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IN RE:

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

REMOTE SWORN STATEMENT UNDER OATH OF:

BENJAMIN M. MINGLE

May 6, 2024

8:04 A.M.

REPORTED BY:

CINDY C. JENKINS, CCR

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A P P E A R A N C E S

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A P P E A R A N C E S

(continued)

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A P P E A R A N C E S

(continued)

ALSO PRESENT:

- Ms. Danielle Bangs
- Ms. Angelina Cai
- Mr. David Robeson
- Mr. Michael Dexter
- Ms. Alana Campbell
- Mr. Michael Rainey
- Mr. Fernando Lopes
- Ms. Michelle Smith
- Mr. Drew Kadow
- Ms. Dorothea Lindquist

REMOTE TECHNICIAN:

- Ms. Jordon McHugh

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BENJAMIN M. MINGLE	
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Examination by Ms. Rider	

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PROCEEDINGS

MAY 6, 2024

8:04 A.M.

COURT REPORTER: All right. My name is Cindy Jenkins, Certified Court Reporter. This statement under oath is being held remotely pursuant to an agreement of all parties. Is that agreeable, Counsel?

MR. CAHILL: This is Chris Cahill with Shipman & Goodwin on behalf of the Office of the Rhode Island Attorney General, yes.

MS. ROCHA: This is Pat Rocha on behalf of the transacting parties and Mr. Mingle, and that is acceptable.

MS. RIDER: This is Jessica Rider on behalf of the Rhode Island Department of Health, and that is acceptable.

MR. CAHILL: So good morning, Mr. Mingle.

THE WITNESS: Good morning.

MR. CAHILL: My name is Chris Cahill. I'm here today on behalf of the Office of the Rhode Island Attorney General. And this statement is being conducted pursuant to the Hospital Conversion Act, Rhode Island General Law 23-17.14-14, and is being

1 transcribed by a stenographer. So I'll be
2 taking the interview under oath on behalf of
3 the Office of the Attorney General.

4 THE WITNESS: Okay.

5 MR. CAHILL: Only agency counsel
6 will be asking questions. And at this time, I
7 would like to ask everyone who is present
8 today on this remote examination to identify
9 themselves. So I will start. I'm here. I'm
10 also here in the room with Joan Feldman and
11 Mark Ostrowski, both with Shipman & Goodwin.
12 And then we also have Drew Kadow, who is an IT
13 technician.

14 I would ask then that the Rhode
15 Island Attorney General's Office identify
16 themselves. Then maybe we'll go to RIDOH, and
17 then to the transacting parties.

18 MS. HARVEY: Good morning. This
19 is Julia Harvey with Rhode Island Office of
20 the Attorney General, and I'm here with my
21 colleague Dorothy Lindquist, also with Rhode
22 Island Attorney General's Office.

23 MS. RIDER: Good morning. Jessica
24 Rider representing the Rhode Island Department
25 of Health. Here with me is Michael Dexter,

1 Alana Campbell, Fernando Lopes, Michael
2 Rainey, Michelle Smith. I don't think I
3 missed anybody. Let me know if I missed
4 anybody from RIDOH.

5 MS. ROCHA: Good morning this is
6 Pat Rocha with Leslie Parker and Richie
7 Beretta who are also on the call. We
8 represent the transacting parties and
9 Mr. Mingle.

10 THE WITNESS: And Chris, I'm
11 sitting in my office in Atlanta, and there's
12 nobody else in here this time of day.

13 MR. CAHILL: Sounds good. Anyone
14 else?

15 MS. BANGS: This is Danielle
16 Bangs. I'm with Veralon. We're supporting
17 the Rhode Island Attorney General.

18 MR. CAHILL: As part of this
19 proceeding, we would like the agreement that
20 there will be no audio or video recording of
21 this interview under oath by or on behalf of
22 the transacting parties, or the interviewee,
23 Mr. Mingle, and that if such unauthorized
24 audio or video recording occurs, it will not
25 be used for any public purpose. Is there any

1 disagreement with that?

2 THE WITNESS: No, sir.

3 MR. CAHILL: Okay.

4 MS. ROCHA: And for the record,
5 that's acceptable, and confirming that it
6 applies to all parties on this matter.

7 MR. CAHILL: Thank you, Ma'am.

8 Now, Mr. Mingle, you understand
9 that you're here today to give a statement
10 under oath as part of the Rhode Island
11 Attorney General's review of a hospital
12 conversion application submitted by Centurion
13 in connection with the proposed purchase of
14 Roger Williams Medical Center and Our Lady of
15 Fatima Hospital?

16 THE WITNESS: Yes.

17 MR. CAHILL: And I understand this
18 is the first time you've ever been examined or
19 deposed; is that right?

20 THE WITNESS: Yeah. I was --
21 yeah, probably. I've been examined by the
22 public company accounting oversight board for
23 the SEC two times. But by a lawyer in a
24 setting like this, I guess the answer is yes.

25 MR. CAHILL: Okay. Well, maybe it

1 will help to go through some ground rules
2 really quickly just to refresh.

3 THE WITNESS: Okay.

4 MR. CAHILL: So basically the way
5 this works is I will ask questions. Just
6 listen carefully to the questions and then do
7 your best to answer, okay.

8 THE WITNESS: Okay. Okay.

9 MR. CAHILL: If you don't
10 understand the question, just say so, and I'll
11 aise rephrase, okay.

12 THE WITNESS: Okay.

13 MR. CAHILL: And then if you need
14 to take a break, that's completely fine. Just
15 let me know. The one thing with breaks is, if
16 there's a question pending, I would ask that
17 you answer the question, and then we could
18 take the break. Does that sound fair.

19 THE WITNESS: Yeah, no problem.

20 MR. CAHILL: And then the final
21 thing, probably the most important is there's
22 a stenographer who's recording everything,
23 writing it down.

24 THE WITNESS: Okay.

25 MR. CAHILL: So it's important

1 that we don't speak over each other. Do you
2 understand that?

3 THE WITNESS: Yeah. Yeah.

4 MR. CAHILL: Do you understand
5 you're under oath?

6 THE WITNESS: Yes, sir.

7 MR. CAHILL: Any reason you cannot
8 proceed today?

9 COURT REPORTER: Counsel, I don't
10 believe I've sworn him in yet. So he's not
11 under oath.

12 MR. CAHILL: Yes, swear the
13 witness in now.

14 COURT REPORTER: Absolutely. We
15 got started before I did that.

16 BENJAMIN M. MINGLE,
17 having been duly sworn (affirmed)
18 testified as follows:

19 EXAMINATION BY MR. CAHILL:

20 Q. Please state your name.

21 A. Benjamin Michael Mingle.

22 Q. You have served on the board of
23 Centurion Foundation, Inc., since 2019; is
24 that right?

25 A. Yes.

1 Q. You've also severed as the
2 president of Centurion from October 2020 to
3 present; is that right?

4 A. Yes.

5 Q. So let's get a shared
6 understanding on some of the wording that may
7 come up today.

8 A. Okay.

9 Q. So the two hospitals at issue are
10 Roger Williams Medical Center and Our lady of
11 Fatima Hospital; is that right?

12 A. Fatima.

13 Q. Fatima. Thank you. For
14 simplicity, I'll just call them Roger Williams
15 and Fatima, okay?

16 A. Sure.

17 Q. And sometimes I may refer to them
18 collectively as CharterCARE. Do you
19 understand?

20 A. Yes.

21 Q. Or sometimes I may just refer to
22 them at the existing hospitals or the existing
23 health system. Got it?

24 A. Correct. Good.

25 Q. Okay. Prospect Medical Holdings

1 Inc. is the current owner or Roger Williams
2 and Fatima; is that right?

3 A. I mean, I think there's some
4 LLCs in there, but effectively, yes.

5 Q. Okay. I'll refer to them as
6 Prospect.

7 A. Okay, that's fine.

8 Q. Then when I say "Centurion," I
9 mean, Centurion Foundation, Inc.

10 A. Yep.

11 Q. So if you don't know who I'm
12 talking about or you think it's important to
13 get the exact entity correct or you're unclear
14 in any way, just say so. Does that sound
15 fair?

16 A. Yeah.

17 Q. Okay. So very briefly, what did
18 you do to prepare for today, Mr. Mingle?

19 A. I came in on Saturday, and I
20 printed out the, you know, probably most
21 relevant portions of the application that I
22 wanted to refresh my memory on. I was here
23 for about two hours, and then I went home and
24 worked in the yard.

25 Q. Did you meet with anybody?

1 A. I met with Pat Rocha. You know,
2 I had never done this before, as you
3 mentioned, and she kind of gave me a -- you
4 know, a rundown of how this would go.

5 Q. Okay. You don't have to tell me
6 anymore about what had you talked about.

7 A. All right.

8 Q. All right. And you said you
9 reviewed part of the application, the portions
10 you thought you might want to refresh
11 yourself, something like that; is that right?

12 A. Yes.

13 Q. And do you remember what portions
14 specifically, if you can recall?

15 A. I reviewed the transition plan
16 that we produced. I reviewed the -- we call
17 it the EBIDTA bridge, but the financial
18 model. And I glanced at the Barclays high
19 confidence letter and the attachment.

20 Q. I'm going to try to share my
21 screen. So we have a number of exhibits.

22 A. Yes, we do.

23 Q. And I hope that this goes
24 smoothly.

25 A. Okay.

1 Q. Here we go.

2 A. All right.

3 Q. I will mark this first document
4 Mingle A. Do you see your resume on the
5 screen in front of you?

6 A. Cahill -- I don't. It says,
7 Chris Cahill has started screen sharing.

8 Q. Maybe we'll give it a second. It
9 could be a slight delay.

10 A. Okay. I mean, it did reorient
11 the screen.

12 Q. How about now?

13 MR. CAHILL: Should we go off the
14 record while we try to solve this?

15 (A short break was taken.)

16 MR. CAHILL: We are back on the
17 record. And one quick note. Melissa Mack
18 with Shipman & Goodwin has joined. I just
19 want to note that for the record.

20 (Whereupon Exhibit A was marked
21 for identification.)

22 Q. (By Mr. Cahill) So Mr. Mingle, we
23 solved the tech problem. You can see
24 Exhibit A --

25 A. Yes.

1 Q. -- which is on the screen?

2 A. Yes.

3 Q. Okay. I'm going to call it
4 Mingle A or Mingle Exhibit A.

5 A. Okay.

6 Q. And Mingle A is your resume; is
7 that correct?

8 A. It's like a CV. You know, it's
9 kind of like a writer got ahold on my resume
10 and wrote something fancy about it, yes.

11 Q. Got it. And this statement here,
12 "It was under Ben's leadership that Centurion
13 was able to expand its mission into the
14 nonprofit healthcare space," do you see that?

15 A. Yes.

16 Q. And then there's a similar
17 statement a little bit below, "And a first for
18 the firm, Ben assisted the expansion into the
19 healthcare sector by developing a
20 comprehensive business plan." Do you see
21 that?

22 A. Yes.

23 Q. So my question is: Are you the
24 person at Centurion with the most healthcare
25 experience?

1 A. I think Greg Grove has more
2 healthcare experience than I do. I think the
3 context of when this was written was about
4 expanding into the not for profit healthcare
5 real estate space.

6 Q. I see. So your experience is
7 primarily in not for profit healthcare real
8 estate; is that right?

9 A. I would say that I have more
10 experience there. It's not my only
11 experience.

12 Q. Okay. A few other statements in
13 your resume I just have a question about, or
14 your CV.

15 A. Yeah.

16 Q. "An expert in health system
17 finance, Ben has worked in around the
18 healthcare industry for the last 20 years."

19 A. Yeah.

20 Q. And then down here, "Centurion has
21 financed transaction in excess of 1 billion,
22 benefitting 11 different nonprofit health
23 systems across the country. By orchestrating
24 these transactions, Ben has led the financing
25 for projects enabling Centurion's nonprofit

1 healthcare clients to expand access and
2 services to communities across the country
3 serving thousands of patients annually." Did
4 I read that correct?

5 A. Yes.

6 Q. My question is: Basically looking
7 at this CV, you're a finance person; correct?

8 A. I have experience in finance. I
9 have experience in, you know, certain
10 elements of operational matters.

11 Q. Primarily what you and Centurion
12 do is financing; is that right?

13 A. I would say to date, yes.

14 Q. You have no experience operating a
15 hospital; is that true?

16 A. Yes. I have experience in and
17 around hospitals, but not operating it as,
18 you know, part of my CV.

19 Q. You've never worked for a
20 hospital; correct?

21 A. Correct. I've worked for
22 consultants that work for hospitals, but I've
23 never been employed by a health system.

24 Q. This transaction, if it's
25 approved, would be Centurion's first foray

1 into acute care hospital operations; is that
2 true or no?

3 A. Acute care, yes.

4 Q. I'm going to stop sharing.

5 Okay. When and how did you first
6 become aware that Prospect was interested in
7 selling Roger Williams and Fatima?

8 A. We were approached by Bill
9 Hanlon with H2C. Chris, you're going to have
10 to check the date. But he called and said,
11 Hey, we're running an RFP to sell these
12 hospitals in Rhode Island, are you -- you
13 know, is Centurion interested?

14 Q. So you're aware Prospect hired H2C
15 to help market the hospitals; right?

16 A. Correct.

17 Q. And it sounds like H2C reached out
18 to Centurion; correct?

19 A. Correct.

20 Q. Does September 2021 sound about
21 right as to the date?

22 A. Yes.

23 Q. What did H2C say about the
24 hospitals financial status quo when you first
25 made contact on that first call you're

1 describing?

2 A. I don't think they -- in the
3 first call they said nothing about the
4 hospitals' financial status.

5 Q. Okay. Were there subsequent calls
6 then?

7 A. There were subsequent calls.
8 And they --

9 Q. When -- go ahead.

10 A. And they had a very simple --
11 you know, like an offering document, probably
12 a three-pager, you know, summary -- three or
13 four-pager summary of the opportunity.

14 Q. Like a teaser?

15 A. Yeah. Yes.

16 Q. [REDACTED]

18 Q. Is it true that H2C then
19 approached you and Centurion about an
20 operating model with QHR as manager? Is that
21 what happened next?

22 A. That's what happened next. A
23 couple -- you know, you'll have to check all
24 the dates. But a couple months later they
25 came back. You know, we basically said --

1 you know, we came back, we closed the loop,
2 and said no. And then they came back to us a
3 month or two later and asked and asked -- you
4 know, probably now it's November. So a month
5 or two later and then asked, would you be
6 willing to do the owner operator model. You
7 know, that's when that first came up.

8 Q. So that was H2C's idea; is that
9 right?

10 A. Yeah. I mean, yes.

11 Q. And tell me what was Centurion's
12 relationship with QHR prior to this point in
13 time when H2C made this --

14 A. We had never met QHR before
15 that.

16 Q. Okay. So H2C introduced Centurion
17 to QHR; is that right?

18 A. Yeah.

19 Q. When did that happen?

20 A. I'm guessing in, you know, late
21 October or early November.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

A.

[REDACTED]

15

Q. Did Centurion know from the

16

beginning that these were -- these hospitals

17

were struggling financially?

18

A. I think at the time every health

19

system in America was struggling financially.

20

And, yes, I knew what the financial situation

21

of the hospitals were.

22

Q. But with respect to Roger Williams

23

and Fatima, maybe more so than just every

24

hospital system in America, they were

25

struggling; is that fair?

1 A. I wouldn't -- I wouldn't think
2 so.

3 Q. Okay.

4 A. I would say after -- after they
5 approached us in November -- you know, you're
6 talking about timing. After they approached
7 us in November, then we started to look at,
8 you know, the conditions agreement and see
9 that, yes, it might be struggling more than
10 the average hospital system in America.

11 Q. As you sit here now, do you agree
12 Roger Williams and Fatima's current fiscal
13 status is not sustainable?

14 A. Yeah. I don't think the current
15 model is sustainable, correct.

16 Q. And let's see if we can form a
17 shared understanding of some of the challenges
18 facing these two hospitals.

19 There's a need to address
20 significant outstanding accounts payable, do
21 you agree with that?

22 A. Yes.

23 Q. There's a need to address the
24 deteriorating facilities for both hospitals,
25 do you agree with that?

1 A. I mean, I think there is a need
2 to keep investing in them. I think they're
3 probably in average shape given, you know,
4 the age of healthcare facilities in America.

5 Q. Well, both Roger Williams and
6 Fatima need new roofs, for instance?

7 A. Correct. I agree with that.

8 Q. And at Roger Williams, for
9 instance, there's -- the corridor to the
10 operating room where the scrub sinks are,
11 there's water leaking through the roofs and
12 being captured by two large barrels, you're
13 aware of that?

14 A. I'm aware of that.

15 Q. Okay. And you're aware those
16 barrels have been there since like July of
17 2023; right?

18 A. Yes.

19 Q. And there's similar barrels in
20 various places -- patient care areas
21 throughout the hospital, you're aware of this?

22 A. I was only aware of the one you
23 just talked about.

24 Q. So you're not aware of the other
25 barrels in the cafeteria or the hallway

1 leading to labs or other locations?

2 A. No.

7 Q. And all of these things are
8 fundamental challenges, do you agree with
9 that?

10 A. Yes.

11 Q. The hospitals need to be turned
12 around; right?

13 A. Yes. Yes.

14 Q. I'm going to mark Mingle B. Do
15 you see Mingle B projected in front of you?

16 (Whereupon, Exhibit B was marked
17 for identification.)

18 THE WITNESS: Hang on.

19 Q. (By Mr. Cahill) We'll give it a
20 moment.

21 A. I was going to say it's going to
22 be a long day, Chris, if it does the same
23 thing. There we go. Yeah.

24 Q. Mingle B is an e-mail from
25 Mr. Neaman of Barclays --

1 A. Yeah.

2 Q. -- to you dated December 9th,
3 2021. Do you see that?

4 A. Yes.

5 Q. [REDACTED]

8 Q. Do you see that?

9 A. Yes.

10 Q. So I'm going to stop sharing for a
11 second and mark Mingle B-1. I'll see if this
12 works.

13 (Whereupon, Exhibit B-1 was marked
14 for identification.)

15 Q. (By Mr. Cahill) Do you see Mingle
16 B-1 in front of you? It's the attachment to
17 the e-mail we just saw.

18 A. Yeah, I do.

19 Q. Okay. And let me ask you, if I
20 toggle back to B, do you see B now in front of
21 you?

22 A. Yes.

23 Q. And then if I toggle over to B-1,
24 do you see B-1 in front of you?

25 A. Yes.

1 Q. Excellent. So let's start with
2 Mingle B, the e-mail.

3 A. Yeah.

4 Q. Who is Josh Neaman?

5 A. Josh Neaman is a banker at
6 Barclays.

7 Q. And do you have a preexisting
8 relationship with him?

9 A. Yes.

10 Q. Tell me about it briefly.

11 A. We hired Ken Vallrugo, who is
12 the head of Goldman Sachs and Bank of
13 America's municipal bond group to help us
14 identify new clients, you know, across the
15 country. He had been in that business for
16 30 years, 40 years probably. And he had a
17 lot of relationships. Josh Neaman worked for
18 him originally at Bank of America. And Josh
19 and his boss, Joe Hegner, both worked for Ken
20 for a long time. And so Ken introduced us to
21 Joe and Josh. And then, you know, we built a
22 relationship with Josh and Joe at Barclays
23 for the purposes of, you know, helping us
24 find capital to put into transactions that
25 could, you know, have a benefit to people.

1 Q. So for context, this e-mail in
2 Mingle B is about one month before Centurion
3 enters the letter of intent with Prospect,
4 okay. I'm just going to tell you that.

5 A. Okay.

6 Q. [REDACTED]

[REDACTED]

20 Q. So you're talking here in Mingle B
21 about the idea of obtaining bond financing for
22 the hospitals; right?

23 A. The context of this e-mail is
24 bond financing for the hospitals, yes.

25 Q. [REDACTED]

1

[REDACTED]

1 A. Yeah.

2 Q. I'll stop sharing there. I will
3 mark Mingle C. Do you see Mingle C in front
4 of you?

5 A. Yes.

6 Q. I think we hit our stride on the
7 technology.

8 A. Yes. I mean, every time you go
9 share, I'm cringing. So, yes.

10 (Whereupon, Exhibit C was marked
11 for identification.)

12 Q. (By Mr. Cahill) So Mingle C is an
13 e-mail from Mr. Neaman four days later to you.
14 Do you see that?

15 A. Yes.

16 Q. December 13th, 2021.

17 A. Yes.

18 Q. And this is a continuation from
19 the discussion we saw from Mingle 2; is that
20 correct?

21 A. Correct.

22 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] --

1

[REDACTED]

1

A.

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6 Q. Right. So there needs to be some
7 initiatives that might increase revenues and
8 reduce costs to make the financing work
9 basically?

10 A. At that point in time, yes.

11 Q. I'm going to mark Mingle --

12 A. At those assumed levels too,
13 right, Chris. I mean, if the purchase price
14 came down, then, you know, it would change.
15 You know, the whole thing is just a gyration
16 at that point in time. But, yes, based on
17 his e-mail, what he had to look at and work
18 on, that's where it was.

19 Q. Right. That's what I'm trying to
20 establish. We'll go along the time line as it
21 continues.

22 A. Yeah.

23 Q. So next comes Mingle D.

24 A. We're really cooking now.

25 Q. Mingle D is the Centurion Prospect

1 nonbinding letter of intent dated January 11,
2 2022; is that right?

3 (Whereupon, Exhibit D was marked
4 for identification.)

5 THE WITNESS: Yes.

6 Q. (By Mr. Cahill) Now, you
7 negotiated this contract with Mr. Hanlon of
8 H2C; is that correct?

9 A. I would say he was our prime
10 contact point, yes.

11 Q. Okay.

12 A. At that point in time, yes.

13 Q. And was there anyone else involved
14 in the negotiation?

15 A. No. I mean, I knew he was going
16 back and talking to Prospect. But, no, I
17 think it was with Bill.

18 Q. If we go to page 2, section 1.3
19 party roles.

20 A. Yeah.

21 Q. Subpart A, manager.

22 A. Yeah.

23 Q. It says, "It is anticipated that
24 Quorum Health Resources manager will serve as
25 the facility operator of the hospitals and

1 related facilities following financial
2 closing." Do you see that?

3 A. Yes.

4 Q. And QHR is the defined as the
5 manager; right? Do you see that?

6 A. Yes.

7 Q. And it also says, "At financial
8 closing, the manager will enter into a
9 qualified management agreement for the
10 operation and management of the facilities,
11 including, but not limited to, the hospitals."
12 Do you see that?

13 A. Correct.

14 Q. At this time, we'll say late 2021,
15 early 2022, Mr. Liebman is the chief executive
16 officer of CharterCARE; right?

17 A. Yes. At that point in time, I
18 had probably never met him.

19 Q. I was going to ask that.

20 So, to be clear, Mr. Liebman
21 manages the two hospitals, correct, Roger
22 Williams and Fatima?

23 A. Correct.

24 Q. And Mr. Liebman served in that
25 role since October 2019, does that sound

1 right?

2 A. I -- yeah, it was 2018, 2019,
3 but whatever the date that you have is the
4 correct date.

5 Q. So is the idea then that QHR and
6 Mr. Liebman would have to work together
7 basically, is that what's contemplated by this
8 LOI in Mingle D?

9 A. Well, I think at the very, very
10 beginning, right, we saw the hospitals, we
11 saw -- in their current state run as a for
12 profit. At that point, we wouldn't have
13 known whether Mr. Liebman was qualified to do
14 his job, whether Mr. Liebman wanted to stay
15 on. I mean, there would have been no
16 interaction with Mr. Liebman. You know, we
17 kind of already established that my
18 day-to-day job is not to run the --
19 on-the-ground hospital facility. And so we
20 would need somebody to work with at the very
21 early onset going into this transaction.

22 Q. When did you first meet
23 Mr. Liebman?

24 A. I think it was whenever we first
25 met the Attorney General, whatever date that

1 was. We came in to meet with the Attorney
2 General. We met Mr. Liebman that day.

3 Q. What were your impressions of him
4 when you met him or after -- shortly after?

5 A. Really impressed. You know,
6 kind of shocked that somebody of that skill
7 level was working at these hospitals.

8 Q. And did there come a time when you
9 informed him that QHR know would be serving in
10 this role of operation and management of the
11 facilities, including the hospitals?

12 A. I think that very day.

13 Q. And what was his reaction,
14 Mr. Liebman's reaction to that?

15 A. Oh, I don't know.

16 Q. Well, did he say anything to you?

17 A. No, he didn't say anything.

18 Q. And we see here in Mingle D, prior
19 to financial closing, manager, that's QHR;
20 right?

21 A. Yeah.

22 Q. "Manager will assist Centurion in
23 performing all preclosing activities necessary
24 to achieve financial closing, including,
25 without limitation, those described in section

1 1.5." Do you see that?

2 A. Yeah.

3 Q. And then if we go down to 1.5,
4 just to see what those are. Is it scrolling
5 in front of you?

6 A. Yeah, it is. Yeah.

7 Q. Okay. Section 1.5 is due
8 diligence activities. Do you see that?

9 A. Yeah.

10 Q. So QHR helped conduct due
11 diligence on CharterCARE's financial and
12 operating performance; is that correct?

13 A. Correct.

14 Q. When I say "helped," I mean,
15 helped Centurion; right?

16 A. Correct. And initially --
17 initially they just helped us.

18 Q. And that's because between
19 Centurion and QHR, QHR was really the one with
20 experience operating hospitals; right?

21 A. Yeah. They had more experience,
22 you know, analyzing, you know, the true like
23 operating fundamentals of a facility. They
24 have less experience understanding the
25 financial fundamentals of a facility.

1

Q.

[REDACTED]

6 Q. If we go back to section 1.3,
7 party roles, subpart B refers to Centurion's
8 role; right?

9 A. Yeah.

10 Q. And that role is to assist with
11 the overall effort to bring the transaction to
12 fruition with an emphasis on structuring the
13 nonprofit ownership and financing for the
14 acquired business and assets. Do you see
15 that?

16 A. Yeah.

17 Q. So your role -- Centurion's role
18 is overseeing obtaining nonprofit status;
19 right?

20 A. Yeah.

21 Q. Then obtain financing; right?

22 A. I think that was the initial --
23 at the beginning of the sausage making,
24 Chris, that's what we thought we were going
25 to do here.

