

HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: CharterCARE Health Partners
Date Application Submitted: October 18, 2013
Resubmission Date: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

* Please provide copies of the responsive documents.

**All questions concerning this application should be directed to:
Office of Health Care Advocate (401) 274-4400**

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

Signed by the President or Chief Executive Officer

[Handwritten Signature]

Entity

CharterCARE Health Partners

Subscribed and sworn to before me on this 23 day of December 202013

[Handwritten Signature: Julie-Ann Cotter]

Notary Public

My Commission Expires: 9/9/17

HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: Roger Williams Medical Center
Date Application Submitted: October 18, 2013
Resubmission Date: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

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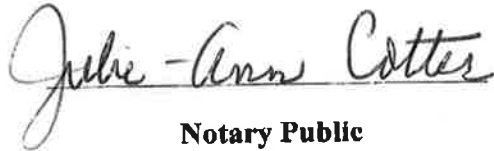
Signed by the President or Chief Executive Officer



Entity

Roger Williams Medical Center

Subscribed and sworn to before me on this 23 day of December 2013.



Notary Public

My Commission Expires: 9/9/17

HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: St. Joseph Health Services of Rhode Island
Date Application Submitted: October 18, 2013
Resubmission Date: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

* Please provide copies of the responsive documents.

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Signed by the President or Chief Executive Officer

[Handwritten Signature]

Entity

St. Joseph Health Services of Rhode Island

Subscribed and sworn to before me on this 23 day of December 2013.

[Handwritten Signature: Julie-Ann Cotter]

Notary Public

My Commission Expires: 9/9/17

HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: Prospect Medical Holdings, Inc.
Date Initial Application Submitted: October 18, 2013 Date Supplemental Application Submitted: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

* Please provide copies of the responsive documents.

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Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

Signed by the President or Chief Executive Officer



Entity: **Prospect Medical Holdings, Inc.**

Subscribed and sworn to before me on this 20th day of Dec. 20 13.



Notary Public

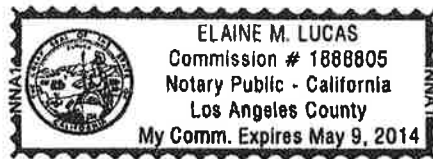
My Commission Expires: 5-9-2014

Swat attached

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this 20th day of December 2013, by Samuel Lee, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Seal



Signature _____

E. Lucas

Notary Public

Description of Attached Document:

Hospital Conversion Application for the following Entities: Prospect Medical Holdings, Inc.; Prospect East Hospital Advisory Services, LLC; Prospect East Holdings, Inc.; Prospect CharterCARE, LLC; Prospect CharterCARE RWMC, LLC; Prospect CharterCARE SJHSRI, LLC

No. of Pages: 152

Samuel Lee signing as CEO for the above-mentioned entities.

HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: Prospect East Hospital Advisory Services, LLC
Date Initial Application Submitted: October 18, 2013 Date Supplemental Application Submitted: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

* Please provide copies of the responsive documents.

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I hereby certify that the information contained in this application is complete, accurate and true.

Signed by the President or Chief Executive Officer

Entity: **Prospect East Hospital Advisory Services, LLC**

Subscribed and sworn to before me on this 20th day of Dec. 20 13.

E. Suarez

Notary Public

My Commission Expires: 5-9-2014

Just attached.

State of California)
County of Los Angeles)

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E. Lucas

Notary Public

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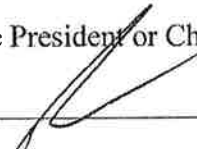
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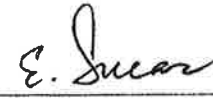
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Entity: **Prospect East Holdings, Inc.**

Subscribed and sworn to before me on this 20th day of Dec. 20 13.



Notary Public

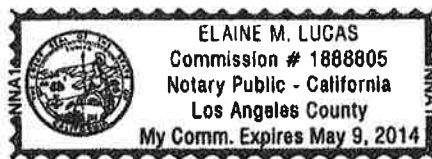
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E. Lucas

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Entity: **Prospect CharterCARE, LLC**

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E. Suenat

Notary Public

My Commission Expires: 5-9-14

Imrat attached

State of California)
County of Los Angeles)

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No. of Pages: 152

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HOSPITAL CONVERSION APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: Prospect CharterCARE RWMC, LLC
Date Initial Application Submitted: October 18, 2013 Date Supplemental Application Submitted: January 2, 2014
Date of Agreement Execution with the Director for Payment of Costs*:
Date of Agreement Execution with the Attorney General for Payment of Costs*:

* Please provide copies of the responsive documents.

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Signed by the President or Chief Executive Officer



Entity: **Prospect CharterCARE RWMC, LLC**

Subscribed and sworn to before me on this 20th day of Dec. 20 13.



Notary Public

My Commission Expires: 5-9-2014

Sworn attached.

State of California)
County of Los Angeles)

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Signature _____

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No. of Pages: 152

Samuel Lee signing as CEO for the above-mentioned entities.

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Please provide the following information (please replicate as needed):

Name of Transacting Parties: Prospect CharterCARE SJHSRI, LLC
Date Initial Application Submitted: October 18, 2013 Date Supplemental Application Submitted: January 2, 2014
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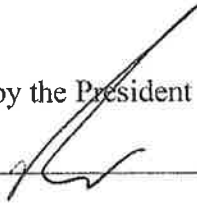
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Signed by the President or Chief Executive Officer



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Subscribed and sworn to before me on this 20th day of Dec. 20 13.



Notary Public

My Commission Expires: 5-9-2014

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A. OVERVIEW

The following is a brief narrative detailing the Existing Hospitals, the Transacting Parties, the Affiliates, the proposed Hospital structure (post-conversion), and the format of the Application.¹

The Existing Hospitals are comprised of the following structure:

- Roger Williams Medical Center (“RWMC”), a 220-bed acute care, community hospital located in Providence, Rhode Island. RWMC is a wholly-owned subsidiary of CharterCARE Health Partners (“CCHP”).
- St. Joseph Health Services of Rhode Island (“SJHSRI”), a 278-bed acute care, community hospital located in North Providence, Rhode Island known as Our Lady of Fatima Hospital (“Fatima Hospital”) and the Center for Health and Human Services (“HHS”) clinics in South Providence and Pawtucket. SJHSRI’s ownership structure is such that CCHP is the sole Class A Member and the Bishop of Providence is the sole Class B Member (RWMC and Fatima Hospital are defined herein as the “Existing Hospitals”).

The Existing Hospitals were converted to the current CCHP structure pursuant to a decision issued by the Rhode Island Department of Health and the Rhode Island Attorney General’s Office in July, 2009.

Therefore, the Transacting Parties with regard to the Acquiree are as follows:

- CCHP
- SJHSRI (Fatima Hospital)
- RWMC

The Acquiror, pre-conversion, is an organizational structure existing under a parent entity, Prospect Medical Holdings, Inc. (“PMH”). PMH is a Delaware corporation with its principal place of business located in Los Angeles, California. PMH is a healthcare services company that owns and operates hospitals and manages the provision of healthcare services for managed care enrollees through its network of specialists and primary care physicians.

PMH is the parent entity with regard to the eight (8), acute care and behavioral hospitals located in California and Texas. In total, PMH owns and operates approximately 1,082 licensed beds and a network of specialty and primary care clinics. Through PMH’s medical group segment, PMH owns and/or manages the provision of physician services to approximately 180,000 enrollees of Healthcare Management Organizations (“HMOs”) in southern California through a network of approximately 1,100 primary care and 2,200 specialty physicians. PMH’s medical groups segment has a significant presence in southern California and has capitated contracts with most major HMOs operating in the region. Under the capitated model, an HMO pays a PMH medical group, a stable and predictable per-member-per-month rate, or a “capitation” payment, for which the medical groups

¹ Capitalized terms herein have the meanings set forth in the Hospital Conversion Act, R.I. Gen. Laws § 23-17.14-1 et seq.

assume the responsibility to provide all required services for those enrollees. A full organizational chart is attached at **Exhibit 12A-1**.

The investment ownership in PMH is as follows:

Ivy Intermediate Holding Inc. (“IIH”), a Delaware corporation, owns 100% of the stock of PMH. IIH is a holding company for such stock ownership. It has no other assets, liabilities or operations. Ivy Holdings Inc. (“IH”), a Delaware corporation, owns 100% of the stock of IIH. IH is a holding company for such stock ownership. It has no other assets, liabilities or operations.

The investment in the holding companies identified at IIH and IH above is as follows:

The affiliated investment funds of Leonard Green & Partners, L.P. (“LGP”) own approximately 61.3% of the common stock of IH. The affiliated funds are Green Equity Investors V, L.P., Green Equity Investors Side V, L.P. and Ivy LGP Co-Invest LLC.

Additionally, current and former employees of PMH and its subsidiaries own the remaining shares of IH stock. Samuel Lee is the Chief Executive Officer (CEO) of PMH and the Chairman of its Board of Directors. David Topper is the President and former co-founder (with Mr. Lee) of Alta Hospitals System, LLC, which is PMH’s subsidiary that owns its California hospital operations. Jeerreddi Prasad, M.D. is the President and former co-founder of ProMed Health Care Administrators, a medical group management services organization wholly-owned by PMH. Michael Heather is a former Chief Financial Officer (CFO) of PMH.

PMH is proposing to form Prospect CharterCARE, LLC. PMH will retain an 85% ownership interest in Prospect CharterCARE, LLC. CCHP will be provided a 15% ownership interest in Prospect CharterCARE, LLC. The governing structure, however, will be such that PMH’s ownership interest will appoint 50% of the membership of Prospect CharterCARE, LLC’s Board and CCHP’s ownership interest will appoint 50% of the membership of the Prospect CharterCARE, LLC Board. The Transacting Parties refer to this concept as a “50/50 Board”.

PMH will hold its 85% ownership interest in Prospect CharterCARE, LLC through Prospect East Holdings, Inc.

In turn, Prospect CharterCARE, LLC will own the following entities that will hold the licensure for the facilities themselves: (i) Prospect CharterCARE RWMC and (ii) Prospect CharterCARE SJHSRI (collectively defined as the “Licensed Entities”).

The Licensed Entities will be managed by Prospect East Hospital Advisory Services, LLC, an entity wholly-owned by PMH.

Accordingly, the Transacting Parties with regard to the Acquiror are as follows:

- PMH, a Delaware corporation with a principal place of business in Los Angeles, California.
- Prospect East Holdings, Inc. (“Prospect East”) a Delaware corporation which is a wholly-owned subsidiary of PMH. Prospect East, will hold PMH’s interest in Prospect CharterCARE, LLC and the Licensed Entities post-conversion.

- Prospect East Hospital Advisory Services, LLC (“Prospect Advisory”), a Delaware limited liability company, which is a wholly-owned subsidiary of PMH. Prospect Advisory will manage the day-to-day operations of Prospect CharterCARE, LLC post-conversion.
- Prospect CharterCARE, LLC, a Rhode Island limited liability company, which will own the entities that hold licensure for the hospitals, post-conversion. Prospect CharterCARE, LLC will be owned 85% by Prospect East and 15% by CCHP. However, the governing board of Prospect CharterCARE, LLC will be a 50/50 Board.
- Prospect CharterCARE RWMC, LLC (“Newco RWMC”), is a Rhode Island limited liability company, which will hold the licensure for Roger Williams Medical Center post-conversion. Newco RWMC will be wholly owned by Prospect CharterCARE, LLC.
- Prospect CharterCARE SJHSRI, LLC (“Newco Fatima”) is a Rhode Island limited liability company, which will hold the licensure for Our Lady of Fatima Hospital post-conversion. Newco Fatima will be wholly owned by Prospect CharterCARE, LLC.

With regard to Acquiror’s affiliates, the responses to inquiries requesting information about affiliates will detail the following hospital affiliates:

- Prospect Hospital Holdings, LLC
- Nix Hospital System, LLC
- Nix Community General Hospital, LLC
- Alta Hospitals System, LLC
- Alta Hollywood Hospitals, Inc.
- Alta Los Angeles Hospitals, Inc.

A narrative detailing each of these hospital affiliates can be found at Response 12(b).

As above-stated, PMH has a number of non-hospital affiliates, which are part of its above-referenced medical group segment. The medical group segment is a healthcare management services organization that provides management services to affiliated physician organizations that operate as independent physician associations or “Medical Groups”. The affiliated physician organizations enter into agreements with HMOs to provide HMO enrollees with a full range of medical services in exchange for fixed, pre-paid monthly fees known as “capitation” payments. The Medical Groups contract with physicians (primary care and specialists) and other healthcare providers to provide enrollees with all medical services. PMH currently manages the provision of pre-paid healthcare services for its affiliated physician organizations in southern California. The network consists of the following physician organizations:

- Prospect Medical Group, Inc.

- Prospect Health Source Medical Group, Inc.
- Prospect Professional Care Medical Group, Inc.
- Geniuses HealthCare of Southern California, Inc.
- Prospect NWOC Medical Group, Inc.
- StarCare Medical Group, Inc.
- AMVI/Prospect Medical Group
- Nuestra Family Medical Group, Inc.
- Upland Medical Group, a professional medical group
- Pomona Valley Medical Group, Inc. (collectively, the “Physician Entities”).

The Physician Entities are managed by the following two (2) medical management company subsidiaries: (i) Prospect Medical Systems, Inc.; and (ii) ProMed Healthcare Administrators (the “Medical Management Entities”). The Medical Management Entities are wholly owned by PMH.

The Physician Entities are wholly-owned by Prospect Medical Group, Inc. with the exception of Nuestra Family Medical Group, Inc., which is 62% owned by Prospect Medical Group, Inc. and AMVI/Prospect which is 50/50 joint venture between AMVI Healthcare Network, Inc. and Prospect Medical Group, Inc.

The ownership structure of the two primary non-hospital entities, Prospect Medical Systems, Inc. (“PMS”) and Prospect Medical Group, Inc. (“PMG”) is as follows:

PMG is a California professional medical corporation. As required by Sections 13400-13410 of the California Business and Professions Code, the shareholder of a California professional medical corporation must be a “licensed person,” which includes a physician duly licensed in the State of California.

PMS, a wholly-owned subsidiary of PMH, has entered into an assignable option agreement with PMG and the nominee physician shareholder of PMG. Under the assignable option agreement, PMS has an assignable option, obtained for a nominal amount from PMG and the nominee shareholder to designate the purchaser (successor physician) for all or part of PMG’s issued and outstanding stock held by the nominee physician shareholder (the “Option”), in its sole discretion. PMS may also assign the assignable option agreement to any person.

The assignable option agreement has an initial term of 30 years and is automatically extended for additional terms of 10 years each, as long as the term of the related management services agreement entered into by the parties (the “Management Agreement”) is automatically extended. Upon termination of the Management Agreement, the related Option would be automatically and immediately exercised. The Option may be exercised for a purchase price of \$1,000.

Under the nominee shareholder agreements, PMS has the unilateral right to establish or effect a change of the nominee, at will, and without the consent of the physician shareholder

nominee, on an unlimited basis and at nominal cost throughout the term of the Management Agreement.

The current physician shareholder nominee is Mitchell Lew, M.D. Dr. Lew is the Chief Executive Officer (CEO) of PMS and the President and sole Director of PMG. Dr. Lew has served as the CEO of PMS since May 2012 and as the designated physician shareholder and President and Director of PMG since February 1, 2013. He served as the Chief Medical Officer (CMO) for PMS from December 2008 through December 2012. Prior to joining PMS, Dr. Lew was the CEO of Genesis HealthCare of Southern California, Inc. (“Genesis”) from 1999 to 2006. In November 2005, Genesis was acquired by a company affiliated with PMS. From 1991 to 2001, Dr. Lew was the President of Lew Medical Group Inc., a medical group in which he also maintained a medical practice specializing in General Obstetrics and Gynecology.

The non-hospital Affiliates of PMH have no role or interest in this proposed conversion. Thus, the non-hospital Affiliates of PMH are not included in the within responses, but are identified in the Organizational Chart found at **Exhibit 12A-1**.

Additionally, CCHP has a number of non-hospital affiliates that will be included in the proposed transaction. They are as follows:

- Elmhurst Extended Care Facilities, Inc. (“Elmhurst”) is a nursing facility located at 50 Maude Street in Providence, Rhode Island. Elmhurst will be included in the Change in Effective Control application that will be filed for this transaction.
- Roger Williams Realty Corporation is an entity that holds and manages real estate assets for the benefit of CCHP, owns and leases land and buildings to Elmhurst, and leases clinical and research space to RWMC. It is currently a not-for-profit organization.
- RWGH Physician’s Office Building, Inc., is an entity that owns and operates a physician office building located adjacent to RWMC’s main campus for the benefit of CharterCARE’s employed physicians. RWGH Physician’s Office Building, Inc. is currently a not-for-profit organization.
- Roger Williams Medical Associates, Inc., is an entity established to arrange for the provision of medical services to patients of both RWMC and SJHSRI and individuals in the communities serviced by RWMC and SJHSRI.
- Roger Williams PHO, Inc., is a physician health organization formed for the purpose of negotiating managed care contracts.
- Elmhurst Health Associates, Inc., is an entity which holds the licenses for RWMC’s outreach laboratories. Elmhurst Health Associates, Inc. is a for-profit organization.
- Our Lady of Fatima Ancillary Services, Inc. holds the licenses for the SJHSRI outreach laboratories and provides imaging services to area physicians and medical practices. Our Lady of Fatima Ancillary Services is a for-profit organization.
- The Center for Health and Human Services provides outpatient health care clinical services in two clinic locations, South Providence and Pawtucket.

- SJH Energy, LLC is a single member LLC established to purchase wholesale energy to support the operational needs of CCHP and its affiliates.
- Rosebank Corporation holds and manages real estate assets for the benefit of CCHP. Rosebank owns several parking lots on the main campus of RWMC and several other properties adjacent to the main campus. Rosebank is a for-profit organization.
- CharterCARE Health Partners Foundation is a not-for-profit corporation whose mission is to raise funds for the benefit of CCHP and its affiliates. On August 22, 2011, Saint Joseph Foundation changed its name to CharterCARE Health Partners Foundation, removed itself from the Official Catholic Directory, and became a subsidiary of CCHP.

As discussed at the Transacting Parties' initial conference, the Application has been formatted as a global application for the proposed conversion of both Existing Hospitals, RWMC and Fatima Hospital. The Transacting Parties on Acquiree's side are collectively referenced herein when appropriate as "CCHP". The Transacting Parties on the Acquiror's side are collectively referenced herein when appropriate as "PMH".

The model being proposed, post-conversion, provides for the not-for-profit entity, CCHP, to continue to maintain an ownership position in the acute care, community hospitals. In addition to maintaining an ownership position, CCHP will have equal representation on the governing board post-conversion. In this manner, the local community hospital healthcare network continues with all the advantages of that model with respect to local leadership, healthcare mission, and positive economic impact on the community. In turn, the not-for-profit community mission is enhanced by access to capital, economies of scale, and management expertise acquired through the ownership, operation and management of eight (8) other, acute care and behavioral hospitals throughout the states of California and Texas.

Furthermore, as above-outlined, PMH has gained a great deal of experience in California and most recently, Texas with regard to working with payors on reimbursement models based upon assumption of risk that push reimbursement models to move towards cost efficient/high quality providers.

As set forth in Response No. 14, this type of experience led CCHP to conclude its extensive "RFP" process by partnering with PMH. The terms of the transaction are summarized in Response No. 1.

B. RESPONSES

1. Please provide an executive summary of the proposed conversion which shall include a discussion of the date of implementation, purchase price, source of funds, debt, and commitments for and development of new services and/or facilities that are associated with the proposed conversion.

Response:

Overview of the Proposed Conversion

PMH and CCHP have proposed a post-conversion structure in which those two entities will form a partnership (Prospect CharterCARE, LLC) to own and operate all of the health care entities associated with CCHP including, without limitation, the two acute-care, community hospitals that currently operate as Roger Williams Medical Center and Our Lady of Fatima, as well as an extended care facility in Providence known as Elmhurst Extended Care, defined above as Elmhurst.

The partnership is a unique model that allows CCHP to retain, as noted above, a significant stake in the ongoing ownership and governance of Prospect CharterCARE, LLC to ensure the continuance of the local mission with access to the substantial capital and management resources necessary to address the challenges of today's healthcare industry.

PMH is a healthcare services company that owns and operates hospitals and manages the provision of healthcare service for managed care enrollees through its network of specialists and primary care physicians. PMH is the parent entity with regard to the eight (8), acute care and behavioral hospitals located in California and Texas. In total, PMH owns and operates approximately 1,082 licensed beds and a network of specialty and primary care clinics.

In addition, through its medical group segment, PMH owns and/or manages the provision of physician services to approximately 180,000 enrollees of Healthcare Management Organizations ("HMOs") in southern California through a network of approximately 1,100 primary care and 2,200 specialty physicians. As a pioneer in "at risk" contracting, PMH is at risk for the medical services provided to 151,700 enrollees and is at risk for both medical and hospital services for 11,150 of these enrollees. Furthermore, the PMH hospitals in Los Angeles have signed contracts to assume and manage the risk for hospital services for an additional 35,800 Medicaid enrollees.

CCHP operates a healthcare system in the City of Providence and the Town of North Providence which includes Roger Williams Medical Center and St. Joseph's Health System of Rhode Island.

Roger Williams Medical Center, defined above as RWMC, is a 220-bed acute care, community hospital located in Providence, Rhode Island. St. Joseph Health Services of Rhode Island, defined above as SJHSRI, operates Fatima Hospital, which is a 278-bed acute care, community hospital located in North Providence, Rhode Island.

In 2008 and 2009, the RWMC and SJHSRI systems were losing in excess of \$8M a year from operations alone. In an effort to stem those losses, those independent systems agreed to affiliate through the creation of CCHP. The purpose of the affiliation was to realize approximately \$15M in savings over 5 years utilizing efficiencies created by the combined

hospital systems as well as to preserve and expand healthcare services to the Existing Hospitals' communities. In 2009, the affiliation was approved by the Rhode Island Department of Health and the Rhode Island Attorney General. If the CCHP affiliation had not been approved, the Roger Williams and Fatima Hospital systems would have had difficulty operating independently.

As a result of the CCHP affiliation, significant operational efficiencies have been achieved. Based on operating revenue alone, the combined CCHP hospital systems have reduced operating losses to approximately \$3M per year. Although a significant improvement, these losses cannot be sustained. Furthermore, although capital expenditures have been made, the physical plants at the Existing Hospitals are aging and need upgrading.

Of additional concern are pension costs (this same issue is impacting hospitals throughout the country). If pension losses are taken into consideration, in fiscal year 2012, the CCHP system sustained losses of over \$8M. This level of loss cannot be maintained. Furthermore, CCHP's laudable efforts to drastically reduce the loss does not address the need for access to capital. The potential result of continued losses would be devastating. The CCHP system contributes \$524M per year into Rhode Island's economy, employs approximately 3,000 people, and provides over \$25M in free medical care every year to those who could not otherwise afford such care.

In an effort to ensure the continued viability of the Existing Hospitals, In December of 2011, CCHP issued a Request for Proposals (the "RFP") seeking a partner. In August of 2012, PMH submitted a response to the RFP. The parties then undertook negotiations relative to PMH's proposal. In March of 2013, after a joint meeting of the boards of CCHP and the Existing Hospitals, and an analysis of a number of different options, CCHP chose PMH's proposal. In March of 2013, a Letter of Intent was executed by and between PMH and CCHP.

On September 24, 2013, the parties executed an Asset Purchase Agreement ("APA").

As set forth above, through the proposed transaction PMH will purchase an 85% interest in the Existing Hospitals and CCHP will retain a 15% interest in the Existing Hospitals. Furthermore, CCHP will have significant stake in the continued governance of the Hospitals, as the governing board will be what has been termed above as a 50/50 Board.

After the purchase, the parties will jointly own Prospect CharterCARE, LLC which will own and operate the entities that will hold the licensure for Newco RWMC and Newco Fatima. This will allow the Existing Hospitals to retain their local community mission and leadership, while at the same time receive access to capital and resources (and in particular, expertise in population management through risk contracts) that PMH can provide.

After the transaction, for tax purposes, Prospect CharterCARE, LLC will be classified as a for profit entity. However, since the Existing Hospitals currently lose a significant amount of

money each year, the proposed transaction is contingent upon Prospect CharterCARE, LLC's agreements with entities at the state, city and town levels regarding stabilization/exemptions from certain taxes.

Date of Implementation:

The proposed date of implementation is May of 2014.

Purchase Price:

The purchase price offered by PMH for 85% of the proposed partnership is \$45M.

Source of Funds:

PMH will not require debt financing to proceed with the purchase. Instead, PMH will contribute equity in the amount of \$45M.

Long-Term Capital Commitments:

In addition to a routine capital investment of at least \$10M per year to be reinvested by Prospect CharterCARE, LLC, PMH has committed to future capital contributions of \$50M within four (4) years of the closing on the transaction ("Long-Term Funding Commitment"). The specific goals of the Long-Term Funding Commitment will be determined, post-conversion, after appropriate studies and analyses are undertaken. However, under the APA, the use of the Long-Term Funding Commitment may include (i) the development and implementation of physician engagement strategies, and (ii) projects related to facilities and equipment, including but not limited to:

- expansion of the cancer center at RWMC,
- expansion of the emergency department at RWMC,
- renovation/reconfiguration of the emergency department at Fatima,
- renovation of the operating rooms at RWMC,
- conversion of all patient rooms to private rooms at both Hospitals,
- renovation and expansion of the ambulatory care center at Fatima,
- new windows at both Hospitals,
- a new generator at Fatima,
- a facelift for the facades at both Hospitals,
- access for the handicapped at the front entrances of both Hospitals.

The specific capital projects to be funded will be determined by Prospect CharterCARE, LLC's Board of Directors.

Maintenance of Existing Services:

The proposed partnership between PMH and CCHP which is embodied in Prospect CharterCARE, LLC, is committed to maintaining all essential services for a period of five (5) years. These essential services include the following:

- Medical/Surgical Services and Intensive/Coronary Care Unit
- Inpatient and Outpatient Rehabilitation Services, including Sub-acute and Skilled Nursing facility
- Ambulatory Care Services
- Emergency Services
- Inpatient and Outpatient Psychiatric/Mental Health/Addiction Medicine Services
- Diagnostic Imaging and Interventional/Radiology Services, including diagnostic cardiac catheterization
- Laboratory/Pathology
- Inpatient and Outpatient Cancer Services including Blood and Marrow Transplantation/Surgical and Radiation Oncology
- Sleep Lab
- Wound Care/Hyperbaric Services
- Dermatology
- Health center services (GYN & pediatric clinic, adult and pediatric dentistry, immunizations, WIC)
- Homecare/Hospice services

In addition, Prospect CharterCARE, LLC will undertake strategic initiatives with consideration given to the growth and development of clinical centers of excellence with examples being a focus on cancer care, geriatric continuum, behavior health, digestive disease, bariatric treatment, and diabetes, as well as pursuing opportunities in neurological sciences, dermatology and wound care, and orthopedics. Strategic initiatives will also place an emphasis on clinical integration and medical staff-system alignment and engagement.

At the core of the strategic initiatives to be undertaken by Prospect CharterCARE, LLC is the development of a coordinated care platform which collaborates with other providers and community-based health care entities to provide population management under risk contracts. The goal of such an approach is to provide the best quality of care at the right place and time in a cost efficient manner.

