



Carmody & Torrance LLP ■ Attorneys at Law
Waterbury ■ New Haven ■ Southbury

Ann Hedges Zucker
Partner
Direct: 203-784-3108
azucker@carmodylaw.com

May 3, 2013

VIA HAND DELIVERY

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

Commissioner of Public Health
410 Capitol Avenue
Hartford, CT 06134
Attn: Kevin Hansted, Staff Attorney

**Re: GWHN and Vanguard – Certificate of Need Application
for a Joint Venture**

Dear Messrs. Hawes and Hansted:

Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc. hereby submit an application for approval of a Certificate of Need for its proposed joint venture (the "Application"). At your request, two copies have been hand delivered to Mr. Hawes' office and seven copies have been hand delivered to Mr. Hansted' office. In addition, each office has received an electronic version.

Please note that Exhibit 13 of the Application is being bulk filed and therefore only one copy has been provided to Mr. Hawes' office and one hard copy has been provided to Mr. Hansted' office. Exhibit 13 contains information on Waterbury Hospital's restricted funds. Exhibit 13 has been scanned and is included in the electronic version of the Application. If further hard copies are required, please let me know.

{N0936943}



Office of the Attorney General
Commissioner of Public Health
May 3, 2013
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If you have any questions or need anything further, please contact me at (203) 784-3108.
Thank you for your assistance in this matter.

Very truly yours,

CARMODY & TORRANCE LLP

By 
Ann H. Zucker

AHZ:ag
Enclosures

cc: John J. Faldetta, Jr.
Vanguard Health Systems, Inc.

AFFIDAVIT

Applicant: Greater Waterbury Health Network, Inc.

Project Title: Application for Approval of a Joint Venture By and Among Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

I, Darlene Stromstad, FACHE, President/CEO
(Individual's Name) (Position Title – CEO or CFO)

of Greater Waterbury Health Network Inc. being duly sworn, depose and state that
(Hospital or Facility Name)

Greater Waterbury Health Network Inc.'s information submitted in this Certificate of
(Hospital or Facility Name)

Need Application is accurate and correct to the best of my knowledge.

Darlene Stromstad
Signature

May 1, 2013
Date

Subscribed and sworn to before me on May 1, 2013

Jan Cip, Notary
Notary Public/Commissioner of Superior Court

My commission expires: 7-31-16



AFFIDAVIT

Applicant: Vanguard Health Systems, Inc.

Project Title: Application for Approval of a Joint Venture By and Among Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

I, Rob Jay, VP - Development
(Individual's Name) (Position Title – CEO or CFO)

of Vanguard Health Systems, Inc. being duly sworn, depose and state that
(Hospital or Facility Name)

Vanguard Health Systems, Inc.'s information submitted in this Certificate of
(Hospital or Facility Name)

Need Application is accurate and correct to the best of my knowledge.

Rob Jay
Signature

5/1/2013
Date

Subscribed and sworn to before me on KAY L. CROUCH

Kay L. Crouch



Notary Public/Commissioner of Superior Court

My commission expires: 8.23.16

APPLICATION FOR APPROVAL OF JOINT VENTURE

Greater Waterbury Health Network, Inc. (“GWHN”) and Vanguard Health Systems, Inc. (“Vanguard”) (collectively, the “Applicants”) hereby respectfully submit to the Attorney General and the Commissioner of the Department of Public Health the following application for approval of their joint venture under Conn. Gen. Stat § 19a-486 et seq. (the “Application”).

- 1. Identify the contact information for GWHN and Vanguard, including for the individual to whom the Attorney General and the Department of Public Health shall submit bills for contracts with experts or consultants.**

GWHN

Darlene Stromstad, FACHE
President/CEO
Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, CT 06708
Telephone: 203.573.7101
Facsimile: 203.573.6161
Email: dstromstad@wtbyhosp.org

Vanguard Health Systems, Inc.

Rob Jay, Vice President - Development
Vanguard Health Systems, Inc.
20 Burton Hills Boulevard, Suite 100
Nashville, TN 37215
Telephone: 615-665-6030
Facsimile: 615-665-6099
Email: rjay@vanguardhealth.com

Please submit bills for contracts with experts or consultants to Rob Jay at the address listed above.

- 2. Provide an executive summary of the application for approval.**

INTRODUCTION

This Application is submitted by Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc. to form a joint venture (the “JV”). The assets of GWHN will be contributed to the JV in exchange for \$45 million, a 20% ownership interest in the JV and the commitment of the JV to expend no less than \$55 million on capital items and the development and improvement of ambulatory services in the greater Waterbury community. The JV will be structured so a subsidiary of Vanguard will have an 80% ownership interest and GWHN will have a 20% interest.

The JV will operate in accordance with the “community benefit standard” required of tax-exempt hospitals as set forth in Internal Revenue Service Ruling 69-545, including without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, and (iv) promotion of public health, wellness and welfare in the community through the provision of health care at a reasonable cost. The JV will follow charity care and uncompensated care policies at least as favorable to patients as those currently maintained by GWHN.

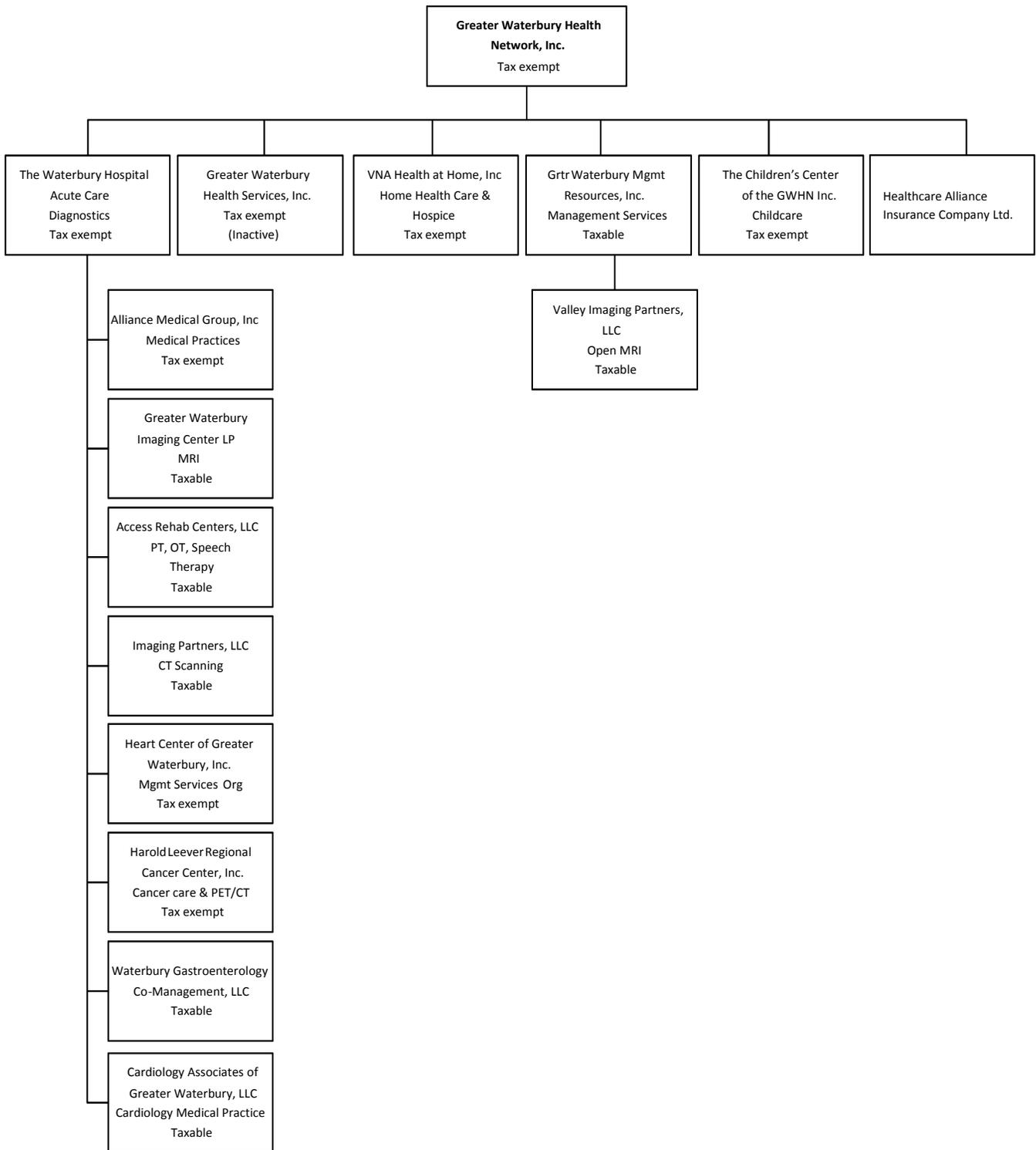
THE PARTIES

GWHN

GWHN’s mission is, “To support and encourage the development of comprehensive, integrated, healthcare related services for the advancement of the health and wellbeing of the general public by providing financial, management and other assistance to its affiliates including Waterbury Hospital.”

GWHN is a Connecticut non-stock, 501(c)(3) corporation which holds interests in numerous entities, joint ventures and affiliates. GWHN is the parent company of The Waterbury Hospital (the “Hospital”). The Hospital, which was built in 1902, is GWHN’s primary asset, and is an acute care facility with 357 licensed beds plus 36 bassinets, located in the heart of Waterbury, Connecticut. In fiscal year 2012, the Hospital admitted 11,399 inpatients, 965 newborns, had 56,730 Emergency Department visits, and performed 2,544 inpatient surgeries and 4,920 outpatient surgeries. Through GWHN’s affiliates, specialists and outpatient clinics provide health care in community settings. The affiliates and subsidiaries include: Access Rehab Centers LLC, HAIC Indemnity Company, LLC, Imaging Partners, LLC, Greater Waterbury Imaging Center Limited Partnership, Harold Leever Regional Cancer Center, Inc., Heart Center of Greater Waterbury, Inc., Alliance Medical Group, Inc., Waterbury Gastroenterological Co-Management Company, LLC, Cardiology Associates of Greater Waterbury, LLC, Greater Waterbury Health Services, Inc., VNA Health at Home, Inc., Greater Waterbury Management Resources, Inc. and Children’s Center of Greater Waterbury Health Network, Inc.

The Table of Organization on the next page depicts GWHN and its affiliates.



GHWN is the sole member or sole equity holder, as the case may be, of the following entities:

- **The Waterbury Hospital (wholly-owned by GHWN).** The Waterbury Hospital, in operation since 1890, is a 357-licensed bed (excluding bassinets) acute-care teaching hospital which provides a full range of inpatient, outpatient and ancillary services in the city of Waterbury near the junctions of Route 8 and Interstate 84. The Hospital operates as an acute care teaching hospital, and has interests in the following entities:

- **Alliance Medical Group, Inc. (wholly-owned by the Hospital).** Alliance Medical Group, Inc. (“AMG”) is a tax exempt 501(c)(3) medical foundation and a wholly owned subsidiary of the Hospital. AMG is the largest hospital-affiliated, multi-specialty group in the Waterbury area with more than 100 physicians and health care providers practicing in the following specialties: Emergency and Internal Medicine, Pediatric and Adolescent Medicine, Breast Surgery, General Surgery, Endocrinology, Pulmonary, Rheumatology, Infectious Disease/Travel Medicine and Sleep Medicine. AMG has locations at:

1625 Straits Turnpike, Suite 302, Middlebury, Connecticut 06762

40 Main Street, North, Woodbury, Connecticut 06798

305 Church Street, Naugatuck, Connecticut 06770

130 South Main Street, Thomaston, Connecticut 06787

140 Grandview Avenue, Suite LO-1 and LO-6, Waterbury, Connecticut 06708

1211 West Main Street, 1st Floor, Waterbury, Connecticut 06708

51 Depot Street, Suite 506, Watertown, Connecticut 06795

- **Greater Waterbury Imaging Center Limited Partnership (64% owned by the Hospital).** The Hospital is the general partner of Greater Waterbury Imaging Center Limited Partnership, a Connecticut limited partnership formed to develop and operate a medical diagnostic imaging center. It is located at 68 Robbins Street, Waterbury, Connecticut.

- **Access Rehab Centers LLC (65% owned by the Hospital).** Access Rehab Centers LLC (“Access”) is a limited liability company formed in 1998 and owned by the Hospital and Easter Seal Rehabilitation of Greater Waterbury, Inc. It offers the region’s largest and most comprehensive array of outpatient physical, occupational and speech therapy to adults and children. Access also provides physical therapy services on an inpatient basis to the Hospital. Access has locations at:

134 Grandview Avenue, Waterbury, Connecticut 06708

715 Lakewood Road, Waterbury, Connecticut 06704

2154 East Main Street, Waterbury, Connecticut 06705

22 Tompkins Street, Waterbury, Connecticut 06708

Waterbury Hospital, 64 Robbins Street, Waterbury, Connecticut 06721

1625 Straits Turnpike, Middlebury, Connecticut 06762

70-G Bennett Square, Southbury, Connecticut 06488

84 Oxford Road (Route 67), Oxford, Connecticut 06478

305 Church Street, Suite 16, Naugatuck, Connecticut 06770

131 Main Street, Thomaston, Connecticut 06787

- **Imaging Partners, LLC (85% owner).** Imaging Partners, LLC is a limited liability company owned by the Hospital and a private radiology practice, Diagnostic Radiology Associates, LLC. Formed in 2001, Imaging Partners owns a 32 Slice CT scanner. It is located at 134 Grandview Avenue, Waterbury, Connecticut.
- **Waterbury Gastroenterological Co-Management Company, LLC.** Waterbury Gastroenterological Co-Management Company, LLC, is a limited liability company established to provide management services to the Hospital to improve and, where appropriate, maintain the overall quality, efficiency, and effectiveness of the Hospital's gastroenterology service line. The Hospital is sole Class H Member and has certain management rights; the Physician owners, Class P Members, assist the Hospital in providing such management services. It is located at 64 Robbins Street, Waterbury, Connecticut.
- **Cardiology Associates of Greater Waterbury, LLC.** Cardiology Associates of Greater Waterbury, LLC is a cardiology practice established in 2010 and is wholly owned by the Hospital. The practice is comprised of eight employed board certified cardiologists, three of whom are interventional cardiologists. The practice has approximately 20,000 active patients. It is located at 455 Chase Parkway, Waterbury, Connecticut.

In addition to the above subsidiaries, the Hospital has two joint ventures with Saint Mary's Hospital ("SMH" or "Saint Mary's") that provide specialty services:

- **Harold Leever Regional Cancer Center, Inc.** Harold Leever Regional Cancer Center, Inc. ("HLRCC"), a 501(c)(3) corporation, is a 50 / 50 joint

venture between the Hospital and SMH. Formed in October 2002, HLRCC combined both hospitals' existing medical and radiation oncology businesses into one combined program to better meet the needs of the community. HLRCC provides state of the art cancer diagnostic and radiation services with two (2) linear accelerators and a PET/CT Scanner. The community's two private medical oncology practices provide services at HLRCC. HLRCC is located at 1075 Chase Parkway, Waterbury, Connecticut.

- **Heart Center of Greater Waterbury, Inc.** Heart Center of Greater Waterbury, Inc. ("HCGW"), a 501(c)(3) corporation, is owned 50 / 50 between the Hospital and Saint Mary's. HCGW was used to develop a joint cardiac program. It does not have assets or significant operations of its own. Under this joint program, the two hospitals provide area residents with advanced cardiac services, including cardiac angioplasties and open heart surgery on both hospitals' campuses. The program performs over 650 angioplasties and 200 open heart surgeries annually. It has two locations: one at the Hospital at 64 Robbins Street, Waterbury, Connecticut and the other at Saint Mary's Hospital, 56 Franklin Street, Waterbury, Connecticut.
- **Greater Waterbury Health Services, Inc. (wholly-owned by GWHN).** Greater Waterbury Health Services, Inc., a not-for-profit corporation, was organized to provide for the contracting and management of tax-exempt community health services and programs in which GWHN may engage. Currently, there is no activity in this subsidiary.
- **VNA Health at Home, Inc. (wholly owned by GWHN).** VNA Health at Home, Inc., ("VNA") is a non-profit, non-stock corporation established in 1939 and affiliated with GWHN since 1996. VNA is a home health care agency that provides skilled nursing care, speech, physical and occupational therapy, medical social work and hospice care throughout the Greater Waterbury region. It is located at 27 Siemon Company Drive, Watertown, Connecticut 06795.
- **Greater Waterbury Management Resources, Inc. (wholly-owned by GWHN).** Greater Waterbury Management Resources, Inc. ("GWMRI") is a taxable corporation. GWMRI is a medical service organization originally organized to provide services to effectively manage medical group practices. While GWMRI has been in existence since 1984, there has been minimal activity since the formation of AMG. GWMRI is located at 1625 Straits Turnpike, Middlebury, Connecticut.
 - **Valley Imaging, LLC.** Valley Imaging, LLC ("Valley Imaging") is a Connecticut limited liability company formed in 2002 and is owned by GWMRI and Diagnostic Radiology Associates, LLC ("DRA"). GWMRI has a 49% ownership interest in Valley Imaging. Located at 799 New Haven Road in Naugatuck, Valley Imaging offers open MRI Scanning service to outpatients in the service area.
- **Children's Center of Greater Waterbury Health Network, Inc. (wholly-owned by GWHN).** Children's Center of Greater Waterbury Health Network, Inc., ("CCGWHN") a

not-for-profit tax exempt corporation, is a nationally-accredited, state-licensed childcare center. CCGWHN provides a staff of early childhood professionals to care for children from six weeks to five years of age and has been providing childcare services since 1997. It is located at 172 Grand Avenue, Waterbury, Connecticut.

- **Healthcare Alliance Insurance Company, Ltd. (GWHN is a 33% owner).** Healthcare Alliance Insurance Company, Ltd. (“HAIC”) is a Cayman Islands-based captive insurance company owned jointly by Griffin Health Services, Inc., Milford Health and Medical, Inc., and GWHN. HAIC was created to offer professional malpractice and general liability insurance coverage to Griffin Hospital, Milford Hospital, Waterbury Hospital, and members of their respective medical staffs.

Vanguard Health Systems, Inc.

Vanguard Health Systems, Inc., based in Nashville, Tennessee, is a Fortune 500 company operating regional integrated health delivery networks in urban areas across the United States. Vanguard is a public company listed on the New York Stock Exchange under the symbol “VHS”. The Blackstone Group, one of the largest sources of private capital in the U.S., is the company’s major shareholder. Together, Blackstone, Morgan Stanley Capital Partners and management own approximately 60% of the company. With almost \$6.0 billion in annual net revenue, Vanguard owns and operates 28 acute care and specialty hospitals with complementary facilities and services in Arizona, Illinois, Massachusetts, Michigan and Texas. As of September 30, 2012, Vanguard also owned four managed care health plans: Phoenix Health Plan, a managed Medicaid health plan serving approximately 190,000 members in Arizona; Abrazo Advantage Health Plan, a managed Medicare and dual-eligible health plan serving approximately 3,600 members in Arizona; Chicago Health Systems, a preferred provider network serving approximately 32,200 members in Chicago; and Valley Baptist Insurance Company, based in Harlingen, Texas, which offers HMO, PPO and self-funded products. Vanguard also purchased ProCare Health Plan, an HMO based in Detroit, Michigan, in October 2012. In addition, Vanguard operates the Baptist School of Health Professions in San Antonio, Texas, which was established in 1903 by the prior ownership. Currently, the School of Health Professions has over 500 students. Additionally, Vanguard is deeply committed to medical education with over 1,500 residents and interns training and learning within its hospitals across the country.

Vanguard’s management team is made up of proven operators of complex hospital systems, with its senior management team each having industry experience of over thirty years, including tenures at both investor-owned and not-for-profit systems. The management team is led by Charlie Martin, who founded the company in 1997 with a core group of individuals who had worked together in previous companies. Vanguard has been successful in growing the company due to its track record of keeping promises to the boards of the not-for-profit systems that it has acquired over the past 15 years, as well as to the communities served by those hospitals. The highly experienced management team has been successful in working with and entering into partnerships with community hospitals due to the processes and procedures they have developed and improved during their extensive careers.

Vanguard is transforming itself to become a “Health” company as opposed to a “sick care” company. Its mission, “To Help People Achieve Health for Life,” along with the accompanying values, guides its strategic plan to ensure that the company will be positioned for the future, providing for the highest probability of success.

As Vanguard continues to move along the journey from fee-for-service to fee-for-value, it is leveraging its experiences in new models of payment to prepare for health reform. Since June 1, 2009, its Baptist Health System in San Antonio, Texas, has participated in the CMS ACE demonstration project for 28 cardiac and 9 orthopedic DRGs. Baptist was one of only 5 systems nationally selected to participate in this innovative 3 year project. Central to this demonstration project is the determination of whether improvements in quality of care can result from the alignment of financial incentives between hospitals and physicians in such a way that they must coordinate care on a case-by-case basis. Vanguard’s results from this project indicate that alignment can and does produce significant quality improvements. For example, in orthopedics, Vanguard has achieved compliance in all five quality metrics, most significantly achieving 99% compliance in SCIP 3. As this project moved forward, additional savings targets were set and higher quality goals implemented.

Vanguard has also gained valuable experience through the ACE project in designing and implementing bundled payment programs to achieve optimal physician alignment. It designed a unique gain-share payment procedure to incentivize physicians to achieve exceptional quality measures and cost control across the 37 DRGs (28 cardiac and 9 orthopedic) included in this project.

The ACE project has also delivered significant financial results. The project has generated \$10.1 million in savings in surgical implants and \$1.2 million in gain share payments to participating physicians. The project has saved the Medicare program over \$3.9 million, of which \$1.4 million was shared with patients.

The Detroit Medical Center (“DMC”) was one of only 32 health systems selected to participate as a CMS Pioneer ACO. This selection is unique since the DMC is the only Pioneer ACO consisting entirely of private physicians. In the remainder of its markets (Chicago, New England, Phoenix and San Antonio), Vanguard has been awarded participation in CMS Shared Savings ACOs. Its ACO in Phoenix was created in partnership with Dignity Health. In Chicago, Vanguard was awarded a Center for Medicare and Medicaid Innovation (“CMMI”) challenge grant.

With almost \$6.0 billion in revenue, Vanguard is among the leaders in the healthcare industry. Its model is to grow organically and through strategic acquisitions that will place the company among the elite in the industry and will allow it to become the partner of choice for those hospitals and health systems looking to partner across the country.

The table below provides financial results for the past 5 fiscal years.

	Year ended June 30,				
	2008	2009	2010	2011	2012
(Millions)					
Net Revenue	\$2,570	\$2,951	\$3,224	\$4,582	\$5,949
Yr/Yr	<i>n/a</i>	14.8%	9.3%	42.1%	29.8%
EBITDA	\$266.0	\$302.7	\$326.6	\$423.0	\$575.7
Margin	10.3%	10.3%	10.1%	9.2%	9.7%
Yr/Yr	<i>n/a</i>	13.8%	7.9%	29.5%	36.1%

Source: Form 10-K for fiscal year ending June 30, 2012

A complete list of Vanguard hospitals and affiliates is shown in Applicants' response to **Question 19**.

3. **Describe the terms of the proposed Joint Venture. This section should include, but is not limited to, a financial analysis of the transaction (e.g., projected sources and uses of proceeds and the valuations of included and excluded assets) and descriptions of GWHN, Vanguard, the new Joint Venture Entity that is to be formed, the assets to be transferred pursuant to the Joint Venture and any assets excluded from transfer, the assumed and excluded liabilities of the Joint Venture, Vanguard's other undertakings, including, but not limited to, the commitment to expend no less than \$75 million dollars on capital items and the development and improvement of ambulatory services in the greater Waterbury community, and the Hospital's expected financial state and proposed governance structure after the transaction. Provide copies of all contracts, agreements, memoranda of understanding, and pro forma financial statements relating to the proposed Joint Venture.**

THE AGREEMENTS

Pursuant to the Contribution Agreement (see **Exhibit 1**), GWHN will contribute substantially all of its assets to the capital of the JV. A subsidiary of Vanguard will pay the JV 80% of the "purchase price". The Purchase Price is \$45 Million plus or minus the amount by which the net book value of the net working capital is greater or lesser than \$6.8 Million. In consideration for its contribution of the assets to the JV, GWHN will receive a 20% membership interest in the JV and the amount of the Vanguard contribution in cash. Vanguard will assume certain liabilities and GWHN will retain certain liabilities. In addition, the JV will commit to expend not less than \$55 Million on capital items and on the development and improvement of ambulatory services in the Greater Waterbury community over seven years.

The operations and governance of the JV are set forth in the Operating Agreement (see Exhibit 2). Following the closing, the JV will be governed by a board of directors (the "JV Board"). The JV Board will have oversight and ultimate authority over the affairs of the JV. The JV Board will be composed of 12 Board members, 6 of whom will be elected or appointed by GWHN and 6 of whom will be elected or appointed by Vanguard. The JV

Board will be structured to allow Vanguard to consolidate the final results of the JV with the financial results of Vanguard's subsidiaries in accordance with generally accepted accounting principles. Subject to these limitations, the JV Board will have the authority to authorize actions as specifically set forth in the Operating Agreement. The JV Board's approval is required to take certain actions with respect to the Hospital and its affiliates (collectively, the "Facilities"), including, without limitation, (i) evaluate the amount of uncompensated care provided by the Facilities to ensure compliance with the IRS Community Benefit Standards; (ii) make certain determinations as to the accreditation of the Facilities by The Joint Commission; (iii) make certain decisions relative to distributions of cash to members of the JV; (iv) incur debt in excess of agreed upon thresholds; (v) make loans in excess of agreed upon thresholds; (vi) acquire entities in excess of agreed upon thresholds; (vii) enter into joint ventures or similar business arrangements; (viii) merge or consolidate the JV with another entity; (ix) sell, lease, mortgage, pledge, transfer, or exchange assets of the JV in excess of agreed upon thresholds; (x) discontinue or add any material clinical services at the Facilities; and (xi) modify, amend or replace the Management Agreement or make any other agreement or business arrangement with an affiliate of either JV member that is either not in the ordinary course of business or other than at arm's length terms. Each Chairman of the JV Board will serve for a single three-year term. The initial Chairman of the JV Board will be the individual who is serving as Chairman of the Board of GWHN at the time of the closing of the proposed transaction.

The JV Board will appoint a twelve-member local Board of Trustees to oversee the operating activities of the Facilities. At least six of the members of the Board of Trustees will be physicians from the active medical staff of the Hospital; the remainder of the members of the Board of Trustees will be local community leaders. The Board of Trustees will be responsible for (i) adopting a vision, mission, and values statement for the Facilities; (ii) monitoring performance improvement at the Facilities; (iii) granting medical staff privileges; (iv) assuring medical staff compliance with the requirements of The Joint Commission; (v) providing advice and consultation regarding physician recruitment efforts; and (vi) fostering community relationships and identifying service and education opportunities.

The JV will enter into a management agreement (the "Management Agreement") (see **Exhibit 3**) with VHS Waterbury Management Company, LLC, an affiliate of Vanguard (the "Manager"), pursuant to which the Manager will be responsible for managing the day-to-day operations of the JV and the Facilities. Under the Management Agreement, the Manager will provide certain services to the JV and the Facilities, including, without limitation, (i) corporate oversight and operation support; (ii) reimbursement services; (iii) purchasing and supply chain services; (iv) business planning; (v) development support; (vi) quality and resource management support; (vii) human resources support; (viii) facility planning; (ix) certain legal services; (x) risk management support; (xi) compliance services; (xii) real estate services; and (xiii) information services support. The JV will pay the Manager a management fee equal to [REDACTED] of the consolidated net revenues of the JV. The management fee does not include the costs of insurance, information services, and certain other third party expenses more specifically delineated in the Management Agreement, all of which will be billed directly to the JV at Vanguard's cost. The Management Agreement has an initial term of five years and will automatically renew for successive terms of five years each.

THE TRANSACTION

GWHN will contribute substantially all of its assets to the JV in return for a 20% interest in the JV and the JV's commitment to expend a minimum of \$55 million on capital improvements and the development and improvement of ambulatory services in the Greater Waterbury community. Vanguard will contribute \$45 million as consideration for GWHN's asset contribution. Such contribution will be reduced by the amount of the liabilities assumed by the JV.

Vanguard will hold the remaining 80% interest. The projected sources of income are as follows:

Table A: Projected Sources of Income

<u>Name of Member</u>	<u>Primary Capital Contribution</u>	<u>Percent Share</u>
GWHN	\$6,320,000	20%
Vanguard	\$25,282,000	80%

GWHN Contributed Assets:

- All rights, title, and interest in and to the facilities, including, without limitation, the Hospital, its business operations, and other related health care assets.
- Equipment.
- Net Working Capital, defined as accounts receivable, inventory and supplies, any prepaid expenses and deposits that have continuing value to the JV, less accounts payable and accrued expenses.
- Patient, medical, personnel and other records of the Facilities.
- Licenses, permits and trade names.
- Certain assumable contracts of the Facilities.
- Interests in subsidiaries and affiliates, other than CCGWHN and HAIC.
- Interests in all property arising or acquired in the ordinary course of the operation of the business between the date of execution of the letter of intent and the closing.
- All other property, whether tangible or intangible, of every kind, character, or description owned by GWHN and used or held for use in the operation of the Facilities.

GWHN Excluded Assets:

- Cash and cash equivalents.
- Board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, working capital trust assets, and assets and investments restricted as to use), beneficial interests in charitable trusts, and accrued earnings on all of the foregoing.
- Prepaid expenses not assumed by the JV.
- All insurance proceeds arising in connection with the operation of the assets or the facilities for periods prior to closing to the extent that all damage to the Assets has been repaired.
- All amounts due or to become due to GWHN from the Medicare, Medicaid or other payor programs in respect of cost report periods ended on or prior to closing.
- Interests in CCGWHN and HAIC.

GWHN Retained Liabilities:

- Debt.
- Claims or potential claims for workers' compensation, medical malpractice or general liability relating to events asserted to have occurred prior to closing.
- Liabilities or obligations associated with or arising out of any of the GWHN excluded assets.
- Liabilities or obligations with respect to cost report periods prior to closing arising under Medicare, Medicaid or other payors.
- Certain pension plan obligations.

	Pro Forma		
	Balance Sheet as of 9/30/12	Retained by Surviving Entity	Purchased/ Assumed by JV
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 29,268,088	\$ 27,794,623	\$ 1,473,465
Short-term Investments	\$ 1,089,172	\$ 932,260	\$ 156,912
Net Accounts Receivable	\$ 32,757,180	\$ 232,184	\$ 32,524,996
Accts Receivable - Other	\$ 2,977,505	\$ 2,309,569	\$ 667,936
Inventories	\$ 3,305,079		\$ 3,305,079
Prepaid Insurance and Other Expenses	\$ 1,525,890	\$ 191,056	\$ 1,334,834
Due From Affiliates	\$ 195,978		\$ 195,978
Total Current Assets	<u>\$ 71,118,892</u>	<u>\$ 31,459,692</u>	<u>\$ 39,659,200</u>
Noncurrent Assets Who Use Is Limited:			
CHEFA Obligations	\$ 1,013,074	\$ 1,013,074	
Investments	\$ 23,335,650	\$ 23,299,691	\$ 35,959
Board Designated Funds	\$ 2,974,503	\$ 2,974,503	
Loans and Other Receivables	\$ 543,923	\$ 543,923	
Funds Held in Trust by Others	\$ 42,218,163	\$ 42,218,163	
Goodwill	\$ 1,813,567		\$ 1,813,567
Net PP&E	\$ 51,475,519	\$ 2,190,747	\$ 49,284,772
Total Assets	<u>\$ 194,493,291</u>	<u>\$ 103,699,793</u>	<u>\$ 90,793,498</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	(\$35,994,065)	\$ (2,755,287)	(\$33,238,778)
Current Portion of Long Term Debt	(1,172,820)	(711,359)	(461,461)
Due to Third-Party Payors	(771,289)	(771,289)	
Total Current Liabilities	<u>(\$37,938,174)</u>	<u>(\$4,237,935)</u>	<u>(\$33,700,239)</u>
Long-Term Debt	(27,566,948)	(26,461,687)	(1,105,261)
Other Long-Term Liabilities:			
Workers Compensation	(9,203,063)	(9,203,063)	-
Pension	(5,906,712)		(5,906,712)
Malpractice	(2,082,498)	(2,082,498)	-
Asbestos Abatement	(2,785,468)		(2,785,468)
Other Long-Term Liabilities	(3,792,810)	(3,792,810)	-
Minority Interest in Subsidiaries	(3,148,788)	-	(3,148,788)
Total Other Liabilities	<u>(54,486,287)</u>	<u>(41,540,058)</u>	<u>(12,946,229)</u>
Total Liabilities	<u>(92,424,461)</u>	<u>(45,777,993)</u>	<u>(46,646,468)</u>
Net Assets	(\$102,068,830)	(\$57,921,800)	(\$44,147,030)
Net Balance Sheet Items	<u>194,493,291</u>	<u>103,699,793</u>	<u>90,793,498</u>

Foundation Adjustments

Net Foundation Assets Before Adjustments	\$ 57,921,800
Enterprise Value	\$ 45,000,000
Balance Sheet Liabilities Assumed by JV	\$ (13,397,902) (A)
Net Enterprise Value	<u>\$ 31,602,098</u>
Less: Foundation's Equity Value in JV	\$ (6,320,420) (B)
Cash Received by Foundation at Closing	<u>\$ 25,281,678</u>
 Adjustments	
Write-off of Other Assets	\$ (191,056) (C)
Foundation's Equity Value in JV	\$ 6,320,420 (B)
Malpractice Tail Insurance and LPT	\$ (11,300,000) (D)
Estimated Transaction Costs	\$ (1,800,000) (E)
Contingencies	<u>\$ (1,000,000)</u>
Total Adjustments	<u>\$ (7,970,636)</u>
Net Foundation Assets after Adjustments	<u>\$ 75,232,842</u>

(A) Represents accrued pension liability, asbestos abatement liability and capital lease debt assumed by JV

(B) Represents the Foundation's 20% portion of the Net Enterprise Value

(C) Represents write-off of prepaid insurance and other expenses not assumed by the JV

(D) Represents the estimated cash outlay necessary to purchase tail insurance for all unasserted malpractice claims with dates of occurrence prior to closing date and to accomplish a loss portfolio transfer for asserted claims with dates of occurrence prior to closing date.

(E) Includes such costs as bankers, lawyers and consultant' fees

EXPECTED FINANCIAL STATE OF GWHN POST CLOSING

As a result of becoming a member of the JV, GWHN will be financially sound with reduced expenses, retired debt and the necessary resources to fund its pension obligations.

As a Vanguard hospital, the Hospital will enjoy economies of scale. Vanguard is an operating company that provides resources and support for our hospitals across the country. Vanguard believes that all health care is local because the people who live and work in the communities it serves know what is best for those communities. Therefore, regional teams support and collaborate with its hospital leaders and are the nexus for strategy, budgeting and operating decisions at the local level. This allows for local participation and ensures decisions are made by local thought leaders in a timely and effective manner. Vanguard provides the right level of centralized support and back-office services that allows its markets to feel independent, but at the same time, alleviates the burden of certain non-critical parts of the business. Allowing Vanguard hospitals and related businesses to focus on the critical business at hand is crucial to its success.

Listed below are some of the ways in which Vanguard provides support through national and regional teams to improve the financial performance of its hospitals.

Revenue Cycle

To leverage scale, reduce redundancy, improve efficiencies and lower collection costs, Vanguard is currently in the process of centralizing certain aspects of its revenue cycle operations.

Human resources / employment matters / benefit program cost savings

The human resources function at Vanguard is led by a team in Nashville with local market leadership and infrastructure in each of its hospitals. The corporate team is responsible for establishing policy, developing consistent benefit plans and providing support and guidance in a consistent and efficient manner. Their responsibility is to stay current with all applicable laws and regulations and to make certain that Vanguard hospitals and related businesses have policies and procedures in place to make certain that they remain in compliance with existing laws and regulations.

Liability and other insurance

Risk Management at Vanguard is led by a corporate team that provides direction on all risk management activities. This team manages all litigation in a highly efficient manner. Vanguard's approach to risk management is to be proactive and to prevent claims from occurring. Risk management teams in local markets and hospitals work closely with its quality and clinical leaders to prevent events from occurring.

Purchasing / supply costs

As would be expected with a company of Vanguard's size, purchasing power allows Vanguard to keep supply costs low. In conjunction with Vanguard's group purchasing organization, it is always seeking ways to lower supply costs. On a national scale, Vanguard has been able to standardize purchases on a number of commodity items leading to very favorable pricing. On physician preference items, such as implants and devices, Vanguard has taken aggressive approaches to standardization and receives substantial discounts on these items.

Legal Services

A team of experienced lawyers resides in Nashville to serve Vanguard hospitals and related businesses. The approach to legal services is to provide as much support "in-house" as possible in an effort to keep external legal costs down. Areas in which the Vanguard legal team supports local hospitals include human resources and employment matters, operations contracts, physician employment contracts, other physician contracts and issues, acquisitions, regulatory matters, compliance, HIPAA, managed care contracts, accountable care organization matters, real estate, litigation support and information technology contracts.

Process improvement models (e.g., Six Sigma, Lean)

The Program Management Office (PMO) includes individuals who are trained in Lean processes and other skill sets to facilitate process improvement at Vanguard. The PMO is integral to numerous projects throughout the company

Cash, investment management and other corporate treasury functions

The cash management function is centralized in the Nashville office. All deposits from the hospitals and related businesses are swept into the concentration account and any funding needs for payments are pulled from this account as well. Vanguard also has a treasury function which manages investments associated with Vanguard's captive insurance company and pension plans which were assumed in conjunction with certain acquisitions.

Over time, the Hospital will receive these and other benefits that come with being a Vanguard hospital.

CAPITAL COMMITMENT

Vanguard is committed to contributing \$55 Million over 7 years toward capital improvements for maintaining the Hospital campus and enhancing ambulatory services in the Greater Waterbury community. Following the JV closing, the JV Board, Hospital leadership and community physicians will engage in an assessment and planning process for the prioritization of capital investments that best secure the Hospital's future and meets the changing needs of the Greater Waterbury community.

- 4. Describe the due diligence undertaken by GWHN in deciding to enter into the Joint Venture. This section should include, but is not limited to, considerations regarding the current financial condition of the Hospital and any projected financial condition of the Hospital, any professional assessments of or reports regarding the Hospital or the Joint Venture, any and all alternatives explored by the Hospital or other offers received by the Hospital, the reasons for rejecting such alternatives and offers, the Hospital's selection of Vanguard for the Joint Venture and the specific terms of the Joint Venture. In addition the parties should discuss its due diligence in obtaining the fairness evaluation required by Conn. Gen Stat. § 19a-486a(c)(5), including providing a copy of said independent expert's resume or other documentation of his/her qualifications and describing the process undertaken to identify and retain this person as an independent expert.**

BACKGROUND

Historically, GWHN has treated a large number of Medicare, Medicaid and uninsured patients; it experienced five consecutive years of losses from 2006 through 2011, ranging from \$2.5M to \$17.8M.

GWHN's ability to achieve its mission and fulfill its long range plan has been impeded by limited access to capital, inadequate reimbursement from third party payors, aging facilities, an unfavorable payor mix and an accrued pension liability. As a stand-alone entity, GWHN cannot address these challenges. Without the Joint Venture, GWHN will (i) need significant assistance from the State of Connecticut, (ii) dramatically reduce its capacity as a safety net provider, and (iii) struggle to meet its mission to provide adequate health care to the people in its service area. The proposed Joint Venture will have access to needed capital, provide excellent care and will ensure that GWHN's debt and accrued pension liabilities are met.

Applicants are taking the necessary steps to secure a strong and sustainable local healthcare provider for the greater Waterbury community. In addition, the City of Waterbury will benefit from the creation of another for profit employer which will improve the tax base and be a significant driver of economic development for the region.

2005-2008

Following multiple years of operating losses, GWHN engaged Kaufman Hall in 2005 to evaluate the economics of consolidating the Hospital and SMH. Kaufman Hall concluded that even a consolidated institution would struggle financially. Despite this assessment, in 2006, the Hospital and SMH had discussions regarding a possible affiliation which never materialized.

Discussions between the two hospitals resumed in 2007, and the Office of Health Care Access conducted a special study of the status of health care services in the city of Waterbury (DN 06-30760-VST, attached hereto as **Exhibit 4**). OHCA concluded that both hospitals were in financial distress, had aged facilities and lacked access to capital. The report encouraged either the consolidation of the two hospitals or the planned closure of Saint Mary's Hospital. Affiliation discussions continued into 2008; however, the Hospital and SMH were not able to reach agreement on terms and no capital partner or state funding was secured to fund the anticipated \$130 million merger cost.

2008-2011

When the United States entered a deep recession in 2008, GWHN was impacted by the resulting lower healthcare utilization and experienced significant financial difficulty, leading to a default in its bond covenants in 2009. As part of the forbearance arrangement with its bondholders, GWHN and the Hospital entered into an agreement with PricewaterhouseCoopers, LLC ("PwC") in 2009 to identify top challenges and risks for GWHN, define operational improvements, define revenue cycle improvements and set physician initiatives.

Top challenges identified by PwC included: risks associated with IT implementation; skill set of management across the organization; ongoing capital needs and sufficient access to capital for strategic investments; healthcare reform and declining reimbursements; and strained relationships among board, physicians, management and unions.

PwC recommended strategies for improving clinical and financial performance; strategies were implemented with only partial success. In response, the Board realigned the executive team in 2011. In the first six months, this new team reduced expenses by \$6 million, instituted service improvements, improved core measures and made modest capital improvements as a result of the savings gained by successfully refinancing its tax exempt debt. However, these improvements were not enough to secure the long-term resources required to sustain the current health system.

In addition in 2010 Kaufman Hall, a well-known healthcare advisor, was retained to identify near-term capital needs. Kaufman Hall identified over \$50 million in capital improvements

required over 5 years to keep the Hospital operational, money GWHN simply does not have and cannot secure in the open market.

The Kaufman Hall and PricewaterhouseCoopers reports are attached hereto as **Exhibit 5**.

With difficulty, in late 2010, the Hospital was able to refinance its CHEFA debt in a private offering. However, continued financial difficulty coupled with the consultants' assessment of capital need and dismal prospects for securing such capital caused the Board of Directors to reconsider an independent hospital strategy.

SEARCH FOR A CAPITAL PARTNER

In late 2010, the Executive Committee of the GWHN Board recommended that the Hospital seek a capital partner and acknowledged that this might include a merger; a task force was formed. In early 2011, the Board of Directors engaged respected health care bankers, Cain Brothers, to develop strategic alternatives including partnership, merger or sale consistent with the GWHN Board's stated goals and objectives. The task force met on March 4, 2011.

At the GWHN Board's direction, Cain Brothers contacted 14 parties to assess interest. Seven of the interested parties executed confidentiality agreements and received a Confidential Information Memorandum ("CIM"). Four parties responded with non-binding proposals. Cain Brothers engaged these parties in negotiations to improve the initial indications of interest. During the negotiation phase, one of the four parties did not respond to requests and opted out of the process.

During May, June and July 2011, Cain Brothers worked with GWHN's task force and the three remaining entities to improve their indications of interest. Despite repeated entreaties, the sole tax exempt entity responding to the CIM did not provide responsive documents, leaving two entities for the Board to evaluate. During this time, the task force updated the Board at each monthly board meeting.

During the GWHN Board's review of the three proposals over several meetings, Cain Brothers facilitated a discussion of the benefits and risks of each proposed transaction. After careful consideration, the GWHN Board determined that the benefits of one united health system, accompanied by one new state-of-the-art hospital, presented a once in a lifetime opportunity for greater Waterbury. The GWHN Board voted on August 15, 2011 to authorize the negotiation of definitive agreements with LHP/Saint Mary's. On August 18, 2011 the parties entered into a letter of intent for a joint venture ("LHP Joint Venture"). GWHN and LHP submitted an application for conversion on April 23, 2012.

Despite a year of extraordinary efforts by the parties, community leaders and government officials, it became clear that significant impediments to the proposed LHP Joint Venture remained. In late August 2012, LHP terminated the proposed joint venture citing the increasing costs of building the proposed replacement hospital and the inability to satisfy all constituents regarding issues related to the Ethical and Religious Directives for Catholic health care services.

FINDING A NEW PARTNER

On September 4, 2012, the GWHN Board reconvened and authorized the Task Force to continue discussion with SMH and LHP as well as to pursue other opportunities in the market. With Cain Brothers' assistance, GWHN sought additional proposals for capital partners in late September 2012 and received indications of interest in mid-October 2012.

At the Board's direction, Cain Brothers requested proposals from a select group of organizations interested in a strategic relationship with GWHN. The GWHN Board confirmed the following objectives as a guide for evaluating potential partners:

- Ensure the Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term;
- Provide sufficient capital to meet deferred, current and future capital needs for the Hospital's physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology;
- Continue a meaningful local governance presence at the Hospital that represents both physicians and the Greater Waterbury community;
- Develop and implement an ambulatory service strategy to best position GWHN for a successful transition in changing health care delivery methods;
- Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;
- Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community;
- Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth;
- Maintain high satisfaction scores by patients, physicians, employees and volunteers; and
- Continue charitable care delivery and funding.

Non-disclosure agreements ("NDA") were distributed to eleven entities, including two non-profit healthcare systems. Five parties executed NDAs and received a CIM, which is attached as **Exhibit 6**. Of the five entities receiving CIMs, two submitted proposals. Neither tax-exempt system responded to the solicitation process.

Table B: Process Summary

TAX STATUS	LOCATION	RECEIVED CIM	REPLIED TO CIM
Exempt	CT	No	N/A
Exempt	CT	No	N/A
Taxable	National	No	N/A
Taxable	Southeast/Southwest	Yes	No
Taxable	South/Southwest	No	N/A
Taxable	West	Yes	N/A
Taxable	West	Yes	Yes
Taxable	Midwest, South, Northeast	Yes	No
Taxable	New England	No	N/A
Taxable	National	No	N/A
Taxable	National	Yes	Yes

On October 17, 2012, Cain Brothers presented the two proposals that were received to the Task Force. Cain Brothers arranged for representatives of the two proposers to meet at length and in person with the Task Force. Cain Brothers presented the proposals focusing on (i) the form and economic value of the proposed transaction; (ii) the proposed governance and continuation of services, and (iii) each entity's business strategy, proposed transaction timing, and ability to close. Cain Brothers noted that one candidate proposed an asset purchase transaction, but was open to a joint venture arrangement, while Vanguard proposed both an asset purchase transaction and a joint venture arrangement.

The Task Force discussed the positives and negatives of each proposal, and all members agreed that they would prefer a joint venture to an asset purchase, believing that the joint venture model will better ensure continuing community engagement with the Hospital. It discussed each entity's experience with running hospitals, experience with the CON process, experience in New England, strategy, familiarity with the Waterbury market, and apparent willingness to deploy capital, among other topics.

The following table summarizes key features of the proposals received:

Table C: Key Features of Initial Proposals Received

	Purchaser #1	Vanguard Health Systems	
Form of Transaction	Asset purchase, though flexible and open to JV arrangement if preferred by GWHN.	Asset Purchase	JV with GWHN to retain 20% ownership (ownership percentages are negotiable).
Total Unadjusted Transaction Value	~\$115.4 million	~\$147.9 million	
Excluded Assets	Children's Center	None	
Cash Proceeds to Foundation	\$16.3 million	\$11.2 million	\$8.8 million

	Purchaser #1	Vanguard Health Systems	
Net Foundation Assets⁴	~\$45.4 million	~\$72.9 million	
Long Term Capital Commitments	Minimum of \$70 million over a 5-year period.	Minimum of \$75 million over a 5-year period.	
Governance	<ul style="list-style-type: none"> • Anticipated a local board to be created consisting of local community leaders and physicians. • Would rely on current board members, or a subset thereof, to comprise the new board. • Local board to determine timing of capital contributions, with Purchaser approval required. 	<ul style="list-style-type: none"> • Anticipates participation of existing GWHN Board on a hospital advisory board. 	<ul style="list-style-type: none"> • Anticipates creating a local JV board comprised of members from GWHN and Vanguard. • Only requirement is to have enough “control” such that GWHN financials are consolidated with Vanguard’s.
Continuation of Services	Anticipated maintaining all existing clinical services.	Committed to maintaining all existing core service lines for at least 10 years.	
Expansion of Services	Would continuously evaluate market to identify new opportunities with substantial input from local management team.	Will continuously evaluate market to identify new opportunities with substantial input from local management team.	
Timing	Not explicitly provided.	30-45 days due diligence prior to signing a Definitive Agreement.	
No Sale Provision	Had never sold any of its hospitals and did not anticipate selling GWHN post acquisition.	Does not purchase hospitals to close or sell them and open to discussing time commitment for retaining ownership in GWHN.	
Right of First Refusal/Repurchase Rights	Did not expect any rights of first refusal or repurchase rights, though open to discussing with GWHN.	Would allow GWHN right of first refusal or grant certain repurchase right to GWHN upon occurrence of certain events.	
Charity Care	Would adopt GWHN’s charity and indigent care policies.	Will put in place a policy that is “at least as favorable to patients” as the existing GWHN policy.	
Employee Matters	Expected to offer employment to substantially all employees of GWHN, including management.	Expects to offer employment to substantially all employees of GWHN.	

A special joint meeting of the boards of GWHN and the Hospital was called for October 25, 2012. At the meeting, the Task Force reported its work with Cain Brothers.

The Task Force explained that Cain Brothers re-canvassed the market, with the intention of finding the best option for Waterbury and ensuring that the community would remain involved with running GWHN and the Hospital. Cain Brothers contacted eleven entities about entering into a potential transaction with GWHN and the Hospital. Five of those entities signed NDAs, and Cain Brothers received written proposals from two of those five entities. Mr. Horowitz of Cain Brothers explained each entity's history, experience and current projects. He stated that initially one candidate proposed only an asset purchase and was asked to also propose a joint venture; Vanguard proposed either an asset purchase or a joint venture. Mr. Horowitz described the details of both proposals, including financial terms, governance structure, acceptance of liability, and strategic plans among other details. He noted that in reviewing the details of each proposal, the Task Force met in person with representatives of both proposers.

The GWHN Board Chair presented the Task Force's recommendation that the GWHN Board accept Vanguard's proposal because it would more closely meet the needs of GWHN, the Hospital and the Greater Waterbury community. Factors cited in this recommendation included Vanguard's presence in the Northeast, its familiarity with the Waterbury market and its experience with the Certificate of Need process in other States.

After lengthy discussions regarding the experience and qualifications of both Vanguard and the other candidate, the Boards of GWHN and the Hospital voted unanimously to authorize the negotiation of a letter of intent with Vanguard. GWHN and Vanguard executed a Letter of Intent to form a joint venture on October 29, 2012 (see **Exhibit 7**).

The due diligence period commenced and both parties conducted due diligence. GWHN's list of diligence requested of Vanguard is attached as **Exhibit 8**. Counsel for GWHN prepared a diligence memorandum which is protected by Attorney Client Privilege.

Since the execution of the letter of intent in October, 2012, several significant events occurred which have impacted the terms reflected in the LOI. During the due diligence process, the parties discovered that the Connecticut Health Care Associates ("CHCA") Multiemployer Pension Fund is underfunded by approximately \$17.2 million. In addition, there is evidence that the health care climate in Connecticut is becoming more challenging. The proposed state budget reduces payments to hospitals drastically. Waterbury Hospital alone would face a reduction of \$11 million dollars over the next 3 years. Despite these serious challenges, the parties have worked hard to preserve the essence of the transaction.

First, in order to provide GWHN with more up-front liquidity to deal with the underfunding of the CHCA Multiemployer Pension Fund, Vanguard increased the cash purchase price from \$25 million to \$45 million, while reducing the capital commitment pledge from \$75 million to \$55 million. The term over which the capital commitment pledge must be paid has been extended from five to seven years.

Please see Applicants' response to **Question 6** for a description of the diligence undertaken to identify the expert giving the fairness evaluation.

5. Describe any and all potential conflicts of interest between, among, or pertaining to, at a minimum, any and all board members, officers, key employees and experts of the Hospital, Vanguard and any other party to the transaction, and any person or entity that performed assessments requested in this application. In addition, describe the due diligence taken to determine the existence of any conflicts of interest including how GWHN and Vanguard defined “conflict of interest” for the purposes of the response to this question.

GWHN and Vanguard prepared and disseminated a Conflict of Interest/Financial Disclosure form (the “Disclosure”) to (i) board members, (ii) experts and (iii) GWHN senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction regarding any financial interests, beneficial interests and/or employment interests in the proposed Joint Venture and/or any entity associated with the joint venture principals. The Disclosure also required statements regarding Related Persons, defined as:

“A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.”

The completed disclosure forms are attached hereto as **Exhibit 9**. Several of the Board members are physicians employed by the Hospital or an affiliate and the Hospital’s CEO is a voting member of the Boards.

6. Provide an assessment of the fair market value of the transaction, including, but not limited to, a discussion regarding whether the fair market value of the Hospital’s assets has been manipulated. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment. Provide copies of all documents and statements, financial and otherwise, in support of this assessment.

In early September, 2011, the GWHN Board sent a Request for Proposal to three firms for the purposes of obtaining a Fairness Evaluation for the LHP Joint Venture pursuant to C.G.S. 19a-486a(c)(5). Only one firm responded, so it was determined that the search should be expanded so that the Board had multiple proposals to consider. The RFP was distributed to a larger group of firms in early October 2011 and GWHN received three additional proposals. All proposals received are attached as **Exhibit 10**.

After careful consideration and interviews with the responders, the GWHN Board selected Principle Valuation, LLC (“Principle”) to perform the Fairness Valuation for the LHP Joint Venture. Principle’s qualifications and conflict disclosures are fully articulated in their RFP response in 2011 located in **Exhibit 10**. Updated information is included as well.

Having engaged Principle in the recent past after a rigorous RFP process, the GWHN Board again decided to retain Principle to provide a Fairness Evaluation of the proposed transaction with Vanguard. Principle's compensation is a flat non-contingent fee. Principle's role in this transaction is limited to the fairness evaluation. It was paid in full for its valuation in the proposed LHP transaction and consequently, its engagement in the current transaction is not in consideration of work previously provided and not compensated. The GWHN Board believes that Principle has unique knowledge and experience in the Waterbury market, as well as non-profit/for-profit ventures, which will result in a time and cost efficient engagement. In performing the evaluation, Principle considered the value of the GWHN assets being transferred against the value of benefits received from a financial point of view. The review also considered the economic benefit to be provided by the Hospital to the community through its teaching programs and community benefits programs. Principle utilized three valuation methodologies to assess the value of the assets being transferred: Cost Approach, Market Approach and Income Approach. The Income Approach was used to assess the value of benefits received by the Foundation as a result of the transaction, including the inherent value associated with continuation of the teaching programs and community benefits programs beyond the limited future of GWHN if it does not join the JV.

Assessment activities and analytics undertaken by Principle include:

- Visited the Hospital site to assess overall condition of physical assets and improvements;
- Reviewed CIM prepared by Cain Brothers;
- Reviewed business and financial information pertaining to GWHN prepared subsequent to the CIM;
- Reviewed financial statements prepared by GWHN that project the future performance of GWHN should the transaction not occur;
- Reviewed offers received by GWHN;
- Reviewed certain available business and financial information related to Vanguard;
- Reviewed financial and operating forecasts for the JV;
- Reviewed historical market prices, trading activity and valuation multiples of relevant publicly traded companies and used them as benchmarks for the analysis;
- Compared the proposed financial terms of the transaction with other relevant transactions;
- Reviewed the Contribution Agreement, Operating Agreement and Management Agreement (collectively, "the Agreements") by and between GWHN and Vanguard;
- Researched relevant market place interest rates for debt and money market instruments; and
- Assessed the general economic market and current monetary conditions.

Assumptions used include:

- In the absence of the JV, GWHN will likely face increased competition from competitors with access to capital;
- Based on the age and condition of the property, the remaining economic life of the Waterbury Hospital Campus is five years in the absence of an alternative capital resource partner;

- Without the JV, GWHN earnings and volume will deteriorate while the costs associated with the physical plant increase resulting in marginal to negative cash flows;
- GWHN's current and future negative earnings will restrict it from accessing necessary capital to modernize or replace the facility; and
- In the absence of the JV, the overall viability of GWHN and its ability to continue its healthcare mission will be in jeopardy over the foreseeable future.

Valuation of Assets Contributed

In deriving the value of the assets that GWHN will contribute to the JV, Principle utilized the Cost Approach (also known as Adjusted Book Value Approach), the Income Approach and the Market Approach. For the Cost Approach, Principle derived a depreciated replacement cost for the tangible assets in use. Land is valued at its current value assuming current market data. The Cost Approach is summarized as follows:

Valuation Summary as of March 2013 With Economic Depreciation

Building/Name	Land Value	Building Depreciated Cost	Land Improve. Depreciated Cost	Total Real Estate Value	FF&E	Grand Total
Waterbury Hospital	\$7,500,000	\$9,300,000	\$170,000	\$16,970,000	\$12,390,000	\$29,360,000
Grandview Bldg.		\$295,000		\$295,000		\$295,000
Apartment A & B		\$60,000		\$60,000		\$60,000
Baker House		\$65,000		\$65,000		\$65,000
72 Hale Street		\$200,000		\$200,000		\$200,000
101 Robbins St.		\$95,000		\$95,000		\$95,000
36 Grandview Ave.		\$100,000		\$100,000		\$100,000
140 Grandview Ave.		\$210,000		\$210,000		\$210,000
134 Grandview Ave.		\$340,000		\$340,000		\$340,000
TOTALS	\$7,500,000	\$10,665,000	\$170,000	\$18,335,000	\$12,390,000	\$30,725,000

Tangible Asset Value Summary

Working Capital	\$6,767,535
Land	\$7,500,000
Land Improvements	\$170,000
Buildings	\$10,665,000
Equipment	\$12,390,000
TOTAL TANGIBLE ASSETS	\$37,492,535
ROUNDED TO	\$37,490,000

Discounted Cash Flow GWHN "Stand-Still" - Schedule 1 B - (Continued)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
NET INCOME FOR DISCOUNTING (EBIT)			\$ 2,179,359	\$ 228,867	\$ (1,469,162)	\$ (3,061,171)	\$ (4,393,037)
ESTIMATED INCOME TAXES			871,743	91,547	-	-	-
NET INCOME			\$ 1,307,615	\$ 137,320	\$ (1,469,162)	\$ (3,061,171)	\$ (4,393,037)
Less Incremental Working Capital			\$ 373,428	\$ 61,730	\$ (30,106)	\$ (49,099)	\$ (272,186)
Less Capital Expenditures			(5,440,218)	(2,713,936)	(2,716,946)	(1,360,928)	(1,374,537)
Plus Depreciation			9,211,708	9,226,325	9,242,976	9,259,831	9,306,130
Cash Flow to Discount			\$ 5,452,534	\$ 6,711,439	\$ 5,026,762	\$ 4,788,633	\$ 3,266,370
Discount Periods			0.50	1.50	2.50	3.50	4.50
Present Value Factor			0.944911183	0.843670699	0.75327741	0.672569116	0.600508139
Present Value of Periodic Cash Flow s			\$5,152,160	\$5,662,244	\$3,786,546	\$3,220,687	\$1,961,482
Sum of PV Periodic Cash Flow s			\$19,783,119				
Add Residual Value of Plant	\$7,700,000		\$4,623,913				
Total Asset Unencumbered			\$24,407,032				
Adjustment For Market Based Working Capital							
Market Based Working Capital	\$27,574,516						
Working Capital to be Transferred	<u>\$6,767,535</u>						
Excess (Deficient Market Based Working Capital)					<u>-\$20,806,981</u>		
Rounded Value of Assets to Be Sold Via Income Approach							\$3,600,000.00

The second analysis in the Income Approach examines the cost of capital should the JV not occur and is as follows:

DEVELOPMENT OF WACC - GWHN - "Stand-Still"			
			% in
		Cost of Capital	Capital Structure
			Weighted Cost
Debt		4.51%	40%
Equity		17.07%	60%
Weighted Average Cost of Capital			12.05%
Concluded WACC			12.00%
Cost of Equity			
Risk Free Rate of Return		2.42%	
Plus Equity Risk Premium			
Market Risk Premium ¹	5.50%		
Times Beta	1.30		
Adjusted Market Risk Premium		7.15%	
Plus Size Premium ²		5.50%	
Plus Company Specific Risk Premium		2.0%	
Indicated Cost of Equity		17.07%	
Cost of Debt			
Concluded Pre-Tax Cost of Debt	7.50%		
Income Tax Rate	39.88%		
Concluded After-Tax Cost of Debt		4.51%	
Selected Yields and Interest Rates			
Rates as of 9/30/2012			
Prime Rate		3.25%	
5-Year Treasury Rates		0.62%	
10-Year Treasury Rates		1.65%	
20-year Treasury Rates		2.42%	
Moody's Aaa		3.42%	
Baa		4.72%	
(1) Long-horizon expected equity risk premium recommended by Duff & Phelps Risk Premium Study			
(2) Estimated based on Duff & Phelps Risk Premium Study			

Finally, Principle used two Market Based approaches to estimate the value of GWHN contributed assets: Guideline Company Approach and Guideline Transaction Approach. The following table summarizes the Guideline Company analysis.

Guideline Company Approach - Schedule 1C												
Company Name	Share Price	Adjusted Equity Value ¹	Adjusted Enterprise Value	% Debt	Revenues	EBITDA	Debt Free NWC	% Debt Free NWC	Beta	EBITDA Margin	Revenue Multiple	EBITDA Multiple
Universal Health Services, Inc. (UHS)	\$ 48.35	5,639,544,000	9,333,388,000	41.03%	7,599,445,000	1,180,316,000	652,575,000	8.59%	1.01	15.53%	1.23	7.91
Tenet Healthcare Corporation Co (THC)	\$ 32.47	4,148,886,720	8,944,886,720	57.56%	9,160,000,000	1,142,000,000	898,000,000	9.80%	1.35	12.47%	0.98	7.83
Community Health Systems, Inc. (CYH)	\$ 30.74	3,298,524,960	13,633,567,960	73.16%	14,477,820,000	1,915,971,000	1,325,382,000	9.15%	1.48	13.23%	0.94	7.12
Health Management Associates, I (HM)	\$ 9.32	2,867,242,080	6,733,872,080	57.05%	6,502,847,000	989,903,000	614,244,000	9.45%	1.49	15.22%	1.04	6.80
HCA Holdings, Inc. Common Stock (HC)	\$ 30.17	16,694,750,520	44,923,750,520	63.91%	32,348,000,000	6,555,000,000	3,162,000,000	9.77%	1.22	20.26%	1.39	6.85
LifePoint Hospitals, Inc. (LPNT)	\$ 37.75	2,235,555,000	4,159,655,000	43.94%	3,279,800,000	589,000,000	518,500,000	15.81%	0.96	17.96%	1.27	7.06
Vanguard Health Systems Inc. (VHS)	\$ 12.25	1,137,486,000	3,848,286,000	73.88%	6,021,100,000	589,900,000	505,800,000	8.40%	0.69	9.80%	0.64	6.52
HIGH:			\$44,923,750,520	73.88%	\$32,348,000,000			15.81%	1.49	20.26%	1.39	7.91
LOW:			\$3,848,286,000	41.03%	\$3,279,800,000			8.40%	0.69	9.80%	0.64	6.52
AVERAGE:				58.65%				10.14%	1.17	14.92%	1.07	7.16

GWHN

2.42%

Qualitative Comparisons (Subject Compared to Market Comparables as a Group)

Unit of Comparison	Status	Adjustment
Size of Company	Inferior	Downward
Diversity of Market Served	Inferior	Downward
EBITDA Margin	Inferior	Downward
Overall Adjustment		Significantly Downward

(1) Adjusted upward 20% to account for a control premium

Waterbury Hospital		
Description	Revenues	EBITDA
Adjustment	-70%	-50%
Adjusted Multiple*	0.320	3.578
Subject Comparable Units	\$ 277,722,000	\$ 6,713,000
Value Indication	\$ 89,006,635	\$ 24,021,849
Weighting	25%	75%
Total Asset Value as Unencumbered and assuming market based working capital (Rounded)	\$40,300,000	
Market Required Working Capital Balance	\$ (27,772,200)	
Actual Working Capital Balance	\$ 6,767,535	
Less Deficient (Excess) Working Capital	\$ (21,004,665)	
Less Long Term Debt Obligations	\$ -	
Overall Value Rounded	\$19,300,000	

In the Guideline Transaction Approach, Principle examined recent transactions as follows:

Announcement Date	Acquirer	Seller	Number of Beds	Consideration	Revenue Multiple	EBITDA Multiple	Price/Bed
12/15/2011	Cone Health	Alamance Regional Medical Center	218	\$200,000,000	0.93	8.47	\$917,431
11/29/2011	Orlando Health	Health Central	177	\$177,000,000	1.35	11.41	\$1,000,000
9/29/2011	LHP Hospital Group Inc	Bay Medical Center	323	\$155,000,000	0.59	16.31	\$479,876
9/6/2011	Trinity Health	Mercy Hospital & Medical Center	449	\$150,000,000	0.59	9.80	\$334,076
9/1/2011	Mercy	Logan Medical Center	25	\$7,200,000	0.32	7.20	\$288,000
7/28/2011	Community Health Systems, Inc.	Tomball Regional Medical Center	358	\$209,500,000	1.38	11.90	\$585,196
7/19/2011	Community Health Systems, Inc.	Moses Taylor Health Care System	242	\$152,000,000	1.02	16.00	\$628,099
6/28/2011	Ardent Health Services	Southcrest Hospital, Claremore Regional	269	\$154,200,000	0.82	5.12	\$573,234
6/3/2011	Duke LifePoint Healthcare, LLC	Person Memorial Hospital	102	\$22,700,000	0.54	10.80	\$222,549
4/27/2011	Ascension Health	Alexian Brothers Health System	752	\$645,000,000	0.67	6.32	\$857,713
3/11/2011	Carle Foundation Hospital	Hoopston Regional Health Center	25	\$12,400,000	0.60	8.85	\$496,000
2/1/2011	UPMC Health System	Hamot Medical Center	351	\$300,000,000	0.95	9.09	\$854,701
1/17/2011	Sisters of Mercy Health System	Johnston Memorial Hospital	25	\$1,600,000	0.51	N/A	\$64,000
10/3/2011	Cardiovascular Care Group	Louisiana Medical Center & Heart Hospital	137	\$23,000,000	0.46	N/A	\$167,883
10/20/2011	New Directions Health Systems	Cleveland Regional Medical Center	107	\$68,500,000	1.20	N/A	\$640,187
10/27/2011	Duke LifePoint Healthcare, LLC	Twin County Regional Hospital	86	\$37,500,000	0.85	N/A	\$436,047
11/29/2011	UC Health	The Drake Center	166	\$15,000,000	0.26	N/A	\$90,361
12/12/2011	Community Health Systems, Inc.	MetroSouth Medical Center	244	\$70,500,000	0.47	N/A	\$288,934
4/20/2011	Health Management Associates	Tri-Lakes Medical Center (95%)	112	\$43,263,158	0.95	6.29	\$386,278
5/15/2011	WakeMed Health & Hospitals	UNC Healthcare System Rex Healthcare System	439	\$750,000,000	N/A	N/A	\$1,708,428
6/25/2011	Highmark Inc	West Penn Allegheny Health System Inc	1200	\$1,500,000,000	N/A	N/A	\$1,250,000
6/7/2011	Steward Health Care System	Lanmdark Medical Center, Wonsocket RI	214	\$65,000,000	N/A	N/A	\$303,738
5/31/2011	Steward Health Care System	Morton Hospital and Medical Center	119	\$168,500,000	N/A	N/A	\$1,415,966
5/13/2011	South Georgia Medical Center	Ameris Helath Systems LLC ; Smith Northview Hospital, Valdosta GA	29	\$40,000,000	1.00	6.60	\$1,379,310
5/12/2011	Health Management Associates	Mercy Health Partners Knoxville (7 hospitals)	803	\$525,000,000	0.90		\$653,798
4/25/2011	HUMC Holdco LLC	Hoboken University Medical Center	177	\$91,700,000	0.80	N/A	\$518,079
3/31/2011	Sabra Health Care Reit	Texas Regional Medical Center	70	\$62,700,000	N/A	N/A	\$895,714
3/25/2011	Yale-New Haven Hospital	Hospital of Saint Raphael	423	\$135,000,000	N/A	N/A	\$319,149
3/18/2011	IASIS Healthcare	St. Joseph Medical Center Houston Texas (78.2%)	792	\$210,997,442	N/A	N/A	\$266,411
3/18/2011	RegionalCare Hospital Partners Inc.	Cheyenne Regional Medical Center	217	\$181,500,000	0.70	N/A	\$836,406
2/23/2011	Steward Health Care System	Jackson Health System	2482	\$1,100,000,000	N/A	N/A	\$443,191
2/8/2011	Community Health Systems	Mercy Health Partners Scranton, PA	389	\$150,000,000	0.57	12.57	\$385,604
28-Dec-10	Anderson Regional Medical Center	Riley Hospital	140	\$24,000,000	0.42	20.00	\$171,429
9-Dec-10	Steward Health Care System, LLC	Two Essent Hospitals	179	\$40,000,000	0.41	8.33	\$223,464
11/19/2010	KPC Global Care Inc.	Victor Valley Community Hospital	101	\$37,000,000	0.70	11.90	\$366,337
19-Nov-10	Victor Valley Hospital Acquisition, Inc.	Victor Valley Community Hospital	115	\$37,000,000	0.66	11.94	\$321,739
10/11/2010	SUNY Downstate Medical Center	Long Island College Hospital	567	\$110,000,000	N/A	N/A	\$194,004
1-Oct-10	New Directions Health Systems, LLC	Pike County Memorial Hospital	32	\$2,000,000	0.57	8.10	\$62,500
9/16/2010	West Virginia United Health	St. Joseph's Hospital West VA	184	\$87,000,000	0.90	N/A	\$472,826
9/1/2010	Adventist Health Systems, Inc.	Univeristy Community Health	923	\$355,000,000	0.70	N/A	\$384,615
8/16/2010	Leanord Green and Partners LP	Fve Hospital in Southern California	759	\$363,000,000	0.80	6.70	\$478,261

Announcement Date	Acquirer	Seller	Number of Beds	Consideration	Revenue Multiple	EBITDA Multiple	Price/Bed
8/2/2010	Vanguard Health Systems	Two Resurrection Hospitals in Chicago Suburbs	569	\$45,000,000	0.17	N/A	\$79,086
7/27/2010	Health Management Associates	Wuesthoff Health System	413	\$145,600,000	0.49	6.39	\$352,542
17-Jun-10	RegionalCare Hospital Partners	Clinton Memorial Hospital	85	\$82,137,477	0.79	11.73	\$966,323
24-May-10	RegionalCare Hospital Partners	Coffee Health Group	517	\$150,000,000	1.05	11.54	\$290,135
15-Apr-10	University of Southern California	USC University Hospital	471	\$300,000,000	0.81	8.93	\$636,943
9-Apr-10	Symbion, Inc.	Mountain View Hospital	43	\$69,724,771	1.59	3.96	\$1,621,506
5-Apr-10	Community Health Systems, Inc.	Marion Regional Healthcare System	169	\$28,300,000	0.48	3.93	\$167,456
4/1/2010	LifePoint Hospitals, Inc.	Clark Regional Medical Center	100	\$60,000,000	1.12	15.79	\$600,000
3/25/2010	Cerberus Capital Management, LP	Caritas Christi Health	1,552	\$830,000,000	0.63	15.29	\$534,794
12/1/2009	Health Management Associates, Inc.	Sparks Health System	510	\$138,200,000	0.54	N/A	\$270,980
4/1/2009	Community Health Systems	Medical Center of South Arkansas	166	\$52,000,000	0.54	N/A	\$313,253
2/24/2009	Brim Healthcare	Wadley Health System	370	\$21,000,000	0.22	N/A	\$56,757
2/2/2009	Community Health Systems, Inc.	Siloam Springs Memorial Hospital	74	\$42,700,000	1.19	9.93	\$577,027
1/7/2009	Texas Health Resources, Inc	Presbyterian Hospital of Denton	208	\$128,750,000	0.89	8.64	\$618,990
20-Aug-08	Community Health Systems, Inc.	Wyoming Valley Health Care System	429	\$150,000,000	0.66	6.64	\$349,650
7/30/2008	MSMC Investor, LLC	St. Francis Hospital and Health Center	309	\$65,000,000	0.41	N/A	\$210,356
7/23/2008	Montefiore Medical Center	Our Lady of Mercy Medical Center	369	\$38,000,000	0.18	N/A	\$102,981
4/1/2008	Catholic Health East	North Ridge Medical Center	332	\$20,000,000	0.22	N/A	\$60,241
4/1/2008	Catholic Health Initiatives	Saint Clares Health System	655	\$145,800,000	0.61	N/A	\$222,595
9/1/2010	IASIS Healthcare	Wadley Regional Medical Center; Pikes Peak Hospital	385	\$95,000,000	0.80	N/A	\$246,753
11/18/2010	Sanford Health	North Country Health Services	118	\$75,000,000	0.80	N/A	\$635,593

Mean	0.71	9.89	\$504,444
Low (Primary)	0.17	3.93	\$56,757
High	1.59	20.00	\$2,163,636
Median	0.67	9.01	\$436,047
Indications Stand-Still	\$ 47,212,740	\$ 26,382,090	\$ 20,262,162
Weighted Conclusion	\$ 31,285,664		
Add Net Working Capital	\$ 6,767,535		
Total Value (rounded)	\$ 38,050,000		

And lastly, in considering the value of GWHN assets transferred, Principle reviewed the only other bid received by GWHN. Principle then determined a final estimate by weighting the various strengths and weaknesses of each approach. The following schedule illustrates the weighting and values.

Summary and Conclusion of Assets to Transfer				
			Weighting	Weighted Contribution
Adjusted Book Value Approach	Schedule 1A	\$37,490,000	30%	\$11,247,000
Discounted Cash Flow Approach - Stand Still	Schedule 1B	\$3,600,000	20%	\$720,000
Market Based Approaches				
Guideline Company Approach	Schedule 1C	\$19,300,000	25%	\$4,825,000
Guideline Transaction Approach	Schedule 1D	\$38,050,000	25%	<u>\$9,512,500</u>
Total Weighted Value of Assets Transferred				\$26,300,000
Total Consideration Given for Assets Transferred				\$45,000,000
Net Benefit of Assets Transferred				\$18,700,000

Principle calculates the value of GWHN assets to be transferred at \$26.3 million.

Valuation of Benefits Received

In assessing the value of the benefits received by GWHN from the proposed transaction, Principle primarily relied upon Income Approach methods. First, Principle assessed the equity value of the 100% equity value of the JV using a Discounted Cash Flow method. This approach was determined to be most representative of value as is factors in the anticipated growth in earnings and capital expenditures associated with the JV. The Discounted Cash Flow analysis follows.

Discounted Cash Flow Joint Venture							
Implied Rate of Return	11.40%						
Effective Corporate Tax Rate in U.S. CT	35.00%						
Normal Debt Free Net Working Capital as % of Revenues	10.00%						
	Base Year	Year One	Year Two	Year Three	Year Four	Year Five	Reversion
Gross Revenue							
Inpatient Routine	210,926,000	213,036,000	219,469,000	226,097,000	234,067,000	242,318,000	249,587,540
IP Ancillary	307,142,000	310,213,000	319,582,000	329,233,000	340,839,000	352,853,000	363,438,590
Total Inpatient Revenue	518,068,000	523,249,000	539,051,000	555,331,000	574,906,000	595,171,000	613,026,130
Outpatient	454,670,000	461,069,000	479,632,000	498,738,000	520,820,000	543,866,000	560,181,980
Total Gross Revenue	972,739,000	984,318,000	1,018,683,000	1,054,069,000	1,095,726,000	1,139,038,000	1,173,209,110
Revenue Adjustments							
Medicare/Medicaid Adjustments	375,475,000	390,540,000	404,346,000	418,640,000	435,564,000	453,172,000	466,767,160
Total Mgd Care Expense	108,100,000	109,181,000	113,041,000	117,037,000	121,769,000	126,691,000	130,491,730
Managed Medicare Expense	59,671,000	60,268,000	62,399,000	64,604,000	67,216,000	69,933,000	72,030,990
Managed Medicaid Expense	18,684,000	18,871,000	19,538,000	20,229,000	21,047,000	21,898,000	22,554,940
Commercial	84,722,000	85,569,000	88,594,000	91,726,000	95,434,000	99,292,000	102,270,760
Self Pay	245,000	247,000	256,000	265,000	276,000	287,000	295,610
Contractuals - Non-hospital entities	45,776,000	46,870,000	48,286,000	49,744,000	51,246,000	52,794,000	54,377,820
Prov for Charity/Indigent Care	1,296,000	1,309,000	1,356,000	1,404,000	1,460,000	1,519,000	1,564,570
Provision for Uncollectible Accounts	13,088,000	13,542,000	14,010,000	14,494,000	15,058,000	15,643,000	16,112,290
Other Deductions from Revenue	-	-	-	-	-	-	-
Total Adjustments	707,059,000	726,399,000	751,826,000	778,144,000	809,070,000	841,230,000	866,466,900
NET PATIENT REVENUE	265,680,000	257,919,000	266,857,000	275,925,000	286,656,000	297,807,000	306,741,210
Other Operating Revenue	12,042,000	12,477,000	12,918,000	13,108,000	13,302,000	13,498,000	13,902,940
NET REVENUE	277,722,000	270,396,000	279,775,000	289,033,000	299,958,000	311,306,000	320,645,180
Operating Expenses							
Salaries Only	124,297,000	127,289,000	131,093,000	135,064,000	138,976,000	143,004,000	146,579,100
Contract Labor Expense - RN/Other	1,769,000	1,775,000	1,798,000	1,837,000	1,870,000	1,903,000	1,950,575
Outsourced Labor Expense	8,904,000	4,816,000	727,000	753,000	779,000	807,000	827,175
Employee Benefits	34,498,000	31,625,000	32,549,000	33,516,000	34,453,000	35,416,000	36,301,400
Supplies	33,748,000	36,444,000	39,363,000	41,142,000	43,216,000	45,394,000	46,528,850
Medical Specialists Fees	10,494,000	10,688,000	10,886,000	11,090,000	11,297,000	11,508,000	11,795,700
Purchased Services	24,802,000	25,315,000	25,839,000	26,360,000	26,910,000	27,472,000	28,158,800
Repairs	1,423,000	1,451,000	1,480,000	1,510,000	1,540,000	1,571,000	1,610,275
Total Maintenance Contracts	1,767,000	2,737,000	2,789,000	2,841,000	2,894,000	2,948,000	3,021,700
Marketing	758,000	772,000	786,000	801,000	816,000	831,000	851,775
Utilities	4,144,000	4,223,000	4,304,000	4,387,000	4,471,000	4,557,000	4,670,925
Insurance Expense	9,058,000	4,839,000	4,920,000	5,003,000	5,088,000	5,174,000	5,303,350
Other Operating Expense	1,298,000	(1,938,000)	(765,000)	148,000	1,337,000	1,359,000	1,392,975
Taxes	8,524,000	3,113,000	3,117,000	3,120,000	3,124,000	3,128,000	3,206,200
Rent Expense	5,527,000	5,619,000	5,714,000	5,751,000	5,848,000	5,946,000	6,094,650
Total Operating Expenses	271,010,000	258,769,000	264,600,000	273,325,000	282,619,000	291,017,000	298,292,425
EBITDAM	6,713,000	11,626,000	15,175,000	15,709,000	17,339,000	20,288,000	22,352,755
EBITDAM Margin	2.4%	4.3%	5.4%	5.4%	5.8%	6.5%	7.0%
NON-OPERATING EXPENSE							
Depreciation Expense	9,272,000	3,440,000	4,311,000	6,054,000	6,925,000	7,797,000	7,991,925
Amortization Expense	158,000	-	-	-	-	-	-
External Interest Expense	1,058,000	-	-	-	-	-	-
Internal Interest Expense	-	36,000	113,000	546,000	930,000	822,000	842,550
Interest Income	(20,000)	-	-	-	-	-	-
Other Nonoperating Expense	(358,000)	-	-	-	-	-	-
Equity Method Investment Income	-	-	-	-	-	-	-
Loss/(Gain) Asset Sales	(17,000)	-	-	-	-	-	-
Pension Expense	3,000	-	-	-	-	-	-
Debt Extinguishment Costs	-	-	-	-	-	-	-
Corporate Management Expense	-	5,503,000	5,693,000	5,887,000	6,115,000	6,352,000	6,510,800
Total Non-Operating Expense	10,096,000	8,978,000	10,118,000	12,486,000	13,970,000	14,971,000	15,345,275
INCOME FROM CONT OPS BEFORE TAXE	(3,383,000)	2,648,000	5,058,000	3,223,000	3,368,000	5,317,000	7,007,480
Income Taxes	-	-	-	-	-	-	-
Net Income	(3,383,000)	2,648,000	5,058,000	3,223,000	3,368,000	5,317,000	5,449,925
EBITDA	6,713,000	6,124,000	9,482,000	9,823,000	11,223,000	13,936,000	14,284,400
EBIT	\$ (2,717,000)	\$ 2,684,000	\$ 5,171,000	\$ 3,769,000	\$ 4,298,000	\$ 6,139,000	\$ 6,292,475

Discounted Cash Flow Joint Venture (Continued)							
	Base Year	Year One	Year Two	Year Three	Year Four	Year Five	Reversion
NET INCOME FOR DISCOUNTING (EBIT)	\$ (2,717,000)	\$ 2,684,000	\$ 5,171,000	\$ 3,769,000	\$ 4,298,000	\$ 6,139,000	\$ 6,292,475
ESTIMATED INCOME TAXES	-	939,400	1,809,850	1,319,150	1,504,300	2,148,650	2,202,366
NET INCOME	\$ (2,717,000)	\$ 1,744,600	\$ 3,361,150	\$ 2,449,850	\$ 2,793,700	\$ 3,990,350	\$ 4,090,109
Less Incremental Working Capital	\$ -	\$ 732,600	\$ (937,900)	\$ (925,800)	\$ (1,092,500)	\$ (1,134,800)	\$ (933,918)
Less Capital Expenditures	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
Plus Depreciation	9,430,000	3,440,000	4,311,000	6,054,000	6,925,000	7,797,000	7,991,925
Cash Flow to Discount	\$ (1,287,000)	\$ (2,082,800)	\$ (1,265,750)	\$ (421,950)	\$ 626,200	\$ 2,652,550	\$ 3,148,116
Discount Periods		0.50	1.50	2.50	3.50	4.50	
Present Value Factor		0.947452409	0.850495879	0.763461292	0.685333296	0.615200445	
Present Value of Periodic Cash Flow s		\$ (1,973,354)	\$ (1,076,515)	\$ (322,142)	\$ 429,156	\$ 1,631,850	
Sum of PV Periodic Cash Flow s		\$ (1,311,006)					
Perpetuity Value	\$ 78,564,200						
PV of Perpetuity Value		\$ 77,253,194					
Total Asset Value as Unencumbered With Normal WC		\$ 75,940,000					
Add Value of Actual Working Capital		\$ (802,000)					
Less Market Based Working Capital		\$ (27,772,200)					
Overall Business Enterprise Value		\$ 47,365,800					
Less Value of Liability Assumed		\$ (13,397,902)					
Value of 100% Equity		\$ 33,967,898					

The Discounted Cash Flow approach indicates a 100% Equity Value for the JV in the rounded amount of \$33,970,000. As GWHN will be the minority member in the proposed JV, Principle assigned a Minority Interest Discount of 20% to be applied to GWHN's equity interest in the JV as portrayed below.

Valuation of 100% Equity in JV	\$33,970,000
20% Equity Interest in JV Prior to Discounts	\$6,794,000
Minority Interest Discount @ 20%	(\$1,358,800)
Value of Minority Interest Shares in JV	\$5,435,200
Payment Made for 20% Interest in JV	\$6,320,420
Net Financial Cost of 20% Interest in JV	(\$885,220)

The following table summarizes the value of the assets GWHN is contributing to the JV against the benefits GWHN can reasonably expect to achieve as a participant in the JV.

Summary and Conclusion of Fairness From a Financial Point of View

Valuation of Assets Transferred			Weighted Weighting	Contribution
Adjusted Book Value Approach	Schedule 1A	\$37,490,000	30%	\$11,247,000
Discounted Cash Flow Approach - Stand Still	Schedule 1B	\$3,600,000	20%	\$720,000
Market Based Approaches				
Guideline Company Approach	Schedule 1C	\$19,300,000	25%	\$4,825,000
Guideline Transaction Approach	Schedule 1D	\$38,050,000	25%	<u>\$9,512,500</u>
Total Weighted Value of Assets Transferred				\$26,300,000
Total Consideration Given for Assets Transferred				\$45,000,000
Net Benefit of Assets Transferred				\$18,700,000
Valuation of Assets Purchased				
Valuation of 100% Equity in NEWCO				\$33,970,000
20% Equity Interest in NEWCO Prior to Discounts				\$6,794,000
Minority Interest Discount @ 20%				<u>(1,358,800)</u>
Value of Minority Interest Share Held by GWHN				\$5,435,200
Payment Made for 20% Interest in NEWCO				\$6,320,420
Net Financial Cost of 20% Interest				(\$885,220)
Total Financial Benefit of Transaction				\$17,814,780

Based on the above, Principle establishes the total financial benefit to GWHN at \$17,814,780. The proposed transaction is fair from a financial point of view.

With regard to the fair market value of assets, Principle found no indication of manipulation by any person in a manner that causes the value of the assets to decrease.

Please refer to **Exhibit 11** for the Fairness Evaluation, qualifications of Principle and statement regarding conflict of interest. Please refer to **Exhibit 12** for supporting schedules.

- 7. Provide an assessment of whether the transaction will place the Hospital's assets at unreasonable risk. Provide copies of all documents and statements, financial and otherwise, in support of this assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

The proposed JV will not place the assets of the Hospital at unreasonable risk. The assets of the Joint Venture are not being pledged to fund the commencement of the Joint Venture. The value of the benefits received by the Foundation exceeds the value of assets transferred to the JV. Further, participation in the JV will allow the post-conversion Foundation to continue to fund Community Benefit and Teaching programs which would likely cease should the JV not be approved.

Please see Applicants' response to Question 6 and the Fairness Evaluation attached as **Exhibit 11** for a more detailed discussion.

- 8. Provide an assessment of whether any managerial contracts to be entered into are for reasonable fair value. Provide copies of the managerial contracts and of all documents and statements, financial and otherwise, in support of the fair value assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

Principle reviewed the draft management agreement and found the fees to be at a commercially fair rate based on its knowledge of similar contracts as documented in the Fairness Evaluation attached as **Exhibit 11**. The management contract is attached as **Exhibit 3**. Please refer to Applicants' response to Question 6 for a detailed discussion of the fairness evaluation.

- 9. Describe the entity to which the fair market value of the nonprofit hospital's assets will be transferred including the funding of the entity, its corporate structure, governance, and membership, and the charitable purpose of the entity. Provide copies of any documents related to the creation, structure, and purpose of the entity.**

THE CONCEPT OF THE FOUNDATION

After the closing, GWHN will be merged into the Hospital with the Hospital as the remaining entity; this entity will be restructured and renamed (the “Foundation”). The main responsibilities of the Foundation will be:

- To participate as the 20% owner of the JV;
- To manage the charitable assets remaining and to receive the investment income of those charitable assets held by third parties and restricted to use by the Hospital;
- To ensure that the JV conducts hospital operations in a manner consistent with the “community benefit standard” set forth in IRS Revenue Ruling 69-545;
- To manage remaining assets and liabilities; and
- To support charitable health related activities in the community in addition to those that will continue to be provided through the JV’s operation of the hospital in accordance with the community benefit standard.
- To provide economic support for health care by accessing grants and using these funds to purchase services from health care providers.

THE FUNDING OF THE FOUNDATION

After the closing, the Foundation will hold approximately \$70 million of restricted assets. In addition, the Foundation will hold a 20% ownership interest in the JV, initially valued at approximately \$6.3 million. The assets of the Foundation will also include short term investments, marketable securities and certain assets whose use is limited by donors and/or held in trust. The Foundation will continue to receive revenue on an ongoing basis as a result of being the beneficiary of various trusts and its 20% equity position in the JV. The Foundation may apply for grants from governmental and private sources and use these funds to purchase services from the JV or other healthcare providers in order to continue to provide access to healthcare, such as behavioral health and HIV services. The funding sources have indicated their interest in working with the Foundation.

THE CHARITABLE PURPOSE

The charitable purpose of the Foundation will be to support the health care needs of the Greater Waterbury community. As part of the planning process for the formation of the Foundation, representatives from GWHN have studied similar foundations in other communities. While each of these organizations shares a common purpose, each is unique in that it has been designed to meet the specific needs of its community. GWHN will continue to evaluate the healthcare needs of the community, carefully plan and structure its strategies for charitable work. As a safety net provider, GWHN is aware of the health needs of its community and is uniquely qualified to assess and provide support for such needs. GWHN is committed to continuing health care services to disadvantaged populations.

THE STRUCTURE OF THE FOUNDATION

After the closing, GWHN will be merged into the Hospital with the Hospital as the remaining entity; this entity will be restructured and renamed. It will be a tax exempt 501(c)(3)

organization, operating as a public charity. The Foundation will file, for tax purposes, as a hospital pursuant to Section 170(b)(1)(a)(iii).

As long as the JV operates the Hospital in accordance with the IRS Community Benefit Standard, income from the JV will retain its “character” as program related/exempt function income when received by the Foundation from the JV and will be tax exempt. The provisions of the JV’s operating agreement accord the tax exempt member of the JV sufficient control over the JV to ensure that the JV will operate the combined hospitals in a manner consistent with the community benefit standard.

The Foundation will be governed by a Board of Directors consisting of 9 to 12 members. The initial Foundation Board will be nominated by GWHN’s Governance Committee and elected by the GWHN’s Board of Directors. It is anticipated that committees will be established to oversee the work of the Foundation Board and the Foundation. In addition to a Board of Directors, the Foundation will be served by a community advisory board, composed of at least 15 members; the community advisory board that will advise the Board of Directors on community needs will be drawn from many sectors of the greater Waterbury community.

10. Identify any and all assets of the Hospital that are subject to a charitable use restriction imposed by a donor and the intended handling of those assets as a result of the joint venture. Please provide a listing of these assets in Microsoft Excel format. Also, please provide copies of the original gift instruments for each gift identified.

The charitable assets of the Hospital are delineated in the table below. The original gift instruments are attached as **Exhibit 13** and an analysis of the gift instruments is found in **Exhibit 14**.

The Hospital is the entity that holds the charitable assets. Post conversion, GWHN will be merged into the Hospital with the Hospital as the surviving entity. Its continued existence will allow the donors’ intent to be honored. The following define the various funds the Hospital and/or third parties hold on behalf of the Hospital.

UNRESTRICTED ENDOWMENT FUNDS

The Lamb, Forester, Hallden and Brooker endowment funds are unrestricted endowments. They have “income only, for general purposes of the Hospital” language that is not deemed to be a restriction on use of principal under the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and do not require that the funds be used for any specific purpose. Because the Lamb, Forester, Hallden and Brooker funds have no specific, restrictive donor language that under the applicable statutes would prohibit the use of the funds for general purposes, they are classified as unrestricted endowment funds.

RESTRICTED ENDOWMENT FUNDS

These endowment funds were established by gift instruments that set forth the intent of each donor. Use of these funds is in accordance with the donors’ instructions.

THIRD PARTY TRUSTS

The majority of funds are held for the benefit of the Hospital by outside trustees who remit income payments to the Hospital. The income payments are either remitted to the Hospital on a recurring basis for its general purposes, or are paid to the Hospital for specific purposes, such as dispensary funding, scholarships, research and other specific Hospital purposes. The Hospital does not have any control over the expenditure of the principal of the outside funds, but rather has a permanent beneficial interest in the income.

MISCELLANEOUS FUNDS

The Hospital has been named as the recipient of a number of bequests that are pending in probate court. In addition, the Hospital has both a Pooled Income Fund and a Charitable Gift Annuity Program that it offers donors, in which charitable contributions are held subject to the payment of current income to the donors, with principal being distributed to the Hospital only after the death of a donor and all named recipients.

PERMANENT BED FUND

Many gifts have been made by donors to the hospital, over a long period of time, for the specific purpose of providing a fee bed or establishing a free bed fund for the benefit of patients who cannot otherwise afford treatment at the Hospital. These funds are all restricted bed funds, and some have further restrictions as to the group of patients who are to be given preference in making distributions. The funds are held in a consolidated Bed Fund account. The income from this fund is used to pay for charity care of patients at the Hospital as directed by the donors.

GENERAL ENDOWMENT FUND

The Waterbury Hospital General Endowment Fund consists of funds given outright to the Hospital for its general use and purposes without any restrictions. It therefore is not considered an endowment under UPMIFA, but rather is classified as “Board Designated”. This fund is fully expendable by the Hospital.

The table below represents the charitable assets by their individual classification as of September 30, 2012.

TYPE OF FUND*	ASSET VALUE 9/30/12**
Waterbury Hospital Unrestricted Use Schedule A Part 1	\$584,867
Waterbury Hospital Restricted Use Schedule A Part 2	\$5,098,663
Third Party Trusts Schedule B	\$44,255,331
Miscellaneous Schedule C	\$353,924
Permanent Bed Fund Schedule D	\$4,674,342
General Endowment Fund Schedule E	\$1,829,434

TOTAL	\$56,796,561

*See Attached Schedules A-E, Table of Trusts and Other Gifts

**Unless Another Date Indicated

***Outright gifts and gifts allowed to be used in full by the Hospital that have in fact been fully expended in accordance with the terms established by the donors have not been included in the analysis.

The Hospital has made a searching and thorough review of all of the charitable assets and documentation. The Hospital is unable to locate a limited number of the instruments despite repeated and diligent attempts to acquire information. No further records of the following charitable assets were located at any of the probate courts or within the Hospital's records: Charles F. Brooker – Waterbury and Derby Probate Courts have no record of this estate and the original Will cannot be located.

11. Provide copies of all correspondence, memoranda, and any other documents that include the terms of any other offers to transfer assets or operations or change control of operations received by the Hospital.

Please refer to **Exhibit 15**. Certain proprietary information has been redacted per executed confidentiality agreements. Applicants have not provided materials protected as attorney-client work product.

12. Provide a copy of a fairness evaluation by an independent person who is an expert in such Joint Ventures that includes the expert's evaluation of each of the criteria set forth in Conn. Gen. Stat. § 19a-486c(a). Also provide copies of the information and documents relied upon by the expert in the preparation and issuance of the fairness evaluation.

The Fairness Evaluation is attached as **Exhibit 11**. Analyses used by Principle are attached as **Exhibit 12**.

13. Explain how GWHN determined the need for the proposal and discuss the benefits of this proposal for the Hospital (provide discussion on history and time-line).

Please refer to Applicants' response to **Question 4**.

14. List any changes to the clinical services offered at the Hospital's main campus and any/all satellite locations that result from this proposal and provide an explanation for each change.

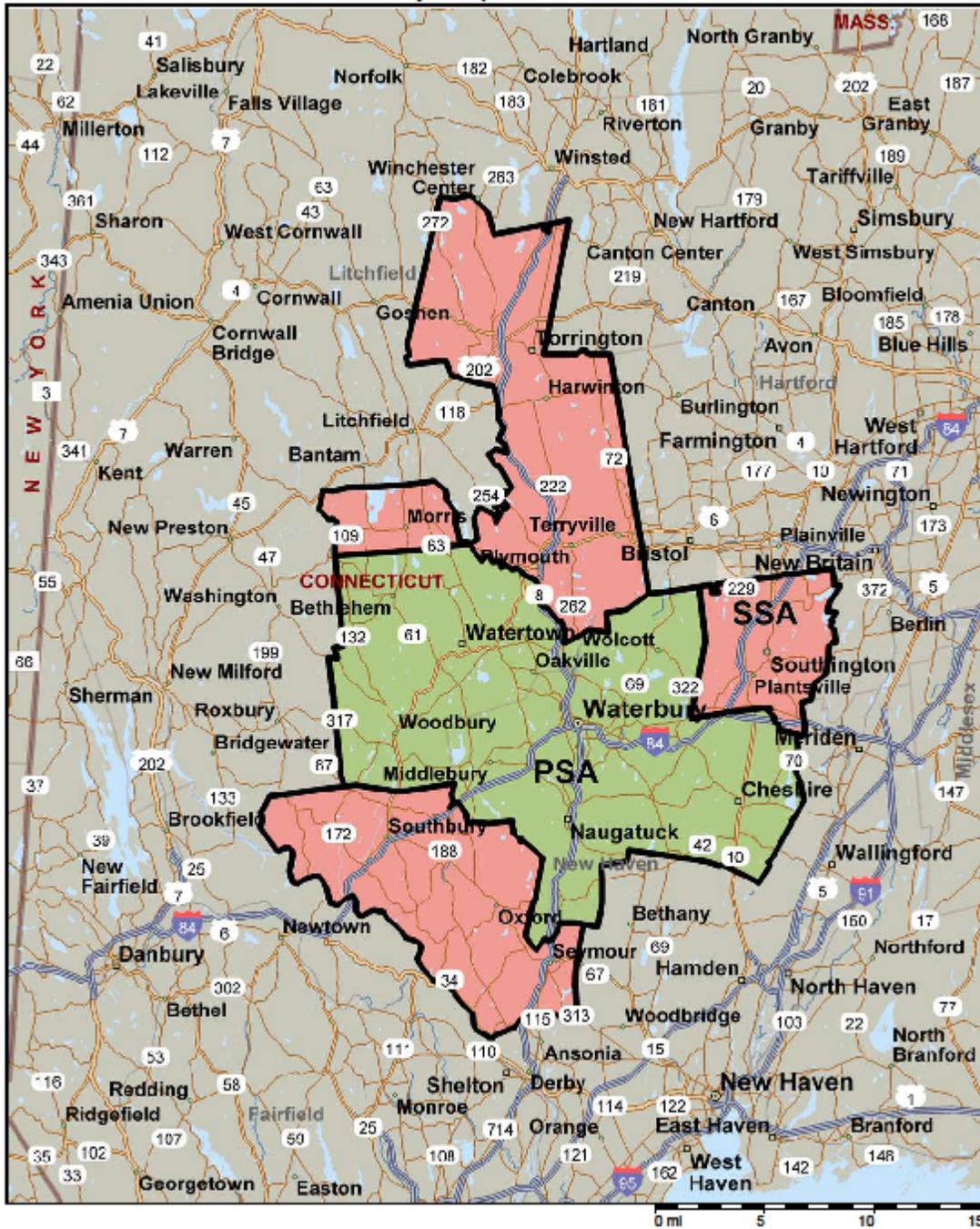
When Vanguard enters a community, it is always respectful of the decisions that have been made concerning the operations of the Hospital – especially the decisions made regarding the scope of services offered there. Those decisions have been made with careful consideration for the needs of the community the Hospital serves. Vanguard's commitment to the communities it serves is to operate the Hospital in the most efficient and effective manner possible and to provide the highest quality of care. Vanguard believes that certain core services are essential to the operation of an effective hospital and is committed to maintaining existing core services. Throughout the course of due diligence, Vanguard worked with the Hospital's management to gain a better understanding of those core services and the integral role that they play in the community and the operations of the Hospital. Following the Joint Venture closing, Vanguard will leverage its experience to develop strategies and programs to enhance the clinical services of the Hospital.

15. Describe the existing populations served by the Hospital and how the change in ownership will affect these populations. Include demographic information.

Waterbury Hospital is located in the city of Waterbury near the junction of routes 8 and 84. Service area towns include Beacon Falls, Bethlehem, Cheshire, Middlebury, Morris, Naugatuck, Oakville, Oxford, Plantsville, Plymouth, Prospect, Seymour, Southbury, Southington, Terryville, Thomaston, Torrington, Waterbury, Watertown, Wolcott and Woodbury.

The Hospital's primary and secondary service areas are identified in the following map.

Waterbury Hospital Service Area



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Service Area Demographics

The following table summarizes the service area population projected forward to 2016. The area population is stable and experiencing growth, particularly in the secondary service area. The city of Waterbury is by far the most populous municipality in GWHN's service area.

Table E: Service Area Population

Total Population by Town 2000-2016			
<u>Town</u>	<u>2000</u>	<u>2011</u>	<u>2016</u>
Beacon Falls	5,246	6,038	6,236
Bethlehem	3,422	3,617	3,653
Cheshire	28,543	29,326	29,942
Middlebury	6,451	7,703	8,094
Naugatuck	30,989	32,030	32,736
Prospect	8,707	9,680	10,448
Southbury	18,567	19,998	20,596
Thomaston	7,503	7,923	8,029
Waterbury	107,271	111,874	117,079
Watertown/Oakville	21,661	22,351	22,331
Wolcott	15,215	16,827	17,389
Woodbury	9,198	10,051	10,268
Primary Service Area	262,773	277,418	286,801
Morris	2,301	2,416	2,516
Oxford	9,821	12,732	12,906
Plymouth/Terryville	11,634	12,252	12,330
Seymour	15,454	16,536	16,734
Southington/Plantsville	39,728	43,602	45,809
Torrington	35,202	36,376	36,329
Secondary Service Area	114,140	123,914	126,624
Total Service Area	376,913	401,332	413,425

Source: Connecticut Economic Resource Center, Inc. 2012

Table F below arrays population by town and age segment while **Table G** compares age distribution by town to the State distribution. The GWHN service area age distribution is consistent with that of the State of Connecticut as a whole.

Table F: Age Distribution

Age Distribution by Service Area Town 2011							
<u>Town</u>	<u>0-4</u>	<u>5-17</u>	<u>18-24</u>	<u>25-49</u>	<u>50-64</u>	<u>65+</u>	
Beacon Falls	436	1,025	535	2,067	1,098	877	6,038
Bethlehem	188	626	379	1,052	714	658	3,617
Cheshire	1,854	4,916	2,915	9,950	5,366	4,325	29,326
Middlebury	460	1,466	794	2,491	1,344	1,148	7,703
Naugatuck	1,964	5,470	3,147	10,507	6,310	4,632	32,030
Prospect	617	1,640	928	3,330	1,701	1,464	9,680
Southbury	1,347	3,681	2,201	6,375	3,421	2,973	19,998
Thomaston	354	1,359	651	2,460	1,769	1,330	7,923
Waterbury	7,070	18,633	10,530	37,765	22,262	15,614	111,874
Watertown/Oakville	1,134	3,426	2,028	7,664	4,745	3,354	22,351
Wolcott	1,012	2,855	1,700	5,808	2,972	2,480	16,827
Woodbury	474	1,652	839	3,382	2,171	1,533	10,051
Primary Service Area	16,910	46,749	26,647	92,851	53,873	40,388	277,418
Morris	159	404	190	947	392	324	2,416
Oxford	925	2,146	1,188	4,188	2,260	2,025	12,732
Plymouth/Terryville	581	1,864	1,023	4,484	2,509	1,791	12,252
Seymour	916	2,809	1,650	5,519	3,183	2,459	16,536
Southington/Plantsville	2,833	7,530	4,104	14,039	8,389	6,707	43,602
Torrington	1,898	5,376	3,024	10,727	9,704	5,647	36,376
Secondary Service Area	7,312	20,129	11,179	39,904	26,437	18,953	123,914
Total Service Area	24,222	66,878	37,826	132,755	80,310	59,341	401,332

Source: Connecticut Economic Resource Center, Inc 2012

Table G: Percent Age Distribution

Percent Age Distribution by Service Area Town 2011						
<u>Town</u>	<u>0-4</u>	<u>5-17</u>	<u>18-24</u>	<u>25-49</u>	<u>50-64</u>	<u>65+</u>
Beacon Falls	7%	17%	9%	34%	18%	15%
Bethlehem	5%	17%	10%	29%	20%	18%
Cheshire	6%	17%	10%	34%	18%	15%
Middlebury	6%	19%	10%	32%	18%	15%
Naugatuck	6%	17%	10%	33%	20%	14%
Prospect	6%	17%	10%	34%	18%	15%
Southbury	7%	18%	11%	32%	17%	15%
Thomaston	4%	17%	8%	31%	22%	17%
Waterbury	6%	17%	9%	34%	20%	14%
Watertown/Oakville	5%	15%	9%	35%	21%	15%
Wolcott	6%	17%	10%	35%	18%	15%
Woodbury	5%	16%	8%	34%	22%	15%
Primary Service Area	6%	17%	10%	33%	19%	15%
Morris	7%	17%	8%	39%	16%	13%
Oxford	7%	17%	9%	33%	18%	16%
Plymouth/Terryville	5%	15%	8%	37%	20%	15%
Seymour	6%	17%	10%	33%	19%	15%
Southington/Plantsville	6%	17%	9%	32%	19%	15%
Torrington	5%	15%	8%	29%	27%	16%
Secondary Service Area	6%	16%	9%	32%	21%	15%
Total Service Area	6%	17%	9%	33%	20%	15%
State Total	6%	17%	10%	34%	20%	14%

Source: Connecticut Economic Resource Center, Inc 2012

Table H below provides data regarding the socioeconomic condition of the GWHN service area in comparison to the State of Connecticut as a whole. The data reveals a diverse array of communities ranging from rural to urban. While several communities in GWHN's service area are relatively affluent, the City of Waterbury struggles with high unemployment and high poverty. As a result, GWHN serves a large Medicaid and uninsured population. In FY2012, Medicaid recipients accounted for more than 22% of inpatients and 23% of outpatients at the Hospital. Uninsured individuals accounted for nearly 2% of the Hospital inpatients and nearly 4% of outpatients. Central Waterbury is designated by the Health Resources and Services Administration as a Medically Underserved Area as well as a Health Professionals Shortage Area. The Joint Venture will provide the cost savings and access to capital necessary to maintain a safety net hospital in Waterbury and recruit additional physicians and midlevel providers. The proposed Joint Venture will continue to treat individuals regardless of their ability to pay.

Table H: Socioeconomic Status of the Service Area

Socioeconomic Data					
	Town	Poverty Rate*	Median Household Income**	Unemployment Rate*	Median Age**
PSA	Beacon Falls	3.8%	\$ 78,953	8.5%	40
	Bethlehem	2.0%	\$ 80,566	7.1%	43
	Cheshire	2.4%	\$ 111,416	7.1%	39
	Middlebury	2.0%	\$ 97,594	7.5%	39
	Naugatuck	7.5%	\$ 62,550	10.7%	39
	Prospect	2.4%	\$ 88,041	8.2%	38
	Southbury	5.9%	\$ 77,478	7.7%	37
	Thomaston	1.3%	\$ 66,197	8.4%	44
	Waterbury	20.9%	\$ 40,304	13.9%	40
	Watertown/Oakville	3.1%	\$ 76,700	8.7%	43
	Wolcott	2.6%	\$ 81,627	9.1%	38
	Woodbury	5.6%	\$ 84,063	6.3%	46
SSA	Morris	4.9%	\$ 77,256	8.1%	41
	Oxford	2.2%	\$ 107,435	6.8%	39
	Plymouth/Terryville	6.5%	\$ 72,898	10.1%	44
	Seymour	4.8%	\$ 73,609	8.7%	41
	Southington/Plantsville	4.4%	\$ 79,840	7.4%	40
	Torrington	11.3%	\$ 49,700	10.0%	48
	State	9.2%	\$ 70,705	8.9%	40
	*2010				
	**2011				
	<i>Source: Connecticut Economic Resource Center, Inc 2012</i>				

16. Provide a transition plan and describe how the Hospital will ensure continuity of care of services through this plan.

The Applicants do not expect any disruption in care as a result of this proposal. Please refer to the transition plan attached hereto as **Exhibit 16**.

17. Explain how the Hospital will ensure that the community it serves has continued access to affordable health care.

The JV will continue to provide the services currently offered by the Hospital including its clinics, psychiatric programs and emergency department. The Joint Venture will operate in accordance with the Community Benefit Standard required of tax-exempt hospitals (as set forth in IRS Revenue Ruling 69-545), including without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, and (iv) promotion of public health, wellness and welfare in the community through the provision of health care at a reasonable cost. The JV will retain and continue to follow charity care and uncompensated care policies at least as favorable to patients as those maintained by GWHN. Copies of relevant policies are appended as **Exhibit 17**.

Without the proposed Joint Venture, it is highly unlikely that GWHN will be able to provide services beyond the next five years, leaving the community with an enormous hole in its safety net. The Hospital has an aged out and inefficient physical plant, it lacks access to capital, it has experienced declining reimbursement and increased material and personnel costs, which will cause GWHN to experience operating losses that cannot be offset unless GWHN enters into the proposed JV.

18. Please provide a copy of Vanguard's strategic plan or a summary of the plan provisions for providing services to meet the needs of the Waterbury community.

The strategy that Vanguard will implement at the Hospital will be consistent with Vanguard's mission, operating strategy and philosophy, Vanguard will work closely with GWHN senior leadership, physicians and board members to develop, implement and refine the strategic plan, including short and long-term initiatives.

Immediately following closing, Vanguard will consult with the JV Board and management team to identify and retain top talent. The assessment will incorporate the following: the Hospital, physician organizations, research, ambulatory services and post-acute care. Vanguard will deploy human and financial capital in the Hospital service area to provide long term stability and enhanced clinical services, as well as lay out a pathway for the optimization of internal operations. Vanguard would immediately reposition the potential scale of its risk strategies to reach a greater portion of the population.

The following initiatives are crucial to the long-term success of GWHN:

- Develop and implement an ambulatory service strategy to best position GWHN for a successful transition in changing health care delivery models;
- Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;
- Deploy replicable and scalable tools and clinical care services to continually improve the health of the community;
- Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital; and,
- Maintain high satisfaction scores by patients, physicians, employees and volunteers

Vanguard's mission to help communities achieve health for life serves as the foundation for developing all strategic plans. Its ultimate goal is to change the way health care is delivered in local communities through corporate and regional business strategies. Key elements include:

Pursue growth opportunities in established markets

Vanguard continuously works to identify services that are in demand in the communities it serves. When such opportunities exist, Vanguard employs strategies to respond including facility development, outpatient service expansion and physician recruiting.

Continue to strengthen service delivery and reputation

Vanguard intends to thrive in a changing health care environment by continuing to build and operate high-performance, patient-centered care networks, fully engaging in health and wellness, and enhancing service in its markets. Vanguard facilities create highly reliable environments of care, and are particularly focused on patient safety, patient satisfaction, open lines of communication, clinical quality and compassionate care. In addition, Vanguard is a leader in efforts to measure and directly improve the health of local communities.

Drive physician collaboration and alignment

Vanguard believes that in order for our communities to achieve health for life, it must work collaboratively with physicians to provide clinically superior health care services. The first step in this process is to ensure that physician resources are available to provide the necessary services to the community. In addition, Vanguard has implemented physician leadership councils, training programs and information technology upgrades, to ease the flow of on-site and off-site communication between physicians, nurses and patients in order to effectively align the interests of all patient caregivers.

Expand ambulatory services and further Vanguard's population health strategies

As Vanguard responds to a dynamic health care environment, it has added focus and resources to ambulatory care endeavors. Vanguard will continue to pursue the expansion of strategic health risk products, through either acquisition or partnership opportunities, to leverage the skill sets acquired through its physician practice and population health management efforts.

19. Provide a detailed description of Vanguard's experience in providing hospital services, managing hospital operations and acquiring ownership interests in hospitals either as sole owner or as a joint venture partner. In particular, provide a complete listing of hospitals, including location and number of licensed beds, with which Vanguard has had or continues to have an equity or management relationship, and identify any that are comparable to the Joint Venture.

Below is a current listing of all hospitals (and related businesses) that Vanguard owns and operates:

*indicates a partnership with not-for-profit partners

Phoenix, Arizona: Abrazo Health Care (1,044 beds)

- Arrowhead Hospital: 220 beds
- Maryvale Hospital: 249 beds
- Paradise Valley Hospital: 136 beds
- Phoenix Baptist Hospital: 216 beds
- West Valley Hospital: 164 beds
- Arizona Heart Hospital: 59 beds
- Phoenix Health Plan: 190,000 member Medicare/Medicaid Health Plan

- Arizona Health Partners: 150 physicians
- Arizona Heart Institute: 20 physicians

San Antonio, Texas: Baptist Health System (1,753 beds)

- Baptist Medical Center: 636 beds
- North Central Baptist Hospital: 268 beds
- Northeast Baptist Hospital: 367 beds
- Mission Trail Baptist Hospital: 175 beds
- St. Luke's Baptist Hospital: 307 beds
- Baptist M&S Imaging: 8 centers
- Baptist School of Health Professions

Harlingen/Brownsville, Texas: Valley Baptist Health System (866 beds)*

- Valley Baptist Medical Center, Harlingen: 586 beds*
- Valley Baptist Medical Center, Brownsville: 280 beds*
- Valley Baptist Insurance Company: Health Plan (HMO, PPO and Self-Funded Products)*

Detroit, Michigan: Detroit Medical Center ("DMC") (1,734 Beds)

- Children's Hospital of Michigan: 228 beds
- Detroit Receiving Hospital: 273 beds
- Harper University Hospital: 470 beds
- Hutzel Women's Hospital: 97 beds
- Rehabilitation Institute of Michigan: 94 beds
- Sinai-Grace Hospital: 383 beds
- Huron Valley-Sinai Hospital: 153 beds
- DMC Surgery Hospital: 36 beds
- ProCare Health Plan (Medicaid HMO)

Greater Chicagoland, Illinois (1,225 beds)

- MacNeal Hospital: 427 beds
- Weiss Memorial Hospital: 339 beds*
- Westlake Hospital: 225 beds
- West Suburban Medical Center: 234 beds
- Chicago Health Systems

Massachusetts (667 beds)

- MetroWest Medical Center (Leonard-Morse and Framingham Union Hospitals):
319 beds Saint Vincent Hospital: 348 beds

20. Provide a description of plans that the Hospital will implement to control cost when the facility is operated and controlled by the Joint Venture, such as discharge care coordination, implementation of electronic medical records and emergency department triaging to the appropriate level of care. In responding to this question, report any anticipated savings from the following expense categories: salaries and wages, fringe benefits, contractual labor fees, medical supplies and pharmaceutical costs, depreciation and amortization, bad debts, interest expense, malpractice expense, utilities, business expense and other operating expenses.

The Hospital manages cost on an ongoing basis. Examples of recent cost saving initiatives include:

- Implemented computerized physician order entry, online nursing documentation and electronic medical record;
- Implemented Performance Analytics and Cerner Revenue Cycle Enhancements;
- Instituted the Value Analysis Process in which clinicians and purchasing collaboratively determine clinically sound products and supplies that offer the best value;
- Implemented group purchasing through the Northeast Purchasing Coalition;
- Reorganized management structure to increase span of control;
- Renegotiated professional services agreements;
- Renegotiated external reference laboratory contracts;
- Implemented work place safety program;
- Expanded case management hours of operation to assure appropriate level of care assignments throughout the day; and
- Implemented multidisciplinary rounds to improve patient throughput and discharge planning.

Vanguard is establishing the framework to accelerate the journey from fee-for-service to fee-for-value. Leading health systems are best positioned to transform the health care system in partnership with the communities they serve. Vanguard is aggressively positioning its health systems to be high value, comprehensive health delivery systems that can provide care to at least a third of the regional population. Vanguard is positioning each of its health systems to offer alternatives for patients to receive care at the right time and in the right setting. We believe that we must establish these types of systems if we are to remain competitive in each of our markets. To this end, we are engaging rapidly on the following initiatives:

- Enhanced physician alignment;
- Population health management infrastructure and capabilities;
- Ambulatory Care Services Development;
- Post-acute care development; and

- Primary care development.

Each of the aforementioned efforts is geared to provide the appropriate care at the right time, in the most appropriate setting, with the ultimate goal of providing the highest quality of care at the most economical cost.

21. Will the Hospital continue to provide services to the uninsured and underinsured? In responding to this question, please describe any changes to the Hospital's current charity care and financial assistance policies and procedures and hospital bed funds that will result from the Joint Venture. Describe any plans the Hospital has to work with other providers in the community, such as federally qualified health centers or community health centers, to provide specialty care to patients, or low cost programs that the Hospital will provide in the area that are tailored towards the uninsured or underinsured.

The Hospital has a significant history of providing free and discounted care to low income individuals, key clinical programming for the medically underserved, community education and youth leadership development. These efforts are described in detail in the Hospital's most recent Internal Revenue Service Form 990 report, which is attached as **Exhibit18**. Examples include:

- More than \$13.3 Million in Uncompensated Care provided in FY2011;
- Youth Pipeline Initiatives program;
- Parent Leadership Training Institute;
- Summer Bridge Program;
- Patient and Family support groups;
- Alcoholics Anonymous;
- Infectious Disease Clinic;
- Diabetes Disease Management Clinic;
- Waterbury Health Access Program;
- Collaboration with Staywell Health Center;
- Homeless outreach;
- Be Well Bus transportation services;
- Behavioral health crisis center;
- Community health education;
- Smoking cessation programs;
- Perinatal education programs;
- Community Health Fairs;
- Free HIV testing; and
- Peer Advocacy.

The Joint Venture will continue to operate in accordance with the Community Benefit Standard required of tax-exempt hospitals (as set forth in IRS Revenue Ruling 69-545), including without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, and (iv) promotion of public health, wellness and welfare in the

community through the provision of health care at a reasonable cost. The JV will retain and continue to follow charity care and uncompensated care policies at least as favorable to patients as those maintained by GWHN. Further, GWHN will maintain its relationships with area providers post-closing.

Vanguard has a long history of working closely with Federally Qualified Health Centers (“FQHC”) and partners with FQHCs in a number of its hospitals. Vanguard will retain the existing relationships with the FQHCs in the Greater Waterbury community and will undertake efforts to enhance those relationships.

Vanguard believes that its hospitals have an obligation to provide care to those with the greatest needs and the least ability to pay. In addition to its community-based health programs, Vanguard hospitals provide a significant amount of care for indigent and low-income patients. In 2012, Vanguard hospitals provided approximately \$1.2 Billion in total uncompensated care, including \$233 Million in charity care, \$452 Million in discounted care and \$539 Million in bad debt.

Vanguard’s commitment to providing a fair amount of charity care has been recognized by independent parties. The former Michigan Attorney General, Mike Cox, included the following in his “Report on the Proposed Sale of the Detroit Medical Center Hospital Business to Vanguard Health Systems, Inc.” (November 13, 2010):

“Vanguard’s policy is actually more patient-friendly than DMC’s current policy since it allows patients with higher incomes to qualify for charity care. While current DMC policy provides charity care for patients with incomes up to twice the federal poverty level, Vanguard’s charity care policy will provide care to patients with incomes up to five times the federal poverty level. Vanguard’s charity care policy also includes well-defined procedures and explanations concerning a wide variety of topics including application for government assistance, collection policies and treatment for homeless patients. Importantly, Vanguard’s collections policy is more patient-friendly because it includes limits on seizing indigent or underinsured patients’ assets through liens or garnishments. The policy also provides liberal interest-free extended payment plans.”

Vanguard hospitals are a major part of the health care safety net in the communities in which they operate.

Vanguard considers it an honor and a privilege to be selected to partner with a hospital or health system. Vanguard takes great pride in being a good corporate citizen in the communities it serves. Caring for the community means extending beyond the hospital walls and committing resources to programs and services that benefit the most vulnerable community members through education, prevention and support. Illustrative examples include:

Massachusetts

In August of 2010, the Massachusetts Senate unanimously passed a bill mandating that training programs be established to educate the public about the consequences of head

injuries and concussions in student athletes. In response to this need The Worcester Sharks Youth Hockey League mandated that all players be ImPACT tested. ImPACT testing is the first, most-widely used, and most scientifically-validated computerized concussion evaluation system available. It includes a baseline test administered prior to a concussion, and a post-test that measures and assesses the severity of symptoms after a concussion. As part of its partnership with the Worcester Sharks, Saint Vincent Hospital has provided 85 ImPact tests for the young people affiliated with the Sharks Youth Hockey League and their nutrition and exercise program known as FinzFit Kids.

Detroit, Michigan

The Detroit Medical Center (“DMC”) community promise is one of caring, community and commitment. In addition to providing more than 5,279 health screenings and hosting 22 Health and Wellness Lectures last year alone, DMC also meets the needs of the diverse community it serves in a number of ways.

In 2011, Vanguard and DMC transferred ownership of a nearby building to the Detroit Community Health Connection, a FQHC that provides affordable or free health care to a cross-section of patients, including the underserved. The building is estimated to be worth just over \$1 million.

Other ways that DMC is meeting the needs of the community is through its commitment to at-risk youth. The Pathway to Excellence Program is a partnership with Detroit Parent Network and a local fraternity. It is a mentorship and leadership development program designed to empower young men with the skills and knowledge needed to foster academic success, establish a support network, support the goal of graduation and improve personal achievement by influencing leadership through representing unity and a commitment to collective betterment of the community.

San Antonio, Texas

The employees and physicians of Baptist Health System are very involved in innumerable community organizations and activities. Three visible examples are the United Way, the American Heart Association (“AHA”) and the Baptist Health System Employee Crisis Fund. Last year, employees gave generously to the United Way, raised money for the AHA through the “Start! Heart Walk” and gave generously to Baptist Health System’s own Employee Crisis Fund. Combined, employee contributions to these efforts totaled well over \$600,000. Individual employees also volunteered almost 28,000 hours of time to their favorite charitable organizations and relief efforts.

Baptist Health System now operates two Faith Family Clinics to serve the working uninsured of the Alamo City area. The Faith Family Clinic is a fully staffed primary care facility providing a medical home for San Antonio’s working uninsured population. What makes the Faith Family Clinic extraordinary is that it is a Christian-based health clinic which serves a population that has, historically, not had access to health care.

Valley Baptist Health System, Harlingen and Brownsville, Texas

Valley Baptist and its staff are known for their high level of community involvement. The hospital annually sponsors teams, and employees raise money for the American Heart Association Start! Heart Walks, the American Cancer Society’s Relay for Life, the

Texas Organ Sharing Alliance Awareness Walk, Marathon Kids, the March of Dimes March for Babies, and many more events, as well as programs and events for organizations such as Ronald McDonald House, the Harlingen Literacy Center, Tip of Texas Family Outreach, and Cameron County Children’s Advocacy Centers.

Valley Baptist is a community leader in health and wellness education. Thirty community seminars were offered this past year, with physicians presenting on a wide range of topics including “Diabetes Update,” “Wound Care,” “Women’s Health,” “Palliative Care,” “Colon Cancer,” “Stroke” and more. Over 1,000 screening tests were done by the mobile Heart and Vascular unit last year, an effort that brings preventive care into communities.

It is estimated that one in five, or 200,000 persons, in the Rio Grande Valley have diabetes, a figure three times the national rate, and Valley Baptist has the only two Diabetes Education Centers in Cameron County. The staff provides structured diabetes education classes in both English and Spanish, including a gestational diabetes program for expectant mothers, as well as support groups and individualized and group instruction. Many events promoting diabetes screening and awareness are also held throughout the year, including “Diabetes Expo” and the “Know Your Numbers” diabetes walk, as well as Saturday morning screenings at the local Farmers Market in high risk neighborhoods and more.

The Rio Grande Valley Indigent Health Care Corporation (“RGVIHCC”), a non-profit entity of Valley Baptist Health System, was opened September 1, 2007 to provide people in the community who are indigent and have no type of governmental or commercial insurance coverage access to quality health care. Those who have income at 21% or less of the federal poverty guidelines, have limited resources of no more than \$2,000, and have an established residence in Cameron County are eligible for these services. Since opening, RGVIHCC has assisted approximately 6,349 individuals and provided over \$23 million dollars in assistance through a network of over 200 participating providers. Annual budgeted funding for medical costs is currently \$6 million, which is provided by Valley Baptist Medical Center in Harlingen and Valley Baptist Medical Center -Brownsville.

Vanguard is committed to the communities it serves. In addition to the taxes it paid which support our communities, Vanguard provides ongoing support through in-kind and monetary contributions to various community programs.

22. Submit a list of all key professional, administrative and clinical department heads related to this proposal. Additionally, provide a copy of the Curriculum Vitae of each individual listed.

Please see **Exhibit 19** for the Curriculum Vitae of the individuals listed below.

Waterbury Hospital

Darlene Stromstad, FACHE, President/CEO

Michael J. Cemen, CIO

David J. Pizzuto, M.D., Chief Medical Officer

Sandra Iadarola, RN, Chief Nursing Officer
Scott H. Kurtzman, M.D., FACS, Chairman, Department of Surgery
Carl B. Sherter, M.D., Chief of Medical Staff

Vanguard

Charles N. Martin, Chairman/Chief Executive Officer
Keith B. Pitts, Vice Chairman
Bradley A. Perkins, M.D., Chief Transformation Officer/EVP Strategy and Innovation
Mark N. Montoney, M.D., Executive Vice President/Chief Medical Officer
Timothy M. Petrikin, Executive Vice President, Ambulatory Care Services
Phillip W. Roe, Chief Financial Officer and Treasurer
Joseph D. Moore, Executive Vice President
James H. Spalding, Executive Vice President/General Counsel and Secretary
Rob Jay, Vice President, Development

23. Explain how the proposal contributes to the quality of health care delivery in the region.

The proposed joint venture is a collaborative partnership in which community leaders, physicians, hospital leaders and Vanguard will make important decisions about how the Joint Venture fulfills its role in the community. As part of the Joint Venture model, the Applicants will conduct a community needs study to focus capital improvements and clinical program initiatives.

Other initiatives to improve health care delivery in the Greater Waterbury area will include:

- Standardization and upgrading of health information technology
- Physical plant and equipment upgrades
- Physician recruitment and retention efforts
- Standardization of Performance Improvement metrics and benchmarking
- Increase physician participation in hospital management and decision making
- Recognition of the contribution of our employees and retention of a skilled workforce.

Quality-of-care improvements realized in other Vanguard partnerships include the following:

- Implementation and embedment of high reliability strategies modeled after other high risk industries such as aviation and nuclear power, including:
 - Error prevention training for leaders, physicians and staff
 - Detection and classification of safety events through the use of technology
 - Development, standardization and implementation of tools to support the high reliability strategies.
- Implementation of a pressure ulcer prevention and management initiative resulted in a significant reduction in the system hospital pressure ulcer rate over the past several

years. The Health Care Advisory Board gave special recognition as a “Best Practice” for this program and its resultant outcomes.

- Implementation of a company-wide fall prevention and management initiative. The strategy for reduction of fall risk includes:
 - A standardized risk assessment tool
 - A plan of care model
 - Identification of recognized national benchmarks to be utilized for performance analysis
- Development of a method to identify, communicate and spread best practices across the Vanguard system
- Development and implementation of an evidence-based model of care for the critical care environments. This includes:
 - Implementation of eICU technology in certain markets
 - Clinical protocols and standards of care
 - Reduction of unnecessary clinical variance
- Development of a corporate-wide risk tool and guidelines to assist hospitals in the prevention of hospital-acquired infections including the implementation of Theradoc, a sophisticated software system providing infection prevention and pharmacy surveillance
- Implementation of a hospitalist model of care based on evidence based practice
- Implementation of an Acute Coronary Syndrome initiative that has contributed to improved clinical outcomes for patients with acute myocardial infarction

Vanguard has committed significant human and technological resources to quality and safety as it believes that to be successful in the future, Vanguard must differentiate itself by providing excellent clinical care in a safe environment. Vanguard’s goal is to create a highly reliable experience for every patient, starting with safe, quality care. Patients and guests are vulnerable; Vanguard’s job is to create an emotional connection, while delivering exceptional care.

24. Identify the Hospital’s ownership type(s) (e.g. Corporation, PC, LLC, etc.).

The Waterbury Hospital and Greater Waterbury Health Network, Inc. are both Connecticut non-stock, 501(c)(3) corporations.

25. Provide the corporate organizational chart prior to and after the proposal and include all affiliates.

Please refer to **Exhibit 20**.

26. Provide a list of owners and the percentages of ownership by each entity involved.

GWHN, through its successor community foundation, will own 20% of the equity interest in the JV; Vanguard will own the remaining 80% equity interest.

27. Please provide the date on which Waterbury Hospital filed audited financial statements with OHCA. GWHN may reference these statements in responding to questions.

GWHN's most recent audited financial statements were submitted to OHCA on February 28, 2013.

28. List all funding or financing sources for the proposal and the dollar amount of each source. Provide applicable details such as interest rate; term; monthly payment; pledges and funds received to date; letter of interest or approval from a lending institution.

Not applicable. This proposal is not an asset purchase.

29. Describe in detail how this proposal will affect the financial strength of the state's health care system and will be financially feasible.

Without the proposed Joint Venture, it is highly unlikely that GWHN will be able to provide services beyond the next five years, leaving the community with an enormous hole in its safety net. The Hospital has an aged out and inefficient physical plant, it lacks access to capital, it has experienced declining reimbursement and increased material and personnel costs, which will cause GWHN to experience operating losses that cannot be offset unless GWHN enters into the proposed JV. For a more detailed discussion, please see Applicants' response to **Question 3**.

30. Describe the utilization of existing facilities and health care services in the service area of the Joint Venture.

In addition to the Hospital, two other acute care hospitals are located within the service area of the Joint Venture: Saint Mary's and Charlotte Hungerford Hospital ("Hungerford"). The table below describes the services provided by each of the three acute care hospitals.

HOSPITAL SERVICE LINES

HOSPITAL	Inpatient Cardiac Angioplasty	Outpatient Cardiac Angioplasty	Inpatient Chemotherapy	Outpatient Chemotherapy	CT Scanning	Diagnostic Cardiac Catheterization	Emergency Department	Satellite Emergency Department	Inpatient Hospice	Lithotripsy	Linear Accelerator	Inpatient Maternity	Outpatient Maternity	Inpatient Medical Oncology	Outpatient Medical Oncology	Mental Health Clinic	MRI
Hungerford			x	x	x		x	x		x	x	x	x	x	x	x	x
St. Mary's	x	x	x	a	x	x	x		b	x	a	x	x	x	a	x	x
Waterbury	x	x	x	a	x	x	x		x	x	a	x	x	x	a	x	

HOSPITAL	Open Heart Surgery	Inpatient Pediatrics	Outpatient Pediatrics	PET/PET-CT	Outpatient Primary Care	Inpatient Radiation Oncology	Outpatient Radiation Oncology	Inpatient Rehabilitation	Outpatient Rehabilitation	Ambulatory Chemical Detox	Substance Abuse Day/Evening Treatment	Inpatient Substance Abuse Treatment	Substance Abuse - Medical Triage	Outpatient Substance Abuse Treatment	Surgical Services	Inpatient Surgical Oncology	Outpatient Surgical Oncology
Hungerford		x	x	x	x	x	x	x	x				x		x	x	x
St. Mary's	x	c	x	a	x		a		x		x	x	x	x	x	x	x
Waterbury	x			a	x		a	x	x	x	x	x	x	x	x	x	x

^aProvided by a jointly held affiliate, The Harold Leever Regional Cancer Center

^bProvided by Vitas

^cProvided by Connecticut Children's Medical Center

Source: 2012 Statewide Health Care Facilities and Services Plan, Office of Health Care Access

The table below provides the most recent inpatient utilization statistics available for the Hospital, Saint Mary's and Hungerford.

UTILIZATION STATISTICS FY2011 EXCLUDING NEWBORNS

	<u>WATERBURY HOSPITAL</u>	<u>SAINT MARY'S</u>	<u>HUNGERFORD</u>
PATIENT DAYS	56,643	53,814	26,634
DISCHARGES	11,800	11,626	6,144
AVERAGE DAILY CENSUS	155.2	147.4	73.0
AVERAGE LOS	4.8	4.6	4.3
STAFFED BEDS	181	172	78
% OCCUP. STAFFED BEDS	86%	86%	94%
AVAILABLE BEDS	248.0	174.0	109.0
% OCCUP. AVAIL. BEDS	63%	85%	67%
LICENSED BEDS	357	347	109
FTE's	1,512.7	1,237.9	744.3

Source: OHCA Report 400

Complete outpatient utilization data is not publicly available in Connecticut. The following tables provide an inventory of providers of outpatient services similar to those provided by the Hospital. The source for all three tables is the 2012 OHCA Statewide Healthcare Facilities and Services Plan.

AMBULATORY SURGERY CENTERS

FACILITY	CITY	ENT Surgery	Gastroenterology	General Surgery	Gynecologic Surgery	Neurosurgery	Ophthalmic Surgery	Oral Surgery	Orthopedic Surgery	Pain Management	Plastic Surgery	Podiatric Surgery	Urology	Other
Endoscopy Center of Northwest Connecticut, LLC	Torrington	x												
Litchfield Hills Surgery Center	Torrington								x	x				
Naugatuck Valley Endoscopy Center, LLC	Waterbury	x												
Waterbury Outpatient Surgery Center	Waterbury						x				x			

OUTPATIENT BEHAVIORAL HEALTH PROVIDERS

Name	Town
Catholic Charities, Inc.	Torrington
Catholic Charities, Inc.	Waterbury
Catholic Charities, Inc.	Waterbury
Central Naugatuck Valley HELP, Inc.	Waterbury
Central Naugatuck Valley HELP, Inc.	Torrington
Christian Counseling Connection	Torrington
Community Health & Wellness Center of Greater Torrington	Torrington
Community Health Center, Inc.	Waterbury
Community Mental Health Affiliates, Inc.	Torrington
Community Mental Health Affiliates, Inc.	Waterbury
Connecticut Counseling Centers, Inc.	Waterbury
Connecticut Junior Republic, Inc.	Waterbury
Connecticut Renaissance, Inc.	Waterbury
Family Intervention Center, Inc.	Waterbury
Family Services of Greater Waterbury, Inc.	Naugatuck
Family Services of Greater Waterbury, Inc.	Waterbury
Life Source Center, Inc.	Southington
McCall Foundation, Inc.	Torrington
Midwestern Connecticut Council on Alcoholism, Inc	Waterbury
Staywell Health Care, Inc.	Waterbury
Wellmore, Inc.	Waterbury
Wellspring Foundation, Inc.	Bethlehem

HOME HEALTH CARE AGENCIES	
Name	Town
Affinity Care Hospice, LLC	Naugatuck
All About You Home Care	Naugatuck
All Pointe Homecare, LLC	Cheshire
Hamlett Health Services, LLC	Waterbury
Huemanity Home Care of Connecticut, LLC	Southington
Naugatuck Visiting Nurses Association	Naugatuck
Quality Visiting Nurses, LLC	Watertown
Synergy Home Health	Cheshire
Vitas Healthcare Corporation Atlantic	Middlebury
VNA Health at Home, Inc.	Watertown

31. Provide evidence that this proposal will not result in an unnecessary duplication of existing or approved health care services or facilities.

GWHN is well-established in the Greater Waterbury community. The Hospital was the first hospital in the city of Waterbury and fourth in the state of Connecticut. After nearly a decade of fund raising, the Hospital opened in January 1890 and has been in continuous operation since then. The original home was in a Victorian mansion overlooking the city which was replaced in 1902.

The proposed Joint Venture will permit the Hospital to continue to provide the same services it has offered to the greater Waterbury community for more than 120 years. No new facilities or services are proposed.

32. Provide the current and projected population mix (based on the number of patients, not based on revenue) for this proposal.

INPATIENT POPULATION EXCLUDING NEWBORNS:

PAYOR	FY 2012	FY 2014	FY 2015	FY2016
Medicare	50.9%	57.3%	57.3%	57.3%
Medicaid	22.4%	19.2%	19.2%	19.2%
Champus	0.1%	.04%	.04%	.04%
Total Government	73.4%	76.5%	76.5%	76.5%
Commercial	23.9%	21%	21%	21%
Uninsured	1.9%	1.1%	1.1%	1.1%
Workers Compensation	0.8%	1.4%	1.4%	1.4%
Total Non-Government	26.6%	23.5%	23.5%	23.5%
Total Payor Mix	100%	100%	100%	100%

OUTPATIENT POPULATION:

PAYOR	FY 2012	FY 2014	FY 2015	FY2016
Medicare	37.5%	37.8%	37.8%	37.8%
Medicaid	23.1%	25.3%	25.3%	25.3%
Champus	0.2%	.08%	.08%	.08%
Total Government	60.8%	63.1%	63.1%	63.1%
Commercial	34.8%	31.8%	31.8%	31.8%
Uninsured	3.6%	4.3%	4.3%	4.3%
Workers Compensation	0.8%	0.8%	0.8%	0.8%
Total Non-Government	39.2%	36.9%	36.9%	36.9%
Total Payor Mix	100%	100%	100%	100%

The JV will continue to serve the same patient population. Projected population mix is based on the first four months of fiscal year 2013. Applicants do not anticipate any changes in patient mix as a result of the Joint Venture.

33. Provide the assumptions used to project the patient population mix after the proposed transfer of ownership.

The patient population mix above assumes that the Hospital will retain historic patient mix. The patient mix will not change materially from historic experience as a result of the Joint Venture.

34. Provide a summary of revenue, expense, and volume statistics for each entity as follows:

- **Financial Attachment I(A) – GWHN without the CON project (note that the actual results for the fiscal year reported in the first column must agree with GWHN audited financial statements.);**
- **Financial Attachment I(B) – the Joint Venture with the CON project and incremental to the CON project; and**
- **Financial Attachment I(C) - The Hospital without the CON project, incremental to the CON project, and with the CON project (note that the actual results for the fiscal year reported in the first column must agree with the Hospitals audited financial statements).**

Complete Financial Attachments IA through IC. The projections must include the first three full fiscal years of the project.

Financial Attachments IA through IC are attached hereto as **Exhibit 21**.

35. Provide the assumptions utilized in developing Financial Attachments I (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense percentage increases, project commencement of operations date, etc.).

All three Financial Attachments assume a project start date of October 1, 2013 with a fiscal year of October 1 through September 30.

FINANCIAL ATTACHMENT I(A) ASSUMPTIONS:

Financial Attachment I(A) represents GWHN FY2012 Actual Results and projections for FY2014 through FY2016 without the proposal. In the face of increasing expenses, declining reimbursement and declining patient volume, Applicants expect GWHN to operate at a loss without the Joint Venture beginning in FY2014.

