

In the Matter Of:

IN RE: HOSPITAL CONVERSIONS ACT

2487658

ALFREDO SABILLO

May 09, 2024



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3 IN RE:

4 Hospital Conversions Act Initial Application of The
5 Centurion Foundation, Inc., CharterCARE Health of
6 Rhode Island, Inc., CharterCARE Roger Williams Medical
7 Center, Inc., CharterCARE Our Lady of Fatima Hospital,
8 Inc., Chamber, Inc., Ivy Holdings, Inc., Ivy
9 Intermediate Holdings, Inc., Prospect Medical
10 Holdings, Inc., Prospect East Holdings, Inc., Prospect
11 CharterCARE, LLC, Prospect CharterCARE SJHSRI, LLC,
12 and Prospect CharterCARE RWMC, LLC (collectively, the
13 "Transacting Parties")

14
15 VIDEOCONFERENCE SWORN STATEMENT UNDER OATH OF:
16 ALFREDO SABILLO

17 May 9, 2024
18 8:12 a.m.

19
20 Remote Proceedings
21 Los Angeles, California

22
23
24 REBECCA ROBERTS
25 Notary Public
Commission No. 2487658

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15 Austin King, Remote Tech with Esquire
16 Drew Kadow, IT with Shipman & Goodwin, LLP
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19 Michelle Smith, Consultant with Veralon
20 Scott Murphy, Consultant with Veralon
21 Fernanda Lopes, OOH employee
22 Michael Dexter, DOH employee
23 Alana Campbell, DOH employee
24
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(Exhibits A through C were attached to the original transcript.)

1 THE RECORDER: Okay. And we are now on the
2 record at approximately 8:12 a.m., Pacific Time, to
3 take the sworn statement of Alfredo Sabillo in the
4 matter of RIAG and RIDOH proposed Centurion Foundation
5 CharterCARE Purchase. My name is Rebecca Roberts, a
6 notary public, Commission Number 2328249, in and for
7 the state of California. I will be capturing the
8 verbatim record of today's proceeding using electronic
9 audio equipment, a computer and specialized recording
10 software, which is not a form of stenography. Any
11 references to me going forward as a digital reporter, a
12 stenographer, court reporter, or a certified shorthand
13 reporter are incorrect. I am a digital recorder, and I
14 am not using stenographic means to capture the record.

15 The witness is located in Los Angeles,
16 California -- excuse me -- and has confirmed his
17 identity with a California driver's license.

18 Will all counsel in attendance please identify
19 yourselves for the record and state whom you represent,
20 starting with noticing counsel.

21 MR. OSTROWSKI: Good morning. Mark Ostrowski
22 from Shipman and Goodwin on behalf of the Office of the
23 Rhode Island Attorney General. With me virtually is
24 my partner, Joan Feldman. Also with me from time to
25 time in the room will be our IT support, Drew Kadow.

1 And virtually also joining is Danielle Bangs and Scott
2 Murphy, our consultants from Veralon.

3 MS. HARVEY: Good morning. My name is Julia
4 Harvey. I'm an attorney with the Rhode Island Office
5 of the Attorney General. With me virtually is my
6 colleague Dorothea Lindquist, also of the Rhode Island
7 Attorney General. And also with us in the room is
8 Attorney Jordan Broadbent of the Office of the Attorney
9 General.

10 MS. RIDER: Good morning. Jessica Rider on
11 behalf of the Rhode Island Department of Health. I am
12 attending virtually. And also attending virtually is
13 Julia Wyman, who is an attorney for the Rhode Island
14 Department of Health.

15 We also have three additional staff members:
16 Fernanda Lopes, chief of the Office Of Health Systems
17 Development; Michael Dexter, assistant director of
18 health; and Alana Campbell, chief program development
19 of the Office of Health Systems Development.

20 And on the call as well is Jessica Scouten and
21 Michelle Smith from PYA, consultants for the Department
22 of Health.

23 MS. ROCHA: Good morning. Pat Rocha with
24 Leslie Parker and Richard Beretta representing the
25 transacting parties and Mr. Sabillo.

1 THE RECORDER: Okay. I think that's
2 everybody. So then absent any objection at this -- oh,
3 I'm so sorry. Austin, if you can please state your
4 appearance for the record.

5 MR. KING: Austin King, technical support for
6 Esquire.

7 THE RECORDER: Thank you very much. And
8 absent any objection at this time, counsel and the
9 witness agree to my remote administration of the oath
10 to this witness and that the final transcript may be
11 used for all purposes allowed under all applicable
12 rules and laws.

13 Hearing no objection, this shall constitute
14 agreement and stipulation of such and I will now swear
15 in the witness.

16 If you can please raise your right hand.

17 ALFREDO SABILLO,
18 having been first duly sworn, testified as follows:

19 THE RECORDER: Sorry. You're going to speak
20 up just a little bit.

21 THE WITNESS: Yes.

22 THE RECORDER: Thank you very much. You can
23 put your hand down.

24 And Counsel, your witness.

25 MR. OSTROWSKI: Thank you very much.

EXAMINATION

BY MR. OSTROWSKI:

Q. Good morning, Mr. Sabillo. Am I pronouncing your name correctly?

A. Yes.

Q. My name's Mark Ostrowski. I practice law with the firm of Shipman and Goodwin. And here today I represent the Rhode Island Office of the Attorney General. You understand that today you're here to give a statement under oath as part of the Rhode Island Attorney General's and the Rhode Island Department of Health's review of a hospital conversion application submitted in connection with the proposed sale of Roger Williams Medical Center and Our Lady of Fatima Hospital; is that correct?

A. Yes.

Q. Okay. The statement is being conducted pursuant to The Hospital Conversions Act; Rhode Island General Law, Section 23-17.14-14. It is being digitally recorded.

I'll be taking the interview today on behalf of the Office of the Attorney General. Jessica Rider will be taking the lead on behalf of the Rhode Island Department of Health. Only agency counsel or agency representatives will be asking questions.

1 MR. OSTROWSKI: As part of the proceeding,
2 we'd like that all who are participating, the parties
3 and the other participants, to agree that there will be
4 no audio or video recording of this interview under
5 oath by or on behalf of any of the parties, the
6 interviewee, or any of the participants. And that if
7 such unauthorized audio or video recording occurs, such
8 authorized audio or video will not be used for any
9 public purpose.

10 Unless someone disagrees with that -- if you
11 disagree, please speak up. Otherwise, we'll move on.

12 (No response.)

13 BY MR. OSTROWSKI:

14 Q. All right. Now we can get started with the
15 with the questions, with the fun. And why don't we
16 just start real quickly, Mr. Sabillo, you're here
17 pursuant to a written notice that you received; is that
18 right?

19 A. Yes.

20 Q. All right. I'm going to just quickly share
21 with you my screen showing you what we have marked as
22 Exhibit A.

23 (Exhibit A was marked for identification.)

24 BY MR. OSTROWSKI.

25 Q. And I just want to confirm that this is

1 the notice that you received?

2 A. Yes.

3 Q. Now, there's a couple of ground rules that I
4 just want to go over for you that'll make it a little
5 easier for the two of us today. First of all, it's
6 going to be important that you keep your voice up, I
7 keep my voice up, and that we answer and interact
8 verbally rather than through nods or gestures. It's
9 only going to be natural from time to time for us to
10 use a nod or a gesture. The digital recorder won't be
11 able to catch that. So just try to remember to speak
12 verbally.

13 If you could let me finish my questions before
14 you start to answer your questions, that will be
15 helpful. That way we don't speak over each other.
16 Likewise, I will try and show you the same courtesy of
17 not launching into my next question before you start
18 to answer. If I do cut you off, stop me. It's not my
19 intention to do that. We want to have a clear and
20 complete record at the end of the day. So if -- if I
21 cut you off and you have more to say, just let me know;
22 is that fair?

23 A. Yes.

24 Q. Okay. See, there we go. This is not intended
25 to be a marathon. You heard the reporter, she'd like

1 us to break about every hour. So we'll probably break
2 at about 11 -- about 12:15, which would be the next
3 hour. But if you need a break at any other time, just
4 speak up and let me know. The only thing that I would
5 ask is that if a question is pending, that you answer
6 the pending question before we take a break. Does that
7 seem fair?

