

HOSPITAL CONVERSION APPLICATION

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

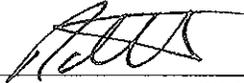
Name of Transacting Parties: <p style="text-align: center;">Steward Health Care System LLC</p>
Date Application Submitted: October 14, 2011 Resubmitted December 13, 2011 Supplemented January 11, 2012
Date of Agreement Execution with the Director for Payment of Costs*: January 11, 2012
Date of Agreement Execution with the Attorney General for Payment of Costs*: January 11, 2012

* Please provide copies of the responsive documents.

CERTIFICATION

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

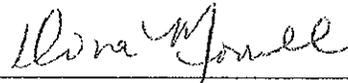
I hereby certify that the information contained in this application is complete, accurate and true.



Signed by the President or Chief Executive Officer

Steward Health Care System LLC
Entity

Subscribed and sworn to before me on this 1st day of December 2011.



Notary Public

My Commission Expires: 11/18/16

Name of Transacting Parties: Steward Medical Holdings LLC
Date Application Submitted: October 14, 2011 Resubmitted December 13, 2011 Supplemented January 11, 2012
Date of Agreement Execution with the Director for Payment of Costs*: January 11, 2012
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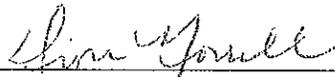
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Steward Medical Holdings LLC
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My Commission Expires: 11/18/16

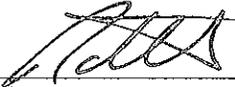
Name of Transacting Parties: Blackstone Medical Center, Inc. f/k/a Steward Medical Holdings Subsidiary Four, Inc.
Date Application Submitted: October 14, 2011 Resubmitted December 13, 2011 Supplemented January 11, 2012
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Signed by the President or Chief Executive Officer

Blackstone Medical Center, Inc. f/k/a
Steward Medical Holdings Subsidiary Four, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.



Notary Public

My Commission Expires: 11/13/16

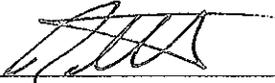
Name of Transacting Parties: Blackstone Rehabilitation Hospital, Inc. f/k/a Steward Medical Holdings Subsidiary Four Rehab, Inc.
Date Application Submitted: October 14, 2011 Resubmitted December 13, 2011 Supplemented January 11, 2012
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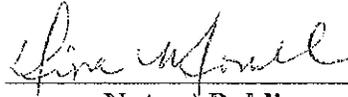
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Signed by the President or Chief Executive Officer

Blackstone Rehabilitation Hospital, Inc. f/k/a
Steward Medical Holdings Subsidiary Four Rehab, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.



Notary Public

My Commission Expires: 11/18/16

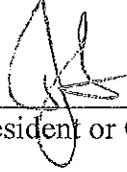
Name of Transacting Parties: Jonathan N. Savage, Esq. in his capacity as the court-appointed Special Master for Landmark Health Systems, Inc., Landmark Medical Center and Northern Rhode Island Rehab Management Associates, L.P. d/b/a/ Rehabilitation Hospital of Rhode Island
Date Application Submitted: October 14, 2011 Resubmitted December 13, 2011 Supplemented January 11, 2012
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I hereby certify that the information contained in this application is complete, accurate and true.



Signed by the President or Chief Executive Officer

Jonathan N. Savage, Esq. in his capacity as the court-appointed Special Master for Landmark Health Systems, Inc., Landmark Medical Center and Northern Rhode Island Rehab Management Associates, L.P. d/b/a/ Rehabilitation Hospital of Rhode Island
Entity

Subscribed and sworn to before me on this 1st day of December 2011.



Notary Public

My Commission Expires: 4/1/2014

CERTIFICATION

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

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


Signed by the President or Chief Executive Officer

Steward Health Care System LLC
Merrimack Valley Hospital

Subscribed and sworn to before me on this 1st day of December 2011.


Notary Public
My Commission Expires:
7-7-2017

CERTIFICATION

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

I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.



Signed by the President or Chief Executive Officer

Nashoba Valley Medical Center, A Steward Family Hospital, Inc.
Entity

Subscribed and sworn to before me on this 1 day of December 2011.



Notary Public

My Commission Expires:

CERTIFICATION

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

I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.



Signed by the President or Chief Executive Officer

Quincy Medical Center, A Steward Family Hospital, Inc.
Entity

Subscribed and sworn to before me on this 8 day of December 2011.

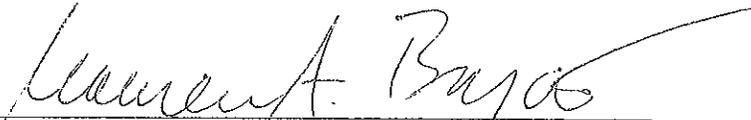


Notary Public
My Commission Expires:

CERTIFICATION

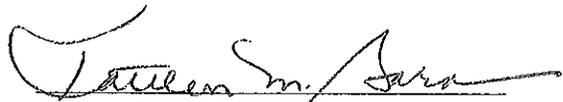
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Signed by the President or Chief Executive Officer

Morton Hospital, A Steward Family Hospital, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.


Notary Public

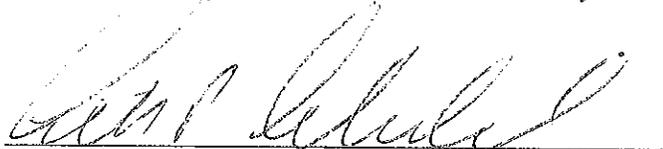
My Commission Expires: 9-7-2012

KATHLEEN M. BARAN
NOTARY PUBLIC
My commission expires Sept. 7 2012

CERTIFICATION

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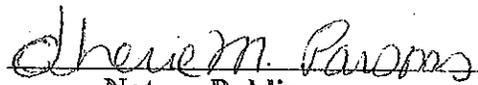
I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.


Signed by the President or Chief Executive Officer

Steward Holy Family Hospital, Inc.
Entity

Subscribed and sworn to before me on this 1 day of December 2011.

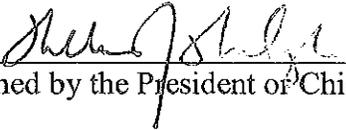
Lester P Schindel personally appeared before me, and proved his/her identification through satisfactory evidence, which were PA Lic. to be the person whose name is signed on the preceding or attached document in my presence on this 15 day of Dec, 2011
Sherie M. Parsons
Notary Public
Commonwealth of Massachusetts
My Commission Expires May 18, 2012


Notary Public
My Commission Expires: 5/18/2012

CERTIFICATION

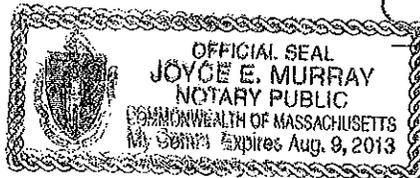
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I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.


Signed by the President or Chief Executive Officer

Steward Carney Hospital, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.

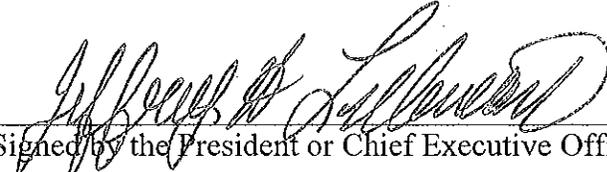



Notary Public
My Commission Expires:

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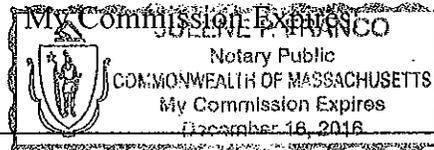
I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.


Signed by the President or Chief Executive Officer

Steward Good Samaritan Medical Center, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.

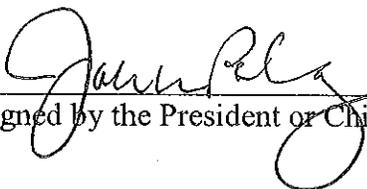

Notary Public



CERTIFICATION

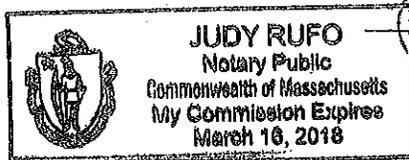
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I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.


Signed by the President or Chief Executive Officer

Steward St. Elizabeth's Medical Center of Boston, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.

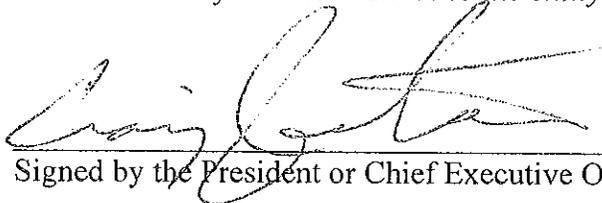



Notary Public
My Commission Expires:

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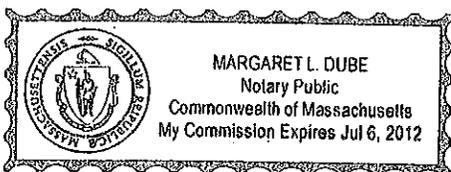
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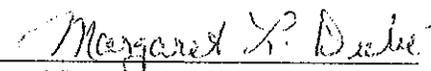
I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.


Signed by the President or Chief Executive Officer

Steward St. Anne's Hospital Corporation
Entity

Subscribed and sworn to before me on this 1st day of November 20 11.

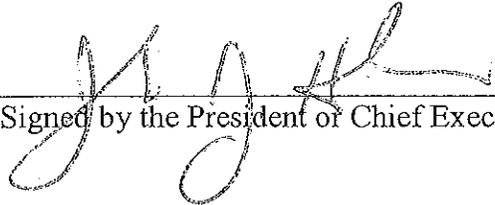



Notary Public
My Commission Expires: 7-6-12

CERTIFICATION

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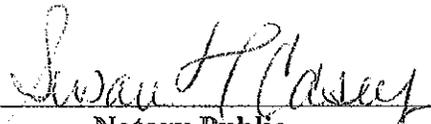
I hereby certify that the information contained in this application is complete, accurate and true to the extent that such information relates to the entity named below.



Signed by the President or Chief Executive Officer

Steward Norwood Hospital, Inc.
Entity

Subscribed and sworn to before me on this 1st day of December 2011.



Notary Public
My Commission Expires:

7/5/14

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A. OVERVIEW

1. Please provide an executive summary of the proposed conversion which shall include (a) discussion of the timing, cost, source of funds, etc. of the individual elements that will occur as a result of the proposed conversion (including real estate sales, development of new services and/or facilities, etc.) and (b) identify and quantify benefits to the community from the conversion (that could not be effectuated by other means except for the conversion), starting with the Effective Date, running 10 years forward, and provide all supporting documentation.

(a) This application will outline the proposed acquisition of Landmark Health Systems, Inc. (“LHS”) and Landmark Medical Center (“LMC”) by Blackstone Medical Center, Inc. f/k/a Steward Medical Holdings Subsidiary Four, Inc. (“Blackstone Medical”) and the proposed acquisition of Northern Rhode Island Rehab Management Associates, L.P. d/b/a Rehabilitation Hospital of Rhode Island (“RHRI”) by Blackstone Rehabilitation Hospital, Inc. f/k/a Steward Medical Holdings Subsidiary Four Rehab, Inc. (“Blackstone Rehab”). LHS, LMC, RHRI, Steward Health Care System LLC (“SHCS”), Steward Medical Holdings LLC (“SMH”), Blackstone Medical and Blackstone Rehab are all “Transacting Parties”, as that term is defined in the Hospital Conversions Act. SHCS, SMH, Blackstone Medical and Blackstone Rehab shall be referred to collectively throughout this application as “Steward”. The acquisitions are pursuant to an Asset Purchase Agreement entered into by order of the Superior Court for the County of Providence on June 8, 2011 between Jonathan N. Savage, solely in his capacity as the Court-appointed Special Master (“Special Master”) for LHS, LMC and RHRI (the “Sellers” or the “Landmark Entities”), and SHCS and Blackstone Medical (the “Buyers”). Please note that when information is provided in this application for LMC and RHRI for the period post-closing, it is understood that at that time the facilities will be licensed under the names Blackstone Medical and Blackstone Rehab, respectively.

Steward Health Care System

Organization

SHCS is a Delaware limited liability company formed on March 18, 2010. It is the parent company of SMH, a Delaware limited liability company, Steward Hospital Holdings, a Delaware limited liability company (“SHH”), and other entities that together form a broad health care system in Massachusetts. See [Exhibit 12\(a\)](#). Both Blackstone Medical and Blackstone Rehab are Delaware for-profit corporations, and are direct subsidiaries of SMH, and indirect subsidiaries of SHCS.

SHH is the parent company of 6 community hospitals in Massachusetts that are bound by the Ethical and Religious Directives for Catholic Health Care Services, which were acquired on November 6, 2010. In addition to Blackstone Medical and Blackstone Rehab, SMH is also the parent company of 4 additional community hospitals located in Massachusetts, which SMH acquired on May 1, 2011 and September 30, 2011. All of the hospitals held by SHH and SMH are treated in this application as “affiliate hospitals”, where that term is used and applicable.

Landmark Health System

Organization

Woonsocket Hospital (“WH”) was established as a non-profit charity in 1873. It continued to operate in this form, as amended from time to time, until the late 1980s. In 1987, WH was reorganized under a newly created parent corporation known as Woonsocket Community Health (“WCH”) for the purpose of advancing the hospital’s mission. Shortly thereafter WH merged and consolidated with John Fogarty Memorial Hospital (“Fogarty Hospital”), a similar facility located in North Smithfield, Rhode Island. The newly combined entity was known as Woonsocket Hospital Corporation (“WHC”), which changed its name to Landmark Medical Center on September 8, 1988. Currently, LMC is licensed as a 214-bed general acute care hospital located in Woonsocket, Rhode Island.

At the same time that WH and FH merged, WH’s parent corporation, WHC, merged and consolidated with the parent of Fogarty Hospital, Fogarty Health Systems, Inc. The consolidated entity, Fogarty-Woonsocket Health Care Corporation, changed its name to Landmark Health Systems on September 8, 1988. LHS is a tax-exempt organization and sole corporate member of LMC. LHS was formed to own, manage, and operate both hospital facilities, merge their operations and otherwise advance their missions. With LHS as the sole operator of both hospitals, the two facilities improved the integration and efficiency of their operations, and continued to serve communities in northern Rhode Island and southeastern Massachusetts with the same high quality health care that these facilities had traditionally provided.

