

GEORGE JEPSEN  
ATTORNEY GENERAL



55 Elm Street  
P.O. Box 120  
Hartford, CT 06141-0120

Office of the Attorney General  
State of Connecticut

July 28, 2014

**VIA U.S. and ELECTRONIC MAIL**

Darlene Stromstad, FACHE  
President/Chief Executive Officer  
Greater Waterbury Health Network, Inc.  
64 Robbins Street  
Waterbury, Connecticut 06708

Trip Pilgrim  
Senior Vice President, Development  
Tenet Healthcare Corporation  
1445 Ross Avenue, Suite 1400  
Dallas, Texas 75202

**Re: Proposal for Joint Venture between Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc. – OHCA Docket No. 13-31838-CON and Attorney General Docket No. 13-486-01**

Dear Ms. Stromstad and Mr. Pilgrim:

Enclosed please find the Attorney General's First Set of Interrogatories and Requests for Production. Please respond to the attached questions and requests at your earliest convenience, but no later than August 18<sup>th</sup>, 2014, by mailing one (1) complete hard copy and one (1) complete electronic copy of the requested materials to:

Office of the Attorney General  
55 Elm Street, P.O. Box 120  
Hartford, Connecticut 06141-0120  
Attn: Gary W. Hawes, AAG

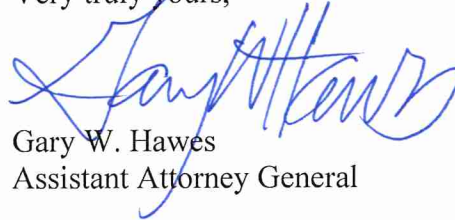
Please mail seven (7) complete copies of the requested materials to:

Office of Health Care Access, Dept. of Public Health  
410 Capitol Avenue  
Hartford, Connecticut 06134  
Attn: Steven W. Lazarus

Greater Waterbury Health Network, Inc.  
Vanguard Health Systems, Inc.  
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Should you have any questions regarding this production request, please do not hesitate to contact Assistant Attorney General Gary W. Hawes at the Office of the Attorney General (860-808-5020; gary.hawes@ct.gov).

Very truly yours,



Gary W. Hawes  
Assistant Attorney General

Enclosure

cc: Steven Lazarus (via electronic mail, with enclosure)  
Ann Zucker (via electronic mail, with enclosure)  
Jeffrey M. Peterson (via electronic mail, with enclosure)

**DOCKET NO: 13-486-01**

**IN RE APPLICATION FOR JOINT VENTURE BETWEEN GREATER WATERBURY HEALTH NETWORK, INC. and VANGUARD HEALTH SYSTEMS, INC.** : **STATE OF CONNECTICUT**  
: **OFFICE OF THE ATTORNEY GENERAL**  
: **JULY 28, 2014**

**ATTORNEY GENERAL’S FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION**

BY AUTHORITY OF THE STATE OF CONNECTICUT, and more particularly, pursuant to the Nonprofit Hospital Conversion Act, (the “Conversion Act”), Conn. Gen. Stat. § 19a-486 et seq., and the authority granted the Attorney General for the State of Connecticut by virtue of § 19a-486c(b)(2) of the General Statutes, the Greater Waterbury Health Network, Inc. (“GWHN”) and Vanguard Health Systems, Inc. (“Vanguard”)(collectively, the “Applicants”) are hereby commanded to present to the Attorney General, UNDER OATH, by delivering to the Office of the Attorney General, 55 Elm Street, P.O. Box 120, Hartford, Connecticut, 06141-0120, Attn: Gary W. Hawes, on or before 5:00 in the afternoon of the 18th day of August, 2014, written answers to the interrogatories herein and documentary materials, in connection with the Application submitted to the Attorney General and the Office of Health Care Access (“OHCA”) relating to the joint venture between the Applicants (the “Joint Venture”).

**DEFINITIONS**

**As Used Herein:**

- (A) “You” or “your” shall mean the Applicants, each subsidiary, division, affiliate, or sub-unit thereof.
- (B) “The State” shall mean and include the Office of the Attorney General and the Office of Health Care Access.