Job Preservation:

Prospect CharterCARE, LLC is committed to preserving jobs, post-conversion.

Regarding the existing employees, at least 10 days prior to closing, Prospect CharterCARE, LLC must make a written offer of employment, subject to closing, to substantially all of the employees listed on the updated employee list who will continue to be employees as of such date and are anticipated to be employees as of the closing date, and are in “good standing” as of the closing date (the “Transferred Employees”).

Each of the Transferred Employees will get base salaries and wages equal to their base salary and wages as of the closing date. The Transferred Employees will retain their seniority for the purposes of benefits, salaries and wages. In turn, Prospect CharterCARE, LLC will provide benefits to the Transferred Employees at benefit levels comparable to benefits provided under the Existing Hospitals’ plans, including but not limited to vacation, sick leave, holiday, health insurance, life insurance, 401(k) plans, etc. Any Transferred Employee who is terminated without cause within a 12 month period following the closing date will be offered a severance package on terms comparable to the severance package in effect with respect to Existing Hospitals’ employees prior to the closing date. Prospect CharterCARE, LLC shall be responsible for providing continuation coverage as required under COBRA.

Post-Conversion Governance:

The final highlight of the transaction overview is the post-conversion governance which likewise is unique in its approach to maintaining and advancing the non-profit mission in today’s challenging environment.

Post-Conversion, there will be a Board of Directors overseeing Prospect CharterCARE, LLC. PMH’s ownership interest will appoint 50% of the membership of Prospect CharterCARE, LLC’s Board and CCHP’s ownership interest will appoint 50% of the membership of the Prospect CharterCARE, LLC Board. In turn, the Board of Directors will also form Local Boards for each of the Existing Hospitals, post-conversion. The Local Boards shall be comprised as follows: Fifty (50%) percent of each Board consisting of physicians on that Hospital’s medical staff; and the other fifty (50%) percent shall consist of local community representatives.

2. Contact information of President or CEO of each Transacting Party (Please replicate as needed):

Response:

PMH:

Name: Samuel S. Lee, CEO	Telephone: (310) 943-4500
--------------------------	---------------------------

Address: Prospect Medical Holdings, Inc., 10400 Santa Monica Blvd., Suite 400
Los Angeles, CA 90025

E-mail: sam.lee@prospectmedical.com

Fax: (310) 943-4501

Prospect East Holdings, Inc.:

Name: Thomas Reardon

Telephone: (617) 686-3730

Address: 166 Argilla Road, Ipswich, MA 01938

E-mail: Thomas.Reardon@prospectmedical.com

Fax: (978) 356-2056

Prospect East Hospital Advisory Services, LLC:

Name: Samuel S. Lee, CEO

Telephone: (310) 943-4500

Address: Prospect Medical Holdings, Inc., 10400 Santa Monica Blvd., Suite 400
Los Angeles, CA 90025

E-mail: sam.lee@prospectmedical.com

Fax: (310) 943-4501

Prospect CharterCARE, LLC:

Name: Kenneth Belcher, CEO

Telephone: (401) 456-2001

Address: 825 Chalkstone Avenue, Providence, RI 02908

E-mail: kbelcher@CharterCARE.org

Fax: (401) 456-2029

Newco RWMC:

Name: Kenneth Belcher, CEO

Telephone: (401) 456-2001

Address: 825 Chalkstone Avenue, Providence, RI 02908

E-mail: kbelcher@CharterCARE.org

Fax : (401) 456-2029

Newco Fatima:

Name: Kenneth Belcher, CEO

Telephone: (401) 456-2001

Address: 825 Chalkstone Avenue, Providence, RI 02908	
E-mail: kbelcher@CharterCARE.org	Fax : (401) 456-2029

CCHP:

Name: Kenneth Belcher, CEO	Telephone: (401) 456-2001
Address: 825 Chalkstone Avenue, Providence, RI 02908	
E-mail: kbelcher@CharterCARE.org	Fax : (401) 456-2029

RWMC:

Name: Kenneth Belcher, CEO	Telephone: (401) 456-2001
Address: 825 Chalkstone Avenue, Providence, RI 02908	
E-mail: kbelcher@CharterCARE.org	Fax : (401) 456-2029

SJHSRI:

Name: Kenneth Belcher, CEO	Telephone: (401) 456-2001
Address: 825 Chalkstone Avenue, Providence, RI 02908	
E-mail: kbelcher@CharterCARE.org	Fax : (401) 456-2029

3. Name, title, address, phone, fax and e-mail of one contact person for each Transacting Party for this application process (only if different from the President/CEO in Question 2)(Please replicate as needed):

Response:

PMH:

Name: W. Mark Russo, Esq.	Telephone: 401-455-1000
Address: Ferrucci Russo, 55 Pine Street, 4 th Floor, Providence, RI 02903	
E-Mail: mrusso@frlawri.com	Fax: 401-455-7778

CCHP:

Name: Patricia Rocha, Esq.	Telephone: 401-274-7200
Address: One Citizens Plaza, 8 th floor, Providence, RI 02903	
E-Mail: procha@apslaw.com	Fax: 401-751-0604

B. EXISTING AFFILIATE HOSPITALS OF THE TRANSACTING PARTIES:

4. For each existing affiliate hospital of the Transacting Parties, please provide the following information (Please replicate as needed):

Name of Facility, License Number, Address, State, Zip, Telephone, Type of Ownership, Tax Status

Response:

PMH:

All of PMH's hospitals are for profit. They are as follows:

- a. Alta Hollywood Hospitals, Inc. ("Alta Hollywood"). Alta Hollywood owns and operates the following three (3), hospital facilities under one license, California License number 930000066.

Name of Facility: Hollywood Community Hospital of Hollywood	License #: 930000066	
Address: 6245 De Longpre Avenue, Hollywood	State: CA	Zip: 90028
Telephone: (323) 462-2271		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit ___ Non-Profit		

Name of Facility: Hollywood Community Hospital at Brotman Medical Center	License #: 930000066	
Address: 3828 Delmas Terrace, Culver City	State: CA	Zip: 90232
Telephone: (310) 836-7000		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit ___ Non-Profit		

Name of Facility: Hollywood Community Hospital of Van Nuys	License #: 930000066	
Address: 14433 Emelita Street, Van Nuys	State: CA	Zip: 91401
Telephone: (818) 787-1511		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit ___ Non-Profit		

- b. Alta Los Angeles Hospitals, Inc. (“Alta L.A.”). Alta L.A. owns and operates the following two (2), hospital facilities under one license, California License number 93000039.

Name of Facility: Los Angeles Community Hospital	License #: 93000039	
Address: 4081 E. Olympic Blvd., Los Angeles	State: CA	Zip: 90023
Telephone: (323) 267-0477		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit ___ Non-Profit		

Name of Facility: Norwalk Community Hospital	License #: 93000039	
Address: 13222 Bloomfield Avenue, Norwalk	State: CA	Zip: 90650

Telephone: (562) 863-4763
Type of Ownership: <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC
Tax Status: <input checked="" type="checkbox"/> For-profit <input type="checkbox"/> Non-Profit

In its five (5) acute care hospitals located in California, PMH has a total of 759 beds, approximately 41,000 annual emergency room visits, approximately 23,496 annual patient admissions, approximately 3,200 annual inpatient surgeries, and approximately 1,500 outpatient surgeries.

- c. Nix Hospitals System, LLC. (“Nix”). Nix owns and operates the following two (2), hospital facilities under one license, Texas license number 100139.

Name of Facility: Nix Health Care System	License #: 100139	
Address: 414 Navarro St., San Antonio	State: TX	Zip: 78205
Telephone: (210) 271-1800		
Type of Ownership: <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit <input type="checkbox"/> Non-Profit		

Name of Facility: Nix Specialty Health Center	License #: 100139	
Address: 4330 Vance Jackson, San Antonio	State: TX	Zip: 78205
Telephone: (210) 579-3800		
Type of Ownership: <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC		
Tax Status: <input checked="" type="checkbox"/> For-profit <input type="checkbox"/> Non-Profit		

- d. Nix Community General Hospital, LLC, (“Nix Community”).

Name of Facility: Nix Community General Hospital	License #: 100194	
Address: 230 West Miller Street, Dilley	State: TX	Zip: 78017

Telephone: (830) 965-2003
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC
Tax Status: <input checked="" type="checkbox"/> For-profit ___ Non-Profit

At the Nix acute care hospitals and health centers located in San Antonio, Texas, PMH has a total of 323 beds, approximately 7,600 annual patient admissions, approximately 1,600 annual inpatient surgeries, and approximately 3,400 outpatient surgeries.

CCHP:

Name of Facility: Roger Williams Medical Center	License #: HOS00108	
Address: 825 Chalkstone Avenue, Providence	State: RI	Zip: 02908
Telephone: (401) 456-2000		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: ___ For-profit <input checked="" type="checkbox"/> Non-Profit		
Name of Facility: St. Joseph Health Services of Rhode Island, Our Lady of Fatima Hospital	License #: HOS00110	
Address: 200 High Service Avenue, North Providence	State: RI	Zip: 02904
Telephone: (401) 456-3000		
Type of Ownership: ___ Individual ___ Partnership <input checked="" type="checkbox"/> Corporation ___ LLC		
Tax Status: ___ For-profit <input checked="" type="checkbox"/> Non-Profit		

CCHP does not have an interest in any other hospitals, but for the Transacting Parties identified herein. CCHP owns and operates a nursing facility known as Elmhurst Extended Care, defined herein as Elmhurst, located at 50 Maude Street in Providence, Rhode Island. Ownership and control of Elmhurst will be transferred as part of the instant transaction.

- Please identify any changes that will occur in the information provided in response to Question 4 as a result of the implementation of the conversion.

Response:

PMH:

None

Response:

CCHP:

If the within application is approved, the licenses to operate the Licensed Entities will be transferred to Newco Fatima and Newco RWMC, both of which will be wholly owned by Prospect CharterCARE, LLC. Prospect CharterCARE, LLC will be owned 85% by Prospect East and 15% by CCHP. Furthermore, the governing board of Prospect CharterCARE, LLC will be what has been termed as a 50/50 Board.

The ownership structure is further detailed above in the Overview and in the organizational charts at **Exhibit 12A-2**.

6. Estimate the date for the implementation of the proposed conversion, if approved:
Month/Year:

Response:

May of 2014.

C. CORPORATE

7. (a) With regard to the officers, members of the boards of directors, trustees, executives, and senior managers of each of the Transacting Parties and their affiliates, please provide the following for the past 2 years: (a) name; (b) address; (c) phone number; (d) occupation; and (e) tenure.

Response:

PMH:

Prospect Medical Holdings, Inc.

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since August 8, 2007

Vacant	-----	-----	President	-----
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since July 2013
Von Crockett	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President & Corporate Development	Since June 30, 2011
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	General Counsel, Secretary	Since 2007
Mitchell Lew, M.D.	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Vice President	Since 2007

Directors:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chairman, board of directors	Since August 8, 2007
Jeereddi A. Prasad, M.D.	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Board of Directors, President, ProMed Healthcare Administrators, Inc., President and Medical Director of Chaparral Medical Group, Inc.	Director since June 1, 2007
John M. Baumer	Leonard Green & Partners, L.P. 11111 Santa Monica Boulevard Suite 2000 Los Angeles, CA 90025	310-954-0444	Board of Directors, Partner, Leonard Green & Partners, L.P.	Director since December 15, 2010
Michael S.	Leonard Green &	310-954-	Board of Directors,	Director since

Solomon	Partners, L.P. 11111 Santa Monica Boulevard Suite 2000 Los Angeles, CA 90025	0444	Partner, Leonard Green & Partners, L.P.	December 15, 2010
Alyse M. Wagner	Leonard Green & Partners, L.P. 11111 Santa Monica Boulevard Suite 2000 Los Angeles, CA 90025	310-954- 0444	Board of Directors, Principal, Leonard Green & Partners, L.P.	Director since December 15, 2010

Alta Hospitals System, LLC

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943- 4500	Chief Executive Officer & Manager	Since August 8, 2007
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943- 4500	President	Since 2007
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943- 4500	Chief Financial Officer	Since July, 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943- 4500	General Counsel, Secretary	Since 2007

Directors:

Name	Address	Phone Number	Occupation	Tenure
-----	-----	-----	-----	-----

Alta Hollywood Hospitals, Inc.

Officers:

Name	Address	Phone Number	Occupation	Tenure
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since 2007
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	President	Since August 8, 2007
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since July 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since 2007

Directors:

Name	Address	Phone Number	Occupation	Tenure
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Board of Directors	Since 2007
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Board of Directors	Since August 8, 2007

Alta Los Angeles Hospital, Inc.

Officers:

Name	Address	Phone Number	Occupation	Tenure
David Topper	Alta Hospitals System, LLC	310-943-4500	Chief Executive Officer	Since 2007

	10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025			
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	President	Since August 8, 2007
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since July 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since 2007

Directors:

Name	Address	Phone Number	Occupation	Tenure
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Board of Directors	Since 2007
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Board of Directors	Since August 8, 2007

Nix Community General Hospital, LLC

Officers:

Name	Address	Phone Number	Occupation	Tenure
John Strieby	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	President & Chief Executive Officer	Since 2012
Lester Surrock	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	Senior Vice President & Chief Financial Officer	Since 2012

Margaret Moore	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	Vice President & Controller	Since 2012
Blake Hubbard	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	Senior Vice President –Human Resources & Support Services	Since 2012
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since 2012
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President & Manager	Since 2012
Von Crockett	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since 2012
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since 2012

Directors:

Name	Address	Phone Number	Occupation	Tenure
-----	-----	-----	-----	-----

Nix Hospitals System, LLC

Officers:

Name	Address	Phone Number	Occupation	Tenure
John Strieby	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	President & Chief Executive Officer	Since 2012
Lester Surrock	Nix Hospitals System, LLC 414 Navarro St.	210-271-1800	Senior Vice President & Chief Financial Officer	Since 2012

	San Antonio, Texas			
Margaret Moore	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	Vice President & Controller	Since 2012
Blake Hubbard	Nix Hospitals System, LLC 414 Navarro St. San Antonio, Texas	210-271-1800	Senior Vice President –Human Resources & Support Services	Since 2012
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since 2012
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President & Manager	Since 2012
Von Crockett	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since 2012
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since 2012

Directors:

Name	Address	Phone Number	Occupation	Tenure
-----	-----	-----	-----	-----

CharterCARE Health Partners - Board of Trustees

July 2011 through July 2013

Name	Address	Phone Number	Occupation	Tenure
Christopher N. Chihlas, M.D.	Orthopedic Associates Inc. 725 Reservoir Avenue - Suite 101 Cranston, RI	(401) 944-3800	Physician	January 2010 to Present

	02910			
Laurie M. Lauzon Clabo, Ph.D, RN RESIGNED	MGH Institute of Health Professions 36 1 st Avenue Boston, MA 02129	(617)726-8053	Registered Nurse - Administrative	January 2010 to February 2012
Peter F. DeBlasio, M.D.	1532 Smith Street North Providence, RI 02911	(401) 353-5733	Physician	January 2010 to Present
Joseph R. DiStefano, Esq.	Adler, Pollock & Sheehan One Citizen's Plaza – 8 th Floor Providence, RI 02903	(401) 274-7200	Attorney	January 2010 to Present
Elaine C. Jones, M.D.	Southern New England Neurology 814 Metacom Avenue Bristol, RI 02809	(401) 396-5200	Physician	January 2010 to Present
Donald C. McQueen	Bank of America Merrill Lynch Bank of America, N.A. 111 Westminster Street RI1-102-02-06 Providence, RI 02903	(401) 278-3176	Bank Executive	January 2010 to Present
Charles E. Maynard	35 Hilltop Drive East Greenwich, RI 02818	(401) 884-3667	Retired – Former CEO Behavioral Health Services	January 2010 to Present
Marshall Raucci, Jr.	18 Barnes Street Providence, RI 02906	(401) 284-3163	Financial Services	January 2010 to Present

Rev. Timothy Reilly	Diocesan Office Building One Cathedral Square Providence, RI 02903	(401) 278-4663	Chancellor – Diocese of Providence	April 2011 to Present
Daniel J. Ryan, CPA VICE CHAIRMAN (2011 to Present)	Kahn Litwin Renza & Co. Ltd. 951 North Main Street Providence, RI 02903	(401) 274-2001	CPA	January 2010 to Present
Edwin J. Santos CHAIRMAN (2010 to Present)	234 Mourning Dove Drive Saunderstown, RI 02874	(401) 225-7979	Retired – Former Bank Executive	January 2010 to Present
Rev. Brian J. Shanley, O.P.	Providence College 549 River Avenue Harkins Hall 103 Providence, RI 02918	(401) 865-2153	College President	January 2010 to Present
Sheri L. Smith, Ph.D.	14 Bradbury Street Warren, RI 02885	(401) 465-9622	Retired – Former Educator	January 2010 to Present
Kevin P. Stiles	US Trust, Bank of America Private Wealth Management 100 Westminster Street Providence, RI 02903	(401) 278-2935	Bank Executive	January 2010 to Present
Kenneth H. Belcher PRESIDENT	CharterCARE Health Partners 825 Chalkstone	(401) 456-2025	President/CEO- • CCHP • RWMC	January 2010 to Present

	Avenue Providence, RI 02908		• SJHSRI	December 2005 to Present October 2010 to Present
Michael E. Conklin, Jr., CPA TREASURER	200 High Service Avenue North Providence, RI 02904	(401) 456-3380	CFO	June 2010 to Present
Kimberly A. O'Connell, Esq. SECRETARY	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456-2498	Attorney	January 2011 to Present

CharterCARE Health Partners – Senior Leadership Team

July 2011 through July 2013

Name	Address	Occupation	Tenure
Susan R. Cerrone Abely	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	Vice President and Chief Information Officer - CCHP	January 2010 to Present
Kenneth H. Belcher	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	President and Chief Executive Officer • CharterCARE • RWMC • SJHSRI	January 2010 to Present December 2005 to Present October 2010 to Present
R. Otis Brown	St. Joseph Health Services of RI 200 High Service Avenue North Providence, RI 02904	Vice President, Development and External Affairs - CCHP	January 2010 to Present
Michael E. Conklin, Jr.	St. Joseph Health Services of RI 200 High Service Avenue North Providence, RI 02904	Chief Financial Officer - CCHP Senior Vice President - SJHSRI	September 2010 to Present November 2010 to Present
Joanne M. Dooley,	CharterCARE Health	Chief Nursing Officer –	January 2010 to

R.N.	Partners 825 Chalkstone Avenue Providence, RI 02908	CCHP VP Patient Care Services - RWMC	Present
Richard E. Gamache	Elmhurst Extended Care Facilities, Inc. 50 Maude Street Providence, RI 02908	Vice President, Extended Care- CCHP	January 2010 to Present
Brandon M. Klar	CharterCARE Health Partners 200 High Service Avenue North Providence, RI 02904	Vice President, Strategic Planning	January 2010 to June 2012
Patricia A. Nadle, R.N.	St. Joseph Health Services of RI 200 High Service Avenue North Providence, RI 02904	Chief Nursing Officer – CCHP VP Patient Care Services – SJHSRI	January 2010 to Present
Kimberly A. O’Connell, Esq.	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	VP and General Counsel – CCHP Senior Vice President - RWMC	January 2010 to Present November 2010 to Present
Darleen L. Souza	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	VP, Human Resources – CCHP	January 2010 to Present

RWMC:

Roger Williams Medical Center - Board of Trustees
July 2011 through July 2013

Name	Address	Phone Number	Occupation	Tenure
Cynthia Alves, M.D. <i>(Ex-officio)</i>	Cardiovascular Institute of NE 175 Nate Whipple Highway-Suite 202 Cumberland, RI 02864	(401) 464- 9751	Physician Vice President, Medical Staff	January 2012 to Present
Karen Antman, M.D. RESIGNED	Boston University School of Medicine 715 Albany Street Boston, MA 02118	(617) 638- 5258	Physician – Dean of Medical School	January 2007 to May 2012

Mark Braun, M.D. <i>(Ex-officio)</i>	Woodridge Medical Group 351 Budlong Road Cranston, RI 02920	(401) 943-1860	Physician President, Medical Staff VP, Medical Staff	January 2012 to Present January 2010 – December 2011
Christopher N. Chihlas, M.D. <i>(Ex-officio)</i>	Orthopedic Associates Inc. 725 Reservoir Avenue – Suite 101 Cranston, RI 02910	(401) 944-3800	Physician President, Medical Staff VP, Medical Staff	January 2010 - December 2012 January 2008 – December 2009
Douglas Hughes, M.D.	Boston University School of Medicine 72 East Concord Street – L103 Boston, MA 02118	(617) 638-4150	Physician – Associate Dean of Medical School	April 2012 to Present
William F. Loehning	Fidelity Investments 500 Salem Street OS3N Smithfield, RI 02917	(800) 771-8234	Financial Services	January 2003 to Present
Donald C. McQueen CHAIRMAN (2010 – 2011) VICE CHAIRMAN (2008 – 2009)	Bank of America 111 Westminster Street R11-102-02-06	(401) 278-3176	Banking Executive	April 2002 to December 2011
Abby L. Maizel, M.D., Ph.D.	Roger Williams Medical Center 825 Chalkstone Avenue Providence, RI 02908	(401) 456-2661	Physician	January 2008 to Present
Louis J. Mariorenzi, M.D.	Orthopedic Associates 725 Reservoir Avenue – Suite 101 Cranston, RI 02910	(401) 944-3800	Physician	January 2007 to Present
Charles E. Maynard	35 Hilltop Drive	(401) 884-	Retired – Former	January 2007

	East Greenwich, RI 02818	3667	CEO Behavioral Health Services	to Present
James Melfi, Pharm.D. <i>(Employee Representative)</i>	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 2557	Pharmacy Director	April 2012 to Present
Gary R. Pannone, Esq. SECRETARY (2007 – 2011)	Pannone Lopes Devereaux & West 317 Iron Horse Way – Suite 301 Providence, RI 02908	(401) 824- 5115	Attorney	April 2007 to Present
Rev. Kenneth R. Sicard, O.P., Ph.D. VICE CHAIRMAN (2012 to present)	Providence College 549 River Avenue Providence, RI 02918	(401) 865- 2399	Clergy – Administrative	June 2007 to Present
Ruth Scott, R.N. <i>(Employee Representative)</i>	Roger Williams Medical Center 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 5724	R.N.	January 2008 to August 2011
Sheri L. Smith, Ph.D. CHAIRWOMAN (2012 to present) VICE CHAIRWOMAN (2010 – 2011)	14 Bradbury Street Warren, RI 02885	(401) 465- 9622	Retired – Former Professor at RI College	January 2007 to Present
Kenneth H. Belcher PRESIDENT	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 2025	President/CEO - <ul style="list-style-type: none"> • RWMC • SJHSRI • CCHP 	December 2005 to Present October 2010 to Present January 2010 to Present
Michael E. Conklin, Jr., CPA TREASURER	St. Joseph Health Services of RI 200 High Service	(401) 456- 3380	CFO	September 2010 to Present

	Avenue North Providence, RI 02904			
Kimberly A. O'Connell, Esq. SECRETARY	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 2498	Attorney	February 2012 to Present

SJHSRI:

St. Joseph Health Services of Rhode Island - Board of Trustees

July 2011 through July 2013

Name	Address	Phone Number	Occupation	Tenure
Steven Colagiovanni, M.D. <i>(Ex-officio)</i>	1524 Atwood Avenue – Suite 322 Johnston, RI 02919	(401) 331- 7400	Physician President, Medical Staff	July 2013 to Present
Rev. Robert Forcier, R.Ph. VICE CHAIRMAN (2010 to Present)	St. Paul Church One St. Paul Place Cranston, RI 02905	(401) 461- 5734	Clergy	January 2009 to Present
Leslie Martineau <i>(Employee Representative)</i>	CharterCARE Health Partners 200 High Service Avenue North Providence, RI 02904	(401) 456- 3180	Director of Laboratory Services	April 2012 to Present
Joseph P. Mazza, M.D.	Rhode Island Cardiovascular Group 68 Cumberland Street Woonsocket, RI 02895	(401) 762- 3838	Physician	March 2007 to Present
Ellen McCarty, Ph.D., RN, PMH CNS-BC	407 High Street Somerset, MA 02726	(508) 675- 7634	Professor – Salve Regina University	January 2009 to Present
Roberto Ortiz, M.D. <i>(Ex-officio)</i>	100 Highland Avenue – Suite 203	(401) 351- 7100	Physician President,	July 2011 to June 30, 2013

	Providence, RI 02903		Medical Staff	
Nancy E. Rogers	39 Drowne Parkway Rumford, RI 02916	(401) 450- 5059	Senior VP/Client Advocate, Willis Group	December 1999 to Present
Joseph Samartano, Jr., DDS	St. Joseph Center of Health & Human Services 21 Peace Street – Room 535 East Providence, RI 02907	(401) 456- 4560	Dentist	December 2006 to Present
Monsignor Paul D. Theroux BISHOP's DESIGNEE and CHAIR (2010 to Present)	St. Francis Parish 114 High Street Wakefield, RI 02879	(401) 783- 4411	Clergy	November 1997 to Present
Kenneth H. Belcher PRESIDENT SECRETARY (October 2010 to December 2011)	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 2025	President/CEO – • SJHSRI • RWMC • CCHP	October 2010 to Present December 2005 to Present January 2010 to Present
Michael E. Conklin, Jr., CPA TREASURER	CharterCARE Health Partners 200 High Service Avenue North Providence, RI 02904	(401) 456- 3380	CFO	September 2010 to Present
Kimberly A. O'Connell, Esq. SECRETARY	CharterCARE Health Partners 825 Chalkstone Avenue Providence, RI 02908	(401) 456- 2498	Attorney	January 2012 to Present

(b) Provide the (a) name; (b) address; (c) phone number; and (d) occupation of the proposed members of the board of directors, trustees, executives and senior managers after the conversion of the Transacting Parties and their affiliates, identifying any additional members or removal of members.

Response:

PMH: PMH and its Hospital affiliates do not anticipate any change to their board of directors, officers, executives, and senior managers as a result of the proposed transaction. See Response No. 7(a).

The Transacting Parties have organized the entities defined herein as Prospect East, Prospect Advisory, Prospect CharterCARE, LLC, Newco RWMC, and Newco Fatima. See Table, below. CCHP will remain without any anticipated changes as CCHP will continue to hold an ownership interest in Prospect CharterCARE, LLC.

Prospect East Holdings, Inc.:

Board of Directors:

Name	Address	Phone Number	Occupation	Tenure
David Topper	Alta Hospitals System, LLC 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since September 20, 2013
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since September 20, 2013

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since September 20, 2013
Thomas Reardon	166 Argilla Road, Ipswich, MA 01938	617- 686-3730	President	Since September 20, 2013
Steve	Prospect Medical	310-943-	Chief Financial	Since September

Aleman	Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	4500	Officer	20, 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since September 20, 2013
Barbara Groux	10400 Santa Monica Blvd, Suite 400 Los Angeles, CA 90025	615-618-6817	Senior Vice President. Finance and Operations	Since September 20, 2013

Prospect East Hospital Advisory Services, LLC:

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since October 2013
Thomas Reardon	166 Argilla Road, Ipswich, MA 01938	617- 686-3730	President	Since October 2013
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since October 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since October 2013
David Topper	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since October 2013
Barbara Groux	10400 Santa Monica Blvd, Suite 400 Los Angeles, CA 90025	615-618-6817	Senior Vice President. Finance and Operations	Since October 2013

Directors:

Request number 5 of the November 18, 2013 completeness review requests the identity of the Board of Directors for Prospect East Hospital Advisory Services, LLC. Prospect Advisory does not and will not have a Board of Directors. It is wholly owned by PMH and is member managed. Therefore, it does not have a Board of Directors. The control of this entity ultimately rests with the Board of Directors of PMH.