REVENUE ASSUMPTIONS:

- Inpatient Revenue
 - Inpatient volumes will decrease 2% each year regardless of payment source.
 - 1% of non-government patients will shift to other Medical Assistance as a result of healthcare reform.
 - Medicare rates are reduced 1.5% annually.
 - Medicaid rates are reduced 1% annually and do not include the Governor's proposed budget.
 - Non-government rates are increased 3% annually.
- Outpatient Revenue
 - Outpatient volumes will increase 2% each year regardless of payment source.
 - Medicare rates are reduced 1.5% annually.
 - Medicaid rates are reduced 1% annually and do not include the Governor's proposed budget.
 - Non-government rates are increased 3% annually.
- Bad Debt as a percent of Net Revenue is increased by 0.1% annually for both inpatient and outpatient cases.

EXPENSES:

- Salary and Fringe Benefits are increased 2% annually
- Supplies and drug expense cost per occupied bed are increased 1% annually.
- Professional/Contracted Services are decreased by \$1 million in FY2014 for transaction costs and then increased 1% annually.
- Other Operating Expense, Depreciation/Amortization and Interest are increased 1% annually.
- FTEs are decreased to reflect the shift from inpatient services to outpatient services.

FINANCIAL ATTACHMENT I(B) ASSUMPTIONS:

Financial Attachment I(B) provides three full years of operation of the Joint Venture. Please note that as the Joint Venture is a new company and has no historical performance, the baseline budget of the entity without the CON is zero. Therefore, the "Incremental" columns mirror the "Projected With CON" columns. The fiscal year for the JV will be October 1 through September 30 and the first full year of the project is FY2014. Projections assume a September 30, 2013 closing.

REVENUE:

- Applicants expect to experience a one-time decrease in revenue in the first year of the JV as it completes the Change of Ownership process with CMS.

- Government reimbursement included the April 1, 2013 2% Sequestration cut.
- Payor mix will remain consistent with that projected in OHCA Financial Attachment 1(A).
- Volumes stabilize and show modest growth in FY2015 and FY2016 as physician recruitment and enhanced ambulatory strategy take effect.
- Non-operating revenue is decreased year over year to reflect the phase out of Meaningful Use incentive payments by FY2016.

EXPENSE:

- Purchased services are reduced to reflect insourcing of certain functions.
- Depreciation/Amortization and Interest expenses are reduced to reflect the retirement of debt as a result of the JV terms.
- Average hourly rate for salaries are increased 2% year over year for non-union employees and per the union contract for unionized employees.
- Supplies increase 2% year over year in step with volume increases.
- Inflation is fixed at 2%.
- Overall benefit and insurance expenses are reduced as a result of saving associated with moving to Vanguard plans.

FINANCIAL ATTACHMENT I(C) ASSUMPTIONS:

Financial Attachment IC reflects the Joint Venture impact on the Hospital. Revenue and Expense assumptions in the “without CON” columns are consistent with the assumptions used in Financial Attachment I(A) above. Revenue and Expenses assumptions in the “with CON” columns are consistent with those used in Financial Attachment I(B)above.

36. Explain any projected incremental losses from operations contained in the financial projections that result from the implementation and operation of the CON proposal.

Not applicable.

37. As a result of the proposal, will there be any change to existing reimbursement contracts between the Applicants and payers (e.g., Medicare, Medicaid, commercial)? Explain.

The Joint Venture will need to complete a Change of Ownership process with the Centers for Medicare and Medicaid Services.

38. Provide the specific amount and form of capital (e.g., money or property) that will be contributed by GWHN and Vanguard to fund the total cost of the project.

This proposal does not involve an asset purchase. GWHN will contribute substantially all of its assets to the JV and receive a 20% ownership interest in the JV. Vanguard will contribute \$25,282,000 to the JV and retain an 80% interest.

39. Provide the percentages from the total capital contributions that will be utilized to eliminate the Hospital's debt, reduced pension liability and to fund capital projects and other facility improvements.

This proposal does not involve an asset purchase. Vanguard has agreed to grant an equity interest to GWHN and is contributing \$45 million in exchange for GWHN's contribution of assets. Please refer to Applicants' response to Question 3 regarding elimination of Hospital liabilities.

NAME OF MEMBER	VALUE OF SHARING PERCENTAGE	SHARING PERCENTAGE
Greater Waterbury Health Network, Inc.	\$17,320,000	20%
Vanguard	\$69,282,000	80%

GREATER WATERBURY HEALTH NETWORK, INC.
&
VANGUARD HEALTH SYSTEMS, INC.

EXHIBITS TO CERTIFICATE OF NEED APPLICATION
FOR THEIR PROPOSED JOINT VENTURE

1. Contribution Agreement
2. Operating Agreement
3. Management Agreement
4. 2007 Study
5. Kaufman Hall and PriceWaterhouseCoopers Reports
6. Confidential Information Memorandum
7. Letter of Intent
8. GWHN Diligence Request
9. Conflict of Interest Disclosures
10. Fairness Opinion Proposals
11. Fairness Opinion: Qualifications, Conflict Statement
12. Fairness Supporting Schedules
13. Gift Instruments
14. Analysis Gift List
15. Materials re: Other Proposals
16. Transition Plan
17. Charity and Uncompensated Care Policies
18. Excerpts from Form 990 re: Community Benefit
19. Curriculum Vitae
20. Organization Charts
21. Financial Attachments IA-IC

EXHIBIT 1: CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT
BY AND AMONG
GREATER WATERBURY HEALTH NETWORK, INC.,
VHS WATERBURY HEALTH SYSTEM, LLC,
VHS WATERBURY MANAGEMENT COMPANY, LLC
AND
VANGUARD HEALTH SYSTEMS, INC.

_____, 2013

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CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, 2013, by and among **GREATER WATERBURY HEALTH NETWORK, INC.**, a Connecticut non-stock corporation ("GWHN"), **VHS WATERBURY HEALTH SYSTEM, LLC**, a Delaware limited liability company (the "Company"), **VHS WATERBURY MANAGEMENT COMPANY, LLC**, a Delaware limited liability company ("VHS Sub"), and **VANGUARD HEALTH SYSTEMS, INC.**, a Delaware corporation ("VHS").

RECITALS:

A. GWHN owns and operates The Waterbury Hospital, an acute care teaching hospital having 357 licensed beds (the "Hospital"), together with various parking facilities, medical office buildings, and other related health care assets located in and around Waterbury, Connecticut (the Hospital and such other health care assets being collectively referred to as the "Facilities"). For the avoidance of doubt, the parties hereby agree and acknowledge that the term "Facilities" does not include the Partial Subsidiaries (as hereinafter defined) or any of the health care facilities and assets owned by them.

B. The Company has been formed to own and operate, whether directly or indirectly, health care assets and businesses such as the Facilities and the businesses conducted at and by the Facilities. The Company owns or controls, directly or indirectly, the organizations listed on Exhibit A attached hereto (individually, a "Company Entity" and collectively, the "Company Entities").

C. GWHN has agreed to convey (or cause to be conveyed) to the Company and/or the Company Entities, as applicable, on the Closing Date (as defined in Section 3.1), substantially all of the assets used in, necessary for, held in connection with, or otherwise arising from or relating to the operation of the Facilities, subject to and in accordance with the terms and conditions of this Agreement.

D. VHS Sub has agreed to contribute to the Company on the Closing Date Forty-Five Million Dollars (\$45,000,000), subject to and in accordance with the terms and conditions of this Agreement.

E. VHS is a party to this Agreement for purposes of guaranteeing the obligations of VHS Sub as set forth herein.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises, and the agreements, covenants, representations, and warranties hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged and confessed, the parties hereto agree as follows:

1. FORMATION OF THE COMPANY; AGREEMENT TO CONTRIBUTE.

1.1 Formation of the Company. On _____, 2013, the Company was formed by VHS Sub in accordance with the Delaware Limited Liability Company Act (the “Act”) pursuant to the Certificate of Formation and Operating Agreement attached hereto as Exhibit B.

1.2 Agreement to Contribute.

(a) Subject to the terms and conditions of this Agreement, and in reliance upon the representations, warranties, and covenants of VHS, VHS Sub, and the Company set forth herein, on the Closing Date, GWHN shall convey (or cause to be conveyed) to the Company the Assets (hereinafter defined), as described in Section 2.1 (the “GWHN Initial Contribution”). Subject to the terms and conditions of this Agreement, and in reliance upon the representations, warranties, and covenants of GWHN set forth herein, on the Closing Date, VHS Sub shall contribute to the Company cash in an amount equal to eighty percent (80%) of the Purchase Price (as defined in Section 1.2(b)) for the Assets minus twenty percent (20%) of the Credited Expenses (the “VHS Sub Capital Contribution”). On the Closing Date, the Company shall distribute the amount of the VHS Sub Capital Contribution in cash to GWHN.

(b) Subject to the terms and conditions of this Agreement, and in reliance upon the representations, warranties, and covenants of VHS, VHS Sub, and the Company set forth herein, the aggregate purchase price (the “Purchase Price”) for the transfer and delivery of the Assets is Forty-Five Million Dollars (\$45,000,000), plus the amount by which the net book value of Net Working Capital of GWHN is greater than Six Million Eight Hundred Thousand Dollars (\$6,800,000) (“Target Net Working Capital”) or minus the amount by which the net book value of Net Working Capital of GWHN is less than the Target Net Working Capital, minus the agreed upon value of the asbestos abatement liability, the pension liability, the capital lease obligations assumed pursuant to Section 2.3(d) and certain other liabilities assumed by the Company as of the Closing.

(c) For the purposes of this Agreement, “Credited Expenses” shall mean all third party fees and expenses reasonably incurred by VHS Sub or GWHN on behalf of the Company for real estate title surveys and environmental, engineering and other inspections, studies, tests, reviews and analyses undertaken by or on behalf of the Company for the benefit of the Company, (ii) all real estate transfer Taxes and sales and use Taxes arising out of the transfer of the Assets and (iii) the premium for the Company’s title insurance policies described in Section 7.3.

1.3 Ownership Structure of the Company. Prior to the Effective Time, the sole member of the Company will be VHS Sub. Subject to the terms and conditions of this Agreement, at the Closing (hereinafter defined), and after GWHN has contributed the GWHN Initial Contribution and VHS Sub has contributed the VHS Sub Capital Contribution, GWHN and VHS Sub shall enter into an Amended and Restated Operating Agreement, in the form attached hereto as Exhibit C (the “LLC Agreement”), which will, among other things, provide that the membership interest of VHS Sub in the Company shall be 80% and the membership interest of GWHN in the Company shall be 20%.

2. CONTRIBUTIONS TO THE COMPANY.

2.1 Assets. Subject to the terms and conditions of this Agreement, as of the Closing, GWHN agrees to sell, convey, transfer, and deliver (or cause to be sold, conveyed, transferred, and delivered) to the Company and the Company Entities all of the assets owned or used by GWHN or its affiliates in connection with the operation of the Facilities, other than the Excluded Assets, which contributed assets shall include, without limitation, the following (the “Assets”):

(a) all of the real property that is owned by GWHN and used in connection with the operation of the Facilities, including, without limitation, the real property described in Schedule 2.1(a), together with all buildings, improvements, and fixtures located thereupon, all construction in progress, and all rights, privileges, and easements appurtenant thereto (collectively, the “Owned Real Property”);

(b) all of the real property that is leased by GWHN and used in connection with the operation of the Facilities, to the extent assignable or transferable, including, without limitation, the real property described in Schedule 2.1(b) (collectively, the “Leased Real Property”) (the Owned Real Property and the Leased Real Property are collectively referred to in this Agreement as the “Real Property”);

(c) all of the tangible personal property owned by GWHN or used in connection with the operation of the Facilities, including, without limitation, all equipment, furniture, fixtures, machinery, vehicles, office furnishings, and leasehold improvements, a current list and the general location of which are set forth on Schedule 2.1(c) (collectively, the “Personal Property”);

(d) all of GWHN’s rights, to the extent assignable or transferable, to all licenses, provider numbers, permits, approvals, certificates of need, certificates of exemption, franchises, accreditations and registrations, and other governmental licenses, permits, or approvals issued or pending with respect to the development, ownership, and operation of the Facilities (collectively, the “Licenses and Permits”), including, without limitation, the Licenses and Permits described in Schedule 2.1(d);

(e) all of GWHN’s stock, partnership, membership, or other ownership interests, to the extent assignable or transferable, in each of the entities identified on Schedule 2.1(e), together with all minutes and other records relating to such entities that are in the possession of GWHN as of the Closing Date;

(f) all of GWHN’s interest, to the extent assignable or transferable, in and to all personal property leases with respect to the operation of the Facilities, including, without limitation, the personal property leases listed on Schedule 2.1(f);

(g) all of GWHN’s interest, to the extent assignable or transferable, in and to all commitments, contracts, leases, and agreements with respect to the operation of the Facilities listed in Schedule 2.1(g), the leases relating to the Leased Real Property listed on Schedule 2.1(b) and all Immaterial Contracts not listed or described on Schedule 2.1(g), but specifically excluding the Excluded Contracts (all such commitments, contracts, leases, and agreements, collectively, the “Assumed Contracts”). For the purposes of this Agreement, “Immaterial Contract” means any contract to which GWHN is a party that requires either the payment by

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GWHN of \$25,000 or less or the provision of goods or the performance of services by GWHN having a value of \$25,000 or less, in either case during the period from the date of this Agreement until (i) if the contract is terminable at any time by GWHN without cause and without financial penalty upon notice of 90 days or less, the date on which the contract would terminate if GWHN was to give notice of termination on the date of this Agreement, or (ii) if the contract is not terminable at any time by GWHN without cause and without financial penalty upon notice of 90 days or less, the expiration of the term of the contract, provided that an Immaterial Contract does not include any contract described on Schedule 4.18;

(h) all advance payments, prepayments, prepaid expenses, deposits, and the like that were made with respect to the operation of the Facilities and have continuing value to the Facilities as of the Closing Date, the current categories and amounts of which are set forth on Schedule 2.1(h);

(i) all usable inventories of supplies, drugs, food, janitorial and office supplies, and other disposables and consumables located at the Facilities, or used with respect to the operation of the Facilities (the term “usable” in this clause meaning non-obsolete and consumable within the ordinary course of business of the Facilities, consistent with past practices);

(j) to the extent transferable, all documents, records, operating manuals, files, and computer software with respect to the operation of the Facilities, including, without limitation, all patient records, medical records, employee records, financial records, equipment records, construction plans and specifications, medical and administrative libraries, operating manuals, proprietary manuals, marketing materials, policy and procedure manuals, files, catalogs, data, and studies or analyses;

(k) all goodwill associated with the Facilities and the Assets;

(l) all Intellectual Property and the names, symbols, trade names, trademarks and service marks (or variations thereof), and telephone numbers used with respect to the operation of the Facilities, all goodwill associated therewith, and all applications and registrations associated therewith;

(m) the electronic funds transfer account of the Facilities (the “EFT Account”) (other than any cash in such EFT Account at Closing, which shall be an Excluded Asset) and all information necessary to access the EFT Account;

(n) any current assets with respect to the operation of the Facilities that are not otherwise specifically described above in this Section 2.1 and that are included in Net Working Capital (hereinafter defined);

(o) all accounts, notes, interest, and other receivables of GWHN relating to the Facilities (other than receivables from physicians), including, without limitation, those certain accounts, notes, or other receivables listed on Schedule 2.1(o), and all claims, rights, interests, and proceeds related thereto, including all accounts and other receivables, disproportionate share payments, and all rights to receive funds relating to upper payment limits, arising from the rendering of services to inpatients and outpatients at the Facilities, billed and unbilled, recorded and unrecorded, for services provided by GWHN while owner of the Assets

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whether payable by private pay patients, private insurance, third party payors, Medicare, Medicaid, TRICARE, Blue Cross, or by any other source;

(p) to the extent assignable by GWHN, all warranties (express or implied) and rights and claims assertable by (but not against) GWHN related to the Assets;

(q) the Facilities' website(s), together with the content therein, to the extent transferrable and subject to any rights retained by GWHN in and to any trademarks, trade names, trade dress, or similar intellectual property;

(r) all other property, other than the Excluded Assets, of every kind, character, or description owned by GWHN and used or held for use in the Facilities or the Assets, whether or not reflected on the financial statements, wherever located and whether or not similar to the items specifically set forth above, and all other businesses and ventures owned by GWHN in connection with the operations of the Facilities or the Assets;

(s) other than the claims set forth on Schedule 2.2(n), all rights, claims, and choses in action of GWHN against third parties in respect of the operation of the Facilities with respect to periods prior to the Effective Time, whether known or unknown, contingent or otherwise, and any payments, awards, or other proceeds resulting therefrom;

(t) all insurance proceeds with respect to the Assets or the Assumed Liabilities (including insurance proceeds received by GWHN or payable to GWHN and all deductibles, copayments and self-insurance requirements payable by GWHN) arising in connection with damage to the Assets occurring on or prior to the Closing Date, to the extent not expended for the repair or restoration of the Assets; and

(u) the interest of GWHN in all property of the foregoing types, arising or acquired in the ordinary course of the business of GWHN in respect of the Facilities between the date hereof and the Closing.

GWHN shall convey good and marketable title to the Assets and all parts thereof to the Company and the Company Entities, free and clear of all claims, assessments, security interests, liens, restrictions, and encumbrances, other than the Permitted Exceptions (hereinafter defined) and the Assumed Liabilities (hereinafter defined).

2.2 Excluded Assets. Those assets of GWHN owned or used in connection with the operation of the Facilities described below shall be retained by GWHN (collectively, the "Excluded Assets") and shall not be conveyed to the Company and the Company Entities:

(a) cash, cash equivalents, and short-term investments, including, without limitation, cash in the EFT Account as of the Closing Date;

(b) board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, self-insurance trusts, working capital trust assets, and assets and investments restricted as to use), trusts related to employee benefits, amounts reserved in connection with any unfunded Benefit Plans (hereinafter defined) listed in Section 4.12 that do not have a trust, trusts related to self-insurance, donor-restricted assets, beneficial interests in charitable trusts, and accrued earnings on all of the foregoing;

- (c) all intercompany receivables of GWHN with any of its Affiliates;
- (d) any current assets of GWHN that are not included in Net Working Capital (hereinafter defined);
- (e) any asset that would revert to the employer upon the termination of any of the Benefit Plans (as defined collectively in Section 4.12(a)), including assets representing a surplus or overfunding of any such plans;
- (f) all rights to refunds, credits, deposits, prepayments, or the equivalent owing to GWHN from any taxing authority with respect to periods prior to the Effective Time, and the right to pursue appeals of same;
- (g) the taxpayer and other identification numbers, seals, minute books, corporate records, and other documents relating to the organization, maintenance, and existence of GWHN;
- (h) all claims, rights, interests, and proceeds (whether received in cash or by credit to amounts otherwise due to a third party) with respect to amounts overpaid with respect to the Facilities to any third party with respect to periods prior to the Effective Time;
- (i) all bank accounts relating to the Facilities, other than the EFT Account;
- (j) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine, or any other cognizable privilege or protection of GWHN;
- (k) any cost report settlements in respect of cost report periods ended prior to the Effective Time;
- (l) any assets owned and provided by vendors of goods or services to the Facilities, possession of which will be retained by the Facilities;
- (m) unclaimed property of any third party in respect of the operation of the Facilities, including, without limitation, property that is subject to applicable escheat laws;
- (n) all rights, claims, and choses in action of GWHN against third parties in respect of the operation of the Facilities with respect to periods prior to the Effective Time described on Schedule 2.2(n), and any payments, awards, or other proceeds resulting therefrom;
- (o) all interests in, and assets related to, Children's Center of Greater Waterbury Health Network, Inc. and Health Alliance Insurance Company, Inc., including the name Waterbury Hospital Foundation;
- (p) all rights and interests of GWHN in and to the commitments, contracts, leases, and agreements other than the Assumed Contracts, including the commitments, contracts, leases and agreements set forth on Schedule 2.2(p) (collectively, the "Excluded Contracts");
- (q) all physician loans and receivables;

(r) all insurance proceeds with respect to the Assets (including insurance proceeds received by GWHN or payable to GWHN) arising in connection with damage to the Assets occurring on or prior to the Closing Date, to the extent all damage to the Assets has been repaired by GWHN;

(s) the portions of inventory, prepaid expenses and the like, and other Assets disposed of, expended, or canceled, as the case may be, by the Facilities prior to the Effective Time in the ordinary course of business; and

(t) any other assets identified in Schedule 2.2(t).

2.3 Assumed Liabilities. In connection with the conveyance of the Assets to the Company and the Company Entities, the Company and the Company Entities shall assume, effective as of the Effective Time, the future payment and performance of the following liabilities (the “Assumed Liabilities”) of GWHN in respect of the Facilities:

(a) all obligations accruing after the Effective Time with respect to the Assumed Contracts or the Personal Property Leases;

(b) the trade accounts payable and current liabilities of the Facilities as of the Effective Time, but only to the extent such accounts payable and current liabilities are included in the calculation of Net Working Capital (hereinafter defined);

(c) obligations and liabilities as of the Effective Time in respect of accrued paid time off benefits of employees of GWHN at the Facilities who are hired by VHS Sub as of the Effective Time, and related taxes, but only to the extent such accrued paid time off benefits, and related taxes, are included in Net Working Capital (hereinafter defined);

(d) the capital lease obligations set forth on Schedule 2.3(d);

(e) tax liabilities or obligations in respect of the Facilities and the Assets with respect to periods commencing on or after the Effective Time, including any federal, state, local, or foreign net income, gross income, gross receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, unemployment, payroll, withholding, alternative or add on minimum, ad valorem, value added, transfer, stamp, or environmental tax, escheat payments or any other tax, custom, duty, impost, levy, governmental fee, or other like assessment or charge (together with any and all interest, penalties, additions to tax, and additional amounts imposed with respect thereto) (collectively, “Taxes”); and

(f) the liability for asbestos remediation to the extent reflected on the Financial Statements; and

(g) any liability owed or due and owing with respect to periods on or after the Effective Time with respect to any Benefit Plan listed on Schedule 2.3(g).

The Company shall not be liable for (i) any claims arising from GWHN’s assignment and the Company Entities’ assumption of the Assumed Liabilities; (ii) uncured defaults in the performance of the Assumed Liabilities for periods prior to the Effective Time; (iii) unpaid amounts in respect of the Assumed Liabilities that are due as of the Effective Time (that are not

reflected in Net Working Capital or on Schedule 2.3(d)); and/or (iv) rights or remedies claimed by third parties under any of the Assumed Liabilities that broaden or vary the rights and remedies such third parties would have had against GWHN and the Facilities if the sale and purchase of the Assets were not to occur.

2.4 Excluded Liabilities. Except for the Assumed Liabilities, the Company and the Company Entities shall not assume and under no circumstances shall the Company or the Company Entities be obligated to pay or assume, and none of the assets of the Company and the Company Entities shall be or become liable for or subject to, any liability, indebtedness, commitment, or obligation of GWHN, whether known or unknown, fixed or contingent, recorded or unrecorded, currently existing or hereafter arising or otherwise (collectively, the “Excluded Liabilities”), including, without limitation, the following Excluded Liabilities:

- (a) any debt, obligation, expense, or liability that is not an Assumed Liability;
- (b) claims or potential claims for medical malpractice or general liability relating to events asserted to have occurred prior to the Effective Time;
- (c) those claims and obligations (if any) specified in Schedule 2.4 hereto;
- (d) any liabilities or obligations associated with or arising out of any of the Excluded Assets;
- (e) liabilities or obligations associated with indebtedness for borrowed money (other than capital lease obligations under any Assumed Contract);
- (f) liabilities and obligations of GWHN in respect of the Facilities with respect to periods prior to the Effective Time arising under the terms of the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross, or other third party payor programs, and any liability arising pursuant to the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross, or any other third party payor programs as a result of the consummation of any of the transactions contemplated under this Agreement;
- (g) Taxes incurred by the Facilities with respect to periods prior to the Effective Time (provided, however, that this clause (g) shall not apply to any and all Taxes payable with respect to any employee benefits constituting Assumed Liabilities under Section 2.3(c) hereof and any Taxes constituting Assumed Liabilities under Section 2.3(e) hereof);
- (h) liability for any and all claims by or on behalf of employees of GWHN relating to periods prior to the Effective Time, including, without limitation, liability for any pension, profit sharing, deferred compensation, or any other employee health and welfare benefit plans, liability for any EEOC claim, ADA claim, FMLA claim, wage and hour claim, unemployment compensation claim, or workers’ compensation claim, and any liabilities or obligations to former employees of GWHN under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (provided, however, that this clause (h) shall not apply to any and all employee benefits constituting Assumed Liabilities under Section 2.3(c) hereof);
- (i) any obligation or liability accruing, arising out of, or relating to any federal, state, or local investigations of, or claims or actions against, GWHN, the Facilities, or

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any of their employees, medical staff, agents, vendors, or representatives with respect to acts or omissions prior to the Effective Time;

(j) any civil or criminal obligation or liability accruing, arising out of, or relating to any acts or omissions of GWHN, its Affiliates, or their directors, officers, employees, representatives, and agents claimed to violate any constitutional provision, statute, ordinance, or other law, rule, regulation, interpretation, or order of any governmental entity arising out of acts occurring before the Effective Time;

(k) liabilities or obligations arising as a result of any breach by GWHN or the Facilities at any time of any Excluded Contract;

(l) liabilities or obligations arising out of any breach by GWHN or the Facilities prior to the Effective Time of any Assumed Contract;

(m) any obligation or liability asserted under the federal Hill-Burton program or other restricted grant and loan programs with respect to the ownership or operation of the Facilities or the Assets;

(n) any debt, obligation, expense, or liability of GWHN arising out of or incurred solely as a result of any transaction occurring after the Effective Time or for any violation by GWHN of any law, regulation, or ordinance at any time (including, without limitation, those pertaining to fraud, environmental, health care regulatory, and ERISA matters);

(o) all liabilities and obligations relating to any oral agreements, oral contracts, or oral understandings, including those with any referral sources, including, but not limited to, physicians, unless reduced to writing and expressly assumed as part of the Assumed Contracts;

(p) any liability arising out of the act of assignment of any of the Assumed Contracts to the Company Entities at the Closing; and

(q) the obligations and liabilities arising in connection with the Connecticut Transfer Act, 22 Conn. Gen. Stat. § 134 *et seq.* (the “Transfer Act”), as set forth in Section 11.15.

2.5 Net Working Capital, Estimates, and Audits.

(a) **Net Working Capital.** As used herein, the term “Net Working Capital” shall mean the aggregate current assets of GWHN in respect of the Facilities conveyed to the Company pursuant to Section 2.1 hereof (excluding those Excluded Assets that would otherwise be included in current assets), minus the aggregate current liabilities of GWHN in respect of the Facilities assumed by the Company pursuant to Section 2.3 hereof (excluding those Excluded Liabilities that would otherwise be included in current liabilities), all as determined in accordance with generally accepted accounting principles (“GAAP”), but in any case with respect to the computation of Net Working Capital (i) the following being included in current assets: usable prepaid expenses (excluding insurance-related prepaid expenses), usable inventories and supplies (valued in accordance with Section 2.5(d)), patient accounts receivable (net of allowances for contractual adjustments and uncollectibles based upon an evaluation of

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historical collections to gross revenues and discounted by ten percent (10%) for timing and cost of collection), non-patient accounts receivable as agreed by the parties (but excluding physician receivables), and other current assets as agreed by the parties, and (ii) the following being included in current liabilities: accounts payable, accrued expenses (excluding sales tax payable, items incurred but not recorded, and bank loans), accrued paid time off benefits and salary and related taxes (for employees of GWHN at the Facilities who are hired by VHS Sub), and other current liabilities as agreed by the parties. The parties agree that the Net Working Capital shall exclude any unusual fluctuations and will reflect the normalized, recurring amount for the Facilities.

(b) ***Estimates and Adjustments.*** At least five (5) business days prior to Closing, (i) GWHN shall deliver to VHS Sub a reasonable estimate of Net Working Capital as of the end of the most recently ended calendar month prior to the Closing Date for which financial statements are available and containing reasonable detail and supporting documents showing the derivation of such estimate and (ii) VHS Sub shall deliver to GWHN a reasonable estimate of the amount of the Credited Expenses as of the Closing Date as well as reasonable supporting documentation for this estimate. Subject to the mutual agreement of GWHN and VHS Sub, the estimated Net Working Capital together with the principles, specifications, methodologies and specific financial statement line items for determining the estimated Net Working Capital shall be specified in Schedule 2.5 and shall be used for purposes of calculating any payments due either from or to GWHN as of the Closing. Within ninety (90) days after the Closing, VHS Sub shall deliver to GWHN its determination of (x) the Net Working Capital as of the Closing Date (following the same principles, specifications, and methodologies used to determine the estimated Net Working Capital as set forth on Schedule 2.5) and (y) the amount of Credited Expenses. VHS Sub shall have full access to the financial books and records of GWHN pertaining to the Facilities prior to, and for ninety (90) days following, the Closing, to confirm or audit Net Working Capital computations. Should GWHN disagree with VHS Sub's determination of Net Working Capital or the amount of Credited Expenses, it shall notify VHS Sub within sixty (60) days after VHS Sub's delivery of its determination of Net Working Capital and Credited Expenses. If GWHN and VHS Sub fail to agree within thirty (30) days after GWHN's delivery of notice of disagreement on the amount of Net Working Capital and/or Credited Expenses, such disagreement shall be resolved in accordance with the procedure set forth in Section 2.5(c). Within five (5) business days after determination of the actual Net Working Capital and/or Credited Expenses as of the Closing Date, any increase from the estimated Net Working Capital, and twenty percent (20%) of any decrease from the estimated amount of Credited Expenses, shall be paid by VHS Sub to GWHN, and any decrease from the estimated Net Working Capital, and twenty percent (20%) of any increase from the estimated amount of Credited Expenses, shall be paid by GWHN to VHS Sub.

(c) ***Dispute of Adjustments.*** In the event that GWHN and VHS Sub are not able to agree on the actual Net Working Capital or Credited Expenses within thirty (30) days after GWHN's delivery of notice of disagreement, GWHN and VHS Sub each shall have the right to require that such disputed determination be submitted to Deloitte LLP (or the appropriate subsidiary thereof), or if Deloitte LLP (or the appropriate subsidiary thereof) is not available for any reason or does not maintain its independent status, such other independent certified public accounting firm upon which GWHN and VHS Sub may then mutually agree in writing (the "Accounting Firm") for computation or verification in accordance with the provisions of this Agreement. The Accounting Firm shall review the matters in dispute and, acting as arbitrators,

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shall promptly decide the proper amounts of such disputed entries (which decision shall also include a final calculation of Net Working Capital or Credited Expenses). The submission of the disputed matter to the Accounting Firm shall be the exclusive remedy for resolving accounting disputes relative to the determination of Net Working Capital and Credited Expenses. The Accounting Firm's determination shall be binding upon GWHN and VHS Sub. The Accounting Firm's fees and expenses shall be borne equally by GWHN and VHS Sub.

(d) Physical Inventory. If requested by VHS Sub at least ten (10) business days prior to the Closing, GWHN shall cause a physical inventory to be taken of the usable inventory and supplies on hand at the Facilities by either (i) employees or representatives of GWHN at the Facilities or its Affiliates or (ii) an independent third party selected by GWHN, the cost of which independent third party shall be borne by GWHN, as near in time as possible to the Closing and with the results extended and adjusted through the Effective Time. It shall be in GWHN's sole discretion as to whether employees or representatives of GWHN at the Facilities or an independent third party are used to conduct such physical inventory. GWHN shall permit representatives or employees of VHS Sub to observe such inventory process. All inventory items shall be valued at cost on a first-in first-out basis. The parties acknowledge that the inventory to be taken pursuant to this Section 2.5(d) shall not be conducted until immediately prior to the Closing and, as such, the results of such inventory may not be available until some time after the Closing. Accordingly, the parties agree that for purposes of determining the estimated Net Working Capital, inventory with respect to the operation of the Facilities shall be valued as reflected by the latest available unaudited balance sheet of GWHN in respect of the Facilities if the results of such inventory are not available. For purposes of determining the actual Net Working Capital, inventory shall be valued as determined pursuant to this Section 2.5(d).

(e) Prorations. Except as otherwise provided herein (for example, in the determination of Net Working Capital) or as settled at Closing, within ninety (90) days after the Closing Date, GWHN and the Company shall prorate as of the Closing Date any amounts that become due and payable on and after the Closing Date, or that have been paid in advance by either party prior to the Closing Date with respect to periods after the Closing Date, with respect to (i) the Assumed Contracts, (ii) ad valorem taxes, if any, on the Assets (which shall be prorated at the Closing), (iii) property taxes, if any, on the Assets (which shall be prorated at the Closing), and (iv) all utilities servicing any of the Assets, including water, sewer, telephone, electricity, and gas service. The parties shall cooperate to avoid, to the extent legally possible, the payment of duplicate Taxes, and each party shall furnish, at the request of the other, proof of payment of any Taxes or other documentation that is a prerequisite to avoid payment of duplicate Taxes. Any such amounts that are not available within ninety (90) days after the Closing Date shall be similarly prorated as soon as practicable thereafter.

2.6 Disclaimer of Warranties. Except as expressly set forth in the Closing Documents, the Assets transferred to the Company and any Company Entities will be transferred in their physical condition at the Effective Time, "AS IS, WHERE IS, AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS," and with respect to the Real Property, land, buildings, and improvements, WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, and with respect to the physical condition of the Personal Property and the inventory and supplies, WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

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3. CLOSING.

3.1 Closing. Subject to the satisfaction or waiver by the appropriate party of all of the conditions precedent to Closing specified in Sections 8 and 9 hereof, the consummation of the transactions contemplated by and described in this Agreement (the “Closing”) shall take place at the offices of Carmody & Torrance LLP, 50 Leavenworth Street, Waterbury, Connecticut 06721, at 10:00 a.m. local time, on or before _____, 2013, or on such other date or at such other location as the parties may mutually designate in writing (the date of consummation is referred to herein as the “Closing Date”). The Closing shall be deemed to have occurred and to be effective as between the parties as of 12:01 a.m., Eastern Time, on the day following the Closing Date (the “Effective Time”).

3.2 Actions of GWHN at Closing. At the Closing and unless otherwise waived in writing by VHS Sub and/or the Company, as applicable, GWHN shall deliver to VHS Sub and/or the Company, as applicable, the following:

(a) Special Warranty Deed, fully executed by GWHN in recordable form, conveying to the applicable Company Entity good and marketable fee title to the Owned Real Property, and Assignment and Assumption of Leases, fully executed by GWHN in recordable form, assigning to the applicable Company Entity leasehold title to the Leased Real Property, in each case subject only to current taxes not yet due and payable as of the Closing Date and such other covenants, conditions, restrictions, easements, and exceptions to title as are set forth on Schedule 3.2(a) hereto (collectively, the “Permitted Exceptions”);

(b) A General Assignment, Conveyance, and Bill of Sale (the “Bill of Sale”), fully executed by GWHN, conveying to the applicable Company Entity good and marketable title to all tangible assets that are a part of the Assets and valid title to all intangible assets that are a part of the Assets, free and clear of all liabilities, claims, liens, security interests, and restrictions other than the Assumed Liabilities and the Permitted Exceptions;

(c) An Assignment and Assumption Agreement (the “Assignment and Assumption Agreement”), fully executed by GWHN, conveying to the applicable Company Entity GWHN’s interest in the Assumed Contracts;

(d) All instruments, documents, and affidavits required by the Title Company (as defined in Section 7.3) to issue the Title Policy (as defined in Section 7.3) as described in and provided by Section 7.3 hereof that are consistent with the Connecticut Standards of Title;

(e) The LLC Agreement in substantially the form of Exhibit C attached hereto, fully executed by GWHN;

(f) Copies of resolutions duly adopted by the Board of Directors of GWHN, authorizing and approving the performance of the transactions contemplated hereby and the execution and delivery of this Agreement and the documents described herein, certified as true and of full force as of the Closing, by the appropriate officers or other representatives of GWHN;

(g) A certificate of the President or a Vice President of GWHN certifying that each covenant and agreement of GWHN to be performed prior to or as of the Closing pursuant to

this Agreement has been performed and each representation and warranty of GWHN is true and correct on the Closing Date, as if made on and as of the Closing;

(h) Certificates of incumbency for the officers or representatives of GWHN executing this Agreement and any other agreements or instruments contemplated herein or making certifications for the Closing, dated as of the Closing Date;

(i) Certificates of existence of GWHN from the state in which it is incorporated, dated the most recent practical date prior to the Closing;

(j) The opinion of counsel to GWHN as provided by Section 8.6 hereof;

(k) All Certificates of Title and other documents evidencing an ownership interest conveyed as part of the Assets;

(l) An affidavit stating that GWHN is not a “foreign person” as defined in Section 1445(f)(3) of the Code, as amended;

(m) All necessary state and local real estate conveyance tax forms duly executed by GWHN;

(n) Final execution copy of the Transfer Act Form III and Environmental Condition Assessment Form (“ECAAF”) with a \$3,000 filing fee, as more fully described in Section 11.15; and

(o) Such other instruments and documents as VHS Sub and/or the Company reasonably deems necessary to effect the transactions contemplated hereby.

3.3 Actions of VHS and VHS Sub at Closing. At the Closing and unless otherwise waived in writing by GWHN and/or the Company, as applicable, VHS or VHS Sub, as applicable, shall deliver to GWHN and/or the Company, as applicable, the following:

(a) To the Company from VHS Sub, the VHS Sub Capital Contribution;

(b) The LLC Agreement in substantially the form of Exhibit C attached hereto, fully executed by VHS Sub;

(c) The management services agreement (the “Management Services Agreement”) in the form mutually agreed to by the parties, fully executed by VHS Sub or an Affiliate thereof, pursuant to which VHS Sub or such Affiliate shall agree to provide certain financial, technical, managerial, and administrative support services for the Facilities and the Company, including management of the day to day operations of the Facilities;

(d) The credit agreement (the “Credit Agreement”) in the form mutually agreed to by the parties, fully executed by an Affiliate of VHS Sub, pursuant to which the Affiliate of VHS Sub will make available to the Company a revolving line of credit;

(e) Copies of resolutions duly adopted by the Board of Directors of each of VHS Sub and VHS authorizing and approving the performance of the transactions contemplated hereby and the execution and delivery of this Agreement and the documents described herein,
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certified as true and in full force as of the Closing, by the appropriate officers of VHS Sub and VHS, respectively;

(f) A certificate of the President or a Vice President of each of VHS and VHS Sub certifying that each covenant and agreement of VHS or VHS Sub, as applicable, to be performed prior to or as of the Closing pursuant to this Agreement has been performed and each representation and warranty of VHS or VHS Sub, as applicable, is true and correct on the Closing Date, as if made on and as of the Closing;

(g) A certificate of incumbency for the respective officers of VHS Sub and VHS executing this Agreement and any other agreements or instruments contemplated herein or making certifications for the Closing, dated as of the Closing Date;

(h) Certificates of existence and good standing of VHS Sub and VHS from the state in which each is formed or incorporated, dated the most recent practical date prior to Closing;

(i) The opinion of counsel to VHS and VHS Sub as provided by Section 9.5 hereof; and

(j) Such other instruments and documents as GWHN and/or the Company reasonably deems necessary to effect the transactions contemplated hereby.

3.4 Actions of the Company at Closing. At the Closing and unless otherwise waived in writing by GWHN and/or VHS Sub, as applicable, the Company shall deliver to GWHN and/or VHS Sub, as applicable, the following:

(a) The Bill of Sale, fully executed by the Company, accepting from GWHN or other applicable entity title to all tangible and intangible assets that are part of the Assets;

(b) The Assignment and Assumption Agreement, fully executed by the Company, pursuant to which the Company shall assume the future performance of the Assumed Contracts as herein provided;

(c) The LLC Agreement in substantially the form of Exhibit C attached hereto fully executed by the Company;

(d) The Management Services Agreement, fully executed by the Company;

(e) The Credit Agreement, fully executed by the Company;

(f) Copies of resolutions duly adopted by the Board of Directors of the Company, authorizing and approving the performance of the transactions contemplated hereby and the execution and delivery of this Agreement and the documents described herein, certified as true and of full force as of the Closing, by the appropriate officers or representatives of the Company;

(g) Certificates of an officer of the Company, certifying that each covenant and agreement of the Company to be performed prior to or as of the Closing pursuant to this Agreement has been performed;

(h) Certificates of incumbency for the respective officers of the Company executing this Agreement and any other agreements or instruments contemplated herein or making certifications for the Closing dated as of the Closing Date;

(i) Certificates of existence of the Company from the State of Connecticut, dated the most recent practical date prior to Closing; and

(j) Such other instruments and documents as GWHN and/or VHS Sub reasonably deems necessary to effect the transactions contemplated hereby.

4. REPRESENTATIONS AND WARRANTIES OF GWHN. As of the date hereof, and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, as of the Closing Date, GWHN represents and warrants to VHS Sub and the Company the following:

4.1 Existence and Capacity. GWHN is a non-stock corporation, duly organized and validly existing under the laws of the State of Connecticut. GWHN has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted. GWHN is not licensed, qualified or admitted to do business in any jurisdiction other than the State of Connecticut and there is no other jurisdiction in which the ownership, use or leasing of GWHN's assets or properties, or the conduct or nature of its business, makes such licensing, qualification or admission necessary.

4.2 Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance by GWHN of this Agreement and all other agreements referenced herein, or ancillary hereto, to which it is a party, and the consummation by GWHN of the transactions contemplated by this Agreement and the documents described herein, as applicable:

(a) are within its corporate powers, are not in contravention of law or of the terms of its organizational documents, and have been duly authorized by all appropriate corporate action;

(b) except as provided in Sections 6.4 and 6.5 below, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement that is required by law or the regulations of any such agency or authority;

(c) except as set forth in Schedule 4.2(c), will neither conflict with, nor result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, or permit the acceleration of the maturity of, any indenture, agreement, lease, instrument, or understanding to which it is a party or by which it is bound, except for such breaches or contraventions that may result from the failure to obtain the consent of the counterparty thereto in connection with the assignment of any Assumed Contract to the Company and for which GWHN remains liable;

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(d) will not violate any material statute, law, rule, or regulation of any governmental authority to which it or the Assets may be subject; and

(e) will not violate any judgment, decree, writ, or injunction of any court or governmental authority to which it or the Assets may be subject.

4.3 Binding Agreement. This Agreement and all the other Closing Documents are and will constitute the valid and legally binding obligations of GWHN, and are and will be enforceable against it in accordance with the respective terms hereof or thereof.

4.4 Financial Statements. GWHN has delivered to VHS Sub copies of the following financial statements in respect of the Facilities (collectively, the “Financial Statements”), which Financial Statements are maintained on an accrual basis, and copies of which are attached hereto as Schedule 4.4:

(a) Unaudited Balance Sheet dated as of _____, 2013 (the “Balance Sheet Date”);

(b) Unaudited Income Statement for the _____-month period ended on the Balance Sheet Date; and

(c) Audited Balance Sheets, Income Statements, and Statements of Cash Flows for the fiscal years ended September 30, 2010, 2011, and 2012.

Such unaudited Financial Statements conform to GAAP consistently applied, except as set forth on Schedule 4.4. Such audited Financial Statements have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated. Such Balance Sheets present fairly the financial condition of GWHN with respect to the Facilities as of the dates indicated thereon, and such Income Statements present fairly the results of operations of GWHN with respect to the Facilities for the periods indicated thereon. Except and to the extent accrued or disclosed in the Financial Statements, GWHN does not have any liabilities or obligations of any nature whatsoever with respect to the Facilities or the Assets, due or to become due, accrued, absolute, contingent or otherwise, that are required by GAAP to be accrued or disclosed in audited financial statements, except for liabilities and obligations incurred in the ordinary course of business and consistent with past practice since the Balance Sheet Date, and none of which could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

4.5 Certain Post-Balance Sheet Results. Except as set forth in Schedule 4.5 hereto, with respect to GWHN or its wholly owned subsidiaries, since the Balance Sheet Date there has not been any:

(a) material damage, destruction, or loss (whether or not covered by insurance) affecting the Facilities or the Assets;

(b) material adverse change in the condition, financial or otherwise, of the Assets, the business or prospects of the Facilities, or the results of operations of the Facilities;

(c) threatened employee strike, material work stoppage, or material labor dispute pertaining to the Facilities;

(d) sale, assignment, transfer, or disposition of any item of property, plant, or equipment included in the Assets and having a net book value in excess of Seventy-Five Thousand Dollars (\$75,000) (other than supplies), except in the ordinary course of business with comparable replacement thereof;

(e) sale, factor or disposition of, or agreement to sell, factor or dispose of, any accounts receivable;

(f) any general increase in the compensation payable to any of its or their employees or independent contractors or any increase in, or institution of, any bonus, severance, insurance, pension, profit-sharing or other employee benefit plan, remuneration, or arrangements made to, for, or with such employees;

(g) dividend, distribution, or extraordinary payment;

(h) change in the composition of the medical staff of the Facilities, other than normal turnover occurring in the ordinary course of business;

(i) change in the rates charged by the Facilities for their services, other than those made in the ordinary course of business;

(j) adjustment or write-off of accounts receivable or reduction in reserves for accounts receivable outside the ordinary course of business;

(k) change in the accounting methods or practices, other than those required by any changes in GAAP, or change in depreciation or amortization policies;

(l) encumbrance or lien that has been imposed on any of the Assets;

(m) cancellation or waiver of any material rights in respect of the Assets, except in the ordinary course of business;

(n) other than compensation paid in the ordinary course of employment, sale of any Assets to, or execution of any contract or agreement with, any officer, director or trustee of GWHN, or with any Affiliate of any such person or entity;

(o) payment or agreement to pay to any person, entity or government agency or authority any damages, fines, penalties or other amounts in excess of \$25,000 individually or \$100,000 in the aggregate in respect of an actual or alleged violation of any legal requirement; or

(p) transaction outside the ordinary course of business.

4.6 Licenses. Each of the Facilities is duly licensed pursuant to the applicable laws of the State of Connecticut. The pharmacies, laboratories, and all other ancillary departments located at the Facilities or operated for the benefit of the Facilities that are required to be specially licensed are duly licensed by the Connecticut Department of Public Health or other appropriate licensing agency (the "State Health Agency"). GWHN and its wholly owned

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subsidiaries have all other material licenses, registrations, permits, and approvals that are needed or required by law to operate the business related to or affecting the Facilities or any ancillary services related thereto. GWHN has delivered to VHS Sub an accurate list and summary description (Schedule 4.6) of all such licenses, registrations, and permits and of all other franchises, certificates of need, and certificate of need applications owned or held by GWHN relating to the ownership, development, or operation of the Facilities or the Assets, all of which are now and as of the Closing shall be in good standing, except as disclosed on Schedule 4.6. GWHN and its wholly owned subsidiaries have not received any written notice from any governmental authority relating to the threatened, pending or possible revocation, termination, suspension or limitation of any licenses, registrations, certificates of need and permits relating to the Facilities.

4.7 Medicare Participation/Accreditation. The Hospital is qualified for participation in the Medicare, Medicaid, and CHAMPUS programs, has a current and valid provider contract with such programs, is in compliance with the conditions of participation in such programs, and has received all approvals or qualifications necessary for capital reimbursement for the Hospital. The Hospital is duly accredited, with no contingencies, by The Joint Commission (the “Joint Commission”) for the three (3) year period set forth on Schedule 4.7. A copy of the most recent accreditation letter from The Joint Commission pertaining to the Hospital has been made available to VHS Sub. The billing practices employed by the Facilities with respect to all third party payors, including the Medicare, Medicaid, and CHAMPUS programs and private insurance companies, have been in compliance in all material respects with all applicable laws, regulations, and policies of the Medicare, Medicaid, and CHAMPUS programs and such private insurance companies. Neither GWHN nor its wholly owned subsidiaries has billed or received any payment or reimbursement from any such payors in excess of amounts allowed by law. Neither GWHN nor any of its Affiliates, officers, directors, managing employees, or controlling shareholders is excluded from participation in the Medicare, Medicaid, or CHAMPUS programs, nor has GWHN or any of its wholly owned subsidiaries received any notice that any such exclusion is threatened. Except as set forth in a writing delivered by GWHN to VHS Sub that specifically makes reference to this Section 4.7 or as set forth on Schedule 4.7, neither GWHN nor its wholly owned subsidiaries has received any notice from any of the Medicare, Medicaid, or CHAMPUS programs or any other third party payor programs of any pending or threatened investigations or surveys, and, to the Knowledge of GWHN, no such investigations or surveys are pending, threatened, or imminent. GWHN has registered with the QNet Exchange (“QNet”) as required by The Centers for Medicare and Medicaid Services (“CMS”) under its Hospital Quality Initiative Program (the “HQI Program”). GWHN has submitted all quality data required under the HQI Program to CMS or its agent, and all quality data required under the ORYX Core Measure Performance Measurement System (“ORYX”) to The Joint Commission, for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. All such submissions of quality data have been made in accordance with applicable reporting deadlines and in the form and manner required by CMS and The Joint Commission, respectively. GWHN has not received notice of any reduction in reimbursement under the Medicare program resulting from its failure to report quality data to CMS or its agent as required under the HQI Program. GWHN has provided VHS Sub with the HQI Program “validation results” for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired.

4.8 Regulatory Compliance. Except as set forth in a writing delivered by GWHN to VHS Sub that specifically makes reference to this Section 4.8 or as set forth on Schedule 4.8, the operations of the Facilities are in compliance in all material respects with all applicable statutes, rules, regulations, and requirements of the Government Entities having jurisdiction over the Facilities and the operations of the Facilities or their related ancillary services. As used herein, “Government Entity” means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal, or other instrumentality of any government, whether federal, state, or local. GWHN and its wholly owned subsidiaries have timely filed all reports, data, and other information required to be filed with any Government Entity. Neither GWHN nor its wholly owned subsidiaries nor, to the Knowledge of GWHN, any of its officers, directors, agents, or employees has committed a violation of federal or state laws regulating health care fraud, including but not limited to the federal Anti-Kickback Law, 42 U.S.C. §1320a-7b, the Stark Laws, 42 U.S.C. §1395nn, as amended, and the False Claims Act, 31 U.S.C. §3729, et seq. GWHN and its wholly owned subsidiaries are in compliance in all material respects with the administrative simplification provisions required under the Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”), including the electronic data interchange regulations and the health care privacy regulations. GWHN and its wholly owned subsidiaries have not received notice of any claim or investigation alleging or based upon an alleged material violation of any legal requirements.

4.9 Equipment. GWHN has delivered to VHS Sub a fixed asset listing and depreciation schedule as of the Balance Sheet Date (Schedule 4.9) that takes into consideration all the equipment associated with, or constituting any part of, the Facilities and the Assets. Since the Balance Sheet Date, neither GWHN nor its wholly owned subsidiaries has sold or otherwise disposed of any item of equipment having a net book value in excess of Seventy-Five Thousand Dollars (\$75,000) associated with, or constituting any part of, the Facilities and the Assets, except in the ordinary course of business or unless replaced by comparable replacement equipment. All major items of equipment are useable for their intended purpose in the ordinary course of business and are in working condition, subject to reasonable wear and tear.

4.10 Real Property. GWHN or its wholly owned subsidiary, as applicable, owns good and marketable fee simple and/or leasehold title, as the case may be, to the Real Property, together with all buildings, improvements, and component parts thereon and all appurtenances and rights thereto. The Real Property will be conveyed to the Company Entities free and clear of any and all liens, encumbrances, or other restrictions except the Permitted Exceptions. With respect to the Real Property, except as set forth in Schedule 4.10:

(a) Neither GWHN nor any wholly owned subsidiary has received during the past five (5) years written notice of a violation of any applicable ordinance or other law, order, regulation, or requirement;

(b) The Owned Real Property and its operation are in compliance in all material respects with all applicable zoning ordinances, and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing, and the buildings and improvements constituting the Real Property comply in all material respects with all building codes;

(c) The Owned Real Property is subject to no easements, restrictions, ordinances, or other limitations on title that could make such property unusable for its current use or the title uninsurable or unmarketable or that materially restrict or impair the use, marketability, or insurability of the Real Property other than the Permitted Exceptions;

(d) To the Knowledge of GWHN, all of the Owned Real Property currently in use for the operations of the Facilities is in compliance in all material respects with the applicable provisions of the Rehabilitation Act of 1973, Title III of the Americans with Disabilities Act, and the provisions of any comparable state statute relative to accessibility (these laws are referred to, collectively, as the “Accessibility Laws”), and there is no pending, noticed, or, to the Knowledge of GWHN, threatened litigation, administrative action, or complaint (whether from a state, federal, or local government or from any other person, group, or entity) relating to compliance of any of the Owned Real Property with the Accessibility Laws;

(e) There are no tenants or other persons or entities occupying any space in the Owned Real Property other than pursuant to tenant leases described in Schedule 4.10, and no tenants have paid rent in advance for more than one month and no rebate, concession, improvement credit or other tenant allowance of any nature is owed to any tenant, nor is any landlord improvement work required, except as disclosed in Schedule 4.10;

(f) All material obligations of GWHN or any wholly owned subsidiary as landlord required to be performed under each of the tenant leases have been performed;

(g) Attached to Schedule 4.10 is a “rent roll” that sets forth for those leases where GWHN or any wholly owned subsidiary in respect of the Facilities is landlord: (i) the names of then current tenants; (ii) the rental payments for the then current month under each of the leases; (iii) a list of all then delinquent rental payments; (iv) a list of all concessions granted to tenants; (v) a list of all tenant deposits and a description of any application thereof, and (vi) a list of all uncured material defaults under the leases known to GWHN;

(h) GWHN or any wholly owned subsidiary has not received written notice of condemnation or of any special assessment relating to any part of the Real Property, of any existing or proposed plans to modify or realign any street or highway, or any existing or proposed eminent domain proceeding by any Government Entity that would result in the taking of all or any part of the Real Property or that would adversely affect the current use of any part of the Real Property;

(i) To the Knowledge of GWHN, all permanent certificates of occupancy and all other material licenses, permits, authorizations, consents, certificates, and approvals required by all governmental authorities having jurisdiction and the requisite certificates of the local board of fire underwriters (or other body exercising similar functions) have been issued for the Owned Real Property (and all individual items constituting the Owned Real Property) for their current uses, have been paid for, are in full force and effect, and will not be invalidated, violated, or otherwise adversely affected by the transfer of the Owned Real Property to the Company Entities; and

(j) To the Knowledge of GWHN, water, sanitary sewer, storm sewer, drainage, electric, telephone, gas, and other public utility systems are available to the Real Property, as currently developed, and are directly connected to the lines and/or other facilities of

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the respective public authorities or utility companies providing such services or accepting such discharge, either adjacent to the Real Property or through easements or rights of way appurtenant to and forming a party of the Real Property; and, with respect to the Owned Real Property, to the Knowledge of GWHN, such easements or rights-of-way have been fully granted, all charges therefor have been fully paid by GWHN or its wholly owned subsidiaries, and all charges for the aforesaid utility systems and the connection of the Owned Real Property to such systems, including without limitation connections fees, “tie-in” charges, and other charges now or hereafter to become due and payable, have been fully paid by GWHN or its wholly owned subsidiaries; and the water and sanitary sewer service described above is supplied by public authority.

4.11 Title. Except as provided in Schedule 4.11, GWHN or its wholly owned subsidiary, as applicable, owns good, valid, and marketable title to all of the Assets, subject to no mortgage, lien, pledge, security interest, conditional sales agreement, right of first refusal, option, restriction, liability, encumbrance, or charge other than the Permitted Exceptions and the Assumed Liabilities.

4.12 Employee Benefit Plans.

(a) Schedule 4.12 contains a list of all benefit plans maintained by GWHN within the last five (5) years with respect to its employees (whether tax-qualified or nonqualified, currently effective or terminated, written or unwritten) including, without limitation, any of the following:

(i) employee pension benefit plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), including, without limitation, any pension, profit-sharing, or stock bonus plan (as described in Section 401(a) of the Internal Revenue Code of 1986, as amended (“Code”), and related provisions thereof), defined benefit plan or defined contribution plan (as defined in ERISA Sections 3(34) and 3(35)), governmental plan, or church plan;

(ii) annuity contracts purchased by GWHN for its employees at the Facilities in accordance with Code Section 403(b) including, without limitation, any group annuity contracts, individual annuity contracts, and custodial account arrangements under Code Section 403(b)(7), regardless of whether contributions are made to such annuity contracts on a pre-tax or after-tax basis;

(iii) employee welfare benefit plan (as defined in ERISA Section 3(1)) including, without limitation, any health (including, without limitation, medical, dental, or vision) plan, life-insurance plan, death benefit plan, short-term disability plan, long-term disability plan, accident plan, accidental death and dismemberment plan, long-term care plan, or employee assistance plan;

(iv) fringe benefit plan, including, without limitation, any specified fringe benefit plan (as defined in Code Section 6039D), cafeteria plan, or tuition assistance plan;

(v) executive compensation or incentive plan, including, without limitation, any bonus plan, incentive-compensation plan, deferred-compensation plan, non-

qualified profit-sharing plan, stock-option plan, stock-appreciation-right plan, stock-bonus plan, stock-purchase plan, employee-stock-ownership plan, or savings plan;

(vi) post-termination benefits plan including, without limitation, any severance plan, change-in-control plan, supplemental-unemployment plan, layoff plan, salary-continuation plan, or non-qualified retirement plan; or

(vii) vacation, holiday, sick-leave, paid-time-off, or other employee compensation plan, procedure, program, payroll practice, policy, agreement, commitment, contract, or understanding;

and any such plan or other arrangement that (i) is maintained or contributed to by GWHN or any other corporation or trade or business controlled by, controlling, or under common control with GWHN (within the meaning of Code Section 414 or ERISA Sections 4001(a)(14) or 4001(b)) (“ERISA Affiliate”), or with respect to which GWHN or any ERISA Affiliate has or may have any liability; or (ii) provides benefits, or describes a plan, procedure, program, payroll practice, policy, agreement, commitment, contract, or understanding applicable to any current or former director, officer, employee, or individual service provider of GWHN or any ERISA Affiliate, or the dependents of any thereof, regardless of how (or whether) liabilities for the provision of benefits are accrued or assets are acquired or dedicated with respect to the funding thereof. All such plans or arrangements that are set forth on Schedule 4.12 are referred to hereinafter collectively as the “Benefit Plans.”

(b) GWHN has delivered to VHS Sub accurate and complete copies of (i) the current documents comprising each Benefit Plan (or, with respect to any Benefit Plan that is unwritten, a detailed written description thereof); (ii) all current trust agreements or other funding instruments related to each Benefit Plans, if any; (iii) all formal rulings, letters, and opinions regarding each Benefit Plan from the Internal Revenue Service (“IRS”), the U.S. Department of Labor (“DOL”), Pension Benefit Guaranty Association (“PBGC”), or any other governmental body that pertain to each Benefit Plan that have been issued within the last three (3) years and any open requests therefor; (iv) the annual reports filed with any governmental body with respect to each Benefit Plan during the current year and each of the three (3) preceding years, if any; (v) all current contracts with third-party administrators, consultants, and other independent contractors that relate to each Benefit Plan; (vi) all current summary plan descriptions, summaries of material modifications and memoranda, and other written communications regarding each Benefit Plan currently in effect, if applicable; and (vii) documents evidencing compliance with the privacy requirements under HIPAA relating to each Benefit Plan, as to which such requirements apply.

(c) Except as provided on Schedule 4.12:

(i) Each Benefit Plan (and related trust, insurance contract or fund) complies in form and in operation in all material respects with all applicable legal requirements, and has been administered and operated in all material respects in accordance with the terms of the Benefit Plan and applicable legal requirements;

(ii) Neither GWHN nor any ERISA Affiliate has any material liability under any Benefit Plan for which the Company has or will have any liability (other than liability for any regular annual contributions required under such Benefit Plans), contingent or otherwise,

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under Titles I or IV of ERISA or the Code, including, without limitation, any liability with respect to any “multiemployer plan” (as defined in ERISA Sections 3(37)(A) or Section 4001(a)(3) or Code Section 414(f) (“Multiemployer Plan”), multiple employer plan (as described in Code Section 413(c)), or “single-employer plan” (as defined in ERISA Section 4001(a)(15)), whether or not terminated; self-insured or self-funded “multiple employer welfare arrangement” as such term is defined in ERISA Section 3(40); prohibited transaction (pursuant to Code Section 4975 or ERISA Section 406) with any Benefit Plan that is not subject to an exemption under Code Section 4975 or ERISA Section 408 or the regulations thereto; excise tax or penalty imposed under ERISA or the Code with respect to any Benefit Plan; or breach of any responsibilities or obligations imposed upon fiduciaries by Title I of ERISA with respect to any Benefit Plan.

(iii) Each Benefit Plan that is an “employee pension benefit plan” as defined in ERISA Section 3(2) other than a Multiemployer Plan and each related trust agreement, annuity contract, or other funding instrument is and has been since its inception intended to be qualified and tax-exempt under the provisions of Code Sections 401(a) and 501(a), or, if applicable, Code Section 403(b), and, for each such Benefit Plan that is not stated on a master and prototype (M&P) and/or volume submitter plan on which reliance is and can be based on a favorable opinion or advisory letter without the adopting employer having requested an individual determination letter, has been determined by the IRS pursuant to an individual favorable determination letter to be so qualified and tax-exempt or an application for such determination has been made and is currently pending; has not participated in any voluntary compliance or self-correction programs established by the IRS (or the DOL with respect to any fiduciary issues), or entered into a closing agreement with the IRS with respect to the form or operation of any Benefit Plan within the six (6) years preceding the Effective Time; does not have and during the six (6) years preceding the Effective Time has not had any “unfunded accrued liability,” as such term is defined under ERISA Section 3(30); has not experienced any “reportable events,” as such term is defined under ERISA Section 4043, for which a waiver has not been granted; has not had any “accumulated funding deficiencies,” as such term is defined under ERISA Section 302(a)(2) (prior to amendment by P.L. 109-280) or Code Sections 412(a) or 4971 (whether or not waived), nor for years after amendment by P.L. 109-280 any “funding shortfalls” as defined in Code section 430(c); does not have any liabilities required to be disclosed on any annual report (Form 5500 series) that have not been disclosed; and has not been terminated.

(iv) With respect to each Benefit Plan that is not an “employee pension benefit plan,” as defined in ERISA Section 3(2), such plan may be terminated at the time of Closing according to its terms without any prior notice; no commitments have been made to provide lifetime or retiree benefits under any such plan; and no persons have any vested rights under any such plan.

(v) Each Benefit Plan that is a “group health plan,” as defined in ERISA Section 607(1) or Code Section 5000(b)(1), and that is maintained by GWHN or any ERISA Affiliate has been operated at all times during the six (6) years preceding the Effective Time in material compliance with ERISA, to the extent applicable, the Code, the Social Security Act, and HIPAA.

(vi) All required contributions to all Benefit Plans and all premiums, fees, or other payments required to be made by GWHN or any ERISA Affiliate in connection with any Benefit Plan have either been timely made or are reflected in the financial statements on an accrual basis. All returns, reports, and disclosure statements required to be made under the Code, ERISA, to the extent applicable, or other applicable law with respect to the Benefit Plans other than a Multiemployer Plan have been timely filed or delivered.

(vii) No Benefit Plan is currently or has been within the last three (3) years under audit, inquiry, or investigation by the IRS, DOL, or PBGC, and there are no outstanding issues with reference to such Benefit Plans pending before any governmental agency. Other than routine claims for benefits, there are no actions, mediations, audits, arbitrations, suits, claims, or investigations pending, or to the Knowledge of GWHN or any ERISA Affiliate, threatened against or with respect to any of the Benefit Plans sponsored by GWHN or any ERISA Affiliate or their assets, and there are no threatened or pending claims by or on behalf of such Benefit Plans or by any employee of GWHN or any ERISA Affiliate alleging a breach or breaches of fiduciary duties or violations of other applicable state or federal law that could result in liability on the part of either GWHN, any ERISA Affiliate or such Benefit Plans under any law, nor is there any basis for such a claim.

(viii) GWHN and its Affiliates do not have any contracts, agreements, plans, or arrangements under which the contemplated transaction will result in any (i) payments (whether of separation pay or otherwise) becoming due from GWHN or any ERISA Affiliate to any current or former employee, director, or consultant, or (ii) vesting, acceleration of payment, or increase in the amount of any benefit payable to or in respect of any such current or former employee, director, or consultant of GWHN or any ERISA Affiliate that will, in turn, result in any liability to the Company.

4.13 *Litigation or Proceedings.* GWHN has delivered to VHS Sub an accurate list and summary description (Schedule 4.13) of all pending or, to the Knowledge of GWHN, threatened litigation or proceedings with respect to the Facilities and the Assets. Neither GWHN nor any wholly owned subsidiary is in default under any order of any court or federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality wherever located. Except as set forth in a writing delivered by GWHN to VHS Sub that specifically makes reference to this Section 4.13 or as set forth on Schedule 4.13, there are no claims, actions, suits, proceedings, or investigations pending or, to the Knowledge of GWHN, threatened against GWHN, the Facilities, or the Assets, at law or in equity, or before or by any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality wherever located. With respect to insured claims, no carrier has issued a “reservation of rights” letter or otherwise denied its obligation to insure and defend GWHN or any of its wholly owned subsidiaries against covered losses arising therefrom.

4.14 *Environmental Laws.* Except as set forth on Schedule 4.14 hereto, (i) the Owned Real Property is not subject to any material environmental hazards, risks, or liabilities, (ii) neither GWHN nor its Affiliates is in material violation of any federal, state, or local statutes, regulations, laws, or orders pertaining to the protection of human health and safety or the environment (collectively, “Environmental Laws”), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended (“CERCLA”), and the Resource Conservation and Recovery Act, as amended (“RCRA”), and

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(iii) neither GWHN nor any Affiliate thereof has received notice alleging or asserting either a violation of any Environmental Law or an obligation to investigate, assess, remove, or remediate any property, including but not limited to the Owned Real Property, under or pursuant to any Environmental Law. Except as set forth on Schedule 4.14, to the Knowledge of GWHN, no Hazardous Substances (which for purposes of this Section 4.14 shall mean and include polychlorinated biphenyls, asbestos, and any substances, materials, constituents, wastes, or other elements that are included under or regulated by any Environmental Law, including, without limitation, CERCLA and RCRA, but shall not include any chemicals, materials, or substances routinely used in cleaning and maintenance activities for the Owned Real Property) have been, and through the Closing Date will be, disposed of on or released or discharged from or onto, or threatened to be released from or onto, the Owned Real Property (including groundwater) by GWHN, or to GWHN's Knowledge, any third party, in violation of any applicable Environmental Law. Except as set forth on Schedule 4.14, neither GWHN or its wholly owned subsidiaries nor, to GWHN's Knowledge, any prior owners, operators, or occupants of the Owned Real Property, have allowed any Hazardous Substances to be discharged, processed, or otherwise released on the Owned Real Property in a manner that is in violation of any Environmental Law, and GWHN has complied in all material respects with all Environmental Laws applicable to any part of the Real Property. The Facilities contain asbestos-containing material. Schedule 4.14 lists numerous reports, correspondence, operation and maintenance manuals, and other documents related to the asbestos-containing materials. These documents do not individually or collectively constitute a comprehensive asbestos survey of the Facilities or the Owned Real Property. Without in any way limiting the generality of the foregoing, to the Knowledge of GWHN: (i) all current or former underground storage tanks located on the Owned Real Property and information in GWHN's possession relating to the capacity, uses, dates of installation, and contents of such tanks located on the Owned Real Property are identified in the environmental reports listed on Schedule 4.14; (ii) there are not now, nor have there ever been, any collection dumps, pits, and disposal facilities or surface impoundments located on the Owned Real Property for the containment of Hazardous Substances except as identified in Schedule 4.14; and (iii) all existing underground storage tanks have been maintained in material compliance with all Environmental Laws. Except as set forth on Schedule 4.14, GWHN holds all material environmental permits required in connection with the use by GWHN of the Real Property or the operation of the Facilities and, to the extent permitted by law, GWHN shall cause such environmental permits to be transferred to the Company (with the Company's necessary cooperation and assistance), all of which, to GWHN's Knowledge, are in good standing and are not subject to meritorious challenge. The representations and warranties made in this Section 4.14 are the exclusive representations and warranties of GWHN relating to environmental matters and shall supersede any and all other Sections in this Agreement including, but not limited to, Sections 4.6, 4.8, and 4.10(a).

4.15 Hill-Burton and Other Liens. Except as set forth on Schedule 4.15 hereto, neither GWHN, its wholly owned subsidiaries nor any of their predecessors has received any loans, grants, or loan guarantees pursuant to the Hill-Burton Act program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Planning and Resources Development Act, and the Community Mental Health Centers Act, as amended, or similar laws or acts relating to health care facilities. The transactions contemplated hereby will not result in any obligation on the Company or any of its Affiliates to repay any of such loans, grants, or loan guarantees, nor subject the Company, its Affiliates, or the Assets to any lien, restriction, or obligation, including any requirement to provide uncompensated care.

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4.16 Taxes.

(a) GWHN and its wholly owned subsidiaries have filed on a timely basis, or validly extended the time for filing, all federal, state, and local tax returns required to be filed by them with respect to Taxes (collectively, the “Tax Returns”). All Tax Returns are true and correct in all material respects and accurately reflect in all material respects the tax liabilities of GWHN and its wholly owned subsidiaries. All amounts shown due on the Tax Returns have been or will be paid on a timely basis (including any interest or penalties and amounts due state unemployment authorities) to the appropriate tax authorities.

(b) GWHN and its wholly owned subsidiaries, as applicable, have withheld all proper amounts from the compensation of its employees at the Facilities in compliance with all withholding and similar provisions of the Code, including employee withholding and social security taxes, and any and all other applicable laws. All such amounts have been duly and validly remitted to the proper taxing authority. Further, GWHN and its wholly owned subsidiaries have withheld and paid, or caused to be withheld and paid, all Taxes on monies paid by them to independent contractors, creditors and other persons for which withholding or payment is required by applicable legal requirements.

(c) No deficiencies for any Taxes relating to the Facilities have been asserted or, to the Knowledge of GWHN, threatened, and no audit on any Tax Returns is currently under way or, to the Knowledge of GWHN, threatened. There are no outstanding agreements by GWHN or its wholly owned subsidiaries for the extension of time for the assessment of any Taxes. GWHN and its wholly owned subsidiaries have not taken any action in respect of any Taxes that may have a material adverse impact upon the Facilities or the Assets as of or subsequent to Closing.

(d) To GWHN’s knowledge, no Government Entity intends to assess any additional Taxes for any period for which Tax Returns have been filed. No claim has ever been made by a Government Entity in a jurisdiction where GWHN or any wholly owned subsidiary does not file Tax Returns that such entity is or may be subject to Tax in that jurisdiction. Neither GWHN nor any of its wholly owned subsidiaries has received written notice of tax liens on any of the Assets.

(e) GWHN is not a party to any Tax allocation or sharing contract. GWHN is not, and has not been, a member of any affiliated group within the meaning of Section 1504 of the Code or any similar group defined under a similar provision of state, local or foreign law filing a consolidated federal income Tax Return.

(f) Each of GWHN and its subsidiaries that is a corporation exempt from federal and state income Tax has received a favorable letter of determination from the IRS and the State of Connecticut regarding such Tax status and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such exemption.

(g) Neither GWHN nor its Affiliates has any liability for the Taxes of any other person or entity (other than a subsidiary under IRS regulation 1.1502-6), as a transferee or successor, by contract or otherwise.

4.17 Employee Relations.

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(a) Except as set forth on Schedule 4.17, all employees at the Facilities are employees of GWHN, and there has not been in the last three (3) years, there is not presently pending, there is not presently threatened (to the Knowledge of GWHN), and no event has occurred or circumstance exists (to the Knowledge of GWHN) that could provide the basis for, (i) any strike, slowdown, picketing, work stoppage, or employee grievance process, or (ii) any proceeding against or affecting GWHN relating to an alleged violation of any legal requirements pertaining to labor relations, including, without limitation, any charge, complaint, or unfair labor practices claim filed by an employee, union, or other person with the National Labor Relations Board or any comparable governmental body, organizational activity, or other labor dispute against or affecting GWHN, the Hospital, or their premises.

(b) Except as set forth in Schedule 4.17, with respect to the employees of GWHN: (i) no collective bargaining agreement exists or is currently being negotiated by GWHN; (ii) no application for certification of a collective bargaining agent is pending; (iii) no demand has been made upon GWHN for recognition by a labor organization; (iv) no union representation question exists; (v) no union organizing activities are, to the knowledge of GWHN, taking place; and (vi) none of the employees of GWHN is represented by any labor union or organization.

(c) Except as set forth in Schedule 4.17, GWHN has complied in all material respects with all legal requirements relating to employment, employment practices, terms and conditions of employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, payment of employment, social security, and similar taxes, occupational safety and health, and plant closing; GWHN is not liable for the payment of any material compensation, damages, taxes, fines, penalties, interest, or other amounts, however designated, for failure to comply with any of the foregoing legal requirements; there are no pending or, to the Knowledge of GWHN, threatened claims before the Equal Employment Opportunity Commission (or any comparable state civil or human rights commission or other entity), complaints before the Occupational Safety and Health Administration (or any comparable state safety or health administration or other entity), wage and hour claims, unemployment compensation claims, workers' compensation claims, or the like.

(d) Schedule 4.17 (or as set forth in a writing delivered by GWHN to VHS Sub that specifically makes reference to this Section 4.17(d)) states the number of employees terminated by GWHN within ninety (90) days prior to the Closing Date, laid off by GWHN within the six (6) months prior to the Closing Date, or whose hours of work have been reduced by more than fifty percent (50%) by GWHN in the six (6) months prior to the Closing Date, and contains a complete and accurate list of the following information for such employees: (i) the date of termination, layoff, or reduction in work hours; (ii) the reason for termination, layoff, or reduction in work hours; and (iii) the location to which the employee was assigned. In relation to the foregoing, except as set forth in Schedule 4.17, GWHN has not violated the Worker Adjustment and Retraining Notification Act ("WARN Act") or any similar state or local legal requirements.

(e) To the Knowledge of GWHN, no officer, director, agent, employee, consultant, or independent contractor of GWHN is bound by any contract that purports to limit the ability of such officer, director, agent, employee, consultant, or independent contractor (i) to engage in or continue or perform any conduct, activity, duties, or practice relating to the business

of GWHN in respect of the Facilities; or (ii) to assign to GWHN or to any other person any rights to any invention, improvement, or discovery. To the Knowledge of GWHN, no former or current employee of GWHN at the Facilities is a party to, or is otherwise bound by, any contract that in any way adversely affected, affects, or will affect the ability of the Company following Closing to conduct the business as heretofore carried on by GWHN at the Facilities.

(f) All necessary visa or work authorization petitions have been timely and properly filed on behalf of any employees of GWHN or the Facilities requiring a visa stamp, I-94 status document, employment authorization document or other immigration document to legally work in the United States, and all paperwork retention requirements with respect to such applications and petitions have been met. To the Knowledge of GWHN, no employee of GWHN or the Facilities who is a foreign national has ever worked without employment authorization from the Department of Homeland Security or any other Government Entity that must authorize such employment and GWHN have complied with applicable immigration laws with respect to the employment of foreign nationals. To the Knowledge of GWHN, GWHN has timely and properly completed I-9 forms for all employees hired since the effective date of the Immigration Reform and Control Act of 1986 and has lawfully retained and re-verified all such I-9 forms. There are no proceedings pending or, to GWHN's Knowledge, threatened against GWHN relating to GWHN's compliance with federal immigration regulations, including compliance with federal immigration laws. Except as set forth on Schedule 4.17, GWHN has not received any letter from the Social Security Administration regarding the failure of an employee's social security number to match his or her name in the Social Security Administration database, and GWHN has not received any letter or other correspondence from the Department of Homeland Security or other Government Entities regarding the employment authorization of any employees of GWHN. If GWHN operates in a state or has contracts with a Government Entity that requires or provides a safe harbor if an employer participates in the Department of Homeland Security's e-Verify electronic employment verification system, GWHN has been participating in e-Verify for the entire period such participation has been required or available as a safe harbor or as long as GWHN has been operating in such state or contracting with such Government Entity.

(g) To the Knowledge of GWHN, all employees, former employees and independent contractors of GWHN have been properly classified as such for all purposes under the Code and ERISA and have been properly classified as exempt or nonexempt under the Fair Labor Standards Act and any applicable state law equivalent.

4.18 Agreements and Commitments. Schedule 2.1(g) sets forth the Assumed Contracts that will be assumed by the Company Entities. GWHN has also delivered to VHS Sub an accurate list (Schedule 4.18) of all material commitments, contracts, leases, and agreements, written or oral, that materially affect the Facilities, the Assets, or the operation of any thereof, to which GWHN is a party or by which GWHN, the Facilities, the Assets, or any portion thereof is bound, including, without limitation, (a) physician agreements, (b) agreements with health maintenance organizations, preferred provider organizations, or other alternative delivery systems, (c) joint venture or partnership agreements, (d) employment contracts or any other contracts, agreements, or commitments to or with individual employees or agents, (e) contracts or commitments materially affecting ownership of, title to, use of, or any interest in real estate including any tenant leases, (f) equipment leases, (g) equipment maintenance agreements, (h) agreements with municipalities, (i) collective bargaining agreements or other contracts or commitments to or with any labor unions, labor organizations, or other employee representatives

or groups of employees, (j) loan agreements, bonds, mortgages, liens, or other security agreements, (k) patent licensing agreements or any other agreements, licenses, or commitments with respect to patents, patent applications, trademarks, trade names, service marks, technical assistance, copyrights, or other like terms affecting the Facilities or the Assets, (l) contracts or commitments providing for payments based in any manner on the revenues or profits of the Facilities or the Assets, (m) agreements, licenses, or commitments relating to data processing programs, software, or source codes utilized in connection with the Facilities or the Assets, and (n) contracts or commitments, whether in the ordinary course of business or not, that involve future payments, performance of services, or delivery of goods or material, to or by GWHN (or any of its wholly owned subsidiaries), of any amount or value in excess of Fifty Thousand Dollars (\$50,000) on an annual basis.

4.19 The Assumed Contracts. GWHN has made available to VHS Sub true and correct copies of the Assumed Contracts, and has given, and will give, the agents, employees, and representatives of VHS Sub access to the originals of the Assumed Contracts in its possession. GWHN represents and warrants with respect to the Assumed Contracts that:

(a) The Assumed Contracts constitute valid and legally binding obligations of GWHN or a wholly owned subsidiary and are enforceable against GWHN or such subsidiary in accordance with their terms;

(b) Each Assumed Contract constitutes the entire agreement by and between the respective parties thereto with respect to the subject matter thereof;

(c) All obligations required to be performed by GWHN or its wholly owned subsidiary under the terms of the Assumed Contracts have been performed, no material breach has occurred under any of the Assumed Contracts, no act or omission by GWHN or its wholly owned subsidiary has occurred or failed to occur that, with the giving of notice, the lapse of time, or both would constitute a material default under the Assumed Contracts, and each of such Assumed Contracts is now in full force and effect;

(d) Except as expressly set forth on Schedule 4.19, none of the Assumed Contracts requires consent to the assignment and assumption of such Contracts by the Company Entities;

(e) Except as expressly set forth on Schedule 4.19, the assignment of the Assumed Contracts to and assumption of such Assumed Contracts by the Company Entities will not result in any penalty or premium, or variation of the rights, remedies, benefits, or obligations of any party thereunder; and

(f) Except as expressly set forth on Schedule 4.19, no Assumed Contract contains a prohibition on competition by GWHN or any Affiliate or otherwise restricts the ability of GWHN or any Affiliate to engage in any lawful business after Closing.

4.20 Supplies. The inventory and supplies constituting part of the Assets are substantially of a quality and quantity usable and salable in the ordinary course of business of the Facilities. Obsolete items have been written off the Financial Statements. Inventory and supplies are carried at cost, on a first-in, first-out basis, and are properly stated in the Financial

Statements in accordance with GAAP. The quantities of inventory and supplies, taken as a whole, are reasonable and justified under the normal operations of the Facilities.

4.21 Insurance. Schedule 4.21 is an accurate schedule of the insurance policies or self-insurance funds maintained by GWHN covering the ownership and operations of the Facilities and the Assets, including the type of insurance, policy numbers, identity of insurers, amounts, and coverage. GWHN has provided to VHS Sub a copy of all such policies and endorsements thereto. All of such policies are in full force and effect with no premium arrearage. GWHN or any Affiliate has given in a timely manner to its insurers all notices required to be given under its insurance policies with respect to all of the claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions. GWHN and its wholly owned subsidiaries have not (a) received any notice or other communication from any such insurance company canceling or materially amending any of such insurance policies, and to the Knowledge of GWHN no such cancellation or amendment is threatened or (b) failed to give any required notice or present any claim that is still outstanding under any of such policies with respect to the Facilities or any of the Assets.

4.22 Third Party Payor Cost Reports. GWHN has duly filed all required cost reports in respect of the Facilities for all the fiscal years through and including the fiscal year ended September 30, 2012. All amounts shown as due from GWHN (or any wholly owned subsidiary thereof) in such cost reports were remitted with such reports and all amounts shown in the notices of program reimbursement as due have been paid. All of such cost reports accurately reflect the information required to be included thereon and such cost reports do not claim and neither the Facilities nor GWHN (or any wholly owned subsidiary thereof) has received reimbursement in any amount in excess of the amounts provided by law or any applicable agreement. Schedule 4.22 indicates which of such cost reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances, and any and all other unresolved claims or disputes in respect of such cost reports. GWHN has established adequate reserves in respect of the Facilities to cover any potential reimbursement obligations that may exist in respect of any such third party cost reports, and such reserves are set forth in the Financial Statements.

4.23 Medical Staff Matters. GWHN has provided to VHS Sub true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of the Hospital, as well as a list of all current members of the medical staff. Except as set forth in Schedule 4.23, there are no adverse actions with respect to any medical staff members of the Hospital or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or has been scheduled but has not been completed, and there are no pending or, to the Knowledge of GWHN, threatened disputes with applicants, staff members, or health professional affiliates, and GWHN knows of no basis therefor, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. No member of the medical staff of the Facilities has been excluded from participation in the CHAMPUS, Medicare or Medicaid payment programs.

4.24 Quality and Condition of Assets. The Assets and the Excluded Assets constitute all assets that are held or used by GWHN or any of its Affiliates for the conduct of the business and operation of the Facilities in the manner conducted as of the date of this Agreement. Except

as set forth in Schedule 4.24, all buildings, structures, facilities, equipment, and other material items of tangible property and assets included in the Assets are free from material defects and in good operating condition and repair, and are usable in the regular and ordinary course of business, and conform in all material respects to all applicable laws, ordinances, codes, rules, and regulations relating to their use and operation by GWHN or its wholly owned subsidiaries.

4.25 Intellectual Property; Computer Software. Schedule 4.25 lists and briefly describes all material trademarks, service marks, trade names, patents, copyrights, inventions, information systems, software, processes, and applications therefor (whether registered or common law) currently owned or used by GWHN or its wholly owned subsidiaries (collectively, the “Intellectual Property”). No proceedings have been instituted or are pending or, to the Knowledge of GWHN, threatened that challenge the validity of the ownership or use by GWHN or its wholly owned subsidiaries of such Intellectual Property. Neither GWHN nor its wholly owned subsidiaries have agreed to license to a third party any owned Intellectual Property and have no knowledge of the use or the infringement of any such owned Intellectual Property by any other person or entity. GWHN (or any wholly owned subsidiary thereof) owns (or possesses adequate and enforceable licenses or other rights to use) all material Intellectual Property and all material computer software programs and similar systems used in the conduct of its business.

4.26 Accounts Receivable and Notes Receivable. All accounts receivable and notes receivable constituting a part of the Assets represent and constitute bona fide indebtedness owing to GWHN (or any wholly owned subsidiary thereof) for services actually performed or for goods or supplies actually provided in the amounts indicated on the Financial Statements with no known set-offs, deductions, compromises, or reductions (other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of GWHN and that are taken into consideration in the preparation of the Financial Statements). GWHN has made available to VHS Sub a complete and accurate aging report of all such accounts receivable and a schedule of all accounts receivable that have been assigned to collection agencies or are otherwise held or assigned for collection.

4.27 Experimental Procedures. GWHN (or any wholly owned subsidiary thereof) has not performed or permitted the performance of any experimental or research procedures or studies involving patients in the Facilities not authorized and conducted in accordance with the procedures of the Institutional Review Board of the Hospital.

4.28 Compliance Program. GWHN has provided to VHS Sub a copy of the Hospital’s current compliance program materials, including, without limitation, all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, and disciplinary policies. Except as set forth in a writing delivered by GWHN to VHS Sub that specifically makes reference to this Section 4.28 or to the extent set forth on Schedule 4.28, GWHN (or any wholly owned subsidiary thereof) (a) is not a party to a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services, (b) has no reporting or other continuing obligations pursuant to any settlement or other agreement entered into with any Government Entity (other than participation agreements with Medicare and Medicaid), (c) to the Knowledge of GWHN, has not been the subject of any government payor program investigation conducted by any federal or state enforcement agency within the past three (3) years, (d) has not been a defendant in any unsealed *qui tam*/False Claims Act litigation

within the past three (3) years, (e) has not been served with or received, within the past three (3) years, any search warrant, subpoena, civil investigative demand, or contact letter by or from any federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by GWHN at the Facilities), and (f) except as set forth in Schedule 4.28, has not received any complaints within the past three (3) years from employees, independent contractors, vendors, physicians, or any other person that would indicate that GWHN (or any wholly owned subsidiary thereof) has violated any law or regulation. Schedule 4.28 includes a description of each audit and investigation conducted by GWHN at the Facilities pursuant to its compliance program during the past three (3) years. For purposes of this Agreement, the term “compliance program” refers to provider programs of the type described in the compliance guidance published by the Office of Inspector General of the Department of Health and Human Services.

4.29 Partial Subsidiaries.

(a) Schedule 4.29 sets forth for each Partial Subsidiary (as defined herein): (i) its name and jurisdiction of incorporation or organization; (ii) the number of authorized shares of each class of its capital stock or other equity or non-equity interests; (iii) the number of issued and outstanding shares of each class of its capital stock or other equity or non-equity interests, the names of the holders thereof, and the number of shares or other equity or non-equity interests held by each such holder; (iv) the number of shares of its capital stock or other equity interests held in treasury; and (v) its directors and officers, general partners, or managers, as the case may be. GWHN does not hold any equity interest in any entity other than its wholly owned subsidiaries and the Partial Subsidiaries.

(b) Each Partial Subsidiary: (i) if it is a for profit or nonprofit corporation, is duly incorporated and validly existing under the laws of the state of its incorporation and is duly qualified and in good standing as a foreign corporation in the jurisdiction of its principal place of business if not incorporated therein; (ii) if it is a limited liability company, is duly organized, validly existing, and, if applicable, in good standing under the laws of the state of its organization and is duly qualified and, if applicable, in good standing as a foreign limited liability company in the jurisdiction of its principal place of business if not organized therein; and (iii) if it is a partnership, trust, or other entity, is duly formed, validly existing, and, if applicable, in good standing in the jurisdiction of its principal place of business if not formed therein. To the Knowledge of GWHN, each Partial Subsidiary has full corporate, limited liability company, partnership, trust, or other applicable power and authority and all licenses and permits (including authorizations to do business in any applicable state) necessary to carry on the businesses in which it is engaged and in which it presently proposes to engage, and to own and use the properties owned and used by it. To the Knowledge of GWHN, each Partial Subsidiary has not materially violated any legal requirement or material contract or agreement.

(c) GWHN has delivered to VHS Sub accurate and complete copies, as applicable, of the articles of incorporation, charter, bylaws, operating agreement, partnership agreement, or shareholder or membership agreement, as amended to date and in its possession, of each Partial Subsidiary. Except as set forth on Schedule 4.29 hereto, all of the issued and outstanding shares of capital stock or other equity or non-equity interests of each Partial Subsidiary that have been issued to GWHN (or any subsidiary thereof) have been duly

authorized and are validly issued, fully paid, and nonassessable. To the Knowledge of GWHN, none of the Partial Subsidiaries is in default under or in violation of any provision of its articles of incorporation, charter, bylaws, operating agreement, partnership agreement, or shareholders or membership agreement.

(d) Except as set forth in Schedule 4.29, to the Knowledge of GWHN, (i) there is no outstanding subscription, option, convertible or exchangeable security, preemptive right, warrant, call, or agreement (other than this Agreement) relating to the stock or other equity or non-equity interests of the Partial Subsidiaries or other obligation or commitment of any Partial Subsidiary to issue any shares of capital stock or other equity interests; and (ii) there are no voting trusts or other agreements, arrangements, or understandings applicable to the exercise of voting or any other rights with respect to any shares of Partial Subsidiary stock or other equity or non-equity interests. GWHN (or any subsidiary thereof) has good, marketable, and indefeasible title to all shares of the stock or other equity or non-equity interests of the Partial Subsidiaries set forth in Schedule 4.29 and, except as set forth on Schedule 4.29, has the absolute right to sell, assign, transfer, and deliver the same to the Company, free and clear of all claims, security interests, liens, pledges, charges, escrows, options, proxies, rights of first refusal, preemptive rights, mortgages, hypothecations, prior assignments, title retention agreements, indentures, security agreements, or any other limitation, encumbrance, or restriction of any kind.

(e) Except as set forth in Schedule 4.29, to the Knowledge of GWHN, the Partial Subsidiaries do not control directly or indirectly or have any direct or indirect equity participation in any corporation, limited liability company, partnership, trust, or other business association.

(f) For purposes of this Agreement, the term “Partial Subsidiaries” means any and all corporations, partnerships, and limited liability companies in which GWHN or its Affiliates own or hold common stock, partnership interests, or membership interests amounting to less than 100% of the total outstanding common stock, partnership interests, or membership interests of such entity, and which common stock, partnership interests, or membership interests will be assigned by GWHN or its Affiliates to the Company as part of the Assets.

4.30 Transactions with Affiliates. Since September 30, 2012, GWHN (or any wholly owned subsidiary thereof) has not purchased, acquired or leased any property or services from, or sold, transferred or leased any property or services to, or lent or advanced any money to, or borrowed any money from, or acquired any capital stock, obligations or securities of, or made any management consulting or similar fee agreement with, any officer, director or trustee of GWHN or of any Affiliate of GWHN, except as set forth on Schedule 4.30 or upon terms that would have been paid or received by GWHN in similar transactions with independent parties negotiated at arm’s length.

4.31 Full Disclosure. This Agreement, the Schedules hereto, and all Closing Documents (hereinafter defined) furnished and to be furnished to VHS Sub, the Company, and their representatives by GWHN pursuant hereto, when taken in their entirety, do not and will not include any untrue statement of a material fact. Copies of all documents referred to in any Schedule hereto in the possession of GWHN have been delivered or made available to VHS Sub and its representatives and constitute true, correct, and complete copies thereof and include all amendments, exhibits, schedules, appendices, supplements, or modifications thereto or waivers

thereunder. The term “Closing Documents” means those documents executed and delivered at the Closing pursuant to Section 3 above.

4.32 Knowledge. References in this Agreement to “GWHN’s Knowledge,” “Knowledge of GWHN,” and words of similar intent or effect mean and refer to (i) all matters with respect to which GWHN has received written notice, and (ii) the actual knowledge of the following employees of GWHN: President and Chief Executive Officer, the Chief Financial Officer, the Vice President Operations (or Chief Operating Officer), the Chief Nursing Officer, Chief Information Officer, Chief Medical Information Officer, Vice President Human Resources, Director – Compliance and HIPAA, Assistant Director Finance – Corporate Accounting, Corporate Compliance Officer, and the Administrative Director Facility Operations, after due inquiry by GWHN of such persons. **[VHS may request additional knowledge persons after completion of due diligence]**

5. REPRESENTATIONS AND WARRANTIES OF VHS, VHS SUB, AND THE COMPANY. As of the date hereof, and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, as of the Closing Date, VHS and VHS Sub jointly and severally represent and warrant to GWHN and the Company the following:

5.1 Existence and Capacity. VHS Sub is a limited liability company, duly organized and validly existing in good standing under the laws of the State of Delaware. VHS Sub has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted. VHS is a corporation, duly organized and validly existing in good standing under the laws of the State of Delaware. VHS has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted. The Company is a limited liability company, duly organized and validly existing in good standing under the laws of the State of Delaware. The Company has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted. Each Company Entity is a limited liability company, duly organized and validly existing in good standing under the laws of the State of Connecticut. Each Company Entity has the requisite power and authority to conduct its business as now being conducted.

5.2 Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance by VHS Sub, VHS, and the Company of this Agreement and all other agreements referenced herein, or ancillary hereto, to which VHS Sub, VHS, or the Company is a party, and the consummation of the transactions contemplated herein by VHS Sub, VHS, and the Company:

(a) are within its corporate or limited liability company powers, are not in contravention of law or of the terms of its organizational documents, and have been duly authorized by all appropriate corporate action;

(b) except as provided in Sections 7.1 and 7.2 below, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement that is required by law or the regulations of any such agency or authority;

(c) will neither conflict with, nor result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument, or understanding to which it is a party or by which it is bound;

(d) will not violate any statute, law, rule, or regulation of any governmental authority to which it may be subject; and

(e) will not violate any judgment, decree, writ, or injunction of any court or governmental authority to which it may be subject.

5.3 Binding Agreement. This Agreement and all the other Closing Documents are and will constitute the valid and legally binding obligations of VHS Sub, VHS, or the Company, respectively, and are and will be enforceable against VHS Sub, VHS, or the Company, respectively, in accordance with the respective terms hereof and thereof.

5.4 Litigation or Proceedings. There are no claims, actions, suits, proceedings, or investigations pending or, to VHS's knowledge, threatened that: (a) adversely affect or seek to prohibit, restrain, or enjoin the execution and delivery of this Agreement; (b) adversely affect or question the validity or enforceability of this Agreement; (c) question the power or authority of VHS, VHS Sub, or the Company to carry out the transactions contemplated by, or to perform its obligations under, this Agreement; or (d) would result in any change that would adversely affect in any material respect the ability of VHS, VHS Sub, or the Company to perform any of its obligations hereunder.

5.5 Financing. VHS Sub will have and will apply at the time of Closing sufficient cash or other immediately available funds necessary to enable VHS Sub to consummate the transactions contemplated hereby in accordance with the terms hereof.

6. COVENANTS OF GWHN PRIOR TO CLOSING. Between the date of this Agreement and the Closing:

6.1 Information. GWHN shall afford to the officers and authorized representatives and agents (which shall include accountants, attorneys, bankers, and other consultants) of VHS Sub full and complete access to and the right to inspect the plants, properties, books, and records of the Facilities, and will furnish VHS Sub with such additional financial and operating data and other information as to the business and properties of GWHN pertaining to the Facilities as VHS Sub may from time to time reasonably request without regard to where such information may be located. VHS Sub's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of the Facilities and the delivery of patient care. VHS Sub agrees that no inspections shall take place and no employees or other personnel of the Facilities shall be contacted by VHS Sub without VHS Sub's first providing reasonable notice to GWHN and coordinating such inspection or contact with GWHN.

6.2 Operations. GWHN shall, with respect to the Assets:

(a) carry on its business pertaining to the Facilities in substantially the same manner as presently conducted and not make any material change in personnel, operations, finance, accounting policies, or real or personal property pertaining to the Facilities;

(b) maintain the Facilities and all parts thereof in good operating condition, ordinary wear and tear excepted;

(c) perform all of its material obligations under agreements relating to or affecting the Facilities or the Assets;

(d) comply in all material respects with all applicable laws and other legal requirements;

(e) keep in full force and effect present insurance policies or other comparable insurance pertaining to the Facilities; and

(f) use its commercially reasonable efforts to maintain and preserve its business organizations intact, retain its present employees at the Facilities, and maintain its relationships with physicians, suppliers, customers, and others having business relations with the Facilities.

6.3 Negative Covenants. GWHN shall not, with respect to the business or operation of the Facilities or otherwise regarding the Assets, without the prior written consent of VHS Sub:

(a) amend or terminate any of the Assumed Contracts, enter into any contract or commitment, or incur or agree to incur any liability, except as provided herein or in the ordinary course of business and in no event greater than Seventy-Five Thousand Dollars (\$75,000) per item;

(b) enter into any contract or commitment with physicians or other referral sources;

(c) increase compensation payable or to become payable or make any bonus payment to or otherwise enter into one or more bonus agreements with any employee at the Facilities, except increases in compensation or bonus payments or agreements that are otherwise made in the ordinary course of business consistent with past practices and in accordance with existing personnel policies;

(d) create, assume, or permit to exist any new debt, mortgage, pledge, or other lien or encumbrance upon any of the Assets in an amount in excess of Seventy-Five Thousand Dollars (\$75,000) whether now owned or after acquired;

(e) acquire (whether by purchase or lease) or sell, assign, lease, or otherwise transfer or dispose of any property, plant, or equipment having a net book value in excess of Seventy-Five Thousand Dollars (\$75,000), except in the ordinary course of business;

(f) purchase capital assets other than in accordance with the approved capital budget of GWHN previously provided to VHS Sub;

(g) add, modify, or discontinue the provision of any material clinical service by the Facilities, open a new location for the provision of any material clinical service, or close the location at which any such material clinical service is currently provided;

(h) hire or terminate the employment of any employee of the Facilities at the level of manager or higher (including, without limitation, any officer of the Facilities);

(i) sell or factor any accounts or notes receivable;

(j) cancel, forgive, release, discharge or waive any person's or entity's obligation to pay or to perform obligations in respect of any Assets, or agree to do any of the foregoing, except in the ordinary course of the business of the Facilities consistent with past practices;

(k) change any accounting method, policy or practice or reduce any reserves in the Financial Statements, except (i) reductions in reserves pertaining to government payment programs or third party payors made in the ordinary course of business consistent with past practices and (ii) changes required by changes in GAAP or applicable legal requirements;

(l) terminate, amend or otherwise modify in any material respect any Benefit Plan, except for amendments required to comply with this Agreement or applicable legal requirements;

(m) amend or agree to amend the governing documents of any Partial Subsidiary, except immaterial amendments or amendments required to comply with applicable legal requirements or to assign and transfer to the Company GWHN's ownership interest in, or for the Company to become a partner or member of, the Partial Subsidiary; or

(n) take any action outside the ordinary course of business of the Facilities or their related ancillary services.

6.4 Governmental Approvals. GWHN shall (i) use its commercially reasonable efforts to obtain all governmental approvals (or exemptions therefrom) necessary or required to allow GWHN to perform its obligations under this Agreement (including, without limitation, approvals of the applications to the Attorney General and Commissioner of Public Health of the State of Connecticut relating to the admission of GWHN to the Company and/or any other projects or activities in the community that VHS Sub, in its reasonable discretion, deems necessary as a predicate for the transactions contemplated herein); and (ii) assist and cooperate with VHS Sub and its representatives and counsel in obtaining all governmental consents, approvals, and licenses that VHS Sub deems necessary or appropriate and in the preparation of any document or other material that may be required by any governmental agency as a predicate to or as a result of the transactions contemplated herein (including, without limitation, approvals of the applications to the Attorney General and Commissioner of Public Health of the State of Connecticut relating to the admission of GWHN to the Company and/or any other projects or activities in the community that VHS Sub, in its reasonable discretion, deems necessary as a predicate for the transactions contemplated herein).

6.5 FTC Notification. GWHN shall, if and to the extent required by law, file all reports or other documents required or requested of it by the Federal Trade Commission ("FTC") or the United States Department of Justice ("Justice Department") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"), and all regulations promulgated thereunder, concerning the transactions contemplated hereby, and comply promptly with any requests by the FTC or Justice Department for additional information concerning such transactions, so that the

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waiting period specified in the HSR Act will expire as soon as reasonably possible after the execution and delivery of this Agreement. GWHN agrees to furnish to VHS Sub such information concerning GWHN as VHS Sub needs to perform its obligations under Section 7.2 of this Agreement.

6.6 Additional Financial Information. Within two (2) business days after they are created (but in any event no later than fifteen (15) days following the end of each calendar month prior to Closing), GWHN shall deliver or cause to be delivered to VHS Sub true and complete copies of the management prepared unaudited balance sheets and the related unaudited statements of income (collectively, the “Interim Statements”) of, or relating to, GWHN in respect of the Facilities for each month then ended, which presentation shall be true, correct, and complete in all material respects, shall have been prepared from and in accordance with the books and records of GWHN in respect of the Facilities, and shall fairly present the financial position and results of operations of GWHN in respect of the Facilities as of the date and for the period indicated, all in accordance with GAAP consistently applied, except that such financial statements need not include required footnote disclosures. To the extent permitted by law, GWHN shall notify VHS Sub in writing and shall keep VHS Sub informed of any unexpected emergency or other materially adverse unanticipated change in the business of any of the Facilities and of any governmental complaints, investigations, or adjudicatory proceedings (or governmental communications indicating that the same may be contemplated) or of any other such matter.

6.7 No-Shop Clause. GWHN agrees that, from and after the date of the execution and delivery of this Agreement by GWHN until the termination of this Agreement, GWHN will not, without the prior written consent of VHS Sub or except as otherwise permitted by this Agreement: (i) offer for sale the Assets (or substantially all of the Assets) or any ownership interest in any entity owning any of the Assets, (ii) solicit offers to buy all or substantially all of the Assets or any ownership interest in any entity owning any of the Assets, (iii) hold discussions with any party (other than VHS Sub or the Company) looking toward such an offer or solicitation or looking toward a merger, consolidation, joint venture, or similar transaction involving any entity owning any of the Assets, or (iv) enter into any agreement with any party (other than VHS Sub or the Company) with respect to the sale or other disposition of the Assets (or substantially all of the Assets) or any ownership interests in any entity owning any of the Assets or with respect to any merger, consolidation, joint venture, or similar transaction involving any entity owning any of the Assets. GWHN will promptly communicate to VHS Sub the substance of any inquiry or proposal concerning any such transaction.

6.8 Insurance Ratings. GWHN will take all action reasonably requested by VHS Sub to enable the Company to succeed to the Workers’ Compensation and Unemployment Insurance ratings, and other ratings for insurance or other purposes established by GWHN for the Facilities. The Company shall not be obligated to succeed to any such ratings, except as the Company may elect to do so.

6.9 Tail Insurance. Prior to the Closing, GWHN shall, at its sole cost and expense, obtain “tail” insurance to insure against professional and general liabilities of the Facilities (including any physicians employed by the Facilities) relating to all periods prior to the Closing. The insurance shall have coverage levels equal to the current policies insuring GWHN. The purchase by GWHN of any such “tail” insurance shall in no way affect the calculation of Net

Working Capital for purposes of this Agreement. In addition, where no such insurance is in place or available on commercially reasonable terms, GWHN shall fund and maintain loss reserves for a reasonable period, including self-insured retentions, in a dedicated trust account with funding levels reasonably acceptable to GWHN, VHS Sub, and the Company.

6.10 Medical Staff Disclosure. GWHN shall deliver to VHS Sub a confidential written disclosure containing a brief description of all adverse actions taken against medical staff members or applicants in the past three (3) years that, to the Knowledge of GWHN, could result in claims or actions against GWHN and that are not disclosed in the minutes of the meetings of the Medical Executive Committee of the Medical Staff of the Hospital, which have been provided to VHS Sub.

6.11 Efforts to Close. GWHN shall use its commercially reasonable efforts to proceed toward the Closing and to satisfy the conditions to Closing, consistent with the other terms contained herein. GWHN shall notify VHS Sub as soon as practicable of any event or matter that comes to its attention that may reasonably be expected to prevent or materially delay the conditions to the obligations of GWHN being met.

6.12 Satisfaction of Bond Obligations. At its sole cost and expense, GWHN shall do all things necessary, desirable, and appropriate to cause the complete and valid payment or, if necessary, defeasance of its obligations under that certain Loan Agreement and Security Agreement dated as of December 1, 2010 by and between GWHN, the Hospital, RBS Citizens, National Association, and the State of Connecticut Health and Educational Facilities Authority (the "Loan Agreement"), which secures the State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Waterbury Hospital Issue, Series D, such that all liens and mortgages secured by the Loan Agreement shall be released at the time of the Closing.

6.13 New Collective Bargaining Agreement. GWHN shall keep VHS Sub apprised of, and consult with VHS Sub, regarding the status of the negotiations regarding a new collective bargaining agreement with the Waterbury Hospital Health Center Registered Professional Nurses' Unit #10.

7. COVENANTS OF VHS SUB AND THE COMPANY PRIOR TO CLOSING. Between the date of this Agreement and the Closing:

7.1 Governmental Approvals. VHS Sub and the Company each shall (i) use its commercially reasonable efforts to obtain all governmental approvals (or exemptions therefrom) necessary or required to allow VHS Sub or the Company, as applicable, to perform its obligations under this Agreement (including, without limitation, approvals of the applications to the Attorney General and Commissioner of Public Health of the State of Connecticut relating to the admission of GWHN to the Company and/or any other projects or activities in the community that VHS Sub, in its reasonable discretion, deems necessary as a predicate for the transactions contemplated herein), and (ii) assist and cooperate with GWHN and its representatives and counsel in obtaining all governmental consents, approvals, and licenses that GWHN deems necessary or appropriate and in the preparation of any document or other material that may be required by any governmental agency as a predicate to or as a result of the transactions contemplated herein (including, without limitation, approvals of the applications to the Attorney General and Commissioner of Public Health of the State of Connecticut relating to

the admission of GWHN to the Company and/or any other projects or activities in the community that VHS Sub, in its reasonable discretion, deems necessary as a predicate for the transactions contemplated herein).

7.2 *FTC Notification.* VHS Sub shall, if and to the extent required by law, file or cause to be filed all reports or other documents required or requested of it by the FTC or the Justice Department under the HSR Act, and all regulations promulgated thereunder, concerning the transactions contemplated hereby, and comply promptly with any requests by the FTC or Justice Department for additional information concerning such transactions, so that the waiting period specified in the HSR Act will expire as soon as reasonably possible after the execution and delivery of this Agreement. VHS Sub agrees to furnish to GWHN such information concerning VHS Sub and the Company as GWHN needs to perform its obligations under Section 6.5 of this Agreement.

7.3 *Title Commitment.* The Company shall obtain a current title commitment (the "Title Commitment") issued by Land Services USA (the "Title Company"), together with legible copies of all exceptions to title referenced therein. The Title Commitment shall set forth the state of title to the Owned Real Property, together with all exceptions or conditions to such title, including, without limitation, all easements, restrictions, rights-of-way, covenants, reservations, and all other encumbrances affecting the Owned Real Property that would appear in an owner's title policy, if issued. The Title Commitment shall contain the express commitment of the Title Company to issue an Owner's Title Policy (the "Title Policy") to the Company in an amount equal to the amount being allocated by the parties to the Owned Real Property insuring good and marketable title to the Owned Real Property subject only to the Permitted Exceptions with the standard printed exceptions endorsed or deleted as agreed by VHS Sub.

7.4 *Surveys.* GWHN shall deliver copies of all existing surveys of the Real Property to VHS Sub. The Company may obtain, at its sole cost and expense, current as-built surveys of the Real Property (the "Surveys"). The Surveys shall meet the requirements of an ALTA/ASCM survey and otherwise be in form and detail satisfactory to VHS Sub. Unless otherwise agreed by VHS Sub, the Surveys shall (i) be currently dated; (ii) show the location on the Real Property of all improvements, fences, evidences of abandoned fences, lakes, ponds, creeks, streams, rivers, easements, roads, and rights-of-way; (iii) identify all easements and rights-of-way by reference to the recording information applicable to the documents creating such easements or rights-of-way; (iv) show any encroachments onto the Real Property from any adjacent property, any encroachments from the Real Property onto adjacent property, and any encroachments into any easement or restricted area within the Real Property; (v) locate all existing improvements (such as buildings, power lines, fences, and the like); (vi) locate all dedicated public streets or other roadways providing access to the Real Property, including all curb cuts and all alleys; (vii) locate all set-back lines and similar restrictions covering the Real Property or any part thereof and any violations of such restrictions; and (viii) show thereon a legal description of the boundaries of the Real Property by metes and bounds or other appropriate legal description. Each Survey shall contain the surveyor's certification to the Company, VHS Sub, GWHN, and the Title Company that (i) the Survey was made on the ground; (ii) there are no visible or recorded easements, discrepancies, conflicts, encroachments, or overlapping of improvements except as shown on the Survey; (iii) the Survey correctly shows all visible or recorded easements or rights of way across the Real Property or any other easements or rights of way of which the surveyor has been advised, including, without limitation, those matters affecting title reflected in the Title

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Commitment; (iv) the Survey correctly shows the location of all buildings, structures, and other improvements situated on the Real Property; (v) the Survey conforms to all applicable minimum guidelines for surveys of comparable property as set forth in applicable laws, regulations, or professional standards; (vi) all streets abutting the Real Property and all means of ingress to and egress from the Real Property have been completed, dedicated, and accepted for public maintenance by the relevant municipal body; (vii) except as shown thereon, the Real Property is not located within the 100 year flood plain or other flood hazard area; (viii) the Survey is a true, correct, and accurate representation of the Real Property; and (ix) such other matters as may be required by the Title Company to allow it to issue the Title Policy.

7.5 Efforts to Close. VHS Sub and the Company each shall use its commercially reasonable efforts to proceed toward the Closing and to satisfy the conditions to Closing, consistent with the other terms contained herein. VHS Sub shall notify GWHN as soon as practicable of any event or matter that comes to the attention of VHS Sub that may reasonably be expected to prevent or materially delay the conditions to VHS Sub's and the Company's obligations being met.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF VHS SUB AND THE COMPANY. Notwithstanding anything herein to the contrary, the obligations of VHS Sub and the Company to consummate the transactions described herein are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by VHS Sub and the Company at the Closing:

8.1 Representations/Warranties. Each of the representations and warranties of GWHN contained in this Agreement that is qualified as to materiality was true and correct in all respects when made and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, shall be true and correct as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date, and each of the representations and warranties of GWHN contained in this Agreement that is not qualified as to materiality was true and correct in all material respects when made and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, shall be true and correct in all material respects as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by GWHN on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

8.2 Pre-Closing Confirmations. VHS Sub and the Company shall have obtained documentation or other evidence satisfactory to VHS Sub and the Company in their sole discretion that each of VHS Sub and the Company has:

(a) Received satisfactory approval from all Government Entities whose approval is required to complete the transactions herein contemplated (including, without limitation, satisfactory approvals of the applications to the Attorney General and Commissioner of Public Health of the State of Connecticut relating to the admission of GWHN to the Company and/or any other projects or activities in the community that VHS Sub, in its reasonable discretion, deems necessary as a predicate for the transactions contemplated herein);

(b) Received confirmation from all applicable licensure agencies that, upon the Closing, either (i) all licenses required by law to operate the Facilities as currently operated will be transferred to, or issued or reissued in the name of, the Company, or (ii) the Company will be permitted to operate the Facilities as currently operated from and after the Closing until such time as all appropriate licenses are issued or reissued in the name of the Company;

(c) Obtained reasonable assurances that Medicare and Medicaid certification of the Facilities for their operation by the Company will be effective as of the Closing and that the Company may participate in and receive reimbursement from such programs effective as of the Closing;

(d) Reasonably assured itself that all waiting periods under the HSR Act have been terminated or expired and that any additional approvals required from the Justice Department and/or the FTC relating to the transactions contemplated herein have been obtained and are in form and substance satisfactory to VHS Sub in its reasonable discretion;

(e) Obtained reasonable assurances that the material grants and grant programs listed on Schedule 8.2(e) shall continue after the Closing; and

(f) Obtained such other consents and approvals as may be legally or contractually required for the consummation of the transactions described herein.

8.3 Actions/Proceedings. No action or proceeding before a court or any other Government Entity, unless resolved, shall have been instituted to restrain or prohibit the transactions herein contemplated, and no Government Entity shall have taken any other action or made any request of any party hereto as a result of which VHS Sub reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

8.4 Adverse Change. Since the date hereof, there has not occurred any event, change, or occurrence that, individually or together with any other event, change, or occurrence, would reasonably be expected to have a material adverse effect on the Assets (whether or not covered by insurance) or on the business, operations, results of operations, prospects, or condition (financial or otherwise) of the Facilities (a “Material Adverse Effect”); provided, however, that, notwithstanding anything to the contrary contained in this Agreement, the following will be presumed not to constitute a Material Adverse Effect: (a) general economic or industry conditions generally applicable to hospitals or health care facilities within the United States or the State of Connecticut so long as such conditions do not disproportionately affect GWHN and the Facilities; (b) changes or proposed changes to any state or federal law, reimbursement rates or policies of Governmental Entities that are generally applicable to hospitals or health care facilities within the United States so long as such changes do not disproportionately affect GWHN and the Facilities; (c) requirements, reimbursement rates, policies, or procedures of third party payors or accreditation commissions or organizations that are generally applicable to hospitals or health care facilities within the United States; (d) changes in GAAP; (e) effects that are cured, or susceptible to cure without unreasonable effort, by GWHN; (f) actions specifically required of the parties pursuant to this Agreement; or (g) the normalized earnings before interest, depreciation and amortization of the Facilities on a consolidated basis for the trailing 12-month period through the date of the most recent Interim Statement provided to VHS Sub pursuant to Section 6.6 (the “Trailing EBITDA”) shall be not less than 80% of the normalized Trailing

EBITDA of the same period (month to date and year to date) for the prior year. The definition of “Material Adverse Effect” as set forth in this Section 8.4 shall be used solely for interpreting this Section 8.4 and not for interpreting the phrase “material adverse effect” or “material adverse change” as used in any other context elsewhere in this Agreement.

8.5 *Insolvency.* GWHN shall not (i) be in receivership or dissolution, (ii) have made any assignment for the benefit of creditors, (iii) have admitted in writing its inability to pay its debts as they mature, (iv) have been adjudicated a bankrupt, or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against GWHN.

8.6 *Opinion of Counsel to GWHN.* VHS Sub and the Company shall have received an opinion from counsel to GWHN, dated as of the Closing Date and addressed to VHS Sub and the Company, in form and substance satisfactory to counsel for VHS Sub, covering the matters set forth in Exhibit D hereto.

8.7 *Consents to Assignments.* All consents, waivers, and estoppels of third parties that are reasonably necessary, in the opinion of VHS Sub, to complete effectively the transactions herein contemplated shall have been obtained and are in form and substance reasonably satisfactory to VHS Sub.

8.8 *Vesting/Recordation.* GWHN shall have furnished to the Company, in form and substance satisfactory to VHS Sub, assignments or other instruments of transfer and consents and waivers by others, necessary or appropriate to transfer to and effectively vest in the Company all right, title, and interest in and to the Assets, in proper statutory form for recording if such recording is necessary or appropriate.

8.9 *Due Diligence Investigation.* VHS Sub and the Company shall have completed the due diligence investigation of the Facilities and the Assets, and the results of such investigation shall have been found satisfactory to VHS Sub and the Company. **[NOTE: Assuming that the Agreement is executed at or near the time of closing, when the due diligence investigation will have been completed, Section 8.9 can be deleted.]**

8.10 *Required Consents.* The Company shall have received consents to the assignment to the Company or the applicable Company Entity of those certain contracts and leases set forth on Schedule 8.10 from the counterparties to such contracts and leases, which consents are in a form reasonably acceptable to VHS Sub (the “Required Consents”).

8.11 *Title Insurance Policy and Surveys.* VHS Sub shall have received the Title Policy and the Surveys.

8.12 *Waterbury Hospital Cash Balance Retirement Plan.* GWHN shall have taken all steps necessary to freeze the Waterbury Hospital Cash Balance Retirement Plan (the “Cash Balance Plan”) effective as of the Closing Date so that no benefits will accrue for any participant in the Cash Balance Plan after the Closing Date, including providing any notice of such freeze as required under applicable laws.

8.13 Loan Agreement. The Loan Agreement shall have been satisfied, discharged and terminated and all encumbrances created by or in connection with the Loan Agreement shall have been released.

8.14 Statutory Amendment. The Connecticut legislature shall have amended the corporate practice of medicine statute to allow for-stock corporations and other for-profit entities, whether incorporated or organized in Connecticut or another jurisdiction, to own medical foundations that employ physicians.

8.15 Closing Documents. All Closing Documents required by Section 3.2 shall have been delivered to VHS Sub or the Company, as applicable.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF GWHN. Notwithstanding anything herein to the contrary, the obligations of GWHN to consummate the transactions described herein are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by GWHN at the Closing:

9.1 Representations/Warranties. Each of the representations and warranties of VHS, VHS Sub, and the Company contained in this Agreement that is qualified as to materiality was true and correct in all respects when made and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, shall be true and correct as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date, and each of the representations and warranties of VHS, VHS Sub, and the Company contained in this Agreement that is not qualified as to materiality was true and correct in all material respects when made and, when read in light of any Schedules that have been updated in accordance with the provisions of Section 13.1 hereof, shall be true and correct in all material respects as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by VHS, VHS Sub, and the Company on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

9.2 Governmental Matters. All material consents, authorizations, orders, and approvals of (or filings or registrations with) any Government Entity or other party required in connection with the execution, delivery, and performance of this Agreement shall have been obtained or made by VHS Sub and/or the Company when so required, except for any documents required to be filed, or consents, authorizations, orders, or approvals required to be issued, after the Closing Date.

9.3 Actions/Proceedings. No action or proceeding before a court or any other Government Entity, unless resolved, shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated, and no Government Entity shall have taken any other action or made any request of any party hereto as a result of which GWHN reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

9.4 Insolvency. None of VHS, VHS Sub, or the Company shall (i) be in receivership or dissolution, (ii) have made any assignment for the benefit of creditors, (iii) have admitted in writing its inability to pay its debts as they mature, (iv) have been adjudicated a bankrupt, or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an

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arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against any of VHS, VHS Sub, or the Company.

9.5 *Opinion of Counsel to VHS Sub.* GWHN shall have received an opinion from counsel to VHS and VHS Sub, dated as of the Closing Date and addressed to GWHN, in form and substance satisfactory to counsel for GWHN, covering the matters set forth in Exhibit E hereto.

9.6 *Closing Documents.* All Closing Documents required by Section 3.3 shall have been delivered to GWHN or the Company, as applicable.

10. COVENANT NOT TO COMPETE. GWHN hereby covenants that at all times from the Closing Date until the later to occur of the fifth (5th) anniversary of the Closing Date, GWHN and its Affiliates shall not, directly or indirectly, except as a member, consultant, or contractor to or of the Company (or any Affiliate of the Company), own, lease, manage, operate, control, or participate in any manner with the ownership, leasing, management, operation, or control of any business that offers services in competition with the Facilities, including but not limited to any acute care hospital, specialty hospital, rehabilitation facility, diagnostic imaging center, inpatient or outpatient psychiatric or substance abuse facility, ambulatory or other type of surgery center, nursing home, skilled nursing facility, home health or hospice agency, or physician clinic or physician medical practice, within a thirty-mile radius of the Hospital (the “Restricted Area”), without the Company’s prior written consent (which the Company may withhold in its sole and absolute discretion); provided, however, that (i) GWHN and its Affiliates will not be precluded from participating in the following activities that promote health care services for residents of the communities historically served by GWHN and its Affiliates through the Hospital: development, ownership, and operation of indigent or charity care clinics and services; preventative care programs and services and educational programs; health screening services; child care services; and other similar services or programs intended to better serve the health care needs of the community’s indigent population in the Restricted Area that are not directly competitive with services provided by the Company, and (ii) GWHN and its Affiliates will not be precluded from participating in activities that are otherwise permitted by Section 10.1 of the LLC Agreement or described in Schedule 10 of this Agreement. In the event of a breach of this Section 10, GWHN recognizes that monetary damages shall be inadequate to compensate the Company and the Company shall be entitled, without the posting of a bond or similar security, to an injunction restraining such breach, with the costs (including attorneys’ fees) of securing such injunction to be borne by GWHN. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedy available to it for such breach or threatened breach. All parties hereto hereby acknowledge the necessity of protection against the competition of GWHN and its Affiliates and that the nature and scope of such protection has been carefully considered by the parties. GWHN further acknowledges and agrees that the covenants and provisions of this Section 10 form part of the consideration under this Agreement and are among the inducements for VHS Sub and the Company entering into and consummating the transactions contemplated herein. The period provided and the area covered are expressly represented and agreed to be fair, reasonable, and necessary. The consideration provided for herein is deemed to be sufficient and adequate to compensate for agreeing to the restrictions contained in this Section 10. If, however, any court determines that the foregoing restrictions are not reasonable, such restrictions shall be

modified, rewritten, or interpreted to include as much of their nature and scope as will render them enforceable.

11. ADDITIONAL AGREEMENTS.

11.1 Termination Prior to Closing; Termination Fee.

(a) Notwithstanding anything herein to the contrary, this Agreement may be terminated at any time: (i) on or prior to the Closing Date by mutual consent of GWHN and VHS Sub; (ii) by VHS Sub, by written notice to GWHN if any event occurs or condition exists that causes GWHN to be unable to satisfy one or more conditions to the obligations of VHS Sub to consummate the transactions contemplated by this Agreement as set forth in Section 8; (iii) by GWHN, by written notice to VHS Sub if any event occurs or condition exists which causes VHS Sub to be unable to satisfy one or more conditions to the obligation of GWHN to consummate the transactions contemplated by this Agreement as set forth in Section 9; (iv) by GWHN or VHS Sub, if the Closing Date shall not have taken place on or before _____, 201_ (which date may be extended by mutual agreement of GWHN and VHS Sub); provided, however, that no party may terminate this Agreement if the failure of Closing to occur by such date resulted from a material breach of this Agreement by such party; (v) by either GWHN or VHS Sub, pursuant to Section 13.1 hereof; or (vi) by VHS Sub, pursuant to Section 11.17 hereof.

(b) In the event that this Agreement is terminated by GWHN pursuant to Section 11.1(a)(iv) and at the time of such termination (x) all the conditions to the obligations of VHS Sub and the Company to consummate the transactions contemplated by this Agreement as set forth in Section 8 have been satisfied (other than conditions that by their terms are to be satisfied by actions to be taken at the Closing, provided that such actions are, as of the time of such termination, capable of being satisfied at the Closing), and (y) GWHN is in compliance in all material respects with the terms of this Agreement, then the Company shall, within five (5) business days after receipt of written notice of such termination, pay to GWHN by wire transfer of immediately available funds to an account designated by GWHN a fee equal to Two Million Dollars (\$2,000,000) (the "Termination Fee").

11.2 Post-Closing Access to Information. GWHN and VHS Sub acknowledge that subsequent to Closing each party may need access to information or documents in the control or possession of the Company for the purposes of concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, and the prosecution or defense of third party claims. Accordingly, GWHN, VHS Sub, and the Company agree that for a period of not less than ten (10) years after Closing the Company will make reasonably available to each party and their agents, independent auditors, counsel, and/or governmental agencies upon written request and at the expense of the requesting party such records (as defined in Section 11.3) as may be available relating to the Assets for periods prior and subsequent to Closing to the extent necessary to facilitate concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, and the prosecution or defense of claims.

11.3 Preservation and Access to Records After the Closing. After the Closing, the Company shall, in the ordinary course of business and as required by law, keep and preserve in their original form all medical and other records of the Facilities that exist as of the Closing and constitute a part of the Assets delivered to the Company at the Closing. For purposes of this

Agreement, the term “records” includes all documents, electronic data, and other compilations of information in any form. The Company acknowledges that as a result of entering into this Agreement and operating the Facilities it will gain access to patient and other information that is subject to state, federal, and GWHN’s own internal rules and regulations regarding confidentiality. The Company agrees to abide by all applicable laws relating to the confidential information it acquires. The Company agrees to maintain the patient records delivered to the Company at the Closing at the Facilities after Closing in accordance with applicable law (including, if applicable, Section 1861(v)(i)(I) of the Social Security Act (42 U.S.C. §1395(v)(1)(i)), the privacy and security requirements of HIPAA, including, but not limited to, the Administrative Simplification subtitle of HIPAA, and applicable state requirements with respect to medical privacy and security and requirements of relevant insurance carriers, all in a manner consistent with the maintenance of patient records generated at the Facilities after the Closing. Upon reasonable notice, during normal business hours, at the sole cost and expense of GWHN and upon the Company’s receipt of appropriate consents and authorizations, the Company will afford to the representatives of GWHN, including its counsel and accountants, full and complete access to, and copies of, the records transferred to the Company at the Closing (including, without limitation, access to patient records in respect of patients treated by GWHN at the Facilities). Upon reasonable notice, during normal business hours and at the sole cost and expense of GWHN, the Company shall also make its officers, agents, and employees available to GWHN at reasonable times and places after the Closing. In addition, GWHN shall be entitled, at GWHN’s sole risk, to remove from the Facilities copies of any such patient records, but only for purposes of threatened or pending litigation (including any administrative proceeding or investigation) involving a patient to whom such records refer, as certified in writing prior to removal by counsel retained by GWHN in connection with such litigation and only upon the Company’s receipt of appropriate consents and authorizations. Any patient record so removed from the Facilities shall be promptly returned to the Company following its use by GWHN. Any access to the Facilities, its records, or the Company’s personnel granted to GWHN in this Agreement shall be upon the condition that any such access not materially interfere with the business operations of the Company.

11.4 CON Disclaimer. This Agreement shall not be deemed to be an acquisition or obligation of a capital expenditure or of funds within the meaning of the certificate of need statute of any state, until the appropriate governmental agencies shall have granted a certificate of need or the appropriate approval or ruled that no certificate of need or other approval is required.

11.5 Tax and Medicare Effect. None of the parties (nor such parties’ counsel or accountants) has made or is making any representations to any other party (nor such party’s counsel or accountants) concerning any of the tax or Medicare effects of the transactions provided for in this Agreement, as each party hereto represents that each has obtained, or may obtain, independent tax and Medicare advice with respect thereto and upon which it, if so obtained, has solely relied.

11.6 Reproduction of Documents. This Agreement and all documents relating hereto, including, without limitation, (a) consents, waivers, and modifications that may hereafter be executed, (b) the documents delivered at the Closing, and (c) financial statements, certificates, and other information previously or hereafter furnished to GWHN, the Company, or VHS Sub, may, subject to the provisions of Section 13.11 hereof, be reproduced by GWHN, the Company,

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and VHS Sub by any photographic, photostatic, microfilm, micro-card, miniature photographic, or other similar process and GWHN, the Company, and VHS Sub may destroy any original documents so reproduced. GWHN, the Company, and VHS Sub agree and stipulate that any such reproduction shall be admissible in evidence as the original itself in any judicial, arbitral, or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by GWHN, the Company, or VHS Sub in the regular course of business) and that any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

11.7 Cooperation on Tax Matters. Following the Closing, the parties shall cooperate fully with each other and shall make available to the other, as reasonably requested and at the expense of the requesting party, and to any taxing authority (to the extent required by law), all information, records, or documents in their possession relating to the Assets, the Facilities, and the Assumed Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund of Taxes, or other filings relating to Taxes, or in connection with any audit or other proceeding instituted by any taxing authority. In the case of any audit, examination, or other proceeding with respect to Taxes for which GWHN is or may be liable pursuant to this Agreement, the Company shall promptly inform GWHN, and the Company shall execute or cause to be executed powers of attorney or other documents necessary to enable GWHN to take all actions reasonably deemed necessary by GWHN with respect to such audit, examination, or proceeding to the extent such audit, examination, or proceeding may affect the amount of Taxes for which GWHN is liable pursuant to this Agreement. GWHN shall have the right to control any such audit, examination, or proceeding, and, if there is a reasonable basis therefor, to initiate any claim for refund, file any amended return, or take any other action that it deems appropriate with respect to such Taxes.

11.8 Cost Reports. GWHN, at its expense, shall prepare and timely file all terminating and other cost reports required or permitted by law to be filed under the Medicare and Medicaid or other third party payor programs and the State Health Agency for periods ending on or prior to the Closing Date, or as a result of the consummation of the transactions described herein (the "GWHN Cost Reports"). The Company shall provide GWHN with access to all records and data necessary for completion of GWHN Cost Reports. The Company shall forward to GWHN any and all correspondence relating to GWHN Cost Reports within five (5) business days after receipt by the Company. The Company shall remit any receipts of funds relating to GWHN Cost Reports within ten (10) business days after receipt by the Company and shall forward to GWHN any demand for payments within five (5) business days after receipt by the Company. GWHN shall retain all rights to the GWHN Cost Reports including any amounts receivable or payable in respect of such reports or reserves relating to such reports. Such rights shall include the right to appeal any Medicare or Medicaid determinations relating to GWHN Cost Reports. GWHN shall retain the originals of GWHN Cost Reports, correspondence, work papers and other documents relating to GWHN Cost Reports; provided, however, that GWHN shall make certain that the Hospital retains copies of such cost reports, correspondence, work papers and other documents in order that they are available to the Company following the Closing Date.

11.9 Misdirected Payments, Etc. GWHN and the Company covenant and agree to remit, with reasonable promptness, to the other any payments received, which payments are on or in respect of accounts or notes receivable owned by (or are otherwise payable to) the other. In addition, and without limitation, in the event of a determination by any governmental or third-

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party payor that payments to GWHN or the Facilities resulted in an overpayment or other determination that funds previously paid by any program or plan to GWHN or the Facilities must be repaid, GWHN shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered on or prior to the Closing Date, and the Company shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered after the Closing Date. In the event that, following Closing, the Company suffers any offsets against reimbursement under any third-party payor or reimbursement programs due to the Company, relating to amounts owing under any such programs by GWHN or any of its Affiliates, GWHN shall immediately upon written demand from the Company pay to the Company the amounts so billed or offset.

11.10 Employee Matters. As of the Closing Date, GWHN shall terminate all of its employees at the Facilities, and VHS Sub (or an Affiliate thereof) shall offer employment to all active employees in good standing as of the Closing Date who satisfy customary pre-employment screening procedures, in positions similar to those then being provided by GWHN. Nothing herein shall be deemed to affect or limit in any way normal management prerogatives of VHS Sub or its Affiliate with respect to employees or to create or grant to any such employees third party beneficiary rights or claims of any kind or nature. In respect of the employees employed by VHS Sub or its Affiliate, and except as limited by the terms of applicable collective bargaining agreements, VHS Sub or its Affiliate shall provide such employees with regionally competitive wages and employee benefits comparable to the benefits generally offered to employees of other hospitals owned and operated by VHS or its Affiliates and shall honor prior length of service for purposes of determining eligibility and vesting in its benefit plans; provided, however, that no such prior service credit need be given in respect of any new plan commenced or participated in by VHS or its Affiliates and generally applicable to other hospitals owned and operated by VHS or its Affiliates in which no prior service credit is given to or recognized for other plan beneficiaries. In extending such benefits, VHS or its Affiliate shall give such employees credit for the satisfaction of pre-existing condition limitations in its welfare benefit plans to the same extent that such employees have satisfied such limitations under the current welfare benefit plans of GWHN. VHS Sub or its Affiliate shall lease the employees to the Company on a “cost” basis. Notwithstanding anything to the contrary contained in this Section 11.10, neither VHS Sub nor any Affiliate thereof shall have any obligation to offer employment to, or continue to employ, any employee at the Facilities who has been excluded from participation in federal health care programs.

11.11 Board of Trustees. The Company shall appoint a Board of Trustees for the Hospital, as provided in the LLC Agreement.

11.12 Uncompensated Care Policies. The Company shall operate the Hospital in accordance with the “community benefit standards” set forth in Revenue Ruling 69-545, including, without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, (iv) provision of public health programs of educational benefit to the community, and (v) general promotion of public health, wellness, and welfare to the community through the provision of healthcare at a reasonable cost. The Company shall cause the Hospital to treat any patient presented to the emergency room in accordance with the “community benefit standards” as described above and to remain eligible to participate in the Medicare and Medicaid

programs. This covenant shall be subject in all respects to changes in governmental law, policy, or regulation.

11.13 Medical Staff Matters. The Company shall work together with the medical staff of the Hospital to develop the medical staff bylaws, rules and regulations, medical staff committee structure, credentialing plan, and fair hearing plan of the Hospital following the Closing.

11.14 Use of Controlled Substance Permits. To the extent permitted by applicable law, the Company Entities shall have the right, for a period not to exceed one hundred twenty (120) days following the Closing Date, to operate under the licenses and registrations of GWHN relating to controlled substances and the operations of pharmacies and laboratories, until the Company Entities are able to obtain their own such licenses and registrations. In furtherance thereof, GWHN shall execute and deliver to the Company Entities at or prior to the Closing limited powers of attorney substantially in the form of Exhibit F hereto. The Company Entities shall apply for all such licenses and registrations as soon as reasonably practicable before and after the Closing Date and shall diligently pursue such applications. The Company Entities shall also indemnify and hold GWHN harmless from and against all claims, damages, losses, and other costs incurred, or required by law to be paid, resulting in whole or in part from the use of such licenses and registrations by the Company Entities following the Closing.

11.15 Connecticut Transfer Act. This transaction is subject to the Transfer Act. Accordingly, GWHN shall prepare a Transfer Act Form III and the accompanying ECAF for the Hospital to satisfy the requirements of the Transfer Act in connection with the transaction contemplated herein. Copies of the Form III and the ECAF will be provided to the Company at least thirty (30) days prior to the Closing Date so that the Company may review and provide reasonable comments. GWHN shall sign the Form III as the “Transferor” and GWHN or its designee shall sign the Form III as the “Certifying Party” responsible for completing all the required environmental investigation and remediation at the Hospital in accordance with the Transfer Act, the Connecticut Remediation Standard Regulations, and other applicable Environmental Laws. The Company shall sign the Form III as the “Transferee.” GWHN shall furnish copies of the Form III and the ECAF to the Company prior to the Closing Date for the Company’s execution. Within ten (10) days after the Closing Date, GWHN shall (i) file the fully executed Form III and the ECAF with the Connecticut Department of Energy and Environmental Protection (“CTDEP”); (ii) pay the initial \$3,000 filing fee and any and all subsequent Transfer Act fees; and (iii) provide written confirmation to the Company that the Transfer Act filing has been completed (with a copy of such filing). GWHN or its designee shall conduct and complete any actions required by the CTDEP as a result of the filing of the Form III and the ECAF, as necessary to comply with the requirements of the Transfer Act to obtain written confirmation from CTDEP or a “verification” from a “Licensed Environmental Professional” that the Hospital has been remediated in full compliance with the Connecticut Remediation Standard Regulations. All undefined terms in this Section 11.15 shall have the meanings set forth in the Transfer Act.

11.16 Capital Commitment. After the Closing, the Company agrees to spend or commit in a binding contract to spend (or cause or permit its Affiliates or third parties to spend or commit in a binding contract to spend) not less than Fifty-Five Million Dollars (\$55,000,000) in the seven (7) years following the Effective Date on capital projects, including routine and non-routine capital expenditures, at, or for the benefit of, the Facilities and/or the acquisition,

development and improvement of hospital, ambulatory or other health care services in the greater Waterbury, Connecticut community. Notwithstanding the above capital commitment, in the event that any legal requirement is enacted or imposed after Closing that (i) discriminates against, or adversely affects a disproportionate number of, for-stock hospitals or other for-profit health care entities or (ii) causes the Company to suffer a material decline in earnings before interest, taxes, depreciation and amortization on a consolidated basis, then, in either event, the Company shall be relieved of its obligation to provide the above capital commitment and shall be required to consult with the Hospital's Board of Trustees to determine an alternate mutually agreeable capital commitment of the Company that is reasonable and appropriate in light of the changed circumstances caused by the new legal requirement.

11.17 Casualty. If, on or before the Closing Date, any of the Facilities are destroyed or damaged by fire, theft, vandalism or other cause or casualty and as a result thereof any material part of such Facilities, in the aggregate, is rendered unsuitable for their primary intended use for at least six (6) months, VHS Sub may elect, by giving written notice to GWHN within ten (10) business days after having actual notice of the occurrence of such destruction or damage and the extent of the loss, to: (i) terminate this Agreement in accordance with Section 11.1(a)(vi), (ii) consummate the transaction in spite of such destruction or damage, but reduce the Purchase Price by the fair market value of the Assets destroyed or damaged (determined as of the date immediately before the destruction or damage) or, if greater, the estimated cost to restore, repair or replace such Assets, in which event GWHN will retain all right, title and interest in and to insurance proceeds payable on account of such destruction or damage, or (iii) consummate the transaction in spite of such destruction or damage without any reduction in the Purchase Price, in which event GWHN shall pay, transfer and assign to VHS Sub at Closing the insurance proceeds (or the right to receive the insurance proceeds) payable on account of such destruction or damage, plus any deductibles or copayments required under the applicable insurance policy in respect of such claim. In the absence of an agreement among the parties regarding the amount of any Purchase Price reduction for purposes of clause (ii) above (if applicable), an MAI appraiser mutually selected by the parties and paid equally by GWHN, on the one hand, and VHS Sub, on the other hand, will determine any reduction in Purchase Price pursuant to such clause (ii).

12. INDEMNIFICATION.

12.1 Indemnification by GWHN. Subject to the limitations set forth in Section 12.4 hereof, GWHN shall defend and indemnify and hold each of VHS Sub and the Company, and each of their respective affiliates, officers, directors, employees, agents, or independent contractors, wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal), and expenses (including, without limitation, reasonable attorneys' fees) that such persons incur as a result of, or with respect to, (i) any misrepresentation or breach of warranty by GWHN under this Agreement, (ii) any breach by GWHN of, or any failure by GWHN to perform, any covenant or agreement of, or required to be performed by, GWHN under this Agreement, (iii) any of the Excluded Liabilities, (iv) any contribution or other funding by the Company or any of its Affiliates to the Connecticut Health Care Associates Pension Plan in excess of Two Million Four Hundred Thousand Dollars (\$2,400,000) on an annual basis; provided, however, any withdrawal liability related to the Connecticut Health Care Associates Pension Plan shall be the responsibility of GWHN and GWHN shall indemnify the Company and its Affiliates for any such liabilities, and upon payment in full of the withdrawal liability, GWHN's indemnity obligations pursuant to this

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Section 12.1(iv) shall terminate, or (v) any claim made by a third party with respect to the operation of the Facilities prior to the Effective Time.