1 Q. And that's still the plan now;
2 right?

3 A. I'd say we went well past B.
4 We've gone well past that first sentence.

5 Q. In what regard?

6 A. Every -- every ounce of the
7 application. You know, we didn't just -- no
8 one else did this for us. We did it. All
9 the strategic plan, all of these numbers, all
10 of it. We ended up doing all of it with
11 Jeff's assistance, with the team at the
12 hospital. So, yes, at the very beginning,
13 that was our role. Our role grew over time.

14 Q. When you say "we," you mean
15 Centurion and Mr. Liebman and his team, is
16 that who you're referring to?

17 A. Centurion and our lawyers and
18 Mr. -- you know, once we determined that we
19 wanted to keep Mr. Liebman on and we
20 wanted -- you know, over time we determined
21 we really didn't need QHR, yeah, our role
22 grew.

23 Q. Okay. My question, though, the
24 "we," you're mentioning a group of people. I
25 just want to make sure. So it's Centurion and

1 then Mr. Liebman and his team and then your
2 lawyers?

3 A. Yeah. Yes.

4 Q. Okay. I'm going to stop sharing.
5 And we will mark the next one. We're just
6 going to go in chronological order.

7 A. Okay.

8 Q. So next is Mingle E. Let's see if
9 it works. Do you see Mingle E, an e-mail
10 dated March 7th, 2022 in front of you?

11 A. Yes.

12 (Whereupon, Exhibit E was marked
13 for identification.)

14 Q. (By Mr. Cahill) So Mingle
15 Exhibit E is an e-mail from you to Barclays;
16 right?

17 A. Yes.

18 Q. Dated -- I can't seem to get it
19 right here. Dated March 7th, 2022?

20 A. Yeah.

21 Q. And you write, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 A. Yes.

2 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 Q. So I'm going to mark that
12 attachment Mingle E. Do you see Mingle E in
13 front of you?

14 A. Yes.

15 Q. Okay. So this -- I'm sorry.
16 Mingle E-1, I should have said. Do you see
17 Mingle E-1 in front of you?

18 A. Yes.

19 (Whereupon, Exhibit E-1 was marked
20 for identification.)

21 Q. (By Mr. Cahill) Do you recognize
22 this document?

23 A. I do.

24 Q. Okay. Could you just tell me what
25 it is briefly.

1 A. Yeah. So we -- you know, as
2 we're working with QHR, as we're trying to
3 determine if we can make the hospitals
4 financially sustainable, we're running what
5 we called the EBITDA Bridge. We are still
6 running the EBITDA Bridge today. We're doing
7 it in a slightly different format. The
8 EBITDA Bridge takes current period financial
9 statements, you know, so the Prospect
10 financial statements at any point in time,
11 and walks them to where they we think they
12 would be if we were the owner or the operator
13 and includes, you know, certain strategic
14 initiatives that we think are achievable.

15 And so this was probably one of
16 the very early versions of the EBITDA Bridge
17 with the goal -- you know, for financing,
18 with a goal of determining how much capital
19 could be raised based on the EBITDA of the
20 business.

21 Q. Thank you. If I have it right
22 then, we -- we're looking at one of the very
23 first iterations of the EBITDA initiative or
24 EBITDA Bridge, I think you called it, that we
25 see in the application that you submitted;

1 right?

2 A. Correct.

3 Q. And the idea is this is how you're
4 going to turn things around; right? Does that
5 sound right?

6 A. It's a financial summary of
7 that, yeah.

8 Q. And the way you do it is you start
9 with actual financials; right?

10 A. Correct.

11 Q. So here in Mingle E-1, we see
12 started with the audited fiscal year 2021;
13 right?

14 A. Correct.

15 Q. And then you have the adjustments
16 from the improvement initiatives or EBITDA
17 initiatives; right?

18 A. Correct.

[REDACTED]

1

[REDACTED]

1

[REDACTED]

1 Q. I'll mark Mingle Exhibit F. Sorry
2 about that. You got to see all the exhibits.

3 A. That's a lot. Oh, my gosh. I
4 hope those are for some other people later
5 today.

6 Q. It's 9:00 a.m.

7 A. Uh-huh.

8 Q. And do you see Mingle Exhibit F in
9 front of you?

10 A. Yes.

11 Q. Mingle F is an e-mail dated March
12 15th, 2022. It is from Mr. Neaman of
13 Barclays --

14 A. Yes.

15 Q. -- back to you. Do you see that?
16 (Whereupon, Exhibit F was marked
17 for identification.)

18 THE WITNESS: Yeah. Yes.

19 Q. (By Mr. Cahill) He adds Joseph
20 Hegner on the cc line. I think you mentioned
21 him earlier. Just tell me, who is Joseph
22 Hegner?

23 A. That's Josh's boss.

24 Q. Okay. Do you know his title?

25 A. You know, I don't know it

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8 Q. Do you see the attachment,
9 Centurion RFP_VF2, do you see that?

10 A. Yes.

11 Q. I am going to mark that
12 Exhibit F-1.

13 (Whereupon, Exhibit F-1 was marked
14 for identification.)

15 Q. (By Mr. Cahill) Do you see
16 Exhibit F-1 in front of you?

17 A. Yes.

18 Q. This is Barclays response to your
19 request for proposal for underwriting
20 services; is that right?

21 A. Yes.

22 Q. Did you review this document at
23 the time you received it?

24 A. Yes.

[REDACTED]

1

[REDACTED]

1

[REDACTED]

1

[REDACTED]

17 Q. I'm going to mark Mingle G. By
18 the way, my computer is glitching.

19 A. Yeah. I can hear you, but
20 you're frozen, and the screen is not moving.

21 MR. CAHILL: Okay. Let's go off
22 the record for a moment if that's okay.

23 (A short break was taken.)

24 (Whereupon, Exhibit G was marked
25 for identification.)

1 Q. (By Mr. Cahill) Mingle G is --
2 again, we're just going chronological, right.
3 So Mingle G is an e-mail from Barclays to you
4 dated April 13, 2022. Do you see that?

5 A. Yes.

6 Q. And if we were to just go down, we
7 see Barclays March 15, 2022 e-mail to
8 Centurion responding to the RFP, which we just
9 looked at a moment ago; right?

10 A. Yeah.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4 Q. Who's Mr. Lovoy?

5 A. We works for Centurion

6 Foundation.

7 Q. What's his title?

8 A. Vice president of operations.

9 Q. Mr. Lovoy works for you; is that
10 right?

11 A. Yes.

12 Q. And then it's the same day, April
13 13th, that Barclays' Mr. Neaman, responds. Do
14 you see that?

15 A. Yes.

16 Q. Okay. So you're with me now.

17 Mingle G. We're going to look at Mr. Neaman's
18 response, okay?

19 A. Okay.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

22
23
24
25

Q. I'm going to mark Mingle
Exhibit H.
(Whereupon, Exhibit H was marked
for identification.)

1 Q. (By Mr. Cahill) Mingle Exhibit H
2 is an agreement dated July 1st, 2022 between
3 QHR and Prospect CharterCARE, LLC. Do you see
4 that?

5 A. I do.

[REDACTED]

[REDACTED]

[REDACTED]

9 Q. Who's Sam Lee?

10 A. He's the -- one of the
11 principals at Prospect. I don't know his
12 exact title. I think his title has changed
13 since we've been through the process.

14 Q. But he's a Prospect guy, that's
15 your understanding?

16 A. He's a Prospect guy, yes.

17 Q. [REDACTED]

1

[REDACTED]

16
17
18
19

Q. Did you talk to Mr. Liebman about
this agreement in Mingle H at all?

A. No.

Q. [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

Q. We're going to go to Mingle exhibit I. There's a lot of exhibits, but we're moving quickly. Do you agree?

7

8

9

A. Chris, I was trying to lighten the room. I'm all yours, man, whatever you need.

10

11

12

(Whereupon, Exhibit I was marked for identification.)

13

14

Q. (By Mr. Cahill) Mingle Exhibit I is the Memorandum of Understanding between Centurion and QHR. Do you see that?

15

16

17

A. Yes.

18

Q. I just have a few questions about this document.

19

20

A. Okay.

21

Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

Q.

[REDACTED]

24 Q. And if we just sort of stepped
25 back and looked at this document, Mingle I, is

1 it fair to say at this time Centurion was
2 partnering with QHR?

3 A. Yes. I mean, partner is a
4 strong word in the context of this, you know,
5 analysis. But, yes, I mean, we -- they were
6 our partner, not a legal partner. But they
7 were our partner in this effort.

8 Q. Partner in the plain English
9 sense, not the technical legal sense?

10 A. Yes. Yes.

11 Q. Is that correct?

12 A. Correct.

13 Q. Okay. And so I have just a few
14 questions on that which is, why did Centurion
15 partner with QHR in the first place, I guess?

16 A. Well, I mean, I think on paper,
17 it makes a lot of sense, right. Our mission
18 is to try to stabilize healthcare, whether
19 that's a leasing transaction or an
20 owner/operator transaction.

21 Now, we don't have the, you
22 know, operational expertise. We more have
23 the financial and governance and all of those
24 types of expertise. And so QHR is actively
25 out there trying to stabilize and improve the

1 operating fundamentals of not for profit
2 health systems across the country. And so
3 they're all day every day working with
4 community hospitals trying to ensure that
5 they can be sustainable. So that's their,
6 you know, goal. They're not -- I don't know
7 if you call it a mission given the fact that
8 they are for profit. But that's their goal.
9 And our goal is, you know, somewhat aligned
10 with that. So on paper it made a lot of
11 sense.

12 Q. Did you, you know, interview
13 anyone else or consider anyone else for the
14 role that QHR was going to play?

15 A. I mean, we considered other
16 people. We didn't actually interview
17 anybody.

18 Q. Who else did you consider?

19 A. Like, you know, Alvarez & Marsal
20 or PricewaterhouseCoopers, you know, somebody
21 like that.

22 Q. But at this time, you were
23 confident that QHR was the right partner; is
24 that fair?

25 A. Yes, we were confident.

1 Q. We'll go to Mingle J. There we
2 go. Do you see Mingle J in front of you?

3 (Whereupon, Exhibit J was marked
4 for identification.)

5 THE WITNESS: I do.

6 Q. (By Mr. Cahill) This is the
7 CharterCARE agenda for a special meeting on
8 November 7th, 2022. Do you see that?

9 A. Yes.

10 Q. And further down, Mingle J are the
11 actual meeting minutes. Do you see that?

12 A. Yes.

13 Q. And you attended this --

14 A. I was there for a portion of
15 that meeting, yes.

16 Q. Okay. Mr. Mingle, I'm sorry. I
17 just want to mention, we can't speak over each
18 other. So if you could just let me finish the
19 question so the stenographer can write it down
20 cleanly. And then the answer will be written
21 down cleanly. Do you understand?

22 A. Yes.

23 Q. It happens.

24 A. Right.

25 Q. So just to be clear, you attended

1 this special meeting of the Prospect
2 CharterCARE board on November 7th, 2022; is
3 that right?

4 A. I attending a portion of that
5 meeting.

6 Q. And this is the meeting where the
7 Prospect controlled CharterCARE approved the
8 signing of the Asset Purchase Agreement. Does
9 that sound right?

10 A. I believe so, yes.

11 Q. Do you remember this meeting?

12 A. I do remember the meeting.

13 Q. Okay. Obviously you attended;
14 right?

15 A. (Witness nods head.)

16 Q. Oh, you have to answer verbally, I
17 should say.

18 A. Yes. Yes.

19 Q. And QHR's Dwayne Gunter and Butch
20 Eavenson were there as well; is that right?

21 A. Yes.

22 Q. And so eventually it looks like it
23 was 6:00 p.m. that you got -- that you entered
24 and got introduced. Does that sound about
25 right?

1 A. I have -- yes, I assume.

2 Q. It was sometime at night; right?

3 A. It was in the evening, yes.

4 Q. And if we just go to the portion
5 of the minutes where you were introduced, here
6 we go, do you see it, introduction to
7 Centurion?

8 A. Yes, I see that.

9 Q. Okay. I just have a few
10 questions. [REDACTED]

[REDACTED]

[REDACTED]. Do you see that?

13 A. Yes.

14 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Do you understand the
18 distinction?

19 A. Yes. The real estate.

20 Q. And none of these are hospitals,
21 correct, or are they?

22 A. The real estate?

23 Q. [REDACTED]

[REDACTED]

[REDACTED]

1 A. We own -- seven, eight -- we own
2 eight free-standing emergency departments
3 that have inpatient beds. But owning the
4 license, is the first foray into owning the
5 license.

6 Q. So that's what you meant when you
7 said this is its first foray into acute care
8 operations meaning --

9 A. Yeah.

10 Q. Go ahead.

11 A. Yes, owning the license this is
12 our first owning the hospital license.

13 Q. And you also said here, [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8

Q. So not hospitals?

9

A. Correct.

10

Q. [REDACTED]

1

A.

[REDACTED]

1

[REDACTED]

1 A. Yep.

2 Q. And it looks like it's Mr. Gunter
3 and Mr. -- is it Eavenson. How do you say his
4 name?

5 A. I mean, I just say Eavenson.
6 But, I mean, when you read it right there,
7 Chris, there's an "E" in there. So I may
8 have been butchering it this whole time.

9 Q. We'll go with Eavenson, how about
10 that?

11 A. Fine.

12 Q. It will read the same on the
13 transcript, I imagine.

14 A. Fine.

15 Q. [REDACTED]

24 Q. At this point, November of 2022,
25 QHR then had been working on this turnaround

1 for almost five months, right, four or five
2 months; is that right?

3 A. I -- I -- you know, I think
4 he -- you know, you got those engagement
5 letters. So they had formalized the
6 opportunity through working with me and then
7 got hired by Prospect at some point in time
8 to actually try to implement some of those
9 opportunities initially.

10 Q. We saw it, right, July of 2022 was
11 the engagement of QHR?

12 A. Five months, yes.

13 Q. About five months. Four to five
14 months; right?

15 A. That's correct.

[REDACTED]

1

A.

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5 Q. I'm going to mark Mingle K. This
6 is -- let me share it first. This is a dec
7 that was prepared by Centurion and QHR
8 together. Does that sound right?

9 (Whereupon, Exhibit K was marked
10 for identification.)

11 THE WITNESS: Yes.

12 Q. (By Mr. Cahill) Do you recognize
13 this document?

14 A. I do.

15 Q. I'll just go through it so you can
16 see it.

17 A. I do.

18 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

Q.

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8

Q. Oh, are you still with us,

9

Mr. Mingle?

10

A. I am, Chris. I'm getting cold,

11

so I'm getting my coat. I'm sorry.

12

Q. That's okay. I just looked up, I

13

and didn't see you.

14

[REDACTED]

21 A. It's the attorney -- you know,
22 the Attorney General's Office Conditions
23 Agreement between Prospect and the various
24 parties in Rhode Island.

25 Q. If I understood your answer about

1 why it's important that operating expenses and
2 debt service must be met before fees are paid
3 to Centurion and QHR or whoever is managing
4 the hospital, is it true that if the hospital
5 system couldn't cover its operating expenses
6 or its debt service obligations, then it would
7 essentially be a failing hospital system;
8 right?

9 A. Well, I think, you know, in
10 America today, you've got a lot of health
11 systems that would, you know, qualify for
12 that, Chris. So I think if enough time goes
13 on, the system will fail in that current
14 state.

15 Q. Okay. And do you agree that it
16 would be quasi-predatory, let's say, for
17 Centurion to become the owner and then take
18 money out of a system that's failing?

19 A. We don't even think like that.
20 I don't even -- I don't even -- those kinds
21 of -- I don't even, you know, know how to
22 respond to that.

23 Q. So then you agree with me, then,
24 it wouldn't be right?

25 A. Yes.

1

Q.

[REDACTED]

1

[REDACTED]

1

[REDACTED]

1

[REDACTED]

15 Q. Okay. I'm going to mark Mingle
16 Exhibit L and share it. It's the Asset
17 Purchase Agreement dated November 18th, 2022.
18 Do you see it?

19 (Whereupon, Exhibit L was marked
20 for identification.)

21 THE WITNESS: Yes.

22 Q. (By Mr. Cahill) Who did you
23 negotiate this agreement with?

24 A. Oh, I mean, there was a large
25 working group to negotiate this agreement.

1 purchase price terms set forth in Exhibit A."

2 Do you see that?

3 A. Yeah. Yes.

4 Q. We'll just go to Exhibit A
5 hopefully. There we go. And the purchase
6 price is defined as the fair market value of
7 the purchased assets as determined by an
8 appraiser after some adjustments, provided
9 that it is mutually acceptable to the buyer
10 and seller. Do you see that?

11 A. Yes.

12 Q. Okay. So the purchase price
13 essentially is to be determined based on a
14 valuation that's going to be performed; right?

15 A. Yes.

16 Q. Okay. And a little bit after this
17 point in time, I think it was February of
18 2023, is that right, when VMG performed a
19 valuation that came back with a fair market
20 value between 139 million and 161 million,
21 with 150 million being the midpoint; right?

22 A. Yes.

23 Q. Okay.

24 Let's -- I'm going to mark Mingle
25 M and try to share it. Do you see Mingle M in

1 front of you?

2 (Whereupon, Exhibit M was marked
3 for identification.)

4 THE WITNESS: Yes.

5 Q. (By Mr. Cahill) Okay.

6 Mingle M is an e-mail from you
7 dated February 4, 2023 to Barclays. Do you
8 see that?

9 A. Yes.

10 Q. Okay. And actually before we look
11 at Mingle M, I just have some questions about
12 how things are going between November and,
13 let's say, February of 2023. Okay. November
14 2022 to February 2023. Okay.

15 A. Okay.

16 Q. So during this time, QHR is still
17 working on those initiatives that you were
18 talking about that's Centurion is interested
19 in --

20 A. You know --

21 Q. -- is that right?

22 A. No. I think, again, this is a
23 plan, right. Our initiatives are a plan to
24 get implemented post closing. So when you
25 say they're working on our initiatives,

1 that's -- we need to work on that phrasing.

[REDACTED]

25 Q. Do you agree that any turnaround

1 initiatives, whether they're coming from
2 Centurion or Prospect that did not involve or
3 depend on tax exempt status, should have been
4 taking place right away? Do you agree with
5 that observation?

6 A. No.

7 Q. Why not?

8 A. I think some of them -- well, A,
9 you know, as the future -- as the hopeful
10 future owner of the hospital, we'd want to
11 make sure that whatever those choices were,
12 you know, in the best interest of the
13 long-term viability of the health system; B,
14 some of the -- some of the initiatives, you
15 know, would require, you know, significant
16 capital improvements or investments and;
17 therefore, probably wouldn't take place until
18 after closing; and then some of the
19 initiatives are true day-to-day we could go
20 there and do this tomorrow and see an
21 improvement. And those type of initiatives,
22 you know, are the ones that I think someone
23 should have been -- if they had wanted to,
24 could have been working on.

25 Q. Are you receiving reports on how

1 the hospital system -- how Roger Williams and
2 Fatima are doing at this time from QHR or
3 Mr. Liebman?

4 A. We were receiving financial
5 updates from Dan Ison.

6 Q. And his title was?

7 A. I think his title at the time
8 was like senior vice president of finance.

9 Q. For CharterCARE?

10 A. Yeah. He's the -- I mean,
11 that's what I understood him to be. He's the
12 corporate controller for the health system.

13 Q. So let's look at Mingle M. You
14 sent an e-mail to Barclays on February 24th,
15 2023. Do you see that?

16 A. Yep.

17 Q. And you attach a document called
18 CharterCARE Acquisition Financing Model
19 2-24-2023. Do you see that?

20 A. Yes.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

[REDACTED]

7

Q. And you're an expert in financing;

8

is that true?

9

A. Yes.

10

Q. [REDACTED]

[REDACTED]

1

A. [REDACTED]

3

Q. Okay. I'll show it to you then.

4

I'll mark it Exhibit M-1. It's an Excel.

5

A. Okay.

6

Q. Which is different from the PDFs

7

I've been showing. So hopefully

8

technologically it works.

9

A. I was going to say which could

10

crater the computer, but I think you should

11

try it.

12

Q. We're going to give it a go.

13

Okay. Do you see Exhibit M-1 in front of you?

14

A. I do.

15

Q. Do you see the tab here, EBITDA

16

Bridge? Do you see that?

17

A. Yes.

18

(Whereupon, Exhibit M-1 was marked

19

for identification.)

20

Q. (By Mr. Cahill) [REDACTED]

1 A. Correct.

2 Q. Who prepared this document,
3 Exhibit M-1?

4 A. Steve Lovoy.

5 Q. Okay. And he works for Centurion;
6 right? You said that?

7 A. Yes.

[REDACTED]

19 Q. Got it. And we'll talk about the
20 EBITDA initiatives a little later.

21 A. Sure.

22 Q. So this document will come up
23 again, I think.

24 A. No problem.

25 Q. But it's the same as what we saw

1 when we looked at the QHR initiatives earlier.
2 You start with actuals. So it would have been
3 an actual starting point; right?

4 A. Yes.

[REDACTED]

8 Q. Then the idea is you use budget
9 and projections; right?

10 A. Yes.

[REDACTED]

22 Q. And then you have these
23 initiatives, which, if they're implemented,
24 would result in, you know, a turnaround?

25 A. Yes.

[REDACTED]

6 Q. That's the idea; right?

7 A. Yes.

8 Q. Okay. Is this -- now, okay.

9 Okay. We'll return to the --
10 this discussion a little bit later. I just
11 want to make sure.

12 So let's look at Exhibit N, which
13 I will mark and share. Do you see Exhibit N
14 in front of you?

15 A. I do.

16 (Whereupon, Exhibit N was marked
17 for identification.)

18 Q. (By Mr. Cahill) Okay. [REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

1

Q.

[REDACTED]

1

[REDACTED]

21 (Whereupon, Exhibit O was marked

22 for identification.)

23 Q. (By Mr. Cahill) Mingle O is

24 Amendment No. 1 to the Asset Purchase

25 Agreement dated April 18, 2023. Do you see

1 that?

2 A. Yes.

3 Q. Okay. And the principle amendment
4 is to the purchase price, which the parties
5 agree means \$80 million; is that right?

6 A. That's the way it was defined
7 here.

8 Q. Okay. And the way you came up
9 with this \$80 million purchase price is you
10 agreed to a 160 million valuation --

11 A. Correct.

12 Q. -- minus the 80 million cash on
13 hand?

14 A. Yeah.

15 Q. So, in other words, you're --

16 A. I would -- I would -- you know,
17 if I was re-lawyering this, I would call this
18 like net purchase price, right, because the
19 purchase price is fair value less the
20 adjustments, you know, which is going to
21 include working capital true-up and the 80
22 million in cash on the balance sheet. So I
23 would say the net would have been that when
24 we negotiated this.

25 Q. I see. The hospital system

1 doesn't have 80 million cash on hand now;
2 right?

3 A. Correct.

4 Q. So -- and if I --

5 A. I mean, to my knowledge, it has
6 no cash on hand.

7 Q. Right. Because the 80 million
8 will come from the bond financing; correct?

9 A. Yes.

10 Q. So the VMG valuation came back
11 with 139 million as the low, 161 million as
12 the high. So the valuation was put at 150
13 million; is that right?

14 A. I think the valuation is 160.

15 Q. In the VMG valuation?

16 A. No. Well, I think there was a
17 range, and I think we're at the upper end of
18 the range.

19 Q. Right. So that was my question.
20 Why did you agree to the higher end of the
21 valuation range?

22 A. [REDACTED]

25 Q. [REDACTED]

[REDACTED]

24 Q. Can you explain to me how you
25 decided that the hospitals need \$80 million?

1 A. Well, that's -- that's sort of
2 the industry standard to be a rated health
3 system, right. So it's -- the industry
4 standard is 80 days cash on hand and 80 days
5 cash on this health system is approximately
6 80 million. And so that's how we identified
7 that. If you go like look at S&P and
8 Moody's, they would tell -- you know, a AAA-
9 health system has 80 days cash on hand, they
10 would -- they would -- it would be in there.

11 Q. Can you explain to me how you came
12 to the conclusion that \$80 million equals 80
13 days cash on hand?

14 A. If you take the operating
15 expenses of the health system, back out
16 depreciation and other non-cash charges and
17 divide that by 365 and then multiply that
18 times 80.

[REDACTED]

1

[REDACTED]

[REDACTED]

21 Q. I'm going to mark Mingle P and
22 share it. Mingle P is -- next in our
23 chronology, we see a May 15th, 2023 letter
24 agreement between Centurion and QHR. Do you
25 see that?

1 A. Yep.

2 (Whereupon, Exhibit P was marked
3 for identification.)

4 Q. (By Mr. Cahill) And can you
5 just -- like the others, can you tell me the
6 context and how this agreement came about?

7 A. Yeah. Sure. Will you scroll
8 down and let me read it a little bit?

9 Q. Sure.

10 A. Yeah. Yeah.

11 Q. Then there's -- in addition to the
12 letter, there's a countersignature from you
13 and then terms and conditions.

14 A. Yeah.

15 Q. It's a standard form.

16 A. Okay. Yeah. I'm familiar with
17 this agreement.

18 Q. And can you just tell me the
19 context, how it came about.

20 A. Yeah. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

17

MR. CAHILL: Okay. I see it's

18

10:25. It might be a good time for a break to

19

give the stenographer a time to rest his or

20

her fingers. Does everyone want to take a

21

break now?

22

THE WITNESS: Sure.

23

(A short break was taken.)

24

Q. (By Mr. Cahill) Okay.

25

Mr. Mingle, I just had a few

1 follow-up questions about some of your answers
2 previously, and then we'll keep going with the
3 exhibits, okay?

4 A. Sure.

5 Q. So you mentioned that that there
6 are QHR or Centurion-related initiatives. And
7 then Prospect came in and entered into an
8 agreement with QHR. So then there were some
9 Prospect initiatives. And there's a
10 distinction between those two things; is that
11 right?

12 A. I'm trying to make a distinction
13 in the use of that word.

14 Q. Just say what's in your mind right
15 now and explain for me.

16 A. Yeah. I mean, what's in my mind
17 is our business plan, our plan for the
18 business. It can't be implemented until we
19 own the business.

20 Q. Okay. And what is that plan?
21 What are the initiatives in your mind that are
22 part of your plan for the business?

23 A. The ones that -- the ones that
24 are in our e-mail, the ones that are in our
25 Excel spreadsheets, I mean, the ones that are

1 in our transition plan, those are our -- you
2 know, those are our plans for the business.

3 Q. Okay. And can you articulate them
4 in any more detail?

5 A. Well, I mean, there's, you know,
6 converting to not for profit, sales tax,
7 340B, the different physician practices that
8 we're trying to stabilize. You know, it's
9 all of that whole big elaborate plan.