8 A. Understood.

9 Q. Okay. And finally, you're under oath as
10 though you're in the courtroom, which means you're
11 expected to tell the truth. What I want to tell you
12 is if there are things that you don't know, that
13 there's answers that you don't know what the -- the
14 information, just let me know. I don't want you to
15 guess. If you think there's a source of that
16 information that you can tell me, point me in the
17 direction, that's helpful, but you don't need to guess.
18 Just give us truthful answers today. Okay?

19 A. Okay.

20 Q. All right. Good. Why don't we get started
21 with a little bit about your background. And I
22 understand that you currently work for Prospect
23 Medical Holdings; is that right?

24 A. That's correct.

25 Q. And what's your title at -- and if I call

1 Prospect Medical Holdings, PMH, will you know what I'm
2 talking about?

3 A. Yes.

4 Q. Okay. What's your title at PMH?

5 A. Corporate CFO.

6 Q. And how long have you been the corporate CFO?

7 A. A little over two years.

8 Q. So sometime in 2022?

9 A. Yes.

10 Q. And what did you do before you were the
11 corporate CFO?

12 A. I was the VP of decision support.

13 Q. VP of physician support?

14 A. Correct.

15 THE RECORDER: I'm sorry. Was that physician
16 or decision?

17 THE WITNESS: Decision.

18 BY MR. OSTROWSKI:

19 Q. All right. Now -- decision with a D?

20 A. That's correct. Yes --

21 Q. Okay.

22 A. -- with a D.

23 Q. And what was your -- what were your duties and
24 responsibilities as vice president of decision support?

25 A. Analyze various service lines, different ad

1 hoc analysis. Just basically cost accounting and
2 helping out financial planning.

3 Q. Was there any -- I've never heard the title
4 "decision support." Can you give me a sense as to what
5 that -- the term "decision" refers to?

6 A. It's -- essentially in healthcare, that's kind
7 of like a financial analysis.

8 Q. Okay. And when you say -- you indicated one
9 of your duties in that role was analysis of
10 various service lines. Would that be different
11 service lines within a hospital system?

12 A. Yes. So my team will do the cost accounting
13 for each of the markets and provide contribution
14 margins.

15 Q. You say cost accounting for each of the
16 markets. What do you mean by that?

17 A. Each of our markets in Pennsylvania, Rhode
18 Island, California.

19 Q. Okay. And what is the cost accounting?
20 What's -- how do you -- how are you using that term?
21 What -- how do you define?

22 A. It's essentially allocating the cost of a
23 hospital to each of the services done by the hospital.

24 THE RECORDER: I'm sorry. Each of the
25 services?

1 THE WITNESS: Done by the hospital.

2 BY MR. OSTROWSKI:

3 Q. When you say allocating the cost of the
4 hospital by each of the services done by the hospital,
5 I'm not sure I understand that. Is it allocating the
6 cost of the services provided by PMH to each system?

7 A. No. Essentially, if you think about it, it
8 goes down to a level of detail where you take, for
9 example, the -- all the labor and cost in the emergency
10 department and allocating that to each of
11 the services done in the ED department. So every
12 triage, every, you know, test or service done in the ED
13 is allocated the cost based on the total cost of
14 the ED department. All the people working in the ED,
15 all the services and supplies in the ED gets something
16 allocated into each of that.

17 And then when you roll it up, that's how you
18 kind of look at it from cost accounting. So, you know,
19 it's -- it's cost accounting for healthcare,
20 essentially.

21 Q. Okay. All right. That makes sense to me now.
22 Thank you.

23 A. Yeah.

24 Q. And when did you become the vice president of
25 decision support?

1 A. When I first -- when it -- when I first joined
2 the -- Prospect.

3 Q. Okay. And when was that?

4 A. August -- some -- I think sometime in 2016,
5 but don't -- I'm not exactly sure. But about maybe
6 August 2016, August or September.

7 Q. All right. So you first joined sometime in
8 20 -- you first joined Prospect Medical Holdings in
9 August or September of 2016 as the vice president of
10 decision support; is that right?

11 A. Correct.

12 Q. And then sometime in 2022, you were promoted
13 to the position of CFO; is that right?

14 A. That's correct.

15 Q. Okay. What did you do right before you joined
16 Prospect Medical Holdings?

17 A. I worked as a -- I forgot my -- what the title
18 was. But I worked in the -- in kind of similar role in
19 another hospital.

20 Q. And what hospital was that?

21 A. Presbyterian Intercommunity Health.

22 THE RECORDER: I'm so sorry. Mr. Sabillo, if
23 you don't mind just raising your voice just a little
24 bit because Zoom is cutting off the end of your
25 answers.

1 THE WITNESS: It's Presbyterian Intercommunity
2 Health.

3 BY MR. OSTROWSKI:

4 Q. And can you tell me -- walk me through what
5 your -- what your duties and responsibilities are in
6 your current position as CFO?

7 A. Sure. So essentially, financial reporting for
8 internal and external use, reporting compliance,
9 working with the local teams and reporting compliance
10 with various agreements, and also the teams in charge
11 of analyzing the financial impacts of various
12 transactions.

13 Q. Any other broad -- broad duties or
14 responsibilities?

15 A. Is -- anything that comes kind of a financial
16 related to the company.

17 Q. How about cash management, do you do that? Or
18 is that someone else's responsibility?

19 A. Cash reporting. Not is -- like a cash
20 management. But liquid analysis, cash flow, forecast.

21 Q. Now, are you familiar with the -- the entity
22 Prospect CharterCARE?

23 A. Yes.

24 Q. And -- and tell me what you understand
25 Prospect CharterCARE to be.

1 A. It's our two hospitals in Rhode Island.

2 Q. In your role as CFO, have you played any role
3 in the operation or management of Prospect
4 CharterCARE?

5 A. No.

6 Q. Okay. How about in your previous role as
7 decision -- vice president of decision support?

8 A. No.

9 Q. I think you said one of your CFO
10 responsibilities was to work with local teams. Do you
11 work with any local teams at Prospect CharterCARE?

12 A. Yes. Local -- sorry. I didn't mean to cut
13 you off. Local finance teams, like the accounting
14 officer there, the CFO, and the controllers.

15 Q. And who is the current CFO at Prospect
16 CharterCARE, do you know?

17 A. Ceci. I can't remember her last name.
18 Ceci --

19 Q. Arierra?

20 A. Yes.

21 Q. Ceci Arierra?

22 THE RECORDER: I'm so sorry. What was -- what
23 was the last name?

24 MR. OSTROWSKI: Arierra, A-R-I-E-R-R-A.

25 BY MR. OSTROWSKI:

1 Q. And did you work with her predecessor?

2 A. I'm sorry. Say that again, Mark.

3 Q. Did you work with her predecessor, the person
4 who --

5 A. Dave Ragosta?

6 Q. Yes.

7 A. Yes.

8 Q. And -- and when did he leave, do you know?

9 A. I can't remember. Maybe at least over a year
10 ago.

11 [REDACTED]

12 [REDACTED]

[REDACTED]

14 Q. Okay. Now, when you're working with the local
15 teams and in -- and in particular the local Rhode
16 Island teams, what are some of the things that you're
17 doing with them?

18 A. Mostly working on financial reporting. And,
19 again, just with Rhode Island, specifically, compliance
20 with the role on the AG conditions.

21 Q. Okay. On that local level -- and let's limit
22 this to your -- to the time in which you were the --
23 the -- you're the CFO, the last two years. Other than
24 working with the local finance team on financial
25 reporting and compliance with the Rhode Island Attorney

1 General conditions, have you been involved
2 in doing anything else with Prospect CharterCARE?

3 A. No.

4 Q. Have you taken part in any independent
5 analysis of the financial viability of Prospect
6 CharterCARE?

7 A. No.

8 Q. Have you been involved at all in any
9 operational improvements -- improvement initiatives
10 at Prospect CharterCARE?