Name	Address	Phone Number	Occupation	Tenure
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Prospect CharterCARE, LLC:

Officers²:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since October 2013
Thomas Reardon	166 Argilla Road, Ipswich, MA 01938	617- 686-3730	President	Since October 2013
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since October 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since October 2013
David Topper	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since October 2013
Barbara Groux	10400 Santa Monica Blvd, Suite 400	615-618-6817	Senior Vice President. Finance	Since October 2013

² The officers listed for Prospect CharterCARE, LLC, Newco RWMC and Newco Fatima were appointed at the time of formation of the entities. It is anticipated that the officers will change post-closing.

	Los Angeles, CA 90025		and Operations	
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Directors:

Request number 5 of the November 18, 2013 completeness review requests the identity of the Board of Directors for Prospect CharterCARE. As detailed above, PMH’s ownership interest will appoint 50% of the membership of Prospect CharterCARE’s Board. Those members have yet to be determined. CCHP’s ownership interest will appoint 50% of the membership of Prospect CharterCARE’s Board. The prospective members include Edwin Santos, Joseph DiStefano, Esq. and Elaine Jones, MD with a fourth to be determined. The Transacting Parties refer to this concept as a “50/50 Board”.

Name	Address	Phone Number	Occupation	Tenure
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Newco RWMC:

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since October 2013
Thomas Reardon	166 Argilla Road, Ipswich, MA 01938	617- 686-3730	President	Since October 2013
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since October 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since October 2013
David Topper	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since October 2013
Barbara	10400 Santa Monica	615-618-	Senior Vice	Since October

Groux	Blvd, Suite 400 Los Angeles, CA 90025	6817	President. Finance and Operations	2013

Directors:

As of the time of filing, the members of the Board of Directors for Prospect CharterCARE RWMC have not been determined.

Name	Address	Phone Number	Occupation	Tenure
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Newco Fatima:

Officers:

Name	Address	Phone Number	Occupation	Tenure
Samuel S. Lee	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Executive Officer	Since October 2013
Thomas Reardon	166 Argilla Road, Ipswich, MA 01938	617- 686-3730	President	Since October 2013
Steve Aleman	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Chief Financial Officer	Since October 2013
Ellen Shin	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Secretary	Since October 2013
David Topper	Prospect Medical Holdings, Inc. 10400 Santa Monica Blvd., Suite 400 Los Angeles, CA 90025	310-943-4500	Senior Vice President	Since October 2013
Barbara Groux	10400 Santa Monica Blvd, Suite 400	615-618-6817	Senior Vice President. Finance	Since October 2013

	Los Angeles, CA 90025		and Operations	
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Directors:

As of the time of filing, the members of the Board of Directors for Prospect CharterCARE SJHSRI have not been determined.

Name	Address	Phone Number	Occupation	Tenure
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(c) Please describe the governance structure of the new hospital after conversion, including a description of how members of any board of directors, trustees or similar type group will be chosen.

Response:

An overview of the governance structure for Prospect CharterCARE, LLC is as follows:

- Prospect CharterCARE, LLC will have a Board of Directors.
- Prospect CharterCARE, LLC’s Board of Directors will have half of its members selected by and through PMH’s ownership in Prospect CharterCARE, LLC and the other half of the members will be selected by and through CCHP’s ownership in Prospect CharterCARE, LLC.
- The Board of Directors will be responsible for determining the patient care, strategic, and financial goals, policies and objectives of Prospect CharterCARE, LLC.
- The Licensed Entities will each have a Local Board of Directors.
- The Local Boards will be comprised as follows: Fifty (50%) percent of each Local Board will be comprised of physicians; and the remaining fifty (50%) percent will consist of the Hospital CEO and local community representatives.
- The Local Boards will be responsible for medical staff credentialing, quality assurance, and accreditation of the Licensed Entities.
- The executive team for Prospect CharterCARE, LLC will also be the executive team for the Licensed Entities. The executive team will report to the Board of Directors and certain executives within PMH.
- In turn, Prospect Advisory will be responsible for the management of day-to-day operational activities. Prospect Advisory will report to the executive team.

Prospect CharterCARE, LLC's Board of Directors will be structured as follows: (i) eight (8) members; (ii) fifty (50%) percent of its members will be appointed by PMH; and (iii) fifty (50%) percent of its members will be appointed by CCHP. The purpose of the structure is to ensure a strong local presence and mission. The Board of Directors will include at least one physician representative.

The Board of Directors will be responsible for determining the patient care, strategic, and financial goals, policies and objectives of Prospect CharterCARE, LLC.

The issues that the Board of Directors will address will require a majority vote of those Directors appointed by PMH, and a majority vote of those Directors appointed by CCHP.

The Licensed Entities will also establish Local Boards for Newco RWMC and Newco Fatima. The Local Boards will be comprised of an equal number of physicians and community leaders. The CEO of Prospect CharterCARE, LLC will sit on each of the Local Boards, ex-officio. The Local Boards will be responsible for the following:

- medical staff credentialing
- quality assurance
- accreditation of the Licensed Entities
- reviewing and making recommendations with respect to strategic and capital plans
- providing guidance and support on local market and community concerns, considerations, strategies, issues and politics

The Local Boards will serve terms of three (3) years with a maximum term limit of nine (9) years. Individuals may again serve on the Board after an absence of at least two (2) years. The entities within the proposed governance structure will seek advice from CCHP for nominees to the Local Boards and will also consider members of the existing boards within the CCHP structure for seats on the Local Boards.

From an operations standpoint, Prospect Advisory will be the manager of the Licensed Entities. Prospect Advisory will manage day-to-day operations. Prospect Advisory will report to the executive team. In turn, the CEO of the Licensed Entities, Ken Belcher, will report to the President of Prospect East, Tom Reardon and ultimately, to the Board of Directors of Prospect CharterCARE, LLC. The Chief Financial Officer ("CFO") of Prospect CharterCARE, LLC, Mike Conklin, will report to the CEO of Prospect CharterCARE, LLC with dotted line reporting responsibilities to the Senior Vice President ("SVP") of Finance and Operations, Prospect East, Barbara Groux and the CFO of PMH, Steve Aleman.

The above-outlined governance structure complies with the Rules and Regulations for Licensing Hospitals, R23-17-HOSP (September 2012). The governing body as defined in Section 8 of the above-referenced Rules and Regulations shall be the Prospect CharterCARE, LLC Board of Directors. The Board of Directors shall be the organized, governing body responsible for the management and control of the operation of the

Licensed Entities, the conformity of the Licensed Entities with all federal, state and local laws and regulations regarding fire, safety, sanitation, communicable and reportable diseases, and other relevant health and safety requirements.

The Board of Directors, as the governing body, shall define the population and communities to be served and the scope of services to be provided. The interplay between the governing body and Local Boards in this regard shall be as follows: The Local Boards shall provide the Board of Directors with important guidance, input, and support on local market and community concerns, considerations, strategies, issues and politics. This input and guidance will be considered by the Board of Directors. However, the Board of Directors shall be governing body with regard to establishing policy for the Licensed Entities.

Furthermore, the Board of Directors, as the governing body, shall determine policy with regard to the qualifications of personnel, corporate governance, and the policy for selection and appointment of medical staff and granting of clinical privileges. Nevertheless, the Local Boards, once that policy is established, shall be responsible for instituting medical staff credentialing, quality assurance programs in accord with such policy, maintaining compliance programs that ensure continuing accreditation of the Licensed Entities, and reviewing and making recommendations with respect to strategy and capital plans that are within the province of the Board of Directors to adopt. Therefore, the Board of Directors is authorized as the governing body in accord with the above-referenced Rules and Regulations. However, the Local Boards are delegated certain responsibilities for implementing the policies once adopted by the governing body.

8. Please provide a list of all current committees, subcommittees, task forces, or similar entities of the board of directors or trustees. With regard to each please include:
 - (a) a short description of the purpose of each committee; and
 - (b) the name, address, phone number, occupation and tenure of each current committee member.

Response:

PMH: PMH has a Board Directors. The Membership of the Board of Directors is detailed in Response 7(a) above. The Board of Directors is the decision making body for PMH and its Hospital affiliates. The Board of Directors for PMH has the following committees:

1. Audit Committee. The Audit Committee is charged with oversight of financial reporting and disclosure for PMH and its affiliates.
2. Compensation Committee. The purpose of the Compensation Committee is to set appropriate and supportable pay programs that are in PMH's best interests and aligned with its business mission and strategy.

The members of the committees are as follows:

- The members of the Audit Committee are:
 - Alyse Wagner, Leonard Green & Partners, L.P. 11111 Santa Monica Blvd., Suite 2000, Los Angeles, California 90025, Tel: 310-954-0444. Ms. Wagner is a Principal at Leonard Green & Partners, L.P a private equity firm. She has been on the Audit Committee since 2010.
 - Michael Solomon Leonard Green & Partners, L.P. 11111 Santa Monica Blvd., Suite 2000, Los Angeles, California 90025, Tel: 310-954-0444. Mr. Solomon is a Partner at Leonard Green & Partners, L.P a private equity firm. He has been on the Audit Committee since 2010.
- The members of the Compensation Committee are:
 - Alyse Wagner, Leonard Green & Partners, L.P. 11111 Santa Monica Blvd., Suite 2000, Los Angeles, California 90025, Tel: 310-954-0444. Ms. Wagner is a Principal at Leonard Green & Partners, L.P a private equity firm. She has been on the Compensation Committee since 2010.
 - John Baumer, Leonard Green & Partners, L.P. 11111 Santa Monica Blvd., Suite 2000, Los Angeles, California 90025, Tel: 310-954-0444. Mr. Baumer is a Partner at Leonard Green & Partners, L.P a private equity firm. He has been on the Compensation Committee since 2010.

CCHP, RWMC and SJHSRI:

Please see attached at **Exhibit 8**.

9. Please provide agenda and minutes of all meetings of the board of directors or trustees and any of its committees, subcommittees, task forces related to the conversion, or similar entities (excluding those focused on peer review and confidential medical matters) that occurred within the 2 year period prior to submission of the application (beginning with January 1) to the present in identifiable format. Please note, meeting packages may also be requested by the Attorney General to complete the Initial Application.

Response:

PMH: Attached is **Confidential Exhibit 9A** which contains the redacted meeting minutes and agenda from the PMH Board of Directors' meetings regarding the proposed conversion. The entries that were redacted were redacted solely because they do not relate in any way to the proposed conversion. Furthermore, presentation by in-house counsel at PMH is reflected in the minutes. However, PMH reserves its attorney-client privilege. A PMH Board of Directors' meeting took place on September 10, 2013 that discussed the proposed

conversion. Minutes are not yet available for this meeting. They will be provided once they are available.

CCHP: Attached is **Confidential Exhibit 9B** which contains agenda and minutes of all meetings of the board of directors or trustees and any of its committees, subcommittees, task forces related to the conversion, or similar that occurred within the 2 year period prior to submission of the application beginning with January 2011 through June 2013.

RWMC: Attached is **Confidential Exhibit 9C** which contains meeting agenda and minutes of the Board of Trustees for the period of January 2011 through May 2013.

SJHSRI: Attached is **Confidential Exhibit 9D** which contains meeting agenda and minutes of the Board of Trustees for the period of January 2011 through May 2013.

The meeting minutes of CCHP, RWMC and SJHSRI have been redacted to exclude any attorney client communications. An index of CCHP, RWMC and SJHSRI's meeting minutes is included at the beginning of **Confidential Exhibits 9B, 9C and 9D**, respectively.

10. Please provide each of the following applicable documents and amendments for each of the Transacting Parties and affiliated hospital(s):

- (a) Charter;
- (b) Certificate and Articles of Incorporation and By-laws;
- (c) Certificate of Partnership and Partnership Agreement;
- (d) Certificates or Articles of Organization and Operating Agreement;
- (e) Other organizational documents

If any of the above documents are proposed to be revised or modified in any way as a result of the proposed conversion, include the proposed revisions or modifications.

Response:

PMH:

Prospect Medical Holding, Inc. See Attached at **Confidential Exhibit 10A-1** the following:

- Amended and Restated Certificate of Incorporation;
- Certificate of Amendment of Amended and Restated Certificate of Incorporation;
- Certificate of Amendment of Amended and Restated Certificate of Incorporation;
- Certificate of Designation of Series A Convertible Preferred Stock;
- Certificated of Elimination of Series A Convertible Preferred;
- Certificate of Designation of Series B Preferred Stock;
- Certificate of Amendment of Certificate of Incorporation;
- Certificate of Merger of IVY Merger Sub Corp with and into PMH

- PMH By Laws

Alta Hollywood Hospitals, Inc. See Attached at **Confidential Exhibit 10A-2** the following:

- Written Consent of the Sole Shareholder (Bylaws Amendment);
- Articles of Incorporation;
- Certificate of Amendment of Article of Incorporation;
- Second Amendment and Restated Bylaws.

Alta Los Angeles Hospitals, Inc. See Attached at **Confidential Exhibit 10A-3** the following:

- Bylaws
- Articles of Incorporation

NIX Hospitals System, LLC. See Attached at **Confidential Exhibit 10A-4** the following:

-
- Certificate of Filing;
- Certificate of Formation;
- Company Agreement;

NIX Community General Hospital, LLC. See Attached at **Confidential Exhibit 10A-5** the following:

- Company Agreement;
- Certificate of Formation;
- Certificate of Filing;

Prospect East. See Attached at **Confidential Exhibit 10A-6** the following:

- Certificate of Incorporation;
- Bylaws;
- Organizational Written Consent of the Incorporator;

Prospect Advisory. See Attached at **Exhibit 10A-7** the following:

- Certificate of Formation;
- Operating Agreement

Prospect CharterCARE, LLC. See Attached at **Exhibit 10A-8** the following:

- Articles of Organization
- Articles of Amendment
- Company Agreement

Newco RWMC. See Attached at **Exhibit 10A-9** the following:

- Articles of Organization
- Operating Agreement

Newco Fatima. See Attached at **Exhibit 10A-10** the following:

- Articles of Organization
- Articles of Amendment
- Operating Agreement

Ivy Holdings Inc. See Attached at **Confidential Exhibit 10A-11** the following:

- Certificate of Incorporation;
- Certificate of Amendment to Certificate of Incorporation;
- Bylaws;

Ivy Intermediate Holding Inc. See Attached at **Confidential Exhibit 10A-12** the following:

- Certificate of Incorporation;
- Bylaws

Prospect Hospital Holdings. See Attached at **Confidential Exhibit 10A-13** the following:

- Company Agreement;
- Certificate of Filing;

Alta Hospital System, LLC. See Attached at **Confidential Exhibit 10A-14** the following:

- Operating Agreement;
- Articles of Organization;
- Certificate of Merger

CCHP:

CharterCARE Health Partners. See Attached at **Exhibit 10B** the following:

- Articles of Amendment to Articles of Incorporation;
- Articles of Incorporation;
- Bylaws;
- Revised Bylaws;
- Mission Statement;

RWMC:

Roger Williams Medical Center. See Attached at **Exhibit 10C** the following:

- Charter;
- Articles of Amendment to Articles of Incorporation;
- Articles of Incorporation;
- Bylaws;

SJHSRI:

St. Joseph Health Services of Rhode Island. See Attached at **Exhibit 10D** the following:

- Articles of Amendment to Articles of Incorporation;
- Articles of Incorporation;
- Bylaws

11. Please provide the name and mailing address of all licensed facilities in which the for-profit corporation maintains an ownership interest or controlling interest or operating authority.

Response:

PMH:

1. Hollywood Community Hospital
Hollywood Community Hospital at Brotman Medical Center
Hollywood Community Hospital of Van Nuys
c/o Alta Hollywood Hospitals, Inc.
10400 Santa Monica Blvd., Suite 400
Los Angeles, CA 90025

2. Los Angeles Community Hospital
Norwalk Community Hospital
c/o Alta Los Angeles Hospitals, Inc.
10400 Santa Monica Blvd., Suite 400
Los Angeles, CA 90025

3. Nix Health Care System
Nix Specialty Health Center
Nix Community General Hospital
c/o Nix Hospitals System, LLC
414 Navarro Street, Suite 600
San Antonio, Texas 78205

CCHP, RWMC, SJHSRI: Not Applicable

12. (a) Please provide organizational charts for the existing and post-conversion Transacting Parties and each partner, affiliate, parent, subsidiary or related legal entity in which either Transacting Party has a twenty percent (20%) or greater ownership or membership interest or control; and

Response:

PMH:

See pre-conversion organizational chart at **Exhibit 12A-1.**

See post-conversion organizational charts at **Exhibit 12A-2.** (For ease of viewing, included is a post-conversion organizational chart that does not include the non-Hospital affiliates).

CCHP, RWMC and SJHSRI:

See pre-conversion organizational charts at **Exhibit 12B**.
See post-conversion organizational charts at **Exhibit 12A-2** and **Exhibit 12C**.

(b) Please provide a detailed narrative that describes the organizational structure for the Transacting Parties and each partner, affiliate, parent, subsidiary or related legal entity in which either Transacting Party has a twenty percent (20%) or greater ownership or membership interest or control.

Response:

PMH:

The parent company is Prospect Medical Holdings, Inc. (defined herein as “PMH”). PMH is a Delaware corporation.

The affiliated Hospital subsidiaries are as follows:

- Alta Hospital Systems, LLC, a California limited liability company, which is a wholly owned subsidiary of PMH, whose purpose is to act as a holding company for Alta Hollywood Hospitals, Inc. and Alta Los Angeles Hospital, Inc.
- Alta Hollywood Hospitals, Inc., a California corporation, which is a wholly-owned subsidiary of Alta Hospital Systems, LLC, whose purpose is to act as the operating company for Hollywood Community Hospital, Hollywood Community Hospital at Brotman Medical Center and Van Nuys Community Hospital.
- Alta Los Angeles Hospital, Inc., a California corporation, which is a wholly-owned subsidiary of Alta Hospital Systems, LLC, whose purpose is to act as the operating company for Los Angeles Community Hospital and Norwalk Community Hospital.
- Prospect Hospital Holdings, LLC, a Texas limited liability company, which is a wholly owned subsidiary of Prospect Medical Holdings, Inc., whose purpose is to act as a holding company for the Nix entities detailed below.
- Nix Hospital System, LLC, a Texas limited liability company, which is a wholly-owned subsidiary of Prospect Hospital Holdings, LLC, whose purpose is to act as the operating company for Nix Health Care System and Nix Specialty Health Center.
- Nix Health Services Corporation, a 501(a) Texas non-profit corporation, which is a wholly-owned subsidiary of Nix Hospital System, LLC, whose

purpose is to operate and hold the medical foundation for the Nix Hospital System, LLC.

- Nix Community General Hospital, LLC, a Texas limited liability company, which is a wholly-owned subsidiary of Prospect Hospital Holdings, LLC, whose purpose is to act as the operating company for Nix Community General Hospital.
- Nix Services, LLC, a Texas limited liability company, which is a wholly-owned by Prospect Hospital Holdings, LLC, whose purpose is to operate a billing business for Prospect Hospital Holding, LLC's subsidiaries.
- Nix Spe, LLC, a Texas limited liability company, which is wholly-owned by Prospect Hospital Holdings, LLC, whose purpose is to own the real property used in the operation of PMH's "Nix" facilities.

As for non-Hospital affiliates:

- Prospect Medical Systems, Inc. ("PMSC"), a Delaware Corporation, which is a wholly owned subsidiary of PMH. PMSC manages the physician organizations detailed below that offer medical services to individuals enrolled in managed care programs offered by health maintenance organizations.
- ProMed Health Care Administrators, a California Corporation, which is wholly owned by PMSC. ProMed Health Care Administrators manages the physician organizations detailed below that offer medical services to individuals enrolled in managed care programs offered by health maintenance organizations.
- PHP Holdings Inc., a Delaware Corporation, which is a wholly-owned subsidiary of PMH, whose purpose is to act as a holding company for Prospect Health Plan, Inc.
- Prospect Health Plan, Inc., a Delaware Corporation, which is a wholly-owned subsidiary of PHP Holdings Inc., whose purpose is to hold certain licenses necessary for the use of "global risk" capitation arrangements in California.
- Prospect Medical Group, Inc. ("PMG") is a California professional medical corporation. PMG is the holding company for the affiliate physician organizations detailed below.

- Prospect Health Source Medical Group, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- Prospect Professional Care Medical Group, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- Geniuses HealthCare of Southern California, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- Prospect NWOC Medical Group, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- StarCare Medical Group, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- AMVI/Prospect Medical Group (“AMVI”), is a California professional medical corporation, and is an affiliate physician organization. It is a 50/50 joint venture between AMVI Healthcare Network, Inc. and PMG.
- Nuestra Family Medical Group, Inc., is a California professional medical corporation, and is an affiliate physician organization. It is 62% owned by PMG.
- Upland Medical Group, is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.
- Pomona Valley Medical Group, Inc., is a California professional medical corporation, a wholly owned subsidiary of PMG, and is an affiliate physician organization.

Post-Conversion Changes to the Organizational Structure:

- Prospect East Holdings, Inc., defined herein as “Prospect East”, is a Delaware corporation, which is wholly owned by Prospect Medical Holdings, Inc. Prospect East owns 85% of Prospect CharterCARE, LLC.
- Prospect East Hospital Advisory Services, LLC, defined herein as “Prospect Advisory”, is a Delaware limited liability company, which is a wholly-owned subsidiary of PMH. Prospect Advisory will manage the

day-to-day operations of Prospect CharterCARE, LLC, post-Conversion.

- Prospect CharterCARE, LLC is a Rhode Island limited liability company. Prospect CharterCARE, LLC owns the entities that will own and operate the Hospitals, post-conversion. Prospect CharterCARE, LLC will be owned 85% by Prospect East and 15% by CCHP. Prospect East and CCHP will have equal representation on the Prospect CharterCARE, LLC Board.
- Prospect CharterCARE RWMC, LLC, defined herein as “Newco RWMC”, is a Rhode Island limited liability company, which will own and hold the licensure for Roger Williams Medical Center post-conversion. Newco RWMC is wholly owned by Prospect CharterCARE, LLC.
- Prospect CharterCARE SJHSRI, LLC, defined herein as “Newco Fatima”, is a Rhode Island limited liability company, which will own and hold the licensure for Our Lady of Fatima Hospital post-conversion. Newco Fatima is wholly owned by Prospect CharterCARE, LLC.

CCHP:

With respect to this application, the primary entities on the CCHP side are:

- Roger Williams Medical Center, defined above as RWMC, is a Rhode Island non-profit corporation that operates a 220-bed acute care, community hospital located in Providence, Rhode Island. RWMC is a wholly-owned subsidiary of CCHP.
- St. Joseph Health Services of Rhode Island (“SJHSRI”) is a Rhode Island non-profit corporation of which CCHP is the sole Class A Member, and the Bishop of Providence is the sole Class B Member. SJHSRI operates Fatima Hospital, which is a 278-bed acute care, community hospital located in North Providence, Rhode Island and the HHS clinics in South Providence and Pawtucket.
- CharterCARE Health Partners, defined above as CCHP, is a Rhode Island non-profit corporation which operates a healthcare system in the City of Providence and the Town of North Providence which includes RWMC and SJHSRI.

Additionally, there are the following non-hospital CCHP affiliates that are included in the proposed transaction:

- Elmhurst Extended Care Facilities, Inc. is a nursing facility located at 50 Maude Street in Providence, Rhode Island. Elmhurst is included in the Change in Effective Control application filed for this transaction.

- Roger Williams Realty Corporation is an entity that holds and manages real estate assets for the benefit of CCHP, owns and leases land and buildings to Elmhurst, and leases clinical and research space to RWMC. It is currently a not-for-profit organization.
- RWGH Physician's Office Building, Inc. is an entity that owns and operates a physician office building located adjacent to RWMC's main campus for the benefit of CharterCARE's employed physicians. It is currently a not-for-profit organization.
- Roger Williams Medical Associates, Inc. is an entity established to arrange for the provision of medical services to patients of both RWMC and SJHSRI and individuals in the communities serviced by RWMC and SJHSRI.
- Roger Williams PHO, Inc. is a physician health organization formed for the purpose of negotiating managed care contracts.
- Elmhurst Health Associates, Inc. is an entity holds the licenses for RWMC's outreach laboratories. It is a for-profit organization.
- Our Lady of Fatima Ancillary Services, Inc. holds the licenses for the SJHSRI outreach laboratories and provides imaging services to area physicians and medical practices. Our Lady of Fatima Ancillary Services is a for-profit organization.
- The Center for Health and Human Services provides outpatient health care clinical services in two clinic locations, South Providence and Pawtucket.
- SJH Energy, LLC is a single member LLC established to purchase wholesale energy to support the operation needs of CharterCARE and affiliates.
- Rosebank Corporation holds and manages real estate assets for the benefit of CCHP. Rosebank owns several parking lots on the main campus of RWMC and several other properties adjacent to the main campus. Rosebank is a for-profit organization.
- CharterCARE Health Partners Foundation is a not-for-profit corporation whose mission is to raise funds for the benefit of CCHP and its affiliates. On August 22, 2011, the Saint Joseph Foundation changed its name to CharterCARE Health Partners Foundation, removed itself from the Official Catholic Directory, and became a subsidiary of CCHP.

13. Please provide a description of criteria established by the board of directors of the existing hospital for pursuing a proposed conversion with one or more health care providers.

Response:

CCHP issued an RFP in December 2011 seeking a strategic partner in order to strengthen the institutions and to continue to provide and expand services to the communities they serve. The CCHP Board of Trustees established the following criteria:

- A commitment to the continued provision of quality health care services for the residents of Greater Providence, Rhode Island and the surrounding communities.
- A long-term commitment to CCHP, its medical staff and employees.

- A demonstrated cultural fit with CCHP's mission and a shared strategic vision for the future of CCHP.
- An established record of success in the use of various strategies for physician recruiting and assistance developing other ways to expand and enhance CCHP's range of services.
- Access to sufficient capital to allow CCHP to maintain a high quality care for its patients and improve its physical facilities.
- Continued commitment to community benefit programs.
- A structure of governance that allows for continued participation of the CCHP Board of Trustees in the governance of CCHP, preferably a joint venture structure.
- Commitment to maintaining existing services for a period of at least three years.
- Quality and safety expertise to assure that CCHP exceeds quality and safety standards.
- Proven ability to improve clinical outcomes/services as well as provide clinical and administrative support to assure standard of excellence.
- Preservation and enhancement of academics.

14. Please provide a description of request(s) for proposals issued by the existing hospital(s) relating to pursuing a proposed conversion.

Response:

Since its establishment in January 2012, CCHP has achieved significant operational efficiencies. Based on operating revenue alone, the combined CCHP hospital systems have reduced operating losses to approximately \$3M per year. Although a significant improvement, these losses cannot be sustained.

CCHP's successful efforts to drastically reduce losses do not address the need for access to capital. The potential result of continued losses would be devastating:

- The CCHP system contributes \$524M³ per year into Rhode Island's economy;
- The CCHP system employs approximately 3,000 people;
- The CCHP system provides over \$25M in free medical care every year to those who could not otherwise afford such care.