[REDACTED]

1

[REDACTED]

1

Q.

[REDACTED]

1 A. Yeah.

2 Q. Did you?

3 A. [REDACTED]

5 Q. You also mentioned the \$80
6 million. You remember we talked about the \$80
7 million cash on hand?

8 A. Yes.

9 Q. And you said that money will
10 provide the hospital system with the
11 wherewithal to get through its struggles
12 presently?

13 A. Yes.

14 Q. Is that right?

15 A. Yes.

16 Q. Okay. And can you just tell me
17 what exactly, concrete detail, that 80 million
18 will be used for?

19 A. Just, you know, you've got like
20 a minimum reserve in your own personal
21 checking account. It's the minimum reserve
22 for the hospital. It's going to stay there
23 to serve as the backstop.

24 Q. You also mentioned that there were
25 some initiatives that would require

1 significant capital expenditures; is that
2 right?

3 A. You know, I probably shouldn't
4 have put the word "significant" in it. But
5 some of the initiatives require you to invest
6 money, like the GPO initiative. Some of them
7 do.

8 Q. Okay. And would the 80 million be
9 used for --

10 A. It could. It could. But in an
11 ideal world, it would come out of operations,
12 you know, because I think, Chris, as you're
13 trying to step through all of this, right,
14 just converting it back to not for profit
15 gets you very close to break even, not quite
16 there. And once you're to break even, now
17 you can actually pay for things not out of
18 reserves, but out of cash flow.

19 And so in an ideal world, some
20 of these initiatives would get funded out of
21 cash flow. Some of them might have to be
22 taken out of the reserve temporarily and
23 then, you know, funded back. When the
24 reserve -- you know, when the business has
25 got positive cash flow, the positive cash

1 flow is going to go in to feed the reserve.

2 Q. So if I understand it then, the 80
3 million is just a backstop only, that's your
4 idea for the 80 million; is that right?

5 A. Yes.

6 Q. Okay. And initiatives take time,
7 you understand, to generate income, to
8 implement and then generate income, do you
9 understand that?

10 A. Yeah. Every one of them takes
11 some different amount of time.

12 Q. Okay. And my last follow-up from
13 the earlier questions was, I think you
14 mentioned that Centurion brings expertise on
15 governance. Do I have that right?

16 A. Right.

17 Q. Is that hospital governance?

18 A. It's just general not for profit
19 governance.

20 Q. So are you aware of, let's say,
21 the requirements for hospitals under state,
22 Federal law, CMS, Joint Commission?

23 A. I mean, I'm aware that they are
24 governed by all of those bodies.

25 Q. Do you have -- I guess my point of

1 my question was: Does Centurion have
2 experience or expertise in those areas?

3 A. Well, our collective group,
4 including our advisors, yes.

5 Q. Meaning Centurion would hire --

6 A. Lawyers, consultants, you know.

[REDACTED]

16 Q. So it's nothing special to
17 Centurion necessarily, it's that you would
18 just hire others --

19 A. Yeah. It's just, you know, hey,
20 we've got a CMS matter, well, they've got a
21 CMS expert. We've got a Qui Tam case, you
22 know, all of those things. You've got to
23 renegotiate provider contracts. They've got
24 all of those people.

25 Q. So we left off of Exhibit P, which

1 was the Centurion QHR agreement dated May 15,
2 2023. Let's go to Exhibit P-1, which is the
3 second amendment to the Asset Purchase
4 Agreement. Do you agree with me the principle
5 purpose of this second amendment to the Asset
6 Purchase Agreement was to remove QHR from --

7 A. Yeah. Yeah. And scroll down,
8 if you don't mind, Chris. I want to look at
9 this a little bit more. Hold on. Let's go
10 back. So we extended the termination date in
11 the contract because I think, at some point
12 in time, you know, we could just terminate
13 without any further impact on us. And I
14 thought we amended a definition or two in
15 this agreement. Maybe not.

16 (Whereupon, Exhibit P-1 was marked
17 for identification.)

18 Q. (By Mr. Cahill) So do you agree
19 with me then that the primary purpose of the
20 second amendment to the Asset Purchase
21 Agreement was to remove QHR from the
22 transaction?

23 A. Yes.

24 Q. The second amendment is dated
25 November 7th, 2023. Do you see that?

1 A. Yes.

2 Q. Okay. So I'll stop sharing now.
3 But I want to remain on this topic. So QHR is
4 out; right?

5 A. Correct.

6 Q. That's a big change?

7 A. A big change, yes.

8 Q. A fundamental change?

9 A. Yeah. I think the fundamental
10 change to our involvement was, you know,
11 having somebody that could lead the
12 operations of the health system on a
13 day-to-day basis and, between the initial
14 interactions with Mr. Liebman, all the way
15 through November 7th, 2023, we began to grow
16 confidence in his ability and his experience
17 turning around health systems. And, you
18 know, we -- at the same time, you know,
19 weren't seeing the same level of results that
20 we felt like we needed from QHR.

21 Q. Okay. So if I just understand
22 this correctly, May of 2023, you signed the
23 agreement with QHR. And then by November of
24 2023, they're out; right?

25 A. Yes.

1 Q. So something happened in between
2 those two dates. Do you agree with me?

3 A. Yes.

4 Q. So I just want to understand what
5 precisely or what exactly -- you know, how it
6 came about or what happened, okay.

[REDACTED]

1

[REDACTED]

[REDACTED]

12 Q. Do you feel comfortable proceeding
13 with Mr. Liebman alone without a manager?

14 A. Yes. I think, you know, we've
15 been working towards that since we made this
16 change with QHR. You know, just last week,
17 we got the long-time CFO of the health system
18 to agree to come work for us. So I think,
19 you know, part of the transition plan that we
20 provided to the state, you know, highlights a
21 number of positions that have to be augmented
22 and bolstered. And that's one of them. But
23 I'm confident in Jeff and his experience with
24 turnarounds and his experience in Rhode
25 Island and, you know, how long he's been at

1 that health system in particular.

2 Q. And can you tell me -- can you
3 give me an example of Mr. Liebman's experience
4 turning around hospital operations?

5 A. Yeah. I think -- you know, I
6 don't have them here in front of me. But I
7 think there's a number of them that he turned
8 around in Massachusetts. You know, I
9 wouldn't be able to like quote them off the
10 top of my head. But I think he did a couple
11 of turnarounds for -- for -- he did a
12 turnaround for Steward. He did a
13 turnaround -- I'm going to get them wrong.
14 But it's either like Mass General or Lehi
15 Clinic or -- you know, there's been so many
16 mergers. I'm not exactly sure. But he did a
17 turnaround with several different ones.

18 Q. And where are you getting this
19 information from? Are you getting it
20 independently, or are relying on Mr. Liebman
21 to tell you?

22 A. I'm relying on Mr. Liebman to
23 tell me.

24 Q. I think earlier you said he's got
25 special -- or maybe not special. But he has

1 particular qualifications for implementing,
2 executing on this turnaround?

3 A. Yeah. I mean, that's my
4 assessment, yes.

5 Q. And what's that based on? Or
6 provide more detail about that, please.

7 A. Well, I mean, he has a
8 tremendous amount of experience in knowing
9 how to spot a problem, identify a solution,
10 build a team around the solution, and lead
11 people towards the implementation of that
12 solution. He -- you know, that's my
13 observation. That's the observation that I
14 have when I talk to others there at the
15 facility. You know, you can just tell that
16 they believe in Jeff and are willing to
17 follow his leadership. And in an
18 organization like this, that's, you know,
19 extremely critical.

20 Q. Who are the others that you're
21 talking to at the facility?

22 A. So, you know, kind of everybody.
23 The good example is Amanda, the head of IT,
24 Das Ison. Our biggest three contact points
25 are Dan, Amanda, and Dave Ragosta. But we've

1 talked to probably the leader of every single
2 department chair one-on-one about Jeff.
3 We've had those doctors pointblank tell us
4 what they think about Jeff without him in the
5 room. We haven't gone to like the nursing
6 and clinical staff level, but we've met with
7 probably every department chair and every
8 medical department chair. So if that makes
9 sense.

10 Q. Okay.

11 A. And the security -- the head of
12 security. I mean, you know, we've met with a
13 lot of different people there.

14 Q. Are you aware that Steward is a
15 failing -- is failing presently?

16 A. I'm aware they filed for
17 bankruptcy last night.

18 Q. Right.

19 A. Yeah.

20 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

12

Q.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19

Q.

I'm going to mark Mingle Q. And

20

before we do, I just have a quick question

21

about Mr. Liebman. So he's been there since

22

2018 or 2019; right?

23

A.

Correct.

24

Q.

So --

25

A.

[REDACTED]

1

[REDACTED]

16

Q.

[REDACTED]

1

[REDACTED]

1

3

Q. Okay. Let's look at Mingle Q.
Mingle Q is a letter from CMS to Mr. Liebman
dated November 7th, 2023 concerning Roger
Williams. Do you see that?

7

(Whereupon, Exhibit Q was marked
for identification.)

8

9

THE WITNESS: Yes.

10

Q. (By Mr. Cahill) If we go further
down, there's another letter. Let's see if I
can get there. Also dated November 7th, 2023
to Mr. Liebman concerning Fatima. Do you see
that?

11

12

13

14

15

A. Yes.

16

Q. And November 7th, 2023 is the same
date as the Amendment No. 2 to the Asset
Purchase Agreement; right?

17

18

19

A. Yes.

20

Q. Have you seen these letters from
CMS before?

21

22

A. No.

23

Q. Are you aware of them?

24

A. No.

25

Q. No one has told you about them?

1 A. No.

2 Q. When was the last time you talked
3 with Mr. Liebman?

4 A. Yesterday.

5 Q. He didn't mention that he received
6 communications from CMS concerning the
7 operations and management of Roger Williams
8 and Fatima from CMS?

9 A. I don't recall at this moment.
10 I mean, if you tell me specifically what this
11 letter is about, then he may have mentioned
12 it.

13 Q. Let's look at the first one, Roger
14 Williams. It says here, "The Rhode Island
15 Department of Health, Center for Health
16 Facilities Regulations (States Survey Agency)
17 completed a complaint survey of your hospital
18 on November 1, 2023. The State's findings are
19 explained in the enclosed form, statement of
20 deficiencies. CMS concurs with these
21 findings. Do you see that?

22 A. I do see that.

23 Q. And if we then go to the enclosed
24 forms, which contains the deficiencies, we see
25 that there was a complaint which triggered an

1 investigation or a survey. Okay.

2 A. Okay.

3 Q. And they say, "There must be an
4 effective governing body that is legally
5 responsible for the conduct of the hospital."
6 Do you see that?

7 A. Yes.

8 Q. That's one of the conditions that
9 need to be met. Do you understand?

10 A. Yes.

11 Q. And it says, "This condition is
12 not met." Do you see that?

13 A. Yes.

14 Q. And they explain why. And they
15 say, "During an investigation of a complaint
16 relative to cancellation of surgical
17 procedures due to nonpayment of vendors, the
18 following was identified." Do you see that?

19 A. Yes.

20 Q. Do you understand that there were
21 surgical procedures that were scheduled, but
22 then they were canceled, do you understand --

23 A. What I understand there were
24 very -- there was a very limited number of
25 procedures that were scheduled that were

1 canceled.

2 Q. So you were aware of that then?

3 A. Well, I was aware of that. I
4 wasn't aware of this letter.

5 Q. And you say a limited number. How
6 many do you understand? What's limited to
7 you?

8 A. Mr. Liebman made me aware of
9 this event. And he -- I mean, I think like
10 limited, like less than 20.

11 Q. Okay.

12 A. But I have not seen this letter
13 before today.

14 Q. And you don't think 20 is a lot?

15 A. I -- I don't think I'm the one
16 to, you know, question whether CMS was valid
17 in producing this letter, Chris. I think --
18 I'm making -- I just made the 20 up. It
19 sounded like to me, when Mr. Liebman told me
20 about this event, it was very few cases, like
21 a small number. But we didn't get into the
22 specifics of what a small number meant.

23 Q. You see here -- so we're looking
24 at the findings.

25 A. Okay.

1 Q. That support the conclusion that,
2 you know, there's not an effective governing
3 body legally responsible for the hospital.

4 A. Okay.

5 Q. You see here, "Review of surgical
6 schedules and procedure bookings for October
7 2023 revealed several endoscopic and surgical
8 procedures that were canceled related to the
9 hospital's inability to pay for the medical
10 supplies necessary to complete the
11 procedures." Do you see that?

12 A. Okay.

13 Q. Is that consistent with what
14 Mr. Liebman told you?

15 A. Yes.

16 Q. Did he tell you around the time
17 that it happened, or was it later, or when did
18 he tell you about this?

19 A. I would think that I -- he would
20 have told me in November.

21 Q. Okay. And what about the --

22 A. He told me -- you know, after
23 the cyber attack, he told me what they were
24 doing every day. I think we talked every
25 single day for the two weeks following the

1 cyber attack. And, you know, here's today's
2 update. And then he told me about that time
3 when the accounts payable was getting worse,
4 he told me their daily efforts to manage
5 vendors and to try to keep everything open.

6 Q. So the explanation you received
7 from Mr. Liebman was that this problem of
8 canceling surgeries occurred because of the
9 cyber attack in August of 2023, was that --

10 A. No. Mr. Liebman told me about
11 canceling the services in relation to the
12 accounts payable as a whole. I think the
13 cyber attack exacerbated the situation. The
14 situation already existed before the cyber
15 attack.

16 Q. Got it. That's what I was trying
17 to understand. Okay.

18 A. Yeah.

19 Q. So what about this part here, "On
20 November 1st, 2023 at 11:30 a.m. during a
21 meeting with the chief executive officer,
22 he" -- Mr. Liebman, right?

23 A. Yeah.

24 Q. -- "he stated he was unaware of
25 the recent cancellations, and he was unable to

1 provide evidence that the governing body held
2 meeting to discuss the hospital's inability to
3 order the necessary supplies to complete
4 several surgical procedures resulting in their
5 cancellation." Do you see that?

6 A. I do see that.

7 Q. Do you see here, The governing
8 body must ensure the medical staff is
9 accountable to the governing body for the
10 quality of care of patients." Do you see
11 that?

12 A. Yes.

13 Q. And it says, "This standard is not
14 met as evidenced by" and then they say, "Based
15 on record review and staff interviews, it has
16 been determined that the medical staff which
17 is accountable to the governing body failed to
18 ensure the quality of care to all patients
19 relative to the cancellation of six surgical
20 procedures, patients 1, 2, 3, 4, 5, and 6."
21 Do you see that?

22 A. Yes.

23 Q. And it goes on. I'm going to show
24 you just a few more things. If we just go
25 further down. Again, we're at the -- where is

1 it? "During that interview, Mr. Liebman
2 stated he was unaware of the endoscopy cases
3 canceled. He was also unaware that the cases
4 were canceled due to a credit hold on the
5 company Boston Scientific, which provides
6 supplies necessary to complete the
7 procedures." Do you see that?

8 A. Yes.

9 Q. Do you believe that Mr. Liebman's
10 subordinates, the medical staff, would not
11 have apprised him of this very serious issue
12 with respect to inadequate supplies and
13 surgeries being canceled because of it?

14 A. Yeah. I don't have enough
15 insight into that situation, Chris, to make a
16 determination.

17 Q. Well, did you ask him?

18 A. The last sentence here is
19 consistent with what he has told me.

20 Q. That he was unaware?

21 A. No. The last sentence. The one
22 after that you've got highlighted.

23 Q. This sentence here.
24 "Additionally, he reports he has daily
25 meetings relative to the finances and that the

1 hospital is on credit holds with some vendors
2 as the hospital does not receive enough money
3 from California to cover all of the expenses,"
4 that part?

5 A. Correct.

6 Q. But my question really is: He's
7 saying -- Mr. Liebman is saying he wasn't
8 aware the surgeries were canceled; right?

9 A. Yeah.

10 Q. Do you believe him? Do you
11 believe that, let's say, the chief of surgery
12 would not have informed him of that fact?

13 A. I have no reason to not believe
14 him, Chris. But I don't know the specifics.
15 I mean, you know, my take of the situation,
16 Chris, is Jeff and others are holding it
17 together, and California has forgotten about
18 this hospital.

19 But I don't -- you know, if he
20 said he wasn't aware, then I would think he
21 wasn't aware. I think he's probably on hold
22 with a lot of vendors. That's what I think,
23 Chris, not what I know. And I think he's
24 doing his absolute best to keep the hospital
25 open. The fact that these six procedures

1 were canceled is terrible, and I suspect that
2 Jeff truly didn't know that the supplies
3 needed to have the procedure weren't there,
4 and I think Jeff didn't know that he was on a
5 hold with that vendor.

6 Q. Did Mr. Liebman tell that CMS was
7 investigating this issue when he described
8 that he was having problems with accounts
9 payable?

10 A. No, he did not.

11 Q. And just generally, I mean, so you
12 believe him, but, I mean, do you have
13 confidence in a CEO who is not aware of such a
14 serious issue going on within the hospital
15 that he manages?

16 A. Chris, I don't have enough
17 information yet to judge this event. I would
18 need to do more research to come a conclusion
19 on that question.

20 Q. And you understand here -- I think
21 it was the earlier quote. Let me just go to
22 it and ask some questions. That the board was
23 not being informed of the cancellations and
24 they failed to hold the meetings. Do you see
25 that?

1 A. Yeah.

2 Q. I mean, do you agree that that's a
3 failure of the executive leadership of the
4 hospital to keep the board apprised of what's
5 going on?

6 A. Well, I -- let me say this. I
7 don't know their corporate structure. And
8 they're both from a legal and a governance
9 and an operational standpoint. So I'm not
10 sure how their structure is supposed to work.
11 I just don't know, Chris.

12 Q. Well, the chief executive is
13 supposed to report to the board; right? I
14 mean, that's how it works; right?

15 A. Correct. This is a statement
16 related to the governing board, more like a
17 medical staff board about a cancellation of a
18 surgery versus the board of the entity?

19 Q. That's your understanding?

20 A. No. I'm asking you. Which
21 board is this letter referring to?

22 Q. The governing board of the
23 hospital that's legally responsible for the
24 conduct of the hospital. So with that
25 understanding, you agree that the chief

1 executive is supposed -- the normal way it
2 works is the chief executive reports to the
3 governing board that's legally responsible for
4 the conduct of the hospital?

5 A. Yeah, I'm -- I guess, Chris,
6 what I'm saying is I don't know their
7 structure. And if the cancellation of a
8 single procedure is something that needs to
9 go all the way to the corporate board of
10 directors, and that wasn't followed, then, I
11 would say that, you know, there was a failure
12 there.

13 Q. Of the executive leadership of
14 Mr. Liebman; right?

15 A. Of the structure.

16 Q. What about this line right here,
17 "The governing body must appoint a chief
18 executive officer who is responsible for
19 managing the hospital." Do you see that?

20 A. I do see that.

21 Q. Do you have any reason to disagree
22 with that finding?

23 A. I mean, it looks like it's
24 coming straight out of a statute. So I agree
25 with that, yes.

1 Q. And would you agree that this is
2 bad?

3 A. I agree it's not good, Chris.

4 Q. Let's go back to the line that you
5 pointed out to me earlier.

6 A. Go back up.

7 Q. Sure.

8 A. What does it say right there at
9 the bottom of that page? The next page.
10 Okay.

11 Q. Do you see they're talking about
12 the same issue, the cancellation of surgeries
13 because of the nonpayment of suppliers; right?

14 A. Yeah.

15 Q. This line here, "Mr. Liebman
16 reports he has daily meetings relative to the
17 finances and that the hospital is on credit
18 holds with some vendors as the hospital does
19 not receive enough money from California to
20 cover all of the expenses."

21 A. Yes.

22 Q. Do you understand that Mr. Liebman
23 would meet each day to decide what bills -- do
24 you understand that or not?

25 A. Yes.

1 Q. Okay. So do you think it's
2 credible then for him to be saying that he's
3 unaware that the suppliers who supply the
4 necessary equipment needed for the surgeries,
5 that he wouldn't know that --

6 A. You know, Chris, I don't know
7 how that control mechanism has been designed.
8 And so I don't know what level of precision
9 it's supposed to operate in. So I don't know
10 whether Jeff knew or not. I've -- you've
11 read to me his statement that he made to CMS.
12 I'm going to take that as fact at this point
13 in time.

14 Q. Whatever that control mechanism
15 is, he's the chief executive, so he's in
16 charge of making sure that control mechanism
17 works; right?

18 A. He's ultimately responsible,
19 yes.

20 Q. He obviously failed --

21 A. Again, Chris, he's in a
22 construct where he doesn't control many of
23 the things, right. The money is gone. They
24 take the money out every night. So that's
25 the structure, the environment that he works

1 in today.

2 Q. Right. But he controls his
3 communication with the medical staff as well
4 as with the governing board; right?

5 A. Correct.

6 Q. So you've got to acknowledge
7 there's a failure there; correct?

8 A. At some level. I just am not
9 able to tell at what level, Chris, because, I
10 mean, I literally don't know their exact
11 construct and how those different reporting
12 mechanisms are supposed to go.

13 Q. Let's look at the Fatima letter.
14 And it's the same thing we're going to see:
15 "The Rhode Island Department of Health State
16 Survey Agency completed a complaint
17 investigation survey of your hospital on
18 November 2nd." Do you see that?

19 A. Yes, sir.

20 Q. So that's the very next day from
21 the investigation of Roger Williams, right,
22 which was November 1st?

23 A. Yes.

24 Q. And "The State Agency's findings
25 are explained in the enclosed form statement

1 of deficiencies. CMS concurs with these
2 findings." Do you see that?

3 A. Yes.

4 Q. So then if we look at the
5 deficiencies at Fatima, we see the same thing,
6 "There must be an effective governing body
7 that is legally responsible for the conduct of
8 the hospital. This condition is not met. The
9 findings are as follows." Do you see that?

10 A. I do.

11 Q. Okay. And it's the same thing.
12 "Record review of a community reported
13 complaint received by the Rhode Island
14 Department of Health on October 24th, 2023,
15 alleges that the hospital is not paying their
16 supply vendors which is resulting in surgeries
17 and procedures being canceled"; right?

18 A. Yes.

19 Q. Will you agree with me this is a
20 very serious issue for patients? Do you
21 understand that?

22 A. Yes.

23 Q. Okay. And if we look at this a
24 little further, I mean, we see sort of the
25 same thing here. Do you see 13 procedures?

1 A. Yes.

2 Q. And then it says here, "Additional
3 record review revealed that the hospital
4 failed to ensure it had the necessary
5 equipment to safely perform the following
6 ophthalmology procedures that were scheduled
7 on October 12, 2023 resulting in their
8 cancellation." And then they list out ten
9 more. Do you see that?

10 A. Yes.

11 Q. Okay. And, I mean, I just want to
12 talk a little bit about the patient point of
13 view here. I mean, you understand and
14 appreciate how horrible it is for a patient to
15 have a surgery schedule which is then
16 canceled; right?

17 A. Yes.

18 Q. And to put a little more detail
19 around that, you understand the patient or,
20 you know, his or her family, they have to like
21 make arrangements well in advance of the date
22 of the surgery; right?

23 A. Yes.

24 Q. Like take off work and arrange
25 travel, things like that?

1 A. Yes.

2 Q. And you're also aware -- I mean,
3 are you aware of the payer mix of CharterCARE?

4 A. Yes.

5 Q. What is your understanding about
6 the percentage that's Medicare or Medicaid?

7 A. I would say very high.
8 Virtually all. I'm guessing 80 percent.

9 Q. And so you understand that many of
10 the patients are elderly, disabled, or
11 underresourced, or vulnerable; right?

12 A. Yes.

13 Q. So this is bad, right, you agree?

14 A. Yes.

15 Q. Now, if we -- it looks like the
16 surveyor talked to some of the surgeons
17 involved. So let's just look at what they
18 say. Surgeon staff A, do you see that?

19 A. Yes.

20 Q. So he revealed that the hospital
21 is behind to a supplier Alcon, resulting in
22 them no longer providing supplies to the
23 hospital. Do you see that?

24 A. Yes.

25 Q. Okay. And they're talking about

1 here a patient scheduled for spinal surgery.

2 Do you see that?

3 A. Yes.

4 Q. And then they talk about -- they
5 talk to surgeon staff B, and he revealed that
6 they were unable to perform the surgery as the
7 hospital failed to pay the vendor Life Spine;
8 and therefore, they will not deliver the
9 supplies. Do you see that?

10 A. Yes.

11 Q. He stated that, "You don't know
12 from day-to-day what you will able to do or
13 what may need to be canceled." Do you see
14 that?

15 A. Yes.

16 Q. And he stated that, "This is the
17 second time these cases were canceled,
18 indicating the first time was around June or
19 July." Do you see that?

20 A. Yes.

21 Q. And then here's kicker. "Staff B
22 further stated he had spoken with and e-mailed
23 the hospital's chief executive officer about
24 that issue." Do you see that?

25 A. Yes.

1 Q. Does that make you reconsider your
2 view that Mr. Liebman's claim that he didn't
3 know is a credible claim that you're going to
4 accept?

5 A. I think the system is -- well,
6 A, is this letter related to the other
7 letter? Because, I mean, Chris, I think it's
8 so bad that you've got tons of vendors that
9 they're in this situation with. And the way
10 I'm reading it or, you know, my assessment of
11 Jeff is that he didn't know specifically
12 about the Boston Scientific matter, you know,
13 as how acute and how bad it was. I think
14 Jeff is very aware about the current
15 financial situation at the hospital.

16 Whether that one case or those
17 cases got missed, you know, I don't know
18 enough yet, Chris, to render a conclusion
19 about where the failure was. Was it purely a
20 Jeff failure? Was it a -- Jeff's, you know,
21 in the middle here, and Prospect is sweeping
22 the money every night, and they can't pay
23 their bills? You know, I just don't know
24 enough, Chris, to render a conclusion on
25 that.

1 Q. What information would you -- what
2 more information would you need to assess the
3 particular failure about communicating with
4 the medical staff and with the board?

5 A. I'd want to look at this. I'd
6 want to ask the people involved.

7 Q. If we look -- I mean, it's going
8 to be the same -- more or less the same thing
9 over and over.

10 A. Okay.

11 Q. If we look at the next page, we
12 see a discussion with that staff C, a surgeon.
13 He revealed he had two patients -- "He
14 revealed that the above two patients had their
15 procedures canceled due to lack of supplies."
16 These are ENT procedures, it looks like. Do
17 you see that?