11 A. [REDACTED]

13 [REDACTED]

17 [REDACTED]

24 THE RECORDER: I'm sorry. [REDACTED]

1

THE WITNESS: [REDACTED]

3

BY MR. OSTROWSKI:

4

13

16

THE RECORDER: I'm sorry. [REDACTED]

18

BY MR. OSTROWSKI:

19

23

1

[REDACTED]

3 Q. Okay. And do you recall, as you sit here,
4 what the financial initiatives that were included in
5 that [REDACTED]?

6

A. Some of it.

7

Q. What -- what would the document --

8

THE RECORDER: I'm sorry. You're talking over
9 one another. Can you --

10

BY MR. OSTROWSKI:

11

Q. Let me -- let me withdraw the question and let
12 me ask it this way first: What would the document be
13 called?

14

A. Budgets, financial budgets.

15

Q. All right. So if we were to ask for financial
16 budgets for fiscal year 2022, 2023, 2024, those would
17 be available?

18

A. Yes.

19

Q. Okay. And they would include initiatives?

20

A. Yes.

21

Q. Okay. All right. Let's take the last
22 financial budget for the -- the one that you received
23 or was finalized in December 2023. [REDACTED]

25

A. [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10

[REDACTED]

[REDACTED]

[REDACTED]

13

Q. Okay. And so if we were to look at this

14

financial budget, we would -- would there be line items

15

and work papers for each of those initiatives?

16

A. Yeah. From -- again, from what -- what I --

17

what I gathered, it's a summary level, but the teams

18

can -- there should be a, like, work papers, as you

19

mentioned, for each of the initiatives.

20

Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

24

A. My teams would. My teams would work with

25

local team just making sure they understand it. And

1

Q. Have you been involved in the proposed transaction to sell Prospect CharterCARE to Centurion?

A. In what way? Sorry. I mean --

Q. Well, that -- that -- I'm asking really in a broad sense. Have you had any involvement in -- well, let's start with in the search for a potential purchaser for Prospect CharterCARE?

A. Not -- no. Not me.

Q. Okay. Have you been involved in any of the negotiations regarding the sale of -- directly involved, meaning negotiating with Centurion?

A. No.

Q. Have you been involved in providing any information to support that transaction?

A. [REDACTED]

23

1

5

A. (No verbal response.)

6

7

Q. So you have to answer yes -- you have to actually --

8

A. Yes. I'm sorry. Yes.

9

15

Q. Okay. Anything else that you would have provided them that you recall?

16

17

A. No. No.

18

19

Q. I want to ask you just a little bit about, what have you -- what did you do to prepare for your interview today?

20

21

A. Nothing specific, Mark.

22

23

Q. Did you review any documents or speak with anyone?

24

A. No.

25

Q. Okay. Did you speak with George Pollari after

1 his interview yesterday?

2 A. Yes, but not exactly about the interview.

3 Q. Did you discuss with him at all the content of
4 the interview?

5 A. No.

6 Q. Did you discuss with him what you were
7 expecting from this interview or what you might say
8 during this interview?

9 A. No.

10 Q. Okay. How about Ceci Arierra, have you spoken
11 with her about her interview?

12 A. I have not spoken to Ceci.

13 Q. Okay. Now, from a high level, can you
14 describe for me what you -- how -- in your own words,
15 the current financial state of Prospect CharterCARE?

16 A. Prospect CharterCARE, similar to a lot of our
17 east coast markets, are experiencing a lot
18 of headwinds when it comes to labor and inflated
19 supplies or com -- costs. They're also struggling to
20 be able to see more patients in the hospital, expand
21 those service lines that -- that -- in order to get
22 more revenue in. So as far as overall financial
23 performance, I -- I believe CharterCARE's about
24 3 million of a loss each month, upgrading loss each
25 month, round about.

1 Q. Okay. I want to, if we can, spend a little
2 time on -- on that and try and break it down a little
3 bit. You described headwinds. And I -- is that a --
4 that's a shorthand way of saying problems or issues; is
5 that right?

6 A. Yes.

7 Q. Okay. And you -- the first headwind that you
8 mentioned was with labor. And can you elaborate on
9 that?

10 A. You know, with the COVID pandemic, our labor
11 has significantly increased more than what historically
12 we've seen. So we've also seen contracted labor gone
13 up due to the pandemic. So that's been a problem since
14 the pandemic. And we haven't really been able to get
15 back to pre-pandemic rates is -- is -- I guess, labor
16 rates. So that's the issue right now with our labor
17 cost across -- across our markets, actually, not just
18 at CharterCARE.

19 THE RECORDER: I'm sorry. Not just?

20 THE WITNESS: Not just at CharterCARE.

21 BY MR. OSTROWSKI:

22 Q. When you say -- so -- so the issues, the labor
23 issues that you've identified are not just headwinds
24 that Prospect CharterCARE is dealing with, they're
25 headwinds that the entire industry is dealing with?

1 A. Yes.

2 Q. Okay. And you say that COVID-19 labor
3 increased. Do you mean that the -- the number of
4 people you need to employ or the cost of each
5 individual FTE?

6 A. The cost. And in some points, the number of
7 people, because you've got to add additional security
8 or additional nurses on the floor during the pandemic.
9 And then after the pandemic, it's the cost of the
10 labor because you've got to keep the nurses. You've
11 got to -- we've give them additional incentives to
12 be -- to stay with CharterCARE.

13 [REDACTED]

16 [REDACTED]

20 Q. Are there any initiatives underway that you're
21 aware of to do that?

22 A. [REDACTED]

24 [REDACTED]

1 A. Not -- not any specific that I could mention.

2 Q. Okay. You talked about contracted labor rose
3 during the pandemic. Are you referring to travelers or
4 other types of --

5 A. Yeah, travelers. We -- sorry, Mark.
6 Travelers, which we -- in our financials, we classify
7 them as registry.

8 Q. Okay. Are you aware of any initiatives to
9 reduce the number of travelers or the registry at
10 Prospect CharterCARE?

11 A. [REDACTED]
12 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

18 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

22 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

1

[REDACTED]

2

[REDACTED]

[REDACTED]

[REDACTED]

5

Q. All right. You also said that the system was struggling to see more patients and expand service lines. Can you elaborate on -- on what you meant by that?

9

A. So during the pandemic, you know, the -- the volume that we saw at the hospitals have declined significantly, whether it's through people not -- afraid to go to the ED because of the pandemic or canceled surgeries during the pandemic state mandated kind of reasons. And we just haven't seen it kind of get back to the same levels that we've seen before.

16

Q. And do you have -- does Prospect Medical Holdings have any understanding as why the volume has not rebounded to the pre-pandemic level?

19

A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

24

Q. Is it -- is it true or -- well, let me -- is it true that there are other hospital systems whose

25

1 volume has rebounded since the pandemic that you're
2 aware of?

3 A. Yes.

4 Q. Okay. And is it also true that there are
5 other hospital systems who have not rebounded to
6 their pre-pandemic levels?

7 A. Yes.

8 Q. And in -- with respect to Prospect
9 CharterCARE, has Prospect Medical Holdings or Prospect
10 CharterCARE done any survey or investigation to
11 understand why the -- the volumes have not returned?

12 A. I have not seen it, if there was one, maybe --
13 maybe the local team have done one, but I have not seen
14 it.

15 Q. Okay. Anecdotally, are there any, you know,
16 theories as that -- you've heard as to why the volume
17 hasn't rebounded?

18 A. Theories, yes. Whether it's, you know, people
19 are just more careful or those patients are now kind of
20 change behavior are now going to different hospitals.

21 Q. Anything else?

22 A. No.

23 Q. Now, do you believe that Prospect CharterCARE,
24 that the two hospitals are staffed sufficiently to
25 handle an increase of volume, or would they need to

1 invest in more nurses, more physicians to increase
2 that volume?

3 A. Well, Mark, you've got to think about it,
4 right? I mean, we don't want to -- in order to be
5 efficient, we've got to staff at the appropriate
6 levels. So there's only X amount of patients, then you
7 only have X amount of nurses.

8 As you continue to increase the volume, the
9 costs will go up, but not as the same ratio as the cost
10 it is now. Because, you know, every -- let's say in
11 med surge, you're going to have a four to --
12 four-to-one ratio. So every patient you get -- every
13 four patients you get, you need one nurse. So it's not
14 going to be the same level as you -- you -- you'll --
15 you'll, you know, it won't be the same percentage
16 you see as you see more volume.

17 So if we see ten more patients, which is
18 10 percent more, for example, you -- we're not going
19 to see costs going up 10 percent more, maybe, you know,
20 maybe 5 to 7, 6 percent more, but not exactly the same
21 ratio. But, yes, costs will go up because we've got
22 to -- we've got to staff -- as there's some influx of
23 patients coming in, you've got to -- we've got to staff
24 them. Otherwise, we don't want to be risking the
25 safety of the patients.

