
5 cursor is that begins, "After hearing"?

6 A. Is it -- is it the second paragraph?

7 Q. Yes.

8 A. Okay.

9 Q. "After hearing about a consultant's..."

10 A. Yeah.

11 Q. All right. Can you see it okay?

12 A. Yeah, I can see it.

13 Q. Okay. I'm just going to read it as written to  
14 you.

15 "After hearing about a consultant's  
16 2017 report describing dirty and damaged  
17 operating room instruments, the union at Fatima  
18 requested documents about this and other  
19 problems revealed by various inspections.  
20 Prospect refused and failed to turn over any of  
21 the materials, despite an order to do so from  
22 the National Labor Relations Board in  
23 April 2019, affirmed by the 1st U.S. Circuit  
24 Court of Appeals in March of 2020."

25 Did I read that correctly as written?

1 A. Yes.

2 Q. Are you familiar with the referenced 2017 report  
3 here?

4 A. No, I'm not. You know, I must honestly  
5 say, the union -- the union deals in hyperbole  
6 and misinformation. They've done it -- they've  
7 done it at Fatima. They've done it to Lifespan.  
8 I don't have much faith in any article that  
9 appears in a magazine, or wherever it appears,  
10 that quotes from anything that the labor unions  
11 say with respect to health care.

12 I remember one time when they were  
13 marching out in front of Fatima Hospital,  
14 banging drums and so forth and so on, while  
15 there were sick people inside. That has -- for  
16 years, that has left a bad taste in my mouth.  
17 And if you check with -- if Lifespan tells the  
18 truth, they'll tell you about the similar  
19 problems they've had there.

20 Q. Mr. DiStefano, I'm going to move you to page 8  
21 now, and there's a paragraph that begins,  
22 "Meanwhile, the CEO."

23 Do you see my cursor?

24 A. "Meanwhile" -- yes. Let me read that.

25 Q. Let me know when you're done reading.

1 A. Okay. I don't know who that former CFO  
2 official is or if he's still with Prospect, but  
3 I know nothing about that. I -- that's news to  
4 me. And, again, that may be the rankings of  
5 somebody who was dismissed and has an axe to  
6 grind. You know, you can't take articles like  
7 this without having any proof. I mean, this --

8 Q. Mr. DiStefano --

9 A. -- I have no knowledge of it.

10 Q. I'm just going to read the first sentence and  
11 ask what your experience has been with respect  
12 to Prospect.

[illegible]

24 Q. In your experience, have the hospitals received  
25 cheap medical supplies, medical supplies that

1 would not be up to the standard of care at Roger  
2 Williams and Fatima?

3 A. Not to my knowledge.

4 Q. I'm sorry, Mr. DiStefano. You cut out. Could  
5 you repeat your answer?

6 A. I said, Not to -- not to my knowledge.

7 Q. Have there ever been any accusations by hospital  
8 employees that the medical supplies they've  
9 received from Prospect is -- is subpar?

10 A. Not that I'm aware of. What supplies are  
11 you referring to?

12 Q. Well, more broadly, any supplies. But any  
13 medical supplies --

14 A. None.

15 Q. -- that would be used on patients, for instance.

16 A. Not to my knowledge.

17 Q. Have there ever been any complaints about any  
18 medical supplies?

19 A. Again, not to my knowledge.

20 Are you referring to supplies in this  
21 COVID -- this current COVID situation or in  
22 general?

23 Q. No. We'll get to COVID. Pre-COVID. Non-COVID  
24 issues.

25 A. No.



1 Q. Okay. Mr. DiStefano, you mentioned the unions.

2 Do you know what the status of the  
3 union relationships are with the hospitals,  
4 particularly Fatima?

5 A. Well, I think they're tense, and I think a  
6 lot of that attention has to do with the fact  
7 that the unions wanted to organize the nurses at  
8 Roger Williams, and they were unable to do so.  
9 And they -- I think they hold that against the  
10 management.

[illegible]

[illegible]

[illegible]

24 Q. Did you have any direct contact with Sam Lee  
25 during the COVID response?

1 A. No, I didn't.

2 Q. Did you have any direct communication with David  
3 Topper during the COVID response?

4 A. No, I didn't.

5 Q. Do you know if any other Category A board member  
6 had direct communication with Sam Lee during  
7 COVID?

8 A. I don't know if any other board member  
9 had -- maybe the chairman did, Mr. Santos. I  
10 don't know.

11 Q. Do you know if any other board member had  
12 communication -- direct communication with David  
13 Topper during COVID?