18 A. Yep.

19 Q. "He indicated that that is
20 embarrassing to tell patients that their
21 surgery is being canceled because the hospital
22 is not paying the supplier." Do you see that?

23 A. Yeah.

24 Q. Do you agree with that?

25 A. It's terrible, Chris.

1 Q. "He further revealed that he has
2 placed multiple calls to leadership and other
3 agencies to report that the hospital is not
4 paying their bills." Do you see that?

5 A. Yes.

6 Q. So Mr. Liebman clearly is aware of
7 the situation; right?

8 A. Yeah. Chris, I think -- I mean,
9 listen, I'm not trying to argue with you.
10 Jeff is aware. I'm saying, this one case,
11 this one time, you know, and the fact that
12 this happened, that that one thing, is that
13 what Jeff is answering that question to? You
14 know, he's in there every day trying to get
15 Prospect to give them more money to pay the
16 bills. I mean, he's been screaming at the
17 top of his lungs that Prospect has to release
18 money to pay the bills.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

Q. So let me ask about governance

8

then.

9

A. Yeah.

10

Q. And in particular, in the context

11

of the conversion that you're asking the Rhode

12

Island Attorney General to approve.

13

A. Yeah.

14

Q. So Centurion formed CharterCARE

15

Health of Rhode Island, Inc.; right?

16

A. Yes.

17

Q. That will be the new hospital

18

system that Centurion controls; correct?

19

A. Yes.

20

Q. I'm just call it CRI from now on.

21

Does that make sense?

22

A. Yeah.

23

Q. I might say the new hospital

24

system, but I mean the Centurion-controlled

25

hospital system, okay?

1 A. Yeah.

2 (Whereupon, Exhibit R was marked
3 for identification.)

4 Q. (By Mr. Cahill) All right.

5 Let's look at Mingle R. Here is
6 the IRS form 1023, which is the application to
7 the IRS requesting that CRI be recognized for
8 exemption under 501(c)(3); is that right?

9 A. Yes.

10 Q. And do you see care of name is
11 you? Do you see that?

12 A. Yes.

13 Q. Okay. And this is the part of the
14 transaction that Centurion is responsible for
15 and has the experience and expertise with;
16 right?

17 A. Yes.

18 Q. Now, included in this form are
19 CRI's articles of incorporation; right? Maybe
20 it will help if I go to them. Do you see them
21 in front of you there?

22 A. Yes.

23 Q. Okay. So the articles of
24 incorporations are included in the form that's
25 submitted to the IRS requesting tax exempt

1 status; right?

2 A. Yes.

3 Q. And if we look here, we'll see
4 that Centurion will be the sole member of CRI,
5 do you see that?

6 A. Yes.

7 Q. And also included with the filing
8 are the bylaws of CRI. Do you see that?

9 A. Yes.

10 Q. And if we just go past the table
11 of contents, we get to the bylaws, and we see
12 that -- a few definitions to keep in mind. So
13 the board is the board of the corporation;
14 right?

15 A. Yep.

16 Q. And the corporation is CRI. Do
17 you see that?

18 A. Yep.

19 Q. Okay. And the member is
20 Centurion; right?

21 A. Yep.

22 Q. And if we just go a little bit
23 further down, we'll see again that the sole
24 member of the corporation is the member. So
25 the sole member of CRI is Centurion; right?

1 A. Yes.

2 Q. Now, Centurion has the power under
3 these bylaws to appoint directors to serve on
4 the board. That's the board of CRI; right?

5 A. Yes.

6 Q. And to remove such directors from
7 office at any time and for any reason;
8 correct?

9 A. Yes.

10 Q. And you've also -- or maybe you
11 intend to create nonprofit entities for the
12 hospitals, Roger Williams and Fatima, right,
13 and you prepared a similar form 1023s for them
14 as well; correct?

15 A. Yes. We've already done that.

16 Q. Okay. And CRI will be the sole
17 member of the new hospitals, Roger Williams
18 and Fatima; right?

19 A. Correct.

20 Q. And if we were to look at the
21 bylaws for the new hospital entities for Roger
22 Williams and Fatima, we'd see that CRI has the
23 same power to remove directors for any reason
24 at any time; right?

25 A. Yeah. CRI is the sole corporate

1 member of the two hospital entities.

2 Q. And they'll have the power to
3 remove the directors of those entities?

4 A. Correct.

5 Q. So, in this way, Centurion
6 ultimately controls the hospital and their
7 assets; right?

8 A. Yes.

9 Q. And if we just look quickly in the
10 bylaws of CRI in section 8, I think it is.
11 I'll just go right to it. There it is. We
12 see there's this conflict of interest section.
13 Do you see that?

14 A. Yes.

15 Q. And it states that, CRI will have
16 a conflicts policy that binds the directors
17 and officers. The idea being if these
18 individuals have an interest in a contract
19 that's presented to CRI's board, then these
20 individuals have to make the disclosure of
21 that interest, right, and they can't
22 participate in the decision. Does that sound
23 about right?

24 A. Yes.

25 Q. Now, we'll get to the financing

1 plan in a little bit. But basically CRI, the
2 new entity, CRI is the one that's going to be
3 doing the borrowing, not Centurion; right?

4 A. Correct.

5 Q. And do you agree with the
6 observation that, as structured and
7 envisioned, Centurion only stands to benefit
8 from the proposed conversion here?

9 A. I mean, I could see how one
10 would think that. But, again, we're not
11 thinking like benefitting from a conversion.
12 We were thinking, like, how do we save a
13 hospital from closing.

14 Q. Isn't it true that Centurion will
15 not be leveraging its assets or its other
16 assets in order to obtain financing for the
17 new hospitals; right?

18 A. That's true. We're probably
19 half a million dollars deep into this deal
20 between man hours and direct costs.

21 Q. And is it true --

22 A. We'll lose that. That will be
23 lost.

24 Q. Okay. But, I mean, Centurion will
25 not make any investments in the hospital

1 system itself under the anticipated structure
2 that you have in place for governing the
3 hospitals; right?

4 A. No.

5 Q. So that's correct, in other words?
6 I just want to make sure.

7 A. Yes.

8 Q. And that amount, by the way, that
9 you've invested so far in pursuing this
10 transaction, you will -- if the transaction
11 goes through, Centurion would receive that
12 money back, right, from --

13 A. Correct.

14 Q. Just on the overarching structure,
15 do you agree it's highly unusual for an
16 acquirer of a nonprofit hospital system -- or
17 a hospital system that's going to be turned
18 into a nonprofit system to have no financial
19 responsibility or risks? That's a little
20 unusual; right?

21 A. I think it's not standard. I
22 don't know if I would use the word "highly
23 unusual." But it's not the norm, right. The
24 norm is the hospital uses cash. And then the
25 hospital controls everything that happens,

1 closes facilities that they don't like, and
2 you know, sweeps cash every night. That's
3 the norm, both not for profit and for profit.

4 Q. And typically the entity in
5 control has some skin in the game, so to
6 speak, so like they incur the losses if there
7 are losses; right?

8 A. Correct.

9 Q. Do you agree with the observation
10 that Centurion, when it's in control of the
11 new hospital system, would have the power to
12 direct CRI to do things that may harm CRI
13 financially, but that benefits Centurion, is
14 that possible?

15 A. No, I would think not.

16 Q. Okay. Just explain why not,
17 please.

18 A. I mean, why would we do anything
19 that harmed the hospital that benefitted us?
20 I don't -- I mean, Chris we're -- hard to
21 believe -- we're running a charity over here.
22 We're not looking at our financials every
23 day. We're looking at like how can we help
24 somebody and how can we help a community. So
25 I think from a philosophical standpoint, the

1 answer to that is no, we wouldn't benefit
2 ourselves and harm the health system.

3 Q. I understand.

4 A. But anything is legally
5 possible, right. But I think the motives
6 here are not those at all. And we would be
7 trying to do the opposite.

8 Q. I'm going to mark Mingle
9 Exhibit S. Am I frozen, by the way?

10 A. You're frozen on my end, Chris,
11 yeah.

12 MR. CAHILL: Everything is going
13 slow. Maybe we should go off the record for
14 just a second.

15 COURT REPORTER: Off the record.

16 (A short break was taken.)

17 Q. (By Mr. Cahill) Mr. Mingle, [REDACTED]

1

A.

[REDACTED]

1

[REDACTED]

16 Q. Let's go to Exhibit S. Exhibit S
17 is the -- is the draft -- a draft of a
18 Corporate Services Agreement.

19 A. Hold on, Chris. It's not
20 working.

21 Q. Do you see it now?

22 A. No, it never opened, Chris.

23 Q. Let me try again. How about now?

24 A. Yes.

25 Q. Do you see it? I'm sorry. Did

1 you say you see it, Mr. Mingle? I think
2 Mr. Mingle has frozen, yeah.

3 A. I think you froze me, Chris.

4 Q. Okay. So you're back?

5 A. Yeah.

6 (Whereupon, Exhibit S was marked
7 for identification.)

8 Q. (By Mr. Cahill) Okay.

9 And do you see Exhibit S in front
10 of you?

11 A. I do.

12 Q. Excellent. Part of the
13 transaction that's contemplated here would
14 involve the new hospital system entering into
15 a Corporate Service Agreement with Centurion;
16 is that correct?

17 A. Yes.

18 Q. Now, this Corporate Service
19 Agreement has not been executed yet; is that
20 right?

21 A. Correct.

22 Q. But it would be once the new board
23 of the hospital system is in place; true?

24 A. That's -- that's the idea.

25 Q. Okay. And it would be executed

1 between Centurion, right, and CRI?

2 A. Yes.

3 Q. So at the time that this contract
4 in Exhibit S is executed, Centurion
5 effectively would be on both sides of the
6 transaction; correct?

7 A. Yes.

8 Q. You understand, as a general rule,
9 tax exempt organizations must only pay
10 reasonable compensation for services to
11 affiliated entities; right?

12 A. Yes.

13 Q. And that assessment is based on --
14 you know, the assessment of whether it's
15 reasonable is not is based on comparability
16 data to make sure the transaction is based on
17 at least fair market value, right, the
18 services received; right?

19 A. Yes.

20 Q. Okay. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8

Q. Okay.

9

A. We -- I'm getting to go it,

10

Chris.

11

Q. Keep going.

12

A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

21

Q. I'm just to going to show you

22

Mingle Exhibit R again.

23

A. Yeah.

24

Q. This is IRS form requesting

25

recognition for exemption under 501(c)(3). If

1 we just go to page 11 of the form, there's a
2 question here of CRI, do you or will you have
3 any leases, contracts, loans, or any
4 agreements with any organizations in which any
5 of your officers, directors -- trustees are
6 also officers -- directors or trustees, and
7 you clicked yes. Do you see that?

8 A. Yeah.

9 Q. And then in this little comment
10 box here, you say, "Such agreements are common
11 and will be reasonable for all participants in
12 the arrangement." Do you see that?

13 A. Yes.

14 Q. And so this statement here applies
15 to the Corporate Service Agreement, do I have
16 that right?

17 A. Yes.

18 Q. And the reason for this rule, you
19 understand is so that no one can gain the
20 system, so to speak, and these would be tax
21 exempt status and private inurement; right?

22 A. Yes.

23 Q. If we go back to Mingle S, let's
24 look at the terms. So the agreement is for
25 five years. Do you see that?

1 A. Yes.

2 Q. And it's to provide administrative
3 services; is that right?

4 A. Yes.

5 Q. And then you say here, "The
6 administrative services may include, but are
7 not limited to the following." Do you see
8 that?

9 A. Yes.

10 Q. And then there's a list A to K.
11 Do you see that?

12 A. Yes.

13 Q. All right. We're going to return
14 to those in a second. But first let's go to
15 article 2 which relates to the fee for the
16 services; okay?

17 A. Yes.

18 Q. Do you see here there's a
19 reference to the participation fee?

20 A. Yes. This is a -- so I think
21 we've submitted a more recent version of this
22 document, Chris.

23 Q. Well, I'll represent to you that
24 this is the more recent version.

25 A. Okay.

1

[REDACTED]

1

Q. [REDACTED]

[REDACTED]

13

Q. And let's look here at the

14

acquisition transaction services and the

15

corporate administrative services charges or

16

fees, okay?

17

A. Yeah.

18

Q. The first one is the acquisition

19

transition services. It's reimbursement of

20

\$800,000. Do you see that?

21

A. Yes.

22

Q. And that's in return -- the

23

\$800,000 fee is in return for the acquisition

24

transition services; right?

25

A. Yeah.

1 Q. And if we look at what those are,
2 we have to just go up above here, right, that
3 is the due diligence, administrative, and
4 support of the initial transaction, including
5 other services related to the issuance and
6 closing of financing; right?

7 A. Yes.

8 Q. Okay. And how did you come up
9 with that amount, 800,000?

10 A. I think we estimated that we
11 were going to have almost 2,000 hours in this
12 engagement before we were done. And we
13 thought about something in the \$400 an hour
14 range. I honestly think that's how we came
15 up with it.

16 Q. So it's compensation for your time
17 essentially?

18 A. Time and costs. I mean, we
19 didn't -- we're not trying to get the costs.
20 So, you know, we've got a bunch of costs that
21 we've incurred. But, I mean, I just thought
22 about the costs and the time, and that number
23 seemed, you know, very low in relation to the
24 size of this transaction. So because it
25 seemed so low, that's where we came up with

1 the number.

2 Q. Were there negotiations over this
3 amount, or did Centurion just insert it?

4 A. We -- yeah, we had a meeting
5 here in the office to talk about it. But we
6 inserted it, yes.

7 Q. Who is "we"?

[REDACTED]

[REDACTED]

10 Q. So just Centurion folk, then;
11 right?

12 A. Yeah, just Centurion folk.

13 Q. So, to be clear, then, there was
14 no negotiation with anyone over this amount;
15 right?

16 A. We negotiated heavily with
17 ourselves, Chris.

18 Q. And let's look at the corporate
19 administrative services charge.

20 A. Yeah.

21 Q. 62,500 per month. Do you see
22 that?

23 A. Yes.

24 Q. So if we were to just make that a
25 yearly amount, that would be \$750,000 a year;

1 right?

2 A. Yes.

3 Q. That \$750,000 per year amount is
4 in addition to the 800,000 reimbursement?

5 A. The 800 was one time for the --
6 you know, it will take us three years to get
7 this done from start to finish. That was one
8 time. And then the go forward is 62,500 a
9 month. We're planning on hiring an asset
10 manager to just sit here all day every day
11 and help make sure that strategic plan is
12 being implemented and that governance is run
13 correctly. You know, that will cost us
14 probably a quarter of a million dollars a
15 year, 2- to \$300,000 a year. And then that's
16 just the directs. And then the rest is to
17 defray our home office overhead.

18 Q. Who is the asset manager?

19 A. We don't have them. I mean,
20 there's like four candidates, but I can't
21 give you the name on that today.

22 Q. And why is this information -- was
23 it not provided as part of the application?
24 This is new, you understand.

25 A. It was never asked. I think we

1 had told several people, and I don't remember
2 who they were and what calls or context. But
3 this is not -- I get that it's new today.
4 But it's not new, new. It's just maybe new
5 for you today. But I don't think it was
6 asked. We would have certainly shared that.
7 It's no secret here.

8 Q. Why do you feel you need an asset
9 manager to help with the strategic plan and
10 governance?

11 A. Well, I think this is different
12 than the rest of our -- you know, I'm not
13 going to use the word "investments" -- the
14 rest of our projects, right. The rest of our
15 projects aren't as complex and don't require
16 as much day-to-day. I also -- I've been
17 spending a lot of time on this project. And
18 I need to have somebody else focused on this,
19 you know, really every day until it's
20 stabilized.

21 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8

Q. So if I understood your testimony

9

right, 250,000 or thereabouts would be costs

10

incurred in connection with an asset manager?

11

A. Correct. Our costs, not

12

additional costs to the hospital.

13

Q. Centurion's costs?

14

A. Centurion is going to hire a

15

full-time person to do nothing more than to

16

make sure this hospital is successful.

17

Q. And \$250,000 would go to that.

18

And then 500,000 was to defray Centurion's

19

overhead costs; is that what you said?

20

A. Approximately, yes.

21

Q. How did you come up with that

22

estimate?

23

A. Well, I know today our actual

24

costs are greater than our revenue. So I

25

just ballparked it. I just gave you that

1 while we're sitting here on the phone. I'm
2 happy to put a spreadsheet together and go
3 through the costs and all of that.

4 Q. And this 750,000 per year, 62,500
5 per month amount will increase each year,
6 right, based on the CPIU; is that right?

7 A. I mean, it has the ability to,
8 right. I think, again, we're not -- I get
9 that it has the legal ability to. I think
10 our -- we've modelled it in the model as just
11 a flat payment.

12 Q. And what qualified full-time asset
13 manager are you expecting to hire? You said
14 there were four candidates.

15 A. Yeah. I think we're going to
16 hire somebody that's got the -- you know,
17 that's been like a regional leader in the
18 health system.

19 Q. Who are the candidates?

20 A. I can't tell you. They may --
21 and, Chris, they may not even know they're
22 candidates. It's people that I'm looking at
23 pursuing to want to go after and be on the
24 team.

25 Q. [REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7 Q. So back to this administrative
8 services charge, which this conversation is
9 all wrapped up in.

10 A. Yeah.

11 Q. In the -- and just to make sure I
12 understand. The 750 is in addition to the
13 800,000? I think you more or less said that.

14 A. The 800 is up front to get from
15 day one to if and when this closes.

16 Q. Okay. So that's a "yes" then;
17 right?

18 A. Yes.

19 Q. And, so, then, in the first full
20 year, if this agreement is signed, Centurion
21 will receive, well, at least, \$1,550,000 in
22 that first year; right?

23 A. Yes.

24 Q. And do you see here, it says,
25 Unless otherwise agreed by Centurion in

1 writing, payment by CharterCARE of the
2 corporate service administration charge,
3 administrative services charge shall not be
4 subordinated to any other payment obligation
5 of the system." Do you see that?

6 A. Yes.

7 Q. So that means Centurion gets paid
8 first, right, in other words?

9 A. I think it's in parity with
10 every other responsibility. If we got to the
11 point where there isn't enough cash to go
12 around, we would -- we would absolutely
13 subordinate our payments.

14 Q. If the amount is not paid when
15 due, this provision here, section 22.3 says,
16 There will be interest on late payments at
17 2 percent plus the 10-year U.S. Treasury Rate.
18 Do you see that?

19 A. Yes.

20 Q. And the U.S. Treasury Rate -- the
21 10-year U.S. Treasury Rate is currently about
22 4 and a half percent, something like that?

23 A. Correct.

24 Q. So interest on late payments of
25 the administrative services charges is

1 6.5 percent basically; right?

2 A. Yes. Or over the long-time,
3 Chris, the Treasury was at 1, so -- or 3
4 percent. But, yeah, today, you're right.

5 Q. So in return for this
6 administrative services charge, Centurion is
7 going provide the administrative services;
8 right?

9 A. Correct.

10 Q. So let's look at those. It says
11 here, "The administrative services may include
12 the following." I had a question about the
13 word "may." Is the idea there that it may
14 include these services, but it doesn't
15 necessarily have to? Or what's the intention
16 there?

17 A. Well, you know, when we drafted
18 this, Chris, that was our standard form. I
19 mean, I would think the "may" right now is
20 going the opposite way than you're worried
21 about. We're doing so much more for this
22 transaction that we ever, you know, planned
23 to, and several different reasons for that.
24 But all good reasons.

25 So I think it's designed so that

1 we can step up or step down our services as
2 the -- you know, as the needs arise.

3 Q. I see. But the amount is always
4 the same?

5 A. I mean, the amount is fixed. If
6 we need to come back and, you know, lower the
7 amount, Chris, because the hospital can't
8 afford it or, you know, they don't want us to
9 be the owner of the hospital anymore, I mean,
10 that's always been on the table, right. █

█
█
█
█
█

█ I mean, we're -- I'm going to keep
16 saying this, Chris. We're doing this to try
17 to save these hospitals from closing and not
18 doing this to make a buck. And if we're the
19 ones that have the vision to turn it around
20 in any other context, they're going to make
21 the dollar. We're not trying to actually
22 make the dollar. You know, if another big
23 huge -- you know, one of the New England
24 systems came in and stabilized this health
25 system, and they wanted to sell it, I mean,

1 they're entitled to make the money. Now,
2 they're going to have to come to you because
3 you hold the CON to figure all that out. But
4 this document basically ensures that that
5 won't happen.

6 On the flip of it is, if this
7 thing goes great, we're -- we have no upside.
8 We've got a flat payment. And if there's no
9 money to pay it, then, you know, we'll figure
10 that out too. But if this thing goes great
11 and gets merged into another health system
12 and the assets are worth a lot more money at
13 that point in time, all of that goes to the
14 benefit of Rhode Island. None of it goes to
15 the Centurion Foundation.

16 Q. But these changes or caveats or
17 amendments to the agreement, they're not
18 currently reflected in the Corporate Service
19 Agreement; right?

20 A. What? Yeah. No. I mean, it's
21 a living -- this is a living document. This
22 is how we want it to go, but it may not go
23 that way. If it doesn't go that way, we'll
24 have to amend this agreement.

25 Q. And these administrative services

1 that are listed here, A through K, was it your
2 testimony earlier that you're going to hire an
3 asset manager for 250,000 to the perform them
4 for Centurion?

5 A. To perform elements of them.

6 Q. Okay. Which elements -- can you
7 just walk me through which elements? Let's
8 start with B.

9 A. B. Perform -- they will assist
10 performing Element b. They will assist
11 with C. They will assist with D. They will
12 assist with E. They probably won't do
13 anything with G.

14 Q. What about F?

15 A. Review any management -- they
16 would be involved with F.

17 Q. H?

18 A. They would not be involved
19 with H. Probably -- "I" is probably
20 worded -- I'd say they'd be involved with
21 part of "I," not all of "I." They definitely
22 would be involved with J and K.

23 Q. Let me just ask you, Centurion
24 would oversee the contemplated asset manager;
25 right?

1 A. Yes.

2 Q. And this one -- let's take E, for
3 instance, "Review all operating and capital
4 budgets proposed by the system."

5 A. No.

6 Q. Does this imply a right -- like an
7 approval right on Centurion's part with
8 respect to the adoption of proposed operating
9 and capital budgets?

10 A. No. It implies that we really
11 care that all of that is done correctly, and
12 we're going to have somebody ensuring that
13 it's done correctly. I mean, we want the
14 money to be fiscally managed. You know, we
15 really care that things get better. And we
16 know that that's going to happen over time
17 with good management.

18 Q. And if we go to the limitation of
19 liability provision in this Corporate Services
20 Agreement, there's a provision here that says,
21 "Centurion shall have no liability to
22 CharterCARE, nor any other member of the
23 system, except for its willful breach of
24 contract or actions not taken in good faith."
25 Do you see that?

1 A. Yes.

2 Q. And then -- so Centurion can't
3 be -- is not going to be liable for breaches
4 of contract essentially, it has to be willful
5 bad faith acts; right?

6 A. Yes.

7 Q. And even for those willful bad
8 faith acts, this agreement limits liability
9 further and says, "It shall be limited to the
10 amount of compensation paid to Centurion
11 hereunder within one year preceding the
12 alleged loss in excess of the costs actually
13 incurred by Centurion in fulfilling its duties
14 hereunder during such period." Do you see
15 that?

16 A. Yes.

17 Q. You said this is in Centurion's
18 form agreements that they have been using for
19 20 years; is that right?

20 A. Yes.

21 Q. Did you testify that you had
22 lawyers look at this?

23 A. Lawyers prepared this.

24 Q. And do you know if this provision
25 here, especially the limitation of liability

1 on intentional bad acts is enforceable?

2 A. I'm not a lawyer. I don't know
3 that.

4 Q. Why --

5 A. I mean, I would assume, Chris,
6 that we've had solid counsel, and this is
7 solid law here. But I'm not a lawyer. I
8 don't know that.

9 Q. [REDACTED]

5 Q. But was B here, this limitation on
6 liability provision, you're saying it was not
7 negotiated with anybody; right?

8 A. No.

[REDACTED]

14 Q. And let's look at the termination
15 provision. It's section -- I'm sorry, article
16 3 here. Do you see that?

17 A. Yeah.

18 Q. Now, as a practical matter, we
19 talked about this earlier, Centurion will
20 control the hospital system; right?

21 A. Yep.

22 Q. So Centurion will be on both sides
23 of this contract that we're looking at here in
24 Exhibit S?

25 A. Yeah.

1 Q. So the system can't terminate
2 without Centurion agreeing to it; right?

3 A. Yeah.

4 Q. And if we look at the termination
5 for convenience provision, if the hospital
6 system terminates, then, it must pay to
7 Centurion all then accrued and outstanding
8 corporate service -- corporate administrative
9 service charges together with an amount equal
10 to the corporate administrative services
11 charges that would have become due and payable
12 during the remainder of the then current term.
13 Do you see that?

14 A. Yes.

15 Q. And the current term once this
16 thing starts is five years; right?

17 A. Yes.

18 Q. So if this Corporate Service
19 Agreement, as written, is signed, Centurion is
20 essentially guaranteed 800,000 plus the
21 750,000 a year for five years, which, if you
22 do the math, that's 4,550,000. Do you agree
23 with that?

24 A. I think, yes, if the hospital is
25 viable and then they want to terminate, i.e.,

1 want to merge with another system, then, yes,
2 we'd have that claim or, you know, amount to
3 go talk about with them underneath this
4 contract.

5 MR. CAHILL: Is now -- it's almost
6 12:30. I have a few more questions, but
7 maybe -- is now a good time for a break for
8 lunch?

9 THE WITNESS: I'm happy to break
10 now, Chris.

11 MR. CAHILL: Sure. Let's take a
12 break for lunch. An hour do you think?

13 THE WITNESS: That's fine.

14 (Whereupon the luncheon recess was
15 taken.)

16 Q. (By Mr. Cahill) So we were talking
17 about the Corporate Services Agreement, and I
18 just had a few more questions.

19 A. Sure.

20 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

20 Q. I am going to mark Exhibit T, T-1,
21 and T-2. Let's see if this works. Do you see
22 Exhibit T on the screen there?
23 (Whereupon, Exhibits T, T-1 and
24 T-2 were marked for
25 identification.)