In December of 2011, CCHP issued a Request for Proposals (the "RFP") seeking a partner. The RFP is attached as **Exhibit 14A**.

The RFP sought the following information from proposed partners:

- Mission, Vision, Values

³ This figure is derived by multiplying the sum of CCHP's direct contributions to the economy such as salaries, benefits, and purchases by the hospital economic impact multiplier utilized by the Hospital Association of Rhode Island of 2.1.

- Financial Strength
- Corporate Structure
- Ability to Pay or Finance Proposal
- Ability to Fund Capital Needs
- Desire to Sustain CCHP as a Full Service Acute Care System
- Commitment to Build CCHP Care Capabilities
- Desire to Support, Improve and Grow Medical Staff and Physician Alignment
- Approach to Physician Recruitment and Retention
- Community Benefit
- Future Governance Proposal for CCHP
- Continuing Roles for CCHP Management Team
- Growth Strategies
- Existing Affiliations
- Quality and Safety
- Regulatory Impediments to Successful Venture

Up to March of 2013, CCHP evaluated proposals, sought clarifications, and evaluated the responses.

In August of 2012, PMH submitted a response to the RFP. The response is attached as **Confidential Exhibit 14B**.

The parties then undertook negotiations relative to PMH's proposal. In or about January of 2013, CCHP retained Cain Brothers to assist with the negotiations. Cain Brothers is an investment banking firm that focuses exclusively on the healthcare industry. See *www.cainbrothers.com*.

In March of 2013, after a joint meeting of the boards of CCHP and the Existing Hospitals, CCHP chose PMH's proposal. See Minutes attached at **Confidential Exhibit 9B**.

In March of 2013, a Letter of Intent was executed by and between PMH and CCHP. See Letter of Intent at **Confidential Exhibit 14C**.

On September 24, 2013, the parties executed an Asset Purchase Agreement. See APA attached at **Exhibit 18**. (The Schedules to the APA are at **Confidential Exhibit 18**.)

15. Please provide copies of current conflict of interest forms from all incumbent or recently incumbent officers, members of the board of directors, trustees and senior managers, including the medical directors of the Transacting Parties on a form acceptable to the Attorney General ("incumbent or recently incumbent" means those individuals holding the position at the time the application is submitted and any individual who held a similar position within one year prior to the application's acceptance).

Response:

PMH:

Attached at **Confidential Exhibit 15A** are conflict of interest forms from the following individuals:

Samuel Lee, Steve Aleman, Von Crockett, Ellen Shin, Mitchel Lew, M.D., Jeerreddi Prasad, M.D., John Baumer, Michael Solomon, Alyse Wagner, Thomas Reardon, Barbara Groux, Michael Gitten, Maria Stearns, Gary Herschman, David Zaheer, Ryan Guthrie, Moshe Berman, W. Mark Russo, Alan Weiss, David Topper, Steven Zubiago, and David Powell.

CCHP:

Attached at **Confidential Exhibit 15B** are conflict of interest forms from CCHP individuals.

16. Please provide conflict of interest statements, policies and procedures.

Response:

PMH:

PMH and its affiliates do not have a specific conflict of interest policy, but they do have a code of conduct which addresses conflict of interest issues. A copy of the code of conduct is attached at **Confidential Exhibit 16A**.

CCHP:

A copy of CCHP's conflict of interest statements is attached hereto at **Confidential Exhibit 16B** and a copy of CCHP's policies and procedures is attached at **Exhibit 16B**.

RWMC:

A copy of RWMC's conflict of interest statements is attached hereto at **Confidential Exhibit 16C** and a copy of RWMC's policies and procedures is attached at **Exhibit 16C**.

SJHSRI:

A copy of SJHSRI's conflict of interest statements is attached hereto at **Confidential Exhibit 16D**. Please see **Exhibit 16C** for a copy of SJHSRI's policies and procedures.

A chart in response to Deficiency 22 is included beginning with C-PHCA04525.1.

17. Please provide the draft Closing Memorandum, including, but not limited to, certification, exhibits, and/or schedules required for the closing documents and/or other closing documents. As any changes are made, the parties are required to update this response. Within 7 calendar days of signing the Closing Memorandum, the parties are required to provide a signed copy, including, but not limited to certification, exhibits and/or schedules or other documents required for the closing.

Response:

Please see **Exhibit 18** and **Confidential Exhibits 18 and 25**.

18. Please provide the binding transaction documents, such as an asset purchase/ transfer agreement, affiliation agreement and/or memorandum of understanding and all exhibits and schedules (including any updates or supplements).

Response:

Please see the Asset Purchase Agreement and Schedules to the Asset Purchase Agreement attached at **Exhibit 18** and **Confidential Exhibit 18**.

19. Please provide a copy of the Transacting Parties' affiliated hospital's Credentialing Committee Guidelines, Policies and/or Procedures, including any contemplated changes thereto. Please describe any arrangements for cross-privileging of medical staff affiliated with either of the Transacting Parties and their affiliates before and after the proposed conversion.

Response:

PMH:

The affiliated Hospitals' Credentialing Committee Guidelines and Policies are attached at **Confidential Exhibit 19A**. Since PMH's other operations are based in California and Texas, there will be no arrangements for cross-privileging of the medical staffs either pre-conversion or post-conversion.

CCHP:

Not applicable. There are no responsive documents.

RWMC and SJHSRI:

Please refer to the attached policies and sections of the By-laws at **Exhibits 19B** and **19C**.

There are no contemplated changes.

Roger Williams Medical Center and St. Joseph Health Services of Rhode Island have in place an agreement to provide each other with the documents necessary to comply with federal, state, Joint Commission and NCQA credentialing requirements for the determination of granting privileges to physicians and Allied Healthcare professionals (see attached Agreement at **Exhibit 19B**).

Currently, upon initial appointment to the Medical Staff, physicians are given an opportunity to opt for simultaneous privileges at the Existing Hospitals. This practice will continue after the proposed conversion.

20. Please discuss whether this proposal will require the review by any relevant federal authority and, if so, please identify such review(s) and provide its current status.

Response:

This proposal will not require the review by any relevant federal authority. A Hart-Scott-Rodino (“HSR”) filing will not be required by the transaction contemplated by the Asset Purchase Agreement. The HSR Act (15 U.S.C. 18a et seq.) requires parties to certain mergers and acquisitions to report the transactions to the federal antitrust authorities by making an HSR filing. When the proposed transaction is an acquisition of assets, no filing is required if the value of the transaction is less than the \$70.9 million size of transaction threshold. (15 U.S.C. 18a(a)(2)(B)(i)).

Here, under the HSR definition of Purchase Price, Prospect CharterCARE, LLC will purchase the subject assets for the price of \$45M. This \$45M purchase price does not meet the \$70.9 million size of transaction threshold which requires a filing. The future additional capital contributions by PMH totaling \$50M are not included in the purchase price. There is informal Premerger Office guidance that when the transaction is an acquisition of assets, such future capital contributions do not count as part of the purchase price for HSR filing purposes, so long as the percentage ownership in Prospect CharterCARE, LLC is not changing as a result of the future capital contributions. Because the capital contributions relating to the additional \$50M would not affect the percentage ownership in Prospect CharterCARE, LLC, no filing is required given the \$45M purchase price.

21. Please identify all government permits, licenses, or other approvals necessary to implement the proposed conversion and the status thereof.

Response:

Elmhurst:

- Rhode Island Department of Health Change in Effective Control Application. Status: **Pending**
- Clinical Laboratory Improvement Amendments (CLIA) Certificates. Status: **Pending**

RWMC:

- Rhode Island Department of Health and Attorney General for Hospital Conversion Application. Status: **Pending**
- Rhode Island Department of Health for Change in Effective Control Application. Status: **Pending**
- Rhode Island Department of Health approval for the following licenses: radioactive materials, food business, radiation facility, controlled substance, pharmacy. Status: **Pending**
- Drug Enforcement Administration Registration. Status: **Application for registration will be submitted after DOH approval of state pharmacy license.**
- Division of Workforce Regulations facilities license. Status: **Pending**
- Medicare certification. Status: **Pending**

- Medicaid certification. Status: **Pending**
- Clinical Laboratory Improvement Amendments (CLIA) Certificates. Status: **Pending**

SJHSRI:

- Rhode Island Department of Health and Attorney General for Hospital Conversion Application. Status: **Pending**
- Rhode Island Department of Health for Change in Effective Control Application. Status: **Pending**
- Rhode Island Department of Health approval for the following licenses: radioactive materials, food business, radiation facility, controlled substance, pharmacy. Status: **Pending**
- Drug Enforcement Administration Registration. Status: **Application for registration will be submitted after DOH approval of state pharmacy license.**
- Division of Workforce Regulations facilities license. Status: **Pending**
- Medicare certification. Status: **Pending**
- Medicaid certification. Status: **Pending**
- Clinical Laboratory Improvement Amendments (CLIA) Certificates. Status: **Pending**
- Catholic Church Approval of Alienation of Assets. Status: **Pending**
 - The alienation of the SJHSRI assets has been approved by the Finance Council and College of Consultors of the Diocese of Providence. Bishop Tobin has sent a letter to the Vatican requesting approval of the alienation of the SJHSRI assets.

22. Please provide a list of pending or adjudicated citations, violations or charges against the Transacting Parties and their affiliates brought by any governmental agency or accrediting agency within the past 3 years and the status or disposition of each.

Response:

PMH:

Attached at **Confidential Exhibit 22A** is a list of pending or adjudicated citations, violations, charges, litigation, or investigations against PMH and/or its Hospital affiliates brought by any governmental agency or accrediting agency within the past 3 years.

CCHP:

Attached at **Exhibit 22B** is a list of pending or adjudicated citations, violations or charges against RWMC or SJHSRI and/or its affiliates brought by any governmental agency or accrediting agency within the past 3 years.

23. Please provide a description of any current or pending litigation and/or investigations by foreign, federal, state or municipal boards or governments, administrative agencies against each Transacting Party and its affiliates. For each claim, include the nature, an estimate of the amount, the status, and whether it is covered by any applicable insurance.

Response:

PMH:

Attached at **Confidential Exhibit 22A** is a list of pending or adjudicated citations, violations, charges, litigation, or investigations against PMH and/or its Hospital affiliates brought by any governmental agency or accrediting agency within the past 3 years.

Attached at **Confidential Exhibit 23A** is a list of non-governmental pending litigation against PMH or its affiliates.

CCHP:

Attached at **Confidential Exhibit 23B** is a list of any current or pending non-governmental litigation and/or investigations by foreign, federal, state or municipal boards or governments, administrative agencies against RWMC or SJHSRI and/or its affiliates.

24. Please provide a list of insurance contracts in full force and effect for each Transacting Party and their affiliates, including professional, directors and officers and comprehensive general liability, including coverage limits, purpose of insurance, and duty of coverage, both currently and post conversion. Please provide detailed information concerning any and all coverage provided by self-insured funds and/or captive insurance companies to provide coverage for risks, including but not limited to the amount of the self-insurance fund, claims paid, or claims pending.

Response:

PMH:

Please see schedule of insurance policies attached hereto as **Confidential Exhibit 24A**.

CCHP:

Please see schedule of insurance policies attached hereto for CCHP, RWMC and SJHSRI as **Confidential Exhibit 24B**.

25. Please provide a copy or description of all agreements executed or anticipated to be executed by any of the Transacting Parties in connection with the proposed conversion.

Response:

The following is a description of documents executed or anticipated to be executed by the Transacting Parties in connection with the proposed conversion:

Asset Purchase Agreement: Please see **Exhibit 18**, which includes the following documents:

Amended and Restated Operating Agreement: This will be the operating agreement for Prospect CharterCARE, LLC.

Transfer and Assignment of Membership Interest: Prospect East will transfer and assign a 15% membership interest in Prospect CharterCARE, LLC to CCHP.

Management Services Agreement: This Agreement will be executed between Prospect CharterCARE, LLC and Prospect Advisory regarding Prospect Advisory's management of the hospitals, post-conversion.

Quitclaim deed: This will be executed by Sellers with respect to the Purchased Assets that consist of real property.

Bills of Sale: One or more bills of sale will be executed as necessary for the transfer of Purchased Assets that consists of personal property

Landlord Estoppels: This will be an estoppel from all landlords of leased real property

Tenant Estoppel Certificates: This will be estoppel certificates from all tenants.

Leasehold Assignment and Assumption Agreements: These agreements will be executed regarding all leases to be assumed by Prospect CharterCARE, LLC.

Interim Management Advisory Agreement: Please see **Confidential Exhibit 25**. This agreement identifies advisory services that PMH will provide to CCHP prior to closing.

Schedules to the Asset Purchase Agreement: Please see **Confidential Exhibit 18**.

26. Please provide copies of reports of any due diligence review performed by each Transacting Party in relation to the proposed conversion. These reports are to be held by the Attorney General and Department of Health as confidential and not released to the public regardless of any determination made pursuant to R.I. Gen. Laws § 23-17.14-32 and notwithstanding any other provision of the general laws. Please include a description of the plans for ongoing due diligence efforts by the Transacting Parties and their affiliates throughout the proposed conversion review and other regulatory reviews, up to and including the Effective Date.

Response:

PMH: See **Confidential Exhibit 26A** and **Confidential Exhibit 45**.

CCHP: See **Confidential Exhibit 26B**.

27. Please provide copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties during the past 3 years, including but not limited to, reports by appraisers, accountants, investment bankers, actuaries, other experts,

and any committee investigating the proposed conversion and any and all recommendations from the committee to the board of directors for each of the Transacting Parties and each of its affiliates.

Response:

PMH: Attached at **Confidential Exhibit 27A** is a list of reports analyzing affiliations, mergers, or other similar transactions considered by PMH and its affiliates in the past three years. These reports are connected to confidentiality agreements with third parties. At this time, PMH does not have authority to disclose these reports.

CCHP: See **Confidential Exhibit 27B**.

D. CHARITABLE ASSETS

28. Please provide copies of all documents related to:

- (a) Identification of all charitable assets;
- (b) Accounting of all charitable assets for the past 3 years;
- (c) Distribution of the charitable assets including, but not limited to, endowments, restricted, unrestricted and specific purpose funds as each relates to the proposed transaction; and
- (d) Please list all current donations that include naming privileges relating to the donation.

Response:

CCHP, RWMC and SJHSRI:

In response to (a), (b) and (d) see **Confidential Exhibits 28A-1 through A-3, 28B and 28C**, respectively. With respect to (d), there are no naming privilege donations to CCHP. For RWMC, and SJHSRI, see **Confidential Exhibit 28D** for a listing of named areas/plaques. There are no donations with naming privileges that have not currently been honored.

- (c) On the date of closing, all of the charitable assets of RWMC and SJHSRI will be transferred to CharterCARE Health Partners Foundation (CCHP Foundation).

By way of background, on February 27, 2007, St. Joseph Health Services Foundation, Inc. (the "SJ Foundation") was formed to hold and administer charitable donations on behalf of SJHSRI. SJ Foundation's sole member was SJHSRI and it was listed in the official Catholic Directory and was covered by the Catholic Church's tax exemption. Subsequent to and as part of the CCHP affiliation, on August 25, 2011, the organizational documents of SJ Foundation were revised to change its name to CharterCARE Health Partners Foundation and to make CCHP its sole member. Because the change of its sole member

would prevent the CCHP Foundation from being listed in the official Catholic Directory and would preclude the CCHP Foundation from relying on the Church's tax exemption, on September 9, 2011, CCHP Foundation secured from the IRS a determination that it was 1) exempt from tax under section 501(c)(3) of the Internal Revenue Code (IRC) and 2) a public charity under section 509(a)(3) of the IRC.

In December of 2011, a Petition for Cy Pres, *In Re: CharterCARE Health Partners Foundation*, P.B. No. 11-6822, was filed and granted by the Rhode Island Superior Court (Silverstein, J.) allowing the transfer of the restricted funds that were raised by the SJ Foundation to SJHSRI. Restricted assets totaling \$306,323.00 were transferred from the SJ Foundation to SJHSRI effective September 30, 2011.

CCHP Foundation currently receives donations on behalf of CCHP. Post-closing, CCHP Foundation, having received RWMC and SJHSRI's charitable assets, will continue to serve as a community resource to provide accessible, affordable and responsive health care and health care related services consistent with the original donors' intent. Because the Licensed Entities will be for profit entities, CCHP Foundation will not be able to use the funds for their benefit. However, the Board of Directors of CCHP Foundation will be responsible to administer the charitable assets as closely as possible to the original donors' intent to provide health care and health care related services to the local community. This will include, without limitation, disease prevention, education and research, grants, scholarships, clinics and activities within the community to facilitate positive changes in the health care system.

29. Please provide copies of documents or descriptions of any proposed plan for any entity to be created for charitable assets, including but not limited to, endowments, restricted, unrestricted and specific purpose funds, the proposed articles of incorporation, by-laws, mission statement, program agenda, method of appointment of board members, qualifications of board members, duties of board members, and conflict of interest policies.

Response:

On the date of closing, all of the charitable assets of RWMC and SJHSRI will be transferred to CharterCARE Health Partners Foundation (CCHP Foundation).

By way of background, on February 27, 2007, SJ Foundation was formed to hold and administer charitable donations on behalf of SJHSRI. SJ Foundation's sole member was SJHSRI and it was listed in the official Catholic Directory and was covered by the Catholic Church's tax exemption. Subsequent to and as part of the CCHP affiliation, on August 25, 2011, the organizational documents of SJ Foundation were revised to change its name to CharterCARE Health Partners Foundation and to make CCHP its sole member. Because the change of its sole member would prevent the CCHP Foundation from being listed in the official Catholic Directory and would preclude the CCHP Foundation from relying on the Church's tax exemption, on September 9, 2011, CCHP Foundation secured from the IRS a

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In December of 2011, a Petition for Cy Pres, *In Re: CharterCARE Health Partners Foundation, P.B. No. 11-6822*, was filed and granted by the Rhode Island Superior Court (Silverstein, J.) allowing the transfer of the restricted funds that were raised by the SJ Foundation to SJHSRI. Restricted assets totaling \$306,323.00 were transferred from the SJ Foundation to SJHSRI effective September 30, 2011.

CCHP Foundation currently receives donations on behalf of CCHP. Post-closing, CCHP Foundation, having received RWMC and SJHSRI’s charitable assets, will continue to serve as a community resource to provide accessible, affordable and responsive health care and health care related services consistent with the original donors’ intent. Because the Licensed Entities will be for profit entities, CCHP Foundation will not be able to use the funds for their benefit. However, the Board of Directors of CCHP Foundation will be responsible to administer the charitable assets as closely as possible to the original donors’ intent to provide health care and health care related services to the local community. This will include without limitation, disease prevention, education and research, grants, scholarships, clinics and activities within the community to facilitate positive changes in the health care system.

The Articles of Amendment to Articles of Incorporation as well as proposed black-lined amendments to the Revised Bylaws of CharterCARE Health Partners Foundation in connection with the transfer of charitable assets to CCHP Foundation are attached at **Confidential Exhibit 29**. Article VII of the Revised Bylaws entitled “Conflict of Interest” will remain the same.

This proposed transfer of charitable assets will be identified in the *Cy Pres* Petition that will be developed in conjunction with the Attorney General’s Office as detailed in Response 31.

30. Please provide the following information regarding all donor restricted gifts received by the Transacting Parties and their affiliates and attach copies of any legal documents that created each gift:

Date of Gift	Name of Give/ Instrument	Restriction(s)	Value of Gift at time of Gift	Current Value of Gift

Response:

CCHP:

See **Confidential Exhibit 28A-1** at Tabs B, C and D.

See **Confidential Exhibit 28 A-2** at Tab F.

See Confidential Exhibit 28A-3 at Tab D.

RWMC:

See Confidential Exhibit 28B at Tabs C, D, E and G.

SJHSRI:

See Confidential Exhibit 28C at Tabs B, C, D and E.

31. Please provide a Cy Pres Petition for the proposed conversion(s) of affiliate hospitals, other affiliate 501(c)(3) entities, and all that will be affected by the proposed conversion.

Response:

The established course in similar transactions has been to develop a *cy pres* petition in conjunction with the Attorney General's office after approval of the proposed conversion. Accordingly, CCHP will work with the Attorney General's office to craft an acceptable *cy pres* petition for approval of the proposed transfer of charitable assets to CCHP Foundation as discussed above in Responses 28 and 29.

E. CHARITY CARE

32. Please provide the following information:

- (a) A list of uncompensated care provided over the past 3 years by each facility which the for-profit corporation maintains an interest ownership or controlling interest or operating authority and a description as to how that amount was calculated;

Response:

PMH:

For PMH's Hospital affiliates in California, charity care figures are reported as charges. The figures are submitted and approved by the State of California Office of Statewide Health Planning & Development. Due to the manner in which the hospital licenses are held, some of the PMH Hospital affiliate charity figures are kept and reported on a joint basis. The charity care figures in California are as follows:

Los Angeles Community Hospital and Norwalk Community Hospital

Period Ending 9/30/2010 \$22,458,340
Period Ending 9/30/2011 \$21,226,916
Period Ending 9/30/2012 \$21,500,000*

*The total as of 9/30/2012 is approximate as it is still being reviewed by the State of California.

Hollywood Community Hospital and Hollywood Community Hospital of Van Nuys

Period Ending 9/30/2010 \$8,000,014
Period Ending 9/30/2011 \$11,163,930
Period Ending 9/30/2012 \$10,700,000*

*The total as of 9/30/2012 is approximate as it is still being reviewed by the State of California.

Hollywood Community Hospital at Brotman Medical Center

Period Ending 9/30/2010 \$22,680,844
Period Ending 9/30/2011 \$30,071,451
Period Ending 9/30/2012 \$24,119,275

For PMH's Hospital affiliates in Texas, due to the manner in which the hospital licenses are held, the PMH Hospital affiliate charity figures for Texas are kept and reported on a joint basis. The charity care figures in Texas are as follows:

Nix Health Care System, Nix Specialty Health Center, Nix Community General Hospital

Period Ending 12/31/2010	\$4,394,552
Period Ending 12/31/2011	\$4,810,419
January 2012	\$405,592
February - September 2012	\$5,066,282*

* PMH completed its purchase of the Nix Hospital System in February of 2012. As of the purchase the fiscal year was changed to end in September. Accordingly the February-September 2012 figures are the charity care expense incurred while PMH was the owner.

Response: CCHP, RWMC, SJHSRI:

CCHP defines uncompensated care to include both charity care and bad debt. All medically necessary services are provided regardless of patients' ability to pay. If a patient meets the charity care guidelines as defined by the Existing Hospitals' policy (and in accordance with DOH guidelines), the patient balances are written off to charity care entirely or partially. If a patient does not meet the charity care guidelines, the patient is billed for the services provided. Collection efforts are made and if collection efforts are unsuccessful after a defined period of time, claims are written off to bad debt. This includes both co-pay/deductibles for insured patients and full or partial claims for uninsured patients.

The attached schedule at **Exhibit 32** outlines the location where services were provided and the dollars written off associated with such services rendered. Section (a) reflects the summary of

services provided by location. It is broken out by charity care and bad debt (uncollectible) for the prior 3 years.

- (b) A description of charity care and uncompensated care provided by the existing hospital(s) for the previous 3 year period to the present, including a dollar amount and a description of services provided to patients;

Response: CCHP, RWMC, SJHSRI:

See **Exhibit 32.**

- (c) A description of bad debt incurred by the existing hospital(s) for the previous 3 years for which payment was anticipated but not received; and

Response: CCHP, RWMC, SJHSRI:

See **Exhibit 32.**

- (d) Identify the reasons for any discrepancies between responses to sections (a) through (c) above, if any.

Response: There are no discrepancies between sections (a) through (c).

- 33. Please provide a description of the plan as to how the Transacting Parties and their affiliates will provide community benefit and charity care during the first 3 years of operation after the proposed transaction is completed.

Response:

Prospect CharterCARE, LLC will continue to provide a positive community benefit in several forms. First and foremost, Prospect CharterCARE, LLC will preserve and continue the economic community benefit of the Existing Hospitals. That benefit includes approximately 3,000 jobs and an investment to the Rhode Island community of approximately \$524M per year. Furthermore, and equally as important, Prospect CharterCARE, LLC will have access to capital and management/operational expertise that will allow the hospitals to continue to fulfill their high quality/cost efficient patient care mission for the community out into the future despite all of the changes being experienced by the healthcare industry.

This mission will include providing high quality care to those who would otherwise be unable to afford that level of medical care. The CCHP entities have, for decades, provided significant levels of care for indigent and low income patients. Such care has been provided through a variety of community based programs. Subject to changes in legal requirements and governmental guidelines, Prospect CharterCARE, LLC will adopt, maintain and adhere to CCHP's policy on charity care and or adopt policies and procedures that are at least as favorable to the indigent and uninsured as CCHP's existing policies and procedures.

In fiscal year 2012, the Existing Hospitals provided on a charge basis approximately \$25M in charity care to those who would not otherwise be able to afford such care.

Furthermore, Prospect CharterCARE, LLC will continue to provide care through sponsorship and support of community based health programs, including cooperation with local organizations that sponsor healthcare initiatives to address identified community needs and improve the health status of the elderly, poor and at risk populations in the community.

Moreover, Prospect CharterCARE, LLC will continue to support nursing and staff education.

Additionally, Prospect CharterCARE, LLC will maintain a senior executive compliance officer whose responsibilities will include regulatory compliance, organizational compliance and will be responsible for establishing and overseeing an ethics committee to include community board members.

Regarding PMH's history of community benefit, a number of PMH affiliate Hospitals are so-called "safety net hospitals". In fact, PMH is a member of Private Essential Access Community Hospitals ("PEACH"). PEACH is a network of private, core safety net hospitals in California that care for disproportionate share or low-income, medically vulnerable patients. PMH intends to bring this spirit of community support and benefit to the instant proposed conversion.

As such, PMH and CCHP commit that charity care and an emphasis on community benefits will continue to play an important role in the care that Prospect CharterCARE, LLC will provide.

Finally, post-conversion charity care and community benefits will continue to be provided as it has been historically through CCHP and the Existing Hospitals. The Existing Hospitals' guidelines satisfy the Department of Health guidelines. Prospect CharterCARE, LLC, under the proposed transaction, will adopt these guidelines and will continue to provide any and all medically necessary services to patients regardless of their ability to pay. Attached at **Exhibit 33** are RWMC and SJHSRI's Charity Care policies.

34. Please provide a description of how the Transacting Parties and their affiliates will monitor and value charity care services and community benefit after the proposed transaction is completed.

Response:

Charity Care:

The proposed affiliation creates a partnership between the two transacting parties. The Existing Hospitals, under the proposed affiliation, will continue providing medically

necessary services needed regardless of ability to pay. Both Existing Hospitals follow the Department of Health guidelines for determining eligibility for full or partial charity care. The providers will continue to monitor and report charity care to the Department of Health and any other regulatory body as required. Charity Care is also disclosed in the footnotes of the audited financial statements. The method of valuation of such services will be consistent post-affiliation. Charity Care is tracked both at gross charges and estimated cost (based on each Existing Hospital's ratio of charge to cost).

Community Benefit:

CCHP has a robust program of community outreach, health screenings, and free education that will continue post affiliation. As required by the Department of Health, these community benefit programs will continue to be monitored and reported on an annual basis.