14 A. No, I don't.

15 Q. To your knowledge, were any service lines  
16 discontinued as a result of COVID at the  
17 hospitals?

18 A. Keep in mind that I haven't been on a board  
19 meeting since June, but there may have been,  
20 from what I'm -- there may have been a brief  
21 period of time when certain elective surgeries  
22 were not permitted, but I'm not certain of that.

23 Q. If the service line was going to -- if a service  
24 line was going to be discontinued, whether  
25 impacted because of COVID or not, would the

1 board have oversight over that?

2 A. Ordinarily it would, yes.

3 Q. And would the discontinuation of a particular  
4 service line need board approval in order to be  
5 cut?

6 A. Yes, it would.

7 Q. Do you know how the staffing ratios were  
8 affected at all during COVID?

9 A. No, I don't.

10 Q. What about the volume, the patient volume? How  
11 was that affected?

12 A. Well, patient volume was down. There were  
13 many people who were afraid to go to the  
14 hospital, all hospitals, because they feared  
15 that that was the center of the spreading of the  
16 disease. So, you know, people who were looking  
17 for elective procedures or could have deferred  
18 their visit to the hospital to a time where they  
19 felt was safer, they did that. And I think, to  
20 some extent, that's still going on.

21 Q. Did the Rhode Island hospitals receive any COVID  
22 funds from the State?

23 A. I -- I don't know if Fatima or Roger  
24 Williams got COVID funds from the State. I'm  
25 not sure.

1 Q. Do you know --

2 A. Keep in mind, I haven't been there since  
3 June, so I'm not in the loop as I was.

4 Q. Certainly. When I ask you questions, I'm asking  
5 you within your tenure.

6 A. Okay.

7 Q. So within your tenure --

8 A. Within my tenure, no, I'm not aware of any.

9 Q. Okay. What about federal funds? Within your  
10 tenure, are you aware of the Rhode Island  
11 hospitals receiving federal funds to help  
12 COVID --

13 A. No.

14 Q. -- to help fight COVID?

15 A. No, I'm not aware.

16 Q. Would the receipt of COVID-related funds be  
17 something that the Prospect CharterCARE board  
18 would be aware of?

19 A. Yes.

20 Q. And how would the board become aware of such  
21 funds, if such funds were received?

22 A. It would be -- we would be briefed by the  
23 president of Prospect CharterCARE.

24 Q. And who would that be?

25 A. That's Jeff Leibman.

1 Q. Mr. DiStefano, I just have a few follow-up  
2 questions to your testimony today.

3 With respect to your time on the  
4 board, how many meetings did you miss?

5 A. I missed very few. Going back to my  
6 service with St. Joe's Health Services, back in  
7 the mid-'80s, through to when I was dismissed in  
8 2020, I missed a handful of meetings. I took my  
9 role very seriously, and I enjoyed it.

10 Q. So within the last two years, how many board  
11 meetings did you attend?

12 A. Oh, did I attend? Oh, God. I -- the  
13 easier question would have been how many did I  
14 not attend.

15 Q. You can answer the easier question.

16 How many did you not attend?

17 A. I -- a handful. Less than five.

18 Q. So -- so -- and I'm just speaking about the  
19 Prospect CharterCARE board, just to be clear.

20 So within the last two years, how  
21 many Prospect CharterCARE board meetings did you  
22 miss?

23 A. Maybe -- maybe four, something like that.

24 Q. And when I say meetings -- I apologize for any  
25 confusion -- I mean the quarterly meetings.



1 | A. Quarterly --

2	Q. How many --
---	----------------

3 A. Regularly -- regularly scheduled meetings.

4 | Yeah, four. Could've been five.

5 Q. Okay. So just -- just to be clear, within the  
6 last two years, you've missed approximately four  
7 to five of the quarterly Prospect CharterCARE  
8 meetings?

9 A. Yeah. It was mostly because I -- it  
10 would've been during the meetings in the dead of  
11 winter, if I was away; but, otherwise, if I was  
12 here in Rhode Island, then I was always there.

13 Q. And with respect to the compensation you receive


18 \$1,000 a month; is that correct?