1 Q. Right. And I guess that's what I'm getting
2 at, is that -- and I understand that it might not be
3 a one-to-one ratio. But that in order to improve
4 volume, there is going to be operating expense increase
5 associated with that?

6 A. In some way, yes. But, again, not -- probably
7 not as much as you -- we've seen because you -- you
8 won't have the same increase in overhead as well,
9 right, overhead costs. You know, the finance team will
10 be the same. The medical records team will be the
11 same. It's -- it's really the nursing floors
12 we'll probably have to staff more. But you're talking
13 about, you know, a portion of the total salaries for
14 the -- for the hospital.

15 Q. Okay. So you might see an increase in nursing
16 staff costs, supply costs, but you shouldn't see an
17 increase -- physician costs, but not necessarily an
18 increase in overhead costs; is that right? Is that
19 what you're saying?

20 A. Yes. And maybe not even physician costs,
21 though, Mark, right? Because the physicians, if
22 they're employed, we're paying them a salary and, you
23 know, depends -- they can see one patient a day or ten
24 patients the next day, they'll get paid the same.

25 Q. Do you have a sense as to what the -- or can

1 you give me an estimate as to the amount of volume
2 reduction that Prospect CharterCARE has seen as a
3 result that -- that you attribute to the pandemic?

4 A. I -- I can't remember right now. It's --
5 it's -- so it's like -- COVID has been like forever
6 since, you know, a few years ago. So I can't tell
7 exactly what percentage they're down now.

8 Q. Okay. Can you -- do you have a sense as to
9 the average daily census of the two Rhode Island
10 hospitals in how that was impacted by the pandemic and
11 whether that has rebounded?

12 A. I think it's the same question that I -- as
13 far as the volume of the hospital. I can't tell for
14 sure right now. I have to take a look.

15 Q. You also indicated that another headwind that
16 they were suffering from is inflated supply costs; is
17 that right?

18 A. Yes.

19 Q. And what did you mean by that?

20 A. Well, what I'm seeing -- and not -- again,
21 not just specific to CharterCARE, but we see it in the
22 other markets as well. Think about our economy right
23 now. There's so much inflated -- everybody is
24 experiencing inflated labor. So my assumption is, I
25 mean, our vendors are experiencing the same thing.

1 They're seeing inflated labor on their end. They got
2 to cover their cost, so they're -- they're increasing
3 their prices to us by X amount. And, you know, it's --
4 it's a tough situation to be at. But I believe there's
5 always room to that -- that we can all work with our
6 vendors and make sure that, you know, we're -- we're
7 helping each other out.

8 Q. Well, that's what I want to ask you about. It
9 seems to me like when you talk about inflated supply
10 costs, that is also an issue that, while it's an issue
11 for Prospect CharterCARE, it's an issue across the
12 industry; is that right?

13 A. Yeah. Yeah.

14 Q. Okay. And with respect to Prospect
15 CharterCARE, from your perch, is there anything that
16 you can suggest or that you understand can be done to
17 address inflated supply costs to -- to deal with that
18 particular headwind?

19 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

1

[REDACTED]

3

THE RECORDER: I'm sorry. You can do?

4

THE WITNESS: With supply costs.

5

BY MR. OSTROWSKI:

6

Q. Are those things that Prospect CharterCARE could do on their own, or are they somewhat limited in what they can do because of their relationship with Prospect Medical Holdings?

10

A. No. Every -- every local teams, local markets normally have their vendors that they work with, so they're not hindered by working with corporate.

13

Q. Now, my understanding is they're --

14

THE RECORDER: I'm sorry. They're not hindered by?

16

THE WITNESS: By working with corporate.

17

BY MR. OSTROWSKI:

18

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

22

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

3

[REDACTED]

14 Q. Now, I'm --

15 A. -- (inaudible).

16 THE RECORDER: I'm sorry. What's the best for
17 CharterCARE?

18 THE WITNESS: Yeah. What's the best for
19 CharterCARE situation as far as on their costs.

20 BY MR. OSTROWSKI:

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

2

9

Q. And why is that?

10

A. Again, I'm not a supply expert, but, you know,

11

I think depends on the vendor they'll use and the

12

prices that that vendor will provide or will offer

13

them.

14

Q. You indicated that you thought that another

15

headwind for Prospect CharterCARE was its operating

16

losses on a month-to-month basis. Do you recall that?

17

A. Yes.

18

Q. And I think you said it's -- it's about

19

[REDACTED]; is that right?

20

A. That's correct.

21

Q. Or I'm sorry. [REDACTED]?

22

A. [REDACTED], yes.

23

Q. So if I -- if my math is right, that's about

24

[REDACTED]; is that correct?

25

A. About, yes.

1

5

Q. Okay. And --

6

A. (Inaudible).

7

Q. -- if I'm correct, was the net operating loss last year for -- last fiscal year for Prospect CharterCARE over \$50 million?

8

9

10

A. That's correct.

11

Q. Okay.

12

13

A. So if you recall, Mark, I mean, we had a cyber incident. And during cyber, we could not take our patients in. So, you know, we had to divert. And but, unfortunately, even though we had lower volume, we could not reduce our labor costs because a lot of things were manual.

14

15

16

17

18

So, you know, we had the same labor -- amount of labor, a lot of low revenue. That's why in fiscal '23, they were -- they were reporting higher than usual losses.

19

20

21

22

Q. Okay. If we were to adjust for that one time cyber attack, it would -- would their net operating loss be more in line with [REDACTED], or have you not done that analysis?

23

24

25

1

[REDACTED]

[REDACTED]

3

Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11

But that's why it's very important for, you

12

know, CharterCARE to be able to do the operational

13

improvements that they have planned, get savings from

14

additional options like, you know, being able to get

15

rid of its property taxes, a lot of savings on the --

16

their cancer center 340B savings on that if they become

17

not profit. So it's a lot of other savings that we

18

could not act on right now because, you know, we're

19

limited.

20

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

4 Q. And if we looked at the income statement for
5 CharterCARE each year, we would look at the operating
6 loss or gain, and that would be the number?

7

A. Yeah, right about.

8

Q. Okay.

9

A. That would be a good estimate.

10

Q. All right. As you sit here today, can you
11 tell us, since you've been the CFO, how much each year
12 Prospect Medical Holdings has had to subsidize Prospect
13 CharterCARE?

14

A. [REDACTED]

15

21

Q. And do you expect, at least right now, 2024 to
22 be about the same?

23

1
2
3
4
5
6

[REDACTED]

Q. If Prospect Medical Holdings was to -- was unable to or unwilling to make that [REDACTED] or so a month supplement, how long could the local system continue to operate? Do you have an idea?

A. [REDACTED]

[REDACTED]

17 Q. Has -- has anybody done that analysis, gone
18 through that exercise to see what it would take to make
19 the local system profitable without the support
20 of Prospect Medical Holdings?

21 A. Well, yeah. Like I said, I think, you know,
22 on an annual budget, annual fiscal year budgets, we
23 expect the local teams to always show the best that
24 they can do to improve the facilities.

25 Q. Now, I just want to confirm some financial

1 metrics.

2 A. Sure.

3 Q. And -- and if you don't know, because I
4 understand you don't have everything sitting in front
5 of you, that's fine. [REDACTED]

8 A. I don't know for sure, but I would -- [REDACTED]

11 Q. Well, I'm talking -- so -- so patient revenue
12 was down because of the cyber incident?

13 A. Yes.

14 Q. Because you couldn't see patients?

15 A. That's correct.

16 Q. How about 2022, do you know?

17 A. [REDACTED]

22 Q. And -- and would you agree with me that even
23 2021 was down at least as it compared to pre-COVID
24 levels?

25 A. Yes. From a volume perspective, it would have

1 been down in 2021 because of the -- COVID.

2 Q. And -- and am I correct also in understanding
3 that year-to-year expenses since 2021 have continued to
4 rise?

5 A. Yes.

6 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 Q. Okay. And do you from time to time look at
12 EBITDA as a financial metrics with respect to
13 performance?

14 A. Yes. That's mainly what we look at, EBITDA.

15 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19 Q. Okay.