12.2 Indemnification by VHS Sub. Subject to the limitations set forth in Section 12.4 hereof, VHS Sub shall defend and indemnify and hold each of GWHN and the Company, and each of their respective affiliates, officers, directors, employees, agents, or independent contractors, wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses (including, without limitation, reasonable attorneys' fees) that such persons incur as a result of, or with respect to, (i) any misrepresentation or breach of warranty by VHS Sub under this Agreement or (ii) any breach by VHS Sub of, or any failure by VHS Sub to perform, any covenant or agreement of, or required to be performed by, VHS Sub under this Agreement.

12.3 Indemnification by the Company. Subject to the limitations set forth in Section 12.4 hereof, the Company shall defend and indemnify and hold each of VHS Sub and GWHN, and each of their respective officers, directors, employees, agents, or independent contractors, wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal), and expenses (including, without limitation, reasonable attorneys' fees) that such persons incur as a result of, or with respect to, (i) any misrepresentation or breach of warranty by the Company under this Agreement, (ii) any breach by the Company of, or any failure by the Company to perform, any covenant or agreement of, or required to be performed by, the Company under this Agreement, (iii) any of the Assumed Liabilities, or (iv) any claim made by a third party with respect to the operation of the Facilities following the Effective Time.

12.4 Limitations. GWHN, VHS Sub, and the Company shall be liable under Section 12.1(i), Section 12.2(i), or Section 12.3(i) (i.e., for misrepresentations and breaches of warranties), as applicable, only when total indemnification claims exceed \$150,000. No party shall be liable for any indemnification pursuant to Section 12.1(i), Section 12.2(i), or Section 12.3(i), as applicable, for any claims for misrepresentations and breaches of warranty that are the basis upon which any other party shall have failed to consummate the transactions described herein pursuant to Section 8.1 or Section 9.1, as applicable, or that are based upon misrepresentations and breaches of warranty that have been waived pursuant to the initial paragraph of Section 8 or Section 9, as applicable. The liability of GWHN, VHS Sub, and the Company for indemnification under Section 12.1(i), Section 12.2(i), or Section 12.3(i), respectively, shall be limited to an amount equal to \$3,000,000. Notwithstanding anything to the contrary, the limitations contained in this Section 12.4 shall not apply to any indemnification claims arising under Section 12.1(i), Section 12.2(i), or Section 12.3(i) as a result of the intentional misrepresentation or fraud of GWHN, VHS Sub, or the Company, respectively.

12.5 Notice and Control of Litigation. If any claim or liability is asserted in writing by a third party against a party entitled to indemnification under this Section 12 (the "Indemnified Party") that would give rise to a claim under this Section 12, the Indemnified Party shall notify the person giving the indemnity (the "Indemnifying Party") in writing of the same within fifteen (15) days of receipt of such written assertion of a claim or liability. The Indemnifying Party shall have the right to defend a claim and control the defense, settlement, and prosecution of any litigation. If the Indemnifying Party, within fifteen (15) days after notice of such claim, fails to defend such claim, the Indemnified Party shall (upon further notice to the

Indemnifying Party) have the right to undertake the defense, compromise, or settlement of such claim on behalf of and for the account and at the risk of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defense of such claim at any time prior to settlement, compromise, or final determination thereof. Anything in this Section 12.5 notwithstanding, (i) if there is a reasonable probability that a claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the Indemnified Party shall have the right, at its own cost and expense, to defend, compromise, and settle such claim, and (ii) the Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment that does not include as an unconditional term thereof the giving by the claimant to the Indemnified Party of a release from all liability in respect of such claim. The foregoing rights and agreements shall be limited to the extent of any requirement of any third party insurer or indemnitor. All parties agree to cooperate fully as necessary in the defense of such matters. Should the Indemnified Party fail to notify the Indemnifying Party in the time required above, the indemnity with respect to the subject matter of the required notice shall be limited to the damages that would have resulted absent the Indemnified Party's failure to notify the Indemnifying Party in the time required above after taking into account such actions as could have been taken by the Indemnifying Party had it received timely notice from the Indemnified Party.

12.6 Notice of Claim. If an Indemnified Party becomes aware of any breach of the representations or warranties of the Indemnifying Party hereunder or any other basis for indemnification under this Section 12 (except as otherwise provided for under Section 12.5), the Indemnified Party shall notify the Indemnifying Party in writing of the same within forty-five (45) days after becoming aware of such breach or claim, specifying in detail the circumstances and facts that give rise to a claim under this Section 12. Should the Indemnified Party fail to notify the Indemnifying Party within the time frame required above, the indemnity with respect to the subject matter of the required notice shall be limited to the damages that would have nonetheless resulted absent the Indemnified Party's failure to notify the Indemnifying Party in the time required above after taking into account such actions as could have been taken by the Indemnifying Party had it received timely notice from the Indemnified Party.

12.7 Mitigation of Damages. A party entitled to indemnification under this Section 12 shall make commercially reasonable efforts to (i) mitigate the amount of any indemnification claim it has or may have against the person giving the indemnity and (ii) pursue claims under insurance policies relating to the facts and circumstances giving rise to the indemnification claim. For purposes of determining the amount of liability under this Section 12, appropriate reductions shall be made to reflect the amount actually recovered pursuant to any insurance policy or other third party recovery that is received by the party entitled to indemnification in respect of the facts and circumstances giving rise to the indemnification claim. If an indemnification payment is received by the party entitled to indemnification, and the party entitled to indemnification later receives insurance proceeds or other third party recoveries that were not previously credited against such indemnification payment when made, the party entitled to indemnification shall promptly, but in no event later than fifteen (15) days after the actual receipt of such insurance proceeds or other third party recoveries, pay to the party giving the indemnity a sum equal to the lesser of (x) such insurance proceeds and other third party recoveries less the cost of expenses incurred by the indemnified party in collecting such insurance proceeds or other third party recovery and (y) the actual amount of the indemnification

payment previously paid by the party giving the indemnity with respect to such indemnification claim.

12.8 Indemnity Reserve. In order for VHS Sub to have meaningful financial recourse against GWHN for indemnification claims, GWHN agrees to maintain liquid assets that have no restriction on their use in the amount of (a) at least \$7,500,000 for a period of three (3) years after the Closing and (b) at least \$5,000,000 for an additional two (2) year period after the initial three (3) year period; provided, however, that if, as of the third anniversary of the Closing Date, VHS Sub has pending indemnification claims, or is reasonably likely to have indemnification claims, against GWHN in excess of \$5,000,000, then GWHN shall maintain liquid assets that have no restriction on their use in the amount of at least \$7,500,000 until the fifth anniversary of the Closing Date.

13. MISCELLANEOUS.

13.1 Schedules and Other Instruments. Each Schedule and Exhibit to this Agreement shall be considered a part hereof as if set forth herein in full. From the date hereof until the Closing Date, GWHN, VHS Sub, or the Company may update its Schedules, subject to the other parties' approval rights described below. Any other provision herein to the contrary notwithstanding, all Schedules, Exhibits, or other instruments provided for herein and not delivered at the time of execution of this Agreement or that are incomplete at the time of execution of this Agreement shall be delivered or completed within ten (10) days after the date hereof or ten (10) days prior to the Closing, whichever is sooner. It shall be deemed a condition precedent to the obligations of the parties hereto that each of the Schedules, Exhibits, and related documents, instruments, books, and records shall meet with the approval of such parties. If a party, in its reasonable discretion, determines that it should not consummate the transactions contemplated by this Agreement because of any information contained in a Schedule, Exhibit, or other instrument that is delivered to such party after the execution of this Agreement, then such party may terminate this Agreement on or before the Closing by giving written notice thereof to the other party.

13.2 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the parties except as may be herein specifically provided to the contrary; provided, however, at the request of a party, the other party or parties shall execute such additional instruments and take such additional actions as the requesting party may deem necessary to effectuate this Agreement. In addition and from time to time after Closing, GWHN shall execute and deliver such other instruments of conveyance and transfer, and take such other actions as VHS Sub and/or the Company reasonably may request, more effectively to convey and transfer full right, title, and interest to, vest in, and place the Company in legal and actual possession of, any and all of the Facilities and the Assets. GWHN shall also furnish the Company with such information and documents in its possession or under its control, or which GWHN can execute or cause to be executed, as will enable the Company or the Company Entities to prosecute any and all petitions, applications, claims, and demands relating to or constituting a part of the Facilities or the Assets. Additionally, GWHN shall cooperate and use its best efforts to have its present directors, officers, and employees cooperate with VHS Sub and/or the Company on and after Closing in furnishing information, evidence, testimony, and other assistance in connection with any action, proceeding, arrangement, or dispute of any nature

with respect to matters pertaining to all periods prior to Closing in respect of the items subject to this Agreement.

13.3 Consented Assignment. Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, right, contract, license, lease, commitment, equity interest, sales order, or purchase order if an attempted assignment thereof without the consent of the other party thereto would constitute a breach thereof or in any material way affect the rights of GWHN thereunder, unless such consent is obtained. Each of GWHN and VHS Sub shall use its commercially reasonable efforts to obtain any third party consents to the transactions contemplated by this Agreement. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially affect the rights thereunder of GWHN so that the Company would not in fact receive all such rights, GWHN and the Company shall cooperate in good faith in any reasonable arrangement designed to provide for the Company the benefits under any such claim, right, contract, license, lease, commitment, equity interest, sales order, or purchase order, including, without limitation, enforcement of any and all rights of GWHN against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

13.4 Consents, Approvals, and Discretion. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by a party, or whenever a party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

13.5 Legal Fees and Costs. In the event a party elects to incur legal expenses to enforce or interpret any provision of this Agreement by judicial proceedings, the prevailing party shall be entitled to recover such legal expenses, including, without limitation, reasonable attorneys' fees, costs, and necessary disbursements at all court levels, in addition to any other relief to which such party shall be entitled.

13.6 Liquidated Damages.

(a) Each of the parties to this Agreement acknowledges that: (i) the agreements contained in Section 11.1(b) are an integral part of the transactions contemplated by this Agreement; (ii) without these agreements, the parties would not enter into this Agreement; (iii) it would be extremely difficult and impracticable, if not impossible, to ascertain with any degree of certainty the amount of damages that would be suffered by GWHN in the circumstances in which the Termination Fee is payable; and (iv) the Termination Fee is not a penalty, but rather is liquidated damages in a reasonable amount, negotiated as the parties' reasonable estimate of GWHN's damages in the circumstances in which the Termination Fee is payable. Notwithstanding anything to the contrary in this Agreement, GWHN's right to receive payment of the Termination Fee pursuant to Section 11.1(b) shall be the sole and exclusive remedy of GWHN or any of its Affiliates against the Company or any of its Affiliates or any of their respective stockholders, partners or members for any and all losses that may be suffered based upon, resulting from or arising out of the circumstances giving rise to such termination, and upon payment of the Termination Fee in accordance with Section 11.1(b), none of the Company or any of its Affiliates or any of their respective stockholders, partners or members shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated by this Agreement.

(b) If the Company fails to pay the Termination Fee pursuant to Section 11.1(b) when due and, in order to obtain such payment, GWHN commences a suit or suits that result in a judgment or judgments against the Company for the Termination Fee, then the Company shall pay to GWHN its costs and expenses (including attorneys' fees and expenses) in connection with such suit and the collection and enforcement of such judgment(s), together with interest on the amount of the Termination Fee from the date such payment was required to be made until the date of payment at the "prime rate" of Bank of America, N.A. in effect on the date such payment was required to be made.

13.7 Choice of Law; Venue. The parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to conflict of laws principles. Any dispute or proceeding arising out of or relating in any way to the subject matter of this Agreement shall be brought only in the United States District Court for the District of Connecticut or any Connecticut state court having appropriate jurisdiction over the matter.

13.8 Benefit/Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors, and permitted assigns. No party may assign this Agreement without the prior written consent of the other parties; provided, however, that any party may, without the prior written consent of the other parties, assign its rights and delegate its duties hereunder to one or more Affiliates (as defined in Section 13.20), but in such event, the assignor shall be required to remain obligated hereunder in the same manner as if such assignment had not been effected.

13.9 Brokerage Fees. Each party agrees to be solely liable for and obligated to satisfy and discharge all loss, cost, damage, or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by such party.

13.10 Cost of Transaction. Whether or not the transactions contemplated hereby shall be consummated, the parties agree as follows: (i) GWHN shall pay the fees, expenses, and disbursements of GWHN and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto, (ii) VHS Sub shall pay the fees, expenses, and disbursements of VHS Sub and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto, and (iii) the Company shall pay the fees, expenses, and disbursements of the Company and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto. In addition, GWHN shall pay the premium costs related to the standard owner's Title Policy and the Company shall be responsible for the costs associated with any extended owner's Title Policy (including all endorsements), and the Company shall be responsible for all costs associated with the Surveys referenced in Section 7.4.

13.11 Confidentiality. The Confidentiality Agreement, dated April 5, 2011, between GWHN and VHS shall remain in full force and effect during the term hereof and shall survive termination of this Agreement. It is understood by the parties hereto that the information, documents, and instruments delivered by a party to the other parties hereto are of a confidential and proprietary nature. VHS Sub and the Company shall comply with and recognize all confidentiality and non-disclosure requirements that apply to GWHN, specifically including the privacy requirements of the Administrative Simplification subtitle of HIPAA and state

requirements, and comply with all policies and safeguards relating to protected health information (as defined by federal regulations implementing HIPAA). VHS Sub and the Company shall comply with the policies adopted by GWHN in respect of the Facilities and the medical staff for access, use, and disclosure of protected health information. Each of the parties hereto agrees that both prior and subsequent to the Closing it will maintain the confidentiality of all such confidential information, documents, or instruments of the other party, including any information, documents or instruments delivered to it by each of the other parties hereto or their agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions, and covenants hereof and will only disclose such information, documents, and instruments to its duly authorized officers, members, directors, representatives, and agents (including consultants, attorneys, and accountants of each party) and applicable governmental authorities in connection with any required notification or application for approval or exemption therefrom. Notwithstanding the foregoing, confidential information acquired by the Company as part of the Assets is the property of GWHN prior to Closing and the property of the Company from and after the Closing. Each of the parties hereto further agrees that if the transactions contemplated hereby are not consummated, it will return all such documents and instruments and all copies thereof in its possession to the other parties to this Agreement. Each of the parties hereto recognizes that any breach of this Section 13.11 would result in irreparable harm to the other parties to this Agreement and their Affiliates (as defined in Section 13.20 below) and that therefore any party to this Agreement shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash, or otherwise, in addition to all of its other legal and equitable remedies. Nothing in this Section 13.11, however, shall prohibit the use of such confidential information, documents, or information for such governmental filings as in the opinion of a party's counsel are required by law or governmental regulations or are otherwise required to be disclosed pursuant to applicable state law.

13.12 Public Announcements. The parties collectively agree that no party hereto shall release, publish, or otherwise make available to the public in any manner whatsoever any information or announcement regarding the transactions herein contemplated without the prior written consent of the other parties, except for information and filings reasonably necessary to be directed to governmental agencies to fully and lawfully effect the transactions herein contemplated or required in connection with securities and other laws.

13.13 Waiver of Breach. The waiver by any party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof.

13.14 Notice. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by receipted overnight delivery, or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

GWHN:

Greater Waterbury Health Network, Inc.

Attention: President

With a simultaneous copy to: Carmody & Torrance LLP
195 Church Street
New Haven, Connecticut 06509
Attention: Ann H. Zucker

The Company: VHS Waterbury Health System, LLC
c/o Vanguard Health Systems, Inc.
20 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: Members

With a simultaneous copy to: Vanguard Health Systems, Inc.
20 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: General Counsel

VHS Sub or VHS: Vanguard Health Systems, Inc.
20 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: Vice Chairman

With a simultaneous copy to: Vanguard Health Systems, Inc.
20 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: General Counsel

or to such other address, and to the attention of such other person or officer, as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

13.15 Severability. In the event any provision of this Agreement is held to be invalid, illegal, or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice, or disturb the validity of the remainder of this Agreement, which shall be and remain in full force and effect, enforceable in accordance with its terms.

13.16 Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

13.17 Divisions and Headings. The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

13.18 Survival. All of the representations, warranties, covenants, and agreements made by the parties in this Agreement or pursuant hereto in any certificate, instrument, or document shall survive the consummation of the transactions in the manner described herein, and may be fully and completely relied upon by GWHN, VHS Sub, and the Company, as the case may be, notwithstanding any investigation heretofore or hereafter made by any of them or on behalf of any of them, and shall not be deemed merged into any instruments or agreements delivered at the

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Closing or thereafter. Each party acknowledges that no representations or warranties are made except as specifically set forth herein. Notwithstanding anything in this Section 13.18 that may be to the contrary, any claim, demand, or cause of action with respect to a breach of any representation or warranty made in this Agreement (other than representations or warranties contained in Sections 4.1, 4.2, 4.3, 4.11, 4.29, 5.1, 5.2 and 5.3, which shall survive indefinitely, and the representations or warranties contained in Sections 4.7, 4.8, 4.12, 4.14, 4.15, 4.16 and 4.22, which shall survive until the longer of five (5) years or 90 days after the expiration of the applicable statute of limitations relating to the underlying claim, including extensions and waivers), must be made or brought, if at all, within eighteen (18) months after the Closing Date. For the avoidance of doubt, this Section 13.18 shall not affect any rights to bring claims after eighteen (18) months based on (a) any covenant or agreement of the parties that contemplates performance after the Closing, (b) the obligations of GWHN under Section 12.1(ii), 12.1(iii) or 12.1(iv), (c) the obligations of VHS Sub under Section 12.2(ii), or (d) the obligations of the Company under Sections 11.1(b), 12.3(ii), 12.3(iii) or 12.3(iv), or (e) the obligations of the parties under Section 12.7.

13.19 *Dispute Resolution.* The parties hereby agree that, prior to pursuing any other legal remedy, any controversy or claim arising out of this Agreement shall be resolved through the following procedures:

(a) In the event of a controversy or claim arising under this Agreement, either party may give the other party notice of such dispute pursuant to Section 13.14 hereof, and promptly thereafter the parties will jointly appoint a mutually acceptable mediator to mediate the dispute. If the parties are unable to agree on a mutually acceptable mediator within thirty (30) days after receipt of notice of a dispute, then the parties shall request assistance from the American Arbitration Association in finding a mutually acceptable mediator. Each party shall bear its own costs incurred in the mediation and shall bear one-half the costs and expenses of the mediator and any similar parties that may assist in the mediation.

(b) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days, unless a longer period is otherwise agreed.

13.20 *Affiliates.* As used in this Agreement, the term “Affiliate” means, as to the entity in question, any person or entity that directly or indirectly controls, is controlled by, or is under common control with the entity in question, and the term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract, or otherwise. The term “Affiliate” does not include any Partial Subsidiaries or any stockholder of VHS.

13.21 *Waiver of Jury Trial.* EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE, INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW, OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO

ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

13.22 Accounting Date. The transactions contemplated hereby shall be effective for accounting purposes as of 12:01 a.m. on the day following the Closing Date, unless otherwise agreed in writing by GWHN and VHS Sub. The parties will use commercially reasonable efforts to cause the Closing to be effective as of a month end.

13.23 No Inferences. Inasmuch as this Agreement is the result of negotiations between sophisticated parties of equal bargaining power represented by counsel, no inference in favor of, or against, either party shall be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such party.

13.24 No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of GWHN, VHS Sub, and the Company and their respective permitted successors or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third party beneficiary rights upon any other person.

13.25 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

13.26 Entire Agreement/Amendment. This Agreement supersedes all previous contracts or understandings, including any offers, letters of intent (including the letter of intent dated October 29, 2012), proposals, or letters of understanding, and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting the within subject matter, and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically incorporated herein shall be of any force and effect. The parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. All prior representations or agreements, whether written or verbal, not expressly incorporated herein are superseded, and no changes in or additions to this Agreement shall be recognized unless and until made in writing and signed by all parties hereto. This Agreement may be executed in two (2) or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement may not be amended other than by written instrument signed by the parties hereto.

13.27 VHS Guaranty. VHS hereby unconditionally and absolutely guarantees the prompt performance and observation by VHS Sub of each and every obligation, covenant, and agreement of the Company and VHS Sub arising out of, connected with, or related to, this Agreement or any ancillary documents hereto and any extension, renewal, and/or modification thereof. The obligation of VHS under this Section 13.27 is a continuing guaranty and shall remain in effect, and the obligations of VHS shall not be affected, modified, or impaired upon

the happening from time to time of any of the following events, whether or not with notice or consent of VHS:

(a) the compromise, settlement, release, change, modification, amendment (except to the extent of such compromise, settlement, release, change, modification, or amendment) of any or all of the obligations, duties, covenants, or agreements of any party under this Agreement or any ancillary documents hereto; or

(b) the extension of the time for performance of payment of money pursuant to this Agreement, or of the time for performance of any other obligations, covenants, or agreements under or arising out of this Agreement or any ancillary documents hereto or the extension or the renewal thereof.

13.28 Other Owners of Assets. The parties acknowledge that certain Assets may be owned by Affiliates of GWHN and not GWHN. Notwithstanding the foregoing, and for purposes of all representations, warranties, covenants, and agreements contained herein, GWHN agrees that (i) its obligations with respect to any Assets shall be joint and several with any Affiliate that owns or controls such Assets, (ii) the representations and warranties herein, to the extent applicable, shall be deemed to have been made by, on behalf of and with respect to, such Affiliates in their ownership capacity, and (iii) it has the legal capacity to cause, and it shall cause, any Affiliate that owns or controls any Assets to meet all of GWHN's obligations under this Agreement with respect to such Assets. GWHN hereby waives any defense to a claim made by VHS Sub or the Company under this Agreement based on the failure of any person who owns or controls the Assets to be a party to this Agreement.

13.29 Risk of Loss. Notwithstanding any other provision hereof to the contrary, the risk of loss in respect of casualty to the Assets shall be borne by GWHN prior to the time of Closing and by the Company thereafter.

13.30 Equipment Leases. In the event that certain of GWHN's equipment leases with respect to the business of the Facilities are determined to be capital leases rather than operating leases, then, at or following the Closing, the Company shall refinance those leases either (a) through VHS Sub on the same general economic terms and conditions as embodied in the underlying lease, or (b) through a third party lender on terms and conditions reflecting prevailing market rates.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their authorized officers, all as of the date first above written.

**GREATER WATERBURY HEALTH NETWORK,
INC.**

By: _____

Title: _____

VHS WATERBURY HEALTH SYSTEM, LLC

By: _____

Title: _____

**VHS WATERBURY MANAGEMENT COMPANY,
LLC**

By: _____

Title: _____

VANGUARD HEALTH SYSTEMS, INC.

By: _____

Title: _____

EXHIBIT 2: OPERATING AGREEMENT

AMENDED AND RESTATED OPERATING AGREEMENT

This Amended and Restated Operating Agreement, dated _____, 2013, is between VHS Waterbury Management Company, LLC, a Delaware limited liability company (“**WMC**”), Greater Waterbury Health Network, Inc. (“**GWHN**”), a Connecticut non-stock corporation, and VHS Waterbury Health System, LLC, a Delaware limited liability company (the “**Company**,” WMC, GWHN and the Company are also individually referred to as “**party**” and collectively as “**parties**”). Capitalized terms are defined in Article 1.

RECITALS:

WHEREAS, on _____, 2013, GWHN, WMC and Vanguard executed the Contribution Agreement relating to the Hospital Businesses owned and operated by GWHN and its Affiliates;

WHEREAS, this Agreement and the various terms and covenants set forth in this Agreement were incorporated by reference into the Contribution Agreement and were a material element of the Contribution Agreement and the overall transactions contemplated by the Contribution Agreement;

WHEREAS, on _____, 2013, WMC formed the Company under the Act pursuant to the filing of a Certificate of Formation with the Delaware Secretary of State and the execution of an operating agreement dated as of _____, 2013;

WHEREAS, GWHN desires to become a Member of the Company; and

WHEREAS, to reflect the admission of GWHN as a new Member of the Company and to reflect certain other new terms and conditions relating to the transaction contemplated by the Contribution Agreement, the Members and the Company now desire to amend and restate the operating agreement of the Company upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and undertakings hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members and the Company do hereby amend and restate the operating agreement as follows:

AGREEMENT:

1. GENERAL.

As used herein, the following terms have the following meanings:

1.1 **Act** means the Delaware Limited Liability Company Act, as revised or amended from time to time.

1.2 **Adjusted Capital Account Deficit** means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit to the Capital Account any amounts that the Member is obligated to restore pursuant to this Agreement or as determined pursuant to Treasury Regulations section 1.704-1(b)(2)(ii)(c), or that the Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Treasury Regulations sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(5) and 1.704-1(b)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.3 **Affiliate** means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control of such Person, but does not include any institutional stockholder of Vanguard.

1.4 **Affirmative Election** is defined in Section 6.1(b).

1.5 **Bankruptcy** means, with respect to any Person: (i) the inability of such Person generally to pay its debts as they become due, or an admission in writing by such Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors; the filing of any petition or answer by such Person seeking to adjudicate it bankrupt or insolvent, or seeking for itself any liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of such Person or its debts under any Legal Requirement relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking, consenting to, or acquiescing in the entry of an order for relief or the appointment of a receiver, trustee, custodian, or other similar official for such Person or for any substantial part of its property, or corporate action taken by such Person to authorize any of the actions set forth above; and (ii) without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or other similar relief under any present or future bankruptcy, insolvency, or similar Legal Requirement, or the filing of any such petition against such Person which petition shall not be dismissed within 90 days, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person which order shall not be dismissed within 60 days.

1.6 **Board of Directors** or **Board** has the meaning given such term in Section 5.1(a).

1.7 **Board of Trustees** has the meaning given such term in Section 5.3.

1.8 **Book Basis** means, with respect to any asset, the asset's adjusted basis for federal income Tax purposes, except as follows.

(a) The initial Book Basis for any asset (other than money) shall be the fair market value of property at the time of contribution contributed by a Member, as set forth on Exhibit A;

(b) The Book Basis of all Company assets shall be adjusted to equal their respective gross fair market values, as reasonably determined by all of the Members as of the following times: (i) the acquisition of an additional Membership Interest in the Company by any new or existing Member in exchange for more than a *de minimis* Capital Contribution; (ii) the distribution by the Company to a Member of more than a *de minimis* amount of cash or property as consideration for a Membership Interest in the Company, if (in any such event) such adjustment is necessary or appropriate, in the reasonable judgment of all of the Members to reflect the relative economic interests of the Members in the Company; or (iii) the liquidation of the Company for federal income Tax purposes pursuant to Treasury Regulations section 1.704-1(b)(2)(ii)(g), provided that, if a Member or former Member whose Membership Interest in the Company is being purchased or liquidated does not accept the proposed adjustment to the Book Basis of any asset or assets, then such adjustment shall be determined by the following procedure: the disagreeing Members shall each select a qualified appraiser; unless the same Person is selected, the two appraisers shall then jointly nominate a third, neutral qualified appraiser, who shall determine the appropriate adjustment and whose determination, absent manifest error, shall be final and conclusive on the Company and the Members;

(c) The Book Basis of any Company asset distributed to any Member shall be adjusted to equal its gross fair market value on the date of distribution;

(d) The Book Basis of the Company's assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code section 734(b) or Code section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(m) and Section 4.8; provided that Book Basis shall not be adjusted pursuant to this subparagraph (d) to the extent that an adjustment pursuant to subparagraph (b) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d); and

(e) If the Book Basis of an asset has been determined or adjusted pursuant to subparagraph (a), (b), or (d) above, such Book Basis shall thereafter be adjusted by the Depreciation taken into account from time to time with respect to such asset for purposes of computing Profits and Losses.

1.9 **Book/Tax Disparity Property** means any property owned by the Company that has a Book Basis different from its adjusted Tax basis to the Company, and any property (other than money) contributed to the capital of the Company by a Member shall be Book/Tax Disparity Property if its fair market value at the time of contribution is not equal to the Company's initial federal income Tax basis in the property.

1.10 **Capital Account** has the meaning given such term in Section 3.4.

1.11 **Capital Call** has the meaning given such terms in Section 3.2.

1.12 **Capital Contribution** means, with respect to any Member, the amount of money or property contributed or deemed contributed to the Company with respect to the Membership Interests held by such Member pursuant to the terms of this Agreement. Any property contributed by a Member to the Company shall be valued at the fair market value of the property on the date of contribution, it being understood that the fair market value of the property being contributed by GWHN or its Affiliates by or on behalf of GWHN shall be as set forth on Exhibit A. The principal amount of a promissory note that is not readily traded on an established securities market and which is contributed to the Company by the maker of the note or a Person related to the maker of the note within the meaning of Treasury Regulations section 1.704-1(b)(2)(ii)(c) shall not be included in the Capital Contribution of any Member until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulations section 1.704-1(b)(2)(iv)(d)(2).

1.13 **Cash Available for Distribution** means all cash funds of the Company on hand or in bank accounts beneficially owned by the Company, less the sum of the following: (i) all regularly scheduled principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) the outstanding principal amount of the Line of Credit, together with interest thereon; (iii) all cash expenditures incurred incidental to the operation of the Company's business pursuant to the operating and capital budgets; and (iv) working capital and reserves in an amount that the Manager reasonably deems to be necessary for the Company.

1.14 **Certificate** means the Certificate of Formation of the Company.

1.15 **Class A Member** means WMC, its successors and permitted assigns, and any other Person admitted to the Company as a Class A Member in accordance with this Agreement.

1.16 **Class B Affiliate** means, with respect to each Class B Member, an Affiliate of such Member, other than a natural Person.

1.17 **Class B Member** means GWHN, its successors and permitted assigns, and any other Person admitted to the Company as a Class B Member in accordance with this Agreement.

1.18 **Closing** means the consummation of the transactions described in the Contribution Agreement.

1.19 **Closing Date** means _____, 2013.

1.20 **Code** means the Internal Revenue Code of 1986, as amended, and Treasury Regulations and interpretations thereunder.

1.21 **Company** means the limited liability company that is the subject of this Agreement.

1.22 **Company Minimum Gain** has the same meaning as "*partnership minimum gain*" under Treasury Regulations section 1.704-2(d).

1.23 **Consolidated Debt** means, at any time with respect to any Person, the principal amount of all indebtedness required to be reflected on the liability side of a consolidated balance sheet of such Person and its subsidiaries (other than current liabilities that are not in respect of indebtedness for borrowed money or capital lease obligations) prepared in accordance with generally accepted accounting principles at such time, determined on a *pro forma* basis for any transactions completed as of the most recently ended fiscal quarter, net of cash on the balance sheet at the end of such fiscal quarter.

1.24 **Consolidated Leverage Ratio** means, at any time, the ratio of Consolidated Debt at such time to Consolidated Pro Forma EBITDA for the four fiscal quarters ended on the date of determination or, if the date of determination is not the last day of a fiscal quarter, for the then most recently ended four fiscal quarters.

1.25 **Consolidated Pro Forma EBITDA** means, for any Person, earnings before depreciation, interest expense, investment income, income Taxes and amortization of such Person and its consolidated subsidiaries for the most recently ended four fiscal quarters, in each case determined in accordance with generally accepted accounting principles, adjusted to exclude extraordinary gains or losses, non-cash charges and adjustments (other than non-cash charges or adjustments related to any inventory or accounts receivable and non-cash charges that require an accrual of or reserves for cash charges for any future period), determined on a *pro forma* basis for any transactions completed as of the most recently ended fiscal quarter.

1.26 **Contribution Agreement** means that certain Contribution Agreement, dated as of _____, 2013, by and among WMC, Vanguard and GWHN, as amended from time to time.

1.27 **Credit Agreement** means the agreement pursuant to which VHFC shall provide to the Company a line of credit for the purpose of making capital expenditures and other general corporate purposes upon the terms and conditions set forth therein.

1.28 **Depreciation** means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Book Basis of an asset differs from its adjusted basis for federal income Tax purposes at the beginning of such year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Book Basis as the federal income Tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted Tax basis, provided that if such depreciation, amortization or other cost recovery deduction with respect to any such asset for federal income Tax purposes is zero for any Fiscal Year, Depreciation shall be determined with reference to the asset's Book Basis at the beginning of such year using any reasonable method selected by the Manager.

1.29 **Election Period** is defined in Section 6.1(b).

1.30 **Essential Service** means any of the services listed or described on Schedule 1.30.

1.31 **Fair Market Value** means the value of the Membership Interests determined by the mutual agreement of the Members. If the Members cannot agree as to the Fair Market Value of the Membership Interests within 30 days, then Fair Market Value shall be determined by

independent appraisers selected by each of GWHN and WMC, qualified to value health care businesses, who shall value the Company and the Membership Interests at the sole cost and expense of the Member selecting each such appraiser. Such appraisers shall be appointed within fifteen (15) days of the date that the Members determine that they cannot agree as to Fair Market Value. In the event the two valuations are within 10% of each other (i.e., if the higher of the two valuations is no greater than 1.10 times the lower valuation), the valuations shall be averaged and the average valuation shall be the Fair Market Value. In the event the two valuations are more than 10% of one another (i.e., if the higher of the two valuations is no greater than 1.10 times the lower valuation), the appraisers, within fifteen (15) days of completion of the last valuation shall meet and select an appraiser with the qualifications as set forth above and who shall value the Company and the Membership Interests, which valuation shall be deemed the Fair Market Value. The costs and expenses of the third appraiser shall be split equally between GWHN and WMC. The Fair Market Value as determined in accordance with this definition shall be binding on all Members. The appraisers shall take into consideration all factors that affect value, including, but not limited to, the marketability or lack thereof of the Membership Interests and the terms of this Agreement, including restrictions on transfer.

1.32 **Fiscal Year** means (i) the period commencing on the effective date of this Agreement and ending on June 30, (ii) any subsequent 12-month period commencing on July 1 and ending on June 30, or (iii) any portion of the period described in clause (ii) for which the Company is required to allocate Profits and Losses and other items of Company income, gain, loss or deduction pursuant to Article 4.

1.33 **Governmental Authorities** means any executive, legislative or judicial agency, authority, board, body, commission, court, department, instrumentality or office of any federal, state, city, county, district, municipality, foreign or other government or quasi-government unit or political subdivision.

1.34 **GWHN Member** means GWHN and its successors and any other Affiliate of GWHN that is admitted as a Class B Member.

1.35 **Hospital** means Waterbury Hospital.

1.36 **Hospital Business** means an acute care hospital, specialty hospital, rehabilitation facility, diagnostic imaging center, inpatient or outpatient psychiatric facility, ambulatory or other type of surgery center, nursing home, skilled nursing facility, home health or hospice agency, physician clinic or physician medical practice, insurance company, health benefits provider or administrator, and any other business (including a non-Hospital Business) reasonably related or incidental to or complementary to any of the foregoing Hospital Businesses.

1.37 **Investments** means shares of capital stock of any corporation, equity interests in partnerships or limited liability companies, or other equity or debt instruments in any other Person, and proceeds from the sale thereof.

1.38 **Legal Requirements** means, with respect to any Person, all statutes, laws, ordinances, codes, rules, regulations, restrictions, orders, judgments, rulings, writs, injunctions,

decrees, determinations or awards of any Governmental Authority having jurisdiction over such Person or any of such Person's assets or businesses.

1.39 **Line of Credit** has the meaning given such term in Section 3.8.

1.40 **Management Services Agreement** means the agreement pursuant to which the Company has delegated to WMC the management of the day-to-day operation of the Hospital and the Hospital Businesses upon the terms and conditions set forth therein.

1.41 **Manager** means WMC, its successors and permitted assigns.

1.42 **Material Dispute** means a dispute, disagreement, or difference of opinion between the Class A Directors and the Class B Directors regarding any of the matters set forth in Section 5.1(e), as a result of which any such item fails to receive the approval of the Board at two consecutive meetings of the Board of Directors.

1.43 **Member** means a Class A Member or a Class B Member.

1.44 **Membership Interests** means the interest of a Member in the Company.

1.45 **Member Nonrecourse Debt Minimum Gain** has the same meaning as “*partner nonrecourse debt minimum gain*” under Treasury Regulations section 1.704-2(i)(2) and shall be determined in accordance with Treasury Regulations section 1.704-2(i)(3).

1.46 **Member Nonrecourse Deductions** has the same meaning as “*partner nonrecourse deductions*” under Treasury Regulations section 1.704-2(i)(1). The amount of Member Nonrecourse Deductions with respect to a Member's Nonrecourse Debt for each Fiscal Year of the Company equals the excess (if any) of the net increase (if any) in the amount of Member Nonrecourse Debt Minimum Gain attributable to such Member's Nonrecourse Debt during such Fiscal Year over the aggregate amount of any distributions during such Fiscal Year to the Member that bears the economic risk of loss for such Member's Nonrecourse Debt to the extent that such distributions are from the proceeds of such Member's Nonrecourse Debt which are allocable to an increase in Member Nonrecourse Debt Minimum Gain attributable to such Member's Nonrecourse Debt, determined in accordance with Treasury Regulations section 1.704-2(i)(2).

1.47 **Nonrecourse Debt** has the same meaning as “*nonrecourse liability*” under Treasury Regulations section 1.704-2(b)(3).

1.48 **Nonrecourse Deductions** has the meaning set forth in Treasury Regulations section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a Fiscal Year equals the excess (if any) of the net increase (if any) in the amount of Company Minimum Gain during that Fiscal Year over the aggregate amount of any distributions during that Fiscal Year of proceeds of a Nonrecourse Debt that are allocable to an increase in Company Minimum Gain, determined according to the provisions of Treasury Regulations section 1.704-2(c).

1.49 **Offer** means a *bona fide* written offer pursuant to which a Person that is not an Affiliate of Vanguard would purchase some or all of the Membership Interests owned by the

Class A Member for the consideration and upon the other terms and conditions set forth in such offer.

1.50 **Percentage Interest** means (i) from the formation of the Company until and through the Closing Date, 100% to WMC, and (ii) after the Closing Date, 80% to the Class A Members as a class and 20% to the Class B Members as a class, in each case allocated among the Class A Members and Class B Members in the manner set forth on Exhibit A, subject in all events to adjustment as provided in this Agreement.

1.51 **Permitted Transferee** means any one or more of (i) Vanguard, (ii) any Subsidiary of Vanguard and (iii) any Person who is a lender or other “*Secured Creditor*” under and pursuant to the Principal Credit Agreement or other financial institution as collateral for loans or other indebtedness.

1.52 **Person** means any natural person, corporation, partnership, trust, trustee, foundation, limited liability company or other legal entity.

1.53 **Principal Credit Agreement** means the Credit Agreement, dated as of January 29, 2010 (as amended, modified, restated, and/or supplemented from time to time), between Vanguard Health Holding Company I, LLC, Vanguard Health Holding Company II, LLC, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and as Collateral Agent, and the other parties thereto, providing for the making of loans to, and the issuance of, and participation in, letters of credit for the account of the borrower thereunder, and any credit agreement or credit facility that replaces the foregoing agreement.

1.54 **Profits and Losses** means, for each Fiscal Year or other period, an amount equal to the Company’s taxable income or loss for such Fiscal Year or period, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income Tax and not otherwise taken into account in computing Profits and Losses pursuant to this Section shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code section 705(a)(2)(B) or treated as Code section 705(a)(2)(B) expenditures pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits and Losses pursuant to this Section shall be subtracted from taxable income or loss;

(c) All items of gain or loss resulting from any disposition of the Company’s property shall be determined based on the Book Basis of such property rather than the adjusted Tax basis thereof;

(d) If the Book Basis of any Company asset is adjusted pursuant to subparagraph (b) or (c) of the definition of Book Basis, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes

of computing Profits or Losses unless such gain or loss is specially allocated pursuant to Article 4;

(e) In lieu of the depreciation, amortization and other cost recovery deduction taken into account in determining such taxable income or loss, there shall be deducted Depreciation, computed in accordance with the definition of such term; and

(f) Notwithstanding any other provision of this Section, any items which are specially allocated pursuant to Article 4 shall not be taken into account in computing Profits or Losses.

The amounts of items of Company income, gain, loss, or deduction available to be specially allocated pursuant to Article 4 shall be determined by applying rules analogous to those set forth in subparagraphs (a) through (f) above.

1.55 **Regulatory Allocations** has the meaning given such term in Section 4.9.

1.56 **Standards** are defined in Section 2.6(d).

1.57 **Subject Interest** is defined in Section 6.1(b).

1.58 **Subsidiary** means, with respect to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person, (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time and the management of which is controlled, directly or indirectly, by such Person or through one or more Subsidiaries of such Person and (iii) any entity that is organized as a not-for-profit business organization and (A) whose accounts are required in accordance with generally accepted accounting principles to be consolidated with the accounts of such Person or (B) whose sole member is such Person.

1.59 **Tax** means any income, unrelated business income, gross receipts, license, payroll, employment, excise, severance, occupation, privilege, premium, net worth, windfall profits, environmental (including Taxes under section 59A of the Code), customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, recording, stamp, sales, use, services, service use, transfer, registration, escheat, unclaimed property, value added, alternative or add-on minimum, estimated or other Tax, assessment, charge, levy or fee of any kind whatsoever, including payments or services in lieu of Taxes, interest or penalties on and additions to all of the foregoing, that are due or alleged to be due to any Governmental Authority, whether disputed or not.

1.60 **Tax Item** means, with respect to any property, all items of Profits and Losses (including Tax depreciation) recognized or allowable to the Company with respect to such property, as computed for federal income Tax purposes.

1.61 **Tax Return** means any return, declaration, report, claim for refund, information return, filing obligation of any Code section 501(c)(3) organization, or statement, including schedules and attachments thereto and amendments, relating to Taxes.

1.62 **Treasury Regulations** means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

1.63 **UBIT** has the meaning given such term in Section 6.3(d).

1.64 **Vanguard** means Vanguard Health Systems, Inc., a Delaware corporation and the ultimate parent company of WMC, and its successors and assigns.

1.65 **VHFC** means Vanguard Health Financial Company, LLC, a Delaware limited liability company and an Affiliate of WMC and Vanguard.

1.66 **WMC** has the meaning given such term in the preamble of this Agreement.

2. ORGANIZATION.

2.1 Formation. The parties agree to operate a limited liability company under and pursuant to the Act, subject to the terms and conditions contained in this Agreement.

2.2 Name. The name of the Company shall be VHS Waterbury Health System, LLC. The Company shall do business under the name “_____.”

2.3 Principal Place of Business; Treatment as a Partnership. The principal place of business of the Company is expected to be located at 64 Robbins Street, Waterbury, Connecticut 06721. The Company will not take any action to prevent the Company from being taxed as a partnership for federal income Tax purposes, but is not intended to be operated or treated as a partnership for purposes of section 303 of the federal Bankruptcy Code.

2.4 Term. The term of the Company commenced on the date of the filing of the Certificate with the Office of the Secretary of State of Delaware, and shall continue in perpetuity, unless earlier terminated in accordance with the provisions hereof or as provided by law.

2.5 Registered Office and Agent. The registered office of the Company shall be located at 9 East Loockerman Street, Dover, Delaware 19901, County of Kent, and the Company’s registered agent for service of process at such location shall be National Registered Agents, Inc.

2.6 Purpose; Nature of the Business.

(a) The purposes of the Company are (i) to increase the ability and commitment of the Hospital Businesses to provide health care services in Waterbury, Connecticut and its surrounding communities (including charity care and community health services), (ii) to provide efficient and cost-effective rendering of health care services for the benefit of health care consumers in Waterbury, Connecticut and its

surrounding communities, (iii) to provide quality medical care, (iv) to own, manage, operate, lease, or take any other action in connection with operating the Hospital Businesses, (v) to acquire (through asset acquisition, stock acquisition, lease, or otherwise) and develop other services and property, both real and personal, in connection with providing health care related services, (vi) to enter into such financial arrangements as the Board of Directors may determine to be necessary, appropriate or advisable, including borrowing money and issuing evidences of indebtedness and securing the same by mortgage, deed of trust, security interest or other encumbrance upon one or more or all of the Company's assets, (vii) to sell, assign, lease, exchange, or otherwise dispose of, or to finance or refinance, one or more of the Company's assets, and (viii) generally to engage in such other business and activities and to do any and all other acts and things that the Board of Directors deems necessary, appropriate or advisable from time to time in furtherance of the purposes of the Company as set forth in this Section.

(b) In furtherance of the purposes of the Company, the Board of Directors and the Manager shall conduct the business and operations of the Company in such a manner as to satisfy the charitable purposes generally required of hospitals under section 501(c)(3) of the Code and the community benefits standards set forth in Revenue Ruling 69-545, as modified and amended, including (i) accepting without discrimination all Medicare and Medicaid patients, (ii) operating emergency rooms and accepting all patients with an emergency condition in the emergency room without regard to source of payment or the ability of such emergency patients to pay and accepting indigent patients in accordance with the indigent care policies at the Hospitals, (iii) maintaining an open medical staff, (iv) providing public health programs of educational benefit to the community, and (v) generally promoting the health, wellness, and welfare of the community by providing quality health care to a broad cross section of the community at a reasonable cost.

(c) The Company shall comply with the requirements of sections 501(r)(3) – (6) of the Code with respect to conducting a community needs health assessment, establishing a written financial assistance policy, limiting amounts charged for emergency and other medically necessary services for those qualifying for financial assistance, and foregoing extraordinary collection actions against an individual before determining whether that individual is eligible for financial assistance. The Company shall provide to GWHN such information as GWHN reasonably requests to allow GWHN to comply with the reporting requirements of section 501(r) of the Code and with other state and federal reporting requirements of GWHN and the GWHN Member, including Form 990 and applicable schedules, Form 990T, and Connecticut charity care and other similar reports, if and to the extent required by GWHN or the GWHN Member.

(d) The Members hereby acknowledge and agree that the operations of the Company shall not be conducted in a manner solely designed to maximize profits. In the event there is a conflict between the operation of the Company in accordance with the Standards and any duty to maximize profits, the Board of Directors and the Manager shall satisfy the Standards without regard to the consequences for maximizing profitability of the Company. The requirements set forth in clauses (i), (ii) and (iii) of Section 2.6(a), 2.6(b), 2.6(c) and 2.6(d) are referred to herein as the “**Standards.**”

2.7 The Company shall commit to expend not less than \$55 million dollars on capital items and the development and improvement of ambulatory services in the greater Waterbury community by not later than seven (7) years after Closing. Notwithstanding the above capital commitment, in the event that any legal requirement is enacted or imposed after the Closing Date that discriminates against, or adversely affects a disproportionate number of, for-stock hospitals or other for-profit health care entities, or causes the Company to suffer a material decline in consolidated earnings before interest, taxes, depreciation and amortization on a consolidated basis, then the Company shall be relieved of its obligation to provide the above capital commitment and shall be required to consult with the Board of Trustees to determine an alternate mutually agreeable capital commitment of the Company that is reasonable and appropriate in light of the changed circumstances caused by the new legal requirement.

3. CAPITALIZATION OF THE COMPANY.

3.1 Initial Capital Contributions. The Members shall contribute, or be deemed to contribute, as initial Capital Contributions to the Company, the cash and/or property to the capital of the Company as set forth on Exhibit A.

3.2 Additional Capital Contributions.

(a) The Manager shall have the right and obligation to call for additional Capital Contributions (a “**Capital Call**”) to fund the working capital needs of, or capital expenditures by, the Company from time to time, to the extent cash flows from operations or borrowings under the Line of Credit are not available for such purposes. The Manager shall call for Additional Capital Contributions if, after giving effect to any borrowing required to fund the Company’s working capital needs or capital expenditures, the Company’s Consolidated Leverage Ratio would exceed 4.00:1.00. Such Capital Call shall be set forth in a written notice (“**Call Notice**”) delivered to each Member setting forth the aggregate amount of the additional Capital Contribution so called, the proportionate amount thereof called from the Class A Members (as a class) and the Class B Members (as a class) and the funding date therefor (which may be no earlier than 15 business days following the delivery of such notice).

(b) If a Class A Member or Class B Member fails to make the additional Capital Contribution as required by this Agreement, then the other Member(s) shall have the right, but not the obligation, to contribute the aggregate amount of the additional Capital Contribution specified in the Call Notice (both the portion allocated to the Class A Members and the portion allocated to the Class B Members) to the Company, in which event, the relative Percentage Interests of the Members shall be adjusted to reflect the Capital Contributions actually made by the Members.

3.3 No Interest or Right to Withdraw. No Member shall have the right to demand the return of, or otherwise withdraw, its contribution or to receive any specific property of the Company except as specifically provided in this Agreement. No Member shall have the right to demand and receive property other than cash in return for its contributions. No interest shall be paid on Capital Contributions or on balances in the Capital Accounts.

3.4 Capital Accounts. The Company will maintain for each Member an account (its “**Capital Account**”) determined from time to time as follows:

(a) Each Member’s Capital Account will be increased by the amount of cash and the fair market value of property contributed to the Company by the Member, the Member’s distributive share of Profits, any items in the nature of income or gain specially allocated to the Member, and the amount of any Company liabilities that are assumed by the Member or that are secured by any property distributed by the Company to the Member;

(b) Each Member’s Capital Account will be decreased by the amount of cash and the fair market value of property distributed by the Company to the Member, the Member’s distributive share of Losses, any items in the nature of loss or deduction specially allocated to the Member, and the amount of any liabilities of the Member that are assumed by the Company; and

(c) In determining the amount of any liability for purposes of this Section, there shall be taken into account Code section 752(c) and any other applicable provisions of the Code and Treasury Regulations.

For the purpose of clarity, the assumption by the Company of certain liabilities of GWHN or its Affiliates pursuant to the Contribution Agreement (including the assumption of the capital lease obligations described on Schedule 2.3(d) to the Contribution Agreement) shall not result in any decrease in the Capital Account of the GWHN Member pursuant to the foregoing clause (b).

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Section. If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with the Treasury Regulations, the Manager may make such modification, but only if it is not likely to have a material effect on amounts distributable to any Member upon the dissolution of the Company. The Manager also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company’s balance sheet, as computed for book purposes in accordance with Treasury Regulations section 1.704-1(b)(2)(iv)(g), and (ii) make any appropriate modifications if unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations section 1.704-1(b).

3.5 Effect of Transfer of Membership Interests. If all or a portion of a Member’s Membership Interests are transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent of the Membership Interests so transferred, provided that no transfer of any Membership Interests shall, in and of itself, relieve the transferor of any obligation to the Company.

3.6 No Further Capital Contributions. Other than the contributions of cash and/or property described on Exhibit A, no Member shall be obligated to make, and no Member shall

make, any contributions to the capital of the Company except pursuant to a Capital Call pursuant to Section 3.2.

3.7 Assumption of Capitalized Leases. In connection with the consummation of the transactions described in the Contribution Agreement, the Company has assumed certain capitalized lease obligations more particularly described on Schedule 2.3(d) to the Contribution Agreement.

3.8 Revolving Line of Credit. Pursuant to the Credit Agreement, VHFC shall also extend to the Company a \$55 million revolving line of credit (the “**Line of Credit**”) to be drawn upon as needed by the Company for working capital, capital expenditures and other permitted purposes to the extent that such financial needs cannot be funded out of the Company’s cash flow from operations, provided that the Company may not make any borrowing under the Line of Credit (i) if an event of default has occurred and remains uncured under the Credit Agreement or (ii) to the extent that, immediately after giving effect to the borrowing of such revolving loans, the Company’s Consolidated Leverage Ratio would exceed 4.00:1.00. The Manager shall be authorized and obligated to demand an advance permitted under the Line of Credit when needed as described in this Section. The Company’s indebtedness arising by virtue of advances under the Line of Credit shall be evidenced by, and repayable as provided in, a note in the form attached to the Credit Agreement, shall bear interest at a *per annum* rate of interest equal to Vanguard’s weighted average cost of indebtedness for borrowed money adjusted quarterly, and shall also be secured by all of the assets of the Company.

3.9 No Member Loans. Except as otherwise provided in the Credit Agreement, none of the Members and their Affiliates shall be obligated to lend money to the Company.

3.10 Non-Member Loans. If the Company elects in its discretion to refinance the indebtedness advanced to the Company pursuant to the Credit Agreement in whole or in part, then upon such refinancing, the Credit Agreement shall terminate and VHFC’s obligation to provide further credit pursuant thereto shall expire and be of no further force or effect.

4. ALLOCATION OF INCOME AND LOSS; CASH DISTRIBUTIONS.

4.1 Allocation of Profits and Losses. After giving effect to the special allocations described in this Article, Profits and Losses of the Company for any Fiscal Year shall be apportioned among and allocated to the Members in accordance with the Percentage Interest of each Member as of the first day of the Fiscal Year, provided that, if the Percentage Interest of any Member changes during any Fiscal Year, Profits and Losses for each month shall be allocated among the Members in proportion to the Percentage Interest of each Member as of the first day of such month, and each Member’s share of Profits and Losses for such Fiscal Year shall be equal to the sum of its share of Profits and Losses for each month during the Fiscal Year. For purposes of allocating Profits and Losses of the Company, any and all Capital Contributions made by a Member shall be deemed made on the date of the Capital Contribution (the “**Contribution Date**”) (if the Contribution Date is the first of a month), on the first day of the month in which the Contribution Date occurs (if the Contribution Date is after the first but prior to the 15th of a month), and/or on the first day of the month after the Contribution Date occurs (if the Contribution Date is on or after the 15th of a month).

4.2 Member Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain for any Fiscal Year, each Member shall be specially allocated items of income and gain for such Fiscal Year (and, if necessary, for subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain during such Fiscal Year, determined in accordance with Treasury Regulations section 1.704-2(g)(2). Allocations pursuant to the preceding sentence shall be made among the Members in proportion to the respective amounts required to be allocated to each of them pursuant to such Treasury Regulation. The items to be so allocated shall be determined in accordance with Treasury Regulations section 1.704-2(f)(6). Any special allocation of items of income and gain pursuant to this Section shall be made before any other allocation of items under this Article. This Section is intended to comply with the "*minimum gain chargeback*" requirement in Treasury Regulations section 1.704-2(f) and shall be interpreted consistently therewith.

4.3 Member Nonrecourse Debt Minimum Gain Chargeback. If there is a net decrease during a Fiscal Year in the Member Nonrecourse Debt Minimum Gain attributable to a Member's Nonrecourse Debt, then each Member with a share of the Member Nonrecourse Debt Minimum Gain attributable to such debt, determined in accordance with Treasury Regulations section 1.704-2(i)(5), shall be specially allocated items of income and gain for such year (and, if necessary, subsequent years) an amount equal to such Member's share of the net decrease in the Member Nonrecourse Debt Minimum Gain attributable to such Member's Nonrecourse Debt, determined in accordance with Treasury Regulations section 1.704-2(i)(4). Allocations pursuant to the preceding sentence shall be made among the Members in proportion to the respective amounts to be allocated to each of them pursuant to such Treasury Regulation. Any special allocation of items of income and gain pursuant to this Section for a Fiscal Year shall be made before any other allocation of items under this Article, except only for special allocations required under Section 4.2. The items to be so allocated shall be determined in accordance with Treasury Regulations section 1.704-2(i)(4). This Section is intended to comply with the provisions of Treasury Regulations section 1.704-2(i)(4) and shall be interpreted consistently therewith.

4.4 Qualified Income Offset. Notwithstanding Sections 4.2 and 4.3, any Member who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulations section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) shall be allocated items of income or gain (including gross income if necessary) in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible. The provisions of this Section are intended to comply with the provisions of Treasury Regulations section 1.704-1(b) (2)(ii)(d) and shall be so interpreted.

4.5 Gross Income Allocation. If any Member has a deficit Capital Account at the end of any Fiscal Year in excess of the sum of (i) the amount (if any) such Member is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article have been made as if Section 4.4 and this Section were not in the Agreement.

4.6 Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Members in proportion to their Percentage Interests.

4.7 Member Nonrecourse Deductions. Member Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated, in accordance with Treasury Regulations section 1.704-2(i)(1), to the Member or Members who bear the economic risk of loss for the Member Nonrecourse Debt to which such deductions are attributable.

4.8 Code Section 754 Adjustments. To the extent an adjustment to the adjusted Tax basis of any Company asset under Code section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(m), the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Treasury Regulations.

4.9 Curative Allocations. The allocations set forth in Sections 4.2 through 4.8 (the “**Regulatory Allocations**”) are intended to comply with certain requirements of Treasury Regulations sections 1.704-1(b) and 1.704-2. Notwithstanding any other provisions of this Article (other than the Regulatory Allocations and the following two sentences), the Regulatory Allocations shall be taken into account in allocating other Profits and Losses, and items of income, gain, loss, and deduction among the Members so that, to the extent possible, the net amount of such allocations of other Profits and Losses, and other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred. For purposes of applying the preceding sentence, Regulatory Allocations of Nonrecourse Deductions and Member Nonrecourse Deductions shall be offset by subsequent Regulatory Allocations only if and to the extent that the Manager determines that such Regulatory Allocations are not likely to be offset by subsequent Regulatory Allocations under Section 4.2 or Section 4.3, and there has been a net decrease in Company Minimum Gain (in the case of allocations to offset prior Nonrecourse Deductions) or a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt (in the case of allocations to offset prior Member Nonrecourse Deductions). The Manager shall apply the provisions of this Section and shall divide the allocations hereunder among the Members, in such manner as will minimize the economic distortions upon the distributions to the Members that might otherwise result from the Regulatory Allocations.

4.10 Other Allocation Rules.

(a) Except as otherwise provided in Section 4.10(c), for income Tax purposes, all items of income, gain, loss, deduction, and credit of the Company for any Tax period shall be allocated among the Members in accordance with the allocations of Profits and Losses prescribed in this Article.

(b) For purposes of determining the Profits and Losses or other items allocable to any period, Profits and Losses and such other items shall be determined on a

daily or monthly basis as determined by the Members under Code section 706 and the Treasury Regulations thereunder.

(c) All Tax Items in respect of any Book/Tax Disparity Property are required to be allocated among the Members in manner provided by section 704(c) of the Code (as specified in Treasury Regulations sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g)) and that the principles of section 704(c) of the Code require that such Tax Items must be shared among the Members so as to take account of the variation between the adjusted Tax basis and the Book Basis of each such item of Book/Tax Disparity Property. Thus, notwithstanding anything in Section 4.1 or Section 4.2 to the contrary, the Members' distributive shares of Tax Items in respect of Book/Tax Disparity Property shall be separately determined and allocated among the Members in accordance with the principles of section 704(c) of the Code. Except as otherwise provided herein, for purposes of making Tax allocations pursuant to section 704(c) of the Code, the Members shall negotiate in good faith to determine the method or methods to be used by the Company and, if necessary, shall consider in good faith the use of a method or methods that will eliminate or minimize the distortions caused by the "*ceiling rule*" described in Treasury Regulations section 1.704-3(c).

(d) For purposes of determining the Members' proportionate shares of the "*excess nonrecourse liabilities*" of the Company described in Treasury Regulations section 1.752-3(a)(3), their respective interests in Member profits shall be in the same proportions as their Percentage Interests.

4.11 Distribution of Cash Available for Distribution. Cash Available for Distribution, whether arising from operations in the normal course of the Company's business, from the sale or refinancing of Company assets or otherwise, shall be apportioned among and distributed to the Members in accordance with the Percentage Interest of each Member, at such times as reasonably determined by the Board of Directors.

4.12 Allocations and Distributions in Respect of Transferred Membership Interests. If any Member transfers any of its Membership Interests during any accounting period in compliance with the provisions of Article 8, Profits and Losses attributable to the respective period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the applicable accounting period in accordance with Code section 706(d), using the method selected by the Manager under Section 4.10(b) to allocate Profits and Losses and other items. All Company distributions on or before the effective date of the transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making Company Tax allocations and distributions, the Company shall recognize a transfer on the day following the day of transfer. Neither the Company nor the Manager shall incur any liability for making allocations and distributions in accordance with the provisions of this Section, whether or not the Manager or the Company had knowledge of any transfer of any Membership Interests.

4.13 Persons Deemed Owners. The Company, the Members, and any agent or manager of the Company or the Members may treat the Persons whose names are recorded in the books and records of the Company as the owners of the Membership Interests for the purpose of

receiving distributions pursuant to this Agreement and for all other purposes whatsoever, and the Company shall not be affected by notice to the contrary.

5. COMPANY AND HOSPITAL GOVERNANCE.

5.1 Board of Directors.

(a) The business and affairs of the Company shall be governed and managed by a board of directors (the “**Board of Directors**”). The Board of Directors, acting collectively as provided in this Section 5.1, shall constitute the “*manager*” of the Company (as such term is defined in Section 18-101(10) of the Act and as contemplated by Section 18-401 of the Act). The Board of Directors shall consist of twelve members, with six members (the “**Class A Directors**”) being elected or appointed by the Class A Member and six members (the “**Class B Directors**”) being elected or appointed by the Class B Member. Notwithstanding the foregoing, from and after either (i) the date upon which the Class B Member sells, assigns or transfers all or any portion of its Membership Interests to any Person other than a Class B Affiliate or (ii) the first date upon which the Percentage Interest of the Class B Members is less than 20%, then the Class A Member and the Class B Member shall be entitled to elect to the Board of Directors the following number of directors, respectively: (A) if the Percentage Interest of the Class B Member is greater than ten percent but less than 20%, then the Class A Member shall elect nine directors and the Class B Member shall elect three directors; and (B) if the aggregate Percentage Interest of the Class B Member is ten percent or less, then the Class A Member shall elect eleven directors and the Class B Member shall elect one director. If the number of Class B Directors is reduced by application of the preceding sentence, the Class B Member shall specify which director or directors then holding office are to remain Class B Directors and the other Class B Directors shall automatically become Class A Directors. Each director shall serve at the pleasure of the class of Members for whom they serve for a term of three years, commencing on the date hereof, unless he or she sooner resigns or is removed. A Class A Director may be removed without cause only by the Class A Member and a Class B Director may be removed without cause only by the Class B Member. The unexpired term of a Class A Director shall be filled by the Class A Member and the unexpired term of a Class B Director shall be filled by the Class B Member.

(b) Subject to matters delegated to the Manager in the Management Services Agreement or to the officers of the Company as described herein, the Board of Directors’ responsibilities include oversight of and/or responsibility for: the Hospital Board of Trustees; development of the Company’s strategic plans; adopting corporate vision, mission and values statements and developing policies and monitoring progress toward strategic goals; operating and capital budgets and facility planning; assuring compliance with Joint Commission accreditation and criteria; and fostering community relationships and identifying service and education opportunities.

(c) The Board of Directors shall meet not less often than quarterly in Waterbury, Connecticut. In addition, each member of the Board of Directors shall be available at all reasonable times to consult with other members of the Board of Directors

on matters relating to the duties of the Board of Directors. Meetings of the Board of Directors shall be held at the call of the Manager, the Chairman of the Board of Directors, or any three members of the Board of Directors requesting such meeting through the Chairman, upon not less than two business days written or telephonic notice to the members of the Board of Directors, such notice specifying all matters to come before the Board of Directors for action at such meeting. The presence of any member of the Board of Directors at a meeting shall constitute a waiver of notice of the meeting with respect to such member unless such member attends the meeting for the sole purpose of objecting to the holding of such meeting. The Board of Directors may permit any or all of its members to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all members participating may simultaneously hear each other during the meeting. A member participating in a meeting by this means is deemed to be present in person at the meeting. Except as otherwise provided in this Agreement, a quorum shall exist for all purposes if a majority of all members of the Board of Directors are present and a majority of all Class A Directors and a majority of all Class B Directors are present again; provided that a director shall not be counted toward the quorum if he or she is attending the meeting for the sole purpose of objecting to the holding of such meeting. Except as otherwise provided in this Agreement, an action shall constitute the action of the Board of Directors only if a majority of the Class A Directors and a majority of the Class B Directors present at such meeting affirmatively vote in favor of the proposed action. Notwithstanding the above, however, if the Percentage Interest of the Class B Member is less than 20%, then (i) the quorum for a meeting is a majority of the Board of Directors and (ii) an action approved by a majority of the members of the Board of Directors present at such meeting shall constitute the action of the Board of Directors. Any action required or permitted by the Act to be taken at a meeting of the Board of Directors may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, shall be signed by the directors having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all directors entitled to vote thereon were present and voted.

(d) The Company shall adopt the conflicts of interest policy with respect to its Board of Directors in the form attached as Exhibit B. All responsibilities of the Board of Directors under this Agreement shall be exercised by the Board of Directors as a body, and no member of the Board of Directors, acting alone, shall have the authority to act on behalf of the Company or the Board of Directors. In no event shall the Board of Directors (or any member thereof) be deemed a manager under the Act or have the authority to act on behalf of, or to bind in any way, the Company. The actions of the Board of Directors shall be carried out by the Manager as provided for in this Agreement and the Management Services Agreement.

(e) Notwithstanding anything to the contrary contained in this Agreement, the Management Services Agreement, the Act, or the Certificate, each of the following acts shall require the approval of the Board as set forth in Section 5.1(c):

- (1) Modifying or discontinuing the provision of any Essential Service;

(2) incurring any indebtedness for borrowed money (including capital leases) in excess of \$10 million that is not included within an approved budget, provided that the incurrence of debt under the Credit Agreement shall not require additional Board approval;

(3) adopting, modifying, or terminating any indigent care, charity care or conflict of interest policy;

(4) modifying, amending, or replacing the Management Services Agreement between the Company and WMC or entering into any other agreement or arrangement with an Affiliate of either Member that is either not in the ordinary course of business or not based on commercially reasonable terms and fair market compensation;

(5) appointing the Board of Trustees contemplated by Section 5.3;

(6) changing the general character of the business anticipated to be conducted by the Company on the date hereof (it being understood and agreed that such business is the development, ownership, and operation of health care related facilities and the delivery of health care services);

(7) changing the name of the Hospital;

(8) approving the merger, consolidation, dissolution or Bankruptcy, or the sale of all or substantially all of the assets, of the Company;

(9) admitting any additional Members or issuing any Membership Interests, except as provided in this Agreement;

(10) establishing or changing the mission, values or purposes of the Company;

(11) selecting the accreditation body of the Hospital and making any changes thereto;

(12) making a distribution of Cash Available for Distribution;

(13) adjusting, arbitrating, compromising, or settling any claims in excess of \$10 million in favor of or against the Company, to the extent that such claims are not covered by the Company's insurance policies;

(14) adjusting, arbitrating, compromising, or settling any claims in favor of or against the Company by a Member or an Affiliate of a Member, other than immaterial claims in the ordinary course of business; and

(15) the purchase of any Investment by the Company.

(f) Notwithstanding anything to the contrary in this Agreement or the Act, without the approval of a majority of the Class A Members and a majority of the Class B Members, the Manager shall have no right to do any of the following acts, each of which is considered outside the ordinary course of the Company's business:

(1) amending this Agreement or the Certificate, except as provided in Section 11.9 hereof;

(2) dissolving or liquidating the Company at will;

(3) performing any act in contravention of this Agreement;

(4) changing or reorganizing the Company into any other legal form;

or

(5) knowingly performing any act that would subject any Member to liability as a general partner in any jurisdiction.

(g) Notwithstanding the foregoing in this Section 5.1, with respect to any vote of the Board of Directors concerning the approval of an annual operating or capital budget, or any change or amendment thereto, (i) each Class A Director shall have two votes and each Class B Director shall have one vote, (ii) the quorum shall be the presence of the number of directors having the ability to cast a majority of the votes eligible to be cast on the matter and (iii) an action approved by a majority vote of the members of the Board of Directors present at such meeting shall constitute the action of the Board of Directors.

(h) Except as expressly set forth in this Agreement, the Directors shall not have any duties or liabilities, including fiduciary duties, to the Company or any Member and the provisions of this Agreement, to the extent that they restrict, eliminate or otherwise modify the duties and liabilities, including fiduciary duties, of the Directors otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities.

5.2 Appointment of Officers of the Company. The Company shall have as officers of the Company, a Chairman of the Board of Directors, a Chief Executive Officer, and such other officers as the Board of Directors shall from time to time determine. Other than the Chairman of the Board of Directors, all officers of the Company shall be full-time employees of the Company, including employees leased to the Company by the Manager, a Member or any Affiliate of a Member. Each appointed officer of the Company shall hold office until his or her successor shall have been appointed or until his or her earlier death, resignation or removal. Appointed officers of the Company shall have such duties, responsibilities and authorities as the Board of Directors shall determine, except that the following offices shall carry the following duties, responsibilities and authorities:

(a) The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. Each Chairman of the Board of Directors shall serve for a three-year term. The initial Chairman shall be selected by GWHN; thereafter, the Chairman

shall be selected alternately by the Class A Directors and the Class B Directors. In the event that any Chairman resigns, is removed or otherwise fails to complete his or her term as Chairman (the “Exiting Chairman”), the position of Chairman for the remainder of the term of the Exiting Chairman shall be filled by an individual elected in the same manner that the Exiting Chairman was elected;

(b) The Chief Executive Officer shall, subject to the control of the Board of Directors, supervise and control the business and affairs of the Company in compliance with the Standards and shall see that all orders and resolutions of the Board of Directors are carried into effect; the Chief Executive Officer shall have all powers and duties of hiring, firing, supervision and management usually vested in the general manager and president of an entity; the Chief Executive Officer may sign with any other officer of the Company thereunto authorized by the Board of Directors any deeds, bonds, mortgages, contracts, checks, notes, drafts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof has been expressly delegated by this Agreement or by the Board of Directors to some other officer of the Company; the Chief Executive Officer shall keep the Board of Directors and the Manager fully informed and shall provide reports and other information to the Board of Directors and the Manager as they may request with respect to the business of the Company; the Chief Executive Officer shall also perform such other duties as may be prescribed by the Board of Directors; and the Chief Executive Officer shall to the extent not inconsistent with the policies, procedures, guidelines and directions of the Board of Directors, operate in accordance with the policies, procedures and directions of the Manager; and

(c) The other officers of the Company shall report to the Chief Executive Officer and the Manager and shall have such authority and duties that are delegated to each as determined by the Board of Directors, Chief Executive Officer and the Manager. Each officer shall carry out his or her responsibilities then consistent with the Standards.

5.3 Hospital Boards of Trustees. The Board of Directors shall form a board of trustees for the Hospital (the “**Board of Trustees**”). The Board of Directors shall have the authority to appoint additional or replacement trustees to the Board of Trustees. The Board of Trustees shall consist of twelve (12) members, with at least six (6) of such members being physicians on the Hospital’s active medical staff and the remaining members being local community leaders. The Hospital’s Chief Executive Officer shall be an *ex officio*, non-voting member of the Board of Trustees. The Board of Trustees shall be an advisory board that meets on a regular basis and has the following responsibilities: (a) participating in the adoption of a vision, mission, and values statement for the Hospital Businesses; (b) participating in development and review of operating and capital budgets and facility planning for the Hospital Businesses and advising the Board of Directors with respect to the same (it being understood that ultimate authority for budgets and planning resides with the Board of Directors); (c) monitoring quality and performance improvement at the Hospital Businesses; (d) granting medical staff privileges and, when necessary and with the advice of counsel, taking disciplinary action consistent with the Hospital’s Medical Staff Bylaws; (e) assuring medical staff compliance with Joint Commission requirements (with the advice of counsel); (f) providing advice and consultation regarding physician recruitment efforts; (g) fostering community relationships and identifying service and

educational opportunities; and (h) performing such other activities and duties as may be directed or delegated to it by the Board of Directors.

5.4 Board of Directors Deadlock or Dispute. It is the intention of the parties that the members of the Board of Directors will make a good faith effort to resolve any dispute, disagreement, or difference of opinion arising among the Class A Directors and Class B Directors with respect to the Company or this Agreement, including any dispute, disagreement, or difference of opinion regarding a matter that constitutes a Material Dispute. In resolving any Material Dispute, the members of the Board of Directors shall act in accordance with the following procedures:

(a) First, two or more senior executives of each of GWHN and WMC shall negotiate in good faith in an effort to resolve the Material Dispute. The senior executives shall meet in Waterbury, Connecticut or such other location within the State of Connecticut as from time to time may be mutually agreed by the parties and such meetings shall be in person to the extent practicable. If the Material Dispute is still not resolved after such meeting(s), either category of Directors may invoke the Material Dispute resolution procedures set forth in this Section 5.4(a) by sending written notice to the other invoking the procedures of this Section 5.4(a). For a period of thirty (30) days following the receipt of such written notice, the Class A Directors and the Class B Directors shall act in good faith to resolve the Material Dispute by mutually selecting, engaging, and meeting with an individual who will serve as a mediator for the purpose of resolving the Material Dispute. If applicable to the nature of the Material Dispute, the mediator shall give priority to the fulfillment by the Company of the Standards in reaching such resolution. The Members agree to participate in the mediation of the Material Dispute to its conclusion. The mediation shall be terminated by: (i) the execution of a settlement agreement or similar statement by the parties, (ii) a written declaration of the mediator that the mediation is terminated, or (iii) a written declaration by the parties following no fewer than five (5) full days of mediation to the effect that the mediation process is terminated. The mediator shall be disqualified as a witness, expert, or counsel for any party with respect to the Material Dispute and any related matters. The entire mediation process shall be confidential, and no conduct, statements, promises, offers, views, or opinions associated with the mediation process shall be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence that is otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the mediation. The Company shall pay the reasonable fees and related expenses of the facilitator or mediator.

(b) In the event that the Material Dispute has not been resolved pursuant to the procedures set forth in Section 5.4(a), then the Class A Member(s) shall have the right (the “**Class A Call Right**”) to purchase from the Class B Member(s), and the Class B Member(s) shall have the obligation, to sell to the Class A Member(s) all of the Membership Interests then owned by the Class B Member(s). If a Class A Member wishes to exercise the Class A Call Right, it shall provide notice (the “**Call Notice**”) thereof to the Class B Member(s) within 90 days following the failure to resolve the Material Dispute pursuant to the procedures set forth in Section 5.4(a). The purchase price for the Membership Interests of the Class B Member(s) shall be equal to the Fair Market Value of

the Company multiplied by the Percentage Interest of the applicable Class B Member. The Members shall take all actions reasonably necessary to cause the closing of the sale of the Membership Interests owned by the Class B Members to occur within 90 days from the date on which the Class B Member(s) receives the Call Notice. The purchase price to be paid to Class B Member(s) under this Section 5.4(b) shall be paid in cash.

6. COVENANTS OF THE PARTIES.

6.1 Right of First Refusal.

(a) So long as GWHN is a Member of the Company, WMC shall not effect or permit to occur any sale, assignment or transfer of its Membership Interests, other than to a Permitted Transferee, unless WMC first complies with the provisions of Section 6.1(b).

(b) If WMC (or any of its Affiliates) receives an Offer that it desires to accept, WMC shall promptly provide a written notice to GWHN, setting forth the material terms of, or enclosing a copy of, the Offer. If GWHN notifies WMC within 45 days after the date on which notice (and a copy) of the Offer was given to GWHN (the “**Election Period**”) that GWHN irrevocably elects to purchase or acquire all (but not less than all) of the equity interest in the Company that is the subject of the Offer (the “**Subject Interest**”) for the consideration to be paid to WMC (or any of its Affiliates) pursuant to the Offer (sometimes referred to hereinafter as an “**Affirmative Election**”), then such election shall be binding upon GWHN and WMC. If GWHN makes an Affirmative Election, the parties shall negotiate in good faith until 30 days after expiration of the Election Period the terms and conditions of a definitive agreement to be executed by WMC and GWHN containing the principal terms set forth in the Offer, but otherwise containing substantially the same representations and warranties regarding the Hospital Businesses as are set forth in the Contribution Agreement, provided that any representations and warranties of WMC about the Hospital Businesses shall relate to the Company’s period of ownership only. If the Offer includes any non-cash consideration, GWHN shall be entitled to substitute cash in an amount equal to the fair market value of such non-cash consideration. GWHN shall acquire the Subject Interest at a closing to be held within five business days following the date upon which the last material regulatory approval required in connection with the sale of the Subject Interest is obtained, subject to reasonable extensions mutually acceptable to WMC and GWHN, provided that in no event shall the closing be held later than 180 days after WMC gives GWHN notice (and a copy) of the Offer.

(c) If (i) GWHN fails to make an Affirmative Election within the Election Period or (ii) after making an Affirmative Election and entering into a definitive agreement with WMC, GWHN defaults in its obligation under such definitive agreement to timely purchase the Subject Interest, then WMC may (but shall not be obligated to) sell or transfer the Subject Interest to the proposed purchaser named in the Offer in accordance with the terms and conditions of the Offer within 180 days after the event described in clause (i) or (ii) above, provided that, if the sale to such proposed purchaser does not occur on or before the expiration of such 180-day period, then the provisions of this Section shall apply anew with respect to the sale of the Subject Interest thereafter.

6.2 Financial Consolidation. WMC believes that Vanguard may consolidate the financial results of the Company with the other financial results of Vanguard in accordance with generally accepted accounting principles. If the law, regulations, or accounting principles change, or if Vanguard's outside auditor notifies Vanguard that this Agreement must be modified for Vanguard to consolidate the Company's financial results, then WMC will provide written notice to GWHN stating the modifications necessary to achieve such consolidation and such modifications shall immediately take effect. Thereafter the parties shall conduct good faith discussions to seek to reorganize and restructure the governance structure in a way that is acceptable to both parties.

6.3 Class B Member Put Options. WMC hereby grants to GWHN the irrevocable right, at GWHN's option, to sell to WMC, and to require WMC to purchase from GWHN, GWHN's entire Membership Interest as follows:

(a) Upon the tenth anniversary of the Closing Date, provided that GWHN must exercise the right described in this Section 6.3(a), if at all, within 90 days after the tenth anniversary of the Closing Date;

(b) Within 90 days of the date upon which there is a final judicial judgment that Vanguard breached this Agreement;

(c) Within 90 days of the date in which Vanguard provided to GWHN the written notice contemplated by Section 6.2, if (i) WMC's modifications to this Agreement materially adversely impact GWHN's rights under this Agreement, and (ii) the parties are unable to reorganize and restructure the governance structure in a way that is acceptable to both parties; or

(d) At any time, if, in the reasonable opinion of outside legal counsel for a Class B Member, the enactment, promulgation, or judicial or regulatory interpretation of any Legal Requirement would either cause the continued participation of the Class B Member in the Company to jeopardize the tax-exempt status of the Class B Member, result in the imposition of unrelated business income Tax ("UBIT"), result in the imposition of income tax on GWHN or result in this Agreement being in whole or in part illegal; however, in such event the Members shall enter into good faith negotiations to amend this Agreement or otherwise restructure the Class B Member's participation in the Company as necessary to prevent such result. To the maximum extent possible, any such amendment or restructuring shall preserve the underlying economic, financial, and governance arrangements between the Members. If the parties cannot agree to amend this Agreement or restructure the Class B Member's participation in the Company so that such participation no longer jeopardizes the tax-exempt status of the Class B Member or results in the imposition of UBIT or income tax, the Class B Member shall have the option to sell described above.

6.4 Class A Member Call Option. GWHN hereby grants to WMC the irrevocable right, at WMC's option, to purchase from GWHN, and to require GWHN to sell, all or a portion of GWHN's Membership Interests in the Company as follows:

(a) If GWHN has not offered to sell to WMC Membership Interests in the Company within 90 days after the tenth anniversary of the Closing Date, then upon the expiration of such 90 day period, WMC shall have the right to purchase, and to require GWHN to sell, GWHN's Membership Interests in the Company, provided that WMC must exercise the right described in this Section 6.4(a), if at all, within 90 days after the expiration of the 90th day after the tenth anniversary of the Closing Date;

(b) At any time, if the rules and regulations of the Securities and Exchange Commission require, or WMC's auditors reasonably believe that such rules and regulations require, that, for Vanguard to consolidate the financial results of the Company with the other financial results of Vanguard in accordance with generally accepted accounting principles, WMC must own a greater percentage of Membership Interests in the Company than WMC owns at such time, WMC shall have the right to purchase, and to require GWHN to sell, Membership Interests in the Company sufficient to ensure that WMC owns that percentage of Membership Interests in the Company so required for Vanguard to consolidate the financial results of the Company with the other financial results of Vanguard in accordance with generally accepted accounting principles; and

(c) 90 days of the date upon which there is a final judicial judgment that GWHN breached this Agreement.

6.5 Purchase Price; Closing.

(a) The purchase price of the Class B Member's Membership Interest being sold pursuant to Section 6.3 shall be an amount equal to the Percentage Interest being sold by the Class B Member on the date that the Class B Member exercises the put option multiplied by the Fair Market Value of the Company, and the purchase price of the Class B Member's Membership Interest being sold pursuant to Section 6.4 shall be an amount equal to the Percentage Interest being sold by the Class B Member on the date that the Class A Member exercises the call option multiplied by the Fair Market Value of the Company.

(b) The closing of the sale and purchase of the Class B Member's Membership Interest pursuant to Section 6.3 shall occur within 90 days after the Class B Member exercises the put option. The closing of the sale and purchase of the Class B Member's Membership Interest pursuant to Section 6.4 shall occur within 90 days after the Class A Member exercises the call option.

7. MANAGEMENT OF THE COMPANY.

7.1 Manager. Subject to the ultimate oversight and authority of the Board of Directors, and subject to the limitations imposed upon the Manager in this Agreement and in the Management Services Agreement, the Manager shall manage the day-to-day operations of the Company and act on behalf of the Company pursuant to and in accordance with the terms of this Agreement and the Management Services Agreement.

7.2 Right to Rely on Manager. No Person dealing with the Company shall be required to inquire into, or to obtain any other documentation as to, the authority of the Manager to take

any action permitted under the Management Services Agreement. Furthermore, any Person dealing with the Company may rely upon a certificate signed by the Manager as to the following:

- (a) the identity of the Manager or any Member;
- (b) the existence or nonexistence of any fact or facts that constitutes a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company;
- (c) the Persons who are authorized to execute and deliver any instrument or document of the Company; or
- (d) any act or failure to act by the Company on any other matter whatsoever involving the Company or any Member.

8. ADDITIONAL MEMBERS; TRANSFERS OF MEMBERSHIP INTERESTS.

8.1 Additional Members. Additional Members may be nominated for membership by one or more of the existing Members. New Members shall be admitted upon the approval of the Board of Directors as provided in Section 5.1(e)(9). Additional Members shall participate in the governance, Profits and Losses and distributions of the Company in accordance with this Agreement. Exhibit A shall be amended upon the admission of any additional Member to set forth such Member's name, Capital Contribution and Percentage Interest.

8.2 Transfers. No Member shall sell or otherwise transfer any Membership Interests held by it except as provided in this Agreement, provided that a Member may transfer all (but not less than all) of its Membership Interest to an Affiliate of such Member, other than to a natural person. Any Member who sells or otherwise transfers all or any portion of its Membership Interest in accordance with this Agreement shall promptly notify the Manager of such transfer and shall furnish to the Manager the name and address of the transferee and such other information as may be reasonably requested by the Manager.

8.3 Compliance with Law. No Member shall make any disposition of all or any portion of its Membership Interests unless and until (i) there is then in effect a registration statement under the Securities Act of 1933, as amended, covering such proposed disposition and such disposition is made in accordance with such registration statement, or (ii) such Member has given the Company notice of the proposed disposition and, if requested by the Manager, furnished the Company with an opinion of counsel reasonably satisfactory to the Manager that the disposition will not require registration of the Membership Interest under the Securities Act of 1933, as amended.

9. BOOKS AND RECORDS; TAX MATTERS.

9.1 Bank Accounts; Investments. The Manager shall (i) establish one or more bank accounts into which the Company's funds may be deposited, and in such event, no funds other than the Company's funds shall be deposited into the Company's bank accounts, or (ii) deposit the Company's cash revenues into a central account established in the name of Vanguard or one of its Affiliates. Positive balances with respect to the Company's funds in the central account

shall bear interest from the last day of each calendar month until the last day of the next succeeding month at a rate per annum, during each interest period applicable thereto, equal to the average annual overnight institutional prime money market rate earned by Vanguard and its Affiliates during the applicable period. Negative balances (*i.e.*, overdrafts) shall be permitted to exist in the central account only if and to the extent that the Company may obtain advances under the Line of Credit, and any such negative daily balances shall be deemed advances under the Line of Credit and shall bear interest at the rate provided therein and be subject to all the other terms and provisions set forth therein. The Company's funds in the central account may be invested in such securities and investments as the Manager, Vanguard or any Vanguard Affiliate may select until such funds are withdrawn for the Company's purposes in accordance with this Section.

9.2 Books and Records. The Manager shall keep books of account and records relating to the Company's business. The books shall be prepared in accordance with generally accepted accounting principles using the accrual method of accounting. The accrual method of accounting shall also be used by the Company for income Tax purposes. The Company's books and records shall at all times be maintained at the principal business office of the Company or its accountants (and, to the extent required by the Act, at the registered office of the Company) and shall be available for inspection by the Members or their duly authorized representatives during reasonable business hours. The books and records shall be preserved for the applicable statute of limitations for final Tax Returns.

9.3 Determination of Profit and Loss; Financial Statements. All items of Company income, expense, gain, loss, deduction and credit shall be determined with respect to and allocated in accordance with this Agreement for each Member for each Fiscal Year. Within 30 days after the close of each calendar month, and within 90 days after the close of each Fiscal Year, the Company shall cause to be prepared, at Company expense, financial statements of the Company for the preceding month or Fiscal Year, including a balance sheet, profit and loss statement, statement of cash flows and statement of the balances in the Members' Capital Accounts, prepared in accordance with the terms of this Agreement and generally accepted accounting principles consistently applied with prior periods. These financial statements shall be furnished upon written request to any Member.

9.4 Tax Returns and Information. The Company shall prepare or cause to be prepared all federal, state, and local income and other Tax Returns that the Company is required to file and shall furnish such Tax Returns to the Members, together with a copy of each Member's form K-1 and any other information that any Member may reasonably request relating to such Tax Returns, within such time after the expiration of the Company's taxable year, including any extension thereof as is permitted by law, rule or regulation (including any permitted extensions).

9.5 Tax Audits. The Class A Member shall be the "tax matters partner" of the Company under Code section 6231(a)(7). The Class A Member shall inform the Members of all matters that may come to its attention in its capacity as tax matters partner by giving the Members notice thereof within ten days after becoming so informed.

10. DISSOLUTION AND TERMINATION.

10.1 Events Causing Dissolution and Termination. The Company shall be dissolved upon (i) the sale of all or substantially all of the assets of the Company and the distribution of the net proceeds therefrom (other than reasonable reserves for contingent liabilities and the expenses associated with dissolution and liquidation, as determined by the Board of Directors), (ii) at any time with the unanimous written consent of the Members, and (iii) any other event as may be provided by law. The Company shall be terminated when the winding up of Company affairs has been completed following dissolution.

10.2 Winding Up Affairs on Dissolution. Upon dissolution of the Company, the Board of Directors, or the Persons required or permitted by law to carry out the winding up of the affairs of the Company, shall promptly notify all Members of such dissolution, shall wind up the affairs of the Company, shall prepare and file all instruments or documents required by law to be filed to reflect the dissolution of the Company, and after paying or providing for the payment of all liabilities and obligations of the Company in accordance with applicable law, shall distribute the assets of the Company as provided by law and the terms of this Agreement.

10.3 Distributions on Dissolution. After dissolution, distributions of cash to Members shall be made in accordance with Article 4. Assets of the Company may be distributed in kind on the basis of the then-fair-market-value thereof as determined by an independent appraiser selected by the Board of Directors or the Person or Persons carrying out the winding up of the affairs of the Company in accordance with Section 10.2.

10.4 Distributions in Accordance with Capital Accounts. In the event the Company is “liquidated” within the meaning of Treasury Regulations section 1.704-1(b)(2)(ii)(g), distributions shall be made in all cases in accordance with the Members’ positive Capital Account balances determined after all adjustments to the Members’ Capital Accounts for the taxable year. Such distribution shall be made within the time periods required by Treasury Regulations section 1.704-1(b).

10.5 Deemed Distribution and Re-contribution. Notwithstanding any other provisions of this Article, if the Company is liquidated within the meaning of Treasury Regulations section 1.704-1(b)(2)(ii)(g) but the Company is not required to be dissolved and wound up pursuant to Sections 10.1 and 10.2, the assets of the Company shall not be liquidated, the Company’s liabilities shall not be discharged, and the Company’s affairs shall not be wound up. Instead, solely for federal income Tax purposes, the Company shall be deemed to have contributed the assets and liabilities of the Company in kind to a new company in exchange for an interest in the new company, and deemed to have immediately thereafter distributed those interests in the new company to the Members in proportion to their respective Percentage Interests in the Company.

11. GENERAL PROVISIONS.

11.1 Applicable Law. This Agreement and the rights of the Members shall be governed by and construed and enforced in accordance with the laws of the State of Delaware.

11.2 Counterparts. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement, and any executed counterpart of a signature page to

this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

11.3 Binding Effect. Except as herein otherwise provided to the contrary, this Agreement shall be binding upon, and inure to the benefit of, the Members and their successors and permitted assigns.

11.4 Waiver of Partition. The property of the Company is not and will not be suitable for partition and shall be dealt with as a single, integral unit. Accordingly, each of the Members hereby irrevocably waives any and all rights that such Member may have to maintain an action for partition of any of the property of the Company, either as a partition in kind or a partition by sale.

11.5 Notices. All notices given pursuant to this Agreement shall be in writing and shall be deemed effective when personally delivered or when placed in the United States mail, registered or certified with return receipt requested, or when sent by prepaid telegram or facsimile followed by confirmatory letter. For purposes of notice, the addresses of the Members shall be those set forth under their names on Exhibit A, provided that each Member may change its notice address by giving at least five days notice to the Company and the other Members in the manner set forth above.

11.6 Construction. Every covenant, term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member. The failure by any party to enforce any term or provision hereof specifically or any rights of such party shall not be construed as the waiver by that party of its rights hereunder. The waiver by any party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.

11.7 Time of the Essence. Time is of the essence with respect to this Agreement.

11.8 Entire Agreement. This Agreement contains the entire understanding among the Members relating to the subject matter hereof, and all prior agreements or understandings relating to the subject matter of this Agreement are hereby superseded and of no further force or effect.

11.9 Amendments. Except as otherwise expressly provided in this Section, amendments or modifications may be made to this Agreement only by setting forth such amendments or modifications in a document approved by all of the Members, and any alleged amendment or modification herein which is not so documented shall not be effective as to any Member. Subject to the foregoing restrictions, however, (a) each Member shall execute any amendment to this Agreement that is (i) necessary to ensure that Vanguard may consolidate the financial results of the Company with the other financial results of Vanguard in accordance with generally accepted accounting principles consistent with Article 6, or (ii) required by this Agreement, and (b) any authorized officer of the Company may, without the consent of any Member, amend this Agreement and execute, swear to, acknowledge, deliver, file, and record whatever documents may be required in connection therewith to reflect:

- (a) a change in the location of the principal place of business of the Company or a change in the registered office or the registered agent of the Company;
- (b) admission of a Member into the Company or termination of any Member's interest in the Company in accordance with and subject to Article 8; or
- (c) qualification of the Company as a limited liability company under the laws of any state where the Company does business.

11.10 Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement or the application thereof to any Person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, but the extent of such invalidity or unenforceability does not destroy the basis of the bargain among the Members as expressed herein, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

11.11 Gender and Number. Whenever required by the context, as used in this Agreement, the singular number shall include the plural and the neuter shall include the masculine or feminine gender, and vice versa.

11.12 Attorneys' Fees. If any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including reasonable fees and expenses of attorneys and accountants and all fees, costs and expenses of appeals.

11.13 Article and Section Headings. The division of this Agreement into Articles and Sections, and the use of captions and headings in connection therewith are solely for convenience of reference only, are not intended, to any extent or for any purpose, to limit or define the text of any Section and shall have no legal effect in construing the provisions of this Agreement.

11.14 No Requirement to Refer. No provision of this Agreement, or the relationship between the parties created by this Agreement, is intended by the parties hereto to include an agreement or requirement that any physician who is affiliated with any Member (collectively referred to as the "**Affiliated Referring Providers**") utilize the services or otherwise direct patients to facilities owned or operated by the Company or its Affiliates or as an inducement to the Affiliated Referring Providers to make any such referral. Nothing in this Agreement shall be construed as prohibiting Affiliated Referring Providers from obtaining or maintaining medical staff membership at, or admitting patients to, health care facilities other than those health care facilities owned by the Company. The parties hereto agree that the benefits under this Agreement do not require, are not payment for, and are not in any way contingent upon, the admissions, referral, or other arrangement for the provision of any items or service reimbursed under Medicare, Medicaid, or any other state or federal health care program.

11.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE, INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW, OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

11.16 Certain References.

(a) References to “*this Agreement*” mean this Amended and Restated Operating Agreement of VHS Waterbury Health System, LLC, as it may be amended from time to time in accordance with its terms.

(b) References to “*herein*,” “*hereinafter*,” “*hereof*,” “*hereto*,” and “*hereunder*” mean this Agreement, unless the context otherwise requires.

(c) References to “*include*” or “*including*” mean “*including without limitation*.”

(d) References to any “*Article*” or “*Section*” mean such Article or Section of this Agreement, unless otherwise specifically provided.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned, being all of the Members of the Company, have executed and acknowledged this Agreement as of the day first above written.

VHS WATERBURY MANAGEMENT
COMPANY, LLC

GREATER WATERBURY HEALTH
NETWORK, INC.

By: _____
Title: _____

By: _____
Title: _____

VHS WATERBURY HEALTH SYSTEM, LLC

By: _____
Title: _____

Exhibit A
Names, Addresses, Percentage Interest and Capital Contribution of the Members

As of the date hereof, the names and addresses and the Percentage Interests and initial Capital Contributions of the Members are set forth below.

<u>Name and Address</u>	<u>Percentage Interest</u>	<u>Initial Capital Contribution</u>
VHS Waterbury Management Company, Inc. 20 Burton Hills Boulevard, Suite 100 Nashville, Tennessee 37215	80%	\$_____
Greater Waterbury Health Network, Inc. _____ _____ _____	20%	\$_____

Exhibit B
Conflicts of Interest Policy

See attached.

Schedule 1.30
Essential Services

Emergency Department/Services (including trauma services)
General Medical Services
Inpatient and Outpatient Surgery
Radiology and Diagnostic Services
Obstetrics
Comprehensive Cardiology Services
Intensive Care Services
Neonatal Intensive Care Services

EXHIBIT 3: MANAGEMENT AGREEMENT

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (“**Agreement**”), dated as of _____, 2013, is between [**VHS Waterbury Health System**], LLC, a Delaware limited liability company (the “**Company**”), and [**VHS Waterbury Management Company, LLC**], a Delaware limited liability company (the “**Manager**”).

RECITALS:

WHEREAS, pursuant to a Contribution Agreement (the “**Contribution Agreement**”), dated as of _____, 2013, by and among Greater Waterbury Health Network, Inc. (“**GWHN**”), [**VHS Waterbury Health System, LLC**], the Manager and Vanguard Health Systems, Inc., and an Amended and Restated Operating Agreement (the “**Operating Agreement**”) by and between GWHN, the Manager and the Company, the Company will acquire, lease, own and operate Waterbury Hospital and its related businesses (collectively, the “**Facilities**”); and

WHEREAS, the Manager, through its personnel and personnel of its Affiliates, possesses certain experience and expertise in the development, supervision of operations, and administrative aspects, of businesses such as the Facilities; and

WHEREAS, the Company wishes to retain the Manager to perform certain financial, technical, managerial, and administrative support services (collectively, the “**Management Services**”) for the Facilities and the Company, including management of the day-to-day operations of the Company and the Facilities.

NOW THEREFORE, in consideration of the mutual covenants and promises of the parties hereto, it is mutually agreed as follows:

AGREEMENT:

1. **Engagement.** The Company hereby retains the Manager, and the Manager hereby agrees to be retained by the Company, to provide Management Services upon the terms and conditions hereinafter set forth. Manager represents and warrants that it is qualified and able to provide the Management Services and to assume the other duties and responsibilities set forth in this Agreement. Manager shall provide all services described herein in good faith, consistent with industry standards, and with due care consistent with the care that Manager believes appropriate and in the best interest of the Company in its business judgment. Subject to the terms and conditions of this Agreement, the Manager shall devote such time to the business of the Company as may be necessary to fulfill the Company purposes and manage and supervise the Company’s business and affairs. Manager shall at all times use its commercially reasonable efforts to operate the Hospital in conformity with (i) the Contribution Agreement and Operating Agreement, (ii) the accreditation standards of The Joint Commission (the “**Joint Commission**”) or its successor, (iii) the conditions of participation for the Medicare and Medicaid programs, (iv) good and ethical business practices of the health care industry in the community served by the Facilities, and (v) the “**Standards**,” as such term is defined in the Operating Agreement.

2. Manager's Duties and Responsibilities.

2.1 Manager's Duties. Subject to the ultimate oversight and authority of the board of directors of the Company (the "**Board**"), and subject to the limitations imposed upon the Manager in this Agreement and in the Operating Agreement, the Manager shall manage the day-to-day operations of the Company and act on behalf of the Company pursuant to and in accordance with the terms of this Agreement, the Contribution Agreement and the Operating Agreement. The Manager may take the following actions on behalf of the Company if, as, and when it deems any such action to be necessary, appropriate, or advisable, at the sole cost and expense of the Company, subject however in all respects to the limitations imposed on the Manager in the Contribution Agreement, the Operating Agreement and this Agreement:

- (a) acquire and enter into any contract of insurance that the Manager deems necessary and proper for the protection of the Company, for the conservation of the Company's assets, or for any purpose convenient or beneficial to the Company;
- (b) employ from time to time individuals (including employees of the Members of the Company or any of their Affiliates) on such terms and for such compensation as the Manager shall determine (but not in an amount that would be considered unreasonable based upon the scope of an individual employee's duties and responsibilities);
- (c) make decisions as to changes in accounting principles and elections, whether for book or tax purposes (and such decisions may be different for each purpose); however, if made for book purposes such decisions must be consistent with generally accepted accounting principles and if made for tax purposes such decisions must be consistent with the Internal Revenue Code and Internal Revenue Service regulations;
- (d) set up or modify record keeping, billing and accounts payable accounting systems;
- (e) alienate, mortgage, pledge or otherwise encumber, sell, exchange, lease or purchase real and/or personal property in fulfillment of the Company purposes;
- (f) open checking and savings accounts in banks or similar financial institutions in the name of the Company and deposit cash in and withdraw cash from such accounts if in the ordinary course of business;
- (g) borrow money for Company purposes from any source, including from any Member of the Company ("**Member**") or any of its Affiliates, and if security is required therefor, mortgage or grant security interests in the Company's assets or properties, if consistent with the Operating Agreement and if in the ordinary course of business;
- (h) make all required principal and interest payments and perform all other obligations of the Company and its subsidiaries under and pursuant to promissory notes and other instruments and agreements relating to the incurrence of indebtedness for

borrowed money and capital lease obligations of the Company and its subsidiaries, including any such sums or obligations owed to Members or their Affiliates;

(i) adjust, arbitrate, compromise, sue or defend, abandon or otherwise deal with and settle any and all claims in favor of or against the Company, as the Manager deems proper;

(j) enter into, make, perform and carry out all types of contracts, leases and other agreements, and amend, extend or modify any contract, lease or agreement at any time entered into by the Company, provided that the Manager uses good faith efforts to ensure that each such contract, lease or agreement is representative of fair market value, is the result of an arm's length transaction, is consistent with the Operating Agreement, and is in the ordinary course of business;

(k) execute and deliver, on behalf of and in the name of the Company, any and all contracts, leases, agreements, instruments, notes, certificates, titles or other documents deemed necessary or desirable by the Manager; and

(l) do all acts necessary or desirable to carry out the business for which the Company is formed or which may facilitate the Manager's exercise of its powers hereunder.

2.2 Manager as Agent. The Company shall retain all powers incident to ownership of the Facilities, including, without limitation, the power to determine the general and fiscal policies and maintain the full and complete control of the administration of the Facilities. The Company shall own and hold all licenses, contracts, certificates, and accreditations relating to the Facilities and shall be the "*provider of services*" within the meaning of the third party contracts for services. Nothing in this Agreement is intended to alter, weaken, displace, or modify the ultimate authority of the Board as set forth in the Contribution Agreement and Operating Agreement. Manager shall cause the business and operations of the Facilities to be conducted in accordance with the Company purposes (as described in the Operating Agreement), including satisfying the Standards.

2.3 Excluded Individuals. Manager represents and warrants that neither it nor any of its employees is (a) excluded, suspended, debarred, or otherwise ineligible to participate in Medicare and any other federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) or federal or Connecticut procurement or nonprocurement programs; (ii) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury; or (c) convicted (as defined by 42 U.S.C. § 1320a-7(i)) of a criminal offense that would lead to mandatory exclusion from federal health care program. Manager shall notify the Company promptly after Manager learns that any of its employees, agents or subcontractors is a person described in any of the foregoing clauses.

3. Compliance with Law. In performing its duties and obligations under this Agreement, Manager shall comply with (i) all federal, state, and local laws, rules, and regulations now in force, or which may hereafter be in force, which are applicable to the Company, Manager, or the Facilities, including, without limitation, the federal Anti-Kickback

Statute (42 U.S.C. § 13201-7b(b)) and the federal Physician Self-referral Law (42 U.S.C. § 1395nn), (ii) any state laws corresponding in substance to the foregoing federal laws, and (iii) all Company and Facility policies, procedures, rules, and regulations.

4. Key Personnel; Other Hospital Employees.

4.1 Key Personnel. During the term of this Agreement, Manager shall use commercially reasonable efforts to recruit and employ qualified executives who shall serve as Chief Executive Officer, Chief Operating Officer (if such a position is deemed necessary by Manager), Chief Financial Officer, and Chief Nursing Officer of the Facilities (collectively, the “**Key Personnel**”). Except as otherwise provided in the Operating Agreement with respect to the Chief Executive Officer of the Facilities, Manager shall be responsible for the selection, continued service and termination of the Key Personnel.

4.2 Other Personnel. All other personnel of the Facilities shall be employees or independent contractors of Manager (or its Affiliates). Manager will also use commercially reasonable efforts to recruit and employ such additional individuals as the Company may reasonably request. All personnel shall be employed at will and may be discharged at any time and for any reason. All work and services by the employees will be performed at the Facilities or at such other place as may be reasonably designated by Manager as being in the best interest of the Company. The Company shall not act as an employer with respect to any employees and shall have no responsibility, authority or liability as such. Manager reserves the right, in its capacity as employer, to direct, supervise and discipline (including hire, fire and terminate) the employees, provided that the Company may reasonably request that Manager release or replace any employee, which request shall be promptly considered by Manager, and provided further that matters with respect to professional competency shall be determined with the assistance of the appropriate Hospital or Medical Staff committee. The Manager shall have the authority to designate tasks to be performed and shall have the authority to instruct and oversee the employees in the manner, means and method of accomplishing such tasks. Furthermore, Manager’s personnel director (or, if a designated personnel director does not exist, the employee discharging substantially similar duties) shall determine the number and qualifications of employees required for the efficient operation of the Facilities and establish and revise wage scales, employee benefit packages, in-service training programs, staffing schedules, and job descriptions, all in order to accomplish the goals and objectives of the Company and in accordance with operating budgets approved by the Board. Manager shall provide the Board and the appropriate Medical Staff or Hospital committee with a regular flow of information on these subjects, so as to assist the Board in establishing personnel-related policies and resolving related issues.

4.3 Compensation of and Benefits for Employees. Manager shall be responsible for and pay all salaries and wages, and associated federal, state and local payroll taxes, and Social Security and worker’s compensation insurance taxes and premiums, related to or associated with the employment of the employees, and will timely pay such amounts directly to the employees or the appropriate agency, division or department, as applicable. Consistent with the Contribution Agreement, Manager shall also maintain employee health, welfare and fringe benefit plans, programs and arrangements in effect for the employees as authorized and provided pursuant to those plans, programs and arrangements as of such date, or as thereafter

amended. Manager will also be responsible for preparing and filing all tax returns required to be filed by Manager as a result of Manager's employment of its employees (including withholding tax returns and unemployment tax returns).

5. Included Management Services. The Manager will provide or offer to provide to the Company for the benefit of the Facilities the following Management Services:

(a) *General Management Oversight.* The Manager will provide advisory, consultative, and other direct services to the Company and appropriate oversight of the Company so as to achieve the directives of the Board. The Manager will also supervise and oversee the Company's business affairs by, among other things, directing the general activities of management, regularly monitoring the activities and performance of the Facilities, providing adequate training and education for management, and establishing policies, procedures, guidelines and directives for the effective management of the Company and the Facilities.

(b) *Health Financing (Reimbursement).* The Manager will provide third party reimbursement strategies, consultation services on reimbursement strategy, and compliance with all applicable reimbursement rules. The Manager will also file all required cost reports related to periods ending after the date of this Agreement based upon data provided by the Facilities, and will coordinate all appeals and audits. If the Manager engages third party consultants to prepare cost reports for the Facilities, then the cost of such consultants shall not be included in the Management Services Fee. If the Manager determines that legal action is required in connection with the foregoing matters, the cost of such action shall not be included in the Management Services Fee. Any legal action with respect to reimbursement matters will be coordinated through the General Counsel of the Manager. The Manager will also provide methodologies for monthly bookings of contractual allowances by the Facilities and will provide critical review of bookings.

(c) *Financial Operations Support.* The Manager will provide consultation and support for patient accounting and receivables management, management engineering, process improvement, business office operations, medical staff programs and practice promotions, productivity enhancement and management reporting systems. Manager will also select outside contractors for such services if additional consultation or services are required for the Company.

(d) *Capital Management.* The Manager will provide assistance in preparing and evaluating all capital expenditures of the Facilities. The Manager will also provide a full range of capital expenditure support in *pro forma* preparation and analysis.

(e) *Operational Licenses.* Manager shall obtain and maintain, on behalf and at the expense of the Company, all licenses, certifications, permits, and accreditations necessary for the operation of the Hospital (in the name of and held by the Company.)

(f) *Market Development.* The Manager will be responsible for assisting in the development of the Facilities' market and working with field operations in developing

those leads, structuring transactions, and coordinating due diligence and closing transactions, subject to the approval of the Board.

(g) *Real Estate Development.* The Manager will provide assistance in the development of medical office buildings and in the purchase or sale of real estate (including site selection), financing, leases, construction layout and all other facets of medical office buildings and their design and operation.

(h) *National Managed Care Development.* The Manager will solicit, negotiate and execute payor contracts on behalf of the Company and assist in the development of provider networks to contract with third party administrators and other providers.

(i) *Budgets/Financial Planning.* Manager shall provide inflation data, analyze current trends in the health care industry and budget software and training, and shall aid in setting financial goals and preparing preliminary budgets for the Facilities for the Board's approval. Manager shall provide *pro forma* modeling, return on investment calculations, bench marking and assumption testing. Manager shall provide support in *pro forma* preparation and analysis consistent with the level of support provided by Manager and its Affiliates to their other hospitals. Manager shall also provide periodic reports to the Board on provision of charity care and compliance with the Standards.

(j) *Corporate Finance-Treasury.* The Manager will provide a centralized cash management system for all Company funds. The Manager will manage commercial and investment bank relations, maintain all bank accounts, provide investment management for employee benefit plans, manage the Company's facility-specific debt, if any, and related interest expense. The Manager will also manage relationships with credit rating agencies and manage intercompany banking functions. The Manager will be available to consult on all financial transactions relating to the Facilities. Fees associated with bank accounts maintained for the Company shall be paid by the Company.

(k) *Corporate Finance-Tax.* The Manager will be responsible for preparing, submitting to the Company for approval and execution, and filing federal and state income or franchise tax returns, annual reports, federal excise tax returns, self-procurement tax returns and escheat reports relating to the Facilities. All other tax returns will be prepared and filed by the Company. Property taxes are outsourced to third parties at the cost and expense of the Company. If other tax preparers are engaged by the Manager on behalf of the Company, the cost for the services of such tax preparers shall not be included as part of the Management Services Fee. The Manager will also coordinate audits and appeals of all taxes as part of the Management Services Fee. Third party studies undertaken to reduce the Company's liability to any taxing authority will be the responsibility of the Company.

(l) *Corporate Finance-Accounting.* The Manager will provide general accounting consultation, training and expertise in the use of its financial systems, intercompany accounting and miscellaneous other systems. Manager shall oversee the maintenance of the accounting systems of the Facilities and supervise the preparation of

monthly and annual balance sheets, statements of income and loss, and other financial and operational reports. Manager shall have the responsibility and authority to make all decisions as to accounting principles and elections, whether for book or tax purposes (and such decisions may be different for each purpose as contemplated by Section 2.1(c)) and to set up or modify record keeping, billing, and accounts payable accounting systems. Manager shall also provide to the Board such other reports regarding the Facilities and conditions as the Board may reasonably request.

(m) *Corporate Finance-Insurance.* The Manager will arrange for insurance products for the Company at then-available rates. The Manager shall enter into insurance contracts that are consistent with prudent industry practices to protect the Facilities. The Company will bear the premiums or costs of any insurance products that Manager obtains for the Company, including internal allocations of self-insured reserves and premiums.

(n) *Human Resources-Employee Relations.* The Manager will consult with the Board about employee relations matters, including compliance with law, compliance with the Company's policies, the establishment of fair practices in relationship to the rest of the health care industry, and collective bargaining, Employee Retirement Income Security Act ("ERISA"), affirmative action, employee grievance, and other employee relations issues.

(o) *Human Resources-Compensation.* The Manager will implement within the Company competitive pay practices and industry norms consistent with the annual operating budget.

(p) *Human Resource-Employee Benefits.* The Manager will provide and administer standard employee benefit packages that are initially consistent with those described in the Contribution Agreement, and any changes in the employee benefit packages will be comparable in the aggregate to those generally provided to employees at other Facilities operated by the Manager's Affiliates in the New England market, in compliance with ERISA, and consistent with the annual operating budget.

(q) *Human Resources-Executive Recruiting.* The Manager will provide executive recruiting services, including consultation with corporate executive recruiters. The Manager will identify and recommend to the Board appropriate compensation packages for the Company's executives. Executive recruiting fees will be paid by the Company.

(r) *Compliance Program; HIPAA Compliance.* The Manager will implement and maintain a compliance program to improve internal communication and employee feedback to the Manager, provide information on how the Company is operating, address employee misconduct, and generally improve the morale of all employees who are held to a common high standard of conduct. The Manager will require every officer and employee to attend compliance training programs, encourage employees to report legal or ethical violations to the Manager's senior compliance officer without fear of retaliation, even on an anonymous basis, and ensure that all allegations are investigated and, where appropriate, violations remedied. The Manager will also make available to the Company

the Manager's HIPAA compliance officer, who may be consulted by the Company on any issue relating to HIPAA matters as often as reasonably necessary, and who will provide HIPAA compliance training to the appropriate departmental personnel.

(s) *Internal Audit.* The Manager will conduct periodic internal audits of the Facilities intended to ensure that, in addition to the policies and procedures of the Company, the Company follows good internal business controls and practices relevant to financial reporting with an emphasis placed on those controls and processes that mitigate significant risks, as required by the Sarbanes-Oxley Act of 2002. The Manager will report to the Board the results of all such internal audits. If requested, the Manager will provide reports to and answer questions from any Member of the Company regarding the internal audit. During an audit, the Manager will perform various reviews and tests related to financial statement integrity, financial controls and operational effectiveness, particularly in critical areas of accounts receivable management, materials management, health information management and cash management. The Manager will provide recommendations to help ensure the integrity of the Company's financial data, reduce expenses, and to capture revenue and cash flow appropriately. The Manager will also provide operational support by conducting its reviews in such a manner as to streamline processes, reduce waste and identify outdated procedures and processes. The Manager will assist the Company's external auditors, if any, in annual audits (the cost of which shall not be included in the Management Services Fee) and will support operations in evaluating the adequacy of the Company's financial reserves.

(t) *Legal.* The Manager employs a staff of experienced health care attorneys who may be consulted by the Company's general counsel on any legal issue relating to the Company's operations or its legal affairs as often as reasonably necessary. The consulting services of the Manager's staff attorneys include legal consultation related to business acquisitions, real estate purchases and sales, managed care contracts, physician contracts, service contracts, medical office building issues, physician recruitment, maintenance contracts, bioethical issues, patient confidentiality issues, fraud and abuse issues, and construction contracts. If the Manager believes that outside legal counsel is required for a specific issue, the Manager's legal department will assist the Company's general counsel with selecting, overseeing and negotiating fees for the work of outside counsel. The Company understands that it may be necessary or appropriate from time to time to engage outside counsel or consultants to assist in various matters, including human resources, labor relations and employee actions, medical malpractice, workers' compensation, licensure and regulatory, tax disputes or appeals, Medicare, Medicaid and Tricare issues, and that the costs of such outside counsel and consultants are not included in the Management Services Fee but will be charged directly to the Company.

(u) *Public Affairs.* The Manager will monitor federal and state legislative and policy issues. It will provide contacts with appropriate national groups such as the Federation of American Health Systems and the American Hospital Association. The Manager will also negotiate membership agreements with national groups, and the costs of such memberships will be allocated to, and paid by, the Company.

(v) *Clinical Protocols.* The Manager will provide support to the Company's clinical operations relating to evidence-based care, patient safety and other strategic initiatives that support continuous quality improvement.

(w) *Accreditation and Conditions of Participation Compliance:* The Manager will provide support to the Company in maintaining compliance with all governmental regulatory bodies, such as the Centers for Medicare & Medicaid Services, and with the Joint Commission, while maintaining a continuous survey readiness culture.

(x) *Design, Construction and Equipment Planning.* The Manager will provide oversight in facility design and construction and equipment planning, and assistance in the selection of architects, contractors, equipment and technology for the Company.

(y) *Information and Telecommunication Services.* The Manager employs a staff of experienced information systems and telecommunications managers who may be consulted by the Company on any issue relating to the Company's information system and telecommunications needs as often as reasonably necessary. The consulting services of the Manager's information systems and telecom corporate staff are included in the Management Services Fee. Those services include setting strategic and tactical direction and coordination of all information and telecommunication related activities, providing leadership in all major system and/or hardware selection activities, negotiating and maintaining vendor contractual relationships, evaluating vendor contracts for possible re-negotiation to decrease costs and/or increase services, monitoring/administering all corporate negotiated vendor agreements, providing education on technology trends and cost effective system solutions, providing system implementation planning and monitoring, ensuring systems are being utilized to best optimize operations, ensuring any corporate or facility policies, procedures and standards are applied, and providing operating and capital budgeting assistance. In addition, the Manager will also assist the Company and its information systems and telecom staff with day-to-day management of information systems and telecom operations, including report printing, data entry, reviewing/correcting error reports, network/local system backups, file maintenance, project management of system implementations, application support, hardware and network support, maintaining an information systems disaster plan, meeting requirements of the Joint Commission, preparing and administering the information systems and telecommunications operating budget, following policies and procedures of the Facilities relative to information systems, validating data integrity, assisting management with capital budget planning, and coordinating the development of strategic information systems and telecommunications plans. The cost of day-to-day information systems and telecom operations, including information systems and telecom hardware, equipment, software and other applications, is not included in the Management Services Fee.

6. Manager Compensation and Expenses.

6.1 Management Services Fee. As compensation for the Management Services described in Section 5, the Company will pay a fee ("**Management Services Fee**") equal to [REDACTED] of the Company's annual consolidated net revenues, payable monthly. In

addition, the Company will reimburse the Manager for its direct out-of-pocket expenses. For purposes of this section, “**net revenues**” means the Company’s gross revenues less its contractual adjustments, charity care (but not bad debt expenses) and administrative discounts as determined under the accrual method of accounting in accordance with generally accepted accounting principles.

6.2 Reimbursement of Employee Salaries, Wages and Benefit Expenses. It is the intent of the parties that neither Manager nor any of its Affiliates incur any expense, liability or obligation under this Agreement as a result of employing, compensating and providing health, welfare and fringe benefit plans, programs and arrangements for the employees, and that Manager also not be compensated by the Company more than the actual out-of-pocket cost incurred by Manager and its Affiliates for doing so. Accordingly, the Company shall reimburse Manager for all out-of-pocket costs incurred by Manager and its Affiliates in employing, compensating and providing health, welfare and fringe benefit plans, programs and arrangements for the employees pursuant to this Agreement, which costs shall consist of the salary and wages of Manager’s employees, the employer portions of taxes or other assessments attributable thereto not withheld from the employees’ salaries or wages, and all out-of-pocket fees, charges, claim costs, premium costs and costs of administration paid by Manager with respect to the health, welfare and fringe benefit plans, programs and arrangements provided by Manager, including the ongoing costs associated with offering COBRA coverage to any employees (or dependents thereof) who terminate employment with Manager (or otherwise incur a qualified event) during the term of this Agreement. Manager’s reimbursed expenses shall be without mark-up or profit added to such actual expenses. The Company shall reimburse Manager for such expenses within five (5) days after publication of the financial statements for the prior month showing the accrued payroll and benefit expenses incurred by Manager during the prior month.

6.3 Reimbursement of Other Expenses. Manager shall include an estimate of its annual out-of-pocket expenses relating to the provision of Management Services pursuant to this Agreement in the annual operating budget for the Facilities prepared by Manager for the Company. The Company shall reimburse Manager on a monthly basis for all reasonable out-of-pocket expenses incurred in connection with the Management Services provided pursuant to this Agreement, including fees to third parties and other reasonable expenses incurred on behalf of the Company for such services, but without duplication of amounts reimbursed pursuant to Section 6.2. Manager’s reimbursed expenses shall be without mark-up or profit added to such actual expenses. Manager shall prepare an itemization with supporting documentation of such expenses on a monthly basis to be submitted to the Company and to the members of the Board by the fifteenth (15th) of the subsequent month. The Company shall reimburse Manager for such expenses within fifteen (15) days after receipt of such itemization with supporting documentation.

7. Term. Except as provided in Section 8, the initial term of this Agreement shall be for five (5) years commencing on the date of this Agreement and terminating on _____, 2018. The Agreement shall automatically renew for additional terms of five (5) years.

8. Events of Default; Termination.

(a) *Events of Default.* Each of the following is an event of default (“**Event of Default**”) hereunder:

(1) If the Manager fails to make available to the Company the Management Services, or fails to perform the Management Services in accordance with professionally recognized standards, and such failure continues for thirty (30) days after the Board has provided written notice thereof to the Manager;

(2) If the Company fails to make or cause to be made any payment to the Manager required to be made hereunder and such failure continues for thirty (30) days after notice thereof has been given to the Company, or if the Company fails to make any payment pursuant to any other agreement between the parties (provided that any Member shall be given the opportunity for ten (10) days to make such payment prior to a default being declared);

(3) If either the Manager or the Company takes or acquiesces in the taking of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or other similar law affecting the rights or remedies of creditors generally, as in effect from time to time. For the purpose hereof, the term “**acquiesces**” includes the failure to file, within thirty (30) days after its entry, a petition, answer or motion to vacate or discharge any order, judgment or decree providing for any relief under any such law.

(b) *Right to Terminate.* If any Event of Default occurs and is continuing, the non-defaulting party may terminate this Agreement and neither party will have any further obligation whatsoever under this Agreement; provided that the Manager will immediately be entitled to receive payment of all amounts theretofore unpaid which had been earned and are due to the Manager up to the date of termination pursuant to the terms hereof; and termination will not relieve either party of liability in respect of any breach occurring or liability arising prior thereto.

(c) *Effect of Termination.* If this Agreement is terminated by mutual agreement of the parties or pursuant to this section, the Manager will promptly turn over to the Company any and all of the Company’s books and other business records and other property that are then in the possession of the Manager and will provide an accounting of the basis upon which the Management Service Fee is calculated up to the date of termination. In addition, to ensure continuity of employment at the Facilities for such personnel, Manager will terminate the employment of, and allow the Company or the successor to Manager’s duties hereunder to employ, all personnel employed by Manager pursuant to this Agreement.

9. Notices. Any notice, demand or communication required, permitted or desired to be given hereunder shall be deemed effectively given if given in writing (i) on the date tendered by personal delivery, (ii) on the date received by fax or other electronic means (including telegraph and telex), (iii) on the date tendered for delivery by nationally recognized overnight

courier, or (iv) on the date tendered for delivery by United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, in any event addressed as follows:

If to the Company: **[VHS Waterbury Health System], LLC**
64 Robbins Street
Waterbury, Connecticut 06721
Attn: CEO
Fax: _____
Email: _____

If to the Manger: **[VHS Waterbury Management Company, LLC]**
20 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attn: General Counsel
Fax: 615.665.6197
Email: generalcounsel@vanguardhealth.com

or to such other address or number, and to the attention of such other person, as any party may designate at any time in writing in conformity with this section.

10. Assignment; Delegation. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party; provided that the Manager may assign this Agreement to one of its Affiliates, but with each assignment, the assignor shall be required to remain obligated hereunder in the same manner as if such assignment had not been effected. As used in this Agreement, “**Affiliate**” means any corporation or other entity that is connected with the Manager through one or more corporations or other entities linked through 50% or greater ownership, or any partnership (general or limited) or limited liability company or tiers of partnerships or limited liability companies of which Affiliates of the Manager are the sole general partners or have more than a 50% general partnership or limited liability company interest therein, irrespective of any ownership interest in the Company.

11. Indemnification.

(a) *Indemnification of the Manager.* Except to the extent such indemnification may be prohibited by law, the Company, its receiver, or its trustee shall indemnify, protect, defend and hold harmless the Manager from and against any liability or damage incurred or suffered by the Manager by reason of any act performed or omitted to be performed by the Manager or its agents or employees in connection with the Company’s business, including reasonable attorneys’ fees incurred by the Manager in connection with the defense of any claim or action based on any such act or omission.

(1) If any Member brings a legal action against the Manager, including a Company derivative suit, the Company shall indemnify, hold harmless and pay all expenses of the Manager, including reasonable attorneys’ fees incurred in the defense of such action, unless the Manager is adjudicated guilty of or liable for willful misconduct, gross negligence, an intentional breach of this Agreement or the Contribution Agreement or willful misconduct in connection with the

performance of its duties as Manager. For purposes of this section, the terms “**willful misconduct**” or “**gross negligence**” shall include but not be limited to acts of fraud and intentional acts that constitute breaches of fiduciary duty.

(2) The Company shall indemnify, hold harmless and pay all expenses, costs, losses or liabilities incurred by the Manager for its making any deposit, acquiring any option, making any payment or assuming any obligation in connection with any property proposed to be acquired by the Company.

(3) Any payment required herein to be made by the Company to the Manager shall be made promptly following a judicial determination, or agreement of the Members, that the Manager is entitled to indemnification.

(4) Notwithstanding the foregoing provisions of this section, the Manager shall not be indemnified by the Company from any liability for actions or omissions that constitute intentional misconduct, willful misconduct, an intentional violation of the Contribution Agreement or this Agreement or gross negligence, or for actions or omissions that constitute material violations of state or federal securities laws (other than those caused by actions of a Class B Member or caused by or related to information supplied by a Class B Member or statements or representations made by the Manager in reliance on any warranty or representation of a Class B Member). In addition, the Manager shall not be indemnified by the Company against any liability for actions or omissions unless those actions or omissions were taken in good faith and with the reasonable belief that such actions or omissions were in or not opposed to the Company’s best interest, and, in the case of criminal actions or proceedings, that such actions or omissions were taken without reasonable cause to believe such actions or omissions would be unlawful.

(b) *Indemnification by the Manager.* The Manager will indemnify and hold harmless the Company and its agents and employees of and from any claims, losses, liabilities and demands of every kind and nature whatsoever, including reasonable attorneys’ and accountants’ fees and the costs of defending such claims, losses, liabilities and demands, arising in connection with any acts or omissions by the Manager or any of its Affiliates, agents or employees in connection with this Agreement, to the extent such acts or omissions constitute either gross negligence, fraud, intentional misconduct or willful misconduct.

12. Access to the Facilities. During the term of this Agreement, to carry out its obligations the Manager will be given complete access to the Facilities and its records, offices, and facilities, subject to the confidentiality requirements relating to patients’ records as established by the Company and applicable law.

13. Autonomy of Parties. The Manager and the Company shall not, by virtue of this Agreement, be deemed to be partners or joint venturers, nor shall the Manager be deemed to be the agent or employee of the Company for any purpose beyond the scope of this Agreement. The Manager shall not, by entering into and performing this Agreement, incur any liability (other

than any contingent liability under Section 11) for any of the existing or future obligations, liabilities or debts of the Company.

14. Modification. Neither this Agreement nor any provision hereof may be amended or modified (or deemed amended or modified), except by an agreement in writing duly exercised and acknowledged with the same formality as this Agreement. This Agreement may not be amended unless a majority of the Class A Directors and a majority of the Class B Directors of the Company vote in favor of such amendment (as “*Class A Directors*” and “*Class B Directors*” are defined in the Operating Agreement).

15. Governing Law. All matters affecting the interpretation of this Agreement and the rights of the parties hereunder shall be governed by the laws of the State of Connecticut, without reference to principles of conflicts of law.

16. Waiver of Breach, Right or Remedy. The waiver by any party of any breach or violation by another party of any provision this Agreement or of any right or remedy permitted the waiving party in this Agreement (i) shall not waive or be construed to waive any subsequent breach or violation of the same provision, (ii) shall not waive or be construed to waive a breach or violation of any other provision, and (iii) shall be in writing and may not be presumed or inferred from any party’s conduct. All remedies, either under this Agreement, or by law or otherwise afforded, will be cumulative and not alternative.

17. Independent Covenants. Except as otherwise provided herein, each of the respective rights and obligations of the parties hereunder shall be deemed independent and may be enforced independently irrespective of any of the other rights and obligations set forth herein. No waivers, express or implied, by either party of any breach of any of the covenants, agreements or duties hereunder by or of the other party shall be deemed to be a waiver of any other breach hereof or the waiver of any other covenant, agreement or duty.

18. Entire Agreement; Interpretation. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and the parties hereby acknowledge that there have been and there are no representations, warranties, covenants or understandings other than those expressly set forth herein which relate to the subject matter hereof. The headings in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. No provision of this Agreement shall be interpreted for or against any person on the basis that such person was the draftsman of such provision, and no presumption or burden of proof shall arise favoring or disfavoring any person by virtue of the authorship of any provision of this Agreement.

19. Attorneys’ Fees. In the event of a claim or controversy between the parties relating to any matter arising out of this Agreement, the substantially prevailing party in such claim or controversy shall be entitled to recovery against the other party of reasonable attorneys’ fees and court costs at all levels. In the event of a claim or controversy in which each party ultimately substantially prevails in part, each party shall bear its own costs and expenses, and court costs shall be divided equally.

20. Counterparts. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement, and any executed counterpart of a signature page to this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been executed by duly authorized agents of the parties as of the date set forth on the first page of this Agreement.

**[VHS WATERBURY HEALTH SYSTEM],
LLC**

**[VHS WATERBURY MANAGEMENT
COMPANY, LLC]**

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT 4: OHCA STUDY DN06-30760-VST

Wiley Hoop
County Hoop



Office of Health Care Access

Report of Investigative Proceedings

Docket Number 06-30760-VST

May 23, 2007

**Cristine A. Vogel
Commissioner
Office of Health Care Access**

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- A. Report of Socio-Economics and Health Care Services Utilization of the Waterbury Area
- B. The Chartis Group, LLC. Report
- C. StayWell Health Center letter
- D. Hospital Closures and Mergers in Connecticut
- E. Report of the Region 5 Pediatric Inpatient Psychiatric Services Implementation Group

I. Executive Summary

The health care services provided in the Waterbury area appear to be fragmented, competitive and in financial distress. Although utilization of inpatient and outpatient services is high -- profit margins remain low at both St. Mary's Hospital and the Waterbury Hospital. Access to care is not yet impacted; however, the long-term viability of the health care delivery system is at risk -- presenting an opportunity to restructure and develop an efficient and responsive health care delivery system. After an extensive review of data in this investigation, some of the findings are:

- Saint Mary's Hospital's financial measures indicate that the hospital is insolvent.
- Data suggest that the financial viability of the health system is more sustainable with one hospital and one outpatient system of care.
- Duplication of services is competitive and costly and limits profitability.
- A merger of St. Mary's Hospital and Waterbury Hospital is an option; however, many major issues exist.
- A planned closure of St. Mary's Hospital may be a viable solution providing a pre-determined integration plan is in place.
- Utilization data demonstrate a consistent and steady demand for inpatient and outpatient services will continue in the community.
- A comprehensive primary care system needs to be developed to respond to the immediate need for access which will ultimately improve the hospitals' financial viability and the health status of the community. Data suggest a lack of primary care services exists forcing individuals to utilize the Emergency Department as their health care provider.
- Behavioral health services must be expanded in a comprehensive and cohesive manner.

The financial hardship that St. Mary's Hospital (SMH) and the Waterbury Hospital (WH) struggle with is mostly a result of an economically challenged city. Waterbury experiences a higher rate of uninsured and unemployed compared to the state as a whole and has a lower per capita income. Socioeconomics and demographics play a significant role in the financial condition of hospitals since they rely on philanthropic donations and the balance of government and non-government reimbursement to offset losses.

Additionally, financial hardship can be created when two hospitals are located in close proximity to each other. The expenses related to marketing, advertising, recruitment and retention are increased as each hospital is competing for the most qualified employees and the most profitable patients. Related to the expenses of competition -- is duplication. The duplication that exists in the outpatient market results in the thinning out of profitable services so neither organization can leverage the profit. These costs are in addition to those targeted at competing hospitals located in the secondary market. Also

related to competition is the lack of negotiating power the hospitals face during the contracting phase with managed care organizations. Typically the commercial discounts are greater in an area served by two hospitals which decreases the reimbursement from the most lucrative payer source.

This investigation conducted by the Office of Health Care Access (OHCA) was initiated to assess the viability of the health care delivery system in the Waterbury area. Several state agencies have been periodically meeting and discussing the information that OHCA has been collecting. The other state agencies involved are: Department of Public Health (DPH), Department of Social Services (DSS), Office of Policy and Management (OPM), and the Connecticut Health and Educational Facilities Authority (CHEFA).

The purpose of this investigation was to study the socioeconomic factors, utilization of hospitals services and a review of the financial condition of SMH and WH and the impact these factors have on ensuring sustainable access to hospital care in the Waterbury area. Both hospitals have reported negative operating margins for the past two years and have not experienced a strong fiscal year in some time. For Fiscal Year 2006, SMH reported a Total Margin of 0.4% and an Operating Margin of (3.7)%; and WH reported a Total Margin of (2.4)% and an Operating Margin of (3.7)%.

The distressed financial condition of both hospitals, although more severe with SMH, has restricted access to capital for facilities improvement and renovation projects. Both of the hospitals' facilities are aging, they lack sufficient parking, and increasing the capacity to meet demand for services in the Emergency Departments and patient floors has become cost-prohibitive. Thus, occupancy rates are high in many service lines and yet beds, although within licensed bed count, cannot be added.

According to FY06 audited financial statements, St. Mary's Hospital has enough cash to pay one (1) day of its short-term commitments and is taking longer than normal to pay its creditors. Although Waterbury Hospital has more cash on hand and is paying its creditors earlier than prior years, both hospitals are exhibiting the classic symptoms of financial distress.

Each of the findings mentioned above will be further discussed in the Discussion and Conclusions section of this report. All data used in this report can be found in the Findings of Fact section and the Attachments.

II. Summary of Findings

This investigation thoroughly reviewed the socio-economic characteristics, the utilization of services, and the financial challenges of St. Mary's Hospital and the Waterbury Hospital. A detailed analysis of these factors is contained in Attachment A of this report. This summary is provided as an overview of the key factors that contribute to the on-going financial losses of the hospitals.

Socio-economic Characteristics:

Although there are seven towns that best define the "Waterbury Area" included in the investigation, a significant portion of residents who rely on and access St. Mary's Hospital and the Waterbury Hospital for health care services live in the towns of Waterbury, Naugatuck or Watertown. This area consists mostly of:

- young adults who may be full-time students, single, unemployed or have no permanent full-time jobs and therefore, likely to be uninsured;
- a disproportionate share of residents who are over 75 years old and live in the city of Waterbury who maybe inclined to suffer from chronic diseases that need management;
- minorities that have high hospitalization and uninsured rates;
- residents who are less likely to have a college degree or higher, to be skilled professionals or employed;
- a labor force that has a comparably higher tendency to work in service, production, transportation and material moving industries that are seasonal, temporary or part-time in nature;
- people who earn less than the statewide average per capita or household income;
- a population that has a high incidence of hospitalizations that could have been prevented if residents had adequate access to community health services; and
- a federally medically and primary care underserved population.

Utilization:

Utilization data collected in this investigation demonstrated an active use of inpatient and outpatient health care services. There was no significant decline in utilization which in other circumstances would be a reason for a deterioration of financial stability – the Waterbury hospitals show steady volume. This data is summarized for FY 2006 for SMH and WH combined:

- 27,562 Inpatient discharges (remained steady for the past 3 years)
- 116,644 Emergency Department visits (slight increase over the past 3 years)
- 91,684 Medical and Behavioral Health Clinic visits (overall no increase)
- 245,638 Other "outpatient" visits (i.e., surgery, radiology, etc.)

Fundamental system issues exist so although there is steady utilization of services, it is difficult to assess the necessary “size” of the health care system. The Emergency Departments show a higher utilization than typical – probably related to the lack of alternatives available; and each hospital stated the difficulty of discharging certain patients due to an inability to transfer patients to the next level of care.

Combined, the hospital system in the Waterbury area has 704 inpatient beds and 68 bassinets. Over a three-year period, the two hospitals gradually increased the number of staffed beds to 447 or 62% of licensed beds and 68 bassinets. Most of the beds (72% or 323) are for medical/surgical and critical care, 62 beds are for OB/GYN care, 42 beds for psychiatry and 36 beds for pediatric care. Based on the demographic profile of the area, there is excess demand for medical/surgical, critical care and psychiatric beds and insufficient demand for OB/GYN and pediatric beds. Although the high demand have resulted in rather high average occupancy rates (approximately 80%) over the year, the two hospitals have been limited in how many additional beds they can staff because of space constraints, capital costs, staffing shortages or difficulty with discharging patients to the appropriate level of care to a different facility (i.e., skilled nursing, rehabilitation).

Medical care is about one-half of the inpatient care the hospitals provide, surgical and maternity/pediatric care make up one-quarter each and behavioral health care is 5%. While over the three-year period the number of patients discharged increased by only 1%, patient days grew by 5%. With the increases in volumes, the cost of providing care per discharge in the area rose by 20% but growth in revenue did not keep pace with the cost as would be expected, rather loss per discharge more than doubled. Although both hospitals were incurring losses in all inpatient care service lines, larger losses were associated with behavioral health and surgical care. In FY 2006, the loss per discharge (both hospitals combined) in each service line was \$2,834 for behavioral health, \$1,871 for surgical care, \$794 for maternity/pediatrics care and \$127 medical care. But loss per service line per discharge varied between the two hospitals, the losses for medical, behavioral health and maternity/pediatric care were lower at St. Mary’s Hospital, while the loss per discharge associated with surgical care was lower at Waterbury Hospital. However, some of the differences are explained by what each hospital includes in its components of costs.

The two hospitals combined have 73 Emergency Department (ED) beds and both experience the “boarding” of patients that require admission to an inpatient unit. The hospitals state that staffing, space constraints, and the lack of access to capital constrain their ability to improve through-put of patients in their respective EDs. Approximately 14% of ED visits in the area result in an inpatient admission and like the state and nation account for about one-half of all discharges. As in the case of inpatient services, both hospitals provide ED services at a loss per case.

In the area of medical and dental outpatient care, an affiliate of St. Mary's Hospital provides these services at a loss per visit despite high volumes. An affiliate of Waterbury Hospital provides some outpatient and HIV treatment services and records high volumes but was unable to provide cost data for evaluation. Affiliates of both hospitals also provide outpatient behavioral health clinic services; however, the Waterbury Hospital provides 90% of these services. Loss per visit is almost the same for both facilities, but visits per case to the St. Mary's Hospital behavioral health clinic are three times the visits made to the Waterbury Hospital clinic.

Other outpatient services such as one-day surgery, radiology/imaging, laboratory, gastroenterology and other services are the most profitable services both hospitals provide although the cost at Waterbury Hospital is 1.5 times the cost at St. Mary's Hospital.

The financial instability of both hospitals is not a result of low utilization. The hospitals' combined inpatient discharges for FY06 are 27,562; however, on average the hospitals combined lose \$899 per case. In surgical cases, typically a profitable service, the combined hospital loss per case is \$1,871. The utilization of the emergency departments is higher than that of the state average which is indicative of a lack of alternative primary health care services. In FY06, the two hospitals reported 116,644 visits to their EDs. This presents a fiscal challenge when 42% of their patients are covered by Medicaid and 10% are uninsured. Of the patients that were treated and discharged (not admitted) from the ED, the hospitals lose a combined \$28 per case. This amount of loss per case for such a large volume is difficult to offset since they realize losses in their inpatient services and they have a relatively low reimbursement rate from commercial payers.

Hospital Payer Mix:

When all services are combined (inpatient and outpatient) for both hospitals, commercial payers are the dominant primary payer in the Waterbury Area accounting for 41% of total patient volume. Medicare accounts for 30%, Medicaid for 23% and the uninsured for 4% (Table 1). In fact, commercial payers are the leading primary payer (46%) in the sole profitable areas of service for the hospitals in the "other outpatient services" category, which include medical clinics, one-day surgery, radiology, laboratory, gastroenterology and all other services except ED and outpatient psychiatry. The payer mix varies between services and hospitals. EDs in the area have an unfavorable payer mix with over one-half of their patient volume being either Medicaid-covered or uninsured and an annually declining share of commercially-covered patients. Although both hospitals provide care to a large portion of uninsured patients (9% for St. Mary's Hospital and 11% for Waterbury Hospital), St. Mary's Hospital treats a disproportionate share (49%) of Medicaid patients in the ED. The payer mix presented in Table 1 is highly correlated to the demographic profile outlined in Section 3.0 of Attachment A.