19	A. Right.
----	-----------

20 Q. Are you aware if that is the same for every  
21 other board member?

22 A. I believe -- I believe the chairman may  
23 make slightly more, because he has a greater  
24 role to play.

\_\_\_\_\_

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9 Q. Are you aware of whether Prospect sweeps the  
10 daily revenues from the hospitals?

11 A. I'm not aware of that.

12 Q. In your experience -- and I know that you were  
13 only there until June, you know, that was your  
14 last board meeting.

15 Do you know whether COVID-19 changed  
16 the role of the board or the frequency of the  
17 meetings?

18 A. I don't think they've had -- and I don't  
19 know this definitely. But I don't think they've  
20 had another board meeting since I left. I don't  
21 know that for certain. That's -- that's what I  
22 hear.

23 Q. Okay. What, if any, changes would you recommend  
24 to improve the board's oversight moving forward?

25 A. I don't -- you know, I think it's a

1 question of leave what is working alone. I  
2 think we receive plenty of information at the  
3 Prospect CharterCARE level. The reports are  
4 clear and concise. We receive a report on  
5 everything relating to the two hospitals. The  
6 hospital president, Jeff Leibman, is very  
7 forthcoming, a very professional sort of a  
8 gentleman.

9 So I don't think there's anything I  
10 would change. I mean, we meet about the same as  
11 other hospitals, quarterly, and we have these  
12 interim meetings which keep us fully apprised.  
13 So I don't think there's much I would change.

■ ■ [REDACTED]

■ [REDACTED]

■ ■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ ■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

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■ [REDACTED]

■ [REDACTED]

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10 Q. During your tenure, what was the board's biggest  
11 accomplishment?

12 A. You're talking about Prospect CharterCARE?

13 Q. Yes, the Prospect CharterCARE board.

14 A. I think, you know, bringing these hospitals  
15 from the sorry state that they were in at the  
16 time that this combination was put together to  
17 where they are today. I think, you know, they  
18 had a difficult process at first, which is why  
19 some of these presidents were let go. But by  
20 patience, by learning the ropes of Rhode Island,  
21 how things are handled here, by attracting more  
22 patients to the hospital because of improvements  
23 in quality, they have brought these hospitals to  
24 the point where they cannot only survive, but  
25 eventually, we think, thrive.

1 Nobody is going to make a lot of  
2 money in the hospital business in Rhode Island.  
3 It just isn't the case. But if you can keep  
4 your nose above water and deliver quality care,  
5 you can be here a long time.

6 So I think -- I think bringing the  
7 hospitals from where they were before to where  
8 they are now is an accomplishment in and of  
9 itself, with -- with essentially buildings that  
10 have been greatly rehabbed and new equipment.

11 Q. Mr. DiSantos, when the -- when Von Crockett  
12 explained the proposed transaction to you  
13 involving Chamber/Ivy, did they explain that  
14 Sam Lee and David Topper's buyout would be paid  
15 through company cash?

16 A. No, they did not. They --

17 Q. Did they --

18 A. I'm sorry. Go ahead.

19 Q. Oh, no. Go ahead.

20 A. No. What was told to us is that they were  
21 going to -- Lee and Topper were going to take  
22 over majority interest, buy out Leonard Green,  
23 and as part of that, they were going to  
24 recapitalize the company. And since it did not  
25 require any approvement at our level, we got no

1 further details of what that -- what the  
2 recapitalization meant. We understood,  
3 obviously, that the minority partners were  
4 buying out the majority partner. We understood  
5 what that means. But that's all I knew.

6 Q. So Prospect, it sounds like, gave the board  
7 minimal details.

8 Is that an accurate depiction?

9 A. Yeah. They didn't go into great detail,  
10 because there was no need to. And I think this  
11 was an executive session, too, as I recall. It  
12 was not a regular board meeting. And it was Von  
13 Crockett who gave us the report.

14 Q. We'll end with COVID again.

15 You were removed in July, so your  
16 last board meeting was June; correct?

17 A. Yes.

18 Q. Because the board meets quarterly, there would  
19 have been two meetings during the pandemic --  
20 correct? -- maybe a March -- February -- a March  
21 or a June? When -- when --

22 A. Yes, that would be true. Yeah.

23 Q. Okay.

24 A. March or June.

25 Q. March and June?

[illegible]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14 MS. LENZ: Thank you, Mr. DiStefano.  
15 I'd like to take a quick break, and then we will  
16 come back. About 10 minutes, if that works for  
17 everybody.