LHS subsequently formed a joint venture with Braintree Rehabilitation Hospital in Braintree, Massachusetts for the purposes of converting and operating the facilities of the former Fogarty Hospital as a specially licensed rehabilitation hospital. This facility is RHRI, which is a for-profit rehabilitation hospital located in North Smithfield, Rhode Island.

In 2003, LHS subsequently formed a Joint Venture with LMC known as Northern Rhode Island Rehab Management Associates (NRIRMA). NRIRMA is a Delaware Corporation formed for the purposes of acquiring full ownership of and operating RHRI and its facilities.

In 2008, NRIRMA sold certain properties and facilities of RHRI to Medistar Rhode Island, LLC; a Texas limited liability company. NRIRMA leased back these properties from Medistar and continues to operate and manage RHRI.

LHS, LMC, NRIRMA and their organizational predecessors have created various subsidiary and/or affiliated entities which relate or related to serving the respective missions of each organization. Most of such affiliated entities no longer exist, or are no longer active. [Exhibit 1\(a\)](#) identifies all Landmark-related corporations and the current status of each. An organizational diagram is provided at [Exhibit 12\(b\)](#). Corporate documents and certificates for all active entities are provided among the documents in this submission.

Court Supervision and Governance

On June 26, 2008, the Superior Court for the County of Providence appointed the Special Master to oversee the operations of LHS, LMC and RHRI. The Special Master, under the supervision the Court

and in his capacity as Special Master, is the sole governing and operational authority for LMC, LHS, and NRIRMA. The Landmark entities presently have no governing body, trustees, or other executives empowered to direct the Special Master or to undertake actions not delegated or approved by the Special Master.

The body of senior managers involved in the daily operations of the Landmark entities, all of whom report to the Special Master, has been extensively reduced and consolidated since 2008, and is described and detailed in various documents included in this submission.

Bid Process

Throughout the mastership proceeding, the Special Master, with the oversight of the Court-designated health care expert Pricewaterhouse Coopers, LLP (“PwC”), diligently searched for a strategic partner for the acquisition of the assets and business of the Landmark Entities. Despite receiving a significant amount of interest from numerous parties between 2008 and 2010, none of those interested parties completed a transaction for the purchase of the assets and business of the Landmark Entities.

In or about January 2011, in an effort to identify prospective purchasers for the Landmark Entities, with the recommendation of PwC, the Special Master retained Joshua Nemzoff of Nemzoff & Company, LLC to act as a Hospital Acquisition Advisor. Following Mr. Nemzoff’s retention by the Special Master, he identified approximately fifteen (15) entities interested in bidding on the assets and business of the Landmark Entities. In response to the growing interest in the acquisition of the assets and business of the Landmark Entities, the Superior Court for the State of Rhode Island sitting in Providence County entered an Order (attached as [Exhibit 1\(b\)](#)) outlining a process pursuant to which (i) those entities interested in purchasing the assets and business of the Landmark Entities could submit bids for the same, (ii) the Special Master and the Court could consider those bids submitted, and (iii) the Court could eventually make a decision relative to the bids submitted (the “Bid Process”).

As a result of the Bid Process, five (5) entities submitted bids for the assets and business of the Landmark Entities and the Court held several lengthy hearings relative to those bids submitted. Subsequent to those hearings, the Court on at least two (2) occasions directed the bidders to improve their respective bids and/or provide greater detail with regard to certain issues presented in their bids. Prior to a scheduled bid selection hearing, in or about late May 2011/early June 2011, Steward presented the Special Master with a bid which the Special Master deemed superior to all other bids that had been submitted to the Court. The Special Master presented the bid to the Court requesting authorization to accept the Steward bid. At the conclusion of a lengthy hearing, the Court determined that none of the previously submitted bids were acceptable or viable, that the Steward bid was acceptable and viable and that the Special Master was authorized to execute the Asset Purchase Agreement and Agreement for Advisory Services with Steward.

Proposed Conversion

The Court approved the Asset Purchase Agreement on June 8, 2011. Under the Asset Purchase Agreement, the Sellers propose to sell all right, title and interest in all assets, both real and personal, and both tangible and intangible, associated with owning, leasing, managing and operating LMC and RHRI, free and clear of all claims, liens and encumbrances. The assets include the business operations and any other assets located at the following addresses:

- a. 115 Cass Avenue, Woonsocket, Rhode Island (the “Main Campus”);
- b. 116 Eddie Dowling Highway, North Smithfield, Rhode Island (“RHRI Campus”);
- c. 196 Cass Avenue, Woonsocket, Rhode Island (the “Business Office”);
- d. 186 Cass Avenue, Woonsocket, Rhode Island (the “Heart Center”);
- e. 206 Cass Avenue, Woonsocket, Rhode Island (the “Vacant Suite”);
- f. 219 Cass Avenue, Woonsocket, Rhode Island (the “Medical Office Bldg”);
- g. 20 Cumberland Hill Road, Woonsocket, Rhode Island (the “Drawing Station”);
- h. 115 Cass Avenue, Woonsocket, Rhode Island, Suite 2 (the “Oncology Practice”);
- i. 355 Cass Avenue, Woonsocket, Rhode Island (“Parking”);
- j. 63 Eddie Dowling Highway, North Smithfield, Rhode Island (“OB Practice”);
and
- k. 1526 Atwood Avenue, Johnston, Rhode Island (“Atwood Therapy Services”)
(Site closed as of August 2011).

Under the Asset Purchase Agreement, the Buyers will pay a total purchase price of Forty Million One Hundred Thousand Dollars (\$40,100,000) (subject to various adjustments), plus the value of Net Working Capital determined by the parties. The Purchase Price will be payable as follows:

- (a) \$30,000,000 shall be paid for capital expenditures during the first five (5) years following the Closing;
- (b) \$2,000,000 shall be deemed paid at Closing by virtue of Steward, as successor-in-interest to Caritas Christi, providing evidence that Sellers’ outstanding indebtedness to Caritas Christi is cancelled;
- (c) \$1,600,000 shall be payable at Closing in satisfaction of Sellers’ indebtedness to CRB Holdings, Inc.;
- (d) \$2,000,000 shall be payable at Closing in satisfaction of Sellers’ indebtedness to Blue Cross Blue Shield; and
- (e) \$3,500,000 shall be payable at Closing by payment of the premium for the “tail” insurance contemplated in the Asset Purchase Agreement.

The transaction shall be funded entirely through equity and Steward will not take on any new debt commitments. The \$30,000,000 investment in capital is intended to be used in connection with the operation of the facilities as well as needed updates to the facilities, such as investments in technology or expansion of services. In addition, Steward plans to spend \$4,500,000 in the first 5 years following closing for the purposes of physician recruitment to meet the needs of the community. Finally, Steward anticipates that 2.5% of annual net patient revenues will be allotted for routine capital expenditures.

Steward Health Care System has developed a preliminary capital expenditure plan for Blackstone Medical and Blackstone Rehab (see [Confidential Exhibit 26\(a\)](#) at LMC 01376). The current plan includes upgrades to clinical equipment such as diagnostic imaging and cardiovascular equipment, facilities and infrastructure investments, including renovations of the emergency department, information technology improvements across the facilities, and investments to foster the growth of primary and specialty care. See also [Confidential Exhibit 43\(d\)](#) at LMC 02033-1 – LMC 02033-14.

Please note, that this is a preliminary plan and is subject to change. Steward values the input of local management and board members. After the transaction is concluded the capital plan will be further evaluated and finalized.

All capital for the transaction is fully funded by 100% owner's equity. Please see [Exhibit 43\(a\)\(1\)](#) for more information about SHCS's financial position and available cash.

The Closing is scheduled to occur on December 31, 2011, or such other date as the Buyers and Sellers agree to in writing, subject to approval of this proposed conversion. As of the filing of this application, Steward anticipates that the senior managers at LMC and RHRI will remain in their positions immediately after the effective date of the conversion. Robert Guyon, former COO of SHCS, will serve as Chief Restructuring Officer immediately upon closing. As part of his responsibilities he will be evaluating all current management in their roles and determining where changes and/or additions need to be made.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

(b)

Medical Services Provided and Population Served

At issue in this proposed conversion is the continuation of the provision of vital medical services to an underserved and medically needy community within Rhode Island. LMC provides a substantial percentage of all hospital care required by residents of Providence County on any given day. This includes approximately 65% of all acute hospital care required by residents of Woonsocket. A high proportion of these residents lack health insurance and other economic resources. Moreover, this population displays a greater than average need for health services as the city and nearby suburbs are home to an older, more isolated and more disabled population than other areas of the state. The area also has one of the highest poverty rates and lowest median incomes in the state and the area populace, as a whole, lacks the ability to provide charitable contributions to support LMC. (See [Exhibit 1\(c\)](#))

Unable to develop an endowment, LMC is one of the most disadvantaged hospitals in the state. LMC operates one of the state's busiest emergency rooms providing over 40,000 emergency visits per year. Roughly 25% of these patients arrive at the hospital by ambulance. LMC also treats a higher proportion of complex cases than most other Rhode Island facilities reporting the third highest Medicare case-mix index of all hospitals in the state. (See [Exhibit 1\(d\)](#))

Many services provided by LMC are not uniformly available at other area hospitals. Important examples include emergency interventional cardiac care and on-site radiation therapy. Ready availability of services such as these positively impact survival rates and outcomes for area residents. (See [Exhibit 1\(d\)](#)).

RHRI, LMC's sister hospital, is the only freestanding hospital facility in Rhode Island that focuses exclusively on patients who cannot be discharged from an acute hospital to their home or to a community setting because of special rehabilitation needs. RHRI provides a more specialized but lower cost alternative for treatment of these patients (600-700 annually) who would otherwise require extended stays in acute facilities.

Benefits to the Communities Served

An Essential Provider

LMC and RHRI are critical elements in the statewide system of hospital care. In 2010, the Rhode Island General Assembly passed the "Distressed Essential Community Hospitals Act" declaring that "certain community hospitals act as the sole source of immediate access to hospital care for residents of the areas" they serve, and that such hospitals "are essential to the maintenance of public health and safety." R.I. Gen. Laws § 23-17.25-1(1). The General Assembly further recognized that the "diversity of services provided by these essential community hospitals are necessary for the overall health and safety of the community, but result in financial distress for the hospitals that must serve large uninsured or governmentally insured populations." R.I. Gen. Laws § 23-17.25-1(2). The General Assembly declared that LMC is such a distressed essential community hospital. R.I. Gen. Laws § 23-17.25-1(5). (See [Exhibit 1\(e\)](#))

Value to the Local and State Economies

Both LMC and RHRI are efficient, low cost facilities that help to lower the overall cost of hospital care in Rhode Island. This is demonstrated in a variety of studies and reports prepared by state agencies and others over the past decade. LMC and RHRI are also important contributors to the economies of the communities they serve as well as the broader statewide economy. Together they employ more than 1,300 persons and generate approximately \$190M in other forms of local spending that generate additional downstream employment economic stimulation. The General Assembly, in the Distressed Essential Community Hospitals Act, expressly acknowledged that "ensuring the financial viability of LMC will preserve 1,300 jobs and benefit the State of Rhode Island." R.I. Gen. Laws § 23-17.25-1(7). (See [Exhibits 1\(c\) & 1\(d\)](#))

Economic Distress

In its 2010 legislation, the RI General Assembly found that LMC was a "Distressed Essential Community Hospital" and suffered economic challenges similar to other hospitals of that type. Reimbursement to LMC has traditionally been lower than at other hospitals when providing comparable services delivered to comparable patients. While such lower cost of reimbursed services may benefit patients and insurers, it has frequently caused LMC to endure financial losses. These losses have been exacerbated by:

- An Unfavorable Patient Mix: LMC serves a large proportion of persons for whom it receives either no payment or payments which fail to cover the cost of services. These persons include those without insurance, as well as persons covered by Medicare, Medicaid or similar

government programs. Seventy (70%) percent of all LMC inpatient payor mix is Medicare, Medicaid and self-pay.

- **Inadequate Commercial Reimbursement:** A report prepared by the Office of the Rhode Island Health Commissioner in 2010 found that LMC was being paid at 78% of the statewide average for comparable services provided to comparable patients.
- **Limited Charitable Support:** While some hospitals have coped with declining reimbursement through increased charitable support, the small economic base within the LMC service area is unable to provide the degree of assistance required. Moreover, due to demographic and economic difficulties described above, LMC is unable to develop an endowment. As a result of these continued pressures, LMC was forced to seek court protection in 2008 in the Mastership Proceedings, in order to provide an opportunity to reorganize and develop options for future operation.

This submission includes documents pertaining to LMC's financial performance in recent years including audited and unaudited financial statements, outstanding debts and projected spending as available.

Benefit of the Proposed Conversion

The goal of the Special Mastership is to sell the assets of LMC, LHS, and RHRI, excepting cash and accounts receivables, to a buyer who will maintain the full medical services provided by the LMC and RHRI. An additional benefit of the conversion is the maintenance of a critical component of the northern Rhode Island and state economies. The proposed conversion will be the conclusion of over 3 years of efforts by the Special Master, with considerable assistance from the Department of Health and the Attorney General's office, to find an appropriate buyer for LHS, LMC and RHRI.

As noted above, LMC and RHRI provide valuable services to a traditionally underserved and medically needy patient population, but they are struggling to survive and have needed the protection of the Special Mastership in order to continue providing services. The appropriate buyer must be both financially capable of making many needed investments into the infrastructure of LMC and RHRI, and also have experience with managing and operating community hospitals. Steward plans to maintain and improve upon the services currently offered. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced and the LMC and RHRI service areas would lose vital health care providers. Steward will be able to infuse much-needed capital into the facilities, and bring its experience with operating 10 community hospitals in Massachusetts to Rhode Island.

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

Steward Health Care System LLC

Steward Medical Holdings LLC

Blackstone Medical Center, Inc. f/k/a
Steward Medical Holdings Subsidiary Four, Inc.

Blackstone Rehabilitation Hospital, Inc. f/k/a
Steward Medical Holdings Subsidiary Four Rehab, Inc.

Name: Ralph de la Torre, MD	Telephone: (617) 419-4701	
Address: 500 Boylston Street, Boston	State: MA	Zip: 02116
E-mail: Ralph.delatorre@steward.org	Fax (617) 419- 4800	

Jonathan N. Savage, Esq. in his capacity as the court-appointed Special Master for
Landmark Health Systems, Inc., Landmark Medical Center and Northern Rhode Island Rehab
Management Associates, L.P. d/b/a/ Rehabilitation Hospital of Rhode Island

Name: Richard R. Charest	Telephone: (401) 769-4100 Ext. 2000	
Address: 115 Cass Avenue, Woonsocket	State: RI	Zip: 02895
E-mail: rcharrest@landmarkmedical.org	Fax: (401) 766-5488	

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

Steward Health Care System LLC

Steward Medical Holdings LLC

Blackstone Medical Center, Inc. f/k/a
Steward Medical Holdings Subsidiary Four, Inc.