Table 1: Waterbury Area Hospitals Payer Mix by Department, FYs 2004 - 2006

Services	Primary Payer	St. Mary's Hospital			Waterbury Hospital			Waterbury Area Hospitals		
		FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Inpatient Discharges	Medicare	42	43	43	44	43	43	43	43	43
	Medicaid	25	23	23	21	20	20	23	22	21
	Commercial	31	32	32	33	34	34	32	33	33
	Worker's Compensation	1	1	1	1	1	1	1	1	1
	Self-pay/uninsured	1	1	1	1	2	1	1	1	1
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Emergency Department Treated and Discharged Visits	Medicare	14	15	15	17	18	18	15	16	16
	Medicaid	49	46	43	34	33	32	42	40	38
	Commercial	26	27	29	36	37	37	30	32	33
	Worker's Compensation	2	2	3	3	3	3	2	3	3
	Self-pay/uninsured	9	9	10	11	10	10	10	10	10
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Outpatient Behavioral Health Visits	Medicare	9	13	9	46	47	45	43	44	42
	Medicaid	55	58	54	37	35	38	38	37	39
	Commercial	36	28	36	15	16	16	17	17	17
	Worker's Compensation	0	0	0	0	0	0	0	0	0
	Self-pay/uninsured	1	1	0	2	2	2	2	2	2
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
All Other Outpatient Visits	Medicare	32	33	32	30	31	32	31	32	32
	Medicaid	17	17	16	18	18	18	18	18	17
	Commercial	47	47	46	45	45	45	46	46	45
	Worker's Compensation	1	1	3	1	1	1	1	1	2
	Self-pay/uninsured	2	2	3	5	5	4	4	3	4
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Hospital Total	Medicare	28	28	28	32	33	33	30	31	31
	Medicaid	26	26	24	20	19	19	23	23	22
	Commercial	41	41	41	42	42	42	41	42	41
	Worker's Compensation	2	1	3	1	1	1	1	1	2
	Self-pay/uninsured	4	4	4	5	4	4	4	4	4
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Financial Indicators:

There is no single financial measure that, by itself, indicates the financial health of or the financial difficulty faced by a hospital. Important indicators to consider are the utilization of services, the payer mix, reimbursement, profit/loss of services, the ability the hospital has to meet its short-term obligations and its access to capital in order to continue to improve facilities and equipment. For consecutive years, both hospitals experienced negative operating margins, also a signal of financial distress.

St. Mary's Hospital's financial performance has deteriorated in the past three (3) years its low current assets to current liabilities ratio, 0.8 in FY06, put the hospital at a higher risk for technical insolvency (below 10th percentile). To improve cash flow, the hospital

shortened the average time it took to collect revenues from billed patients by ten days down to 38 days but that was not enough to improve the average time it took to pay creditors, that increased by a day to 72 days (Table 2).

Waterbury Hospital has experienced deterioration in its cash flows as well. The hospital's days of cash on hand have reduced from 42 days to 20 days, which is below state and national medians. It took the hospital seven days more to collect revenues from billed patients on average, but it paid its creditors five days earlier than it did the year before. Waterbury Hospital is at very low risk of technical insolvency since its current assets to current liabilities ratio in FY06 was 2.03 which is above the median for the state and nation (Table 2).

A serious concern for both hospitals is the difficulties they will have in financing future debt for capital projects. In order for any hospital to maintain standards of care and to remain competitive, they need to be able to invest in aging facilities, upgrade to advanced technologies, and expand or renovate to meet patient demands.

Table 2. Financial Indicators of St. Mary's Hospital and Waterbury Hospital (FY 2004 – 2006)

Financial Statistics	St. Mary's Hospital			Waterbury Hospital		
	2006	2005	2004	2006	2005	2004
Net Assets						
Hospital	(\$136,000)	\$23,760,000	\$26,430,000	\$124,628,134	\$126,535,925	\$119,504,105
Health System	\$1,424,000	\$8,469,000	\$16,197,000	\$163,330,870	\$166,079,218	\$158,400,874
Financial Indicators						
Current ratio	0.8	1.96	1.78	2.03	2.15	1.93
Days of expenses in accounts payable	72	71	69	42	47	56
Days cash on hand	1	3	5	20	34	42
Days of revenue in accounts receivable	38	48	60	49	42	37

Source: *Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Year 2005, the hospitals' Audited Financial Statements* & *data submitted by the hospitals in response to the investigation.

Current Ratio: the Current Ratio is the most widely used measure of liquidity. The value of the Current Ratio measures the number of dollars held in current assets per dollar of current liabilities. From an evaluation perspective, high values for the Current Ratio imply a good ability to pay short term obligations and thus a low probability of technical insolvency. Nationally, Current Ratios fluctuate around 2.0.

System of Care

The infrastructure that provides access to outpatient primary care and behavioral health services overall appears to be fragmented and at capacity. The lack of access to primary health care is demonstrated by the high utilization of emergency departments and the high incidence of hospitalizations that could have been prevented if residents had adequate access to preventive community services (Attachment A). The clinics that each

hospital operates and the Federally Qualified Health Center in Waterbury also appear to be at capacity. Additionally, there is a serious concern with the ability for clinic patients to access specialty care since the majority of physicians do not accept many Medicaid patients.

In continued research regarding access to pediatric inpatient psychiatric services (Attachment E), it was recommended that Region 5 (Waterbury being part of) expand inpatient beds as well as develop a Psychiatric Residential Treatment Facility (PRTF). The lack of availability of different levels of care is creating long delays to transfer behavioral health patients to other providers and typically those referrals are out of the region.



Office of Health Care Access

Report of Investigative Proceedings

Subject Title: An Investigation to review utilization and capacity of acute care general hospital services provided in the "Waterbury Area"

Docket Number: 06-3070-VST

Statutory Reference: Section 19a-633 of the Connecticut General Statutes

Proceeding Date: December 19, 2006

Presiding Officer: Cristine A. Vogel

Date of OHCA Report: May 23, 2007

**Cristine A. Vogel
Commissioner
Office of Health Care Access**

Findings of Fact

1. Saint Mary’s Hospital (“SMH”) is an acute care hospital located at 56 Franklin, Waterbury, Connecticut. SMH’s total license capacity is 379 beds and bassinets.
2. Waterbury Hospital (“WH”) is an acute care hospital located at 64 Robbins Street in Waterbury, Connecticut. WH’s total licensed bed capacity is 393 beds and bassinets.
3. On May 25, 2006, the Office of Health Care Access (OHCA) pursuant to Connecticut General Statutes (C.G.S.) Section 19a-633 initiated an investigation to review utilization and capacity of acute care general hospital services provided in the “Waterbury Area.” The general acute care hospitals located in the city of Waterbury are St. Mary’s Hospital and The Waterbury Hospital.

4. **Table 1: Financial Performance of St. Mary’s and Waterbury Hospitals (FYs 2004 – 2006)**

Financial Indicators	St. Mary’s Hospital			Waterbury Hospital		
	FY 2004	FY 2005	FY 2006	FY 2004	FY 2005	FY 2006
Operating Loss/Gain ¹	\$6,306,000	\$(15,270,000)	\$(6,393,000)	\$(448,506)	\$(2,431,845)	\$(8,069,534)
Excess of Revenue over Expenses ²	\$11,480,000	\$(6,581,000)	\$744,000	\$2,275,334	\$(30,448)	\$(5,303,186)
Operating Margin ³	4.2%	(10.02)%	(3.7)%	(0.2)%	(1.2)%	(3.7)%
Total Margin ⁴	7.68%	(4.3)%	0.44%	1.2%	(0.01)%	(2.4)%

Source: *Audited Financial Statements.*

¹ Loss or gain from reimbursement of patient services from government and non-government payers.

² Difference between revenue obtained from direct patient care and funds from other sources and expenses.

³ Measures profitability and is the ratio of loss or gain per unit total operating revenue.

⁴ Measures profitability and is the ratio of total operating and non-operating revenue loss or surplus to total operating revenue.

5. The investigation reviews current availability and utilization of, and demand for hospital services, system capacity and the challenges these two hospitals face in meeting demands from the community they serve. This involves an evaluation of:
 - the socio-economic make-up of the community that relies on services of the hospitals, implications on the hospitals’ patient payer-mix and the effect of reimbursements on hospital operations and future plans;
 - current utilization and future demand for all hospital services including inpatient, emergency department, primary care clinics, outpatient psychiatric care and ancillary outpatient services in the area; and
 - challenges that exist in the market in general and their impact on the hospitals’ operations.
6. OHCA determined that the following seven towns most frequently access health care services at “SMH” and “WH”: Middlebury, Naugatuck, Prospect, Southbury, Waterbury, Watertown and Wolcott.

Table 2: Other Connecticut hospitals' percentage share of discharges originating from the seven selected towns, FYs 2003-2005

Acute Hospital	Bridlebury	Colchester	Prospect	Southbury	Waterbury	Watertown	Wolcott	Hospital Total
St. Mary's	21.5	32.5	35.7	7.7	44.6	20.3	41.2	81.2
Waterbury	53.5	41.2	37.4	34.9	42.4	62.7	30.7	86.5
Bridgeport	2.0	3.1	2.6	2.1	1.4	2.1	1.6	2.6
Danbury	5.7	2.1	0.5	38.9	1.1	1.9	0.5	6.8
John Dempsey	0.8	0.8	1.1	0.7	0.8	0.7	1.9	2.7
Griffin	1.1	5.9	1.4	1.7	0.5	0.4	0.3	5.2
St. Raphael's	2.8	2.5	4.8	1.8	1.5	1.4	2.6	2.1
Yale	6.8	5.9	8.7	6.2	3.6	4.7	4.2	2.8
Other*	5.7	6.0	7.8	6.0	4.3	5.8	17.1	0.6
Total (%)	100	100	100	94	100	100	100	
# of Discharges	2,062	11,365	3,144	7,413	49,156	7,349	5,395	

Source: Office of Health Care Access Acute Care Discharge Database

*Includes the other 23 hospitals, which individually did not discharge a significant share of patients from the seven towns.

7. According to Census 2000 data, approximately 208,861 residents live in the "Waterbury Area" as defined in Fact 6.
8. A significant portion of residents who rely on services provided by SMH and WH live in Waterbury, Naugatuck or Watertown and the socio-economics of this population is described as follows:
 - young adults who may be full-time students, single, unemployed or have no permanent full-time jobs and therefore likely to be uninsured;
 - a disproportionate share of residents who are over 75 years old live in the city of Waterbury who maybe inclined to suffer from chronic diseases that need management.
 - minorities that have high hospitalization and uninsured rates;
 - residents less likely to have a college degree or higher, to be skilled professionals or employed;
 - a labor force that has a comparably higher tendency to work in service, production, transportation and material moving industries that are seasonal, temporary or part-time in nature;
 - people who earn less than the statewide average per capita or household income;
 - a population that has a high incidence of hospitalizations that could have been prevented if residents had adequate access to community health services; and
 - a federally medically and primary care underserved population.
9. In November 2005, the Primary Care Office of the Connecticut Department of Public Health designated the city of Waterbury as a medically and a primary care underserved area under federal laws.

10.

Table 3: Licensed and Staffed Acute Care Beds in Waterbury Area by Service Line, FYs 2004 - 2006

Service Line	Licensed Beds	Staffed Beds			% of Licensed Beds Staffed in FY 2006	% of All Staffed Beds in FY 2006	Share of Staffed Beds	
		2006	2005	2004			St. Mary's Hospital	Waterbury Hospital
Medical/Surgical	479	260	257	249	54%	58%	40%	60%
OB/GYN	64	62	63	63	97%	14%	50%	50%
Psychiatry	50	42	42	42	84%	9%	29%	71%
Critical Care	75	63	55	55	84%	14%	68%	32%
Pediatric	36	20	20	20	56%	4%	50%	50%
Total Beds	704	447	437	429	63%	100%	45%	55%
Total Bassinets	68	68	68	68	100%	n/a	47%	53%

11. Utilization for inpatient hospital services for the two hospitals combined:

Table 4: Waterbury Area Hospitals Acute Care Discharges by Service Line, FYs 2004 - 2006

Service Line	Discharges				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Medical	12,546	12,563	12,055	12,388	0	4	4
Surgical	7,548	7,527	7,352	7,476	0	2	3
Behavioral Health	1,538	1,721	1,650	1,636	-11	4	-7
Maternity/Pediatrics	5,930	5,942	6,118	5,997	0	-3	-3
Total	27,562	27,753	27,175	27,497	-1	2	1

12. The two hospitals combined have 73 emergency "beds" with the following breakdown by hospital:

Table 5: Waterbury Area Hospitals Emergency Department Beds, 2006

St. Mary's Hospital		Waterbury Hospital	
Description	Beds	Description	Beds
Treatment Room	24	Acute ER	21
Trauma room	2	Prompt Care	5
Behavioral Health	5	Behavioral Health	4
Urgi-care room	7	Surge (for high census & boarders)	5
Total	38	Total	35

13. SMH and WH report high utilization rates of emergency department (ED) visits when compared to the state and nation.

14. ED utilization broken down by hospital and combined:

Table 6: Waterbury Area Hospital Emergency Department Utilization, FYs 2004 - 2006

Hospital		FY 2006	FY 2005	FY 2004	3-yr Average
St. Mary's	Treated & Discharged ¹	56,170	55,165	52,044	54,460
	Treated & Admitted ¹	8,286	8,177	7,581	8,015
	All ED Visits	64,456	63,342	59,625	62,474
Waterbury	Treated & Discharged	43,360	45,506	44,581	44,482
	Treated & Admitted	8,828	8,126	8,075	8,343
	All ED Visits	52,188	53,632	52,656	52,825
Waterbury Area Hospitals	Treated & Discharged	99,530	100,671	96,625	98,942
	Treated & Admitted	17,114	16,303	15,656	16,358
	All ED Visits	116,644	116,974	112,281	115,300
ED Utilization Per 1,000		553	560	538	552

15. Utilization of medical outpatient clinics vary by hospital as well as which type of services are offered. The two tables measure such activity; however, it was not determined that this data is comparable.

Table 7: St. Mary's Hospital Medical Clinic Visits by Service Line, FYs 2004 - 2006

Clinic Service	Visits				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Family Health	21,830	25,313	22,927	23,357	-14	10	-5
Children's Health	17,732	18,146	17,524	17,801	-2	4	1
Dental	7,460	6,715	6,342	6,839	11	6	15
Total	47,022	50,174	46,793	47,996	-6	7	0

Table 8: Waterbury Hospital Clinic Visits by Service Line, FYs 2004 - 2006

Clinic Service	Visits				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Chase Outpatient Center	10,712	8,581	10,806	10,033	25	-21	-1
HIV	1,138	997	451	862	14	121	60
Total	11,850	9,578	11,257	10,895	24	-15	5

16. Utilization of Outpatient Psychiatric Clinics vary by hospital as well as which type of services are offered. The table below measures such activity; however, it was not determined that this data is comparable.

Table 9: Waterbury Area Hospitals Outpatient Psychiatric Cases, Visits and Average Visits per Case, FYs 2004 - 2006

Hospital	Number of Cases				Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
St. Mary's	1,026	929	816	924	10	14	26
Waterbury	10,978	11,428	11,854	11,420	-4	-4	-7
Waterbury Area	12,004	12,357	12,670	12,344	-3	-2	-5

Hospital	Number of Visits				Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
St. Mary's	6,712	5,898	3,731	5,447	14	58	80
Waterbury	26,100	28,601	29,566	28,089	-9	-3	-12
Waterbury Area	32,812	34,499	33,297	33,536	-5	4	-1

Hospital	Average Visits/Case			
	FY 2006	FY 2005	FY 2004	3-yr Average
St. Mary's	7	6	5	6
Waterbury	2	3	2	2
Waterbury Area	3	3	3	3

17. Utilization of "other" outpatient services (one-day surgery, radiology, laboratory, GI, etc.) is presented below. Data varies between each hospital and may not be consistent or necessarily comparable.

Table 10: Waterbury Area Hospitals Other Outpatient Utilization, FYs 2004 - 2006

Hospital	Visits				Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
St. Mary's	135,516	131,538	141,478	136,177	3	-7	-4
Waterbury	110,122	111,971	119,728	113,940	-2	-6	-8
Waterbury Area	245,638	243,509	261,206	250,118	1	-7	-6
Utilization Per 1,000	1,176	1,166	1,251	1,198			

- 18.

Table 11: Waterbury Area Hospitals Primary Payer Payment to Cost, FYs 2003 - 2005

	St. Mary's Hospital			Waterbury Hospital			Connecticut		
	FY03	FY04	FY05	FY03	FY04	FY05	FY03	FY04	FY05
Ratio of cost to charges	0.44	0.44	0.47	0.42	0.36	0.34	0.49	0.46	0.44
Medicare payment to cost	1.03	1.12	1.03	0.89	0.95	0.96	0.97	0.97	0.97
Medicaid payment to cost	0.85	0.80	0.47	0.68	0.82	0.79	0.73	0.73	0.72
Private payment to cost	0.95	1.08	0.96	1.02	1.07	1.06	1.14	1.18	1.20

Source: Office of Health Care Access Hospital Financial Stability Reports for multiple years

19.

Table 12: Waterbury Area Hospitals Payer Mix by Department, FYs 2004 - 2006

Services	Primary Payer	St. Mary's (%)			Waterbury (%)			Waterbury Area Hospitals (%)		
		FY 06	FY 05	FY 04	FY 06	FY 05	FY 04	FY 06	FY 05	FY 04
Inpatient Discharges	Medicare	42	43	43	44	43	43	43	43	43
	Medicaid	25	23	23	21	20	20	23	22	21
	Commercial	31	32	32	33	34	34	32	33	33
	Worker's Compensation	1	1	1	1	1	1	1	1	1
	Self-pay/uninsured	1	1	1	1	2	1	1	1	1
		100%	100%	100%	100%	100%	100%	100%	100%	100%
Emergency Department Treated and Discharged Visits	Medicare	14	15	15	17	18	18	15	16	16
	Medicaid	49	46	43	34	33	32	42	40	38
	Commercial	26	27	29	36	37	37	30	32	33
	Worker's Compensation	2	2	3	3	3	3	2	3	3
	Self-pay/uninsured	9	9	10	11	10	10	10	10	10
		100%	100%	100%	100%	100%	100%	100%	100%	100%
Outpatient Behavioral Health Visits	Medicare	9	13	9	46	47	45	43	44	42
	Medicaid	55	58	54	37	35	38	38	37	39
	Commercial	36	28	36	15	16	16	17	17	17
	Worker's Compensation	0	0	0	0	0	0	0	0	0
	Self-pay/uninsured	1	1	0	2	2	2	2	2%	2
		100%	100%	100%	100%	100%	100%	100%	100%	100%
All Other Outpatient Visits	Medicare	32	33	32	30	31	32	31	32	32
	Medicaid	17	17	16	18	18	18	18	18	17
	Commercial	47	47	46	45	45	45	46	46	45
	Worker's Compensation	1	1	3	1	1	1	1	1	2
	Self-pay/uninsured	2	2	3	5	5	4	4	3	4
		100%	100%	100%	100%	100%	100%	100%	100%	100%
Hospital Total	Medicare	28	28	28	32	33	33	30	31	31
	Medicaid	26	26	24	20	19	19	23	23	22
	Commercial	41	41	41	42	42	42	41	42	41
	Worker's Compensation	2	1	3	1	1	1	1	1	2
	Self-pay/uninsured	4	4	4	5	4	4	4	4	4
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

20.

Table 13: Waterbury Area Hospitals Acute Care Gain or Loss per Discharge or Case by Service Line, FYs 2004 - 2006

Service Line	Gain or Loss per Discharge/Case (\$)				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Medical	(127)	62	322	82	-306	-81	353
Surgical	(1,871)	(1,112)	(850)	(1,282)	68	31	55
Behavioral Health	(2,834)	(1,805)	(1,472)	(2,015)	57	23	48
Maternity/Pediatrics	(794)	(765)	(927)	(830)	4	-18	-17
Total	(899)	(549)	(386)	(612)	64	42	57

¹The combined per case gain/loss is sum of total revenue for the two hospitals minus the sum of their total costs divided by sum of discharges from both hospitals.

Table 14: Waterbury Area Hospital Emergency Department Gain or Loss Per Treated & Discharged Visit, FYs 2004 - 2006

Hospital	Gain or Loss Per Discharge Visit (\$)¹			
	FY 2006	FY 2005	FY 2004	3-Yr. Average
St. Mary's	(22)	(15)	24	(5)
Waterbury²	(36)	(29)	(30)	(32)
Waterbury Area Hospitals	(28)	(21)	(1)	(17)

¹ For each cell, the combined per case gain/loss is sum of net revenues for the two hospitals minus the sum of total costs for the two divided by sum of discharges from both hospitals.

21. SMH and WH jointly contracted with The Chartis Group, LLC to conduct an assessment and financial review to present options of integration of the two hospitals. The table below summarizes the costs associated with the different Levels:

Table 15: Projected Costs Associated with Levels of Integration.

	Level One ("Millions")	Level Two ("Millions")	Level Three ("Millions")
A. Affiliation Costs	\$ 12.0	\$ 17.0	\$ 25.0
B. Technical Costs	\$ 12.2	\$ 12.2	\$ 12.2
C. Facilities Costs	\$ 1.0	\$ 3.9	\$ 62.2
	\$ 25.2	\$ 33.1	\$ 99.4

Level 1: Administrative and Operational Support Integration only

Level 2: Limited Clinical Integration and Level 1

Level 3: Full Administrative and Clinical Integration

22. According to The Chartis Group presentation, all levels of integration show a positive financial gain 5 years out. There would be a significant spend down or depletion of WH cash reserves to facilitate the affiliation. Therefore, WH would be at risk of violating some of its bond covenants and possibly alter its credit profile and its future access to capital.
23. According to The Chartis Group presentation, SMH and WH have internal issues that would need to be addressed, such as: Catholic and Secular organizations, WH has a unionized workforce, SMH liabilities, and a general cultural divide between the two organizations.
24. StayWell Health Center is a federally-qualified health center located in Waterbury, Connecticut, and provides primary care, dental and behavioral health services.
25. In fiscal year 2006, StayWell provided 55,687 visits, a rate of growth of 275% When compared to fiscal year 2000.

26. According to StayWell's letter to the agency, the organization struggles with staffing. "With the shortage in qualified nurses, we are frequently competing for staff. We have seen this to be the case for physicians also. Hiring culturally competent staff is always a struggle and then unfortunately added to the existing community shortages. Ultimately, staffing shortages impact access to care when special outreach services or walk-in hours need to be suspended due to inadequate staff to assign."
27. According to StayWell's letter, "We have difficulty getting access to Specialists who are not interested in seeing our patients. The low reimbursement rates for Title 18 and Title 19 for non-community health care providers has a trickle down effect on our patients."
28. According to a recent telephone conversation held between Commissioner Vogel and Donald Thompson of StayWell, in general StayWell Health Center's growth is limited by the space it occupies.
29. Connecticut has experienced 6 mergers; one closure of a small rural community hospital; one acquisition and conversion of a small non-profit to the state's only for-profit hospital; and the construction of a new children's hospital and a 94-bed community hospital (both results of mergers).
30. After reviewing the closures and mergers, it was apparent that each circumstance was different depending upon the financial strengths and weakness of the hospitals involved. In all of the mergers (in the cities of Bridgeport, Hartford and Meriden) one hospital was financially capable of absorbing the debt of the less viable; and in no circumstances was the State of Connecticut financially responsible for merger/closure activity.
31. The "Report of the Region 5 Pediatric Inpatient Psychiatric Services Implementation Group" examined the previous report regarding the current situation of inpatient services available for children & adolescents and offered recommendations to address the need and capacity for such services.
32. Region 5 has six acute care hospitals (Charlotte Hungerford, New Milford, Sharon, Danbury, St. Mary's and Waterbury) but has only five inpatient beds to serve the area and no free-standing psychiatric hospital.
33. The five inpatient beds for adolescent behavioral health services are located at Waterbury Hospital.
34. The Implementation Group recommends an additional 20 to 30 inpatient psychiatric beds are required in Region 5.
35. The data indicate that the majority of discharges are from the areas of Waterbury (27%), Danbury (11%), and Torrington (8%).

36. The Implementation Group recommends to establish 15 – 25 Psychiatric Residential Treatment Facility beds in Region 5.

IV. Discussion and Conclusion

The main purpose and intent of the processes undertaken by OHCA under the Investigative Proceeding of Docket Number 06-30760-INV was to gather and analyze pertinent data and facts regarding the utilization, capacity and demand, and the challenges to meet these demands in the Waterbury area. The financial condition of both SMH and WH were critical to this assessment. The following is a discussion of the results of the analysis and OHCA's conclusions. All conclusions are independent of Certificate of Need decisions and any review and issuance of CHEFA bonds. Any coordination of services must proceed in full conformance with the antitrust laws.

Throughout this investigation it became evident, either through data or by comments of those involved, that having two hospitals within the city of Waterbury is a root cause for the financial hardship experienced by both hospitals. As a community served by one hospital and one outpatient services system the financial stability of the remaining hospital would return through:

- Improved commercial payer rates
- Improved payer mix of patients
- Reduced expenses related to marketing/advertising/recruitment
- Reduced expenses in duplicative services
- Gain a competitive advantage over hospitals located in the secondary markets

Ideally this one inpatient/outpatient system would further develop an integrated and comprehensive primary care and behavioral health care system with the overriding goal to improve the health status of the community and reduce the number of ED visits and unnecessary hospitalizations.

There has been much discussion regarding the state's Medicaid reimbursement being a lead factor in the financial deterioration since a large portion of the patients are covered by Medicaid. A brief review of the percentage of Medicaid inpatient discharges from other hospitals located in similar markets shows that St. Mary's is the third highest Medicaid inpatient provider and Waterbury Hospital is within the state's average. As Table 1 demonstrates, it is difficult to directly correlate the percentage of inpatients by payer source to profit margins. Payer mix is a strong variable in a hospital's financial condition, but other operational factors play a significant role as well. The patient mix for ED discharges for St. Mary's is 49% and for Waterbury Hospital is 34% (comparable data for other hospitals is not available).

Table 1. FY06 Inpatient Discharge Patient Mix by Payer Source; Total Discharges, Total Profit Margin and Operating Profit Margin

Hospital	Medicare	Medicaid	Private	Uninsured	Total Discharges	Total Margin	Operating Margin
Bridgeport	34%	25%	38%	2%	19,574	4.1%	1.4%
St. Vincent's	46%	14%	35%	5%	19,672	9.4%	3.8%
Hartford	38%	18%	41%	3%	39,323	2.4%	0.0%
St. Francis	41%	20%	37%	2%	31,647	1.0%	-0.1%
Yale-New Haven	28%	25%	44%	2%	50,354	3.9%	2.1%
St. Raphael	53%	13%	33%	1%	25,354	-2.1%	-2.6%
Stamford	35%	16%	46%	4%	17,003	6.1%	5.1%
New Britain	41%	21%	35%	3%	18,585	4.3%	3.3%
St. Mary's	42%	23%	35%	2%	12,718	0.4%	-3.7%
Waterbury	45%	18%	35%	2%	15,000	-2.4%	-3.6%
Statewide	40%	17%	39%	3%	423,051	2.5%	0.6%

Source: OHCA Discharge Database and FY06 Financial Audited Statements (profit margins are hospital only)

Although any improvement to any of the payer reimbursement will benefit the two hospitals – it alone will not address the fundamental issues of fragmentation, duplication, competition and the ability to improve access to capital.

Recently the hospitals have engaged in discussions on the matter of integrating or consolidating services. They jointly contracted a consultant and shared some of the findings as part of this investigation. The consultant's analysis explored the potential options and the costs associated with each option. Realizing that "Level 1 Integration of Administrative and Operational Support Only" would be the most achievable first step, it offers limited long-term sustainability, costs an estimated \$25 million, would continue the two-hospital campus with different organizational cultures, and it would have difficulties differentiating itself in the marketplace. The other levels of integration begin to consolidate services and structurally become one hospital with two locations. The costs rise significantly with these options from approximately \$33 to \$100 million; however, they begin to realize the benefits of a merged entity.

These figures are only estimates; however, they provide insight to the real costs of integration. In other mergers that have occurred in Connecticut (Attachment D), typically one of the hospitals involved was financially capable of absorbing the debt of the less viable hospital and the associated costs of the merger. Of concern is the inability of the hospitals to fund the potential integration.

This situation differs from other mergers in the state because both hospitals are in financial distress and utilization of services remains active. If a merger were to occur, Waterbury Hospital would be responsible to absorb any liabilities and debt of St. Mary's Hospital and that will further weaken the stability of Waterbury Hospital. The hospitals

are aware of some services that can be consolidated (termination of services from one hospital and transferring the patients to the remaining program may require Certificate of Need approval). Such services may include neurology, certain surgical procedures, orthopedics, cardiology, maternity, neonatology, the on-call system for the coverage of two EDs, trauma services, and ancillary services (i.e., laundry, laboratory, pathology, etc.). A slow and deliberate closure of St. Mary's Hospital may also be a viable option.

In conclusion, St. Mary's Hospital's financial measures indicate that the hospital is insolvent. The annual infusion of state funding, although enabling continued access for patients, does not address nor resolve the fundamental system issues that are creating the on-going losses. St. Mary's Hospital should be responsible for providing adequately for its employees during this transition and fully fund the pension obligation. In the event of a closure or merger, the remaining hospital will be able to absorb some of the volume; however, it will need to reconfigure and possibly expand the inpatient services. Removing the competition and duplication in the profitable outpatient market is critical to be able to flow funds back into the remaining hospital system to ensure sustainability.

The infrastructure for primary care and behavioral health care services needs to be re-designed and a comprehensive and integrated system developed. Ideally, a system of care that involves the hospital, the community health centers, community providers and school-based clinics will serve the population well. Additionally, the community may benefit from a workforce development plan as the system begins to reshape the health care delivery system.

St. Mary's Hospital, the Waterbury Hospital and the state agencies were actively involved in this investigatory process. Both hospitals are committed to providing high quality patient care and continue discussions regarding how to best sustain access and return financial stability to the delivery system of the Waterbury community.

State of Connecticut



**REPORT OF SOCIO-ECONOMICS AND HEALTH CARE
SERVICES UTILIZATION OF THE WATERBURY AREA**

Docket Number 06-30760-VST

**Cristine A. Vogel
Commissioner
Office of Health Care Access**

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1.0 Introduction

On May 25, 2006, the Office of Health Care Access (OHCA) pursuant to Connecticut General Statutes (C.G.S.) Section 19a-633 (Appendix A), initiated an investigation to review utilization and capacity of acute care general hospital services provided in the “Waterbury Area.” The general acute care hospitals located in the city of Waterbury are St. Mary’s Hospital and The Waterbury Hospital.

The investigation stemmed from concerns about the long-term viability of either or both hospitals, and their ability to provide and maintain needed health care services in the communities they serve vis-à-vis their financial performance in the last two fiscal years (FY) (Table 1). In addition to providing acute inpatient care, the hospitals serve as a safety net for residents of the area who do not have access to or cannot afford primary care. Based on the hospitals audited financial statements, both hospitals are operating at a loss from direct patient care; the hospitals’ expenses exceed revenue from direct patient care and other operating revenue; inadequate funds obtained from philanthropic or non-philanthropic sources not directly related to patient care; as well as other issues discussed in this report.

Table 1: Financial Performance of St. Mary’s and Waterbury Hospitals (FYs 2004 – 2006)

Financial Indicators	St. Mary’s Hospital			Waterbury Hospital		
	FY 2004	FY 2005	FY 2006	FY 2004	FY 2005	FY 2006
Operating Loss/Gain ¹	\$6,306,000	\$(15,270,000)	\$(9,694,000)	\$(448,506)	\$(2,431,845)	\$(5,262,405)
Excess of Revenue over Expenses ²	\$11,480,000	\$(6,581,000)	\$(6,197,000)	\$2,275,334	\$(30,448)	\$(2,479,026)
Operating Margin ³	4.2%	(10.02)%	(4.7)%	(0.2)%	(1.2)%	(2.2)%
Total Margin ⁴	7.68%	(4.3)%	(3.0)%	1.2%	(0.01)%	(1.1)%

Source: Audited Financial Statements.

¹ Loss or gain from reimbursement of patient services from government and non-government payers.

² Difference between revenue obtained from direct patient care and funds from other sources and expenses.

³ Measures profitability and is the ratio of loss or gain per unit total operating revenue.

⁴ Measures profitability and is the ratio of total operating and non-operating revenue loss or surplus to total operating revenue.

The investigation reviews current availability and utilization of, and demand for hospital services, system capacity and the challenges these two hospitals face in meeting demands from the community they serve. This involves an evaluation of:

- ❖ the socio-economic make-up of the community that relies on services of the hospitals, implications on the hospitals’ patient payer-mix and the effect of reimbursements on hospital operations and future plans;
- ❖ current utilization and future demand for all hospital services including inpatient, emergency department, primary care clinics, outpatient psychiatric care and ancillary outpatient services in the area; and
- ❖ challenges that exist in the market in general and their impact on the hospitals’ operations.

On the basis of this investigative proceeding, OHCA will make recommendations for ensuring continued availability and access to health care for the area.

2.0 Determining the towns of the “Waterbury Area”

The towns a hospital provides services to make up its primary and secondary service areas. Primary service area towns are either a significant portion of the hospital’s patient base or most residents from the towns access services at the hospital; and the secondary service area consists of all other towns whose residents access the hospital’s services at a steady but lower rate. This investigation determines which towns will be most adversely impacted if one of the two hospitals or both are unable to provide services. Therefore, to determine which towns rely significantly on health care services that the two hospitals provide, OHCA first included towns that comprise the top 70% of each of the two hospitals’ acute care inpatient discharges. Based on this definition, OHCA identified Waterbury and Naugatuck for St. Mary’s Hospital and these same towns and an additional two, Watertown and Southbury, for the Waterbury Hospital (Table 2).

Table 2: Towns of Origin for St. Mary’s Hospital and Waterbury Hospital Top Seventy Percent Discharges (FY 2003 – 2005)

Patient Town	St. Mary’s Hospital			Waterbury Hospital		
	Discharges	% of Hospital Total	Cum % Total	Discharges	% of Hospital Total	Cum % Total
Waterbury	21,903	60.2	60.2	20,818	46.1	46.1
Naugatuck	3,693	10.2	70.4	4,685	10.4	56.5
Watertown	n/a	n/a	n/a	4,610	10.2	66.7
Southbury	n/a	n/a	n/a	2,588	5.7	72.4

Source: Office of Health Care Access Acute Care Discharge Database

Other towns were included if the combined share of patients originating from that town for the two hospitals exceeded 70%, demonstrating a significant reliance of the town on the health care system in Waterbury. Middlebury, Prospect and Wolcott became part of the group because the two hospitals account for about three-quarters of discharges originating from each town, bringing the number of towns in the “Waterbury Area” to seven, namely Middlebury, Naugatuck, Prospect, Southbury, Waterbury, Watertown and Wolcott (Table 3).

Table 3: Percent of Patients from Selected Towns Discharged from St. Mary’s Hospital and Waterbury Hospital (FY 2003-2005)

Patient Town	St. Mary’s Hospital % Share	Waterbury Hospital % Share	Combined % Share
Middlebury	21.5%	53.5%	75.0%
Naugatuck	32.5%	41.2%	73.7%
Prospect	35.7%	37.4%	73.1%
Southbury	7.7%	34.9%	42.6%
Waterbury	44.6%	42.4%	87.0%
Watertown	20.3%	62.7%	83.0%
Wolcott	41.2%	30.7%	71.9%

Source: Office of Health Care Access Acute Care Discharge Database

Patients residing in the seven towns included make up over 80% of each hospital's discharges. Although residents of those towns migrate to nearby hospitals to receive care most utilize the Waterbury hospitals more than any other single hospital (Table 4). Patient migration to access care in other areas depends on factors such as patient preference, patient ability to travel and physician referral patterns. Out-migration from local areas also occurs because certain treatment modalities or physician specialists are available outside the Waterbury area.

Table 4: Other Connecticut hospitals' percentage share of discharges originating from the seven selected towns, FYs 2003-2005

Acute Care Hospital	Windsorbury %	Norwalk %	Plainfield %	Southbury %	Waterbury %	Waterbury %	Wallingford %	% of Hospital Total
St. Mary's	21.5	32.5	35.7	7.7	44.6	20.3	41.2	81.2
Waterbury	53.5	41.2	37.4	34.9	42.4	62.7	30.7	86.5
Bridgeport	2.0	3.1	2.6	2.1	1.4	2.1	1.6	2.6
Danbury	5.7	2.1	0.5	38.9	1.1	1.9	0.5	6.8
John Dempsey	0.8	0.8	1.1	0.7	0.8	0.7	1.9	2.7
Griffin	1.1	5.9	1.4	1.7	0.5	0.4	0.3	5.2
St. Raphael's	2.8	2.5	4.8	1.8	1.5	1.4	2.6	2.1
Yale	6.8	5.9	8.7	6.2	3.6	4.7	4.2	2.8
Other*	5.7	6.0	7.8	6.0	4.3	5.8	17.1	0.6
Total (%)	100	100	100	94	100	100	100	
# of Discharges	2,062	11,365	3,144	7,413	49,156	7,349	5,395	

Source: Office of Health Care Access Acute Care Discharge Database

*Includes the other 23 hospitals, which individually did not discharge a significant share of patients from the seven towns.

3.0 Socio-economic profile of the Waterbury Area

Socio-economic status, that is age, gender, race or ethnicity, educational attainment, employment status and income and physician availability, are well-documented joint indicators of health status, need for health care services, timeliness of health care treatment, and ability to pay for health care services. Therefore, this section examines the social and economic characteristics of the Waterbury area population for insight into the type of services needed, the ability to pay for and the ease of access to health care services. The section also provides information on the inherent patient payer mix experienced by both hospitals.

A. Population and age distribution

According to Census 2000, there are approximately 208,861 residents in the Waterbury area, which is 6% of the state's population. About 51.4% of the area's residents live in Waterbury, 14.8% in Naugatuck and 10.4% in Watertown and a combined 23.4% in Southbury, Wolcott, Prospect and Middlebury (Table 5).

Table 5: Population and Age Distribution of the Waterbury Area

Patient Town	1-9	20-44	45-64	65-74	75+	2000 Population	% of Total
Middlebury	26.0%	28.0%	29.3%	8.0%	8.4%	6,451	3.1%
Naugatuck	29.1%	38.1%	21.0%	5.4%	6.3%	30,989	14.8%
Prospect	26.9%	33.7%	26.0%	6.8%	6.3%	8,707	4.2%
Southbury	24.0%	24.8%	25.1%	9.9%	16.2%	18,567	8.9%
Waterbury	28.9%	36.3%	19.7%	6.7%	8.2%	107,271	51.4%
Watertown	26.7%	34.2%	24.8%	7.0%	7.0%	21,661	10.4%
Wolcott	27.9%	34.9%	23.9%	6.9%	6.1%	15,215	7.3%
Total	28.1%	34.9%	21.8%	6.9%	8.3%	208,861	100.0%
Connecticut	27.1%	35.8%	23.1%	6.7%	7.0%	3,405,565	

Source: U.S. Census Bureau Census 2000

Some age characteristics of this area are:

- ❖ Children under 19 years old are overrepresented in Naugatuck although there is no significant difference between children's share of the area and state population.
- ❖ Naugatuck and Waterbury residents, representing almost two-thirds of the area, have a relatively larger share of 20 to 44-year olds. According to OHCA research, 19 to 29 year-olds are four times as likely to be uninsured because they may be full-time students, single, unemployed or have no permanent full-time jobs. This means they are less likely to have health insurance coverage through an employer, are too old to receive coverage from a parent who has coverage through an employer and are ineligible for Medicaid.¹
- ❖ Fewer adults in the 45 to 64 age range, a group that is likely to be employed and insured, compared to the state.² In Waterbury, there are only 19.7% in this age range compared to 23.1% in the state.
- ❖ Waterbury, representing about one-half of the area, has relatively more residents over 75 years than the state, 8.2% versus 7.0%. This age group has the highest potential to suffer from chronic diseases, experiences greater disease acuity and tend to have higher hospitalization rates than the general population and therefore costs more to treat.³ Older residents are also less mobile and tend to access care in the local area.

B. Gender mix

The gender mix provides information on the types and volume of services the area needs. The gender mix of the area is similar to that of the state with slightly more women than men, although Southbury, Waterbury, Watertown have relatively more women than average (Table 6). Generally younger women tend to require hospitalization 2.5 times as more frequently as their male counterparts due to pregnancies and childbirth, but this disparity narrows, as women get older. In fact, even at age 65 and over when hospitalizations are 2.6 times the rate for the general population, men tend to require acute care at a higher rate than women of the same age cohort.⁴

Table 6: Gender Mix of Waterbury Area

Patient Town	Males	Females	Males %	Females %
Middlebury	3,127	3,324	48.5	51.5
Naugatuck	15,069	15,920	48.6	51.4
Prospect	4,255	4,452	48.9	51.1
Southbury	8,633	9,934	46.5	53.5
Waterbury	50,781	56,490	47.3	52.7
Watertown	10,379	11,282	47.9	52.1
Wolcott	7,411	7,804	48.7	51.3
Total	99,655	109,206	47.7	52.3
Connecticut	1,649,319	1,756,246	48.4	51.6

Source: U.S. Census Bureau Census 2000

C. Racial composition

Research shows that minorities⁵, especially Blacks and Hispanics or Latinos, are hospitalized at rates disproportionate to their share of the population than Whites.⁶ Hispanics or Latinos are also 3.5 times as likely to be uninsured as all races in the state.⁷ Six of the towns in the area are predominantly White compared to the state in general, but because Waterbury, which is about one-half of the area, has a significantly large minority population, mostly Hispanics and Blacks, the area has almost 1.5 times more minorities than the state (Table 7).

Table 7: Racial and Ethnic Distribution of Residents in the Waterbury Area

Patient Town	Total Population	% White Alone	Minorities			
			% Hispanic/Latino (of any race)	% Black Alone	% Asian Alone	Other race including Hispanics, Latinos
Middlebury	6,451	96.2	1.2	0.4	1.3	0.9
Naugatuck	30,989	88.9	4.5	2.8	1.7	2.1
Prospect	8,707	95.0	1.9	1.4	0.7	1
Southbury	18,567	96.1	1.6	0.5	1.2	0.7
Waterbury	107,271	58.2	21.8	16.3	1.5	2.3
Watertown	21,661	95.2	1.9	0.7	1.3	0.8
Wolcott	15,215	95.2	1.8	1.2	0.7	1
Total	208,861	75.4	12.4	9.1	1.4	1.8
Connecticut	3,405,565	77.5	9.4	9.1	2.4	1.6

Source: U.S. Census Bureau Census 2000

D. Educational attainment

In general, higher educational attainment enhances employment prospects and the chances of gaining employment with an employer who provides health insurance coverage for eligible employees, especially for skilled labor. In the Waterbury area, fewer residents 25 years and over graduated from high school or have a college degree than the state in general, 78.9% compared to 84.0%. The residents are also 1.5 times less likely to have a bachelor's degree or higher (Table 8).

Table 8: Educational Attainment of the Waterbury Area 25 Years and Over Population

Patient Town	Population 25 Years and Over	% High School Graduation or Higher	Bachelor's Degree or Higher
Middlebury	4,662	91.9	41.5
Naugatuck	20,451	83.0	19.0
Prospect	6,015	87.1	22.8
Southbury	13,727	89.2	31.4
Waterbury	69,791	71.7	13.9
Watertown	14,922	83.8	25.0
Wolcott	10,350	87.8	19.3
Total	139,918	78.9	20.3
Connecticut	2,295,617	84.0	31.4

Source: U.S. Census Bureau Census 2000

E. Employment status and occupation

There are also fewer residents of the Waterbury area in the civilian labor force relative to the state, 49.3% versus 51.6%. The area total is lower mainly because only 46.4% of the city of Waterbury's residents are in the labor force (Table 9). Regardless, the city also has the highest unemployment rate, over 1.5 times the rate for the state, 8.6% versus 5.3%. This means potentially more people in the area are unable to afford needed health care services.

Table 9: Employment Status of Waterbury Area 16 Years and Over Civilian Labor Force

Patient Town	Population	Population 16 Years and Over		
		% of Civilian Labor Force	% of Civilian Labor Force Employed	% of Civilian Labor Force Unemployed
Middlebury	6,451	52.9	97.5	2.5
Naugatuck	30,989	53.1	94.7	5.3
Prospect	8,707	55.1	97.9	2.1
Southbury	18,567	44.6	96.9	3.1
Waterbury	107,271	46.4	91.4	8.6
Watertown	21,661	54.9	95.4	4.6
Wolcott	15,215	54.6	95.7	4.3
Total	208,861	49.3	93.7	6.3
Connecticut	3,405,565	51.6	94.7	5.6

Source: U.S. Census Bureau Census 2000

Only 56.1% residents of the area are in “management and professional” and “sales and office” occupations compared to 65.6% of the state as a whole (Table 10). These occupations tend to be higher paying and permanent full-time positions, which increase the likelihood of being able to afford and/or qualify for employer-sponsored health insurance (ESI) coverage. Instead, area residents, especially those residing in Waterbury, have a comparatively higher tendency to be in “service” and “production, transportation and material moving,” occupations that are seasonal, temporary or part-time in nature which lessen residents’ ability to qualify for or to afford ESI when offered.

Table 10: Occupations of Waterbury Area 16 Years and Over Civilian Labor Force

Town	% in Management, Professional, & Related Occupations	% in Service	% in Sales & Office	% in Farming, Fishing, & Forestry	% in Construction, Extraction, & Maintenance	% in Production, Transportation, & Material Moving
Middlebury	52.1	13.3	20.6	0.0	6.0	8.0
Naugatuck	30.3	15.6	25.1	0.1	10.1	19.0
Prospect	37.1	11.3	28.0	0.1	8.6	14.7
Southbury	47.6	11.6	24.2	0.3	8.3	8.0
Waterbury	25.1	20.1	24.6	0.1	8.8	21.4
Watertown	35.5	16.4	23.6	0.1	8.5	15.9
Wolcott	33.9	14.6	28.3	0.1	9.6	13.5
Total	31.2	17.1	24.9	0.1	8.9	17.8
Connecticut	39.1	14.3	26.5	0.2	8.0	12.0

Source: U.S. Census Bureau Census 2000

F. Per capita and average household incomes

Higher individual or family incomes are linked to greater ability and willingness to spend on needed health care services. Per capita and average household incomes are the proxies for measuring what an individual or a family can afford. For most towns in the Waterbury area, both amounts are below the state average, resulting in a low average for the area in general, \$28,505 versus the state’s \$31,816 and \$76,939 compared to \$82,601 (Table 11).

Table 11: Per Capita and Average Household Income for Waterbury Area Residents

Town	Per Capita Income (\$)	Median Household Income (\$)	Average Household Income (\$)
Middlebury	39,129	68,090	105,684
Naugatuck	25,477	56,677	67,314
Prospect	26,881	68,770	79,946
Southbury	34,318	64,437	85,269
Waterbury	21,238	41,258	51,888
Watertown	24,276	57,832	66,766
Wolcott	28,214	71,144	81,709
Total	28,505	64,437	76,939
Connecticut	31,816	59,697	82,601

Source: CT Department of Economic & Community Development 2000 Data from Claritas

G. Estimated rate and number of uninsured

The "estimated" uninsured rate for Waterbury area residents based on the OHCA 2006 Household Survey is over 1.5 times the rate for the state, that is, 9.8% compared to 6.4% (Table 12).

Table 12: Estimated rate and number of uninsured in Waterbury Area, 2006

Estimated Rate (%)			Estimated Number of Uninsured		
Lower	Estimate	Upper	Waterbury	State	Waterbury
5.9	9.8	13.7	12,688	21,034	28,380

Source: CT Office of Health Care Access 2006 Household Survey and U.S. Census Bureau 2005 Population Estimates

¹ The estimated uninsured rate will fall within the given lower and upper boundaries 95% of the time if the survey were repeated 100 times. The estimated rate of uninsured for the state is 6.4%.

H. Rate of preventable hospitalization

Preventable hospitalizations (PH) are acute care admissions that would not have occurred, if patients had received "timely and effective primary care and medical management."⁸ Such conditions include asthma, angina, bacterial pneumonia, chronic obstructive pulmonary disease, congestive heart failure, dehydration, diabetes, hypertension, low birth weight, lower extremity amputation, pediatric gastroenteritis, perforated appendix and urinary infection. Based on a methodology developed by the federal Agency for Healthcare Research and Quality (AHRQ), the Waterbury area has a relatively higher incidence of PH than the state for children and adults, 1.9 versus 1.2 and 1.5 versus 1.2 per 1,000 of the respective population (Table 13). For both age groups, the city of Waterbury had the highest incidence of PH, which was also twice the state rate.

Table 13: Ambulatory Care Sensitive Condition* Discharges per 1,000 population, FYs 2000 – 2004

Patient Discharge	Children (0-17)	Adults (18+)
Middlebury	2	1.3
Naugatuck	1.9	1.8
Prospect	1.7	1.5
Southbury	0.7	1.3
Waterbury	4.2	2.5
Watertown	2.3	1.4
Wolcott	1.8	1.5
Median for Area	1.9	1.5
Median for Connecticut	1.2	1.2

Source: Office of Health Care Access Acute Care Discharge Database

*Conditions include asthma, angina, bacterial pneumonia, chronic obstructive pulmonary disease, congestive heart failure, dehydration, diabetes, hypertension, low birth weight, lower extremity amputation, pediatric gastroenteritis, perforated appendix and urinary infection.

I. Primary care physicians per 1,000 of area population

There is a recognized link between receiving primary care and improved health status. Payers of health care services broadly define primary care physicians (PCP) to include family or general practice physicians, pediatricians, internists, nurse practitioners, physician assistants and naturopathic physicians. These PCPs, including being trained to treat a wide range of diseases, maintain comprehensive records of patients, refer patients to specialists, coordinate care provided to patients by specialists and facilities, and manage patients' chronic health conditions. Ideally, a PCP should be a patient's first contact in a health care system. But generally, these PCPs are not distributed evenly between communities in the state and across the nation. In November 2005, the Primary Care Office of Connecticut Department of Public Health (DPH) designated the city of Waterbury as a medically and a primary care underserved area under federal law as an initial step to improving access to primary health care in the area.⁹

4.0 Hospital services utilization, payer reimbursement and mix

This section discusses the utilization of hospital services in the Waterbury area and identifies the payers of those services. This includes a discussion of acute care inpatient bed capacity, availability and utilization; emergency department use; outpatient psychiatric and other outpatient services utilization; and payer mix in these areas of operation. Unless otherwise stated, the two hospitals provided all the data for this section in response to OHCA's preliminary questions for the investigation; FY 2006 data are annualized.

A. Inpatient bed capacity, occupancy and availability

The "size" or "capacity" of inpatient services is the average number of inpatient beds a hospital staffs. Occupancy is the average number of staffed beds in use by midnight census throughout the year. The Department of Public Health (DPH) has licensed the two hospitals in the Waterbury area to operate a maximum of 704 beds and 68 bassinets. But over the last three years, the hospitals have gradually increased staffed beds to make available 63% or 447 beds in FY 2006 (Table 15). As a rule of thumb, hospitals obtain bed licenses to their maximum allowable capacity and staff beds based on demand and ability to staff them adequately.

Including critical care beds, about 70% of staffed beds in the area are medical or surgical. According to the two hospitals, in the last year, both have experienced increases in volumes associated with those beds, raising their medical/surgical occupancy rates to over 86% and ICU beds to over 80% for most of the year. Over a three-year period ending in FY 2006, both hospitals gradually added to the number of beds staffed for those services to bring the total to 323 (Table 15, see Appendices 1 and 2 for hospital details). But they staffed psychiatric beds at the same level in three consecutive years although they report occupancy at over 80%.

Table 15: Licensed and Staffed Acute Care Beds in Waterbury Area by Service Line, FYs 2004 - 2006

Service Line	Licensed Beds	Staffed Beds			Share of Staffed Beds			
		FY 2006	FY 2005	FY 2004	% of Licensed Beds Staffed in FY 2006	% of All Staffed Beds in FY 2006	St. Mary's Hospital	Waterbury Hospital
Medical/Surgical	479	260	257	249	54%	58%	40%	60%
OB/GYN	64	62	63	63	97%	14%	50%	50%
Psychiatry	50	42	42	42	84%	9%	29%	71%
Critical Care	75	63	55	55	84%	14%	68%	32%
Pediatric	36	20	20	20	56%	4%	50%	50%
Total Beds	704	447	437	429	63%	100%	45%	55%
Total Bassinets	68	68	68	68	100%	n/a	47%	53%

The high demands for medical/surgical, critical care and psychiatric beds are from:

- ❖ Growing demand for monitored beds at both hospitals due to an aging population with more complex medical conditions that require higher intensity nursing care;
- ❖ Systemic issues caused by difficulty in discharging patients to either extended care facilities or other next level of care resources. Delayed discharge of patients to step down

- care because of insufficient availability of the next level of care in the community for both elderly and behavioral health patients; and
- ❖ Waterbury Hospital is the only provider of hospital inpatient behavioral health care to adolescents in mental health Region 5¹⁰.

Both hospitals' ability to increase staffed beds to accommodate rising demand for medical, surgical and critical care beds is limited by factors either unique to the individual hospital or widespread in the hospital industry. Some limitations, which continue to exist, include:

- ❖ A decommissioned 27-bed unit at St. Mary's Hospital;
- ❖ Conversion of semi-private rooms to single occupancy rooms stemming from need to provide privacy and isolation for patients that require it at both hospitals.
- ❖ Physical plant constraints including aging building and inefficient configuration of nursing units;
- ❖ Restricted access to capital for renovating decommissioned units or converting administrative space to clinical space;
- ❖ Difficulty in recruiting additional and retaining existing staff; and
- ❖ Regulatory challenges.

In FY 2006, both St. Mary's Hospital and Waterbury Hospital held staffing levels for OB/GYN and pediatric beds consistent with prior years even though both hospitals continue to report low occupancy for the beds.

Based on the area towns identified, which constitutes over 80% of the hospitals' discharges, the area seems to have relatively more staffed medical and surgical acute care beds available per 100,000 of the population than the state as a whole, that is 209 versus 186 per 100, 000 (Table 16). Although psychiatric beds seem sufficient for the area, Waterbury is the sole provider of behavioral health care for residents less than 18 years old in Region 5 and the hospital has assigned five beds to the age group, already deemed inadequate for the region.¹¹

Table 16: Licensed and Staffed Acute Care Bed Availability in the Waterbury Area by Service Line, FYs 2004 - 2006

Service Line	Licensed Beds	FY 2005 Staffed beds	Waterbury Area			
			Census 2000 Population	Licensed Bed Availability per 100,000	Staffed Bed Availability per 100,000	CT Staffed Bed Availability per 100,000
Medical/Surgical ¹	554	323	154,773	358	209	186
OB/GYN ²	64	62	82,519	78	75	80
Psychiatry ³	50	42	194,438	26	22	21
Pediatric ⁴	36	20	51,520	70	39	33
Total Beds	704	447	206,293	341	217	209
Total Bassinets⁵	68	68	2,568	2,648	2,648	-

Source: US Census 2000 & * Studying Health Care Utilization in Connecticut, A Report to the Governor and General Assembly.

¹ Adults over 17 years old. Beds include critical care beds.

² Females over 17 years old.

³ Ages 5 and over.

⁴ Population under 18 years old (54,088) minus discharges reported for (5) below.

⁵ Bassinets for both nursery and NICU. Population is three-year average number of discharges reported by the two hospitals for discharges assigned Diagnosis Related Group (DRGs) 385-391 in the OHCA Acute Care Discharge Database.

B. Acute care inpatient utilization by service type

This section provides an overview of the inpatient (IP) services that Waterbury area residents utilized over the three-year period ending in FY 2006. It combines utilization at both hospitals to better assess the needs of the community overall.

Inpatient medical care is almost one-half of the services the two hospitals provide; surgical and maternity/pediatrics care each account for about one-quarter; and behavioral health is 5%. The two hospitals started a joint advance cardiac services program over a year ago, which generated an increase in volume that was offset by a decline in behavioral health care. The combined inpatient services provided grew by 2% although maternity/pediatric care accessed declined by 3% in FY 2005 (Table 17, see Appendices 3 and 4 for hospital details). The overall increase in discharges in the area was no different from state level increases. Annualized volumes for FY 2006 indicate a significant drop in behavioral health discharges (11%) while discharges for other services will be close to their FY 2005 levels altogether resulting in a 1% decline in inpatient care utilization for the area.

Table 17: Waterbury Area Hospitals Acute Care Discharges by Service Line, FYs 2004 - 2006

Service Line	Discharges				Change		
	FY 2006	FY 2005	FY 2004	3-Yr. Average	06/05	05/04	06/04
Medical	12,546	12,563	12,055	12,388	0	4	4
Surgical	7,548	7,527	7,352	7,476	0	2	3
Behavioral Health	1,538	1,721	1,650	1,636	-11	4	-7
Maternity/Pediatrics	5,930	5,942	6,118	5,997	0	-3	-3
Total	27,562	27,753	27,175	27,497	-1	2	1

By the end of FY 2006, although total medical and surgical discharges are expected to remain the same and behavioral health and maternity/pediatric days to reduce, the hospitals anticipate 3% and 10% increases in medical and surgical patient days respectively. The result is a net increase in patient days of 4% for the year and 5% over the three-year period (Table 18, see Appendices 5 and 6 for hospital details).

Table 18: Waterbury Area Hospitals Acute Care Days by Service Line, FYs 2004 - 2006

Service Line	Acute Care Days				Change		
	FY 2006	FY 2005	FY 2004	3-Yr. Average	06/05	05/04	06/04
Medical	63,472	61,732	58,829	61,344	3	5	7
Surgical	39,926	36,345	37,832	38,034	10	-4	5
Behavioral Health	11,206	11,893	11,364	11,488	-6	5	-1
Maternity/Pediatrics	15,802	15,969	15,980	15,917	-1	0	-1
Total	130,406	125,939	124,005	126,783	4	2	5

Costs per discharge for all services are rising at both hospitals. Inpatient medical care cost per discharge was higher at Waterbury Hospital while inpatient surgical care cost per discharge was higher at St. Mary's Hospital. But by the end of FY 2006, the costs for both services at the hospitals were almost similar, \$8,302 and \$15,269 at St. Mary's Hospital versus \$8,323 and \$15,236 at Waterbury Hospital (Table 19). The converging unit cost for those service lines is better illustrated by the patient resource usage indicator or case mix index which was higher in FY 2003 for Waterbury Hospital but reduced for the hospital for two consecutive years to become almost equivalent to St. Mary's Hospital in FY 2005, 1.3534 versus 1.3577 respectively (for hospital details see Appendix 7). On the other hand, cost per discharge for behavioral health and maternity/pediatric inpatient care continue to be lower at St. Mary's Hospital. Generally, some of the variations in cost are attributable to what is included in cost, which tend to vary from hospital to hospital.

Table 19: Waterbury Area Hospitals Acute Care Cost¹ Per Discharge by Service Line, FYs 2004 - 2006

Service Line	St. Mary's Hospital (C)				Waterbury Hospital (C)			
	FY 2006	FY 2005	FY 2004	Average	FY 2006	FY 2005	FY 2004	Average
Medical	8,302	7,043	6,189	7,211	8,323	7,779	6,926	7,676
Surgical	15,269	12,874	12,391	13,507	15,236	12,843	11,776	13,311
Behavioral Health	7,303	6,612	5,999	6,648	9,376	8,059	7,620	8,301
Maternity/Pediatrics	3,095	3,980	3,662	3,553	4,260	3,548	3,581	3,773
Total	8,817	7,998	7,305	8,058	9,590	8,227	7,527	8,433

¹ There may be a variation in the components of cost between hospitals.

Medical care, which showed a gain of \$62 per case in FY 2005 is projected to convert to a loss of \$127 per case in FY 2006; behavioral health care although not the most expensive service to provide, lost the hospitals the most money per discharge, at a loss of \$1,805 per case in FY 2005 and is expected to almost double to \$2,834 per case in FY 2006 (Table 20, see Appendices 8 and 9 for hospital details). Despite sporadic growth in surgical care, losses per case for the service continue to rise. Based on annualized figures, loss per case for all services will grow by 64% by the end of FY 2006.

Table 20: Waterbury Area Hospitals Acute Care Gain or Loss per Discharge or Case by Service Line, FYs 2004 - 2006

Service Line	Gain or Loss Per Discharge/Case (C)				% Change		
	FY 2006	FY 2005	FY 2004	Est. Average	06/05	05/04	06/04
Medical	(127)	62	322	82	-306	-81	353
Surgical	(1,871)	(1,112)	(850)	(1,282)	68	31	55
Behavioral Health	(2,834)	(1,805)	(1,472)	(2,015)	57	23	48
Maternity/Pediatrics	(794)	(765)	(927)	(830)	4	-18	-17
Total	(899)	(549)	(386)	(612)	64	42	57

¹ The combined per case gain/loss is sum of total revenue for the two hospitals minus the sum of their total costs divided by sum of discharges from both hospitals.

C. Emergency Department utilization

Emergency Departments (ED) are an essential part of a health care system as they serve as the safety net for communities. For vulnerable populations, they can also be the primary mode of access to health care in general.

Between the two hospitals, the Waterbury area has 73 ED beds (Table 21); St. Mary's Hospital recently added eight of beds in response to continuous growth in volumes. Both hospitals experience "boarding" in the ED where patients wait over 12 hours for admission to an inpatient bed or transferred to mostly psychiatric facilities, throughout the year. Longer wait times and boarding occur mostly for medical/surgical, telemetry and psychiatric patients despite improvements in patient flow processes. The wait for inpatient admits is mostly related to staffing constraints or physical limitations to increase available beds.

Table 21: Waterbury Area Hospitals Emergency Department Beds, 2006

St. Mary's Hospital		Waterbury Hospital	
Description	Beds	Description	Beds
Treatment Room	24	Acute ER	21
Trauma room	2	Prompt Care	5
Behavioral Health	5	Behavioral Health	4
Urgi-care room	7	Surge (for high census & boarders)	5
Total	38	Total	35

Area residents recorded an average of 115,300 ED visits or 552 visits per 1,000 of their population per year (Table 22) which is over 1.3 times the average rate for the state and the nation,¹² an average that continues to rise from year to year. The high utilization rate may be associated with insufficient availability of primary care services in the area; increased demand on EDs to provide primary care after hours coverage; admission of physician referred patients through the ED because of limited capacity to accommodate direct admit patients; and increased patient disease acuity from lack of ongoing preventive care or management.

Table 22: Waterbury Area Hospital Emergency Department Utilization, FYs 2004 - 2006

Hospital		FY 2004	FY 2005	FY 2006	3-Yr Average
St. Mary's	Treated & Discharged ¹	56,170	55,165	52,044	54,460
	Treated & Admitted ¹	8,286	8,177	7,581	8,015
	All ED Visits	64,456	63,342	59,625	62,474
Waterbury	Treated & Discharged	43,360	45,506	44,581	44,482
	Treated & Admitted	8,828	8,126	8,075	8,343
	All ED Visits	52,188	53,632	52,656	52,825
Waterbury Area Hospitals	Treated & Discharged	99,530	100,671	96,625	98,942
	Treated & Admitted	17,114	16,303	15,656	16,358
	All ED Visits	116,644	116,974	112,281	115,300
ED Utilization Per 1,000		552	550	531	544

When a patient visits an ED, the patient is either “treated and discharged” or “treated and admitted” to inpatient care or transferred to other types of health care institutions. In the Waterbury area, an average of 16,358 or 14% of ED visits result in an acute care admission, which is similar to 15% in the state. Also similar to the state, inpatients admitted through the ED at the two hospitals have increased from one-third of all acute care inpatients in FY 2004 to one-half in FY 2006. In both instances, admissions through the ED have effectively replaced physician referrals as the primary source of admissions to acute care.

Some of the top ten primary reasons for ED visits for the “treated and discharged” probably could have been taken care of in a doctor’s office or a primary care center providing one was available at onset of symptoms (for details see Appendices 10 and 11). The top ten primary reasons Waterbury area hospitals admitted ED patients to inpatient care were mostly cardiac, respiratory or infection related (for details see Appendix 12).

On average, Waterbury Hospital cost per ED per visit is almost 1.5 times St. Mary's cost (Table 23). According to the hospitals, the difference is in the items each hospital includes in its cost structure. For example, in this case St. Mary's Hospital excludes ED-related physician cost but accounts for it in the cost structure of its for-profit affiliate, the Franklin Medical Group, PC. Waterbury Hospital's cost structure also includes the cost of medical liability.

Table 23: Waterbury Area Hospital Emergency Department Cost¹ Per Treated and Discharged Visit, FYs 2004 - 2006

Hospital	Average Cost per Visit (\$)			
	FY 2006	FY 2005	FY 2004	3 Year Average
St. Mary's	290	290	242	274
Waterbury	484	454	444	460
Waterbury Area Hospitals	374	364	335	358

¹ There may be a variation in the components of cost between hospitals.

Similar to inpatient care services, both hospitals provide emergency services at a loss per visit; the three-year combined average loss was \$17 per "treated and discharged" visit (Table 24). The losses are increasing from year to year. Waterbury Hospital experienced the higher losses per visit than St. Mary's Hospital.

Table 24: Waterbury Area Hospital Emergency Department Gain or Loss Per Treated & Discharged Visit, FYs 2004 - 2006

Hospital	Gain or Loss Per Discharge Visit (\$)			
	FY 2006	FY 2005	FY 2004	3 Year Average
St. Mary's	(22)	(15)	24	(5)
Waterbury ²	(36)	(29)	(30)	(32)
Waterbury Area Hospitals	(28)	(21)	(1)	(17)

¹ For each cell, the combined per case gain/loss is sum of net revenues for the two hospitals minus the sum of total costs for the two divided by sum of discharges from both hospitals.

D. Outpatient services utilization

Outpatient (OP) services the two hospitals provide in the area include medical and dental clinics; behavioral health care and other OP care such as one-day surgery, radiology, laboratory, gastroenterology and other services.

i. Medical clinic utilization

Affiliates of each hospital own and operate the medical outpatient clinics for both hospitals.

Franklin Medical Group, PC (FMG) a for-profit entity, provides adult primary care in its Family Health Center, pediatric primary care in its Children's Health Center and dental care in the Dental Health Center for St. Mary's Hospital. On average, FMG records 47,996 visits per year at the three clinics combined (Table 25). In the last three years, area residents made the largest number of visits in FY 2005 at 50,174, but this dropped by 6% by the end of FY 2006.

Table 25: St. Mary's Hospital Medical Clinic Visits by Service Line, FYs 2004 - 2006

Clinic Service	Visits				% Change		
	FY 2006	FY 2005	FY 2004	FY Average	06/05	05/04	06/04
Family Health	21,830	25,313	22,927	23,357	-14	10	-5
Children's Health	17,732	18,146	17,524	17,801	-2	4	1
Dental	7,460	6,715	6,342	6,839	11	6	15
Total	47,022	50,174	46,793	47,996	-6	7	0

While visits to the clinics will drop in FY 2006, cost per visit will rise in each clinic to an average \$132 for all clinics (Table 26). Except for dental care, cost per visit at each of the other two clinics was lowest at the three-year peak volumes.

Table 26: St. Mary's Hospital Clinics Cost per Visit by Service, FYs 2004 - 2006

Clinic Service	Cost Per Visit (\$)				% Change		
	FY 2006	FY 2005	FY 2004	FY Average	06/05	05/04	06/04
Family Health	140	117	125	127	20	-7	11
Children's Health	138	122	144	134	13	-15	-5
Dental	94	79	57	78	20	38	39
Total	132	113	123	123	16	-8	7

From year to year, FMG operated the three clinics at a loss per visit; by the end of FY 2006, loss per visit will increase by 10% to \$77 (Table 27).

Table 27: St. Mary's Hospital Clinics Gain or Loss per Visit by Service, FYs 2004 - 2006

Clinic Service	Gain or Loss Per Visit (Losses)				Change		
	FY 2004	FY 2005	FY 2006	FY 2006	FY 2005	FY 2004	
Family Health	(93)	(89)	(89)	(90)	4	0	4
Children's Health	(69)	(55)	(79)	(67)	25	-31	-15
Dental	(51)	(40)	(35)	(42)	28	12	30
Total	(77)	(70)	(78)	(75)	10	-11	-2

Greater Waterbury Network, Inc owns Chase Outpatient Center and the HIV clinic; but the Greater Waterbury Management Resources, Inc. and Alliance Medical Group, PC operate the two clinics on behalf of Waterbury Hospital. The outpatient center provides primary care, neurology, orthopedics, podiatry and urology services and the other provides HIV-related medical services and counseling to the Waterbury area.

Together the two clinics record an average of 10,895 visits per year and the number of visits is expected to grow by 24% by the end of FY 2006 and 5% in the three-year period (Table 28).

Table 28: Waterbury Hospital Clinic Visits by Service Line, FYs 2004 - 2006

Clinic Service	Visits				Change		
	FY 2004	FY 2005	FY 2006	FY 2006	FY 2005	FY 2004	
Chase Outpatient Center	10,712	8,581	10,806	10,033	25	-21	-1
HIV	1,138	997	451	862	14	121	60
Total	11,850	9,578	11,257	10,895	24	-15	5

The Waterbury Hospital only provided revenue data for the two clinics because cost at service line level is not available; as a result, OHCA is unable to determine gain or loss per visit at this time.

ii. Behavioral health services utilization

Patients in need of behavioral health care who receive adequate and continuous outpatient care have a reduced tendency to require emergency or inpatient care; therefore, there is a community benefit associated with providing outpatient psychiatric care. The FMG provides adult behavioral and substance abuse care for St. Mary's Hospital, while Behavioral Health of Waterbury Hospital Mental Health Outpatient Services and Behavioral Health of Waterbury Hospital Mental Addiction Services, both owned by Waterbury Hospital, provide psychiatry and addiction treatment for adolescents and children (ten years and older), adults and geriatrics.

Over the three-year period, the psychiatric clinics operated by or on behalf of the two hospitals experienced some decline in number of cases and visits, the facilities treated an average of 12,344 cases in 33,536 visits or 3 visits per case (Table 29). Although Waterbury Hospital clinics treated the overwhelming majority, on average, St. Mary's cases visited the clinics three times as often.

Table 29: Waterbury Area Hospitals Outpatient Psychiatric Cases, Visits and Average Visits per Case, FYs 2004 - 2006

Hospital	Number of Cases				% Change		
	FY 2005	FY 2004	FY 2003	FY Average	05/05	04/04	03/03
St. Mary's	1,026	929	816	924	10	14	26
Waterbury	10,978	11,428	11,854	11,420	-4	-4	-7
Waterbury Area	12,004	12,357	12,670	12,344	-3	-2	-5
Hospital	Number of Visits				% Change		
	FY 2006	FY 2005	FY 2004	FY Average	06/05	05/04	04/03
St. Mary's	6,712	5,898	3,731	5,447	14	58	80
Waterbury	26,100	28,601	29,566	28,089	-9	-3	-12
Waterbury Area	32,812	34,499	33,297	33,536	-5	4	-1
Hospital	Average Visits/Case						
	FY 2006	FY 2005	FY 2004	FY Average			
St. Mary's	7	6	5	6			
Waterbury	2	3	2	2			
Waterbury Area	3	3	3	3			

The three-year average costs per visit to psychiatric clinics were similar, \$161 for St. Mary's and \$162 for Waterbury (Table 30). Prior to FY 2006, the cost of an outpatient psychiatric clinic visit at St. Mary's Hospital was at least 1.5 times higher than one at Waterbury Hospital, but in FY 2006 there was substantial decline in the cost at St. Mary's. Cost per case is higher at St. Mary's Hospital because of relatively more frequent of visits per case (Table 29). Generally, some of the variations in cost are attributable to what is included in cost; components of cost tend to vary from hospital to hospital especially in cases where affiliates provide the service on behalf of the hospital.

Table 30: Waterbury Area Hospitals Outpatient Psychiatric Cost Per Case or Visit, FYs 2004 - 2006

Hospital	Cost Per Case			3-yr Average
	FY 2006	FY 2005	FY 2004	
St. Mary's	1,625	2,427	2,276	950
Waterbury	669	686	638	398
Hospital	Cost Per Visit			3-yr Average
	FY 2006	FY 2005	FY 2004	
St. Mary's	248	382	498	161
Waterbury	281	274	256	162

¹ There may be a variation in the components of cost between hospitals.

Each hospital's affiliate provides outpatient psychiatric services at a loss per case; the average combined losses over the three-year period was \$328 with most of the losses occurring at St. Mary's Hospital, because the hospital had higher average number of visits and per unit cost (Table 31). Losses per visit for the hospitals converge in FY 2006 at \$115 for St. Mary's and \$113 for Waterbury.

Table 31: Waterbury Area Hospital Outpatient Psychiatric Gain or Loss Per Case and Visit, FYs 2004 - 2006

Hospital	Gain or Loss Per Case (\$)				Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
St. Mary's	(755)	(915)	(1,586)	(1,053)	7	-12	-7
Waterbury	(268)	(251)	(287)	(269)	3	-19	-16
Waterbury Area	(310)	(301)	(370)	(328)	-3	19	-13
Hospital	Gain or Loss Per Visit (\$)				Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
St. Mary's	(115)	(144)	(347)	(179)	12	-13	-2
Waterbury	(113)	(100)	(115)	(109)	5	-23	-20
Waterbury Area	(113)	(108)	(141)	(121)	-5	23	-17

¹ Combined per case gain/loss is sum of total net revenue for the two hospitals minus the sum of their total costs divided by sum of cases or visits from both hospitals.

iii. **Other outpatient services utilization**

Other outpatient services utilization based on data received from the two hospitals consist of services such as one-day surgery, radiology, laboratory, gastroenterology and other services. Ownership structures vary between hospitals and private practice physicians so the data may not be consistent or necessarily comparable.

In the three-year period combined other OP services declined by 6% (Table 32).

Table 32: Waterbury Area Hospitals Other Outpatient Utilization, FYs 2004 – 2006

Hospital	CASES				% Change		
	FY 2004	FY 2005	FY 2006	3-YR AVERAGE	06/05	05/04	06/04
St. Mary's	135,516	131,538	141,478	136,177	3	-7	-4
Waterbury	110,122	111,971	119,728	113,940	-2	-6	-8
Waterbury Area	245,638	243,509	261,206	250,118	1	-7	-6
Utilization Per 1,000	1.76	1.66	1.75	1.69			

Other OP services cost per visit at Waterbury was 1.5 times St. Mary's, although this may vary from service to service (Table 33).

Table 33: Waterbury Area Hospital Other Outpatient Cost Per Visit, FYs 2004 - 2006

Hospital	COST PER VISIT (\$)			
	FY 2004	FY 2005	FY 2006	3-YR AVERAGE
St. Mary's	224	230	214	223
Waterbury	363	354	320	345
Waterbury Area	286	287	263	278

¹ There may be a variation in the components of cost between hospitals.

Despite the declining volumes, both hospitals made some gains per case providing other outpatient services. The two hospitals made experienced gains per visit for three consecutive years with most of the gains occurring at St. Mary's Hospital, (Table 34)

Table 34: Waterbury Area Hospitals Other Outpatient Gain or Loss Per Visit, FYs 2004 - 2006

Hospital	GAIN OR LOSS PER VISIT (\$)			
	FY 2006	FY 2005	FY 2004	3-YR AVERAGE
St. Mary's	25	13	32	23
Waterbury ²	16	15	15	15
Waterbury Area Hospitals	21	14	24	20

¹ The combined per case gain/loss is sum of total revenue for the two hospitals minus the sum of their total costs divided by sum of discharges from both hospitals.

D. Payer reimbursement and mix

Hospital profitability relies significantly on a balance between patients covered by commercial/private insurance, government sponsored programs, such as Medicare, Medicaid or state or local programs in Connecticut such as State-Administered General Assistance (SAGA), and self-pay or uninsured patients. The driving force behind the gain or loss per case is the source of reimbursement.

Federal and state governments predetermine payment rates for Medicare and Medicaid patients, while hospitals negotiate reimbursement rates with private and commercial payers. In general, Medicaid rates do not fully cover cost while private or commercial programs traditionally reimburse at or above costs, depending on how the negotiated rates favor the hospitals.

In the Waterbury area, Medicare and private payers reimburse slightly above cost but reimbursement rates have been declining from year to year (Table 35). Currently, the two payers reimburse the two hospitals just enough to offset each other's underpayments. In FY 2005, Medicaid reimbursed less than one-half of St. Mary's Hospital's cost and less than 80% of Waterbury Hospital's.

Table 35: Waterbury Area Hospitals Primary Payer Payment to Cost, FYs 2003 - 2005

	St. Mary's Hospital			Waterbury Hospital			Commercial		
	FY 03	FY 04	FY 05	FY 03	FY 04	FY 05	FY 03	FY 04	FY 05
Ratio of cost to charges	0.44	0.44	0.47	0.42	0.36	0.34	0.49	0.46	0.44
Medicare payment to cost	1.03	1.12	1.03	0.89	0.95	0.96	0.97	0.97	0.97
Medicaid payment to cost	0.85	0.80	0.47	0.68	0.82	0.79	0.73	0.73	0.72
Private payment to cost	0.95	1.08	0.96	1.02	1.07	1.06	1.14	1.18	1.20

Source: Office of Health Care Access Hospital Financial Stability Reports for multiple years

i. Hospital payer mix

Commercial payers are the dominant primary payer in the Waterbury Area accounting for 41% of total patient volume all services combined. Medicare accounts for 30%, Medicaid for almost one-quarter and self-pay or the uninsured for 4% (Table 36). In fact, commercial payers are the leading primary payer (46%) in the sole profitable areas of service for the hospitals; other outpatient services, which include one-day surgery, radiology, laboratory, gastroenterology and all other services except ED and outpatient psychiatry. The payer mix varies between services and hospitals. EDs in the area have an unfavorable payer-mix with over one-half of their patient volume being either Medicaid-covered or self-pay or uninsured and an annually declining share of commercially-covered patients. Although both hospitals provide care to a large portion of uninsured patients, 9% for St. Mary's Hospital and 11% for Waterbury Hospital, St. Mary's Hospital treats a disproportionate share (49%) of Medicaid patients in the ED. The payer mix presented in Table 36 is directly and highly correlated to the demographic profile outlined in Section 3.0.

Table 36: Waterbury Area Hospitals Payer Mix by Department, FYs 2004 - 2006

Services	Primary Payer	St. Mary's (%)			Waterbury (%)			Waterbury Area Hospitals (%)		
		FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Inpatient Discharges	Medicare	42	43	43	44	43	43	43	43	43
	Medicaid	25	23	23	21	20	20	23	22	21
	Commercial	31	32	32	33	34	34	32	33	33
	Worker's Compensation	1	1	1	1	1	1	1	1	1
	Self-pay/uninsured	1	1	1	1	2	1	1	1	1
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Emergency Department Treated and Discharged Visits	Medicare	14	15	15	17	18	18	15	16	16
	Medicaid	49	46	43	34	33	32	42	40	38
	Commercial	26	27	29	36	37	37	30	32	33
	Worker's Compensation	2	2	3	3	3	3	2	3	3
	Self-pay/uninsured	9	9	10	11	10	10	10	10	10
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Outpatient Behavioral Health Visits	Medicare	9	13	9	46	47	45	43	44	42
	Medicaid	55	58	54	37	35	38	38	37	39
	Commercial	36	28	36	15	16	16	17	17	17
	Worker's Compensation	0	0	0	0	0	0	0	0	0
	Self-pay/uninsured	1	1	0	2	2	2	2	2%	2
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
All Other Outpatient Visits	Medicare	32	33	32	30	31	32	31	32	32
	Medicaid	17	17	16	18	18	18	18	18	17
	Commercial	47	47	46	45	45	45	46	46	45
	Worker's Compensation	1	1	3	1	1	1	1	1	2
	Self-pay/uninsured	2	2	3	5	5	4	4	3	4
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Hospital Total	Medicare	28	28	28	32	33	33	30	31	31
	Medicaid	26	26	24	20	19	19	23	23	22
	Commercial	41	41	41	42	42	42	41	42	41
	Worker's Compensation	2	1	3	1	1	1	1	1	2
	Self-pay/uninsured	4	4	4	5	4	4	4	4	4
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

ii. **Medical clinics payer mix**

Based on a three-year average, four of every five visits to St. Mary's Hospital medical clinics were Medicaid covered or self-pay or uninsured, 14% of the visits were commercially-covered and 7% were covered by Medicare (Table 37). An overwhelming majority of visits to the Children's Health and Dental clinics were Medicaid covered, while family health has seen a sharp rise in self-pay or uninsured visits for family health care.

Table 37: St. Mary's Hospital's Outpatient Medical Clinics Payer Mix, FYs 2004 - 2006

Clinic Services	Primary Payer	St. Mary's Hospital			
		FY 2004	FY 2005	FY 2006	3-yr. Avg.
Family Health	Medicare	17%	14%	13%	14%
	Medicaid	58%	69%	73%	69%
	Commercial	11%	12%	10%	11%
	Self-pay	14%	5%	4%	6%
	Total	100%	100%	100%	100%
Children's Health	Medicare	0%	0%	0%	0%
	Medicaid	86%	83%	83%	83%
	Commercial	11%	15%	15%	14%
	Self-pay	3%	2%	2%	2%
	Total	100%	100%	100%	100%
Dental	Medicare	0%	0%	0%	0%
	Medicaid	96%	66%	66%	73%
	Commercial	3%	28%	28%	22%
	Self-pay	1%	6%	6%	5%
	Total	100%	100%	100%	100%
Clinic Total	Medicare	6%	7%	7%	7%
	Medicaid	78%	73%	76%	75%
	Commercial	10%	15%	14%	14%
	Self-pay	6%	4%	4%	4%
	Total	100%	100%	100%	100%

The Waterbury Hospital medical clinics payer mix is similar to St. Mary's Hospital's, primarily covered by Medicaid or self-pay or uninsured (Table 38).

Table 38 : Waterbury Hospital Outpatient Medical Clinics Payer Mix, FYs 2004 – 2006

Clinic	Primary Payer	Waterbury Hospital			
		FY 2004	FY 2005	FY 2006	5-yr Average
Chase Outpatient Center	Commercial	13%	9%	10%	11%
	Medicaid	54%	52%	54%	54%
	Medicare	24%	26%	25%	25%
	Self-pay/Uninsured	10%	12%	10%	11%
	Worker's Compensation	0%	0%	0%	0%
	Total	100%	100%	100%	100%
HIV Clinic	Commercial	20%	22%	31%	23%
	Medicaid	50%	44%	45%	47%
	Medicare	15%	14%	19%	16%
	Self-pay/Uninsured	15%	19%	5%	15%
	Worker's Compensation	0%	0%	0%	0%
	Total	100%	100%	100%	100%
Clinic Total	Commercial	13%	10%	11%	12%
	Medicaid	54%	52%	54%	53%
	Medicare	23%	25%	24%	24%
	Self-pay/Uninsured	10%	13%	10%	11%
	Worker's	0%	0%	0%	0%
	Total	100%	100%	100%	100%

5.0 Financial status of the hospitals at the end of FY 2006

Although by the end of FY 2006 St. Mary's Hospital decreased its operating losses, it continued to operate at a deficit, (3.7%) in FY 2006 compared to (10.02%) in FY 2005, (Table 1). Operating loss, for Waterbury Hospital more than tripled from the year before. For both hospitals, expenses continue to exceed revenues and since patient care is the primary source of operating revenue, the cost and the payer mix are critical to the bottom line.

Revenue from government payers (Medicare and Medicaid) to the two hospitals have dropped to 59% in FY 2006 while costs for patients covered by these payers continue to account for about 64% the costs of providing care (Table 39). Government underpayments to the hospitals are augmented by little or no revenues from self-pay patients who account for 2% of the cost of care. Revenues from patients covered by commercial and workers compensation payers although more than cover the costs of caring for those patients (about 41% versus 35% respectively) is still insufficient to make up for the deficit from government payers.

Table 39: Financial profile of St. Mary's Hospital and Waterbury Hospital, FYs 2004 – 2006

Financial Statistics	St. Mary's Hospital			Waterbury Hospital		
	2006	2005	2004	2006	2005	2004
Net Assets						
Hospital	(\$136,000)	\$23,760,000	\$26,430,000	\$124,628,134	\$126,535,925	\$119,504,105
Health System	\$1,424,000	\$8,469,000	\$16,197,000	\$163,330,870	\$166,079,218	\$158,400,874
Hospital Net Revenue Payer Mix*						
Medicare	45%	46%	46%	45%	46%	45%
Medicaid	14%	14%	14%	12%	17%	14%
Commercial	37%	36%	37%	38%	34%	37%
Workers Compensation	4%	3%	3%	4%	1%	3%
Self Pay	0%	0%	0%	0%	2%	0%
	100%	100%	100%	100%	100%	100%
Hospital Cost Payer Mix*						
Medicare	44%	44%	44%	46%	46%	46%
Medicaid	20%	19%	19%	17%	18%	18%
Commercial	31%	33%	33%	34%	33%	33%
Workers Compensation	2%	2%	2%	1%	1%	1%
Self Pay	2%	2%	2%	2%	2%	2%
	100%	100%	100%	100%	100%	100%
Financial Indicators						
Current ratio	0.8	1.96	1.78	2.03	2.15	1.93
Days of expenses in accounts payable	72	71	69	42	47	56
Days cash on hand	1	3	5	20	34	42
Days of revenue in accounts receivable	38	48	60	49	42	37
Equity financing ratio	(13%)	3%	7%	35%	37%	36%

Source: *Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Year 2005, the hospitals' Audited Financial Statements 6 & *data submitted by the hospitals in response to the investigation.*

For consecutive years both hospitals experienced negative operating margins, a sign of financial distress. This is more apparent with St. Mary's Hospital whose rather low current liabilities to current asset ratio, 0.8 in FY 2006, put the hospital at a higher risk for technical insolvency¹³. The hospital's cash flow position worsened with the amount of cash on hand to meet its short-term obligations during the year dropping from three days in FY 2005 to one day in FY 2006. The median number of days of cash on hand for the state and the nation in FY 2005 were 37.6 and 25.8 days respectively and an increasing trend is more favorable. To improve cash flow, the hospital shortened the average time it took to collect revenues from billed patients by ten days down to 38 days but that was not enough to improve the average time it took to pay creditors, which increased by one day up to 72 days.

Over the last three years, Waterbury Hospital has experienced deterioration in its cash flows; the hospital's days of cash on hand have reduced from 42 days to 20 days, which is below state and national medians. This may relate to the fact that it took the hospital seven days more to collect revenues from billed patients on average, and it paid its creditors five days earlier than the year prior. However, Waterbury Hospital is at very low risk of technical insolvency indicated by its current assets to current liabilities ratio in FY 2006 of 2.03 which is above the median for the state and nation.

Appendix A

C.G.S. §19a-633

Investigative powers. The commissioner or any agent authorized by him to conduct any inquiry, investigation or hearing under the provisions of this chapter, shall have power to administer oaths and take testimony under oath relative to the matter of inquiry or investigation. At any hearing ordered by the office, the commissioner or such agent having authority by law to issue such process may subpoena witnesses and require the production of records, papers and documents pertinent to such inquiry. If any person disobeys such process or, having appeared in obedience thereto, refuses to answer any pertinent question put to him by the commissioner or his authorized agent or to produce any records and papers pursuant thereto, the commissioner or his agent may apply to the superior court for the judicial district of Hartford or for the judicial district wherein the person resides or wherein the business has been conducted, or to any judge of said court if the same is not in session, setting forth such disobedience to process or refusal to answer, and said court or such judge shall cite such person to appear before said court or such judge to answer such question or to produce such records and papers.

Appendix 1: Saint Mary's Hospital Licensed and Staffed Beds by Service Line, FYs 2004 - 2006

Service Line	Licensed Beds	Staffed Beds				% of Licensed Beds Staffed in FY 2006
		FY 2005	FY 2005	FY 2004	3-yr Average	
Medical/Surgical	228	105	102	102	103	46%
OB/GYN	32	31	31	31	31	97%
Psychiatry	20	12	12	12	12	60%
Critical Care	55	43	35	35	38	78%
Pediatrics	12	10	10	10	10	83%
Total	347	201	190	190	194	58%
Total Bassinets	32	32	32	32	32	100%

Appendix 2: Waterbury Hospital Licensed and Staffed Beds by Service Line, FYs 2004 - 2006

Service Line	Licensed Beds	Staffed Beds				% of Licensed Beds Staffed in FY 2006
		FY 2006	FY 2005	FY 2004	3-yr Average	
Medical/Surgical	251	155	155	147	152	62%
OB/GYN	32	31	32	32	32	97%
Psychiatry	30	30	30	30	30	100%
Critical Care	20	20	20	20	20	100%
Pediatrics	24	10	10	10	10	42%
Total	357	246	247	239	244	69%
Total Bassinets	36	36	36	36	36	100%

Appendix 3: Saint Mary's Hospital Acute Care Discharges by Service Line, FYs 2004 - 2006

Service Line	Discharges				Change		
	FY 2004	FY 2005	FY 2006	3-yr Average	06/05	05/04	06/04
Medical	6,000	5,702	5,467	5,723	5	4	9
Surgical	3,320	3,403	3,308	3,344	-2	3	0
Behavioral Health	602	590	574	589	2	3	5
Maternity/Pediatrics	3,044	2,570	2,739	2,784	18	-6	10
Total	12,966	12,265	12,088	12,440	6	1	7

Appendix 4: Waterbury Hospital Acute Care Discharges by Service Line, FYs 2004 - 2006

Service Line	Discharges				Change		
	FY 2004	FY 2005	FY 2006	3-yr Average	06/05	05/04	06/04
Medical	6,546	6,861	6,588	6,665	-5	4	-1
Surgical	4,228	4,124	4,044	4,132	3	2	4
Behavioral Health	936	1,131	1,076	1,048	-17	5	-15
Maternity/Pediatrics	2,886	3,372	3,379	3,212	-14	0	-17
Total	14,596	15,488	15,087	15,057	-6	3	-3

Appendix 5: Saint Mary's Hospital Acute Care Days by Service Line, FYs 2004 - 2006

Service Line	Days			4-yr Average	% Change		
	FY 2005	FY 2004	FY 2003		06/05	05/04	06/04
Medical	29,890	27,678	26,297	27,955	8	5	12
Surgical	18,272	16,931	17,307	17,503	8	-2	5
Behavioral Health	3,864	3,709	3,588	3,720	4	3	7
Maternity/Pediatrics	7,966	6,781	7,008	7,252	17	-3	12
Total	59,992	55,099	54,200	56,430	9	2	10

Appendix 6: Waterbury Hospital Acute Care Days by Service Line, FYs 2004 - 2006

Service Line	Days				% Change		
	FY 2006	FY 2005	FY 2004	4-yr Average	06/05	05/04	06/04
Medical	33,582	34,054	32,532	33,389	-1	5	3
Surgical	21,654	19,414	20,525	20,531	12	-5	5
Behavioral Health	7,342	8,184	7,776	7,767	-10	5	-6
Maternity/Pediatrics	7,836	9,188	8,972	8,665	-15	2	-14
Total	70,414	70,840	69,805	70,353	-1	1	1

Appendix 7: Case Mix Index for St. Mary's and Waterbury Hospitals, FY 2003 - 2005

	FY 2006	FY 2005	FY 2004	FY 2003
St. Mary's	-	1.3577	1.3576	1.3733
Waterbury	-	1.3534	1.3848	1.4015

Source: OHCA Hospital Budget System

¹ Not yet available to OHCA.

Case mix index - measures the relative cost of treating patients at a hospital, the average cost is 1.0.

Appendix 8: Saint Mary's Hospital Acute Care Gain or Loss per Discharge or Case by Service Line, FYs 2004 – 2006

Service Line	Gain or Loss Per Discharge/Case (\$)				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Medical	69	431	617	364	-84	-30	-790
Surgical	(2,809)	(1,493)	(1,550)	(1,947)	88	-4	45
Behavioral Health	(2,543)	(2,162)	(1,594)	(2,107)	18	36	37
Maternity/Pediatrics	(561)	(1,275)	(1,298)	(1,022)	-56	-2	-131
Total	(937)	(585)	(515)	(684)	60	14	45

Appendix 9: Waterbury Hospital Acute Care Gain or Loss per Discharge or Case by Service Line, FYs 2004 – 2006

Service Line	Gain or Loss Per Discharge/Case (\$)				% Change		
	FY 2006	FY 2005	FY 2004	3-yr Average	06/05	05/04	06/04
Medical	(308)	(245)	76	(160)	25	-422	125
Surgical	(1,135)	(797)	(278)	(743)	42	187	75
Behavioral Health	(3,021)	(1,618)	(1,407)	(1,964)	87	15	53
Maternity/Pediatrics	(1,040)	(376)	(627)	(663)	177	-40	40
Total	(866)	(521)	(282)	(553)	66	85	67

Appendix 10: St. Mary's Hospital Top Ten Principal Reasons for Emergency Department Treated and Discharged Visits, FYS 2004 – 2006q1q2

ICD-9-CM Diagnosis Code	Diagnosis Description	FY 2004	FY 2005	FY 2006
465.9	Acute upper respiratory infections, unspecified site, not otherwise specified (NOS)	1,069	1,406	1,364
382.9	Otitis Media, NOS	832	1,590	1,458
34	Strep sore throat	637		
V58.3	Attending-surgical dressing/suture	617	1,050	862
79.99	Viral infection, NOS	595	1,010	1,096
462	Acute pharyngitis	529	809	760
599	Urinary tract infection, NOS	426	842	840
789	Abdominal Pain, Unspecified site	419		
493.92	Asthma NOS with acute exacerbation	409	868	794
786.59	Chest Pain Nec	406	846	772
847	Sprain Of Neck			818
786.5	Chest Pain NOS		867	797
784	Headache		876	
	Top Ten Total	5,939	10,164	9,561
	% of ED Treated & Discharged	10%	18%	18%

Appendix 11: Waterbury Hospital Top Ten Primary Reasons for Emergency Department Treated and Discharged Visits, FYs 2004 - 2006

ICD-9-CM Diagnosis Code	Diagnosis Description	FY 2004	FY 2005	FY 2006
789	Abdominal pain unspecified site	714	1,512	1,377
382.9	Otitis media NOS	519	1,008	1,072
780.6	Fever	502	950	844
786.5	Chest Pain NOS	493	932	834
465.9	Acute URI NOS	390	629	663
462	Acute pharyngitis	346		
786.59	Chest pain NEC	338	775	737
883	Open wound of finger	296	730	674
845	Sprain of ankle NOS	276	654	
784	Headache	275	638	
847.2	Sprain lumbar region			640
847	Sprain of neck		677	836
490	Bronchitis NOS			657
	Top Ten Total	4,149	8,505	8,334
	% of ED Treated & Discharged	19%	19%	19%

Appendix 12: Waterbury Hospitals Top Ten Primary Reasons for Emergency Department Treated and Admitted to Acute Care, FYs 2004 - 2006

ICD-9-CM Diagnosis Code	Diagnosis Description	FY 2006	FY 2005	FY 2004
486	Pneumonia	658	528	514
428	Congestive heart failure	517	455	377
786.59	Other chest pain	304	307	246
427.31	Atrial fibrillation	297	251	193
414.01	Coronary atherosclerosis	304	178	168
410.71	Subendocardial infarction	247	254	278
38.9	Unspecified septicemia	258		
518.81	Acute respiratory failure	256	193	150
599.0	Urinary tract infection, site not specified	262	224	204
780.2	Syncope and collapse	263		
276.5	Volume depletion		250	242
491.21	Obstructive chronic bronchitis with acute exacerbation			224
584.9	Acute renal failure, unspecified		173	
Total		3,366	2,813	2,596

Source: OHCA Acute Care Discharge Database

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- ¹ *Snapshot: Connecticut's Health Insurance. Results of the Office of Health Care Access 2004 Household Survey.* January 2005.
- ² *Who are the Uninsured? Characteristics of Uninsured Workers in Connecticut.* Office of Health Care Access. January 2003.
- ³ *Rising Acute Care Hospitals Inpatient Charges – FYs 1991 – 1999.* Office of Health Care Access. June 2001
- ⁴ *Studying Health Care Utilization in Connecticut: Report to the General Assembly.* Office of Health Care Access. June 2006.
- ⁵ Minorities include Blacks, American Indians or Eskimos or Aleuts, Hawaiian or Pacific Islanders, Asians, other non-whites and Hispanics or Latinos of any race.
- ⁶ *Studying Health Care Utilization in Connecticut: Report to the General Assembly.* Office of Health Care Access. June 2006.
- ⁷ *Snapshot: Connecticut's Health Insurance. Results of the Office of Health Care Access 2004 Household Survey.* January 2005.
- ⁸ *Databook - Preventable Hospitalizations in Connecticut: Assessing Access to Community Health Services, FYs 2000 - 2004.* Office of Health Care Access. September 2005.
- ⁹ *Health Care for Connecticut's Underserved Populations.* Connecticut Department of Public Health. November 2005.
- ¹⁰ Department of Mental Health and Addiction Services (DHMAS) mental health service area which comprises of the towns of Barkhamsted, Beacon Falls, Bethel, Bethlehem, Bridgewater, Brookfield, Canaan, Cheshire, Colebrook, Cornwall, Danbury, Goshen, Hartland, Harwinton, Kent, Litchfield, Middlebury, Morris, Naugatuck, New Fairfield, New Hartford, New Milford, Newtown, Norfolk, North Canaan, Oxford, Prospect, Redding, Ridgefield, Roxbury, Salisbury, Sharon, Sherman, Southbury, Thomaston, Torrington, Warren, Washington, Waterbury, Watertown, Winchester, Wolcott, and Woodbury.
- ¹¹ *Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children* .Submitted to the General Assembly. January 2006.
- ¹² *Studying Health Care Utilization in Connecticut: Report to the General Assembly.* Office of Health Care Access. June 2006.
- ¹³ *Almanac of Hospital Financial and Operating Indicators, A comprehensive benchmark of the nation's hospitals.* Ingenix 2007.

State of Connecticut



THE CHARTIS GROUP, LLC. REPORT

Docket Number 06-30760-VST

**Cristine A. Vogel
Commissioner
Office of Health Care Access**

St. Mary's Hospital (SMH) and Waterbury Hospital (WH) jointly contracted with The Chartis Group, LLC. to conduct a market overview, a financial review and community needs assessment and present options in the planning efforts to integrate the hospitals.

The consultants projected the financial impact of different levels of possible integration:

- Level 1: Administrative and Operational Support Integration only
- Level 2: Limited Clinical Integration and Level 1
- Level 3: Full Administrative and Clinical Integration

The consultant's model included integration expenses that would be necessary depending on the level of integration required. In summary, these expenses related to cost associated with:

- A. Integration Costs: consulting and legal fees, public relations costs, reduction in workforce severance, etc.
- B. IT Platform Alignment: Cerner rollout to SMH, fiber optic cable linkage, PACs, telecommunication system integration, etc.
- C. Facility Renovation: Emergency Department, inpatient unit expansion, outpatient facilities, etc.

With the assumptions above, the consultants then estimated costs for each level of integration over 5 years:

	Level One ("Millions")	Level Two ("Millions")	Level Three ("Millions")
A. Affiliation Costs	\$ 12.0	\$ 17.0	\$ 25.0
B. Technical Costs	\$ 12.2	\$ 12.2	\$ 12.2
C. Facilities Costs	\$ 1.0	\$ 3.9	\$ 62.2
	\$ 25.2	\$ 33.1	\$ 99.4

All levels of integration show a positive financial gain 5 years out. There would be a significant spend down or depletion of Waterbury Hospital cash reserves to facilitate the affiliation. Therefore, WH would be at risk of violating some of its bond covenants and possibly alter its credit profile and its future access to capital.

Summary of Consultant's report:

- SMH is cash flow negative, has a drained balance sheet and is outside its Bond Covenants
- WH has a stronger Balance Sheet but faces income and cash flow challenges that will make it increasingly difficult to fund future capital requirements
- According to the report, it may take more than 10 years to get to the point where the combined entity could afford to build a new combined hospital
- A closer affiliation between WH and SMH can yield significant cost savings opportunity and long term financial benefit to the region's health care delivery system
- While full clinical integration (Level 3) might be too costly in the near term, Level 1 and Level 2 can provide ample net cash flow to stabilize operations and position the delivery system to move toward full clinical integration in the future
- SMH and WH have internal issues that would need to be addressed, such as: Catholic and Secular organizations, WH has a unionized workforce, SMH liabilities, and a general cultural divide between the two organizations.



December 11, 2006

Cristine A. Vogel, Commissioner
State of Connecticut, Office of Health Care Access
410 Capitol Avenue, MS #13HCA
P.O. Box 340308
Hartford, CT 06134-0308

Dear Commissioner Vogel:

Thank you for inviting StayWell Health Center to respond to the recent Draft Study that was completed on the two hospitals in Waterbury. We agree that there are some concerns with the structure of healthcare that impact our community. StayWell is committed to being a part of the solution so that our patients and our community can continue to have quality care that is accessible.

In the past, StayWell has partnered with both hospitals in many successful projects. Most recently we have been working on an integrated network of services for uninsured adults that includes enrollment in Pharmacy Assistance Programs, Linkage with Primary Care, Medicaid Eligibility Screening, Application Assistance and the pursuit of an Electronic Health Record.

However, we want to alert you to the many barriers to providing services that StayWell contends with because they will not make it easy to resolve the community-based issues of access that the Study discusses.

- We have difficulty getting access to Specialists who are not interested in seeing our patients. The low reimbursement rates for Title 18 and Title 19 for non-community health center providers has a trickle down effect on our patients. Not only is this barrier influenced by low reimbursement rates, but when patients have delayed care they become more complicated to manage and pose a greater malpractice risk. At StayWell, we repeatedly encounter patients who have suffered poorer outcomes either due to the lack of specialty access or due to a delay in seeking/receiving primary care because they were uninsured.
- StayWell has a base of \$1 million in federal support through HRSA. Other community health centers on average are funded at a significantly higher amount. Federal support has not kept pace with the rapid growth in its client base that StayWell has experienced. In fiscal year 2000, StayWell provided 14,856 health care visits. Six years later, in fiscal year 2006, we provided 55,687 visits, a growth of 275%. StayWell employs 110 health professionals to care for these patients.

80 Phoenix Avenue ✱ Waterbury, CT 06702 ✱ Tel: (203) 756-8021 ✱ Fax: (203) 596-9038

Cristine A. Vogel, Commissioner
December 15, 2006
Page 2

- StayWell does receive funding from the State of Connecticut to assist with providing services to the uninsured. StayWell receives approximately \$118,000 from the Department of Public Health on an annual basis to cover costs associated with the uninsured in the Adult Medicine and Dental Departments. This has been reduced over the years with a loss of over \$100,000 to cover the costs of Pediatric uninsured services a few years ago. With our uninsured rate rising to 20% of all patient visits, this loss has been a struggle. Again, it is our understanding that our DPH funding for services to the uninsured is much lower than our colleagues throughout the State of Connecticut.
- There are commonalities in the struggles that our healthcare organizations face on a daily basis, primarily staffing. With the shortage in qualified nurses, we are frequently competing for staff. We have seen this to be the case for physicians also. Hiring culturally competent staff is always a struggle and then unfortunately added to the existing community shortages. Ultimately, staffing shortages impact access to care when special outreach services or walk-in hours need to be suspended due to inadequate staff to assign.

Thank you in advance for your consideration of the above-mentioned concerns that must be taken into account when designing a solution. Again, we look forward to continued conversation that will result in a solution for our patients and community.

Respectfully submitted,


Donald J. Thompson, MPS
President/CEO

cc: Robert Ritz
John Tobin
John Blair
Susan Cole England
Karen Roberts

State of Connecticut



**HOSPITAL CLOSURES AND MERGERS
IN CONNECTICUT**

Docket Number 06-30760-VST

**Cristine A. Vogel
Commissioner
Office of Health Care Access**

In 1990 Connecticut had 36 acute care general hospitals – today there are 30. The state has experienced the similar national trend with the decreasing number of acute care hospitals. The primary drivers of these closures and mergers are related to reimbursement, competition and shifting population demographics.

After reviewing the state’s closures and mergers, it was apparent that each circumstance was different depending upon the financial strengths and weaknesses of the hospitals involved. In all of the mergers (in the cities of Bridgeport, Hartford and Meriden) one hospital was financially capable of absorbing the debt of the less viable hospital; and in no circumstances was the State of Connecticut financially responsible for the merger or closure activity.

Connecticut has experienced 6 mergers; one closure of a small rural community hospital; one acquisition and conversion of a small non-profit to the state’s only for-profit hospital. The construction of a new children’s hospital and a 94-bed community hospital were both results of mergers. Table 1 provides an overview of the closure and merger activity.

Table 1. Hospital Closures and Mergers in Connecticut

Year	Activity	Surviving Entity	Number of Licensed Acute-Care Hospitals
1990			36
1991	Meriden-Wallingford Hospital merges with WWII Memorial Hospital to form Veterans Memorial Medical Center	Veterans Memorial Medical Center	35
1993	Park City Hospital merges with Bridgeport Hospital	Bridgeport Hospital	34
1995	Mount Sinai Hospital merges with Saint Francis Hospital and Medical Center	Saint Francis Hospital and Medical Center	33
1996	Connecticut Children’s Medical Center opens (consolidating services previously provided at three hospitals - Hartford, John Dempsey and Newington Children’s Hospital) and succeeding Newington Children’s Hospital	Connecticut Children’s Medical Center	33
1997	Bankruptcy of Winsted Hospital	Winsted Health Center	32
1998	MidState Medical Center opens as successor to Veterans Memorial Medical Center	MidState Medical Center as successor to VMMC	32
1998	Saint Joseph’s Hospital merges with Stamford Hospital	Stamford Hospital	31
2002	Not-for-profit Sharon Hospital acquired by for-profit Essent Healthcare (CT’s first for-profit acute care hospital)	Sharon Hospital	31
2006	New Britain Hospital merges with Bradley Memorial Hospital	The Hospital for Central Connecticut	30

The one merger that closely resembles the circumstances with St. Mary's Hospital and the Waterbury Hospital would be the merger of Park City Hospital and Bridgeport Hospital. Below is a brief summary of facts:

Merger of Park City Hospital and Bridgeport Hospital

On March 30, 1993, OHCA issued a decision which authorized the merger of Park City Hospital into Bridgeport Hospital, with Bridgeport Hospital being the surviving entity.

The projects total capital expenditure was \$14,327,000 plus \$1,561,000 in capitalized financing, for a total capital expenditure of \$15,888,000. The \$14,388,000 Park City Hospital expenditure component was financed through CHEFA revenue bonds and the remaining \$1,000,000 was equity-financed from internally generated funds.

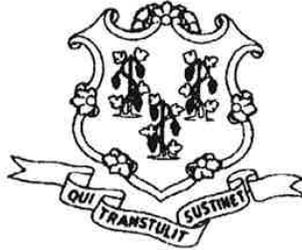
Park City Hospital's Reasons for Merging:

- financial condition was negatively impacted by low and declining utilization of inpatient services
- inability to compete on services
- unable to renegotiate outstanding loan obligations or obtain new sources of capital
- reported long term debt payable of \$810,777 and total assets of \$23,547,109

Outcome of merger:

- Park City Hospital converted to an inpatient/outpatient rehabilitation center that provided inpatient psychiatric services (eventually relocated to Bridgeport Hospital)
- Park City Hospital's emergency services were replaced with primary care/walk-in center
- all acute care services provided at Park City Hospital (with the exception of ambulatory surgery) would be provided at Bridgeport Hospital site
- the merger resulted in the termination of 194 acute care beds

STATE OF CONNECTICUT



Report of the Region 5 Pediatric Inpatient Psychiatric Services Implementation Group

March 2007

Prepared for:

**Cristine A. Vogel, Commissioner
Office of Health Care Access**

I. Background

In January 2006, the *Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children* was issued. The report was prepared in response to Public Act 05-280, “An Act Concerning the Expenditures of the Department of Social Services.” The report examined the challenges faced by the 31 acute care hospitals in Connecticut in providing inpatient behavioral health services to pediatric¹ patients, particularly in Mental Health Region 5 (Region 5). Currently, statewide only four of the hospitals have inpatient psychiatric units for children (ages 0 to 12) and six for adolescents (ages 13 to 17). Although not all hospitals have inpatient pediatric behavioral health services, hospitals attempt to accommodate these pediatric patients either in other units within the hospital or transfer them to other facilities for inpatient care.

The committee was to focus on the existing situation in Region 5 which has six acute care hospitals, Charlotte Hungerford, New Milford, Sharon, Danbury, St. Mary’s and Waterbury, but only five beds for adolescent behavioral health patients at Waterbury Hospital and none at all for children in any of the hospitals (see Table 1). Also, there are no freestanding psychiatric hospitals in the region. According to the committee’s report, in 2004, at least 200 the pediatric patients from the region had to access needed acute inpatient psychiatric care outside the region.

Table 1: CT acute care pediatric behavioral health beds, FY 2004

Acute Care Hospitals	# of Operational Beds				Location	Region
	Age 0-12	13-17	Swing Beds	Age 18+		
Hospital of Saint Raphael	10	5	5	20	New Haven	2
Yale New Haven Psychiatric Hospital	15	14	0	29	New Haven	2
St. Francis Medical Center ²	12	8	0	20	Hartford	4
Hartford/Institute of Living/CT Children's	9	13	0	22	Hartford	4
Manchester Hospital ³	0	10	0	10	Manchester	4
Waterbury Hospital	0	5	0	5	Waterbury	5
Sub-Total	46	55	5	106		
Psychiatric Hospitals						
Public						
Riverview Children & Youth ⁴	-	-	85	85	Middletown	2
Sub-Total	0	0	85	85		
Free-standing						
Hall-Brooke Behavioral Health Services	-	-	20 - 34	20 - 34	Westport	1
Silver Hill Hospital	0	10	0	10	New Canaan	1
Natchaug Hospital	6	12	3	21	Mansfield	3
Stonington Institute	0	4	0	4	N. Stonington	3
Sub-Total	6	26	23 - 37	55 - 69		
Statewide:	52	81	13 - 127	246 - 260		

Source: *Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children*, Table 2, page 10.

¹ Hospitals swing beds between the two age groups on as needed basis.

² Physical capacity is 23 beds.

³ Survey was not administered to hospital.

⁴ CT Department of Children and Families (DCF) provided the information; the facility has 12 additional sub-acute care beds.

¹ Under 18 years old.

In accordance with Public Act 05-280, the committee's report contains recommendations concerning the expansion of licensed hospital psychiatric inpatient bed capacity for children in Region 5. These recommendations are:

- 1. Increase the number of acute care general hospital and/or psychiatric hospital beds and Psychiatric Residential Treatment Facility (PRTF) beds for children and adolescents in Region 5 based on the process outlined in Recommendation # 2.*
- 2. The commissioner or designee of the Office of Health Care Access (OHCA) will convene an implementation group including the six general hospitals in Region 5, other behavioral health service providers to Region 5 residents under the age of 18, and representatives of state agencies for input on the appropriate number and location of beds. Execution of the group's proposal(s) will be subject to Certificate of Need (CON) authorization.*

To fulfill these recommendations, the Office of Health Care Access established an Implementation Group consisting of representatives of the six general hospitals in the region and of the Department of Children and Families (DCF), the Department of Social Services, Wellspring Foundation, the Child Guidance Clinic of Waterbury and the Northwest Center for Family Services and Mental Health (see Attachment 1).

The Implementation Group, which met three times during the summer and autumn, reviewed the most current pediatric inpatient behavioral health utilization data available to develop recommendations for the region. This report presents the recommendations about the appropriate number and locations of acute care, PRTF and emergency crisis stabilization beds needed in the region to facilitate patient access and transfer to appropriate levels of care and reflects the opinion of the majority of the group.

II. Implementation Group Recommendations and Rationale

Recommendation 1: Any Certificate of Need application for adding to behavioral health pediatric beds in Region 5 must include a plan for coordinating proposed additions with existing community-based services.

The overriding concern of the group is that an evaluation to establish the appropriate number of acute care beds should be system-based and not done in a vacuum. The behavioral health system includes emergency, acute and step down levels of care, all of which needed to be evaluated concurrently and any changes to be implemented should be coordinated with existing community-based services.

Recommendation 2: *An additional 20 to 30 acute care general hospital and/or psychiatric hospital beds are required in Region 5. In order to provide developmentally appropriate care for children and adolescents, the additional beds should be allocated to two discrete units, one for children (up to 12 years old) and one for adolescents (13 – 18 years old).*

According to the Committee’s January 2006 report, there are 2.1 acute care pediatric behavioral health beds available per 10,000 residents under age 18 in Connecticut, but only 0.3 per 10,000 for the same age cohort in Region 5 (see Table 2). This demonstrates that Region 5 has substantially lower number of beds available for its pediatric population than the state in general. As a result, hospitals in the region admit children needing inpatient behavioral health services to general pediatric and adolescent units and adolescents to adult psychiatric and medical/surgical units; and the remaining are transferred or referred to hospitals located elsewhere in Connecticut or out-of-state. Currently, about one-half of the pediatric patients transferred out-of-state for behavioral health services are from Region 5. Area hospitals transferred one-third of pediatric patients from the region to other acute care providers in Connecticut for acute behavioral health treatment.

Table 2: Pediatric acute care behavioral health bed availability

Geographical Location	Regions	Acute Care Beds	Share	Bed per 10,000 of child population
Southwest	1	44	25%	2.6
South Central	2	49	28%	2.6
Eastern	3	25	14%	2.6
North Central	4	52	30%	2.2
Northwest	5	5	3%	0.3
Statewide		175	100%	2.1

Source: Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children, Table 3, page 11.

* Includes beds in acute care psychiatric units and freestanding psychiatric hospitals.

Patients receiving behavioral health treatment benefit most when their families are involved. Hence, additional acute care beds should be located in the region to improve families’ ability to participate in care. In the absence of a state adopted standard bed need methodology, the group applied the statewide standard of 2.1 beds per 10,000 to the pediatric population of Region 5, of 149,927 based on Census 2000, to determine the maximum number of beds the area needs. Based on this methodology, there should be up to 31 beds in total in the region, or about 26 new beds given that five already exist in Waterbury. According to the experts in the group, a 10 to 15-bed unit is the most efficient and clinically appropriate size for an acute care behavioral health unit. The treatment of children and adolescents in the same milieu is developmentally inappropriate and may be counter-therapeutic. Consequently, the group recommends establishing two discrete units in the region, with a combined capacity of 20 to 30 new acute beds.

Recommendation 3: Locate any additional acute care pediatric psychiatric units in one of the three major population centers in Region 5; Danbury, Torrington and Waterbury.

Region 5 is a geographically large and diverse area that consists of 43 cities and towns. Table 3 is an analysis of acute care hospital Region 5 pediatric behavioral health discharges by town of origin. The data indicate that the majority of discharges and their associated patient days are from three metropolitan areas, Waterbury (27% and 33%), Torrington (8% and 12%) and Danbury (11% and 7%). In order to enhance access to acute programs, the group recommends the location of any additional programs in one of the three metropolitan areas.

Table 3: Region 5 Average Annual Acute Care Pediatric Behavioral Health¹ Discharges and Days by Town of Origin: SFYs 2004 - 2006q1-q3

Town of Origin	Children Ages 0 - 12	Adolescents Ages 13 - 17	Ages 0 - 17
	Discharges = 367	Discharges = 203	Discharges = 320
Waterbury	35%	24%	27%
Danbury	16%	9%	11%
Naugatuck	6%	7%	7%
Torrington	11%	7%	8%
Cheshire	5%	6%	6%
All other towns in region ²	27%	48%	42%
Total	100%	100%	100%
Town of Origin	Children Ages 0 - 12	Adolescents Ages 13 - 17	Ages 0 - 17
	1,777	2,053	4,830
Waterbury	47%	21%	33%
Torrington	15%	9%	12%
Cheshire	6%	10%	8%
Naugatuck	4%	10%	7%
Danbury	9%	5%	7%
All other towns in region ²	20%	46%	34%
Total	100%	100%	100%

Source: CT Office of Health Care Access Acute Care Discharge Database

¹Acute care hospitals' behavioral health discharges assigned Diagnosis Related Group (DRG) 424 to 437 or 521 to 523.

²For this purpose, discharges and patient days for the other 37 towns in the region were not significant individually.

Recommendation 4: Establish fifteen to twenty five Psychiatric Residential Treatment Facility (PRTF) beds in Region 5. These beds should be located in proximity to existing beds or as part of the establishment of a new program or facility, which includes acute beds.

Psychiatric residential treatment facilities (PRTFs) provide inpatient psychiatric care to Medicaid-covered patients under 21 years old. PRTFs facilitate acute care hospitals' patient "throughput" to ease system gridlock and "boarding" in the EDs.

In SFY 2004, over one-half (or 167) of acute care inpatient transfers to another type of institution were Medicaid beneficiaries who might have been better served by a step down level of care at facilities such as a PRTF or community-based alternatives;² this is an average of 14 patients per month. According to data from the Connecticut Behavioral Health Partnership (CT BHP) at four points in time for each month between September and November of 2006, on average 9.1 patients from the region were placed in mostly non-area PRTFs (Table 4). The highest number of patients placed within a month during the period was 11.5.

Table 4: Region 5 PRTF average admissions from September to November 2006

Region 5 Hospitals	Average # in All PRTFs	Average # in Wellspring PRTF	Average # in Non-Area PRTFs
Danbury	0.7	0.1	0.7
Charlotte Hungerford	2.0	1.5	3.0
Waterbury	4.5	2.0	3.4
St. Mary's			
Total	9.1	3.6	7.1

Source: Department of Social Services Region 5 hospital and PRTF admits under the CT BHP between September and November 2006 taken at four points in time per month.

Within a month, an average of 1.5 patients awaited placement in a PRTF. The highest number of patients who awaited placement in the three-month period was 2.0.

In all, there was an average of 10.6 PRTF placements needed in the region during the three months. The highest number of placement needed within a month was 12.75. This means, between 50 and 60 percent of the region's acute care pediatric patients admitted during the period, required placement in a PRTF after acute care. The need for a PRTF level of care has increased with Wellspring's decision to discontinue its PRTF service in November 2006.

²Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children. Submitted to the Connecticut General Assembly. January 2006. Ibid.

Emergency Crisis Stabilization Beds

In evaluating the needs of the region, the group discussed the feasibility of establishing emergency crisis stabilization beds (ESC) as part of the continuum of care. ECS beds are used for managing demand spikes, extended patient observation and minimizing “boarding” or patients waiting in the ED for more than 23 hours before admission to an inpatient bed or discharged to the community. Based on the committee’s report, in FY 2004, hospitals in Region 5 evaluated 660 children and adolescents with a behavioral health diagnosis in the ED before transferring them to inpatient acute care. As many as one-quarter of those patients, waited in the ED for over 23 hours before the inpatient admission (see Table 3);³ that is, an average of 15 boarders per month.

Table 3: Number of pediatric behavioral health patients evaluated in Region 5 Emergency Departments and length of stay in hours prior to inpatient admission, FY 2004

	< 23 hours		23 hours		> 23 hours	
	< 23 hours	> 23 hours	< 23 hours	> 23 hours	< 23 hours	> 23 hours
Charlotte Hungerford	56	6	149	32	205	38
Danbury	27	0	122	6	149	6
New Milford	2	0	8	0	10	0
Sharon	0	0	2	0	2	0
St. Mary's	0	56	0	74	0	130
Waterbury	35	1	77	1	112	7
Total	120	66	358	115	478	181

Source: *Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children*. Submitted to the Connecticut General Assembly. January 2006. Table 6, page 15.

¹One adolescent outlier spent 170 hours in ED.

Assuming an average stay of 48 hours in the ED for those boarders, then the average daily census is one. According to information provided by DSS, a hospital based ED affiliated crisis unit is only economically viable if it serves more than 800 to 1,000 pediatric patients per year with an average overnight census of three or more patients. Therefore, currently there is not sufficient need to sustain a hospital based crisis stabilization unit in the region. The additional acute care and PRTF beds will be enough to handle potential demand spikes and extended stays, thus eliminate boarding.

³ Ibid.

Attachment 1

Region 5 Pediatric Inpatient Psychiatric Services Implementation Workgroup

The membership of the Region 5 Pediatric Inpatient Psychiatric Services Implementation Workgroup included the following persons:

1. Susan Cole, Director of Certification, Office of Health Care Access
Financial Analysis and Forecasting &
Chair
2. Mark Schaefer, Ph.D., Director, Medical Department of Social Services
Policy and Behavioral Health, Medical
Care Administration
3. Karen Andersson Department of Children and Families
4. Peter Johnson, Ph.D. Department of Children and Families
5. Dr. Charles Herrick, Medical Director, Danbury Hospital
Inpatient Psychiatric Services
6. Dr. Steven Singer, Chief of Psychiatry Charlotte Hungerford Hospital
7. Thomas Narducci, LCSW Charlotte Hungerford Hospital
8. Maureen Salerno, Director of Social Work New Milford Hospital
9. Jena Brebbia, LCSW Sharon Hospital
10. Dr. Peter Jacoby, Chairman of Emergency St. Mary's Hospital
Services Department
11. Doreen Elnitsky, Administrative Director, Waterbury Hospital
Behavioral Health
12. Tom Czarkosky, Manager, Child Waterbury Hospital
& Adolescent Behavioral Health Services
13. Gary Steck, Executive Director Child Guidance Clinic of Waterbury
14. Herb Hall Wellspring Foundation, Inc.
15. Donna Campbell Northwest Center for Family Services and
Mental Health

Staff to the Implementation Group

1. Olga Armah, Associate Research Analyst, Office of Health Care Access
Research and Evaluation
2. Steven Lazarus, Associate Health Care Office of Health Care Access
Analyst, Certification, Financial Analysis
and Forecasting

**EXHIBIT 5: KAUFMAN HALL AND PRICE WATERHOUSE
COOPERS REPORTS**

Financial Plan



Waterbury, Connecticut / December 17, 2010

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

KaufmanHall

Financial Strategies for Healthcare
5202 Old Orchard Road
Suite N700
Skokie, IL 60077
847.441.8780 phone
847.965.3511 fax
kaufmanhall.com

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Revisions to Baseline Model

Revisions to Baseline Model

- For the revised baseline model, PWC's estimate of a reduction in net revenue of \$12.5 million in FY 2011 compared to budget has been incorporated.
- Cost reductions related to a drop in surgical cases for FY 2011 of \$4.2 million (75% of the net revenue drop of \$5.6 million) have also been included.
- In FY 2012, an additional \$1 million has been included for additional Federal stimulus monies for Information Technology beyond the \$462K included in the FY 2011 budget.

Revised Baseline Model

The Waterbury Hospital Revised Baseline Projections

	Year ending September 30,								
	S&P ^(A)		Actual	Budget	Projected				
	A-	BBB+	BBB	2010	2011	2012	2013	2014	2015
(\$ in millions)									
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$254.8	\$258.1	\$264.9	\$273.5	\$282.2	\$291.4
Operating Income	---	---	---	(\$9.2)	(\$7.6)	(\$9.0)	(\$8.9)	(\$9.1)	(\$9.2)
Operating EBIDA	---	---	---	\$2.2	\$1.9	\$2.5	\$3.6	\$4.6	\$5.9
Excess Income	---	---	---	(\$3.9)	(\$1.6)	(\$3.1)	(\$3.2)	(\$3.6)	(\$3.8)
Cash Flow (Net Inc + Depr)	---	---	---	\$5.7	\$7.3	\$7.3	\$8.2	\$9.1	\$10.2
Unrestricted Cash	---	---	---	\$34.7	\$28.2	\$22.5	\$16.1	\$9.2	\$1.6
Total Debt	---	---	---	\$20.2	\$26.2	\$25.7	\$25.2	\$24.7	\$24.2
Capital Expenditures	---	---	---	\$7.1	\$22.0	\$12.4	\$13.7	\$15.2	\$16.8
<u>Profitability</u>									
Operating Margin	2.1%	1.6%	2.3%	-3.5%	-2.9%	-3.3%	-3.2%	-3.2%	-3.1%
Operating EBIDA Margin	9.9%	8.1%	9.3%	0.9%	0.7%	0.9%	1.3%	1.6%	2.0%
Excess Margin	3.0%	1.6%	2.3%	-1.5%	-0.6%	-1.1%	-1.1%	-1.2%	-1.3%
<u>Debt Position</u>									
Debt Service Coverage	3.2	2.4	3.0	2.6	4.1	5.3	5.9	6.4	7.1
Debt to Capitalization	36.6%	40.1%	43.1%	30.9%	37.5%	38.9%	40.4%	42.3%	44.8%
Debt to Cash Flow	---	---	---	2.7	3.3	3.1	2.7	2.4	2.2
<u>Liquidity</u>									
Cash to Debt	117.4%	99.3%	88.2%	171.4%	107.6%	87.3%	63.9%	37.1%	6.8%
Days Cash on Hand (days)	176.3	125.7	125.1	48.5	39.3	30.4	21.2	11.7	2.0
Days in A/R, net	47.4	45.5	45.1	45.6	45.6	45.6	45.6	45.6	45.6
<u>Other</u>									
Average Age of Plant	10.1	10.0	10.3	22.3	25.0	22.6	21.4	20.4	19.4
Compensation Ratio	50.9%	54.2%	49.0%	58.6%	60.3%	59.8%	59.2%	58.6%	58.0%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	74.2%	247.2%	120.0%	120.0%	120.0%	120.0%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Greater Waterbury Health Network, Inc. and Subsidiaries Baseline Projections

	Year ending September 30,							
	Actual			Projected				
	2010	2011	2012	2013	2014	2015		
	(\$ in millions)							
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$259.8	\$270.1	\$278.8	\$287.6	\$297.0
Operating Income	---	---	---	-\$9.8	-\$9.6	-\$9.6	-\$9.8	-\$9.9
Operating EBIDA	---	---	---	\$1.9	\$2.2	\$3.3	\$4.3	\$5.5
Excess Income	---	---	---	-\$3.9	-\$1.0	-\$2.6	-\$3.0	-\$3.2
Cash Flow (Net Inc + Depr)	---	---	---	\$6.0	\$8.1	\$9.1	\$9.9	\$11.0
Unrestricted Cash	---	---	---	\$58.3	\$52.5	\$42.0	\$35.9	\$29.1
Total Debt	---	---	---	\$21.8	\$27.7	\$26.7	\$26.1	\$25.5
Capital Expenditures	---	---	---	\$5.6	\$22.0	\$12.4	\$15.2	\$16.8
<u>Profitability</u>								
Operating Margin	2.1%	1.6%	2.3%	-3.6%	-3.4%	-3.3%	-3.3%	-3.2%
Operating EBIDA Margin	9.9%	8.1%	9.3%	0.7%	0.8%	1.1%	1.4%	1.8%
Excess Margin	3.0%	1.6%	2.3%	-1.4%	-0.9%	-0.9%	-1.0%	-1.0%
<u>Debt Position</u>								
Debt Service Coverage	3.2	2.4	3.0	2.5	5.4	5.9	6.4	7.0
Debt to Capitalization	36.6%	40.1%	43.1%	23.8%	30.2%	30.7%	31.3%	32.1%
Debt to Cash Flow	---	---	---	2.8	2.9	2.6	2.4	2.1
<u>Liquidity</u>								
Cash to Debt	117.4%	99.3%	88.2%	285.8%	178.5%	161.0%	140.5%	116.8%
Days Cash on Hand (days)	176.3	125.7	125.1	78.8	62.2	53.5	44.4	35.1
Days in A/R, net	47.4	45.5	45.1	45.8	45.8	45.8	45.8	45.8
<u>Other</u>								
Average Age of Plant	10.1	10.0	10.3	22.0	22.3	21.2	20.2	19.3
Compensation Ratio	50.9%	54.2%	49.0%	58.8%	60.5%	59.4%	58.8%	58.2%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	56.6%	241.3%	117.8%	118.0%	118.2%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Productivity Improvements

Productivity Improvements

FTE's were reduced gradually to achieve an FTE per AOB level of 4.80 by 2015 as follows:

	FTE's	FTE Change	FTE's per AOB	Compensation Ratio
2008	1,618.7		5.25	59.9%
2009	1,589.1		5.42	55.6%
2010	1,513.0		5.91	58.6%
2011 Budget	1,507.3		5.88	60.3%
2011 Revised	1,487.2	(20.1)	5.80	59.5%
2012	1,429.5	(57.7)	5.55	56.7%
2013	1,373.4	(56.1)	5.30	53.8%
2014	1,313.4	(60.0)	5.05	50.9%
2015	1,256.0	(57.4)	4.80	48.1%

The Waterbury Hospital Baseline Projections

	S&P ^(A)		Year ending September 30,						
			Actual		Projected				
	A-	BBB+	BBB	2010	2011	2012	2013	2014	2015
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$254.8	\$258.1	\$264.9	\$273.5	\$282.2	\$291.4
Operating Income	---	---	---	(\$9.2)	(\$5.5)	(\$0.4)	\$6.2	\$13.3	\$20.5
Operating EBIDA	---	---	---	\$2.2	\$4.0	\$11.1	\$18.8	\$27.0	\$35.5
Excess Income	---	---	---	(\$3.9)	\$0.5	\$5.8	\$12.8	\$20.6	\$29.0
Cash Flow (Net Inc + Depr)	---	---	---	\$5.7	\$9.5	\$16.2	\$24.3	\$33.3	\$43.0
Unrestricted Cash	---	---	---	\$34.7	\$30.1	\$32.7	\$41.7	\$58.3	\$82.9
Total Debt	---	---	---	\$20.2	\$26.2	\$25.7	\$25.2	\$24.7	\$24.2
Capital Expenditures	---	---	---	\$7.1	\$22.0	\$12.4	\$13.7	\$15.2	\$16.8
<u>Profitability</u>									
Operating Margin	2.1%	1.6%	2.3%	-3.5%	-2.1%	-0.1%	2.2%	4.6%	6.9%
Operating EBIDA Margin	9.9%	8.1%	9.3%	0.9%	1.5%	4.1%	6.7%	9.4%	11.9%
Excess Margin	3.0%	1.6%	2.3%	-1.5%	0.2%	2.1%	4.5%	7.0%	9.4%
<u>Debt Position</u>									
Debt Service Coverage	3.2	2.4	3.0	2.6	5.2	10.9	16.0	21.7	27.8
Debt to Capitalization	36.6%	40.1%	43.1%	30.9%	36.4%	33.3%	28.2%	22.6%	17.5%
Debt to Cash Flow	---	---	---	2.7	2.6	1.5	1.0	0.7	0.5
<u>Liquidity</u>									
Cash to Debt	117.4%	99.3%	88.2%	171.4%	115.0%	127.0%	165.4%	235.7%	342.3%
Days Cash on Hand (days)	176.3	125.7	125.1	48.5	42.3	45.7	58.1	81.0	114.8
Days in A/R, net	47.4	45.5	45.1	45.6	45.6	45.6	45.6	45.6	45.6
<u>Other</u>									
Average Age of Plant	10.1	10.0	10.3	22.3	25.0	22.6	21.4	20.4	19.4
Compensation Ratio	50.9%	54.2%	49.0%	58.6%	59.5%	56.7%	53.8%	50.9%	48.1%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	74.2%	247.2%	120.0%	120.0%	120.0%	120.0%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Greater Waterbury Health Network, Inc. and Subsidiaries Baseline Projections

	Year ending September 30,							
	Actual			Projected				
	2010	2011	2012	2013	2014	2015		
	A-	S&P^(A)		BBB	Budget			
		BBB+						
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$263.2	\$270.1	\$278.8	\$287.6	\$297.0
Operating Income	---	---	---	-\$6.1	-\$1.0	\$5.6	\$12.6	\$19.7
Operating EBIDA	---	---	---	\$3.8	\$10.8	\$18.4	\$26.7	\$35.1
Excess Income	---	---	---	\$1.1	\$6.4	\$13.4	\$21.2	\$29.6
Cash Flow (Net Inc + Depr)	---	---	---	\$10.3	\$17.0	\$25.1	\$34.1	\$43.8
Unrestricted Cash	---	---	---	\$54.5	\$57.8	\$67.6	\$85.0	\$110.3
Total Debt	---	---	---	\$27.7	\$27.2	\$26.7	\$26.1	\$25.5
Capital Expenditures	---	---	---	\$22.0	\$12.4	\$13.7	\$15.2	\$16.8
<u>Profitability</u>								
Operating Margin	2.1%	1.6%	2.3%	-2.2%	-0.4%	1.9%	4.2%	6.4%
Operating EBIDA Margin	9.9%	8.1%	9.3%	1.4%	3.9%	6.4%	8.9%	11.4%
Excess Margin	3.0%	1.6%	2.3%	0.4%	2.2%	4.5%	6.9%	9.3%
<u>Debt Position</u>								
Debt Service Coverage	3.2	2.4	3.0	5.2	10.5	15.2	20.3	25.9
Debt to Capitalization	36.6%	40.1%	43.1%	23.8%	26.8%	23.3%	19.2%	15.4%
Debt to Cash Flow	---	---	---	2.8	1.5	1.0	0.7	0.6
<u>Liquidity</u>								
Cash to Debt	117.4%	99.3%	88.2%	285.8%	216.8%	259.0%	332.8%	442.3%
Days Cash on Hand (days)	176.3	125.7	125.1	78.8	78.0	90.9	113.8	147.2
Days in A/R, net	47.4	45.5	45.1	45.8	45.8	45.8	45.8	45.8
<u>Other</u>								
Average Age of Plant	10.1	10.0	10.3	22.0	22.3	21.2	20.2	19.3
Compensation Ratio	50.9%	54.2%	49.0%	58.8%	56.9%	54.1%	51.3%	48.6%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	56.6%	117.5%	117.8%	118.0%	118.2%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Appendix

Historical Credit Profile

Statement of Operations

- For purposes of comparability to the rating agency benchmarks, certain revenues classified as Other Operating Revenue in the audited financial statements have been reclassified to Non-Operating Revenue.
- Specifically, Investment Related Income, Unrestricted Gifts and Bequests, and Net Assets Released from Restrictions have been moved to Non-Operating Revenue.
- Unrealized gains or losses are excluded from the Statement of Operations.

The Waterbury Hospital Historical Credit Profile

	S&P ^(A)			Year ending September 30,		
	A-	BBB+	BBB	2008	2009	2010
					Actual	
(\$ in millions)						
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$235.3	\$253.5	\$254.8
Operating Income	---	---	---	(\$14.0)	(\$6.4)	(\$9.2)
Operating EBIDA	---	---	---	(\$2.3)	\$4.7	\$2.2
Excess Income	---	---	---	(\$8.4)	\$0.5	(\$3.9)
Cash Flow (Net Inc + Depr)	---	---	---	\$1.8	\$10.1	\$5.7
Unrestricted Cash	---	---	---	\$31.5	\$31.3	\$34.7
Total Debt	---	---	---	\$22.2	\$20.4	\$20.2
Capital Expenditures	---	---	---	\$4.3	\$2.0	\$7.1
<u>Profitability</u>						
Operating Margin	2.1%	1.6%	2.3%	-5.8%	-2.5%	-3.5%
Operating EBIDA Margin	9.9%	8.1%	9.3%	-0.9%	1.8%	0.9%
Excess Margin	3.0%	1.6%	2.3%	-3.4%	0.2%	-1.5%
<u>Debt Position</u>						
Debt Service Coverage	3.2	2.4	3.0	0.9	3.3	2.6
Debt to Capitalization	36.6%	40.1%	43.1%	29.8%	29.3%	30.9%
Debt to Cash Flow	---	---	---	6.6	1.8	2.7
<u>Liquidity</u>						
Cash to Debt	117.4%	99.3%	88.2%	141.6%	153.1%	171.4%
Days Cash on Hand (days)	176.3	125.7	125.1	47.0	45.0	48.5
Days in A/R, net	47.4	45.5	45.1	55.4	46.6	45.6
<u>Other</u>						
Average Age of Plant	10.1	10.0	10.3	19.3	21.3	22.3
Compensation Ratio	50.9%	54.2%	49.0%	59.9%	55.6%	58.6%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	42.6%	20.7%	74.2%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Greater Waterbury Health Network, Inc. and Subsidiaries Historical Credit Profile

	S&P ^(A)			Year ending September 30,		
	A-	BBB+	BBB	Actual		
				2008	2009	2010
(\$ in millions)						
Net Patient Service Revenue	\$248.2	\$250.1	\$177.0	\$240.0	\$258.1	\$259.8
Operating Income	----	----	----	-\$19.8	-\$10.8	-\$9.8
Operating EBIDA	----	----	----	-\$7.6	\$0.8	\$1.9
Excess Income	----	----	----	-\$14.7	-\$3.8	-\$3.9
Cash Flow (Net Inc + Depr)	----	----	----	-\$4.2	\$6.1	\$6.0
Unrestricted Cash	----	----	----	\$53.4	\$53.1	\$58.3
Total Debt	----	----	----	\$27.8	\$22.5	\$21.8
Capital Expenditures	----	----	----	\$4.3	\$2.6	\$5.6
<u>Profitability</u>						
Operating Margin	2.1%	1.6%	2.3%	-7.8%	-4.0%	-3.6%
Operating EBIDA Margin	9.9%	8.1%	9.3%	-3.0%	0.3%	0.7%
Excess Margin	3.0%	1.6%	2.3%	-5.7%	-1.4%	-1.4%
<u>Debt Position</u>						
Debt Service Coverage	3.2	2.4	3.0	(0.3)	1.0	2.5
Debt to Capitalization	36.6%	40.1%	43.1%	22.4%	23.4%	23.8%
Debt to Cash Flow	----	----	----	(11.1)	2.9	2.8
<u>Liquidity</u>						
Cash to Debt	117.4%	99.3%	88.2%	243.1%	250.5%	285.8%
Days Cash on Hand (days)	176.3	125.7	125.1	73.9	71.3	78.8
Days in A/R, net	47.4	45.5	45.1	56.1	46.7	45.8
<u>Other</u>						
Average Age of Plant	10.1	10.0	10.3	18.9	21.0	22.0
Compensation Ratio	50.9%	54.2%	49.0%	60.7%	56.2%	58.8%
Capital Spending Ratio ⁽³⁾	156.9%	108.6%	112.6%	41.2%	25.9%	56.6%

Notes ^(A) Based on S&P's U.S. Not-For-Profit Health Care Stand-Alone 2009 Medians (published in 2010)
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Financial Plan Assumptions

Capital Requirements (\$ in thousands)

	2011	2012	2013	2014	2015	5-Year Total
Capital Uses						
P7 and OR renovations	\$4,000	\$12,418	\$13,727	\$15,170	\$16,768	\$4,000
Hospital capital	\$4,150					\$62,233
AMG capital	\$245					\$245
Cerner & IT capital	\$5,113					\$5,113
Cath lab replacement	\$1,600					\$1,600
	\$15,108	\$12,418	\$13,727	\$15,170	\$16,768	\$73,191
Strategic Investments						
CAW Practice	\$4,900					
Phoenix Practice	\$2,023					
Zlotoff Practice	TBD					
Wetmore Practice	TBD					
	\$6,923					
Total All Capital	\$22,031	\$12,418	\$13,727	\$15,170	\$16,768	\$73,191
Capital Spending Ratio ^(A)	247.2%	120.0%	120.0%	120.0%	120.0%	139.8%

Note ^(A)S&P's "A-" and "BBB+" category medians for capital spending ratios are 157% and 107%, respectively.