1 THE WITNESS: Yes, sir.

2 Q. (By Mr. Cahill) And then T-1 is
3 next. Do you see that?

4 A. Yes.

5 Q. And then T-2, a dec. Do you see
6 that?

7 A. Yeah. Yes.

8 Q. Okay. So I want to ask questions
9 about these documents and Centurion's business
10 model essentially. So Centurion is an exempt
11 nonprofit private operating foundation; is
12 that right?

13 A. Yes.

14 Q. It was a charity -- a public
15 charity for many years; correct?

16 A. Yes.

17 Q. But then it turned into a private
18 foundation; right?

19 A. The nature of its activities
20 turned it into a private foundation, yes.

21 Q. And can you just explain that and
22 explain why?

23 A. Under the tax code, if you're
24 providing services like leasing or loaning
25 money to other charities, those are not --

1 they don't qualify into the public support
2 test. And because many of our transactions
3 were leasing or loaning money to other
4 charities, we were no longer in compliance
5 with the public support test, and we've been
6 classified -- in the process of being
7 classified by the IRS as a private
8 foundation. We made an application to be
9 classified as private exempt foundation, and
10 they granted that. Sorry. Private exempt
11 operating foundation. It's a mouthful,
12 Chris.

13 Q. I understand.

14 So the benefit of that change in
15 status from private foundation to that
16 preferred status of private operating
17 foundation?

18 A. Correct.

19 Q. The benefit is you don't have to
20 pay excise taxes on investment earnings;
21 right?

22 A. You nailed it. Yes.

23 Q. And Centurion requested this
24 change in a letter to the IRS dated May 8th,
25 2020, along with an accompanying form 8940; is

1 that right?

2 A. Yes.

[REDACTED]

16 Q. And do you understand that having
17 that May 8th, 2020 letter with accompanying
18 form would help the office, the AG's office
19 better understand your business? Do you
20 understand that?

21 A. Yeah. But I think our business
22 is in the other letters that we've already
23 provided. But yes.

24 Q. Now, one of the questions or areas
25 of questions that we have is regarding the

1 payment of directors on the board of
2 nonprofits, okay?

3 A. Yeah.

4 Q. And the payment of nonprofit
5 directors is possible and lawful to do, right,
6 but it's atypical, do you agree with that?

7 A. I don't have a national view of
8 what's typical or not typical. I know that
9 we're requiring a lot from our board, and
10 other charities like ours that want really
11 high profile people on their board have
12 compensated them. So I don't know whether
13 that's typical or atypical.

14 Q. And can you just tell me more
15 about those experiences or that information
16 that you have?

17 A. [REDACTED]
[REDACTED]

[REDACTED]

8 Q. Centurion paid its directors 6,000
9 per director in 2022; is that right?

10 A. You know, those things are --
11 those timings are all wonky, you know, with
12 the cutoff. I know what we're paying right
13 now. We're paying \$4,000 a quarter, I
14 believe.

15 Q. \$16,000 per year?

16 A. Yeah. I think what you're going
17 at is the 16,000 per year. I think the -- I
18 think we had -- at some point in time, we
19 weren't paying them. And as operations
20 ramped up and the time commitment on them
21 ramped up, we added the compensation factor,
22 and it's \$4,000 a quarter.

23 Q. And Centurion's decision, was that
24 based on, again, the third-party analysis
25 based on comparable fair market compensation

1 for the services?

2 A. Yeah. I think -- Chris,
3 honestly at that level, we didn't like do an
4 F&P study for the \$16,000. But I think we
5 looked at our peers and saw that some of our
6 peers were paying much more than that and
7 felt comfortable.

[REDACTED]

24 Q. You will be on the board of CRE
25 (sic); correct?

1 A. CRI, yes.

2 Q. I'm sorry, CRI. Thank you.

3 And you plan to be paid for your
4 service on the board of CRI; correct?

5 A. No. I mean, I plan to be -- I
6 have a salary and a benefit package through
7 Centurion Foundation. Greg and I both do.
8 And we don't plan to receive additional
9 compensation to serve on the board of CRI.
10 So we have other supporting org charities
11 today. We have two in Massachusetts and one
12 in Connecticut. And, you know, we don't
13 receive any additional compensation for that.

14 Q. The same question for Roger
15 Williams and Fatima. I assume you and
16 Mr. Grove will sit on the boards. Will you be
17 compensated?

18 A. I don't plan on being on the
19 board of the two local hospitals. I plan
20 on -- I plan on that being all local, is the
21 current plan. I plan -- even if I am on it,
22 Chris, the plan is no compensation for that.
23 I'm on it today, Chris, just out of de facto
24 because, you know, we're just getting it
25 started. But, you know, if we are approved

1 and we close, then I would roll off of those
2 two boards and put some other local people on
3 those boards.

4 Q. And I understand the idea of
5 paying directors for their service on the
6 board is for their role as being ambassadors
7 for the new CharterCARE system, attending
8 board meetings, reviewing board materials,
9 providing strategic advice to leadership, and
10 it's because of the high expectations placed
11 on directors, and the unique risk required and
12 the potential risk of liability, all of that,
13 according to Centurion, is what goes into the
14 idea of compensating board members; is that
15 right?

16 A. I mean, that's our view, right.
17 I'm not saying that's the right view, but
18 that's our view.

19 Q. And can you just explain each one
20 of these just briefly, I suppose. But how --
21 I mean, let's start with what unique expertise
22 will be brought to bear here?

23 A. Yeah. So, I mean, we've got,
24 you know, on the board today is Ed Santos,
25 who's, you know, a retired Rhode Island

1 professional with a lot of corporate
2 governance experience. He had experience on
3 the original hospitals prior to Prospect's
4 involvement. And I think he brings a lot of
5 creditability and a lot of experience
6 governing an organization.

7 We've got Maria Leonard, who is
8 sort of in the same quadrant. We are wanting
9 to get a lawyer to be on the board.

10 And then we've got Sue Painter,
11 who's on the Centurion board, but we've asked
12 Sue to be on the CRI board just because of
13 her breadth of healthcare knowledge and
14 experience.

15 And then, you know, Jeff is
16 ex officio, and then Greg and I. So we have
17 one more board member to add, which we wanted
18 to get a lawyer, was who we were targeting.

19 Q. If we look at Exhibit T, Mingle T,
20 I will just represent to you what we did was
21 we took the 990 forms that were submitted with
22 the application, and we just took out part 7
23 for 2019 and 2020 --

24 A. Yeah.

25 Q. -- 2021, and 2022. Do you see

1 that?

2 A. Yes, sir.

3 Q. Okay. And if we just go to 2019,
4 at least at that time, the form called out
5 compensation from related organizations and
6 other organizations.

7 A. [REDACTED]

[REDACTED]

16 Q. And then for the later years,
17 2020, 2021, and 2022, the form doesn't call
18 out compensation from related organizations?

19 A. Yeah, the they changed the form.
20 Well, the other thing, too, we changed our
21 status somewhere in there, Chris. I think
22 there was a form -- I mean, I'm a recovery
23 accountant, Chris. I think they changed the
24 form, but we changed our status, which
25 definitely changed some of these forms.

1 Q. Okay. And if we go to Exhibit
2 T-1, there's a supplemental question basically
3 asking your total compensation --

4 A. Yeah.

5 Q. -- for 2023.

6 A. Yeah.

7 Q. [REDACTED]

24 Q. [REDACTED]

[REDACTED]

[REDACTED]

6 Q. And if we go to Exhibit T-2, this
7 is the Centurion dec with sort of the
8 organizational chart?

9 A. Yeah.

10 Q. And you serve here on the board of
11 Centurion?

12 A. Yes.

13 Q. And then under Centurion, there
14 are these three entities -- there are two
15 entities and then this real estate special
16 purpose entities, which there are a host of
17 them; right?

18 A. Yes, sir.

19 Q. And you serve on the board of
20 Centurion Holdings I, Inc; right?

21 A. Yes.

22 Q. As well as Centurion Foundation of
23 Massachusetts, Inc.; right?

24 A. Yes.

25 Q. And then do you serve on the board

1 of all of these additional --

2 A. I do. I mean, think they're --
3 I'm really just an officer. I think they're
4 all just single members with no boards, and
5 I'm like probably the president or something
6 on all of those entities.

7 Q. And do you receive compensation
8 for your work as a --

9 A. No. I mean, we're -- I mean,
10 that's sort of why that administrative -- you
11 know, you saw it, the Administrative Service
12 Agreement. I mean, we basically have an
13 agreement like that for every transaction,
14 right, and there isn't any compensation
15 flowing to any of the employees outside of
16 the parent company.

17 (Whereupon, Exhibit U was marked
18 for identification.)

19 Q. (By Mr. Cahill) So now I'm going
20 to share with you Mingle Exhibit U. It's the
21 HCA application.

22 A. Okay.

23 Q. Are you familiar with this
24 application?

25 A. Yes, sir.

1 Q. Did you assist --

2 A. There's a lot of information in
3 there, but yes. Let me grab that coffee cup,
4 Chris. Hold on. It's 186 page, Chris. All
5 right.

6 MR. CAHILL: Is my picture frozen?

7 THE WITNESS: Yeah, you're frozen.
8 You're frozen again.

9 Q. (By Mr. Cahill) So I'm just going
10 to keep going if you don't mind.

11 A. That's totally fine. If you can
12 operate it on your end, then that's fine with
13 me.

14 Q. Okay. And hopefully it will
15 unfreeze because it's sort of an unflattering
16 look there.

17 So Mingle U, the Hospital
18 Conversion Act, are you familiar with this
19 document?

20 A. Yes, sir.

21 Q. Okay. And did you assist in
22 preparing the application?

23 A. Yes, sir.

24 Q. Can you just tell me generally
25 what you did in connection with preparing this

1 application and submitting the information?

2 A. [REDACTED]

19 (Whereupon, Exhibit U-1 was marked
20 for identification.)

21 Q. (By Mr. Cahill) I'll mark Exhibit
22 U-1, which is your attestation. Do you see it
23 in front of you?

24 A. Yes.

25 Q. You certified under the penalty of

1 perjury that the information in the
2 application is complete, accurate, and true;
3 is that right?

4 A. Yes.

5 Q. And you stand by that?

6 A. Yes.

7 MR. CAHILL: Okay. I'm going to
8 try to stop sharing. I think we may need to
9 take a break because I'm about to lose Zoom.
10 Let's go off the record.

11 (A short break was taken.)

12 Q. (By Mr. Cahill) So you filed a
13 Hospital Conversion Act application; right?

14 A. Yes.

15 Q. And let me just ask you, you're
16 the finance guy, that's the expertise you
17 bring to bear to this transaction; right?

18 A. Yes.

19 Q. As well as the tax exempt status
20 guy; right?

21 A. Yes.

22 Q. Can you just walk me through so
23 that we can understand your confidence that
24 the plan that you put together to convert the
25 hospital system to nonprofit and obtain bond

1 financing, walk me through it. Explain your
2 confidence in that plan.

3 A. Yeah. I think we, you know,
4 have been working on this transaction for
5 over two years. We've been working with
6 Jeff's team to really get at the root cause
7 of many of the business problems there. You
8 know, we have identified a number of the root
9 causes and the solutions to those problems.
10 And, you know, we have taken that
11 information, and we've prepared -- you know,
12 summarized that. And we've worked with
13 Barclays through that plan.

14 And I think we're highly
15 confident that, A, we can get the money to
16 close the transaction, and; B, I think we're
17 highly confident that we can implement the
18 transition plan to turn the hospitals around.

19 You know, we drafted an
20 extensive transition plan and provided you a
21 copy of that of how we're going to get from
22 point A to point B and all of the steps that
23 it's going to take and the effort that it's
24 going to take between here and there. So I'm
25 highly confident, Chris. Are there things we

1 don't come know? Are there things that are
2 still going to come up even after all of this
3 planning and human effort? I think the
4 answer to that is yes. I'm sure there are
5 things. But I'm highly confident in the team
6 that we've assembled and our ability to
7 execute on the plan.

8 Q. And walk me through the timing of
9 closing on the APA, closing on the bond
10 financing.

11 A. So I think, you know, everything
12 hinges off an approval. Right. We can't go
13 to Ryback without an approval. So Ryback's
14 process coupled with assignment of all of the
15 contracts that we're going to assume, you
16 know, I think the short answer is that's a,
17 you know, 90 to 120-day process from the time
18 of approval to closing.

[REDACTED]

3 Q. I just wanted to understand.
4 90 to 120 days from approval, you
5 meant approval of the Hospital Conversion Act?

6 A. Yes, sir. Because we can't even
7 fly to Ryback until we have that. So that's
8 sort of one of our gating items on the
9 calendar.

10 Q. Okay. I'm going to share with
11 you -- I'll mark it Exhibit V-1. These are
12 the transacting parties' responses to the
13 first set of supplemental questions from Rhode
14 Island Attorney General's Office. Do you
15 remember this?

16 (Whereupon, Exhibit V-1 was marked
17 for identification.)

18 THE WITNESS: There were -- you
19 know, you'll have to give me a little
20 patience, Chris. There were a lot of
21 questions. So I remember, you know, each
22 round, yes.

23 Q. (By Mr. Cahill) And the very first
24 question was, "Please provide an assessment of
25 the business case, financial feasibility, and

1 overall rationale for the proposed
2 transaction." Do you remember that one?

3 A. Yes.

4 Q. The answer was, "Centurion's
5 leadership team spent over six months studying
6 feasibility of the proposed transaction prior
7 to presenting the proposed transaction to its
8 board for approval. The proposed transaction
9 aligns with Centurion's mission of ensuring
10 quality care and helping bring down the cost
11 of healthcare in communities." Do you see
12 that?

13 A. Yes.

14 Q. And respectfully, would you agree
15 with me that's not exactly an answer to the
16 question?

17 A. Okay.

18 Q. Do you agree or --

19 A. Yeah. It's -- you know, Chris,
20 the thing here is there's hundreds of
21 question, and we probably have what you're
22 looking for in another question. But, yeah,
23 that's not the sharpest, tightest answer to
24 that question.

25 Q. And we if go to -- we asked the

1 same question to Prospect, and if we go down
2 to it. I went too far. You see here -- I
3 didn't go too far. There we go. Do you see
4 here, "Please provide Prospect's assessment of
5 the business case, financial feasibility, and
6 overall rationale for the proposed
7 transaction." Do you see that?

8 A. Yes.

9 Q. And the answer here is, "The
10 financial status quo of the existing hospitals
11 is not sustainable. As a nonprofit health
12 system, the new CharterCARE system will
13 immediately achieve cost savings, thereby
14 stabilizing the system. Centurion's
15 experience through financing and development
16 positions it to successfully create a
17 self-sustaining health system. Based on the
18 EBITDA Bridge and pro formas reviewed by A&M,
19 the new CharterCARE system can achieve both
20 savings and enhancements to operate as a
21 fiscally-stable health system and receive the
22 necessary bond financing for the proposed
23 transaction." Did I read that right?

24 A. Yes.

25 Q. And does this response here

1 basically align with what's Centurion believe
2 is the idea of the transaction, what's trying
3 to be accomplished here?

4 A. Yeah. I think we'd add to that,
5 though. I mean, I think there are
6 operational changes that they can't make,
7 that they don't want to make as a national
8 system that we're going to make. Yeah,
9 that's a crisper answer to the similar
10 question.

11 Q. And so to pull this off, what you
12 need -- tell me if this is right -- is to be
13 approved as a nonprofit by the IRS, and then
14 to convince investors in the public market to
15 buy the bonds; right?

16 A. It's really just the second one.

[REDACTED]

20 Q. Can you just explain that to me?

[REDACTED]

[REDACTED]

11 Q. So for your plan to work, though,
12 then basically you're saying the key thing is
13 convinces investors to invest in the new
14 hospital system?

15 A. I think the key thing to get to
16 closing is that. The key thing to be
17 successful long-term is to effectively
18 implement the strategic -- the transition
19 plan.

20 Q. And you don't plan to implement,
21 you know, the improvement initiatives, we'll
22 call them, until after closing; right?

23 A. You know, Jeff has our plan,
24 right. He helped author some of this. I
25 think some of these initiatives -- and I

1 think you'd probably better ask him those.
2 Some of the initiatives that are -- are
3 achievable today. [REDACTED]

[REDACTED]

9 Q. And the idea is to have the bond
10 financing available at closing; is that right?

11 A. Yeah. We'll close without the
12 financing.

[REDACTED]

23 Q. You understand you're going to be
24 asking investors then at that point to invest
25 in a new system based on, you know,

1 improvement -- a plan for improvement that
2 hasn't yet begun; right?

3 A. I think it's done all the time
4 in this space. It may not be the traditional
5 way to do it, but it's done all the time. So

[REDACTED]

24 Q. I just want to understand. You
25 were saying before -- if you could just bear

1 with me and explain it one more time. How are
2 you going to accomplish this plan without the
3 new charterCARE system being tax exempt?

[REDACTED]

[REDACTED]

21 Q. And the reason that would be a
22 gating issue is if the IRS can't determines
23 your application for tax exempt status in a
24 timely fashion, is that the idea?

25 A. Yes. Yes.

1 Q. Okay. I'm going to mark
2 Mingle V-2 and Mingle V-3. These are just
3 more supplemental questions, a second set and
4 then a third set. Let me just share it with
5 you. And do you see Mingle V-3 on the screen
6 in front of you?

7 A. Yes.
8 (Whereupon, Exhibits V-2 and V-3
9 were marked for identification.)

10 Q. (By Mr. Cahill) So the question
11 is, "When do you anticipate the CharterCARE
12 entities will receive approval of their
13 respective tax exempt statuses from the IRS?"
14 Do you see that?

15 A. Yes.

16 Q. And you say that, "You anticipate
17 the new CharterCARE system entities will
18 receive approval within six months from the
19 date of filing, which was December 20th,
20 2023."

21 A. Yes.

22 Q. Okay. And I just want to
23 understand. Are you standing by that answer,
24 or are you amending that answer here?

25 A. I'm not amending that answer.

1 Q. Okay. So six months from December
2 will be in June of this year; right?

3 A. Correct.

4 Q. So next month?

5 A. Yes.

6 Q. And Centurion is the one
7 responsible for handling this tax exempt
8 filing and --

9 A. Yes.

10 Q. Okay. If I can just go back to
11 Mingle R. I just want to examine the basis
12 for thinking that it will be decided next
13 month, okay. If we go to Mingle R. I'll see
14 if I can share that with you. This is the
15 application, Mingle R, that has to be
16 decided -- that you anticipate will be decided
17 by the IRS next month; right?

18 A. Yes.

19 Q. And you filed similar applications
20 for the new hospital entities as well; right?

21 A. Yes.

22 Q. Roger Williams and Fatima.
23 Okay. And you can't obtain bond
24 financing -- well, you can't obtain tax exempt
25 bond financing unless and until you are tax

1 exempt unless you do your alternative plan;
2 right?

3 A. Correct.

4 Q. And, in fact, you actually can't
5 achieve any cost savings associated with being
6 tax exempt until you actually receive the tax
7 exempt status from the IRS; right?

8 A. Correct.

9 Q. And if we just go to page 17 of
10 this PDF here. Okay. So you filed the form
11 on December of 2023, right, that's what you
12 said before?

13 A. I think that's correct.

14 Q. Okay. And on the next page here,
15 you had the option to select expedited
16 handling, but you did not. Do you see that?

17 A. Yes.

18 Q. Why didn't Centurion select
19 expedited handling?

20 A. Recently, as of last fall, we
21 had had these processed in under four months.
22 We had another matter on another engagement,
23 and we got it processed in under four months.

24

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

Q. Are you aware or do you know that

10

the IRS publishes when applications like

11

Exhibit R will be assigned to a specialist for

12

review, that that information is public?

13

A. Yes.

14

Q. And do you know the -- do you know

15

where it's at presently?

16

A. I have not checked.

17

Q. Does it sound right that the IRS

18

is reviewing applications submitted on or

19

before August 8, 2023 presently? Does that

20

sound right?

21

A. Yes.

22

Q. So that would mean that's a

23

four-month backlog before we get to

24

Centurion's December 2023 application; right?

25

A. Yes.

1 Q. Right? I think you said yes. I
2 can't hear it.

3 A. Yes.

4 Q. Okay. Do you have any sense how
5 quickly, once an application is assigned, that
6 the IRS decides it?

7 A. No, I do not.

8 Q. All right. Let's talk about the
9 bond financing.

10 A. Okay.

11 Q. Let's assume the IRS grants the
12 new hospital system tax exempt status in June
13 like the parties anticipate. Okay.

14 A. Yeah.

15 Q. Then you can do the bond financing
16 that you're currently contemplating; correct?

17 A. Yes.

18 Q. And you may have answered this
19 maybe indirectly. But how soon after the new
20 hospital system is tax exempt do you think the
21 bond financing can be completed, like how many
22 days?

23 A. One. Five. Less than two
24 weeks. So, you know, working through our
25 calendar, if we had a June approval, you

1 know, I think we're talking about September
2 or October to close. And I don't -- I
3 personally don't have any concerns that we're
4 going to have our c3 letter in hand before
5 that date.

6 Q. The bond financing depends on
7 whether -- so I want to tackle this question
8 straight on.

9 The bond financing depends on
10 whether the lenders believe, based on the
11 proposal presented to them, that the new
12 hospital system can execute on all the
13 identified operational improvements and have a
14 positive cash flow; right?

15 A. Yes. Within the -- you know,
16 within the window, right. It's not going to
17 have to happen day one. It's within the
18 period of stabilization, I would call it
19 that.

20 Q. So let's talk about the
21 initiatives.

22 A. Let me grab my notes. Hold on.
23 I left them on the lunch table.

24 Q. Please, go ahead.

25 A. Or I put another piece of paper

1 on top of them. Got it. It was on my desk
2 right in front of me.

3 Q. So I am going to -- well, first of
4 all, what document do you have in front of you
5 on your desk there?

6 A. (Indicating.)

7 Q. Okay. I think recognize that one.
8 So we're going to go in order. I'm going to
9 start with some of the older ones and move up
10 to that one, okay?

11 A. That's fine.

12 Q. So I will mark Mingle W, and I
13 will share my screen with you.

14 (Whereupon, Exhibit W was marked
15 for identification.)

16 THE WITNESS: Yeah.

17 Q. (By Mr. Cahill) And I don't know
18 if you see it. Do you see an Excel in front
19 of you?

20 A. I do.

21 Q. Okay. Exhibit W is one of the
22 EBITDA Bridges that was provided to us. Do
23 you understand that?

24 A. Yes.

25 Q. Does it look familiar to you?

1 A. It looks like the -- probably
2 the original one.

3 Q. And who prepared this document,
4 Exhibit W?

5 A. The same -- I think the same
6 answer as earlier. I mean, Steve Lovoy would
7 have been the quarterback. He would have
8 gotten input from Dan Ison, Jeff Liebman,
9 Butch Eavenson at QHR probably on the
10 original one. You know, my memory is a
11 little foggy. So Steve would have been the
12 quarterback.

13 Q. And the top lines here, baseline?

14 A. Those come from Dan.

15 [REDACTED]

1

[REDACTED]

2

[REDACTED]

3

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

Q. So if we just -- let's, you know

8

what, before we continue on, just look at the

9

actual results quickly. I'm going to mark

10

this next Excel Mingle X. So you see here

11

it's the statement of operations for the year

12

to date September 30, 2023?

13

A. Yes.

14

(Whereupon, Exhibit X was marked

15

for identification.)

16

Q. (By Mr. Cahill) And CharterCARE's

17

fiscal year ends on September 30, 2023; right?

18

A. Yes.

19

[REDACTED]

[REDACTED]

[REDACTED]

22

Q. [REDACTED]

[REDACTED]

[REDACTED]

25

A. [REDACTED]

1

[REDACTED]

2

Q.

[REDACTED]

3

A.

[REDACTED]

17

Q.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23

A.

I'm getting confused with the

24

monikers. Let's just try to get it down to

25

this sheet versus that sheet.

1 Q. Sure.

2

[REDACTED]

20 Q. So do you think -- sorry.

21 A. No, keep going. This is good.

22 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

2

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

Q. Okay. Actually, let's go back to

8

Mingle W.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13

A. I'm still looking at the old

14

income statement.

15

Q. Let me see if I can fix that. Do

16

you see Mingle Exhibit W in front of you?

17

A. Yes, sir.

18

Q.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

22

A.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

2

[REDACTED]

[REDACTED]

4

[REDACTED]

[REDACTED]

[REDACTED]

7

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11

Q. Well, you do agree that inflation

12

has been a bit higher than 2 percent lately;

13

right?

14

A. Certainly.

15

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15

[REDACTED]

1 Q. So we're looking at Mingle W,
2 which was the -- one of the --

3 A. Yeah. I think some of these I
4 feel really good about. Some of these are
5 almost guaranteed. Some of them, you know,
6 for different reasons, are not going to
7 happen.

8 Q. So let's just look -- we can't --
9 probably don't have time to go through all of
10 them. But let's look at just like the first
11 three.

12 A. Yeah.

13 Q. So DSH payments, 340(b) from the
14 not for profit conversion, property tax for
15 the not for profit conversion.

16 A. Yeah.

19 A. Yeah.

20 Q. That didn't happen, right, we know
21 that?

22 A. That's not entirely true.

23 Q. So explain --

24

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23

Q. All right. If we go to the next

24

one, the 340B, these are savings on the cost

25

of pharmaceuticals for being a nonprofit; is

1 that right?

2 A. Yes.

3 Q. And who made this projection?

4 A. We -- it was like a team
5 approach. But we got all the pharmacy --
6 specifically the cancer purchases and
7 estimated what the benefit was going to be
8 off 340B.

9 Q. But who was involved?

10 A. Probably the very original one,
11 Chris, I would say it's Dan Ison and Butch
12 Eavenson at QHR in the initial calculations.
13 Today, it's Dan and Dan.

14 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

13 Q. Well, I'm trying to understand the
14 number of months. You said a few months.
15 Could you give me a number?

16 A. I'm not exactly certain how long
17 it's going to take to ramp the 340B. I know
18 that it's not flipping the switch.

19 Q. You understand that, to register,
20 it will require filing your first cost report
21 as a nonprofit and then submission during one
22 of the quarterly registration periods, you
23 understand that's how it works?

24 A. Yes.

25 Q. So you may not be able to apply

1 for --

2 A. Depending on the timing of the
3 transaction, it will matter when that first
4 cost report goes in to when we can apply.

5 Q. But it could be up to 18 months,
6 for instance; right?

7 A. It might be, yes.

8 Q. And does Mr. Liebman or anyone
9 else on that team that you described, do they
10 have experience implementing and maintaining a
11 340B compliance program, do you know?