18 MR. DiSTEFANO: That's fine.

19 MS. KELLEY: Could we have the break  
20 as a shared RIDOH and AG room?

21 MS. LENZ: Yes.

22 (Recess called at 3:45 p.m. The  
23 proceeding reconvened at 4:08 p.m.)

24 BY MS. LENZ:

[REDACTED]

[illegible]

[illegible]

[illegible]

7 Q. Thank you.

8 Mr. DiStefano, before I turn you over  
9 to Attorney Jackie Kelley on the Department of  
10 Health, would you like to make any final  
11 comments to any of the questions that I asked  
12 you today?

13 A. No, except to say that I think that the  
14 actions that we carried out from the  
15 St. Joe's-Roger Williams merger through to the  
16 combination with Prospect kept these two  
17 hospitals in existence, where otherwise they  
18 might not -- at least one might not be in  
19 existence, and the other one would be tottering  
20 on the verge of extinction.

21 So I personally am proud of the role  
22 that I have played to this particular point in  
23 time in keeping these hospitals where they are  
24 and serving the public and serving, you know,  
25 the public with quality. End of statement.

1 MS. LENZ: Thank you very much,  
2 Mr. DiStefano. I'm going to turn it over to  
3 Attorney Jackie Kelley now on behalf of the  
4 Department of Health.

5 EXAMINATION BY MS. KELLEY:

6 Q. Hello. How are you?

7 A. Good. How are you?

8 Q. Good.

9 I'm not going to repeat all the very  
10 thorough instructions that Attorney Lenz had  
11 given out, but -- and as an attorney yourself, I  
12 know you're aware of them, so I shall go right  
13 to the questions and hopefully not hold out too  
14 long.

15 So for some follow-up questions, can  
16 you describe the difference between A and B  
17 board members?

18 A. Well, the A board members were appointed to  
19 represent the interest of the former CharterCARE  
20 Health Partners, and that was represented by --  
21 we were appointed by the 15 percent interest,  
22 and their all Rhode Islanders.

23 The B board members were appointed to  
24 represent the interest of Prospect CharterCARE  
25 from California, and I believe all of them are

1 Californians. So, you know, they were appointed  
2 by different interests, but their job was to  
3 come together to see that this combination, the  
4 two hospitals and Prospect, could be successful.  
5 So we're on a common mission, but appointed by  
6 different interests.

7 Q. Did you notice any difference in attendance of  
8 meetings of the As or the Bs?

9 A. No. The -- the -- the As might have -- I  
10 mean, the Bs -- the As, which were us, might  
11 have had a little better attendance, but not  
12 much, because the other people were coming a  
13 greater distance, so sometimes they had business  
14 interests which prevented them from coming.

15 But basically, when Lee was -- Lee is  
16 still on the board, Lee made most of the  
17 meetings and so did Topper when he was on the  
18 board. Von Crockett is always there, as is Tom  
19 Reardon. They're the other two represen- --  
20 they were always there. They're at every  
21 meeting. So attendance was pretty close.

22 Q. Did they attend in person, or were they  
23 attending virtually?

24 A. No. They were attending in person.

25 Q. Pre-COVID, I should -- I should --

1           A.     Pre-COVID, they were attending in person.

2     Q.     Thank you.

3                     What would you describe the mission  
4     of the board?

5     A.     Well, the mission of the board is to see to  
6     it that these two hospitals succeed in providing  
7     quality care to the populations that they serve  
8     at a reasonable price and to be sure that they  
9     not only survive, but eventually are able to  
10    thrive as much as any hospital can thrive in  
11    this setting. That's the mission of the board.  
12    And that's why this was set up in such a fashion  
13    that -- I keep repeating. We sort of act as a  
14    supervisory board over the hospital boards, and  
15    so far it seems to have worked.

16    Q.     And what about the mission of each hospital,  
17    Roger Williams and Fatima?

18    A.     Well, Roger Williams is a teaching  
19    hospital. Fatima is a -- is a community  
20    hospital. There is -- there is a difference in  
21    reimbursement. As a teaching hospital, they had  
22    slightly better reimbursements from Medicare  
23    than Fatima does.