Blackstone Rehabilitation Hospital, Inc. f/k/a
Steward Medical Holdings Subsidiary Four Rehab, Inc.

Name: Jeffrey F. Chase-Lubitz, Esq.	Telephone: (401) 454-0400	
Address: Donoghue, Barrett & Singal PC Ten Weybosset Street, Suite 602 Providence	State: Rhode Island	Zip: 02903
E-mail: jfcl@dbslawfirm.com	Fax (401) 454-0404	

Jonathan N. Savage, Esq. in his capacity as the court-appointed Special Master for
Landmark Health Systems, Inc., Landmark Medical Center and Northern Rhode Island Rehab
Management Associates, L.P. d/b/a/ Rehabilitation Hospital of Rhode Island

Name: Jonathan N. Savage, Esq.	Telephone: (401) 272-1400	
Address: Schectman Halperin Savage LLP 1080 Main Street Pawtucket	State: Rhode Island	Zip: 02903
E-mail: jsavage@shslawfirm.com	Fax (401) 766-5488	

B. EXISTING AFFILIATE HOSPITALS OF THE TRANSACTING PARTIES:

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

Name of Facility: Landmark Medical Center		License #: HOS00117	
Address: 115 Cass Avenue, Woonsocket		State: RI	Zip: 02895
Telephone: (401) 769-4100			
Type of Ownership: <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC			
Tax Status: <input type="checkbox"/> For-profit <input checked="" type="checkbox"/> Non-Profit			

Name of Facility: Rehabilitation Hospital of Rhode Island		License #: RHC02102	
Address: 116 Eddie Dowling Highway, North Smithfield		State: RI	Zip: 02896
Telephone: (401) 766-0800			
Type of Ownership: <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> LLC			
Tax Status: <input checked="" type="checkbox"/> For-profit <input type="checkbox"/> Non-Profit			

Name of Facility: Merrimack Valley Hospital, A Steward Family Hospital, Inc.		License #: 2131	
Address: 150 Lincoln Avenue, Haverhill		State: MA	Zip: 01830
Telephone: (978) 374- 2000			
Type of Ownership: <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC			
Tax Status: <input checked="" type="checkbox"/> For-profit <input type="checkbox"/> Non-Profit			

Name of Facility: Nashoba Valley Medical Center, A Steward Family Hospital, Inc.	License #: 2298	
Address: 200 Groton Road, Ayer	State: MA	Zip: 01432
Telephone: (978) 784- 9000		
Type of Ownership: ___Individual ___Partnership <u>X</u> Corporation ___LLC		
Tax Status: <u>X</u> For-profit ___Non-Profit		

Name of Facility: Quincy Medical Center, A Steward Family Hospital, Inc.	License #: 2151	
Address: 114 Whitwell Street, Quincy	State: MA	Zip: 02169
Telephone: 617-773-6100		
Type of Ownership: ___Individual ___Partnership <u>X</u> Corporation ___LLC		
Tax Status: <u>X</u> For-profit ___Non-Profit		

Name of Facility: Morton Hospital, A Steward Family Hospital, Inc.	License #: 2022	
Address: 88 Washington Street, Taunton	State: MA	Zip: 02780
Telephone: 508-828-7000		
Type of Ownership: ___Individual ___Partnership <u>X</u> Corporation ___LLC		
Tax Status: <u>X</u> For-profit ___Non-Profit		

Name of Facility: Steward Carney Hospital, Inc.	License #: 2003	
Address: 2100 Dorchester Ave, Dorchester	State: MA	Zip: 02124
Telephone: 617-296-4000		
Type of Ownership: ___Individual ___Partnership <u>X</u> Corporation ___LLC		
Tax Status: <u>X</u> For-profit ___Non-Profit		

Name of Facility: Steward Good Samaritan Medical Center, Inc.	License #: 2311	
Address: 235 North Pearl Street, Brockton	State: MA	Zip: 02301
Telephone: 508-427-3000		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

Name of Facility: Steward Holy Family Hospital, Inc.	License #: 2225	
Address: 70 East Street, Methuen	State: MA	Zip: 01844
Telephone: 978-687-0151		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

Name of Facility: Steward Norwood Hospital, Inc.	License #: 2114	
Address: 800 Washington Street, Norwood	State: MA	Zip: 02062
Telephone: 781-769-4000		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

Name of Facility: Steward St. Elizabeth's Medical Center of Boston, Inc.	License #: 2085	
Address: 236 Cambridge Street, Brighton	State: MA	Zip: 02135
Telephone: 617-789-3000		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

Name of Facility: Steward St. Anne's Hospital Corporation	License #: 2011	
Address: 795 Middle Street, Fall River	State: MA	Zip: 02721
Telephone: 508-674-5600		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

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

Name of Facility: Blackstone Medical Center, Inc.	License #: TBD	
Address: 115 Cass Avenue, Woonsocket	State: RI	Zip: 02895
Telephone: (401) 769-4100		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

Name of Facility: Blackstone Rehabilitation Hospital, Inc.	License #: TBD	
Address: 116 Eddie Dowling Highway, North Smithfield	State: RI	Zip: 02896
Telephone: (401) 766-0800		
Type of Ownership: ___ Individual ___ Partnership <u>X</u> Corporation ___ LLC		
Tax Status: <u>X</u> For-profit ___ Non-Profit		

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

Month/Year: March 2012

C. CORPORATE

7. With regard to the officers, members of the boards of directors, trustees, executives, and senior level managers of each of the Transacting Parties and their affiliates, please provide the following for the past 3 years: (a) name; (b) address; (c) phone number; (d) occupation; and (e) tenure. Provide the names and addresses of the members of the board of directors after the conversion of the Transacting Parties and their affiliates, identifying any additional members or removal of members.

See attached at [Exhibit 7](#). As of the date of this application, the Boards of Directors of Blackstone Medical and Blackstone Rehab consist of Ralph de la Torre, M.D., Michael Callum, M.D. and Mark Rich. Within 90 days of the closing, Steward will establish full boards for Blackstone Medical and Blackstone Rehab of between 7 and 11 individuals and elect members in roughly the following proportions: 3 directors serving by virtue of their positions at SHCS (CEO, Ralph de la Torre, M.D.; CFO, James Renna; General Counsel, Joseph Maher, Jr., Esq.); 2 to 3 physicians on the hospital medical staff or with ties to the service area; and the remainder consisting of community and healthcare leaders and/or prominent local business executives who demonstrate the desire to revitalize the hospitals. At closing, the boards will consist of the 3 Steward executives serving *ex officio*. SHCS is actively pursuing members of the community for the Blackstone Medical and Blackstone Rehab boards who are interested in advancing community health care in the hospitals' service areas. The majority of board members will live within the primary service areas of Blackstone Medical and Blackstone Rehab, respectively, and will thus have a personal interest in the health care services provided within the community.

8. Please provide a list of all current committees, subcommittees, task forces, or similar entities of the board of directors or trustees. With regard to each please include:

- i. a short description of the purpose of each committee; and
- ii. the name, address, phone number, occupation and tenure of each current committee member.

See attached [Exhibit 8](#) for information related to Steward. As noted in the Executive Summary, the Landmark Entities have been under the Special Mastership since 2008. At the time of the appointment of the Special Master, all boards and committees of the Landmark Entities were dissolved.

As of the filing of this application, Steward has not named the members of the committees of the Blackstone Medical and Blackstone Rehab boards of directors. It will identify the committee members prior to closing. Steward is actively pursuing members of the community to serve on the Blackstone Medical and Blackstone Rehab boards and their committees who are interested in advancing community health care in the hospitals' service areas and who bring relevant qualifications and experience.

9. Please provide agenda, meeting packages, and minutes of all meetings of the board of directors or trustees and any of its committees, subcommittees, task forces, or similar entities that occurred within the 2 year period prior to submission of the application (beginning with January 1) to the present in identifiable format.

See attached at [Confidential Exhibit 9](#).

As noted in the Executive Summary, the Landmark Entities have been under the Special Mastership since 2008. At the time of the appointment of the Special Master, all boards and committees of the Landmark Entities were dissolved.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

- (a) Certificate and Articles of Incorporation and By-laws (for corporation)
- (b) Certificate of Partnership and Partnership Agreement (for partnerships)
- (c) Certificates of Organization and Operating Agreement (for limited liability companies)
- (d) Board adopted mission and charter

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

See attached:

- [Exhibit 10\(a\)](#), Organizational documents for Landmark Health Systems and Landmark Medical Center
- [Exhibit 10\(b\)](#), By-laws of Landmark Health Systems
- [Exhibit 10\(c\)](#), By-laws of Landmark Medical Center
- [Exhibit 10\(d\)](#), Organizational documents for Northern Rhode Island Rehab Management Associates, L.P.
- [Exhibit 10\(e\)](#), Partnership Agreement of Northern Rhode Island Rehab Management Associates, L.P.
- [Exhibit 10\(f\)](#), Organizational documents for SHCS
- [Exhibit 10\(g\)\(1\)](#), Third Amended and Restated Limited Liability Company Agreement for SHCS
- [Exhibit 10\(g\)\(2\)](#), Fourth Amended and Restated Limited Liability Company Agreement for SHCS
- [Exhibit 10\(h\)](#), Organizational documents for SMH
- [Exhibit 10\(i\)](#), Limited Liability Company Agreement for SMH
- [Exhibit 10\(j\)](#), Organizational documents for Blackstone Medical
- [Exhibit 10\(k\)](#), Blackstone Medical By-laws (to replace the LMC By-laws)

- [Exhibit 10\(l\)](#), Organizational documents for Blackstone Rehab
- [Exhibit 10\(m\)](#), Blackstone Rehab By-laws (to replace the RHRI Partnership Agreement)

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached at [Exhibit 11](#). Please note that under Massachusetts law, hospital satellites are licensed under the main hospital license and are not separate corporate entities.

12. Please provide organizational structure charts for the existing and post conversion Transacting Parties and each partner, affiliate, parent, subsidiary or related corporate entity including the percentage of ownership interest among and between all such entities.

See attached [Exhibit 12\(a\)](#) for the current organizational structure chart for Steward, which will remain the same post-conversion.

See attached [Exhibit 12\(b\)](#) for the organizational structure chart for the Landmark Entities.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

As noted in the Executive Summary, the Landmark Entities have been under the Special Mastership since 2008. At the time of the appointment of the Special Master, all boards and committees of the Landmark Entities were dissolved. Attached at [Exhibit 13](#) are the summaries and other information used by the Special Master to analyze the bids made by various prospective purchasers of the Landmark Entities.

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

See [Exhibit 13](#).

15. Please provide current, signed original conflict of interest forms from all incumbent or recently incumbent officers, directors, members of the board, trustees, senior management, chairpersons or department chairpersons and medical directors on a form acceptable to the Attorney General (“incumbent or recently incumbent” means those individuals holding the position at the time the application is submitted and any individual who held a similar position within one year prior to the application’s acceptance).

See [Confidential Exhibit 15\(a\)](#) for the conflict of interest forms for Steward. Please note that the conflict of interest forms do not include Steward’s internal financial disclosure form, located in [Exhibit 16\(a\)](#) at LMC 00894. Steward’s conflict of interest policy has been attached to this application, as required, but it has not yet been fully implemented by Steward. The internal financial disclosure form has not been completed by the officers, senior management and other high-level personnel at Steward.

See [Confidential Exhibit 15\(b\)](#) for the conflict of interest forms for the Landmark Entities.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See [Exhibit 16\(a\)](#) for the conflict of interest policies and procedures for Steward. There are no separate policies and procedures for SMH.

See [Exhibit 16\(b\)](#) for the conflict of interest policies and procedures for LMC and RHRI. There are no separate policies and procedures for LHS.

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

See attached [Confidential Exhibit 17](#).

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Exhibit 18\(a\)](#), [Confidential Exhibit 18\(a\) Part 1, Part 2, Part 3, Part 4 and Part 5](#) and [Exhibit 18\(b\)](#).

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Confidential Exhibit 19\(a\)](#) for credentialing committee guidelines, policies and/or procedures related to the Steward affiliate hospitals.

See attached [Confidential Exhibit 19\(b\)](#) for credentialing committee guidelines, policies and/or procedures related to LMC.

See attached [Confidential Exhibit 19\(c\)](#) for credentialing committee guidelines, policies and/or procedures related to RHRI.

The Transacting Parties and their affiliates are currently reviewing the development of a plan to cross-privilege medical staff among the hospitals, and have not yet established any definitive arrangement.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

20. Please provide a copy of the Hart-Scott-Rodino filing with the Federal Trade Commission and the United States Department of Justice related to the proposed conversion and the final determination by Federal Trade Commission or the United States Department of Justice concerning this filing.

The transaction does not reach the threshold for a Hart-Scott-Rodino filing. The APA lays out a transaction that is not reportable under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a (Section 7A of the Clayton Act or "HSR Act") because it does not meet the size-of-transaction threshold. This analysis is based on the currently applicable threshold levels established in the "Revised Jurisdictional Thresholds for Section 7A of the Clayton Act," as published in the Federal Register on January 21, 2011.

Transactions that involve the acquisition of assets valued at or less than \$263.8 million are reportable only if the commerce test is satisfied, the parties meet the size-of-person test, and the transaction meets the size-of-transaction test.

For purposes of this analysis, it is assumed:

1. that the commerce test in Section 7A (a) (1) is satisfied; and
2. that the size-of-person test in Section 7A (a) (2) (B) (ii) is satisfied.

The size-of-transaction test focuses on whether the acquiring person (Steward), as a result of the transaction, will hold an aggregate total amount of assets of the acquired person (the Landmark Entities) worth in excess of \$66 million. Section 7A (a) (2) (B) (i). To ascertain the value of the assets to be acquired, Rule 801.10 (b), 16 C.F.R. § 801.10 (b), provides that the value shall be the fair market value of the assets or, if determined and greater than the fair market value, the acquisition price.