20 THE RECORDER: I'm sorry. That's what I would
21 assume it to be?

22 THE WITNESS: Yeah. Yes.

23 BY MR. OSTROWSKI:

24 [REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

3

Q. All right. In -- in any regard, can you
4 pinpoint for us a time when you or Prospect Medical
5 Holdings came to understand that Prospect CharterCARE
6 was essentially in distress, financial distress?

7

Q. Say that -- the beginning part of it, what
8 was --

9

Q. Yeah. Is there a -- is there a time in which
10 Prospect Medical Holdings -- the light went off and
11 said, Prospect CharterCARE is in financial distress, do
12 you know when that was -- when that -- when that
13 happened?

14

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19

Q. I want to understand a little bit about the
20 cyber attack and how it impacted Rhode Island versus
21 how it impacted some of your other locations. For
22 example, you have a system in Connecticut; is that
23 right?

24

A. Correct.

25

Q. And hospital or hospitals in Pennsylvania; is

1 that right?

2 A. Yes.

3 Q. In California?

4 A. Yes.

5 Q. Anywhere else?

6 A. No. We used to have a hospital in New Jersey
7 and Texas, but those were divested.

8 Q. The -- was the operation in Rhode Island
9 impacted to the same degree as the operation in
10 Connecticut, for example?

11 A. I can't remember exactly which market was
12 experiencing worse impact on the cyber. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16 Q. And if you can, tell me -- walk me through the
17 operational impact that the cyber attack had on the
18 Rhode Island hospitals.

19 A. [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

12 Q. -- by the cyber attack?

13 Was it also -- was it also driven --

14 THE RECORDER: I'm so sorry. That last --
15 that last question got completely cut off and I didn't
16 get the answer. Can you repeat that? [REDACTED]

[REDACTED]

18 MR. OSTROWSKI: [REDACTED]

19 THE RECORDER: And then the answer was yes?

20 THE WITNESS: Mark, sorry. I didn't -- I
21 didn't answer because I was letting you finish.

22 THE RECORDER: I'm so sorry.

23 BY MR. OSTROWSKI:

24 Q. So -- so you can answer now.

25 A. Yes. So I was going to explain, right?

1

[REDACTED]

12

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16

Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20

Q. All right. Can you quantify the decrease in

21

volume experienced in the Rhode Island systems related

22

to the cyber attack?

23

A. I don't know the number exactly in my head.

24

But, you know, we can look at the trends of how they

25

were seeing historically, their average monthly and

1 compare that to the -- what they saw in August, then
2 that's what I would say is the decrease related to the
3 cyber.

4 [REDACTED]

15 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

3

Q. Okay. So we had a --

4

THE RECORDER: I'm so sorry. Compared to what we saw in August?

6

7

THE WITNESS: Right. So what we saw in August. So I don't know, Mark, specifically for CharterCARE, but,

8

10

BY MR. OSTROWSKI:

11

Q. Well, we know that EBITDA, in 2023, I believe,

12

was -- And I'm

13

looking at what I think was the budgeted EBITDA for

14

2023 of , but we know it was in excess of

15

17

A. Yeah. Part of that -- that higher loss is

18

because of cyber.

19

Q. And can you --

20

A. I'm not sure if it's all of it. But yes, it's

21

part of the reason for the higher loss.

22

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

Q. That's -- that's fair. I don't -- and I don't
8 want you to -- I don't want you to guess.

9

But you had cyber insurance; is that right?

10

A. That's correct.

11

Q. And has that claim been paid?

12

A. [REDACTED]

13

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18

Q. And was any of that --

19

THE RECORDER: I'm sorry, Counsel. Can we go
20 off the record just real quick? I'm having technical
21 difficulties.

22

MR. OSTROWSKI: Certainly.

23

THE RECORDER: Okay. So we are off the record
24 at 9:15 a.m., Pacific Time.

25

(A recess was taken.)

1 THE RECORDER: And we are back on the record
2 at 9:15 a.m., Pacific Time.

3 BY MR. OSTROWSKI:

4 Q. Mr. Sabillo, we were talking about the
5 insurance claim relating to the cyber attack, and I
6 think you indicated that the claim was in or around
7 [REDACTED]; is that right?

8 A. The claim was [REDACTED].

9 Q. Okay.

10 [REDACTED]

[REDACTED]

[REDACTED]

13 Q. How much of that claim, if you know, the
14 [REDACTED], was attributed to the Rhode Island
15 system Prospect CharterCARE?

16 A. Yeah. Again, Mark, I don't -- I don't know
17 off the top of my head. I have to take a look at the
18 claim again.

19 Q. Okay. But is it broken out somewhere?

20 A. Yes. Yes.

21 Q. Okay. And -- and would it be fair to say that
22 it's a significant number?

23 A. Yes.

24 [REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5

Q. Okay.

6

MR. OSTROWSKI: I had promised the reporter that we'd take a break every hour. We're at about that, I guess. It's 12:17 here on the east coast. Why don't we take a break until 12:30, which I think would be 9:30 your time. Does that work?

10

11

THE RECORDER: I believe so. That should be fine. And then do you want to go off record now?

12

13

MR. OSTROWSKI: Yes, please.

14

THE RECORDER: All right. We are off the record at 9:17 a.m., Pacific Time.

15

16

(A recess was taken.)

17

THE RECORDER: And we are back on the record at 9:36 a.m., Pacific Time.

18

19

And then just for the record, Counsel Totten with Adler Pollock and Sheehan joined the Zoom call earlier. And then I guess that's all we need. So, Counsel.

20

21

22

23

MR. OSTROWSKI: All right. Thank you very much.

24

25

BY MR. OSTROWSKI:

1 Q. Mr. Sabillo, we were talking about the cyber
2 attack and the insurance claim when we broke, and I
3 just have a few cleanup questions on that, and then
4 we'll move on to something else.

5 I think you indicated that the total claim
6 value was [REDACTED]; is that right?

7 [REDACTED]
[REDACTED]
[REDACTED]

10 Q. And so -- is it -- and so that's what I want
11 to understand, because I thought you had said [REDACTED] Is
12 the -- did the claim equal the total amount of the
13 cyber loss, or was there some policy limit that you
14 limited the -- the dollar value of the claim that
15 you made?

16 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

22 Q. Okay. And to date, you've received payment on
23 [REDACTED] of the claim; is that right?

24 A. About [REDACTED], yes.

25 Q. And you expect another [REDACTED]; is that

1 right?

2 A. (No verbal response.)

3 Q. You have to say --

4 A. Yes.

5 Q. Okay.

6 A. Yes.

7 Q. Again, the policy limit was [REDACTED]

8 A. That's correct.

9 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13 A. No. So it's the first claim for the
14 (indiscernible) insurance, so you can a --

15 THE RECORDER: I'm sorry. The first claim
16 for?

17 THE WITNESS: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23 BY MR. OSTROWSKI:

24 Q. Okay. Do you know if -- and you had talked
25 about an impact on patient volumes. Do you know if

1 all of Connecticut, Rhode Island, Pennsylvania, and
2 California, if their patient volumes were impacted by
3 the cyber attack?

4 A. Yes, they were all the impacted to vary --
5 varying degrees.

6 Q. And in terms of ranking, where did the Rhode
7 Island impact stand vis-à-vis the other systems, if you
8 know?

9 A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 [REDACTED]

[REDACTED]

[REDACTED]

22 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

2

Has there ever been any discussion within

3

Prospect Medical Holdings, that you're aware of, of

4

putting Prospect CharterCARE into bankruptcy because of

5

that monthly loss?

6

A. [REDACTED]

7

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12

Q. Okay. Would you expect to be --

13

THE RECORDER: I'm sorry. [REDACTED]

14

THE WITNESS: [REDACTED]

[REDACTED]

16

BY MR. OSTROWSKI:

17

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7 [REDACTED]

12 [REDACTED]

14 [REDACTED]

19 Q. Now, going back to the [REDACTED] loss
20 and that trend of financial decline, do you know if
21 Prospect Medical Holdings have taken any steps in --
22 and I mean specifically -- to reverse that trend with
23 respect to -- to Prospect CharterCARE?