Baseline Volume

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2010-2015 Total Growth
New Haven County Population	854,283	853,158	852,034	847,867	848,438	848,672	849,660	850,649	851,640	852,631	853,624	0.6%
Market Use Rates (per 1,000 pop)	119	121	120	120	120	120	120	120	120	120	120	
Total Market Volume	101,249	102,967	101,907	101,409	101,477	101,505	101,623	101,741	101,860	101,978	102,097	0.6%
Waterbury Mkt Share	10.3%	9.9%	10.1%	10.8%	10.2%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	
Waterbury Inpatient Volume												
New Haven Volume	10,445	10,211	10,309	10,974	10,363	9,715	9,755	9,767	9,778	9,790	9,801	
Immigration	<u>3,531</u>	<u>3,550</u>	<u>3,534</u>	<u>3,763</u>	<u>3,553</u>	<u>3,331</u>	<u>3,345</u>	<u>3,348</u>	<u>3,352</u>	<u>3,356</u>	<u>3,360</u>	
Total Admissions	13,976	13,761	13,844	14,737	13,916	13,046	13,100	13,115	13,131	13,146	13,161	0.9%
Annual growth		-1.5%	0.6%	6.5%	-5.6%	-6.3%	0.4%	0.1%	0.1%	0.1%	0.1%	

This results in an Average Daily Census of between 163 and 164 per year.

Outpatient visits were projected to increase 1% greater than inpatient volume, or 1.1% annually.

Revenue Assumptions

- The following net revenue increases per year have been assumed
 - Overall Charge Increase – 6.0%
 - Medicare Inpatient – (1.1%) in 2012, .55% in 2013, .3% in 2014, .4% in 2015
 - Medicare Outpatient – 1.8% in 2012, 1.85% in 2013, 1.6% in 2014, and 1.7% in 2015
 - Medicaid – Flat
 - Blue Cross – 4% annually (7% used in budget for FY 2011)
 - Commercial – . 4% annually (7% used in budget for FY 2011)
 - Managed Care - 4% annually (7% used in budget for FY 2011)
 - Self Pay – flat
 - VNA Services – 2% annually

- An investment earnings rate of 5.0% was assumed on all available cash.

Expense Assumptions

- Salaries were projected to increase 2.0% annually (1.5% in budget). FTE's were assumed to be 30% variable and 70% fixed with volume.
- Employee benefits were projected to remain at approximately 30% of salaries and wages over the projection period.
- Drugs were projected to increase 5% per year.
- Utilities were projected to increase 4% per year.
- Medical supplies were projected to increase 3.5% per year.
- Professional fees, purchased services, and other general expenses were projected to increase 3% per year.
- Insurance and other supplies were projected to increase 2% per year.
- Bad debt was projected to remain at about 1.9% of gross revenue over the projection period.

Baseline Productivity

	FTE's	FTE's per AOB	Compensation Ratio
2008	1,618.7	5.25	59.9%
2009	1,589.1	5.42	55.6%
2010	1,513.0	5.91	58.6%
2011	1,507.3	5.88	57.6%
2012	1,509.5	5.86	57.3%
2013	1,511.7	5.84	56.8%
2014	1,513.9	5.82	56.2%
2015	1,516.2	5.80	55.7%

DRAFT

Waterbury Hospital
Financial Analysis
December 2, 2010

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Section 1 Executive Summary

Section 1 – Executive Summary

Executive Summary

PwC was engaged to evaluate the following:

FY 2010 YTD Results vs.
Budget

FY 2011 Budget

Hospital Run Rate

Hospital Business Line
Profitability / Marginal
Profitability

Initiatives Dashboards

Leading Indicators Report

Section 1 – Executive Summary

FY 2010 Actual to Budget

	FY2010 Actual	FY2010 Budget	Variance to Budget	% Variance to Budget
Net Revenue	\$ 214,025,504	\$ 228,549,429	\$ (14,523,925)	-6.4%
Other Operating Revenue	9,734,335	7,915,625	1,818,710	23.0%
Total Operating Revenue	223,759,839	236,465,054	(12,705,215)	-5.4%
Total Expenses	229,237,303	227,774,129	1,463,174	0.6%
Income / (Loss) from Operations	(5,477,464)	8,690,925	(14,168,389)	163.0%
Non-Operating Income	1,916,451	1,392,700	523,751	37.6%
Net Income / (Loss)	<u>\$ (3,561,013)</u>	<u>\$ 10,083,625</u>	<u>\$ (13,644,638)</u>	<u>135.3%</u>
Statistics:				
Admissions	13,046	13,786	(740)	-5.4%
Patient Days	59,271	69,378	(10,107)	-14.6%
ALOS	4.54	5.03	(0.49)	-9.7%
OR Procedures	3,272	3,550	(278)	-7.8%
One-Day Surgery Procedures	4,504	5,272	(768)	-14.6%
Observation Cases	1,072	785	287	36.6%
Outpatient Cases	168,418	175,211	(6,793)	-3.9%
Emergency Visits	49,031	46,302	2,729	5.9%
Overtime / Doubletime Dollars	\$ 2,220,682	\$ -	\$ 2,220,682	n/a
Temporary Help Dollars	\$ 838,767	\$ 171,996	\$ 666,771	387.7%
Payor Mix:				
Government	65.49%	64.83%	0.66%	
Non-Government (Excluding Self Pay)	32.51%	31.92%	0.59%	
Self Pay	2.00%	3.25%	-1.25%	

Overview of FY 2010 Financial Results

- Hospital has experienced a market share decline. FY 2010 admissions were 740 (5.4%) less than FY 2010 budget admissions
 - Orthopedic surgeons moved business to other hospitals
 - Physicians expressed frustration with newly rolled out IT processes and systems (enough to go to other hospitals)
 - Primary care physicians approached by other hospitals and ProHealth
- Actual patient days for FY 2010 were 10,107 less than the FY 2010 budget. 6,700 patient days of the budget variance are related to the FY 2010 reduction in length of stay (5.0 to 4.5); 3,300 patient days are related to reduced admissions
- FTEs per adjusted occupied bed increased from 5.17 to 6.05 (Budget vs. Actual FY2010). Staffing was not adjusted to reflect decrease in length of stay resulting from patient throughput initiatives
- \$376K over budget on Accretion Expense due to previously unidentified asbestos
- Medicaid outpatient audit unfavorable impact of \$1.1 million (management estimate)
- Fair Pay Workers' Compensation adjustment of receivables to 45% collectability, with an unfavorable impact of \$1.8 million
- Employee benefits were over budget by \$3.6 million, with \$1.4 million attributable to behavioral health remaining within Waterbury Hospital instead of moving to Alliance Medical Group, \$700K due to 30 FTE surplus over budget, and \$700K due to post-audit adjustment to workers compensation
- Bad debt expense under budget by \$8.1 million
- No adjustments were found in FY 2010 expenses

Section 1 – Executive Summary

FY 2010 Actual Compared to FY 2011 Budget

The following is the FY 2010 Actual and FY 2011 Budget as stated by Waterbury Hospital:

	FY2010 Actual	FY2011 Budget
Net Revenue	\$ 214,025,504	\$ 225,999,921
Other Operating Revenue	<u>9,734,335</u>	<u>9,549,161</u>
Total Operating Revenue	223,759,839	235,549,082
Total Expenses	<u>229,237,303</u>	<u>231,112,610</u>
Net Income (Loss) from Operations	(5,477,464)	4,436,472
Non-Operating Income	<u>1,916,451</u>	<u>1,605,000</u>
Net Gain (Loss)	<u>\$ (3,561,013)</u>	<u>\$ 6,041,472</u>

Section 1 – Executive Summary

FY 2011 Budget Overview

The following is a summary of Waterbury Hospital's FY 2011 Budget:

- Gain from operations of \$4.4 million, net gain of \$6.0 million
- Refinancing that increases cash by approximately \$13.4 million (\$8.0 million in additional borrowings, \$3.4 million reduction to 55 days cash on hand requirement and \$2.0 million debt service reserve fund no longer required)
- Additions to property, plant, and equipment of \$15.1 million, which includes \$5.1 million in Cerner and IT capital spend, \$4.0 million for Pomeroy 7 and Operating Room renovations, \$1.6 million for Cath Lab replacement, and \$4.4 million for routine hospital capital
- Strategic investment in CAW of \$2.4 million (acquisition) and \$2.5 million of working capital and Electronic Medical Records costs
- Other strategic investments in Phoenix, and other practices
- Average age of plant of 25 years for the Hospital at the end of FY 2011
- Days cash on hand at 9/30/11 is 55 days
- FTEs per adjusted occupied bed increasing from FY 2009 actual level of 5.41 to 6.05 for budgeted FY 2011

FY 2011 Significant Findings

- Proposed adjustments that would reduce net revenue by \$12.5 million (these adjustments have not been reviewed with management)
- Reduction in net revenue significantly impacts cash and the hospital's ability to pay for capital expenditures and will impact bond covenants
- Preliminary 5 year capital plan (not completed, where plan stood as of 11/30/10) has approximately \$88.6 million of capital needs identified. Significant operating margins will be needed to meet future capital needs. Operating margins will need to be between 4% and 5% annually for the next 5 years to achieve the \$88 million of capital needs
- Replacement time is not consistently budgeted across all departments and no position control system has been maintained, this will yield unexpected variances in temporary help and overtime
- To reach 50th percentile benchmark levels, FTEs per adjusted occupied bed would need to be reduced by approximately 236 with an associated reduction in salaries and benefits of approximately \$20.4 million. Approximately 25-30 of these FTEs currently exist in inpatient nursing

Section 1 – Executive Summary

Summary of Potential Adjustments to FY 2011 Budget

Net Revenue	Proposed Adjustment to Budget	Potential Volume Exposure	Total
Medicare Case Mix Index			
Acute Renal Failure Coding Change	\$ (1,403,000)		\$ (1,403,000)
FY 2010 Case Mix - (1.715 to 1.6956)	(723,000)		(723,000)
Decline in Surgical Cases*		\$ (5,624,000)	(5,624,000)
Observation Cases (Medicare)	(595,000)		(595,000)
Fair Pay - Overstatement of Charges	295,000		295,000
Fair Pay - Adjustment to Current Payment Rates from Potential Contract Rates	(350,000)		(350,000)
Outpatient Payment Factors	(1,520,000)		(1,520,000)
Medicaid Outpatient Audit Exposure	(733,000)		(733,000)
RAC Audit Exposure (FY 2011)	(1,040,000)		(1,040,000)
Medicare Physician Payment Reduction (23% Jan - Sept) ¹	(125,000)		(125,000)
Commercial Insurance Adjustment (No Support)	255,000		255,000
Medicare Inpatient Prospective Payment System Final Rule	(273,000)		(273,000)
Length of Stay and Payor Mix	(700,000)		(700,000)
TOTAL Net Revenue Adjustment	\$ (6,912,000)	\$ (5,624,000)	\$ (12,536,000)

* Estimated to be a decline of 360 orthopedic discharges based upon the latest volume trends.

This translates to a potential exposure of approximately \$5,624,000 (360 cases x net revenue of \$15,622 per orthopedic surgical case) assuming this trend continues.

¹ Reduced reimbursement unlikely to occur.

Section 1 – Executive Summary

FY 2010 Actual Compared to FY 2011 Budget

The following is a summary of the proposed adjustments to the fiscal year 2011 budget:

	FY2010 Actual	FY2011 Budget	Proposed Adjustments	Adjusted FY2011 Budget
Net Revenue	\$ 214,025,504	\$ 225,999,921	\$ (12,536,000)	\$ 213,463,921
Other Operating Revenue	9,734,335	9,549,161	-	9,549,161
Total Operating Revenue	223,759,839	235,549,082	(12,536,000)	223,013,082
Total Expenses	229,237,303	231,112,610	-	231,112,610
Net Income (Loss) from Operations	(5,477,464)	4,436,472	(12,536,000)	(8,099,528)
Non-Operating Income	1,916,451	1,605,000	-	1,605,000
Net Gain (Loss)	\$ (3,561,013)	\$ 6,041,472	\$ (12,536,000)	\$ (6,494,528)

Section 1 – Executive Summary

FY 2011 - October Actual to Budget

The following is a summary of the October 2010 actual to budget:

	Oct 2010 Actual	Oct 2010 Budget	Variance to Budget	% Variance to Budget
Net Revenue	\$ 17,799,080	\$ 18,087,868	\$ (288,788)	-1.6%
Other Operating Revenue	682,013	795,767	(113,754)	-14.3%
Total Operating Revenue	18,481,093	18,883,635	(402,542)	-2.1%
Total Expenses	18,914,767	19,846,983	(932,216)	-4.7%
Income / (Loss) from Operations	(433,674)	(963,348)	529,674	55.0%
Non-Operating Income	101,733	113,750	(12,017)	-10.6%
Net Income / (Loss)	\$ (331,941)	\$ (849,598)	\$ 517,657	60.9%
Statistics:				
Admissions	1,047	1,048	(1)	-0.1%
Patient Days	4,672	4,750	(78)	-1.6%
ALOS	4.46	4.53	(0.07)	-1.5%
Medicare CMI	1.66	1.71	(0.05)	-2.9%
OR Procedures	226	263	(37)	-14.1%
One-Day Surgery Procedures	354	367	(13)	-3.5%
Outpatient Cases	14,062	13,435	627	4.7%
Emergency Visits	4,045	3,986	59	1.5%
Payor Mix:				
Medicare	36.0%	40.3%	-4.3%	
Managed Medicare	8.9%	7.2%	1.7%	
Medicaid	11.0%	10.0%	1.0%	
Managed Medicaid	7.8%	7.3%	0.6%	
Commercial	9.7%	11.0%	-1.3%	
Managed Care	23.5%	22.1%	1.3%	
Self Pay	3.1%	2.0%	1.0%	

Action Steps

The following are recommended priority action steps:

- Prepare and execute on action plans to mitigate market share declines
- Realign staffing and other costs to match latest length of stay and discharge volume trends
- Implement monthly financial reporting, budgeting and decision support systems; establishing accountability and alignment with a metrics driven organization
- Compile and implement a financial plan that addresses the following:
 - Days cash on hand
 - Average age of plant /other capital needs
 - Income from operations to achieve above
- Execute Cerner upgrades and module implementation
- Plan for health care reform (reductions in government payments will require hospitals to reduce operating expenses by 3-5% per year for the foreseeable future)
- Explore capital partner/affiliation/merger strategy

Section 2

FY 2010 YTD Results vs. Budget

Section 2 – FY 2010 YTD Results vs. Budget

FY 2010 Actual to Budget

	FY2010 Actual	FY2010 Budget	Variance to Budget	% Variance to Budget
Net Revenue	\$ 214,025,504	\$ 228,549,429	\$ (14,523,925)	-6.4%
Other Operating Revenue	9,734,335	7,915,625	1,818,710	23.0%
Total Operating Revenue	223,759,839	236,465,054	(12,705,215)	-5.4%
Total Expenses	229,237,303	227,774,129	1,463,174	0.6%
Income / (Loss) from Operations	(5,477,464)	8,690,925	(14,168,389)	163.0%
Non-Operating Income	1,916,451	1,392,700	523,751	37.6%
Net Income / (Loss)	<u>\$ (3,561,013)</u>	<u>\$ 10,083,625</u>	<u>\$ (13,644,638)</u>	135.3%
Statistics:				
Admissions	13,046	13,786	(740)	-5.4%
Patient Days	59,271	69,378	(10,107)	-14.6%
ALOS	4.54	5.03	(0.49)	-9.7%
OR Procedures	3,272	3,550	(278)	-7.8%
One-Day Surgery Procedures	4,504	5,272	(768)	-14.6%
Observation Cases	1,072	785	287	36.6%
Outpatient Cases	168,418	175,211	(6,793)	-3.9%
Emergency Visits	49,031	46,302	2,729	5.9%
Overtime / Doubletime Dollars	\$ 2,220,682	\$ -	\$ 2,220,682	n/a
Temporary Help Dollars	\$ 838,767	\$ 171,996	\$ 666,771	387.7%
Payor Mix:				
Government	65.49%	64.83%	0.66%	
Non-Government (Excluding Self Pay)	32.51%	31.92%	0.59%	
Self Pay	2.00%	3.25%	-1.25%	

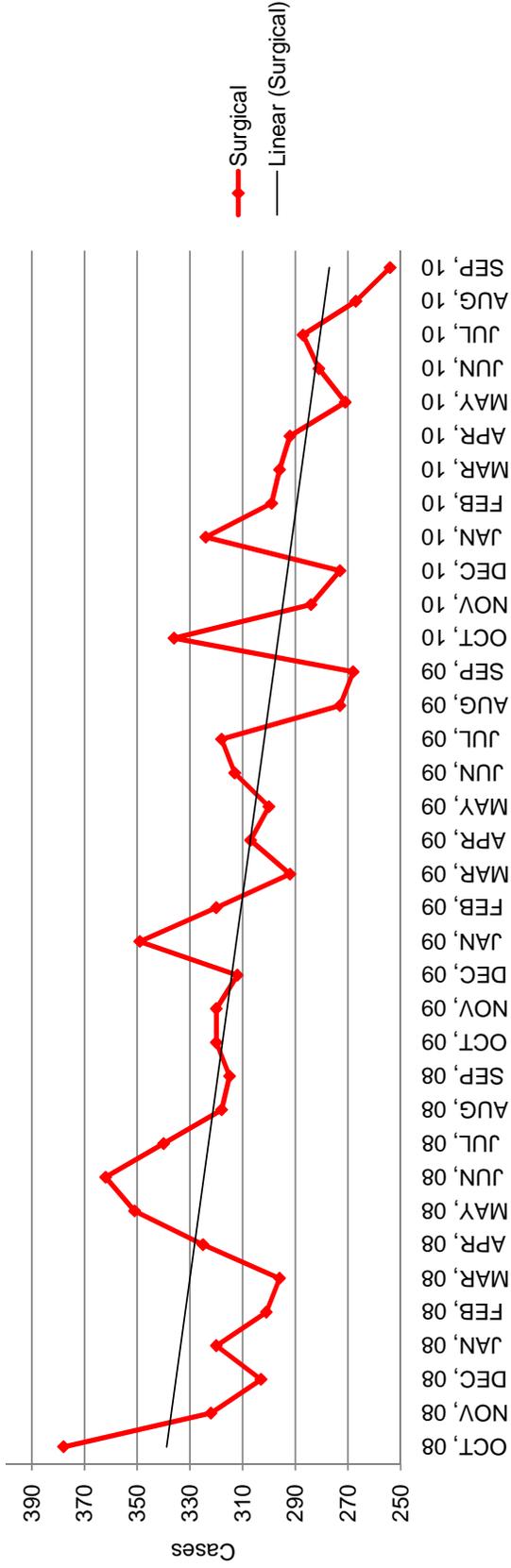
Volume – Anecdotal Findings

- Inpatient discharge volume for the State of Connecticut is basically flat for FY 2010 when compared to FY 2009 (through June 30)
- Primary care physicians have been recruited/approached by other hospitals and ProHealth
- Orthopedic surgeons have moved surgical volume to other hospitals
- Some physicians have expressed frustrations with newly rolled out IT processes and systems
 - “Depart” process
 - Medication reconciliation
 - Performance improvement initiatives in perioperative services and throughout the hospital

Section 2 – FY 2010 YTD Results vs. Budget

Total Surgical Cases

Total Monthly Surgical Cases Fiscal Years 2008 - 2010



Budgeted Expense Evaluation

The following actions were taken when reviewing the budgeted expenses:

- Determined the cause of the budget to actual 30 FTE variance for FY2010 and the impact of temporary help and overtime on payroll expense by cost center
- Evaluated budget to actual variances by cost center for FY2010 and corresponding actual FY2009 values and budgeted FY2011 values. All positive or negative variances over 10% were evaluated in detail to identify cause(s) of discrepancy
 - Interviewed Senior Budget Analyst to discuss discrepancies and understand cause of high dollar and/or variance expense items
- Interviewed Executive Director of Process Improvement to understand use of dashboards and progress on key cost reduction initiatives
- Evaluated yearly Cerner implementation operational and capital expenses
- Gained insight on FY2011 \$2M projected medical/surgical supply expense reduction and GPO expense reductions realized in FY2010

Section 2 – FY 2010 YTD Results vs. Budget

Expense Indicator Evaluation

Patient throughput initiatives are successful. Further FTE reductions were not reflective of decreased demand.

Indicator	FY2009 Actual	FY2010 Budget	FY2010 Actual	FY2011 Budget	Trend
Patient Days	67,682	69,378	59,271	59,378	↓
Admissions	13,928	13,786	13,046	13,100	↓
Overall Case Mix Index (CMI)	1.35	1.35	1.39	1.39	↑
Average Length of Stay (ALoS)	4.86	5.03	4.54	4.53	↑
FTEs	1,589	1,482	1,513	1,507	↓
Total Salary Spend	105,995,288	101,436,095	98,725,135	100,143,265	!
FTEs per Adjusted Occupied Bed	5.41*	5.17	5.91	6.05	↓

* Median FTEs per adjusted occupied bed for the state of Connecticut was 4.60 (FY2009). Waterbury Hospital ranked 24th out of 30 Connecticut hospitals. Solucient Action OI adjusted occupied bed 50th percentile benchmark is 5.10

Section 2 – FY 2010 YTD Results vs. Budget

Expense Review

46 cost centers ran over budget for FTEs during FY2010:

- A total of 40 FTEs were used above budget
- 11 FTEs (28%) are attributed to unbudgeted performance improvement initiatives
- 18 FTEs (45%) are in four Nursing Units experiencing reductions in patient days
 - One of these units also had in excess of \$200K in Temporary Help
 - An analysis of September 2010 performance shows these trends continuing
- The remainder are in small increments across many cost centers

Budget to Actual Expense Variances

The following represents a sample of the causes for the budget to actual variances during FY 2010:

- *Clinical Resource and Quality Management*: \$365K variance due to DPH findings
- *Employee Benefits*: \$1.38M budgeted benefit reduction not realized by hospital due to behavioral health not transferring to Alliance Medical Group
- *Administrative Finance*: unbudgeted \$962K a result of ED Medicaid billing for AMG
- *Ultrasound & Diagnostic Radiology*: \$185K over budget for clinical engineering repairs
- *Special Procedures*: \$189K over budget for Patient Chargeable Supplies despite volume decrease
- *Chase Clinic*: \$211K unbudgeted line item result of expense sharing with AMG
- *Interest Expense*: \$376K over budget on Accretion Expense due to previously unidentified asbestos

Significant Year End Adjustments

Waterbury Hospital experienced a slight gain from operations through June 2010. However, the final three months of the year resulted in an approximate \$5.7 million loss from operations, resulting in a year-end loss from operations of \$5.5 million.

The following represents significant adjustments to the final three months of FY2010:

- \$5.9 million decrease in the average net revenue when compared to the previous nine months:
 - Favorable FY 2010 Medicaid cost report settlement of \$1.8 million
 - Net revenue decrease of approximately \$6.1 million primarily a result of decline in volume
 - Fair Pay Workers' Compensation adjustment of receivables to 45% collectability, with an unfavorable impact of \$1.8 million
 - Medicaid outpatient audit unfavorable impact of \$1.1 million (management estimate)
 - Bad debt / free care / UCP decrease of \$1.3 million

Significant Year End Adjustments (continued)

The following represents significant adjustments to the final three months of FY2010 (continued):

- \$295 thousand increase in average expenses when compared to the previous nine months:
 - Workers' Compensation actuarial favorable adjustment of \$700 thousand to expense
 - Operations improvement expense decrease of approximately \$870 thousand
 - Medical and surgical supplies expense decrease of approximately \$855 thousand
 - \$380K over budget on Accretion Expense due to previously unidentified asbestos
 - Purchased services expense increase of approximately \$1.4 million
 - Alliance Medical Group expense increase of approximately \$870 thousand
 - Other expense increases of approximately \$70 thousand
- \$470 thousand increase in average other operating revenue when compared to the previous nine months

Section 3 FY 2011 Budget

Section 3 – FY 2011 Budget

Significant Budget Assumptions

- Refinancing – generates approximately \$13.4 million in cash
- Volume assumptions:
 - Discharges increased from 13,046 (FY 2010 Actual) to 13,100 for FY 2011 budget
 - Average Length of Stay held constant at FY 2010 actual of 4.5 days
 - Outpatient cases decreased from 168,418 to 167,936, a decrease of 0.29%
- No change to Medicare case mix from FY 2010 Actual (through June)
- Medical/Surgical supply expense savings initiative related to utilization and state contracts (\$2,095,000 in savings)
- Payer mix assumes no changes in FY 2011 from FY 2010 actual
- Cerner 10% contingency fee worth approximately \$511K not reflected in FY2011 budgeted capital uses

Section 3 – FY 2011 Budget

Volume Roll Forward

	Budget 2011	Comments
Projected 2010 I/P Cases	13,007	Based on 10/09-8/10 Actual (11,936) plus 9/10 Projected (1,071)
Adjustments:		
Angioplasty	11	Annualized YTD June 2010
Gynecology-Surgical	13	Increased to FY09 levels
Major Joint	5	Annualized YTD June 2010
Maternity	-	Annualized YTD Feb 2010 plus 14 Charter Oak cases
Medical	136	Annualized YTD Feb 2010 plus 50 cases (per Kelvin) & 200 Observation cases
Medical Cardiology	(30)	Annualized YTD Feb 2010
Mental Disease / Substance Abuse	(7)	Annualized YTD Feb 2010 plus 9%
Neurosurgery	(12)	Annualized YTD Feb 2010 less 17 cases (per EMT)
Newborn	(3)	Annualized YTD Feb 2010 less 2% plus 14 Charter Oak cases
Ortho	(41)	Annualized YTD Feb 2010
Ortho - Nonsurgical	(7)	Annualized YTD Feb 2010
Surgical	4	240 per quarter (per EMT), plus 10 new cases (per Kelvin)
Surgical Cardiology	37	Annualized YTD Feb 2010, plus 10 new open heart plus 21 new pacemakers
Urology	(13)	Annualized YTD Feb 2010, decreased as a result of DaVinci robot at St. Mary's
Total Adjustments	93	
Total Cases - Budget 2011	13,100	

Section 3 – FY 2011 Budget

Summary of Potential Adjustments

Net Revenue	Proposed Adjustment to Budget	Potential Volume Exposure	Total
Medicare Case Mix Index			
Acute Renal Failure Coding Change	\$ (1,403,000)		\$ (1,403,000)
FY 2010 Case Mix - (1.715 to 1.6956)	(723,000)		(723,000)
Decline in Surgical Cases*		\$ (5,624,000)	(5,624,000)
Observation Cases (Medicare)	(595,000)		(595,000)
Fair Pay - Overstatement of Charges	295,000		295,000
Fair Pay - Adjustment to Current Payment Rates from Potential Contract Rates	(350,000)		(350,000)
Outpatient Payment Factors	(1,520,000)		(1,520,000)
Medicaid Outpatient Audit Exposure	(733,000)		(733,000)
RAC Audit Exposure (FY 2011)	(1,040,000)		(1,040,000)
Medicare Physician Payment Reduction (23% Jan - Sept) ¹	(125,000)		(125,000)
Commercial Insurance Adjustment (No Support)	255,000		255,000
Medicare Inpatient Prospective Payment System Final Rule	(273,000)		(273,000)
Length of Stay and Payor Mix	(700,000)		(700,000)
TOTAL Net Revenue Adjustment	\$ (6,912,000)	\$ (5,624,000)	\$ (12,536,000)

* Estimated to be a decline of 360 orthopedic discharges based upon the latest volume trends.

This translates to a potential exposure of approximately \$5,624,000 (360 cases x net revenue of \$15,622 per orthopedic surgical case) assuming this trend continues.

¹ Reduced reimbursement unlikely to occur.

Summary of Potential Adjustments (continued)

- **Acute Renal Failure Coding Change**
 - Regulatory change (statutory on 10/1/10) where acute renal failure is no longer a Major Complication and Comorbidity (MCC) and is now a Complication and Comorbidity (CC). Hospital had 343 Medicare cases where acute renal failure was the only MCC. We adjusted to the CC payment factor for 75% of the cases
- **FY 2010 Case Mix**
 - Reduction in case mix from budgeted 1.715 to actual FY 2010 of 1.6956
- **Decline in Surgical Cases**
 - Exposure due to orthopedic surgeons moving surgical volume to other hospitals and decline in surgical volume in second half of FY 2010 and decline in October 2010
- **Observation Cases (Medicare)**
 - Reduction in case mix from overall Medicare (budget FY 2011) 1.715 to .7908 (actual Medicare case mix for observation cases) for 85 Medicare observation cases that management has assumed will convert to inpatient
- **Fair Pay – Overstatement of Charges**
 - Budget assumed \$2.5 million in Fair Pay charges. Actual FY 2010 charges were approximately \$1.5 million. Therefore, Fair Pay impact was overstated in FY 2011 budget
- **Fair Pay – Adjustment to Current Payment Rates from Potential Contract Rates**
 - Reduction in Fair Pay payment factor from 47% to 25%. Budget assumes Fair Pay contract (that is assumed to pay 45% of charges) will be entered into for FY 2011. Through November 2010, no contract signed and no contract discussions occurring

Summary of Potential Adjustments (continued)

- **Outpatient Payment Factors**
 - Six percent charge increase not factored into Payment on Account Factor (PAF), thus overstating net revenue. Overstatement minimized by a 4% update factor used rather than the managed care and commercial update factor of 9% and 6%
- **Medicaid Outpatient Audit (FY 2011)**
 - Calculated as management's reserve estimate of \$1.1 million for the 18 months ending 9/30/09. Applied to FY 2011. External auditors indicated there is enough general reserve at 9/30/10 to cover FY 2010 exposure
- **RAC Audit Exposure (FY 2011)**
 - Management indicated there was \$40,000 and \$240,000 of exposure for the first two record reviews by RAC. Record requests for review can be made every 45 days. Exposure calculated at average exposure to-date (\$140,000) applied to eight potential reviews per year for FY 2011
- **Medicare Physician Payment Reduction (23%)**
 - Total budgeted Medicare physician payments of approximately \$725,000 were reduced by 23% for nine months of FY 2011 (Congress passed one-month fix to the Medicare payment formula, not likely to occur)
- **Commercial Insurance Adjustment (No Support)**
 - Exposure due to lack of support for inpatient commercial insurance rate decrease

Summary of Potential Adjustments (continued)

- **Medicare Inpatient Prospective Payment System Final Rule**
 - Represents using the final Medicare Inpatient Prospective Payment rate for FY 2011 vs. the proposed rule for the budget
- **Length of Stay and Payor Mix**
 - Utilized the final, actual FY 2010 length of stay and payor mix for net revenue calculations

Review of 2011 Monthly Budget Spread Observations

- Total budgeted admissions spread to each month based on non-holiday / non-weekend days per month, as adjusted for the following:
 - Management's estimate of seasonality
 - Additional 200 observation admissions, the impact of which will not begin to be realized until January 2011
 - Approximately 160 discharges were moved out of first quarter of budgeted FY 2011 to the last nine months of FY 2011 to account for seasonality and ramp up of additional observation admissions
- The following were the monthly expense allocation methodologies employed by Management for each expense category:
 - Gross charges / contractual allowances / bad debt / free care / UCP: based on allocated admissions (see above)
 - OOR / NOR: allocated evenly to each month
 - Salary: based on total days in each month
 - Benefits: based on pay dates in each month
 - Professional legal: allocated evenly to each month

Section 3 – FY 2011 Budget

Cerner Implementation Capital Expenses

- Projected Cerner and IT capital expenses for FY2010 – FY2016 total over \$19M
- Cerner incremental operating expense for FY2011 budgeted at \$2.3M
- Cerner project cost for FTEs is estimated at an ongoing impact of \$525,232, which is not reflected in the Cerner budgeted operating expenses

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	TOTAL
Cerner Contract-Related Capital Costs								
License Software		\$ 330,286	\$ 90,194	\$ 90,194	\$ 90,194	\$ 90,194	\$ 90,194	\$ 781,258
Implementation / Services		520,364	323,500	548,417	323,500	520,364	302,453	2,538,598
Hardware Costs	\$ 423,489	300,000	160,894					884,383
Total Cerner Only Capital Costs & Hardware	423,489	1,150,650	574,588	638,611	413,694	610,558	392,647	4,204,239
Non-Cerner Fees - Capital								
Consulting Fees	1,000,000	2,000,000	1,000,000					4,000,000
Internal Capital Budgeted Upgrades	986,000	1,500,000	1,500,000	1,572,000	1,217,000	1,085,000	1,070,000	8,930,000
Cerner Travel to WH	31,350	198,725	90,000					320,075
3rd Party Travel to WH	48,000	264,000	288,000					600,000
Total Costs (Capital)	2,488,839	5,113,375	3,452,588	2,210,611	1,630,694	1,695,558	1,462,647	18,054,314
Contingency - 10%	248,884	511,338	345,259					1,105,480
Out of Scope Total (Contingency Used)	25,000	-	-	-	-	-	-	25,000
Annual Totals	\$ 2,762,723	\$ 5,624,713	\$ 3,797,847	\$ 2,210,611	\$ 1,630,694	\$ 1,695,558	\$ 1,462,647	\$ 19,184,794

* Provided by Waterbury Hospital

Section 3 – FY 2011 Budget

Budget Recommendations

- Implement an integrated budgeting system and process
 - Existing database is homegrown
 - Current process is heavily reliant on Excel spreadsheets
 - Standardize annual and monthly budget “packages”
- Adopt consistent budget methodology
 - Modeling should segregate inputs, calculations, and review sheets
 - Improve work paper documentation
 - Presentation of significant detailed assumptions should be improved
 - Gross and net revenue assumptions not well documented
- Coordination of budget process needs to be improved
- Adopt consistent budget review process
- Create and document policies and procedures
- Consider documenting exposure items and threats

Budget Recommendations (continued)

- Improve discipline around budget to actual process to ensure alignment of budget and actual line items expenses by cost center to improve transparency of budgeting discrepancies
- Set consistent expectations for accountability and monthly feedback on any budget to actual variances by cost center
- Improve controls around revenue and expense sharing with Alliance Medical Group
- Clinical engineering repair budget needs to take into consideration increasing age of plant and equipment
- Reinstate position control process
- Each department should budget replacement time with applicable overtime and temporary help allocations
- Realign staffing to reflect the 0.5 day drop in LOS achieved through patient throughput initiatives

Budget Recommendations (continued)

- Recommendations for monthly budget allocations:
 - To begin, the monthly spread of the FY 2011 budget is an improvement over the prior year, where everything was allocated evenly to each month, as adjusted for monthly initiatives
 - Going forward, best practice is to incorporate actual historical volume and expense trends into the monthly revenue and expense allocations (where appropriate)
 - Interest expense should be allocated to each month based on actual amortization schedules
 - Depreciation expense allocations should incorporate when assets are anticipated to come on-line during the year
 - Work paper documentation of the monthly budget spread process, including all assumptions, should be improved

Section 4

Hospital Run Rate

Meeting with External Auditors

We met with Chris Jackson, Partner, Marcum, LLP, on November 23. The following is a summary of our discussion:

- The audit is progressing and the auditors are planning on field work to be completed week of November 29
- The Hospital is in the process of updating the financial statements for all known adjustments
- All known audit adjustments are recorded by the Hospital for FYs 2008 through 2010. The look-back procedures for accounts receivable have not resulted in any significant adjustments
- General reserves appear to be adequate to cover all known exposures through September 30, 2010 and include the following:
 - Recover Auditor Contractor (RAC)
 - Outpatient Medicaid
 - Fair Pay Workers Compensation accounts receivable valuation (assume collection at 45% of charges – see following slides)

Fair Pay Workers Compensation

- Management has represented that they will collect up to 45% of gross charges for Fair Pay Workers Compensation accounts receivable:
 - Total Fair Pay accounts receivable has a balance of \$2,861,000 on accounts for the period FY 2006 through FY 2010
 - Total reserves for the Fair Pay accounts receivable is approximately \$1,854,000, leaving a net value of \$1,007,000 at September 30, 2010
 - Hospital has currently been paid \$1,330,000 on these accounts which represents a collection percentage of 25.6%
 - Hospital has hired an outside agency and an outside attorney to assist with obtaining a contract going forward and a settlement of prior open accounts receivable balances

Section 4 – Hospital Run Rate

Fair Pay Workers Compensation (continued)

- The following summarizes the potential exposure to Waterbury Hospital if no further monies are received related to Fair Pay Workers Compensation claims for FY2006-FY2010:

A	B	C	D	E	F
Fiscal Year	Gross Revenue	Management-Assumed Net Revenue at 45% of Charges (B x 45%)	Collections To-Date	Collection % To-Date (D ÷ B)	Management-Assumed Left to Collect at 45% (C - D)
FY2006	\$ 166,747	\$ 75,036	\$ 40,940	24.55%	\$ 34,096
FY2007	952,771	428,747	250,844	26.33%	177,903
FY2008	1,301,048	585,472	355,565	27.33%	229,907
FY2009	1,324,549	596,047	333,898	25.21%	262,149
FY2010	1,447,547	651,396	348,890	24.10%	302,506
Total	\$ 5,192,662	\$ 2,336,698	\$ 1,330,137	25.62%	\$ 1,006,561

Section 4 – Hospital Run Rate

Adjustments That Are Related to Prior Years

	Prior Years	2008	2009	2010
(Loss) From Operations per Audited Financial Statements		\$ (12,360,105)	\$ (4,986,257)	\$ (7,756,250)
Fiscal Year 2010 Third Party Reserve Adjustments, Settlements, and Appeals	\$ 837,221	86,865	(281,020)	(643,066)
Fiscal Year 2010 Adjustments to Expenses	0	0	0	0
Fiscal Year 2009 Third Party Reserve Adjustments, Settlements, and Appeals	837,221	86,865	(281,020)	(643,066)
Fiscal Year 2009 Adjustments to Expenses	534,614	526,300	(1,060,914)	0
Fiscal Year 2008 Third Party Reserve Adjustments, Settlements, and Appeals	1,932,004	(1,932,004)	0	0
Fiscal Year 2008 Adjustments to Expenses	0	0	0	0
Total FY 2010, 2009, 2008 Adjustments	3,303,839	(1,318,839)	(1,341,934)	(643,066)
Adjusted (Loss) From Operations	\$ 3,303,839	\$ (13,678,944)	\$ (6,328,191)	\$ (8,399,316)
Medicare Section 508 Wage Index Incremental Net Revenue		\$ 697,000	\$ 1,477,000	\$ 1,358,000

Section 4 – Hospital Run Rate

Prior Year Adjustments - Detail

Adjustment Number	Adjustment Description	Actual			
		Prior Years	2008	2009	2010
	(Loss) From Operations per Audited Financial Statements		\$ (12,360,105)	\$ (4,986,257)	\$ (7,756,250)
	Fiscal Year 2010 Adjustments				
1	FY 2003 Medicare Bad Debt and DSH Reopening	\$ 617,221			(617,221)
2	FY 2004-2006 Medicare Bad Debt Reopening	220,000			(220,000)
3	FY 2008 Medicare Audit Adjustments		453,532		(453,532)
4	FY 2009 As Filed Medicare Cost Report			452,313	(452,313)
5	FY 2010 Medicaid Cost Report				TBD
6	Fair Pay Adjustments to Accounts Receivable				TBD
7	Medicaid Outpatient Audit Additions		(366,667)	(733,333)	1,100,000
	Fiscal Year 2010 Adjustment Subtotal	837,221	86,865	(281,020)	(643,066)
	Fiscal Year 2009 Adjustments				
1	FY 1997 Medicare DSH Appeal	720,222		(720,222)	
2	FY 2000 Medicare DSH Appeal	80,250		(80,250)	
3	FY 2001 Medicare DSH Appeal	234,595		(234,595)	
4	FY 2002 Medicare DSH Appeal	131,780		(131,780)	
5	FY 2002 Reopening Cross Over Bad Debts	40,027		(40,027)	
6	FY 2007 Medicare Audit Adjustments Summary Exit Conference	(171,185)		171,185	
7	FY 2007 Medicare/Ticare/Champus 2007 Initial Cost Report Settlement	19,872		(19,872)	
8	FY 2008 Medicare Miscellaneous		5,441		(5,441)
9	FY 2007 Medicaid Cost Report	(538,558)		538,558	
10	FY 2007 Medicaid Cost Report	17,611		(17,611)	
11	FY 2008 Medicaid Outpatient Audit		520,859		(520,859)
	Fiscal Year 2009 Adjustment Subtotal	534,614	526,300	(1,060,914)	
	Fiscal Year 2008 Adjustments				
1	FY 1992-1994 Appeal-Baystate	(84,440)		84,440	
2	Reopening Settlement Net of DSH	460,984		(460,984)	
3	FY 2005 Medicare As Filed Cost Report	(231,659)		231,659	
4	FY 2005 Medicare Initial Settlement	73,000		(73,000)	
5	FY 2005 Medicare Revised After FY 2004 audit and 2005 overlap	149,117		(149,117)	
6	FY 2005 Medicare Final Settlement	279,584		(279,584)	
7	FY 2006 Medicare Revised after FY 2004 Audit	141,934		(141,934)	
8	FY 2007 Medicare Initial Settlement	444,640		(444,640)	
9	FY 2005 Medicaid Outpatient Audit	110,077		(110,077)	
10	FY 2005 Medicaid As-filed Cost Report	(324,183)		324,183	
11	FY 2006 Medicaid As-filed Cost Report	37,081		(37,081)	
12	FY 2006 Medicaid Outpatient Audit	23,073		(23,073)	
13	FY 2007 Medicaid Misc.	9,238		(9,238)	
14	FY 2007 Medicaid Cost Report Not Yet Filed	538,558		(538,558)	
15	FY 2008 Reserve Adjustment	305,000		(305,000)	
	Fiscal Year 2008 Adjustment Subtotal	1,932,004	(1,932,004)		
	Total FY 2010, 2009, 2008 Adjustments	3,303,839	(1,341,934)	(1,341,934)	(643,066)
	Adjusted (Loss) From Operations	\$ 3,303,839	\$ (13,678,944)	\$ (6,328,191)	\$ (8,399,316)

*Per Consolidating Statement of Operations
Waterbury Hospital Only

Section 5

Decision Support and Marginal Profitability

Section 5 – Decision Support and Marginal Profitability

Decision Support Observations

- Trendstar Decision Support system has been in place since 1993
 - DOS-based
 - System performance issues
- All costs spread using ratio of cost to charges
- Difference between internal financial statement net revenue and net revenue per Trendstar is spread based on percent of total gross charges
 - No time and motion studies used
 - No RVUs used
- Decision support output is directional. More in-depth analysis needs to be performed before action is taken

Product Line Recommendations

- **General**
 - Indirect fixed costs in FY 2010 are 38% of total costs. Reducing this percentage to a benchmark of 35% would save approximately \$6.9 million
 - Each product line should have a detailed business plan that considers volume trends, reimbursement, and steps to improve operational efficiencies
 - Document key inputs and assumptions to the models for consistency on a roll forward basis
- **Psychology**
 - Approximately 42% of psychology volume is driven by Medicaid
 - Certificate of Need approval is required by the Office of Health Care Access in order to discontinue psychology services
 - Business plan should include lobbying for increased Medicaid rates
 - All grant funded programs should fully cover the salary and expenses, with evaluation of this each year to determine continuation
- **Cardiology**
 - The CVU transitional care model is a more expensive model of care
 - National trends show a decrease in open heart surgeries
 - The CAW physician alignment strategy should improve volume

Product Line Recommendations

- **Observation**
 - Increase in observation days/admissions corresponds to better patient identification by case management
 - Management has recently contracted with Accretive Health to address documentation gaps with observation status patients and those who convert to inpatient
 - Observation units rarely stand on their own bottom financially – rather they provide open bed capacity for higher contribution inpatient cases
- **Offsite Outpatient Services**
 - Determine business plan for offsite services including volume requirements to continue business
 - Evaluate frequency of services and actual modalities available. Interview physician users of offsite locations to understand their practice and referral patterns

Section 5 – Decision Support and Marginal Profitability

Fiscal Year 2010 Profitability by Product Line - Direct Margin*

Fiscal Year 2010 Profitability by Product Line* (in thousands)															
	Needs Improvement → Performing														
	EEG	GI	Psych	Observation	Sleep Lab	Outpatient Labs	Offsite Outpatient Services	Women & Infants	Radiology	ER	Cardiology	Orthopedics	All Other Surgery	IP - Medical	Total
Gross Charges	\$ 1,828	\$ 5,142	\$ 53,751	\$ 20,360	\$ 9,196	\$ 22,717	\$ 28,260	\$ 33,102	\$ 28,876	\$ 83,215	\$ 116,904	\$ 91,614	\$ 164,121	\$ 158,240	\$ 817,326
Contractual Allowances (Inferred)	(1,285)	(3,316)	(40,078)	(16,353)	(6,950)	(18,364)	(21,646)	(21,335)	(23,173)	(63,059)	(87,133)	(61,969)	(119,811)	(109,567)	(594,039)
Net Revenue	543	1,826	13,673	4,007	2,246	4,353	6,614	11,767	5,703	20,156	29,771	29,645	44,310	48,673	223,287
Direct Department Cost	(215)	(1,109)	(10,370)	(2,793)	(1,004)	(2,830)	(4,444)	(8,382)	(2,071)	(9,523)	(18,000)	(17,678)	(22,129)	(22,800)	(123,348)
Direct Department Benefits	(11)	(201)	(2,697)	(474)	(155)	(361)	(482)	(1,476)	(269)	(1,888)	(2,340)	(1,368)	(3,218)	(4,504)	(19,444)
Direct Contribution Margin	\$ 317	\$ 516	\$ 606	\$ 740	\$ 1,087	\$ 1,162	\$ 1,688	\$ 1,909	\$ 3,363	\$ 8,745	\$ 9,431	\$ 10,599	\$ 18,963	\$ 21,369	\$ 80,495
Direct Contribution Margin % of Net Revenue	58%	28%	4%	18%	48%	27%	26%	16%	59%	43%	32%	36%	43%	44%	36%
Typical Capital Intensity	Low	Medium	Low	Low	Low	Low	Low	Low	High	Medium	High	High	High	Low	
Waterbury Hospital-specific Capital Intensity	Low	High	Low	Medium	Low	Low	Low	Low	Medium	High	High	High	High	High	

* Data provided by Waterbury Hospital

Section 5 – Decision Support and Marginal Profitability

Fiscal Year 2010 Profitability by Product Line – Net Margin*

Fiscal Year 2010 Profitability by Product Line (in thousands)

	Needs Improvement → Performing											Total			
	Psych	Women & Infants	Cardiology	Observation	Offsite Outpatient Services	Outpatient Labs	GI	Orthopedics	EEG	Sleep Lab	Radiology		All Other Surgery	ER	IP - Medical
Gross Charges	\$ 53,751	\$ 33,102	\$ 116,904	\$ 20,360	\$ 28,260	\$ 22,717	\$ 5,142	\$ 91,614	\$ 1,828	\$ 9,196	\$ 28,876	\$ 164,121	\$ 83,215	\$ 158,240	\$ 817,326
Contractual Allowances (Inferred)	(40,078)	(21,335)	(87,133)	(16,353)	(21,646)	(18,364)	(3,316)	(61,969)	(1,285)	(6,950)	(23,173)	(119,811)	(63,059)	(109,567)	(594,039)
Net Revenue	13,673	11,767	29,771	4,007	6,614	4,353	1,826	29,645	543	2,246	5,703	44,310	20,156	48,673	223,287
Direct Department Cost	(10,370)	(8,382)	(18,000)	(2,793)	(4,444)	(2,830)	(1,109)	(17,678)	(215)	(1,004)	(2,071)	(22,129)	(9,523)	(22,800)	(123,348)
Direct Department Benefits	(2,697)	(1,476)	(2,340)	(474)	(482)	(361)	(201)	(1,368)	(11)	(155)	(269)	(3,218)	(1,888)	(4,504)	(19,444)
Direct Contribution Margin	606	1,909	9,431	740	1,688	1,162	516	10,599	317	1,087	3,363	18,963	8,745	21,369	80,495
Indirect Fixed Cost	(6,724)	(5,918)	(12,126)	(2,055)	(2,606)	(1,905)	(974)	(10,567)	(138)	(645)	(1,626)	(17,167)	(6,753)	(17,624)	(86,828)
Net Margin	\$ (6,118)	\$ (4,009)	\$ (2,695)	\$ (1,315)	\$ (918)	\$ (743)	\$ (458)	\$ 32	\$ 179	\$ 442	\$ 1,737	\$ 1,796	\$ 1,992	\$ 3,745	\$ (6,333)
Net Margin % of Net Revenue	-45%	-34%	-9%	-33%	-14%	-17%	-25%	0%	33%	20%	30%	4%	10%	8%	-72%

* Data provided by Waterbury Hospital

Section 5 – Decision Support and Marginal Profitability

FY 2010 Discharge Profitability by Payer (Per Discharge)

FY 2010 Inpatient (Per Discharge)	Self Pay	Medicaid	Managed Medicaid	Managed Medicare	Medicare	Managed Care	Commercial	Workers Comp	TOTAL
Gross Charges	\$ 32,426	\$ 35,668	\$ 16,748	\$ 50,214	\$ 47,408	\$ 37,022	\$ 37,290	\$ 56,594	\$ 39,670
Contractual Allowances (Inferred)	(30,462)	(29,495)	(13,030)	(36,599)	(33,813)	(25,064)	(21,667)	(18,628)	(28,217)
Net Revenue	1,964	6,173	3,718	13,616	13,595	11,957	15,624	37,966	11,453
Direct Department Cost	(4,589)	(5,343)	(3,675)	(8,008)	(7,392)	(6,447)	(6,279)	(10,281)	(6,468)
Direct Department Benefits	(767)	(992)	(673)	(1,158)	(1,153)	(807)	(866)	(880)	(980)
Direct Contribution Margin	(3,392)	(163)	(630)	4,449	5,049	4,703	8,479	26,806	4,005
Indirect Fixed Cost	(3,319)	(3,889)	(2,549)	(5,594)	(5,254)	(4,256)	(4,276)	(6,379)	(4,509)
Net Margin	\$ (6,711)	\$ (4,052)	\$ (3,179)	\$ (1,145)	\$ (205)	\$ 448	\$ 4,203	\$ 20,428	\$ (504)

Section 5 – Decision Support and Marginal Profitability

FY 2010 Discharge Profitability by Payer (Total Discharges)

FY 2010 Inpatient (Total)	Self Pay	Medicaid	Managed Medicaid	Managed Medicare	Medicare	Managed Care	Commercial	Workers Comp	TOTAL
Gross Charges	\$ 5,544,821	\$ 55,391,961	\$ 24,904,401	\$ 43,184,222	\$ 247,517,363	\$ 94,331,254	\$ 41,765,178	\$ 4,980,273	\$ 517,619,473
Contractual Allowances (Inferred)	(5,208,930)	(45,805,737)	(19,376,153)	(31,474,805)	(176,539,437)	(63,863,985)	(24,266,635)	(1,639,223)	(368,174,905)
Net Revenue	335,891	9,586,224	5,528,248	11,709,417	70,977,926	30,467,269	17,498,543	3,341,050	149,444,568
Direct Department Cost	(784,757)	(8,298,175)	(5,464,970)	(6,887,025)	(38,594,942)	(16,428,112)	(7,031,942)	(904,721)	(84,394,644)
Direct Department Benefits	(131,110)	(1,540,869)	(1,000,630)	(996,087)	(6,019,739)	(2,054,982)	(969,576)	(77,397)	(12,790,390)
Direct Contribution Margin	(579,976)	(252,820)	(937,352)	3,826,305	26,363,245	11,984,175	9,497,025	2,358,932	52,259,534
Indirect Fixed Cost	(567,593)	(6,039,976)	(3,789,925)	(4,810,651)	(27,431,102)	(10,843,401)	(4,789,552)	(561,312)	(58,833,512)
Net Margin	\$ (1,147,569)	\$ (6,292,796)	\$ (4,727,277)	\$ (984,346)	\$ (1,067,857)	\$ 1,140,774	\$ 4,707,473	\$ 1,797,620	\$ (6,573,978)

Section 6

Initiatives Dashboard

Initiative Dashboards

Current initiative dashboards were reviewed and resulted in the following findings:

- All initiative dashboards are prepared by Executive Director of Process Improvement, Randy Essenberg, and populated on the internal website for board and management review
- A total of approximately 45 initiative dashboards are managed and available for reference (see following slide)
- It is reported that initiative dashboards are not consistently reviewed and prioritized by board members
- It is reported that management does not regularly respond to issues presented in the initiative dashboards
- Sample trending based on the target and actual metrics outlined in the dashboards for nursing and linen utilization initiatives are provided on the following slides

Section 6 – Initiatives Dashboard

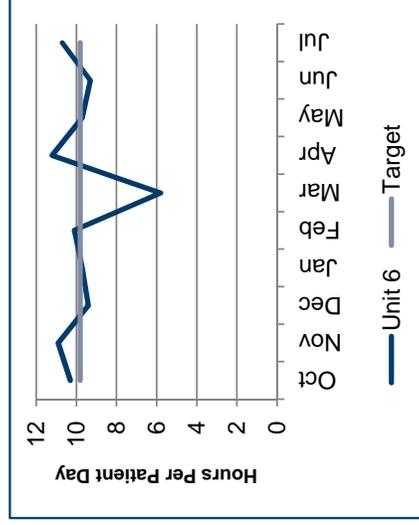
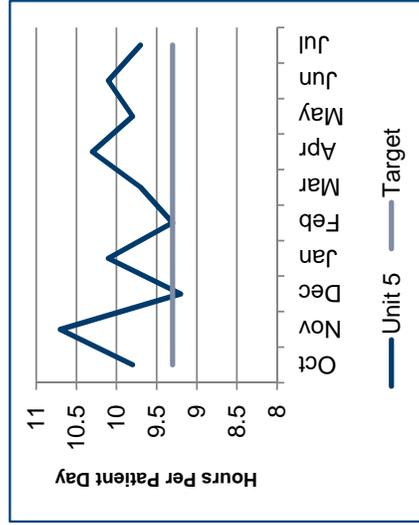
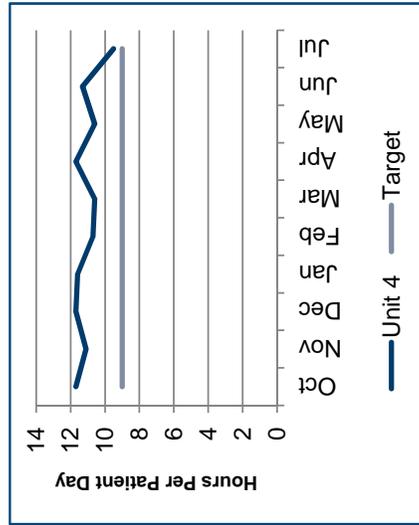
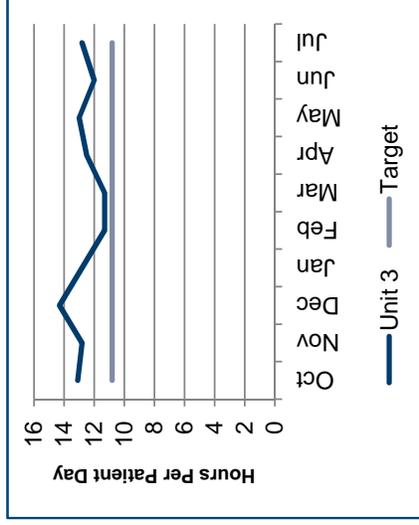
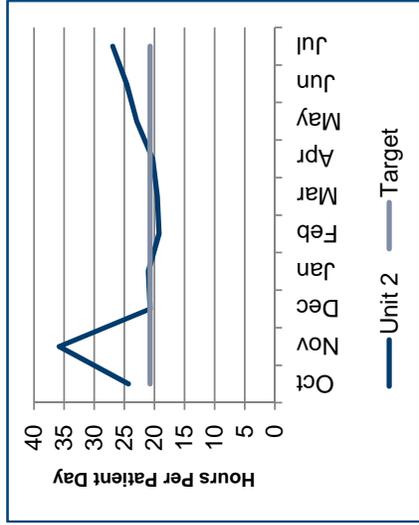
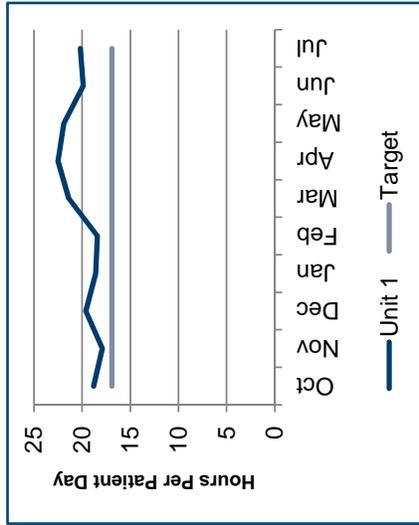
Initiative Dashboards

Below is a list of the available initiative dashboards:

- Outpatient Testing
- Sleep Lab
- Cardiology
- EEG
- GI
- Outpatient Medical Therapies
- Floats
- Nursing Unit Summary
- Ortho Unit
- Surgical Unit
- Telemetry
- Medical Unit P5
- CVU
- Critical Care
- Post Anesthesia Care Unit
- Central Sterile Processing
- Operating Room
- Labor Prod./Var. Lbr Optimize
- Linen Utilization
- Materials Management
- Non-Salary Initiatives
- OP BEH
- Overtime Utilization
- Patient Throughput
- Pharmacy
- Plant
- Public Relations/Community Health Education
- Radiology/Imaging Services
- Revenue Cycle
- Safety/Security
- Top 20 DRGs LOS
- Acute Care Behavioral Health
- Bed Control
- Board Quality and Safety Committee
- Cerner Implementation
- Adol and Child
- Clinical Engineering
- Crisis
- Dietary
- Emergency Department Throughput
- FBC and SCN
- Finance
- Infection Prevention Program
- Information Technology
- Laboratory

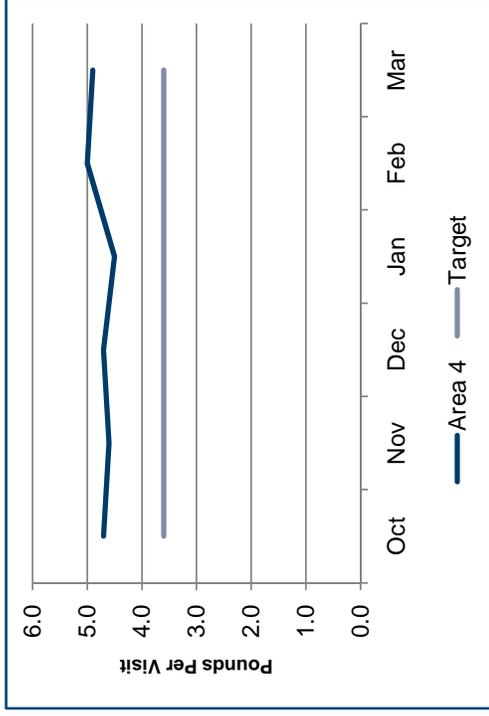
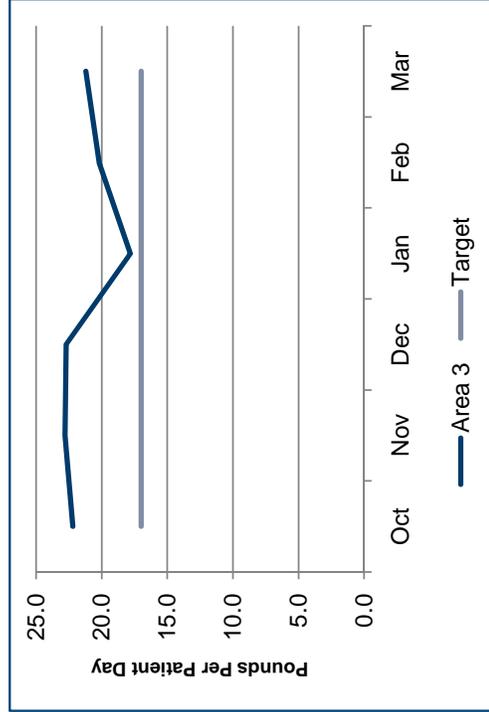
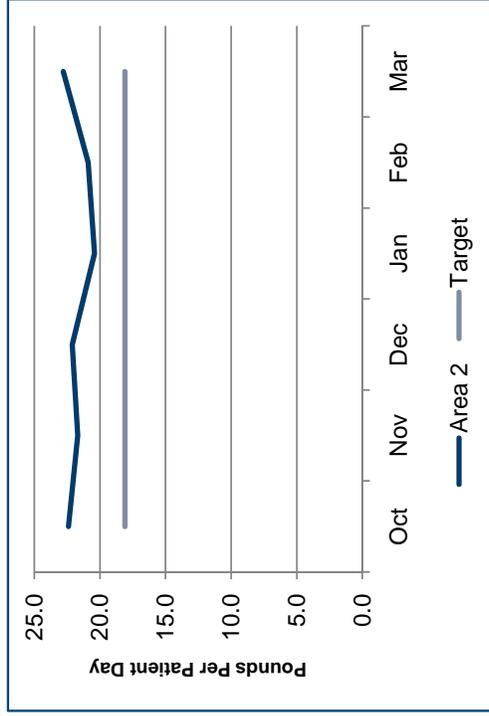
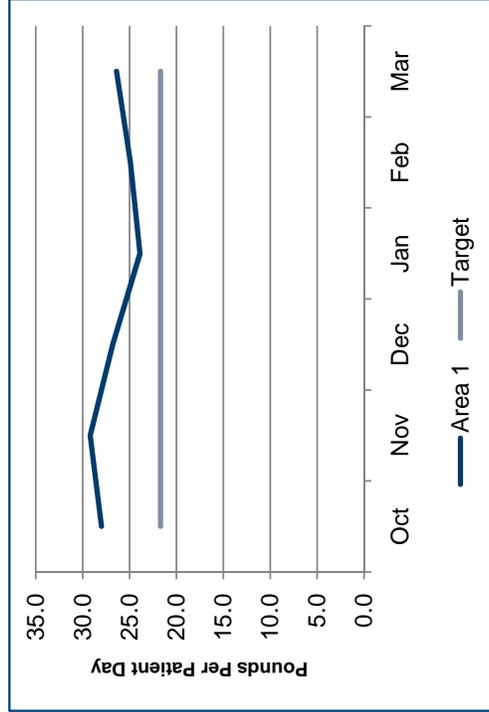
Section 6 – Initiatives Dashboard

Initiatives - Labor Productivity: Nursing



Section 6 – Initiatives Dashboard

Initiatives – Linen Utilization



Section 7

Leading Indicators

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package

Leading Indicators:

- Operating Statistics

	Current Month			Year-to-Date				
	Actual	Budget	Variance	Prior Year	Actual	Budget	Variance	Prior Year
Inpatient Statistics								
Discharges								
Patient Days								
ALOS								
Occupancy Percentage (Staffed Beds)								
Case Mix Index:								
Medicare								
Total								
Surgical Statistics								
Inpatient Surgery								
Outpatient Surgery								
Outpatient / ER Statistics								
Outpatient Cases								
ED Visits:								
Discharged								
Admitted								
Observation Cases								
Cash Collected								
Total Cash Collected								
Payor Mix % (Based on Gross Revenue)								
Medicare								
Managed Medicare								
Medicaid								
Managed Medicaid								
Commercial								
Managed Care								
Self Pay								
Total								

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Leading Indicators (continued):

- Financial Ratios and Labor Statistics

Key Financial Ratios	Year-to-Date			Comparator Group			Moody's Baa2
	Actual	Budget	Variance	Peer Group	S&P BBB	Fitch BBB	
Operating Performance							
Operating Margin							
Excess Margin							
Bad Debt as a % of Gross Revenue							
Liquidity							
Days Cash on Hand							
Days in Net Accounts Receivable							
Days in Accounts Payable							
Leverage							
Long-Term Debt to Equity							
Long-Term Debt to Capitalization							
Annual Cash Flow to Total Liabilities							
Unrestricted Cash to Debt							
Maximum Debt Service Coverage							
Average Age of Plant							
Labor and Productivity Statistics							
FTEs:							
Routine							
Ancillary							
Support							
Total FTEs							
FTEs per Adjusted Occupied Bed							
FTEs per Equivalent Discharge							

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Leading Indicators (continued):

- Statement of Operations and Balance Sheet

Statement of Operations	Current Month			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenue						
Gross Revenue						
Contractual Allowances						
Other Allowances						
Net Revenue						
Other Operating Income						
Total Revenue						
Expenses						
Salaries and Benefits						
Non-Salary Expenses						
Depreciation						
Interest						
Alliance Medical Group						
Operations Improvement						
Total Expenses						
Income/(Loss) from Operations						
Non-Operating Income						
Non-Operating Income						
Change in Unrealized Gains and Losses						
Net Income/(Loss)						

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Leading Indicators (continued):

- Statement of Operations and Balance Sheet (continued)

Balance Sheet	Actual		Current Month		Prior Year
			Budget	Variance	
Assets					
Cash & Cash Equivalents					
Net Accounts Receivable					
Due from Affiliates					
Assets Whose Use is Limited					
Other Investments					
Net Property, Plant & Equipment					
Other Assets					
Total Assets					
Liabilities & Net Assets					
Accounts Payable					
Accrued Expenses					
Accrued Pension					
Long-Term Debt					
Due to Third-Party Payors					
Other Liabilities					
Net Assets					
Total Liabilities & Net Assets					

Recommendations – Monthly Financial Statements Package (continued)

Narrative to Monthly Financial Statements

- Management's observations and evaluation of the monthly and year-to-date results should be included in the monthly financial statement package every month. This narrative should be included as the first section of the monthly financial statement package
- This should include observations around comparisons of current month and year-to-date results to budget and to prior year

Leading Indicators

- Enhance current page one of the monthly financial statement package, entitled 'Executive Summary'
- Add month-to-date results
- Add month-to-date comparisons to budget and prior year
- Add year-to-date comparisons to prior year
- Reformat (see the previous few pages for suggested layout)

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Comparative Income Statement

- Add month-to-date results
- Add month-to-date comparisons to budget and prior year
- Reformat (\$s / underlines / etc.)

Income Statement

- Add operating margin and excess margin %s by month
- Reformat (\$s / underlines / etc.)

Comparative Balance Sheet

- Reformat (\$s / underlines / etc.)

Statement of Cash Flows

- Add monthly detail for the current fiscal year (currently includes current month only)
- Reformat (\$s / underlines / etc.)

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Payroll Hours All Departments

- Reevaluate the purpose and usefulness of this schedule
- See suggested labor statistics in leading indicators presentation

Gross A/R Aging

- Reformat schedule
- The following two pages represent a suggested format for the accounts receivable analysis:

Accounts Receivable Analysis						
	Sep '10		Oct '10		Nov '10	
	A/R	% of Gross A/R	A/R	% of Gross A/R	A/R	% of Gross A/R
Gross A/R	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Less:						
Contractual Allowances		0.0%		0.0%		0.0%
Reserve for Bad Debt		0.0%		0.0%		0.0%
Reserve for Free Care		0.0%		0.0%		0.0%
Subtotal Reserves		0.0%		0.0%		0.0%
Net A/R per Financials	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package
(continued)

Gross A/R Aging (continued):

Accounts Receivable Aging Analysis						
9/30/2010						
Financial Class	In-House	0-30	31-60	61-90	91-150	151-365 1+ Year Total
Blue Cross	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Blue Cross HMO						
Blue Cross PPO						
Commercial HMO						
Commercial Insurance						
Commercial PPO						
Managed Medicaid						
Managed Medicare						
Medicaid						
Medicare						
SAGA						
Self Pay						
Workers Compensation						
Total 9/30/2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total 9/30/2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Change	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Key Inpatient Indicators / Key Outpatient Indicators

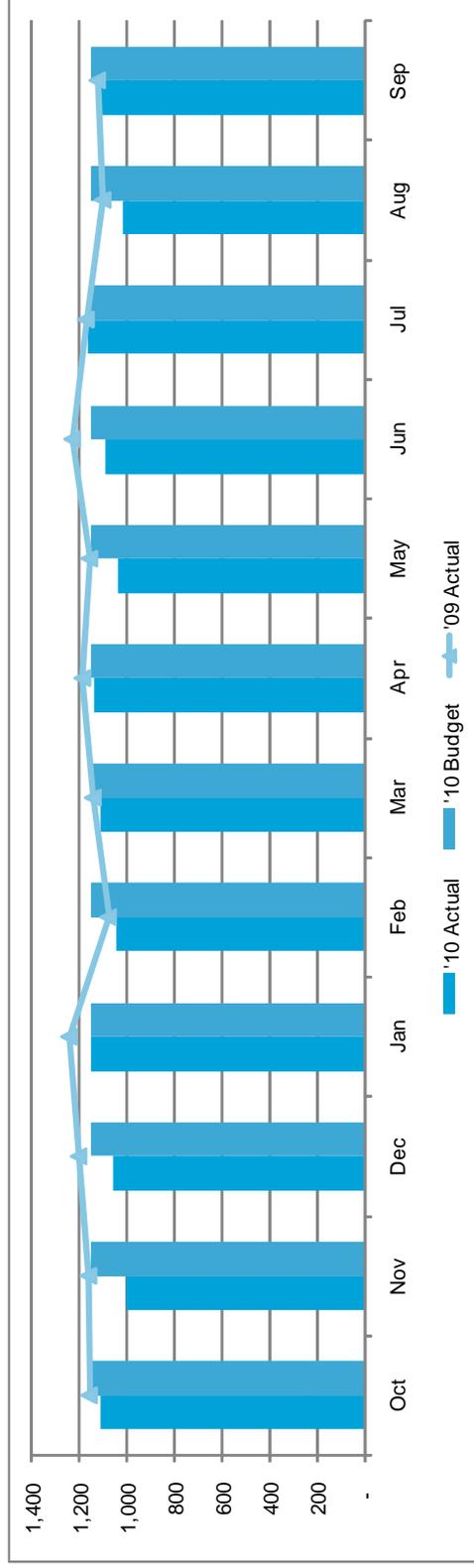
- The following is the suggested change to the current format (develop for Patient Days, ALOS, Outpatient Cases, ED Cases and OR Volume as well):

Admissions

YTD Total	'10 Actual	'10 Budget	'09 Actual
	13,046	13,787	13,928

YTD Variance	'10 Budget '09 Actual
(741)	(882)

YTD Percent of	'10 Budget '09 Actual
-5.7%	-6.8%



Trend	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
'10 Actual	1,113	1,002	1,060	1,153	1,044	1,113	1,138	1,038	1,093	1,163	1,019	1,110	13,046
'10 Budget	1,148	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	13,787
'09 Actual	1,156	1,159	1,200	1,240	1,076	1,140	1,184	1,155	1,227	1,170	1,099	1,122	13,928

Section 7 – Leading Indicators

Recommendations – Monthly Financial Statements Package (continued)

Net Revenue and Expenses per Equivalent Admission Graph

- Reevaluate the purpose and usefulness of this graph
- If the graph is necessary, reformat the layout

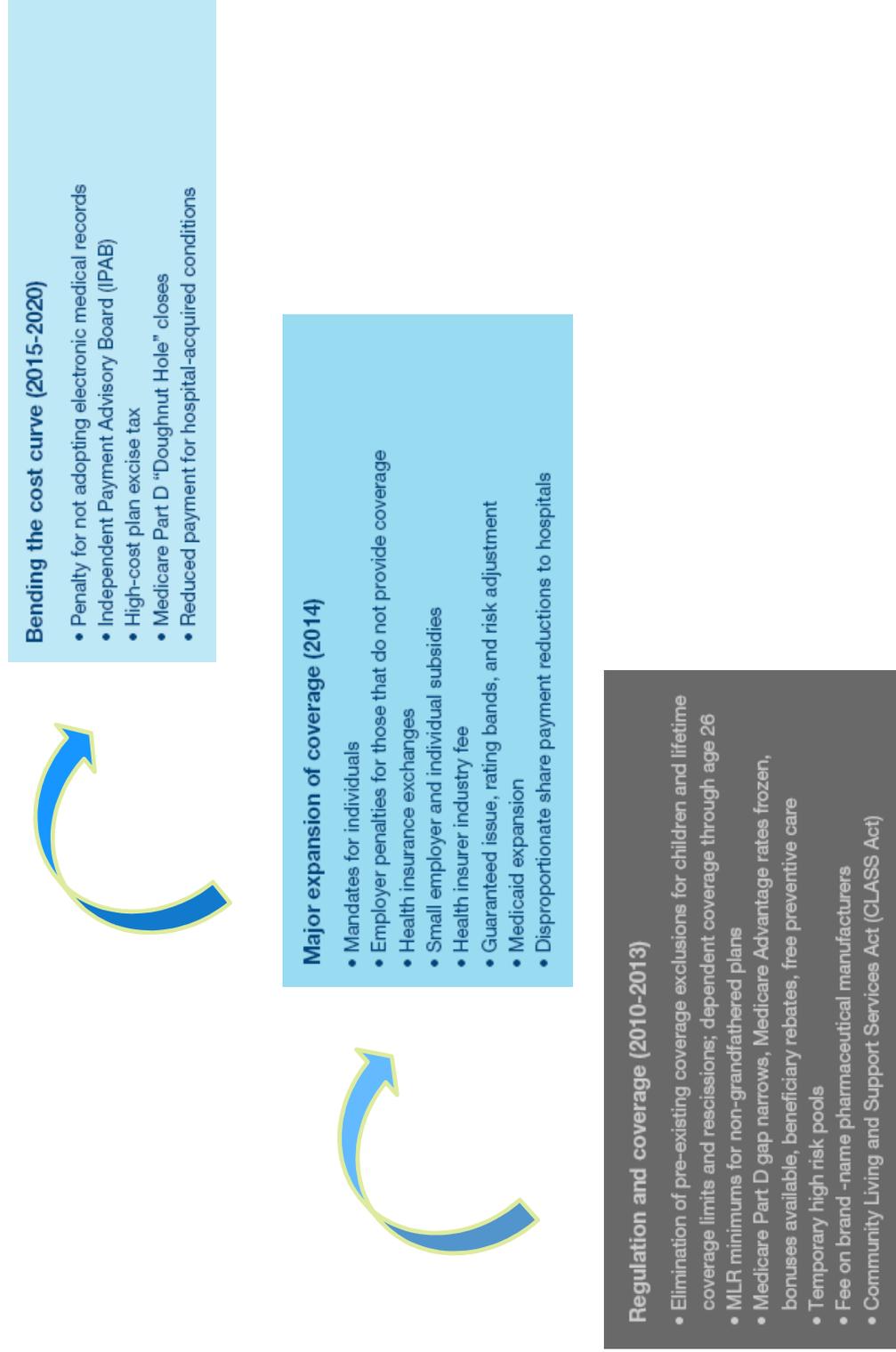
Expense Categories as % of Total (Excluding OI and AMG) Graph

- Reevaluate the purpose and usefulness of this graph
- If the graph is necessary, reformat the layout

Section 8 Future Considerations

Section 8 – Future Considerations

Three Steps of Health Reform



Section 8 – Future Considerations

Three Steps of Health Reform

- 2015**
- Reduce Medicare payments for hospital-acquired conditions by 1%
 - Penalties for providers that have not achieved meaningful use of EHRs (HITECH Act)

- 2014**
- Expand Medicaid
 - Disproportionate Share Hospital (DSH) reductions

- 2012**
- Accountable care organizations (ACOs)
 - Medicare payments reductions for preventable readmissions
 - Medicare value-based purchasing for hospitals
 - Medicaid bundled payment demonstrations

- 2010**
- Physician-owned hospital Medicare provider agreements must be in place
 - New exemption requirements for tax-exempt hospitals
 - Reduction in annual market basket update to Medicare providers
 - Enhanced Medicare and Medicaid provider screenings



- 2011**
- Grants for medical malpractice reduction demonstration projects
 - 10% Medicare bonus for primary care and general surgeons in a health professional shortage area (ends 2015)
 - Prohibit federal Medicaid payments for HAC
 - Federal funding of Medicaid medical home
 - New funding for community health centers, school-based clinics, and trauma center program

- 2013**
- Medicare bundled payment demonstration
 - Increase Medicaid primary care payments
 - Financial relationship disclosure requirements
 - Value-based payment for physician fee
 - Community needs assessment to be completed and implemented

“4 Key Themes” of Healthcare Reform

HOW do you measure up?

- Quality and efficiency will increasingly impact how providers are paid.
- Focus is on all the additional ways providers will be evaluated, compared and reported.
- Clients should know how they will be measured and what they can do to improve the results.

HOW do you thrive on governmental reimbursement?

- More revenue under health reform, but increasingly restrictive government sector payments bring continued challenges to providers.
- An ever increasing percentage of patients paid under governmental rates, over next 10 year >10% increase could be expected.
- Cost containment and efficient delivery of services will be needed for success.

“4 Key Themes” of Healthcare Reform

HOW do you think outside of this box?

- A provider’s ability to manage across the entire continuum of care will increasingly impact its viability.
- PwC’s clients (primarily Hospitals and Health Systems) need to consider impact of the legislation on the broader health delivery system.
- Clients should focus on defining and delivering cost effective and high quality care.

HOW do you ensure you are doing the right thing?

- Health reform increases our regulatory environment but also puts heightened focus on community needs and tax-exempt status.
- Expansion in regulatory environment of healthcare and more public disclosure means risks associated with compliance is increasing.
- Compliance should be treated as a fundamental part of doing business not as an independent discrete function.

Section 8 – Future Considerations

Future Considerations

The following are regulatory and health care reform related items that must be considered over the next few years:

- No increases in Government payments
- Payment reductions for quality:
 - Readmissions
 - Hospital acquired conditions (HACs)
 - Value Based Purchasing
- Meaningful use
- ICD-10
- HIPAA 5010
- Community Needs Assessment
- Red Flags
- RACs
- Accountable Care Organizations/Bundled Payments/Capitation

Impact of Quality Incentives and Paying for Health Reform

What institutions should expect in terms of revenue trends under health reform:

- Medicare – a cumulative 3 to 13% decrease in inpatient payments from 2011 to 2015 and similar trends in outpatient activity; and a cumulative 15 to 26% differential relative to market basket
- Medicaid – currently uninsured will shift into Medicaid creating a boost in Medicaid volume. However, given budget constraints at the state level, can any increases be expected for at least a couple of years?
- Exchanges – currently uninsured will shift into programs through the exchanges, but can it be expected that payment levels will be much greater than Medicare?
- Commercial – no better than inflationary increases. In addition, depending on the nature of employer groups, some level of existing volume under commercial insurance will shift to exchange programs
- Self-pay – the level of uninsured may decrease, however, secondary self pay will continue to escalate

Section 8 – Future Considerations

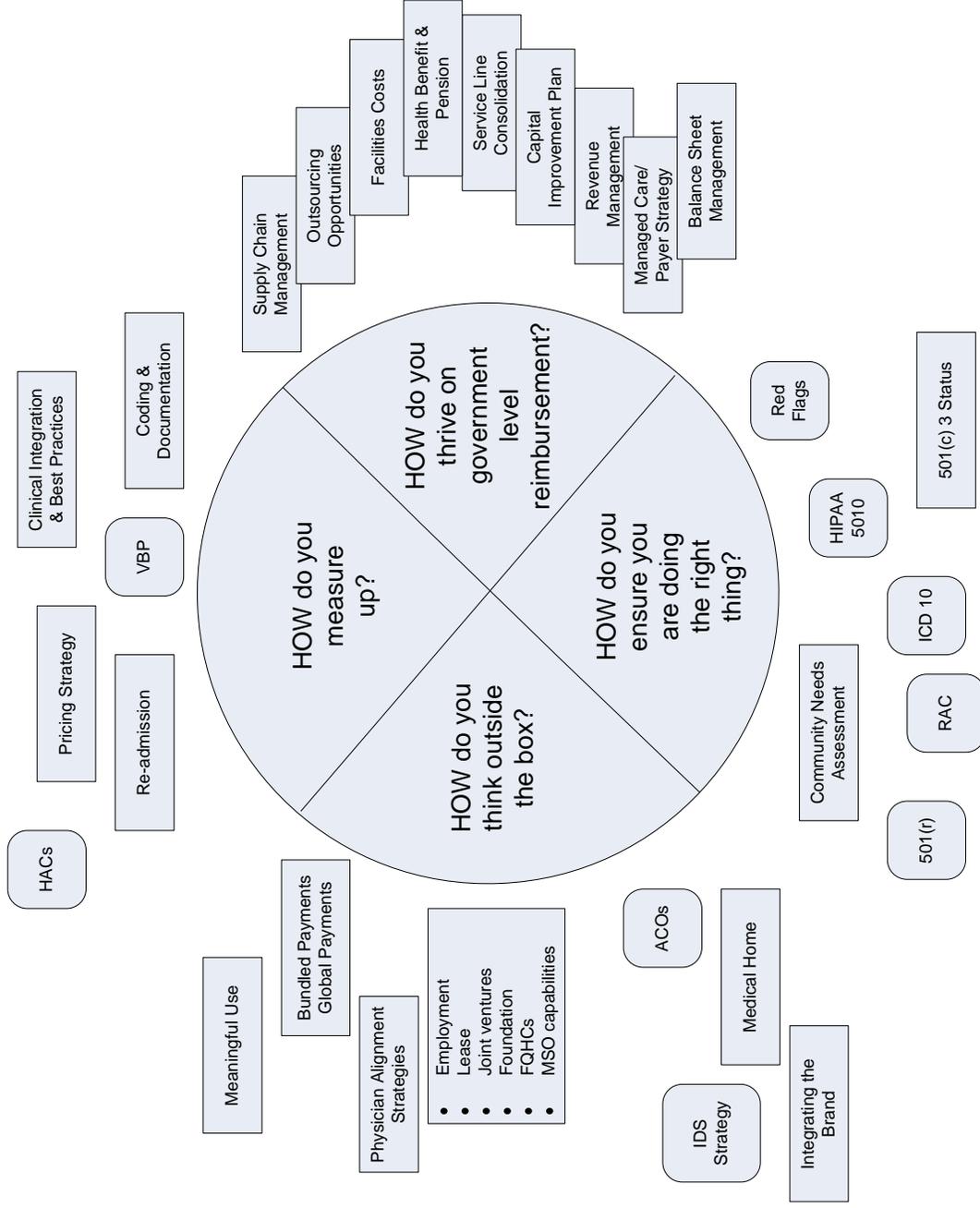
Projected Medicare IPPS Update

Medicare Market Basket Update - Without Reductions for Readmissions, Hospital Acquired Conditions, and Value Based Purchasing								
Federal Fiscal Year	Projected Market Basket Increase	Market Basket Reduction per PPACA ¹	Productivity Adjustment ²	Behavioral Offset ³ (Case Mix)	Readmissions ⁴	Hospital Acquired Conditions ⁵	Value Based Purchasing ⁶	Total Projected Reimbursement Impact
2011	2.60%	-0.25%		-2.90%				-0.55%
2012	2.10%	-0.10%	-1.30%	-2.90%				-2.20%
2013	2.40%	-0.10%	-1.30%	-1.90%	0%		0%	-0.90%
2014	2.70%	-0.30%	-1.30%	-1.90%	0%		0%	-0.80%
2015	2.90%	-0.20%	-1.30%	-1.90%	0%	0%	0%	1.40%
Total	12.70%	-0.95%	-5.20%	-9.60%	0%	0%	0%	-3.05%
Projected Market Basket Increase								12.70%
Difference Between Market Basket (Inflation) and Update								-15.75%

Medicare Market Basket Update - With Reductions for Readmissions, Hospital Acquired Conditions, and Value Based Purchasing								
Federal Fiscal Year	Projected Market Basket Increase	Market Basket Reduction per PPACA ¹	Productivity Adjustment ²	Behavioral Offset ³ (Case Mix)	Readmissions ⁴	Hospital Acquired Conditions ⁵	Value Based Purchasing ⁶	Total Projected Reimbursement Impact
2011	2.60%	-0.25%		-2.90%				-0.55%
2012	2.10%	-0.10%	-1.30%	-2.90%				-2.20%
2013	2.40%	-0.10%	-1.30%	-1.90%	-1.00%		-1.00%	-2.90%
2014	2.70%	-0.30%	-1.30%	-1.90%	-2.00%		-1.25%	-4.05%
2015	2.90%	-0.20%	-1.30%	-1.90%	-3.00%	-1.00%	-1.50%	-4.10%
Total	12.70%	-0.95%	-5.20%	-9.60%	-6.00%	-1.00%	-3.75%	-13.80%
Projected Market Basket Increase								12.70%
Difference Between Market Basket (Inflation) and Update								-26.50%

Section 8 – Future Considerations

The health system of tomorrow will not be the same as today's



Disclaimer

Our Services were performed and this Report was developed in accordance with our engagement letter dated November 5, 2010 and are subject to the terms and conditions included therein.

Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through November 2010. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report.

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with Waterbury Hospital. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than Waterbury H.

This document is provided as part of a more comprehensive oral report and is not considered complete without the accompanying oral report.

EXHIBIT 6: CONFIDENTIAL INFORMATION MEMORANDUM



Confidential Information Memorandum

September 2012

Memorandum: _____

CAIN BROTHERS

This Confidential Information Memorandum ("CIM") has been prepared on behalf of Greater Waterbury Health Network, Inc. and its wholly owned subsidiaries and affiliated entities (collectively, the "Company") based on information from the Company and published sources, and is being furnished through Cain Brothers, as the Company's exclusive authorized representative, for informational purposes solely for use by qualified prospects in considering their interest in entering into a partnership, purchase, merger or other form of business combination with the Company (a "Transaction"). The information contained herein is subject to change without notice. Neither the Company nor Cain Brothers assumes any responsibility to update any information contained in this CIM or to inform the recipient of information which may affect this CIM. This CIM has been prepared to assist interested parties in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all information that a prospective party to a Transaction may desire or that may be required in order to properly evaluate the business, prospects or value of the Company. In all cases, interested parties should conduct their own investigation and analysis of the Company and the data set forth in this CIM. Industry data and statistics have been obtained or derived from the Company and published industry sources.

By accepting this CIM, the recipient acknowledges and agrees that all of the information contained herein is highly confidential and subject to the Non-Disclosure Agreement ("NDA") executed by the recipient. Without limiting the generality of the foregoing: (1) the recipient will not reproduce this CIM in whole or in part; (2) if the recipient does not wish to pursue a Transaction relating to the Company, it will (i) promptly return to Cain Brothers hard copies and delete electronic copies of this CIM, together with any other materials relating to the Company which the recipient may have received in written or electronic form from the Company, Cain Brothers or any of their respective subsidiaries or affiliates and (ii) take such other actions, if any, required by the NDA; (3) the recipient will hold all information and the fact that it is involved in any process relating to the Company and the status thereof as confidential; and (4) any proposed actions by the recipient which are inconsistent in any manner with the NDA will require the prior written consent of the Company.

Cain Brothers has not independently verified any of the information contained herein, and neither the Company, Cain Brothers nor any of their respective affiliates makes any representation or warranty (expressed or implied) as to the accuracy or completeness of this CIM or any statements, estimates or projections contained herein. Such statements, estimates and projections reflect various assumptions made by the Company concerning anticipated results, which are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and which may or may not prove to be correct. As a result, no representation or warranty is made as to the feasibility or attainability of the projected financial information or the accuracy or completeness of the assumptions from which the projected financial information is derived. There can be no assurance that the projections will be realized. This CIM speaks only as of the date hereof or as of the date indicated. This CIM does not constitute an offer or invitation for the sale or purchase of the securities, assets or business described herein. The only information that will have any legal effect will be that specifically represented, warranted and contained in a definitive agreement relating to a Transaction and executed by the Company and a prospective Transaction party. The Company and Cain Brothers disclaim liability for any loss or damage incurred as a result of any information contained in or omitted from this CIM.

The Company reserves the right to negotiate with one or more qualified prospects at any time and to enter into a definitive agreement relating to a Transaction without prior notice to the recipient or other prospective Transaction parties. Further, the Company reserves the right, at any time, to terminate the process and / or to modify any procedures without giving advance notice or providing any reason therefore. The Company also reserves the right during the evaluation period to take any action, whether within or outside the ordinary course of business.



INFORMATION REQUESTS

Cain Brothers is the Company's exclusive financial advisor. Under no circumstances should any interested party directly contact the Company, any of its trustees, employees, medical staff, patients or suppliers, for any reason in connection with their evaluation of the Company. All inquiries regarding this Confidential Information Memorandum or the Company should be directed to the following persons:

James Cain
Managing Director
(212) 981-6955
jcain@cainbrothers.com

Jason D. Horowitz
Senior Vice President
(212) 981-6951
jhorowitz@cainbrothers.com

Nichole Kim
Analyst
(212) 981-6919
nkim@cainbrothers.com

Cain Brothers & Company, LLC
360 Madison Avenue, 5th Floor
New York, New York 10017
Telephone: (212) 869-5600

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I. Process Overview

A. Organization

Greater Waterbury Health Network, Inc. (together with its affiliates, “GWHN,” the “Network,” or the “Company”) (<http://www.waterburyhospital.org>) is a Connecticut non-stock, 501(c)(3) corporation. GWHN consists of numerous legal entities, joint ventures (“JVs”) and affiliations, including The Waterbury Hospital (the “Hospital” or “Waterbury Hospital”). The Hospital, a 357-licensed bed acute-care teaching hospital provides a comprehensive range of inpatient, outpatient and ancillary services for residents of Waterbury and the surrounding community. The Hospital is located near the intersection of Route 8 and Interstate 84 and currently staffs over 1,250 full-time equivalents (“FTEs”), of which 74 are employed physicians. There are 362 active medical staff members.

B. Objectives

GWHN’s Board of Directors (the “Board”) has engaged Cain Brothers to explore strategic alternatives, which may include a partnership, merger or sale. At the Board’s direction, Cain Brothers is requesting proposals from a select group of organizations interested in a strategic relationship with GWHN. The core objective is to ensure GWHN’s continued long-term vigor as a provider of leading health care services to the Greater Waterbury community. As such, GWHN intends to evaluate potential partners who can demonstrably help in achieving the following objectives (the “Objectives”):

- Ensure Waterbury Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term;
- Provide sufficient capital to meet deferred, current and future capital needs for the Waterbury Hospital physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology;
- Continue a meaningful, local governance presence at Waterbury Hospital that represents both physicians and the Greater Waterbury community;
- Develop and implement an ambulatory service strategy to best position the Company for a successful transition in changing health care delivery methods;
- Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;
- Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community;
- Enhance the Hospital’s medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth;
- Maintain high satisfaction scores by patients, physicians, employees and volunteers; and
- Continue charitable care delivery and funding.

The Board is therefore requesting proposals from a select group of organizations that can demonstrate that they cannot only meet these objectives, but are willing to commit to a shared cultural vision of ensuring cost-effective, high quality care with appropriate charitable care commitments. Further, such organizations will need to demonstrate their ability to complete a transaction within *a reasonable* time frame.

C. Recent Events

In August 2011, GWHN entered into a letter of intent, whereby a joint venture would be created with LHP Hospital Group (“LHP”) and Saint Mary’s Health System (“SMH”) (combined, the “JV”). The JV ownership would have been divided among the three parties: LHP with an 80% interest, GWHN and SMH each owning a 10% interest. Governance in the for-profit entity would be shared among all three parties. The JV would have committed to operate its healthcare facilities in accordance with both the community benefit standards applicable to not-for-profit health systems and with the Ethical and Religious Directives for Catholic healthcare services (“ERDs”). Furthermore, as part of the proposed agreement, LHP, through the JV, planned to invest \$400 million to construct a new state-of-the-art medical center that would replace both the Waterbury Hospital and SMH hospitals.

After a year of intense negotiations among the parties, community leaders and government officials, it became increasingly clear that there were still many impediments to the transaction. In September 2012, the proposed JV was terminated by LHP. The reasons cited included the increasing costs of building the replacement hospital and the inability to satisfy regulators over issues related to ERDs.

Over the same time period, the competitive landscape in Connecticut changed. Many community hospitals are strategically aligning with stronger, regional partners, consolidating among themselves, or embarking on other strategic initiatives alternatives. For example, Yale-New Haven Hospital acquired the Hospital of Saint Raphael in September 2012. The Western Connecticut Health Network, first developed in July 2010 through the merger of Danbury Hospital and New Milford Hospital, announced in early 2012 that it was exploring a partnership with Norwalk Hospital. Finally, two other organizations, Eastern Connecticut Health Network and Bristol Hospital and Health Care Group recently announced their desire to pursue transactions.

As a result, it has become increasingly important for GWHN to rapidly assess its alternatives for the future.

D. Phase I – Preliminary, Non-Binding Proposals

GWHN, through Cain Brothers, is inviting organizations to *submit a written, preliminary, non-binding indication of interest and value (“Preliminary Proposals”)*, based on the information provided herein and/or related information provided by the GWHN.

Your proposal should be submitted electronically no later than **5:00 pm Eastern Standard Time on October 12, 2012** in Microsoft Word® format to Jason D. Horowitz (jhorowitz@cainbrothers.com). Any additional materials supplementing your proposal may be submitted in Adobe PDF® or other electronic format.

After receipt of Preliminary Proposals, GWHN plans to select a limited number of participants to continue to the next round of the process.

GWHN requests that the proposal be as specific and detailed as possible. In order to be considered responsive and to allow for appropriate analysis, proposals should address the elements outlined in Appendix A in the order presented.

Site visits at GWHN facilities, management discussions and limited additional diligence through an established virtual data room will be available prior to the first proposal submission deadline. A Cain Brothers’ representative will be available to schedule such requests.

Please do not contact any members of the GWHN's Board of Directors, the Hospital's Trustees, management, or staff without the prior consent of Cain Brothers. Such contact could result in the disqualification for further consideration.

Once received, Cain Brothers will review your proposal and follow-up with any aspects of your proposal that may need elaboration or clarification.

E. Phase II – Detailed Due Diligence and Binding Proposals

Phase II is intended to provide the information that a qualified respondent will need in order to submit a binding proposal. Diligence will primarily be conducted through the GWHN virtual data room, though site visits and meetings with management may be given in select circumstances.

In order to maintain an orderly and consistent flow of information to Phase II participants, any requests for additional due diligence information should be submitted to Cain Brothers in writing or electronically. Cain Brothers will distribute responses to information requests to all Phase II participants.

A binding, definitive proposal will be due following the completion of the due diligence process. This proposal will include a markup of a Definitive Agreement to be provided by GWHN prior to submission of the binding proposal. As soon as feasible, following the submission of a binding proposal, GWHN, with the advice of Cain Brothers and GWHN's legal counsel, will evaluate the proposal to determine if it will be presented to GWHN's Board.

GWHN shall have no obligation to accept any proposal, whether or not such proposal represents the best offer for GWHN. An offer will be accepted only upon the execution and delivery of a Definitive Agreement. Until such time that a Definitive Agreement has been executed, GWHN will not have any obligation to any potential partner with respect to any transaction involving GWHN. Following such time, GWHN's only obligation will be as set forth in a Definitive Agreement.

F. Changes to the Selection Process

GWHN's goal is to identify a candidate with whom to complete a transaction meeting the Objectives as quickly as feasible. Therefore, GWHN expressly reserves the right to consider any and all factors in the selection of a proposal and to deal with any party individually or simultaneously with other candidates. GWHN may alter these and any other procedures, as it deems necessary and appropriate. GWHN also reserves the right, at its sole discretion, to reject any and all expressions of interest or proposals and to terminate the process in its entirety, or with respect to any candidate, at any time.

G. Costs and Expenses

Each participant agrees to bear all costs of its own investigation and evaluation of the operations of GWHN, including the fees and disbursements to its own counsel and advisors. No finders' fees, brokers' fees, or commissions will be paid by GWHN, except to its own advisors, in connection with any transaction which may result.

II. Executive Summary

A. Background

GWHN is a Connecticut non-stock, 501(c)(3) corporation consisting of four (4) active wholly-owned subsidiaries, the largest of which is The Waterbury Hospital. Waterbury Hospital, the first hospital in the City of Waterbury and fourth in the State of Connecticut, opened in 1890, after nearly a decade of fundraising.

The Company's Objectives are to assure GWHN's continued long-term vigor as a provider of leading health care services to the Greater Waterbury community. Based on this overarching goal, GWHN intends to evaluate potential partners who can achieve the Objectives:

- Ensure Waterbury Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term;
- Provide sufficient capital to meet deferred, current and future capital needs for the Waterbury Hospital physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology;
- Continue a meaningful, local governance presence at Waterbury Hospital that represents both physicians and the Greater Waterbury community;
- Develop and implement an ambulatory service strategy to best position the Company for successful transition in changing health care delivery methods;
- Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;
- Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community;
- Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth;
- Maintain high satisfaction scores by patients, physicians, employees and volunteers; and
- Continue charitable care delivery and funding.

B. Overview

Waterbury Hospital provides a comprehensive range of inpatient, outpatient and ancillary services for residents of Waterbury and the surrounding community. The Hospital is a 357-bed teaching facility located at 64 Robbins Street in Waterbury, Connecticut near the intersection of Route 8 and Interstate 84.



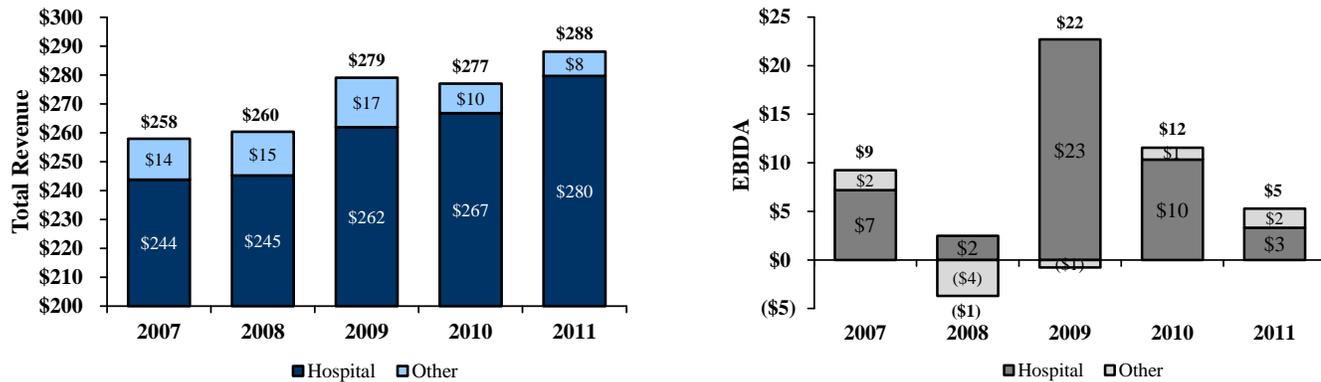
As of August 31, 2012, the Hospital staffs over 1,250 FTEs, including 362 active medical staff members.

The Hospital and its related subsidiaries, which accounted for 97.1% of the GWHN's revenue in fiscal year ending September 30, 2011, has experienced a compounded annual revenue growth rate of 3.5% over the past four fiscal years.

The Hospital and its related subsidiaries also accounted for 62.6% of GWHN's earnings before interest, depreciation and amortization ("EBIDA") in FY 2011.

Table 2.1: Summary Operating Results

(\$ in millions)



Note: Fiscal year ends September 30

Table 2.2: Key Hospital Only Utilization Statistics

	2008	2009	2010	2011	For the 10 Months Ended July 31, 2012
Licensed Beds	357	357	357	357	357
Average Length of Stay	4.81	4.86	4.54	4.61	4.71
Inpatient Admissions	14,743	13,928	13,046	12,758	10,251
Patient Days	70,879	67,682	59,271	58,780	48,240
Births	1,287	1,221	1,125	1,124	939
Average Daily Census	194	185	163	161	159

Note: Fiscal year ends September 30

Table 2.3: Hospital and Related Subsidiaries Summary Financial Information

(\$ in millions)

	Fiscal Year Ended September 30,					LTM
	2007	2008	2009	2010	2011	July 2012
Total Revenue	\$243.8	\$245.2	\$261.9	\$266.8	\$279.7	\$285.0
Total Operating Expenses	248.9	254.5	263.2	270.6	287.2	287.3
EBIDA ⁽¹⁾	7.2	2.5	22.7	10.3	3.3	8.7
Operating Income ⁽¹⁾	(3.4)	(7.6)	13.1	0.7	(6.0)	(1.0)
Excess Revenue Over Expenses	(4.3)	(8.5)	0.5	(3.8)	(8.5)	(2.9)
Capital Expenditures	4.7	4.1	2.0	5.5	15.6	13.3

Note: Fiscal year ends September 30

(1) Excludes one-time fees including operations improvement expenses

III. Key Investment Considerations

GWHN represents a unique and attractive opportunity for a potential partner to grow in the Southern New England region. GWHN is one of the oldest and well-respected health providers in the Southern New England region, demonstrating leadership, innovation, and high quality service for over a century.

Unique Acquisition Opportunity with Significant Financial Enhancement Potential

GWHN offers a potential partner a well-established system with substantial upside potential. The Hospital represents an excellent opportunity in the Central Connecticut market. While the Hospital has a firmly established market position, it requires additional resources and expertise to further unlock its potential through enhancement of physician recruitment and marketing efforts and leveraging of operational costs, including information technology infrastructure costs and facility upgrades.

- **Physician Recruitment and Service Line Expansion.** Considerable opportunity exists through enhanced physician recruitment efforts to increase patient volumes by expanding specialist recruitment efforts.
- **Low-Cost Provider with Regional Outreach Programs:** GWHN provides a community-based provider platform as a cost efficient solution for potential tertiary / quaternary and other regional high-cost providers. As health care reform takes hold, such service utilization is imperative for creating regional networks and accountable care organizations (“ACOs”).
- **Operational Leverage.** A strategic combination with a partner would provide substantial cost saving opportunities from operational expense rationalization and through the leveraging of information technology capabilities that could provide a positive impact on productivity and clinical quality.
- **Facility Upgrade.** Combining GWHN’s existing long-term capital plans with an infusion of new capital can substantially increase profitability and top-line growth.

Leading Market Share Position

For several years, the Hospital has maintained the leading market share position in several key areas including obstetrics, behavioral health and musculoskeletal medicine. The Hospital’s long-standing relationships with regional physicians and other hospitals have contributed to its overall success, making Waterbury Hospital and its subsidiaries and affiliates, referral sites for many services.

Exceptional Quality, Centers of Excellence and Other Accreditations

The Hospital and its affiliates have received multiple industry accolades for quality, excellent services and operations. Among the distinctions achieved:

- For the past two years, the Hospital was graded in the top 10% nationally by *Healthgrades* in Spinal Surgery
- For the past several years, the Hospital was graded in the top 5% nationally by *Healthgrades* in Orthopedic Joint Replacement
- Consumer Reports ranks Waterbury Hospital as #3 among the Ten Safest Hospitals in Connecticut (2012)

- U.S. News & World Report ranks Waterbury Hospital as #2 among the Best Hospitals in Connecticut (2012)
- Received the American Stroke Association's Get With the Guidelines – Stroke Gold Performance Achievement Award for consistently meeting the highest standards of care for stroke patients (2011)
- Received three-year accreditation by the American College of Surgeons/Commission on Cancer for its cancer program (2011)
- Ranked in the top ten percent in the nation for coronary intervention and received the 2010 Coronary Intervention Excellence Award
- Received accreditation recommendation by the American Society of System Pharmacists for its Pharmacy Residency Program (2010)

Strong Relationships and Partnerships

GWHN is known for its long-standing, meaningful partnerships with local hospitals and physicians for the overall health of the individual organizations and the communities it serves. This practice and philosophy has served GWHN and its partners well, strengthening the services available in Waterbury while enhancing services in regional locations.

Highlights include:

- Access Rehab Centers
- Greater Waterbury Imaging Center
- Harold Leever Regional Cancer Center
- Heart Center of Greater Waterbury

Attractive, but Competitive Market

Waterbury Hospital is located in Waterbury, Connecticut – the fifth largest city in Connecticut and ninth largest city in New England, with an estimated 2011 population of 110,189. The location of the Hospital is extremely advantageous in providing access via major transportation routes (Interstate 84 and Connecticut Route 8) and is visible from all around as it is located above city center.

Known as the “Brass City,” the area once bustled as the home of the nation’s only skilled brass craftsmen. But as the city developed, the brass industry left and a new, more modern and skilled labor force took hold. Industrial parks replaced the former brass mills and new businesses continue to relocate to the city. Today, service and retail trade industries are Waterbury’s predominant players.

Waterbury’s total population has remained fairly consistent in the past two decades, hovering near the 110,000 mark. Close to 80.0% of the population has at least a high school diploma, and almost half the population is in their prime earning years (25 – 55). Waterbury’s unemployment is higher than the national trend.

For the past 100 years, Waterbury’s health care needs have been served by two hospital systems, GWHN and SMH. While the two have attempted to merge all their operations three times in the past, (including this past year), the two institutions have been unable to successfully consummate a transaction. However, SMH and GWHN continue to work collaboratively on several initiatives, including the Harold Leever Regional Cancer Center and the Heart Center of Greater Waterbury.

IV. Network and Hospital Overview

A. Network and Hospital Introduction

GWHN is a Connecticut non-stock, 501(c)(3) corporation consisting of four (4) active wholly-owned subsidiaries, the largest of which is The Waterbury Hospital. GWHN employs over 1,250 FTEs and is the second largest employer in Waterbury.

GWHN’s mission is “To support and encourage the development of comprehensive, integrated, healthcare related services for the advancement of the health and well-being of the general public by providing financial, management and other assistance to its affiliates including Waterbury Hospital.”

Waterbury Hospital, the first hospital in the city of Waterbury and fourth in the state of Connecticut, opened in 1890, after nearly a decade of fundraising. The original home was in a Victorian mansion overlooking the city. During its first twelve months of operation, 85 patients were admitted and two babies were born. The staff included eight physicians, ten nurses, one orderly, a janitor and a cook. Although there was hot and cold water, all operations were performed by daylight, since the light bulb had not yet been invented.

The Hospital, a wholly owned subsidiary of the Network, is a community teaching hospital located in the northern section of New Haven County, between Hartford and New York City. Its mission is “To provide compassionate, high quality health care services through a family of professionals and services.” The Hospital is licensed for 357 beds and currently staffs approximately 190 beds excluding bassinets.

Table 4.1: Beds by Service Line

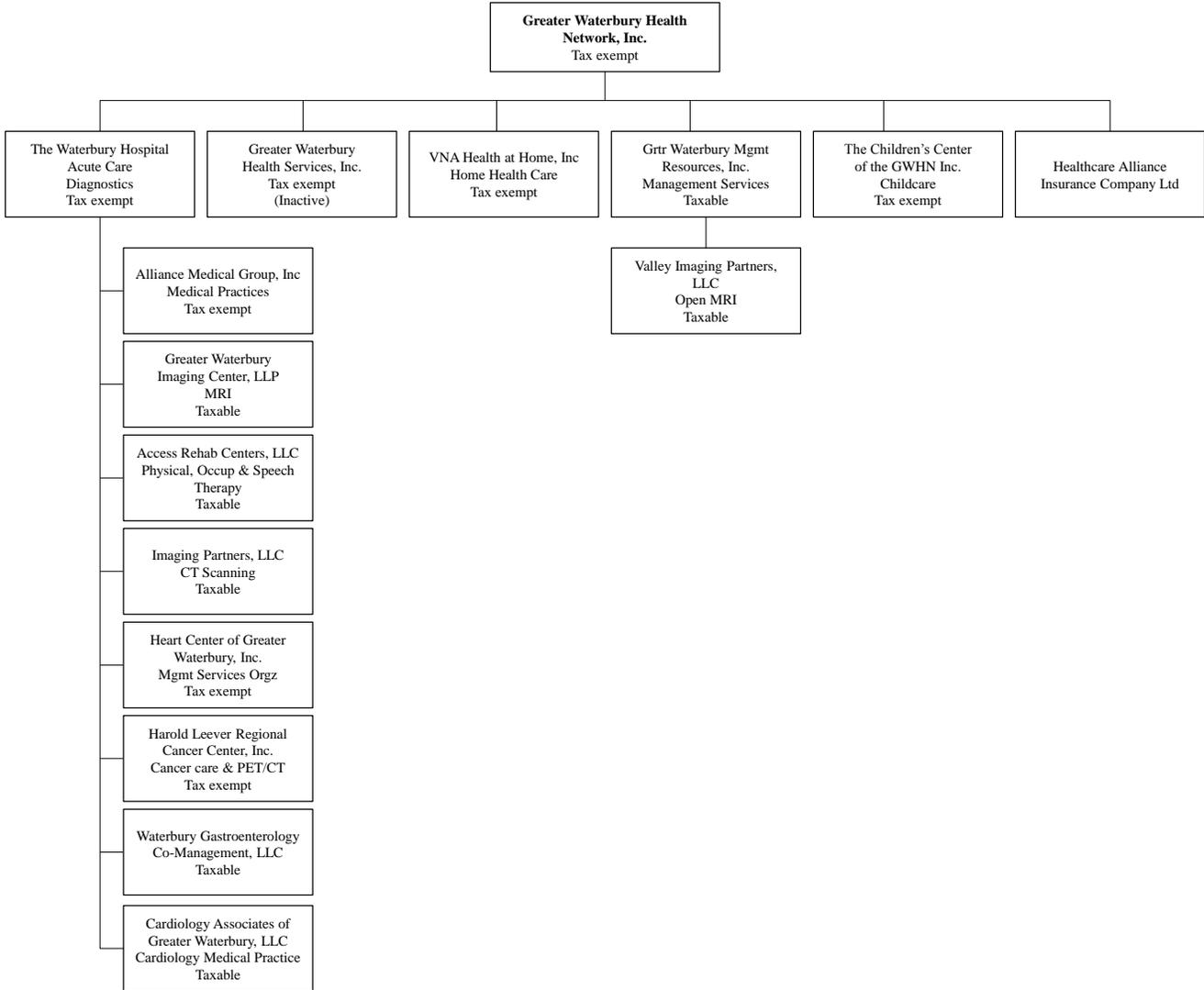
Service	Licensed Beds	Staffed Beds
Medical/Surgical	265	118
ICU / CCU	40	24
Psychiatry	30	30
Obstetrics	22	18
Sub-Total (Acute)	357	190

The Hospital is also a Connecticut non-stock corporation, exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. A voluntary Board of Trustees elected by the Network governs the Hospital. The Hospital’s Board of Trustees consists of individuals selected for their leadership and community interest who serve for a maximum of 12 years.

B. Affiliations and Partnerships

Set forth below is the organizational structure of the entities within the Company:

Table 4.2: Greater Waterbury Health Network



GHWN is the sole member or sole equity holder, as the case may be, of the following entities:

- **The Waterbury Hospital (wholly-owned, 100%).** The Hospital operates as an acute care teaching hospital under the direction of its Board of Trustees. *(Please see the following Section “C. Hospital Overview” for an overview of Hospital Services.)*
 - **Alliance Medical Group Inc. (wholly-owned, 100%).** Alliance Medical Group (“AMG”) is a tax exempt 501(c)(3) medical foundation and a wholly owned subsidiary of the Hospital. AMG is the largest hospital-affiliated, multi-specialty group in the Waterbury area with more than 100 physicians and health care providers practicing in the following specialties: Internal

Medicine, Pediatric and Adolescent Medicine, Breast Surgery, General and Colorectal Surgery, Endocrinology, Pulmonary, Rheumatology, Infectious Disease/Travel Medicine and Sleep Medicine. AMG uses an electronic medical record (“EMR”) system that allows all physicians access to their patients’ medical records to streamline and coordinate care.

- **Greater Waterbury Imaging Center Limited Partnership (64% owner).** The Hospital is the general partner of Greater Waterbury Imaging Center Limited Partnership (the “Limited Partnership”), a Connecticut limited partnership formed to develop and operate a medical diagnostic imaging center. The Limited Partnership was formed in 1988. The imaging center, which is adjacent to the Hospital’s Emergency Department, is in a building constructed by the Hospital and leased to the Limited Partnership. The Limited Partnership agreement does not commit the Hospital to fund any operational or capital deficits.
- **Access Rehab Centers LLC (65% owner).** Access Rehab Centers LLC (“Access”) is a limited liability company formed in 1998 and owned by the Hospital and Easter Seal Rehabilitation of Greater Waterbury, Inc. It offers the region’s largest and most comprehensive array of outpatient physical, occupational and speech therapy to adults and children. Access also provides physical therapy services on an inpatient basis to Waterbury Hospital. The two main facilities, located at 134 Grandview Avenue and 22 Tompkins Street, specialize in pain management, neurologic rehabilitation and therapies aimed at returning the patient to the work place. Access has nine additional outpatient locations serving the surrounding community.
- **Imaging Partners LLC (85% owner).** Imaging Partners LLC is a limited liability company owned by the Hospital and a private radiology practice, Diagnostic Radiology Associates, LLC. Formed in 2001, Imaging Partners offers advanced, multi-slice CT scanning services. Located at 134 Grandview Avenue in Waterbury in a convenient medical office building setting, this partnership is a key component of Waterbury Hospital’s outpatient imaging network.
- **Waterbury Gastroenterological Co-Management Company, LLC.** Waterbury Gastroenterological Co-Management Company, LLC, is a limited liability company established to provide management services to Waterbury Hospital to improve and, where appropriate, maintain the overall quality, efficiency, and effectiveness of the Hospital’s gastroenterology service line. The Hospital is the sole Class H Member and has certain management rights; the Physician owners, Class P Members, assist the Hospital in providing such management services.
- **Cardiology Associates of Greater Waterbury, LLC.** Cardiology Associates of Greater Waterbury, LLC is a cardiology practice established in 2010 and owned by the Hospital. The practice is comprised of eight employed board certified cardiologists, three of whom are interventional cardiologists. The practice has approximately 20,000 active patients.

- **Greater Waterbury Health Services (wholly-owned, 100%).** Greater Waterbury Health Services, Inc., a not-for-profit corporation, was organized to provide for the contracting and management of tax-exempt community health services and programs in which GWHN may engage. Currently, there is no activity in this subsidiary.
- **VNA Health at Home (wholly-owned, 100%).** VNA Health at Home, Inc., (“VNA”) is a non-profit, non-stock corporation established in 1939 and affiliated with the Company since 1996. VNA is a home health care agency that provides skilled nursing care, speech, physical and occupational therapy and medical social work throughout the Greater Waterbury region.
- **Greater Waterbury Management Resources (wholly-owned, 100%).** Greater Waterbury Management Resources, Inc. (“GWMRI”), of which the Network is the sole stockholder, is a taxable corporation. GWMRI is a Medical Service Organization originally organized to provide services to effectively manage medical group practices. While GWMRI has been in existence since 1984, there is minimal activity since the formation of and transition to AMG.
- **Children’s Center (wholly-owned, 100%).** Children’s Center of Greater Waterbury Health Network, Inc., (“CCGWHN”) a not-for-profit tax exempt corporation, is a nationally accredited state-licensed childcare center. CCGWHN provides a staff of early childhood professionals to care for children from six weeks to five years of age and has been providing childcare services since 1997.
- **Healthcare Alliance Insurance Company (33% owner).** Healthcare Alliance Insurance Company, Ltd. (“HAIC”) is a Cayman Islands based captive insurance company owned jointly by Griffin Health Services, Milford Health and Medical, Inc., and The Greater Waterbury Health Network, Inc. HAIC was created to offer professional malpractice and general liability insurance coverage to Griffin Hospital, Milford Hospital, and Waterbury Hospital, and members of their respective medical staffs. The Network became a shareholder in 2006 with 33% ownership.

In addition to the above subsidiaries, the Hospital has two 50/50 Joint Ventures with Saint Mary’s Hospital providing specialty services:

- **Harold Leever Regional Cancer Center.** Harold Leever Regional Cancer Center, Inc. (“HLRCC”), a 501(c)(3) corporation, is a 50 / 50 JV between the Hospital and Saint Mary’s. Formed in October 2002, HLRCC combined both hospitals’ existing medical and radiation oncology businesses into one combined program to better meet the needs of the community. HLRCC provides state of the art cancer diagnostic and radiation services with two (2) linear accelerators and a PET/CT Scanner. Located at 1075 Chase Parkway, Waterbury, the building is also home to the area’s two private medical oncology practices.
- **Heart Center of Greater Waterbury.** Heart Center of Greater Waterbury (“HCGW”), a 501(c)(3) corporation, is a 50 / 50 JV between the Hospital and Saint Mary’s. Under this joint program, the two hospitals are able to provide area residents with advanced cardiac services, including cardiac angioplasties and open heart surgery on both hospitals’ campuses. The program performs over 650 angioplasties and 200 open heart surgeries annually.

C. Hospital Overview



Waterbury Hospital provides a variety of health care services including:

- **Orthopedic Services.** Waterbury Hospital, one of the busiest orthopedic centers in New England, receives high marks for outstanding clinical quality, performance and excellence in orthopedics, with special recognition for joint replacement surgery and spinal surgery. The Hospital's orthopedic surgeons specialize in providing diagnosis, treatment and rehabilitation for patients experiencing injury or disease of the bones, muscles, tendons, ligaments and nerves.
 - **The Joint Replacement Center.** The surgeons and staff at the Joint Replacement Center specialize in innovative surgical treatment for patients with knee and hip arthritis, treatment options and replacement options. The center performs more than 900 hip and knee replacements or revisions annually, making it one of the busiest orthopedic centers in the state.
 - **The Shoulder Center.** The Shoulder Center provides evaluation and management of shoulder injuries by experienced, fellowship-trained orthopedic surgeons. High-quality musculoskeletal radiologists, experienced OR teams, a full complement of advanced arthroscopic instrumentation and state-of-the-art rehabilitation combine to make the Hospital a regional leader in shoulder care
 - **Spine Care.** Waterbury Hospital provides care for individuals with a wide range of back and neck problems.
 - **Sports Orthopedics.** Sports Orthopedics uses the most advanced sports medicine and orthopedic practices, protocols and treatments to help patients return to sports. The physicians specialize on the hand, wrist, arm, elbow, foot and ankle.
- **Behavioral Health.** Behavioral Health of Waterbury Hospital employs a multidisciplinary approach and encourages the client to be an active participant in treatment. Through a blending of biologic and psychosocial modalities, the Hospital endeavors to reduce distress, to educate and to heal. The Hospital utilizes state-of-the-art therapies that assist patients in achieving their goals in a manner that preserves privacy and promotes personal dignity and hope. Whenever possible, the Hospital seeks to reduce the stigma associated with mental illness and to promote compassion and understanding.
 - **The Center for Behavioral Health.** Completed in 1997, The Center for Behavioral Health offers state-of-the-art treatment in a therapeutic environment. Located in the Pomeroy Pavilion at the Hospital, the Center for Behavioral Health features specialized units for the treatment of adolescents, adults and older individuals. The treatment team includes psychiatrists, psychologists, social workers, nurses, occupational therapists,

activity therapists and other mental health professionals working collaboratively with patients, families and providers.

- **Chemical Dependence & Dual-Diagnosis Services.** The program offers a range of options for people who have problems with alcohol, opiates, cocaine, cannabis, sedatives and other substances. The treatment team consists of nurses, substance abuse counselors and physicians. The multi-dimensional approach to chemical dependency incorporates medical, behavioral, motivational and harm-reduction strategies.
- **Child and Adolescent Services.** This partial hospital program provides daily intensive treatment in a structured environment. Treatment centers on the child/adolescent at risk and their families and other support systems. Therapies include group, individual and family, as well as other more specialized modalities such as anger management, creative expression, school issues forum, substance abuse treatment and separate male and female treatment groups. Multiple family meetings are offered in both the Partial Hospital Programs and Intensive Outpatient Programs. Intensive Outpatient Programs embrace a broad range of therapeutic techniques designed to assist children / adolescents and their families to work in an intensive and goal-focused manner.
- **Crisis Assessment and Triage Services.** The Crisis Assessment and Triage Service provide easy access to the entire continuum of behavioral health services at the Hospital. These services are available 24 hours per day, seven days per week. Appointments are available within 24 hours; however, clients may also be seen on an emergent/urgent basis.
- **The Comprehensive Center for Arthritis.** The Comprehensive Center for Arthritis specializes in the evaluation and treatment of patients with arthritis and other rheumatologic diseases. The physicians and staff provide diagnostic evaluations, ongoing care for patients with chronic rheumatologic problems and education to patients and their families. Patients also benefit from the physical, occupational and speech therapy services at Access Rehab Centers of Waterbury Hospital.
- **Emergency Services.** The Hospital is a Level II Trauma Center providing optimal care for all critically ill or injured patients.
- **The Family Birthing Center.** The Family Birthing Center offers 24 hour in-house obstetrics and anesthesia coverage by board certified physicians with years of experience. The Hospital's board certified neonatologists and CCMC mid-level practitioners are available to evaluate babies at birth. The neonatal intensive care unit ("NICU") is staffed with specially trained nurses and lactation counselors.



The NICU is a Level II nursery, which cares for babies at 28 weeks gestation and has relationships with tertiary centers if needed. The Family Birthing Center also provides Certified Nurse Midwife service allowing a low-intervention birth in a family-focused environment.

- **Henry S. Chase Outpatient Center.** The Henry S. Chase Outpatient Center offers general primary health care to individuals living in Greater Waterbury. Physicians, registered nurses and allied health professionals also provide orthopedic, surgical, urology, menopause, dermatology, gastroenterology, podiatry and musculoskeletal specialty services.
- **Hospitalist Program.** The Hospitalist Program provides patients with coordinated, seamless care during their stay at the Hospital. Hospitalists are licensed medical doctors, trained in internal medicine, who devote their practice to the unique needs of hospitalized patients. Hospitalists oversee a patient's care from admission to discharge. The hospitalists care for patients around-the-clock and work with private doctors to deliver the right care at the right time and are able to respond quickly and efficiently to changes in a patient's condition that may require a new medication, test or procedure.
- **Intensive Care / Telemetry.** A 20-bed Intensive Care unit and a 30-bed Telemetry unit combines a highly skilled nursing staff with the state-of-the-art technology necessary to meet the needs of patients. A centralized monitor watcher program maximizes the staff's ability to track patients closely. The units are an integral component of the Hospital's designation as a Level II Trauma Center.
- **Laboratory Services.** The Hospital operates nine blood drawing facilities in Waterbury, Middlebury, Naugatuck, Southbury, Thomaston, Watertown and Woodbury.
- **Medical Library.** The library is located on the first floor of the Hospital's North Wing and extends its services to patients, families, the community, and hospital-affiliated physicians, residents and students.
- **Medical Residency Program.** The Hospital is home to a robust medical residency program that is sponsored by the Yale School of Medicine and has the distinction of being the single, major community hospital training site for the Yale School of Medicine's Primary Care and Internal Medicine Residency Program. Since 1989, over 200 doctors have trained in the program. Since the program's inception, over 90 of these residents have continued to practice in Connecticut. Seven Alliance Medical Group primary care internists have trained in the Waterbury Hospital based program.
- **Outpatient Testing.** Outpatient Testing is located on the ground floor and provides testing including clinical laboratory testing, autologous donation services, EKG testing and preoperative assessments and instructions. It offers convenience by enabling patients to complete their testing needs in one convenient location.
- **Pharmacy Program.** The Hospital offers a PGY-1 clinical Pharmacy Residency Program and is accredited by the American Society of Health-System Pharmacists ("ASHP") with two resident positions available each year. The Hospital also participates in the Resident Match Program.

- **Reed Cardiology.** The Reed Cardiology Department provides cardiac and pulmonary patients with exceptional, individualized medical services from diagnostic to rehabilitation. The staff consists of cardiologists, registered and practices nurses, nurses, physical and respiratory therapists and technicians, invasive and non-invasive cardiopulmonary technicians, exercise specialists, as well as registered echocardiography, nuclear medicine and EKG technicians.
 - **Invasive Cardiac Testing and Intervention.** Services include cardiac catheterization and coronary angioplasty/stent.
 - **Non-Invasive Heart Testing.** Services include echocardiogram, trans-esophageal echocardiogram, treadmill stress testing, nuclear stress testing, pulmonary function test, exercise physiology test, holter monitory and pacemaker clinic.
 - **Cardiopulmonary Rehabilitation.** Twenty-four hour patient monitoring and extensive wellness and rehabilitation services for cardiac and pulmonary patients are also offered. Services include inpatient cardiac rehabilitation (phase I), outpatient cardiac rehabilitation (phase II), cardiac rehabilitation (phase III), Volunteer Visitation Program and Healthy Hearts Club.
- **The Reed Surgery Center.** The Reed Surgery Center (“Reed”) is equipped with the latest surgical instrumentation, including minimally-invasive technology. There are approximately 6,000 out-patient surgeries a year at the Hospital. One Day Surgery routinely handles general, gynecological, and orthopedic procedures, as well as all non-surgical procedures and post-operative care, including liver biopsy, cardioversion, anesthesia procedures, bronchoscopy, arteriogram preparation and recovery, cardiac catheterization recovery and MRI and CT-Scan sedation.
- **Sleep Lab.** The facility is dedicated to sleep disorders through sleep consultations and customized treatments. More than 30 percent of individuals suffer from a sleep-related problem which may include severe snoring sleep apnea, restless legs syndrome, narcolepsy and insomnia. Sleep disorders can result in a wide range of problems including worsening of depression, high blood pressure, ADHD in all ages and increased risk of coronary artery disease. The Sleep Lab has one off campus location in Middlebury.
- **Surgical Residency Program.** The Hospital’s surgical residency program is one of the few remaining independent surgical residency programs in the country, providing a full spectrum of surgical experiences for its trainees. The Hospital’s residents have access to general surgery, ENT, urology, plastics, GYN, neurosurgery and orthopedic cases. As a Level II Trauma facility, they also receive education and experience in the trauma specialty. The Surgical Residency Program also trains medical students from the University of Connecticut School of Medicine and PA students from Quinnipiac University. The residents rotate at Yale New Haven Hospital, Hartford Hospital and Connecticut Children’s Medical Center. Over 60 years old, the surgical residency program has graduated over 120 surgeons, many of whom have accepted prestigious fellowship appointments at prominent hospitals across the country. Four of the five surgeons in Alliance Medical Group have trained in the Waterbury Hospital based program.

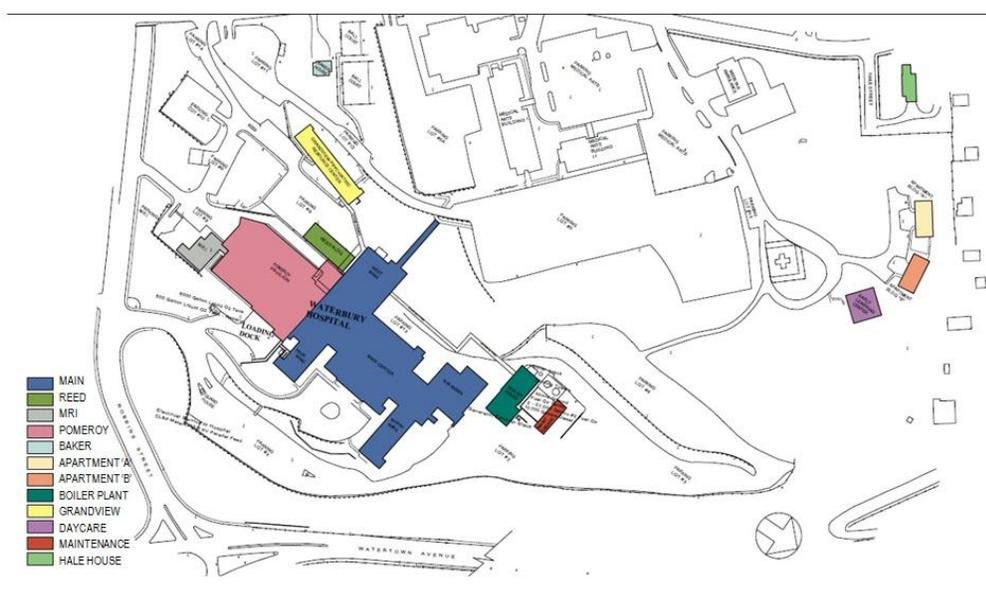
The Stroke Center. The Hospital is certified by the Connecticut Department of Public Health as a Primary Stroke Center. Waterbury Hospital provides the very latest and best treatment options for stroke victims. The Stroke Center team treats patients who have had strokes and TIAs (transient

ischemic attacks) by providing emergency stroke treatment, as well as education for hospital inpatients and the community on stroke risk factors and warning signs, stroke prevention and rehabilitation.

D. Facilities

The Hospital campus is located on 38 acres in the west side of Waterbury at the cross roads of Route 8 and Interstate 84. The lower campus, accessed from Robbins Street, is home to the main hospital facilities, including inpatient, outpatient and emergency services. The Pomeroy Pavilion houses all of the inpatient services. The Reed Surgical Center is a state of the operating suite where advanced cardiac surgery is performed. The upper campus, accessed from Grandview Avenue, offers a suite of Medical Offices as well as the Children’s Center and helipad. Also accessed from Grandview Avenue is the outpatient Behavioral Health Services. The Development Office sits adjacent to the upper campus.

Table 4.3: Waterbury Hospital Facility Map



The Hospital consists of 12 floors, with additional lower and ground levels. The following tables are representative floor plans of several of the floors:

Table 4.4: Waterbury Hospital Facility Map – Lower Level



Table 4.5: Waterbury Hospital Facility Map – Ground Floor

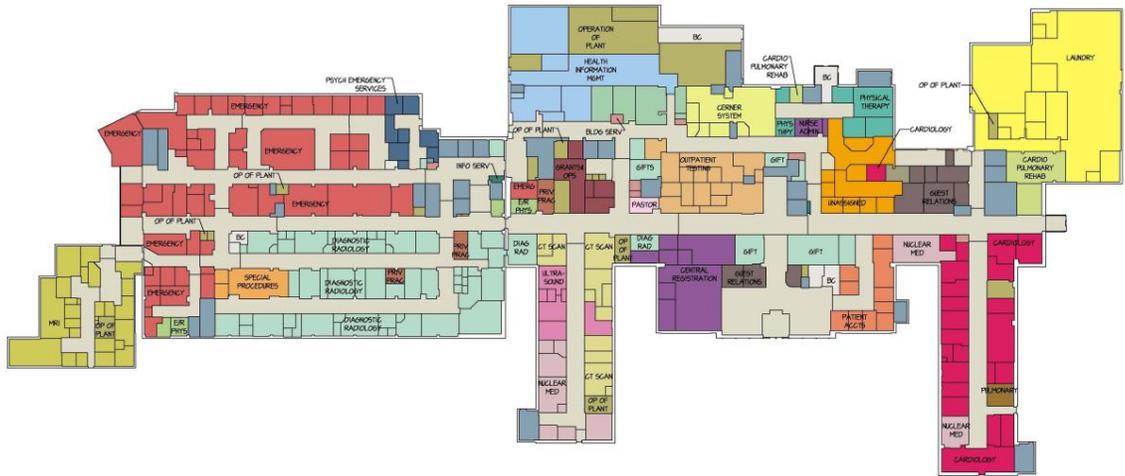


Table 4.6: Waterbury Hospital Facility Map – First Floor

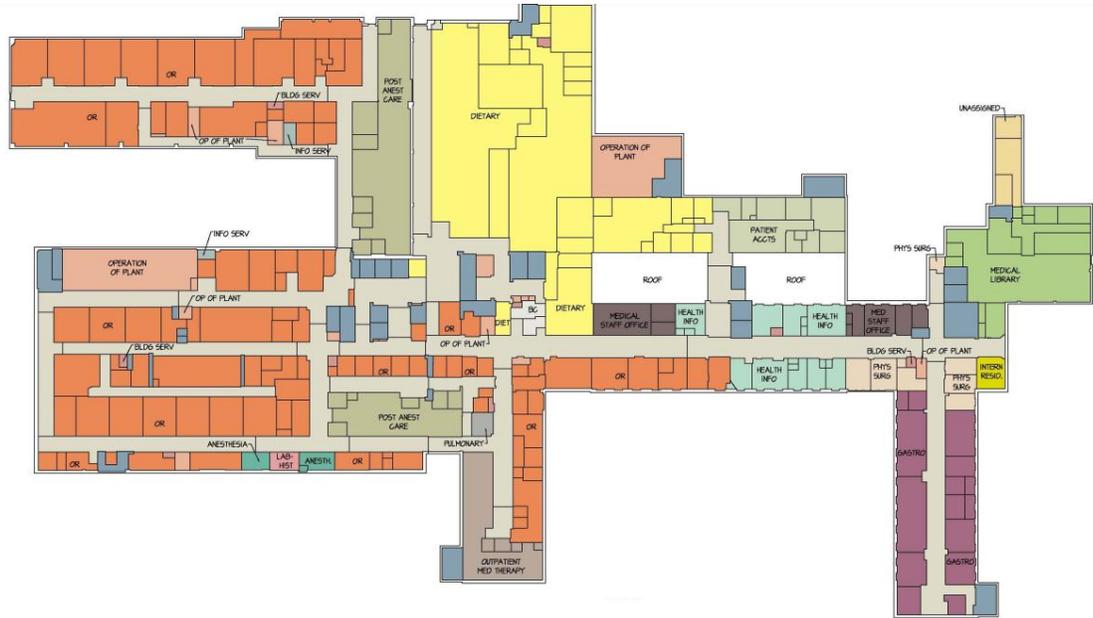


Table 4.7: Waterbury Hospital Facility Map – Second Floor

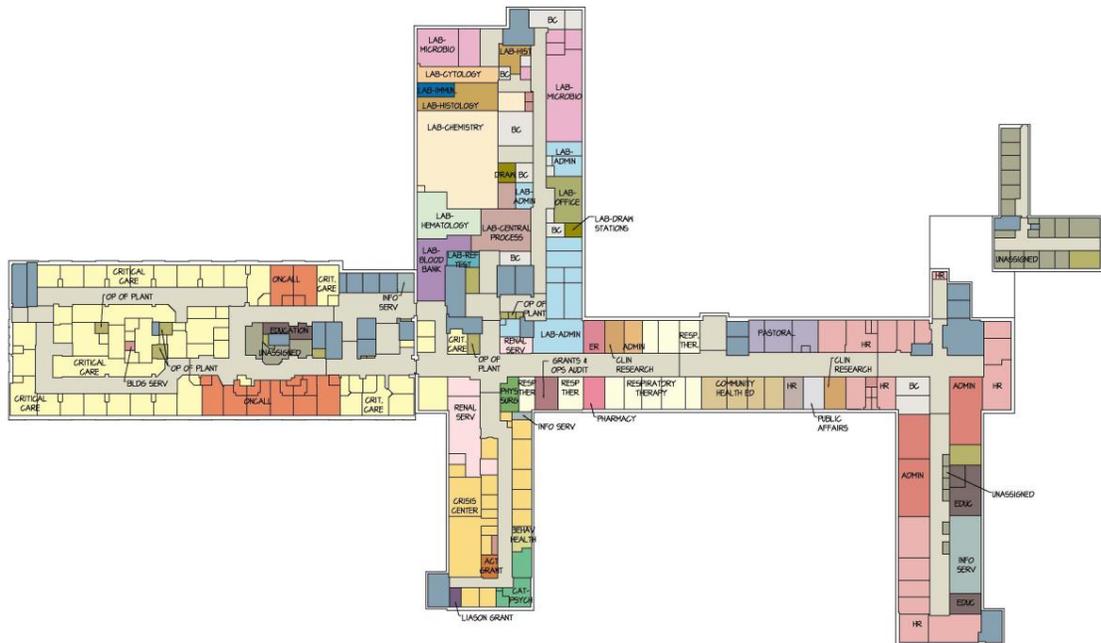


Table 4.8: Waterbury Hospital Facility Map – Third Floor



Table 4.9: Waterbury Hospital Facility Map – Fourth Floor

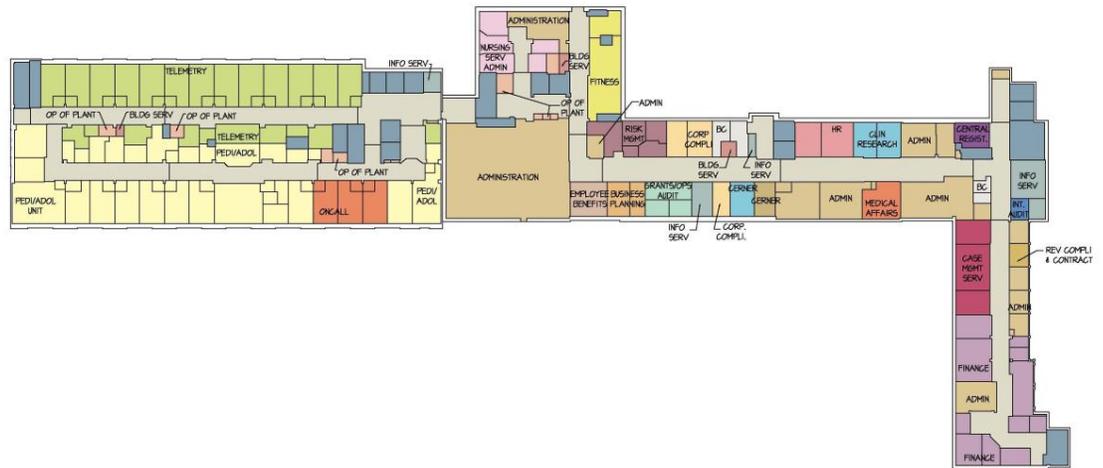


Table 4.10: Waterbury Hospital Facility Map – Fifth Floor

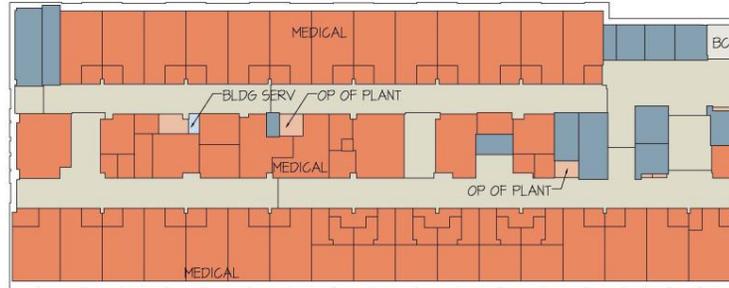


Table 4.11: Waterbury Hospital Facility Map – Sixth Floor

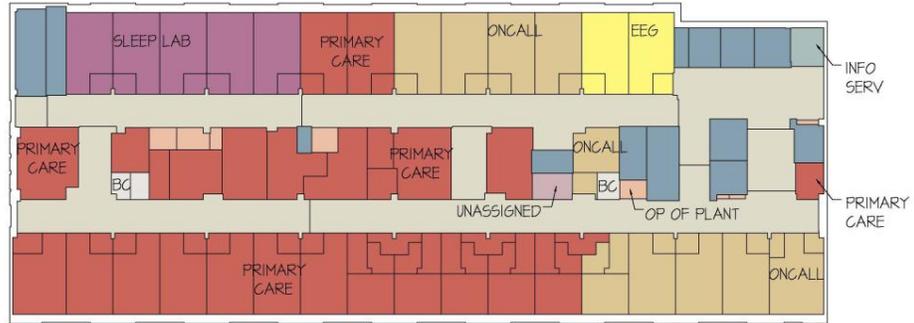


Table 4.12: Waterbury Hospital Facility Map – Seventh Floor

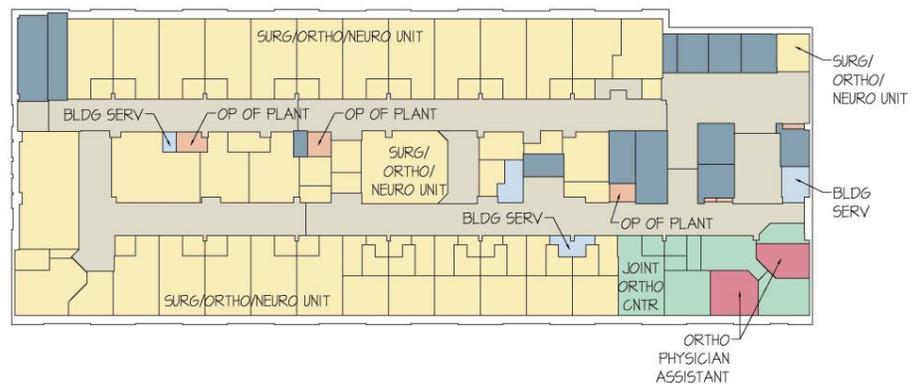


Table 4.13: Waterbury Hospital Facility Map – Eighth Floor

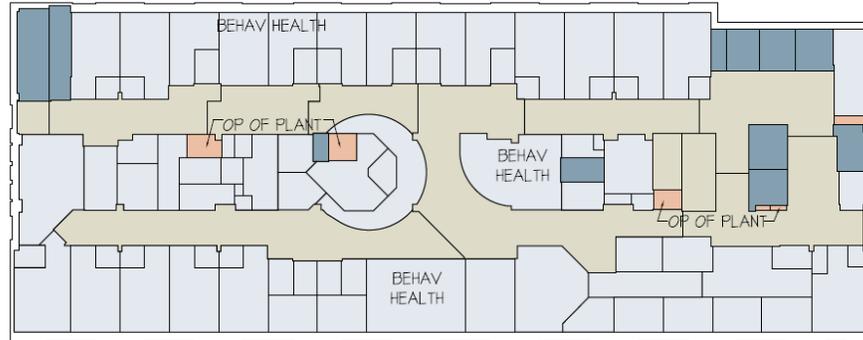


Table 4.14: Waterbury Hospital Facility Map – Ninth Floor

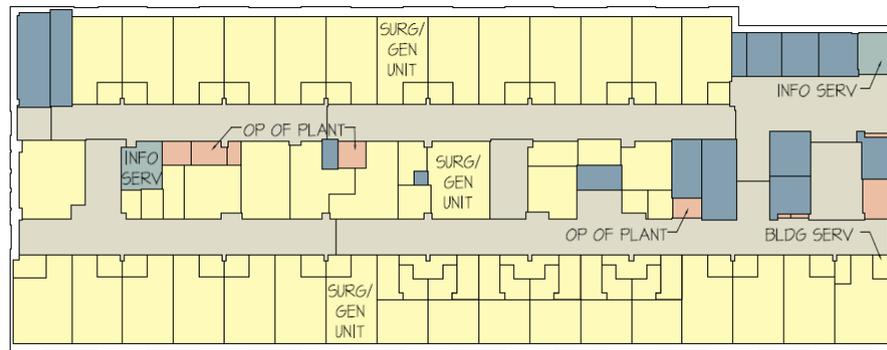
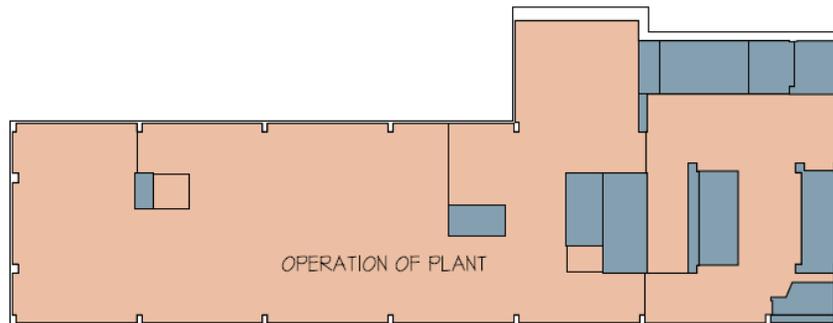


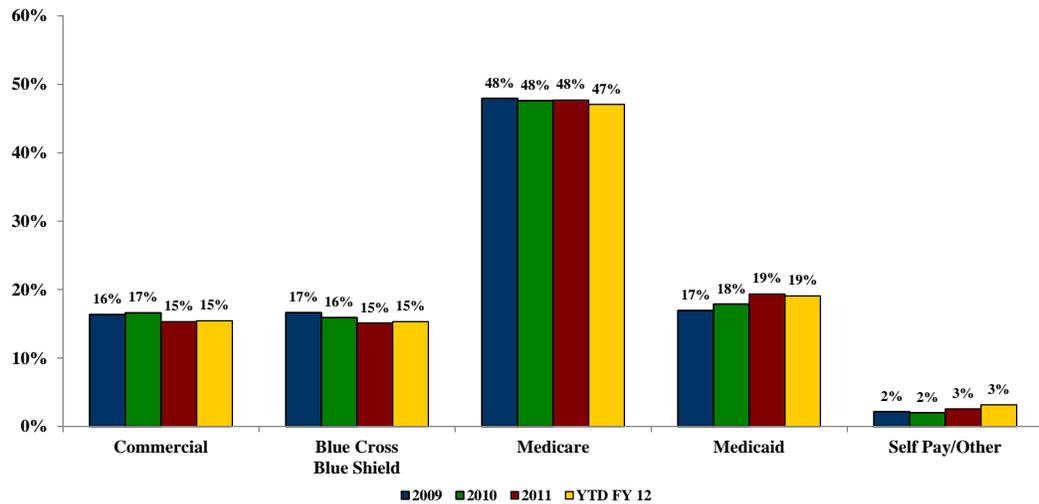
Table 4.15: Waterbury Hospital Facility Map – Tenth Floor



E. Payor Mix

The Hospital's payor mix has remained relatively steady since 2007. The Hospital's historical payor mix is as follows:

Table 4.16: Waterbury Hospital Historical Payor Mix (by Gross Revenue)



Note: Fiscal year ends September 30

The Hospital's payors are comprised primarily of Commercial, Blue Cross Blue Shield and government payors including Medicare and Medicaid.