F. COMPENSATION

35. Please provide the names of persons currently holding a position as an officer, director, board member, or senior manager who will or will not maintain any position with the new hospital and whether any said person will receive any salary, severance, stock offering or any financial gain, current or deferred, as a result of or in relation to the proposed conversion, including but not limited to, the individual's job description, employment or other contract or agreement to provide services under this corporate title, and total compensation, including, but not limited to, salary, benefits, expense accounts, membership, 401K, retirement plans, contribution agreements, benefit agreements and any other financial distributions of any kind, including deferred payments or compensation.

Response:

PMH: See **Confidential Exhibit 35D.**

CCHP:

Please see the attached charts at **Confidential Exhibit 35A** at C-PHCA07396 for CCHP senior leadership team members.

RWMC:

Please see the attached chart at **Confidential Exhibit 35B.**

SJHSRI:

Please see the attached chart at **Confidential Exhibit 35C.**

36. Please provide a copy or description of all agreements or proposed agreements reflecting any current and/or future employment or compensated relationship between the acquirer (or any related entity) and any officer, director, board member, or senior manager of the acquiree (or any related entity). Included in this response, please also provide a schedule that clearly demonstrates the historical compensation for the prior 3 years for these individuals as

well as the projected compensation extending out 2 years with and without the proposed transaction being approved and/or completed.

Response:

PMH does not have any agreements reflecting future employment or compensated relationship between any officer, director, board member or senior manager of CCHP other than for current CCHP CEO, Kenneth Belcher, whose agreement is set forth in **Confidential Exhibit 36** and the other senior leadership team members listed in **Confidential Exhibit 35A** at **C-PHCA07396**. The projected amounts of salary refer to salary amounts both with or without the proposed transaction.

In addition, **Confidential Exhibit 36**, sets forth Mr. Belcher's compensation for the past 3 years.

CCHP:

Please see the attached **Confidential Exhibit 36** (compensation history of CCHP executives and employment agreements).

37. **Intentionally omitted.**

38. Please provide any and all severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of the Transacting Parties and their affiliates for the prior 3 years from the date of the application through the present. Please include in your response any agreements to provide consulting services and/or covenants to not compete following completion of the proposed conversion as well as the existing ERISA benefit plan and severance agreements or arrangements.

Response:

PMH: Please see the chart at **Confidential Exhibit 38D**.

CCHP:

Attached as **Confidential Exhibit 38A** are copies of severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of CCHP for the prior three (3) years.

RWMC:

Attached as **Confidential Exhibit 38B** are copies of severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of RWMC for the prior three (3) years.

SJHSRI:

Attached as **Confidential Exhibit 38C** are copies of severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of SJHSRI for the prior three (3) years.

39. Please provide a copy of proposed contracts or description of proposed arrangements with senior managers, board members, officers, or directors of the existing hospital for severance, consulting services or covenants not to compete following completion of the proposed conversion.

Response: Please see **Confidential Exhibit 39**. Contracts currently in place for the CEO and the Senior Leadership Team of CCHP as listed in Question 38 will remain in place with the same terms.

40. Please provide an itemization of all loans outstanding and their current balances, given, and/or forgiven in the last 3 years to any executive, employee or consultant of the Transacting Parties and/or their affiliates, including the terms of such loan.

Response:

PMH:

There are no loans outstanding to any executive, employee or consultant of PMH or its affiliates.

CCHP:

There are no loans outstanding to any executive, employee or consultant of CCHP and/or its affiliates.

41. Please provide a copy of the resignations of any directors, board members, senior managers and officers of each of the Transacting Parties and/or their affiliates within the prior year.

Response:

PMH:

Attached at **Confidential Exhibit 41** are the resignation letters of directors, board members, senior managers and officers of PMH and its Hospital affiliates who resigned within the prior year.

CCHP:

Marshall Raucci, Jr. will be resigning from the CharterCARE Board of Trustees as

of December 31, 2013. CCHP has no written resignation from Mr. Raucci.

RWMC:

None

SJHSRI:

None

42. Intentionally omitted.

G. FINANCIAL

43. (a) Please provide copies of audited income statements, balance sheets, other financial statements, and management and discussion letters for the past 3 years, audited interim financial statements and income statements, together with a detailed description of the financing structure of the proposed conversion including equity contribution, debt restructuring, stock issuance, partnership interests, stock offerings and the like, and unaudited financial statements (where audited financial statements are unavailable); and

Response:

PMH:

Please see attached at **Confidential Exhibit 43A:**

- For the FY ending September 30, 2010 PMH's SEC Form 10-K at Confidential Binder 14, Bates numbers C-PHCA 08105 to 08307.
- For the FY ending September 30, 2011 PMH's Audited Financial Statement at Confidential Binder 14, Bates numbers C-PHCA 08308 to 08376.
- For the FY ending September 30, 2012 PMH's Audited Financial Statement at Confidential Binder 14, Bates numbers C-PHCA 08377 to 08438.
- For the FY ending September 30, 2013 PMH's Audited Financial Statement at Confidential Binder 14, Bates numbers C-PHCA 08438.1 to 08438.62.

CCHP:

Please see attached at **Exhibit 43B:**

- CCHP Consolidated Statements Unaudited 2011-April 30, 2013 at Non-Confidential Binder 2, Bates numbers PHCA 00823 to 00830.
- CCHP YTD April 2013 Interim Financial Statements Unaudited at Non-Confidential Binder 2, Bates numbers PHCA 00831 to 00838.
- Elmhurst Extended Care Facilities, Inc. 2010-12 Audited Financial Statements at Non-Confidential Binder 2, Bates numbers PHCA 00839 to 00884.

- Roger Williams Realty Corp 2010-12 Audited Financial Statements at Non-Confidential Binder 2, Bates numbers PHCA 00885 to 00980.

Please see attached at **Confidential Exhibit 43B-1:**

- CCHP Unaudited Year end September 30, 2013 Financial Statements at Confidential Binder 13, Bates numbers C-PHCA 14942 to 14946.

RWMC:

Please see attached at **Exhibit 43C:**

- Roger Williams Medical Center 2010-2011 A-133 Audit Report at Non-Confidential Binder 2, Bates numbers PHCA 00981 to 01069.
- Roger Williams Medical Center 2010-2012 Audited Financial Statements at Non-Confidential Binder 2, Bates numbers PHCA 01070 to 01166.
- Roger Williams Medical Center YTD April 30, 2013 Interim Financial Statements Unaudited at Non-Confidential Binder 2, Bates numbers PHCA 01167 to 01170.
- Roger Williams Medical Center Auditors' Reports as Required by Office of Management and Budget (OMB) Circular A-133 and Government Auditing Standards and Related Information (With Independent Auditors' Report Thereon) September 30, 2012 at Non-Confidential Binder 2, Bates numbers PHCA 01171 to 01213.

Please see attached at **Confidential Exhibit 43C:**

- RWMC Unaudited Year end September 30, 2013 Financial Statements at Confidential Binder 13, Bates numbers C-PHCA 14947 to 14951.

SJHSRI:

Please see attached at **Exhibit 43D:**

- SJHSRI 2010-11 A-133 Audit Report at Non-Confidential Binder 2, Bates numbers PHCA 01214 to 01319.
- SJHSRI 2010-11 A-133 Management Letters at Non-Confidential Binder 2, Bates numbers PHCA 01320 to 01330.
- SJHSRI 2010-12 Audited Financial Statements at Non-Confidential Binder 2, Bates numbers PHCA 01331 to 01432.
- SJHSRI YTD April 30, 2013 Interim Financial Statements Unaudited at Non-Confidential Binder 2, Bates numbers PHCA 01433 to 01437.
- SJHSRI Auditors' Reports as Required by Office of Management and Budget (OMB) Circular A-133 and Government Auditing Standards and Related Information (With Independent Auditors' Report Thereon) 9/30/12 at Non-Confidential Binder 2, Bates numbers PHCA 01438 to 01480.

Please see attached at **Confidential Exhibit 43D:**

- SJHSRI Unaudited Year end September 30, 2013 Financial Statements at Confidential Binder 13, Bates numbers C-PHCA 14952 to 14956.

Please refer to the response for HCA question numbers 17 and 18 for the details of the transaction.

(b) In addition, please include any and all assessments, reports or evaluations, financial or otherwise, of the Transacting Parties and/or their affiliates performed in anticipation of any proposed affiliation, purchase, merger, or other such transaction for the prior 3 fiscal years, by whomever prepared (internal or external experts or consultants, or in combination), including, but not limited to, analyses of financial strengths, weaknesses and/or viability.

Response:

PMH:

Attached at **Confidential Exhibit 27A** is a list of reports analyzing affiliations, mergers, or other similar transactions considered by PMH and its affiliates in the past three years. These reports are connected to confidentiality agreements with third parties. At this time, PMH does not have authority to disclose these reports.

CCHP, RWMC and SJHSRI:

See attached at **Confidential Exhibit 43B**.

44. Please provide a detailed description of the real estate involved in the Proposed Transaction including:

- (a) Title reports for land owned and lease agreements concerning the proposed conversion for all properties owned, leased, operated, or used by each Transacting Party and its affiliates within the last 3 years;
- (b) The address for each property;
- (c) All lease agreements and encumbrances; and
- (d) Any and all documents related to the proposed sale or development of property owned by the Transacting Parties and/or their affiliates.

Response:

- a. Title reports are not yet available, but attached at **Exhibit 44A** are title insurance policies for the real property owned by RWMC, Rosebank Corporation, Roger Williams Realty Corporation and SJHSRI. CCHP does not own any real property.

- b. Attached at **Exhibit 44B** are addresses for the owned and leased real property of CCHP, RWMC, SJHSRI and related entities.
- c. Attached at **Confidential Exhibits 44C-1, 44C-2 and 44C-3** are copies of all lease agreements related to CCHP, RWMC, SJHSRI and related entities, respectively.
- d. None.

45. Please provide a detailed description as each relates to the proposed transaction for equipment leases, insurance, regulatory compliance, tax status, pending litigation or pending regulatory citations, pension plan descriptions and employee benefits, environmental reports, assessments and organizational goals.

Response:

Equipment Leases: Under the terms of the APA, Prospect CharterCARE, LLC will assume existing equipment leases.

Insurance: CCHP is to retain tail coverage for malpractice and workers compensation. Prospect CharterCARE, LLC will obtain its own policies for all insurance coverage.

Regulatory Compliance: As part of the due diligence process, PMH is in the process of reviewing all existing contracts and agreements to ensure that CCHP is in compliance with all applicable state and federal regulations. To the extent any compliance issues are identified, they will be addressed prior to Closing. Following the Closing, each of the Transacting Parties, in accord with the organization schedule, post-conversion, will comply with all applicable state and federal regulations.

Tax Status: As part of the proposed conversion, the tax status of the facilities will change from non-profit to for-profit. This will include assessment and levy for property taxes. Thus, the proposed acquisition is contingent upon property tax stabilization/exemption ordinances with the host communities of Providence and North Providence.

The assessment and levy of property taxes on a hospital in Rhode Island, whether it is for profit or non-profit, is somewhat unchartered territory. Rhode Island's entire property tax system, as it applies to community hospitals, acknowledges that there must be some property tax relief for these institutions to be successful. With that said, several hospitals have originating charters which provide that their host cities and towns cannot subject them to taxation. For example, Roger Williams has a charter that dates back to 1904 and it was amended as recently as the 1980s. Ultimately, the Rhode Island General Assembly codified the intent behind the charters and enacted a real and personal property tax exemption that is now found at R.I. Gen. Laws §44-3-3(12). There is a similar sales tax exemption in R.I. Gen. Laws §44-18-30. It should be noted that the sales tax exemption only applies to a non-profit institution. However, the real and personal property tax exemption found at R.I. Gen. Laws §44-3-3(12) refers to "property, real and personal, held for or by . . . a hospital for the

sick or disabled.” Thus, the real and personal property tax exemption applies to both non-profit and for profit hospitals.

With that said, however, it is important to have an agreement with the host communities in regard to property taxes. Again by way of example, Roger Williams Hospital pays the City of Providence \$100,000 per year in lieu of property taxes. The Transacting Parties have had a number of discussions with the City of Providence and the Town of North Providence to work towards this goal. The first step in such an effort is to try and agree on an assessed value of the Existing Hospital properties. The discussions to date have focused on real property. The current assessments are not helpful. For example, the City of Providence has assessed Roger Williams Medical Center and the former St. Joseph Hospital Campus at \$75,701,700 and \$46,815,500, respectively. Those properties simply are not worth those figures.

As pursuant to further discussions with the City and Town, the Transacting Parties engaged Peter Scotti, who is a MAI licensed appraiser and has a great deal of experience in hospital valuations based on his work in the Landmark Medical Center proceeding. Mr. Scotti provided an assessed value of the Roger Williams Medical Center of \$13,781,200; an assessed value of the former St. Joseph Hospital Campus in the City of Providence of \$5,256,000; and an assessed value of the Fatima properties in North Providence of \$15,330,700. The Transacting Parties have suggested that the host communities utilize Mr. Scotti’s baseline assessments as a valuable tool in negotiations. Moreover, the Transacting Parties have sought a tax exemption/stabilization/payment in lieu of taxes ordinance that would phase in property taxation over a twelve (12) year period in accordance with the format that was recently suggested by the City of Providence with regard to tax exemption/stabilization requests.

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

Pending Litigation or Pending Regulatory Citations: Pursuant to the terms of the APA, PMH is not assuming any liabilities arising out of or relating to the conduct or operations of the business prior to the closing date. Any pending litigation or regulatory citations shall be dealt with by CCHP.

Pension Plans: Per Section 2.2 of the APA, Prospect CharterCARE, LLC is not assuming any liability for CCHP's long term pension liability.

Employee Benefits: After the Closing, Prospect CharterCARE, LLC will offer its employees a benefit package substantially comparable to the benefits package currently provided to CCHP employees.

Environmental Reports: During the due diligence process, PMH has reviewed previous environmental surveys and reports provided by CCHP. Additionally as part of its due diligence, PMH has commissioned its own environmental review. Cardno ATC has performed the environmental review on behalf of PMH. They conducted a Phase I Environmental Site Assessment. The Phase I Assessments are in excess of 1,000 pages in length, accordingly the executive summaries for the Phase I Assessments are attached hereto as **Confidential Exhibit 45**.

Assessments and Organizational Goals: The main goals of the proposed purchase is to ensure continuing care for the community in line with what the Existing Hospitals have provided for decades, while at the same time improving the quality of care, finding efficiencies through operations, and providing access to capital. Accomplishing these goals will ensure that the highest quality of care is provided efficiently. Currently, PMH owns and operates eight (8) hospitals within Texas and California and thus, Prospect CharterCARE, LLC will benefit from PMH's experience in providing quality and affordable care to the patient population.

46. Please provide copies of IRS Form 990 for any Transacting Party and its affiliates required by federal law to file such a form for each of the 3 years prior to the submission of the application.

Response:

PMH:

PMH and its Hospital affiliates are for profit entities and thus, do not file 990s.

CCHP:

Attached at **Exhibit 46A** are:

- CCHP – Form 990 2009-2011
- CCHP Foundation f/k/a St. Joseph Health Services Foundation – Form 990 2009-2011 and Extension Form until May 15, 2013

RWMC:

Attached at **Exhibit 46B** are:

- Elmhurst Extended Care Facility, Inc. – Form 990 2010-2012

- Roger Williams Medical Associates, Inc. – Form 990 2009-2011 and Extension Form until May 15, 2013
- Roger Williams Realty Corporation – Form 990 2009-2011 and Extension Form until May 15, 2013
- RWGH Physicians Office Building, Inc. – Form 990 2009-2011 and Extension Form until May 15, 2013
- Roger Williams Medical Center - Form 990 2009- 2011 and Extension Form until August 15, 2013

SJHSRI:

Attached at **Exhibit 46C** are:

- St. Joseph Health Services of RI – Form 990 2009-2011 and Extension Form until August 15, 2013.
- St. Joseph Hospital Workers Compensation Trust – Form 990 2009-2011.

CCHP, RWMC, SJHSRI and RWMC will file extension requests in February 2014 and May 2014 for the 2012-2013 form 990s which will be filed in August 2014. The St. Joseph Hospital Workers Compensation Trust will file an extension request in February 2014 and May 2014 and the form 990 will be filed in August 2014. An index for the respective 990s is included at the beginning of each exhibit.

47. Please provide a description and quantification of the outstanding debts of acquiree and/or their affiliates, both between and among acquiree and/or their affiliates, including, but not limited to:

- (a) The plans for disposition of each such debt if the proposed conversion is approved;
and

Response:

RWMC provided a loan to Elmhurst Extended Care in 2013 for the construction of the new skilled nursing facility unit.

- Original debt amount: \$170,721.81
- The amount is to be repaid per agreement and will not change post conversion.
- None

(b) A list of any indebtedness acquiree and/or their affiliates could forgive, extinguish, or otherwise write-off for acquiree and/or their affiliates, including:

- (i) The amount of the original debt;

- (ii) The amount that would be forgiven, extinguished or otherwise written-off; and
- (iii) For any such debts written off with the preceding 3 years, provide the amount forgiven, extinguished or otherwise written-off, the date of the write off, and the reason.

Based on the proposed conversion, the major debt/loans will be paid off and capital leases will be paid in accordance with agreement under the new company. See **Confidential Exhibit 47** for a summary of debt and a summary of debt to be extinguished.

- 48. Please provide a list of the transaction costs and expenses by appropriate accounting classification incurred to date or to be incurred by the Transacting Parties and their affiliate entities involved, with respect to the proposed conversion, including: an itemization of all consulting fees incurred by the Transacting Parties and/or their affiliates in connection with the proposed transaction, including vendor, dates of service, services(s) provided and cost(s) and projected additional amounts, through closing, by category and payee.

Response:

PMH:

The PMH Hospital affiliates will not incur any costs associated with the transaction. With regard to PMH, **Confidential Exhibit 48A** details transaction costs and expenses to date and a projection of costs to complete the transaction. The exhibit can be updated as requested.

CCHP: See attached **Confidential Exhibit 48B**.

- 49. Please provide a description by each Transacting Party and its affiliates with respect to Medicare and Medicaid programs, including but not limited to notice of de-certification, revocation, suspension or termination, or of threatened or potential re-certification, revocation, suspension or termination pending or resolved within past 3 years of submission.

Response:

PMH:

For PMH, there have been no issues with respect to Medicare and Medicaid programs over the last three years. Each of PMH's affiliate hospitals participate in Medicare and Medicaid.

CCHP: Not applicable

For RWMC, SJHSRI, RWMC and EEC, there have been no issues with respect to Medicare and Medicaid programs over the last three years.

RWMC, SJHSRI, RWMC and EEC all participate in Medicare and Medicaid.

Prospect CharterCARE, LLC:

Post conversion, Newco Fatima, Newco SJHSRI, and Newco Elmhurst will participate in Medicare and Medicaid.

50. Please complete the following chart for the previous 3 fiscal years and year to date.

Response:

RWMC: See **Confidential Exhibit 50A.**

SJHSRI: See **Confidential Exhibit 50B.**

51. Please provide a list of all agreements of the existing hospital(s) and/or their affiliated medical providers with third party payors.

Response:

CCHP:

Please see attached **Confidential Exhibit 51A.**

RWMC:

Please see attached **Confidential Exhibit 51B.**

SJHSRI:

Please see attached **Confidential Exhibit 51C.**

52. If the acquiror is a for profit corporation that has acquired a not for profit hospital under the provisions of the Hospital Conversion Act, the application shall also include a complete statement of performance during the preceding one year with regard to the terms and conditions of approval of conversion and each projection, plan, or description submitted as part of the application for any conversion completed under an application submitted pursuant to the Hospital Conversion Act and made a part of an approval for the conversion pursuant to R.I. Gen. Law §§ 23-17.14-7 or 23-17.14-8.

Response:

Not Applicable. The application filed in 2009 by RWMC and SJHSRI which established CCHP was between not for profit entities. PMH has never filed an application under the provisions of the Rhode Island Hospital Conversion Act.

H. PLANNING

53. Please address the following regarding market share to ensure a balanced health care delivery system to the residents of the state:

Tertiary or Specialty Care Services

- (a) Please identify all tertiary or specialty care services and the market share of the Transacting Parties and/or their affiliates in the state;

Response:

PMH:

PMH currently has no market share in Rhode Island and offers no services in Rhode Island.

CCHP:

Tertiary or specialty care services include:

- Cardiac Catheterization – RWMC’s cardiac catheterization lab is the site within the CCHP system for this service.
- Bone Marrow Transplant – RWMC provides the site for bone marrow transplantation within the CCHP system.
- Radiation Therapy (Linear Accelerator) — Roger Williams Radiation Therapy, LLC provides radiation therapy services at Maude Street in Providence, Rhode Island.

The market share for tertiary/specialty care service includes: cardiac catheterization – 0% (infancy stage) and radiation therapy – 12%.

- (b) Please discuss the plans for changes to existing or development of any new tertiary or specialty care service in the state within 3 years after implementation of the conversion;

Response:

Per the terms of the APA, Prospect CharterCARE, LLC shall maintain the two (2) existing acute care hospitals and the full complement of essential clinical services

contained therein for a period of five (5) years subject to safety or quality issues associated with the provision of such clinical services as governed by applicable Rhode Island law and regulations. Thus, there will not be any reduction in tertiary or specialty care services. PMH intends to work with the Existing Hospitals, as well as area physicians, and other community service providers, to identify areas in which services to the community can be expanded or improved. This effort dovetails with PMH's goal of having Prospect CharterCARE, LLC provide the highest quality of care in a cost efficient manner.

- (c) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to the impact of the conversion on the market share of tertiary or specialty care services of the Transacting Parties and/or their affiliates;

The proposed conversion would contribute to a balanced healthcare delivery system to the residents of the State with regard to the market share of tertiary and specialty services. Per the terms of the APA, PMH has committed to maintaining the essential clinical services offered by Existing Hospitals for a period of five years, and has committed to maintaining the two (2) existing acute care hospitals. Thus, the balance of health care delivery will be maintained through the proposed transaction. If the proposed conversion is not approved, the Existing Hospitals would likely have to reduce or even cease services altogether, thus, leading to an unbalanced healthcare delivery system in the primary and secondary service areas of the Existing Hospitals.

Response:

- (d) Please identify which cities and/or towns comprise the primary and secondary service area of the Transacting Parties and/or their affiliates in the state and represent that information on a map of the state. Please describe how these service areas were determined;

Response:

PMH:

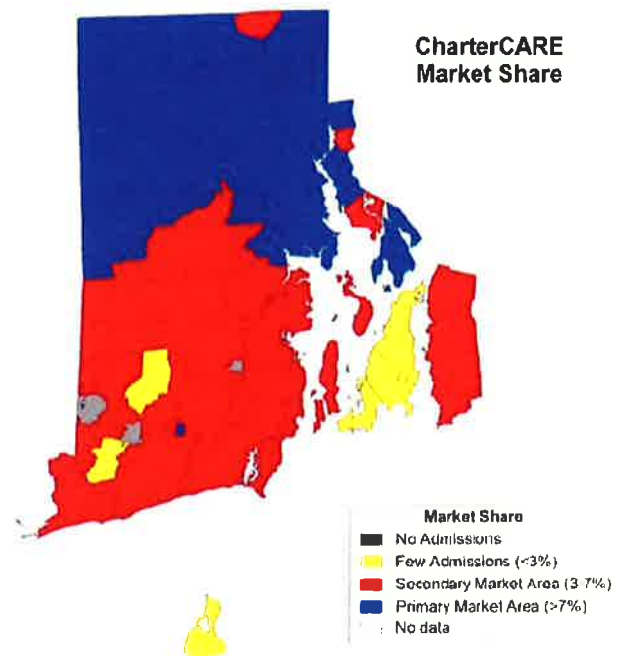
PMH currently has no market share in Rhode Island and offers no services in Rhode Island. Thus, PMH does not have an existing primary or secondary service area.

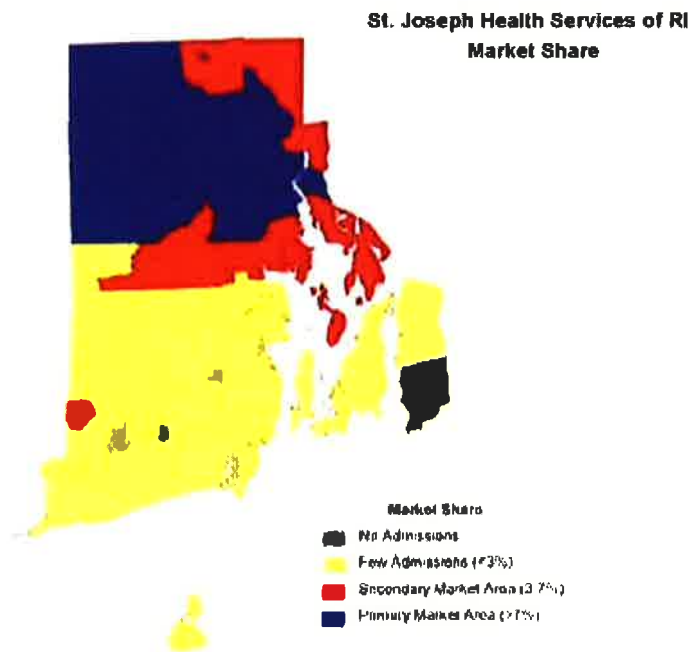
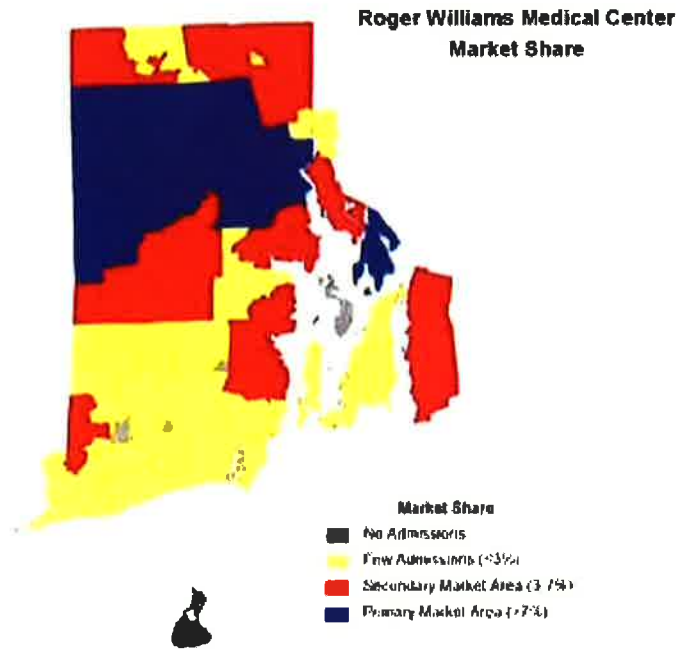
CCHP:

Attached at **Exhibit 53A** is a listing of towns and cities that comprise RWMC and SJHSRI's primary and secondary service areas, respectively. Attached at **Confidential Exhibit 53B** are respective market share charts that detail the primary and secondary service areas. These charts are based upon an analysis of the Existing Hospitals' respective discharge records for FY 2011 and FY 2012. Attached at **Confidential**

Exhibit 53C is a chart that details the Existing Hospitals' primary service area based upon a percent of discharges within certain zip codes. This chart was compiled by Truven Health Analytics using data as of FY 13 Q2.

Below are maps of CCHP's primary and secondary service areas as well as RWMC and SJHSRI primary and secondary service areas.





(e) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to impact of the conversion on the market share of the service area of the Transacting Parties and/or their affiliates;

Response:

The proposed conversion will not result in any change to current market share within the service area of CCHP. Rather, the proposed conversion will ensure that the communities presently served by CCHP will continue to have access to high quality health care.