The fair market value is based on a good faith determination made by the designee of the board of directors of the ultimate parent entity of the acquiring person (Steward). Rule 801.10 (c) (3), 16 C.F.R. § 801.10 (c) (3). This determination must be made within 60 calendar days of the date of filing or, if no filing is required, within 60 calendar days of the consummation of the transaction. *Id.* To perform the fair market valuation, the person to whom the task is delegated must act in good faith and may employ any valuation method that would normally be used in determining asset value or the purchase price to offer for such assets. No independent appraisal is required. FTC Informal Staff Opinion 0503015. In looking at the assets to be acquired, any cash acquired should not be considered. 16 C.F.R. § 801.21.

In this instance the Executive Vice President and Chief Financial Officer of SHCS, James Renna, was the board's designee to perform the good faith fair market valuation. As of December 12, 2011, Mr. Renna's good faith determination is that the assets to be acquired by Steward, excluding cash, are valued at less than \$66 million.

The alternative analysis looks to the acquisition price. Here Section 1.6 of the APA provides that the acquisition price shall be \$40.1 million, plus a net working capital true-up. However, \$30 million of the purchase price consists of the performance of commitments to make the capital expenditures described in Section 10.1 of the APA. Such a commitment to make capital improvements post-closing does not count as part of the acquisition price for purposes of the size-of-person threshold. *See* Email of June 1, 2011 from Michael B. Verne to Joseph Farside ("Treatment of Promise to Make Future Capital Investments for Size-of-Transaction Purposes in Asset Deal"). Therefore, the applicable purchase price is \$10.1 million, plus the net working capital true-up. While the precise amount of the true-up is not yet known, the parties have a reasonable basis for estimating that it will be substantially less than \$55.9 million. Moreover, depending on what the adjustment actually reflects, some or all of it may also be excludable. *See* FTC Informal Staff Opinions 0601011, 0512016, 0511012.

Based on the foregoing, the transaction does not exceed the size-of-transaction threshold and is not reportable under the HSR Act.

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

Entity	Consent Required	Status
Landmark Medical Center	<p>Rhode Island Department of Health and Attorney General for Conversion Application; Approval by RI Department of Health on Change of Effective Control.</p> <p>Rhode Island Department of Health approval for transfer of following licenses: pharmacy, controlled substance, x-ray tubes, radioactive materials, food business.</p> <p>DEA Registration</p> <p>Division of Workforce Regulations approval for facilities license.</p> <p>Medicare certification</p> <p>Medicaid certification</p>	<p>In progress</p> <p>In progress</p> <p>Will submit application for DEA Registration after receive Rhode Island state pharmacy license</p> <p>In progress</p> <p>In progress</p> <p>In progress</p>
Landmark Health Systems	Rhode Island Department of Health and Attorney General for Conversion Application; Approval by RI Department of Health on Change of Effective Control.	In progress

Northern Rhode Island Rehab Management Associates, LP d/b/a Rehabilitation Hospital of Rhode Island	Rhode Island Department of Health and Attorney General for Conversion Application; Approval by RI Department of Health on Change of Effective Control.	In progress
	Rhode Island Department of Health approval for transfer of following licenses: pharmacy, controlled substance, x-ray tubes, food business, swimming pool.	In progress
	DEA Registration	Will submit application for DEA Registration after receive Rhode Island state pharmacy license
	Division of Workforce Regulations approval for facilities license.	In progress
	Medicare certification	In progress
	Medicaid certification	In progress
Rhode Island Specialty Hospital	Approval of RI Department of Health for the transfer of 80% of the membership interest in RISH to Landmark Health Systems.	In progress
Rhode Island Specialty Hospital	Approval of RI Department of Health for the transfer of 100% of the membership interest in RISH from Landmark Health Systems to Blackstone Medical (or its designee).	In progress
Southern New England Regional Cancer Center (SNERCC)	Change order by RI Department of Health to the SNERCC Certificate of Need reflecting the transfer of 38% of the membership interest in SNERCC from Landmark Medical Center to Blackstone Medical (or its designee).	Discussions with joint venture partner in progress
The Heart Center 186 Cass Avenue, Woonsocket	RI Department of Health	Will transfer with main license (hospital sub-license)

Drawing Station 20 Cumberland Hill Road, Woonsocket	RI Department of Health	Will transfer with main license (hospital sub-license)
Northern RI Hematology/Oncology 115 Cass Avenue, Woonsocket	RI Department of Health	Will transfer with main license (hospital sub-license)

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

The Transacting Parties and their affiliates do not have any pending or adjudicated citations, violations or charges brought by any governmental or accrediting agency.

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

See attached [Confidential Exhibit 23](#) for information related to Steward.

There are no current or impending litigation and/or investigations by foreign, federal, state or municipal boards or governments, or administrative agencies against the Landmark Entities.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Exhibit 24\(a\)](#) for information related to Steward.

See attached [Exhibit 24\(b\)](#) for information related to the Landmark Entities.

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

See attached [Exhibit 25\(a\)](#) and [Confidential Exhibits 25\(a\)](#) and [25\(b\)](#). Also please reference response to Question 72.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Confidential Exhibit 26\(a\)](#) for the response from Steward.

The selection of a partner for the Landmark Entities was conducted pursuant to an order issued by the Providence Superior Court in February 2011. (See [Exhibit 1\(b\)](#)). This order was carried out by the Court and the Special Master, with the assistance of certain consultants. (See [Exhibit 60\(a\)](#) for a list of consultants, and see [Exhibit 61](#) and [Confidential Exhibits 61\(a\)](#) and [61\(b\)](#) for copies of agreements with the consultants, if applicable). In the February 2011 order, the Court identified a minimum set of specific items to be contained in the bids of interested parties. These in turn constituted the criteria to be used for selection of the winning bidder.

Bid Selection Criteria in Scheduling Order 2/14/11	
1	The purchase price;
2	The experience of the Qualified Purchaser in running healthcare facilities, and, if appropriate, financially-distressed healthcare facilities;
3	The capitalization or access to capital of the Qualified Purchaser;
4	The minimum amount of capital that the Qualified Purchaser is willing to contractually commit to the successor LMC and/or RHRI entity(ies) (exclusive of capital dedicated to the purchase price);
5	A five-year pro forma cash flow projection of the successor LMC and/or RHRI entity(ies);
6	The period of time that the Qualified Purchaser is willing to contractually commit not to sell the assets and business or equity interest in LMC if it becomes the successful purchaser; and
7	How the Qualified Purchaser intends to meet the healthcare needs of the community currently serviced by LMC including, without limitation, (i) any services that the Qualified Purchaser anticipates terminating, and (ii) the approximate number of employees that the Qualified Purchaser anticipates retaining.

A copy of the Offering Package sent to bidders is provided in [Exhibit 26\(b\)](#) and [Confidential Exhibit 26\(b\)](#), and a summary of the bids is provided in [Exhibit 13](#) at LMC 00477 – LMC 00479. While the Court, the Special Master and the consultants reviewed and assessed these bids, the Landmark Entities performed no due diligence or similar investigation, and presented no supplementary information to the Court.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

27. Please provide copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties during the past 3 years, including but not limited to, reports by appraisers, accountants, investment bankers, actuaries, other experts, and any committee investigating the proposed conversion and any and all recommendations from the committee to the board of directors for each of the Transacting Parties and each of its affiliates.

See attached at [Confidential Exhibit 27](#) for copies of reports related to Steward's consideration of other affiliations, mergers or other similar transactions.

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since June 2008. During that time, the Special Master has supervised daily operations of LMC and RHRI, and has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. A primary goal of the Special Mastership has been to achieve financial stability and preserve the important missions of LMC and RHRI. Initially, the Special Master entered into exploratory discussions with other, larger, health care providers in the area that had previously expressed interest in entering into some type of arrangement with the Landmark Entities. While the parties held some preliminary discussions, no offers materialized from those talks, due in part to the national economic crisis. Efforts continued during 2009 and 2010 to find potential partners, but despite discussions with several potential partners, no agreements were reached. (See [Exhibit 13](#) at LMC 00477 – LMC 00479 for summaries of bids received and analyses of the bids.)

Throughout the Special Mastership process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports analyzing each option. Please see [Exhibits 1\(c\)](#) and [1\(d\)](#) for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

D. CHARITABLE ASSETS

28. Please provide copies of all documents related to:

- (a) Identification of all charitable assets;
- (b) Accounting of all charitable assets for the past 3 years; and
- (c) Distribution of the charitable assets including, but not limited to, endowments, restricted, unrestricted and specific purpose funds as each relates to the proposed transaction.

Steward and its hospital affiliates are for-profit corporations and have no charitable assets.

(a) For the identification of the Landmark Entities' charitable assets, please see the response to Question 50.

(b) Please see attached [Exhibit 28\(b\)](#)

(c) Please see attached [Exhibit 28\(c\)](#)

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

The Transacting Parties do not intend to create a tax-exempt organization for the purposes of holding charitable assets.

It is the plan and intention of LMC and RHRI to transfer any and all currently held specific purpose and restricted funds to the Rhode Island Foundation for management and utilization of those funds in accordance with the designated purpose/restriction. The Rhode Island Foundation will provide the mechanism to effectuate that transfer. Please see [Exhibit 30](#) for more information regarding such funds.

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

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

Steward and its hospital affiliates are all for-profit entities and do not receive donor restricted gifts.

Please see attached [Exhibit 30](#).

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

As shown in the response to Question 50, the only endowment fund held by LMC (the Higgins Trust) no longer holds any assets/funds and, thus, does not require a *cy pres* petition. None of the other specific purpose or restricted funds require a *cy pres* petition and will be addressed in accordance with the plan set forth in response to Question 29.

E. CHARITY CARE

32. Please provide the following information:

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

See [Exhibit 32\(a\)](#)

- (b) A description of charity care and uncompensated care provided by the existing hospital(s) for the previous 5 year period to the present, including a dollar amount and a description of services provided to patients;

See [Exhibit 32\(b\)](#)

- (c) A description of bad debt incurred by the existing hospital(s) for the previous 5 years for which payment was anticipated but not received; and

See [Exhibit 32\(b\)](#)

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

33. Please provide a description of the plan as to how the Transacting Parties and their affiliates will provide community benefit and charity care during the first 5 years of operation after the proposed transaction is completed.

Steward will work with hospital leadership, the hospital board, and community members to develop a community benefits advisory council comprised of hospital leadership and community representatives. This council will advise the board with respect to developing a community benefits mission statement, setting forth a planned commitment to provide resources to support the implementation of its annual community benefits plan.

In order to create a community benefits plan, a comprehensive community health needs assessment of the communities in the hospitals' primary service areas will be conducted. This assessment will review unmet health needs of the communities by analyzing community input, available public health data, and an inventory of existing programs. After the assessment is complete, the community benefits advisory council will develop a community benefits plan that addresses the target populations it wishes to support, specific programs and activities that attend to the needs identified in the needs assessment, and measurable short- and long-term goals for each program.

This information will be provided in an annual community benefits report, which will detail information on community benefit programs, goals and outcomes, and the total of annual community benefits expenditures. This report will be made available to the public.

In addition, Steward anticipates that charity care will continue to play a role in the care delivered at LMC and RHRI. Currently, LMC and RHRI have charity care policies in place, as required by Rhode Island law. Blackstone Medical and Blackstone Rehab plan to establish charity care policies in compliance with applicable Rhode Island law and generally consistent with those currently in existence at LMC and RHRI.

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

The annual community benefits plan and report will be made publicly available on the hospitals' websites, and will be regularly monitored by a community benefits advisory council and hospital leadership. The hospitals' Boards of Directors will receive annual reports on the actions of the community benefits advisory council.

F. COMPENSATION

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

Jonathan N. Savage, Esq., in his capacity as the court-appointed Special Master, currently serves in place of the Board of Directors and officers of LMC and RHRI. Mr. Savage will not maintain any position with Blackstone Medical or Blackstone Rehab or any SHCS affiliate after the proposed conversion and Mr. Savage will not receive any salary, severance, stock offering or any financial gain, current or deferred, as a result of or in relation to the proposed conversion, except what he is entitled to in his capacity as Special Master and as approved by the Court.

Please see attached [Confidential Exhibit 35](#) for additional information.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

36. Please provide a copy or description of all agreements or proposed agreements reflecting any current and/or future employment or compensated relationship between the acquiror (or any related entity) and any officer, director, board member, or senior level manager of the acquiree (or any related entity). Included in this response, please also provide a schedule that clearly demonstrates the historical compensation for the prior 3 years for these individuals as well as the projected compensation extending out 2 years with and without the proposed transaction being approved and/or completed.

Except as noted in [Confidential Exhibit 36](#), Steward, the acquiror, does not maintain any agreements or proposed agreements reflecting any current and/or future employment or compensated relationship with any officer, director, board member or senior level manager of LMC or RHRI.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

37. Please provide any and all documents referring to agreements reflecting the salary, bonus and all other compensation, including but not limited to, those documents filed with the Securities and Exchange Commission, Internal Revenue Service and/or any other governmental entity (but not including the individuals' federal or state income tax-returns), expense account, transportation subsidy, cafeteria plan, deferred compensation, pension plan, and retirement plan of the 25 highest compensated employees of each of the Transacting Parties and each of their affiliates as of the time of submission.

Massachusetts law provides that individuals have a heightened privacy interest in their personnel records. *See* Mass. Gen. L. ch. 214, §1B. This privacy interest extends to information regarding individuals' compensation, as well as the terms and conditions of their employment, including but not limited to employment agreements, severance agreements, and covenants not to compete. Massachusetts courts have held that releasing such information can constitute a substantial interference with the right to privacy afforded to individuals under Massachusetts law. Steward has provided at [Confidential Exhibit 37\(a\)](#) a memorandum addressing the Massachusetts legal protections of employment information, a summary of key contractual provisions of the agreements used by Steward for its highest compensated employees, and a list of the 25 highest compensated employees.

See [Confidential Exhibit 37\(b\)](#) for responsive documents related to the Landmark Entities.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

38. Please provide any and all severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of the Transacting Parties and their affiliates for the prior 4 years from the date of the application through the present. Please include in your response any agreements to provide consulting services and/or covenants to not compete following completion of the proposed conversion as well as the existing ERISA benefit plan and severance agreements or arrangements.

As stated in response to Question 37, Massachusetts law provides that individuals have a heightened privacy interest in their personnel records. *See* Mass. Gen. L. ch. 214, §1B. This privacy interest extends to information regarding individuals' compensation, as well as the terms and conditions of their employment, including but not limited to employment agreements, severance agreements, and covenants not to compete. Massachusetts courts have held that releasing such information can constitute a substantial interference with the right to privacy afforded to individuals under Massachusetts law. [Confidential Exhibit 37\(a\)](#) provides information about its employees that have severance terms within their employment agreements. Provided at [Confidential Exhibit 38\(a\)](#) is the general Steward severance policy.