24                     Roger Williams, you know, has a  
25    specialty in cancer, which I think is very well



1 recognized in Rhode Island, and they're strong  
2 in orthopedics. That's a center of excellence  
3 there.

4 Fatima is pretty strong in behavioral  
5 health and in urology. Those are the two that  
6 come to mind.

7 And they each serve -- they each  
8 serve their own -- Fatima is very strong in  
9 serving the northwestern part of the state,  
10 Johnston, Smithfield, Glocester, that area. And  
11 Roger Williams is a little broader. Obviously,  
12 they have a segment of Providence, and they go  
13 into Pawtucket and East Providence and so forth.  
14 So they serve different populations in the  
15 state. And that's about -- that's the best  
16 answer I can give you.

17 Q. No, that's good.

18 Are you familiar with the articles of  
19 incorporation of the -- the board?

20 A. I was. Is there anything specific you need  
21 to know?

22 Q. Was there anything that was changed under your  
23 tenure when you were a member?

24 A. No. What was there on Day 1 in 2014 is  
25 still --

1 Q. Still there?

2 A. -- in existence. Yeah.

3 Q. Were there any ex officios on the board?

4 A. You mean by -- by virtue of their office,  
5 they sat on the board?

6 Q. Yes.

7 A. No. That doesn't mean -- people attended  
8 meetings who were not board members. It was not  
9 exclusively board members. When the hospitals  
10 had separate presidents, they would attend.

11 Chief nursing officers would attend. Sometimes  
12 the financial people would attend the meeting.  
13 But no one was ex officio a member of the board.

14 Q. They might be called in to attend a meeting for  
15 a --

16 A. Give a report, basically.

17 Q. -- for a special reason or whatever?

18 A. Yeah.

19 Q. Okay. And during your tenure as a member, were  
20 there any conflict of interest situations that  
21 came up?

22 A. None that I'm aware of.

23 Q. And how do they generally handle those? Was  
24 it explained in the beginning, similar to --  
25 Attorney Lenz had handed out that -- the

1 paperwork that you had signed.

2 A. I don't recall ever having a conflict of  
3 interest situation arise where somebody said,  
4 you know, I can't vote on this because I have a  
5 special interest and so forth. So I -- that --  
6 to my memory, that has never come up.

7 Q. All right. Was the board politicly active as a  
8 board? Not the individuals on the board as  
9 individuals, but politically active as a board.

10 A. You mean talking to state officials about  
11 things, and so forth and so on, affecting the  
12 hospital?

13 Q. Yes.

14 A. Yes. If we knew somebody and there was a  
15 problem that came up, yes. If somebody knew the  
16 governor, yeah, somebody would speak to the  
17 governor about it. That was part in parcel of  
18 the role of having the local input, local  
19 knowledge.

20 Q. Did you ever participate in that?

21 A. Not -- I don't recall having done so, no.  
22 I know the chairman may have done it, but I did  
23 not.

24 Q. So in the part of your questioning with  
25 Attorney Lenz, you covered a little bit of the

1 board's authority over financial management.

2 Is there anything more you'd like to  
3 elaborate on the board's authority over  
4 financial matters?

5 A. No. I think we covered that pretty well.

6 You know, the local board's  
7 responsibility were primarily credentialing and  
8 quality. Obviously, they have a role in  
9 developing their own budget. But that role was  
10 primarily served by Prospect CharterCARE so that  
11 we have a handle on how both hospitals were  
12 doing at all times.

13 Q. Did the board make sure there were adequate  
14 resources?

15 A. You're talking about at both hospitals?

16 Q. At both hospitals, yes.

17 A. When you say "resources," what kind of  
18 resources are you talking about?

19 Q. Staffing and supplies.

20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10 Q. All right. Are you familiar with the bylaws of  
11 the board?

12 A. I was.

13 Q. I understand.

14 And were they ever changed during  
15 your tenure?

16 A. Not to my knowledge.

17 Q. And did the board have a comprehensive director  
18 and officer of liability insurance coverage?

19 A. I believe they did, yes.

20 Q. Do you have any familiarity with that?

21 A. No.

22 Q. Any claims, to the best of your knowledge?

23 A. On the policy? No.

24 Q. Were there any -- oh, and, actually, you had  
25 mentioned that you were -- I believe you said

1       that you had been appointed by the bishop  
2       initially?