- (f) Please identify the market share in the service area and state of both licensed and staffed beds of the Transacting Parties and/or their affiliates;

Response:

PMH:

PMH currently has no market share in Rhode Island and offers no services in Rhode Island. Thus, PMH has no licensed or staffed beds in Rhode Island.

CCHP:

The proposed affiliation will not affect the licensed beds of the Existing Hospitals. Based on historical data, RWMC and SJHSRI collectively, have represented approximately 19% of the licensed beds and approximately 20% of the staffed beds in the state. From a utilization perspective, RWMC and SJHSRI have represented between 13.4% and 13.8% of discharges in the state and between 16.7% and 17.5% of the patient days. The affiliation will not impact other institutions that are not part of the proposal.

- (g) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to the impact of the conversion on the market share of the licensed and staffed beds of the Transacting Parties and/or their affiliates;

Response:

The proposed conversion would contribute to a balanced health care delivery system to the residents of the state as the proposed conversion will allow the Existing Hospitals to maintain their existing market share, thus ensuring the continued availability of the services to the market. Conversely, if the Existing Hospitals were to cease operations, there would be a substantial, negative impact on the balance of the healthcare delivery system as a result of a shift in market share and decrease in staffed beds. There are two (2) primary reasons for this statement. First, the Existing Hospitals provide on a charge basis approximately \$25M in charity care to those who would not otherwise be able to afford that level of healthcare. In the event that the Existing Hospitals cease to function, the other healthcare facilities would have to absorb that burden which could well be insurmountable in light of the challenges that all of the hospitals in Rhode Island face with regard to the changing healthcare industry. Furthermore, the Existing Hospitals experience approximately 50,200

emergency room visits per year. Of that number of visits, 64% are of a level four (4) and five (5) acuity, which means that there would be a negative impact on the health outcome to those patients, if they had to seek treatment at other hospitals. Moreover, the other hospitals within the primary and secondary service area would have to absorb those emergency room visits at such critical levels of acuity. The other hospitals would not be able to absorb that demand without additional short-term and long-term capital investment. Thus, it would result in an imbalance in the healthcare delivery system within the relevant service areas.

Impact on Other Providers

- (h) Please discuss the anticipated impact of the proposed conversion on the future viability of other providers of health services in the Transacting Parties and/or their affiliates' service area in the state and justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state in consideration of its impact on other providers of health care services in the state;

Response:

The proposed conversion will not have any negative impact on the future viability of other providers of health services in the Existing Hospitals' primary or secondary service areas within the State of Rhode Island. The Existing Hospitals already have existing market share within those primary and secondary service areas and the Existing Hospitals' contribution of healthcare services has provided for a balanced healthcare delivery system. Conversely, if the Existing Hospitals were to cease operations, there would be a substantial, negative impact on the balance of the healthcare delivery system within the primary and secondary service areas. There are two (2) primary reasons for this statement. First, the Existing Hospitals provide on a charge basis approximately \$25M in charity care to those who would not otherwise be able to afford that level of healthcare. In the event that the Existing Hospitals cease to function, the other healthcare facilities within the primary and secondary service area would have to absorb that burden which could well be insurmountable in light of the challenges that all of the hospitals in Rhode Island face with regard to the changing healthcare industry. Furthermore, the Existing Hospitals experience approximately 50,200 emergency room visits per year. Of that number of visits, 64% are of a level four (4) and five (5) acuity, which means that there would be a negative impact on the health outcome to those patients, if they had to seek treatment at other hospitals in the primary and secondary service area. Moreover, the other hospitals within the primary and secondary service area would have to absorb those emergency room visits at such critical levels of acuity. The other hospitals would not be able to absorb that demand without additional short-term and long-term capital investment. Thus, it would result in an imbalance in the healthcare delivery system within the relevant service areas.

- (i) Discuss in detail the anticipated impact, if any, on the market share of the acquiror and its affiliates, if the proposed conversion takes place, on each of the tertiary or specialty care services identified in (a) above; and

Response:

Currently, PMH has no market share within Rhode Island. Since PMH is proposing to form Prospect CharterCARE, LLC to take over and advance operations at the Existing Hospitals, the proposed conversion would establish PMH's market share in both tertiary and specialty care services. The impact on market share on said services will be minimal as PMH has committed to maintaining existing services for five (5) years post-conversion.

- (j) Discuss in detail the appropriateness of the conversion based on the share of tertiary or specialty care services to ensure a balanced health care delivery system to the residents of the state.

Response:

The proposed conversion will contribute to a balanced health care delivery system by ensuring that the communities presently served by the Existing Hospitals will continue to have access to high quality health care. If the proposed conversion does not move forward it could lead to a cessation of services which would have a negative impact on health care in the communities presently served by the Existing Hospitals and further, create an imbalance in the health care delivery system in the State as these communities will need to seek care in existing facilities. Moreover, this will create an impediment for many needy individuals as they may not have the ability to travel the distances necessary to obtain medical care should the Existing Hospitals cease operations or otherwise curtail services.

- 54. Please provide copies of any opinions or memoranda addressing the state and federal tax consequences of the proposed conversion prepared for a Transacting Party by an attorney, accountant, or other expert.

Response:

PMH:

See **Confidential Exhibit 26A** for a report prepared by BDO addressing the tax consequences of the proposed transaction.

CCHP:

There are no responsive documents.

- 55. Please provide a description of the manner in which the price was determined including which methods of valuation and what data were used, and the names and addresses of persons preparing the documents.

Response:

In December of 2011, CCHP issued an RFP seeking proposals for a strategic partnership. See RFP attached as **Exhibit 14A**. This RFP was distributed to 22 interested parties who had signed confidentiality agreements, including potential partners located both within and outside of Rhode Island. The interested parties represented a cross-section of not-for-profit, publicly traded and privately owned companies. Initial responses were received from six of the solicited parties in late February/early March 2012. Of those responses, two were from parties who asked for more time to gather information before submitting formal proposals, and two were from specialty partners who did not represent an appropriate strategic fit for CCHP.

Discussions with the remaining interested parties continued throughout the rest of 2012. In August of 2012, PMH submitted a response to the RFP. The response is attached as **Confidential Exhibit 14B**. In November of 2012, another interested party submitted a response to the RFP.

CCHP then undertook negotiations relative to the proposals from the remaining interested parties. In January 2013, CCHP retained Cain Brothers to assist with the negotiations. Cain Brothers is an investment banking firm that focuses exclusively on the healthcare industry. See www.cainbrothers.com. Cain Brothers solicited interest from several additional potential partners who had not previously provided proposals. Simultaneously, Cain Brothers conducted parallel negotiations with all remaining interested parties, exchanging proposals with each until March, 2013, with the intention of maximizing the benefit to CCHP and the community across a number of different transactional dimensions. These negotiations resulted in the agreed-upon terms, including:

- Cash consideration of \$45 million
- CCHP's retention of 15% interest in the partnership
- PMH's commitment to capital expenditures of \$50 million over four years, in addition to the commitment to fully fund depreciation expenses at spending levels consistent with CCHP's recent history
- CCHP's right to appoint 50% of the members of the board of directors of Prospect CharterCARE, LLC.
- PMH's commitment to maintain the hospitals and essential clinical services for a minimum of five years

Taken in the aggregate, these terms were the best available to CCHP among the proposals from the remaining interested parties, and CCHP signed the Letter of Intent with PMH on March 18, 2013.

56. Please provide patient statistics for the past 3 years and patient projections for the next year including patient visits, admissions, emergency room visits, clinical visits, and visits to each department of the hospital, admissions to nursing care or visits by affiliated home health entities.

Response:

RWMC and SJHSRI:

Please see Confidential Exhibit 56.

57. Please describe all plans to develop or change the existing services and/or develop new services and programs at the hospital(s) being converted.

Response:

Per the terms of the APA, subject to a determination of ongoing financial viability, and efficiency, Prospect CharterCARE, LLC will maintain the two Existing Hospitals and the full complement of essential clinical services contained therein for a period of five (5) years, post-conversion. The essential services are set forth in Response to Question 59.

PMH has extensive experience in developing successful services and programs in an ever-changing medical care landscape. Several years prior to the introduction of the Affordable Care Act, PMH was among the first health care providers to adopt an operating model that mirrors the objectives of that legislation. PMH builds regional networks of hospitals and medical groups that contribute to the entire continuum of care.

This coordinated regional care platform allows PMH to respond to the rapid changes in reimbursement and care delivery by operating its hospitals efficiently, aligning physician interest with the efficient and effective delivery of health care, and offering a full continuum of non-acute services in the hospitals' service areas. PMH's goal is to ensure that patients receive the right care, at the right time, in the right setting, while avoiding unnecessary, inefficient and duplicative services, while reducing medical errors. Thus, the PMH/CharterCARE venture is committed to providing a coordinated regional care solution in the Providence and North Providence communities that it proposes to serve.

As part of stabilizing the Existing Hospitals, so that existing services can be preserved and new services can be offered, the venture proposes to take a number of steps, which include:

1. Productivity Improvements. The executive team, supported by PMH, will oversee working with individual hospital departments to continue to improve develop productivity for each department. Emphasis will continue to be placed on productivity standards that obtain optimal staffing for both quality outcomes and efficiency.
2. Supply Chain. The executive team, supported by PMH, will oversee an analysis of existing group purchasing organizations ("GPO") to determine whether cost savings can be realized from changes to the existing GPO's.
3. Revenue Cycle. The executive team, supported by PMH, will further explore streamlining existing revenue cycles and outsourcing problematic collections.

4. Clinical Resource Allocation. The executive team, supported by PMH, will implement the utilization of analytical tools to track patients through their medical care at the hospitals and standardize the allocation of resources.
5. Community Outreach. The executive team, supported by PMH, will work to strengthen the already existing outreach programs to area businesses, churches, schools and community groups in their primary service areas to ensure that communities' needs are being met and that existing opportunities are realized. This includes a focus on the area's bilingual community to determine whether there are opportunities to increase services to these communities through bilingual offerings.
6. Quality Incentives. The executive team, supported by PMH, will work to improve the quality functions at the hospitals to ensure that they qualify for any available financial incentives by either meeting or exceeding quality metrics offered by third party payors.

With regard to improving existing services, there are a number of sophisticated tools to successfully manage both the quality and cost of care for its patients. The venture intends to utilize some of these tools to improve existing services at the Existing Hospitals. These tools include:

1. Case Management. The executive team, supported by PMH, will increase the monitoring of care transitions for its patient population by: 1) reconciling medications, 2) setting up follow-up appointments, 3) educating patients about warning signs, and 4) using effective patient-physician communication. Key players in providing case management include inpatient case managers, ambulatory case managers, hospitalists and nurse practitioners on site at hospitals and skilled nursing facilities, social workers, patients' primary and specialty care physicians.
2. Disease Management. The executive team, supported by PMH, will continue to explore implementing case management processes in conjunction with primary care providers. Primary care providers help patients with chronic conditions with self-care management plans, with a case manager being assigned to each patient. The plans include recommendations for patients on routine care, sick-day planning, symptom recognition, and early intervention to prevent unnecessary emergency department visits.
3. In-home teams. The executive team, supported by PMH, will explore implementing "in-home teams". An advanced nurse practitioner, case manager, social worker, and pharmacist would coordinate patients' transition from hospital to home and make home visits.
4. Urgent Care and 'Alternative' Providers. The executive team, supported by PMH, will continue to pursue methods to reduce hospital re-admissions and emergency department visits. PMH has had success in this regard by using hospitalists, skilled nursing physicians and nurse practitioners for better care transitions and, if appropriate, encouraged members to utilize urgent care

facilities or other appropriate outpatient facilities and community based care providers.

The success of new programs aimed at strengthening existing services and implementing new services will be measured in a number of ways:

1. Clinical outcomes. This analysis will be based on industry standards surrounding best practices.
2. Member satisfaction. This analysis will be based on the results of an annual survey of members who participated in a program.
3. Financial outcomes. This analysis will be based on claims cost, emergency room visits, hospital admissions, and healthcare cost outcomes with a goal that members who participate in a population health management program have lower healthcare costs compared to people with similar conditions who do not participate.

PMH has a track record of success in implementing the above systems and programs. The plan is to have the executive team leverage PMH's knowledge and experience to implement similar systems and programs at a local level in Rhode Island and continue to build on successful initiatives currently in place at CCHP. This will allow an efficient delivery system to be designed and implemented which will meet the needs of the local communities.

While there should always be a place for the acutely and episodic ill, the Prospect CharterCARE, LLC's mantra will be keeping patients healthy (and out of the hospital) by implementing the programs and tools describe above.

58. Please provide any and all documents (including, but not limited to, letters, memoranda, reports, minutes, and the like) reflecting consideration of potential "partners" other than the Transacting Parties (including affiliations, mergers, acquisitions, purchases or the like) by the Transacting Parties for the full prior 3 calendar years up to the present, including, but not limited to, the following:

- (a) A list of potential "partners" and a description of any negotiations with such party;
- (b) Copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties, including, but not limited to, reports by appraisers, accountants, investment bankers, actuaries and other experts;
- (c) Copies of any and all proposals, bids presentations, correspondence, memoranda and/or other forms of communication to or from actual or potential strategic partners or acquirors of any interest in the Transacting Parties and/or its affiliates, including, but not limited to, preliminary, modified or superseded proposals, bids,

presentations or communications relating thereto and responses to any said proposals or the like;

- (d) Any proposals, or other presentation and discussion packet materials, both formal and informal, prepared for and/or provided by the Transacting Parties and their affiliate hospital or their consultants or advisors with respect to the proposed conversion;
- (e) Copies of any opinions or memoranda addressing the state and federal tax consequences of the proposed conversion prepared for a Transacting Party or its' affiliates by an attorney, accountant, or other expert, including whether the proposed conversion is proper under applicable federal and state tax code provisions; and

Response:

- (a) Please see **Confidential Exhibit 58A.**
- (b) Please see **Confidential Exhibit 58B.**
- (c) Please see **Confidential Exhibit 58C.**
- (d) Please see **Confidential Exhibits 58D** and **58B.**
- (e) None

59. Please provide an Integration Plan for the proposed conversion. An Integration Plan should include the following key components at a minimum:

- (a) **Financial/Business Plan:** Please quantify the projected enhanced revenue versus the operational cost, capital cost and financing plan for the combined operations of the affiliated entities, including any management fees, etc. to be paid by the Transacting Parties and any of the affiliates as well as for each entity. These financial projections must include documentation of the expected operational, clinical and corporate cost reductions and efficiencies to be gained through the conversion. For example, is it anticipated that all of the current management staff will remain or will the plan require management consolidations? Projections must then be compared to the current baseline financial projection assuming the affiliation did not occur; and
- (b) **Feasibility Assessment:** Please provide justification that the underlying assumptions supporting the financial/business plan for the resulting entities post transaction are reasonable. For example, what market share, rate increases, property sale/value, new research grants, utilization increases, changes in reimbursements from payors, financing capabilities, potential new services to be provided, etc. are assumed in the proposed revenue projections?

Response (a) and (b):

The projections underlying the financial/business plan component of the Integration Plan are referenced in the Response to Appendix A.

Operational, clinical and corporate cost reductions/efficiencies are expected to be gained through a number of steps which include:

1. Productivity Improvements. The executive team, supported by PMH, will oversee working with individual Hospital departments to continue to improve productivity for each department. Emphasis will continue to be placed on productivity standards that obtain optimal staffing for both quality outcomes and efficiency.
2. Supply Chain. The executive team, supported by PMH, will oversee an analysis of existing group purchasing organizations (“GPO”) to determine whether cost savings can be realized from changes to the existing GPO’s.
3. Revenue Cycle. The executive team, supported by PMH, will further explore streamlining existing revenue cycles and outsourcing problematic collections.
4. Clinical Resource Allocation. The executive team, supported by PMH, will implement the utilization of analytical tools to track patients through their medical care at the Hospitals and standardize the allocation of resources.
5. Community Outreach. The executive team, supported by PMH, will work to strengthen the already existing outreach programs to area businesses, churches, schools and community groups in their primary service areas to ensure that communities’ needs are being met and that existing opportunities are realized. This includes a focus on the area’s bilingual community to determine whether there are opportunities to increase services to these communities through bilingual offerings.
6. Quality Incentives. The executive team, supported by PMH, will work to continually improve the quality functions at the Hospitals to ensure that they qualify for any available financial incentives by either meeting or exceeding quality metrics offered by third party payors.

The Transacting Parties do not intend on gaining efficiencies and/or cost savings through the elimination of services. In fact, the transactional documents indicate that a full complement of essential services shall be maintained for a minimal period of five (5) years, post-conversion. The essential services are identified as follows:

- Medical/Surgical Services and Intensive/Coronary Care Unit

- Inpatient and Outpatient Rehabilitation Services, including Sub-acute and Skilled Nursing facility
- Ambulatory Care Services
- Emergency Services
- Inpatient and Outpatient Psychiatric/Mental Health/Addiction Medicine Services
- Diagnostic Imaging and Interventional/Radiology Services, including diagnostic cardiac catheterization
- Laboratory/Pathology
- Inpatient and Outpatient Cancer Services including Blood and Marrow Transplantation/Surgical and Radiation Oncology
- Sleep Lab
- Wound Care/Hyperbaric Services
- Dermatology
- Health center services (GYN & pediatric clinic, adult and pediatric dentistry, immunizations, WIC)
- Homecare/Hospice services

With regard to improving existing services, there are a number of sophisticated tools that successfully manage both the quality and cost of care for patients. Prospect CharterCARE, LLC intends to utilize some of these tools to improve existing services at the Hospitals. Those tools include:

1. Case Management. The executive team, supported by PMH, will increase the monitoring of care transitions for its patient population by: 1) reconciling medications, 2) setting up follow-up appointments, 3) educating patients about warning signs, and 4) using effective patient–physician communication. Key players in providing case management include inpatient case managers, ambulatory case managers, hospitalists and nurse practitioners on site at hospitals and skilled nursing facilities, social workers, patients’ primary and specialty care physicians.
2. Disease Management. The executive team, supported by PMH, will continue to explore implementing case management processes in conjunction with primary care physicians. Primary care providers help patients with chronic conditions with self-care management plans, with a case manager being assigned to each patient. The plans include recommendations for patients on routine care, sick-day planning, symptom recognition, and early intervention to prevent unnecessary emergency department visits.
3. In-home teams. The executive team, supported by PMH, will explore implementing “in-home teams”. An advanced nurse practitioner, case

manager, social worker, and pharmacist would coordinate patients' transition from hospital to home and make home visits.

4. Urgent Care and 'Alternative' Providers. The executive team, supported by PMH, will continue to pursue methods to reduce hospital re-admissions and emergency department visits. PMH has had success in this regard by using hospitalists, skilled nursing physicians and nurse practitioners for better care transitions and, if appropriate, encouraged members to utilize urgent care facilities or other appropriate outpatient facilities and community based care providers.

Furthermore, Prospect CharterCARE, LLC will immediately explore strategic initiatives with consideration given to the growth and development of clinical centers of excellence with examples being a focus on cancer care, geriatric continuum, behavior health, digestive disease, bariatric treatment, and diabetes, as well as pursuing opportunities in neurological sciences, dermatology and wound care, and orthopedics. Strategic initiatives will also place an emphasis on clinical integration and medical staff-system alignment and engagement.

Moreover, Prospect CharterCARE, LLC, post-conversion, will benefit immensely from the fact that the transaction will eliminate \$31M in material indebtedness now burdening the Existing Hospitals and satisfy all encumbrances on the Purchased Assets.

- (c) Benefit to the Community: Please demonstrate the impact of each element of the integration plan on the community, specifically considering affordability. For example, will this plan require increases in fees to offset the required investments or other changes in medical services? In addition, the application must demonstrate the impact of each element of the Integration Plan on the community in terms of quality and access including, but not limited to, the following:
 - (i) Plans to improve access and provide benefits to the community in geographic areas to be served under the proposed affiliation;
 - (ii) Commitment to a primary care-based infrastructure and its design in comparison to NCQA's Medical Home standards; and
 - (iii) Determination of unmet needs of the population in geographic areas to be served, how the proposed conversion will address such unmet needs, and the improved community/population outcomes that are anticipated as a result.

Response (c): The CCHP entities have, for decades, provided significant levels of care for underserved, indigent, and low income patients in Rhode Island. Such care has been provided through a variety of community based programs.

In fiscal year 2012, the Existing Hospitals provided on a charge basis approximately \$25M in charity care to those who would not otherwise be able to afford such care. Additionally, Prospect CharterCARE, LLC participates in Medicare and Medicaid, which, to a great extent, serves underserved populations.

Regarding PMH's history of serving underserved populations, a number of PMH affiliate Hospitals are so-called "safety net hospitals". In fact, PMH is a member of Private Essential Access Community Hospitals ("PEACH"). PEACH is a network of private, core safety net hospitals in California that care for disproportionate share or low-income, medically vulnerable, and underserved patients. Additionally fiscal year 2012, PMH's affiliate hospitals provided over \$60M in charity care, of which a large portion treats low-income, medically vulnerable, and underserved patients.

Part of Prospect CharterCARE, LLC's mission will be to continue the provision of high quality care to those who would otherwise be unable to afford that level of medical care or otherwise not have access to same.

Subject to changes in legal requirements and governmental guidelines Prospect CharterCARE, LLC will adopt, maintain and adhere to CCHP's policy on charity care and or adopt policies and procedures that are at least as favorable to the indigent, uninsured and underserved as CCHP's existing policies and procedures. Thus, Prospect CharterCARE, LLC will continue to provide any and all medically necessary services to patients regardless of their ability to pay and further will continue to participate in Medicare and Medicaid.

Furthermore, Prospect CharterCARE, LLC will continue to provide care through sponsorship and support of community based health programs, including cooperation with local organizations that sponsor healthcare initiatives to address identified community needs and improve the health status of the elderly, poor, underserved, and at risk populations in the community.

As such, PMH and CCHP commit that charity care and an emphasis on ensuring service to underserved sectors of the population will continue to play an important role in the care that Prospect CharterCARE, LLC will provide.

The proposed conversion will ensure that Prospect CharterCARE, LLC, through PMH, has access to the necessary capital and expertise to continue operating in a changing healthcare landscape, thus ensuring that the indigent, uninsured and underserved continue to have access to high quality healthcare.

Furthermore, it cannot be underemphasized that the unique model that the Partnership brings to Rhode Island is, in itself, a benefit to the community. The non-profit entity that currently carries forth the mission of the Existing Hospitals will remain an owner. Furthermore, the Board of Directors overseeing Prospect CharterCARE, LLC will have 50% of its members being appointed

by CCHP and 50% appointed by the PMH. In turn, the Board of Directors will also form Local Boards for each of the Hospitals, post-conversion. The Local Boards shall be comprised as follows: fifty (50%) percent of the Boards shall consist of physicians on the Hospital's medical staff; and the other fifty (50%) percent shall consist of the Hospital CEO and local community representatives.

Finally, it cannot be overlooked that there is an immeasurable community benefit to maintaining the jobs and corresponding positive economic impact on the community. In this specific transaction, employees of the Existing Hospitals, who were employed as of the Closing Date, and in good standing, shall be made a written offer of employment. Those employees will receive their base salaries and wages equal to their base salaries and wages as of the Closing Date. Furthermore, those employees shall retain seniority. In turn, Prospect CharterCARE, LLC will provide benefits to the transferred employees at benefit levels substantially comparable to those provided under the Existing Hospitals plans, including but not limited to qualified retirement plans, vacation, sick leave, holiday, health insurance, life insurance and 401(k) plans.

There is also a tremendous positive economic impact on the community beyond jobs as the Existing Hospitals inject over \$524M into the State of Rhode Island each year. This will continue as the Transacting Parties will inject \$50M in capital into Prospect CharterCARE, LLC over the first four (4) years of operation. The long term funding commitment, subject to specific capital improvement projects to be determined by the future Board of Directors, may include: expansion of the Cancer Center at the Roger Williams Medical Center; expansion of the Emergency Department at the Roger Williams Medical Center; renovations and reconfiguration of the Emergency Department at Our Lady of Fatima Hospital; renovations of the operating rooms at Roger Williams Medical Center; conversion of all patient rooms to private rooms at both Hospitals; renovations and expansions of the Ambulatory Care Center at Our Lady of Fatima Hospital; new windows at both Hospitals; a new generator at Our Lady of Fatima Hospital; a facelift for the façades of both Hospitals; and access for the handicap at the front entrances of both Hospitals.

- (d) Balanced Health Care Delivery Assessment: The application must demonstrate how the proposed transaction will contribute to a more efficient delivery system, rebalancing institutionally based-care and community-based care to ensure that care is delivered in the most appropriate, least restrictive setting.

Response: The above-referenced strategic initiatives will be part and parcel of how Prospect CharterCARE, LLC will contribute to a more efficient delivery system, rebalance institutional based-care and community based-care to ensure that care is delivered in the most appropriate, least restrictive setting. In addition, PMH has extensive experience in developing successful services and programs in an ever changing medical care landscape. Several years prior to the introduction of the Affordable Care Act, PMH was among the first health care providers to adopt an operating model that mirrors the objectives of that legislation. PMH builds regional networks of hospitals and medical groups that contribute to the entire continuum of care.

This coordinated regional care platform allows PMH to respond to the rapid changes in reimbursement and care delivery by operating its hospitals efficiently, aligning physician interest with the efficient and effective delivery of health care, and offering a full continuum of non-acute services in the hospitals' service areas. PMH's goal is to ensure that patients receive the right care, at the right time, in the right setting, while avoiding unnecessary, inefficient and duplicative services, while reducing medical errors. Thus, the PMH/CharterCARE venture is committed to providing a coordinated regional care solution in the Providence and North Providence communities that it proposes to serve.

- (e) Patient Discharge: What will be done to promote patient discharge to the least intensive setting, as well as decreased preventable hospitalizations, re-hospitalizations, non-emergent care in the Emergency Department, medical errors, etc.?

Response:

The Existing Hospitals have established numerous high quality programs to address issues related to discharge, preventable hospitalizations, re-hospitalizations. These programs are detailed below. Prospect CharterCARE, LLC intends to retain these programs and adjust them as necessary to ensure that these vital issues continue to be addressed.

The behavioral health and the medical/surgical divisions of the Existing Hospitals have separate programs designed to address the unique needs of the respective departments.

1. Behavioral Health:

Promoting Patient Discharge to the Least Intensive Setting:

In Behavioral Health (BH) RN case managers are responsible for working with the behavioral health interdisciplinary team (psychiatrist, nurse social worker, occupational therapist and mental health workers), along with community outpatient providers to formulate an effective discharge plan. In order to accomplish this, the following processes are in place:

- a. Discharge assessments which include:
- Goal of the admission
 - Current functional level in the community of the patient
 - Baseline (mental/functional/medical)
 - Where patient was admitted from, i.e. Assisted Living, Group Home, etc.
 - Disease process/surgical procedure/medical history
 - Living arrangements
 - Discharge needs: medications, transportation, ADLs, IADLs, equipment, etc.
 - Barriers to discharge (finances, family dynamics, language)

- Patient/family skill level, health literacy and ability to care for patient in home setting.
- b. Case Managers develop discharge plans based on assessment results and input from the multi-disciplinary health care team to determine the least intensive post-discharge setting. The goal is to return the patient to the least intensive and restrictive setting.
- c. Social workers complete psychosocial assessments that complement the initial clinical plan and the utilization review work of the BH RN case managers.
- d. The patient and family/friends/significant others are included in the development of the plan.
- e. Family meetings are held to educate patient/family to the importance of keeping the patient in the home setting and determining the resources needed to ensure this to be a safe setting for the patient.
- f. All patients receive assistance with securing mental health community resources to assist with safe transitions from the acute care setting to the out-patient or post-acute care setting.
- g. Our involvement with community mental health centers ensures there is communication, working relationships, adequate resources, etc. for safe transitions throughout the continuum of care.
- h. The interdisciplinary team carries out the plan as developed including fundamental elements such as ensuring patients/families have opportunities to learn the disease process, have an understanding of their medications, can return demonstrations for procedures, i.e. diabetic testing, medication administration.
- i. Other Departments - Pharmacy, Respiratory Therapy, Rehabilitation Therapy, and Nutritionists are also consulted to educate the patient/family and provide resources so the patient can be transferred home.