Please see attached [Confidential Exhibit 38\(b\)](#) for documents related to the Landmark Entities.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

The Transacting Parties have no such proposed contracts or arrangements.

40. Please provide an itemization of all loans outstanding and their current balances, given, and/or forgiven in the last 5 years to any executive, employee or consultant of the Transacting Parties and/or their affiliates, including the terms of such loan.

The Transacting Parties and their affiliates have no outstanding loans with any executive, employee or consultant, have not entered into any such loans within the last 5 years and have not forgiven any such loans within the last 5 years.

41. Please provide a copy of the resignations of any directors and officers of each of the Transacting Parties and/or their affiliates related to the conversion within one year prior to submission.

There have been no such resignations of any directors or officers of the Transacting Parties or their affiliates related to the conversion.

42. Please provide any and all documents, agreements, contracts or the like, formal or informal, reflecting any current and/or potential employment or compensated relationship for senior management among or between the Transacting Parties and/or their affiliates.

Please see [Confidential Exhibit 42](#).

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

G. FINANCIAL

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

Audited financials are not yet available for Steward because the system completed its first fiscal year on September 30, 2011. Please see attached [Exhibit 43\(a\)\(1\)](#) for unaudited financial information for FY11. The financing structure for the proposed conversion is 100% equity. Steward will fund the conversion out of cash on-hand at the time of the transaction, which is set forth in [Exhibit 43\(a\)\(1\)](#).

See attached [Exhibit 43\(a\)\(2\)](#) for the audited financial statements of Landmark Medical Center and [Exhibit 43\(a\)\(3\)](#) for the audited financial statements of Rehabilitation Hospital of Rhode Island. Attached as [Exhibit 43\(a\)\(4\)](#) are the FY11 unaudited financials of LMC, and attached as [Exhibit 43\(a\)\(5\)](#) are the FY11 unaudited financials of RHRI, including a comparison of budgeted to actual.

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

See [Confidential Exhibit 26\(a\)](#) and [Confidential Exhibit 27](#) (which include indices of the documents by Bates number) for documents related to Steward's consideration of the Landmark and other proposed transactions.

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since 2008. During that time, the Special Master has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. Throughout the process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports analyzing each option. Please see [Exhibits 1\(c\)](#) and [1\(d\)](#) for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions.

(b) Indicate the financing mix for the capital cost of this proposal:

Source	Amount	Percent	Interest Rate	Terms (Yrs.)
Equity*	\$40,100,000	100%		
Debt**	\$	%	%	
Lease**	\$	%	%	
TOTAL	\$40,100,000	100%		

*Equity means non-debt funds contributed towards the capital cost of an acquisition or project that are free and clear of any repayment obligation or liens against assets, and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged (R23-15-CON).

** If debt and/or lease financing is indicated, please complete **Appendix C**.

(c) Estimated post-closing balance sheets, including estimated liabilities and contingent liabilities and scope thereof, for each Transacting Party and all affiliate entities;

See attached [Exhibit 43\(c\)](#) for the consolidated post-closing balance sheets for the Landmark Entities (as Blackstone Medical and Blackstone Rehab) and for Steward. Please note that the Landmark Entities and Steward create balance sheets on a consolidated basis. The Landmark post-closing balance sheet provided in the exhibit is derived from the balance sheets created by the auditors for the purposes of the FY 2010 audited financial statements. (See [Exhibit 43\(a\)\(2\)](#) at LMC 01957). For an additional analysis used by Steward in the course of this transaction, please see the projected balance sheet for the Landmark Entities at [Confidential Exhibit 26\(a\)](#) at LMC 01373, which was created by Steward prior to entering into this transaction. Finally, please note that SMH is a corporate holding company and does not separately report financial information.

(d) A list of Transacting Parties and their affiliates’ substantial capital needs, including, the following information:

Capital Needs	Source of Funding for Capital Needs	Cost of Satisfying Capital Needs	Date of Projected Completion
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Please see [Exhibit 43\(d\)](#) at LMC 02033-15 for the above chart outlining the projected capital projects related to Blackstone Medical and Blackstone Rehab. Steward Health Care System has developed a preliminary capital expenditure plan for Blackstone Medical and Blackstone Rehab. See [Confidential Exhibit 43\(d\)](#). The current plan includes upgrades to clinical equipment, such as diagnostic imaging and cardiovascular equipment, facilities and infrastructure investments, such as renovations of the emergency department, information technology improvements across the facilities, and investments to foster the growth of primary and specialty care.

Please note that this plan is preliminary and is subject to change. Steward values the input of local management and board members. After the transaction is concluded the capital plan will be further evaluated and finalized.

All capital for the transaction is fully funded by 100% owner's equity. Please see [Exhibit 43\(a\)\(1\)](#) for more information about SHCS's financial position and available cash.

- (e) A summary schedule of cash receipts and disbursements, including source(s) of cash, payee(s) and reason(s) for disbursement(s), for the prior 3 fiscal years for the Transacting Parties and all affiliate entities;

Cash disbursements and receipts by payee and payor are highly confidential. In some cases, SHCS and its hospital affiliates are bound contractually from sharing this information. A consolidated schedule of Steward's cash receipts and disbursements and information related to the Landmark Entities is attached as [Exhibit 43\(e\) Part 1](#) and [Part 2](#) and [Confidential Exhibit 43\(e\)](#).

- (f) The following budget information for each Transacting Party and its affiliates:

- (i) Any and all proposed budgets for the next 3 fiscal years;

See attached [Confidential Exhibit 43\(f\)\(i\)](#) for the projected budgets for LMC and RHRI, and the FY12 budget for Steward. Please note that Steward creates budgets one year at a time, and there is no FY13 or FY14 budget in existence at this time. However, please see [Confidential Exhibit 43\(f\)\(iv\)](#) for system-level projections.

- (ii) Budgets, including comparisons to actuals, for the most recently completed fiscal year;

See attached [Confidential Exhibits 43\(f\)\(ii\)](#) and [43\(f\)\(iii\)](#), which include information about Steward through June 2011. The Steward auditors are currently reviewing financial information through September 2011, which is the end of Steward's fiscal year. Steward anticipates providing supplemental information through September 2011 on or around February 15, 2012. See also [Exhibits 43\(a\)\(4\)](#) at LMC 02009-24 and [43\(a\)\(5\)](#) at LMC 02009-26 for LMC and RHRI comparisons to actual. Please note that September 30, 2011 is the end date for the current year-to-date figures, as well as the end date of Steward's fiscal year.

- (iii) Budgets, including comparisons to actuals, for the current year-to date; and

See attached [Confidential Exhibits 43\(f\)\(ii\)](#) and [43\(f\)\(iii\)](#), which include information about Steward through June 2011. The Steward auditors are currently reviewing financial information through September 2011, which is the end of Steward's fiscal year. Steward anticipates providing supplemental information through September 2011 on or around February 15, 2012. See [Exhibits 43\(a\)\(4\)](#) at LMC 02009-24 and [43\(a\)\(5\)](#) at LMC 02009-26 for LMC and RHRI comparisons to actual.

- (iv) A proforma for the Transacting Parties and all affiliate entities, projecting out 5 years after the conclusion of the transaction; and

See attached [Confidential Exhibit 43\(f\)\(iv\)](#). Please note that the attached is based on SHCS's evaluation of the transaction as a whole. Due to a limited diligence period, all projections and modeling were based on consolidated statements provided by the Landmark Entities. After the close of the transaction, Steward's financial leadership will work with LMC and RHRI to establish actual budget targets for each entity separately. Matt Cotti, in his role as CFO of the Landmark Entities, has created a 5-year projected income statement, attached as [Confidential Exhibit 43\(f\)\(iv\)](#), assuming the conversion is approved. Attached at LMC 01359 – LMC 01361 in [Confidential Exhibit 26\(a\)](#) is a pro forma used by Steward when it initially submitted its bid for the Landmark Entities.

- (g) Please provide copies of capital and operating budgets or other financial projections for the new hospital(s) during the first 3 years of operation.

See attached [Confidential Exhibit 43\(f\)\(i\)](#) for the operating budget and [Exhibit 43\(d\)](#) for the capital budget.

Any supporting documents provided in response to this question 43 that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

44. Please provide a detailed description of real estate issues including title reports for land owned and lease agreements concerning the proposed conversion for all properties owned, leased, operated, or used by each Transacting Party and its affiliates within the last 3 years, including:

- (a) The address for each property;
- (b) All lease agreements concerning the proposed conversion; and
- (c) Any and all documents related to the proposed sale or development of property owned by the Transacting Parties and/or their affiliates, including but not limited to, strategic utilization plans of real estate of each of the Transacting Parties and/or their affiliates, real estate appraisals, encumbrances, business plans, strategic planning, and endowment planning (including a quantification of any current endowments of each such Transacting Party or their affiliate).

(a)

Address	Occupancy	Square Feet	Landlord	Tenants	Comments
115 Cass Avenue Woonsocket, RI 02895	Hospital	216,000	Landmark Medical Center	None	
176-206 Cass Avenue Woonsocket, RI 02895	Plaza Offices	24,386	see below		
206 Cass Avenue	LMC Physician Offices	5,800	Wellington Retail, LLC	Landmark Medical Center	
176-196 Cass Avenue	Finance Offices, Heart Center	18,586	Wellington Retail, LLC	Landmark Medical Center	Rent fluctuates based on year of lease - see lease; 176 Cass Ave unit sublet to Tilak Verma, MD
219-225 Cass Avenue Woonsocket, RI 02895	219 Cass Ave MOB	9,670	see below		
219 Cass Ave, Suites A, B & C	Ocean State Pain Mgmt	2,888	Landmark Medical Center	Ocean State Pain Mgmt	Annual rent rises to \$61,225.60 for period 11/10/11 - 10/31/12

219 Cass Ave, Suite E	Dr. Cunanan	876	Landmark Medical Center	Manuel Cunanan, D.M.D. Inc.	
219 Cass Ave, Suite F	Dr. Breen	1,197	Landmark Medical Center	Christopher Breen, MD	LPOS paid \$3,195 per month to LMC Rental Properties on Dr. Breen's behalf. Per AP: Payments stopped in Feb. 2009 as no one authorized continuance of payments.
219 Cass Avenue, Suite G		720	Landmark Medical Center		
219 Cass Ave, Suite H	Dr. Khan	1,109	Landmark Medical Center	Faridoon Khan, MD	
219 Cass Ave, Suite J	Dr. Khan	932	Landmark Medical Center	Faridoon Khan, MD	
219 Cass Ave, Suite D	LMC Purchasing	862	Landmark Medical Center	LMC Purchasing	
219 Cass Ave, Suite K	LMC Public Relations	1,086	Landmark Medical Center	LMC Public Relations	also houses Dir of Physician Practices and Facilities
116 Eddie Dowling Highway North Smithfield, RI 02896	Rehabilitation Hospital	92,944	Medistar, LLC	RHRI & LMC	Refer to leases for rent fluctuation. LMC rents 35,274 sq ft. & pays \$8,114.58/mth. RHRI rents 57,670 sq ft. & pays \$43,733.33/mth.
355 Cass Avenue Woonsocket, RI 02895	Parking Lot	26 spaces	Landmark Medical Center	Dr. Paul Koch	
63 Eddie Dowling Highway North Smithfield, RI 02896	MOB space	1,200	William Gasbarro	OB/GYN practice	LPOS pays \$1,400 per month for rent and \$259.73 per month for CAM expenses.
115 Cass Avenue Woonsocket, RI 02895	Hematology/ Oncology space - Dr. Nadeem	1,950	Southern New England Regional Cancer Center, LLC	Landmark Medical Center	

Suite 107, 20 Cumberland Hill Road, Woonsocket, RI 02895	Landmark Drawing Station (Lab)	923	Woonsocket Medical Center	Landmark Medical Center	
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Note: 219 Cass Avenue Suites D & K are used for LMC offices & not rented

Landmark Medical Center also owns two houses known as the "frontage property" at 85-100 Eddie Dowling Highway, North Smithfield. They are not rented.

Lot 49 = 15,317 sq. ft Lot 23 = 16,482 sq. ft

RHRI small parking lot (in front) = 18,100 sq. ft

(b) See attached **Confidential Exhibit 44(b)**.

(c) There are no plans to sell or develop any real estate involved in the proposed conversion by any of the Transacting Parties and/or their affiliates.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Equipment leases: Pursuant to the terms of the APA, Steward has evaluated all contracts that are currently in place at LMC and RHRI, including equipment leases. See attached [Exhibit 45](#). Steward is in the process of obtaining alternative vendors for the post-closing needs of Blackstone Medical and Blackstone Rehab, in the event that Steward does not desire to continue certain equipment leases post-closing. This process will allow Blackstone Medical and Blackstone Rehab to use Steward-preferred vendors in the instances where it will decrease costs and increase efficiency, while ensuring that there will be no disruption in patient care for any clinical leases.

Insurance: SHCS will add Blackstone Medical and Blackstone Rehab to its current property and auto insurance policies. The general and professional liability insurance currently covering the Landmark Entities will continue in place for a minimum of one year.

Regulatory Compliance: Pursuant to the internal review of LMC and RHRI performed by Steward in preparation for the submission of this application, Steward has begun assessing whether LMC and RHRI are in compliance with all applicable State and Federal regulations. Further, Steward has begun its assessment of what it may need to do to rectify any compliance issues, including utilizing Steward's proposed capital investment in the facilities to bring LMC and RHRI into compliance. Following the proposed conversion, Blackstone Medical and Blackstone Rehab will comply with all applicable State and Federal regulations.

Tax Status: As a part of the proposed conversion, the tax status of the facilities will change from non-profit to for-profit.

Pending Litigation or Pending Regulatory Citations: Pursuant to the terms of the APA, Steward is not purchasing any liabilities arising out of or relating to the conduct or operations of the business prior to the Effective Date. Any pending litigation or regulatory citations will be dealt with directly by LMC and RHRI prior to closing.

Pension Plans: Per Section 5.2 of the APA (see [Exhibit 18\(a\)](#) at LMC 00960), the current pension plan will be terminated. Post-closing, Steward will offer employees of Blackstone Medical and Blackstone Rehab a 401(k) plan consistent with that of other affiliate hospital employees.

Employee benefits: Post-closing, Steward will offer the employees of Blackstone Medical and Blackstone Rehab a benefit package consistent with that of other affiliate hospital employees.