3       A.    Yes.  That was way back when I was  
4       appointed to the board of St. Joe's back in the  
5       mid-1980s.  And then, when we did the  
6       CharterCARE Health Partners arrangement, I was  
7       one of the -- I was one of the trustees --  
8       former trustees of St. Joe's that went on to  
9       CharterCARE Health Partners board, and that was  
10      through the intersection of the bishop.

11     Q.    And did -- once Prospect got involved, did the  
12      Catholic church -- were they still involved with  
13      the hospital or with the board?

14      A.    The bishops still have -- they had agreed  
15      that they would not perform any procedures that  
16      were anathema of Catholic teaching, like  
17      abortion, sterilizations, and so forth and so  
18      on.  And the bishop still retained the right to  
19      withdraw the Catholicity of the hospital -- for  
20      example, the use of it being St. Joseph's and so  
21      forth -- if those conditions were broken.  So  
22      that's why I still say that the hospitals --  
23      that hospital is still Catholic.

24                If you go in the front entrance of  
25      Fatima, the bishop's picture is still hanging on

1 the wall there. So, to that extent, Catholicity  
2 is approved. It's still at the hospital, and  
3 it's still regarded as a Catholic hospital.

█ █ [REDACTED]

█ [REDACTED]

█ █ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

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█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ █ [REDACTED]

█ [REDACTED]



[illegible]

[illegible]

13 Q. And are you aware that for the 60 percent buyout  
14 of Leonard Green's interest in this Hospital  
15 Conversions Act application, the Prospect  
16 Medical Holdings' hospitals and other facilities  
17 were valued at \$12 million?

18 | A. I did not know that.

19 Q. Do you think that's a fair market price?

20 A. \$12 million, you say?

21	Q. Yes.
----	---------

22 A. I can't -- I have no knowledge of the value  
23 of their hospitals out of state.

24 Q. But do you --

25 A. Seems to me \$12 million for all the

1 hospitals seems very, very low, but I have  
2 no -- I have no knowledge of the value.

3 Q. What about for just the two hospitals, Roger  
4 Williams and Fatima?

5 A. Well, it's hard to appraise a hospital. I  
6 mean, keep in mind, when they came in and took  
7 over these hospitals, they have laid out about  
8 \$100 million for these two hospitals between the  
9 improvements that -- the money they paid us up  
10 front -- the \$45 million up front, and the \$95  
11 million -- and the other 50 million they agreed  
12 to put in. You're approaching \$100 million for  
13 those two hospitals.

14 So I -- when you mention \$12 million  
15 for the hospitals, I question that value as  
16 being low, but I have no knowledge. I can't  
17 comment one way or the other.

18 Q. Now, when you talked about the investment, you  
19 also mentioned recapitalizing.

20 Can you elaborate on that, what you  
21 meant?

22 A. Well, we were told that they were  
23 recapitalizing, which means that somebody is  
24 putting more capital into the venture. So  
25 they -- as part and parcel of the buying of the

1 buyout, they have -- they have done some sort of  
2 an arrangement. I understand it was with --  
3 where they leased hospitals. It was a sale --  
4 they sold our sale and lease back, which  
5 provided them with capital. But beyond that, I  
6 have no details of the transaction.

7 Q. And, actually, I was going to ask you if you  
8 were aware that Prospect sold the land and  
9 buildings of the hospitals and did lease back.  
10 So you are aware --

11 A. That's to the extent of my knowledge. I  
12 know the two Rhode Island hospitals are not  
13 involved.

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

21 Q. Have you been involved in any dealings with or  
22 selections of other hospital acquisitions in  
23 your past?

24 A. No.

25 Q. And before -- before and up to the joinder to

1 Prospect Medical, did the board -- and you  
2 talked about some of the things the board did  
3 and didn't do.

4 Can you just kind of talk about what  
5 steps were taken, what information was  
6 accumulated in order to make that decision?

7 A. To combine with Prospect, you mean?

8 Q. Yes.

9 A. Yeah. Well, we were -- we knew -- we had  
10 strained out a lot of expenses. It made  
11 imminent sense for us to combine with Roger  
12 Williams, especially when they were two  
13 hospitals less than 3 miles apart competing with  
14 each other. So we strained a lot of expenses,  
15 but we still had this terrible need for capital.