- **Commercial.** The Hospital has contracts with PPO and/or PPO/HMO/POS managed care organizations that account for about 15% of the Hospital's payor mix.
- **Blue Cross Blue Shield.** The Hospital contracts with Anthem Blue Cross Blue Shield, which comprises about 15% of the Hospital's payor mix.
- **Medicare.** The Hospital's Medicare revenues are generated through both traditional and Medicare Advantage programs. Medicare comprises about 47% of the Hospital's payor mix. As the population continues to age, the Hospital expects to see a continuing increase in Medicare's portion of the payor mix, along with a corresponding increase in the losses associated with the provision of this care.
- **Medicaid.** The Hospital's Medicaid revenues are derived from Aetna Better Health, AmeriChoice, CHN, State Medicaid and Medicaid LIA. Overall, Medicaid comprises about 19% of the Hospital's payor mix.
- **Self Pay/Other.** The uninsured patient population and other payors comprise about three percent of the Hospital's payor mix.

F. Utilization Statistics

The Hospital's historical utilization statistics are as follows:

Table 4.17: Waterbury Hospital Only Utilization Statistics

	2009	2010	2011	For the 10 Months Ended July 31, 2012
Inpatient Admissions				
Adults & Children	12,707	11,921	11,634	9,312
Newborns	1,221	1,125	1,124	939
Total	13,928	13,046	12,758	10,251
Patient Days				
Adults & Children	63,850	55,788	55,209	45,258
Newborns	3,832	3,483	3,571	2,982
Total	67,682	59,271	58,780	48,240
Average Length of Stay (days)				
Adults & Children	5.02	4.68	4.75	4.86
Newborns	3.14	3.10	3.18	3.18
Average	4.86	4.54	4.61	4.71
Daily Patient Census				
Adults & Children	175	153	151	149
Newborns	10	10	10	10
Total	185	162	161	159
Percent of Occupancy (Based on staffed beds)	96.08%	85.79%	84.76%	97.75%
Ambulatory Surgery Cases	4,513	4,504	4,644	4,081
Emergency Department Visits (Inpatient and Outpatient)	58,561	58,443	57,816	47,180
Patient Care Services				
CT Scans	22,435	21,253	17,829	12,996
Drug Orders Dispensed	1,876,529	1,474,965	1,442,901	1,417,420
EEG Exams	2,510	2,193	1,759	1,554
EKG Exams	30,350	29,466	30,975	25,154
Laboratory tests	1,168,999	1,090,040	1,114,691	947,411
Meals served to patients	170,918	167,364	165,627	135,774
Nuclear medicine treatments (contains drugs)	12,719	9,098	8,949	6,552
Psychiatric visits	29,060	27,272	27,297	24,065
Pulmonary disease treatments	83,186	73,746	71,887	60,202
Surgical operations	8,680	7,776	7,517	6,228
Ultrasound exams	8,996	9,267	9,128	7,207
X-ray exams	52,250	48,358	46,298	36,134

Note: Fiscal year ends September 30

G. Procedure Mix

The Hospital provides a wide breadth of services to the community. Its procedure mix is as follows:

Table 4.18: Waterbury Hospital Only Historical Procedure Mix – Inpatient Cases

	2009	2010	2011	For the 10 Months Ended July 31, 2012
Medical*	5,332	4,941	4,963	4,044
Medical Cardiology	1,517	1,340	1,408	1,149
Newborn	1,230	1,129	1,126	940
Maternity	1,202	1,114	1,109	925
Mental Disease/Substance Abuse	794	916	860	790
Surgical	1,074	960	947	692
Major Joint	958	963	724	499
Ortho	423	404	384	305
Angioplasty	334	339	366	223
Surgical Cardiology	277	249	207	179
Neurosurgery	145	135	152	157
Ortho Nonsurgical	161	142	154	118
Urology	228	180	178	145
Gynecology	253	234	176	85
Total Cases	13,928	13,046	12,754	10,251

Source: Company Reports

Note: Fiscal year ends September 30

*Includes pediatric inpatient cases

Table 4.19: Waterbury Hospital Only Historical Contribution Margin – Inpatient Cases

	2009	2010	2011	For the 10 Months Ended July 31, 2012
Surgical Cardiology	\$7,466	\$5,422	\$5,193	\$6,986
Major Joint	5,484	7,513	7,066	6,269
Ortho	4,288	7,187	3,617	6,055
Surgical	6,350	7,502	5,960	5,760
Neurosurgery	7,367	6,539	8,739	5,691
Medical*	4,179	4,473	3,843	3,795
Angioplasty	6,232	4,309	2,739	3,623
Medical Cardiology	3,709	3,830	2,926	2,911
Mental Disease/Substance Abuse	2,097	2,112	1,816	2,732
Ortho Nonsurgical	2,437	3,338	3,928	2,657
Urology	4,144	3,848	3,642	2,468
Newborn	1,600	878	913	1,423
Gynecology	1,419	1,669	1,365	910
Maternity	1,335	262	981	704
Inpatient Contribution Margin / Case	\$3,873	\$4,066	\$3,396	\$3,463

Source: Company Reports

Note: Fiscal year ends September 30

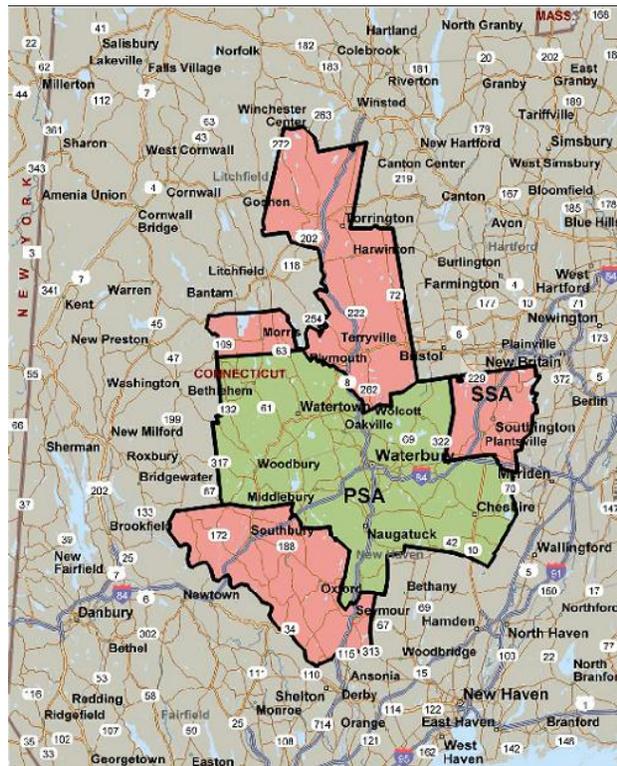
*Includes pediatric inpatient cases

V. Service Area Profile

The Hospital’s primary service area, with a total population of approximately 270,000, includes eight towns in New Haven County: Beacon Falls, Cheshire, Middlebury, Naugatuck, Prospect, Southbury, Waterbury and Wolcott and four towns in Litchfield County: Bethlehem, Thomaston, Watertown/Oakville and Woodbury. 90 percent of Waterbury Hospital in-patients live within the primary market. Residents of the City of Waterbury account for approximately 46% of all inpatient discharges.

The secondary service area includes six towns: Morris, Oxford, Plymouth/Terryville, Seymour, Southington/Plantsville and Torrington.

Table 5.1: Waterbury Hospital Service Area Map



A. Demographics

The Hospital is located in the City of Waterbury, the fifth largest city in Connecticut. The City of Waterbury has approximately 110,000 residents, with the gender breakdown approximately an even split (53.0% female / 47.0% male). The City is also relatively young with a median age of 34.7 years.

According to the American Community Survey 2006-2010, the racial breakdown of the City of Waterbury is predominantly white/Caucasian, with a large minority of African Americans and small minority of Asians. The median household income of the Waterbury is approximately \$40,000. The most recent unemployment rate of Waterbury was higher than the national trend, at 12.1%.

Table 5.2: Market Demographics

	<u>City of Waterbury</u>	
Male	51,341	46.7%
Female	58,600	53.3%
Total Population	109,941	100.0%
<u>Age</u>		
0-19 years	32,551	29.6%
20-54 years	52,039	47.3%
55-84 years	22,393	20.4%
85+ years	2,958	2.7%
Median Age	34.7	
<u>Race</u>		
White alone	66,179	60.2%
Black or African American alone	20,771	18.9%
Asian alone	2,051	1.9%
Two or more races	6,071	5.5%
Other	14,869	13.5%
Median Household Income	\$40,254	
Mean Household Income	\$52,432	
High school degree or higher	78.5%	
Unemployment rate	12.1%	
<u>Industry of Employed over 16 Years of Age</u>		
Agriculture, forestry, fishing and hunting and mining	84	0.2%
Construction	2,836	6.0%
Manufacturing	6,927	14.7%
Wholesale trade	982	2.1%
Retail trade	6,286	13.3%
Transportation and warehousing and utilities	2,134	4.5%
Information	1,018	2.2%
Finance and insurance, real estate, rental and leasing	2,740	5.8%
Professional, scientific, and management and administrative & waste management services	2,885	6.1%
Educational services and health care & social assistance	13,177	28.0%
Arts, entertainment, recreation, accommodation and food services	3,738	7.9%
Other services, except public administration	2,007	4.3%
Public administration	2,293	4.9%
Total	47,107	100.0%

Source: U.S. Census Bureau, 2006-2010 American Community Survey

B. Competition

Waterbury Hospital has maintained a strong market position in its Primary Service Area driven by its community reputation as a quality service provider.

Table 5.3: Competitive Landscape



	Distance from WH	Staffed Beds	Admissions	Census	Outpatient Visits	Births
1) Waterbury Hospital	-	190	12,758	161	199,978	1,124
2) Saint Mary's Hospital	1	181	11,198	138	233,332	1,082
3) Bristol Hospital	10	115	NA	NA	NA	NA
4) MidState Medical Center	13	130	8,873	110	158,405	945
5) Griffin Hospital	16	111	7,109	87	186,418	611
6) The Hospital of Central Connecticut	16	263	17,763	208	325,106	1,760
7) The Charlotte Hungerford Hospital	17	105	NA	NA	NA	NA
8) Hospital of Saint Raphael	18	406	NA	NA	NA	NA
9) New Milford Hospital	18	62	2,251	24	114,236	261
10) Yale-New Haven Hospital	19	959	52,302	712	413,090	4,318
11) Veterans Affairs Connecticut Healthcare System	20	200	NA	NA	NA	NA
12) Middlesex Hospital	21	209	12,767	150	1,370,876	1,151
13) Danbury Hospital	23	325	18,754	247	384,655	2,164
14) Connecticut Children's Medical Center	24	147	6,753	101	145,134	NA
15) Hartford Hospital	24	601	37,404	576	202,847	3,792
16) Milford Hospital	24	87	NA	NA	NA	NA
17) Saint Francis Hospital and Medical Center	24	566	28,881	406	311,953	2,771
18) Bridgeport Hospital	26	373	16,955	273	250,040	2,163
19) St. Vincent's Medical Center	26	376	20,689	326	226,617	1,152

Source: American Hospital Association Guide 2011

The Hospital’s primary competitors are considered:

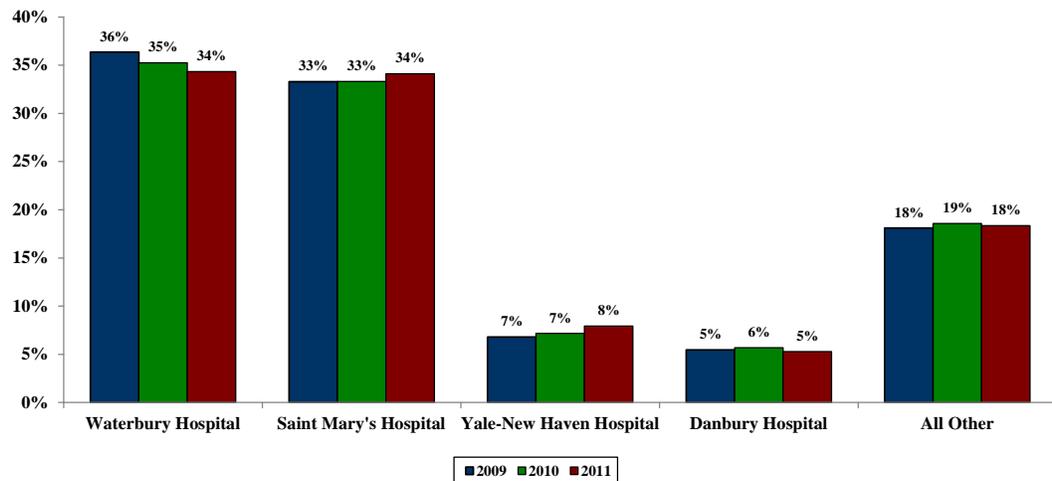
Saint Mary’s Hospital – located one mile away from the Hospital, Saint Mary’s is an acute care community teaching hospital that has served Greater Waterbury for more than 100 years. Licensed for 347 beds, Saint Mary’s has designated Level II Trauma Center and Primary Stroke Center, and offers several acute care services including cardiac, pediatric emergency and surgical services.

Yale-New Haven Hospital – located 19 miles south of the Hospital, Yale-New Haven is a 966-bed, not-for-profit hospital serving as the primary teaching hospital for the Yale School of Medicine. The Yale-New Haven Hospital complex includes Yale-New Haven Children’s Hospital, Yale-New Haven Psychiatric Hospital and Smilow Cancer Hospital at Yale-New Haven. Yale-New Haven has a combined medical staff of about 2,200 university and community physicians practicing in more than 100 specialties. The Yale-New Haven Health System consists of Yale-New Haven Hospital and its affiliates, Bridgeport Hospital and Greenwich Hospital. In September 2012, Yale-New Haven Hospital acquired the Hospital of Saint Raphael, a 511-bed community teaching hospital also in New Haven.

Danbury Hospital – located 23 miles west of the Hospital is a 371-bed regional medical center and university teaching hospital associated with Yale University School of Medicine, the University of Connecticut School Of Medicine, and the University of Vermont. On October 1, 2010, Danbury Hospital and New Milford Hospital affiliated into “Western Connecticut Healthcare Network” and announced in early 2012 that it was exploring a partnership with Norwalk Hospital.

The Hospital has a strong market position in its PSA with 34% of the total PSA volume.

Table 5.4: Top 5 Primary Service Area Competitors



Source: Company Reports
 Note: Fiscal year ends September 30

VI. Organization and Management

A. Organizational Structure and Employees

As of August 31, 2012, the Hospital had a total full time employee count of 1,265.69 FTEs. The following is the Hospital's FTEs by department:

Table 6.1: Waterbury Hospital Only Full Time Employees

(as of August 31, 2012)

<u>Department</u>	<u>FTEs Assigned</u>	<u>Department</u>	<u>FTEs Assigned</u>
Administration	5.07	Lab - Office Staff	4.48
Administrative Finance	0.63	Lab - Shift 2	8.80
Adolescent PHP & IOP	6.80	Lab - Shift 3	4.51
American Savings Foundation	0.09	Main PACU	9.58
ATT Adult Outpatient	2.81	Medical Affairs	2.00
Bed Control	3.48	Medical Library	1.60
Behavioral Health Consults	0.98	Medical Staff Office	1.01
Cardiac Diagnostic Center	17.26	Medical Unit	49.46
Cardiac Unit	21.76	Middlebury X-Ray	1.48
Cardio Pulmonary Rehab	3.03	Nuclear Medicine	2.51
Cardiology	16.26	Nursing Service Admin	10.70
Case Management	17.04	Operating Room	48.11
Center for Behav Health	57.02	OR Administration	4.91
Central Registration	30.99	Outpatient Med Therapy	5.55
Central Sterile Processing	15.23	Outpatient Testing	3.70
Children's Behav Health	3.88	P6 Med/Surg	33.49
Clinical Chemistry	10.92	Parent Trust Grant	0.63
Clinical Engineering	6.91	Partial Hospital Day Program	1.23
Crisis Center	12.97	Patient Accts/Finl Srvs	19.73
Critical Care Unit	39.51	Performance Improvement	4.71
CT Scan	9.01	Perinatology	0.80
CVU,Int Care & Tele Float Pool	1.77	Pharmacy	34.84
DBTIOP Grant	2.81	Plant Engineering	18.17
Development	1.04	Pre-Operating	15.49
Diagnostic Radiology	24.20	Primary Care	45.25
Disability Services	6.67	Private Fdn Grants	3.66
Disaster Preparedness	0.14	Psych Addiction Services	12.02
DMHAS Outpatient Grant	2.17	Psych Admin	1.26
DPH-WHAP State Approp Fd	6.91	Psych Assess & Triage	3.92
Education & Org Dev	5.01	Psych Emergency Srvs BHED	10.40
EEG	1.23	Psych O/P Services	12.27
Emergency Department	81.85	Public Affairs	2.00
Employee Benefits	0.23	Pulmonary Function	0.41
Family Birthing Center	43.49	Purchasing	6.02
FBC Admin	1.53	Radiology Special Procedures	6.24
Finance	11.54	Reed PACU	11.26
Floats	11.72	Respiratory Therapy	18.09
Gastroenterology	10.90	Respite Grant	0.38
Geriatric IOP & Outpt	4.87	Risk Management	2.00
Grants & Operations Audit	1.75	RW Yale SPNS	3.29
Health Information Mgmt	30.41	Ryan White I Grant	0.98
Human Resources	10.17	Ryan White III Grant	2.02
I/P Psych DHMAS Grant	0.12	Ryan White Part C Sup Fd	0.01
Information Services	32.32	Safety/Security	22.51
Interns & Residents	14.19	Shelter Grant	1.65
Konica, Clinical Trials	0.50	Sleep Lab	5.93
Lab - Administration	1.99	Special Care Nursery	11.66
Lab - Blood Bank	5.62	Storeroom/Receiving	5.81
Lab - Central Process	7.83	Surg/Gen Unit	51.86
Lab - Cytology	1.26	Surg/Ortho/Neuro Unit	34.91
Lab - Draw Stations	15.96	Telemetry	55.88
Lab - Hematology	4.89	Trauma Program	1.26
Lab - Histology	3.40	Ultrasound	4.98
Lab - House Calls	0.88	Yale New Hope	0.76
Lab - Microbiology	8.49	Total FTEs	1,265.69

The Hospital has a diverse medical staff with a total active medical staff of 362 physicians, comprised of physicians and dentists categorized within 30 specialty areas. Management believes there is a significant opportunity for a strategic partner to provide additional resources and enhance physician recruitment efforts.

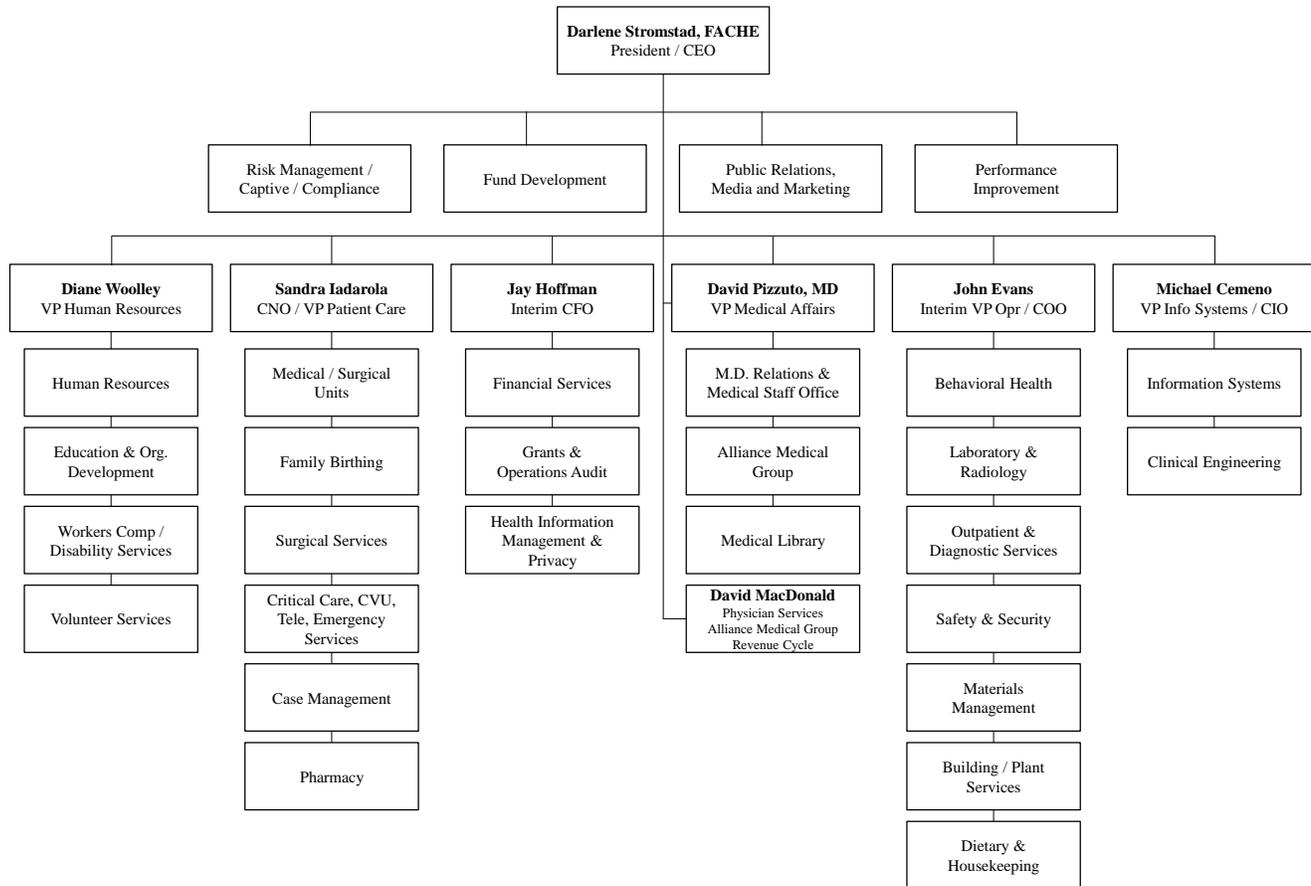
Table 6.2: Physician Staff

(as of September 10, 2012)

Clinical Services	Number of Total Attending Physicians	Average Age	Board Certified	
			Number	Percent
MEDICINE:				
General Medicine	82	45	82	100%
Cardiology	18	52	18	100%
Gastroenterology	9	58	9	100%
Oncology	5	50	5	100%
Neurology	5	47	5	100%
Pulmonary	9	52	9	100%
Dermatology	1	35	1	100%
Endocrinology	3	50	3	100%
Infectious Disease	5	40	5	100%
Nephrology	11	52	11	100%
SURGERY:				
General Surgery	12	55	12	100%
Ophthalmology	12	53	11	92%
Orthopedics	18	52	17	94%
Otolaryngology	7	55	7	100%
Urology	7	51	7	100%
Neurosurgery	5	51	5	100%
Plastic Surgery	5	56	5	100%
Oral Surgery	1	56	1	100%
Vascular Surgery	6	43	6	100%
Podiatry	16	53	16	100%
Thoracic Surgery	4	55	4	100%
PEDIATRICS	34	53	34	100%
OB/GYN	22	50	22	100%
PSYCHIATRY	11	61	11	100%
OTHER:				
Anesthesiology	16	53	16	100%
Pathology	3	47	3	100%
Radiology	9	55	9	100%
Emergency Medicine	20	43	20	100%
Rheumatology	3	51	3	100%
Physical Medicine	3	38	3	100%
TOTAL	362	50	360	99%

The table below sets forth Waterbury Hospital's corporate organization structure:

Table 6.3: Waterbury Hospital Management Organization



B. Collective Bargaining Units

Nursing, service and maintenance employees are represented by unions. Registered nurses and licensed practical nurses are represented by the Connecticut Health Care Associates, National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO. The collective bargaining contracts for these unions are in effect until September 2013. The service and maintenance department is represented by the New England Health Care Employees Union, District 1199, SEIU/AFL-CIO. Its contract has expired; negotiations are underway.

Table 6.4: FTEs by Union

	<u>FTEs</u>
CHCA Union FTEs	352.97
1199 Union FTEs	183.38
Non-Union FTEs	<u>729.34</u>
Total	1,265.69

C. Executive Leadership Team Biographies

The responsibility for day-to-day operations and implementation of the Board of Trustees policies rests with Management. The Management team is led by:

Table 6.5: Waterbury Hospital Management Team

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>Years with Waterbury Hospital</u>
Darlene Stromstad, FACHE	President and CEO	56	1
David Pizzuto, MD	VP of Medical Affairs and Chief Medical Officer	57	24
Sandra Iadarola, RN	Chief Nursing Officer, VP of Patient Care	60	10
Diane Woolley	VP of Human Resources	45	5
Michael Cemenio	VP of Information Services	56	2
David MacDonald	Interim VP of Physician Services	42	1
Jay Hoffman	Interim VP of Finance	59	0
John Evans, FACHE	Interim VP of COO	57	1

Darlene Stromstad, FACHE, President and Chief Executive Officer. Ms. Stromstad joined the Hospital in July 2011 as its new President and Chief Executive Officer. Prior to coming to the Hospital, Ms. Stromstad served as President and Chief Executive Officer of Goodall Hospital and its community affiliates in Sanford, Maine for six years. Prior to becoming CEO of Goodall Hospital in 2005, she held the positions of Senior Vice President at Catholic Medical Center from 1999 to 2004, Senior Vice President at Olympus Healthcare from 1997 to 1999, and Vice President at St. Joseph Healthcare from 1988 to 1996. Ms. Stromstad holds an MBA from Rivier College and a Bachelor of Arts degree from the University of North Dakota. Ms. Stromstad is a Fellow and Member of the Board of Governors for the American College of Healthcare Executives.

David Pizzuto, MD, Vice President of Medical Affairs and Chief Medical Officer. Dr. Pizzuto became the Vice President of Medical Affairs/CMO in June 2011. A graduate of The Waterbury Hospital Internal Medicine Residency Program, he has been a member of the Attending Medical Staff for 24 years. In addition to his administrative duties, Dr. Pizzuto also continues to practice Internal Medicine full time. Dr. Pizzuto has held various leadership roles at Waterbury Hospital including Chairman of the Department of Medicine, Chief of Staff, and member of the Board of Trustees. Dr. Pizzuto holds an M.D. from New York Medical College, a Master of Science from the University of Minnesota, and a Bachelor of Science from the University of Connecticut. He is certified by the American Board of Internal Medicine.

Sandra Iadarola, RN, Chief Nursing Officer and Vice President of Patient Care. Ms. Iadarola joined the Hospital in March 2002 and served as the Administrative Director of Medical/Surgical and Critical Care Services until assuming the Chief Nursing Officer role in February 2011. Prior to coming to the Hospital, Ms. Iadarola was the Vice President of Patient Care Services at Charlotte Hungerford Hospital in Torrington, Connecticut. She had worked in progressive management positions during her 14 years there. Ms. Iadarola holds a Bachelor of Science degree in nursing from the University of Connecticut, a Masters of Business Administration with a healthcare concentration from Rensselaer Polytechnic Institute, and is a Certified Professional in Healthcare Quality.

Diane Woolley, Vice President, Human Resources. Ms. Woolley joined the Hospital in March 2007 as Administrative Director of Human Resources and has held the position of Vice President since July 2011. Prior to coming to the Hospital, Ms. Woolley served as Director of Human Resources with Smiths Interconnect/Times Microwave Systems for seven years and with United Technologies Corporation for

eight years. Ms. Woolley holds an MBA, a Master's of Science in Human Resource Management both from Rensselaer at Hartford, and a Bachelor of Science degree from Post University.

Michael Cemeno, Vice President, Chief Information Officer. Mr. Cemeno joined Waterbury Hospital in March 2011 as Chief Information Officer. Prior to coming to the Hospital, Mr. Cemeno served as Associate Chief Information Officer at Yale New Haven Health System for nine years. Prior to becoming Associate CIO, he held the position of Vice President of IT and CIO at Greater Hudson Valley Health System for five years. Mr. Cemeno holds a Bachelor Degree in Business Administration from Temple University in Philadelphia.

David MacDonald, Interim Vice President, Physician Services. Mr. MacDonald joined Waterbury Hospital in May 2011 and is Vice President of Physician Services for Waterbury Hospital and Alliance Medical Group. Prior to working with the Hospital, Mr. MacDonald worked at a major academic medical center in Boston. Founder of Aegle Advisors, Mr. MacDonald spent nearly two decades developing leadership skills in a multitude of areas including healthcare delivery strategy, finance, and operations in a variety of for-profit and not-for-profit healthcare settings. Mr. MacDonald spent several years as a healthcare consultant and attorney in the Commonwealth of Massachusetts. He was also Vice President of Finance, CFO, and In-House Counsel for a healthcare services organization in Southeastern United States. Mr. MacDonald holds a Bachelor of Science degree in Accounting from West Virginia University, a Juris Doctorate from Roger Williams University in Rhode Island, and an Executive MBA from Emory University in Atlanta.

Jay Hoffman, Interim Chief Financial Officer. Mr. Hoffman joined the Hospital in August 2012 as its Interim CFO. He has been operating a transitional firm, JH Enterprises, since 2003, which provides transition management services to hospitals, health systems, and multi-specialty physician group practices. Prior to developing JH Enterprises, he served as Vice President of Finance for Clarian Health Partners (known as IU Health), in Indianapolis; Vice President of Corporate Finance for Parkview Health and CFO of its flagship hospital Parkview Hospital, Fort Wayne; Chief Financial Officer of St. Joseph Hospital, Lancaster, PA; Vice President of Finance, Summa Health System, Akron, OH; and Hospital Management Professionals, Inc., Naperville. Mr. Hoffman holds an MBA from LaSalle University, Philadelphia and a Bachelor of Science degree from The Pennsylvania State University. He is a Certified Public Accountant and a Fellow in HFMA.

John Evans, FACHE, Interim Chief Operating Officer. Mr. Evans joined Waterbury Hospital in April 2011 as the Interim COO. Prior to Waterbury he was President of Strategic Alliance Advisors (s2a) for six years. Prior to s2a he was Chief Operating Officer at Fletcher Allen Healthcare, the academic medical center for Vermont. Prior to Fletcher Allen he served with St. Vincent's Health Services (SVHS) in Bridgeport, CT, first as EVP/COO at St. Joseph Medical Center in Stamford, and then as SVP, Operations at St. Vincent's Medical Center in Bridgeport, CT, the acute care hub for SVHS. Prior to SVHS Mr. Evans was President/CEO of NovaMed for five years, a for-profit diversified health services and technology company. During the first ten years of his career, Mr. Evans served in various healthcare executive positions in the US Army. Mr. Evans holds an MHA from Baylor University and a BA from the University of Vermont.

VII. Financial Overview

A. GWHN Historical Financial Statements

Table 7.1: GWHN and Subsidiaries Historical Income Statement

(\$ in millions)

	For the Fiscal Years Ended September 30,				
	2007	2008	2009	2010	2011
Revenues:					
Net revenues from services to patients	\$239.2	\$240.0	\$258.1	\$259.8	\$270.7
Investment related income	6.1	1.3	2.7	1.3	1.5
Other operating revenues	4.7	5.0	3.5	6.8	8.0
Service, sales and rental income	3.3	9.2	9.2	3.6	1.6
Unrestricted gifts and bequests	0.2	0.2	0.5	0.2	0.3
Net assets released from restrictions	4.4	4.7	5.1	5.4	5.9
Total Revenue	\$257.9	\$260.4	\$279.1	\$277.1	\$288.1
<i>% Growth</i>	5.0%	0.9%	7.2%	(0.7%)	4.0%
Expenses:					
Salaries, wages and benefits	148.3	154.4	152.1	158.9	174.3
Supplies, utilities and other	78.5	89.3	90.6	90.9	96.8
Bad debt expense	21.9	17.9	14.4	15.7	11.7
Depreciation	11.0	10.5	9.9	9.8	9.5
Operations improvement	-	-	12.9	2.7	0.3
Interest and Amortization	1.9	1.7	1.6	1.9	1.3
Investment fees and bank charges	0.2	0.2	-	-	-
Total Expenses	\$261.7	\$274.0	\$281.6	\$279.9	\$293.9
Gain (loss) from operations	(\$3.8)	(\$13.6)	(\$2.5)	(\$2.9)	(\$5.8)
Minority interest	(1.4)	(1.1)	(1.3)	(1.0)	(1.1)
Other nonoperating expenses	0.1	(3.1)	0.5	1.4	(2.9)
Total other income (expense)	(\$1.3)	(\$4.2)	(\$0.8)	\$0.4	(\$4.0)
Excess of revenue over expenses	(\$5.1)	(\$17.8)	(\$3.3)	(\$2.5)	(\$9.8)
EBIDA⁽¹⁾	\$9.2	(\$1.2)	\$21.9	\$11.6	\$5.3
<i>Margin</i>	3.6%	(0.5%)	7.9%	4.2%	1.8%
Operating Income⁽¹⁾	(\$1.8)	(\$11.7)	\$12.0	\$1.7	(\$4.2)
<i>Margin</i>	(0.7%)	(4.5%)	4.3%	0.6%	(1.5%)

(1) Excludes one-time fees including operations improvement expenses and investment fees and bank charges

Table 7.2: GWHN and Subsidiaries Historical Balance Sheet

(\$ in millions)

	As of September 30,				
	2007	2008	2009	2010	2011
Current Assets					
Cash and cash equivalents	\$8.6	\$14.5	\$19.3	\$22.3	\$16.7
Short-term investments	0.9	0.9	0.8	0.9	1.0
Accounts receivable, net	36.0	36.9	33.0	32.6	37.0
Other receivables	1.4	0.8	1.1	1.7	2.5
Inventory	0.5	0.6	0.6	0.8	0.9
Prepaid expenses and other	1.5	1.8	1.4	1.4	1.8
Due from third-party reimbursement agencies	-	0.6	-	-	2.6
Due from affiliates	1.1	2.6	1.5	0.2	0.2
Assets whose use is limited and required for current liabilities	3.1	2.7	0.6	0.6	-
Other current assets	0.2	0.3	0.1	-	-
Total Current Assets	<u>\$53.4</u>	<u>\$61.6</u>	<u>\$58.5</u>	<u>\$60.5</u>	<u>\$62.6</u>
Funds held by trustee	\$9.8	\$4.8	\$0.0	-	-
Funds held in escrow by agreement with CHEFA and trustee	2.6	2.6	2.6	2.6	4.0
Assets whose use is limited and required for current liabilities	(3.1)	(2.7)	(0.6)	(0.6)	-
Funds held in trust by others	47.2	38.5	37.9	39.6	37.3
Long-term investments	48.3	33.2	30.2	32.3	29.0
Board-designated endowment funds	-	-	2.7	2.8	2.6
Other investments	0.2	0.1	0.2	0.3	0.1
Prepaid pension and other investments	1.8	-	-	-	-
Loans and other receivables	1.8	1.1	0.9	0.4	0.2
Accrued interest and dividends receivable	0.1	0.1	0.1	0.1	0.0
Goodwill	-	-	-	-	1.8
CHEFA obligations issue expense	0.8	0.7	0.7	0.7	0.4
Property, plant and equipment, net	<u>63.6</u>	<u>57.4</u>	<u>50.1</u>	<u>45.8</u>	<u>52.0</u>
Total Assets	<u>\$226.5</u>	<u>\$197.5</u>	<u>\$183.3</u>	<u>\$184.4</u>	<u>\$190.1</u>
Current Liabilities					
Accounts payable and accrued expenses	\$21.5	\$30.9	\$25.1	\$28.7	\$38.8
Due to third-party reimbursement agencies	2.5	-	1.2	0.4	-
Current portion of CHEFA obligations	0.8	0.8	0.9	0.9	0.5
Current portion of notes payable	5.9	5.0	0.4	0.5	0.6
Due to affiliates	-	0.4	-	0.0	0.0
Total Current Liabilities	<u>\$30.7</u>	<u>\$37.1</u>	<u>\$27.6</u>	<u>\$30.6</u>	<u>\$39.9</u>
Other noncurrent liabilities	\$8.9	\$7.8	\$14.4	\$14.7	\$19.8
CHEFA obligations	22.2	21.4	20.5	19.7	26.6
Notes payable	1.8	0.6	0.6	0.7	1.5
Minority interest	2.5	2.4	2.5	2.9	3.2
Total Liabilities	<u>\$66.1</u>	<u>\$69.3</u>	<u>\$65.6</u>	<u>\$68.6</u>	<u>\$91.1</u>
Net Assets					
Unrestricted	\$96.8	\$76.2	\$69.3	\$65.2	\$52.4
Temporarily restricted	13.5	10.7	7.8	8.3	6.5
Permanently restricted	50.0	41.3	40.7	42.4	40.1
Total Net Assets	<u>\$160.3</u>	<u>\$128.2</u>	<u>\$117.7</u>	<u>\$115.9</u>	<u>\$99.0</u>
Total Liabilities and Net Assets	<u>\$226.5</u>	<u>\$197.5</u>	<u>\$183.3</u>	<u>\$184.4</u>	<u>\$190.1</u>

B. Waterbury Hospital Historical Financial Statements

Table 7.3: Waterbury Hospital and Subsidiaries Historical Income Statement

(\$ in millions)

	For the Fiscal Years Ended September 30,					LTM
	2007	2008	2009	2010	2011	July 2012
Revenues:						
Net revenues from services to patients	\$234.7	\$235.3	\$253.5	\$254.8	\$265.9	\$271.8
Other operating revenues	4.6	5.2	3.3	6.6	7.9	7.4
Net assets released from restrictions	4.4	4.7	5.1	5.4	5.9	5.9
Total Revenue	\$243.8	\$245.2	\$261.9	\$266.8	\$279.7	\$285.0
<i>% Growth</i>	<i>5.0%</i>	<i>0.6%</i>	<i>6.8%</i>	<i>1.9%</i>	<i>4.8%</i>	
Expenses:						
Salaries and benefits	140.0	144.0	142.8	153.2	169.7	161.5
Supplies and Other	74.7	80.9	82.0	87.6	95.0	103.2
Bad debts	21.9	17.9	14.4	15.7	11.7	11.7
Depreciation	10.6	10.1	9.6	9.6	9.3	9.7
Operations Improvement	-	-	12.9	2.7	0.3	-
Interest and Amortization	1.7	1.6	1.5	1.8	1.2	1.2
Total Expenses	\$248.9	\$254.5	\$263.2	\$270.6	\$287.2	\$287.3
Gain (loss) from operations	(\$5.1)	(\$9.2)	(\$1.3)	(\$3.8)	(\$7.5)	(\$2.2)
Minority interest	(1.4)	(1.1)	(1.3)	(1.0)	(1.1)	(0.9)
Unrestricted gift and bequests	0.1	0.1	0.4	0.2	0.3	0.3
Investment income	1.9	1.9	1.6	1.6	1.7	1.7
Realized (losses) gains on sales of investments	0.1	(0.0)	(0.0)	0.0	-	-
Other nonoperating expenses	0.1	(0.1)	1.0	(0.8)	(1.8)	(1.8)
Total other income (expense)	\$0.8	\$0.8	\$1.8	(\$0.0)	(\$1.0)	(\$0.7)
Excess of revenue over expenses	(\$4.3)	(\$8.5)	\$0.5	(\$3.8)	(\$8.5)	(\$2.9)
EBIDA⁽¹⁾	\$7.2	\$2.5	\$22.7	\$10.3	\$3.3	\$8.7
<i>Margin</i>	<i>2.9%</i>	<i>1.0%</i>	<i>8.7%</i>	<i>3.9%</i>	<i>1.2%</i>	<i>3.0%</i>
Operating Income⁽¹⁾	(\$3.4)	(\$7.6)	\$13.1	\$0.7	(\$6.0)	(\$1.0)
<i>Margin</i>	<i>(1.4%)</i>	<i>(3.1%)</i>	<i>5.0%</i>	<i>0.3%</i>	<i>(2.1%)</i>	<i>(0.3%)</i>

(1) Excludes one-time fees including operations improvement expenses

Table 7.4: Waterbury Hospital and Subsidiaries Balance Sheet as of July 31, 2012

(\$ in millions)

ASSETS		LIABILITIES & NET ASSETS	
Cash & Cash Equivalents	\$17.9	Accounts Payable	\$13.6
Net Accounts Receivable	40.9	Accrued Expenses	14.0
Due from Affiliates	(7.1)	Accrued Pension	10.3
Other Investments	4.4	Long-Term Debt	29.3
Net Property, Plant & Equipment	47.6	Due to Third-Party Payors	(2.2)
Other Assets	7.3	Other Liabilities	13.4
		Minority Interest in Net Assets of Affiliates	3.0
		Net Assets	29.5
Total Assets	\$110.9	Total Liabilities & Shareholders' Equity	\$110.9

Table 7.5: Waterbury Hospital and Subsidiaries Historical Balance Sheet

(\$ in millions)

	As of September 30,				
	2007	2008	2009	2010	2011
Current Assets					
Cash and cash equivalents	\$8.0	\$13.6	\$18.6	\$21.4	\$15.4
Short-term investments	0.3	0.3	0.4	0.4	0.4
Accounts receivable, net	35.4	35.7	32.4	31.8	36.4
Other receivables	1.4	0.8	1.1	1.7	2.5
Inventory	0.5	0.6	0.6	0.8	0.9
Prepaid expenses and other	1.5	1.8	1.4	1.4	1.7
Due from third-party reimbursement agencies	-	0.8	-	-	2.9
Due from affiliates	4.0	-	0.9	-	3.8
Assets whose use is limited and required for current liabilities	3.1	2.7	0.6	0.6	-
Total Current Assets	\$54.1	\$56.4	\$55.8	\$58.1	\$64.0
Funds held by trustee	\$9.8	\$4.8	\$0.0	-	-
Funds held in escrow by agreement with CHEFA and trustee	2.5	2.6	2.6	2.6	4.0
Assets whose use is limited and required for current liabilities	(3.1)	(2.7)	(0.6)	(0.6)	-
Other Long Term Assets					
Funds held in trust by others	47.2	38.5	37.9	39.6	37.3
Long-term investments	15.4	12.7	9.6	10.1	8.8
Board-designated endowment funds	-	-	2.7	2.8	2.6
Other receivables	1.5	0.9	0.7	0.1	0.0
Due from affiliates	-	-	4.9	5.7	-
Prepaid pension and other investments	1.8	-	-	-	-
Goodwill	-	-	-	-	1.8
CHEFA obligations issue expense	0.7	0.6	0.6	0.6	0.4
Property, plant and equipment, net	59.4	53.4	45.8	43.3	49.6
Total Assets	\$189.4	\$167.2	\$160.0	\$162.3	\$168.5
Current Liabilities					
Accounts payable and accrued expenses	\$11.7	\$20.3	\$15.8	\$19.0	\$27.3
Accrued salaries	8.6	9.2	8.2	9.2	10.1
Due to third-party reimbursement agencies	2.4	-	1.0	0.2	-
Current portion of CHEFA obligations	0.8	0.8	0.8	0.9	0.4
Current portion of notes payable	5.1	1.2	0.3	0.5	0.6
Due to affiliates	-	0.7	-	0.2	-
Total Current Liabilities	\$28.5	\$32.2	\$26.2	\$29.9	\$38.4
Other noncurrent liabilities	\$8.9	\$7.8	\$14.4	\$14.7	\$19.8
CHEFA obligations	20.5	19.8	19.0	18.1	25.2
Notes payable	1.7	0.5	0.3	0.7	1.5
Minority interest	2.5	2.4	2.5	2.9	3.2
Total Liabilities	\$62.2	\$62.7	\$62.3	\$66.4	\$88.1
Net Assets					
Unrestricted	\$63.7	\$52.4	\$49.3	\$45.2	\$33.7
Temporarily restricted	13.5	10.7	7.8	8.3	6.5
Permanently restricted	50.0	41.3	40.7	42.4	40.1
Total Net Assets	\$127.2	\$104.5	\$97.7	\$95.9	\$80.3
Total Liabilities and Net Assets	\$189.4	\$167.2	\$160.0	\$162.3	\$168.5

XIII. Appendices

Appendix A – Response Matrix

Transaction Element	Description
1. Form of Transaction	a) Please describe the structure of the proposed transaction and resulting relationship with the surviving GWHN organization.
2. Objectives Alignment	<p>Please describe how you envision achieving GWHN's Objectives:</p> <ul style="list-style-type: none"> a) Ensure Waterbury Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term; b) Provide sufficient capital to meet deferred, current and future capital needs for the Waterbury Hospital physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology; c) Continue a meaningful, local governance presence at Waterbury Hospital that represents both physicians and the Greater Waterbury community; d) Develop and implement an ambulatory service strategy to best position the Company for successful transition in changing health care delivery methods; e) Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community; f) Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community; g) Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth; h) Maintain high satisfaction scores by patients, physicians, employees and volunteers; and i) Continue charitable care delivery and funding.
3. Ownership, Governance and Management	<ul style="list-style-type: none"> a) Describe how GWHN will be organized in relation to your organization. b) Describe the proposed governance structure and the ongoing role, if any, of GWHN's current Board of Directors. c) Describe the proposed management organizational structure for GWHN.
4. Transaction Value	If you are proposing an asset purchase, please describe how GWHN will be valued, including the methodology and calculation of any adjustments to the proposed consideration.
5. Maintenance of Clinical Services	<ul style="list-style-type: none"> a) Describe your commitment to maintaining existing clinical services. b) Describe any new services you anticipate implementing over the next five years. c) Describe which, if any, clinical services may not be maintained at GWHN and the Hospital. d) Indicate the minimum time horizon for maintaining existing services.
6. Excluded Activities and Operations	<ul style="list-style-type: none"> a) Describe any GWHN activities and operations that are expected to be excluded from a transaction. b) Describe how the surviving GWHN organization (if any) could support the ongoing activities of the acquired operations after the transaction.

Transaction Element	Description
7. Charity Care	Describe your existing charity and indigent care policies and any potential changes to GWHN policies you foresee.
8. Ethical and Religious Directives	Describe any ethical or religious directives of your organization, if any, which would impact the future operations of GWHN.
9. Employee Relationships	a) Describe your commitment to GWHN employees, anticipated layoffs, and type of severance package that may be offered to any affected employees. b) Describe any anticipated employee benefit changes.
10. Capital Expenditure Commitments	Describe your expectations and commitment to capital investments over the next five years to improve GWHN facilities and expand programs and services.
11. No Sale	Describe your commitment to retaining ownership of the GWHN operations acquired.
12. Right of First Refusal/Repurchase Rights	Describe any terms and conditions under which the surviving GWHN organization (if any) could reacquire interests transferred in a transaction.
13. Financial and Operating Information	a) Provide a copy of your most recent audited financial statements. b) Describe how you propose to finance the transaction and any proposed ongoing financial commitments to GWHN. c) Provide an overview of your existing operations, including, but not limited to, the following: <ul style="list-style-type: none"> (i) Number and location of facilities owned and operated (ii) Number of beds owned and operated (iii) Key operating statistics (iv) Key quality indicators
14. Due Diligence	a) Describe your due diligence process. b) Provide a list of due diligence items you would like to receive in Phase II if you are selected to continue in the process.
15. Process and Approvals	Indicate the level at which your response has been approved within your organization and what approvals will be required to sign a Definitive Agreement and to close the transaction.
16. Other	Please describe any other factors that GWHN should consider in evaluating your proposal.

Appendix B – 2011 GWHN Audited Financials

See Separate PDF© File

Appendix C – 2011 Hospital Audited Financials

See Separate PDF© File

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CAIN BROTHERS & COMPANY, LLC

EXHIBIT 7: LETTER OF INTENT

VANGUARD HEALTH SYSTEMS, INC.
20 BURTON HILLS BOULEVARD
NASHVILLE, TN 37215

October 29, 2012

Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, Connecticut 06708

Re: Joint Venture Proposal Respecting Greater Waterbury Health Network, Inc.

Ladies and Gentlemen:

This letter of intent (the "Letter of Intent") sets forth a non-binding agreement in principle regarding a proposed transaction (the "Transaction") between Vanguard Health Systems, Inc. ("Vanguard") or one of its wholly-owned subsidiaries ("VG#1") and Greater Waterbury Health Network, Inc., a Connecticut non-stock corporation (together with its affiliates, "GWHN"), involving The Waterbury Hospital, an acute care teaching hospital having 357 licensed beds, together with various parking lots, medical office buildings, and other related health care assets located in and around Waterbury, Connecticut (collectively, the "Facilities"). GWHN presently owns and operates the Facilities.

1. Parties to the Transaction. The parties to the Transaction will be VG#1 and GWHN. VG#1 is, or will be, wholly owned by Vanguard and will own an 80% interest in a new limited liability company (the "LLC") and GWHN will own a 20% interest in the LLC.

2. The Transaction. Pursuant to a definitive agreement or agreements to be prepared by Vanguard and acceptable to Vanguard and GWHN (the "Definitive Agreement"), GWHN will sell substantially all of the assets associated with the ownership and operation of the Facilities (the "Assets"), including, without limitation, the assets listed on Exhibit A-1, but specifically excluding the assets listed on Exhibit A-2. The assets to be contributed, the liabilities to be assumed, and the assets and liabilities to be excluded from the Transaction will be more specifically described in the Definitive Agreement. For tax purposes, the Definitive Agreement will provide that VG#1 will contribute to the LLC an amount in cash equal to 80% of the Purchase Price (as defined below) (the "Vanguard Contribution") of the Assets contributed to the LLC. The LLC will then distribute the amount of the Vanguard Contribution to GWHN, and GWHN shall be credited with a capital contribution in the amount of 20% of the Purchase Price. Subject to confirmatory due diligence on GWHN and the Facilities, the Purchase Price shall be \$25 million, plus or minus the amount by which the net book value of Net Working Capital (as hereinafter defined) is greater or less than \$14.5 million, minus the agreed upon value of the asbestos abatement liability, the pension liability, the conditional asset retirement obligation and certain other liabilities assumed by the LLC as of the closing. Net Working Capital is defined as the difference between the current assets of GWHN to be purchased by the LLC and the current liabilities of GWHN to be assumed by the LLC. In addition, the LLC will commit to expend not

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less than \$75 million dollars on capital items and the development and improvement of ambulatory services in the greater Waterbury community.

3. Encumbrances. GWHN will convey good and indefeasible title to the Assets to the LLC, free and clear of all liens, liabilities, encumbrances, and defects in title except as may be mutually agreed by the parties and described in the Definitive Agreement.

4. Liabilities. Except as the parties may agree in the Definitive Agreement, the LLC will not assume, and GWHN will remain responsible for, and indemnify the LLC, VG#1 and Vanguard against, any and all liabilities, commitments, or obligations of any kind whatsoever that relate to the Assets or the operation of the Facilities prior to the closing, including, without limitation, environmental claims or claims associated with alleged violations of environmental laws for acts or omissions prior to closing, Medicare/Medicaid payables, tax liabilities, claims associated with violations or alleged violations of law for acts or omissions prior to the closing, employee benefit plan liabilities and medical malpractice or general liability claims.

An affiliate of Vanguard will make a \$75 million line of credit (the "Line of Credit") available to fund the LLC's working capital and capital expenditure requirements to the extent that the cash generated from the LLC is not sufficient to cover such requirements. The Line of Credit will be subject to customary covenants, including a commercially reasonable leverage ratio.

5. "Tail" Insurance. GWHN will purchase extended reporting endorsement policies from all current liability insurance carriers at its expense, including endorsement policies for employed physicians, if any.

6. Community Benefit/Uncompensated Care. The LLC will commit to operate the Facilities in accordance with the "community benefit standards" set forth in Revenue Ruling 69-545 (the "Standards"), including, without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, (iv) provision of public health programs of educational benefit to the community, and (v) general promotion of public health, wellness, and welfare to the community through the provision of health care at a reasonable cost. The Facilities will treat any patient presented to the emergency room in accordance with the Standards and will remain eligible to participate in the Medicare and Medicaid programs. This covenant will be subject in all respects to changes in governmental law, policy, or regulation.

7. Commitment to Maintenance of Services. In order to ensure that all of the material clinical services and programs currently being provided by GWHN are maintained in the community following the closing of the Transaction, the LLC Agreement (as defined herein) will require that the termination of any material clinical service or program currently provided by the Facilities will require the approval of the Board (as hereinafter defined) of the LLC.

8. Employee Matters. Vanguard recognizes and respects the right of employees to join unions, form bargaining units, and engage in collective bargaining with their employers.

It is the parties' intention that, at closing, the LLC or the Manager (as defined below) will hire all of the active employees in good standing at the Facilities in their current positions and at a salary and benefit levels consistent in the aggregate with those presently being provided to them and consistent with those offered to employees of similarly situated Vanguard entities. All hired employees will be given credit for the satisfaction of pre-existing condition limitations under the welfare benefit plans after the closing to the same extent that such employees have satisfied such limitations under their current welfare benefit plans. To the extent that such hired employees have participated in prior qualified retirement programs, the LLC or Manager will honor prior length of service for purposes of eligibility in the LLC's or the Manager's retirement benefit plans and will give the same credit for vesting purposes as has been earned as of the date of closing. In the event that the Manager employs the employees after the closing, the Management Agreement shall provide that the Manager shall be reimbursed by the LLC for the salaries and wages paid to the employees plus the cost of the employee benefits.

9. Governance. The rights and obligations of the members of the LLC will be governed by a limited liability company agreement to be entered into simultaneously with the closing of the Transaction (the "LLC Agreement").

Following closing of the Transaction, the LLC will be governed by a Board of Directors (the "Board") having two categories of directors, with each category of directors having six members. VG#1 will appoint the members of one category of directors (the "Vanguard Directors"). GWHN will appoint the six members of the second category of directors (the "GWHN Directors"). The Board will be structured to allow Vanguard to consolidate the financial results of the LLC with the financial results of Vanguard's subsidiaries in accordance with generally accepted accounting principles. Most of the issues that the Board will approve will have an equal number of votes by GWHN and Vanguard and actions requiring the approval of the Board will require approval of both a majority of the Vanguard Directors and a majority of the GWHN Directors; however, VG#1 will have a supermajority vote on issues known as participating rights, such as approving all operating and capital budgets and the hiring and termination of the Chief Executive Officer of the Facilities.

Subject to limitations ensuring that Vanguard may consolidate the financial results of the LLC as provided previously, the Board will have the authority to authorize actions as specifically set forth in the LLC Agreement, including, without limitation, (i) evaluate the amount of uncompensated care provided by the Facilities to ensure compliance with the Standards, (ii) make certain determinations as to the accreditation of the Facilities by The Joint Commission, (iii) make certain decisions relative to distributions of cash to the members of the LLC, (iv) incur debt in excess of agreed upon thresholds, (v) make loans in excess of agreed upon thresholds, (vi) acquire entities in excess of agreed upon thresholds, (vii) enter into joint ventures or similar business arrangements outside the normal course of business, (viii) merge or consolidate the LLC with another entity, (ix) sell, lease, mortgage, pledge, transfer, or exchange the assets of the LLC in excess of agreed upon thresholds, (x) discontinue or add any material clinical services at the Facilities and (xi) modify, amend or replace the Management Agreement (as defined below) or make any other agreement or business arrangement with an affiliate of either VG#1 or GWHN that is either not in the ordinary course of business or not based on commercially reasonable terms and fair market compensation.

Each Chairman of the Board will serve for a single three-year term. The initial Chairman of the Board will be the individual who is serving as Chairman of the Board of GWHN at the time of the closing of the Transaction.

The LLC Agreement will contain appropriate dispute resolution provisions to protect all parties and the LLC against the possibility of a deadlock. Specifically, and without limitation upon the foregoing, the LLC Agreement will provide that any deadlock among the GWHN Directors with respect to an issue requiring the approval of the Board will be resolved in favor of those GWHN Directors who voted in favor of the course of action supported by the Vanguard Directors.

If, in the reasonable opinion of outside legal counsel for GWHN, the enactment or judicial or regulatory interpretation of any law, rule or regulation would either cause the continued participation of GWHN in the LLC to jeopardize GWHN's tax-exempt status, result in unrelated business tax income, the imposition of income tax on GWHN or result in the Operating Agreement being in whole or in part illegal, GWHN shall have the option to put its membership interest in the LLC to VG#1 for a fair market value price established in the Operating Agreement.

The Board of the LLC will appoint a twelve-member local Board of Trustees to oversee the operating activities of the Facilities. At least six of the members of the Board of Trustees will be physicians from the active medical staff of The Waterbury Hospital; and the remainder of the members of the Board of Trustees will be local community leaders. The Board of Trustees will be responsible for (i) adopting a vision, mission, and values statement for the Facilities; (ii) monitoring performance improvement at the Facilities; (iii) granting medical staff privileges and, when necessary and with the advice of counsel, taking disciplinary action consistent with the medical staff bylaws; (iv) assuring medical staff compliance with the requirements of The Joint Commission (with the advice of counsel); (v) providing advice and consultation regarding physician recruitment efforts; and (vi) fostering community relationships and identifying service and education opportunities.

10. Management. The LLC will enter into a management agreement (the "Management Agreement") with an affiliate of Vanguard (the "Manager"), pursuant to which the Manager will be responsible for managing the day-to-day operations of the LLC and the Facilities. Under the Management Agreement, the Manager will provide certain services to the LLC and the Facilities, including, without limitation, (i) corporate oversight, financial and operational support, (ii) reimbursement services, (iii) purchasing and supply chain services, (iv) business planning and budgeting support, (v) development support, (vi) quality and resource management support, (vii) human resources support, including employee relations, compensation, employee benefits and recruiting, (viii) capital and facility planning, (ix) legal services, (x) risk management support, (xi) compliance services, (xii) real estate services, (xiii) information systems and telecommunications support, (xiv) corporate finance support including treasury, tax, accounting and insurance and (xv) internal audit services. The LLC will pay the Manager a management fee equal to two percent (2%) of the consolidated net revenues of the LLC. The management fee will not include the costs of insurance, information services, and certain other third party expenses more specifically delineated in the Management Agreement, all of which will be billed directly to the LLC at Manager's cost. The Management Agreement

will have an initial term of five years and will automatically renew for successive terms of five years each. The Management Agreement may be terminated for a material breach by Manager if the Board provides written notice to Manager and Manager fails to cure the breach within a reasonable cure period.

11. Capital Contributions. In the event that the LLC requires funds in excess of the party's initial capital contributions: (i) cash available from operations of the LLC; (ii) loans from Vanguard pursuant to the Line of Credit and (iii) capital contributions from the members (pro rata in accordance with their respective ownership interests in the LLC). Subject to the foregoing, the Manager will have the right to request that the members make additional capital contributions (pro rata in accordance with their respective ownership interests in the LLC) to fund the LLC's working capital and capital expenditure needs if the LLC's leverage ratio exceeds a certain agreed upon threshold.

12. Available Cash. "Available Cash" will be distributed in a manner that the Board deems appropriate and in proportion to each member's ownership interest in the LLC. The term "Available Cash" will be defined broadly to mean cash receipts, less (i) disbursements, (ii) reserves, and (iii) expected capital expenditures. "Available Cash" shall first be used to pay the outstanding balance on the Line of Credit.

13. Access to Information. Following the execution of this Letter of Intent and pending the execution of the Definitive Agreement, GWHN will permit Vanguard and its representatives to have reasonable access during normal business hours to such books, agreements, papers, and records relating to GWHN's business and operations, including with respect to the Facilities, as is necessary for the conduct of appropriate due diligence activities relating to the Transaction. Such access will be conducted in a manner that will not interfere with GWHN's operations. Pending the execution of the Definitive Agreement, Vanguard will respond to reasonable and customary requests for information relating to Vanguard, its affiliates and their respective operations to allow GWHN to satisfy its fiduciary and statutory duties under Connecticut law.

14. No Violation.

(a) This Letter of Intent has been prepared and delivered in reliance on GWHN's representations that (i) neither it nor any of its affiliates is currently bound under any binding or enforceable contract or agreement with any third party that would materially interfere with the Transaction contemplated hereby and (ii) this Letter of Intent, and the Transaction contemplated hereby, will not violate any contract, agreement, or commitment currently binding on GWHN or, subject to subsection (c) of this Section 14, to the knowledge of GWHN, any law, regulation, judgment, decision, order, or other pronouncement of any court or governmental body having appropriate jurisdiction.

(b) This Letter of Intent has been prepared and delivered in reliance on Vanguard's representations that (i) neither it nor any of its affiliates is currently bound under any binding or enforceable contract or agreement with any third party that would materially interfere with the Transaction contemplated hereby and (ii) this Letter of Intent, and the Transaction contemplated hereby, will not violate any contract, agreement, or commitment currently binding on Vanguard

or, to the knowledge of Vanguard, any law, regulation, judgment, decision, order, or other pronouncement of any court or governmental body having appropriate jurisdiction.

(c) This Letter of Intent shall not be deemed to be an acquisition or obligation of a capital expenditure or of funds within the meaning of the certificate of need statute of any state, until the appropriate governmental agencies shall have granted a certificate of need or the appropriate approval or ruled that no certificate of need or other approval is required.

15. Confidentiality; Disclosure; Expenses.

(a) The Confidentiality Agreement, dated April 5, 2011, between GWHN and Vanguard will remain in effect. The parties will mutually agree on the timing and content of any press releases, press conferences, or other public communication describing the parties' intent to consummate the Transaction. Except as otherwise required by law, at no time, however, will any party disclose the financial or other terms included in this Letter of Intent or subsequently executed Definitive Agreement and LLC Agreement. The foregoing will not restrict the ability of the parties to communicate with or submit all required notices and communications to the Attorney General or Office of Health Care Access of the State of Connecticut or other governmental authorities as necessary for approval of the Transaction.

(b) Except as required by law, any release to the public of information with respect to the matters set forth herein will be made only in the form and manner approved by the parties and their respective counsel.

(c) Each party will bear its own expenses in connection with the implementation of this Letter of Intent, regardless of whether the Definitive Agreement and LLC Agreement are executed.

16. Continuation of Operations.

Until the sooner to occur of (i) the termination of this Letter of Intent or (ii) the execution and delivery of the Definitive Agreement, GWHN will continue to operate the Facilities in the ordinary course of GWHN's business, including, without limitation, making all normal and planned capital expenditures. Without the prior written consent of Vanguard, GWHN will not (i) remove or transfer any of the Assets, except in the ordinary course of business (with adequate replacement of any such Assets), (ii) make any material change in the business or operation of the Facilities, or (iii) enter into any other significant contract, commitment, or transaction with respect to the Facilities or the Assets, except in the ordinary course of business.

17. Additional Covenants.

(a) For purposes of this paragraph 17, the term "Exclusivity Period" shall mean the period beginning on the date of execution of this Letter of Intent and ending on the date forty five (45) days following the date that both parties agree that the necessary due diligence information about GWHN and the Facilities has been made available to Vanguard to commence due diligence (unless negotiations hereunder are terminated by Vanguard, whereupon the covenants of GWHN and Vanguard under paragraphs 17(b) and 17(c) will terminate); provided, however, that in the event that a CON Determination Form is filed with the State of Connecticut

Office of Health Care Access (or the process for obtaining a certificate of need relating to the transfer of ownership of the Facilities is otherwise initiated) during the Exclusivity Period described above, the Exclusivity Period shall automatically extend until the date upon which the parties have received written notice of a final, unappealable decision in respect of each of the Federal and State regulatory approvals associated with the Transaction (including, without limitation, certificate of need, change of ownership, licensure, state attorney general, and any and all other necessary regulatory approvals).

(b) During the Exclusivity Period, GWHN will not, without the approval of Vanguard: (i) offer for sale the Assets (or substantially all of the Assets) or any ownership interest in any entity owning any of the Assets, (ii) solicit offers to buy all or substantially all of the Assets or any ownership interest in any entity owning any of the Assets, (iii) hold discussions with any party (other than Vanguard) looking toward such an offer or solicitation or looking toward a merger, consolidation, joint venture, or similar transaction involving any entity owning any of the Assets, or (iv) enter into any agreement with any party (other than Vanguard) with respect to the sale or other disposition of the Assets (or substantially all of the Assets) or any ownership interests in any entity owning any of the Assets or with respect to any merger, consolidation, joint venture, or similar transaction involving any entity owning any of the Assets.

(c) [REDACTED]

18. Definitive Agreement; Binding.

Except for the provisions of Sections 14, 15, 17 and 18 (collectively, the "Binding Provisions"), this Letter of Intent is only an expression made in good faith of the parties' present intentions and is not intended to be a binding agreement and shall not give rise to any legal obligations between the parties. Other than the Binding Provisions, no binding contractual agreement shall exist between the parties unless and until VG#1 and GWHN shall have executed the Definitive Agreement, which, along with the LLC Agreement, will contain the provisions outlined above and other representations, warranties, and terms and conditions customary in this type of transaction, all of which must be acceptable to all parties in their sole discretion (including, without limitation, contingencies and/or conditions to closing relating to certificate of need, change of ownership, licensure, state attorney general, and any and all other necessary regulatory approvals). The omission of certain terms from this Letter of Intent is not to be construed so as to diminish the importance or materiality of such terms, and the parties acknowledge that, in addition to the proposed terms contained in this Letter of Intent, the Definitive Agreement and LLC Agreement will contain additional material terms. The Definitive Agreement may include a provision whereby Vanguard will pay to GWHN a termination fee, if

Vanguard fails to close the Transaction, and GWHN is in compliance in all respects with the terms of the Definitive Agreement. Each party shall negotiate in good faith with the other consistent with the terms of this Letter of Intent with a view toward signing the Definitive Agreement as soon as possible after the execution of this Letter of Intent. The parties expressly acknowledge that the Definitive Agreement and the LLC Agreement will require the approval of the Boards of Directors of each of GWHN and Vanguard. In addition, the parties expressly acknowledge that the Transaction will require, among other regulatory approvals, a certificate of need relating to the transfer of ownership of the Facilities.

During the Exclusivity Period, the parties shall conduct their respective due diligence and negotiate the Definitive Agreement and LLC Agreement, which agreements shall be subject to the approval of the regulators. Either party may terminate this Letter of Intent prior to the end of the Exclusivity Period. In such event, there shall be no liability between the parties as a result of the execution of this Letter of Intent, any action taken in reliance on this Letter of Intent, or such termination, except with respect to the Binding Provisions, which shall survive the expiration or termination of this Letter of Intent. The Binding Provisions may be terminated only by the mutual written consent of the parties; provided, however, that the termination of the Binding Provisions shall not affect the liability of a party for breach of any of the Binding Provisions prior to the termination. This Letter of Intent shall automatically expire upon expiration of the Exclusivity Period, unless extended in writing by mutual agreement of the parties.

19. Assignment. Neither this Letter of Intent nor the rights or obligations of the parties hereunder are assignable in whole or part by either party without the prior written consent of the other party. Any attempted assignment in contravention hereof shall be void.

20. Successors and Assigns. This Letter of Intent shall be binding upon and inure solely to the benefit of the parties hereto, their successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever.

21. Entire Agreement. This Letter of Intent constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, oral or written, between the parties with respect to the subject matter hereof other than the Confidentiality Agreement between the parties dated April 5, 2011.

22. Amendments; No Waiver. No provision of this Letter of Intent may be amended, revoked, or waived except by a writing signed and delivered by each party hereto. No failure or delay on the part of any party in exercising any right hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be deemed a waiver of any other right hereunder.

23. Counterparts. This Letter of Intent may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

24. Governing Law. This Letter of Intent will be governed by and construed in accordance with the laws of the State of Connecticut, without regard to the conflict of laws and principles of such state. Any action or proceeding relating to or arising out of this Letter of Intent shall be commenced and heard only in state or federal courts located in Connecticut, specifically those courts in New Haven County, Connecticut, and the parties hereto agree to such courts' jurisdiction.

Please indicate your approval of the terms and conditions of this Letter of Intent and your intention to enter into these negotiations by executing three copies of this letter in the space provided below and returning two executed copies to us, whereupon we will proceed promptly with the initiation of due diligence and the drafting and negotiation of the Definitive Agreement and the LLC Agreement. Please be advised that this proposal will expire unless there has been delivered to us a fully executed copy of this Letter of Intent no later than 5:00 p.m., Nashville, Tennessee time, on October 30, 2012.

We look forward to a successful and mutually rewarding relationship in respect of the Transaction described herein.

VANGUARD HEALTH SYSTEMS, INC.

By: 
Name: Rob Jay
Title: VP - DEVELOPMENT

AGREED AND APPROVED
THIS ___ DAY OF _____, 2012

GREATER WATERBURY HEALTH NETWORK, INC.

By: _____
Darlene Stromstad
President & Chief Executive Officer

24. Governing Law. This Letter of Intent will be governed by and construed in accordance with the laws of the State of Connecticut, without regard to the conflict of laws and principles of such state. Any action or proceeding relating to or arising out of this Letter of Intent shall be commenced and heard only in state or federal courts located in Connecticut, specifically those courts in New Haven County, Connecticut, and the parties hereto agree to such courts' jurisdiction.

Please indicate your approval of the terms and conditions of this Letter of Intent and your intention to enter into these negotiations by executing three copies of this letter in the space provided below and returning two executed copies to us, whereupon we will proceed promptly with the initiation of due diligence and the drafting and negotiation of the Definitive Agreement and the LLC Agreement. Please be advised that this proposal will expire unless there has been delivered to us a fully executed copy of this Letter of Intent no later than 5:00 p.m., Nashville, Tennessee time, on October 30, 2012.

We look forward to a successful and mutually rewarding relationship in respect of the Transaction described herein.

VANGUARD HEALTH SYSTEMS, INC.

By: _____
Name: _____
Title: _____

AGREED AND APPROVED
THIS 29th DAY OF October, 2012

GREATER WATERBURY HEALTH NETWORK, INC.

By: 
Darlene Stromstad
President & Chief Executive Officer

EXHIBIT A-1

ASSETS

- All right, title, and interest in and to the Facilities, including, without limitation, The Waterbury Hospital, its business operations, and other related health care assets.
- Equipment.
- Net working capital (which shall be defined as accounts receivable, inventory and supplies, and any prepaid expenses and deposits that have continuing value to the LLC, less accounts payable and accrued expenses).
- Patient, medical, personnel, and other records of the Facilities.
- Licenses, permits, and trade names.
- Certain assumable contracts of the Facilities.
- Interests in subsidiaries and affiliates.
- Interests in all property arising or acquired in the ordinary course of the operation of the business between the date hereof and the closing.
- All other property, whether tangible or intangible, of every kind, character, or description owned by GWHN and used or held for use in the operation of the Facilities.

EXHIBIT A-2

EXCLUDED ASSETS

- Cash and cash equivalents.
- Board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, working capital trust assets, and assets and investments restricted as to use), beneficial interests in charitable trusts, and accrued earnings on all of the foregoing.
- Prepaid expenses not assumed by the LLC.
- All insurance proceeds arising in connection with the operation of the Assets or the Facilities for periods prior to closing to the extent that all damage to the Assets has been repaired.
- All amounts due or to become due to GWHN from the Medicare, Medicaid, or other payor programs in respect of cost report periods ended on or prior to closing.
- Interests in, and assets of, GWHN's existing charitable foundation.

VANGUARD HEALTH SYSTEMS, INC.
20 BURTON HILLS BOULEVARD
NASHVILLE, TENNESSEE 37215

January 11, 2013

Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, Connecticut 06708

Re: Letter of Intent dated October 29, 2012

Ladies and Gentlemen:

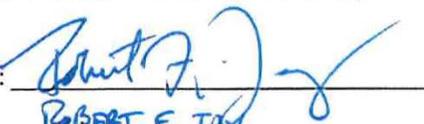
Reference is made to that certain letter of intent, dated October 29, 2012 ("Letter of Intent"), by and between Vanguard Health Systems, Inc. ("Vanguard") and Greater Waterbury Health Network, Inc. ("GWHN").

Since the execution of the Letter of Intent, the parties have engaged in extensive deliberations and negotiations, including the preparation of draft definitive agreements. The parties recognize that the Exclusivity Period (as defined in the Letter of Intent) expires January 11, 2013 and hereby agree to extend it to January 24, 2013.

This Letter Agreement may be executed in counterparts, each of which will be deemed to be an original, and all of which, when taken together, shall constitute one and the same document. Signatures sent by facsimile or other electronic transmission shall be deemed to be original signatures. This Letter Agreement is not assignable without the prior written consent of the other parties thereto. The Letter of Intent, as amended by this letter agreement, shall remain in full force and effect.

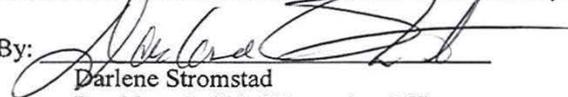
Sincerely,

VANGUARD HEALTH SYSTEMS, INC.

By: 
ROBERT F. JANY
VICE PRESIDENT

AGREED AND APPROVED
THIS 11 DAY OF JANUARY, 2013

GREATER WATERBURY HEALTH NETWORK, INC.

By: 
Darlene Stromstad
President & Chief Executive Officer

{W2192100}

EXHIBIT 8: GWHN DUE DILIGENCE REQUESTED OF VANGUARD

**PROPOSED JOINT VENTURE
BETWEEN
GREATER WATERBURY HEALTH NETWORK, INC. AND
VANGUARD HEALTH SYSTEMS, INC.**

DUE DILIGENCE REQUEST

Due Diligence Request	Status/Comments
1. ORGANIZATIONAL MATTERS	
1.1 The articles of incorporation and bylaws or similar governing documents, and any amendments thereto of Vanguard	
1.2 Organizational and management charts showing relationships within, between and among Vanguard, other Vanguard entities	
1.3 Key Vanguard statistics (volume indicators, number of beds, number of hospitals, other legal entities, service lines)	
1.4 Senior Management – Bios, employment history, disciplinary actions, if any	
1.5 Summary of any planned or anticipated corporate restructuring	
1.6 Summary of any planned or anticipated sale, restructuring, or other re-organization of the assets of the Greater Waterbury Health Network, Inc. in whole or in part	
2. TAX MATTERS	
2.1 Summary of any ongoing audits, investigations, protests, or other matters posing a risk in excess of \$100,000	
2.2 Federal income tax returns filed by Vanguard for the last three years	
2.3 Copies of any audit exceptions for Vanguard (or state none)	

Due Diligence Request	Status/Comments
3. FINANCIAL AND INSURANCE INFORMATION	
3.1 Audited financial statements for the past three fiscal years for Vanguard, including auditors' letters	
3.2 YTD financial statements for Vanguard for the current fiscal year	
3.3 Most recent offering, offering prospectus	
3.4 Description of typical Vanguard risk retention program (i.e., captive, trust, commercial excess)	
3.5 Year-to-date financial statements for Vanguard for the current fiscal year to include: (i) internal reporting packages comparing operating results with prior year and budget; and (ii) management narrative	
3.6 Projected financial statements Vanguard for next 3 years to include: <ul style="list-style-type: none"> 3.6.1 Balance sheet 3.6.2 Income statement 3.6.3 Statement of changes in net assets 3.6.4 Cash flow statements for current fiscal year 3.6.5 Assumptions used in preparing such projections 	
3.7 Description of any previously unanticipated factors/events that are materially impacting, or are expected to materially impact, current or projected operating results	

Due Diligence Request	Status/Comments
4. LICENSURE AND ACCREDITATION	
<p>4.1 For each Vanguard Hospital operated by Vanguard, a list of sentinel events (which list shall include both reported and unreported sentinel events) during the past two years, a brief description of each such event, and the actions taken, or action plans regarding actions to be taken, by the applicable Hospital in response thereto (excluding peer review committee minutes). If the organization chose not to submit a PPR under The Joint Commission options 2 or 3 or the Healthcare Facilities Accreditation Program, provide the mid-cycle survey report. If the answer is “None,” please so indicate.</p>	
<p>4.2 For each Vanguard Hospital, all institutional licensure and accreditation survey reports, including statements of deficiency and plans of correction for the last three years, by the state department of public health, CMS, any peer review organization, and Joint Commission</p>	
5. CORPORATE COMPLIANCE MATTERS	
<p>5.1 A copy of the Vanguard Hospital compliance program charter and Code of Conduct (or analogous documents)</p>	
<p>5.2 Government Investigations</p>	

Due Diligence Request	Status/Comments
<p>5.2.1 A listing (including a brief summary) of any material audit, inspection, recoupment action, recovery demand or other investigation. For purposes of this item, a material investigation is an investigation with a potential financial impact of more than \$100,000 <i>and/or</i> an investigation with the risk of: (a) any Vanguard Hospital becoming subject to a Corporate Integrity Agreement (“CIA”) or Settlement Agreement with CIA provisions; (b) criminal prosecution of management; or (c) exclusion from Medicare and/or Medicaid.</p>	
<p>5.2.2 Copies of all CIAs and/or Settlement Agreements that are now in place or are actively being negotiated with the OIG or other government agency for Vanguard</p>	
<p>5.2.3 Copy of the current work plan for compliance activities (if any)</p>	
<p>5.2.4 Information as to whether any Vanguard Hospital has made any self-disclosures to the government in the past three years</p>	
<p>5.3 Conflicts of Interest</p>	
<p>5.3.1 Copies of all conflicts of interest policies, disclosure forms and related administrative forms and tools relating to disclosure, assessment and management of conflicts of interest in governance, clinical care, research, and purchasing and business relationships generally, which are applicable to Vanguard</p>	

Due Diligence Request	Status/Comments
6. LITIGATION	
6.1 List and description of all claims, litigation, arbitration, administrative or other proceedings or investigations currently pending or threatened, related to or expected to have a material adverse effect on Vanguard and/or its assets, stating the nature of the claim, the damages claimed, whether the claim is covered by insurance, and the opinion of counsel as to the probable outcome of such litigation	
6.2 List of all claims, litigation, arbitration, administrative or other proceedings or investigations settled, and all judgments, orders or decrees entered with respect to Vanguard, in the last three years, and a description of each, stating the amount of any settlement or judgment and any effect on the conduct of such business	
6.3 List and description of all claims, litigation, arbitration, administrative, or other proceedings or investigations currently pending or threatened involving cities, towns, or countries	
6.4 List and description of all claims, litigation, arbitration, administrative, or other proceedings or investigations currently pending or threatened involving class discrimination (for example, discrimination involving race, gender, sexual preference, etc.)	
7. INFORMATION SYSTEMS	
7.1 System-wide information systems strategic or other plan	
7.2 Description of current, committed but not started, and planned information systems projects, including expected time frame for completion and the vendors involved in such projects, that will affect interoperability with JV information systems or otherwise affect JV	

Due Diligence Request	Status/Comments
8. MANAGED CARE AND LABOR MATTERS	
8.1 List and description of all managed care agreements and disputes within the past ten (10) years	
8.2 List and description of all union agreements, disputes and strikes within the past ten (10) years	
9. QUALITY	
9.1 Copies of comparative performance reports for Vanguard Hospital's key outcome indicators for the last three years	
9.2 All quality data required by CMS under the Hospital Quality Initiative Program and by Joint Commission under the ORYX Core Measure Performance Measurement System and associated validation results	
10. MISSION AND CULTURAL COMPATIBILITY	
10.1 Summary and account of history of community support and involvement, and engagement in public health initiatives	
10.2 Summary and amount of charity care provided for last three years in Vanguard hospitals	
10.3 Outreach programs and services to identify the needs of the poor and medically underserved in Vanguard hospitals	
10.4 Policies related to collections, discounts, waivers of deductibles and coinsurance, and patient billing rights in Vanguard hospitals	
10.5 Provide Policies and Practices of the Vanguard system as they would pertain to the JV regarding:	
<ul style="list-style-type: none"> ▪ Elective and/or therapeutic abortions 	

Due Diligence Request	Status/Comments
<ul style="list-style-type: none"> ▪ Elective and/or therapeutic sterilizations (vasectomies, tubal ligations) 	
<ul style="list-style-type: none"> ▪ Natural family planning 	
<ul style="list-style-type: none"> ▪ In vitro fertilization 	
<ul style="list-style-type: none"> ▪ Assisted suicide 	
<ul style="list-style-type: none"> ▪ Emergency department sexual assault treatment 	
<ul style="list-style-type: none"> ▪ Advanced directives/living will/DPOA for health care 	
<ul style="list-style-type: none"> ▪ Nutrition and hydration 	
<ul style="list-style-type: none"> ▪ Futile intervention 	
<ul style="list-style-type: none"> ▪ Do-not-resuscitate orders 	
<ul style="list-style-type: none"> ▪ End-of-life care 	
<ul style="list-style-type: none"> ▪ Forgoing life-sustaining treatment 	
<ul style="list-style-type: none"> ▪ Palliative care services 	
<ul style="list-style-type: none"> ▪ Ethics education for staff and community 	
<p>10.6 Provide pastoral care policies and programs as they would pertain to the JV</p>	
<p>10.7 Summary and account of history of involvement in hospital associations or other healthcare-related professional or advocacy groups.</p>	
<p>10.8 List and description of Vanguard's participation in political action committees (PACs) and endorsement of any national political figures</p>	
<p>11. RECENT TRANSACTIONS</p>	
<p>11.1 List and description of any failed deals to acquire hospitals in the past five (5) years, and why those deals failed</p>	

Due Diligence Request		Status/Comments
11.2	List of hospitals sold within the last ten (10) years, and list of purchasers	
11.3	Description of deal with Tufts Medical Center and its New England Quality Care Alliance physicians network	
12.	ABILITY TO FULFILL JV OBJECTIVES	
12.1	Provide an assessment of Vanguard's ability to fulfill the objectives of the JV	
12.2	Financial ability and commitment to expend significant financial resources to maintain and grow the JV's competitive position in the marketplace post-transaction	

EXHIBIT 9: CONFLICT OF INTEREST DISCLOSURES

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: James CAIN
Company or Employer: Cain Brothers
Title: Managing Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (e) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

Carveouts in serving as GWIN's Investment Partners.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

Cain Brothers has represented other hospitals that have been sold to Vanguard.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

J. W. C.
Signature

4/15/13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly.)

Subsidiaries Incorporated or Organized in the State of Delaware

Abrazo Medical Group Urgent Care, LLC
Advantage Health Care Management Company, LLC
BHS Physicians Alliance for ACE, LLC
Baptist Medical Management Service Organization, LLC
Central Texas Corridor Hospital Company, LLC
Hospital Development Company Number 2, Inc.
Hospital Development of West Phoenix, Inc.
Lakefront Medical Associates, LLC
MacNeal Medical Records, Inc.
MacNeal Physicians Group, LLC
Magnolia Surgery Center Limited Partnership (92%)
Michigan Pioneer ACO, LLC
Vanguard Health Financial Company, LLC
Vanguard Health Holding Company I, LLC
Vanguard Health Holding Company II, LLC
Vanguard Health Management, Inc.
Vanguard Holding Company I, Inc.
Vanguard Holding Company II, Inc.
VHS Acquisition Corporation
VHS Acquisition Partnership Number 1, L.P.
VHS Acquisition Subsidiary Number 1, Inc.
VHS Acquisition Subsidiary Number 2, Inc.
VHS Acquisition Subsidiary Number 3, Inc. (80.1%)
VHS Acquisition Subsidiary Number 4, Inc.
VHS Acquisition Subsidiary Number 5, Inc.
VHS Acquisition Subsidiary Number 6, Inc.
VHS Acquisition Subsidiary Number 7, Inc.
VHS Acquisition Subsidiary Number 8, Inc.
VHS Acquisition Subsidiary Number 9, Inc.
VHS Acquisition Subsidiary Number 10, Inc.
VHS Acquisition Subsidiary Number 11, Inc.
VHS Acquisition Subsidiary Number 12, Inc.
VHS Arizona Heart Institute, Inc.
VHS Brownsville Hospital Company, LLC
VHS Chicago Market Procurement, LLC
VHS Children's Hospital of Michigan, Inc.
VHS Detroit Businesses, Inc.
VHS Detroit Receiving Hospital, Inc.
VHS Detroit Ventures, Inc.

VHS Genesis Labs, Inc.
VHS Harlingen Hospital Company, LLC
VHS Harper-Hutzel Hospital, Inc.
VHS Holding Company, Inc.
VHS Huron Valley-Sinai Hospital, Inc.
VHS Imaging Centers, Inc.
VHS New England Holding Company I, Inc.
VHS of Anaheim, Inc.
VHS of Arrowhead, Inc.
VHS of Huntington Beach, Inc.
VHS of Illinois, Inc.
VHS of Michigan, Inc.
VHS of Orange County, Inc.
VHS of Phoenix, Inc.
VHS of South Phoenix, Inc.
VHS Outpatient Clinics, Inc.
VHS Phoenix Health Plan, LLC
VHS Rehabilitation Institute of Michigan, Inc.
VHS San Antonio Imaging Partners, L.P. (50%)
VHS San Antonio Partners, LLC
VHS Sinai-Grace Hospital, Inc.
VHS University Laboratories, Inc.
VHS Valley Health System, LLC
VHS Valley Holdings, LLC
VHS Valley Management Company, Inc.
VHS Valley Real Estate Company, LLC
VHS West Suburban Medical Center, Inc.
VHS Westlake Hospital, Inc.
West Suburban Radiation Therapy Center, LLC

Subsidiaries Incorporated or Organized in the State of Arizona

Abrazo Advantage Health Plan, Inc.
Arizona Health Partners, LLC (50%)

Subsidiaries Incorporated or Organized in the State of California

North Anaheim Surgicenter, Ltd. (76%)

Subsidiaries Incorporated or Organized in the Cayman Islands

VHS-Volunteer Insurance Ltd. (formerly, Volunteer Insurance Ltd., discontinued in Bermuda and continued in the Cayman Islands as if it had been incorporated under the laws of the Cayman Islands effective April 1, 2011)

DMC Insurance Co., Ltd

Subsidiaries Incorporated or Organized in the District of Columbia

Healthcare Compliance, LLC

Subsidiaries Incorporated or Organized in the State of Illinois

MacNeal Health Providers, Inc.
MacNeal Management Services, Inc.

Midwest Pharmacies, Inc.
Primary Care Physicians Center, LLC (94%)
Pros Temporary Staffing, Inc.
Watermark Physician Services, Inc.
The 6300 West Roosevelt Limited Partnership (50.33%)

Subsidiaries Incorporated or Organized in the State of Massachusetts

Metrowest Accountable Health Care Organization, LLC (50%)

Subsidiaries Incorporated or Organized in the State of Michigan

Southeast Michigan Physicians' Insurance Company

Novi Regional Imaging, LLC (51%)

DMC Partnership Imaging, LLC (81%)

Michigan Regional Imaging, LLC (70%)

Subsidiaries Incorporated or Organized in the Commonwealth of Pennsylvania

V-H Acquisition Co., Inc.

Subsidiaries Incorporated or Organized in the State of Texas

Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: John Blair
Company or Employer: Blair Law
Title: member

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

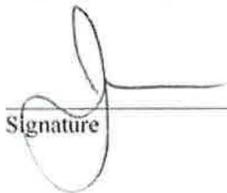
(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12/7/2012
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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Abrazo Medical Group Urgent Care, LLC
Advantage Health Care Management Company, LLC
BHS Physicians Alliance for ACE, LLC
Baptist Medical Management Service Organization, LLC
Central Texas Corridor Hospital Company, LLC
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Hospital Development of West Phoenix, Inc.
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VHS of Arrowhead, Inc.
VHS of Huntington Beach, Inc.
VHS of Illinois, Inc.
VHS of Michigan, Inc.
VHS of Orange County, Inc.
VHS of Phoenix, Inc.
VHS of South Phoenix, Inc.
VHS Outpatient Clinics, Inc.
VHS Phoenix Health Plan, LLC
VHS Rehabilitation Institute of Michigan, Inc.
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VHS Westlake Hospital, Inc.
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- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name:

Mary M. Heffernan

Company or Employer:

Tannery Lane Partners, LLC

Title:

Principal

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

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NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12/10/12
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

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VHS of South Phoenix, Inc.
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VHS University Laboratories, Inc.
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VHS Valley Real Estate Company, LLC
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VHS Westlake Hospital, Inc.
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Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Ann H Zucker
Company or Employer: CARMODY & TORRANCE LLP
Title: PARTNER

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

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(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

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NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

4.11.13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

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Please provide the following information:

Print Name: O. Joseph Bizzozero Jr MD
Company or Employer: ALLIANCE MEDICAL GROUP
Title: DIR/CONSULTANT QUALITY PROGRAM

- (b) PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509. If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Signature Joseph Bignone Jr Date 3/14/2013

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Hospital Development of West Phoenix, Inc.
Lakefront Medical Associates, LLC
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MacNeal Physicians Group, LLC
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VHS Westlake Hospital, Inc.
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Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Henry Borzkowski M.D.
Company or Employer: Cardiology Associates of Greater Waterbury
Title: Cardiologist

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.

- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature


Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: CARL CONTADINI
Company or Employer: WATERBURY HOSPITAL
Title: CHAIRMAN

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

- (a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

- (b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

- (c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

- (d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

- (a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

- (b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12-12-2012
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Ronald D'Andrea M.D.
Company or Employer: Advanced Medical
Title: Medical Physicist

- (b) PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509. If you have any questions regarding the questionnaire, please call her at 203-784-3108.

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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

{W2175868}

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

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NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

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NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Signature 

Date 3/25/13

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: James H. Gatling PhD.
Company or Employer: New Opportunities, Inc.
Title: President / CEO

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

- (a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

- (b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

- (c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

- (d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

- (a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

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Y NO ____ YES. If YES, please provide details.

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Y NO ____ YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

Y NO ____ YES. If YES, please provide details.

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Y NO ____ YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3-21-13
Date

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1. Instructions:

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Please provide the following information:

Print Name: JOHN A. KELLY JR.
Company or Employer: HALMA
Title: PRESIDENT

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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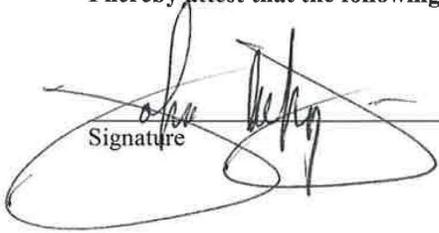
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NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3.14.13
Date

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: FREDERICK L. LUEDKE
Company or Employer: NEOPERL INC
Title: PRESIDENT OF BOARD

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

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NO YES. If YES, please provide details.

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(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

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I hereby attest that the following information is true and accurate to the best of my knowledge.


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Please provide the following information:

Print Name: Patricia A. McKinley
Company or Employer: N/A
Title: WHHC Board member

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name:

John A Michaels

Company or Employer:

Michaels Jewelers

Title:

Retired / Board member

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

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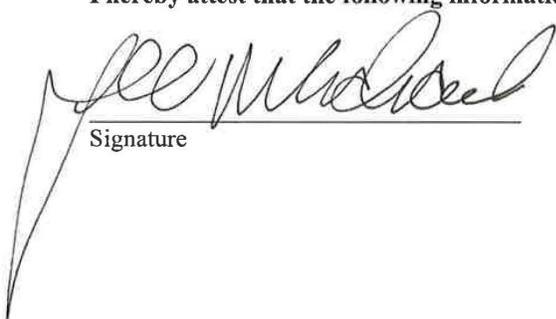
(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3-14-13
Date

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: DAVID PIZZUTO, MD
Company or Employer: PRIVATE PRACTICE / WATERBURY Hosp
Title: UPMA / TRUSTEE

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

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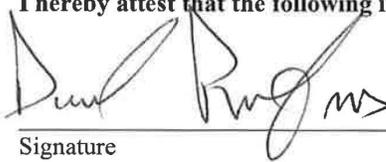
(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

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I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3-14-13
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Please provide the following information:

Print Name:

William J. Pizzuto

Company or Employer:

U CONN

Title:

DIRECTOR OF WATERBURY CAMPUS

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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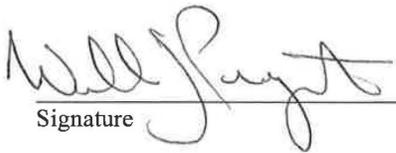
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Please provide the following information:

Print Name:

Dorlene Stromstad

Company or Employer:

Greater Waterbury Health Network

Title:

President / CEO

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

- (a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

- (b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

- (c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

- (d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

- (a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

- (b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3/20/13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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BHS Physicians Alliance for ACE, LLC
Baptist Medical Management Service Organization, LLC
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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: A. J. Wasserstein

Company or Employer: None

Title: _____

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

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NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.



Signature

Mar 20, 2013

Date

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name:

MICHAEL CEMENS

Company or Employer:

Greater Waterbury Health Network

Title:

VP & CEO

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
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- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

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NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

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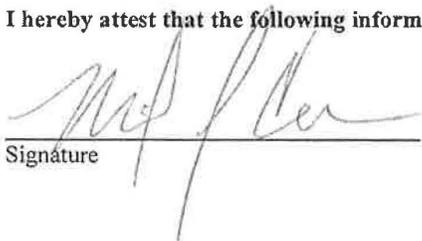
NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Signature



Date

3/20/13

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Please provide the following information:

Print Name:

G.E. (JAY) HOFFMAN, JR

Company or Employer:

LEADERS FOR TODAY / JH ENTERPRISES

Title:

INTERIM CFO

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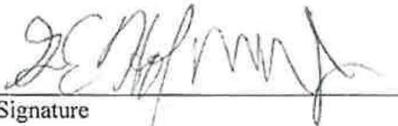
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VHS Acquisition Subsidiary Number 3, Inc. (80.1%)
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VHS Acquisition Subsidiary Number 5, Inc.
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VHS of Huntington Beach, Inc.
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VHS of Orange County, Inc.
VHS of Phoenix, Inc.
VHS of South Phoenix, Inc.
VHS Outpatient Clinics, Inc.
VHS Phoenix Health Plan, LLC
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VHS Valley Real Estate Company, LLC
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VHS Westlake Hospital, Inc.
West Suburban Radiation Therapy Center, LLC

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Abrazo Advantage Health Plan, Inc.
Arizona Health Partners, LLC (50%)

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North Anaheim Surgicenter, Ltd. (76%)

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Midwest Pharmacies, Inc.
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The 6300 West Roosevelt Limited Partnership (50.33%)

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Subsidiaries Incorporated or Organized in the State of Texas

Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name:

Sandra A. Tadarola

Company or Employer:

Waterbury Hospital

Title:

Chief Nursing Officer / Vice President Patient Care

- (b) PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509. If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. **Financial Interests**

- (a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO ____ YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

- (b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO ____ YES. If you answered YES, please note the name of the entity and income generated from the entity.

- (c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO ____ YES. If YES, please provide details.

- (d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO ____ YES. If YES, please provide details.

4. **Beneficial and/or Employment Interests**

- (a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO ____ YES. If YES, please provide details.

- (b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO ____ YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

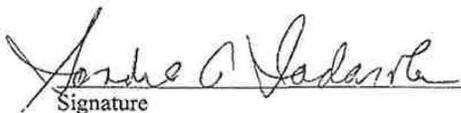
(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3/25/13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Diane M. Woolley
Company or Employer: Waterbury Hospital
Title: Vice President, Human Resources

- (b) PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509. If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

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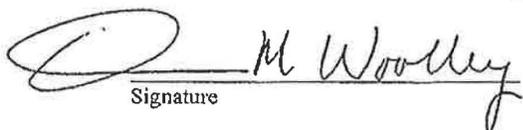
(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

3/20/13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Chris McDonough
Company or Employer: Cain Brothers
Title: Vice President

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

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3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

~~NO~~ YES. If YES, please provide details.

Cain Brothers is serving as GWHU's investment banker

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

Cain Brothers has represented other hospitals that have been sold to Vanguard

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

4/23/13
Date

EXHIBIT A

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1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Carl B Sherter, MD
Company or Employer: Waterbury Pulmonary Associates
Title: Partner

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

 y NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

 y NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

 y NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

 y NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

 Paul B Sherka, m.s.
Signature

 4/23/13
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

Subsidiaries Incorporated or Organized in the State of Delaware

Abrazo Medical Group Urgent Care, LLC
Advantage Health Care Management Company, LLC
BHS Physicians Alliance for ACE, LLC
Baptist Medical Management Service Organization, LLC
Central Texas Corridor Hospital Company, LLC
Hospital Development Company Number 2, Inc.
Hospital Development of West Phoenix, Inc.
Lakefront Medical Associates, LLC
MacNeal Medical Records, Inc.
MacNeal Physicians Group, LLC
Magnolia Surgery Center Limited Partnership (92%)
Michigan Pioneer ACO, LLC
Vanguard Health Financial Company, LLC
Vanguard Health Holding Company I, LLC
Vanguard Health Holding Company II, LLC
Vanguard Health Management, Inc.
Vanguard Holding Company I, Inc.
Vanguard Holding Company II, Inc.
VHS Acquisition Corporation
VHS Acquisition Partnership Number 1, L.P.
VHS Acquisition Subsidiary Number 1, Inc.
VHS Acquisition Subsidiary Number 2, Inc.
VHS Acquisition Subsidiary Number 3, Inc. (80.1%)
VHS Acquisition Subsidiary Number 4, Inc.
VHS Acquisition Subsidiary Number 5, Inc.
VHS Acquisition Subsidiary Number 6, Inc.
VHS Acquisition Subsidiary Number 7, Inc.
VHS Acquisition Subsidiary Number 8, Inc.
VHS Acquisition Subsidiary Number 9, Inc.
VHS Acquisition Subsidiary Number 10, Inc.
VHS Acquisition Subsidiary Number 11, Inc.
VHS Acquisition Subsidiary Number 12, Inc.
VHS Arizona Heart Institute, Inc.
VHS Brownsville Hospital Company, LLC
VHS Chicago Market Procurement, LLC
VHS Children's Hospital of Michigan, Inc.
VHS Detroit Businesses, Inc.
VHS Detroit Receiving Hospital, Inc.
VHS Detroit Ventures, Inc.

VHS Genesis Labs, Inc.
VHS Harlingen Hospital Company, LLC
VHS Harper-Hutzel Hospital, Inc.
VHS Holding Company, Inc.
VHS Huron Valley-Sinai Hospital, Inc.
VHS Imaging Centers, Inc.
VHS New England Holding Company I, Inc.
VHS of Anaheim, Inc.
VHS of Arrowhead, Inc.
VHS of Huntington Beach, Inc.
VHS of Illinois, Inc.
VHS of Michigan, Inc.
VHS of Orange County, Inc.
VHS of Phoenix, Inc.
VHS of South Phoenix, Inc.
VHS Outpatient Clinics, Inc.
VHS Phoenix Health Plan, LLC
VHS Rehabilitation Institute of Michigan, Inc.
VHS San Antonio Imaging Partners, L.P. (50%)
VHS San Antonio Partners, LLC
VHS Sinai-Grace Hospital, Inc.
VHS University Laboratories, Inc.
VHS Valley Health System, LLC
VHS Valley Holdings, LLC
VHS Valley Management Company, Inc.
VHS Valley Real Estate Company, LLC
VHS West Suburban Medical Center, Inc.
VHS Westlake Hospital, Inc.
West Suburban Radiation Therapy Center, LLC

Subsidiaries Incorporated or Organized in the State of Arizona

Abrazo Advantage Health Plan, Inc.
Arizona Health Partners, LLC (50%)

Subsidiaries Incorporated or Organized in the State of California

North Anaheim Surgicenter, Ltd. (76%)

Subsidiaries Incorporated or Organized in the Cayman Islands

VHS-Volunteer Insurance Ltd. (formerly, Volunteer Insurance Ltd., discontinued in Bermuda and continued in the Cayman Islands as if it had been incorporated under the laws of the Cayman Islands, effective April 1, 2011)
DMC Insurance Co., Ltd.

Subsidiaries Incorporated or Organized in the District of Columbia

Healthcare Compliance, LLC

Subsidiaries Incorporated or Organized in the State of Illinois

MacNeal Health Providers, Inc.
MacNeal Management Services, Inc.

Midwest Pharmacies, Inc.
Primary Care Physicians Center, LLC (94%)
Pros Temporary Staffing, Inc.
Watermark Physician Services, Inc.
The 6300 West Roosevelt Limited Partnership (50.33%)

Subsidiaries Incorporated or Organized in the State of Massachusetts

Metrowest Accountable Health Care Organization, LLC (50%)

Subsidiaries Incorporated or Organized in the State of Michigan

Southeast Michigan Physicians' Insurance Company

Novi Regional Imaging, LLC (51%)

DMC Partnership Imaging, LLC (81%)

Michigan Regional Imaging, LLC (70%)

Subsidiaries Incorporated or Organized in the Commonwealth of Pennsylvania

V-II Acquisition Co., Inc.

Subsidiaries Incorporated or Organized in the State of Texas

Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Patrick J. Simers
Company or Employer: Principle Valuation, LLC
Title: Executive Vice President

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. **Financial Interests**

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. **Beneficial and/or Employment Interests**

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

04/19/2013
Date

EXHIBIT A

SUBSIDIARIES OF VANGUARD HEALTH SYSTEMS, INC.

(Except where indicated by a number in parentheses after the name of a subsidiary below, the Company owns 100% of the equity interests in such subsidiary, directly or indirectly)

Subsidiaries Incorporated or Organized in the State of Delaware

Abuzzo Medical Group Urgent Care, LLC
Advantage Health Care Management Company, LLC
BHS Physicians Alliance for ACP, LLC
Baptist Medical Management Service Organization, LLC
Central Texas Corridor Hospital Company, LLC
Hospital Development Company Number 2, Inc.
Hospital Development of West Phoenix, Inc.
Lakefront Medical Associates, LLC
MacNeal Medical Records, Inc.
MacNeal Physicians Group, LLC
Magnolia Surgery Center Limited Partnership (92%)
Michigan Pioneer ACO, LLC
Vanguard Health Financial Company, LLC
Vanguard Health Holding Company I, LLC
Vanguard Health Holding Company II, LLC
Vanguard Health Management, Inc.
Vanguard Holding Company I, Inc.
Vanguard Holding Company II, Inc.
VHS Acquisition Corporation
VHS Acquisition Partnership Number 1, L.P.
VHS Acquisition Subsidiary Number 1, Inc.
VHS Acquisition Subsidiary Number 2, Inc.
VHS Acquisition Subsidiary Number 3, Inc. (80.1%)
VHS Acquisition Subsidiary Number 4, Inc.
VHS Acquisition Subsidiary Number 5, Inc.
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VHS Acquisition Subsidiary Number 7, Inc.
VHS Acquisition Subsidiary Number 8, Inc.
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VHS Acquisition Subsidiary Number 12, Inc.
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VHS Brownsville Hospital Company, LLC
VHS Chicago Market Procurement, LLC
VHS Children's Hospital of Michigan, Inc.
VHS Detroit Businesses, Inc.
VHS Detroit Receiving Hospital, Inc.
VHS Detroit Ventures, Inc.

VHS Genesis Labs, Inc.
VHS Harlingen Hospital Company, LLC
VHS Harper-Hutzel Hospital, Inc.
VHS Holding Company, Inc.
VHS Huron Valley-Sinai Hospital, Inc.
VHS Imaging Centers, Inc.
VHS New England Holding Company I, Inc.
VHS of Anaheim, Inc.
VHS of Arrowhead, Inc.
VHS of Huntington Beach, Inc.
VHS of Illinois, Inc.
VHS of Michigan, Inc.
VHS of Orange County, Inc.
VHS of Phoenix, Inc.
VHS of South Phoenix, Inc.
VHS Outpatient Clinics, Inc.
VHS Phoenix Health Plan, LLC
VHS Rehabilitation Institute of Michigan, Inc.
VHS San Antonio Imaging Partners, L.P. (50%)
VHS San Antonio Partners, LLC
VHS Sinai-Grace Hospital, Inc.
VHS University Laboratories, Inc.
VHS Valley Health System, LLC
VHS Valley Holdings, LLC
VHS Valley Management Company, Inc.
VHS Valley Real Estate Company, LLC
VHS West Suburban Medical Center, Inc.
VHS Westlake Hospital, Inc.
West Suburban Radiation Therapy Center, LLC

Subsidiaries Incorporated or Organized in the State of Arizona

Abrazo Advantage Health Plan, Inc.
Arizona Health Partners, LLC (50%)

Subsidiaries Incorporated or Organized in the State of California

North Anaheim Surgicenter, Ltd. (76%)

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VHS-Volunteer Insurance Ltd. (formerly, Volunteer Insurance Ltd., discontinued in Bermuda and continued in the Cayman Islands as if it had been incorporated under the laws of the Cayman Islands, effective April 1, 2011)
DMC Insurance Co., Ltd.

Subsidiaries Incorporated or Organized in the District of Columbia

Healthcare Compliance, LLC

Subsidiaries Incorporated or Organized in the State of Illinois

MacNeal Health Providers, Inc.
MacNeal Management Services, Inc.

Midwest Pharmacies, Inc.
Primary Care Physicians Center, LLC (94%)
Pros Temporary Staffing, Inc.
Watermark Physician Services, Inc.
The 6300 West Roosevelt Limited Partnership (50.33%)

Subsidiaries Incorporated or Organized in the State of Massachusetts

Metrowest Accountable Health Care Organization, L.L.C. (50%)

Subsidiaries Incorporated or Organized in the State of Michigan

Southeast Michigan Physicians' Insurance Company

Novi Regional Imaging, L.L.C. (51%)

DMC Partnership Imaging, LLC (81%)

Michigan Regional Imaging, L.L.C. (70%)

Subsidiaries Incorporated or Organized in the Commonwealth of Pennsylvania

V-II Acquisition Co., Inc.

Subsidiaries Incorporated or Organized in the State of Texas

Heart & Vascular Institute of Texas, Inc.

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) GWHN board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: ANDREW K. SKIPP
Company or Employer: HUBBARD-HALL INC.
Title: PRESIDENT/CEO

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.
- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **Vanguard Entity:** Entity includes Vanguard Health Systems, Inc. and its subsidiaries and affiliates including, without limitation, MetroWestMedical Center, Saint Vincent Hospital (Worcester, Massachusetts), and the subsidiaries and affiliates listed on Exhibit A attached to this form.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any Vanguard Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any Vanguard Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any Vanguard Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a Vanguard Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a Vanguard Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a Vanguard Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a Vanguard Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a Vanguard Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

4/23/13
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Philip N. Bredesen

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children's Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12/13/12
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Carol J. Burt

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

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- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children's Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?
X NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?
X NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?
X NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?
X NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?
X NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?
X NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

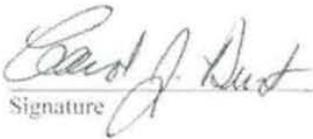
(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12/12/2012
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates (“GWHN”) and Vanguard Health Systems, Inc. (“Vanguard”) to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture (“Joint Venture”).

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Michael A. Dal Bello

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

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2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children’s Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

M Dal Bello
Signature

12/12/12
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Robert Galvin, M.D.

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children's Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

DEC 13, 2012
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates (“GWHN”) and Vanguard Health Systems, Inc. (“Vanguard”) to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture (“Joint Venture”).

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: M. Fazle Husain

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

- (a) **Related Person:** A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.
- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children’s Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Fajle Hufani
Signature

12/13/2012
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: _____ Charles N. Martin, Jr. _____

Company or Employer: _____ Vanguard Health Systems, Inc. _____

Title: _____ Chairman & Chief Executive Officer _____

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

2. Definitions:

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- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children's Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

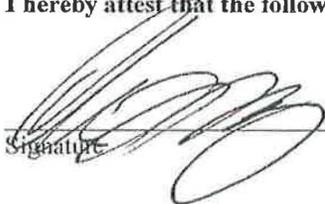
(iii) Been indebted to or loaned money to a GWHN Entity.

NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.


Signature

12/11/12
Date

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates (“GWHN”) and Vanguard Health Systems, Inc. (“Vanguard”) to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture (“Joint Venture”).

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Keith B. Pitts

Company or Employer: Vanguard Health Systems, Inc.

Title: Vice Chairman

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

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3. Financial Interests

- (a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

- (b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

- (c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

- (d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests

- (a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

- (b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

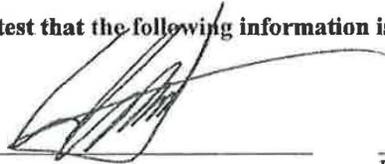
NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Signature



Date

12/18/12

Conflict of Interest/Financial Disclosure Form

The Application of the Greater Waterbury Health Network, Inc. and its Affiliates ("GWHN") and Vanguard Health Systems, Inc. ("Vanguard") to the Connecticut Attorney General and the Connecticut Department of Public Health for permission to form a joint venture ("Joint Venture").

1. Instructions:

- (a) This Disclosure Form is for (i) Vanguard board members, (ii) experts and (iii) senior executives with managerial responsibilities who have direct involvement in the proposed joint venture transaction.

Please provide the following information:

Print Name: Neil P. Simpkins

Company or Employer: Vanguard Health Systems, Inc.

Title: Director

- (b) **PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE NO LATER THAN 12/30/12 to Ann Zucker at azucker@carmodylaw.com or Carmody & Torrance LLP, c/o Ann Zucker, 195 Church Street, New Haven, CT 06509.** If you have any questions regarding the questionnaire, please call her at 203-784-3108.

- (c) Retain a completed copy of this questionnaire for your files. If, following your return of the questionnaire, any events occur or information comes to your attention that would affect the accuracy of any of your answers in this questionnaire, please notify Ann Zucker of any such event or information as soon as possible.

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- (b) **GWHN Entity:** Entity includes the following: The Waterbury Hospital; Alliance Medical Group, Inc.; Greater Waterbury Imaging Center, LLP; Access Rehab Centers, LLC; Imaging Partners, LLC; Waterbury Gastroenterological Co-Management Company, LLC; Cardiology Associates of Greater Waterbury, LLC; Greater Waterbury Health Services, Inc.; VNA Health at Home, Inc.; Greater Waterbury Management Resources, Inc.; The Children's Center of Greater Waterbury Health Network, Inc.; Healthcare Alliance Insurance Company, Ltd.; Harold Leever Regional Cancer Center, Inc.; Heart Center of Greater Waterbury, Inc.

3. Financial Interests

(a) Do you or any Related Person (see definition on first page) have a direct or indirect ownership interest in any GWHN Entity (see definitions on first page)?

NO YES. If YES, please note the name of the entity, ownership percentage and any income generated from the ownership or investment interest.

(b) Since January 1, 2012, did you or any Related Person have a compensation arrangement, including without limitation, as an employee, consultant, contractor, with any GWHN Entity?

NO YES. If you answered YES, please note the name of the entity and income generated from the entity.

(c) Did or will you or any Related Person receive any payment or other financial benefit as a result of the proposed transaction?

NO YES. If YES, please provide details.

(d) Do you or any Related Person own stock or options to purchase stock in any GWHN Entity?

NO YES. If YES, please provide details.

4. Beneficial and/or Employment Interests -

(a) Since January 1, 2012, were you or any Related Person offered a position as a director or trustee of a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(b) Since January 1, 2012, were you or any Related Person offered a consulting position or employment with a GWHN Entity or the Joint Venture?

NO YES. If YES, please provide details.

(c) Since January 1, 2012, have you or any Related Person engaged in any of the following transactions with a GWHN Entity?

(i) Sold or transferred assets to or purchased assets from or exchanged assets.

NO YES. If YES, please provide details.

(ii) Leased assets to or leased assets from a GWHN Entity.

NO YES. If YES, please provide details.

(iii) Been indebted to or loaned money to a GWHN Entity.

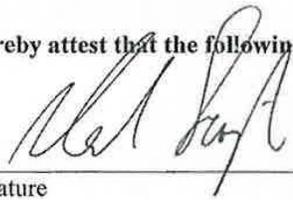
NO YES. If YES, please provide details.

(iv) Furnished or acquired goods, services or facilities to a GWHN Entity.

NO YES. If YES, please provide details.

I hereby attest that the following information is true and accurate to the best of my knowledge.

Signature



Date

12/14/12

EXHIBIT 10: RESPONSES TO FAIRNESS EVALUATION RFP



HOULIHAN LOKEY

October 14, 2011

Darlene Stromstad, FACHE
Greater Waterbury Health Network, Inc.
64 Robbins St.
Waterbury, CT 06708

Re: Fairness Opinion Proposal

Dear Ms. Stromstad:

We appreciate your interest in Houlihan Lokey Howard & Zukin ("Houlihan Lokey") and our financial advisory and fairness opinion services. We understand that Greater Waterbury Health Network, Inc. (the "Company") is contemplating a transaction in which the Company would enter into a joint venture (the "Joint Venture") with LHP Hospital Group, Inc. ("LHP") and Saint Mary's Health System, Inc. ("Saint Mary's") to build and operate a new hospital (the "Transaction"). Under proposed terms of the Transaction, LHP would fund the construction of the new hospital with a cost of approximately \$400 million and both St. Mary's and LHP would close their existing facilities. We understand that the Company would receive a 10% interest in the Joint Venture operating the hospital and receive no cash consideration. We further understand that LHP would receive an 80% interest in the Joint Venture and St. Mary's would receive a 10% interest.

Houlihan Lokey is an international investment banking firm and is generally acknowledged as the leading M&A fairness opinion advisor in the U.S. The firm is uniquely qualified to provide independent financial advisory services to the Company's Board of Directors (the "Board") as it considers the Transaction. This advisory role is one that Houlihan Lokey has played in several other transactions.

This proposal letter introduces you to Houlihan Lokey and outlines our firm's capabilities and fairness opinion services. We have also provided you under separate cover a Presentation of Qualifications describing our experience in greater detail, including our fairness opinion and healthcare industry credentials, and professional biographies of the individuals who will work on this engagement.

Firm Overview

Houlihan Lokey provides a wide range of advisory services, including mergers and acquisitions, private placements of debt and equity, valuation services including transaction opinions, and financial restructuring. We have over 800 employees located in 14 offices throughout the world, including Los Angeles, New York, Chicago, San Francisco, Dallas, Atlanta, Minneapolis, Washington, D.C., London, Paris, Frankfurt, Hong Kong, Tokyo and Beijing. We annually serve more than 1,000 clients worldwide, ranging from closely held companies to Global 500 corporations. The firm is recognized as one of the leading M&A fairness opinion advisors, consistently ranking as one of the most active firms according to M&A league tables.

245 Park Avenue • New York, New York 10167 • tel.212.497.4100 • fax.212.661.3070 • www.HL.com

Broker/dealer services through Houlihan Lokey Howard & Zukin Capital. Investment advisory services through Houlihan Lokey Howard & Zukin Financial Advisors.

00625

Overview of Fairness Opinion Practice

Houlihan Lokey has developed an outstanding reputation in advising on fairness opinions and analyses to boards of directors of both public and private companies, special or independent committees, partnerships, foundations, interested shareholder groups and trustees. According to *Thomson Reuters*, Houlihan Lokey was ranked as the number one M&A fairness opinion advisor over the past ten years in transactions involving U.S. companies. The firm has rendered fairness opinions in every conceivable change of control transaction, including mergers, sales, divestitures and going private transactions. In other contexts, we have rendered fairness opinions for mergers of equals, exchange offers, private placements of public equity ("PIPEs"), down round financings, recapitalizations, sales of securities, and leveraged purchases.

As a financial advisor, Houlihan Lokey brings a broad array of applicable transaction experience to each client it serves and treats each engagement with the strictest confidentiality, as any breach can have a devastating impact on the ultimate purchase price and success of closure. Houlihan Lokey's clients have come to rely on the firm for its technical expertise, unimpeachable credibility and independent posture in all of its opinions. The accompanying Presentation of Qualifications summarizes our expertise and provides an extensive list of representative fairness opinion engagements. These engagements validate our firm's independence, responsiveness, and expertise at rendering opinions, all of which make us the ideal candidate to advise the Board on the fairness of the Transaction.

In assessing the Transaction, we will conduct a comprehensive investigation of the Company, the local healthcare market, the expected operations of the Joint Venture and the economics and benefits of the Transaction. Our due diligence process is very thorough, consisting of interviews of senior and operating management of the Company, interviews with the Transaction advisors, and analysis and review of information provided by the Company and its advisors. We believe our technical capabilities are unmatched, as we conduct rigorous analysis in connection with each of our fairness engagements. Finally, the analysis and conclusions developed by the engagement team culminate with an internal presentation to our Fairness Review Committee, which consists of several senior officers of Houlihan Lokey (excluding any engagement team members). The Fairness Review Committee conducts an extensive review of the fairness analysis prior to the delivery of a fairness opinion and presentation to the Board.

Healthcare Expertise

Houlihan Lokey has a dedicated global team of investment bankers who are focused on the healthcare industry with specific expertise in the hospital management space. The team has extensive expertise and experience in advising on M&A transactions, financial restructurings, and providing counsel for strategic decision making. We have numerous longstanding relationships with board members and executives of both quoted and private companies, in addition to contacts with a broad range of associated investors and lenders. We have included a specific section detailing our healthcare expertise in the Presentation of Qualifications.

Scope of Services and Proposed Fees

The engagement team will interface with the Board and its advisors throughout the engagement, with the Board ultimately receiving a signed fairness opinion, along with a presentation summarizing our analysis and conclusions. The fairness opinion will address the consideration received by the Company in the form of a 10% interest in the Joint Venture. In addition to the fairness opinion, we will address: (1) the

intangible benefit to the Waterbury community of maintaining the mission of the Company and the commitment of a replacement hospital; (2) an assessment of the management agreement to be entered between the Joint Venture and LHP; and (3) a comparison of valuations between for-profit, not-for-profit, academic and community hospital systems.

Although the opinion and analyses are used by the Board to exercise its fiduciary duties and will be included in its filing to the State of Connecticut, we deliver even greater value to the Board in providing the full backing of our firm in the event that there is any subsequent scrutiny by the State Attorney General.

Houlihan Lokey provides its clients with exceptional expertise, senior-level attention and responsive execution. Ben Buettell and Michael DeLuke will be the team leaders for this engagement with significant assistance from Gary Brewster. Ben is a Managing Director and co-head of the firm's Fairness and Solvency Opinion Practice. Michael is a Director in the Financial Advisory Services practice and has significant healthcare experience in the hospital sector. We will be supported by additional professionals from our healthcare practice and others. We believe there is no better-suited engagement team to assist the Board in its deliberations in connection with the Transaction.

Typically, the fees for our services depend upon the nature of the engagement, the perceived risk of the requested opinion, the timing and complexity of the transaction, and the associated staffing requirements. Based on our preliminary understanding of the Transaction, we propose a fee of \$300,000. In addition to the professional fees outlined above, Houlihan Lokey would be entitled to the reimbursement of its necessary and reasonable out-of-pocket expenses, including any reasonable fees for outside legal counsel. The fee would be payable by the Company as follows: (i) upon execution of Houlihan Lokey's retainer agreement, a non-refundable payment of [REDACTED] and (ii) the remainder of the fee upon delivery of our opinion.

Other Requested Information

Houlihan Lokey does not have any conflicts with the parties in the Transaction.

We propose a timeline for the delivery of a draft report of three weeks from the receipt of requested materials and have included a preliminary information list as Attachment A. We believe Company management would have ready access to the majority of items on the list but can work with management as needed to complete our information needs. Our proposed timeline is based on the following:

- Week One – Review of information and initial due diligence
- Week Two – Preparation of valuation and other analyses
- Week Three – Preparation of presentation materials and internal review

Our initial due diligence would include a site visit and discussions with the key financial, strategic and operational team of the Company consisting of four to eight hours. We would also request interview(s) with LHP either telephonically or on-site that might last one to two hours. After initial diligence, we would likely have continued follow-up via telephone or e-mail via the key contact points as designated by the Company.

Darlene Stromstad, FACHE
October 14, 2011

Page 4

In Closing

We trust that this proposal and the accompanying presentation set forth our credentials and demonstrate that Houlihan Lokey is uniquely qualified to assist the Board. We look forward to the opportunity to work with you on this important transaction. Please do not hesitate to contact us at your convenience to discuss this proposal.

Regards,



Gary Brewster
Managing Director



Ben Buettell
Managing Director



Michael DeLuke
Director

cc: Ann H. Zucker, Carmody & Torrance LLP

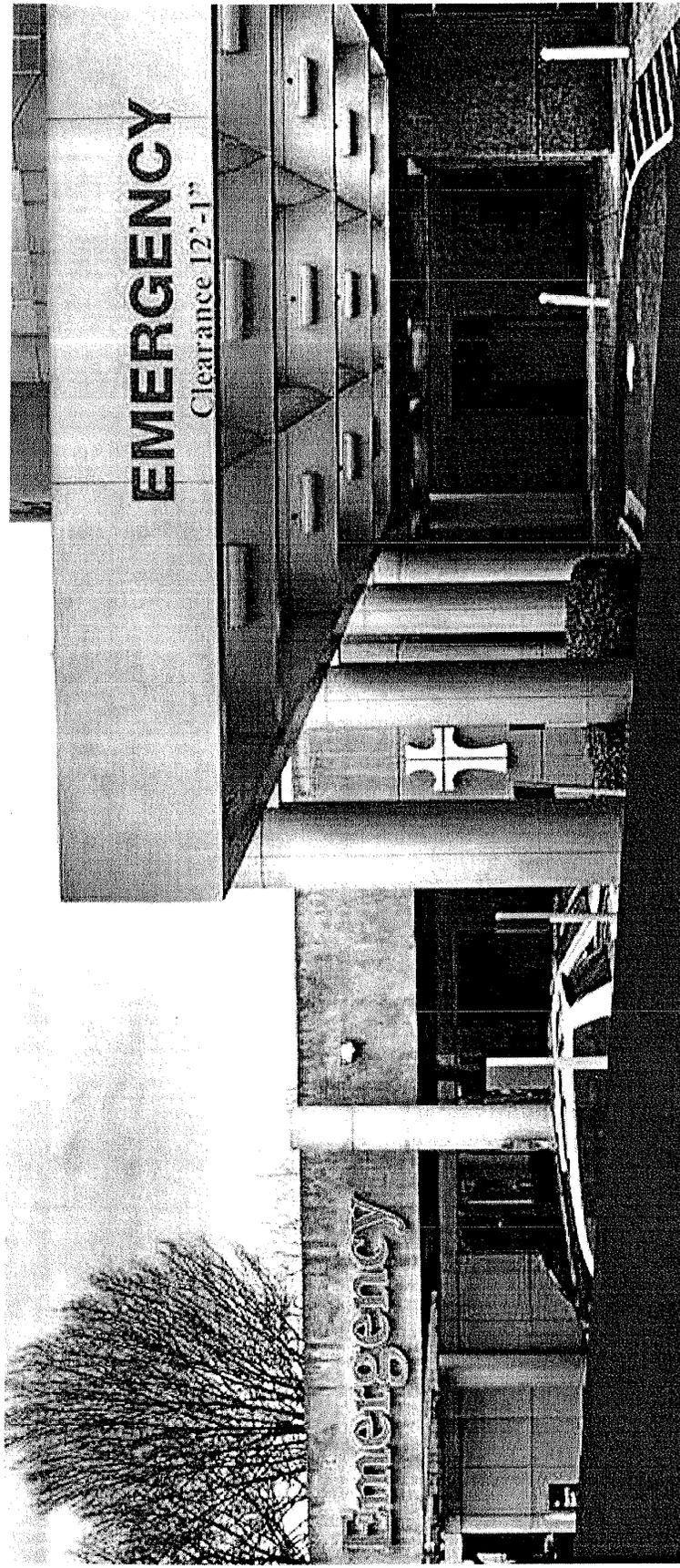
00628

Attachment A

Greater Waterbury Health Network Diligence Needs

While we realize that you may not be able to provide us with all the information that has been listed, this request should serve as guidance for developing the information we will need for the successful completion of the analysis. If you have any questions regarding the items on the list, please contact Michael DeLuke at 214-220-8487.

1. Audited fiscal year financial statements (i.e., balance sheet, income statement, and statement of cash flows) for the prior three years. Please provide historical financials in internal management-style reports formatted to include gross revenues by inpatient/outpatient/etc. and detail behind revenue deductions.
2. Latest interim year-to-date financial information with comparison to the same period last year.
3. Operating and statistical utilization information for the prior three years and interim periods above.
4. Operating budgets for the remainder of 2011 and the next 5 years.
5. Details of any non-recurring income or expense items during the prior 3 years.
6. Hospital's most recent business plan including any long-term financial or operating projections.
7. Estimates of the following (may be included in business plan):
 - a. Net revenue growth expected for the next five years
 - b. Operating and non-operating expense growth
 - c. Any estimates on long-term expected utilization, occupancy, FTE levels, etc.
 - d. Expectations of growth or changes in services (outpatient, home health, ER, etc.)
 - e. Expectations and impacts of changes in mix of beds, services, etc.
8. Information memorandum or other information prepared by Cain Brothers during the prior sales process.
9. Signed letter of intent and draft formation/operating agreements regarding the joint venture.
10. When available, draft management agreement between the joint venture and LHP.
11. Details and status of any ongoing capital projects at the facilities.
12. Comments on any physical plant limitations or functional constraints on the delivery of services.
13. Most recently compiled economic and demographic information for the market service area.
14. Comments on physician relations, retention, recruitment, etc. (may be included in business plan).
15. Details on any non-operating assets such as restricted cash/securities or undeveloped land.
16. If applicable, a summary of any outstanding contingencies, liabilities, litigation, etc. not described in the financial data provided. This includes detail of any non-normal amounts receivable or payable to Medicare and other fiscal intermediaries.



Greater Waterbury Health Network | October 2011

Presentation of Qualifications

Confidential



HOULIHAN LOKEY

www.HL.com U.S. 800.788.5300 Europe +44.20.7839.3355 Hong Kong +852.3551.2300 Japan +81.3.4577.6000
Los Angeles • New York • Chicago • San Francisco • Minneapolis • Washington, D.C. • Dallas • Atlanta • London • Paris • Frankfurt • Hong Kong • Tokyo • Beijing

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Overview of Houlihan Lokey / Healthcare Group	18
Houlihan Execution and Support Team Biographies	32

Houlihan Lokey Overview

A Leading Investment Banking Firm



HOULIHAN LOKEY

Corporate Finance

- **Mergers and Acquisitions**
 - Sellside & Buyside Transactions
 - Leveraged Transactions
 - Minority Equity Transactions
- **Capital Markets**
 - Debt & Equity Private Placements
 - High Yield
 - PIPEs Financings
 - Liabilities Management
 - Special Situations Advisory

Ranked Among Top 10 M&A Advisors for Ten Straight Years

Rank	Adviser	Number of Deals
1	Houlihan Lokey	117
2	Goldman Sachs & Co	99
3	Lazard	82
4	Bank of America Merrill Lynch	77
5	JP Morgan	73

Source: Thomson Reuters

Financial Advisory

- Fairness Opinions
- Solvency Opinions
- Valuation Opinions
- Transaction Advisory Services
- Tax & Financial Reporting Valuation
- Portfolio Valuation & Advisory Services
- Derivatives Valuation & Advisory Services
- Dispute Resolution & Financial Expert Opinions

M&A Advisor's 2010 Valuation Firm of the Year

Rank	Adviser	Number of Deals
1	Houlihan Lokey	642
2	JP Morgan	516
3	Bank of America Merrill Lynch	368
4	Morgan Stanley	323
5	UBS	304

Source: Thomson Reuters

Financial Restructuring

- Chapter 11 Planning
- Restructuring Debt and Equity
- Debtor-in-Possession ("DIP") Financing
- Exchange Offers
- Plans of Reorganization
- Distressed Mergers and Acquisitions

No. 1 Investment Banking Restructuring Advisor

Rank	Adviser	Number of Deals
1	Houlihan Lokey	74
2	Lazard	58
3	Rothschild	50
4	Moelis & Co.	28
5	Blackstone Group LP	25

Source: Thomson Reuters, January 2011.

Recent Highlights and Accomplishments

Closed More Middle-Market Deals Than Any Other Firm

2010

2010 M&A Advisory Rankings
U.S. Transactions Under \$1 Billion

Rank	Advisor	Number of Deals
1	Houlihan Lokey	117
2	Goldman Sachs & Co	99
3	Lazard	82
4	Bank of America Merrill Lynch	77
5	JP Morgan	73
6	Jefferies & Co Inc	72
7	Morgan Stanley	59
8	Credit Suisse	57
9	Barclays Capital	56
10	RBC Capital Markets	53

Source: Thomson Reuters.

2009

2009 M&A Advisory Rankings
U.S. Transactions Under \$1 Billion

Rank	Advisor	Number of Deals
1	Houlihan Lokey	71
2	Goldman Sachs & Co	57
3	Bank of America Merrill Lynch	55
4	JP Morgan	53
5	Lazard	51
6*	Credit Suisse	50
6*	Morgan Stanley	50
8	UBS	40
9	RBC Capital Markets	38
10*	Citi	36
10*	Deutsche Bank AG	36

* denotes tie.
Source: Thomson Reuters.

2008

2008 M&A Advisory Rankings
U.S. Transactions Under \$1 Billion

Rank	Advisor	Number of Deals
1	Houlihan Lokey	112
2	Goldman Sachs & Co	87
3	JP Morgan	85
4	Credit Suisse	78
5	Merrill Lynch	62
6	Morgan Stanley	61
7*	Lazard	59
7*	UBS	59
9	Citi	57
10	Jefferies & Co Inc	56

* denotes tie.
Source: Thomson Reuters.

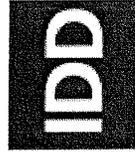
2007

2007 M&A Advisory Rankings
U.S. Deals Under \$1 Billion

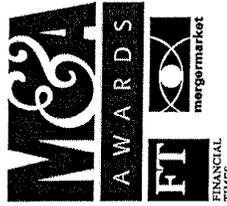
Rank	Advisor	Number of Deals
1	Houlihan Lokey	122
2	Credit Suisse	112
3*	Goldman Sachs & Co	102
3*	Citi	102
5	Jefferies & Co Inc	92
6	UBS	88
7*	Lehman Brothers	87
7*	JP Morgan	87
9	Morgan Stanley	74
10	RBC Capital Markets	71

* denotes tie.
Source: Thomson Reuters.