12

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9 Q. Do you understand or do you know
10 that, you know -- well, do you know whether
11 the real estate tax exemption relates back to
12 the date of closing?

13 A. I mean, in the worse case
14 scenario, it's going to be when the -- A, we
15 have to have the entities owned in a Rhode
16 Island corporation. That's No. 1. No. 2,
17 worse case scenario, it's when the tax table
18 starts again. And then obviously we'd
19 probably end up -- we've told the community
20 that we would, you know, go meet with each
21 community leader and work out a pilot
22 agreement.

23 Q. So you have to do that, right, in
24 order for the savings to start; is that fair?

25 A. Of course. I mean, you've got

1 to -- yes. Yes.

2 Q. Okay. And you're assuming -- I
3 just want to be clear.

4 You're assuming that the new
5 hospital system will be tax exempt upon
6 closing; right?

7 A. Yes.

8 Q. Okay. And then, I mean, even if
9 that were to occur, I mean, you'd to go to
10 each municipality, right, and determine when
11 the savings can begin; right?

12 A. Based on the law, Chris. I
13 mean, it's just right in the code black and
14 code, right. It's now based on what's the
15 right answer for the community, whether we're
16 going to get a full exemption in the first
17 year or whether we need to put a pilot plan
18 in to give them ability to stabilize their
19 cash flows.

20 Q. I mean, isn't the property tax
21 exemption not effective until the next
22 assessment year and doesn't relate back to the
23 date of purchase; isn't that true?

24 A. I haven't looked at the time
25 timing on that one. I just looked at what

1 the law says about property taxes as it
2 relates to owning and operating a hospital.
3 You know, some of the states we work in, it's
4 as you suggested. Some of them, it's as of
5 the date of acquisition. So I don't know the
6 answer to that one.

7 Q. Okay. If we go back, we were
8 looking at one point at Exhibit M-1, which was
9 sort of the next iteration of the EBITDA
10 Bridge. I want to pull that document up and
11 take a look at it again.

12 A. Sure.

13 Q. Do you have it in front of you?
14 Hopefully, you do.

15 A. Yes.

16 Q. So Exhibit M -- so Exhibit W was
17 the first iteration of the EBITDA Bridge; is
18 that right?

19 A. Yes. Well, Chris, we've got 40
20 versions of it. The versions that you have,
21 I think that was version 1. This is probably
22 version 2.

23 Q. Okay. And, I mean, this is sort
24 of a similar question here, but you see you
25 have actuals for 2022. That's your baseline;

1 right?

2 A. Yes.

3

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 Q. Right. And why weren't they
19 attempted?

20 A. We don't own the hospital.

21 Q. And did it concern you at all that
22 the hospital is -- I mean, do you agree the
23 hospital is deteriorating then, the hospital
24 system?

25 A. I think the hospital is worse

1 today than when we started working on this
2 project.

3 Q. And does that concern at all that
4 that's what's happening?

5 A. Yes.

6 Q. Did you do anything about that?

7 A. I didn't own the hospital. So
8 there wasn't a lot that I could do except
9 keep analyzing it to see if I could turn it
10 around.

11

15

20 Q. And Mr. Liebman is the one that's
21 going to execute these management initiatives;
22 is that right?

23 A. I mean, each one of those line
24 items has a work stream and a leader.

25 Q. I mean, is Mr. Liebman --

1 A. But Mr. Liebman is going to be
2 responsible for each one of those leaders in
3 each one of those work streams.

4 Q. And just can you explain why
5 you're confident that this will work?

6 A. I think each one of these steps
7 has a clear and objective identifiable set of
8 facts and circumstances that we can actually
9 go implement. I mean, I think it's a lot of
10 work. But I think that we have the right
11 people there to do the work. And we have,
12 you know, people that are committed well
13 beyond just people in our office to dive in
14 and to do this work.

15 Q. I'm going to mark Exhibit Y, and I
16 will share it with you. Do you see Exhibit Y
17 in front of you?

18 A. Yes.

19 Q. Is this is the document you have
20 with you that you were holding up a moment
21 ago?

22 (Whereupon, Exhibit Y was marked
23 for identification.)

24 THE WITNESS: Yes.

25 Q. (By Mr. Cahill) Who created this

1 document?

2 A. This was Steve and Dan Ison. So
3 we -- you know, after we were watching a lot
4 of the questions, we determined we needed a
5 work paper for every single number on here.
6 And I think there's maybe one or two numbers
7 that don't have a work paper. But many of
8 them -- most or slash all of them have a work
9 paper now.

10 Q. And is it the same as you've
11 described before, so basically it's
12 Mr. Liebman working -- you know, coming up
13 with the ideas -- I guess some of the QHR
14 ideas. He works with Dan Ison. Dan Ison
15 works with Steve Lovoy. And then what we see
16 here, Exhibit Y; right?

17 A. Yeah. Especially the orange
18 ones. So -- you know, I mentioned this
19 earlier. Up until -- and I'm going to get
20 the date wrong. Up until a certain point in
21 time, Jeff wasn't able to make changes to
22 some of these service lines and some of these
23 positions. And so all of this is much more
24 granular than it was before now that Jeff has
25 control of that. I think it was probably

1 January of -- January, February, or March of
2 '23 when he was able to actually able to gain
3 control of some of these areas.

4 [REDACTED]

[REDACTED]

[REDACTED]

7 [REDACTED]

16 Q. What's your source for this
17 information that you're providing?

18 A. Jeff.

19 Q. If we just look at the three-year
20 projection tab.

21 A. Yeah.

22 Q. Maybe I'll make it a little
23 bigger. I'm sorry. Is that better?

24 A. Yes.

25 Q. So what you do here for your

1 baseline is you look at the first four months
2 of fiscal year 2024; is that right?

3 A. Yes.

4 [REDACTED]

14 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 Q. And this improvement will be
19 achieved by the initiatives in the initiative
20 summary tab; is that right?

21 A. Yes. And I think it's -- I
22 think specifically it's the red ones.

23 Q. And who's responsible for the red
24 ones, executing on the red ones?

25 A. I think it's Centurion and

1 Mr. Liebman and the team. I mean, those are
2 much more, either known things that are
3 actually happening or have happened that
4 haven't shown up in the numbers, or we just
5 need to go through a process, like filling
6 out the paperwork on a 340B program, like
7 filing for our property tax exemption, like
8 registering to get sales tax exemption. You
9 know, all of those things are really just
10 processing-oriented versus the things in
11 orange are truly like we need to go and like
12 bring on a new doctor and build out the
13 service line. And we've either recruited
14 them, and they haven't started yet, or they
15 just started, you know. So they're much more
16 administrative in nature than the orange
17 ones.

18 Q. The red are more administrative in
19 nature than the orange ones?

20 A. I believe so.

21 Q. And the detail, where would we
22 look for the detail on each one of these line
23 items, in these little red and orange tabs
24 here?

25 A. Yes.

1 Q. Okay. And who prepared these red
2 and orange tabs?

3 A. Click through a couple of them,
4 Chris. Yeah. So we -- I would say -- I
5 would say Dan is the main preparer of the
6 work papers.

7 Q. And Dan is receiving his -- Dan
8 Ison; right?

9 A. Yeah.

10 Q. Dan is receiving --

11 A. Well, the original -- well, like
12 this one, for instance, right, this has got
13 the 340B on there. And so that was, you
14 know, some old data when they did the 340B
15 analysis back in 2021. But I don't think
16 anything has changed had substantially at the
17 health system. So, you know, that's why we
18 sort of just rolled forward that initiative.

19 Q. Okay. And you understand --

20 A. The consolidated -- the
21 consolidated work paper, you know, that was
22 all done by Dan, yes.

23 Q. You understand generally to have a
24 chance with financing, it turns on the
25 believability of these EBITDA Bridges we've

1 been looking at and the ability to
2 implement -- effectively implement the
3 turnaround plan; right?

4 A. Yes.

5 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 [REDACTED]

23 Q. I'm going to mark Exhibit Z and
24 share it with you. It's the Barclays Project
25 Ocean Financing Analysis dated February 2024.

1 and Ms. Painter.

2 Q. And the existing management
3 referenced here is Mr. Liebman and his team;
4 right?

5 A. Yeah, the management team that's
6 there has committed to stay.

7 [REDACTED]

20 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

12

[REDACTED]

25

Q. Can you explain -- I'm sorry. I

1 might have missed it. [REDACTED]

[REDACTED]

[REDACTED]

4

[REDACTED]

21

[REDACTED]

[REDACTED]

[REDACTED]

24

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

4

Q. And what exactly -- so, first of

5

all, I want to understand when. I think you

6

said January or February of 2024 or when was

7

it?

8

A. '23.

9

Q. '23. Okay.

10

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14

[REDACTED]

[REDACTED]

[REDACTED]

17

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8

Q. And you --

9

A. The last -- go ahead.

10

Q. No. No. You, please.

11

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19

[REDACTED]

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[REDACTED]

Q. And then from January 2023 onward, you've been following the financial status at the hospital, right, you've been receiving reports?

A. Yeah. Yeah. There's all this other noise going on, you know, like in the underneath, right. All of these things in orange are happening, but up above, right, you've got a cyber attack and, you know, things like that.

So it's hard -- you've got to really pull the layers apart to see this stuff in the bottom changing or beginning to change.

Q. Well, have you --

A. First, Chris, even just identifying, like, no one had been able to identify that, hey, we have these -- I keep going to the doctor thing. Hey, we have this doctor here that we're paying to support his practice and his office expense and all of those matters, and he doesn't even refer cases to our hospital.

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5

[REDACTED]

6

Q. If we just go back to the plan of financing the Barclays dec, Exhibit z.

7

8

A. Yes.

9

Q. The -- just at a high level, walk me through scenario one.

10

11

A. Yeah. Just a second.

12

Q. By the way, before you do it, let me just understand. Are these scenarios in the dec is current plan; is that right?

13

14

15

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

4

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13

[REDACTED]

1

[REDACTED]

13

Q. Okay. And reason it's called

14

capitalized interest, is that because the

15

proceeds are supposed to pay for capitalized

16

assets, like assets that generate --

17

A. In the world of, like, municipal

18

finance, people capitalize interest into the

19

total financing so -- to provide for an

20

interest reserve. So it's not a capital

21

asset, per se, it's a capital interest

22

reserve.

23

[REDACTED]

[REDACTED]

[REDACTED]

1
2
3
4
5

[REDACTED]

Q. I'm sorry. What did I say,
insurance?

A. Yes.

[REDACTED]

22 Q. And so then 80 million will go to
23 cash for the new hospital to put on the
24 books --

A. Correct.

1

Q.

--

[REDACTED]

1

[REDACTED]

1

[REDACTED]

[REDACTED]

18 Q. And what are the risks, in your
19 understanding, with this approach? Can you
20 just speak to that a little bit?

21 A. I mean, everything is hinging --
22 all the questions you've asked today.
23 Everything is hinging around our ability to
24 execute the transition plan. That's the key,
25 Chris.

1 Q. And when you say "the transition
2 plan," that's the equivalent of the
3 turnaround, that's the --

4 A. Yeah. Because -- you know, this
5 document, right. I mean, I keep calling it a
6 transition plan, this document. Chris, you
7 may be frozen again. The orange document,
8 you know, is sort of all-encompassing to get
9 us from today to two to three years from
10 today.

11 Q. Okay. And that document you were
12 just showing me, the transition plan, that
13 assumes or incorporates the EBITDA initiatives
14 that we were talking about earlier; right?

15 A. Yes.

16 Q. And how much -- do you have an
17 estimate for how much the transition plan will
18 cost?

19 A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

14 MR. CAHILL: Oh, yeah, of course.

15 THE WITNESS: I don't know if this
16 is a good time.

17 MR. CAHILL: Yeah. Now is
18 perfectly fine. Do you want to take just like
19 a 10-minute break, 15-minute break?

20 THE WITNESS: Yeah, ten.

21 (A short break was taken.)

22 Q. (By Mr. Cahill) Let's go back on
23 the record. Mr. Mingle, when was the last
24 time you spoke with Barclays?

25 A. Maybe in the last week or two.

1 Q. Did you discuss the timing for
2 bond financing?

[REDACTED]

1

[REDACTED]

1

[REDACTED]

11 Q. Okay. And tell me again, I'm
12 sorry, just from start to finish. So they'll
13 be a kickoff, right, a kickoff -- sort of
14 working group kickoff?

15 A. Yeah. So we might kick off in
16 the next week or two. Okay.

17 Q. And then from there, how long will
18 it take?

19 A. Again, we're 90 to 120 days
20 after an approval. Nothing's -- you know,
21 it's kind of like landing an airplane, Chris.
22 We're not going to go try to the last steps
23 unless we have an approval. We're not going
24 to talk to an investor unless we have an
25 approval. We're not going to finish the

1 feasibility study unless we have an approval.
2 There's nothing -- you know, the feasibility
3 study is sort of moot, right, without an
4 approval. The conditions agreement has to
5 get negotiated. There's just certain things
6 we can't really do without the approval or no
7 approval, Chris, right. I mean, we just
8 can't -- I can't just go get the airplane to
9 land. There's certain things that just have
10 to happen to get the airplane ready to land,
11 and it's -- you know, the approval is one of
12 them.

[REDACTED]

[REDACTED]

19 Q. Just so I'm clear, the transition
20 plan, the components of it are, first, the
21 transition of services that Prospect is
22 providing over to the new hospital system;
23 right?

24 A. Yeah. So, I mean, we broke it
25 down into, you know -- like, I think it's 13

1 or 14 different functional areas.

2 Q. But one of those is the services
3 that Prospect is providing have been
4 transitioned over to --

5 A. Sure.

6 Q. And that requires an agreement,
7 right, to be negotiated; is that right?

8 A. Yeah, the TSA.

9 Q. And then the other component is
10 these management initiatives or EBITDA
11 initiatives, whatever you want to call them,
12 that's another component that is part of the
13 transition plan; is that right?

14 A. Yes.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] We'd need to

24 go look that up. I mean, Leslie, are you
25 able to help me with an answer? There's a

1 lot of numbers in my head right now.

2 Q. Does \$500,000 --

3 A. [REDACTED]

18 Q. So let me just get a little bit of
19 clarity on some of that.

20 A. Sure.

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1 EBITDA initiatives? Do you know?

2

[REDACTED]

20 MS. PARKER: Chris, for the
21 record, the Bates number of that document
22 is -- ends 013041.

23 MR. CAHILL: 013 --

24 MS. PARKER: 041.

25 MR. CAHILL: Thank you. And do

1 you have the amount, ma'am?

2

4 THE WITNESS: That sounds right,
5 Chris. So I was wrong.

6 MR. CAHILL: And that's just for
7 IT; right?

8 MS. PARKER: Correct.

9 THE WITNESS: For every system in
10 the hospital basically.

11 Q. (By Mr. Cahill) Right.

12 And do you have an estimate of
13 the -- so now for these initiatives that are
14 going to generate revenue, the management
15 initiatives, the EBITDA initiatives, do you
16 have an estimate for how long they will take
17 to start generating that revenue?

18 A. In the most current version,
19 we're showing the ramp-up of each one of the
20 initiatives.

21 Q. Okay.

22

But, again, you

1 can't see it because of the other things that
2 are happening, like the cyber attack.

3 Q. And, you know, if I understand it,
4 you're saying that to fund these management
5 initiatives or these EBITDA initiatives,
6 you're relying on the existing hospital
7 systems' revenue as they are now; right?

8 A. Yes.

9 Q. And how --

10 A. [REDACTED]

1

[REDACTED]

11 Q. And how much time can you afford
12 to wait for these initiatives to start
13 generating cash? Do you have a sense?

14 A. You know, we need it to be soon.
15 That's why, you know, the year or two. I
16 would say two years, right. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20 Q. Do you think it's feasible --
21 well, do you recognize that Prospect right now
22 is funding the losses for the hospital?

23 A. No, I don't think so. I think
24 the intercompany account has got a lot of
25 charges in it that we can make come down.

1 Q. The current --

2

6 Q. As of March 31st, 2024, the
7 current balance sheet shows intercompany
8 receivables at [REDACTED]. Does that sound
9 right?

10 A. I haven't seen March financial
11 statements, Chris.

12 Q. But Prospect is funding -- is
13 providing cash to the hospitals to fund their
14 losses, I mean, is that true or no?

15 A. [REDACTED]

20 Q. And I just want to be clear. I
21 think you were saying earlier kind of in a
22 critical manner, this idea of cash clearing.
23 That is a standard practice; right?

24 A. For a national health system,
25 yes.

1 Q. Right.

2

3 [REDACTED]

4 Q. Do you have a sense of how much
5 Prospect is putting into the system to keep it
6 afloat?

7 A. I don't have a number.

8 Q. And then do you have a sense of,
9 if that were to stop, how long the hospitals
10 could survive?

11 A. I mean, I -- literally, I
12 think -- I don't have an answer to that
13 question the way you've asked it. I have a
14 sense of how long we could go just being not
15 for profit and none of the management
16 initiatives kicking in. I have a sense for
17 that, but I don't have like a pinpoint answer
18 for that.

19 Q. Well, tell me your sense.

20 A. Well, I think my sense is
21 there's, you know, a big chunk of initiatives
22 here that are quasi automatic, okay, six
23 months. Okay. And that will get us very
24 close to break even. And if we're at break
25 even, now you can go five years, six years

1 without anything positive happening.

2 Q. Which initiatives are you talking
3 about that are quasi automatic?

4 A. Well, the 340B initiatives.

5 Q. Any others?

6 A. The DSH payments, right. [REDACTED]

[REDACTED]

25 Q. I mean, the 340B requires the new

1 hospital system to be tax exempt, right, so
2 it's not exactly quasi automatic in that
3 sense. Would you agree with that?

4 A. Yeah. But I -- I mean, Chris,
5 we're going to -- we're going to be tax
6 exempt. I mean, it's not a matter of if,
7 it's just a matter of when. We're going to
8 be tax exempt. I have no concern whether
9 we're going to be tax exempt.

10 Q. But it's a matter of how long,
11 right, before those --

12 A. Sure. But I -- you know, my
13 opinion is we will be tax exempt in those
14 three entities before the transaction closes.
15 That's my belief.

16 Q. And just on this quasi automatic
17 point, you mentioned 340B DSH, do you have any
18 others?

19 A. Sales tax.

20 Q. That also depends on tax exempt;
21 right?

22 A. Again, we're operating under the
23 assumption that we will be tax exempt before
24 we close, right. There's nothing that leads
25 me to believe that we won't be tax exempt

1 before we close.

2 Q. Any other initiatives that are
3 quasi automatic?

4 A. Let me look. I mean, I think
5 legally the property tax is quasi automatic.
6 I think, you know, from a community
7 participant standpoint, we will go in and
8 offer a pilot plan to the different towns
9 just to be a good citizen.

10 Q. How much for the pilot plan?

11 A. We haven't negotiated it yet,
12 Chris.

13 Q. Do you have a sense?

14 A. No, I do not. The Medicaid rate
15 increase, I mean, that one is in process
16 right now. Yeah, those are the probably big
17 ones.

18 Q. So what would Centurion do if the
19 new hospital system runs out of cash before
20 these initiatives start generating revenue?

21 A. [REDACTED]

[REDACTED]
[REDACTED] The business
24 is not sustainable the way it's set up today,
25 whether we're buying it or anyone's buying

1 it. And I think almost anyone would agree
2 with that. So I think we would keep working
3 this until we found a solution. I mean,
4 they've forgotten about this thing, Chris.
5 They're just running it from California
6 versus sitting here every day trying to
7 figure out how to make it work.

8 MR. CAHILL: Mr. Mingle, thank
9 you. I have no further questions.

10 THE WITNESS: Chris, you did a
11 good job. I appreciate it.

12 MR. CAHILL: Thank you, sir.

13 COURT REPORTER: Counsel, I just
14 want to be clear. No one else on the Zoom is
15 going to be asking questions; is that correct?

16 MS. RIDER: Yes. I will asking
17 questions. Maybe we could take a break and
18 then reconvene in about 15 minutes, and I will
19 have questions.

20 COURT REPORTER: Yes, ma'am.

21 (A short break was taken.)

22 EXAMINATION BY MS. RIDER:

23 Q. Good afternoon, Mr. Mingle. My
24 name is Jessica Rider. I am an attorney and
25 representing the Rhode Island Department of

1 Health in this transaction. I will be
2 questioning you for hopefully not as long as
3 Mr. Cahill so everyone can get out of here at
4 a reasonable time.

5 I just wanted to make sure that
6 you were clear and understood at the beginning
7 of this statement under oath -- Mr. Cahill
8 told you that you were here to give testimony
9 related to the AG's review of the Centurion
10 Prospect HCA Application, and you were also
11 here to give testimony related to the Rhode
12 Island Department of Health's review of that
13 transaction. Do you understand that?

14 A. Yes, ma'am.

15 Q. Great. I'm going to pull up a
16 document, Mr. Mingle. Can you see my screen?

17 A. Yes, ma'am.

18 (Whereupon Exhibit AA was marked
19 for identification.)

20 Q. (By Ms. Rider) And I'm going to
21 have this Exhibit marked as AA. And this is
22 a -- Responses to First Set of Supplemental
23 Questions from the Rhode Island Department of
24 Health. Do you recognize this document?

25 A. Yes, ma'am.

1 Q. And I just want to go down to
2 page 15 -- page 14. So response to 43 where
3 we ask you about the day-to-day operations of
4 Centurion as well as the number of employees
5 that Centurion employs. And that is currently
6 three employees; is that correct?

7 A. Yes, ma'am.

8 Q. And that is yourself, Greg Grove,
9 and Steve Lovoy?

10 A. Yes, ma'am.

11 Q. And are all of those roles
12 full-time roles?

13 A. More than full-time.

14 Q. And does Greg Grove continue to be
15 involved in the day-to-day operations and as a
16 full-time employee?

17 A. Yes. I mean, he's here every
18 day.

19 Q. And Mr. Mingle, you do look frozen
20 on my end. But if I can hear you, I'll keep
21 questioning, if that's okay with you.

22 A. I can hear you. I don't like
23 the picture. But, yeah, I was like looking
24 down at the little screen, yeah.

25 Q. Okay. We'll keep going and see it

1 works itself out.

2 A. Okay.

3 Q. And do you think three full-time
4 employees are sufficient to meet the needs of
5 Centurion?

6 COURT REPORTER: Did you want me
7 to go off the record? I think he's dropping
8 off.

9 MS. RIDER: Yeah, let's go off the
10 record.

11 (A short discussion was held.)

12 THE WITNESS: I think the answer
13 to your question is no.

14 Q. (By Ms. Rider) I was actually
15 going to ask if the court reporter could
16 repeat my question for the record, but if
17 remember it, then...

18

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

13

Q. And are all of those hires

14

contingent on this transaction being approved,

15

or will you hire some of them regardless?

16

[REDACTED]

[REDACTED]

[REDACTED]

19

Q. And I just want to draw your

20

attention to the exhibit that I have up, which

21

is the Responses to the First Set of

22

Supplemental Questions.

23

A. Yeah.

24

Q. And it says here that, "Centurion

25

will hire a full-time employee to work on the

1 new CharterCARE system." [REDACTED]

[REDACTED]

[REDACTED].

4 Q. And I think we've established
5 previously that this is Centurion's first time
6 acquiring hospital operations; is that
7 correct?

8 A. Yes, ma'am.

9 Q. And why now, why Prospect
10 CharterCARE?

11 A. Yeah. So I think -- and I've
12 shared this with a bunch of different people
13 in Rhode Island. But I'll share it today.
14 You know, when we see what's happening with
15 private equity owning community health
16 systems, we're very concerned. And we wanted
17 to develop a strategy to create a better
18 alternative to that. So that's the
19 overarching why, right, that impacts
20 positively communities across the country.

21 You know, we were involved with
22 several transactions roughly four years ago
23 that were very similar to, you know, what's
24 happened with Prospect. And we saw the
25 negative impact that that was having on the

1 communities, and we thought -- we thought we
2 could actually create positive change into
3 that space. So that was the original
4 impetus.

5 Secondly, you know, the question
6 that Chris asked about where is our
7 underwriting for this deal. You know, we're
8 not seeking a return. We're seeking can the
9 business succeed and can it have a positive
10 impact on the community. So we -- through
11 this process, you know, became confident in
12 Jeff's ability to run this hospital like a
13 not for profit and a standalone community
14 health system. And so, you know, that's why
15 we're doing this, and that's why now.

16 You know, going all the way back
17 to our founding in 1996, that's always been
18 in our charter and our mission, you know,
19 owning and operating facilities to help the
20 public. You know, it wasn't necessarily in
21 the acute care or healthcare space. But, you
22 know, 30 years ago, there weren't a lot of
23 private equity owners owning hospitals,
24 right. I think the HCAs of the world are
25 different than the private equity owners of

1 the world. And so that opportunity really
2 didn't exist 30 years ago. And, so, that's
3 why now. And, you know, we've looked in
4 several different markets, but, you know,
5 this was the transaction that was presented
6 to us that had the highest opportunity for
7 success. And so we've been pursuing it ever
8 since.

9 Q. And will you continue to pursue
10 transactions that involve hospital operations?

11 A. I think if we're successful,
12 yes. I mean, we don't want those community
13 hospitals to close. And there's multiple
14 different -- in the cases where there's
15 enough critical mass to support a population
16 base, you know, and there's enough
17 opportunity with all the disruption going on
18 in healthcare right now to keep pursuing
19 that. So I think the answer is yes.

20 You know, no two of these things
21 that we work on are the same, right. I mean,
22 we've got all these transaction, and every
23 one of them is very, very different. And,
24 you know, we're professional problem solvers
25 if you really boil down to it, and, you know,

1 every problem is different with a
2 different -- you know, a different outcome, a
3 different solution to solve the problem.

4 I think we -- I think you're
5 still going to keep -- you're still going to
6 see us trying to positively impact the real
7 estate, the pure play real estate market. I
8 mean, we're having a tremendous impact there,
9 and it's really kind of changing the dynamics
10 of healthcare real estate in a positive
11 manner. If I could, I mean, be so bold -- I
12 mean, it's hard for me to be bold because I'm
13 an accountant. But you're going to still see
14 us do that. But for the right opportunity,
15 you know, we would work on another
16 transaction like this.

17 Q. And I'm going to show you another
18 exhibit. I'm going to have this marked as
19 Exhibit BB. Can you see my screen?

20 Mr. Mingle?

21 (Whereupon, Exhibit BB was marked
22 for identification.)