Environmental reports: During the due diligence process, Steward reviewed environmental surveys and reports provided by the Landmark Entities. As part of its standard pre-acquisition procedures, Steward has already commissioned its own Phase I and Phase II environmental surveys of the hospitals' campuses, which were performed by Stantec Consulting Services, Inc. Stantec issued a report on the

Phase I survey on July 6, 2011 and on the Phase II survey on October 31, 2011. Steward is in the process of reviewing the actions recommended by Stantec. In addition, Steward has also conducted an asbestos survey. As is the usual procedure with asbestos abatement, Steward will remove any asbestos when it renovates the affected areas.

Assessments and organizational goals: As stated throughout this application, the main goal of the conversion is to maintain the vital services provided to the hospitals' patient communities, while also improving the care provided and the overall stability of the hospitals through the knowledge and expertise of Steward. SHCS owns and operates 10 community hospitals within Massachusetts. The Landmark Entities will benefit from Steward's background of working within communities to provide care to the patient population, Steward's integrated health care delivery system, Steward's managed care expertise, and Steward's investments in the latest health care technology. Steward has had the opportunity during the Management Advisory period to assess many of the needs of LMC and RHRI, and to prepare for the acquisition and integration of these two hospitals into its existing system. Please see [Confidential Exhibit 26\(a\)](#) at LMC 01377 for information about assessments already performed by Steward, and the financial projections and operational improvements expected as a result of the transaction.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

46. Please provide copies of IRS Form 990 for any Transacting Party and its affiliates required by federal law to file such a form for each of the 5 years prior to the submission of the application.

Steward and its hospital affiliates are all for-profit entities and do not file IRS Forms 990.

The IRS Forms 990 for LMC are attached at [Exhibit 46](#).

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

See attached [Confidential Exhibit 47](#).

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

Post-closing, the Court will direct the Special Master regarding the disposition of any and all pre-and post-mastership debt. The Special Master will make his recommendations to the Court post-closing, and those recommendations and the Court's Order will be, in part, based upon available cash on-hand in the Estate post-closing.

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

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

None.

The Confidential Exhibit provided in response to this question is considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

48. Please provide a complete plan for the Transacting Parties and/or their affiliates to pay their system capital expenditure allocation for capital expenditures consistent with the approved acquiror's and/or their affiliates system capital budget or budget including, the amount of the share, calculated share, and source of for the payment of that share.

Per section 10.1 of the APA, during the first 5 years after closing, Steward will invest \$30,000,000 in capital expenditures. This capital can be used for expenditures in connection with the operation of the facilities, investment in technology and/or expansion of services. Furthermore, Steward will spend \$4,500,000 during the first 5 years after closing on physician recruitment to meet the needs of the community. In addition, annual capital expenditures in the amount of two and one-half percent (2.5%) of net patient revenue are also allotted for routine capital expenditures.

SHCS has developed a preliminary capital expenditure plan for Blackstone Medical and Blackstone Rehab. See [Confidential Exhibit 43\(d\)](#) at LMC 02033-1 – LMC 02033-14. The current plan includes upgrades to clinical equipment, such as diagnostic imaging and cardiovascular equipment, facilities and infrastructure investments, including renovations of the emergency department, information technology improvements across the facilities, and investments to foster the growth of primary and specialty care.

Please note that this plan is preliminary and is subject to change. Steward values the input of local management and board members. After the transaction is concluded the capital plan will be further evaluated and finalized by the Blackstone Medical and Blackstone Rehab governing boards and management teams, as well as Steward's own extensive assessments of the needs of the hospitals.

All capital for the transaction is fully funded by 100% owner's equity. Please see [Exhibit 43\(a\)\(1\)](#) for more information about SHCS's financial position and available cash.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Neither the Transacting Parties nor their affiliates have received any such notices.

Please note that it is the intention of Blackstone Medical and Blackstone Rehab to provide care for both Medicaid and Medicare patients at the acquired facilities following the proposed conversion.

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

Steward and its hospital affiliates are all for-profit entities and do not have an endowment.

Below is the information related to LMC. RHRI does not have an endowment.

Year	Total Endowment	Specific Purpose	Restricted	Unrestricted
2009	\$ 7,203.00	\$ 35,570.00	\$ 126,369.00	\$ 42,361.00
2010	\$ 7,211.00	\$ 35,610.00	\$ 171,379.00	\$ 200,051.00
2011	\$ -	\$ 35,635.00	\$ 88,265.00	\$ 93,728.00
Year To Date 10/31/11	\$ -	\$ 35,636.00	\$ 88,762.00	\$ 1,329.00

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

See the following attached exhibits for documents related to LMC:

- [Confidential Exhibit 51\(a\)](#)
- [Confidential Exhibit 51\(b\)](#)
- [Confidential Exhibit 51\(c\)](#)
- [Confidential Exhibit 51\(d\)](#)
- [Confidential Exhibit 51\(e\)](#)
- [Confidential Exhibit 51\(f\)](#)
- [Confidential Exhibit 51\(g\)](#)
- [Confidential Exhibit 51\(h\)](#)
- [Confidential Exhibit 51\(i\)](#)
- [Confidential Exhibit 51\(j\)](#)

See the following attached exhibits for documents related to RHRI:

- [Confidential Exhibit 51\(k\)](#)
- [Confidential Exhibit 51\(l\)](#)
- [Confidential Exhibit 51\(m\)](#)
- [Confidential Exhibit 51\(n\)](#)
- [Confidential Exhibit 51\(o\)](#)
- [Confidential Exhibit 51\(p\)](#)
- [Confidential Exhibit 51\(q\)](#)
- [Confidential Exhibit 51\(r\)](#)

See attached [Confidential Exhibit 51\(s\) Part 1](#) and [Part 2](#) for all agreements between the Landmark Entities and Blue Cross Blue Shield of Rhode Island (“BCBS”). Please note that per court order (attached at [Exhibit 51\(s\)](#)), any agreements between the Landmark Entities and BCBS are subject to additional confidentiality restrictions.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Steward has no history of acquisitions in the state of Rhode Island.

H. PLANNING

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

Tertiary or Specialty Care Services

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

Please see [Exhibit 53\(a\)\(1\)](#) for a list of the tertiary and specialty care services provided by LMC and RHRI. [Exhibit 26\(b\)](#) at LMC 01432 – LMC 01440 includes information regarding market share for services in LMC's primary service area and [Exhibit 53\(a\)\(2\)](#) contains information about RHRI's market share.

Steward currently has limited market share in the state of Rhode Island. Steward St. Anne's Hospital, an affiliate hospital under this application, serves a small population from the towns of Tiverton and Portsmouth. In 2010 discharges from these two towns were 548 and 66, respectively. (Please note that market share data is not available to Steward from the state of Rhode Island.). Steward St. Anne's Hospital is a community hospital with comprehensive inpatient, outpatient and emergency care services, serving adults and children in southeastern Massachusetts and nearby Rhode Island. St. Anne's specialized centers and services include Saint Anne's Hospital Regional Cancer Care; the Robert F. Stoico/FIRSTFED Center for Breast Care; Diabetes Care Program; the Center for Pain Management; geriatric psychiatry; pediatrics (including inpatient care and specialty outpatient medical, behavioral and developmental care through the Fernandes Center for Children & Families); adult and pediatric rehabilitation; cardiovascular care; and primary care. There are no tertiary services offered at St. Anne's Hospital.

(b) Please discuss the plans for changes to existing or development of any new tertiary or specialty care service in the state within 5 years after implementation of the conversion;

As discussed elsewhere in this application, under Section 10.3 of the APA (see [Exhibit 18\(a\)](#) at LMC 00975) Steward has agreed to leave all clinical services in place for 2 years following the conversion. However, it is the intention of Steward to work with providers in the service areas, including independent primary and specialty care physicians, community health centers and nursing homes, to identify opportunities to potentially improve on the care available in the community. Steward believes in providing world-class health care where its patients live. This includes offering state-of-the-art facilities, clinical technology, top-notch physicians and nurses and electronic health records to support the continuum of care.

Steward has developed a preliminary capital expenditure plan for Blackstone Medical and Blackstone Rehab. (See [Confidential Exhibit 43\(d\)](#) at LMC 02033-1 – LMC 02033-14.) The current plan includes upgrades to clinical equipment, such as diagnostic imaging and cardiovascular equipment, facilities and infrastructure investments, including renovations of the emergency department, information technology improvements across the facilities, and investments to foster the growth of primary and specialty care.

Please note that this plan is preliminary and is subject to change. Steward values the input of local management and board members. After the transaction is concluded the capital plan will be further evaluated and finalized.

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

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of tertiary and specialty care services by maintaining the current level of services offered in the service areas of LMC and RHRI. Steward plans to maintain and improve upon the services currently offered, which are listed at [Exhibit 53\(a\)\(1\)](#). If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced and the LMC and RHRI service areas would lose vital health care providers.

With regard to all services, Steward strongly believes that the proposed transaction will contribute to a well-balanced delivery system for the residents of the state, particularly in Woonsocket, North Smithfield and the surrounding communities.

LMC is the only acute care hospital in its Rhode Island service area (see [Exhibit 53\(d\)\(1\)](#) and [53\(d\)\(2\)](#)) and it is essential for the residents of the community that LMC continue to serve this market. Both LMC and RHRI have been struggling financially for several years and Steward has made a commitment to put much needed capital improvements into the facilities while maintaining all of the current clinical services, including tertiary care and specialty care services, for a minimum of two years post-closing. Some of the key proposed investments include emergency department renovations, upgrades to imaging equipment, and new information technology that will improve the delivery of care.¹

Furthermore, third-party studies (referenced in Question #1) report that there is a significant concern regarding the ability of patients in this community to safely receive care outside of the service area. Nearby hospitals are already operating above 80% capacity and even more concerning is the potential domino effect the longer drive times would have for EMS services in this area.

¹ All capital spending must be approved by the local management team and board.
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Service Area

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

Please see [Exhibit 53\(d\)\(1\)](#) for a map of the primary and secondary service areas of LMC and RHRI and [Exhibit 53\(d\)\(2\)](#) for LMC’s service area in Rhode Island.

Please see [Exhibit 53\(d\)\(2\)](#) for information regarding the service areas for Steward St. Anne’s Hospital.

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

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of the service areas by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

The statistics show that the Woonsocket community is economically disadvantaged. Not only is the median income significantly below the state average, but the unemployment rate, which has grown considerably since 2000, is also significantly higher than the rest of the state.



In areas such as this, it is even more important to keep community care local. A study done by Vector Group LLC in 2010 (attached at [Exhibit 1\(d\)](#)) cited the fact that “Industry studies have consistently shown the close relationship between proximity and access to care – especially among lower income persons”. Keeping market share at LMC and RHRI has a positive impact on maintaining the health status of the patients in these communities. In addition, patients do not always have the means to travel for healthcare services and it becomes more costly to the patients, their families, and the overall healthcare community.

Licensed Bed and Utilization

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

LMC is the dominant provider of short term acute hospital care in northern Rhode Island, with 214 licensed beds. (See [Exhibit 53\(f\)\(1\)](#) for a list of licensed and staffed beds at LMC and RHRI, broken down by clinical service, and see [Exhibit 53\(f\)\(2\)](#) for the market share of licensed and staffed beds at LMC and RHRI.) At more than 40,000 emergency visits per year, LMC operates one of the state's busiest emergency services. More than 25% of LMC emergency room patients arrive by ambulance suffering from life-threatening conditions such as acute cardiac disease or stroke. In some instances the care they require is not uniformly available at other area facilities. LMC is one of only three hospitals in Rhode Island qualified to provide emergency interventional care to patients suffering heart attacks. LMC delivers more intensive and clinically complex care than is frequently provided at many other area hospitals. Nevertheless, LMC provides care at a lower cost than other facilities when compared on a patient-to-patient, service-to-service basis. Please see [Exhibit 53\(f\)\(3\)](#) for more information about LMC's provision of low-cost care, as compared to other hospitals in Rhode Island. This rare combination of complex care and low cost is important in restraining the growth of health costs in the area.

RHRI, the second of the two LHS facilities, has 82 licensed beds and provides post-acute rehabilitation services. Such services treat patients who require intensive rehabilitation care for such health problems as Traumatic Brain Injury, Stroke, Pulmonary Disease and others. While such services are available through smaller rehabilitation units at some community hospitals, RHRI, as a freestanding facility, specializes solely in such services. This enables it to maintain a broader patient base, to provide a broader range of services and expertise and to care for patients with more complex needs. As the only freestanding post-acute rehabilitation hospital in the state, RHRI, like LMC, is a unique provider that enables many patients to achieve a more rapid and more complete recovery. Without RHRI, an important nexus of rehabilitation expertise would be lost to Rhode Island and poorer outcomes for many patients requiring intensive post-acute rehabilitation would result. The proposed conversion will allow both facilities to continue providing their much-needed services to their communities.

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

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of licensed and staffed beds by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

Impact on Other Providers

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

The acquisition of LMC and RHRI will have a very positive impact on the health care delivery system in the state, particularly in Woonsocket, North Smithfield and the surrounding communities. Please see attached [Confidential Exhibit 53\(h\)](#) for more information.

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

Currently Steward has limited market share in the state of Rhode Island through its provision of health care services to a small number of Rhode Island residents at St. Anne's Hospital. The proposed conversion would increase Steward's market share in the tertiary and specialty care services provided by LMC and RHRI because Steward would take over as the provider of those services. However, the conversion will maintain the overall amount of such services provided within the state of Rhode Island because there will be no change to any clinical services for 2 years following the conversion.

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

As demonstrated in the previous responses to this Question 53, the proposed conversion would contribute to a balanced health care delivery system in the state with regard to the share of tertiary and specialty care services by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

Any supporting documents provided in response to this question 53 that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Steward did not engage a third party for an analysis of state or local taxes.

Opinions and memoranda addressing tax consequences for the Landmark Entities are attached at [Exhibit 1\(c\)](#) (see LMC 00014 – LMC 00016, LMC 00018, LMC 00025, LMC 00026, LMC 00028 and LMC 00038) and [Exhibit 1\(d\)](#) (see LMC 00051, LMC 00052, LMC 00058 and LMC 00069).