24 A. Not us, Prospect Medical Holdings,
25 specifically. We rely on our local operators, you

1 know, CEO and CFO of the local teams in order to find
2 ways to make the financial performance better. They
3 know the market best in each of these places. They
4 know which physicians they need to work with. They
5 know how to get, you know, how to get the nurses in
6 compared to their other local competitors. So that's
7 a lot -- a lot of it is really local driven.

8 Q. Are -- do you have confidence that the local
9 teams are in position, have the bandwidth to resolve
10 the financial issues that are currently confronting --

11 A. Yes.

12 Q. -- (inaudible)?

13 A. I mean, yes. Otherwise we wouldn't be, you
14 know, working with them.

15 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20 Q. Okay. Thank you. Now, Prospect CharterCARE
21 is part of this bigger system, Prospect Medical
22 Holdings. I'm presuming that there's good things and
23 bad things about being part of the bigger system. So
24 I'm going to ask you: In your own words as you sit
25 here, are there -- what are the benefits to Prospect

1 CharterCARE to being part of Prospect Medical Holdings?

2 [REDACTED]

17 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 Q. And so other than revenue cycle, what else
2 could have been combined that wasn't combined?

3 A. You know, finance, accounting, AP, HR. Think
4 about a kind of a non -- what do you call that?
5 Patient-related kind of services.

6 Q. So is it your testimony that finance,
7 accounting, accounts payable, and human resources are
8 largely handled on a local level in Rhode Island?

9 A. Yes.

10 Q. And if Prospect Medical Holdings had
11 consolidated that nationally, that would have been a
12 benefit that --

13 A. Oh, yes.

14 Q. -- that was not achieved?

15 A. That was not achieved.

16 Q. Okay. So can you think of any benefits to
17 Prospect Medical -- Prospect CharterCARE
18 that -- that it did receive or does receive as being
19 part of Prospect Medical Holdings, other than the
20 [REDACTED]?

21 A. Yeah. Nothing specific, I'd say, from a --
22 kind of that perspective. I know from previous
23 conversations, you know, prior to Prospect, they
24 actually were able to realize a lot of the -- a lot of
25 savings from, you know, lower proper -- no property

1 taxes, a lot lower cost on their 340B on their cancer
2 drugs or the 340B kind of savings there. So I know
3 prior to us, they were able to get those savings.

4 Q. What are the -- are there any challenges
5 created for Prospect CharterCARE as a result of its
6 affiliation with Prospect Medical Holdings, other than
7 the not-for-profit items that you just talked about?

8 A. Not -- not -- nothing I can think of, Mark.

9 Q. Okay. There was a board meeting in November
10 of 2022 of the Prospect CharterCARE board. And the --
11 and there's an entry in the board minutes, I just want
12 to read to you and then ask you some questions about
13 it. I realize you weren't at the board meeting.

14 [REDACTED]

18 [REDACTED]

21 A. [REDACTED]

23 Q. And -- and why did Prospect make the decision
24 to divest the Rhode Island hospitals?

25 A. We think that from a -- from -- again, from a

1 kind of perspective of the local kind of financials,
2 they would -- they could realize other savings from
3 not -- from being a not -- a -- not being part of a
4 for-profit system. And, yeah, that that's maybe some
5 other -- some other buyer or some other kind of owner
6 can help in other ways that we cannot, whether it's,
7 you know, knowing that -- knowing the market better or
8 having ties with other systems better.

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13 Q. So if I'm hearing you right, the thinking
14 was if -- by Prospect Medical Holdings, if we divest,
15 they will have the benefit of being a not-for-profit
16 system. That's one of them, right?

17 A. Yeah.

18 Q. And the other thing is maybe we can connect
19 them with another system that can help them in ways
20 that we can't or a system that knows the local market
21 better than we do?

22 A. I think -- again, Mark, those would have been
23 my assumptions on why they would invest something.
24 Those would be the reasons of why, you know, what --
25 how a local kind of facility like CharterCARE would

1 benefit from a divestiture.

2 Q. Okay. And I'm wondering were there
3 discussions about this where the reasons for the
4 divestiture were laid out?

5 A. Oh, no. Not -- sorry. Not that -- I was not
6 personally part of those discussions.

7 Q. Okay. So this is just -- you're -- you're
8 surmising?

9 A. Correct.

10 Q. Okay.

11 [REDACTED]

22 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

4 Q. All right. The -- the benefit -- the
5 not-for-profit benefit that you talked about, other
6 than saving on property tax and sales tax and being
7 eligible for 340G benefits, is there anything else --
8 340B benefits, is there anything else that comes to
9 mind is a benefit as a result of the not-for-profit
10 status?

11 A. Those are the biggest ones. I'm sure there's
12 maybe a few other ones I haven't mentioned, but those
13 would be the biggest benefits.

14 Q. Okay. I believe I asked you this earlier if
15 you were involved in the process of identifying a buyer
16 for Prospect CharterCARE, and I think you said no?

17 A. That's correct, I was not.

18 Q. Do you know who led that process?

19 A. I don't know specifically who led that
20 process.

21 Q. Do you know --

22 A. It might be -- I mean, yeah. Maybe -- maybe
23 George would know better who actually led it.

24 Q. Okay. Did --

25 A. George Pollari.

1 Q. George Pollari?

2 THE RECORDER: I'm sorry. The last part?

3 THE WITNESS: Maybe -- sorry. Maybe George
4 Pollari will know better on who actually lead that kind
5 of search.

6 BY MR. OSTROWSKI:

7 Q. Do you know what the universe of potential
8 buyers that were identified was?

9 A. No.

10 Q. Do you know how many buyers the investment
11 bank or Prospect Medical Holdings reached out to?

12 A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

17 Q. Are you familiar with the Centurion
18 Foundation, the potential purchaser?

19 A. I mean, I've heard of it. Yeah, I've heard of
20 them, but not that familiar with them.

21 Q. Have you done anything to evaluate its ability
22 to close this transaction?

23 A. Me, not personally.

24 Q. Have you done to evaluate --

25 THE RECORDER: I'm sorry. Was that, Me, not

1 personally?

2 THE WITNESS: Yeah. Me, not personally.

3 BY MR. OSTROWSKI:

4 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8 Q. Do you have --

9 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13 Q. All right. I'm going to show you what we've
14 marked as Exhibit B.

15 (Exhibit B was marked for identification.)

16 THE WITNESS: All right.

17 BY MR. OSTROWSKI:

18 Q. It's -- it's an initiative summary and EBITDA
19 bridge.

20 A. Okay.

21 Q. That's labeled C-CNT-PMH-012885. Just hold on
22 one second. Let me get this opened.

23 A. Okay.

24 Q. Yeah. All right. Can you see this
25 color-coated Excel spreadsheet that I'm sharing?

1 A. Yes.

2 Q. Have you ever seen -- see if I can make it a
3 little bigger for you. Have you ever seen this
4 document before that you know?

5 A. It does not look familiar.

6 Q. It's a -- do -- so it's fair to say that you
7 don't recall playing any role in putting this together?

8 A. No.

9 Q. Okay. There's a series of management
10 initiatives along the left-hand side of the document.
11 Do you see those?

12 A. Yes.

13 Q. Okay. Did -- I have -- are you familiar with
14 any of these initiatives as being initiatives relating
15 to Prospect CharterCARE?

16 A. Give me a second. I'm looking at it.

17 Q. And let me know if you want me to scroll down.

18 A. I'm familiar with -- sorry. This is for --
19 this is -- I'm sorry, Mark. This is bridge for fiscal
20 '24 or what --

21 Q. This is --

22 A. -- what comp is this again?

23 Q. This is an EBITDA bridge for the transaction.

24 A. Okay. Okay.

25 Q. Or for the proposed transaction.

1 A. Okay. And then what's Year 1? Is Year 1
2 2024, or is there -- right. Can you give me context?

3 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19 And then can you scroll down, let me see what
20 else is in there?

21 Q. I'll go down to --

22 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16

And then I think that's as much as I can

17

remember for what -- what -- I'm kind of familiar with

18

the -- the items in this document, but I haven't seen

19

this document specifically.