(C) "Identify," "identity," or "identification," when used in reference to a natural person, means to state his or her full name and present or last known address, present or last known position and business affiliation and each position with you.

(D) "Identify," "identity," or "identification," when used with respect to a person who is not a natural person, means to state with respect to each such person its full and correct name; its registered address and its principal place of business; its business structure (e.g., partnership, limited liability company, corporation, etc.); its date and state of formation; its owners, shareholders, directors, officers, members, managers, and/or partners, as appropriate; its agent for service of process; and its federal tax identification number.

(E) "Identify," "identity," or "identification," when used with respect to a fact or event, means to describe the fact or event with reasonable particularity; identify each person believed to have knowledge with respect to the fact or event; and identify each document that refers or relates to the fact or event.

(F) "Person" or "persons" include natural persons, firms, partnerships, associations, joint ventures, corporations, and any other legal entity.

(G) "Any" or "all" means each and every.

(H) "Relating to" or "relate to" means in whole or in part constituting, referring to, commenting on, in respect of, about, regarding, discussing, showing, describing, analyzing, or forming the basis of.

(I) "And" or "or" shall mean and/or so that they both have conjunctive and disjunctive meaning such as to make them terms of inclusion rather than terms of exclusion.

(J) The "JV Hospital" shall mean the limited liability company that is to own the hospital assets, 80% of which will be owned by Vanguard and 20% of which will be owned by GWHN.

(K) The "Foundation" shall mean GWHN after the Applicants have executed the proposed transaction.

(L) The "Agreement" shall mean any and all necessary and material documents evidencing and constituting the understanding of GWHN and Vanguard regarding the Joint Venture.

## INTERROGATORIES

1. Please identify the Foundation's retained liabilities that will not be paid off at closing. For each, please describe how the Foundation intends to manage the retained liability that will not be paid off at closing.
2. Does the Foundation intend to acquire tail insurance as contemplated in section 6.9 of the Contribution Agreement (pp. 122-123) or will the Foundation fund and maintain loss reserves?
  - a. If the Foundation intends to acquire tail insurance, please indicate the extent of the coverage and the retained liabilities that will be covered by the tail insurance.
  - b. If the Foundation intends to fund and maintain loss reserves, please identify the costs or amount of reserves expected for this obligation, how such reserves will be determined, and how such reserves will be funded.
3. Please identify the due diligence performed by the Foundation to assess the possible exposure it faces for the liabilities and obligations identified in section 2.4(f) of the Contribution Agreement (p. 92).
4. Is the Connecticut Health Care Associates pension withdrawal liability represented in the pro forma capitalization table on pages 17 and 18 of the Application? If not, why not.
5. If the Foundation retains the withdrawal liability for the Connecticut Health Care Associates Pension Plan (p.975), why is it also indemnifying the JV Hospital for any payments above \$2.4 million per year going forward (p.135)? On what basis did the Applicants determine the threshold amount of \$2.4 million?
6. On what basis did the Applicants determine the amount that the Foundation would retain as an indemnity reserve, i.e., \$7.5 million for the first three years and \$5.0 million for an additional two years (p.138)?
7. Under what circumstances, other than after Vanguard's possible purchase of the Foundation's interest in the JV Hospital, if any, can there be a capital distribution to one member of the JV Hospital and not to the other, or will all distributions be in proportion to the member's equity interest in the JV Hospital?
8. How does the Foundation intend to use the unrestricted cash that it will have at closing?
9. On what basis does the Foundation believe that it will have sufficient capital to purchase the 80% interest in the JV Hospital should it wish to exercise its right of first refusal, as set forth in section 6.1 of the Operating Agreement (p.171)?