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

The price offered by Steward for the Landmark Entities was based on the history of previous bids made by bidders up to that point in the Special Mastership proceedings. Steward examined the most recent viable bid being considered by the Special Master, determined that the bid was a reasonable amount and matched the bid, which the Special Master accepted and the Court approved. A summary of the bids received prior to Steward's is attached at [Exhibit 13](#) at LMC 00477 – LMC 00479. At the time of Steward's entry into the bidding process, the most viable bid had been received from RegionalCare Hospital Partners. Steward's initial bid was comparable to the RegionalCare bid, and included allocations for needed capital expenditures, the payment and forgiveness of existing Landmark debt, a credit facility from Steward to the Landmark Entities and physician recruitment. Please see [Exhibit 13](#) at LMC 00480 for a review of Steward's initial bid. The parties negotiated the final amounts and reached an agreement, which is outlined in Section 1.6 of the APA at [Exhibit 18\(a\)](#) (see LMC 00935 – LMC 00936) and in part (a) of the Executive Summary at Question 1.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Exhibit 56](#).

57. Please provide the following information regarding all plans to develop or change the existing services and/or develop new services and programs at the hospital(s) being converted relating to facilities improvements, renovation, or construction and attach any supporting documents:

Steward Health Care System has developed a preliminary capital expenditure plan for Blackstone Medical and Blackstone Rehab (See [Confidential Exhibit 26\(a\)](#) at LMC 01376 and [Confidential Exhibit 43\(d\)](#) at LMC 02033-14). The current plan includes upgrades to clinical equipment such as diagnostic imaging and cardiovascular equipment, facilities and infrastructure investments, including renovations of the emergency department, information technology improvements across the facilities, and investments to foster the growth of primary and specialty care.

Please note, that this plan is preliminary and is subject to change. Steward's policy is to allow input into capital expenditures by local management and board members. After the transaction is concluded the capital plan will be further evaluated and finalized.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See [Confidential Exhibit 27](#) for documents related to Steward’s consideration of potential partners, other than the Transacting Parties.

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since June 2008. During that time, the Special Master has supervised daily operations of LMC and RHRI, and has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. A primary goal of the Special Mastership has been to achieve financial stability and preserve the important missions of LMC and RHRI. Initially, the Special Master entered into exploratory discussions with other, larger, health care providers in the area that had previously expressed interest in entering into some type of arrangement with the Landmark Entities. While the parties held some preliminary discussions, no offers materialized from those talks, due in part to the national economic crisis. Efforts continued during 2009 and 2010 to find potential partners, but despite discussions with several potential partners, no agreements were reached. (See [Exhibit 13](#) for summaries of bids received and analyses of the bids.)

Throughout the Special Mastership process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports, letters, memoranda, minutes or other documents analyzing each option. Please see [Exhibits 1\(c\)](#) and [1\(d\)](#) for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions. In addition, please see [Exhibit 13](#) for summaries and analyses of potential bids.

- (a) Any documents referring or relating to and/or reflecting identification of potential “partners”;
- (b) A description of criteria established by the board of directors of the existing hospital(s) for pursuing a proposed conversion with one (1) or more health care providers;
- (c) Copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties, including, but not limited to, reports by appraisers, accountants, investment bankers, actuaries and other experts;
- (d) Any documents reflecting the advantages and/or disadvantages of any and all potential “partners”;
- (e) Any documents referring or relating to and/or reflecting offers made to the Transacting Parties and/or their affiliates by potential “partners”;

- (f) Any documents referring or relating to and/or reflecting discussions with any and all potential “partner(s)”;
- (g) Copies of any and all proposals, bids presentations, correspondence, memoranda and/or other forms of communication to or from actual or potential strategic partners or acquirors of any interest in the Transacting Parties and/or its affiliates, including, but not limited to, preliminary, modified or superseded proposals, bids, presentations or communications relating thereto and responses to any said proposals or the like;
- (h) Any proposals, or other presentation and discussion packet materials, both formal and informal, prepared for and/or provided by the Transacting Parties and their affiliate hospital or their consultants or advisors with respect to the proposed conversion;
- (i) Copies of any opinions or memoranda addressing the state and federal tax consequences of the proposed conversion prepared for a Transacting Party or its’ affiliates by an attorney, accountant, or other expert, including whether the proposed conversion is proper under applicable federal and state tax code provisions; and
- (j) A list of the transaction costs and expenses by appropriate accounting classification incurred to date or to be incurred by the Transacting Parties and their affiliate entities involved, with respect to the proposed conversion, including: an itemization of all consulting fees incurred by the Transacting Parties and/or their affiliates in connection with the proposed transaction, including vendor, dates of service, services(s) provided and cost(s) and projected additional amounts, through closing, by category and payee.

See [Confidential Exhibit 58\(j\)\(1\)](#) for information related to Steward.

See [Confidential Exhibit 58\(j\)\(2\)](#) for information related to the Landmark Entities.

Any supporting documents provided in response to this question 58 that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

- (a) **Financial/Business Plan:** Please quantify the projected enhanced revenue versus the operational cost, capital cost and financing plan for the combined operations of the affiliated entities, including any management fees, etc. to be paid by the Transacting Parties and any of the affiliates as well as for each entity. These financial projections must include documentation of the expected operational, clinical and corporate cost reductions and efficiencies to be gained through the conversion. For example, is it anticipated that all of the current management staff will remain or will the plan require management consolidations? Projections must then be compared to the current baseline financial projection assuming the affiliation did not occur.

Steward's financial plan for the integration of LMC and RHRI is detailed in [Confidential Exhibit 26\(a\)](#) at LMC 01369 – LMC 01375. This plan was prepared immediately prior to Steward's decision to bid on the assets of LMC and RHRI in May 2011. During the period of the Management Advisory Agreement, Steward has continued to refine its integration plans in connection with LMC and RHRI, but has not documented them in a manner similar to that at LMC 01369 – LMC 01375. Steward's operational plan for the integration of LMC and RHRI is attached at [Confidential Exhibit 59\(a\)\(1\)](#).

Steward recognizes that there are four key components to the success of its LMC/RHRI integration plan: (i) the establishment of a sound and productive relationship with Thundermist Health Center; (ii) the negotiation of adequate reimbursement rates with the primary third party commercial health plans; (iii) the creation of a robust cancer center program at the LMC site under the control and direction of Steward; and (iv) the timely conversion of a portion of RHRI's rehabilitation beds to federally-designated long term acute care hospital beds.

Specific projections relating to operational and clinical efficiencies are stated in [Confidential Exhibit 26\(a\)](#) at LMC 01377.

Separate from [Confidential Exhibit 26\(a\)](#), Steward provides at [Confidential Exhibit 59\(a\)\(2\)](#) projections compared to current baseline financials, assuming the affiliation does not occur.

- (b) **Feasibility Assessment:** Please provide justification that the underlying assumptions supporting the financial/business plan for the resulting entities post transaction are reasonable. For example, what market share, rate increases, property sale/value, new research grants, utilization increases, changes in reimbursements from payors, financing capabilities, potential new services to be provided, etc. are assumed in the proposed revenue projections?

The assumptions that drive the financial plan for integration are detailed in [Confidential Exhibit 26\(a\)](#) at LMC 01371 – LMC 01372. In addition, certain assumptions for capital expenditures and performance improvements are detailed at LMC 01376 and LMC 01377, respectively.

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

Generally, as stated in other parts of this application, Steward’s integration plan manifests an acute benefit to the community by ensuring that LMC and RHRI continue to operate. LMC is the only acute care hospital in its service area (see [Exhibit 53\(d\)\(1\)](#)) and it is essential for the residents of the community that LMC continue to serve this market. The hospitals have been struggling financially for several years and Steward has made a commitment to put much needed capital improvements into the facilities while maintaining all of the current services, including tertiary care and specialty care services, for a minimum of two years post-closing. Some of the key proposed investments include emergency department renovations, upgrades to imaging equipment, and new information technology that will improve the delivery of care.²

Furthermore, third party studies (referenced in Question #1) report that there is a significant concern for patients in this community to safely receive care outside of the service area. Nearby hospitals are already operating above 80% capacity and even more concerning is the potential domino effect the longer drive times would have for EMS services in this area.

The statistics show that the Woonsocket community is economically disadvantaged. Not only is the median income significantly below the state average, but the unemployment rate, which has grown considerably since 2000, is also significantly higher than the rest of the state.



In areas such as this, it is even more important to keep community care local. A study done by Vector Group LLC in 2010 (attached at [Exhibit 1\(d\)](#)) cited the fact that “Industry studies have consistently shown the close relationship between proximity and access to care – especially

² All capital spending must be approved by the local management team and board.
177611.1

among lower income persons”. Keeping market share at LMC and RHRI has a positive impact on maintaining the health status of the patients in these communities. In addition, patients do not always have the means to travel for healthcare services and it becomes more costly to the patients, their families, and the overall healthcare community.

As documented in [Confidential Exhibit 26\(a\)](#) at LMC 01353, Steward is seeking increases in reimbursement rates from third parties to ensure the future financial viability at Blackstone Medical and Blackstone Rehab. It is Steward’s position (as documented in the report by the Rhode Island Office of the Health Insurance Commissioner, attached at [Exhibit 59\(c\)](#)) that LMC and RHRI have been under-reimbursed for a number of years and that rate increases are necessary to bring the facilities to parity.

In terms of primary care-based infrastructure, Steward points to its ACO-type integrated care network described in part (d) of this question. In addition, Steward is working to achieve NCQA Patient Centered Medical Home (PCMH) recognition for two of its clinics: Brighton Marine and Hanscom Air Force Base. The goal is to achieve NCQA recognition by July 2012. Steward hopes to replicate its PCMH model throughout its system, including in northern Rhode Island.

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

Steward is working both locally in Woonsocket and throughout the Steward system to shift emphasis toward community-based care. Locally, Steward hopes to coordinate a variety of activities with Thundermist, the city’s primary care leader, to ensure that care is delivered in the most appropriate, least restrictive setting. Initial areas for coordination include obstetrics, diagnostic testing and urgent care.

At the system level, Steward is investing heavily in the development and operation of an ACO-type integrated care network to promote community-based care. (See [Confidential Exhibit 27](#) at LMC 01443 – LMC 01472.) Steward’s vision is of a system in which patients and their physicians drive decisions in complete coordination and care is delivered at the right time, in the right setting and at the right cost. Key components of this plan include:

- i. A community-based care model that coordinates services across a continuum of providers.
- ii. Integrated management of pre- and post-acute care services, as well as chronic illnesses.
- iii. Alignment of incentives, costs and results across the continuum of providers.
- iv. A robust information technology infrastructure.
- v. Alternative payment methodologies, such as global and risk-based.

- vi. Transparency to enable employers and consumers to compare Steward's quality with that of nearby providers.

As a leader in the development of a fully integrated community-care organization, Steward has already invested heavily in the infrastructure needed to be successful in this new model of care. These investments include:

- i. Information technology interfaces to integrate multiple EMR software packages.
- ii. Microsoft Amalga cloud computing technology, which is used for care management, disease management and demographic analysis.
- iii. Philips Visicu, a system-wide electronic-ICU system which provides 24/7 coverage by intensivists to increase quality and patient safety.
- iv. A system-wide tele-stroke program to assist in the quick diagnosis and treatment of patients experiencing life-threatening stroke symptoms.
- v. PACS technology that allows physicians to see images (e.g., x-rays, CT scans, MRIs, cardiac images) taken anywhere within the system. Physicians can access these images in their offices, their homes and the hospitals. Images can even be shared in real time among physicians so that they can collaborate on procedures and patient care issues regardless of their location.
- vi. Microsoft Health Vault, a consumer-oriented electronic interface for patients to access information regarding their health and their care. The interface is secure, easy to use and contains key information about patient care plans and test results. In addition, working with Amalga, Steward will be able to add content to each patient's "vault" that is specific to their needs and medical conditions.
- vii. Revamped hardware and technical components needed to support a robust information technology platform:
 - New redundant data centers to increase security and reliability
 - Fiber-optic rings to increase the speed of data transfer
 - Wireless connectivity throughout each of Steward's facilities
 - Voice over IP technology to increase speed and decrease cost
- viii. Centralized referral management system including the build out of space in Dedham, new phone system and patient scheduling software and technology.
- ix. Vast care management / case management / quality management infrastructure (which will include over 100 employees by the end of 2011 occupying 25,000 square feet of space).

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

Steward is instituting a care management system (through those investments described above) that will promote patient discharges from the inpatient setting to the least intensive, most cost effective alternative. Through partnering with local long term care, home care, hospice, other sub-acute providers, and its own Steward Home Care entity, Steward will put in place a network of post-acute discharge resources.

- (f) **Integration Plan Approval:** Has the Integration Plan been discussed with and approved by the boards of the hospital? Please provide evidence that the Integration Plan has been discussed with provider groups and community members. Please document your response.

As noted previously in this application, LMC and RHRI are under the Special Mastership and do not currently have boards of directors/trustees. The Special Master, under the supervision of the Court, has worked closely with Steward as Steward has developed its plans for the Landmark Entities.

Steward's integration plan was reviewed and adopted by Steward as a key component of its decision to enter into the APA in May 2011. The documents attached in **Confidential Exhibit 26(a)** were prepared for the purpose of analyzing the proposed transaction. Please see **Confidential Exhibit 53(h)** for more information about Steward's discussions with members of the community.

Any supporting documents provided in response to this question 59 that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached [Exhibit 60\(a\)](#) for consultants engaged by Steward.

See attached [Exhibit 60\(b\)](#) for consultants engaged by the Landmark Entities.

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

See attached [Confidential Exhibit 61\(a\)](#) for consultants engaged by Steward.

See attached [Exhibit 61](#) and [Confidential Exhibit 61\(b\)](#) for agreements related to the Landmark Entities. Please note that the Special Master does not have a formal engagement with either William Fischer or True North Communications and True North's services are engaged on a month-to-month basis. This arrangement was acknowledged and deemed acceptable by the Providence Superior Court per Order dated June 20, 2011 (see [Exhibit 61](#) at LMC 02900-1 – LMC 02900-3).

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

There are currently no plans, reports or analyses completed by or for the Transacting Parties or their affiliates regarding the integration or coordination of clinical programs and related administrative functions.

I. QUALITY AND EFFICIENCY

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

Listing of the Compliance Policies & Procedures for Steward

(Attached as [Confidential Exhibit 63\(a\)](#))

- 09-01 Non- Retaliation Policy
- 09-02 Billing Compliance Policy
- 09-03 Co-Pay Co-Insurance and Deductible Collection Policy
- 09-04 Compliance Reporting Policy
- 09-05 Medical Care Documentation Policy
- 09-06 Vendor Interactions Policy
- 09-07 Conflict of Interest System Leaders
- 09-08 Management of Manufacturers Drug Samples
- 10-01 Employee-Affiliated Businesses
- 10-02 Excluded Individuals
- 10-03 Protecting Patient Privacy
- 10-04 Patient Privacy Rights*
- FY11 Code of Conduct - Steward Health Care System
- Identify Discrepancy Prevention Program
- Steward Grievance 504
- Steward Nondiscrimination Notice

* This policy is currently under review.