16 And we -- we had hired an outside  
17 company to assist us in obtaining bids, and we  
18 tried to keep it initially on the not-for-profit  
19 side, because that was what we were familiar  
20 with. We couldn't find any not-for-profit  
21 partner with capital who was interested in us,  
22 so we began to look at for-profit ventures, and  
23 a number of -- I wouldn't say a large number.  
24 They weren't exactly beating down the doors to  
25 come into Rhode Island, because they knew there

1 was hostility for for-profit medicine in Rhode  
2 Island. This conversion act is not the easiest  
3 thing to comply with.

4 But of all the proposals that came  
5 in, the one from Prospect made the most sense to  
6 us, because they were willing to have somebody  
7 retain local interest, the Class A members; they  
8 put money in the pension plan. They put  
9 \$14 million in the pension plan; and they agreed  
10 to provide the -- the dollars to fix up the  
11 bricks and mortar and to provide equipment.

12 So it was -- we felt it was the best  
13 proposal that we had seen, and we went ahead  
14 with that proposal. And sitting here, I must  
15 say, I don't regret having done that. I think  
16 over the past six years, we've done fairly well  
17 with -- with Prospect.

18 Q. Are there any other comments or things you'd  
19 like to say about your joinder with Prospect?

20 A. No. Only to say that, you know, it's  
21 been -- running a hospital in Rhode Island is  
22 not easy, and you can see that if you look at  
23 the bigger ones, including Care New England and  
24 Life- -- everybody has a difficult time with  
25 hospital care here. Go to Massachusetts, it's a

1 different story. Partners is burning money  
2 there, they have so much of it. But different  
3 market, different area.

4 In Rhode Island, it's difficult to  
5 keep your nose above water. But so far, I think  
6 what we've seen from Prospect is their  
7 willingness to have these hospitals succeed.  
8 And from what I've seen, they've been very  
9 cooperative, to the extent the requests are made  
10 for additional capital and for equipment and so  
11 forth and so on. They don't turn it down. They  
12 have -- they have -- their charity care policy  
13 has been the same as it was under the  
14 not-for-profits. So I must say that they have  
15 done everything and kept every promise to us  
16 that they have made.

17 Q. Okay. Anything else that you'd like to add  
18 that, in all of the questions that we've asked,  
19 you feel as if we didn't ask or you didn't get a  
20 chance to further elaborate or explain?

21 A. No.

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

Row	Bar Length (approx. %)
1	70
2	95
3	85
4	92
5	100
6	95
7	92
8	95
9	100
10	92
11	95
12	92
13	92
14	90
15	85
16	95
17	95
18	92
19	100
20	10

19 Q. All right.

20           A.     I do not have "MD" behind my name, so I was  
21           not involved in that.

22	Q. Understood.
----	----------------

23 MS. KELLEY: Well, at this time, the  
24 Department of Health has no further questions.  
25 I believe that it is the intention for the



1 Department of Health and the department of  
2 attorney general to suspend this statement under  
3 oath at this time.

4 MS. LENZ: Yes.

5 MR. DiSTEFANO: Well, I hope I was  
6 helpful.

7 MS. KELLEY: Yes. Thank you.

8 MS. LENZ: Thank you very much,  
9 Mr. DiStefano.

10 MR. DiSTEFANO: Okay. Thank you.

11 THE REPORTER: Just to confirm on my  
12 end, Maria, Jackie, and Pat will get three  
13 electronic copies. And a week from today, if  
14 you want it expedited, is Monday, the 16th.

15 Does that work for everybody?

16 MS. KELLEY: Yeah, that's good.

17 MS. LENZ: Yes. Thank you very much.

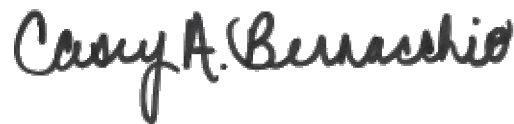
18 (Time noted at 4:37 p.m.)  
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## C E R T I F I C A T E

I, CASEY A. BERNACCHIO, Shorthand Reporter and Commissioner, hereby certify that the foregoing is a true, accurate, and complete transcription of my stenographic notes taken at the time of the aforementioned interview.

This proceeding was done remotely via web conference and may result in some inaccuracies and/or dropped words created by audio conflicts that may arise during any web-based event.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of November, 2020.



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CASEY A. BERNACCHIO  
SHORTHAND REPORTER

MY COMMISSION EXPIRES:  
DECEMBER 31, 2023