20

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

25

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

4

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

22

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

2

[REDACTED]

16

[REDACTED]

1 Q. There's a line item -- I guess it's line item
2 15. It's 14 or 15, [REDACTED]. Do you see
3 that?

4 A. Uh-huh.

5 Q. Do you know what that is a reference to?

6 [REDACTED]
[REDACTED]

16 Q. Do --

17 A. I don't know for sure. But that's the only
18 thing that comes to mind when I see [REDACTED]
[REDACTED]

20 Q. If we look at [REDACTED], do you see
21 that's? It's line 16?

22 A. Yes.

23 [REDACTED]
[REDACTED]
[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15

[REDACTED]

1

[REDACTED]

[REDACTED].

3

Q. And -- and so -- and I guess that really goes
4 to the heart of my question. If it -- as you explain
5 it, it seems awfully easy. Why hasn't it been done?

6

[REDACTED]

21

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

25

Q. If we go to the next area, [REDACTED]

1 [REDACTED]. Line 26 is [REDACTED]

[REDACTED]

3 [REDACTED]

[REDACTED]

5 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10 [REDACTED]

20 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

24 Q. If we -- if we go down to [REDACTED]

[REDACTED], you'll see that their initiatives expect to

1 generate -- [REDACTED]
[REDACTED].

3 A. Yeah.

4 Q. Based on your understanding of the market, is
5 that a realistic goal?

6 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

13 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

18 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

22 [REDACTED]
[REDACTED]

24 A. Yeah.

25 [REDACTED]

1

[REDACTED]

[REDACTED]

3

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

24

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15

Q. There's a bunch of [REDACTED]

[REDACTED] that are listed, lines 53 to line 66. Do

17 you see those?

18

A. Yes.

19

Q. Are those things that -- that you've been

20

asked to evaluate or weigh in on in any way?

21

A. No. Again, I think that's more of a local

22

team kind of exercise to make sure that they're

23

getting comfortable with the numbers representing here

24

and opportunities -- presented to us. Sorry. And

25

opportunities that they can get, you know, in order to

1 reduce expenses.

2 Q. If the --

3 A. But there -- yeah.

4 Q. Go ahead. Sorry.

5 A. They're -- again, they're normally
6 especially -- I think CharterCARE is one of the ones
7 that, I think, you know, would have a good backup or at
8 least discussions on -- on these items. But from a
9 corporate perspective, but just -- I just haven't gone
10 to that level of detail.

11 Q. If the proposed transaction with Centurion
12 doesn't take place, does Prospect Medical Holdings
13 have an alternative plan in place for Prospect
14 CharterCARE?

15 [REDACTED]

[REDACTED].

24 Q. I'm going to share with you what we've marked
25 as Exhibit C. It's an another Excel spreadsheet

1 labeled C-CNT-PMH-012884.

2 (Exhibit C was marked for identification.)

3 BY MR. OSTROWSKI:

4 Q. Just give me a second here to share it with
5 you. There we go. Do you see that? Is it big enough?

6 A. Yes.

7 Q. All right.

8 A. Yes.

9 Q. Have you ever seen this document before?

10 A. No. It looks like a P and L, but I have not
11 seen this exact document. It does not look familiar.

12 Q. Okay. I'm going to go down to the tab opening
13 balance sheet and open that up.

14 A. Okay.

15 Q. You see that?

16 A. Yes.

17 Q. And I think it's line 25, [REDACTED]

[REDACTED]. Do you

19 see that --

20 THE RECORDER: I'm sorry. [REDACTED]

[REDACTED] --

22 MR. OSTROWSKI: [REDACTED]

[REDACTED]

24 BY MR. OSTROWSKI:

25 Q. Do you see that?

1 A. Yes.

2 Q. Do you know what that refers to and how it was
3 calculated?

4 A. No.

5 Q. And I want to just ask you about days cash on
6 hand for Prospect Medical Holdings. Are you familiar
7 with that term "days cash on hand"?

8 A. Yes. Yes.

9 Q. And -- and is it -- is it an important
10 metrics -- metric for what you do?

11 A. Yeah. It's good to kind of understand that.

12 Q. And why is it good to understand days cash on
13 hand?

14 A. Knows so much day -- how many days you have
15 for how many -- you can support your expenses for the
16 cash you have.

17 Q. And as you sit in your chair today, can you --
18 do you know what the days cash on hand is currently for
19 Prospect Medical?

20 A. No, not specifically.

21 Q. Do you have a sense, general sense? Is it
22 less than ten days?

23 A. No. I'll have to take a look at that, Mark.

24 Q. Okay.

25 MR. OSTROWSKI: Well, why don't we take a

1 short break. It's 1:20 our time. Let's take a --
2 until 1:30, and we'll come back on. Does that work for
3 everyone?

4 THE RECORDER: Okay. So off record?

5 MR. OSTROWSKI: Off the record.

6 THE RECORDER: All right. We are off the
7 record at 10:20 a.m., Pacific Time.

8 (A recess was taken.)

9 THE RECORDER: And we are back on the record
10 at 10:35 a.m., Pacific Time.

11 MR. OSTROWSKI: Thank you.

12 MR. OSTROWSKI:

13 Q. Mr. Sabillo, I just have a few questions, and
14 then I will turn the questioning over to Attorney
15 Rider.

16 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 MR. OSTROWSKI :

12

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18

[REDACTED]

[REDACTED]

20

[REDACTED]

[REDACTED]

[REDACTED]

23

[REDACTED]

[REDACTED]

25

[REDACTED]

1

Q. All right.

MR. OSTROWSKI: For now, I have -- I have no further questions, and I will turn the interview over to Attorney Rider for the Rhode Island Department of Health.

MS. RIDER: Thank you.

BY MS. RIDER:

Q. Hi, Mr. Sabillo, just to reintroduce myself, my name is Jessica Rider. I'm an attorney representing the Rhode Island Department of Health in this matter.

So I actually just want to follow up on what you were just talking to Mr. Ostrowski about. [REDACTED]

19

Q. And I want to go back now to the beginning where we first talked about your role as CFO, and you described your role as being responsible for cash

1 reporting and not necessarily cash management. Can
2 you explain what you meant by that?

3 A. [REDACTED]
[REDACTED]

12 Q. And who does make that decision?

13 [REDACTED]
[REDACTED]
15 [REDACTED]
[REDACTED]
[REDACTED]

18 [REDACTED]
[REDACTED]
[REDACTED]

21 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

25 [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20

Q. Do you have any -- do you have any role or

21

input in deciding, you know, who's getting how much

22

money or how bills are going to get paid?

23

A. No.

24

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12 (Audio interruption.)

13 THE RECORDER: I'm so sorry. I'm getting some
14 interference.

15 MS. RIDER: Do you want to go off the record
16 for a second because I think someone's not muted, and I
17 think that's the issue.

18 THE RECORDER: I think I just fixed it, so.

19 MS. RIDER: Okay.

20 THE RECORDER: Just for clarity of the record,
21 do you mind asking that previous question just so that
22 it's nice and clear, or I can replay the question if
23 need be. I just --

24 MS RIDER: If you can replay the question.

25 THE RECORDER: Yeah. Give me just one second.

1 Okay. Standby. So sorry. Just give me one second.
2 So sorry. Just give me one second. Okay. Let's try
3 that again. All right.

4 (The previous question was played back.)

5 BY MS. RIDER:

6 Q. Mr. Sabillo, do you mind responding to that
7 question one more time for me for the record?

8 [REDACTED]

[REDACTED]

10 Q. [REDACTED]

[REDACTED] And earlier you were talking about the
12 benefits to PCC being part of the -- the PMH system.
13 And one of the items that was discussed was that there
14 are some functions that are largely handled at the
15 local level. And I believe it was your testimony that
16 because of that, PCC wasn't able to realize the full
17 benefit of having all of these functions centralized.

18 [REDACTED]

[REDACTED]

[REDACTED]

21 A. Yeah. Yeah.

22 Q. Is there any other area that I missed?

23 A. I can't think of any big areas that, you know,
24 would be significant savings.

25 [REDACTED]

1

[REDACTED]

2

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16

Q. Is that also the same for human resources, for instance?

17

18

A. My understanding is yes, but probably can double check with HR team on what exactly is shared right now versus what's locally. But there is a local HR team.

19

20

21

22

[REDACTED]

[REDACTED]

[REDACTED]

25

[REDACTED]

1

[REDACTED]

[REDACTED]

10 Q. And is it -- do you know anything about
11 Prospect CharterCARE's current efforts to try to
12 decouple themselves from Prospect Medical Holdings in
13 anticipation of the proposed transaction?