23 MS. ROCHA: Did he freeze?

24 THE WITNESS: I froze and cussed.

25 I hope you guys didn't hear that.

1 Q. (By Ms. Rider) I don't think that
2 made it on the record.

3 A. Jessica, if you can get some
4 pointers from Chris. I mean, he finally
5 perfected the screen share after a couple of
6 these. My computer, believe it or not, is
7 brand-new. So for whatever that's worth.

8 Q. Can you see my screen?

9 A. Yes, ma'am.

10 Q. Okay. And do you recognize these
11 as minutes of the Centurion Foundation on
12 March 11th, 2024?

13 A. Yes, ma'am.

14 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 A. Yes, ma'am.

19 Q. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

22 Q. And just moving forward a little
23 bit to this transaction and before the
24 transaction, were you -- did you personally
25 know any of the senior managers of Prospect

1 Medical Holdings or their affiliates prior to
2 entering negotiations?

3 A. No, ma'am. I've never met any
4 of them. Never heard of any of them.

5 Q. I want to talk a little bit about
6 the Asset Purchase Agreement again.

7 A. Okay.

8 Q. Give me a minute. And I'm showing
9 you what has previously been marked as
10 Exhibit L, which is the Asset Purchase
11 Agreement. Do you see that?

12 A. Yes, ma'am.

13 Q. Now, is it Centurion's intention
14 that the new CharterCARE entities will hold
15 the assets or will Centurion?

16 A. Yes, ma'am. Our intention is
17 before closing we will assign this contract
18 to the new entities that are recognized as
19 exempt, and the new entities will execute on
20 this APA.

21 Q. Has that assignment been drafted
22 yet?

23 A. No, ma'am.

24 Q. And when do you expect to do that?

25 A. I mean, I think that's one of

1 the activities we would complete between an
2 approval and a closing.

3 Q. Okay. So you wouldn't expect to
4 prepare and have that assignment executed
5 until after receiving regulatory approval?

6 A. Yeah. I mean, it's a simple
7 assignment. You know, it's a one-pager of,
8 hey, Centurion is assigning it to
9 CharterCARE. We're definitely not -- you
10 know, again, our plan is to have the entities
11 recognized as exempt, assign the contract,
12 close the financing, close the acquisition.
13 New Co. owns the assets, owns the CON. All
14 of the employees are employees of New Co.
15 Assume the provider numbers. Continue
16 operating under New Co.

17 Q. Are you familiar with the change
18 in effective control process?

19 A. Yes, ma'am. I may not be an
20 expert, but I'm familiar.

21 Q. And you understand that that's how
22 the actual license, the hospital licenses will
23 be transferred?

24 A. Yes, ma'am.

25 Q. Correct?

1 A. 100 percent. I do know that
2 part.

3 Q. And so you understand that the new
4 entities, the New Co. entities will have to
5 have legal ownership in order to take those
6 licenses?

7 A. 100 percent.

8 Q. Now, are you familiar with the
9 assumed liabilities under the APA?

10 A. I mean, you know, I remember
11 negotiating that some time ago. And so I
12 am -- I probably could be refreshed, but I'll
13 pick it up quickly.

14 I know we had to assume the
15 provider numbers and the risk associated with
16 them, and that's why we created the indemnity
17 escrow.

18 Q. Now, when you say "the provider
19 numbers," are you talking about the national
20 provider numbers?

21 A. No. I'm talking about like the
22 Medicare, Medicaid, you know, the CMS
23 provider numbers. And maybe those are the
24 national provider numbers, Jessica.

25 Q. So I'm going to draw your

1 attention to section 2.3, which is the assumed
2 liabilities.

3 A. Yeah.

4 Q. And under this section, the buyer
5 is going to assume all costs related to
6 asbestos removal and remediation at the
7 buildings and improvements included in the
8 purchased assets, accrued PTO, and MAAP
9 program refunds. Is that your understanding?

10 A. Yes.

11 Q. Are those accounted for on the
12 financials?

13 A. Well, I think the MAAP liability
14 would be accounted for. And, you know, at
15 this point, it's probably all been paid back.
16 I don't know off the top of my head whether
17 there there's an asset retirement obligation
18 for any asbestos. And I know that the PTO
19 employee benefit liabilities are on the
20 balance sheet today. Now, whether it
21 triggers, you know, additional increases for
22 some of these employment contracts, I don't
23 know the answer to that.

24 Q. Is there any way you could provide
25 an answer to that?

1 A. Yes. You'd have to give me a
2 homework assignment, Jessica, and I could get
3 you probably an answer tomorrow or the next
4 day.

5 Q. Thank you. I want to now talk a
6 little bit more about the excluded assets.

7 A. Okay.

8 Q. Which are under section 2.2Y. And
9 so I'm going to show you the top just so you
10 know what section I'm talking about here.

11 Okay. So you understand that
12 section 2.2 relates to all of the excluded
13 assets in this transaction; correct?

14 A. Yes, ma'am.

15 Q. And if we go down to Y, that
16 includes the selling entity's national
17 provider identifiers; is that correct?

18 A. I see that, yes.

19 Q. So under the Asset Purchase
20 Agreement, there is no intention to assume the
21 NPIs from the current Prospect CharterCARE
22 system; is that correct?

23 A. Yeah. But I'm not sure that
24 we're talking about the same thing.

25 Q. Okay. Well, do you know what NPIs

1 are?

2 A. No. I'm referring to -- I know
3 we're assuming the Medicare and Medicaid
4 provider number. I know we are. So I think
5 there may be a different definition between
6 those numbers and these.

7 Q. What is your understanding of what
8 the Medicare and Medicaid numbers are?

9 A. Yeah. So like we've got a
10 patient that, you know, is going to get seen
11 at the hospital the day after closing. We're
12 going to assume it's a Medicaid patient.
13 We're going to assume the provider number and
14 bill under the provider number and get paid
15 under that historical provider number.

16 Q. So if were to represent to you
17 that what you are providing is a national
18 provider identifier, would you then say that
19 this APA is not in line with what your
20 understanding is?

21 A. Yeah. Maybe.

22 Q. Do you understand the process for
23 obtaining NPIs?

24 A. I mean, I understand the process
25 of obtaining a provider number could take us

1 90 days.

2 Q. So you understand that if you
3 didn't have a provider number for 90 days,
4 then you couldn't collect on that amount;
5 correct?

6 A. Yes, ma'am.

7 Q. So the APA, as written right now,
8 says that you are not going to be taking over
9 the national provider identifiers, and you
10 will have to obtain new ones?

11 A. Yeah. That's -- that's -- I'm
12 not saying that's not what it says. But
13 that's not my understanding.

14 Q. Well, if you do have to obtain new
15 NPIs, is there a plan for how you're going to
16 bridge the months needed to obtain the
17 credentialing --

18 A. Yeah, our plan.

19 Q. Oh, sorry.

20 A. Yeah. So our plan --

21 Q. Mr. Mingle, just let me finish my
22 question, and then you can respond.

23 A. Yes, ma'am.

24 Q. So just to say the question again
25 from the beginning. If you do have to obtain

1 the new NPIs, how are you going to bridge the
2 months needed to obtain the credentialing of
3 those NPIs by the government payers until you
4 receive those actual provider numbers and can
5 bill?

6 A. Yeah. So our plan is to not do
7 that. Our plan is to assume the provider
8 number with the provider -- with the risks
9 that's associated with it. I'm not sure why
10 this is worded this way. And that's why
11 we've got the indemnity escrow provided in
12 the contract. We didn't want to have -- we
13 didn't want to get a rep and a warranty from
14 them that they would, you know, hold us
15 harmless from a claim that existed prior to
16 closing. We wanted to have cash in the event
17 there is a claim for something that existed
18 prior to closing.

19 Q. So as you sit here today, is it
20 possible that the APA will need to be amended
21 to reflect your understanding of the
22 agreement?

23 A. If everything that we just
24 talked about is true, then I think the answer
25 to that is yes. But I would, you know, want

1 to double check that.

2 Q. And can you confirm that under the
3 APA the seller will have to assume or pay off
4 all of Prospect CharterCARE's outstanding
5 account payable balances prior to closing?

6 A. Yeah. That's in the working
7 capital true-up. You know, we're targeting
8 working capital to be zero. So, for example,
9 if accounts receivable current assets are
10 20 million, we want accounts payable to be
11 20 million. If, in this case, accounts
12 payable is 45 million, you know, they need to
13 true that up by \$25 million, i.e., pay down
14 the accounts payable for before closing or at
15 closing.

16 Q. Do you have concerns with
17 Prospect's ability to meet that covenant?

19 Q. And what are you doing to address
20 those concerns?

21 A. There's not much I can do.

22 Q. Are you aware of Prospect's --
23 when I say "Prospect," I mean the corporate
24 Prospect Medical Holdings, are you aware of
25 their current financial position?

1 A. Just -- I mean, no more -- I
2 mean, much less than you guys are. [REDACTED]

[REDACTED]

10 Q. And other than this covenant, are
11 there any other covenants that you're
12 concerned that Prospect would not be able to
13 meet in order to close?

[REDACTED]

20 Q. How long do you think they have --

21 A. But as it sits right now, I
22 don't think if we ran -- if we revised the
23 flow of funds, I don't think they'd get
24 anything off the sale because of where AP
25 sits, so...

1 Q. Do you have any concerns with
2 Centurion's ability to meet any of the closing
3 covenants?

4 A. In the APA?

5 Q. Yes.

6 A. No, other than this thing that
7 you just brought up. Other than that, no.

8 Q. And let's talk a little -- let's
9 talk a little bit about that -- the target
10 networking capital that we were just
11 discussing.

12 A. Yes, ma'am.

13 Q. And that was -- that net capital
14 of zero, that was an amendment that was made
15 to remove Prospect's obligation to fund any
16 networking capital; is that correct?

17 A. Will you pull the amendment so
18 we can look at it together?

19 Q. Sure. I'm showing you amendment
20 from April 2023, which I know has been
21 previously marked. Forgive me, I don't know
22 what letter it is.

23 A. Uh-huh.

24 MS. RIDER: Chris, do you know
25 just for the record?

1 MR. CAHILL: Mingle O is the
2 amendment 1 dated April 18, 2023.

3 MS. RIDER: Thank you, Chris.

4 Q. And you realize this as the first
5 amendment --

6 A. Yes, ma'am.

7 Q. -- to the Asset Purchase
8 Agreement? And this is the one where the
9 purchase price was set at \$80 million?

10 A. Yes. It said net, but, yeah.
11 Okay.

12 Q. And the purchase price adjustment
13 was deleted and replaced with this language
14 regarding the networking capital. And then
15 there were responses that indicate -- in the
16 application that indicated that that was --
17 the target networking capital was intended to
18 be zero.

19 A. Okay. I've read this. What's
20 your question, Jessica?

21 Q. My question was: Why was it --
22 why did you agree to Prospect's -- to remove
23 any obligation of Prospect to have to fund any
24 networking capital?

25 A. Scroll down a second. Keep

1 going. All right. Keep going. So go to the
2 original APA, that section that we said got
3 deleted.

4 Q. I just want to make sure I get the
5 right section.

6 A. 2.6A. All right. Hold on.
7 Hold on. Scroll up. All right. Stop right
8 there. Okay. Keep going, please. Sorry.

9 Q. Just let me know when to stop.

10

[REDACTED]

1

[REDACTED]

2

Q.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11

Q.

And do you think that that's

12

unusual?

13

[REDACTED]

1

[REDACTED]

12

Q. So just to clarify, it's your

13

understanding that the working capital on day

14

one will be funded from the \$80 million that's

15

going to be put on the balance sheet of

16

CharterCARE; is that correct?

17

A. Yes.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

14 Q. And I want to go back a little bit
15 to the original purchase price, which was 160
16 million; is that correct?

17 A. Yeah.

18 Q. And then we just saw that that was
19 later amended to \$80 million; is that correct?

20 A. Too many lawyers, Jessica, yes.
21 I mean, it just got too many lawyers. I
22 mean, nothing really changed there. I think
23 it's just the net, right. I think the
24 definition of the purchase price always is
25 and always was fair value, step one. So fair

1 value is 160, minus 80 million in cash, minus
2 any working capital true-up. That was the
3 mechanics.

4 Q. And would you say --

5 A. Minus the indemnity escrow,
6 right. The last step in that waterfall
7 before you get to net proceeds to seller is
8 funding the first step of the indemnity
9 escrow.

10 And, again, I'm sorry that this
11 looks like it's wrong, and I'm, you know,
12 assuming you're probably right. But the
13 reason for the indemnity escrow is because
14 we're assuming the provider number and the
15 risks associated with the provider number,
16 and we didn't want a rep from Prospect to
17 make us whole in the event we experienced a
18 claim or a loss associated with assuming the
19 provider number to a prior act. And so
20 that's why that escrow is there.

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

Q. So it's your testimony --

7

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13

Q. And that valuation is dated --

14

well, the valuation date was in February of

15

2023; is that correct?

16

A. I think the -- for some reason,

17

I'm thinking the report date was April. But

18

whatever report date you have is the report

19

date.

20

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

10

Q. Do you think you'll need a new
report in order to obtain financing?

11

12

A. [REDACTED]

[REDACTED]

25

Q. Now, I want to talk a little bit

1 more about this \$80 million that's going to be
2 placed on the balance sheet of the new system.
3 And that funding obligation, that's not a
4 legal obligation under the Asset Purchase
5 Agreement or anywhere else; is that correct?

6 A. Can you rephrase that question?

7 Q. So it's your understanding -- or
8 right now it is the plan that Centurion or the
9 new system will pay \$160 million at closing
10 with 80 million essentially going to Prospect
11 and 80 million going on the balance sheet of
12 the new system as of day one; is that correct?

13 A. Well, with one caveat. You
14 know, we would reduce the 80 million by the
15 amount of the PACE loan that we assume. And
16 then we would reduce the 80 -- we would
17 reduce it further by whatever the working
18 capital true-up is.

19 Q. So when you say, reduce the 80
20 million by the amount of PACE --

21 A. Yeah.

22 Q. -- what do you mean by that?

23 A. So if you started at the very
24 top and you like worked yourself down, and
25 the top was fair value, and the very bottom

1 was cash proceeds to seller, you'd start with
2 160. And then you would subtract 80. That's
3 the cash on the balance sheet. Then that's
4 where, in this APA, you've got net 80.
5 Right. So the net consideration at that
6 moment is 80.

7 Then there's two more steps.
8 We're going to assume a PACE loan that's
9 sitting there today that's Prospect's
10 obligation, okay. And that's going to be
11 somewhere between 45 million and 60 million.
12 We're not exactly sure how much has been
13 spent out of the escrow accounts.

14 So if it's 60 million, okay,
15 we're going to take the 80 and subtract 60.
16 And now you're left with 20. And if the
17 working capital true-up is 20 million, then
18 we're going to true the working capital up.
19 And there's no money that's going to the
20 seller.

21 Q. Thank you for that clarification.
22 So my question is about the 80 million that's
23 going on the cash balance sheet. So that 80
24 million, based on what you just said, that
25 comes off have the top after the fair market

1 value; is that correct?

2 A. Yes, ma'am.

3 Q. But the funding of that 80
4 million, that is not a legal obligation under
5 the APA, is it?

6 A. Well, I mean, that's -- I'd say
7 it differently. Assuming we clear all
8 hurdles and we've got an approval, got
9 financing, and we're ready to close, we're
10 going to show up and we're going to start the
11 process to prepare the closing statement.
12 And right in there in the first step is
13 deduct 80 million, right. So the bond
14 investors will be happy to lend the full
15 amount, and we will net off 80 million right
16 at the get-go. And then we'll determine
17 whether we're assuming that PACE loan, and
18 we'll net that off. So maybe in your way of
19 wording it, it's not their obligation to fund
20 the fund 80, but it's their obligation to
21 accept and \$80 million discount on a \$160
22 million asset.

23 Q. My question is whether or not it's
24 Centurion's obligation to make sure that that
25 \$80 million is placed on the balance sheet of

1 the new CharterCARE system?

2 A. Yeah. I don't know how else we
3 would close. I don't think there's another
4 way to close this transaction without
5 actually doing that. Getting into the
6 mechanics of the bond financing, I'm sure
7 those documents will force the money to go
8 straight to the balance sheet of the new
9 system versus to somebody else's pocket.

10 Q. Let me just share my screen, and
11 maybe that will help clarify things.

12 I'm going to have this marked as
13 Exhibit FF. And now this is the CEC
14 application that was filed most recently. Let
15 me just get the date for you. On April 18th,
16 2024. And you're familiar with the CEC
17 application?

18 A. Yes, ma'am.

19 Q. Now, this one that I've pulled
20 here is 48 pages long. This is the one for
21 Roger Williams Medical Center. But it's your
22 understanding that essentially most of the
23 substantive wording in the actual responses to
24 the application questions are substantially
25 the same and maybe there are some additional

1 details that are different based on which
2 entity filed the application; is that correct?

3 A. Yes, ma'am.

4 (Whereupon, Exhibit FF was marked
5 for identification.)

6 Q. (By Ms. Rider) I'm going to draw
7 your attention to page 20. It's page 20. And
8 here it says, "The \$80 million obligation is
9 not retained in the APA. This is the amount
10 that new CharterCARE system has determined is
11 necessary to have on hand for working capital
12 at closing. If the new CharterCARE system is
13 unable to obtain funding sufficient to what it
14 deems satisfactory for operations in
15 Centurion's reasonable discretion, then
16 Centurion is not obligated to consummate the
17 proposed transaction." Is that your
18 understanding?

19 A. Yes.

20 Q. Okay. And it goes on to say,
21 "Centurion is not legally obligated to place
22 \$80 million of cash on the balance sheet at
23 closing." Is that your understanding?

24 A. I think if you read -- I mean,
25 in the context of the whole sentence, I think

1 that's true, right. It's not like an APA
2 where we've just got to close, right. If we
3 can't get the financing, then we don't have
4 to close. Our financing will have covenants.
5 Covenants are going to likely require 80
6 million that goes on the balance sheet at
7 closing.

8 The whole feasibility study, you
9 know, all of it, that is our plan. That's
10 the requirement to finance the transaction
11 this way. It's an obligation on us, not an
12 obligation to them. You know, the contract
13 between us and the seller is only about them
14 delivering the asset to us and then how we'll
15 calculate, you know, what we're going to sell
16 it to them for. That's why they revised that
17 purchase price down to 80. But I think, you
18 know, you've got to keep the whole mechanics
19 together in the event, let's say, we went
20 back and ordered a new appraisal, right. If
21 we had to order a new appraisal, we'd have
22 to -- we'd need those mechanics to reduce
23 whatever that number is by the 80 million.
24 So I think in essence both statements are
25 right.

1 Q. So what -- if I'm understanding
2 you correctly, what you're saying is, in order
3 to actually obtain the bonds, the covenants of
4 the bonds are going to require \$80 million?

5 A. Yes, ma'am.

6 Q. Is it possible that that could be
7 less?

8 A. No.

9 Q. Is it possible that it could be
10 more?

11 A. Yes. I don't see any
12 circumstance that's it's less.

13 Q. And what happens if it's more?

14 A. I think if we -- if we don't
15 solve the problem and don't have an
16 alternative like the bond holder want 100
17 million, and we can't figure out how to make
18 100 million, then we're not going to be
19 closing the deal as originally contemplated.
20 We're going to have to go back and
21 renegotiate the deal or find a new investor.
22 You know, that's, you know, why we've had
23 Barclays' following this all along and
24 understanding what we're doing and talking to
25 their desk and talking to bond funds about

1 this transaction and making sure that we
2 could deliver the financing as planned.

3 Q. And in this statement that we just
4 referenced, there is reference to Centurion
5 using its reasonable discretion to determine
6 what it deems satisfactory for operation of
7 the new system. What will go into that
8 reasonable discretion? How will you determine
9 what's needed for operations?

10 A. We're talking about -- what's
11 the context, Jessica?

12 Q. I'm just reading here, this
13 response, which was in the CEC application.

14 A. Oh.

15 Q. The highlighted portion.

16 A. Yeah. So what we're talking
17 about is -- it's in the context of, you know,
18 if there's no financing available that's
19 going to allow the hospitals to be
20 successful, you know, we aren't going to be
21 forced to close into a transaction that we
22 don't think is going to be successful.
23 That's the purpose of that sentence, which is
24 just a summary of our financing contingency
25 in the APA.

1 Q. Okay. I'm going to stop my
2 sharing. So earlier today and at other times,
3 you said the \$80 million was figured out by 80
4 days cash on hand?

5 A. Yes, ma'am.

6 Q. But what you're describing really
7 isn't -- how you plan to use the \$80 million
8 doesn't really give them 80 days cash on hand;
9 is that correct?

10 A. I think it does.

11 Q. Well, they would need \$80 million
12 on their books on day one; right?

13 A. That's the plan. 80 days
14 cash -- 80 days cash for this hospital is \$74
15 million on hand.

16 Q. And you said -- and we went over
17 this a little bit, that 80 days is the
18 industry benchmark for credit rated nonprofit
19 health systems; is that correct?

20 A. Yes, ma'am.

21 Q. Can you tell me specifically what
22 sources you looked at and your process for
23 determining that that was the industry
24 benchmark?

25 A. Yeah. I think if you go Google

1 the S&P Healthcare investor criteria, there's
2 a whole published document on the internet
3 about what the rating agencies look at when
4 they're rating a health system. And cash on
5 hand is one of the key rating metrics. In
6 investment grade standalone health systems,
7 the metric is 80 days. So S&P and Moody's
8 all have their own, but S&P publishes theirs.

9 Q. Now, you have said that Centurion
10 will not provide support for any capital
11 projects or operational losses; is that
12 correct?

13 A. Yes, ma'am.

14 Q. And Centurion will not be
15 responsible for payment of the purchase price
16 or a guarantor of the bonds; is that correct?

17 A. Yes, ma'am.

18 Q. Is Centurion prepared to provide
19 any financial support to the new CharterCARE
20 system?

21 A. You know, as the case -- as
22 cases may arise, we'll consider it if they
23 need support. But right now the plan is to
24 not provide any additional support.

25 Q. So if Centurion does not provide

1 the financial assistance and new CharterCARE
2 continues to have the operational losses that
3 it has historically had, and it takes some
4 time to achieve the initiatives that we've
5 been talking about all day, what avenues does
6 the new CharterCARE system have to fund those
7 losses?

8 A. Yeah. I mean, it's going to now
9 have total control of its future that it
10 doesn't have today, which includes, you know,
11 seeking other forms of financing to support
12 the system, right. Today it's part of a
13 national conglomerate that can't go out and
14 attract any more financing, right. We could
15 go get a working capital line of credit. You
16 know, there's a lot of different things you
17 can do now that you are able to control your
18 own destiny, so to speak.

19 Q. And, so, as part of this deal,
20 essentially the new system is taking on a
21 total of \$193 million in debt to close the
22 transaction; is that correct?

23 A. It's taking on \$133 million in
24 new debt. And it's getting \$80 million in
25 cash. So its net new debt is like 50 --

1 whatever the delta between 133 and 80 is.

2 So 53.

3 Q. Well, when you say "new debt," are
4 you excluding the PACE loan?

5 A. Well, yeah, because those are
6 costing today. They're already in the run
7 rate. So the new debt, 133 minus 80 is 53.

8 Q. Do you understand that currently
9 Prospect Medical Holdings is a guarantor of
10 those PACE loans?

11 A. I do.

12 Q. Do you think it's realistic to
13 expect that the new system could obtain
14 additional financing to support losses if it
15 needs to in the first month or two after
16 closing after taking on this new debt?

17 A. I think so, yes.

18 Q. And we've established that the new
19 CharterCARE system is a subsidiary of
20 Centurion; is that correct?

21 A. I mean, we're the sole corporate
22 member, yes. But, I mean, the design of this
23 board is that it's active. And the local
24 board is very involved with setting the
25 strategy and holding Jeff and the management

1 team accountable, you know, much more so than
2 any other project that we have today. So I
3 think we are the sole corporate member. If
4 push comes to shove, we would have the power.
5 But that's not the goal here.

6 Q. And how as sole member is
7 Centurion going to shield itself from funding
8 financial losses for the new system?

9 A. I think we've outlined some of
10 that in the Administrative Services
11 Agreement. I think the -- you know, the
12 bylaws and the work docs also would outline
13 that. And then, you know, I think any
14 ultimate financing would deal with that as
15 well.

16 Q. [REDACTED]

[REDACTED]

1 MS. PARKER: Jessica, while Ben's
2 getting water, can we go off the record for a
3 second?

4 MS. RIDER: Sure.

5 (A short discussion was held.)

6 Q. (By Ms. Rider) All right.

7 I'm just going to share my screen
8 again here. And what I'm showing you, again,
9 is Exhibit FF, that's the CEC application.
10 And I just want to draw your attention to
11 No. 10 here, which asks for estimate the date
12 for the proposed transaction -- for the
13 proposed transfer of ownership. And here it
14 says it will take three to six months
15 following HCA and CEC approval.

16 A. Yeah.

17 Q. Now, that's more time than 90 to
18 120 days. So is that a misstatement? Is it
19 possible that it could take up to six months?

20 A. No. I mean, I think when we
21 drafted this and we responded to this -- and
22 I kind of talked with Chris about this a
23 little bit. You know, my plan was to always
24 wait to start the feasibility study towards
25 the end of the approval process. But, you

1 know, we've talked internally, and we're
2 ready to start that now. So if we have that
3 done by the time there's an approval, then
4 we're that much faster to close. So I think
5 that's the only Delta there, Jessica, is, you
6 know, if we get the feasibility study done
7 now, that will speed us up by that six to
8 eight weeks.

9 Q. So would it be possible to close
10 this transaction within 30 days of approval?

11 A. No, ma'am.

12 Q. What's the shortest time that you
13 see?

14 A. Yeah. I think if you went
15 through just -- if you just took Ryback's
16 application process, they require two
17 meetings, right. So that's like month one
18 and month two. So that's almost like 60
19 days. And Ryback will not let us supply
20 until we have an approval.

21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

3 Q. And are you familiar with the
4 provision generally in the APA that allows for
5 seller financing?

6

A. Yes.

7

[REDACTED]

14 Q. I want to talk a little bit about
15 QHR again and their termination. So just give
16 me a minute to pull up the exhibit, if you
17 will.