- Steward Nondiscrimination Policy
- Steward Notice of program accessibility (section 504)

See attached [Confidential Exhibit 63\(b\)](#) for documents related to LMC.

See attached [Confidential Exhibit 63\(c\)](#) for documents related to RHRI.

See attached [Confidential Exhibit 63\(d\)](#) for the LMC/RHRI Corporate Compliance Handbook.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Hospital	JCAHO Accreditation
Blackstone Medical Center, Inc. f/k/a Steward Medical Holdings Subsidiary Four, Inc.	Not applicable
Blackstone Rehabilitation Hospital, Inc. f/k/a Steward Medical Holdings Subsidiary Four Rehab, Inc.	Not applicable
Steward St. Elizabeth’s Medical Center of Boston, Inc.	Good standing
Steward Holy Family Hospital, Inc.	Good standing
Steward St. Anne’s Hospital Corporation	Good standing
Steward Norwood Hospital, Inc.	Good standing
Steward Carney Hospital, Inc.	Good standing
Steward Good Samaritan Medical Center, Inc.	Good standing
Merrimack Valley Hospital, A Steward Family Hospital, Inc.	Good standing
Nashoba Valley Medical Center, A Steward Family Hospital, Inc.	Good standing
Quincy Medical Center, A Steward Family Hospital, Inc.	Good standing
Morton Hospital, A Steward Family Hospital, Inc.	Good standing
Landmark Medical Center	Good standing
Rehabilitation Hospital of Rhode Island	Good standing

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

See attached [Exhibit 65\(a\)](#) for summary reports related to Steward hospital affiliates.

See attached [Exhibit 65\(b\)](#) for summary reports related to LMC and RHRI.

See attached [Confidential Exhibit 65](#) for the form letter and survey provided to LMC patients.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Steward recognizes that the private practice physician is at the center of the care delivery system. The Steward system has invested heavily in the infrastructure needed to be successful in health care delivery through an accountable care organization model. (See [Confidential Exhibit 27](#) at LMC 01443 – LMC 01472.) The elements of Steward’s ACO-like model are detailed in the response to Question 59(d). The system is built around a primary-care centric delivery system. Steward has acknowledged the critical importance of Thundermist Health Center as a key primary care provider in northern Rhode Island and hopes to work closely with Thundermist to enhance the Center’s already robust capacity to provide its services.

Furthermore, per the terms of the APA, Steward will spend \$4,500,000 during the first five (5) years after closing on physician recruitment to meet the needs of the community. A significant portion of these recruitment funds will be allocated to primary care development. The Blackstone Medical and Blackstone Rehab governing boards and management teams will advise on where this capital should be spent. As of the filing of this application, Steward is unable to provide more specific information regarding plans for the expenditure of the committed \$4,500,000. Steward has engaged in various discussions with physicians and physician groups in the course of its due diligence in northern Rhode Island. Notwithstanding Steward’s commitment to primary care, Steward has not developed more specific plans for recruiting primary care or other physicians to Steward or to the northern Rhode Island service area. As such, it would be premature to speculate on how Steward will allocate its physician recruitment resources.

Please see [Confidential Exhibit 53\(h\)](#) for more information regarding steps Steward has taken in the hospitals’ service areas to support primary care.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

The Steward hospital affiliates have a history of working collaboratively with community health centers and physicians in the over 100 cities and towns they currently serve. Steward anticipates continuing to work in this manner with local community health centers, such as Thundermist, and private primary care practices to meet the needs of the patients who live and work in Woonsocket and surrounding communities.

Providing the right care, in the right place, at the right time is one of Steward's primary goals. Included in this is making sure Steward's health care facilities offer the services their patients need locally. Steward anticipates working with local health care providers on reducing inappropriate Emergency Department use. Treating patients in the right place is beneficial to all health care providers and the state as a whole.

Steward has already engaged in discussions with Thundermist. Although nothing has yet to be formalized, there have been discussions around partnering to provide a range of services such as urgent care, laboratory, and diagnostic radiology in the community.

68. Please provide an executive summary and document what efficiencies and/or inefficiencies were realized from any conversion, merger, affiliation, and/or consolidation involving any of the Transacting Parties and/or their affiliates since 1984, separately for each such transaction. Your discussion and documentation should include, but not be limited to, identification of efficiencies planned, whether efficiencies were realized or unrealized (including date) and resulting cost impact on the Transacting Parties and/or their affiliates.

Steward

See [Confidential Exhibit 68\(a\)](#) for an internal review of efficiencies gained at SHCS from November 2010 through April 2011.

Steward has also included the financial analyses it has conducted in its most recent acquisitions at Quincy Medical Center and Morton Hospital in Massachusetts. These analyses, which include pro-forma treatment of hospital operations for the subsequent 5 years, are located in [Confidential Exhibit 27](#) as follows:

Quincy Medical Center	LMC 01524 – LMC 01541
Morton Hospital	LMC 01594 – LMC 01620

Steward has undertaken various reimbursement rate analyses. Reports are located in [Confidential Exhibit 27](#) at LMC 01545 – LMC 01553 and LMC 01662 – LMC 01710.

Steward's most concerted effort (and investment) into realizing efficiencies throughout its system is the development of an Integrated Care Organization. The ACO-like project is detailed in [Confidential Exhibit 27](#) at LMC 01443 – LMC 01472.

Finally, Steward is working to quantify the impact of federal and state health reform on its operations. See [Confidential Exhibit 27](#) at LMC 01584 – LMC 01593.

Landmark

LMC was created in 1988 through the merger of Woonsocket Hospital and John E. Fogarty Hospital. As a single entity, LMC has continued for the past quarter century to meet the needs of the populations served by its predecessor institutions and to expand its capacity to do so. While no formal study has been conducted to assess the efficiencies obtained through this merger, the public record demonstrates the significant advantages that have been achieved:

1. The merger resulted in the immediate elimination of more than 100 acute care beds without reduction in access to care for the area population.

2. The merger led to a rapid reduction in overhead and many indirect operating expenses. Consolidation of operations allowed reductions in general administrative, mid-management and other staffing.
3. As a single entity, LMC was able to reduce and restrain growth in technology costs in areas such as imaging services, cardiology and oncology care.

LMC has evolved into one of the state's lowest cost and most efficient acute care facilities despite its relatively high case mix and older and more poverty-stricken service population. In 2003, external audits of LMC by Blue Cross provided evidence of the efficiencies that had been obtained in the operations of LMC and indicated that little more cost gains could be achieved at the facility in the short term. See attached [Confidential Exhibit 68\(b\)](#).

In addition to the efficiencies gained in the provision of acute care services, the merger of the Woonsocket Hospital and John E. Fogarty Hospital also resulted in the creation of RHRI, one of only two acute rehab hospitals in the state. RHRI has contributed substantially to the reduction of statewide hospital costs by providing an acute, lower cost setting into which general hospitals can discharge patients recovering from strokes, injuries and other health problems that require rehabilitative care.

Given factors such as these, it is difficult to identify any merger of acute facilities in recent history in Rhode Island that has resulted in a greater proportion of benefits and efficiencies than the merger of Woonsocket Hospital and John E. Fogarty Hospital.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

69. Please provide any documents that indicate the efficiencies that are planned and/or projected from the proposed conversion of each of the Transacting Parties and/or their affiliates for a period starting with the Effective Date, running 5 years forward.

Steward's operational expertise will ultimately add value to Blackstone Medical and Blackstone Rehab. Steward has a proven track record not only in improving clinical documentation and patient safety and quality, but in increasing profits by superior management of key operational issues such as supply chain, information technology and financial services. A detailed description of planned efficiencies is included in [Confidential Exhibit 26\(a\)](#) at LMC 01377.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

Steward has no documents relating to the determination of hospital efficiency that were provided to the board or senior management. Please see [Confidential Exhibit 27](#) for analyses of prior transactions, including discussions of anticipated efficiencies at acquired hospitals. Specifically for the acquisition analyses, including project efficiencies and performance, of Quincy Medical Center and Morton Hospital, see LMC 01524 – LMC 01541 and LMC 01594 – LMC 01620, respectively.

During the period of the Management Advisory Agreement, Steward has been able to utilize its resources to increase efficiencies for the Landmark Entities. Specifically,

- Steward has provided the Landmark Entities with an interim HIM Director through sharing a resource with Steward Norwood Hospital. This has provided a savings of over \$100,000 annually.
- Steward has provided an interim CFO through sharing resources with SHCS. This has provided a savings of over \$200,000 annually.
- Steward has provided an interim Nurse Manager for the LMC cath lab through sharing a resource with Steward St. Anne's Hospital. This has provided a savings of over \$40,000 annually.
- Steward has assisted the Landmark Entities in identifying an opportunity with food purchases through GNYHA, rather than purchasing through Sodexo. This has provided an opportunity for savings of around \$125,000 annually.

These and similar efficiencies will continue following the closing of the proposed transaction.

See [Exhibits 1\(c\)](#) and [1\(d\)](#) for documents that were provided to the Special Master, acting in the place of the board of directors/trustees, relating to LMC and RHRI efficiencies.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

J. STAFF

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

See attached [Confidential Exhibit 71\(a\)](#) for the current and projected staffing levels at LMC and RHRI. The projections are based on the most recent plans for staffing changes contained in [Confidential Exhibit 71\(b\)](#). There are currently no other plans in place to change staffing levels at either LMC or RHRI following the conversion. Robert Guyon, former COO of SHCS, will serve as Chief Restructuring Officer immediately upon closing. As part of his responsibilities he will be evaluating all staff and staffing levels and determining where changes and/or additions need to be made. If the Transacting Parties develop any further plans regarding changes to staffing levels during the review of this application, the Transacting Parties will provide supplemental information to the Department of Health and the Department of the Attorney General.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

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

See attached at [Confidential Exhibit 72.](#)

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

K. SERVICES

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

(a) See attached [Exhibit 73\(a\)](#).

(b) Steward is currently reviewing all departments, as well as all medical, clinical, social and administrative services provided by LMC and RHRI, but has not yet made final determinations regarding whether such departments and/or services may need to be changed, by eliminating, significantly reducing or enhancing such departments and/or services in the interest of operational efficiency following the conversion.

Based on the prior acquisitions of struggling community hospitals, Steward anticipates that certain of the hospitals' administrative departments will need to be consolidated at a corporate level, in the interest of maximizing the efficiencies of these departments, as well as cost savings. As seen in [Confidential Exhibit 71\(a\)](#) and [Confidential Exhibit 71\(b\)](#), Steward anticipates that certain financial and support services will most likely be consolidated for greater efficiency and cost savings. Additional consolidations may occur in areas such as information technology and reimbursement but Steward has not made any further decisions at this time. Further, while some of the administrative departments will most likely be managed at a higher, corporate level, Steward recognizes that the functions performed locally by such departments are necessary for hospital operations and in many cases some local representatives will be maintained.

As for medical, clinical and social services, there are currently no plans in place to change or eliminate such services. The assessment of such services can only be done on an ongoing basis, once Steward has the opportunity to collect sufficient data and determine the most efficient way to operate the hospitals post-closing. Steward's responses to Appendix B emphasize that any currently contemplated changes or reductions to departments or services will have minimal impact on patient care.

It is important to note that the growth of services and the significant capital investment Steward will put into the Landmark Entities will inevitably bring more jobs to the community. [Exhibit 73\(b\)](#) outlines a sample of the economic impact Steward has had in Massachusetts through its acquisition of the 6 Caritas Christi hospitals, as well as Merrimack Valley Hospital and Nashoba Valley Medical Center.

If the Transacting Parties develop any further plans regarding changing or eliminating any departments or services at LMC and RHRI during the review of this application, the Transacting Parties will provide supplemental information to the Department of Health and the Department of the Attorney General.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

APPENDIX A

DISCLOSURE OF OWNERSHIP AND CONTROL INTEREST

All applicants must complete this Appendix.

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

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

Yes___ No X

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

Yes___ No X

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

Yes___ No X

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

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

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

Yes ___ No X

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

Yes ___ No X

7. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquiror or acquiree, who have been direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency?

Yes ___ No X

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

Yes ___ No X

ATTACHMENT TO APPENDIX A

8. Names and address of any individuals (or organizations) having direct (or indirect) ownership interests, separately or in combination, of 5 percent or more in the acquiror.

- Steward Medical Holdings LLC (sole member of Blackstone Medical Center, Inc. and Blackstone Rehabilitation Hospital, Inc.)
500 Boylston Street
Boston, MA 02116

- Steward Health Care System LLC (sole member of Steward Medical Holdings, LLC)
500 Boylston Street
Boston, MA 02116

APPENDIX B

ELIMINATION OR REDUCTION IN SERVICES

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

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

Steward anticipates the reduction of on-site finance and accounting services, as well as other support services, such as billing, accounts payable and environmental services, as LMC and RHRI become part of SHCS and the services are consolidated centrally on a corporate level.

2. the proposed change(s) in hours of operation, if any;

None.

3. the proposed change(s) in staffing, if any;

Steward anticipates the elimination of approximately 10 positions from the finance and accounting departments, and approximately 55 positions from other support services.

4. the documented length of time the services to be reduced or eliminated have been available at the facility;

Certain finance, accounting and support services have always been available at the facilities and will continue to be available.

5. the number of patients utilizing those services that are to be reduced or eliminated annually during the most recent 3 years;

Not applicable.

6. aggregate data delineating the insurance status of the individuals served by the facility during the most recent 3 years;

Not applicable.

7. data describing the insurance status of those individuals utilizing those services that are to be reduced or eliminated annually during the most recent 3 years;

Not applicable.

8. the geographical area for which the facility provides services; and

Northern Rhode Island.

9. identification and description, including supporting data and statistical analyses, of the impact of the proposed elimination or reduction on:

(a) access to health care services for traditionally underserved populations, including but not limited to, Medicaid, uninsured and underinsured patients, and racial and ethnic minority populations;

Not applicable.

(b) the delivery of such services on the affected community in the cities and towns whose residents are regularly served by the hospital (the “affected” cities and towns);

Not applicable.

(c) other licensed hospitals or health care providers in the affected community or cities and towns; and

Not applicable.

(d) other licensed hospitals or health care providers in the state.

Not applicable.

APPENDIX C

Appendix C is not applicable. There is no debt financing in the proposed conversion.