10. What types of healthcare related programs does the Foundation anticipate that it will fund or support if the Application is approved?
11. Does the Foundation believe that Section 10 of the Contribution Agreement, Covenant Not to Compete (pp.129-130), will hinder in any way its ability to fund grants for the provision of healthcare related services in the Waterbury area?
12. Why does a Capital Call, as outlined in section 3.2(a) of the Operating Agreement (p. 159), not require the approval of the Board of Directors of the JV Hospital?
13. Why does the selection of the Chief Executive Officer of the JV Hospital not require the approval of the Board of Directors of the JV Hospital?
14. Why does the Class B member not have a Put Right in the event a Material Dispute has not been resolved pursuant to section 5.4(a) of the Operating Agreement?
15. Why does the Class B member not have a Put Right in the event that any conduct of the Class A member, or any changes in the organizational, governance, or board structure of the JV Hospital as a result of the Agreement, will jeopardize the tax-exempt status of the Class B member?
16. In section 11(a)(4) of the Management Agreement (p. 197), the JV Hospital shall indemnify the Manager for actions and omission if taken in good faith and “with the reasonable belief that such actions or omissions were in or not opposed to the [JV Hospital’s] best interest . . . .” Is it the intention of the Applicants that the “best interest” of the JV Hospital includes its purpose to satisfy the Standards (section 2.6(d) of the Operating Agreement, p. 158) and that any conflict between its duty to maximize profits and its duty to satisfy the Standards will be resolved in favor of satisfying the Standards?
17. Will Vanguard or any of its affiliates or subsidiaries be a party to the Saint Mary’s Hospital System, Inc. (“SMHS”) asset purchase or the running of Saint Mary’s Hospital post purchase?
18. Will Yale-New Haven Health Services Corporation (“YNHH”) or any of its affiliates or subsidiaries be a party to the SMHS asset purchase or the running of Saint Mary’s Hospital post purchase.
19. What will be the corporate relationship, if any, between the JV Hospital and the entity that will own the assets of SMHS? Please provide a full description and an organizational chart of the relationships of the affiliated entities.
20. Will the Vanguard Medical Foundation employ the physicians at SSMH post purchase?

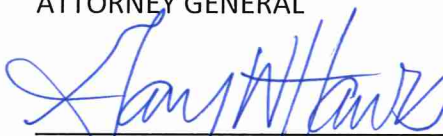
21. Please identify any and all personnel overlap between VHS Waterbury Health System, LLC, and VHS Saint Mary's Health System, LLC, with respect to the board of directors, board of trustees, officers, and executives.
22. Do the proposed joint venture with GWHN and the proposed asset purchase of SMHS allow for the redistribution of capital from one hospital system to the other? If so, please describe any and all mechanisms that would provide for such redistribution.
23. Did GWHN consider the possibility that Vanguard would seek to purchase the assets of SMHS or to enter into a joint venture with SMHS while it was in negotiations with Vanguard? If so, how did this consideration affect your negotiations with Vanguard, if at all.
24. When you learned about Tenet's agreement with SMHS to purchase substantially all of SMHS's assets, how did GWHN assess the impact of that agreement on the Agreement between GWHN and Vanguard, including but not limited to its impact on
  - a. the governance of the JV Hospital,
  - b. the purchase price for GWHN's delivery of assets, and
  - c. any other term and conditions in the Agreement?
25. Did GWHN pursue any changes in the Agreement with Vanguard as a result of the proposed SMHS asset purchase?
26. What role will YNHH have in the election of directors to the JV Hospital by VHS Waterbury Management Company, LLC ("VHS WMC")?
27. Will individuals serve on the boards of both YNHH and the JV Hospital?
28. What role will YNHH have in the management of the JV Hospital?
29. Will YNHH supply or recruit individuals to perform specific managerial duties for VHS WMC, as those duties are set forth in section 2.1 of the Management Agreement (p. 186)? If so, please identify those duties, and indicate any compensation that YNHH will receive for these services.

**REQUESTS FOR PRODUCTION**

Please provide copies of the following:

1. Schedules 2.3(c), 2.3(d), 2.3(g), 2.4 of the Contribution Agreement.
2. The Foundation's intended certificate of incorporation and bylaws and any projected capital and operating budget.
3. A current pro forma capitalization table.
4. The Joint Venture Agreement between YNHH and Tenet Healthcare Corporation.

GEORGE JEPSEN  
ATTORNEY GENERAL



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Gary W. Hawes, AAG  
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55 Elm Street, P.O. Box 120  
Hartford, CT 06141-0120  
Telephone: 860-808-5020  
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