18

A. Okay.

19

Q. Can you see my screen?

20

A. Yes, ma'am. It didn't crash.

21

Q. Good. Good. It's finally getting
22 its act together.

23

A. Well, I mean, when you've got a
24 couple hundred -- 200-page PDFs in here, I
25 think you're asking a lot there.

1 Q. Well, this one is only five pages.

2 A. I know.

3 Q. This is the QHR agreement that
4 with Centurion that was previously marked as
5 Exhibit P.

6 A. Okay.

7 Q. [REDACTED]

1

[REDACTED]

1

[REDACTED]

13

Q. And I want to talk about that

14

current management. So earlier today we

15

talked quite a bit about Jeff Liebman and your

16

confidence in him as leader of this new

17

system; is that correct?

18

A. Yes, ma'am.

19

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

1

[REDACTED]

23
24
25

Q. And I'm going to share my screen
with you again. And I'm going to mark this as
Exhibit GG.

1 A. Okay.

2 (Whereupon, Exhibit GG was marked
3 for identification.)

4 Q. (By Ms. Rider) And this is -- I'll
5 show you at the top -- tab 32 which was filed
6 in the HCA application. And I'm going to go
7 down a few pages here where it talks about the
8 details and the employment letters regarding
9 retention of the following individuals. And
10 you see all of those individuals listed here?

11 A. Yes, ma'am.

12 Q. Now, do you have concerns with any
13 of these individuals' ability to perform their
14 job?

15 A. No. I think the team is good.
16 I'm talking about how to make the team great.

17 Q. Did you conduct interviews of each
18 of these individuals before extending them an
19 employment offer?

20 A. I've met with every one of these
21 people. Jeff determined, as the future CEO
22 of the hospital, who deserved to get an offer
23 and who didn't.

24

1

[REDACTED]

1

[REDACTED]

21
22
23
24
25

Q. I'm going to have this marked as Exhibit EE.

A. Okay.

(Whereupon, Exhibit EE was marked for identification.)

1 Q. (By Ms. Rider) Mr. Mingle, do you
2 recognize this as the CharterCARE Transition
3 Plan dated March 14, 2024?

4 A. Yes, ma'am.

5 Q. [REDACTED]

[REDACTED]

1

[REDACTED]

1

[REDACTED]

20 Q. And have you essentially read this
21 document in its entirety?

22 A. I did. And that was back before
23 we submitted it. But I have read every page
24 of this.

25 Q. And do you have any personal

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

But he knows the

5 ins and outs of each one of these different

6 areas and which ones need to be augmented,

7 supported, restructured, fixed, et cetera.

8 And so I think a lot of that knowledge

9 initially came from Jeff, presenting that to

10 me, us talking through, you know, what made

11 sense for each one of the functional areas,

12 having Lindsey participate in those kinds of

13 like strategic sessions, and then driving

14 into the different business owners, you know,

15 the ones -- the executive officers we were

16 looking at there a minute ago, and validating

17 whether that plan made sense. You know, we

18 probably -- Jessica, we probably spent the

19 most time of all of this on IT because, like

20 I said earlier, a lot of this hospital, you

21 know, is sort of operating autonomously.

22 Q. And do you know whether or not

23 Ms. Moretti has personal experience preparing

24 and implementing a hospital plan?

25 A. I think she has a lot of

1 experience with this.

2

[REDACTED]

16 Q. Now, I want to go down into some
17 of the detail of the plan.

18 A. Okay.

19 Q. Now, I'm showing you what's been
20 marked as -- that is the executive summary.
21 And we've already established, you didn't
22 actually draft this summary, that was Lindsey?

23 A. Well, the -- it's never that
24 easy, Jessica. The first version of this
25 plan was like 15 pages long. I personally

1 drafted that. And it had identified all of
2 these key areas. What I wanted was to take
3 everything that Jeff and I knew and others
4 knew and to get it out of people's heads and
5 get it onto a piece of paper and to test
6 whether that made sense. And so something --
7 like that very first sentence, I mean, I
8 think I wrote that sentence, right. But then
9 there's certain sections in here that -- you
10 know, especially all of these beautiful
11 tables with the PowerPoint and all of that, I
12 mean, you know, she did all of that.

13 Q. Okay. So you drafted the plan --
14 and I don't have it handy as an exhibit right
15 now. But that would have been the one that
16 was submitted with the HCA application in
17 November?

18 A. Yeah.

19 Q. Does that ring a bell?

20 A. You know, it wasn't -- we had
21 that meeting with -- with the director, and
22 she said something that had a profound effect
23 on me and says we can't approve what we can't
24 read. And I was like, well, we need to write
25 some more. So we wrote this so that someone

1 could read it so they could know what we were
2 thinking about doing.

3 Q. And I want to draw your attention
4 to this highlighted section here, which says
5 that, "Centurion and Mr. Liebman have
6 completed a comprehensive risk assessment as
7 part of the integration plan." What do you
8 mean by that? What was included in that risk
9 assessment?

10 A. Yeah. I think we were sitting
11 there and, you know, taking an objective look
12 and saying what could go wrong, what systems
13 and processes at the hospital are not in
14 place today that, if you just turned off
15 California tomorrow, what would have to
16 happen? And that's how I posed it them of,
17 if California goes away tomorrow, what's
18 missing? And that was the impetus -- that's
19 the question that this plan was trying to
20 address, and we identified -- you know, so
21 now we're looking for risks. What are the
22 risks to the business, and we identified
23 these 12 areas, and we wrote the plan for the
24 12 areas.

25 Q. So the 12 areas that are addressed

1 in the plan are essentially those functions
2 that a prospect -- or the new system has to
3 recreate that prospect it's currently
4 providing?

5 A. Recreate or augment or, you
6 know, change the way it's being done because
7 it was being done, you know, for some other
8 squirrely reasons versus, you know, what was
9 just easiest most direct path to get
10 something done in Rhode Island.

11 Q. And I want to draw your attention
12 now to the next section here in the executive
13 summary which talks about the -- the skill set
14 of each side here.

15 And it mentions that Centurion
16 contributes through its deep knowledge an
17 experience of finances in accounting,
18 healthcare, financial operations, IT, and
19 information systems, governance, payer
20 contracts, healthcare operational experience,
21 and an unwavering focus on empowering local
22 leadership.

23 And I think we've talked a lot
24 about, you know, Centurion's experience. But
25 tell me who at Centurion has experience with

1 payer contracts and healthcare operational
2 experience.

3 A. So, you know, Greg's been the
4 president and CEO of a company that operated
5 you know, 20 different healthcare locations
6 that owned the provider number and had all
7 the compliance problems and all of the risks
8 of patient care delivery. So that's part of
9 what that statement is meaning. And then,
10 you know, myself spent a long period of time
11 with Eli and KMPG in their healthcare
12 assurance practices, you know, working with
13 health systems in the southeast.

14 Q. Is Mr. Grove expected to take an
15 active role in the new system?

16 A. I mean, as a board member, yes.

17 Q. When you say a board member, he's
18 a board member of Centurion?

19 A. And a board member of CRI.

20 So we have Mr. Grove,
21 Ms. Painter, and myself are the three, you
22 know, Centurion board members that all have,
23 you know, some different element of
24 healthcare experience.

25 Q. And on the other side here, you

1 talk about the operational excellence, which
2 is led by the local professionals, including
3 Jeff and then the Board of Directors. And
4 you've about previously the named directors.
5 And I just want to mostly focus on Ed Santos
6 and Maria Leonard. And you met with them for
7 approximately a 90-minute interview; is that
8 correct?

9 A. Yes. I mean, we've met with
10 them multiple times. I mean, I'm not -- it
11 sounds like you're referring to a question
12 that we answered. But we've met with them
13 multiple times.

14 Q. So at this point, you've met with
15 them more -- if that question, the response
16 says 90 minutes, you've met with them more
17 time than that?

18 A. Yeah. I think, initially, we
19 interviewed them, you know, to see if they
20 were interested and they were a fit. Since
21 then, we've met with them a lot.

22 Q. And you've been able to discern
23 that the two of them are experienced enough to
24 implement a turnaround of a distressed
25 hospital system?

1 A. You know, I think from
2 conversations, they both are very familiar
3 with the situation, they both are familiar
4 with what hasn't worked in the past, and they
5 are keen on what will work, and they've, you
6 know, heard this entire story and analyzed,
7 you know, this information and believe that
8 this will work and are wanting to support us
9 through the process.

10 Q. I'm going to go down now to the
11 background section. And this section here
12 asserts that the new CharterCARE system will
13 be released from higher cost national and
14 regional systems. What evidence was relied
15 upon to make the assertion that national and
16 regional systems are higher costs?

17 A. I think that word "systems"
18 maybe means just processes, right. I think
19 every single thing that they designed in the
20 back office of that company is so that all
21 decisions are made from afar. And, you know,
22 there's contracts that get charged to the
23 local health system, and then there's rebates
24 that go to a national system. And so I think
25 the way that that's all set up is more

1 expensive. So there's several different
2 elements of IT that are nationalized that
3 will get, you know, cheaper. There's several
4 different things in the billing process that
5 are all short or nationalized that, I think
6 if we can bring back local, will get cheaper.
7 So it's just decoupling us -- decoupling the
8 health system out of that national model.

9 Q. And you said -- a couple times
10 there you said you think it will be cheaper.
11 Have you actually looked at it and ran those
12 numbers to determine whether or not it will be
13 at a cost savings?

14 A. Yes. So we have. Definitely
15 around the area of IT. We spent a lot of
16 time on that.

17 Q. Any other areas?

18 A. I'm sure, Jessica. Let me --
19 I'm running low on battery power. But let me
20 think about it just for a second. IT is the
21 one that jumps at me. Let me look. Yeah, I
22 think there's some inefficiencies in the rev
23 cycle process right now that I think if we
24 can bring it back local, and I don't know the
25 specifics off the top of my head. But I know

1 rev cycle, and I think the same thing for
2 group purchasing. Again, instead of being in
3 the contract it's right to buy the supplies
4 for this one hospital in Rhode Island, we're
5 in this other contract, it's good
6 Pennsylvania and Connecticut and California,
7 and if we would just buy for what Rhode
8 Island needed, it's actually cheaper because
9 there's someone that sells just that at a
10 cheaper price versus we wanted the
11 convenience of having this national contract.

12 So I think those are like three
13 examples of where we can, you know, see those
14 type of improvements.

15 Q. Is it your understanding that
16 national systems specifically use, you know,
17 that bulk purchasing or vendors to get
18 discounted rates?

19 A. I think that's like the tag
20 line, right. But I think what happens is
21 each one of these hospitals is not the same,
22 right. And to find a vendor that can sell to
23 all five hospitals across -- all five systems
24 across the country, it's not the same. And
25 so like -- you know, I think one -- you know,

1 Jeff and I were talking recently. The copier
2 contract, to get the copy machine to work,
3 he's got a local vendor that will do it for a
4 half million dollars less than his national
5 copy vendor. You know, it's just different.

6 Q. And this section also states that,
7 "Centurion has partnership with the New
8 England healthcare community." Can you talk
9 about those relationships?

10 A. Where are we?

11 Q. I'm sorry. We're still on the
12 background section.

13 A. Where is the background -- is
14 that page -- what page is that? I want to
15 look at it, please.

16 Q. I'm sorry. This is on page 4 of
17 the -- it's page 4 of the PDF.

18 A. Just a second.

19 Q. And it's highlighted here. "They
20 have partnerships with the New England
21 healthcare community."

22 A. Yeah. I mean, I think somebody
23 was super fired up when writing these great
24 sentences. You know, we have a good
25 relationship with Boston Medical Center,

1 okay. They have -- if you've followed that
2 story, okay, like ten years ago, Boston
3 Medical Center was in much the same situation
4 that, you know, you could say about
5 CharterCARE. And they turned that health
6 system around. And it's not a -- it's not
7 for anything more than some entrepreneurial
8 leaders just getting in there and digging at,
9 you know, facility efficiency and challenging
10 the status quo and looking at tax credit
11 deals and, you know, the know most recent
12 jobs act and how that could actually benefit
13 the health system.

14 So they have a couple of
15 different leaders that are willing to help
16 us. And they have -- they have their own
17 GPO, which I think is, you know, a really
18 good option for us to look at. They are
19 their own 340B program that would be a good
20 option for us.

21 There's some partnership
22 opportunities with Boston Medical Center.
23 That's probably what that sentence is
24 referring to.

25 Q. And at this point, are those

1 solidified in any way, or are these just
2 ideas?

3 A. Well, no. The options are
4 solidified. It absolutely works. It's
5 not -- it's not a business transaction that
6 we're going to pursue until we have an
7 approval, if that makes any sense. They're
8 not going to take the meeting with us.
9 They've made us aware that they'd love to
10 talk to us and they'd love to help us. And
11 they've talked to us about their programs in
12 general, but that's it.

13 Q. And now I want to go onto the next
14 page. And we're still on the background
15 section. And it states that, It's clear that
16 under the current for-profit approach, the
17 existing hospitals couldn't serve the
18 community as much as possible within a
19 nonprofit framework." Can you further explain
20 what you mean by that?

21 A. Yeah. I'm reading. Just a
22 second. Yeah. And I think this is sort
23 of -- you know, probably more ways than one
24 to write that sentence. But I think my
25 overarching comment is, when in healthcare

1 what we see, and we see it both on the for
2 profit and the not for profit side, is a
3 national system will make a decision about
4 how it wants to address an issue, a service
5 line, you know, or whatever the case may be.
6 And at the local level in some markets, that
7 plays out very well. At the local level in
8 some markets, that does not play out very
9 well.

10 And there are so many things
11 about the national Prospect system that
12 aren't working for Rhode Island. And
13 that's -- it's that mindset. It's turning on
14 that mindset. You know, Jeff has the
15 mindset. He's just not been able to, you
16 know, release that mindset into making
17 changes. But it's that mindset.

18 Q. Are you aware that the Prospect
19 CharterCARE system was an independent
20 nonprofit healthcare system before it was
21 purchased by Prospect?

22 A. Yes.

23 Q. What do you think is different now
24 that -- from then? Well, let me back up.
25 Strike that.

1 it. So, you know, I'm aware of it from that
2 level only.

3 Q. Now, there's also reference here
4 in this background section to returning to
5 nonprofit status offers benefits, including
6 proper oversight for the hospital's \$350
7 million annual cash contributions. Are you
8 suggesting by this statement that Prospect --
9 are you suggesting by this statement that
10 Prospect CharterCARE's cash is not currently
11 receiving proper oversight?

12 A. The auditor in me, Jessica, no,
13 it's not.

14 Q. And what do you mean by that?

15 A. Yeah. So the -- the -- it's
16 billed locally. It's attempted to be
17 collected locally. But the management of the
18 collections and the computer system that's
19 tracking collections is run out of
20 California. And that creates a lot of
21 problems. So it's like if you put it on like
22 a team standpoint, you take the quarterback
23 of the team, like the person that knows all
24 the little pieces, and you send them to
25 California. And then all the rest of the

1 team is trying to run rev cycle, cash to
2 cash, and they -- you know, the quarterback
3 is in California, and some days they're
4 there, and some days they're not there. And
5 that job is constantly turning over.

6 Q. So when you know say that -- when
7 you're referring to the oversight issues, from
8 your perspective, it's an issue with having a
9 national provider that you have to continue to
10 go to as well as maybe some of the computer
11 systems and revenue cycle issues?

12 A. Yes. Yes. I mean, you it's --
13 it's designed so that, you know, a very small
14 group of people can manage four or five or
15 six health systems out of one office in
16 California versus, you know, what's the
17 actual health of our AR in our rev cycle
18 process and our, you know, denial process and
19 then actively, you know, changing that
20 process as we need to, right. If you -- the
21 person that owns the process is sitting in
22 California, and they're not here every day
23 understanding what's happening, you can't
24 really adjust because, you know, things are
25 constantly changing, especially in the

1 to help you with?

2

[REDACTED]

3 Q. And what have you budgeted for
4 that consultancy?

5 A. I would want to go look at that
6 reference document that Leslie referred to
7 earlier when we were talking to Chris. I
8 mean, I think most of that is in there. So I
9 don't know the answer off the top of my head,
10 Jessica, I apologize.

11 Q. Sure. And we can pull that up.
12 Do you see that here?

13 A. No. I'm still staring at this.

14 Q. I think I have to stop -- hold on.
15 Let me just -- okay. Do you see my screen?

16 A. Yes, ma'am.

17 Q. Okay. I'm going to mark this
18 Exhibit II.

19 And this is the IT cost
20 spreadsheet that you were just talking about?

21 A. Yes.

22 Q. Can you show me on this document
23 where the consultant -- the budget for the
24 consultants are? And if you need me to move
25 around, tell me.

1 (Whereupon, Exhibit II was marked
2 for identification.)

3 THE WITNESS: Yeah. Click on the
4 blue tab for a second. Yeah. All right.
5 Go -- well, do you mind scrolling all the way
6 up for a second?

7 Q. (By Ms. Rider) Sure.

8 A. And go to the red tab. Go back
9 to the red tab. And then where is this? Go
10 to the right, please. Yeah. So I think --
11 and we would -- [REDACTED]

[REDACTED]

14 Q. The spot that's marked "all other
15 contingency costs"?

16 A. The one above.

17 Q. I'm sorry. The "supplemental
18 applications"?

19 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6

So I think, you know, that's

7

probably the more costly and labor-intensive

8

effort. That doesn't have to happen, right.

9

We can bring everything over as-is and

10

operate, you know, with this current

11

structure. That's what this cost right here

12

is. You know, and I say bring it over as-is,

13

you know, a few of these things -- a few of

14

these apps, Jessica, go away. There's

15

probably a couple little ones that come back.

16

[REDACTED]

1

6

Q. Are there other parts of the transition plan, the IT implementation part of the transition plan that aren't contemplated in this budget?

10

A. I don't think so. I think this is -- I think everything that we -- the best of our knowledge, this is everything we know about today.

14

Q. [REDACTED]
But everything else that is in the implementation -- the IT portion of the transition plan should be contemplated for under this document and budgeted for, I mean?

19

A. Yeah. I was getting out ahead of my skis there, Jessica. I was just thinking too far in the future. But I think my point is: We're thinking about that now, right. It's not just, hey, get to point A, because point A is not the end. This system needs to be off of point A and to a long-term

25

1 solution. I think at some point, right,
2 MEDATech will quit supporting the version
3 that we're on, and we have to -- you know, we
4 have to be prepared for that.

5 Q. And while we're on this document,
6 you said this is something that Amanda
7 prepared. I'm sorry. What's Amanda's last
8 name?

9 A. It's -- I closed my e-mail
10 because it kept crashing on my computer.
11 Amanda Cox, I think.

12 Q. And what's her title?

13 A. I think it's vice president of
14 information technology.

15 Q. Do you know her experience with
16 doing a transition of this magnitude?

17 A. I think her whole career was
18 consulting people on their [REDACTED]
19 environment. So I think she's got a lot of
20 experience with it. I think what, you know,
21 she has less experience with is more on the
22 hardware side. And we definitely have some
23 hardware challenges there. So -- but
24 that's -- her experience is on the app side,
25 application side.

1

Q. [REDACTED]

3

A. No, ma'am.

4

5

Q. Is that something -- when you say no, is it something that is somewhere else, it's just not in this document, or it's not something you're contemplated at this point?

6

7

8

A. No. I mean, I'm not trying to get cute with you. If I didn't know the answer, I would say -- I mean, if I knew the number, but forget, I'd say, I don't know.

10

11

12

But we don't know the number. The number has not been identified.

13

14

15

16

17

18

Q. And I'm just going to stay on this document for a couple more minutes since we're already here. And under this here, under the applications, there's a number that are listed as local.

19

A. Yeah.

20

21

22

Q. And so when they say "local," does that Prospect CharterCARE currently holds the license for those applications?

23

24

A. Where -- yeah. So I think there's two.

25

Q. There's a couple here that say

1 local. So 22, 23.

2 A. [REDACTED]

[REDACTED]

21 Q. So for the contracts that are --
22 or excuse me. The applications that are
23 assigned locally and those are licensed with
24 the Prospect CharterCARE systems, are all of
25 those assignable the new CharterCARE entity?

[REDACTED]

[REDACTED]

3 A. I think it's -- it's, you know,
4 implementation, rehosting. I don't think
5 it's, you know, the annual license on an
6 ongoing basis. That's already in the
7 operating budget for the health system. We
8 were trying to really isolate down what's the
9 one-time costs that we're going to incur.

10

[REDACTED]

4 Q. So let me just ask you, the
5 details on this document, how all these
6 details break out, are you the best person to
7 ask questions about, or is somebody else the
8 best person -- is Amanda the best person to
9 ask the details on it?

10 A. [REDACTED]

20 Q. Let's go back to -- we're going to
21 go back to the transition plan. Are you
22 seeing the transition plan again?

23 A. Yes, ma'am.

24 Q. Okay. Great.

25 So I'm going to go down a couple

1 of pages here. And now we're into human
2 resources. And are you familiar with this
3 section?

4 A. Yes, ma'am.

5 Q. Is that something you primarily
6 worked on, or was that something Jeff
7 primarily worked on?

8 A. I mean, I would say Jeff spent
9 more time on this than I did, but, yeah, Jeff
10 for sure.

11 Q. What sections of this transition
12 plan did you spend the most time on?

13 A. IT, rev cycle, finance,
14 governance. Yeah, those are probably the
15 biggest ones. Supply chain. Yeah.

16 Q. I'm going to move forward just for
17 the sake of time to supply chain.

18 A. Okay.

19 Q. [REDACTED]

1

[REDACTED]

24 Q. And you were just talking about
25 how you did do some work on that. Is that

1 shown in a document that you've already
2 provided, or is that different working papers
3 that you have?

4 A. Well, the working paper would
5 have been prepared by the supply chain team,
6 not me. It was just going through their
7 analysis with them.

8 Q. Okay. So what you were just
9 referring to when you talked about that there
10 were savings, you looked at some figures, you
11 don't exactly what they're going to be, that's
12 something that supply chain would have
13 prepared and shown you?

14 A. Yeah. And it may be a work
15 paper in the Bridge right now, Jessica. I'm
16 getting sort of mentally -- I mean, this is
17 going great. But I'm mentally tired. But I
18 think we might even have a work paper on
19 that. Yeah, we do. So there's a line item
20 called GPO optimization. I think we have a
21 work paper on that one.

22 Q. And you're referring to, that
23 would be found in the EBITDA Bridge document,
24 the most recent one?

25 A. Yeah, the last one that's got

1 all the tabs in it.

2 Q. All right. And let's talk about
3 vendors again. There's been assertions
4 that -- there's assertions here in the
5 transition plan that there's going to be
6 decreased costs due to the vendor
7 renegotiations. Can you talk about what's
8 going to incentivize the vendors to negotiate
9 new agreements at more advantageous pricing
10 and terms for the new CharterCARE system?

11 A. Can you be more specific? Like
12 what -- where is the assertion about renewing
13 the --

14 Q. Let's see here. So identifying,
15 improving, and altering contracts. There's
16 approximately 100 key vendors. To enhance
17 relationships and change the incentives.

18 A. Yeah. That's like a fancier
19 sentence than what I was trying to say,
20 right. I mean, I think when you get into the
21 GPO, right, there are suppliers inside that
22 GPO that are a good fit for all of Prospect
23 CharterCARE. And then there's certain
24 suppliers that are a good fit for Rhode
25 Island. And it's going through each one of

1 those key vendors and reassessing should we
2 stay with this person because they have the
3 best price for us a standalone health system,
4 or should we transition to a new vendor that
5 has a better price for a standalone health
6 system.

7 Q. So, at this point, is that
8 something that has been done, or is that
9 something you will do?

10 A. It's something that's been
11 analyzed of the potential benefits. It's not
12 something that has been done because Prospect
13 controls all of those contracts right now.

14 Q. Do you have a quantification of
15 the actual amount of savings, or you're just
16 assuming that there will be savings, but you
17 don't know what that actual amount will be?

18 A. We provided a work paper called
19 GPO optimization, and I believe that has a
20 quantification of the savings on it.

21 MS. RIDER: You know, I'm looking
22 at the time. I wonder if we can take a quick
23 break because I know we're supposed to be
24 wrapped up at 6:30. And I'm looking at what I
25 have to question on. So I think maybe let's

1 take a quick break to make sure we make the
2 best use of the remaining time, if that makes
3 sense for everybody?

4 THE WITNESS: Okay.

5 MS. ROCHA: Sure.

6 MS. RIDER: So we can go off the
7 record.

8 (A short break was taken.)

9 MS. RIDER: So Mr. Mingle, we've
10 all talked offline, and we are looking at how
11 we are at 6:17 p.m. It's been a long day. We
12 expect that there be more questioning, and we
13 wouldn't be able to finish today and that
14 we've all agreed that we will reconvene on May
15 10th at 9:00 a.m. So that's this Friday at
16 9:00 a.m., and that's eastern standard time.
17 I don't know if you'll be in a different time
18 zone. And you understand that and agree to
19 that?

20 THE WITNESS: Yes, ma'am. I'm
21 going to be on slow time. So that will be
22 great.

23 MS. RIDER: Anything for the
24 record before we finish up for today?

25 THE WITNESS: No, ma'am.

1 MS. ROCHA: Not on our end.

2 MS. RIDER: Chris, do you have
3 anything for the record before we finish up
4 for today?

5 MR. CAHILL: So the Rhode Island
6 Attorney General's Office will just reserve
7 its right for Friday. We have just a few
8 questions, I think, that were triggered by the
9 questioning. So we can just wait until Friday
10 if that's acceptable.

11 MS. ROCHA: Right. And we've
12 agreed, though -- Ben needs to leave by
13 noontime. So hopefully that works for
14 everyone's schedule.

15 MS. RIDER: Yes, that will be the
16 intention, to finish that up in the morning.

17 (Whereupon the statement under
18 oath was suspended at 6:19 p.m.,
19 to be reconvened at a later date
20 and time.)

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22

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C E R T I F I C A T E .

DEPOSITION OF: BENJAMIN M. MINGLE

DATE OF DEPOSITION: 5/6/2024

STATE OF GEORGIA)

COUNTY OF FULTON)

I hereby certify that the foregoing transcript was taken down, as stated in the caption, and the questions and answers thereto were reduced to typewriting under my direction, that the foregoing pages represent a true, complete, and correct transcript of the evidence given upon said hearing.

I further certify that I am not of kin or counsel to the parties in the case; am not in the regular employ of counsel for any of said parties, nor am I in any way financially interested in the result of said case.



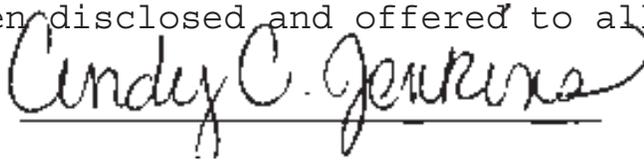
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