Decreasing Preventable Admissions:

Licensed mental health clinicians and physicians assess medical necessity for each (BH) patient in the emergency room for level of care admission determinations. When a patient does not meet the hospital level of care, assistance with linkage to access to out-patient services is provided.

Decreasing Preventable Readmissions:

1. The aforementioned discharge planning processes done well contributes to decreasing preventable admissions.
2. Prior to discharge, the interdisciplinary team engages the patient in discussion and on strategies to prevent readmission such as:
 - Medication adherence and education
 - Safety plans are created which include signs and symptoms of psychiatric decompensation
 - All patients are linked to their local community mental health services treatment and support
 - Detailed follow up appointments are created and transportation is arranged
 - Discharge instructions and information is documented on the Rhode Island Continuity of Care forms (COC)
 - A COC is completed for every patient being discharged and forwarded to all post-acute care facilities and to the Primary Care Physician.
 - Currently developing and creating an electronic COC.
 - Outpatient services are available for patients that do not meet hospital level of care.
 - Patients are informed of the outpatient sites; i.e. community mental health services.
 - MSW is assigned to the Emergency Department seven (7) days per week to assist patients with accessing out-patient services.

2. Medical/Surgical Patients:

Promoting Patient Discharge to the Least Intensive Setting:

- a. Discharge Plans are created for each medical/surgical patient. The Case Management Department is responsible for determining, coordinating and collaborating discharge plans.
- b. Case Managers (Registered Nurses) conduct daily assessments on all patients within 24 hours of admission. The assessments include patients':
 - Baseline (mental/functional/medical)
 - Current status (mental/functional/medical)
 - Where patient was admitted from, i.e. Assisted Living, Group Home, etc.
 - Disease process/surgical procedure/medical history
 - Living arrangements

- Discharge needs: medications, transportation, ADLs, IADLs, equipment, etc.
 - Barriers to discharge (finances, family dynamics, language)
 - Home environment
 - Patient/family skill level, health literacy and ability to care for patient in home setting.
- c. A process has been developed to allow for physicians or other health care providers to also request a consult with a RN Case Manager or Masters Prepared Social Workers (MSW) Case Manager.
 - d. Case Managers develop discharge plans based on assessment results and input from the multi-disciplinary health care team to determine the least intensive post-discharge setting. The goal is to return the patient to the home setting whenever possible.
 - e. The patient and family/friends/significant others are included in the development of the plan. Family meetings are held to educate patient/family to the importance of keeping the patient in the home setting and determining the resources needed to ensure this to be a safe setting for the patient.
 - f. All patients with psychosocial, economic issues are referred to a MSW, who are employees of the Case Management Department. The MSWs assist with securing community resources to assist with safe transitions from the acute care setting to the out-patient or post-acute care setting.
 - g. Involvement with CCTP (Community-Based Care Transitions Program) assists with networking with post-discharge facilities (Nursing Homes, Acute Rehab, Long Term Care Facilities (LTAC), Home Care Agencies, etc.). Strategies are developed to ensure there is appropriate communication, relationships, resources, etc. for safe transitions throughout the continuum of care.
 - h. The Nursing Department employees execute the plan by ensuring patients/families are educated to the disease process, have an understanding of their medications, can return demonstrations for any procedures, i.e. self catheterization, dressing changes.
 - i. Other Departments-Pharmacy, Respiratory Therapy, Rehabilitation Therapy, and Nutritionists are also consulted to educate the patient/family and provide resources so the patient can be transferred home.

Decreasing Preventable Admissions:

The Case Management Department is responsible for the Utilization Review functions.

- a. All patients are reviewed daily to determine if they meet criteria for acute hospital level of care. McKesson InterQual® and Milliman Care Guidelines® are utilized to match patients' signs/symptoms/disease process, etc. against the criteria.
 - If patients do not meet criteria for admission, a second review is solicited from the Physician Advisor (member of the Utilization Review Committee). If Physician Advisor agrees, patients are issued HINNS (Hospital Issuance of Non-Coverage).
- b. A Case Manager is assigned to the Emergency Department to review patients and determine level of care.
- c. Case Managers are also available for patients in Interventional Radiology, Ambulatory Surgery, Cancer Center and the Wound Center to review patients for level of care admission determination.
- d. Community Resources (over 90) are listed on the Case Management intranet. Resources and education are provided to patients to access out-patient services, when appropriate.

Decreasing Preventable Readmissions:

A Concurrent Readmission Prevention Program has been implemented.

- a. All readmitted patients are interviewed to “drill down” on reasons for readmissions.
- b. Information obtained from interview is shared with the Case Managers and other health care providers.
- c. The information is utilized to develop a readmission prevention plan for the patient.
- d. All patients are assessed for Readmission Risk.
 - Case Managers assess patients to determine readmission risk.
 - If risk is identified the patient's insurer is contacted to have the patient enrolled in a Disease Management Program.
- e. The organization has partnered with Care Link and CCTP.
 - Coaches will visit patients to assist with plans to prevent readmissions. They will also follow the patient to the post-acute facility.
- f. A structured Length of Stay (LOS) Program is utilized. (Studies have shown that a low LOS has a correlation with decrease in readmissions.)
- g. Safe Transition/Readmission Committee has been formed.

- Members are multidisciplinary and have already developed many initiatives to prevent readmissions.
 - A Readmission Strategic Plan has been created.
 - The QIO (Healthcentric Advisors) is a member of the committee.
- h. Best Practice Standards have been adopted to prevent readmissions.
- Compliance to these standards is measured monthly.
 - Currently meeting the standards $\geq 90\%$ of the time
- i. Discharge Follow-up Calls are conducted 24 – 72 hours after discharge for patients discharged to home.
- j. Discharge instructions and information is documented on the Rhode Island Continuity of Care forms (COC)
- COC is completed for every patient being discharged and forwarded to all post-acute care facilities and to the Primary Care Physician (PCP).
 - Currently developing and creating an electronic COC.
- k. Outpatient services are available for patients that do not meet hospital level of care.
- Patients are informed of the outpatient sites; i.e. infusion center, rehab center, cancer center, wound clinic, community health services.
 - A MSW is assigned to the Emergency Department seven (7) days per week to assist patients with accessing out-patient services.
- (f) Integration Plan Approval: Has the Integration Plan been discussed with and approved by the boards of the hospital? Please provide evidence that the Integration Plan has been discussed with provider groups and community members. Please document your response.

Response: The Integration Plan will be reviewed and refined by the Board of Directors with input from the Local Boards under the governance structure above-outlined. However, the major building blocks of the Integration Plan are set forth in the Asset Purchase Agreement which has been approved by the Transacting Parties, pre-conversion with the intention of implementing these steps, post-conversion.

60. Please provide the names, addresses and phone numbers of professional consultants engaged in connection with the proposed conversion.

Response:

PMH:

Attached at **Exhibit 60A** is a list of consultants utilized by PMH for this transaction.

CCHP:

Attached at **Exhibit 60B** is a list of consultants utilized by CCHP for this transaction.

61. Please provide a copy of any agreement outlining the Scoping of services to be rendered by any consultant or expert engaged by the Transacting Parties in connection with the proposed transaction, including the cost thereof.

Response:

PMH:

At **Confidential Exhibit 61A**, are engagement letters with consultants utilized by PMH for the instant transaction. In certain instances, due to the fact that the consultants and PMH have an established relationship, there is not a specific engagement letter for this transaction. In those cases, the most recent engagement letter with that party has been provided. The engagement letters have been redacted where necessary to protect the attorney client privilege.

CCHP:

Please see **Confidential Exhibit 61B**. There are no written agreements for Cambridge Research Institute, Angell Pension Group, Schulte Roth Zubel, LLC and The Camden Group.

62. Please provide all studies, reports, analyses, and plans regarding: (a) integration or coordination of clinical programs and related administrative functions post conversion; and (b) the extent to which the clinical and administrative services provided by the Transacting Parties and their affiliate entities do and/or do not overlap and/or are complementary of one another.

Response:

The Integration Plan is set forth in Response to Question No. 59. With regard to clinical services, there will be no overlap by and between PMH and its hospital affiliates as to the Licensed Entities. As for administrative services, administrative support will come from PMH via Prospect Advisory.

I. QUALITY AND EFFICIENCY

63. Please provide the Corporate Compliance Program for each of the Transacting Parties.

Response:

PMH:

Attached at **Confidential Exhibit 63A** is the Corporate Compliance Program for PMH.

CCHP:

Attached at **Confidential Exhibit 63B** is the Corporate Compliance Program for CCHP.

RWMC and SJHSRI follow CCHP's Corporate Compliance Program.

64. Please identify for each of the Transacting Parties and their affiliates whether or not their JCAHO accreditation is currently in good standing. If not, then please discuss in detail the reasons and provide copy of the JCAHO survey.

Response:

PMH:

The following affiliate Hospitals are accredited by Det Norske Veritas ("DNV") and said accreditation is in good standing: Hollywood Community Hospital– Hollywood, California, Hollywood Community Hospital Van Nuys, Hollywood Community Hospital at Brotman Medical Center, Los Angeles Community Hospital, Norwalk Community Hospital.

The following affiliate hospitals are accredited by the Joint Commission (f/k/a JCAHO): Nix Healthcare System, Nix Specialty Health Center, and Nix Community General Hospital. Said accreditation is in good standing.

CCHP:

CharterCARE Home Health Services is accredited by the Joint Commission (f/k/a JCAHO). Said accreditation is in good standing.

Elmhurst Extended Care Facilities, Inc. is accredited by the Joint Commission (f/k/a JCAHO). Said accreditation is in good standing.

RWMC:

Roger Williams Medical Center is accredited by the Joint Commission (f/k/a JCAHO). Said accreditation is in good standing.

SJHSRI:

St. Joseph Health Services of Rhode Island is accredited by the Joint Commission (f/k/a JCAHO). Said accreditation is in good standing.

65. Please provide all summary reports concerning patient satisfaction surveys for the Transacting Parties and/or its affiliates for the last 3 years.

Response:

PMH:

Attached at **Exhibit 65A** are available summary reports concerning patient satisfaction surveys for PMH's affiliate hospitals from 2011 through 2013. Please note that the data for Nix Hospitals commences in the 1st Quarter 2012, as PMH completed its purchase of the Nix Hospital System in February of 2012.

CCHP:

Please see the following at **Exhibit 65B:**

- CCHP Home Care Survey Summary 2010-2013
- EEC Satisfaction Survey Summary September 2012-November 2012
- EEC Satisfaction Survey Summary January 2013 - May 2013
- EEC Satisfaction Survey Summary October 2011

RWMC:

Please see the following at **Exhibit 65C:**

- Patient Satisfaction Survey 2010-13

SJHSRI:

Please see the following at **Exhibit 65D:**

- SJHSRI Patient Satisfaction Survey 2010-13

66. Please describe how the Transacting Parties will make investments to expand supportive primary care in Rhode Island.

Response:

PMH places an emphasis on building medical groups and the development of clinics. In fact, PMH would not be seeking to partner with CCHP, if PMH did not intend to focus on the development of supportive primary care in the community. PMH, in conjunction with CCHP's local management team, intends to undertake a detailed strategic planning process which will include consideration and evaluation of market data and projections, current and proposed regulatory environments, operational and financial requirements, and preliminary

staffing and capital expenditures. The results of this detailed analysis will determine how investments will be made to expand supportive primary care in Rhode Island.

Additionally, PMH's investments in primary care have resulted in a network of 18 specialty and primary care clinics in Texas and California, and PMH's investment in creating Medical Groups in southern California has resulted in a network of approximately 1,100 primary care and 2,200 specialty physicians who provide physician services to over 180,000 enrollees.

In this transaction, PMH has committed to \$50M in capital expenditure over four (4) years, post-conversion. The specific uses of the capital expenditure funds will be determined post conversion after appropriate studies and analyses are undertaken. Though, it is known that in addition to existing physical plant improvements, the anticipated investments will focus on building primary care networks through the development and implementation of physician engagement strategies.

67. Please describe how the Transacting Parties will use capitalization, collaboration and partnerships with community health centers and private primary care practices to reduce inappropriate Emergency Department use.

Response:

See Response to Question 59. In addition, Prospect CharterCARE, LLC will build on PMH's experience in developing primary care physician relationship and developing clinics to address this issue as detailed in the Responses to Questions 1 and 59.

68. Intentionally omitted.

69. Please provide any documents that indicate the efficiencies that are planned and/or projected from the proposed conversion of each of the Transacting Parties and/or their affiliates for a period starting with the Effective Date, running 3 years forward.

Response:

Please see the attached chart indicating projected efficiencies for three years from the Effective Date at **Confidential Exhibit 69**.

70. Please provide any and all documents referring or relating to determination of hospital efficiency for the Transacting Parties and their affiliates for the past 3 years that were provided to the board or senior management.

Response:

PMH:

PMH does not have reports that were specifically provided to the board or senior management, but there is a consistent focus throughout the PMH organization to improve efficiency. Some recent examples of steps taken to improve efficiency are as follows:

1. Decreased Medicare average length of stay by 0.4 at Southern California hospitals from FY12 to FY13 - annualized savings of \$1.5M.
2. Implemented surgical equipment reprocessing at Southern California hospitals in FY13 - annualized savings of \$125K.
3. Eliminated rental expenses of beds, pumps, vents, and other equipment at Southern California hospitals by purchasing as capital in FY13 – annualized savings of \$300K.
4. Reduced registry use through proper hiring and management of registry utilization process at Hollywood Community Hospital at Brotman Medical Center in FY12 – annualized savings of \$720K.
5. Redeveloped staffing matrix for all Southern California hospitals in FY12 Q3 and implemented real-time monitoring of labor standard adherence - savings of \$4.0M annualized compared to 1st half of FY12.
6. Leveraged surgical volumes and practice standardization to reduce implant pricing at Hollywood Community Hospital at Brotman Medical Center in FY13 - annualized savings of \$100K.
7. Renegotiated blood products contract with American Red Cross for Southern California hospitals in FY11 – annualized savings of \$110K.
8. Consolidated copiers/printer/fax to a single service contract in FY13 for 4 of 5 Southern California hospitals – annualized savings of \$130K.
9. Negotiated favorable reagent pricing at the time of replacing out-of-service chemistry analyzers at Los Angeles and Norwalk Community hospitals in FY12 – annualized savings of \$100K.
10. Improved professional liability claims experience, and litigation handling at Southern California hospitals in FY13 – annualized savings of professional liability and general liability premiums of \$1.3M.
11. Implemented pharmacy cost reduction strategies such as auto-substitutions and Group Purchase Organization pricing at all hospitals - annualized savings of approximately \$2.5M in FY13.
12. Reduced pharmacy department costs at Nix Health system by bringing services in-house – annualized savings of \$175K for outside consultant management fee, and \$500K for department labor costs in FY13.

13. Improved workers compensation claims experience, and litigation handling at Hollywood Community Hospital at Brotman – annualized savings of \$500,000 in FY13.

CCHP:

As a result of the CCHP Affiliation, the organization had identified and realized efficiencies from 2009 to 2013. The attached summary tracking schedule at Exhibit 70 was provided and reviewed with the Board of Trustees and Leadership over the prior three years.

AMS was engaged in 2010 to do an operational/financial review of SJHSRI as result of not meeting the financial bond debt covenant requirement. Attached at Confidential Exhibit 70A is their report identifying efficiency opportunities.

AMS was engaged to assist in the consolidation of Lab services, attached at Confidential Exhibit 70B are the Lab reports provided.

In 2012, CCHP engaged FTI Consulting to look at some focus areas: Supply Chain, Revenue Cycle, Productivity, and Clinical and Operational Effectiveness. The reports are attached at Confidential Exhibit 70C.

J. STAFF

71. Please provide a description of staffing levels of all categories of employees, including full-time, part-time, and contract employees currently working at, or providing services to, the existing hospital(s) and a description of any anticipated or proposed changes in current staffing levels, including, but not limited to, copies of plans relative to staffing during the first 3 years at the new hospital(s).

Response:

Prospect CharterCARE, LLC will maintain a ratio of full-time equivalent employees to average occupied bed that is consistent with accepted industry practices.

The chart at Appendix A(1) provides past, present, and projected FTE information.

The Existing Hospitals currently utilize productivity targets and adjust staffing based on volume levels in the Existing Hospitals. Prospect CharterCARE has not developed any post-conversion changes to the current targets. However, as part of its on-going management responsibilities, CharterCARE continues to review, adjust and monitor the productivity targets and the actual performance at each facility. At this point, no plans that differ from the existing staffing and productivity models are necessary. Thus, with the exception of routine course of business adjustments, there are no anticipated changes in the current staffing levels. The Existing Hospitals utilize productivity targets and adjust staffing based on volume levels in the Existing Hospitals. Post-conversion, the Existing Hospitals will continue to utilize productivity targets to assist with determining appropriate staffing levels.

The provisions of the APA with regard to employment provided in pertinent part that with regard to existing employees, at least 10 days prior to closing, Prospect CharterCARE, LLC must make a written offer of employment, subject to closing, to substantially all of the employees listed on the updated employee list who will continue to be employees as of such date and are anticipated to be employees as of the closing date, and are in “good standing” as of the closing date (the “Transferred Employees”).

Each of the Transferred Employees will get base salaries and wages equal to their base salary and wages as of the closing date. The Transferred Employees will retain their seniority for the purposes of benefits, salaries and wages. In turn, Prospect CharterCARE, LLC will provide benefits to the Transferred Employees at benefit levels comparable to benefits provided under the Existing Hospitals’ plans, including but not limited to vacation, sick leave, holiday, health insurance, life insurance, 401(k) plans, etc. Any Transferred Employee who is terminated without cause within a 12 month period following the closing date will be offered a severance package on terms comparable to the severance package in effect with respect to Existing Hospitals’ employees prior to the closing date. Prospect CharterCARE, LLC shall be responsible for providing continuation coverage as required under COBRA.

72. Please provide a copy of all union contracts and any written comments from any of the unions regarding the proposed conversion.

Response:

CCHP: Not applicable

RWMC: Not applicable

SJHSRI:

Please see attached at **Confidential Exhibit 72** the following:

- Agreement between Federation of Nurses and Health Professionals Local 5022 and SJHSRI dated June 28, 2013
- Agreement between SJHSRI and United Nurses and Allied Professionals, Local 5110 dated November 2008.

K. SERVICES

73. Please provide: (a) a list of all medical services, departments, clinical services, and administrative services that shall be maintained at the new hospital; and (b) a description of all departments, clinical, social, or other services or medical services (including emergency and primary care) that will be changed, eliminated, or significantly reduced at the new hospital.

Response:

There are no plans to change modify, eliminate or significantly reduce any clinical, social or medical services.

The transactional documents indicate that a full complement of essential services shall be maintained for a minimal period of five (5) years, post-conversion. The essential services are identified as follows:

RWMC:

- Medical/Surgical Services and Intensive/Coronary Care Unit
- Outpatient Rehabilitation Services
- Ambulatory Care Services
- Emergency Services
- Inpatient and Outpatient Psychiatric/Mental Health/Addiction Medicine Services
- Diagnostic Imaging and Interventional/Radiology Services, including diagnostic cardiac catheterization
- Laboratory/Pathology
- Inpatient and Outpatient Cancer Services including Blood and Marrow Transplantation/Surgical and Radiation Oncology
- Sleep Lab
- Wound Care
- Dermatology
- Homecare/Hospice services

SJHSRI:

- Medical/Surgical Services and Intensive/Coronary Care Unit
- Inpatient and Outpatient Rehabilitation Services
- Ambulatory Care Services
- Emergency Services

- Inpatient and Outpatient Psychiatric/Mental Health/(Outpatient) Addiction Medicine Services
- Diagnostic Imaging and Interventional/Radiology Services
- Laboratory/Pathology
- Inpatient and Outpatient Cancer Services
- Wound Care/Hyperbaric Services
- Health Center Services (GYN & pediatric clinic, adult and pediatric dentistry, immunizations, WIC)
- Hospice services

EEC:

- Sub-acute and Skilled Nursing facility

Appendix A

APPENDIX A

ALL APPENDICES MUST BE COMPLETED

Appendix A is divided into three tabs. The first tab contains consolidated statistics and projections for the entire CCHP system. The Applicants submit that the consolidated statistics are most relevant, as the business and operational plan is to operate the two (2) Existing Hospitals as part of a network. Moreover, many of the initiatives planned have been developed and will be implemented on a system-wide basis.

The second tab contains RWMC statistics broken out by that particular institution. The third tab contains Fatima Hospital's statistics broken out by that particular institution.

Tab 1

APPENDIX A (CONT.)

Consolidated

1. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (with fringe benefits) at the existing hospital for the last full FY year, for the current budget year and as projected at the new hospital in the first three years after the implementation of the proposal.

PERSONNEL (by major categories)	Past Three Fiscal Years						Year to Date		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: Year 1		FY: Year 2		FY: Year 3	
	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes
Other Clinical	516	34,573,359	516	34,885,050	516	36,792,507	517	37,289,371	526	38,564,456	508	37,934,613	491	37,375,561
RN	576	56,720,403	553	54,582,661	508	52,783,732	483	51,058,569	482	51,941,105	488	53,552,913	500	55,823,563
Clerical	411	19,055,827	387	17,970,671	343	16,850,876	337	16,801,494	337	17,103,920	337	17,411,791	337	17,725,203
Nursing Assistant	246	10,595,496	247	10,800,073	232	10,375,704	219	9,909,662	219	10,080,948	221	10,393,775	227	10,834,472
Manager/Directors	142	16,387,159	139	16,612,263	147	18,568,833	138	17,837,411	138	18,158,484	138	18,485,337	138	18,818,073
Other Non-Clinical	147	6,891,270	150	7,390,518	143	7,360,546	136	7,235,541	137	7,442,487	133	7,316,221	128	7,169,944
Physician	126	17,243,537	117	16,438,783	117	17,456,333	118	19,357,631	125	20,791,779	130	21,965,419	147	25,282,180
Housekeeping	83	3,014,656	76	2,746,286	74	2,915,846	74	2,933,997	75	3,045,623	76	3,140,133	78	3,273,275
Dietary	89	3,645,757	72	2,865,056	64	2,668,114	59	2,532,562	59	2,576,337	60	2,656,284	61	2,768,911
Maintenance	53	3,928,302	43	3,056,399	38	2,897,502	42	3,286,799	42	3,345,962	42	3,406,189	42	3,467,500
Information Systems	38	3,099,587	37	3,064,841	35	3,145,216	37	3,360,353	37	3,420,839	37	3,482,414	37	3,545,098
Homecare	35	3,128,985	35	3,217,590	30	3,147,534	30	3,239,427	30	3,330,697	31	3,475,456	32	3,644,168
Physical Therapy	21	2,115,535	20	2,030,319	20	2,090,949	23	2,386,920	21	2,231,427	21	2,289,261	20	2,204,271
LPN	49	3,683,608	36	3,039,640	20	1,553,850	18	1,364,036	18	1,387,613	18	1,430,673	19	1,491,334
Occupational	17	1,433,726	20	1,636,770	18	1,693,772	17	1,638,315	16	1,541,485	15	1,481,296	14	1,455,706
Nurse Practitioner	12	1,169,351	9	847,323	12	1,289,234	12	1,189,490	12	1,277,616	13	1,349,734	14	1,553,543
VP/SVP/CEO	12	3,307,313	7	2,471,320	9	3,086,974	8	2,891,405	8	2,943,450	8	2,996,432	8	3,050,368
Physician Assistant	7	946,725	7	968,804	6	899,997	6	883,455	6	948,907	6	1,002,471	7	1,153,843
Medical Director	4	978,061	3	823,963	3	1,045,973	3	1,154,176	3	1,174,951	3	1,196,100	3	1,217,630
Totals	2,584	191,918,657	2,474	185,448,330	2,337	186,623,491	2,276	186,350,613	2,292	191	2,286	194,966,513	2,304	201,854,643

APPENDIX A (CONT.)

2. Please complete the following table for the existing and new hospital for each year indicated.

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)		
	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY: 2015	FY: 2016
REVENUES	Unaudited ⁴	Audited	Audited	2013 Annualized with one-time adjustments	Projection	Projection	Projection
Patient Revenue	320,426	322,129	320,609	315,899	332,374	347,683	362,258
Net Assets Released from Restrictions	8,136	6,901	7,309	6,280	5,292	5,292	5,292
Meaningful Use	0	0	5,278	3,867	1,898	498	(111)
Other:	19,218	11,526	11,717	12,265	12,185	12,185	12,185
Total Revenue	347,780	340,556	344,913	338,310	351,749	365,658	379,624
EXPENSES							
Payroll w/Fringes	197,755	190,322	189,460	193,696	191,638	193,977	200,027
Bad Debt	20,914	19,347	19,750	93,017	21,062	21,668	22,576
Supplies	94,937	93,287	94,720	1,411	93,437	95,007	97,290
Office Expenses	1,546	1,469	1,699	4,926	1,440	1,473	1,509
Utilities	5,803	4,696	4,277	5,816	5,172	5,431	5,702
Insurance	12,059	4,652	4,069	5,292	6,066	6,066	6,066
Interest	2,869	2,640	2,483	14,284	0	0	0
Depreciation/Amortization	11,918	13,485	11,405	11,332	12,482	13,632	14,782
Research Expenses	4,896	5,429	5,659	2,281	5,292	5,292	5,292
hospital license fee	14,662	15,780	14,281	20,464	15,109	15,872	16,637
Total Expenses	367,359	351,109	347,802	352,520	351,699	358,418	369,882

⁴ For FY 2010 not all departmental statistics were available, in those instances, reasonable assumptions were made.

APPENDIX A (CONT.)

Operating (loss)/gain before Mgmt. Fee	(19,579)	(10,552)	(2,889)	(14,210)	50	7,239	9,743
Management Fee	0	0	0	0	(7,035)	(7,313)	(7,592)
Operating (loss)/gain after Mgmt. Fee	(19,579)	(10,552)	(2,889)	(14,210)	(6,985)	(74)	2,150
	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY: 2015	FY: 2016
# of Admissions	16,242	15,841	15,048	13,543	13,889	14,292	14,656
# of ED Visits	53,870	51,644	50,310	46,673	47,140	48,319	49,768

APPENDIX A (CONT.)