Winner of Numerous Industry Awards



- 2010 Mid Market Bank of the Year Investment Dealers' Digest
- Awarded by Investor's Dealers Digest on January 28, 2011

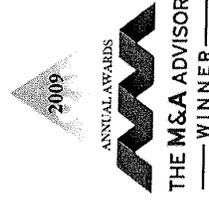


- 2010 Mid-market Financial Advisor of the Year – United States
- Awarded by Financial Times and Mergermarket on December 13, 2010



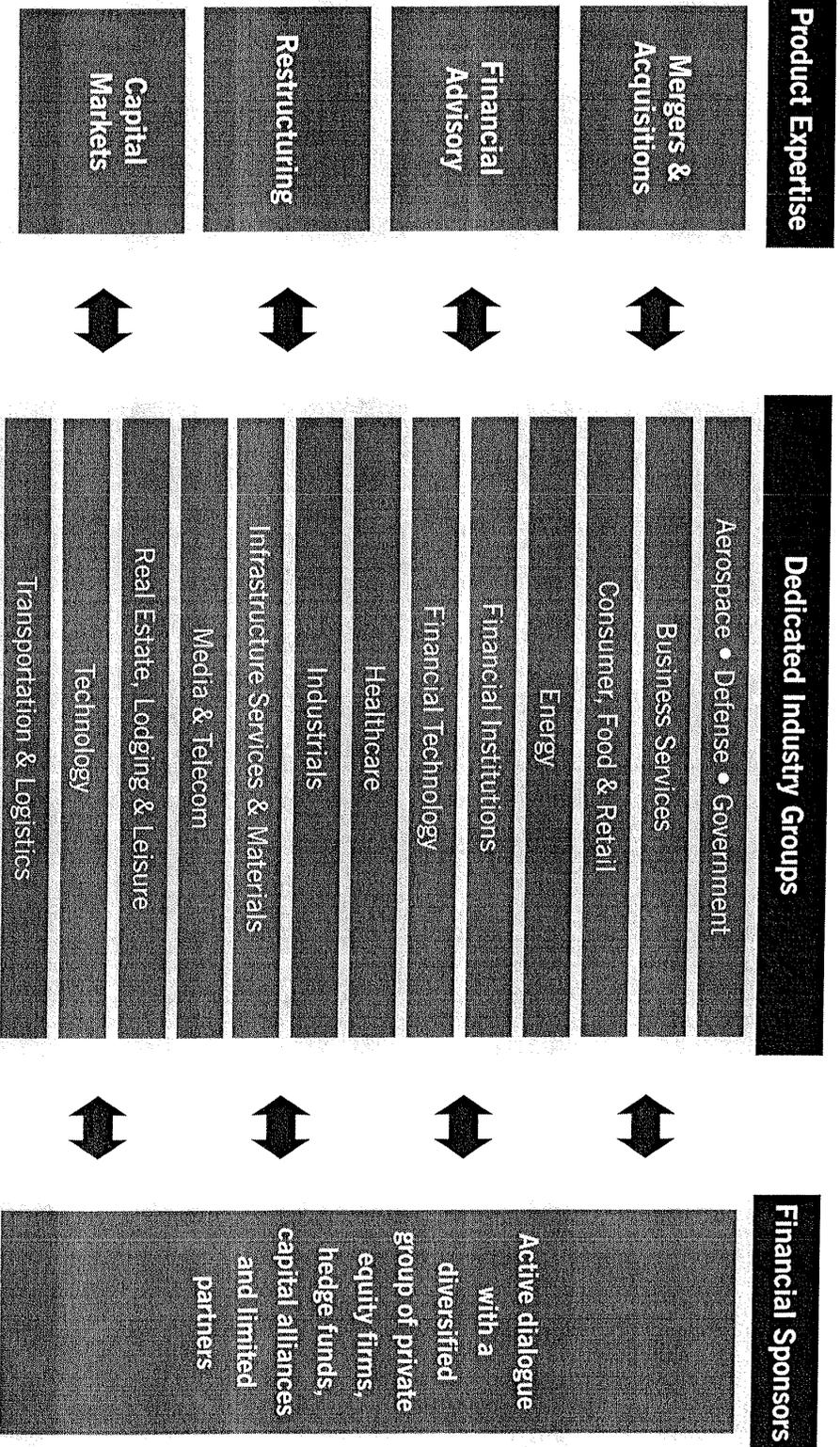
- 2010 Investment Bank of the Year – North America

- Awarded by InterContinental Finance Magazine on September 20, 2010



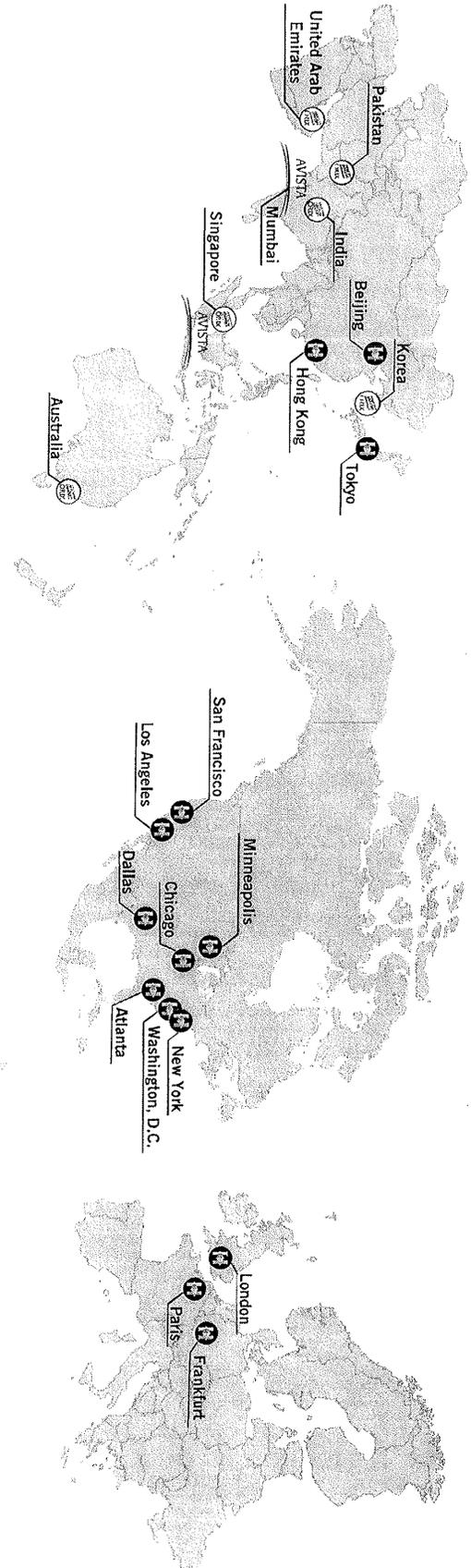
- 2009 Investment Banking Firm of the Year
- Awarded by M&A Advisor on December 14, 2009

Fully Integrated Industry, Product and Private Equity Capabilities



Strategic Global Presence

- Houlihan Lokey has over 800 employees in 14 offices worldwide
- With three offices in Europe and three offices in Asia, Houlihan Lokey has the global reach and local country presence to support international transactions
- In 2005, Houlihan Lokey partnered with ORIX Corporation (NYSE:IX), a leading integrated financial services group, headquartered in Tokyo, Japan
- In 2010, Houlihan Lokey expanded its presence into India and Singapore through a strategic minority investment in the Avista Advisory Group, a 25-person investment banking firm headquartered in Mumbai



AVISTA
Avista Advisory locations

ORIX
ORIX Corporation locations

Fairness Opinion Services

Uniquely Qualified

Experience

Attributes of Large Firm

- Global reach – presence in United States, Europe and Asia
- Dedicated industry groups and product specialists
- Credibility with and access to acquisition candidates
- Financing markets expertise – understanding of public and private financing alternatives

No. 1 M&A Fairness Opinion Advisor

M&A Fairness Advisory Rankings Announced or Completed Deals – 2001 to 2010

Rank	Advisor	Number of Deals
1	Houlihan Lokey	642
2	JP Morgan	516
3	Bank of America Merrill Lynch	368
4	Morgan Stanley	323
5	UBS	304
6	Goldman Sachs & Co	287
7	Duff and Phelps	267
8	Credit Suisse	220
9	Citi	183
10	Somerley Ltd	181

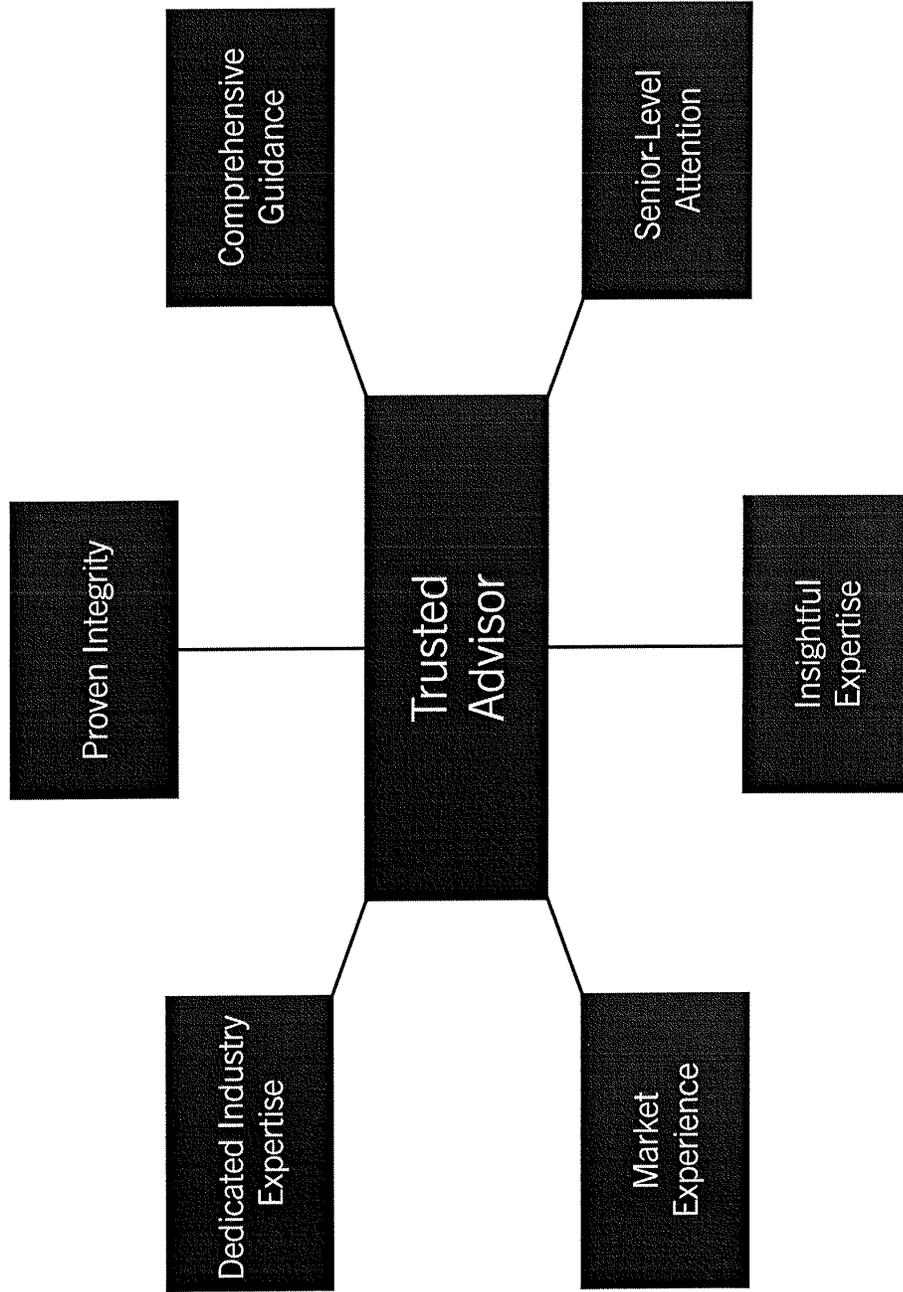
Source: Thomson Reuters

Attributes of Mid-Size Firm

- Proven integrity – private advisory firm with no investment research, underwriting or equity positions
- Comprehensive guidance – creativity and analytical depth; routinely structure complex transactions and achieve compelling results
- Senior level attention – experienced, senior bankers lead all engagements

More Boards and Special Committees rely on Houlihan Lokey than any other advisor

Expert Advisors. Expert Opinions.



Serving Companies Across a Broad Spectrum of Industries

Fairness Opinion
Services

<p>Aerospace, Defense & Government</p> <p>Schafer has been acquired by Metalmark General</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>INSITU has been acquired by BOEING</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>DANKA Danka Office Imaging Company has been acquired by KONICA MINOLTA</p> <p>Fairness Opinion</p>	<p>Booz Allen Hamilton has sold a majority stake in its U.S. Government Business to THE CARLYLE GROUP</p> <p>Fairness Opinion</p>	<p>kraft foods has acquired Carbury</p> <p>Fairness Opinion</p>	<p>Steiner Steiner Leisure Limited has acquired bliss from STARWOOD HOTELS & RESORTS INTERNATIONAL</p> <p>Fairness Opinion</p>	<p>DUNCAN ENERGY PARTNERS L.P. has acquired interests in three midstream energy companies from Enterprise Products Partners L.P.</p> <p>Fairness Opinion</p>	<p>MEMORAN McMoran Exploration Co. has completed a private placement of convertible preferred securities</p> <p>Fairness Opinion</p>
<p>Financial Institutions</p> <p>Thomas Weisel Partners has merged with STIFEL FINANCIAL</p> <p>Fairness Opinion</p>	<p>euronext Euronext N.V. has merged with NYSE NYSE Group, Inc.</p> <p>Fairness Opinion</p>	<p>CRYO CORP has been acquired by Boston Scientific</p> <p>Fairness Opinion</p>	<p>DANERSTONE has completed a strategic transaction with Chiesi</p> <p>Fairness Opinion</p>	<p>Haber Tech Full Electric, Co. Ltd. has acquired SIMO Xiran Simo Motor Incorporation (Group)</p> <p>Fairness Opinion</p>	<p>ARCADIA Safety a portfolio company of The CapStar Group and TCW Shared Opportunity Funds has been acquired by Kimberly-Clark</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>TRC TRC Companies, Inc. has completed a private placement of Series A Convertible Preferred Stock</p> <p>Fairness Opinion</p>	<p>MALCOLM PIRNIE has merged with ARCADIS</p> <p>Fairness Opinion</p>
<p>Media & Telecom</p> <p>THE GRUBER GROUP and SIEMENS have formed a joint venture creating SIEMENS Siemens Enterprise Communications</p> <p>Fairness Opinion</p>	<p>technicolor formerly known as THOMSON has completed the restructuring of €2.8 billion of debt</p> <p>Financial Opinion</p>	<p>Harris has agreed to an equity investment involving Paulson S. Co. Inc., Apella Management VI, L.P. and TTG Capital, L.P.</p> <p>Fairness Opinion</p>	<p>CNL MetLife Sports, Inc. has been acquired by and Morgan Stanley Real Estate</p> <p>Fairness Opinion</p>	<p>FOUNDRY NETWORKS has been acquired by BROCADE</p> <p>Fairness Opinion</p>	<p>ADC has been acquired by Tyco Electronics</p> <p>Fairness Opinion</p>	<p>TRIMBLE SYSTEMS CORPORATION has been acquired by VIGOR Industrial LLC</p> <p>Fairness Opinion</p>	<p>Transportation & Logistics</p> <p>RE has been acquired by FORTRESS Fortress Investment Group LLC</p> <p>Fairness Opinion</p>
<p>Real Estate, Lodging & Leisure</p>	<p>Real Estate, Lodging & Leisure</p>	<p>Industrials</p>	<p>Industrials</p>	<p>Industrials</p>	<p>Consumer, Food & Retail</p>	<p>Consumer, Food & Retail</p>	<p>Energy</p>

Additional Selected Recent Fairness Opinion Engagements

Fairness Opinion
Services

FORUM ENERGY TECHNOLOGY
has acquired
FORUM ENERGY
each a portfolio company of
SCF Partners
have combined to form
FORUM
Forum Energy Technologies
Fairness Opinions

CLAXSON
The controlling shareholders have
acquired all outstanding Class A
common shares of the Company
Sellside Advisor & Fairness Opinion

Ahold
has sold
US PROSERVICE
to Clayton Dabiller & Rice, Inc. and
Kohlberg Kravis Roberts & Co. LP
Fairness Opinion

ViaSat
has acquired
WILDBLUE
Satellite Speed Internet
Fairness Opinion

FLORIDA PUBLIC UTILITIES
has merged with
CHESAPEAKE
Financial Advisor & Fairness Opinion

macrovision
has acquired
GEMSTAR TV GUIDE
Fairness Opinion

Business Objects
has been acquired by
SAP
Fairness Opinion

BendIntelligence.com
has been acquired by
FISERV
Fairness Opinion

DOBSON COMMUNICATIONS CORPORATION
has been acquired by
at&t
Sellside Advisor & Fairness Opinion

ARBITZ
has agreed to a debt-to-equity
exchange with
PAR Investment Partners, LP
and has issued equity securities to
Travelport
Financial Advisor & Fairness Opinion

ezgov europe
has been acquired by
a subsidiary of
CACI
Sellside Advisor & Fairness Opinion

CSK/AUTO
has been acquired by
O'Reilly
Fairness Opinion

kraft foods
has agreed to sell the assets of its
North American pizza business to
Nestle
Fairness Opinion

Horbinger Group Inc.
has acquired a majority interest in
Spectrum BRANDS
Due Diligence and Fairness Opinion

ACRS Group, Inc.
has been acquired by
watsco
Watsco, Inc.
Sellside Advisor & Fairness Opinion

INL
International Assets Holding
Corporation
has merged with
FCStone
Fairness Opinion

The International Life Reinsurance
Segment of
Scottish Re
has been acquired by
PACIFIC LIFE
Fairness Opinion

DISH
has been acquired by
G MCR
Sellside Advisor & Fairness Opinion

Selected Recent Special Committee Fairness Opinions

Fairness Opinion Services

SPORT SUPPLY GROUP
has been acquired by
ONCAP
ONCAP II, L.P.

Sellside Advisor & Fairness Opinion

STANDARD PACIFIC
has raised \$187.5 million through the exercise of an amended warrant owned by
MatlinPatterson

Fairness Opinion

ACCREDITED
HONOLULU
has been acquired by
LONE STAR FUNDS

Special Board Committee Advisor

CLAXSON
The controlling shareholders have acquired all outstanding Class A common shares of the Company

Sellside Advisor & Fairness Opinion

FEATHERLITE
has merged with a subsidiary of
UNIVERSAL
a portfolio company of
DYWIDEG & COMPANY INC.

Fairness Opinion

מְרָאָה מְרָאָה
has been acquired by
GADOT
a subsidiary of
Ampal

Financial Advisor

DOMINION
IT'S YOUR HOME
has been acquired by
ANGLO GORDON & CO.
BRC PROPERTIES INC.
REAL ESTATE INVESTMENT AND MANAGEMENT

Fairness Opinion

BOYKIN
has been acquired by
Caisse de dépôt et placement de Québec

Fairness Opinion

SUPERIOR BRANDS
has been acquired by
VIGOR
Industrial LLC

Fairness Opinion

ORBITZ
has agreed to a debt-for-equity exchange with
PAR Investment Partners, LP
and has issued equity securities to
Travelport

Financial Advisor & Fairness Opinion

DOBSON
COMMUNICATIONS CORPORATION
has been acquired by
at&t

Sellside Advisor & Fairness Opinion

Horbinger Group Inc.
has acquired a majority interest in
spectrum BRANDS

Due Diligence and Fairness Opinion

McMoran
McMoran Exploration Co.
has completed a private placement of convertible preferred securities

Fairness Opinion

SANTON CASIMAN
has been acquired by management and
an affiliate of
Colony Capital

Fairness Opinion

pomeroy
has been acquired by
Platinum Equity

Sellside Advisor & Fairness Opinion

PRINTRONIX
has been acquired by
VECTOR CAPITAL

Sellside Advisor & Fairness Opinion

SSS global
financial broker
has been acquired by
UNFOR

Sellside Advisor & Fairness Opinion

GRIDPOINT
has acquired
STANDARD
REVENUE ASSURANCE

Fairness Opinion

Selected Recent Buyside Fairness Opinion Engagements

Fairness Opinion
Services

FORTUNE BRANDS
has acquired a portfolio of spirits and wine brands included in Pernod Ricard S.A.'s acquisition of



ALLIED DOMECQ

Fairness Opinion

kraft foods
has acquired



Cadbury

Fairness Opinion

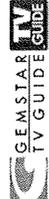
ViaSat
has acquired



WILDBLUE
Satellite Speed Internet

Fairness Opinion

macrovision
has acquired



GEMSTAR TV GUIDE

Fairness Opinion

Ispat International N.V.
has acquired
LMN Holdings N.V.
to form



MITAL
Mital Steel Company N.V.
for approximately \$13.3 billion

Fairness Opinion

SUCAMPO PHARMACEUTICALS, INC.
has acquired



SUCAMPO AG

Fairness Opinion

SUNAMBIER
has acquired the Puerto Rican assets of



island finance

Fairness Opinion

GRIDPOINT
has acquired



STANDARD
Permeable Grout

Fairness Opinion

Steiner SKINCARE SPAS EDUCATION
Steiner Leisure Limited
has acquired



bliss
from



STARWOOD
HOTELS & RESORTS WORLDWIDE, INC.

Fairness Opinion

HARBIN ELECTRIC
Harbin Tech Full Electric Co. Ltd.
has acquired



SIMQ
西安西玛电机集团有限公司
Xi'an Simo Motor Incorporation (Group)

Fairness Opinion

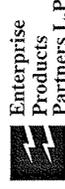
INTL
International Assets Holding Corporation
has merged with



FCStone

Fairness Opinion

DUNCAN ENERGY PARTNERS L.P.
has acquired interests in three midstream energy companies from



Enterprise Products Partners L.P.

Fairness Opinion

SeaChange
has acquired



events

Fairness Opinion

AUC
ADC Telecommunications Inc.
has acquired



FONS
Fiber Optic Network Solutions

Fairness Opinion

SXC Health Solutions, Inc.
has acquired



NMHC
Total Healthcare Solutions

Buyside Advisor

PERICOM
Enabling Global Connectivity
has acquired



PT Pericom Technology Inc.

Buyside Advisor & Fairness Opinion

Horbinger Group Inc.
has acquired a majority interest in



Spectrum BRANDS

Due Diligence and Fairness Opinion

MERHAV ADAS
has been acquired by



GADOT
a subsidiary of



Ampal

Financial Advisor

Selected "Second" Fairness Opinion Engagements

Fairness Opinion Services

 **GEODIS**
has been acquired by
SNCF PARTICIPATIONS

Fairness Opinion

 **BOYKIN**
has been acquired by
**Caisses de dépôt et placement
du Québec**

Fairness Opinion

 **SEEBYOND**
has been acquired by
Sun
Technology Services

Fairness Opinion

 **PACTIV**
Advanced Packaging Solutions
has sold substantially all of its
North American and European
protective and flexible packaging
businesses to an affiliate of
AEA
AEA Investors LLC

Fairness Opinion

 **FORTUNE BRANDS**
has acquired a portfolio of spirits
and wine brands included in
Pernod Ricard S.A.'s acquisition of
Allied Domecq

Fairness Opinion

 **FOUNDRY NETWORKS**
has been acquired by
BROCADE

Fairness Opinion

 **AES Rentals**
has been acquired by
DIAMOND CASTLE

Fairness Opinion

 **waterpik**
Technologies, Inc.
has been acquired by
THE CARLISLE GROUP
and
ZODIAC

Fairness Opinion

 **Albertsons**
has been acquired by a consortium
of investors consisting of
SUPERVALU
CERBERUS
Capital Management, L.P.
CVS/pharmacy

Sellside Advisor & Fairness Opinion

 **ARDEN REALTY INC.**
has been acquired
in a transaction involving
GE
Real Estate
TRIZEC

Fairness Opinion

 **DOMINION™**
IT'S YOUR HOME.
has been acquired by
ANGELO GORDON & CO.
BRC PROPERTIES INC.
REAL ESTATE INVESTMENT AND MANAGEMENT

Fairness Opinion

 **EITECH**
has merged with
LOTTOMATICA
a portfolio company of
DE AGOSTINI

Fairness Opinion

Selected Related Party Fairness Opinion Engagements

Fairness Opinion
Services





each a portfolio company of SCF Partners have combined to form



Forum Energy Technologies

Fairness Opinions



completed certain transactions including the acquisition of \$180 million Series C Senior Subordinated Limited Partnership units from its affiliate, Crosstex Energy, L.P., and the sale of 156,070 shares of its common stock to an affiliated party.

Fairness Opinion



Virbac Corporation has been acquired by Virbac S.A.

Sellside Advisor & Fairness Opinion



\$15,000,000 Senior Secured Convertible Notes

Fairness Opinion



has sold certain intellectual property and related assets to

32 Mott Street Acquisition I and 32 Mott Street Acquisition II

Sellside Advisor & Fairness Opinion

Harbinger Group Inc.

has acquired a majority interest in



Due Diligence and Fairness Opinion



has been acquired by

A Private Investor

Fairness Opinion



has acquired all the outstanding shares of its common stock not held by The Development Alternatives, Inc. Employee Stock Ownership Plan

Financial Advisor & Fairness Opinion



From Science to Solutions

has converted its Class A and Class B common shares into Class A preferred shares of the newly formed SAIL, Inc. in a merger transaction

Financial Opinion



has acquired the remaining shares of



Fairness Opinion

Selected 13e-3 Going Private Fairness Opinion Engagements

Fairness Opinion
Services

 Morton Industrial Group, Inc. has been recapitalized by management and

 Brazos Private Equity Partners, LLC

Fairness Opinion

 Quality has been acquired by management in a going private transaction

Fairness Opinion

 Packaged, Inc. has been acquired by a corporation controlled by

Trimaran Capital Partners and Bear Stearns Merchant Fund Corp.

Fairness Opinion

 Jenny Craig has been acquired by an investor group led by

ACI Capital Co.

Fairness Opinion

 Local Market has been acquired by Mustang Group LLC in a going private transaction

Fairness Opinion

 CLAXSON The controlling shareholders have acquired all outstanding Class A common shares of the Company

Sellside Advisor & Fairness Opinion

 Minuteman has been acquired by corporation controlled by

 Hako-Werke International, Inc.

Fairness Opinion

 NESTEK, INC. has completed a going-private transaction via a reverse stock split

Fairness Opinion

 TIMCO has been taken private by TAS Holdings, Inc. and Owl Creek Management, LP

Fairness Opinion

 Tarrant Apparel Group has been acquired by management in a going private transaction

Financial Advisor & Fairness Opinion

 ZONES has been acquired by its Chairman & CEO in a going private transaction

Fairness Opinion

 Cap Rock Energy Corporation has been acquired by

MAXIM GROUP CAPITAL SERVICES

Fairness Opinion

Selected Exchange/Restructuring Fairness Opinion Engagements



has completed a debt to equity conversion

Fairness Opinion



Paxson Communications Corporation

has restructured approximately \$703.6 million of Series B Convertible Exchangeable Preferred Stock and associated Warrants

Fairness Opinion



has completed a debt and equity recapitalization and merged with GMEC Recapitalization Corporation, a newly-formed company

Fairness Opinion



has agreed to an equity investment involving

Paulson & Co. Inc.,
Apollo Management VI, L.P. and
TPG Capital, L.P.

Fairness Opinion



has completed a stock recapitalization to eliminate its dual class structure and provide all shareholders with voting rights proportionate to their economic interest in the Company

Fairness Opinion



has completed an equity offering and a debt exchange transaction

Fairness Opinions

Overview of Houlihan Lokey / Healthcare Group

Leading Healthcare Investment Bank

Capabilities

- #1 advisor in U.S. sellside middle-market (<\$1 billion) healthcare transactions over the last three years
- Extensive transaction experience - completed over 125 M&A, fairness opinion and restructuring transactions
- Dedicated M&A professionals exclusively covering the Healthcare Marketplace
- Long-term relationship driven approach toward clients and transactions

Market Leading Healthcare Advisor

No. 1 Healthcare Investment Banking Advisor U.S. Sellside Transactions Under \$1 Billion 2008-2010

Rank	Advisor	Number of Deals
1	Houlihan Lokey	31
2 *	Goldman Sachs & Co	27
2 *	Cain Brothers Co.	27
2 *	JP Morgan	27
5	Lazard	21
6	Piper Jaffray Cos	20
7	Bank of America Merrill Lynch	19
8 *	Jefferies & Co Inc	14
8 *	UBS	14
10	BC Ziegler	11

* denotes tie.

Source: Thomson Reuters.

2008 M&A Advisory Rankings All U.S. Healthcare Transactions

Rank	Advisor	Number of Deals
1	Houlihan Lokey	18
2	JP Morgan	17
3 *	UBS	15
3 *	Goldman Sachs & Co	15
5 *	The Braff Group	14
5 *	Morgan Stanley	14
7	Piper Jaffray Cos	13
8	Lazard	12
9 *	Credit Suisse	11
9 *	Merrill Lynch	11

* denotes tie.

Source: Thomson Reuters.

2007 M&A Advisory Rankings U.S. Sellside Healthcare Deals Under \$750 Million

Rank	Advisor	Number of Deals
1	Houlihan Lokey	12
2	UBS	11
3 *	Goldman Sachs & Co	9
3 *	William Blair & Co	9
5	JP Morgan	8
6	Wachovia Corp	7
7 *	Lazard	6
7 *	Morgan Stanley	6
7 *	Bank of America Securities LLC	6
10 *	Robert W Baird & Co Inc	5
10 *	Cain Brothers Co.	5
10 *	Jefferies & Co Inc	5

* denotes tie.

Source: Thomson Financial.

2006 M&A Advisory Rankings U.S. Healthcare Deals Under \$1 Billion

Rank	Advisor	Number of Deals
1	UBS	18
2	Houlihan Lokey	16
3	JP Morgan	14
4 *	Bank of America Securities LLC	12
4 *	Group	12
6 *	Goldman Sachs & Co	10
6 *	Piper Jaffray Cos	10
8	Merrill Lynch & Co Inc	8
9 *	Duff and Phelps	7
9 *	Jefferies & Co Inc	7

* denotes tie.

Source: Thomson Financial.

Extensive Experience in All Major Healthcare Sectors



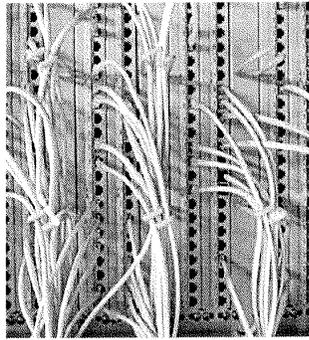
Healthcare Services

- Hospitals
- ASC / Specialty Hospitals
- Long-term Care
- Behavioral Health
- Diagnostic Imaging
- Distribution
- Home Nursing / Hospice
- Institutional Pharmacy
- Laboratories
- Outpatient Facilities
- Physician
- Services/PPMs/DPMs
- Rehabilitation
- Staffing



Med Tech / Life Sciences

- Medical Technology
 - Med Devices
 - Med Supplies
 - Capital Equipment
 - Diagnostics
- Pharmaceuticals
 - Contract Manufacturers
 - Sterile Production
 - Contract Sales
 - Drug Delivery
 - Generics
 - Specialty Pharma
- Biotechnology
 - Emerging
 - Large Cap



Healthcare Information Technology

- Software/Connectivity
- IT Outsourcing/ASP
- Clearing House
- Consulting and Data Analytics
- Web Portals
- Electronic Health Record
- Decision Support
- Electronic Prescribing
- Billing and Collections
- Coding



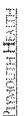
Managed Care

- Health Maintenance Organization
- Preferred Provider Organization
- Diversified
- Third Party Administrator
- Outsourced Service Provider

Extensive Hospital Transaction Experience

■ Houlihan Lokey is a leader in the hospital industry with selected clients that include:

- Adventist Health Services
- Allegheny Health Education and Research
- Ardent Health Services
- Arizona Heart Hospital
- Avera McKennan Hospital
- Baylor Healthcare System
- Bossier Medical Center
- Dayton Heart Hospital
- Delaware Valley Medical Center
- East Texas Medical Center
- Forum Health
- Fresno Heart Hospital
- Glenwood Regional Medical Center
- HCA
- Health Management Associates
- HealthSouth
- Heart Hospital of Lafayette
- Heart Hospital of South Dakota
- Henry Mayo Newhall Memorial Hospital
- Hillcrest Baptist Medical
- Kansas Heart Hospital
- LifePoint Hospitals
- Louisiana Heart Hospital
- MedCath
- Oklahoma Heart Hospitals
- Plymouth Health
- Porter Memorial Hospital
- Psychiatric Solutions
- Rockdale Medical Center
- Sequoia Hospital District
- Saint Anthony's
- Saint Vincent Catholic Medical Centers of New York
- Selby General Hospital
- Tenet Healthcare
- Triad Hospital
- Triumph HealthCare
- Universal Health Services
- Valley Baptist Medical Center
- Vanguard Health Systems

 <p>has acquired ALVARADO HOSPITAL from Tenet Healthcare Corporation</p>	 <p>has been acquired by IASIS HEALTHCARE</p>
 <p>has been acquired by TENET Tenet Healthcare Corporation</p>	 <p>has affiliated with Healthcare Alliance of Western Pennsylvania</p>
 <p>has been acquired by LIFEPPOINT HOSPITALS, INC.</p>	 <p>has confirmed consent solicitations to amend notes</p>
 <p>has sold a 49% ownership interest to Via Christi Health System</p>	

Not-For-Profit Experience

Houlihan Lokey has advised in a variety of not-for-profit situations including: sellside and buy-side transactions, financings, stock valuations and restructurings. Additionally, we have advised state's attorney generals in their review of transactions and conversions. Notable engagements include:

- Serving as the investment banker to Forum Health leading the system's restructuring and sale processes while in Chapter 11
- Served as the financial advisor to the Official Committee of Unsecured Creditors and also served as the transaction broker to the National Benevolent Association for the sale of 11 owned senior care facilities
- Served as the financial advisor to the Official Unsecured Creditor's Committee of Allegheny Health Education and Research Foundation's ("AHERF") Philadelphia operations
 - In addition, Houlihan Lokey helped market and sell AHERF's Pittsburgh operations to The Healthcare Alliance of Western Pennsylvania
- Advised the Attorney General of New Mexico on the acquisition of BlueCross BlueShield of New Mexico by Health Care Service Corporation
- Served as the financial advisor to the Official Committee of Unsecured Creditors of Saint Vincent Catholic Medical Centers of New York
- Advised the Attorney General of California on:
 - The acquisition of Daniel Freeman Hospitals by Tenet Healthcare Corporation and
 - The fair market value of Watsonville Community Hospital
- Advised BlueCross BlueShield of Maine in connection with a planned conversion
- Other selected not-for-profit clients include:
 - Firelands Regional Medical Center
 - Glenwood Regional Medical Center
 - Oklahoma Heart Hospital
 - Rockdale Medical Center

Select Transaction Experience

Hospitals & Outpatient Surgery:

SURGIS, INC.
has been acquired by
United Surgical Partners International
Fairness Opinion

Triumph HealthCare
has been acquired by
TAAssociates
Sellside Advisor

Plymouth Health
has acquired
AVERARD HOSPITAL
from Tenet Healthcare Corporation
Buy-side Advisor & Private Financing

Forum HEALTH
Forum Health has sold substantially all its healthcare operations, pursuant to a plan of reorganization, to CHS Community Health Systems, Inc.
CHS Community Health Systems
Debtor Advisor

SPECIALTY SERVICES CENTER
has sold certain ownership interests in the companies to
SYMBION
Sellside Advisor

Commonwealth Communities
has been acquired by
Kindred
Sellside Advisor

St. Joseph Hospital
has sold a 49% ownership interest to
Via Christi Healthcare
Sellside Advisor

Rockdale Medical Center
has been acquired by
LIFEPOINT HOSPITALS, INC.
Sellside Advisor

Clenwood Medical Assn. Center
has been acquired by
IASIS HEALTHCARE
Sellside Advisor

ALLEGHENY HEALTH SERVICES
has been acquired by
TENET
Tenet Healthcare Corporation
Creditor Committee Advisor

Saint Vincent Catholic Medical Centers
has confirmed a Chapter 11 Plan of Reorganization
Jefferson Health System
Creditor Committee Advisor

Delaware Valley Medical Center
has been acquired by
Frankford Hospital
a wholly owned subsidiary of
Jefferson Health System
Creditor Committee Advisor

Squaw Hospital District
has affiliated with
Catholic Healthcare West
CHW
Financial Advisor

ALLEGHENY HEALTH SERVICES
has affiliated with
Healthcare Alliance of Western Pennsylvania
Creditor Committee Advisor

Long-Term Care Providers:

BRANDWINE SERVICES, INC.
has been acquired by an affiliate of
WARBURG PINCUS
Sellside Advisor

Five Senior Living Communities in Florida, Texas and Oklahoma
have been acquired by
UNITED FUNERAL HOME
Sellside Advisor

Commonwealth Communities
has been acquired by
Kindred
Sellside Advisor

NATIONAL Benevolent ASSOCIATION
has been acquired by
FORTRESS
Sellside Broker and Creditor Committee Advisor

BRANDWINE SERVICES, INC.
Pennsylvania Skilled Nursing Facilities
have been acquired by
EXTENDICARE
Sellside Advisor

Erickson Retirement Communities
Erickson Retirement Communities, LLC
\$365,000,000
Financial Opinion

ber
Beverly Enterprises, Inc.
has been acquired by an affiliate of
FPP
Financial Opinion

Select Transaction Experience (cont.)

Home Care:

and certain subsidiaries
have been acquired by



GENTIVA

Sellside Advisor

Meridian HospiceCare
has acquired



GURLING
HOSPICE CARE, INC.

Buy-side Advisor & Private Financing

ACCUMED
a portfolio company of
Parthenon Capital
has been acquired by



ACCCEPTA
a portfolio company of
Acccepta Inc.

Sellside Advisor

AUXI
HEALTH
has been acquired by



INTRACARE
HEALTHCARE, INC.

Sellside Advisor

INTRICARE
has been acquired by



Amneal

Sellside Advisor

VITAS
ESSENTIALS CARE
has been acquired by



ROTO-ROOTER
SERVICES

Sellside Advisor

has been acquired by



GENTIVA

Sellside Advisor

Rehab:

Accelerated
REHABILITATION
has been recapitalized by



KAVON

Sellside Advisor

Select
Rehabilitation, Inc.
has acquired

\$14,000,000
Senior Subordinated Note

Private Financing

HEALTHSOUTH
has confirmed consent solicitations to
annual notes

Ad Hoc Committee of Noteholders' Advisor

genzyme
Genzyme Corporation
has exchanged shares of
Genzyme General
for shares of

Genzyme Biosurgery
and
Genzyme Molecular Oncology

Fairness Opinion

KOS
Pharmaceuticals, Inc.
has committed to purchase up to \$8
million of Series F Preferred Stock of

Trind Pharmaceuticals, Inc.

Fairness Opinion

DOV
Pharmaceuticals, Inc.
has successfully completed an
exchange offer of \$70 million par
value for convertible preferred
stock and cash

Company Advisor

iti
Intranasal Therapeutics, Inc.
has secured a commitment of

\$39,100,000
Series A Preferred Stock

Private Financing

Specialty / Pharmacy Benefit Management:

has been acquired by



Walgreens
Specialty Pharmacy

Sellside Advisor

SXC
Health Solutions, Inc.
has acquired

NIMHC
NORTH INDIANA HEALTHCARE

Buy-side Advisor

Hospiscript
has been acquired by



HEALTHEXTRAS

Sellside Advisor

Institutional & Retail Pharmacy:

Kindred
AmericourceBergen
and
Kindred Healthcare, Inc.
have merged their respective
institutional pharmacy businesses to
create

PharMerica
PharMerica Corporation

Financial Opinion

PharMerica, L.P.
has been acquired by



PharMerica

Sellside Advisor

AP
ADVANCED PHARMACY™
has completed a \$18,000,000 debt
and equity financing

Private Financing

RITE
AID
\$122,000,000 HEMEDS™ Series E
Mandatory Convertible Preferred Stock
\$113,100,000 Series F Cumulative
Convertible Pay-in-kind Preferred Stock
\$113,100,000 Series G Cumulative
Convertible Pay-in-kind Preferred Stock
\$113,100,000 Series H Cumulative
Convertible Pay-in-kind Preferred Stock

Fairness Opinion

Select Transaction Experience (cont.)

Managed Care:

MHNet
Mid-Atlantic Medical Services, Inc.

has been acquired by

COVENTRY
HEALTH CARE

Sellside Advisor

The Employees of
CareMore Medical Enterprises

have acquired a 35.9% ownership interest through a newly formed Employee Stock Ownership Trust

The financing consisted of a \$70,000,000 Senior Credit Facility

Private Financing

MAMM HEALTHCARE

MAMM Healthcare, Inc. has been acquired by

The Straus Group

Sellside Advisor

PersonalCare
PersonalCare Health Management, Inc.

has been acquired by

COVENTRY
HEALTH CARE

Sellside Advisor

American
AMERICAN UNIVERSITY GROUP

has been acquired by

PacifiCare

Fairness Opinion

Magellan
Magellan Health Services

has confirmed a Chapter 11 Plan of Reorganization

Creditors Committee Advisor

MAMSI
Mid-Atlantic Medical Services, Inc.

has been acquired by

UnitedHealth Group

Fairness Opinion

Disease Management / Wellness:

SKINCENTICALS

has been acquired by

LOREAL

Sellside Advisor

BARBOTON FITNESS

has confirmed a "pre-packaged" Chapter 11 Plan of Reorganization

Bondholder Committee Advisor

Vitamin Shoppe
www.vitaminshoppe.com

has merged with and into

Vitamin Shoppe Industries Inc.

Fairness Opinion

Distribution

SourceOne
a portfolio company of
Platinum Equity

has been acquired by

MXR
Merry X-Ray Corporation

Sellside Advisor

FMSD
Medical Specialties Distributors, Inc.

has been acquired by

MIF
H. F. MIF, INC.

Sellside Advisor

Cardinal Health

has been acquired by

Cardinal Health

Sellside Advisor

Cardinal Health

has been acquired by

Cardinal Health

Sellside Advisor

Contract Manufacturing:

HOLOPACK
Holopack International Corp.

has been acquired by

OLYMPUS PARTNERS

Sellside Advisor

Allogeneic stem cell injectables manufacturing business of
Catalent

has been acquired by

ALTANIS
and Oso Biopharmaceuticals Manufacturing, LLC

Sellside Advisor

LEINER HEALTH PRODUCTS

has been acquired by

INVTZ

Debtor Advisor

Dental:

JDC Healthcare

has been recapitalized by

Black Carbon Capital

Financial Advisor

HEARTLAND
HEALTH CARE

\$105,000,000 Senior Credit Facility
\$32,500,000 Subordinated Notes

ESOP Advisor & Private Financing

INTERDENT

has sold the stock of its subsidiary and certain other assets to

MON Acquisition Corp.

Fairness Opinion

DISCUS DENTAL

has acquired the Professional Teeth Whitening Business of

BRITTE + SMILE

\$23,000,000 Revolving Credit Facility
\$40,000,000 Term Loan A

Buy-side Advisor & Private Financing

Select Transaction Experience (cont.)

Med Tech and Devices:

DenMat
has completed a recapitalization transaction including an equity investment from DJ Merchant Banking

Company Advisor

Celsis
has acquired
VITRO

Buyside Advisor

STRATAGENE
has been acquired by
Agilent Technologies

Fairness Opinion

WEST Pharmaceutical
has sold the assets of the Company's
GH Clinical Services Division
to
COVANCE
THE COVANCE SERVICES COMPANY

Sellside Advisor

CRYO CORP
has been acquired by
Boston Scientific

Fairness Opinion

Avaya
has invested \$66,000,000 in
AVAYA LOGISTICS INC.

Company Advisor

DADE BEHRING
has confirmed a "repackaged"
Chapter 11 Plan of Reorganization

Company Advisor

HCIT:

ReedGroup
has been acquired by
Audax Group

Sellside Advisor

Achieve
has been acquired by
Logibec

Sellside Advisor

Avega
Avega Health Systems
has been acquired by
MedAssets

Sellside Advisor

SDI
has acquired
VERISTAR

Private Financing/Buyside Advisor

Trover Solutions, Inc.
has been acquired by
TAILWIND CAPITAL PARTNERS

Sellside Advisor

RIMS
Resource Information Management Systems
has been acquired by
TRIZETTO
enabling. health. innovation.

Sellside Advisor

Patriot
has been acquired by
HARRIS

Sellside Advisor

Clinical Lab / Diagnostic Screening Services:

Clinical Laboratories of Hawaii, LLP
has been acquired by
SONIC HEALTHCARE

Sellside Advisor

Clinical Laboratories of Colorado
has been acquired by
SONIC HEALTHCARE

Sellside Advisor

Par Pacific Pathologists, Inc.
has been acquired by
SONIC HEALTHCARE

Sellside Advisor

LabCorp
has been recapitalized by
WELLS FARGO BANK

Sellside Advisor

invitrogen
has merged with
NOVEX

Fairness Opinion

LabCorp
has acquired
OSBORN GROUP, INC.
from
CRUISE CAPITAL INC.

Buyside Advisor

WWE
has been acquired in a management-led buyout
\$30,000,000 Senior Secured Credit Facility
\$12,000,000 Mortgage Notes
\$4,000,000 Common Stock

Sellside Advisor & Private Financing

Overview of Houlihan Lokey / Healthcare Group

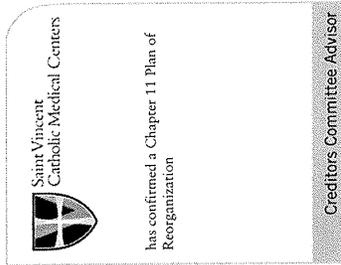
Select Houlihan Healthcare Transaction Case Studies

Selected Houlihan Healthcare Case Study – Rockdale Medical Center, Inc.



- **Client Profile** – Rockdale Medical Center (“RMC”) is a JCAHO accredited 138 licensed bed, not-for-profit hospital that provides acute care, diagnostic services, emergency services and outpatient services throughout the local community. RMC is located in Conyers, Georgia, approximately 25 miles east of Atlanta and is the only hospital in Rockdale County. In 2002, RMC began a significant expansion and renovation project that caused the facility to borrow in excess of \$90.0 million. As a result of this increased debt level, RMC began to experience significant difficulties in meeting its debt service, and ultimately went into covenant default. In accordance with the bond documents, RMC engaged several consulting firms to assist with performance improvement plans.
- **Houlihan Lokey’s Role** – After being engaged as RMC’s exclusive financial advisor, Houlihan Lokey conducted a comprehensive strategic review in conjunction with management and the board. We reviewed the following alternatives with the board: a physician syndication, a guarantee by the lead lender, a guarantee by the county, a joint venture and a sale of the hospital. After multiple avenues had been exhausted, it became apparent that the best option for the ongoing viability of the hospital and the provision of comprehensive healthcare services in Rockdale County was to sell the facility to a strategic party. As such, Houlihan Lokey conducted a comprehensive marketing process and negotiated the sale of RMC.
- **Transaction Snapshot** – Houlihan Lokey structured a sale of the assets to LifePoint Hospitals. Houlihan Lokey’s highly competitive process resulted in LifePoint Hospitals emerging as the lead bidder with a premium purchase price, a commitment to fund a minimum of \$30.0 million in future capital expenditures and favorable transaction terms.

Selected Houlihan Healthcare Case Study – Saint Vincent Catholic Medical Centers of New York



- **Client Profile** – Saint Vincent Catholic Medical Centers ("SVCMC") is a comprehensive healthcare system which as of its July 5, 2005 bankruptcy filing employed over 2,500 physicians and in the calendar year prior to filing recorded more than 600,000 outpatient visits, 640,000 home care visits and 92,000 inpatient discharges. At filing, SVCMC operated seven hospitals located in four boroughs of New York City and in Westchester County. SVCMC also operated three nursing homes, a hospice, a home health business, a health maintenance organization and two captive insurance companies. SVCMC's flagship hospital was Saint Vincent Manhattan a 758-bed hospital located in Greenwich Village.
- **Houlihan Lokey's Role** – Houlihan Lokey served as financial advisor to the Official Committee of Unsecured Creditors in connection with SVCMC's Chapter 11 filing in the Southern District of New York.
- **Transaction Snapshot** – At the outset of the case the debtors suffered from a lack of liquidity and were struggling to close / monetize non-core assets. The Houlihan Lokey team immersed ourselves in many key initiatives to provide the direction and coordination that previously had been lacking and created critical alliances with the DOH, DASNY, HUD and the U.S. Trustee to ensure that creditors' interests were addressed and that SVCMC's operations were stabilized. Among the many issues in which Houlihan Lokey played a significant role working on behalf of creditors was obtaining permanent DIP financing, selection of interim senior management (CEO and CRO), closing non-core asset sales, assessing and implementing various real estate monetization options, selection of a real estate consultant given SVCMC's extensive real estate assets, testing and finalizing a long-term business plan and developing and negotiating alternative plan structures and methods of creditor repayment. Throughout the case Houlihan Lokey worked constructively with all constituents including the PBGC, the Tort Claimants' Committee, the Ad Hoc Committee of Secondary Claims Traders and SVCMC's management and advisors which helped facilitate a successful plan of reorganization which provides unsecured creditors with a 100% recovery.

Houlihan Execution and Support Team Biographies

Ben A. Buettell

Mr. Buettell is a Managing Director in Houlihan Lokey's Chicago office and a senior member of the firm's Financial Advisory Services business. He serves as co-head of the firm's Fairness Opinion practice and is the head of the firm's Solvency Opinion practice.

Mr. Buettell has more than two decades of experience providing financial advisory services to public and private clients in connection with mergers, acquisitions, leveraged buyouts, spinoffs, recapitalizations, going-private transactions and strategic alternative assessments. He also renders fairness, solvency and transaction-related opinions to companies, boards of directors, special committees, financial institutions and independent fiduciaries.

Before joining Houlihan Lokey, Mr. Buettell worked for a Chicago-based financial institution as a commercial loan officer, serving privately held middle-market companies.

Mr. Buettell served on the board of directors of Euclid Beverage from August 2006 to August 2009. He also serves on the board of directors of the Boys and Girls Clubs of Chicago.

Mr. Buettell earned his B.A. in economics from Northwestern University and a master of management degree in finance and management policy from Northwestern University's Kellogg School of Management. He is registered with FINRA as a General Securities Principal (Series 7, 24 and 63) and a Limited Representative – Investment Banking (Series 79).

Gary D. Brewster

Mr. Brewster is a Managing Director in Houlihan Lokey's New York office, where he is a member of the Financial Advisory Services business and the Healthcare Group. He has provided financial advisory services for mergers, acquisitions, joint ventures and alliances, strategic investments, and financings. He has also provided valuation opinions for private disputes and for regulatory agencies. He has served a number of healthcare industry sectors, including pharmaceutical, medical device, biotechnology, healthcare services, and information technology.

Before joining Houlihan Lokey, Mr. Brewster worked for Standard & Poor's, PricewaterhouseCoopers and IBM.

Mr. Brewster has spoken at numerous industry and technical conferences. He has been a long-time supporter of the educational programs of Inner City Scholarship Fund and Carnegie Hall.

Mr. Brewster received a B.S. in industrial engineering from Stanford University and earned his M.B.A. from the Wharton School. He is registered with FINRA as a General Securities Representative (Series 7 and 63) and a Limited Representative – Investment Banking (Series 79).

Mark Francis

Mr. Francis is a Managing Director in Houlihan Lokey's Dallas office, where he is Co-Head of the Healthcare Group. He has nearly two decades of experience in mergers and acquisitions and financial operations in the healthcare industry, and he has managed a wide variety of projects, from acquisitions, divestitures, financings and financial restructurings to joint ventures and strategic-alliance formation.

Before joining Houlihan Lokey, Mr. Francis directed a national team of acquisition professionals as vice president of M&A for the home health division of HCA. He speaks frequently on mergers and acquisitions and finance in the healthcare industry.

Mr. Francis earned a B.B.A. in finance from Baylor University. He is a Certified Public Accountant and is registered with FINRA as a General Securities Principal (Series 7, 24 and 63) and a Limited Representative – Investment Banking (Series 79).

Sam W. Clark

Mr. Clark is a Managing Director in Houlihan Lokey's Dallas office, where he heads the firm's Financial Advisory Services effort in the Southwest and is the global leader of the Tax and Financial

Reporting and Transaction Advisory Services practices. He has over 25 years of experience advising clients on mergers and acquisitions, valuations, financings, and assessing strategic alternatives in such industries as healthcare, technology, manufacturing, real estate and energy.

Before joining Houlihan Lokey, Mr. Clark was a managing director and the founder of Standard & Poor's Southwest Valuation practice, formerly the PricewaterhouseCoopers Southwest Regional Valuation practice. Before that, he was the managing director of PricewaterhouseCoopers Southwest Regional Valuation and Corporate Finance practice.

Mr. Clark earned a B.B.A. in finance from Texas A&M University and an M.B.A. in finance from the University of North Texas. He completed an executive development program at Northwestern University and valuation coursework at Harvard University. He is a Certified Public Accountant accredited in business valuation, a senior member of the American Society of Appraisers, a licensed real estate broker and a state-certified general real estate appraiser. He is registered with FINRA as a General Securities Representative (Series 7 and 63) and a Limited Representative – Investment Banking (Series 79).

Michael DeLuke

Mr. DeLuke is a Director in Houlihan Lokey's Dallas office. He has more than a decade of professional services and valuation experience in the healthcare, financial services, manufacturing and energy industries.

Before joining Houlihan Lokey, Mr. DeLuke was a manager in PricewaterhouseCoopers' Standard & Poor's corporate value consulting practice, where his valuation assignments addressed acquisitions, divestitures, fairness opinions, corporate planning, purchase price allocations, and financial advisory. Earlier, he worked for several years at another accounting firm, performing business valuations and providing tax and audit services.

Mr. DeLuke has a B.B.A. in accounting from Baylor University, a master's degree in taxation from Baylor University, and an M.B.A. in finance from the University of Texas. He is a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. He is also a member of the Financial Accounting Standard Board's Valuation Resource Group, which identifies and resolves fair-value measurement issues. He is registered with FINRA as a General Securities Representative (Series 7 and 63) and a Limited Representative – Investment Banking (Series 79).

**RESPONSE TO RFP
FOR
FAIRNESS EVALUATION FOR
CONVERSION OF GREATER WATERBURY HEALTH NETWORK, INC.**

**SUBMITTED TO:
GREATER WATERBURY HEALTH NETWORK, INC.
ATTENTION: MS. DARLENE STROMSTAD, FACHE
PRESIDENT/CEO
64 ROBBINS STREET
WATERBURY, CONNECTICUT 06708**





Principle Valuation, LLC

PEOPLE AND VALUES YOU CAN TRUST

October 13, 2011

Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, Connecticut 06708

Attention: Ms. Darlene Stromstad, FACHE
President/CEO

Re: Fairness Evaluation for Conversion of Greater Waterbury Health Network, Inc.

This letter serves as our proposal to provide the Board of Directors of Greater Waterbury Health Network, Inc ("Board", or "GWHN") a Fairness Evaluation in conjunction with its announced three-way joint venture (the "Transaction") with St. Mary's Health System, Inc. and LHP Hospital Group, Inc.

PURPOSE AND BACKGROUND

We understand that the purpose of our analysis will be to provide the Board a fairness evaluation of the Transaction in order for the Board to fulfill its fiduciary duties and obligations under the State of Connecticut's General Statute §19a-486 et seq. ("Conversion Statute").

SCOPE

In determining whether the consideration is fair from a financial point of view, we will specifically address the following valuation issues and considerations:

- Assess the "Fair Market Value" of the assets to be transferred by GWHN
- Assess the intangible value to the Greater Waterbury community of maintaining the of GWHN
- Assess the value from a financial point of view of the commitment to build a replacement facility
- Assess from a financial point of view the value of the management agreement that the joint venture will enter into with an LHP affiliate to manage the hospital's operations

In conducting these assessments the following considerations will be made:

- Review the terms associated with the Transaction

- Conduct a site visit to the Hospital to accurately describe and assess the condition of the assets to be transferred
- Review the historical and earning potential of the operating assets that GWHN intends to transfer
- Review and analyze the terms associated with the Management Agreement to be entered into with an affiliate of LHP
- Review the plans, budgets, and financial projections associated with the replacement facility
- Consider the overall market potential of the Waterbury Hospital and the combined joint venture separately and as combined
- Review and analyze other pertinent and necessary information necessary to arrive at our final opinions
- Review and extrapolate transactions that involved for-profit versus non-for-profit organizations and academic hospital systems versus community hospital systems

Fair Market Value for the purposes of this analysis will be defined as follows:

The most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and in their own best interest, and with a reasonable time being allowed for exposure in the open market.

PRINCIPLE VALUATION FIRM OVERVIEW, RELEVANT EXPERIENCE, AND TEAM MEMBERS

In 2007, Timothy Baker and David Felsenthal combined their 75 years of healthcare appraisal experience to form Principle Valuation, a firm dedicated to service the specialized needs of the healthcare community. In 2009, Patrick Simers joined as a Principal in the firm and added to the strength of the overall hospital valuation core with more than 25 years in the appraisal of Healthcare properties. All of the Principals of Principle Valuation, ("PV" and "Principle"), have served as Presidents and Vice Presidents of many of the major healthcare valuation and healthcare consulting providers including Huron Consulting, American Appraisal, CBIZ, and Valuation Counselors, a valuation firm that Mr. Felsenthal had previously founded which was once recognized as the premier healthcare valuation firm in the industry. From inception our staff has continued to expand and we now have more than seventeen professional employees dedicated to the valuation of healthcare related entities.

Our business is generally segmented into three primary sectors; Hospital and Healthcare Enterprise Related Services, Healthcare Advisory Services; and Senior Housing Related Services.



In the Hospital and Healthcare Related services group, the primary emphasis is to prepare valuations to meet the regulatory guidelines associated with hospital transactions including Stark compliance, State Regulatory Requirements and Purchase Accounting. Valuations conducted in this sector generally include the valuation of hospitals and hospital systems, medical practices, joint ventures valuations, service agreements and other types of healthcare business arrangements. Another major focus of this group is the valuation of tangible and intangible assets associated with purchase accounting for Acute and Specialty Hospitals. Professionals in this group have real estate, medical equipment, and business enterprise expertise.

The Healthcare Advisory Services group is primarily responsible for the preparation of cost segregation studies, facility live analysis, and asset inventory and reconciliation reports. This group's personnel consists of staff members with engineering and tax expertise that assist our clients in reducing their overall tax liability and developing accurate property records that help our clients increase their overall bond ratings. Our Senior Housing Group focuses on the service needs of the senior housing industry. This group prepares market studies and valuations of nursing homes and assisted living residences. Their work is generally presented for financing and utilized to obtain conventional financing and through the HUD 232 program. Professionals in this group include real estate professionals who have detailed knowledge of the regulatory rules and reimbursement policies that dictate the seniors housing industry.

Particularly relevant engagements include fairness reviews and appraisals presented to comply with the Attorney General requirements in Georgia, Mississippi, Louisiana, Florida, Pennsylvania, and New Jersey. Direct hospital transfer assessments included Banks-Jackson-Commerce Hospital in Georgia; Baptist Memorial Hospital – North Mississippi in Mississippi; Ville Platte Medical Center and West Carroll Memorial Hospital in Louisiana; South Shore Hospital in Miami, Florida; and UPMC in Pittsburgh, Pennsylvania. We also recently assessed a hospital management agreement for Meadowlands Hospital Medical Center in New Jersey.

The primary parties that will be active in this engagement include Tim Baker, Patrick Simers, John Leary, and Mary Jo Duffy. As demonstrated by their Qualifications, each member of the team has more than 25 years in the valuation of healthcare enterprises and includes individuals with General Appraiser State Certifications, CFA's, and CPA's. These qualifications are included in the Addenda of this proposal.



DUE DILIGENCE DATA REQUIREMENTS

The following information will be initially and primarily required in order to complete the assignment:

- A Central Contact that is familiar with the overall operations and contemplated transaction. This person will serve as our primary contact and should be able to discuss the financial, and market environment for the assets under consideration. Further this person should have the ability to coordinate site visits with our staff with the Hospital
- Audited Financial Statements of GWHN and its primary operating units for the past three years along with the current year-to-date operations and budgets.
- Forecasted operations for the next three-five year period for Waterbury Hospital operations
- A current Balance Sheet of the Organization and an explanation of which assets are anticipated to transfer
- A copy of the current fixed asset ledger of the Hospital and its associated entities in an excel format
- A listing of all real estate property anticipated to transfer with the transaction; including the address of the property, a brief description of the improvements including its size and use, its associated tax parcel number, and the size of the underlying land parcel
- A copy of any Board Minutes that discussed the contemplated Transaction
- A copy of any reports or presentations that Cain Brother's prepared in making its overall recommendations to the Board
- A copy of the Medicare Cost Reports for the prior two fiscal periods
- A non-redacted version of the CON Application that St. Mary's and LHP provided to the State
- The Current Plans, Budgets, and Forecasted Financials for the Replacement Facility
- A copy of the Management Agreement anticipated between GWHN and LHP
- A Contact at LHP that we can discuss their overall business operations, history, capital resources, financials, etc.
- The Management and Organizational Structure associated with the Joint Venture
- Any Demographic, Market Research, or Competitive Surveys that were conducted to support the overall merger
- A brief write-up of the subject's current ownership and operational history
- Any other data that you feel is necessary that enhances our understanding of the Transaction



PROCESS TIMELINE, LOGISTICS, AND COORDINATION

We would anticipate the following general time line which would lead to an overall engagement completion by November 30, 2011.

- First Week (Oct. 21) Award of contract and receipt of data requested
- Second Week (Oct. 28) In-house review of data received and prepare plan for on-site visit to be conducted in the third week
- Third Week (Nov. 4) Conduct on site visit October 31-November 3 This will primarily consist of a time spent verifying asset lists and getting descriptive data on improvements
- Fourth Week (Nov. 11) In-Office Pricing, Research, and Development of Preliminary Estimates
- Fifth Week (Nov. 17) Presentation of Preliminary Findings and Draft Report Development
- Sixth Week (Nov. 25) Client Review of Draft Report (Thanksgiving Week)
- Seventh Week (Nov. 30) Adjustments and Development of Final Report

We believe that this time line is reasonable based upon the overall effort and personnel that would be involved in this analysis. Should a tighter time frame be needed, we may be able to accommodate. All time estimates assume that all data requests are promptly received on an ongoing basis throughout the engagement process. We would immediately notify you should any delays in the receipt of information or other items beyond our control would push back these delivery timelines.

CONFIRMATION OF ABSENCE OF ANY CONFLICTS OF INTEREST

Neither Principle Valuation nor its staff members have any known conflict of interest with the parties to this Transaction or to the Transaction itself.

COMPENSATION STRUCTURE

Our fee for this engagement will be [REDACTED] inclusive of all expenses. We ask that a retainer of [REDACTED] be issued upon acceptance of this letter. We will subsequently bill [REDACTED] upon presentation of our initial findings and draft report. We anticipate all payments to be current prior to issuing our final report. Our final invoice, [REDACTED] will accompany our final report; or if no final report is desired, upon your indication that no final report is required. Our fee is in no way contingent upon the outcome of our conclusions. This fee is based on our estimate of professional services to be furnished, according to our understanding of your requirements; should the scope of these requirements change, Principle Valuation and Greater Waterbury Health Network, Inc. will mutually revise the fee to reflect those changes in services.



Fees include professional time for planning and executing the work through, and including, our final report. Should you require additional consultation based on your reviews of our work or those of your external auditors or your tax or other advisors, or any public presentation, testimony and appearance in front of any tribunal, agency or other body, subsequent payment will be required and we will bill for those services at our prevailing hourly rate for the personnel involved.

We reserve the right to withhold delivery of our preliminary conclusions or final report(s) if, when either of these is ready for delivery, any previously issued invoice remains unpaid. We reserve the right to issue interim or final invoices, as appropriate, should you delay the project and/or in the event that our preliminary or draft report has been in your possession for more than 30 days.

You have the right to terminate this assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, you will be obligated to pay only for the actual time and charges accumulated through the date of cessation.

GWHN agrees to indemnify and hold harmless Principle Valuation, its employees, and representatives, collectively ("Principle") from and against any and all losses, claims, damages, or liabilities, joint or several, including all reasonable out-of-pocket expenses, fees, and disbursements of counsel incurred by Principle in defending any claim, action, or proceeding whether or not resulting in a liability to Principle to which they may become subject, caused by, arising out of or in connection with this engagement, including but not limited to, losses, claims, damages or liabilities caused by or arising out of any untrue statements of material fact contained in the information provided to Principle by GWHN or its advisors in connection with our engagement, or any omission to state any therein any material fact required or necessary to make the information not misleading in light of circumstances under which given, or any violation of the federal securities laws or the securities laws of any state, or otherwise arising out of our engagement hereunder except in respect to any matter as to which Principle shall have been adjudicated to have acted with gross negligence or willful malfeasance.

ACKNOWLEDGEMENT

We appreciate this opportunity to provide our recommendations for valuation-consulting services. We are uniquely qualified to perform this assignment, by virtue of our independence, experience, reputation, and expertise. We are committed to completing the work in an efficient and timely manner.

Due to the complexity of the assignment; if any of the terms, as highlighted, need to be discussed or refined please do not hesitate to call us as we would appreciate the opportunity to work with you on this important assignment.

But, if the content of this document correctly reflects your understanding of our agreement, please sign below and return the executed document and return the enclosed copy. This agreement shall remain open and valid for signature for 90 days from the issue date; however, any significant delay in executing this agreement could adversely impact our ability to meet the delivery commitments described herein. Please note we will be unable to start this engagement until we are in receipt of this signed acknowledgment. To avoid any delays in delivery, please



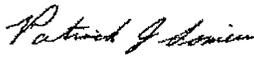
Greater Waterbury Health Network, Inc.
October 13, 2011
Page 7

fax the signed acknowledgment to (312) 422-1515. Thereafter, please forward the original to us.

If you have any questions or comments, please call me at (770) 924-8811.

Respectfully submitted,

PRINCIPLE VALUATION, LLC



Patrick J. Simers
PJS/ms

CLIENT: GREATER WATERBURY HEALTH NETWORK, INC.

SIGNATURE(S): _____

NAME (PRINT OR TYPE): _____

TITLE: _____

DATE: _____

PHONE: _____



EXHIBITS

EXHIBITS



**TIMOTHY H. BAKER
PRESIDENT****EXPERIENCE**

Mr. Baker has been in the appraisal industry since 1981 with a concentration on healthcare and senior living properties. His valuation experience includes valuing the business enterprise, real estate, and personal property. Valuations have been performed on a national and international basis. Consulting engagements include market and financial feasibility studies.

Mr. Baker has experience in the valuation of numerous healthcare facilities including acute care, behavioral health, and rehabilitation hospitals. Senior living properties include nursing homes, assisted living facilities, and retirement centers. Other related operations include research facilities, healthcare leasing companies, physician practices, and medical office buildings. Mr. Baker has also provided consultations on market assessment, demand analysis, reimbursement issues, development of fixed asset records, and provided analysis of strategic opportunities. Valuation reports prepared by Mr. Baker have been used for several purposes including public offerings, litigation support, HUD 232 and 242 mortgage insurance programs, acquisition/divestitures, property tax purposes, state reimbursement, estate planning, and for internal management decision making.

**PROFESSIONAL
HISTORY**

- 2007 to present – President, Principle Valuation, LLC.
- 2001 to 2007 - Senior Vice President, Wellspring Valuation, Ltd.
- 1997 to 2001 - Vice President, Marshall & Stevens National Healthcare Practice.
- 1992 to 1997 - Senior Manager, Capital Valuation Group, specializing in the valuation of the business and real estate of senior living and healthcare related facilities.
- 1981 to 1992 – Manager, Valuation Counselors where he was responsible for performing a multitude of appraisal and consulting services for clients specializing in business enterprise, real estate, and machinery and equipment.

**PROFESSIONAL
AFFILIATIONS**

- Advisory Committee Member American Senior Housing Association
- Healthcare Financial Management Association
- American Health Lawyers Association
- Associate Member Appraisal Institute

**EDUCATION
LICENSES, AND
DESIGNATIONS**

- 1980 graduate of Bucknell University with a Bachelor of Science in Business Administration
- Certified General Real Estate Appraiser Maryland and New Jersey

TESTIMONY

- Testified as expert witness in California, Colorado, Connecticut, New Hampshire, New Jersey and Pennsylvania



**PATRICK J. SIMERS
EXECUTIVE VICE PRESIDENT****EXPERIENCE**

Mr. Simers has extensive experience in serving the valuation needs of the health-care industry. He has valued all tangible and intangible assets associated with health-care enterprises, including the capital stock of majority and minority share holdings; medical specialty and physician joint ventures; fee simple, leased fee, and leasehold interests in real estate for hospital systems, stand-alone hospital campuses, and medical office buildings; major and minor movable equipment; certificates of need; contractual agreements; and preferred provider arrangements.

Specific healthcare enterprises appraised include acute care hospital facilities, LTACH hospitals, psychiatric hospitals, rehab hospital facilities, single physician practices, multi-specialty practices, cath labs, diagnostic centers, cardiac care practices, home health agencies, nursing homes, assisted living facilities, and medical office buildings.

Mr. Simers has performed fair market value studies for purchase, sale, or financing; merger and acquisition consulting; negotiation of purchase price; fairness opinions; purchase price allocations; financial reporting; SEC reporting; Medicare regulatory requirements; Safe Harbor requirements; and 501(c)(3) private placement offerings.

**PROFESSIONAL
HISTORY**

Mr. Simers began his appraisal career with Valuation Counselors in 1982 and held various consulting, business development, and management roles, including four years as president of Valuation Counselors, leading up to its merger with CBIZ Inc. Most recently, Mr. Simers has served as the National Director for Healthcare services for American Appraisal Associates where he spear-headed the development of healthcare services for this international appraisal firm.

Patrick J. Simers is Executive Vice President for Principle Valuation. He is responsible for the development and overall business plan for Principle's consulting and appraisal services to for-profit, nonprofit, and public health-care providers. Mr. Simers is located in Principle Valuation's Atlanta office.

**PROFESSIONAL
AFFILIATIONS**

- American Health Lawyers Association
- Healthcare Financial Management Association

**EDUCATION
LICENSES, AND
DESIGNATIONS**

- Graduate of Northern Illinois University with a Bachelor of Science in Finance and Economics
- Graduate of Moraine Valley College with a Associate in Arts in Business Administration
- Certified General Real Estate Appraiser in Georgia



JOHN L. LEARY, CFA**EXPERIENCE**

Mr. Leary's hospital transaction experience consists of valuations for hospital acquisition and financing transactions in excess of \$1 billion, SFAS 144 impairment studies for acute care hospitals, valuations for relative contributions of hospital operations to newly organized joint ventures, and valuations of certificate of need for new hospital construction.

His ambulatory surgery and diagnostic imaging center experience consists of valuation of surgery centers for hospital physician syndications, initial capitalization of joint venture between major metropolitan medical center and physician owned outpatient surgery center, and recapitalization of a multi-modality diagnostic imaging center owned by a partnership consisting of two medical centers and a radiology group.

Mr. Leary also has managed care experience that consists of an equity valuation of Medicaid Provider Service Network serving 50,000 Medicaid members, a SFAS 141 valuation of tangible and intangible assets for a managed care organization with a market capitalization of approximately \$1.3 billion, and a purchase price allocation specialty pharmacy and pharmacy benefit management company totaling \$1.5 billion.

Mr. Leary has also performed valuations of dialysis, home health, durable medical equipment, respiratory and infusion therapy operations, and physician practices

PROFESSIONAL HISTORY

- 1989 to 2011 - CBIZ Valuation Group, LLC Atlanta, GA
Southeastern Director of Financial Valuation Services
- 1987 - 1989 - Carnegie Securities Corporation Atlanta, GA
Vice President
- 1980 - 1987 - Storer Cable Communications Atlanta, GA
Regional Controller

EDUCATION AND ACCREDITATIONS

- 1978 - 1980 - Georgia State University Atlanta, GA
Masters of Business Administration with a concentration in finance
- 1974 - 1978 - Emory University Atlanta, GA
Bachelor of Arts with majors in Economics and Political Science
- Chartered Financial Analyst and Certified Public Accountant (inactive license)



MARY JO DUFFY**EXPERIENCE**

Ms. Duffy brings 25 years of accounting, auditing, business valuation, business consulting and financial management to her clients. She has testified as an expert witness in deposition and trial, and advised clients on strategy, transactions and general business issues in addition to valuation issues

Ms. Duffy began her career with KPMG as an accountant and auditor. As CEO of Valuation Counselors, a national valuation firm, she provided valuation services to entities as diverse as boat manufacturers, grocery chains, technology ventures and healthcare providers. She served as a partner in a national CPA firm, responsible for appraisal and valuation services nationwide and was a member of the firm's Management Council.

As National Director of Financial Services to the healthcare industry for Coopers & Lybrand L.L.P., a predecessor firm of PricewaterhouseCoopers, Ms. Duffy was responsible for litigation, valuation, merger & acquisition, reorganization and other services to healthcare entities and assisted healthcare clients with matters involving providers, payers and related organizations. She later joined Ernst & Young's Healthcare Consulting practice specializing in physician networks, operations improvement, M&A strategy and post-merger integration. Her expertise in the healthcare arena includes advising providers on strategic options, negotiating transactions and assisting a Debtor in Possession in disposing of the assets, preparing a physician organization for doubling in size and an IPO, and developing integrated networks in academic medical centers and community delivery systems. She has also been the CFO of multi-specialty, multi-site healthcare provider.

PROFESSIONAL HISTORY

- Director, Acuitas, Inc.
- National Director of Financial Services, Coopers & Lybrand
- CEO, Valuation Counselors
- Consultant, Ernst & Young Healthcare Consulting
- Certified Public Accountant and Auditor, KPMG.

PROFESSIONAL AFFILIATIONS

- Leadership Team Member Healthcare Task Force of GSCPAS
- Serves as Board Member for: Turning Point Women's Healthcare, The Childhood Autism Foundation and Emory Austin Resource Center
- Member, Illinois CPA Society
- Officer, Georgia Society of CPAs -- Atlanta Chapter

EDUCATION LICENSES, AND DESIGNATIONS

- Graduate of Georgetown University School of Business
- Certified Public Accountant

HONORABLE DESIGNATIONS

- Honored by Atlanta Magazine as one of Atlanta's outstanding business women.



**HEALTHCARE SYSTEMS AND HOSPITALS
OUR PROFESSIONALS HAVE SERVICED SINCE 2000**

HEALTHCARE SYSTEMS:

Advocate Health Care
 Ascension Health
 Aurora Health Care
 Banner Health Systems
 Baptist Health South Florida
 Baylor Health Care System
 Benefis Health System
 Capella Healthcare
 Catholic Health East
 Centura Health
 CHRISTUS Health
 Community Health Systems, Inc.
 Community Memorial Health System
 Daughters of Charity Health System
 Elmhurst Memorial Healthcare
 Envision Corp.
 Essent Healthcare Inc.
 Gulf States Health Services
 Health Care REIT, Inc.
 Health East
 Health Management Associates
 Holistic Health Care, Inc.
 Hospital Sisters Health System
 Ingalls Health System
 Jewish Hospital & St. Mary's Healthcare
 Landmark Hospitals
 LifeCare Management Service
 LifePoint Hospitals, Inc.
 Memorial Healthcare System
 NorthShore University Health System
 Presbyterian Healthcare Services
 Provena Health
 Rapid City Regional Hospital
 Renaissance Healthcare Systems
 Resurrection Health Care
 Saint Barnabas Health System

CITY

Oak Brook
 St. Louis
 Milwaukee
 Phoenix
 Coral Gables
 Dallas
 Great Falls
 Franklin
 Newtown Square
 Englewood
 Irving
 Brentwood
 Ventura
 Los Altos Hills
 Elmhurst
 Scottsdale
 Nashville
 Baton Rouge
 Toledo
 Minneapolis
 Naples
 Birmingham
 Springfield
 Harvey
 Louisville
 Cape Girardeau
 Plano
 Brentwood
 Hollywood
 Evanston
 Albuquerque
 Chicago
 Rapid City
 Houston
 Chicago
 Livingston

ST

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 SD
 TX
 IL
 NJ



HEALTHCARE SYSTEMS:

	<u>CITY</u>	<u>ST</u>
Saint Thomas Health Services	Nashville	TN
Sarasota Memorial Healthcare System	Sarasota	FL
Seton Family of Hospitals	Austin	TX
Sisters of St. Francis Health Services	Mishawaka	IN
Specialty Hospitals of America, LLC	Portsmouth	NH
SSM Regional Health Services/St Mary's Health Center	Jefferson City	MO
St. Anthony Memorial Health Centers	Michigan City	IN
St. Francis Health System	Pittsburgh	PA
St. Vincent's Health System	Birmingham	AL
Summa Health Systems	Akron	OH
Trinity Health	Novi	MI
Universal Health Services	King of Prussia	PA
University Hospital Health System - Cleveland	Cleveland	OH
University Hospital Health System - San Antonio	San Antonio	TX
Vanguard Health Systems	Nashville	TN
Vibra Healthcare	Mechanicsburg	PA

HOSPITALS:

	<u>CITY</u>	<u>ST</u>
Carraway Burdick West Medical Center	Haleyville	AL
Carraway Northwest Medical Center	Winfield	AL
Crestwood Medical Center	Huntsville	AL
Hartselle Medical Center	Hartselle	AL
Parkway Medical Center	Decatur	AL
Russellville Hospital	Russellville	AL
Southern Cancer Center	Mobile	AL
Harris Hospital	Newport	AR
Helena Regional Medical Center	Helena	AR
National Park Medical Center	Hot Springs	AR
North Metro Medical Center	Jacksonville	AR
Siloam Springs Memorial Hospital	Siloam Springs	AR
St. Mary's Regional Medical Center	Russellville	AR
Holy Cross Hospital	Nogales	AZ
Plaza del Rio Campus	Sun City	AZ
St. Joseph Hospital	Tucson	AZ
St. Mary's Hospital	Tucson	AZ
Sun Health Del E. Webb Campus	Sun City West	AZ
Tuscan Medical Center	Tucson	AZ
William O. Boswell Hospital	Sun City	AZ
Cedars Sinai Medical Center	Los Angeles	CA



<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
Community Hospital of the Monterey Peninsula	Monterey	CA
Downey Regional Medical Center	Downey	CA
Hemet Valley Medical Center	Hemet	CA
Hollywood Presbyterian Medical Center	Los Angeles	CA
Kentfield Rehabilitation & Specialty Hospital	Kentfield	CA
Lancaster General Hospital	Lancaster	CA
Menifee Valley Medical Center	Sun City	CA
Norris Comprehensive Cancer Center & Hospital	Los Angeles	CA
Parkview Community Hospital	Riverside	CA
Physicians' Hospital of Rancho California	Murrieta	CA
Robert H. Ballard Rehabilitation Hospital	San Bernardino	CA
San Joaquin Valley Rehabilitation Hospital	Fresno	CA
USC University Hospital	Los Angeles	CA
Ventura Hospital	Ventura	CA
Lutheran Campus ASC LLC	Wheat Ridge	CO
OrthoColorado Hospital	Lakewood	CO
Penrose Hospital	Colorado Springs	CO
St. Anthony North Hospital	Westminster	CO
St. Mary-Corwin Medical Center	Pueblo	CO
St. Thomas More Hospital	Canon City	CO
Capital Hills Hospital	Sharon	CT
Greenwich Hospital	Greenwich	CT
Sharon Hospital	Sharon	CT
Greater Southeast Community Hospital	Washington	DC
Providence Hospital	Washington	DC
Specialty Hospital of Washington-Hadley	Washington	DC
Boca Raton Community Hospital	Miami	FL
Baptist Hospitals of Miami	Miami	FL
Bonita Community Health Center	Boca Raton	FL
East Point Hospital	Bonita Springs	FL
Fishermen's Hospital	Marathon	FL
Health Central Hospital	Ocoee	FL
HealthSouth Ridgelake Hospital	Sarasota	FL
Holy Cross Hospital	Marathon	FL
Homestead Hospital	Fort Lauderdale	FL
Jacksonville Medical Center	Homestead	FL
Mercy Hospital	Miami	FL
Memorial Hospital Pembroke	Jacksonville	FL
Memorial Hospital of South Broward	Pembroke Pines	FL



<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
Memorial Regional Hospital	Hollywood	FL
Northwest Florida Community Hospital	Chipley	FL
Park Royal Hospital	Ft. Myers	FL
Santa Rosa Medical Center	Milton	FL
Shands Lake Shore	Lake City	FL
Shands Live Oak	Live Oak	FL
Shands Starke	Starke	FL
West Kendell Baptist Hospital	Kendell	FL
Wuesthoff Medical Center-Rockledge	Rockledge	FL
Wuesthoff Medical Center-Melbourne	Melbourne	FL
Athens Long-Term Acute Care Hospital	Athens	GA
Banks-Jackson-Commerce Hospital and Nursing Home	Atlanta	GA
Grady Memorial Hospital	Atlanta	GA
Hamilton Medical Center	Dalton	GA
Complex Care Hospital of Idaho	Meridian	ID
Advocate Bethany Hospital	Chicago	IL
Advocate BroMenn Regional Medical Center	Normal	IL
Advocate Christ Medical Center	Oak Lawn	IL
Advocate Condell Medical Center	Libertyville	IL
Advocate Good Samaritan Center	Downers Grove	IL
Advocate Illinois Masonic Medical Center	Chicago	IL
Advocate Lutheran General Hospital	Park Ridge	IL
Advocate South Suburban Hospital	Hazel Crest	IL
Elmhurst Memorial Hospital	Elmhurst	IL
Evanston Northwestern Health Care	Evanston	IL
Good Shepherd Hospital	Barrington	IL
Gottlieb Memorial Hospital	Melrose Park	IL
Holy Family Medical Center	Des Plaines	IL
Marshall Browning Hospital	DuQuoin	IL
Mercy Hospital & Medical Center	Chicago	IL
Northwest Community Hospital	Arlington Heights	IL
Our Lady of Resurrection Medical Center	Chicago	IL
Palos Community Hospital	Palos Heights	IL
Provena St. Joseph Hospital	Elgin	IL
Provena St. Mary Hospital	Aurora	IL
Resurrection Medical Center	Chicago	IL
Rockford Memorial Hospital	Rockford	IL
Rush-Copley Medical Center	Aurora	IL
Rush University Medical Center	Chicago	IL



<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
Saint Anthony Hospital	Chicago	IL
Saint Joseph's Medical Center	Joliet	IL
Sherman Hospital	Elgin	IL
St. Anthony's Memorial Hospital	Effingham	IL
St. Elizabeth Hospital	Chicago	IL
St. Elizabeth Medical Center	Granite City	IL
St. Francis Hospital	Evanston	IL
St. James Hospital & Health Center	Chicago Heights	IL
St. John's Hospital	Springfield	IL
St. Joseph Hospital	Chicago	IL
St. Mary's Hospital	Decatur	IL
St. Mary's Hospital	Kankakee	IL
St. Mary's Hospital	Streator	IL
St. Mary of Nazareth Hospital	Chicago	IL
Swedish American Hospital	Rockford	IL
The Hospital for Specialty Care	Chicago	IL
Bluffton Regional Medical Center	Bluffton	IN
Dukes Memorial Hospital	Peru	IN
DuPont Hospital	Fort Wayne	IN
Elkhart General Hospital	Elkhart	IN
Franciscan Point Saint Anthony Health Complex	Crown Point	IN
Franciscan Physician Hospital	Munster	IN
Heartland Memorial Hospital	Munster	IN
Kosciusko Community Hospital	Warsaw	IN
Lutheran Hospital of Indiana	Fort Wayne	IN
Monroe Hospital	Bloomington	IN
Morgan Hospital and Medical Center	Martinsville	IN
OP Pavilion	Dyer	IN
Pinnacle Hospital	Crown Point	IN
Pulaski Memorial Hospital	Winamac	IN
Rehabilitation Hospital of Fort Wayne	Fort Wayne	IN
Starke Memorial Hospital	Knox	IN
St. Anthony Memorial	Michigan City	IN
St. Francis Hospital - Mooresville	Mooresville	IN
St. Francis Hospitals & Health Centers - South Campus	Indianapolis	IN
St. Joseph Hospital	Fort Wayne	IN
St. Joseph Regional Medical Center	Mishawaka	IN
St. Margaret Mercy Hospital	Hammond	IN
St. Vincent Indianapolis Hospital	Indianapolis	IN



<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
Shawnee Mission Medical Center	Shawnee Mission	KS
Western Plains Medical Complex	Dodge City	KS
Jewish Hospital	Louisville	KY
Jewish Hospital Shelbyville	Shelbyville	KY
Southern Kentucky Rehabilitation Hospital	Bowling Green	KY
Avoyelles Hospital	Marksville	LA
Baton Rouge General Medical Center	Baton Rouge	LA
CHRISTUS Coushatta Health Care Center	Coushatta	LA
CHRISTUS Schumpert Highland	Shreveport	LA
CHRISTUS Schumpert St. Mary Place	Shreveport	LA
CHRISTUS St. Francis Cabrini Hospital	Alexandria	LA
CHRISTUS St. Patrick Hospital	Lake Charles	LA
HealthSouth Specialty Hospital of North Louisiana	Ruston	LA
Oakdale Community Hospital	Oakdale	LA
Presbyterian Intercommunity Hospital	Lafayette	LA
River West Medical Center	Plaquemine	LA
Sabine Medical Center	Many	LA
Merrimack Valley Hospital	Haverhill	MA
New Bedford Rehabilitation Hospital	New Bedford	MA
Hillsdale Community Health Center	Hillsdale	MI
St. Joseph Mercy Hospital	Ypsilanti	MI
Truista Surgery Center	Troy	MI
St. Joseph's Hospital	St. Paul	MN
Cape Girardeau Long-Term Acute Care Hospital	Cape Girardeau	MO
Crossroads Regional Hospital	Wentzville	MO
Franciscan Sisters of Our Lady of Perpetual Help of Ohio	St. Louis	MO
Joplin Long-Term Acute Care Hospital	Joplin	MO
Mineral Area Regional Medical Center	Farmington	MO
Northcrest Regional Medical Center	Kirksville	MO
North Kansas City Hospital	North Kansas City	MO
SSM Regional Health Services	Jefferson City	MO
St. Alexius Hospital - Broadway Campus	St. Louis	MO
St. Alexius Hospital - Jefferson Campus	St. Louis	MO
St. Anthony's Medical Center	St. Louis	MO
St. Mary's Health Center	Jefferson City	MO
St. Mary's Hospital of Blue Springs	Blue Springs	MO
Oxford Lafayette Medical Center	Oxford	MS
Marlton Rehabilitation Hospital	Marlton	NJ
Meadowlands Hospital Medical Center	Secaucus	NJ



<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
Memorial Hospital of Salem County	Salem	NJ
Mountainside Hospital	Montclair	NJ
Muhlenberg Medical Center	Plainfield	NJ
St. Michael's Medical Center	Newark	NJ
Presbyterian Hospital	Albuquerque	NM
Presbyterian North Side Hospital	Albuquerque	NM
HealthSouth Hospital at Tenaya	Las Vegas	NV
Deaconess Center	Buffalo	NY
St. Mary's Hospital	Amsterdam	NY
Brown County Regional Hospital	Georgetown	OH
Conneaut Medical Center	Conneaut	OH
Geneva Medical Center	Geneva	OH
Hillside Rehabilitation Hospital	Warren	OH
Mahoning Valley Hospital	Warren	OH
Mahoning Valley Hospital LTAC	Boardman	OH
Select Specialty Hospital	Akron	OH
St. Thomas Hospital	Akron	OH
Summa Health	Akron	OH
Logan Medical Center	Guthrie	OK
Willamette Valley Medical Center	McMinnville	OR
Chestnut Hill Healthcare	Philadelphia	PA
HealthSouth Hospital of Pittsburgh	Monroeville	PA
HealthSouth Regional Specialty Hospital	Mechanicsburg	PA
Lock Haven Hospital	Lock Haven	PA
Memorial Hospital	Towanda	PA
Mercy Hospital	Scranton	PA
Mercy Special Care Hospital – Nanticoke	Nanticoke	PA
Mercy Tyler Hospital	Tunkhannock	PA
Moses Taylor Hospital	Scranton	PA
Southwest Regional Medical Center	Waynesburg	PA
St. Francis Hospital Cranberry	Cranberry	PA
St. Francis Hospital of New Castle	New Castle	PA
St. Francis Medical Center	Pittsburgh	PA
Lookout Memorial Hospital	Spearfish	SD
Sturgis Community Health Care Center	Sturgis	SD
Baptist Hospital of Cocke County	Newport	TN
Fentress County General Hospital	Jamestown	TN
Gateway Medical Center	Clarksville	TN
Haywood Park Community Hospital	Brownsville	TN



HOSPITALS:

<u>HOSPITALS:</u>	<u>CITY</u>	<u>ST</u>
McKenzie Regional Hospital	McKenzie	TN
Mercy Medical Center North	Powell	TN
Mercy Medical Center St. Mary's	Knoxville	TN
Mercy Medical Center West	Knoxville	TN
Methodist Healthcare McNairy	Selmer	TN
Methodist Healthcare Volunteer Hospital	Martin	TN
Methodist Healthcare-Brownsville	Brownsville	TN
Methodist Healthcare-Dyersburg	Dyersburg	TN
Methodist Healthcare-Jackson	Jackson	TN
Methodist Healthcare-McKenzie	McKenzie	TN
Methodist Healthcare-Lexington	Lexington	TN
Middle Tennessee Medical Center	Murphysboro	TN
North Coast Medical Center	Springfield	TN
St. Mary's Jefferson Memorial Hospital	Jefferson City	TN
St. Mary's Medical Center of Campbell County	LaFollette	TN
St. Mary's Medical Center of Scott County	Oneida	TN
White County Community Hospital	Sparta	TN
Baptist Medical Center	San Antonio	TX
CHRISTUS Santa Rosa Children's Hospital	San Antonio	TX
CHRISTUS Santa Rosa Hospital-City Centre	San Antonio	TX
CHRISTUS Santa Rosa Hospital-Medical Center	San Antonio	TX
CHRISTUS Santa Rosa Hospital-New Braunfels	New Braunfels	TX
CHRISTUS Santa Rosa Hospital-Westover Hills	San Antonio	TX
CHRISTUS Spohn Hospital Alice	Alice	TX
CHRISTUS Spohn Hospital Corpus Christi Memorial	Corpus Christi	TX
CHRISTUS Spohn Hospital Corpus Christi South	Corpus Christi	TX
CHRISTUS Spohn Hospital Kleberg	Kingsville	TX
Dell Children's Medical Center	Austin	TX
East El Paso Physicians' Medical Center	El Paso	TX
Gulf Coast Medical Center	Wharton	TX
HealthSouth Hospital of Houston	Houston	TX
Highland Medical Center	Lubbock	TX
LifeCare Hospitals of Ft. Worth	Ft. Worth	TX
LifeCare Hospitals of Plano	Plano	TX
LifeCare Hospitals of San Antonio	San Antonio	TX
Longview Regional Medical Center	Longview	TX
Medical Center of Mesquite	Mesquite	TX
North Central Baptist Hospital	San Antonio	TX
Northeast Baptist Hospital	San Antonio	TX



HOSPITALS:

Renaissance Hospital of Groves
 Renaissance Hospital of Dallas
 Renaissance Hospital of Houston
 San Angelo Community Medical Center
 Seton Medical Center Williamson
 Southeast Baptist Hospital
 South Texas Spine & Surgical Hospital
 St. Luke's Baptist Hospital
 Texas Specialty Hospital
 Trinity Community Medical Center of Brenham
 Trinity Medical Center
 Jordan Valley
 Rocky Mountain Medical Center
 Lee Community Hospital
 St. Mary's Hospital
 Empire Health Services
 Lourdes Medical Center
 St. Joseph Regional Medical Center
 Valley Medical Center
 LifeCare Hospitals of Wisconsin
 Aurora Medical Center Grafton
 Aurora Medical Center Oshkosh
 Aurora Medical Center Summit
 Sacred Heart Hospital
 St. Joseph's Hospital
 St. Mary's Hospital Medical Center
 St. Nicolas Hospital
 St. Vincent Hospital
 Bluefield Regional Medical Center
 Charleston Area Medical Center
 Thomas Memorial Hospital

CITY

Groves TX
 Dallas TX
 Houston TX
 San Angelo TX
 Round Rock TX
 San Antonio TX
 San Antonio TX
 San Antonio TX
 Houston TX
 Brenham TX
 Carrollton TX
 West Jordan UT
 Salt Lake City UT
 Pennington Gap VA
 Norton VA
 Spokane WA
 Pasco WA
 Lewiston WA
 Renton WA
 Pewaukee WI
 Grafton WI
 Oshkosh WI
 Summit WI
 Eau Claire WI
 Chippewa Falls WI
 Green Bay WI
 Sheboygan WI
 Green Bay WI
 Bluefield WV
 Charleston WV
 South Charleston WV

ST



Fairness Opinion Proposal and Qualifications

Greater Waterbury Health Network, Inc.

LHP Hospital Group, Inc./Saint Mary's Hospital Joint Venture

Michael Lane
Managing Director
312.583.2132

Gregory Hagood
Managing Director
404.504.2017

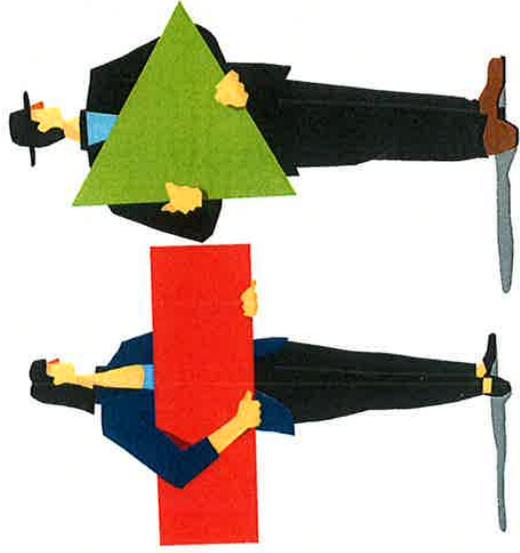


September 28, 2011

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Section 1
Professional Fees/Timeline



Navigant Capital Advisors

Proposed Professional Fees

- Proposed Fixed Professional Fees: [REDACTED]
 - NCA professional fees are not contingent on the outcome of the opinion
 - Out of pocket expenses will be invoiced separately
- Fairness opinion will be delivered within 45 days of signing an NCA engagement letter containing standard indemnification provisions, and;
 - Will opine on the “fairness”, from a financial point of view, of the consideration received in the Transaction which includes the management agreement with an LHP affiliate
 - Will require cooperation from and close working relationship with management
 - Be filed as part of the conversion process application by management
- NCA will NOT opine on, the underlying decision by the Board, relative merits of the transaction, tax or legal aspects of the transaction, solvency or fair value of the Company or any participant to the transaction, the fairness of any portion or aspect of the transaction not expressly addressed in the opinion, or the validity of the information provided in reaching our conclusions.
- Upon signing the engagement letter, NCA will promptly submit a due diligence request list to management requesting certain financial, operational and transactional data and information.
- NCA will comply with the Terms of Engagement as outlined in the request for proposal.

*We have conducted our conflict of interest review and have identified **NO** conflicts to this proposed transaction precluding Navigant Capital Advisors, LLC from rendering a Fairness Opinion*

Navigant Capital Advisors

Proposed Timeline

- Week 1: Sign Engagement Letter and submit due diligence request list to Management.
- Week 2: Meet with Board and Management on site for interviews/due diligence/analysis
- Week 3: Conduct due diligence/analysis
- Week 4: Conduct due diligence/analysis/meetings with Management
- Week 5: Complete analysis and presentation and review with Management/Board
 - Historical Timeline and Overview of the Hospital
 - ✓ Identification of key events
 - ✓ Statistical and operational summary
 - ✓ Payor analysis and summary
 - ✓ Market, demographics and competition
 - ✓ Financial analysis/earnings normalization
 - Update market and valuation metrics and key considerations
 - Analysis of Transaction terms and conditions
 - Summarize results/findings in presentation format
- Week 6: Finalize analysis and Render Fairness Opinion

Section 2
Navigant Capital Advisors
Overview



Navigant Consulting

Our Parent

Navigant Consulting, Inc. ("NCI") is the parent company of Navigant Capital Advisors, LLC ("NCA")

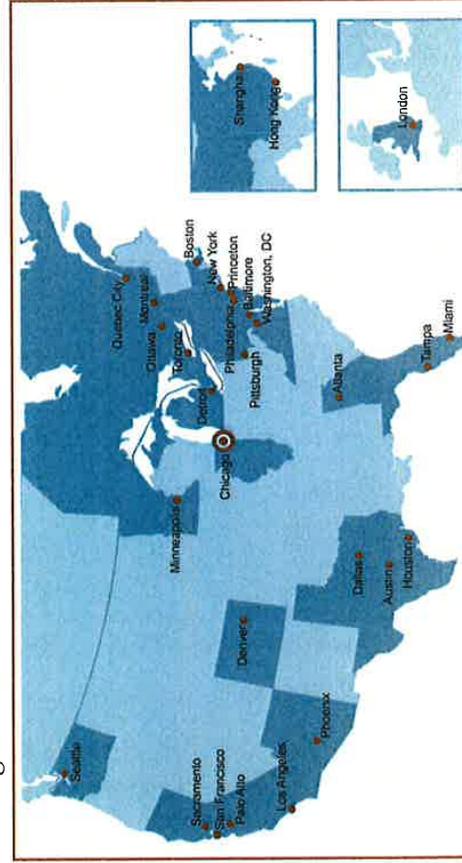
Business Description

Navigant Consulting, Inc. is a specialized, independent advisory firm that supports companies, lenders, institutional investors, legal counsel, and government agencies. The company focuses on entities and industries facing the challenges of uncertainty, risk, distress and significant change, and on the issues driving these transformations.

Ticker	NCI (NYSE)
2010 Revenue	\$703.7 million
Professionals	1,900+
Headquarters	Chicago, IL

Senior Management

- William M. Goodyear, CEO and Chairman, NCI
- Edward R. Casas, Senior Managing Director, Head of NCA
- Michael Lane, Managing Director, Healthcare Restructuring
- Greg Hagood, Managing Director, Head of Investment Banking
- David P. Zito, Managing Director, Head of Healthcare Consulting



NCI's 1,900+ professionals maintain presence in 45 cities internationally throughout North America, as well as Europe and Asia.

Navigant Consulting, Inc.

Business Segment Overview

Our ability to integrate proven advisory skills with industry expertise creates a compelling proposition for our clientele

Navigant Consulting, Inc.

Business Advisory Services

Business advisory services with dominant positions in highly regulated industries including healthcare, energy, construction and insurance and claims.

- Strategic Advisory
- Performance Improvement
- Interim Management
- Markets & Transactions
- Technology Strategy & Management
- Financial and Compliance Advisory
- Operations Advisory
- Project Advisory
- Claims Management
- Clinical Improvement
- Insurance Coverage Analysis & Support
- Data & Information Management
- Operations & Systems Consulting / Outsourcing
- Business Process Assessment & Management

Financial Advisory Services (Navigant Capital Advisors)

Full spectrum of financial advisory services with wide industry specialization including: healthcare, manufacturing and distribution, financial services, specialty retail and consumer, business services, energy and construction / real estate.

- Restructuring
 - Capital
 - Operating
- Investment Banking
 - Sell Side
 - Buy Side
 - Private Placement
- Valuation
 - Enterprise Valuations
 - Intangible Assets
- Economic Advisory
 - Anti-trust & Competition
 - Securities Litigation
 - Complex Securities Asset Pricing
 - Detailed Market Analysis

Disputes & Investigations

Litigation, fraud, forensic accounting, investigations, discovery services and government contract dispute services

- Impact Analysis
- Fact Finding
- SEC Investigations
- Discovery Assistance
- Deposition Support
- Expert Testimony
- Quantifying Losses due to Fraud
- White Collar Criminal Defense
- Electronic Records Management
- Consultation on Financial Reporting Matters
- Special Investigations
- Emerging Contractor Services

Navigant Consulting, Inc.

A Full Spectrum of Healthcare Services

Navigant offers a full spectrum of operational and financial advisory services for healthcare organizations

Strategic Advisory

Navigant provides healthcare executives with objective, practical, results-oriented assistance to address the business challenges facing their organizations.

- Enterprise-wide strategic plans
- Business plan development and validation
- Program and service line analysis
- Portfolio analysis and planning
- Market research, analysis and forecasting
- Product planning, launch and life cycle strategies
- Pricing and reimbursement strategy, design and implementation
- Public policy evaluation and design
- Physician collaboration and integration planning

Operations Advisory and Management

Navigant has extensive experience and a successful track record in helping healthcare organizations improve their financial, operational and quality performance.

- Comprehensive operational assessment, performance improvement plan development and execution support
- Revenue cycle performance improvement
- Supply chain management and procurement assistance
- Clinical throughput and capacity management
- Quality improvement
- Physician services and medical staff development
- Contract monitoring and oversight
- Federal reporting requirements

Financial Advisory

Navigant offers a full range of financial services and assist healthcare organizations in confronting challenges, identifying solutions and achieving results within a short timeframe.

- Due diligence reviews and enterprise valuation
- Financial forecasting of policy and program changes
- Rehabilitation and performance improvement plan forecasting
- Strategic alternatives assessment
- Merger, acquisition and divestiture services
- Dept capacity analysis and capital restructuring
- Recapitalization and rescue financing
- Bankruptcy advisory support
- Intra-capital structure constituent negotiations

Navigant Consulting, Inc.

A Full Spectrum of Healthcare Services (cont.)

Navigant offers a full spectrum of operational and financial advisory services for healthcare organizations

Interim Management

Navigant provides interim leaders to manage healthcare organizations during challenging times, such as transitioning to a new executive, responding to an unexpected departure or absence, managing a turnaround, or implementing a merger. Our professionals have the skills, experience and a track record of rapidly achieving desired results.

- Chief Restructuring Officer
- Chief Executive Officer
- Chief Implementation Officer
- Chief Financial Officer
- Chief Operating Officer
- Chief Information Officer
- Chief Nursing Officer
- Vice President Medical Affairs
- Other key operational positions

Risk Mitigation and Compliance

Navigant offers solutions that enable our clients to function more efficiently and effectively in the ever changing regulatory framework of the healthcare industry.

- Compliance plan design and implementation
- Compliance effectiveness reviews
- Regulatory and operating compliance assessment, risk analysis and quantification
- Statistical sampling plans for evaluating over/under payments
- Billing and reimbursement audits
- Voluntary disclosures
- Corporate integrity agreement design and implementation
- Independent Review Organization (“IRO”) services

Dispute Resolution and Avoidance

Navigant offers support services that draw upon both our litigation experience and our wealth of healthcare industry knowledge.

- Document and electronic data discovery efforts, including preparing discovery requests and accumulating, managing and researching document populations
- Electronic data warehousing and analysis
- Class certification issues
- Liability and damage issues
- Deposition and trial preparation
- Econometric models to identify risk areas and estimate potential damages
- Expert testimony in depositions and at trial

Navigant Capital Advisors

A Full Spectrum of Financial Services to the Healthcare Industry



Multidisciplinary Team
 NCA team members bring significant transactional, operational, financial and legal experience to all engagements and have broad experience in a wide range of industries.

Market Insight
 Through a network of industry, private equity and financing contacts, as well as proprietary data sources, NCA keeps abreast of rapidly changing market environments and industry trends affecting its clients and presenting opportunities and challenges to its stakeholders.

- Depth/Breadth of Services**
- **Merger and Acquisition Advisory**
 - Exclusive Sale
 - Buy Side Advisory
 - Distressed Asset sale
 - Recapitalizations
 - Corporate Divestiture
 - **Private Placements**
 - Institutional Debt
 - Institutional Equity
 - **Capital Markets Advisory Services**
 - **Corporate Development Services**
 - **Fairness Opinions**
 - **Financial Reporting**
 - Business valuations
 - SFAS 123 (r), 141, 142, 144
 - Derivatives
 - Intangible Asset Valuations
 - **Tax**
 - Section 409A
 - Change in Control Section 382
 - Gift and Estate Tax valuations
 - IRC Section 338
 - **Financial & Operational restructuring**
 - **Creditor Rights Advisory**
 - **Interim and Crisis Management**
 - **Bankruptcy Planning and Reorganization**
 - **Distressed Real Estate Advisory**

Navigant Capital Advisors

Consistently Ranked as Top Distressed Financial Advisors in The Deal League Tables

Second Quarter 2011

Rank	Adviser	Investment Bank	Active Cases
1	Casas, Edward	Navigant Capital Advisors LLC	12
1	Barrow, J. Gregory	General Capital Partners LLC	12
2	Luria, Neil	Navigant Capital Advisors LLC	10
3	Manning, Jeffrey	BDO Capital Advisors LLC	9
4	Huber, Jack	Navigant Capital Advisors LLC	8
4	Williams, Brent	Duff & Phelps Corp.	8
5	Wu, Christopher	Carl Marks Advisory Group	7
6	Owsley, Henry	Gordian Group LLC	6
7	Caldwell, Patricia	Gordian Group LLC	5
7	Hardie, William	Houlihan Lokey Inc.	5
7	Kaufman, Peter	Gordian Group LLC	5
7	Kurtz, David	Lazard	5
7	Madden, John	Duff & Phelps Corp.	5
7	Murphy, Brendan	Duff & Phelps Corp.	5
8	Decker, James	Morgan Joseph TriArtsian Group	4
8	Feltman, James S.	Mesirow Financial Holdings Inc.	4
8	Geer, Bradley	Houlihan Lokey Inc.	4
8	Henkin, Michael	Jefferies & Co.	4
8	Lattig, Larry H.	Mesirow Financial Holdings Inc.	4

(continued)

2009

Rank	Adviser	Investment Bank	Active Cases
1	Madden, John	Chann Capital / Duff & Phelps	15
2	Murphy, Brendan	Chann Capital / Duff & Phelps	12
2	Williams, Brent	Chann Capital / Duff & Phelps	12
3	Lattig, Larry H.	Mesirow Financial Holdings Inc.	11
4	Casas, Edward	Navigant Capital Advisors LLC	9
4	Luria, Neil	Navigant Capital Advisors LLC	9
4	Belinsky, Russel	Chann Capital / Duff & Phelps	9
4	Kaufman, Peter	Gordian Group LLC	9
5	Barrow, J. Gregory	General Capital Partners LLC	8
5	Carlson, Thomas	Jefferies & Co.	8
5	Herman, David	Gordian Group LLC	8
5	Manning, Jeffrey R.	Trenwith Group LLC	8
6	Derrough, William	Moelis & Co. LLC	7
6	Feltman, James S.	Mesirow Financial Holdings Inc.	7
6	Hardie, William	Houlihan Lokey	7
6	Owsley, Henry	Gordian Group LLC	7
6	Pickering, Ben	Mesirow Financial Holdings Inc.	7
6	Strom, Steve	Jefferies & Co.	7
6	Victor, J. Scott	SSG Capital Advisors LLC	7

(continued)

2010

Rank	Adviser	Investment Bank	Active Cases
1	Victor, J. Scott	SSG Capital Advisors LLC	13
2	Casas, Edward	Navigant Capital Advisors LLC	12
2	Barrow, J. Gregory	General Capital Partners LLC	12
2	Madden, John	Duff & Phelps Corp.	12
2	Williams, Brent	Duff & Phelps Corp.	12
3	Luria, Neil	Navigant Capital Advisors LLC	10
4	O'Connor, Tim	Broadpoint Gleacher Securities	9
5	Augustine, Neil	Rothschild	8
5	Owsley, Henry	Gordian Group LLC	8
6	Kaufman, Peter	Gordian Group LLC	7
6	Lattig, Larry H.	Mesirow Financial Holdings Inc.	7
6	Murphy, Brendan	Duff & Phelps Corp.	7
6	Ridings, Barry	Lazard	7
7	Belinsky, Russel	Duff & Phelps Corp.	6
7	Derrough, William	Moelis & Co. LLC	6
7	Henkin, Michael	Jefferies & Co.	6
7	Herman, David	Gordian Group LLC	6
7	Huffard, Paul	Blackstone Group LP	6
7	Merola, Frank	Jefferies & Co.	6

(continued)

Rank	Adviser	Investment Bank	Active Cases
1	Casas, Edward	Navigant Capital Advisors LLC	16
2	Luria, Neil	Navigant Capital Advisors LLC	12
2	Feltman, James	Mesirow Financial Holdings Inc.	12
3	Lattig, Larry	Mesirow Financial Holdings Inc.	10
4	Barrow, J. Gregory	General Capital Partners LLC	9
4	Hilly, David	Houlihan Lokey	9
4	Murphy, Brendan	Chann Capital Partners LLC	9
5	Madden, John	Chann Capital Partners LLC	8
6	Kaufman, Peter	Gordian Group LLC	7
6	Owsley, Henry	Gordian Group LLC	7
7	Belinsky, Russel	Chann Capital Partners LLC	6
7	Victor, J. Scott	National City Corp.	6
8	Augustine, Neil	Rothschild	5
8	Burian, Saul	Houlihan Lokey, Howard & Moelis & Co. LLC	5
8	Derrough, William	Moelis & Co. LLC	5
8	DiMauro, Chris	Houlihan Lokey, Howard & Moelis & Co. LLC	5
8	Manning, Jeffrey R.	Trenwith Group	5
8	Miller, Henry S.	Miller Buckfire & Co. LLC	5
8	Siegest, Eric	Houlihan, Lokey, Howard & Moelis & Co. LLC	5

(continued)

Source: The Deal.com Bankruptcy League Tables. Rankings include all debtor, creditor and other assignments within active bankruptcy cases.

Navigant Capital Advisors

Acute Care Hospital Experience

- NCA has orchestrated multiple competitive bidding auction processes for the sale of acute care hospitals and related assets associated with healthcare delivery systems
- Extensive experience with sales of not-for-profit hospitals
 - In-depth knowledge of various affiliation arrangements, capital structures, and regulatory issues, including conversions
- Relevant Experience:
 - Identifying and advising Hospital Boards with regard to strategic options
 - Positioning hospital assets for sale
 - Working with physicians, employees and other stakeholders to identify and manage needs and concerns
 - Identification of conflicts and regulatory issues
 - Oversight of competitive auction processes
 - Identification of industry and market dynamics



Navigant Capital Advisors

NCA Recent Not-for-Profit Hospital Transactions

Healthcare System	Description	Transaction	NCA Role
Caritas Christi Healthcare System	Owner of six 501(c)3 Catholic hospitals in Eastern MA	Sale of non-profit hospitals to Cerberus Capital Management and conversion to for-profit status.	Financial advisor engaged to review transaction terms and conditions and issue a Fairness Opinion. Navigant was initially retained to provide a strategic review and assessment related to identifying capital alternatives for this non-profit organization
Sumner Regional Healthcare System	Three 501(c)3 hospital healthcare organization serving eleven counties in middle Tennessee	Sale of non-profit hospitals to LifePoint Hospital Corporation pursuant to Section 363 under Chapter 11 of the U.S. Bankruptcy Code and conversion to for-profit status.	Financial advisor in bankruptcy and in connection with exploring strategic alternatives; also served as interim management. NCA led a competitive sale process whereby numerous offers were obtained and negotiated with a wide array of national and regionally-focused hospital companies.
Twin City Hospital System	A twenty-five bed, not-for-profit 501(c)3, critical access hospital located in Dennison, Ohio	Sale to hospital Franciscan Services Corp. pursuant to section 363 under Chapter 11 of the U.S. Bankruptcy Code.	Financial advisor in connection with exploring strategic alternative and managing auction process.
Morton Hospital and Medical Center	154-bed not-for-profit 501(c)3 acute care hospital offering a full spectrum of medical and surgical services located in Taunton, MA	Sale of non-profit hospital to Steward Health Systems and conversion to for-profit status.	Financial advisor in connection with exploring strategic alternatives including identifying a capital or affiliation partner. Navigant was initially retained to provide a strategic review and assessment related to identifying capital alternatives. Structured transaction and worked through issues with the Attorney General.
Tomball Regional Medical Center	Municipal hospital in Tomball, Texas with 358 licensed beds and a medical staff of over 360 physicians	Sale of non-profit hospital to Community Health Systems (NYSE: CYH) and conversion to for-profit status.	Financial advisor for managing a competitive process to identify strategic alternatives including the sale of the hospital and other non-core assets and worked through conversion process.
Quincy Medical Center ("QMC")	Not-for-profit 501(c)3 acute care community hospital located in Quincy, MA with 196 licensed beds and over 340 physicians	Sale of non-profit hospital to Steward Medical Holdings (pending) pursuant to Section 363 under Chapter 11 of the U.S. Bankruptcy Code, and conversion to for-profit status.	Financial advisor for i) managing a competitive process to identify strategic alternatives including the sale of the hospital and other non-core assets, ii) negotiating with QMC's bondholders and other creditors regarding financial restructuring matters.

Navigant Capital Advisors

Leading Investment Bankers for Healthcare – recent transactions

\$830,000,000



has been acquired by



Financial Advisor

\$48,000,000



Morton Hospital & Medical Center

Is being acquired by

Steward Medical Holdings

Pending

Sell Side Advisor

\$76,250,000



has been acquired by Methodist Healthcare System of San Antonio

Sell Side Advisor



Financial Advisor,
Chief Executive Officer and
Chief Restructuring Officer

\$156,000,000



Financial Advisor,
Chief Executive Officer
Chief Restructuring Officer

\$32,000,000



has been acquired by Vanguard Health Systems

Sell Side Advisor



has been acquired by LifePoint Hospitals

Sell Side Advisor

\$38,000,000



is being acquired by Steward Medical Holdings

Pending

Sell Side Advisor



has been acquired by LifePoint Hospitals

Sell Side Advisor

\$83,800,000



has been acquired by St. David's Healthcare Partnership, L.P.

Sell Side Advisor



MedCath Corporation
(Nasdaq: MDTH)

Financial Advisor

\$7,000,000

An equity interest in Southwest Arizona Heart and Vascular Center, LLC has been acquired by its physician partners

Sell Side Advisor

\$939,000,000



Financial Advisor

Navigant Capital Advisors

Key Qualifications

- NCA has developed its fairness opinion practice based on “best practices” and decades of experience:
 - NCA professionals have extensive experience advising Boards of Directors and independent/special committees
 - Truly independent financial advisor
 - Procedures and documentation incorporate existing and proposed rules and regulations
 - Rigorous review of prospective projects
 - Deliberate assignment of each execution team based on skill set
 - Independent stature of Fairness Opinion Operating Committee — approvals and reviews
 - Members of the execution team and Fairness Opinion Operating Committee have both technical and transaction experience

Navigant Capital Advisors

Fairness Opinion Capabilities

Fairness Opinion Practice

As part of Navigant's Valuation Services practice, we have a fully integrated Fairness Opinion practice. Our practice conforms to applicable FINRA standards for independence and internal reviews to assure a rigorous, well-researched conclusion for our clients.

Level of Sophistication

We have significant experience executing transactions for publicly traded companies including cross-border acquisitions, divestitures, reverse mergers and complex second lien financings.

Senior Level Attention

Navigant Capital Advisor's Senior Professionals are well seasoned with significant transactional experience who will manage your transaction from initiation to close.

Full Service Advisory Firm

We provide a comprehensive and integrated suite of advisory services including sell-side representation, capital sourcing of debt and equity, corporate assessments, strategic advisory, financial restructuring, fairness opinions and due diligence services.

Financial Strength

With an enterprise value exceeding \$700 million and a market capitalization of approximately \$500 million, NCI has the financial strength to stand with its clients even years from now.

Section 3
Benefits of Fairness Opinion



Benefits of a Fairness Opinion

When Does a Fiduciary Need a Fairness Opinion?

- Fairness opinions are not required by any statute or regulation, but they have become a regular feature of corporate transactions since 1985 when the Delaware Supreme Court issued its Opinion in *Smith v. Van Gorkum*.
- The Court found that a corporate board breached its fiduciary duty of care by approving a merger without *adequate information on the transaction*, including information on *the value of company* and *the fairness of the offering price*.
- It was not the price itself that was questioned, only that *there was no independent evidence* that that the price was fair.
- Fairness Opinions serve two main purposes:
 - Provide boards of directors or trustee with information which to evaluate a transaction; and;
 - Serve as evidence in litigation that the board of directors used reasonable business judgment in approving the transaction

Benefits of a Fairness Opinion

When Does a Fiduciary Need a Fairness Opinion?

- Corporate boards of directors or trustees frequently obtain an independent opinion to assess the fairness of certain contemplated transactions having a significant impact on an organization's value.
- Fairness opinions are generally rendered for the following transactions:
 - Mergers and acquisitions
 - Employee Stock Ownership Plans (ESOP)
 - Going private transactions with Equity private placements
 - **Not-For-Profit Conversions**
- Issues for which Fairness Opinions are generally recommended include:
 - A fiduciary wants an independent advisor to support its actions
 - Tender offer, sale or merger is conducted without an auction
 - Minority shareholders are being bought out
 - Significant change in capital structure
 - Prospects of dilution
 - Management, board members, or controlling holders benefit from the transaction
 - Multiple constituencies or shareholders

Benefits of a Fairness Opinion

What is included in a Fairness Opinion?

- Fairness opinions historically have been delivered in the form of a letter addressed to:
 - A company's Board of Directors
 - A special committee of independent directors formed to consider a proposed transaction
 - Trustees or other fiduciaries responsible for evaluating a corporate transaction
- The opinion is backed by a supporting presentation detailing the methods used and the analysis leading to the conclusion.
- Fairness Opinions typically include the following
 - Description of the proposed transaction;
 - Summary of the financial advisor's due diligence investigation;
 - Statement of any limitations on use;
 - Statement of conclusion (example, that the proposed transaction or consideration received is fair, from a financial point of view).

Benefits of a Fairness Opinion

What is included in a Fairness Opinion?

- A Fairness opinions is:
 - A financial advisor's opinion that states whether or not the financial terms of a proposed transaction are within a range of fairness;
 - Expressed from a financial point of view to one or more specific parties of the proposed transaction as of a specific date.

- A Fairness opinions Is NOT:
 - An opinion that the proposed transaction is fair from a legal point of view;
 - A recommendation for the proposed transaction;
 - An evaluation of the business rationale to proceed with a transaction.

Benefits of a Fairness Opinion

What is Considered in Rendering a Fairness Opinion?

- In preparing a fairness opinion, financial advisors must:
 - Utilize proven valuation techniques;
 - Implement thorough industry analysis and extensive due diligence
 - Include a rigorous analysis of the available alternatives to the proposed transaction
- Key question is “Are the shareholders or beneficiaries better off with or without the proposed Transaction?”
- In a cash transaction, an advisor should analyze whether the consideration to be paid falls within the fairness range and what alternatives exist.
- In a transaction involving a non-cash exchange, an advisor should consider the relative benefits to the selling organization’s stakeholders owning the buyer’s stock.
- The following are NOT a consideration:
 - Is a better deal available?
 - Are there Anti-Trust concerns?

Benefits of a Fairness Opinion

What is Considered in Rendering a Fairness Opinion?

- All types of consideration must be valued, including management contract fees, contingent payments and percentage ownership in a joint venture.
- A financial advisor must analyze:
 - The relative consideration received by various parties;
 - *Other financial terms of the transaction*
 - Any financial alternatives that may be available to the shareholders or beneficiaries
- High level of due diligence are required for:
 - History of the transaction
 - Marketing of the deal
 - Projections
- No formal standard of value exists for the preparation of Fairness Opinions.
- It is necessary to consider all the material facts and circumstances of the proposed transaction when determining the standard of value.

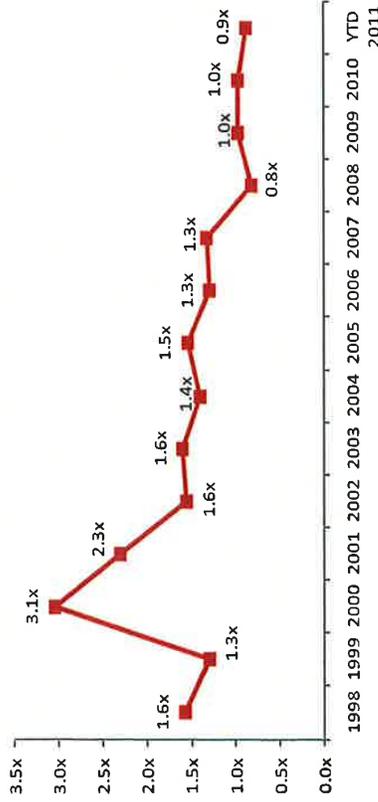
Section 4
Market Overview



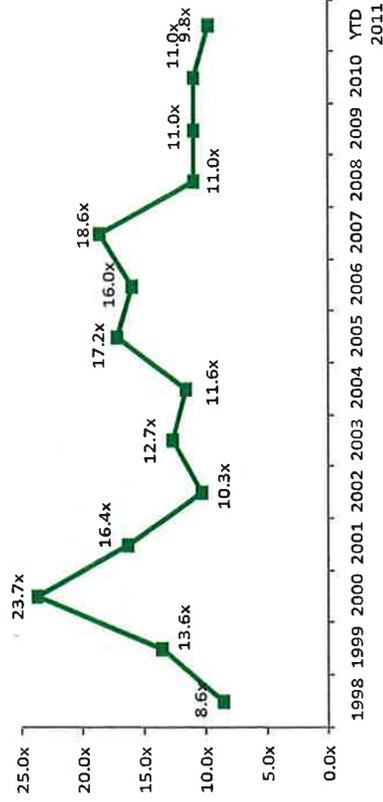
Current Hospital Valuation Trends

Valuation Trends for Publicly Traded Hospital Companies

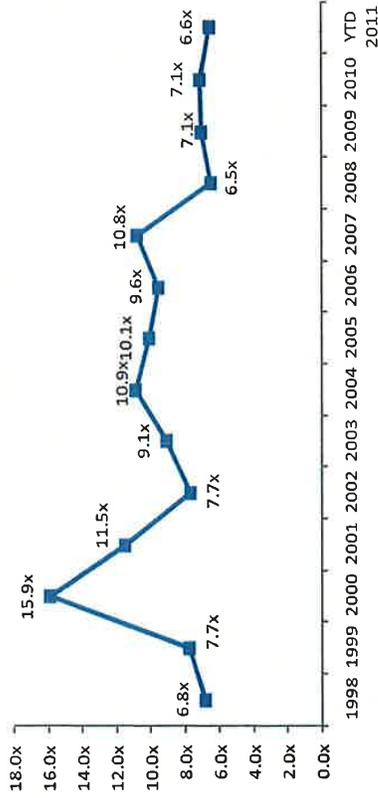
Enterprise Value / Revenue



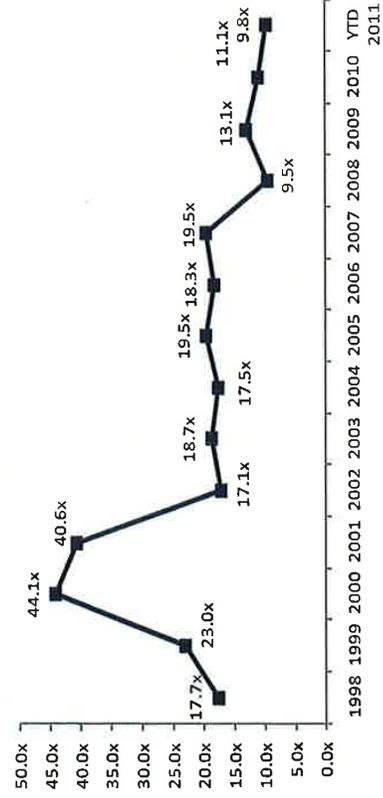
Enterprise Value / EBIT



Enterprise Value / EBITDA



Price to Earnings



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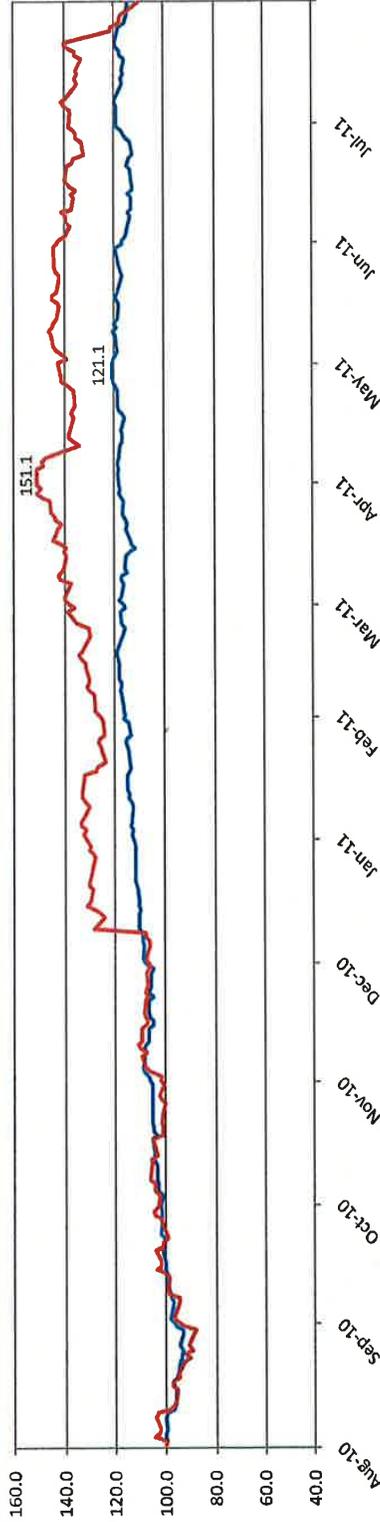
Note: The graphs are representative of the companies within the "NCA Hospital Index" which includes CYH, HMA, LPNT, THC, and UHS. Source: Capital IQ

Current Hospital Valuation Trends

Comparable Companies Publicly Traded

- Publicly Traded Hospitals currently trade at a median multiple of 0.9x revenue and 6.6x EBITDA

S&P 500 Index vs. NCA Hospital Index (August 2, 2010 – July 31, 2011)



— S&P 500 Index — NCA Hospital Index

Company Name	Ticker	Stock Price 8/1/11	% of 52 Wk High	Enterprise Value	Latest Twelve Months (LTM)				Cal Year 2011		Enterprise Value/				
					Revenue	EBITDA	EBITDA %	Revenue	EBITDA	Revenue	EBITDA				
					Revenue	EBITDA	EBITDA %	Revenue	EBITDA	Revenue	EBITDA				
Community Health Systems, Inc.	CYH	\$24.36	57%	\$11,666	\$13,625	\$1,710	12.5%	\$14,755	\$1,929	0.9x	6.8x	0.8x	6.0x		
HCA Holdings, Inc.	HCA	\$24.94	71%	38,788	31,501	5,566	17.7%	34,318	6,336	1.2x	7.0x	1.1x	6.1x		
Health Management Associates Inc.	HMA	\$8.96	76%	5,023	5,442	781	14.4%	6,219	884	0.9x	6.4x	0.8x	5.7x		
Lifepoint Hospitals Inc.	LPNT	\$35.57	82%	3,178	3,452	541	15.7%	3,789	574	0.9x	5.9x	0.8x	5.5x		
Tenet Healthcare Corp.	THC	\$5.44	71%	6,881	9,443	1,140	12.1%	10,137	1,295	0.7x	6.0x	0.7x	5.3x		
Vanguard Health Systems Inc.	VHS	\$16.33	88%	3,054	4,896	404	8.2%	6,530	569	0.6x	7.6x	0.5x	5.4x		
										High:		1.2x	7.6x	1.1x	6.1x
										Low:		0.6x	5.9x	0.5x	5.3x
										Mean:		0.9x	6.6x	0.8x	5.7x
										Median:		0.9x	6.6x	0.8x	5.6x

Source: Capital IQ

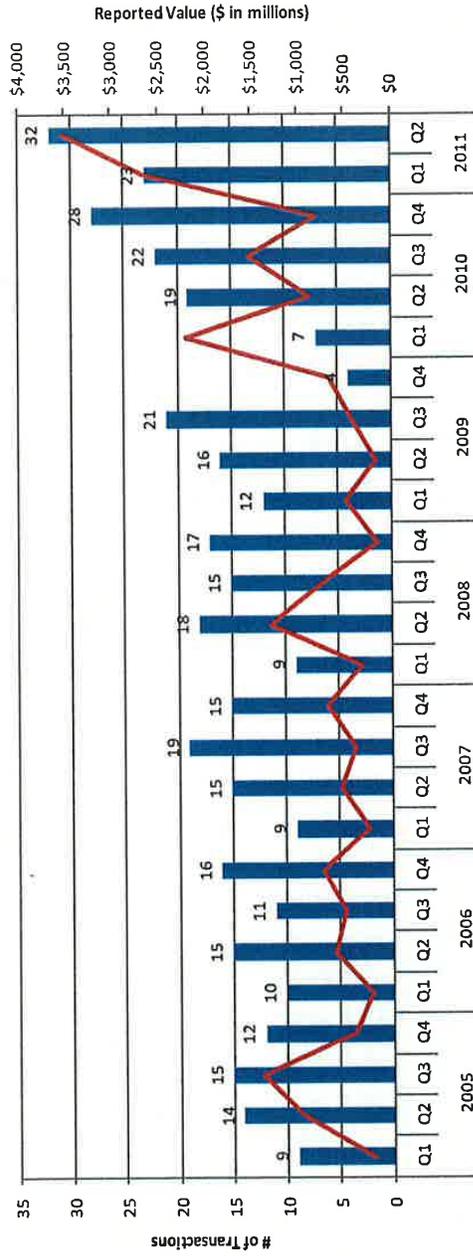
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Current Hospital Valuation Trends

Recent Hospital M&A Activity

- Hospital M&A Activity has increased over past year due to:
 - Recessionary impact on community owned hospitals
 - Increasing capital investment required to remain competitive
 - Favorable valuations

Hospital M&A Transactions by Quarter



Notable Transactions:

[1] In Q3 2006, the privatization of HCA, Inc. by a private equity consortium affected 176 acute-care hospitals. The acquisition was the largest healthcare transaction ever announced at approximately \$33.0 billion. This acquisition is not included above.

[2] In Q1 2007, Triad Hospitals, Inc. was acquired by Community Health Systems, Inc. (NYSE: CYH) for approximately \$6.8 billion. This acquisition is not included above.

[3] Q1 2010 value includes the acquisition of Detroit Medical Center by Vanguard Health Systems, Inc. for approximately \$1.267 billion.

[4] Q4 2010 value does not include the acquisition of Tenet Healthcare by Community Health Systems for approximately \$7.3 billion.

Source: Irving Levin Associates, Inc.

Current Hospital Valuation Trends

Comparable Precedent Transactions

- Based upon 41 publicly disclosed hospital acquisitions from 2010 and 2011, acquisition multiples imply median values of 0.68x revenue and 6.7x EBIDA, respectively.

Whole Company Transactions, Method Multiples											
Date	Buyer	Target	ST	Status	Revenue	EBIDA [1]	Beds	Transaction Value	Revenue	EBIDA	Bed
08/26/11	Kingman Regional Healthcare, LLC	Hualapai Mountain Medical Center	AZ	For Profit	97.8	11.9	70.0	31.0	NA	NA	442,857
07/25/11	Duke LifePoint Healthcare, LLC	Maria Parham Medical Center	NC	Non-profit	600.0	NA	833.0	76.6	0.8x	6.4x	750,980
07/01/11	Health Management Associates, Inc.	Mercy Health Partners, Inc.	TN	Non-profit	600.0	NA	833.0	525.0	0.9x	NA	630,252
06/15/11	HCA, Inc.	Remaining interest in HealthONE	CO	For Profit	NA	NA	1,500	1,450.0	NA	NA	966,667
06/07/11	Steward Health Care System	Landmark Medical Center	RI	Non-profit	103.8	NA	203.0	76.6	NA	NA	377,340
05/25/11	University of Maryland Medical System	Civista Health System	MD	Non-profit	121.7	17.5	414.0	120.0	1.0x	6.9x	126,923
05/18/11	LifeCare Holdings, Inc.	Six long-term acute care hospitals	AL	For Profit	41.4	6.1	45	40.0	1.0x	6.6x	289,855
05/13/11	South Georgia Medical Center	Smith Northview Hospital	GA	For Profit	15.8	NA	25.0	4.9	0.3x	NA	888,839
05/10/11	Franciscan Services Corp.	Tw in City Hospital	OH	Non-profit	117.5	17.4	112	60.0	0.5x	3.4x	535,714
05/09/11	AR-MED, LLC	Arkansas Heart Hospital	AK	For Profit	115.3	NA	230.0	91.7	0.8x	NA	398,696
04/25/11	HUMC Holdco	Hoboken University Medical Center	NJ	Non-profit	30.3	NA	112	39.0	1.3x	NA	348,214
04/20/11	Health Management Associates, Inc.	Tri-Lakes Medical Center	MS	For Profit	22.1	NA	44.0	24.8	1.1x	NA	563,636
04/19/11	Adventist Health	Sierra Kings District Hospital	CA	Non-profit	NA	NA	70	62.7	NA	NA	895,714
03/31/11	Sabra Health Care RET	Texas Regiona Medical Center	TX	For Profit	450.3	15.4	511.0	135.0	0.3x	8.8x	264,188
03/25/11	Yale-New Haven Hospital	Hospital of Saint Raphael	CT	Non-profit	245.0	NA	792	156.8	0.6x	NA	197,980
03/18/11	Iasis Healthcare	St. Joseph's Medical Center	TX	Non-profit	15.8	NA	25.0	4.9	0.3x	NA	194,000
03/09/11	Franciscan Services Corp.	Tw in City Hospital	OH	For Profit	1,100.0	NA	820	475.0	0.4x	NA	579,268
03/04/11	Trinity Health Corporation	Loyal University Health System	L	Non-profit	NA	NA	2,482.0	1,100.0	NA	NA	443,191
02/23/11	Steward Health Care System	Jackson Health System	FL	Non-profit	183.9	NA	313	150.0	0.8x	NA	479,233
02/10/11	Community Health Systems, Inc.	Mercy Health Partners	PA	Non-profit	315.2	33.0	351.0	300.0	1.0x	9.1x	854,701
02/01/11	UFMC Health System	Harriet Medical Center	PA	Non-profit	3.8	NA	15	1.6	0.4x	NA	106,667
01/17/11	Sisters of Mercy Health System	Johnston Memorial Hospital	OK	Non-profit	166.5	NA	248.0	195.0	1.2x	NA	786,290
12/21/10	Hospital Authority of Albany-Dougherty	Palmira Park Hospital	GA	For Profit	NA	NA	220	99.5	NA	NA	452,273
12/20/10	Medical Properties Trust Inc.	Three Long-Term Acute Care Hospital Facilities	Various	For Profit	NA	NA	209.0	102.0	NA	NA	488,254
12/10/10	Healthcare Trust of America, Inc.	Multi-state Portfolio	Various	For Profit	NA	NA	NA	13.1	NA	NA	NA
11/17/10	Grubb & Ellis Healthcare REIT II, Inc.	Humble Surgical Hospital, LLC	TX	For Profit	176.4	6.1	2,437.0	40.0	0.2x	6.6x	16,414
10/26/10	Vibra Healthcare Services, Inc.	Alvarado Hospital Medical Center, Inc.	CA	For Profit	NA	NA	NA	21.0	NA	NA	NA
10/26/10	Vibra Healthcare, LLC	Tw o Indiana LT Acute Care Hospitals	IN	For Profit	NA	NA	NA	21.0	NA	NA	NA
10/26/10	Vibra Healthcare, LLC	Tw o Ohio LT Acute Care Hospitals	OH	For Profit	NA	NA	25	4.3	NA	NA	172,000
10/12/10	TheiaCare	Shawano Medical Center	WI	Non-profit	NA	NA	506.0	110.0	NA	NA	217,391
10/11/10	SUNY Downstate Medical Center	Long Island College Hospital	NY	For profit	3.5	0.2	32	2.0	0.6x	8.1x	62,500
10/01/10	New Directions Health Systems, LLC	Pike County Memorial Hospital	AR	Non-profit	NA	NA	165.0	95.0	NA	NA	575,758
09/10/10	Iasis Healthcare	Birm Holdings	TN	For-profit	502.5	NA	NA	353.0	0.7x	NA	NA
09/02/10	Adventist Health Systems, Inc.	University Community Health, Inc.	FL	Non-profit	290.0	NA	406.0	151.5	0.5x	NA	373,153
09/01/10	Health Management Associates, Inc.	Wuesthoff Health System	FL	Non-profit	NA	NA	55	36.0	NA	NA	654,545
08/30/10	Avera McKennan	Avera Heart Hospital	SD	For profit	150.0	27.0	250.0	178.0	1.2x	6.6x	712,000
08/24/10	Kindred Healthcare Inc.	Five Long Term Acute Care Hospitals	CA	For profit	468.0	54.0	759	363.0	0.8x	6.7x	478,261
08/16/10	Management	Prospect Medical Holdings, Inc.	CA	For profit	300.4	NA	59.0	32.4	NA	NA	549,153
08/09/10	Vanguard Health Systems, Inc.	Arizona Heart Hospital	AZ	For profit	300.4	NA	625	200.0	0.7x	NA	320,000
08/06/10	Community Health Systems, Inc.	Forum Health	OH	Non-profit	61.6	NA	250.0	16.0	0.3x	NA	69,565
08/06/10	MHA, LLC	Meadowlands Hospital	NJ	Non-profit	NA	NA	NA	NA	NA	NA	NA

High	Low	Mean	Median
1.29x	0.16x	0.68x	0.68x
9.09x	3.45x	6.91x	6.66x
\$966,667	\$16,414	\$444,625	\$443,191

Notes:
 [1] For-profit hospital data is before taxes, thus comparable to EBIDA.
 [2] High, mean, and median metrics exclude EBIDA multiples > 11x, per Bed multiples > \$1 mill.
 Source: Irving Levin Associates, Inc., CapitalIQ.