14 A. Not specifically. Not specifically. Maybe we
15 have discussions with some of those nationwide
16 contracts and see, you know, how do we how -- do we
17 create a separate agreement for the local team, to that
18 extent. I'm not -- I'm -- I don't know specifically if
19 any of the agreements have been carved out like that.
20 But definitely that's one of the things we should be
21 working on.

22 Q. But it sounds like --

23 A. Sorry to --

24 Q. It sounds like -- oh, sorry.

25 A. Go ahead.

1 Q. It sounds like that's not something you have a
2 direct -- a direct or substantial role in?

3 A. No.

4 Q. And who does, if you know?

5 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12 Q. And are you familiar at all with the PACE
13 loans that the Rhode Island hospitals have?

14 A. Yes.

15 [REDACTED]

[REDACTED]

[REDACTED]

19 Q. Are you involved in that decision making or
20 that process?

21 A. No.

22 [REDACTED]

[REDACTED]

[REDACTED]

2 Q. In the last 18 months, has Prospect Medical
3 Holdings missed any required fundings for
4 employee-related expenses like payroll retirement
5 contributions or pension funding?

6 A. [REDACTED]

[REDACTED]

8 Q. What --

9 A. -- to the extent.

10 THE RECORDER: I'm sorry. Was that "to an
11 extent" at the end?

12 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

17 BY MS. RIDER:

18 [REDACTED]

[REDACTED]

[REDACTED]

21 THE RECORDER: I'm sorry. Is that -- can you
22 repeat the answer one more time?

23 THE WITNESS: [REDACTED]

[REDACTED]

25 BY MS. RIDER:

1

Q. [REDACTED]

[REDACTED]

9

Q. Now, I want to ask you: As you sit here

10 today, the audited financials for Prospect Medical

11 Holdings for the last fiscal year, those are not

12 available?

13 A. Correct, that's not available.

14 Q. And where are the -- those at in the process?

15 A. It's still with our auditor, BDO. They're

16 still doing their process. They're working -- [REDACTED]

[REDACTED]

[REDACTED]

11 Q. And are you familiar at all with the
12 transition services agreement that will have to be
13 negotiated as a result of the proposed transaction?

14 A. The Centurion transactions?

15 Q. Yes.

16 THE RECORDER: I'm so sorry. Can you repeat
17 what you just said?

18 THE WITNESS: Yeah. Sorry. Me or Jessica?

19 THE RECORDER: Yeah. I didn't catch what you
20 said to counsel.

21 THE WITNESS: I was ask -- I was trying to
22 confirm if it was the -- if the Centurion transaction
23 you're talking about, and I believe the answer, Jessica
24 was, yes. All right.

25 So yeah. In every -- in most of the either

1 acquisitions or the investitures, there's always going
2 to be some sort of a TSA. It's really, you know,
3 transitioning the -- the services to the new owner or
4 the new -- from the seller to buyer, buyer to seller.
5 So there's always going to be some sort of that in
6 every transaction.

7 BY MS. RIDER:

8 Q. Are you familiar with the specific --
9 specifics of the transition services agreement related
10 to this transaction?

11 A. No. No. I believe somebody else was working
12 on that.

13 Q. Do you know who was working on that?

14 A. I'll have to check, but it might be some -- it
15 might be Kim Lumia (phonetic) from our team -- I mean,
16 from the, you know, Prospect side, but I -- I don't
17 know for sure. I can -- I can check.

18 Q. And what's her title?

19 A. I don't know. I'm sorry. She's VP of
20 something.

21 Q. Well, how about instead of her title, why
22 don't you tell me generally what her role is in the
23 company?

24 A. Yeah. Yeah. Sorry. [REDACTED]

[REDACTED]

[REDACTED]

9 Q. Thank you.

10 MS. RIDER: I think we can probably take maybe
11 a five-minute break, if that works for everybody.

12 THE RECORDER: Okay. So off record?

13 MS. RIDER: Yes. Thank you.

14 THE RECORDER: So we are off the record at
15 11 a.m., Pacific Time.

16 (A recess was taken.)

17 THE RECORDER: And we are back on the record
18 at 11:06 a.m., Pacific Time.

19 MS. RIDER: Mr. Sabillo, we have nothing
20 further. Thank you for your time. We'll suspend this
21 statement under oath on behalf of the Rhode Island
22 Department of Health at this time.

23 THE WITNESS: Thank you.

24 MR. OSTROWSKI: And same with the Office of
25 the Attorney General. Thank you for your time today.

1 THE WITNESS: You're welcome.

2 THE RECORDER: So then the only thing I need,
3 do you want me to go ahead and grab the transcript
4 order because that's the last thing I need?

5 MR. OSTROWSKI: Yes, please.

6 THE RECORDER: Okay. So let me go down my
7 list here. For -- let's see here, Shipman and Goodwin,
8 Counsel Ostrowski, I have you down for an electronic
9 copy; is that correct?

10 MR. OSTROWSKI: That's correct.

11 THE RECORDER: All right. And then Counsel
12 Lindquist or Counsel Harvey, I have you down for an
13 electronic copy for the Attorney General's Office ready
14 within three business days, which will be Tuesday, May
15 14; is that correct?

16 MS. HARVEY: That is correct. Could we also
17 get a rough draft?

18 THE RECORDER: Yes, you can. Let me make a
19 note of that.

20 MR. TOTTEN: Alfredo, you can go if you -- you
21 don't need to stay on. Thanks.

22 THE RECORDER: Just for the record, that was
23 Counsel Totten.

24 Let's see here. And then for Adler Pollock
25 and Sheehan, Counsel Rocha, I have you down for an

1 electronic copy, and we're sending the read and sign to
2 you; is that correct?

3 MR. TOTTEN: That's -- that's correct. I'm
4 here for Pat Roche.

5 THE RECORDER: Okay. That's also again,
6 Counsel Totten.

7 And then Counsel Rider, electronic copy; is
8 that correct?

9 MS. RIDER: Yes, that's correct. I will take
10 a rough as well, please.

11 THE RECORDER: Rough as well. Okay. Can do.
12 And then Counsel Wyman for the Department of Health, I
13 have you down for an electronic copy; is that correct?

14 MS. RIDER: She had to step out. So I will
15 let you know for her that, yes, that's correct.

16 THE RECORDER: Okay. Got her down for an
17 electronic copy. All right. I think that's
18 everybody.

19 So with that, we are now off the record at
20 11:07 a.m., Pacific Time.

21 (The proceedings ended at 11:07 a.m.)
22
23
24
25

CERTIFICATE

I, REBECCA ROBERTS, a Notary Public in and for the State of California do hereby certify:

That the foregoing witness was duly sworn; that the proceeding took place before me at the time and place herein set forth; that the testimony and proceedings were accurately captured by me with annotations using electronic recording means not related to stenography.

I further certify that I am not related to any of the parties to this action by blood or marriage and that I am not interested in the outcome of this matter, financial or otherwise.

IN WITNESS THEREOF, I have hereunto set my hand this 14th of May 2024.



REBECCA ROBERTS
Notary Commission CA No. 2487658
Commission Expires: May 15, 2028

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CERTIFICATE OF TRANSCRIPTIONIST

I, Jennifer Madaris, Certified Shorthand Reporter, do hereby certify:

That the foregoing is a complete and true transcription of the original digital audio recording of the testimony and proceedings captured in the above-entitled matter. As the transcriptionist, I have reviewed and transcribed the entirety of the original digital audio recording of the proceeding to ensure a verbatim record to the best of my ability.

I further certify that I am neither attorney for nor a relative or employee of any of the parties to the action; further, that I am not a relative or employee of any attorney employed by the parties hereto, nor financially or otherwise interested in the outcome of this matter.

IN WITNESS THEREOF, I have hereunto set my hand this 14th day of May, 2024.

Jennifer Madaris

Jennifer Madaris, RPR

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DEPOSITION ERRATA SHEET

Esquire Job No. J11183664
Case Caption: Hospital Conversions Act Initial
Application of the Centurion Foundation, Inc., et al.

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my deposition taken in the above-captioned matter or the same has been read to me, and the same is true and accurate, save and except for changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the _____ day of _____,
20____.

ALFREDO SABILLO

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ALFREDO SABILLO
IN RE: HOSPITAL CONVERSIONS ACT

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