3. Please complete the table below for the existing and new hospital for each year indicated.

PAYOR SOURCE:	Past Three Fiscal Years (Actual)						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY:2012		FY: 2013 June annualized		FY: 2014 Projection		FY: 2015 Projection		FY:2016	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Medicare	129,693,521	42.9%	139,849,126	46.0%	137,638,469	45.4%	139,726,750	46.5%	146,664,057	46.3%	153,440,924	46.2%	160,315,625	46.2%
Medicaid	37,889,611	12.5%	35,244,038	11.6%	34,123,980	11.3%	27,788,796	9.3%	29,125,935	9.2%	30,391,432	9.1%	31,716,903	9.1%
Blue Cross	64,290,821	21.3%	59,152,750	19.5%	62,937,162	20.8%	57,829,264	19.3%	62,688,372	19.8%	66,333,623	20.0%	70,101,663	20.2%
United	21,884,873	7.2%	24,154,557	8.0%	20,398,253	6.7%	22,822,558	7.6%	23,834,180	7.5%	24,846,181	7.5%	25,808,937	7.4%
NHP	11,721,246	3.9%	10,966,247	3.6%	11,849,368	3.9%	10,355,428	3.4%	10,872,818	3.4%	11,344,899	3.4%	11,855,298	3.4%
Self-Pay	17,425,058	5.8%	12,093,342	4.0%	16,479,241	5.4%	22,175,428	7.4%	23,096,728	7.3%	24,315,240	7.3%	24,614,039	7.1%
Other	19,105,060	6.3%	22,301,011	7.3%	19,431,604	6.4%	19,709,843	6.6%	20,671,140	6.5%	21,589,830	6.5%	22,425,524	6.5%
Grand Total	302,010,190	100.0	303,761,071	100.0%	302,858,077	100.0	300,408,067	100.0	316,953,230	100.0	332,262,129	100.0	346,837,990	100.0
Charity Care*	\$5,193,271		\$6,426,835		\$8,423,051		\$7,871,915		\$8,764,893		\$9,027,840		\$9,298,675	

*Charity Care does not include bad debt, and is based on costs (not charges).

4. Please complete the table below for the new hospital's substantial capital needs.

Capital Needs	Source of Funding for Capital Needs	Cost of Satisfying Capital Needs	Date of Projected Completion

A determination of capital needs has not been made as of the filing of the application. In addition to a routine capital investment of at least \$10M per year, PMH has committed to future capital contributions of \$50M within four years of the closing on the transaction ("Capital Funds"). The specific uses of the Capital Funds will be determined post conversion after appropriate studies and analyses are undertaken. Though, under the APA, the use of the Capital Funds may include (i) the development and implementation of physician engagement strategies, and (ii) projects related to facilities and equipment, including but not limited to:

- expansion of the cancer center at RWMC,,
- expansion of the emergency department at RWMC,
- renovation/reconfiguration of the emergency department at Fatima,
- renovation of the operating rooms at RWMC,
- conversion of all patient rooms to private rooms at both Hospitals,
- renovation and expansion of the ambulatory care center at Fatima,
- new windows at both Hospitals,
- a new generator at Fatima,
- a facelift for the facades at both Hospitals,
- and access for the handicapped at the front entrances of both Hospitals.

The specific capital projects to be funded will be determined by the Prospect CharterCARE, LLC Board of Directors.

Tab 2

APPENDIX A (CONT.)

RWMC

1. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (with fringe benefits) at the existing hospital for the last full FY year, for the current budget year and as projected at the new hospital in the first three years after the implementation of the proposal.

PERSONNEL (by major categories)	Past Three Fiscal Years						Year to Date		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: Year 1		FY: Year 2		FY: Year 3	
	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes
Clerical	182.46	7,865,910	181.64	7,824,907	136	6,076,643	120	5,431,660	120	5,529,430	120	5,628,960	120	5,730,281
Dietary	25.63	917,753	25.79	936,182	24	940,485	22	881,627	22	904,472	22	947,700	23	990,047
Homecare	35.38	2,971,774	34.73	3,011,663	30	3,147,534	30	3,239,427	30	3,330,697	31	3,475,456	32	3,644,168
Housekeeping	16.73	624,127	17.15	662,292	17	733,682	16	676,951	16	708,666	17	742,536	17	775,716
Information Systems	20.30	1,592,300	19.49	1,392,844	1	63,548	-	-	-	-	-	-	-	-
LPN	4.13	259,901	4.92	332,046	4	286,750	4	263,379	4	270,204	4	283,118	4	295,769
Maintenance	26.53	1,720,536	24.22	1,504,520	21	1,423,415	19	1,332,230	19	1,356,210	19	1,380,622	19	1,405,473
Manager/Directors	61.72	7,078,101	73.24	7,232,688	48	5,696,678	42	4,901,004	42	4,989,222	42	5,079,028	42	5,170,450
Medical Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nurse Practioner	3.36	416,749	2.70	322,962	4	470,336	3	417,757	5	600,486	6	744,491	6	780,628
Nursing Assistant	69.93	2,814,028	72.26	2,891,766	65	2,808,496	58	2,582,700	58	2,649,624	60	2,776,259	61	2,900,315
Occupational Therapy	3.96	397,339	3.82	402,464	4	439,876	5	526,320	5	540,703	5	566,756	5	592,761
Other Clinical	53.34	2,424,454	57.57	2,584,042	222	15,353,490	202	14,349,807	201	14,505,106	206	15,159,506	212	15,881,155
Other Non-Clinical	228.50	14,733,525	236.84	15,197,164	43	1,985,356	38	1,734,576	37	1,753,349	38	1,832,451	39	1,919,683
Physical Therapy	8.78	1,030,742	9.34	1,066,194	8	998,342	12	1,278,130	11	1,286,055	12	1,348,352	12	1,410,027
Physician	88.29	8,430,708	90.40	8,770,693	86	9,527,031	88	10,849,823	124	15,595,591	151	19,335,643	156	20,274,196
Physician Assistant	6.62	899,158	6.64	906,801	6	836,402	5	767,773	7	1,103,602	9	1,368,261	9	1,434,677
RN	220.18	19,166,148	226.04	20,120,745	216	21,027,740	194	19,198,615	196	19,696,100	201	20,637,447	207	21,559,625
VP/SVP/CEO	6.00	1,604,790	5.19	1,556,719	-	-	-	-	-	-	-	-	-	-
Totals	1,062	74,948,044	1,092	76,716,690	935	71,815,802	857	68,431,779	898	74,819,516	944	81,306,586	966	84,764,972

APPENDIX A (CONT.)

2.

Please complete the following table for the existing and new hospital for each year indicated.

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)*		
	FY:2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY:2015	FY: 2016
REVENUES	Audited	Audited	Audited	2013 Annualized	Projection	Projection	Projection
Patient Revenue	148,652	151,684	156,653	156,137	165,662	173,879	181,298
Net Assets Released from Restrictions	6,371	6,490	6,625	5,751	5,751	5,751	5,751
Meaningful Use	0	0	2,605	1,783	799	99	(206)
Other:	7,357	6,618	7,465	6,377	6,297	6,297	6,297
Total Revenue	162,380	164,792	173,348	170,048	178,508	186,025	193,140
EXPENSES							
Payroll w/Fringes	78,153	80,321	82,529	84,862	85,940	87,491	90,294
Bad Debt	9,886	9,803	9,844	10,058	10,364	10,669	11,120
Supplies	50,241	49,809	57,122	57,929	57,370	58,097	59,291
Office Expenses	585	598	520	735	748	764	779
Utilities	1,538	1,692	1,393	1,803	1,893	1,988	2,087
Insurance	3,604	2,218	2,002	2,637	2,762	2,762	2,762
Interest	1,168	1,029	920	799	0	0	0
Depreciation/Amortization	5,227	5,261	4,771	4,699	5,176	5,653	6,130
Research Expenses	4,896	5,429	5,659	4,692	4,692	4,692	4,692
hospital license fee	6,730	7,402	7,059	7,119	7,586	7,941	8,314
Total Expenses	162,028	163,563	171,817	175,333	176,531	180,057	185,468

APPENDIX A (CONT.)

OPERATING PROFIT/LOSS	352	1,230	1,531	(5,286)	1,977	5,968	7,671
	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY:2015	FY: 2016
Management Fee	0	0	0	0	(3,570)	(3,721)	(3,863)
Operating (loss)/gain after Mgmt. Fee	352	1,230	1,531	(5,286)	(1,593)	2,248	3,808
# of Admissions	7,672	7,608	7,716	7,051	7,259	7,464	7,650
# of ED Visits	24,113	24,363	24,952	23,796	21,631	22,171	22,836

* The projected balance sheet figures are not broken out by individual institution, as these were developed using efficiencies and projections on a system-wide basis.

APPENDIX A (CONT.)

3. Please complete the table below for the existing and new hospital for each year indicated.

	Past Three Fiscal Years (Actual)						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY:2012		FY: 2013 June Annualized		FY: 2014 Projection		FY: 2015 Projection		FY: 2016 Projection	
PAYOR SOURCE:	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Medicare	65,590,984	44.1%	70,052,197	46.2%	71,800,027	45.8%	75,586,474	47.1%	79,777,550	48.2%	83,463,347	48.0%	87,168,548	48.1%
Medicaid	19,312,052	13.0%	17,729,375	11.7%	15,224,604	9.7%	11,370,674	8.6%	11,955,969	7.2%	12,461,247	7.2%	13,004,301	7.2%
Blue Cross	33,324,254	22.4%	30,315,326	20.0%	35,465,547	22.6%	31,680,333	18.1%	34,814,634	21.0%	36,806,430	21.2%	38,800,003	21.4%
United	9,275,340	6.2%	11,355,424	7.5%	11,541,012	7.4%	11,968,341	7.3%	12,548,035	7.6%	13,003,046	7.5%	13,491,693	7.4%
NHP	4,788,461	3.2%	4,908,537	3.2%	5,153,803	3.3%	4,384,812	5.5%	4,628,787	2.8%	4,824,406	2.8%	5,034,651	2.8%
Self-Pay	5,776,957	3.9%	5,900,110	3.9%	8,085,433	5.2%	10,423,536	6.2%	10,758,069	6.5%	11,661,467	6.7%	11,701,399	6.5%
Other	10,583,656	7.1%	11,423,172	7.5%	9,382,521	6.0%	10,653,051	7.2%	11,178,947	6.7%	11,659,312	6.7%	12,097,463	6.7%
Grand Total	148,651,704	100.0	151,684,141	100.0%	156,652,947	100.0	156,067,221	100.0	165,661,991	100.0	173,879,255	100.0	181,298,057	100.0
Charity Care*	\$2,786,518		\$2,961,531		\$3,732,981		\$3,486,528		\$3,934,121		\$4,052,145		\$4,173,709	

*Charity Care does not include bad debt, and is based on costs (not charges).

Tab 3

Fatima Hospital

1. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (with fringe benefits) at the existing hospital for the last full FY year, for the current budget year and as projected at the new hospital in the first three years after the implementation of the proposal.

PERSONNEL (by major categories)	Past Three Fiscal Years						Year to Date		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: Year 1		FY: Year 2		FY: Year 3	
	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes
Clerical	218.1	10,491,186	193.37	9,464,508	128	6,385,209	124	6,275,923	124	6,388,890	124	6,503,890	124	6,620,960
Dietary	49.4	2,275,372	31.17	1,418,303	26	1,231,418	24	1,190,212	24	1,204,003	24	1,227,894	25	1,278,007
Homecare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housekeeping	50.1	1,988,771	40.71	1,622,695	40	1,701,394	41	1,767,780	41	1,824,759	41	1,860,967	42	1,936,917
Information Systems	17.7	1,464,513	16.12	1,391,521	0	71,046	0	-	-	-	-	-	-	-
LPN	34.2	2,682,540	19.47	1,821,965	5	416,007	3	285,003	3	288,305	3	294,026	3	306,026
Maintenance	26.9	2,178,421	19.40	1,610,028	13	1,114,000	13	1,208,332	13	1,230,082	13	1,252,224	13	1,274,764
Manager/Directors	69.6	7,982,027	54.65	7,313,246	40	4,964,884	40	5,071,511	40	5,162,798	40	5,255,728	40	5,350,331
Medical Director	3.9	1,006,558	2.75	863,188	3	1,045,973	3	1,154,176	3	1,174,951	3	1,196,100	3	1,217,630
Nurse Practitioner	8.9	745,180	4.74	526,190	8	676,053	7	617,613	7	645,712	8	673,768	8	706,473
Nursing Assistant	64.9	3,039,271	60.63	2,982,842	57	2,911,289	52	2,684,770	51	2,715,880	51	2,769,769	53	2,882,810
Occupational Therapy	13.0	1,044,951	15.70	1,264,238	14	1,253,896	12	1,111,994	13	1,164,878	13	1,184,386	13	1,240,518
Other Clinical	285.7	19,508,584	84.88	4,430,690	262	18,956,549	284	20,472,994	50	2,604,548	50	2,693,199	52	2,822,857
Other Non-Clinical	88.4	4,237,442	277.82	19,494,149	52	2,634,910	49	2,521,535	288	21,146,994	293	21,866,779	302	22,919,502
Physical Therapy	12.3	1,060,283	10.78	968,111	11	1,092,607	11	1,108,790	12	1,150,554	12	1,172,978	12	1,228,710
Physician	36.6	8,427,993	26.50	7,404,880	23	6,640,252	21	6,215,648	21	6,498,432	22	6,780,789	22	7,109,929
Physician Assistant	-	-	-	-	-	-	-	-	270	30,758,248	276	32,094,694	285	33,652,570
RN	336.0	35,770,291	308.51	33,681,245	271	29,739,490	263	29,419,779	261	29,760,677	261	30,351,201	267	31,589,899
VP/SVP/CEO Admin.	5.6	1,660,641	5.30	1,660,233	0	208,123	0	-	-	-	-	-	-	-
Totals	1,321	105,564,024	1,172	97,918,034	953	81,043,100	947	81,106,060	1,222	113,719,712	1,235	117,178,391	1,264	122,137,901

2. Please complete the following table for the existing and new hospital for each year indicated.

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)*		
	FY:2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY:2015	FY: 2016
REVENUES	Audited	Audited	Audited	2013 Annualized	Projection	Projection	Projection
Patient Revenue	153,358	152,077	146,205	144,341	151,291	158,383	165,540
Net Assets Released from Restrictions	1,765	358	394	169	0	0	0
Meaningful Use	0	0	2,511	1,783	799	99	(206)
Other:	6,532	4,854	4,441	4,747	4,747	4,747	4,747
Total Revenue	161,655	157,289	153,552	151,040	156,837	163,228	170,081
EXPENSES							
Payroll w/Fringes	105,564	97,918	93,953	93,309	90,173	90,961	94,208
Bad Debt	10,810	9,312	9,746	10,407	10,699	10,999	11,457
Supplies	37,850	38,549	34,979	34,277	35,256	36,098	37,188
Office Expenses	900	871	730	572	588	606	626
Utilities	3,186	3,003	2,407	2,567	2,723	2,887	3,059
Insurance	8,117	2,435	1,961	2,212	2,337	2,337	2,337
Interest	1,229	1,141	1,109	1,044	0	0	0
Depreciation/Amortization	6,037	7,453	5,841	5,790	6,463	7,136	7,809
Research Expenses	0	0	0	0	0	0	0
hospital license fee	7,933	8,378	7,223	7,166	7,523	7,932	8,323

Total Expenses	181,626	169,059	157,949	157,344	155,763	158,957	165,008
OPERATING PROFIT/LOSS	(19,971)	(11,771)	(4,397)	(6,304)	1,074	4,272	5,073
Management Fee	0	0	0	0	(3,137)	(3,265)	(3,402)
Operating (loss)/gain after Mgmt. Fee	(19,972)	(11,771)	(4,397)	(6,304)	(2,063)	1,007	1,671
	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY:2015	FY: 2016
# of Admissions	8,546	8,226	7,329	6,484	6,630	6,828	7,006
# of ED Visits	29,757	27,281	25,358	25,257	25,510	26,147	26,932

* The projected balance sheet figures are not broken out by individual institution, as these were developed using efficiencies and projections on a system-wide basis.

3. Please complete the table below for the existing and new hospital for each year indicated.

PAYOR SOURCE:	Past Three Fiscal Years (Actual)						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013 June Annualized		FY: 2014 Projection		FY: 2015 Projection		FY: 2016 Projection	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Medicare	64,102,537	41.8%	69,796,929	45.9%	65,838,442	45.0%	64,140,276	44.4%	66,886,507	44.2%	69,977,578	44.2%	73,147,078	44.2%
Medicaid	18,577,559	12.1%	17,514,663	11.5%	18,899,376	12.9%	16,418,122	11.4%	17,169,966	11.3%	17,930,185	11.3%	18,712,603	11.3%
Blue Cross	30,966,567	20.2%	28,837,424	19.0%	27,471,615	18.8%	26,148,931	18.1%	27,873,738	18.4%	29,527,192	18.6%	31,301,660	18.9%
United	12,609,533	8.2%	12,799,133	8.4%	8,857,241	6.1%	10,854,217	7.5%	11,286,145	7.5%	11,843,134	7.5%	12,317,244	7.4%
NHP	6,932,785	4.5%	6,057,710	4.0%	6,695,565	4.6%	5,970,616	4.1%	6,244,032	4.1%	6,520,493	4.1%	6,820,647	4.1%
Self-Pay	11,648,101	7.6%	6,193,232	4.1%	8,393,808	5.7%	11,751,892	8.1%	12,338,659	8.2%	12,653,773	8.0%	12,912,641	7.8%
Other	8,521,404	5.6%	10,877,839	7.2%	10,049,083	6.9%	9,056,792	6.3%	9,492,194	6.3%	9,930,518	6.3%	10,328,061	6.2%
Grand Total	153,358,486	100.0	152,076,930	100.0%	146,205,130	100.0	144,340,846	100.0	151,291,239	100.0	158,382,874	100.0	165,539,933	100.0
Charity Care*	\$2,406,753		\$3,465,304		\$4,690,070		\$4,385,387		\$4,830,772		\$4,975,695		\$5,124,966	

*Charity Care does not include bad debt, and is based on costs (not charges).

Appendix B

APPENDIX B

Please provide the total cost necessary to implement this proposal and allocate this amount to the sources of funds categories listed below:

TOTAL PROJECT COST: Sale price is \$45,000,000

<u>SOURCE OF FUNDS</u>	<u>AMOUNT</u>
a. Funded depreciation	\$ _____
b. Other restricted funds (specify)	\$ _____
c. Unrestricted funds (specify)	\$ _____
d. Owner's equity	<u>\$45,000,000</u>
e. Cash (If different from owner's equity)	\$ _____
f. Unrestricted donations or gifts	\$ _____
g. Restricted donations or gifts	\$ _____
h. Other non-debt funds (specify)	\$ _____
i. Sub-Total Equity Funds	\$ _____
j. Subsidized loan (e.g. FHA etc.)	\$ _____
k. Tax-exempt bonds (specify)	\$ _____
l. Conventional mortgage	\$ _____
m. Lease or rental	\$ _____
n. Other debt funds	\$ _____
o. Sub-Total Debt Funds	\$ _____
p. Total Source of Fund	<u>\$45,000,000</u>

*should equal the response for line "p"

** Equity means non-debt funds contributed towards the capital cost related to a conversion of a hospital which funds are free and clear of any repayment or liens against the assets of the proposed owner and/or licensee and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged.

*** If debt financing is indicated, please complete Appendix C.

Appendix C

APPENDIX C

Name of Acquiror: Prospect CharterCARE, LLC

1. Describe the proposed debt by completing the following:

- (a) type of debt contemplated;
- (b) term (month or years);
- (c) principal amount borrowed;
- (d) probable interest rate;
- (e) points, discounts, origination fees;
- (f) likely security;
- (g) disposition of property (if a lease is revoked);
- (h) prepayment penalties or call features;
- (i) front-end costs (e.g. underwriting spread);
- (j) feasibility study, legal and printing expense;
- (k) points, etc.; and
- (l) debt service reserve fund.

Response:

No debt is contemplated with the within transaction.

- 2. If this proposal involves refinancing of existing debt of the existing hospital, please indicate the original principal, the current balance, the interest rate, the years remaining on the debt and a justification for the refinancing contemplated.
- 3. Please present a debt service schedule for the chosen method of financing, which clearly indicates the total amount borrowed and the total amount to be repaid per year. Of the amount to be repaid per year, the total dollars applied to principal and total dollars applied to interest must be shown.
- 4. Please provide an annual cash flow statement for the new hospital for the period between approval of the application and through the third full FY year after implementation of the proposed conversion.

Appendix D

APPENDIX D

CHANGE, ELIMINATION OR REDUCTION IN SERVICES

Please provide a written plan describing the proposed change, reduction or elimination that shall include, at a minimum, the following information:

1. Description of the services to be changed, reduced or eliminated;

Response:

As set forth in Response to Questions 1, 57 and 59, the APA provides that all essential services shall be retained for a period of at least five (5) years.

2. the proposed change(s) in hours of operation, if any;
3. the proposed change(s) in staffing, if any;
4. the documented length of time the services to be changed, reduced or eliminated have been available at the facility;
5. the number of patients utilizing those services that are to be changed, reduced or eliminated annually during the most recent 3 years;
6. aggregate data delineating the insurance status of the individuals served by the facility during the most recent 3 years;
7. data describing the insurance status of those individuals utilizing those services that are to be changed, reduced or eliminated annually during the most recent 3 years;
8. the geographical area for which the facility provides services; and
9. identification and description, including supporting data and statistical analyses, of the impact of the proposed change, elimination or reduction on:
 - (a) access to health care services for traditionally underserved populations, including but not limited to, Medicaid, uninsured and underinsured patients, and racial and ethnic minority populations;
 - (b) the delivery of such services on the affected community in the cities and towns whose residents are regularly served by the hospital (the “affected” cities and towns);
 - (c) other licensed hospitals or health care providers in the affected community or cities and towns; and
 - (d) other licensed hospitals or health care providers in the state.

Appendix E

APPENDIX E

DISCLOSURE OF OWNERSHIP AND CONTROL INTEREST

All applicants must complete this Appendix.

Please answer the following questions by checking either “Yes” or “No.” If any of the questions are answered “Yes,” please list the names and addresses of individuals or corporations on an attached sheet (identify each answer with the appropriate number of the question). If yes, please provide details.

1. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquiror or acquiree, that have been convicted of a criminal offense related to the involvement of such persons or organizations in any of the programs established by Title XVIII, XIX of the Social Security Act?

Yes ___ No x__

2. Will there be any directors, officers, agents, or managers of the acquiror or acquiree who have ever been convicted of a felony offense or any other offenses related to their involvement in such programs established by Titles XVIII, XIX of the Social Security Act?

Yes ___ No x__

3. Are there (or will there be) any individuals employed by the acquiror or acquiree in a managerial, accounting, auditing, or similar capacity who were employed by the applicant’s fiscal intermediary within the past 12 months (Title XVIII providers only)?

Yes ___ No x__

4. Will there be any individuals (or organizations) having direct (or indirect) ownership interests, separately or in combination, of 5 percent or more in the acquiror? (Indirect ownership interest is ownership in any entity higher in a pyramid than the applicant.)

Yes x No ___ (Note, if the applicant is a subsidiary of a “parent” corporation, the response is “Yes”)

Response:

The applicants are Prospect CharterCARE, LLC, Prospect CharterCARE RWMC, LLC, Prospect CharterCARE SJHSRI, LLC.

Prospect CharterCARE RWMC, LLC, Prospect CharterCARE SJHSRI, LLC are wholly owned subsidiaries of Prospect CharterCARE, LLC.

Prospect CharterCARE, LLC is owned 85% by Prospect East Holdings, Inc. and 15% by CharterCARE Health Partners. Prospect East Holdings, Inc. is a wholly-owned subsidiary of Prospect Medical Holdings, Inc., defined herein as PMH, which is the operating parent entity. CharterCARE Health Partners is the operating parent entity on the 15% side.

The investment ownership in PMH is as follows:

Ivy Intermediate Holding Inc. (“IIH”), a Delaware corporation, owns 100% of the stock of PMH. IIH is a holding company for such stock ownership. It has no other assets, liabilities or operations. Ivy Holdings Inc. (“IH”), a Delaware corporation, owns 100% of the stock of IIH. IH is a holding company for such stock ownership. It has no other assets, liabilities or operations.

The investment in the holding companies identified as IIH and IH above is as follows:

The affiliated investment funds of Leonard Green & Partners, L.P. (“LGP”) own approximately 61.3% of the common stock of IH. The affiliated funds are Green Equity Investors V, L.P., Green Equity Investors Side V, L.P. and Ivy LGP Co-Invest LLC.

Additionally, current and former employees of PMH and its subsidiaries own the remaining shares of IH stock. Samuel Lee (20.2%) is the Chief Executive Officer (CEO) of PMH and the Chairman of its Board of Directors. David Topper (14.9%) is the President and former co-founder (with Mr. Lee) of Alta Hospitals System, LLC, PMH’s subsidiary that owns its California hospital operations. Jeerreddi Prasad, M.D. (1.2%) is the President and former co-founder of ProMed Health Care Administrators, a medical group management services organization wholly-owned by PMH. Michael Heather (1.6%) is a former Chief Financial Officer (CFO) of PMH.

5. Will there be individuals (or organizations) that have an ownership interest (equal to at least 5 percent of the facility’s assets) in a mortgage or other obligation secured by the facility?

Yes ___ No x ___

6. Will there be any individuals (or organizations) that have an ownership or control interest of 5 percent or more in a subcontractor in which the acquiror or acquiree has a direct or indirect ownership interest of 5 percent or more (please also identify those subcontractors)?

Yes ___ No x ___

7. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquiror or acquiree, who have been

direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency?

Yes ___ No x

8. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquire, that have been convicted of a felony or any crime arising out of the delivery of any health care item or service?

Yes ___ No x

Appendix F

APPENDIX F
DEBT FINANCING

Acquirors contemplating the incurrence of a financial obligation for full or partial funding must complete and submit this appendix.

Response:

There is no debt financing involved in the proposed transaction.

Name of Acquiror:

2. Describe the proposed debt by completing the following:
 - (m) type of debt contemplated;
 - (n) term (month or years);
 - (o) principal amount borrowed;
 - (p) probable interest rate;
 - (q) points, discounts, origination fees;
 - (r) likely security;
 - (s) disposition of property (if a lease is revoked);
 - (t) prepayment penalties or call features;
 - (u) front-end costs (e.g. underwriting spread;
 - (v) feasibility study, legal and printing expense;
 - (w) points, etc.); and
 - (x) debt service reserve fund.

2. Compare this method of financing with at least two alternative methods including tax-exempt bond or notes. The comparison should be framed in terms of availability, interest rate,

term, equity participation, front-end costs, security, prepayment provision and other relevant considerations.

3. If this proposal involves refinancing of existing debt, please indicate the original principal, the current balance, the interest rate, the years remaining on the debt and a justification for the refinancing contemplated.

4. Present evidence justifying the refinancing in Question 3. Such evidence should show quantitatively that the net present cost of refinancing is less than that of the existing debt, or it should show that this project cannot be financed without refinancing existing debt.

5. If lease financing for this proposal is contemplated, please compare the advantages and disadvantages of a lease versus the option of purchase. Please make the comparison using the following criteria: term of lease, annual lease payments, salvage value of equipment at lease termination, purchase options, value of insurance and purchase options contained in the lease, discounted cash flows under both lease and purchase arrangements, and the discount rate.

6. Present a debt service schedule for the chosen method of financing, which clearly indicates the total amount borrowed and the total amount repaid per year. Of the amount repaid per year, the total dollars applied to principal and total dollars applied to interest must be shown.

7. Please include herewith, an annual analysis of your facility's cash flow for the period between approval of the application and the third year after full implementation of the proposed conversion.