Section 5
Healthcare Solutions Leadership
Team



Healthcare Solutions Leadership Team

Key Member Biographies



EDWARD R. CASAS, MD, MBA, MPH
SENIOR MANAGING DIRECTOR
ecasas@ncacf.com
847.583.1619

Edward R. Casas serves as Senior Managing Director and Head of Navigant Capital Advisors. Dr. Casas specializes in financial restructurings, corporate finance, mergers, acquisitions and divestitures and strategic plan development on behalf of creditors, debtors, equity sponsors, third party purchasers and sellers. As Senior Managing Director and Founding Member of Casas, Benjamin & White, LLC (CBW), which was acquired by Navigant in 2005, Dr. Casas supervised and coordinated the strategy and focus for all aspects of the firm's restructuring engagements, including the assessment of management and operations, the development of business strategy, and the negotiation and execution of capital and operating restructuring initiatives. Over the past 20 years, he has led numerous merger, acquisition and divestiture transaction, as well as reorganizations, in a breadth of industries including healthcare, real estate, construction, hedge funds and other financial institutions, consumer and business services, manufacturing and distribution, entertainment, and technology.

Prior to founding CBW, Dr. Casas served as President and Chief Executive Officer of PrimeCare International, Inc. where he successfully orchestrated the operating and capital restructuring of the national, privately held corporation, ultimately achieving a targeted liquidity objective for the shareholders. Prior to joining PrimeCare, Dr. Casas had national responsibility as Vice President of Mergers & Acquisitions for Caremark International, Inc. a publicly traded (NYSE) Fortune 500 Company. Dr. Casas joined Caremark after he completed his active duty service as a designated Flight Surgeon in the U.S. Navy where he provided support to Marine special operations and served as a Department Head of Aviation Medicine. Before his medical training, Dr. Casas was Executive Vice President of CES Corporation, a specialized investment banking concern.

Dr. Casas has served on the boards of numerous public and private companies, including Reckson Associates, Inc. (NYSE: RA), a \$5 billion market cap New York based REIT, and Physician Specialty Corp. (NASDAQ: ENT), an Atlanta based operator of professional services and MedCath Corporation (NASDAQ:MDTH), a healthcare provider focused primarily on the diagnosis and treatment of cardiovascular disease. He has served as Executive Chairman of HQ Global Workplaces, Inc., the largest domestic operator of executive office suites, Mediq, Inc., one of the largest medical equipment related companies, and Tender Loving Care Healthcare Services, Inc., the third largest domestic homecare service operator.

Dr. Casas is a graduate of Northwestern University's Medical School and Kellogg Graduate School of Management where he concurrently earned his Doctor of Medicine, Master of Management, and Master of Public Health degrees. Dr. Casas is a FINRA Series 7, 24 and 63 licensed registered securities principal. He also holds a CIRA certification as a Certified Insolvency & Restructuring Advisor.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



MICHAEL R. LANE
MANAGING DIRECTOR
mlane@ncacf.com
312.583.2132

Michael Lane is a Managing Director in Navigant Capital Advisors' Healthcare practice. He has been involved with the healthcare industry throughout his career for over 30 years, primarily as a financial advisor in troubled situations, a banker and consultant. At Navigant Capital Advisors, he is devoted full time to the healthcare industry with an emphasis on the acute care sector. His areas of specialization include mergers and acquisitions and serving as an advisor to distressed and underperforming healthcare organizations, representing equity sponsors and creditors including banks, bondholders and unsecured committees in evaluating various strategic alternatives in financial restructurings and workouts. Recent engagements include serving as CRO at Catskill Regional Medical Center, Harris, NY, and interim CEO/CRO at Brotman Medical Center, Culver City, CA. In addition, Mr. Lane has been involved with some very high profile M&A transactions including the acquisition of six Catholic Hospitals in Boston, by Cerberus.

Among the recent hospital clients for which Mr. Lane has provided financial advisory services include :

- Caritas Christi Healthcare
- Madison Hospital Center
- Morton Hospital and Medical Center
- Tomball Regional Medical Center
- Brotman Medical Center

He has been involved with mergers and acquisitions over the past 20 years aggregating several billion dollars.

Mr. Lane is a licensed CPA and a member of the AICPA, Illinois CPA Society, the American Bankruptcy Institute and Turnaround Management Association. He is FINRA series 7 and 63 licensed and holds an AIRA certification as a Certified Insolvency and Restructuring Advisors. He holds a Bachelor of Science degree and an MBA from Southeast Missouri State University.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



GREGORY F. HAGOOD
INVESTMENT BANKING PRACTICE LEADER
ghagood@ncacf.com
404.504.2017

Gregory F. Hagood, CFA is a Managing Director and Practice Group Leader for the Investment Banking Group at NCA where he focuses on providing mergers and acquisitions advisory services and distressed sale and asset liquidation services. During the past decade, he has completed over 100 merger & acquisition and capital placement transactions. Mr. Hagood has extensive transaction experience in the healthcare industry including hospitals, physician practices, healthcare staffing, revenue cycle management and healthcare technology industries.

Currently Mr. Hagood is advising on the disposition of numerous hospital and other healthcare assets in connection with the wind-down of a publicly-traded healthcare system.

Among the recent hospital clients for which Mr. Hagood has provided merger & acquisition advisory services include :

- Caritas Christi Healthcare
- MedCath Corporation
- Morton Hospital and Medical Center
- Tomball Regional Medical Center.
- Quincy Medical Center.

Mr. Hagood received his Master's of Management from the J.L. Kellogg School of Management at Northwestern University and earned a Bachelor of Science degree from the McIntire School of Commerce at the University of Virginia. He is FINRA Series 7, 24 and 63 licensed and is also a Charter Financial Analyst (CFA) and a member of the Atlanta Society of Financial Analysts.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



DAVID P. ZITO
MANAGING DIRECTOR
dzito@navigant.com
312.583.5871

David P. Zito is a Managing Director and serves as practice leader of the Healthcare practice of Navigant Consulting. Mr. Zito has over 20 years of management consulting experience serving integrated healthcare systems, public and private teaching institutions, academic medical centers, faculty practice plans and community hospitals. He has extensive experience in operations improvement, strategic planning, mergers and acquisitions, supply chain management and clinical transformation and specializes in these areas.

Over his career, Mr. Zito has provided a variety of healthcare consulting services such as the manager of a health care system implementation and directed a \$150 MM operations improvement initiative at UPMC Health System in Pennsylvania, a \$200 MM improvement plan including productivity improvement, supply chain and revenue cycle management, and clinical program redesign for Continuum Health Partners in New York, a \$100 MM performance improvement plan at Memorial Hermann Health System in Texas, and also led the post-merger integration planning, and directed the implementation for a \$50M performance improvement plan.

Mr. Zito has also led the development of performance improvement plans for other health systems including University Health System in Ohio, Health Alliance in Ohio, Jewish Hospital Health System in Kentucky, St Francis in Peoria, Long Island Jewish, and Phoenix Children's.

Prior to joining Navigant Consulting, Inc., Mr. Zito was a Vice President for Cap Gemini Ernst & Young's Healthcare Consulting practice. During his time at CGEY, he held several leadership positions including, Healthcare Business Unit Leader, Service Line Leader, and Strategy & Operations Service Line Leader.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



DAVID BURIK
MANAGING DIRECTOR
dburik@navigant.com
312.583.4148

David Burik is a Managing Director with Navigant Consulting's healthcare team. He has over 30 years of consulting experience within all segments of the health care industry. His expertise includes the definition and communication of key strategic issues, market and demographics, competitor analysis, as well as the successful execution of the solutions for those issues. Mr. Burik's creativity, listening skills, and ability to respectfully challenge clearly summarize the key issues at hand and facilitate decision making, are recognized throughout the healthcare industry.

Prior to joining Navigant, Mr. Burik spent a majority of his career at Tiber Group and Price Waterhouse. Mr. Burik received his undergraduate degree at Northwestern University and a masters degree in Finance and Hospital Health Services Management from the Kellogg School of Management at Northwestern University. David is an editorial reviewer for the Hospital Financial Management Association and was a recipient of the Follmer Bronze Merit Award.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



KIM BRADY
MANAGING DIRECTOR
kbrady@ncacf.com
847.583.1718

Kim Brady is a Managing Director with Navigant Capital Advisors and specializes in capital restructuring and operational turnaround on behalf of the firm's clients. He has significant experience negotiating with senior secured creditors, overseeing asset divestitures and dispositions, rehabilitating under-performing companies and executing distressed mergers and acquisitions. While at Navigant Capital Advisors, Mr. Brady has structured and overseen the successful disposition of over 150 business units and has consummated over \$5 billion in debt restructuring and \$1.5 billion in M&A transactions with an emphasis in the healthcare services, real estate, consumer services, construction, distribution, technology, and basic manufacturing industries.

Mr. Brady works closely with private equity firms, senior secured creditors, unsecured creditors, boards of directors and company management in executing capital and operational restructuring. He has led engagements both in-court and out-of-court. Recent engagements have involved the restructuring of healthcare services, continuing care retirement communities, home nursing, dental management and retail companies. Mr. Brady is skilled in developing capital restructuring solutions and operating initiatives to drive management accountability and to improve profitability and liquidity. He has held a number of interim management roles in the client companies, such as CFO and CRO, in which significant performance improvements were realized, resulting in 100% recovery for capital structure constituents and in the creation of significant equity value for the sponsor.

Before joining Casas, Benjamin & White, LLC, a predecessor to Navigant Capital Advisors, LLC, Mr. Brady served as a General Manager and CFO for Doshi Diagnostic, one of the most profitable out-patient diagnostic centers in the U.S. and VP of Business Development for PrimeCare International. He also has worked in strategic planning and acquisitions for Caremark International, Inc. and as manager of Strategy and Planning, European Operations, for Baxter International, Inc. Mr. Brady received his Bachelor of Science in Finance from the Marriott School of the Brigham Young University and his MBA from Northwestern University's Kellogg Graduate School of Management. Mr. Brady is FINRA Series 7 and Series 63 licensed, and CIRA certified as an Insolvency Restructuring Advisor and certified in Distressed Business Valuation.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



NEIL F. LURIA
MANAGING DIRECTOR
nluria@ncacf.com
216.321.5606

Neil Luria is a Managing Director with Navigant Capital Advisors and specializes in capital restructuring and operational support on behalf of the firm's clients. He has significant experience negotiating and structuring acquisitions, divestitures and structured settlements, overseeing asset liquidations, restructuring leases, real estate assets, hedge funds, loan origination and securitization. Mr. Luria joined Casas Benjamin & White, LLC a predecessor of Navigant Capital Advisors in 1999. While at Navigant Capital Advisors (and its predecessor), he has structured and overseen the successful disposition of over 250 business units, with a particular emphasis in healthcare services, real estate, consumer services, and distribution industries. In addition, Mr. Luria has overseen operating and capital restructurings in the capacity of Chief Restructuring Officer.

Mr. Luria has been heavily involved in the restructuring of commercial and residential real estate, including advising investment funds and real estate portfolios with respect to the restructuring of in excess of \$15 BB of undeveloped land and \$10 BB of commercial office properties. He is currently serving as the Chairman of the Official Committee of Unsecured Creditors of Neumann Homes, Inc., as well as Chairman of the Creditors Committees for subprime originators MILLA, Inc. and Oak Street Mortgage. Mr. Luria also sits on the Official Committee of Unsecured Creditors of New Century Financial and People's Choice, two of the largest independent subprime originators. He is currently a member of the Board of Directors of Spectrum Diagnostic Imaging, LLC, one of the largest regional operators of diagnostic imaging centers and was formerly a member of the Board of Directors of Stampede Meats, Inc., one of the largest domestic meat processors. Mr. Luria is currently serving as Liquidating Trustee of Orthodontic Centers of America and Mortgage Lenders Network USA. He is presently one of the most active restructuring professionals in the subprime and Alt-A mortgage industry and is actively involved in the bankruptcies of numerous mortgage originators, on behalf of a large warehouse lender and repurchase claim creditors.

Before joining Navigant Capital Advisors (and its predecessor), Mr. Luria served as President of BMJ Medical Management, Inc., an operator of ambulatory surgery centers, imaging centers and physician practices, where he had previously served as Executive Vice President and General Counsel. While at BMJ, he oversaw the company's liquidation efforts that realized a 100% recovery to its Senior Secured Lenders. Prior to BMJ, he was engaged in the private practice of law at the firm of Jones Day Reavis & Pogue. Mr. Luria's practice involved the representation of venture capital and leverage buyout funds in connection with their portfolio investments, related add-on acquisitions and subsequent divestiture transactions. In addition, he was involved in numerous securities offerings ranging from global initial public offerings to private placements. He has also served as liquidating trustee in several high profile restructuring situations where he held fiduciary roles and was responsible for successfully winding down operations, disposing of liquid and non-liquid assets and over-sighting the litigation claims process.

Mr. Luria received his Juris Doctorate from the Boston University School of Law where he served on the Boston University Law Review and his Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania. He also holds a CIRA certification as a Certified Insolvency & Restructuring Advisor.

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Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



MARK A. BRAZITIS
MANAGING DIRECTOR
mbrazitis@navigant.com
717.203.7508

Mark Brazitis joined Navigant Consulting's Healthcare Practice with over 25 years of industry experience in progressively more responsible roles, including CEO of Lancaster Regional Health and CEO of Lancaster General Hospital. Mr. Brazitis specializes in organizational growth and development, turnarounds, business development and operations improvement. His background includes working with not-for-profit as well as for profit hospitals and health systems. Mr. Brazitis has provided consulting expertise to a variety of hospitals and health systems throughout the country to include OhioHealth, Sutter Health System, University of Maryland Medical System, Henry Ford Health System, Susquehanna Health System, Ministry Health System and Jewish Health System. Mr. Brazitis served as Interim CEO at Doctor's Hospital in Columbus, Ohio. He guided Doctor's through an operational turnaround and profitability. Mr. Brazitis has particular expertise in helping organizations address strategic, financial and operational challenges. Mr. Brazitis' professional experience includes: CEO, Lancaster Regional Health, Lancaster, PA, a two-hospital system with 416 beds, CEO, Lancaster General Hospital, Lancaster, PA, a 520-bed teaching facility with a \$300 million budget.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



TOM HONAN
MANAGING DIRECTOR
thonan@navigant.com
727.421.1768

Tom Honan, a Managing Director of Navigant Consulting, has more than 20 years of healthcare experience. He has served as an oversight executive, project director and team member on diverse consulting assignments and held interim management positions in community hospitals and major academic medical centers.

Mr. Honan has assisted Navigant Consulting on more than 80 engagements, serving as the oversight executive on projects for clients such as California Pacific Medical Center in California, Elliot Health System in New Hampshire, Lake Hospital System in Ohio, Morton Plant Mease in Florida, and the Unsecured Creditors Committee of Doctors Community Healthcare Corporation.

Additionally, Tom managed performance improvement plans for clients such as Virginia Commonwealth University Health System in Virginia, UMass Memorial Healthcare in Massachusetts, California Pacific Medical Center in California, St. Francis Hospital and Health Centers in Illinois, St. Joseph Hospital in Georgia, Hillcrest Healthcare System in Oklahoma and Westlake Hospital in Illinois. He has also directed and managed consolidation business plans for Morton Plant Health System and Mease Healthcare in Florida, Novant in North Carolina, California Pacific Medical Center and Davies Medical Center in California, Bon Secours and Christ Hospitals in New Jersey and Henry Ford Cottage Hospital and Bon Secours Hospital in Michigan. Tom has led and managed financial assessments of Beth Israel Hospital in New York and Mt. Sinai Health System in Illinois for the U.S. Department of Housing and Urban Development and prepared a governance and organizational structure study for SUNY Health Science Center at Brooklyn in New York.

Mr. Honan has also held interim management roles as COO and CFO at Detroit Medical Center, CFO at Allegheny Health, CFO at Baptist Health System, CFO at California Pacific Medical Center, and CFO at Brotman Medical Center in Los Angeles, California.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



EDWARD T. WENZKE
MANAGING DIRECTOR
ed.wenzke@navigant.com
847.583.2106

Mr. Wenzke, a Managing Director in the Performance Improvement Practice at Navigant Consulting, has over 25 years of healthcare experience. He has served as an oversight executive, project director and team member on diverse consulting assignments and has held interim management positions in community hospitals and tertiary medical centers.

Prior to his consulting work, Mr. Wenzke served in positions of increasing managerial responsibility, which culminated in his tenure as president and CEO of a hospital system with a combined annual operating budget of \$300 million.

For Navigant Consulting, Mr. Wenzke has directed or overseen over 40 engagements involving corporate services, labor effectiveness, performance improvement plan development, physician services, strategic alignment and academic funds flow. He has particular expertise in helping organizations address strategic, financial and operational challenges. His clients include Sentara Healthcare, Virginia, Catholic Health Partners, Ohio, Fairview Health System, Minnesota, Baptist Health Care Corporation, Tennessee, UAB Health System, Alabama, Piedmont Healthcare, Georgia, Catskill Regional Medical Center, New York, University of Arkansas for Medical Sciences, Arkansas and Maimonides Medical Center, New York. Additionally, Mr. Wenzke has held interim management roles as COO at St. Vincent Catholic Medical Center, CEO at Walker Baptist Hospital, COO for St. Mary's of Michigan, CEO Provena Mercy Hospital and CRO at Catskills Regional Medical Center.

Mr. Wenzke holds a Bachelors Degree in Business Administration from Ohio State and a Masters in Healthcare Administration from Xavier University.

Healthcare Solutions Leadership Team

Key Member Biographies (cont.)



ROGER E. KAISER, MD
MANAGING DIRECTOR
rkaiser@navigant.com
813.277.1900

Dr. Roger Kaiser, a Managing Director of Navigant Consulting's healthcare practice, has an impressive clinical, medical education, and management background spanning almost 25 years serving integrated healthcare systems, academic medical centers, ambulatory surgical centers, public, not-for-profit and for-profit organizations. Dr. Kaiser is recognized for his exceptional skills in turnaround and implementation management, strategic positioning, physician collaboration/integration, quality and performance improvement, fiscal management and service growth. His strengths include communications, strategic vision, medical staff development and motivation, and physician support. Dr. Kaiser has participated in a number of engagements since joining Navigant Consulting, in a wide range of interim management and consulting roles including serving in an advisory capacity during the performance improvement project at Martin Luther King Drew Medical Center in Los Angeles, CA. During this role, Dr. Kaiser worked with the Director, Los Angeles County Department Health Services and King Drew's Chief Executive Officer and Chief Medical Officer on issues related to quality and clinical performance improvement, and medical staff redesign in preparation for CMS and JCAHO accreditation. Dr. Kaiser also was a member of the interim management team that led Passiac Beth Israel Hospital (Passiac, NJ) through a successful restructuring and subsequent sale.



NAVIGANT CAPITAL ADVISORS



Navigant Capital Advisors, LLC. Member FINRA, SIPC.

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Proprietary and Confidential – Navigant Working Draft



Principle Valuation, LLC

PEOPLE AND VALUES YOU CAN TRUST

December 28, 2012

Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury CT, 06708

Attention: Ms. Darlene Stromstad
President and CEO

Re: Fairness Evaluation for Conversion of Greater Waterbury Health Network, Inc.

This letter serves as our proposal to provide the Board of Directors of Greater Waterbury Health Network, Inc ("Board", or "GWHN") a Fairness Evaluation in conjunction with its announced joint venture (the "Transaction") with Vanguard Health Systems Inc. ("Vanguard").

PURPOSE AND BACKGROUND

We understand that the purpose of our analysis will be to provide the Board a fairness evaluation of the Transaction in order for the Board to fulfill its fiduciary duties and obligations under the State of Connecticut's General Statute 19a-486 et seq. ("Conversion Statute").

SCOPE

In determining whether the consideration is fair from a financial point of view we will specifically address the following valuations or considerations:

- Assess the "Fair Market Value" of the assets to be transferred by GWHN
- Assess the intangible value to the Greater Waterbury community of maintaining the local governance of GWHN
- Assess the value from a financial point of view the commitment to deploy the stated sum in the greater Waterbury Community
- Assess from a financial point of view the value of the management agreement that the Joint Venture will enter into with a Vanguard affiliate to manage the hospital's operations

In conducting these assessments the following considerations will be made:

- Review the Transaction terms associated with the Transaction
- If necessary conduct a site visit to the Hospital to accurately describe and assess the condition of the assets to be transferred

- Review the historical and earning potential of the operating assets that GWHN intends to transfer
- Review and analyze the terms associated with the Management Agreement to be entered into with an affiliate of Vanguard
- Consider the overall market potential of the Waterbury hospital and combined joint venture separately and combined
- Review and analyze other pertinent and necessary information necessary to arrive at our final opinions
- Review and Extrapolate transactions that involved for-profit versus non-for-profit organizations and academic hospital systems versus community hospital systems

Fair Market Value for the purposes of this analysis will be defined as follows:

The most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and in their own best interest, and with a reasonable time being allowed for exposure in the open market.

PRINCIPLE VALUATION FIRM OVERVIEW, RELEVANT EXPERIENCE, AND TEAM MEMBERS

In 2007 Timothy Baker and David Felsenthal combined their 75 years of healthcare appraisal experience to form Principle Valuation, a firm dedicated to service the specialized needs of the healthcare community. In 2009, Patrick Simers joined as a Principal in the firm and added to the strength of the overall hospital valuation core with more than 25 years in the appraisal of Healthcare properties. All of the Principals of Principle Valuation, ("PV"), have served as Presidents and Vice Presidents of many of the major healthcare valuation and healthcare consulting providers including Huron Consulting, American Appraisal, CBIZ, and Valuation Counselors, a valuation firm that Mr. Felsenthal had previously founded which became the premier healthcare valuation firm in the industry. From its inception the staff of Principle has continued to expand and we now have more than seventeen professional employees dedicated to the valuation of healthcare related entities.

Our business is generally segmented into three primary sectors; Hospital and Healthcare Enterprise Related Services, Healthcare Advisory Services; and Senior Housing Related Services.

In the Hospital and Healthcare Related services group the primary emphasis is to prepare valuations to meet the regulatory guidelines associated with hospital transactions including



Stark compliance, State Regulatory Requirements and Purchase Accounting. Valuations conducted in this sector generally include the valuation of hospitals and hospital systems, medical practices, joint ventures valuations, service agreements and other types of healthcare business arrangements. Another major focus of this group is the valuation of tangible and intangible assets associated with purchase accounting for Acute and Specialty Hospitals. Professionals in this group have real estate, medical equipment, and business enterprise expertise.

The Healthcare Advisory Services group is primarily responsible for the preparation of cost segregation studies, facility live analysis, and asset inventory and reconciliation reports. This group's personnel consists of staff members with engineering and tax expertise that assist our clients in reducing their overall tax liability and developing accurate property records that help our clients increase their overall bond ratings. Our Senior Housing Group focuses on the service needs of the senior housing industry. This group prepares market studies and valuations of nursing homes and assisted living residences. Their work is generally presented for financing and utilized to obtain financing in the HUD 232 program. Professionals in this group include real estate professionals who have detailed knowledge of the regulatory rules and reimbursement policies that dictate the nursing care industry.

Particularly relevant assignments include fairness reviews and appraisals presented to comply with the Attorney General requirements in Georgia, Mississippi, Louisiana, Florida, Ohio, and New Jersey. Direct hospital transfer assessments included Banks-Jackson-Commerce Hospital in Georgia; Baptist Memorial Hospital – North Mississippi in Mississippi; Ville Platte Medical Center and West Carroll Memorial Hospital in Louisiana; South Shore Hospital in Miami, Florida; and UPMC in Pittsburg, Ohio. We also recently assessed a hospital management agreement for Meadowlands Hospital Medical Center in New Jersey. We also reviewed the prior transaction with respect to the proposed transaction of Waterbury with LHP and St. Mary's Hospital.

The primary parties that will be active in this engagement include Tim Baker, Patrick Simers, and Mary Jo Duffy. As demonstrated by their Qualifications, each member of the team has more than 25 years in the valuation of healthcare enterprises and includes individuals with General Appraiser State Certifications, CFA's, and CPA's. These qualifications are included in the Addenda of this proposal.



DUE DILIGENCE DATA REQUIREMENTS

The following information will be initially and primarily required in order to complete the assignment:

- A Central Contact that is familiar with the overall operations and contemplated transaction. This person will serve as our primary contact and should be able to discuss the financial, and market environment for the assets under consideration. Further this person should have the ability to coordinate site visits with our staff with the Hospital
- Audited Financial Statements of GWHN and its primary operating units for the past year along with the current year-to-date operations and budgets.
- Forecasted operations for the next three-five year period for Waterbury Hospital operations
- A current Balance Sheet of the Organization and an explanation of which assets are anticipated to transfer
- A copy of the current fixed asset ledger of the Hospital and its associated entities in an excel format
- A listing of all real estate property anticipated to transfer with the transaction; including the address of the property, a brief description of the improvements including its size and use, its associated tax parcel number, and the size of the underlying land parcel (we have unless changes)
- A copy of any Board Minutes that discussed the contemplated Transaction
- A copy of any reports or presentations that your financial advisor may have prepared in making its overall recommendations to the Board
- A copy any contemplated Management Agreement anticipated with the Vanguard Affiliate
- The Management and Organizational Structure associated with the Joint Venture
- A Contact at Vanguard that we can discuss the overall business operations, history, capital resources, financials, etc.
- Any Demographic, Market Research, or Competitive Surveys that were conducted to support the overall merger
- A brief write-up of the subject's current ownership and operational history (We have)
- Any other data that you feel is necessary that enhances our understanding of the Transaction



PROCESS TIMELINE, LOGISTICS, AND COORDINATION

We would anticipate the following general time line which would lead to an overall engagement completion by February 1, 2013.

- | | |
|-----------------------------------|--|
| • First Week (1-4-13) | Award of contract and receipt of data requested |
| • Second Week (1-11-13) | In-house review of data received |
| • Third Week (1-18-13) | In-Office Pricing, Research, and Development of Estimates/Calls to Discuss Transaction |
| • Fourth Week (1-25-13)
Report | Presentation of Preliminary Findings and Draft Development |
| • Fifth Week (2-1-13) | Client Review of Draft Report/Final Development |

We believe that this time line is reasonable based upon the overall effort and personal that would be involved in this analysis. Should a tighter time frame be needed, we may be able to accommodate. All time estimates assume that all data requests are promptly received on an ongoing basis throughout the engagement process. We would immediately notify you should any delays in the receipt of information or other items beyond our control would push back these delivery timelines.

CONFIRMATION OF ABSENCE OF ANY CONFLICTS OF INTEREST

Neither Principle Valuation nor its staff members have any known conflict of interest with the parties to this Transaction or to the Transaction itself.

COMPENSATION STRUCTURE

Our fee for this engagement will be [REDACTED] inclusive of all expenses. We ask that a retainer of [REDACTED] be issued upon acceptance of this letter. We will subsequently bill [REDACTED] upon presentation of our initial findings and draft report. We anticipate all payments to be current prior to issuing our final report. Our final invoice will accompany our final report; or if no final report is desired, upon your indication that no final report is required. Our fee is in no way contingent upon the outcome of our conclusions. This fee is based on our estimate of professional services to be furnished, according to our understanding of your requirements; should the scope of these requirements change, Principle Valuation and Greater Waterbury Health Network, Inc. will mutually revise the fee to reflect those changes in services.

Fees include professional time for planning and executing the work through, and including, our final report. Should you require additional consultation based on your reviews of our work or those of your external auditors or your tax or other advisors, or any public presentation, testimony and appearance in front of any tribunal, agency or other body subsequent payment



Greater Waterbury Health Network, Inc.
December 28, 2012
Page 6

will be required and we will bill for those services at our prevailing hourly rate for the personnel involved.

We reserve the right to withhold delivery of our preliminary conclusions or final report(s) if, when either of these is ready for delivery, any previously issued invoice remains unpaid. We reserve the right to issue interim or final invoices, as appropriate, should you delay the project and/or in the event that our preliminary or draft report has been in your possession for more than 30 days.

You have the right to terminate this assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, you will be obligated to pay only for the actual time and charges accumulated through the date of cessation.

GWHN agrees to indemnify and hold harmless Principle Valuation, its employees, and representatives, collectively ("Principle") from and against any and all losses, claims, damages, or liabilities, joint or several, including all reasonable out-of-pocket expenses, fees, and disbursements of counsel incurred by Principle in defending any claim, action, or proceeding whether or not resulting in liability to Principle to which they may become subject, caused by, arising out of or in connection with this engagement, including but not limited to, losses, claims, damages or liabilities caused by or arising out of any untrue statements of material fact contained in the information provided to Principle by GWHN or its advisors in connection with our engagement, or any omission to state any therein any material fact required or necessary to make the information not misleading in light of circumstances under which given, or any violation of the federal securities laws or the securities laws of any state, or otherwise arising out of our engagement hereunder except in respect to any matter as to which Principle shall have been adjudicated to have acted with gross negligence or willful malfeasance.

ACKNOWLEDGEMENT

We appreciate this opportunity to provide our recommendations for valuation-consulting services and look forward to working with you on this important engagement. We are uniquely qualified to perform this assignment, by virtue of our independence, experience, reputation, and expertise. We are committed to completing the work in an efficient and timely manner.

If the content of this document correctly reflects your understanding of our agreement, please sign below and return the executed document and return the enclosed copy. This agreement shall remain open and valid for signature for 90 days from the issue date; however, any significant delay in executing this agreement could adversely impact our ability to meet the delivery commitments described herein. Please note we will be unable to start this engagement until we are in receipt of this signed acknowledgment. To avoid any delays in delivery, please fax the signed acknowledgment to 312 422-1515. Thereafter, please forward the original to us.

If you have any questions or comments, please call me at 770 924-8811.



Greater Waterbury Health Network, Inc.
December 28, 2012
Page 7

Respectfully submitted,

PRINCIPLE VALUATION, LLC

Patrick J. Simers

Patrick J. Simers
PJS/pjs

CLIENT: Greater Waterbury Health Network, Inc.

SIGNATURE(S): _____

NAME (PRINT OR TYPE): _____

TITLE: _____

DATE: _____

PHONE: _____



If you have any questions or comments, please call me at 770 924-8811.

Respectfully submitted,

PRINCIPLE VALUATION, LLC

Patrick J. Simers
PJS/pjs

CLIENT: Greater Waterbury Health Network, Inc.

SIGNATURE(S): 

NAME (PRINT OR TYPE): Darlene Stromstad

TITLE: President and Chief Executive Officer

DATE: 12/28//2012

PHONE: 203-573-7101

EXHIBIT 11: FAIRNESS EVALUATION

FAIRNESS OPINION

**CONVERSION OF
GREATER WATERBURY HEALTH NETWORK, INC.**

SUBMITTED TO:
GREATER WATERBURY HEALTH NETWORK, INC.
ATTENTION: MS. DARLENE STROMSTAD, FACHE
64 ROBBINS STREET
WATERBURY, CONNECTICUT 06708





May 1, 2013

Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, Connecticut 06708

Attention: Ms. Darlene Stromstad, FACHE

Re: Fairness Opinion for Conversion of Greater Waterbury Health Network, Inc.

Ladies and Gentlemen:

Pursuant to the Contribution Agreement (Draft dated April 19, 2013), Greater Waterbury Health Network, Inc. and its affiliates (“GWHN”) will contribute substantially all of their operating assets (“Assets”) to a new joint venture (the “Transaction”). The new joint venture will be known as VHS Waterbury Health System, LLC (“VHSWHS” or “NEWCO”) and will include the contribution of assets and commitments from VHS Management Company, LLC (“VHS Sub”), a subsidiary of Vanguard Health Systems, Inc. (“VHS”) and GWHN. In connection with the Transaction, you have asked us to prepare a fairness evaluation as to whether, in our opinion, the consideration set for in the Transaction is fair from a financial point of view in order to assist the Board in meeting its fiduciary duties and to address the requirements of Connecticut General Statutes § 19a-486 et seq. (“Conversion Statute”). The date of our analysis is March 1, 2013 giving consideration to historical data available as of September 30, 2012 and subsequent financial data provided to us by the GWHN and their financial consultants.

KEY ELEMENTS OF THE TRANSACTION

We have included the drafts of the Contribution Agreement, the Amended and Restated Operating Agreement, and Management Services Agreement provided to us in the Addenda of this report. Key elements of the Transaction include the following:

- GWHN will combine with VHS Sub to form VHS Waterbury Health System, LLC;
- The overall stated mission for NEWCO is to increase the ability and commitment of the business to provide healthcare services in Waterbury Connecticut and its surrounding communities (including charity care and community health services);
- NEWCO will be owned 80% by VHS Sub and 20% by GWHN;
- The governance of the new organization will be structured to provide significant input by GWHN on the overall operations and strategic mission of NEWCO;

- NEWCO will purchase GWHN's Assets (inclusive of \$6,800,000 of networking capital assets) for \$45,000,000;
- NEWCO will assume \$13,397,902 of Liabilities from GWHN which will be credited from the cash payments to GWHN;
- GWHN will purchase a 20% interest in NEWCO for \$6,320,420 which will be credited from the cash payments to GWHN;
- NEWCO will make a commitment to spend \$55,000,000 in capital or other approved commitments to the Hospital Business over a seven year time frame;
- The agreements include buy-sell provisions to both members.

The Contribution Agreement and Operating Agreement include additional understandings and terms not directly related to the financial aspects of the transaction. Although we recognize that these terms may have a bearing on the overall acceptance of the transaction by either party; we have not independently analyzed all of these non-financial items.

SCOPE

In determining whether the consideration is fair from a financial point of view, we have compared the financial rights and responsibilities that currently are held by GWHN with the proposed sales terms. In arriving at the opinion set forth below, we have among other things:

- Visited the Waterbury Hospital Site to describe and assess the overall condition of the physical assets and improvements (the site visit was conducted in November 2011 and we have assumed that no significant changes have occurred at the site);
- Reviewed and relied upon certain information contained in the Confidential Information Memorandum ("CIM") prepared by Cain Brothers in September 2012 that was used to solicit offers of interest for GWHN;
- Been provided and reviewed certain available business and financial information relating to the GWHN that was provided by GWHN's management team and produced subsequent to the CIM;
- Been provided and relied upon income statement estimates prepared by GWHN as a Stand-Alone organization if the transaction does not occur;
- Reviewed the initial offer outlines by Vanguard and a second proposal to GWHN;
- Provided and relied upon financial and operating forecasts prepared by Vanguard and approved by GWHN for NEWCO;
- Considered the criteria set forth in Conversion Statute;
- Interviewed members of GWHN's management;



- Reviewed the Draft Contribution Agreement by and among Greater Waterbury Health Network, Inc., VHS Waterbury Health Systems, LLC, VHS Waterbury Management Company, LLC and Vanguard Health Systems, Inc. dated April 19, 2013;
- Reviewed the Draft Amended and Restated Operating Agreement of VHS Waterbury Health System, LLC dated April 17, 2013;
- Reviewed the Draft Management agreement by and between VHS Waterbury Health System and VHS Waterbury Management Company, LLC and an affiliate of Vanguard dated December 28, 2012;
- Reviewed such other financial studies and analysis and took into account such other matters as we deemed necessary, including our assessment of general economic market and monetary conditions.
- Reviewed the historical market prices, trading activity and valuation multiples of certain publicly traded companies that we deemed to be relevant and used them as benchmarks to estimate relative criteria in our analysis; and
- Compared the proposed financial terms of the proposed purchase with certain other transactions that we deemed relevant.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publically available, and we have not assumed any responsibility for independently verifying such information. Nor have we evaluated the solvency or fair value of GWHN under any state or federal laws relating to bankruptcy, insolvency, or similar matters. The Contribution Agreement speaks to specific remedies and obligations based upon future potential events occurring. In deriving our opinion, to the extent reasonably possible, we have considered the financial impact of these events and their overall impact on the consideration offered.

We have made a physical visit to the Waterbury Hospital and have assessed the contributory value of the depreciated replacement cost of the fixed assets currently present at the site. The inspection was conducted in late 2011 and upon representations of management we believe that the overall condition of the assets are in a similar condition as when initially inspected, wear and tear excepted. With respect to the financial forecast provided to or discussed with us by representatives of GWHN and Vanguard, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of GWHN and Vanguard as to the expected future financial performance of the joint venture. We have also assumed that the final form of any agreements presented to us will be substantially similar to the drafts reviewed by us dated April 19, 2013, April 17, 2013 and December 28, 2012.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated, and on the information made available to us as of the date hereof. We have assumed that there are no undisclosed or unexpected conditions that would affect the value of GWHN's assets or the financial condition or operations of GWHN or the expected future financial performance of the GWHN or the newly formed joint venture. We have assumed that that in the course of obtaining the necessary regulatory or other consents or approvals



(contractual or otherwise) for the Transaction, no restrictions, including any amendment or modifications, will be imposed that will have a material adverse effect on the transaction.

In connection with the preparation of this opinion, we have not been authorized by GWHN to solicit, nor have we solicited, third-party indications of interest for the acquisition of GWHN's interest.

We are not acting as a financial advisor to any party in this arrangement. Our fees for this engagement are not at all dependent upon the opinion rendered. We have performed work for GWHN in the past year in a similar role associated with a failed transaction. Several years ago we performed work for Vanguard Health Systems. GWHN has agreed to indemnify us for certain liabilities arising out of our engagement.

USE

These valuation-consulting services are intended to assist the Board in meeting its fiduciary duties and obligations under the Conversion Statute. Our work is not intended to establish specific pricing recommendations; rather, it is designed to provide the Board with relevant data that will allow it to make an informed decision. Our opinion does not constitute a recommendation regarding the proposed transaction, or any matter related thereto.

We understand that the report may be requested by Connecticut's Attorney General in his overall assessment of the transaction and that we may be required to respond to some of his inquiries about our overall analysis.

CONCLUSIONS

We understand that under the Conversion Statute, the Attorney General shall deny an application as not in the public interest if the Attorney General determines that one or more of the following conditions exist and, as requested by GWHN, we respond to these criteria below to the best of our knowledge and expertise:

(1) The transaction is prohibited by Connecticut statutory or common law governing nonprofit entities, trusts or charities;

Please note that we are not admitted to practice law in Connecticut and are not qualified to make this opinion. GWHN and its Transaction attorney have indicated to us that there is no absolute prohibition of the Transaction by Connecticut statutory or common law governing nonprofit entities, trusts or charities, other than that the requirements of the Conversion Statute must be satisfied.

(2) The nonprofit hospital failed to exercise due diligence in (A) deciding to transfer, (B) selecting the purchaser, (C) obtaining a fairness evaluation from an independent person expert in such agreements, or (D) negotiating the terms and conditions of the transfer;



Having reviewed the minutes of the Board and the task force and speaking with GWHN's management, counsel and financial advisors, we find that the Board has exercised due diligence in deciding to transfer, selecting Vanguard as the purchaser and negotiating the terms and conditions of the transfer.

This firm responded to an RFP issued by GWHN, provided its qualifications and was chosen after review of those qualification and an interview. Principle Valuations, Inc. is independent; it is being paid a flat non-contingent fee for its work on the Transaction. Its expertise in such transactions is enumerated in the Addendum.

(3) The nonprofit hospital failed to disclose any conflict of interest, including, but not limited to, conflicts of interest pertaining to board members, officers, key employees and experts of the hospital, the purchaser or any other party to the transaction;

We are aware that GWHN circulated and received responses to queries of its board members, officers, key employees and experts as well as those of the purchaser with respect to conflicts of interest. While we have not conducted any review in this regard, we are not aware of any undisclosed conflict of interest.

(4) The nonprofit hospital will not receive fair market value for its assets, which, for purposes of this subsection, means the most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and in their own best interest, and with a reasonable time being allowed for exposure in the open market;

On the basis of and subject to the foregoing, we are of the opinion that, as of March 1, 2013, the Consideration set forth in the Transaction is fair from a financial point of view to the GWHN.

(5) The fair market value of the assets has been manipulated by any person in a manner that causes the value of the assets to decrease;

As noted previously, we have performed reviews of GWHN's financials and assets and find no indication that the fair market value of its assets has been manipulated by any person in a manner that causes the value of the assets to decrease.

(6) The financing of the transaction by the nonprofit hospital will place the nonprofit hospital's assets at an unreasonable risk;

The Transaction does not encumber NEWCO with any financing for the completion of this transaction; consequently, there is no financing of the proposed transaction that would place the nonprofit hospital's assets at an unreasonable risk upon commencement of the Joint Venture.



(7) Any management contract contemplated under the transaction is not for reasonable fair value;

We have reviewed the draft management contract dated December 28, 2012 and based on our knowledge of similar contracts, we find this arrangement to be at a commercially fair rate.

(8) A sum equal to the fair market value of the nonprofit hospital's assets (A) is not being transferred to one or more persons to be selected by the superior court for the judicial district where the nonprofit hospital is located who are not affiliated through corporate structure, governance or membership with either the nonprofit hospital or the purchaser, unless the nonprofit hospital continues to operate on a nonprofit basis after the transaction and such sum is transferred to the nonprofit hospital to provide health care services, and (B) is not being used for one of the following purposes: (i) For appropriate charitable health care purposes consistent with the nonprofit hospital's original purpose, (ii) for the support and promotion of health care generally in the affected community, or (iii) with respect to any assets held by the nonprofit hospital that are subject to a use restriction imposed by a donor, for a purpose consistent with the intent of said donor;

Based on the materials and interviews referenced in this letter and our review of the proposed plans for a post conversion foundation, (a) the fair market value of GWHN's assets will be received and (b) the existing Waterbury Hospital will continue to operate for the support and promotion of health care generally in the hospital's service area. GWHN and its Transaction Attorney have indicated to us that the restricted assets will be used for purposes consistent with the intent of their donors. Principle Valuation has conducted no investigation into the source, limitations, or value of the restricted use assets.

(9) The nonprofit hospital or the purchaser has failed to provide the Attorney General with information and data sufficient to evaluate the proposed agreement adequately.

Principle Valuation is not acting, in any fashion, as an agent of the Transaction; and therefore has no opinion as to whether or not all data and information sufficient to evaluate the proposed transaction has been provided to the Attorney General. GWHN advises us that the Attorney General has not concluded its request for information with respect to the Transaction nor has, as of the date, hereof, GWHN submitted its application.

Respectfully submitted,

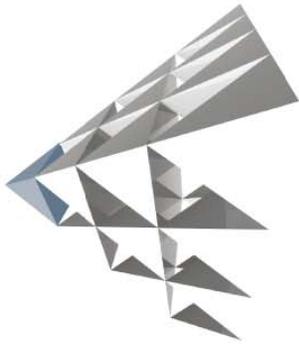
PRINCIPLE VALUATION, LLC



PV13.1036



**EXHIBIT 12: SUPPORTING SCHEDULES FOR FAIRNESS
EVALUATION**



Principle Valuation, LLC

PEOPLE AND VALUES YOU CAN TRUST

**Greater Waterbury Health Network
Qualitative & Quantitative Considerations Fairness Opinion**

INTRODUCTION AND BACKGROUND

Pursuant to the Contribution Agreement, (draft dated April 19, 2013), Greater Waterbury Health Network, Inc. and its affiliates (“GWHN”) will contribute substantially all of their operating assets (“Assets”) to a new joint venture (the “Transaction”). The new joint venture will be known as VHS Waterbury Health System, LLC (“VHSWHS” or “NEWCO”) and will include the contribution of assets and commitments from VHS Management Company, LLC (“VHS Sub”), a subsidiary of Vanguard Health Systems, Inc. (“VHS”). Pursuant to the proposed Transaction the Board of GWHN has asked Principle Valuation to provide the Board a fairness evaluation of the Transaction to fulfill its fiduciary duties and obligations under the State of Connecticut’s General Statute 19a-486 et seq. (“Conversion Statute”).

The Fairness Opinion will be provided in a separate letter. This document is presented to the Board and Financial Advisors of GWHN as a supplemental document to highlight the overall process and primary assumptions utilized in arriving at our final conclusion. This document is not being specifically prepared to present to the Attorney General (“AG”); it is a high level document that should be reviewed by the Board and its Financial Advisors for accuracy with respect to the historical information contained herein and general agreement as to underlying operating assumptions utilized. Similar schedules or explanations may be required by the AG upon his review of the final Fairness Opinion and the Transaction in general.



Outline of Proposed Transaction

In the proposed transaction, Greater Waterbury Health Network, Inc. and its affiliates (“GWHN”) will enter into a joint venture to be formed by VHS Management Company, LLC (“VHS”) and GWHN. The new venture will be known as VHS Waterbury Health System, LLC (“VHSWHS” or “NEWCO”). NEWCO’s primary stated mission is to increase the ability and commitment of the business to provide healthcare services in Waterbury Connecticut and its surrounding communities (including charity care and community health services).

NEWCO will be owned 80% by VHS and 20% by GWHN with the governance of the new organization structured to provide significant input by GWHN on overall operations and strategic mission of NEWCO.

Key elements of the transaction are as follows:

- NEWCO will purchase GWHN’s Assets (inclusive of \$6,800,000 of net working capital assets) for \$45,000,000;
- NEWCO will assume \$13,397,902 of Liabilities from GWHN which will be credited from the cash payments to GWHN;
- GWHN will purchase a 20% interest in NEWCO for \$6,320,420 which will be credited from the cash payments to GWHN;
- NEWCO will make a commitment to expend \$55,000,000 in capital or other approved commitments to the Hospital Business over a seven year time frame;
- The agreements include buy-sell provisions to the members.

Assets Anticipated to Transfer

GWHN will transfer substantially all of its operating assets or equity interest in its affiliates into NEWCO. This would include all the tangible and intangible assets currently utilized in the hospital's operations. Tangible assets would include a net working capital balance of \$6,800,000, inventories, prepaid insurance, other prepaid expenses, the real estate and equipments. Intangible assets would include all of the ownership interests held in the affiliate companies (other than the child care center and the captive insurance company), the operating licenses, contracts, tradenames, trademark, web sites, etc. All assets will be transferred essentially free and clear of any encumbrances.

The post-conversion Foundation will maintain Cash and Cash Equivalents, Assets whose Use is Limited, Other Assets, and Assets Due From Affiliates. It will also maintain all Noncurrent Assets Whose Use is Limited. The Foundation will remain responsible for certain Pension Liabilities, amounts Due to Affiliates and Third Party Payors and all other Long-Term Liabilities currently held in the GWHN and other liabilities.

As contemplated, \$25,281,679 of cash will be delivered to GWHN at closing. GWHN does not anticipate its post-conversion Foundation to have a capital deficit at the closing of the Transaction.

The Net Proceeds Calculation prepared by Management is presented on the following schedules.



Net Proceeds Calculation Prepared By Management

Greater Waterbury Health Network
Balance Sheet
As of September 30, 2012 - Trial Balance Roll Up

	Balance Sheet as of 9/30/2012 (Ownerships Adjusted)	Retained by Surviving Entity	Purchased/ Assumed by JV
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 27,794,623	\$ 27,794,623	\$ -
Short-term Investments	932,260	932,260	-
Net Accounts Receivable - Patients	31,840,593	232,184	31,608,409
Net Accts Receivable - Grants & Other	2,977,505	2,309,569	667,936
Inventories	3,305,079	-	3,305,079
Prepaid Insurance and Other Expenses	1,490,081	191,056	1,299,025
Due From Affiliates	195,978	-	195,978
Total Current Assets	\$ 68,536,120	\$ 31,459,692	\$ 37,076,427
Noncurrent Assets Whose Use is Limited:			
Under Bond Indenture Agreements	30,070	30,070	-
Construction Fund	661,338	661,338	-
Funds Held in Trust by Others	42,218,163	42,218,163	-
CHEFA Obligations	321,666	321,666	-
Long Term Investments	23,244,691	23,244,691	-
Board Designated Funds	2,974,503	2,974,503	-
Other Investments	55,000	55,000	-
Loans and Other Receivables	521,906	521,906	-
Accrued Interest & Dividends Receivables	22,017	22,017	-
Goodwill	1,813,567	-	1,813,567
Net PP&E	50,570,519	2,190,747	48,379,772
Total Assets	\$ 190,969,559	\$ 103,699,793	\$ 87,269,767
Liabilities			
Current Liabilities:			
Accounts Payable & Accrued Expenses	35,619,123	2,755,287	32,863,835
Current Portion of CHEFA	506,444	506,444	-
Current Portion of Note Payable	666,376	204,915	461,461
Due to Third-Party Payors	771,289	771,289	-
Total Current Liabilities	\$ 37,563,231	\$ 4,237,936	\$ 33,325,296
Long-Term Debt	26,140,656	26,140,656	-
Note Payable	1,426,292	321,031	1,105,261
Other Long-Term Liabilities:			
Accrued Worker's Comp	9,203,063	9,203,063	-
Accrued Pension	5,906,712	-	5,906,712
CHEFA Swap	2,938,960	2,938,960	-
Asbestos Abatement	2,785,468	-	2,785,468
Accrued Malpractice	2,082,498	2,082,498	-
Sodexo Liability Payable	473,701	473,701	-
Deferred Liabilities	380,149	380,149	-
Total Other Liabilities	51,337,499	41,540,058	9,797,441
Total Liabilities	\$ 88,900,730	\$ 45,777,993	\$ 43,122,737
Net Balance Sheet Items	\$ 102,068,829	\$ 57,921,799	\$ 44,147,030

Net Proceeds Calculation Prepared By Management

Enterprise Value	\$45,000,000
Less - Assumed Liabilities by Joint Venture ⁽¹⁾	<u>13,397,902</u>
Enterprise Value Less Assumed Liabilities	\$31,602,098
Less - 20% GWHN Retained Equity Ownership	<u>6,320,420</u>
Cash Proceeds to GWHN Before Expenses & NWC Adjustment	\$25,281,678
Less - GWHN Expenses:	
Estimated Advisor Fees	1,550,000
Estimated Medical Tail Insurance & Loss Portfolio Transfer Coverage Contingencies	11,300,000
	<u>1,250,000</u>
Net Cash Proceeds to GWHN Before NWC Adjustment ⁽²⁾	\$11,181,678

Note: Reflects September 30, 2012 GWHN trial balances excluding Cancer and Heart Centers Actual consolidating balance sheet, closing balance sheet and adjustments may be substantially different
⁽¹⁾ Includes GWHN 1199 pension, asbestos abatement and outstanding leases
⁽²⁾ Normalized working capital benchmarked at \$6.8 million per September 30, 2012 trial balances



Scope of Principle Valuation's Analysis to Arrive at Fairness Opinion

In deriving our "Fairness Opinion", we considered the value of the assets transferred against the value of the benefits to be received from a financial point of view. While we recognize that all parties to the Transaction anticipate that the joint venture will enhance the quality and access to healthcare in the community, these factors are difficult to quantify economically and have only been incidentally factored into our conclusions.

In assessing the value of the assets transferred we considered the three traditional valuation methodologies: the Cost Approach, Market Approach, and Income Approach.

In assessing the value of the benefits received by the Transaction, we considered the cash benefits received to the post conversion foundation, the value of the assumed liabilities transferred to NEWCO, and the value of a 20% interest in NEWCO.



Scope of Principle Valuation's Analysis to Arrive at Fairness Opinion - Continued

In deriving our "Fairness Opinion" we have among other things:

- Visited the Waterbury Hospital site to describe and assess the overall condition of the physical assets and improvements (a complete site inspection was conducted in November 2011 and we have assumed that no significant changes have occurred at the site);
- Reviewed and relied upon certain information contained in the Confidential Information Memorandum ("CIM") prepared by Cain Brothers in September 2012 that was used to solicit offers of interest for GWHN;
- Been provided and reviewed certain available business and financial information relating to GWHN that was provided by GWHN's management team and produced subsequent to the CIM;
- Been provided with and relied upon income statement estimates prepared by GWHN as a Stand-Alone organization if the transaction does not occur;
- Reviewed the initial offer outlines by Vanguard and a second proposal to GWHN;
- Provided and relied upon financial and operating forecasts prepared by Vanguard and approved by GWHN for NEWCO;
- Considered the criteria set forth in the Conversion Statute;
- Interviewed members of GWHN's management;
- Reviewed the Draft Contribution Agreement by and among Greater Waterbury Health Network, Inc., VHS Waterbury Health Systems, LLC, VHS Waterbury Management Company, LLC and Vanguard Health Systems, Inc. dated April 19, 2013;

(Continued)

Scope of Principle Valuation's Analysis to Arrive at Fairness Opinion - Continued

In deriving our "Fairness Opinion" we have among other things (continued):

- Reviewed the Draft Amended and Restated Operating Agreement of VHS Waterbury Health System, LLC dated April 17, 2013;
- Reviewed the Draft Management Agreement by and between VHS Waterbury Health System and VHS Waterbury Management Company, LLC and an affiliate of Vanguard dated December 28, 2012;
- Reviewed such other financial studies and analysis and took into account such other matters as we deemed necessary, including our assessment of general economic market and monetary conditions;
- Reviewed the historical market prices, trading activity and valuation multiples of certain publicly traded companies that we deemed to be relevant and used them as benchmarks to estimate relative criteria in our analysis.



Critical Facts and Assumptions

The following critical facts and assumptions among other factors were considered in deriving our overall estimates:

- GWHN is one of two primary healthcare providers in the Greater Waterbury market area;
- In the absence of this transaction, GWHN will face increased competition from St. Mary's and other nearby hospitals;
- Waterbury's physical plant is approaching the end of its economic life and needs renovation within the next five to seven year period. Based upon a physical inspection, discussions with management, and the actual age and condition of the property, we have assigned a remaining economic life for the Waterbury Campus of five years in the absence of an alternative capital resource partner;
- It is anticipated by management that GWHN's earnings will continue to deteriorate due to the increased competition, lower volumes and costs associated with its physical plant to the point that within five years the overall business operations will generate marginal to negative cash flows;
- In the absence of this Transaction and in consideration of the factors stated above, the overall economic viability of the organization and its ability to continue its healthcare mission in the foreseeable future may be limited.



Valuation of Assets Contributed - Overview

In deriving the value of the assets to be contributed to NEWCO, we considered the three principal methods of valuation: the Cost Approach (Adjusted Book Value Approach), the Market Approach, and the Income Approach. Each Approach as applied to GWHN is briefly explained below:

- In the Cost Approach, the tangible assets of GWHN were valued by deriving a depreciated replacement cost for the tangible assets in use. The land was valued at its current value assuming current market data. The Net Working Capital was valued based upon the stated value on the Balance Sheets provided. A Summary of this Approach is shown on Schedule 1A.
- In the Income Approach to Value, we considered the value of GWHN utilizing a Discounted Cash Flow approach based upon market based cost of capital considerations and the anticipated limited earning capacity of GWHN in a “Stand-Still” strategic choice. This analysis is shown in Schedule 1B.
- We considered two Market Based approaches in estimating the value of the subject; Guideline Company Approach and Guideline Transaction Approaches to value. These approaches are shown on Schedules 1C and 1D, respectively.

After considering the strengths and weakness of each approach, we derived an overall weighted value for the assets contributed.

Schedule 1A – Cost Approach Summary

WATERBURY HOSPITAL - SCHEDULE 1A VALUATION SUMMARY AS OF MARCH 2013 WITH ECONOMIC DEPRECIATION

Building/Name	Land Value	Building Depreciated Cost	Land Improvements Depreciated Cost	Total Real Estate Value	FF&E	Grand Total
Waterbury Hospital	\$ 7,500,000	\$ 9,300,000	\$ 170,000	\$ 16,970,000	\$12,390,000	\$ 29,360,000
Grandview Building	-	295,000	-	295,000	-	295,000
Apartment A & B	-	60,000	-	60,000	-	60,000
Baker House	-	65,000	-	65,000	-	65,000
72 Hale Street	-	200,000	-	200,000	-	200,000
101 Robbins Street	-	95,000	-	95,000	-	95,000
36 Grandview Avenue	-	100,000	-	100,000	-	100,000
140 Grandview Avenue Suites	-	210,000	-	210,000	-	210,000
134 Grandview Avenue Suites	-	340,000	-	340,000	-	340,000
TOTALS	\$ 7,500,000	\$ 10,665,000	\$ 170,000	\$ 18,335,000	\$ 12,390,000	\$ 30,725,000

Tangible Asset Value Summary

Working Capital	\$ 6,767,535
Land	7,500,000
Land Improvements	170,000
Buildings	10,665,000
Equipment	12,390,000
Total Tangible Assets	\$ 37,492,535
Rounded To	\$ 37,490,000

Schedule 1B – DCF Stand Still

Discounted Cash Flow GWHN "Stand-Still" - Schedule 1B

Implied Rate of Return	12.00%
Effective Corporate Tax Rate in U.S, CT	39.88%
Normal Debt Free Net Working Capital as % of Revenues	10.00%
Perpetuity Growth Rate	2.00%

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Mod. Budget	Projected	Projected	Projected	Projected
NET PATIENT REVENUE							
Non-Government	\$ 81,182,458	\$ 92,776,892	\$ 94,018,866	\$ 95,498,558	\$ 97,252,266	\$ 99,089,534	\$ 100,080,430
Medicare	102,980,500	96,836,474	98,534,557	96,063,448	93,682,542	91,388,730	92,302,618
Medicaid and Other Medical Assistance	30,474,162	30,731,833	31,279,293	31,372,447	31,471,809	31,574,976	31,890,725
Other-affiliates in total	42,213,035	42,172,272	39,922,951	40,392,201	41,074,003	41,768,600	42,186,286
Total Net Patient Revenue	256,850,155	262,517,470	263,755,667	263,326,654	263,480,620	263,821,840	266,460,059
Other Operating Revenue	11,307,536	13,227,694	8,255,212	8,066,927	8,214,018	8,363,787	8,447,425
Revenue from Operations	\$ 268,157,691	\$ 275,745,164	\$ 272,010,879	\$ 271,393,581	\$ 271,694,639	\$ 272,185,627	\$ 274,907,483
OPERATING EXPENSES							
Salaries and Fringe Benefits	\$ 174,319,492	\$ 164,634,663	\$ 159,684,954	\$ 161,165,114	\$ 162,346,732	\$ 163,592,127	\$ 166,046,009
Professional / Contracted Services	36,635,995	45,267,639	47,248,357	46,729,938	47,222,184	47,718,764	48,434,546
Supplies and Drugs	37,358,404	35,319,374	34,897,946	35,097,110	35,208,339	35,333,031	35,863,026
Other Operating Expense	16,252,334	16,836,637	15,337,970	15,491,881	15,654,681	15,819,266	16,056,555
Subtotal	264,566,225	262,058,313	257,169,228	258,484,043	260,431,935	262,463,188	266,400,136
Depreciation/Amortization	9,490,443	9,421,601	9,211,708	9,226,325	9,242,976	9,259,831	9,306,130
Interest Expense	1,303,512	1,237,849	1,544,883	1,517,668	1,491,775	1,466,475	1,495,804
Lease Expense	2,648,577	2,825,478	3,450,585	3,454,346	3,488,890	3,523,779	3,594,254
Total Operating Expense	\$ 278,008,757	\$ 275,543,241	\$ 271,376,404	\$ 272,682,383	\$ 274,655,576	\$ 276,713,273	\$ 280,796,325
Gain/(Loss) from Operations	\$ (9,851,066)	\$ 201,923	\$ 634,476	\$ (1,288,802)	\$ (2,960,938)	\$ (4,527,646)	\$ (5,888,842)
EBITDA	\$ 942,889	\$ 10,861,373	\$ 11,391,067	\$ 9,455,192	\$ 7,773,814	\$ 6,198,660	\$ 4,913,093
EBIT	\$ (8,547,554)	\$ 1,439,772	\$ 2,179,359	\$ 228,867	\$ (1,469,162)	\$ (3,061,171)	\$ (4,393,037)

Schedule 1B – DCF Stand Still – Continued

DEVELOPMENT OF WACC - GWHN - "Stand-Still"		
	Cost of Capital	Weighted Cost
Debt	4.51%	1.80%
Equity	17.07%	10.24%
Weighted Average Cost of Capital		12.05%
Concluded WACC		
12.00%		
Cost of Equity		
Risk Free Rate of Return	2.42%	
Plus Equity Risk Premium		
Market Risk Premium ¹	5.50%	
Times Beta	1.30	
Adjusted Market Risk Premium	7.15%	
Plus Size Premium ²	5.50%	
Plus Company Specific Risk Premium	2.0%	
Indicated Cost of Equity	17.07%	
Cost of Debt		
Concluded Pre-Tax Cost of Debt	7.50%	
Income Tax Rate	39.88%	
Concluded After-Tax Cost of Debt	4.51%	
Selected Yields and Interest Rates		
Rates as of 9/30/2012		
Prime Rate	3.25%	
5-Year Treasury Rates	0.62%	
10-Year Treasury Rates	1.65%	
20-year Treasury Rates	2.42%	
Moody's Aaa	3.42%	
Baa	4.72%	
(1) Long-horizon expected equity risk premium recommended by Duff & Phelps Risk Premium Study		
(2) Estimated based on Duff & Phelps Risk Premium Study		



Schedule 1C – Guideline Company Approach – Stand Still Adjusted Base Year

Guideline Company Approach - Schedule 1C											
Company Name	Share Price	Adjusted Equity Value ¹	Adjusted Enterprise Value	% Debt	Revenues	EBITDA	Debt Free NWC	Beta	EBITDA Margin	Revenue Multiple	EBITDA Multiple
Universal Health Services, Inc. (UHS)	\$ 48.35	5,639,544,000	9,333,388,000	41.03%	7,599,445,000	1,180,316,000	652,575,000	1.01	15.53%	1.23	7.91
Tenet Healthcare Corporation Co (THC)	\$ 32.47	4,148,886,720	8,944,886,720	57.56%	9,160,000,000	1,142,000,000	898,000,000	1.35	12.47%	0.98	7.83
Community Health Systems, Inc. (CYH)	\$ 30.74	3,298,524,960	13,633,567,960	73.16%	14,477,820,000	1,915,971,000	1,325,382,000	1.48	13.23%	0.94	7.12
Health Management Associates, I (HMA)	\$ 9.32	2,867,242,080	6,733,872,080	57.05%	6,502,847,000	989,903,000	614,244,000	1.49	15.22%	1.04	6.80
HCA Holdings, Inc. Common Stock (HC)	\$ 30.17	16,694,750,520	44,923,750,520	63.91%	32,348,000,000	6,555,000,000	3,162,000,000	1.22	20.26%	1.39	6.85
LifePoint Hospitals, Inc. (LPNT)	\$ 37.75	2,235,555,000	4,159,655,000	43.94%	3,279,800,000	589,000,000	518,500,000	0.96	17.96%	1.27	7.06
Vanguard Health Systems Inc. (VHS)	\$ 12.25	1,137,486,000	3,848,286,000	73.88%	6,021,100,000	589,900,000	505,800,000	0.69	9.80%	0.64	6.52
HGH:		\$44,923,750,520		73.88%	\$32,348,000,000			1.49	20.26%	1.39	7.91
LOW:		\$3,848,286,000		41.03%	\$3,279,800,000			0.69	9.80%	0.64	6.52
AVERAGE:				58.65%				1.17	14.92%	1.07	7.16

2.42%

GWHN

Qualitative Comparisons (Subject Compared to Market Comparables as a Group)

Unit of Comparison	Status	Adjustment
Size of Company	Inferior	Downward
Diversity of Market Served	Inferior	Downward
EBITDA Margin	Inferior	Downward
Overall Adjustment		Significantly Downward

(1) Adjusted upward 20% to account for a control premium

Waterbury Hospital	
Description	Revenues
Adjustment	-70%
Adjusted Multiple*	0.320
Subject Comparable Units	\$ 277,722,000 \$ 6,713,000
Value Indication	\$ 89,006,635 \$ 24,021,849
Weighting	25%
Total Asset Value as Unencumbered and assuming market based working capital (Rounded)	\$40,300,000
Market Required Working Capital Balance	\$ (27,772,200)
Actual Working Capital Balance	\$ 6,767,535
Less Deficient (Excess) Working Capital	\$ (21,004,665)
Less Long Term Debt Obligations	\$ -
Overall Value Rounded	\$19,300,000

Schedule 1D – Guideline Transaction Approach

Announcement Date	Acquirer	Seller	Number of Beds	Consideration	Revenue Multiple	EBITDA Multiple	Price/Bed
12/15/2011	Come Health	Alamance Regional Medical Center	178	\$200,000,000	0.93	8.47	\$917,431
11/29/2011	Orlando Health	Health Central	217	\$177,000,000	1.35	11.41	\$1,000,000
9/6/2011	LHP Hospital Group Inc	Bay Medical Center	323	\$155,000,000	0.59	16.31	\$479,876
9/6/2011	Trinity Health	Mercy Hospital & Medical Center	449	\$150,000,000	0.59	9.80	\$334,076
7/28/2011	Community Health Systems, Inc.	Ugale Regional Medical Center	358	\$140,000,000	1.38	7.40	\$585,196
7/19/2011	Community Health Systems, Inc.	Moses Taylor Health Care System	242	\$209,500,000	1.02	11.90	\$628,099
6/28/2011	Ardent Health Services, LLC	Southcrest Hospital, Clarendon Regional	269	\$152,000,000	0.82	5.12	\$573,234
6/3/2011	Duke LifePoint Healthcare, LLC	Persimmon Hospital	102	\$222,200,000	0.54	10.80	\$222,549
4/27/2011	Ascension Health	Alexian Brothers Health System	752	\$645,000,000	0.60	6.32	\$857,713
3/11/2011	Carle Foundation Hospital	Hoopston Regional Health Center	25	\$12,400,000	0.60	8.85	\$496,000
2/1/2011	UPMC Health System	Hamot Medical Center	351	\$300,000,000	0.51	9.09	\$854,701
1/17/2011	Sisters of Mercy Health System	Johnston Memorial Hospital	25	\$1,600,000	N/A	N/A	\$64,000
10/3/2011	Cardiovascular Care Group	Louisiana Regional Center & Heart Hospital	137	\$23,000,000	0.46	N/A	\$167,883
10/20/2011	New Directions Health Systems	Cleveland Regional Medical Center	107	\$68,500,000	1.20	N/A	\$640,187
10/27/2011	Duke LifePoint Healthcare, LLC	Twin County Regional Hospital	86	\$37,500,000	0.85	N/A	\$436,047
11/29/2011	UC Health	The Drake Center	166	\$15,000,000	0.26	N/A	\$90,361
12/12/2011	Community Health Systems, Inc.	MetroSouth Medical Center	244	\$70,500,000	0.47	N/A	\$288,934
4/20/2011	Health Management Associates, Inc.	Tri-Lakes Medical Center	112	\$43,263,158	0.95	6.29	\$386,278
5/15/2011	WakeMed Health & Hospitals	UNC Healthcare System Rex Healthcare System	439	\$750,000,000	N/A	N/A	\$1,708,428
6/25/2011	Highmark Inc	West Penn Allegheny Health System Inc	1200	\$1,500,000,000	N/A	N/A	\$1,250,000
6/7/2011	Steward Health Care System	Lanmark Medical Center, Woonsocket RI	214	\$65,000,000	N/A	N/A	\$303,738
5/31/2011	Steward Health Care System	Monroe Hospital and Medical Center	119	\$168,500,000	N/A	N/A	\$1,415,966
5/13/2011	South Georgia Medical Center	Ameris Health Systems LLC; Smith Northview Hospital, Valdosta GA	239	\$40,000,000	1.00	6.60	\$1,379,310
4/25/2011	HUMANA Management Associates	Mercy Health Partners; Novare (7 Hospitals)	803	\$91,700,000	0.80	N/A	\$518,078
3/31/2011	Sabra Health Care Reit	Texas Regional Medical Center	70	\$62,700,000	N/A	N/A	\$895,714
3/25/2011	Yale-New Haven Hospital	Hospital of Saint Raphael	423	\$135,000,000	N/A	N/A	\$319,149
3/18/2011	IASIS Healthcare	St. Joseph Medical Center Houston Texas (78.2%)	792	\$210,997,442	N/A	N/A	\$266,411
2/23/2011	RegionalCare Hospital Partners Inc.	Jackson Health System	217	\$181,500,000	0.70	N/A	\$836,406
2/8/2011	Steward Health Care System	Mercy Health Partners	389	\$150,000,000	0.57	12.57	\$443,191
28-Dec-10	Anderson Regional Medical Center	Riley Hospital	140	\$24,000,000	0.42	20.00	\$171,429
9-Dec-10	Steward Health Care System, LLC	Victor Valley Community Hospital	179	\$40,000,000	0.41	8.33	\$223,464
11/19/2010	KPC Global Care Inc.	Victor Valley Community Hospital	101	\$37,000,000	0.70	11.90	\$366,337
10/11/2010	SUNY Downstate Medical Center	Long Island College Hospital	115	\$37,000,000	0.66	11.94	\$321,739
1-Oct-10	New Directions Medical Center	Pike County Memorial Hospital	32	\$2,000,000	N/A	N/A	\$194,004
9/16/2010	West Virginia United Health	St. Joseph's Hospital West VA	184	\$87,000,000	0.57	8.10	\$62,500
9/16/2010	Adventist Health Systems, Inc.	University Community Health	923	\$355,000,000	0.70	N/A	\$472,826
8/16/2010	Leanord Green and Partners LP	Fve Hospital in Southern California	569	\$45,000,000	0.80	6.70	\$384,615
8/2/2010	Vanguard Health Systems	Two Resurrection Hospitals in Chicago Suburbs	559	\$45,000,000	0.17	N/A	\$79,086
7/27/2010	Health Management Associates	Wuesthoif Health System	413	\$145,600,000	0.49	6.39	\$352,542
7-Jun-10	RegionalCare Hospital Partners	Clinton Memorial Hospital	85	\$82,137,477	0.79	11.73	\$966,323
15-May-10	RegionalCare Hospital Partners	Curie Health Group	517	\$150,000,000	1.15	13.83	\$236,935
15-Apr-10	University of Southern California	Mountain View Hospital	481	\$69,400,000	1.59	3.96	\$144,000
5-Apr-10	Synbio, Inc.	Mountain View Hospital	43	\$69,724,771	1.59	3.96	\$1,621,506
4/1/2010	LifePoint Hospitals, Inc.	Clark Regional Healthcare System	169	\$28,300,000	0.48	3.93	\$167,456
3/25/2010	Health Management Associates, Inc.	Caritas Christi Health	100	\$60,000,000	1.12	15.79	\$600,000
12/1/2009	Cerberus Capital Management, LP	Medical Center of South Arkansas	1,552	\$830,200,000	0.63	15.29	\$534,794
2/24/2009	Community Health Systems	Sparks Health System	370	\$138,200,000	0.54	N/A	\$270,980
2/2/2009	Community Health Systems	Wadley Health System	166	\$52,000,000	0.22	N/A	\$313,253
1/7/2009	Texas Health Resources, Inc.	Siloam Springs Memorial Hospital	74	\$42,700,000	1.19	9.93	\$577,027
20-Aug-08	Community Health Systems, Inc.	Presbyterian Hospital of Denton	208	\$128,750,000	0.89	8.64	\$618,990
7/30/2008	MSM Investor, LLC	Wyoming Valley Health Care System	429	\$150,000,000	0.66	6.64	\$349,650
7/23/2008	Montefiore Medical Center	Our Lady of Mercy Hospital and Health Center	309	\$65,000,000	0.41	N/A	\$210,356
4/1/2008	Catholic Health Initiatives	North Ridge Medical Center	369	\$38,000,000	0.18	N/A	\$102,981
4/1/2008	Catholic Health Initiatives	Saint Clares Health System	332	\$20,000,000	0.22	N/A	\$60,241
9/1/2010	IASIS Healthcare	Wadley Regional Medical Center; Pikes Peak Hospital	655	\$145,800,000	0.61	N/A	\$222,595
11/18/2010	Sanford Health	North Country Health Services	385	\$95,000,000	0.80	N/A	\$246,753
			118	\$75,000,000	0.80	N/A	\$635,593

Mean	0.71	\$504,444
Low (Primary)	0.17	\$56,757
High	1.59	\$2,163,636
Median	0.67	\$436,047
Indications: Stand-Still	\$ 47,212,740	\$26,382,090
Weighted Conclusion	\$ 31,285,664	\$ 20,262,162
Add Net Working Capital	\$ 6,267,535	
Total Value (rounded)	\$ 38,050,000	

Summary and Reconciliation of Assets Transferred

In arriving at the value of the assets transferred, we considered four different indicators under the three different appraisal approaches. In determining a final estimate, we weighted each approach giving consideration to the strengths and weakness of each indication. Based upon this weighting we derived an overall value estimate of \$26,300,000 for the assets to be transferred. Based upon a Consideration of \$45,000,000 for the assets transferred there is a Net Financial Benefit associated with the asset sale to NEWCO. This calculation is shown on the following table.

Summary and Conclusion of Assets to Transfer			
		Weighting	Weighted Contribution
Adjusted Book Value Approach	Schedule 1A	30%	\$11,247,000
Discounted Cash Flow Approach - Stand Still	Schedule 1B	20%	\$720,000
Market Based Approaches			
Guideline Company Approach	Schedule 1C	25%	\$4,825,000
Guideline Transaction Approach	Schedule 1D	25%	<u>\$9,512,500</u>
Total Weighted Value of Assets Transferred			\$26,300,000
Total Consideration Given for Assets Transferred			\$45,000,000
Net Benefit of Assets Transferred			\$18,700,000



Valuation of the 20% Interest Purchased

As part of the Transaction GWHN will be purchasing a 20% interest in NEWCO. The purchase price for the 20% interest is equal to \$6,320,420. In assessing the overall financial fairness of the entire transaction we assessed whether the purchase price paid for the 20% interest is a net benefit or cost of the overall transaction.

In developing the value of the 20% interest in NEWCO we first estimated 100% of the Equity Value of NEWCO utilizing the Discounted Cash Flow Approach. This approach was deemed to be most representative of value as it factors in the anticipated growth in earnings and capital expenditures that are planned for the new entity. From 100% Equity Value derived we took a discount for the minority interest rights associated with the 20% minority share holding.

- The Discounted Cash Flow Approach is shown on Schedule 2A;
- The Discounted Value of the Minority Interest is then developed;
- Management Provided us with the anticipated earnings and capital expenditures associated with NEWCO.

Schedule 2A – Discounted Cash Flow Valuation of 100% Equity Interest in NEWCO

Discounted Cash Flow GWFH NEWCO - Schedule 2A

	Base Year	Year One	Year Two	Year Three	Year Four	Year Five	Reversion
Implied Rate of Return	11.40%						
Effective Corporate Tax Rate in U.S. CT	35.00%						
Normal Debt Free Net Working Capital as % of Revenues	10.00%						
Gross Revenue	210,926,000	213,036,000	219,469,000	226,087,000	234,067,000	242,318,000	249,687,540
IP Ancillary	307,142,000	310,213,000	319,582,000	329,233,000	340,839,000	352,853,000	363,438,590
Total Inpatient Revenue	518,068,000	523,249,000	539,051,000	555,331,000	574,906,000	595,171,000	613,026,130
Outpatient	454,670,000	461,069,000	478,632,000	498,732,000	520,820,000	543,866,000	560,181,980
Total Gross Revenue	972,739,000	984,318,000	1,018,683,000	1,054,069,000	1,095,726,000	1,139,038,000	1,173,209,140
Revenue Adjustments							
Medicare/Medicaid Adjustments	375,475,000	390,540,000	404,346,000	418,640,000	435,564,000	453,172,000	466,767,160
Total Mgd Care Expense	108,100,000	109,181,000	113,041,000	117,037,000	121,769,000	126,691,000	130,491,750
Managed Medicare Expense	59,671,000	60,268,000	62,399,000	64,604,000	67,216,000	69,933,000	72,030,990
Managed Medicaid Expense	18,684,000	18,871,000	19,538,000	20,229,000	21,047,000	21,898,000	22,554,940
Self-Insured	84,722,000	85,569,000	86,594,000	91,726,000	95,454,000	99,252,000	102,570,760
Contractuals - Non-hospital entities	45,776,000	46,870,000	48,298,000	49,744,000	51,248,000	52,794,000	54,377,820
Prov for Charity/Indigent Care	1,296,000	1,309,000	1,358,000	1,404,000	1,460,000	1,519,000	1,564,570
Other Deductions from Revenue	13,088,000	13,542,000	14,010,000	14,494,000	15,058,000	15,643,000	16,112,290
Total Adjustments	707,059,000	726,399,000	751,826,000	778,144,000	809,070,000	841,230,000	866,466,900
NET PATIENT REVENUE	265,680,000	257,919,000	266,857,000	275,925,000	286,656,000	297,807,000	306,741,210
NET OPERATING REVENUE	12,042,000	12,918,000	12,477,000	13,108,000	13,302,000	13,498,000	13,902,940
NET REVENUE	277,722,000	270,396,000	279,775,000	289,033,000	299,958,000	311,306,000	320,645,180
Operating Expenses							
Salaries Only	124,297,000	127,289,000	131,093,000	135,064,000	138,976,000	143,004,000	146,579,100
Contract Labor Expense - RN/Other	1,769,000	1,775,000	1,797,000	1,837,000	1,870,000	1,903,000	1,950,575
Outsourced Labor Expense	8,904,000	4,816,000	727,000	753,000	779,000	807,000	827,175
Employee Benefits	34,498,000	31,625,000	32,549,000	33,516,000	34,453,000	35,416,000	36,301,400
Supplies	33,748,000	36,444,000	39,363,000	41,142,000	43,216,000	45,394,000	46,528,850
Medical Specialists Fees	10,494,000	10,688,000	10,896,000	11,080,000	11,297,000	11,508,000	11,795,700
Purchased Services	24,802,000	25,315,000	25,839,000	26,360,000	26,910,000	27,472,000	28,158,800
Repairs	1,423,000	1,451,000	1,480,000	1,510,000	1,540,000	1,571,000	1,610,275
Total Maintenance Contracts	1,767,000	2,737,000	2,789,000	2,841,000	2,894,000	2,948,000	3,021,700
Marketing	758,000	772,000	786,000	801,000	816,000	831,000	851,775
Utilities	4,144,000	4,223,000	4,304,000	4,387,000	4,471,000	4,557,000	4,670,925
Insurance Expense	9,058,000	4,839,000	4,926,000	5,003,000	5,088,000	5,174,000	5,303,350
Other Operating Expense	1,298,000	(1,938,000)	(765,000)	416,000	3,357,000	1,359,000	1,392,975
Taxes	8,170,000	8,170,000	8,170,000	8,170,000	8,170,000	8,170,000	8,170,000
Rent Expense	5,527,000	5,619,000	5,710,000	5,799,000	5,848,000	5,946,000	6,094,650
Total Operating Expenses	271,010,000	258,769,000	264,600,000	273,325,000	282,619,000	291,017,000	298,232,425
EBITDAM	6,713,000	11,626,000	15,175,000	15,709,000	17,339,000	20,288,000	22,352,755
EBITDAM Margin	2.4%	4.3%	5.4%	5.4%	5.8%	6.5%	7.0%
NON-OPERATING EXPENSE							
Depreciation Expense	9,272,000	3,440,000	4,311,000	6,054,000	6,925,000	7,797,000	7,991,925
Amortization Expense	158,000	-	-	-	-	-	-
External Interest Expense	1,058,000	-	-	-	-	-	-
Internal Interest Expense	(20,000)	36,000	113,000	546,000	930,000	822,000	842,550
Other Nonoperating Expense	(358,000)	-	-	-	-	-	-
Equity Method Investment Income	(17,000)	-	-	-	-	-	-
Loss/(Gain) Asset Sales	3,000	-	-	-	-	-	-
Pension Expense	-	-	-	-	-	-	-
Debt Extinguishment Costs	-	-	-	-	-	-	-
Corporate Management Expense	-	5,503,000	5,693,000	5,887,000	6,115,000	6,352,000	6,510,800
Total Non-Operating Expense	10,096,000	8,978,000	10,118,000	12,486,000	13,970,000	14,971,000	15,345,275
INCOME FROM CONT OPS BEFORE TAXE	(3,383,000)	2,648,000	5,058,000	3,223,000	3,368,000	5,317,000	7,007,480
Income Taxes	(3,383,000)	2,648,000	5,058,000	3,223,000	3,368,000	5,317,000	7,007,480
Net Income	-	-	-	-	-	-	-
EBITDA	6,713,000	6,124,000	9,482,000	9,823,000	11,223,000	13,936,000	14,284,400
EBIT	(2,717,000)	2,684,000	5,171,000	3,769,000	4,298,000	6,139,000	6,292,475



Schedule 2A – Discounted Cash Flow Valuation of 100% Equity Interest in NEWCO

Discounted Cash Flow GWHN NEWCO - Schedule 2A (Continued)							
	Base Year	Year One	Year Two	Year Three	Year Four	Year Five	Reversion
NET INCOME FOR DISCOUNTING (EBIT)	\$ (2,717,000)	\$ 2,684,000	\$ 5,171,000	\$ 3,769,000	\$ 4,298,000	\$ 6,139,000	\$ 6,292,475
ESTIMATED INCOME TAXES	-	939,400	1,809,850	1,319,150	1,504,300	2,148,650	2,202,366
NET INCOME	\$ (2,717,000)	\$ 1,744,600	\$ 3,361,150	\$ 2,449,850	\$ 2,793,700	\$ 3,990,350	\$ 4,090,109
Less Incremental Working Capital	\$ -	\$ 732,600	\$ (937,900)	\$ (925,800)	\$ (1,092,500)	\$ (1,134,800)	\$ (933,918)
Less Capital Expenditures	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
Plus Depreciation	9,430,000	3,440,000	4,311,000	6,054,000	6,925,000	7,797,000	7,991,925
Cash Flow to Discount	\$ (1,287,000)	\$ (2,082,800)	\$ (1,265,750)	\$ (421,950)	\$ 626,200	\$ 2,652,550	\$ 3,148,116
Discount Periods		0.50	1.50	2.50	3.50	4.50	
Present Value Factor		0.947452409	0.850495879	0.763461292	0.685333296	0.615200445	
Present Value of Periodic Cash Flow s		\$ (1,973,354)	\$ (1,076,515)	\$ (322,142)	\$ 429,156	\$ 1,631,850	
Sum of PV Periodic Cash Flow s	\$ 78,564,200	\$ (1,311,006)					
Perpetuity Value		\$ 77,253,194					
PV of Perpetuity Value		\$ 75,940,000					
Total Asset Value as Unencumbered With Normal WC		\$ (802,000)					
Add Value of Actual Working Capital		\$ (27,772,200)					
Less Market Based Working Capital		\$ 47,365,800					
Overall Business Enterprise Value		\$ (13,397,902)					
Less Value of Liability Assumed		\$ 33,967,898					
Value of 100% Equity		\$ 33,967,898					

Valuation of 20% Interest in NEWCO - Continued

The Discounted Cash Flow approach indicates a 100% Equity Value for NEWCO in a rounded amount of \$33,970,000. GWHN will hold a minority interest of 20% of the company and be considered a Class B Member of the LLC with somewhat limited rights as compared to the Majority or Class A Member. Due to these limited rights we have assigned a Minority interest Discount of 20% to apply. Based upon a consideration of this data we find that there is a financial cost associated with the purchase of the minority interest shares in relationship to its fair market value. This is demonstrated below.

Valuation of 100% Equity in NEWCO	\$33,970,000
20% Equity Interest in NEWCO Prior to Discounts	\$6,794,000
Minority Interest Discount @ 20%	<u>(1,358,800)</u>
Value of Minority Interest Share Held by GWHN	\$5,435,200
Payment Made for 20% Interest in NEWCO	\$6,320,420
Net Financial Cost of 20% Interest	(\$885,220)

Overall Conclusion

The following table summarizes the value of the assets to be contributed and purchased against the benefits that GWHN can reasonably anticipate to achieve given the assumptions and expectations associated with the proposed joint venture transaction as contained herein. Based upon a comparison of these economic expectations, it is our conclusion that the transaction is fair from a financial point of view as the value received is greater than the value of the assets contributed and purchased.

Summary and Conclusion of Fairness From a Financial Point of View

Valuation of Assets Transferred		Weighting	Weighted Contribution
Adjusted Book Value Approach	Schedule 1A	30%	\$11,247,000
Discounted Cash Flow Approach - Stand Still	Schedule 1B	20%	\$720,000
Market Based Approaches			
Guideline Company Approach	Schedule 1C	25%	\$4,825,000
Guideline Transaction Approach	Schedule 1D	25%	\$9,512,500
Total Weighted Value of Assets Transferred			\$26,300,000
Total Consideration Given for Assets Transferred			\$45,000,000
Net Benefit of Assets Transferred			\$18,700,000
Valuation of Assets Purchased			
Valuation of 100% Equity in NEWCO			\$33,970,000
20% Equity Interest in NEWCO Prior to Discounts			\$6,794,000
Minority Interest Discount @ 20%			(1,358,800)
Value of Minority Interest Share Held by GWHN			\$5,435,200
Payment Made for 20% Interest in NEWCO			\$6,320,420
Net Financial Cost of 20% Interest			(\$885,220)
Total Financial Benefit of Transaction			\$17,814,780



EXHIBIT 13: CHARITABLE GIFT INSTRUMENTS (CD)

EXHIBIT 14: ANALYSIS OF GIFT INSTRUMENTS

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Charles F. Brooker Will and Codicil		\$159,284	<p>“in trust for the following purposes to wit: To be invested in the manner prescribed by law for trust funds, said fund to be known as the “CHARLES F. BROOKER FUND” and held in trust as a permanent fund, and the income therefrom to be used for the expenses and carrying on of the purposes of said Hospital.</p> <p>“I request said WATERBURY HOSPITAL of Waterbury in their respective use of the income from the aforesaid trust funds to give the preference to employees of the American Brass Company and its successors ...</p>	None	Y	N	N	N	No Gift Summary
Clara A. Forester (Richard A. Forester Memorial Fund) 5/15/1956		\$75,776	<p>“the principal to be held by it in a perpetual trust to be known as ‘The Richard A. Forester Memorial Fund’ and the income only thereof to be used for the general purposes of said organization.”</p>	None	Y	N	N	N	Yes Trust u/w
Karl & Margaret Hallden Memorial Fund 7/25/1967	Bank of America, Agent	\$89,820	<p>principal distributed from Memorial Fund 6/1/1986 – consent to distribution in file</p>	None	N	Y	N	N	Yes Will, Consent to Distribution and 12/20/85 letter from Colonial Bank detailing provisions of gift, Agreement between Waterbury Hospital and Colonial Bank

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
George R. Lamb (George B. Lamb and Harriet Welton Lamb Endowment Fund) 7/12/1923		\$259,987	<p>“the principal of said fund to be kept intact . . . and only the income therefrom used as the Board of Directors may determine for promoting and maintaining the Hospital and its work”</p> <p>“income therefrom used as the Board of Trustees may determine for promoting and maintaining the Hospital and its work”</p>	<p>“If for any reason said Waterbury Hospital shall fail or refuse to accept said fund upon the conditions above stated, the Trustee shall . . . set over all of the . . . assets belonging to the Trust Fund to such person . . . as shall have been designated by me in my last will and testament”</p>	Y	N	N	N	Extract from Trust and Trust Agreement between Waterbury Hospital and Colonial Bank Trustee dated 1967

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Hattie/Harriet Schlegel Anderson May, 1986 July 21, 1986		\$85,434	“income therefrom to be used to provide for the ongoing education of nurses at the Hospital through in-service programs, outside speakers, conference fees and expenses, tuition assistance in obtaining advanced degrees, or for other employees to become Registered Nurses, and books periodicals and other educational support systems”	None	Y	N	Y	N	Proposed language re distribution, and Custodial Agreement
At Risk Kids 1999		\$924	Income will be used to “underwrite operations, after grant income has been exhausted, for programs that focus on preventive strategies designed to decrease serious emotional and behavioral problems.”	None	Y	N	Y	Y	Yes Resolution
Theodore Bevans 10/16/1963		\$8,754	“used for the benefit of children hospitalized in the Waterbury Hospital.”	None	N	Y	Y	N	Yes Contribution letter
Edith M. Chase (Henry Sabin Chase Memorial Fund) 1/24/1972	The Waterbury Hospital	\$722,520	“to establish and maintain a dispensary under the name, “The Henry Sabin Chase Memorial Dispensary.”	None	Y	N	Y	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Mildred Crozier 12/28/1988	The Waterbury Hospital	\$287,305	“the income of the Fund, and such amount of the net appreciation (realized and unrealized) thereof...be used...to provide scholarship assistance to children of Hospital employees so as to enable them to pursue their professional education in medicine and related fields of caring.” “...it is my desire that no part of the value of any contribution made by me...be so expended”	None	Y	N	Y	Y	Yes Instrument of Gift
Marguerite B. Fulling 3/21/66 6/19/96		\$78,865	“to be known as the Marguerite B. Fulling Research Fund, only the income from which is to be used for research of breast cancer.”	Unknown – trust document not located	Y	N	Y	N	Gift letter and Waterbury Hospital Receipt & Release
Grad Nurse 1/30/1979		\$7,355	To provide loans to graduate nurses for further education	None	Y	N	Y	Y	Yes Memorandum

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Margery K. Hayden (Elizabeth K. Hayden Fund) 2/3/1975	The Waterbury Hospital	\$31,427	"the sum of Twenty Thousand Dollars (\$20,000) to be known as "The Elizabeth K. Hayden Fund", to establish a bed fund, the income from which shall be used for the purpose of providing free bed and medical care to patients of Southmayd Home, Incorporated, of said Waterbury, who shall be designated by the Board of Directors of said Southmayd Home, Incorporated, as being eligible to receive said free bed and medical care. In the event that all or any portion of said income in any consecutive twelve months period (said period to be determined by said Hospital, in its sole discretion) shall not be needed for the purpose of providing free bed and medical care, same may be used by said Hospital for its general purposes."	None	Y	N	Y	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Merrit Heminway (Merrit Heminway Bed Fund) 1914 (extract from executive committee report)	Waterbury Hospital	\$220,463	From Hospital Records: "Income to maintain bed for Watertown poor." Letter 10/31/60 from Katherine H. Heminway: "wish of his family that the income from this sum be added to that of the Merritt Heminway Bed Fund and administered as that fund has been administered in the past We wish that the word "poor" be interpreted to mean anyone whose hospital bills (not being otherwise fully covered) are such that the patient would be burdened thereby so that help in their payment might be considered of curative value. It is also our wish that any income from this fund left at the end of each hospital fiscal year be turned over to the hospital's general funds."	"The Board of the hospital should feel free to request the family of Merrit Heminway to change the above provisos if in their opinion the fund is no longer serving a useful purpose. If the time should arise when there were no family left to confer with, the interest and principal of the fund should be used in such a way as best to serve Watertown patients."	Y	N	Y	N	Instrument of Gift - Addition to Bed Fund
Junior League Fund 2/1937 (memo from The Colonial Trust Co.)	The Waterbury Hospital	\$1,954	"condition of gift: To be used as a special Medical Fund." - memo from The Colonial Trust Company "Amount of Gift - \$1,500.00"	None	Y	N	Y	N	Yes Instrument of Gift

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Sarann B. Kazanjian (Sarann B. Kazanjian Memorial Fund) 10/17/1974	The Waterbury Hospital	\$64,418	<p>“Fifty Thousand Dollars (\$50,000.00) to The Waterbury Hospital, ... and that the income from it be used to purchase equipment for medical and surgical purposes.”</p> <p>_____</p> <p>“If any of the principal or net income of the Residuary Trust shall remain undisposed of after compliance with all of the foregoing provisions of this Article VI, I direct my then Trustees to pay, transfer and deliver said undistributed portion to The Waterbury Hospital, to be to it absolutely.”</p>	None	Y	N	Y	N	Yes Will
Sarann B. Kazanjian (Sarann B. Kazanjian Student Nurse Scholarship Fund) 8/12/1955 (citation to letter in unknown memo)	The Waterbury Hospital	\$44,024	<p>“\$10,000.00 payable to the Waterbury Hospital... and the annual income therefrom be used to defray expenses of a student nurse or nurses during her or their period of nursing training. She further requests that preference be given to those student nurses residing in Waterbury and the surrounding towns of Naugatuck, Woodbury, Middlebury and Watertown...”</p>	None	Y	N	Y	N	Yes Instrument of Gift – Student Nurse Scholarship Fund
Scovill-Kingsbury Bed Fund 1915 (extract from Executive Committee Report)	Waterbury Hospital	\$223,954	<p>“extract from Report of Executive Committee 1915: ‘endowing a free cot for the benefit of the poor of St. John’s parish Waterbury’.” - undated Waterbury Hospital record</p>	None	Y	N	Y	N	Yes Acknowledgment of \$5,000 gift by hospital

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
LJ Mayo		\$13,387	Scholarships for nursing students Gift in memory of Lewis Mayo, former pharmacist at Waterbury Hospital	None	N	Y	Y	Y	Yes Hospital Summary
Mary L. Meigs (The Meigs Fund) 7/17/1952	The Waterbury Hospital	\$1,105,300	"... the principal thereof to be held as a perpetual trust to be known as the "Meigs Fund", and the income only thereof to be used for the care at said hospital of persons in reduced circumstances in such manner as the Board of Directors of said Hospital may determine"	None	Y	N	Y	N	Yes Trust u/w
Dr. M.H. Merriman 9/22/1964		\$5,485	"to be established as a fund, the income of which is to be used to defray the expenses of personnel in the Waterbury Hospital Clinical and Pathological Laboratories in attending scientific meetings."	None	Y	N	Y	Y	Yes Draft Memorandum
Edith F. Poole 4/11/1928 (Francis A. and Florence A. Poole Fund)	Waterbury Hospital	\$135,642 which is 50% of total	"(\$10,000,000), to the Waterbury Hospital...to be held as a permanent fund and invested and reinvested, and the net income thereof applied towards the establishment and maintenance of a free room in said hospital for the use of such person or persons as the minister in charge for the time being, of the Second Congregational Church, of Waterbury, Connecticut, may designate."	None	Y	N	Y	N	Yes Will
Flora S. Page and George W. Smith (Curtis Hurlbut Smith Bed Fund)	Waterbury Hospital	\$177,213	"The Curtis Hurlbut Smith Endowed Bed has been added to our list. Mr. Smith, a native of Southbury, is thus memorialized by the generosity of a brother and sister."	None	Y	N	Y	N	Yes Hospital Summary

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Ruth Sperry (Mr. and Mrs. Mark L. Sperry, Sr. Memorial Fund) Letter 12/3/1947 Letter 7/13/1976	The Waterbury Hospital	\$175,517	“\$2,500. to be used toward a hospital Bed Fund. . . 1. For employees and their families of the Scovill Mfg. Co. 2. For members of the Sperry family. 3. For such persons as I, or somebody that I might designate, might direct. I wish the unexpended balance in the fund to be carried over to the next year until the Fund reaches the sum of \$10,000. After that it may be turned over to the Superintendent for general purposes of the institution.” _____ “I give to the Waterbury Hospital...approximately \$10,000 to be added to the Mark L. Sperry and Julia P. Sperry Bed Fund. The income to be used preferably for members of The First Congregational Church and employees of The Scovill Manufacturing Company or to anyone in need of hospital assistance.”	None	Y	N	Y	N	See Bed Fund Binder
Dwight H. Terry And Martha Terry (The Dwight H. and Martha J. Terry Fund) 3/8/1919 11/21/1918	The Waterbury Hospital	\$612,383	“only the proceeds thereof shall be used for the purpose of providing free beds and medical care and attention for the poor and needy of the Towns of Plymouth and Thomaston . . . and that the surplus of said income, if any, may be used for the general uses of said institution”	None	Y	N	Y	N	Yes Trust u/w Dwight Terry and Trust u/w Martha Terry

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Olive Rogers Warner (The Richard Vincent Warner Memorial Fund) 4/22/1926	The Waterbury Hospital	\$1,273,552	"as a trust fund . . . only the proceeds thereof shall be used for the purpose of providing accommodations and medical care and attention for the residents of the Borough of Naugatuck . . . and that the surplus of said income, if any, may be used for the general uses of said institution"	None	Y	N	N	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Harriet/Hattie S. Anderson 9/21/1943	Bank of America	\$109,004	“income to be used by said Waterbury Hospital Corporation to provide or assist in providing hospital care to deserving and needy residents of the City of Waterbury, Connecticut.”	None	N	Y	Y	N	Yes Instrument of Gift
Edith Blakesley Fund 3/8/1961	JPMorgan Chase	\$2,257,296	“net income to be used by Hospital as a free bed fund for members of the Second Congregational Church who are considered as worthy ill cases requiring financial assistance.”	“In the event that said The Waterbury Hospital shall be merged into or taken over by another private nonprofit hospital the said Trustee shall make payment to the successor corporation. In the event that the said The Waterbury Hospital shall terminate its existence, the said Trustee shall have the power to send such income to such hospital operating in the City of Waterbury, or serving the public of the City of Waterbury, as it may, in its judgment, select.”	N	Y	Y	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Mary Kingsbury Bull Fund (established by Edith Kingsbury) 1/24/1951	Bank of America	\$20,427	“for the furnishing and providing an endowment of the Children’s Ward in The Waterbury Hospital. When the furnishing is completed enough of the bonds are to be sold for payment to the Hospital and the balance to be carried in separate account with int. accruing against future withdrawal for replenishment.”	None	N	Y	Y	N	Yes Record of Gift/Trust Agreement with Hospital
Almon B. Dayton 8/23/1940	Bank of America	\$104,549 which is 6.67% of the total	“one-fifth of the net annual income of said trust shall be paid ... annually in equal shares unto The Waterbury Hospital ... The Waterbury Anti-Tuberculosis League of Waterbury, Incorporated... and The Gaylord Farm Sanatorium..., in perpetuity.”	“If any one or more of aforesaid religious and philanthropic organizations named as beneficiaries herein shall cease to exist or shall relinquish its corporate charter, or shall fail for any reason to function in the territory in which it is now located, its share of the income as hereinbefore determined shall be paid by my said trustee to The Waterbury Foundation Incorporated of Waterbury, Connecticut, to be used by the directors of said Foundation for religious or charitable purposes, preferably for some use similar to that performed by the corporation previously receiving said income.”	N	Y	N	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Natalie M. Dodd f/b/o Paul Heroux 5/18/1976 9/13/1984	J.P. Morgan & Co.	\$0	"the balance of the remaining principal of the trust as follows: ... 15% thereof to The Waterbury Hospital"	"In the event that an organization to which a portion or all of the remaining principal of the trust is directed to be paid...shall not be an exempt organization at the time of the Settlor's death, such portion...of the remaining principal of the trust shall be paid, in the same proportions as aforementioned, to such of the aforementioned organizations as shall then be in existence and exempt organizations, or, if none of the aforementioned organizations shall then be in existence and an exempt organization, the same shall be paid only to such exempt organization or exempt organizations...as the Trustee, in its absolute discretion, shall determine."	N	Y	N	N	Yes Amended and Restated Agreement and Will
John Elton #2 for St. John's Parish 11/29/1946 6/26/1947	Bank of America	\$297,435 which is 50% of total	"net income. . . in equal shares, to St. John's Parish of the Protestant Episcopal Church. . . and to The Waterbury Hospital . . . to be to each of them absolutely."	None	N	Y	N	N	Yes Will and Codicil

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
J. Lincoln Fenn 10/23/1950	Stanhope Fenn Cunningham	\$0	1 of 5 contingent remaindermen – Petition to Superior Court of California for transfer of trust to California was granted.	“ ... To the Waterbury Hospital of Waterbury, Connecticut. I request that the shares of property that may be received by the above named institutions shall be added to their principal funds and kept safely, invested, and that only the income be used for the general purposes of said institutions respectively.”	N	Y	N	N	Yes Trust u/w
I. Kent Fullton 10/02/1939 and 12/15/1939	Bank of America	\$6,163,089	“To my trustee ... I give and bequeath the sum of Twenty-five Thousand Dollars (\$25,000), to be held by it in trust and the net income thereof to be paid over annually to the Waterbury Hospital ... to be used by said Hospital for its general uses and purposes.”	None	N	Y	N	N	Yes Trust u/w and Codicil
Donald F. Gibson 9/24/1983	JPMorgan Chase	\$0	remainder beneficiary- approximate value \$30,000	None	N	Y	N	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Charles Hellmann (Sibilla Hellmann Fund) 6/13/1955	Bank of America	\$9,447,817 which is 50% of total	"yearly income shall be divided equally between The Waterbury Hospital, Inc. and The St. Mary's Hospital Corporation . . . income to be used by each hospital as it may deem for the best interests of each hospital."	"In the event that either hospital goes out of existence, the entire net income shall be paid to the remaining hospital. If either hospital shall merge with another hospital and my Trustees believe that the corporation so formed carries out the purposes of the hospital so merged, then my Trustees shall pay one-half of the income to such amalgamated corporation, but, if my Trustees believe that the amalgamated corporation does not carry out the purposes of the hospital so merged and mentioned herein, then the entire income shall be paid to the remaining hospital. Should both hospitals mentioned herein cease to exist and there shall be no corporation or corporations formed as aforesaid so that there will be no charitable or eleemosynary corporation or corporations to which the income from the trust shall be paid, then my Trustees shall give the net income to the Meriden hospital, and, in the event that said hospital has ceased to exist or has not been amalgamated with any other	N	Y	N	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Charles Hellmann (Sibilla Hellmann Fund) 6/13/1955 (continued)				charitable institution carrying out the ideals and principals of such institution, then my Trustees shall pay the net income in such proportion as they may deem advisable to other charitable, religious and eleemosynary corporations as shall be located in said Waterbury which carry out the principles and teachings of The Waterbury Hospital Inc. and The St. Mary's hospital corporation, and my Trustees shall have full discretion to designate the appropriate corporation or corporations and shall have full discretion as to the proportion of the net income which shall be paid to each corporation designated."					

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Rhoda M. Hellman (Sibilla Hellman Fund) 11/11/1969	Bank of America	\$4,850,859 which is 50% of total	"During the continuation of this trust the net income arising therefrom shall be divided equally between the Waterbury Hospital and St. Mary's Hospital, such payments to be made quarter-yearly or at such more frequent intervals as the Trustee shall deem wise."	"If either of the hospitals listed above is not an organization described in Sections 170(a), 2055(a) and 2522(a) of the Internal Revenue Code or has ceased to exist when income of the trust is to be distributed to it, the Trustee shall distribute all such income to the remaining hospital. If neither hospital shall qualify under such sections the Trustee shall distribute the income to such other organizations in the health care field as are described in said Sections 1770(c), 2055(a) and 2522(a) as the Trustees shall select."	N	Y	N	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Abbie C. Hopkins 4/30/1938	Bank of America	\$5,407,109	<p>“If, however, at the termination of said twenty-year period, no hospital has been built by the Naugatuck Hospital in said Naugatuck, I direct the Trustee to continue to hold and invest and reinvest said fund and the increment thereto, as aforesaid, until a hospital has been erected in said Naugatuck by the Naugatuck Hospital, and meantime to pay to The Waterbury Hospital...said remainder of the net income from said fund and from the increment thereto for the purpose of providing accommodations and medical care and attention for the poor and needy residents of the Borough of Naugatuck aforesaid, with the understanding, however, that the surplus of said income, if any, may be used by The Waterbury Hospital aforesaid for its general uses and purposes.</p> <p>(c) If, at some later period, a hospital is erected in said Naugatuck by the Naugatuck Hospital, I direct the Trustee to pay said remainder of the net income from said fund and from the increment thereto, in perpetuity, to the Naugatuck Hospital, to be used for the general purposes of said institution.”</p>	None	N	Y	Y	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Frank Keeling (The Frank Keeling Fund) 12/15/1954	Bank of America	\$3,000,322	“income only thereof to be paid . . . to be used for the general purposes of said Hospital”	None	N	Y	N	N	Yes Trust u/w
Jacob Keeling (The Jacob Keeling Fund) 6/30/1952	Bank of America	\$2,322,806	“income only thereof to be paid . . . to be used for the general purposes of said Hospital”	None	N	Y	N	N	Yes Trust u/w
Harriet Kirk 6/15/1942	JP Morgan Chase	\$390,647 which is 20% of total	“one-tenth of the net income to The Waterbury Hospital, Inc., . . . the same to be used for the general purposes of the corporation.”	“In the event that said corporation goes out of existence, then said income shall be divided equally among the other corporations and associations mentioned in Section B; but, if said corporation shall merge with any other corporation and my Trustee believes that the corporation so formed carries out the purposes of THE WATERBURY HOSPITAL, INC., then my Trustee shall pay the net income to such amalgamated corporation, but, if my Trustee believes that the amalgamated corporation does not carry out the purposes of THE WATERBURY HOSPITAL, INC., then the net income shall be divided equally among the other charitable and eleemosynary corporations and association mentioned in Section B. ...	N	Y	N	N	Yes Trust u/w

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Harriet Kirk 6/15/1942 (continued)				<p>Should all of the corporations mentioned in Sections A and B aforesaid cease to exist, ... then my Trustee shall give the net income, in such proportion as it may deem advisable, to other charitable, religious and eleemosynary corporations as shall be located in Waterbury, which carry out the principles and teachings of the corporations hereinbefore mentioned..."</p> <p>Note: The corporations and association mentioned in Section B are Waterbury Day Nursery Association, The Southmayd Home, Inc., The Waterbury Visiting Nurses' Association, Inc. and The St. Mary's Hospital Corporation.</p>					

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Henry H. Peck 6/12/1918	Bank of America	\$7,611,577	“Whereas, the Board of Directors of the Waterbury Hospital...has entered into a contract for the construction of an addition to the buildings of said hospital,...I direct my executor to pay over to the Treasurer of said Hospital such sum as may be determined by my executor and the Board of Directors of said Hospital to be necessary to pay the cost of said building.” “pay over the net income semi-annually to the Waterbury Hospital...for general uses of said institution.”	None	N	Y	N	N	Yes Will
Edith F. Poole 4/11/1928 (Francis A. and Florence A. Poole Fund)	Bank of America		“the net income thereof shall be divided equally, semi-annually, between the Second Congregational Church . . . and the Waterbury Hospital . . . the same to be used for the general purposes of said organizations.”	None	N	Y	N	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non-Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
W. Easton Smith 5/21/1944 (Howard Easton Smith Fund)	Bank of America	\$128,483	"I give and bequeath to The Colonial Trust Company, of Waterbury, Connecticut, the sum of Five Thousand Dollars (\$5,000.00), in trust, however, to hold, manage, invest and reinvest, and pay over the net income thereof semi-annually to the Waterbury Day Nursery Association, of said Waterbury, for its general purposes, said fund to be known as The Howard Easton Smith Fund." "Should any of the corporations, institutions or organizations named as beneficiaries of the trust created by Paragraphs 8, 9 and 10 of this Will, dissolve, terminate or cease to carry on their corporate purposes, I direct that the income otherwise to be paid to such corporation, institution or organization shall thereafter be paid to The Waterbury Hospital, of said Waterbury, for its general purposes."	None	N	Y	N	N	Yes Will
Wilma A. Snowden 10/25/1984 12/24/1990	Comerica Bank	\$0	Contingent remainder interest	None	N	Y	N	N	Yes, Trust Agreement and Amendment
Kenneth J. Stoughton for Paul L. Baraby 6/13/1977	Bank of America	\$0	"Upon the death of said Paul L. Baraby, the entire corpus of said Trust shall be distributed to The Waterbury Hospital...to be added to its equipment fund...." 12/31 Value - \$360,700	None	N	Y	Y	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Estate of Oscar L. Warner (The Warner Memorial Fund) 2/29/1932	Bank of America	\$2,272,394	"the income thereof for the purposes of providing accommodations and medical care and attention for the poor and needy residents of the Borough of Naugatuck, Connecticut, with the understanding, however, that the surplus of such income, if any, may be used for the general purposes"	None	N	Y	Y	N	Yes Will

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Thomas P. Crean Date of Will unknown		\$10,000 Pending bequest	"To the WATERBURY HOSPITAL of Waterbury, Connecticut, the sum of Ten Thousand (\$10,000) Dollars in fee;"	None	N	Y	N	N	Yes Will Extract
Gift Annuity April 3, 2003	Wachovia	\$226,624	Gift annuity funds payable to Waterbury Hospital at donor's death	None	N	Y	N	Y	Board Resolution, Letter of Understanding and Investment Policy Statement
Stephen J. Pecka a/k/a Steven J. Pecka 2/17/2009		\$5,000 Pending bequest	"I give and bequeath the sum of Five Thousand (\$5,000.00) Dollars to WATERBURY HOSPITAL, of Waterbury, Connecticut, or to its successors, either by way of merger or consideration;"	None	N	Y	N	N	Yes Will
Pooled Income Fund	Bank of America (Revocable)	\$112,300		None	N	Y	N	Y	Agreement of Trust dated 8/20/1993

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
Permanent Bed Fund Various Dates	Waterbury Hospital Trustee, Bank of America, Agent	\$4,674,342	See separate Bed Fund binder with all underlying documentation	See separate Bed Fund binder with all underlying documentation	Y	N	Y	N	

Name Date	Trustee	Value as of 9/30/12	Language of Disposition	Language of Succession	Endowment Y/N	Non- Endowment Y/N	Use Restricted Y/N	Solicited under §21a-175 Y/N	Instrument of disposition in file Y/N
General Endowment Fund	Waterbury Hospital	\$1,700,951	Consists solely of outright gifts		N	Y	N	Y	

**EXHIBIT 15: RESPONSES TO CONFIDENTIAL INFORMATION
MEMORANDUM**

DRAFT



HIGHLY Confidential Discussion Materials

October 17, 2012

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Process Summary



Process Summary
Key Milestones of 2012 Process

Event	Date
Draft confidential information memorandum ("CIM")	September 3, 2012
NDAs distributed to interested parties	September 10, 2012
Confidential information memorandum distributed to interested parties	September 19, 2012
Proposals received from interested parties	October 12, 2012
Proposals presented to Waterbury	October 17, 2012



Process Summary Summary of Solicitation Process

- Contacted Parties: 11
 - ▶ [Redacted]
 - ▶ Vanguard Health Systems
- Interested Parties Expected to Submit Bids: 3
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ Vanguard Health Systems
- IOIs Received: 2
 - ▶ [Redacted]
 - ▶ Vanguard Health Systems
- Executed NDAs and CIM Recipients: 5
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ Vanguard Health Systems



Process Summary
Non-Interested Parties

The two tax-exempt organizations were non-responsive in this solicitation process; the taxable organizations gave various explanations of why they chose not to participate

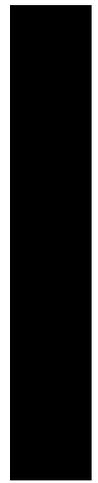
- Not core current market focus
- Current market is too competitive to enter
- Uncertainty about state regulatory process
- Too much capital needed to commit in an uncertain competitive environment
- Complexity of Saint Mary's Hospital role in the community
- Only would consider a transaction with Waterbury and another community hospital (i.e. Saint Mary's)

Overview of Proposals



Overview of Proposals

Summary

			
Form of Transaction	Asset purchase, though flexible and open to JV arrangement if preferred by GWHN	Asset Purchase	JV with GWHN to retain 20% ownership (ownership percentages are negotiable)
Total Unadjusted Transaction Value⁽¹⁾	~\$115.4 million	~\$147.9 million	
Excluded Assets	Children's Center	None	
Cash Proceeds to Foundation⁽²⁾	\$16.3 million	\$11.2 million	\$8.8 million
Net Foundation Assets⁽²⁾	~\$45.4 million	~\$72.9 million	
Long Term Capital Commitments	Minimum of \$70.0 million over a 5-year period	Minimum of \$75.0 million over a 5-year period	
Preferred Academic Partner			

(1) Calculated as Net Foundation Assets plus Long Term Capital Commitments

(2) Based on Cain Brothers estimates; see following pages for calculation



Overview of Proposals Summary (Cont'd)

			<ul style="list-style-type: none"> Anticipates creating a local JV board comprised of members from both GWHN and Vanguard Only requirement is to have enough "control" such that GWHN financials are consolidated with Vanguard's
<p>Governance</p>	<ul style="list-style-type: none"> Anticipates a local board to be created consisting of local community leaders and physicians Would rely on current board members, or a subset thereof, to comprise the new board Local board to determine timing of capital contributions, with [REDACTED] approval required 	<ul style="list-style-type: none"> Anticipates participation of existing members of GWHN Board on a hospital advisory board 	
<p>Continuation of Services</p>	<p>Anticipates maintaining all existing clinical services</p>		<p>Committed to maintaining all existing core service lines for at least 10 years</p>
<p>Expansion of Services</p>	<p>Will continuously evaluate market to identify new opportunities, with substantial input from local management team</p>		<p>Will continuously evaluate market to identify new opportunities, with substantial input from local management team</p>



**Overview of Proposals
Summary (Cont'd)**

Regional Strategy	<p>[REDACTED]</p>	<p>[REDACTED]</p>
Timing	<p>Not explicitly given</p>	<p>30-45 days diligence prior to signing a Definitive Agreement</p>
No Sale Provision	<p>Has never sold any of its hospitals and does not anticipate selling GWHN post acquisition</p>	<p>Does not purchase hospitals to close or sell them and open to discussing time commitment for retaining ownership in GWHN</p>
Right of First Refusal/Repurchase Rights	<p>Does not expect any rights of first refusal or repurchase rights, though open to discussing with GWHN</p>	<p>Would allow GWHN right of first refusal or grant certain repurchase right to GWHN upon occurrence of certain events</p>
Charity Care	<p>Will adopt GWHN's charity and indigent care policies</p>	<p>Will put in place a policy that is "at least as favorable to patients" as the existing GWHN policy</p>
Employee Matters	<p>Expects to offer employment to substantially all employees of GWHN, including management</p>	<p>Expects to offer employment to substantially all employees of GWHN</p>

Net Foundation Assets Calculations



Net Foundation Assets Calculations

	Balance Sheet as of 6/30/2012	Pro Forma Retained by GWHN	Purchased/ Assumed by Buyer	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 25,749,207	\$ 25,749,207	\$ -	
Assets Whose Use is Limited	882,423	882,423	-	
Net Accounts Receivable	42,046,465	0	42,046,465	
Accts Receivable - Other	2,234,316	2,234,316	-	
Inventories	908,348	0	908,348	
Prepaid Insurance	1,254,293	34,378	1,219,915	
Prepaid Expenses - Other	1,210,743	0	1,210,743	
Other Assets	2,372,395	0	2,372,395	
Due From Affiliates	6,521,056	6,521,056	-	
Total Current Assets	\$ 83,179,246	\$ 35,421,380	\$ 47,757,866	
Noncurrent Assets Who Use Is Limited:				
CHEFA Obligations	1,361,486	1,361,486	-	
Investments	21,448,208	21,448,208	-	
Board Designated Funds	3,021,576	3,021,576	-	
Investments in Subs	839,418	839,418	-	
Loans and Other Receivables	233,231	233,231	-	
Funds Held in Trust by Others	40,523,623	40,523,623	-	
Other Investments	691,074	691,074	-	
Net PP&E	66,060,629	2,203,577	63,857,052	
Total Assets	\$ 217,358,491	\$ 105,743,573	\$ 111,614,918	
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 16,230,595	\$ 6,497	\$ 16,224,098	
Accrued Salaries, Wages, and Benefits	14,218,843	114,303	14,104,540	
Other Accrued Expenses	460,139	47,890	412,249	
Pension Liability	10,473,825	10,473,825	-	
Due to Affiliates	8,874,056	8,874,056	-	
Due to Third-Party Payors	(165,840)	(165,840)	-	
Total Current Liabilities	\$ 50,091,618	\$ 19,350,731	\$ 30,740,887	
Long-Term Debt	\$ 32,173,450	\$ 32,173,450	\$ -	
Other Long-Term Liabilities:				
Workers Comp - LT Liability	\$ 5,759,464	\$ 5,759,464	\$ -	
Tail Coverage - Professional Liability	2,527,785	2,527,785	-	
Asbestos Abatement	2,716,459	2,716,459	-	
Other Long-Term Liabilities	1,431,314	1,431,314	-	
Minority Interest in Subsidiaries	12,662,780	12,662,780	-	
Total Other Liabilities	\$ 25,097,802	\$ 25,097,802	\$ -	
Total Liabilities	\$ 107,362,870	\$ 76,621,983	\$ 30,740,887	
Net Balance Sheet Items	\$ 109,995,621	\$ 29,121,590	\$ 142,355,805	

Net Foundation Assets Before Adjustments \$ 29,121,590

Cash Purchase Price \$25,000,000

Adjustments to Cash Purchase Price

Normalized Working Capital Adjustment ⁽¹⁾ 9,331,757

Bond Defeasance Costs ⁽²⁾ (965,204)

Pension Funding ⁽³⁾ (13,092,281)

Estimated Transaction Costs (3,000,000)

Contingencies (1,000,000)

Cash Proceeds (Deficit) to GWHN \$16,274,273

Other Adjustments to Net Foundation Assets

Write-off of Other Assets (34,378)

Net Foundation Assets \$45,361,485

Note: Reflects June 30, 2012 GWHN interim financial statements unless otherwise stated; actual consolidating balance sheet and adjustments may be substantially different

(1) Assumes 125% of current liabilities to current assets

(2) Assumes 103% of par

(3) Assumes 125% of pension liability



Net Foundation Assets Calculations Vanguard Health Systems – Asset Purchase

	Balance Sheet as of 6/30/2012	Pro Forma Retained by GWHN	Purchased/ Assumed by Buyer
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 25,749,207	\$ 25,749,207	\$ -
Assets Whose Use is Limited	882,423	882,423	-
Net Accounts Receivable	42,046,465	0	42,046,465
Accts Receivable - Other	2,234,316	2,234,316	-
Inventories	908,348	0	908,348
Prepaid Insurance	1,254,293	0	1,254,293
Prepaid Expenses - Other	1,210,743	0	1,210,743
Other Assets	2,372,395	2,372,395	-
Due From Affiliates	6,521,056	6,521,056	-
Total Current Assets	\$ 83,179,246	\$ 37,759,397	\$ 45,419,849
Noncurrent Assets Who Use Is Limited:			
CHEFA Obligations	1,361,486	1,361,486	-
Investments	21,448,208	21,448,208	-
Board Designated Funds	3,021,576	3,021,576	-
Investments in Subs	839,418	839,418	-
Loans and Other Receivables	233,231	233,231	-
Funds Held in Trust by Others	40,523,623	40,523,623	-
Other Investments	691,074	691,074	-
Net PP&E	66,060,629	-	66,060,629
Total Assets	\$ 217,358,491	\$ 105,878,013	\$ 111,480,478
			4,309,692
			(965,204)
			(3,000,000)
			(1,000,000)

Net Foundation Assets Before Adjustments \$ 64,151,840

Cash Purchase Price \$11,810,000

Adjustments to Cash Purchase Price

Normalized Working Capital Adjustment ⁽¹⁾ 4,309,692

Bond Defeasance Costs ⁽²⁾ (965,204)

Estimated Transaction Costs (3,000,000)

Contingencies (1,000,000)

Cash Proceeds (Deficit) to GWHN \$11,154,489

Other Adjustments to Net Foundation Assets

Write-off of Other Assets (2,372,395)

Net Foundation Assets \$72,933,934

Liabilities			
Current Liabilities:			
Accounts Payable	\$ 16,230,595	\$ -	\$ 16,230,595
Accrued Salaries, Wages, and Benefits	14,218,843	-	14,218,843
Other Accrued Expenses	460,139	-	460,139
Pension Liability	10,473,825	-	10,473,825
Due to Affiliates	8,874,056	-	8,874,056
Due to Third-Party Payors	(165,840)	(165,840)	-
Total Current Liabilities	\$ 50,091,618	\$ (165,840)	\$ 50,257,458
Long-Term Debt	\$ 32,173,450	\$ 32,173,450	\$ -
Other Long-Term Liabilities:			
Workers Comp - LT Liability	\$ 5,759,464	\$ 5,759,464	\$ -
Tail Coverage - Professional Liability	2,527,785	2,527,785	-
Asbestos Abatement	2,716,459	-	2,716,459
Other Long-Term Liabilities	1,431,314	1,431,314	-
Minority Interest in Subsidiaries	12,662,780	-	12,662,780
Total Other Liabilities	\$ 25,097,802	\$ 9,718,563	\$ 15,379,239
Total Liabilities	\$ 107,362,870	\$ 41,726,173	\$ 65,636,697
Net Balance Sheet Items	\$ 109,995,621	\$ 64,151,840	\$ 177,117,175

Note: Reflects June 30, 2012 GWHN interim financial statements unless otherwise stated; actual consolidating balance sheet and adjustments may be substantially different

(1) Assumes 125% of current liabilities to current assets

(2) Assumes 103% of par



Net Foundation Assets Calculations Vanguard Health Systems – Joint Venture

	Pro Forma		
	Balance Sheet as of 6/30/2012	Retained by GWHN	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 25,749,207	\$ 25,749,207	\$ -
Assets Whose Use is Limited	882,423	882,423	-
Net Accounts Receivable	42,046,465	0	42,046,465
Accts Receivable - Other	2,234,316	2,234,316	-
Inventories	908,348	0	908,348
Prepaid Insurance	1,254,293	0	1,254,293
Prepaid Expenses - Other	1,210,743	0	1,210,743
Other Assets	2,372,395	2,372,395	-
Due From Affiliates	6,521,056	6,521,056	-
Total Current Assets	\$ 83,179,246	\$ 37,759,397	\$ 45,419,849
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Net PP&E	66,060,629	-	66,060,629
Total Assets	\$ 217,358,491	\$ 105,878,013	\$ 111,480,478
Liabilities			
Current Liabilities:			
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Net Balance Sheet Items	\$ 109,995,621	\$ 64,151,840	\$ 177,117,175

Net Foundation Assets Before Adjustments \$ **64,151,840**

Cash Purchase Price **\$9,448,000**

Adjustments to Cash Purchase Price

Normalized Working Capital Adjustment ⁽¹⁾ 4,309,692

Bond Defeasance Costs ⁽²⁾ (965,204)

Estimated Transaction Costs (3,000,000)

Contingencies (1,000,000)

Cash Proceeds (Deficit) to GWHN **\$8,792,489**

Other Adjustments to Net Foundation Assets

Write-off of Other Assets (2,372,395)

Equity Interest in Joint Venture * TBD

Net Foundation Assets **\$70,571,934**

Note: Reflects June 30, 2012 GWHN interim financial statements unless otherwise stated; actual consolidating balance sheet and adjustments may be substantially different

(1) Assumes 125% of current liabilities to current assets

(2) Assumes 103% of par

* Joint Venture value to be determined based on amount of capital to be committed plus any additional return on investment

Profiles of Respondents



Profiles of Respondents

[Redacted]

Company Overview

[Redacted]

Geographic Footprint

[Redacted]

Basic Information

[Redacted]

Financial Information

[Redacted]

Latest News

[Redacted]

Management

[Redacted]



Profiles of Respondents

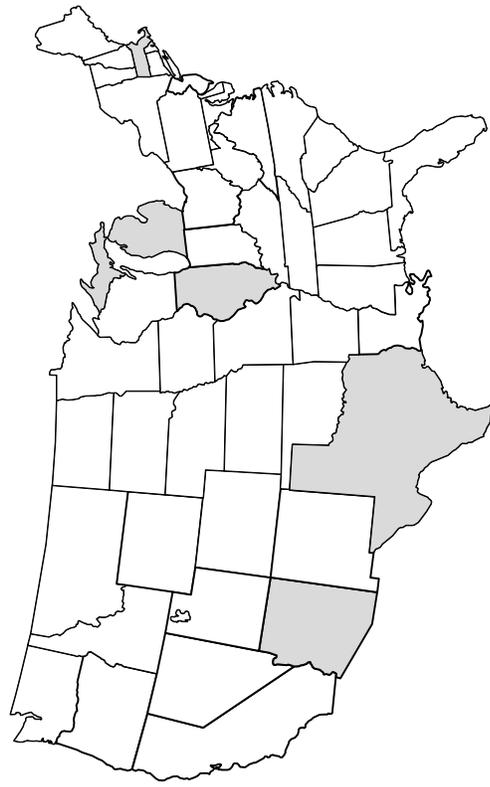
Vanguard Health Systems



Company Overview

- Vanguard Health Systems (“Vanguard”) is a leading operator of regionally-focused integrated health care networks
- Following its IPO in June 2011, Vanguard is now a publicly traded company (NYSE: VHS)
- In certain markets, Vanguard also operates health plans that complement and enhance its market position
- In FY2011, Vanguard acquired 13 hospitals, representing approximately \$2.9 billion in annualized revenues, and increased same-hospital adjusted discharges by 2.4%

Geographic Footprint



Basic Information

- Headquarters: Nashville, TN
- Acute Care Hospitals: 28
- Total Acute Care Beds: 6,201
- Overall Employees: 38,600
- Physicians: N/A
- Admissions: N/A
- Outpatient Visits: N/A

Financial Information

- Total Operating Revenue: \$6.5 billion
- Net Income: \$57.3 million
- EBITDA: \$542.3 million
- Operating Margin: 4.8%
- EBITDA Margin: 8.4%
- Net Income Margin: 0.9%
- DCOH: 27.2
- Cash-to-Debt: 16.8%
- Debt-to-Cap: 88.4%
- Debt-to-EBITDA: 499.1%
- Rating: B2/B/NR

Latest News

- 9/18/2012 – Vanguard Health Systems, Tufts Medical Center, and the New England Quality Care Alliance physicians network announce exclusive negotiations to create a new health system in Massachusetts

Management

Name	Position
Charles N. Martin	Chairman
Keith B. Pitts	Vice Chairman
Phillip W. Roe	Chief Financial Officer,
Kent H. Wallace	Chief Operating Officer

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

October 4, 2012

Attendees: Carl Contadini, Darlene Stromstad, John Michaels, Carl Sherter, M.D., Jim Cain and Michael Pappas of Cain Brothers and Ann H. Zucker

Mr. Cain reported that of the ten entities Cain Brothers had reached out to, five signed confidentiality agreements. Of those five, two entities () chose not to go forward. Cain Brothers expects to receive proposals from Vanguard, () by the deadline of October 11th.

Mr. Cain anticipates that Vanguard and () will submit asset purchase proposals, while () could propose a joint venture arrangement with ().

Mr. Cain said his team would read and summarize the proposals and present them to the Joint Task Force on October 17th.

The task force discussed its priorities: high-asset foundation vs. bricks and mortar improvements, importance of local governance and input from medical staff. Mr. Contadini said the Board would consider and evaluate carefully all the proposals that it receives by next week's deadline, including any proposal made by Saint Mary's.



Ann H. Zucker

Dated: October 5, 2012

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

October 17, 2012

The meeting was called to order at 9:20 am.

Attendees: Carl Contadini, Darlene Stromstad, John Michaels, Andrew K. Skipp, Jim Cain and Jason Horowitz of Cain Brothers, and Ann H. Zucker. Carl Sherter, M.D. attended via teleconference.

Mr. Horowitz distributed materials summarizing the process that included contacting two [REDACTED] nonprofits and eight for-profits regarding a potential transaction. Five for-profits responded and executed NDAs. No nonprofit elected to proceed. Two for-profits submitted proposals.

Mr. Horowitz presented an overview of the two proposals, which were submitted by Vanguard Health Systems ("Vanguard") and [REDACTED], regarding potential asset purchase or joint venture transactions involving Greater Waterbury Health Network, Inc. ("GWHN"). Mr. Horowitz provided general information on [REDACTED] and Vanguard. The Task Force was familiar with Vanguard from the earlier process.

Mr. Horowitz presented the proposals from Vanguard and [REDACTED], focusing on (i) the form and economic value of the proposed transaction, (ii) the proposed governance and continuation of services, and (iii) each entity's business strategy, proposed transaction timing, and ability to close. Mr. Horowitz noted that [REDACTED] proposed an asset purchase transaction, but is open to a joint venture arrangement, while Vanguard has proposed both an asset purchase transaction and a joint venture arrangement.

After Mr. Horowitz's presentation, the Task Force discussed the need to pick a partner that can correctly assess the changing healthcare industry and successfully navigate the Waterbury community. The Task Force agreed that Vanguard and [REDACTED] should meet in person with the Task Force. Meetings with Vanguard and [REDACTED] were arranged for the following day.

Mr. Cain proposed that the Task Force develop a list of questions for Vanguard and [REDACTED]. Ms. Stromstad presented a list of questions that she had already compiled, which included questions on strategy, fit and future plans. The Task Force discussed additional questions.

Mr. Contadini proposed holding a special board meeting next week. He asked that the Task Force work toward reviewing the options and be prepared to make a recommendation to the board.

Adjourned: 12:18 pm.



Ann H. Zucker

Dated: October 17, 2012

{W2164919;3}

00817

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

October 18, 2012

The meeting was called to order at 12:36 pm.

Attendees: Carl Contadini, Darlene Stromstad, John Michaels, Andrew K. Skipp, David Pizzuto, M.D. (in place of Dr. Sherter), Jim Cain and Jason Horowitz of Cain Brothers, Ann H. Zucker, and [REDACTED]. Two additional [REDACTED] representatives, [REDACTED] attended via teleconference.

[REDACTED], President, and [REDACTED], SVP Finance and Operations of [REDACTED], presented [REDACTED] proposal to purchase the assets of the Greater Waterbury Health Network, Inc. ("GWHN"). [REDACTED] began by discussing his own background and experience, and [REDACTED] did the same. [REDACTED] explained [REDACTED] proposal, as well as its overall strategy and the reasons for its interest in Waterbury Hospital.

In response to questions from the Task Force, [REDACTED] explained [REDACTED] plans in the New England market, its ability to adapt to the New England market given its current focus on [REDACTED] changes that it anticipates making if it acquires the assets of GWHN, and its proposed governance model. [REDACTED] also discussed [REDACTED] proposed ambulatory service strategies, and presented examples of [REDACTED] successes in [REDACTED].

In response to questions from the Task Force, [REDACTED] discussed the specific economic terms of [REDACTED] proposed asset purchase, its ability to close any proposed deal in an efficient manner, its experience with labor unions, and its willingness to consider a joint venture model. Finally, the [REDACTED] representatives and the Task Force discussed the potential proposal for a joint venture agreement.

[REDACTED] and [REDACTED] departed; the Task Force took a recess from 2:20 to 3:00.

At 3:00, Keith Pitts and Erik Wexler of Vanguard Health Systems ("Vanguard") arrived to present Vanguard's proposal to either purchase the assets of GWHN or enter into a joint venture with GWHN. Mr. Pitts, Vanguard's Vice Chairman, and Mr. Wexler, President of Vanguard New England and CEO of St. Vincent Hospital, introduced themselves and their experience. Mr. Pitts gave an overview of Vanguard's history and its current projects. He explained Vanguard's overall strategy in Connecticut, including its analysis of challenges specific to the Connecticut market and its anticipated methods of addressing those challenges.

Mr. Pitts explained Vanguard's proposal to either purchase the assets of GWHN or enter into a joint venture with GWHN. In response to questions from the Task Force, Mr. Pitts discussed Vanguard's experience with managing risk and engaging physicians. He outlined a proposed governance structure, anticipated changes if it acquires the assets of GWHN, and the specifics of its proposed joint venture, including capital commitment, asset valuation, and capital call issues.

{W2166242;2}

Mr. Wexler discussed Vanguard's three operations in Massachusetts, including its experience dealing collaboratively with labor unions there.

Finally, in response to questions from the Task Force, Mr. Pitts discussed Vanguard's commitment to move through the regulatory process, its ability to move towards a closing efficiently, and the business processes that it foresees implementing if it enters into a transaction with GWHN.

At 3:50, Mr. Pitts and Mr. Wexler departed; the Task Force discussed both proposals.

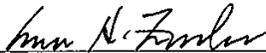
The Task Force discussed the positives and negatives of each proposal, and all members agreed that they would prefer a joint venture to an asset purchase, believing that the joint venture model will better ensure continuing community engagement with its hospital. It discussed each entity's experience with running hospitals, experience with the CON process, experience in New England, strategy, familiarity with the Waterbury market, and apparent willingness to deploy capital, among other topics.

Mr. Contadini suggested that the Task Force permit [REDACTED] to submit a proposal for a joint venture. Mr. Horowitz agreed to contact [REDACTED].

Mr. Contadini anticipated that a special board meeting should be called shortly, at which the Task Force will present a recommendation. He instructed Ms. Zucker to prepare a form of letter of intent and circulate it to the Task Force and Cain Brothers.

Dr. Pizzuto stated that he would update Dr. Carl Sherter as to the substance of the meeting, as well as both proposals.

Adjourned: 5:03 pm.



Ann H. Zucker

Dated: October 18, 2012

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

October 25, 2012

The meeting was called to order at 9:00 am.

Attendees (all via teleconference): Carl Contadini, Darlene Stromstad, John Michaels, Andrew K. Skipp, Carl Sherter, M.D., Jim Cain and Jason Horowitz of Cain Brothers, Ann H. Zucker.

The Task Force discussed the draft letters of intent (“LOIs”) that [REDACTED] and Vanguard Health Systems (“Vanguard”) submitted to it in conjunction with their proposals to enter into joint ventures with the Greater Waterbury Health Network, Inc. (“GWHN”). The Task Force discussed the specific terms of the LOIs, and noted the differences between the terms of the LOIs and the terms of the original proposals.

The Task Force discussed the positives and negatives of each LOI, and of both [REDACTED] and Vanguard’s proposals. The Task Force requested that Mr. Horowitz contact Vanguard’s representative and clarify the Task Force’s position regarding capital calls and ensuring the maintenance of community benefits standards.

The Task Force stated its intention to hold a special board meeting that evening at which it would present a recommendation regarding a preferred joint venture partner with GWHN.

Adjourned: 10:02 am.



Ann H. Zucker

Dated: October 25, 2012

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

February 22, 2013

The call started at 11:00 am.

Attendees (all via teleconference): Darlene Stromstad, Carl Contadini, John Michaels, Carl Sherter, MD, Jay Hoffman, Scott Bowman, Jim Cain and Jason Horowitz of Cain Brothers, and Ann H. Zucker and Lucas Meyer of Carmody & Torrance LLP.

Messrs. Horowitz and Mr. Cain gave a presentation on the major issues regarding the proposed joint venture between the Greater Waterbury Health Network, Inc. ("GWHN") and Vanguard Health Systems ("Vanguard") that have arisen over the course of the formal due diligence phase.

Their presentation focused on four issues: the Net Working Capital number, certain assumed liabilities, off balance sheet items and the CHCA pension plan. The Task Force discussed the viable options at length and gave Cain Brothers some negotiating parameters.

Mr. Cain stated that he and Mr. Horowitz would plan a future meeting with Vanguard to resolve these issues.

The call concluded at 11:52 am.



Ann H. Zucker

Dated: February 22, 2013

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

April 11, 2013

The meeting started at 4:03 pm.

Attendees: Darlene Stromstad, Carl Contadini, John Michaels, and Ann H. Zucker of Carmody & Torrance LLP.

Attendees via teleconference: Andrew Skipp, Jim Cain of Cain Brothers, and Lucas Meyer of Carmody & Torrance LLP.

Not present: Carl Sherter, M.D.

Mr. Cain gave a presentation on the current status of the proposed joint venture between the Greater Waterbury Health Network, Inc. ("GWHN") and Vanguard Health Systems ("Vanguard"). He explained current discussions with Vanguard regarding CHCA pension plan issues, and how those pension plan issues may impact the terms of the deal. The Attendees discussed the best methods of dealing with the CHCA pension plan issues.

Mr. Cain stated that he would plan a call with Vanguard the next day to walk through the outstanding deal issues and clarify which GWHN assets will be retained by the resulting foundation. He then discussed the general schedule for the deal going forward.

The call concluded at 4:35 pm.



Ann H. Zucker
Dated: April 11, 2013

TASK FORCE #2 MEETING
THE WATERBURY HOSPITAL
GREATER WATERBURY HEALTH NETWORK, INC.

April 22, 2013

The meeting started at 7:00 am.

Attendees (all via teleconference): Carl Contadini, John Michaels, Carl Sherter, M.D., Andrew Skipp, Darlene Stromstad, Jim Cain and Chris McDonough of Cain Brothers, and Ann H. Zucker of Carmody & Torrance LLP.

Mr. Cain walked the Task Force members through the presentation that he planned to deliver to the directors/trustees at the special joint board meeting. Mr. Cain spoke about the key business terms of the proposed joint venture at length, and the Task Force members discussed the purchase terms, the CHCA pension obligation, the change in the capital commitment, and other key business terms. He noted that during the diligence process there were unexpected issues such as significant A/R writeoff and a larger than expected multiemployer plan liability, as well as the economic climate for healthcare in Connecticut. The Task Force members also discussed some of the current challenges facing hospitals in Connecticut, such as state budget cuts, and how those challenges might affect the proposed joint venture.

Following Mr. Cain's presentation and the accompanying discussion, the Task Force members discussed the joint meeting to be held the following day

The call concluded at 7:52 am.



Ann H. Zucker

Dated: April 22, 2013

Jason Horowitz, Senior Vice President
Cain Brothers & Company
October 12, 2012

Page 2 of 10

physicians to focus on patient care; and [REDACTED] to coordinate medical management that ensures quality and efficiency.

Five of [REDACTED]'s seven hospitals are clustered in [REDACTED], along with our corporate headquarters. All of the current medical groups are [REDACTED]. Those medical groups currently include almost 10,000 primary care and specialist physicians and risk contracts for approximately 200,000 lives. We have spent years refining the [REDACTED] model in [REDACTED] and now, with the backing of [REDACTED], one of the nation's largest private equity firms, are in the process of exporting the model to other regions of the country.

Our first non-[REDACTED] hospital strategic partnership was in [REDACTED] of this year with [REDACTED]. We are already developing an IPA and negotiating with payors to obtain risk contracts in the [REDACTED] market and are poised to acquire additional hospitals, build medical groups and develop a [REDACTED].

We operate both our facilities and medical groups by applying highly disciplined, data-driven management to the provision of quality care to our patients. Through the in-depth analysis and application of various operational and financial metrics, we have been able to achieve a highly efficient cost structure across a diverse mix of payors and have been able to adapt to economic and regulatory changes. We believe the most cost-efficient and quality driven providers will succeed in this rapidly changing economic and regulatory environment. Furthermore, we believe the coordination of our facilities and medical groups creates an efficient healthcare delivery system that positions us well for the future of healthcare delivery.

In addition to GWHN, [REDACTED] is actively exploring relationships with other hospitals in Connecticut including a potential joint venture relationship with [REDACTED] [REDACTED].) We would be delighted to further outline our vision for Connecticut and how GWHN would fit into, help develop and play an integral part in realizing that vision.

The balance of this letter responds seriatim to the 16 items listed in Appendix A to the September 2012 Confidential Information Memorandum.

1. FORM OF TRANSACTION.

As we will describe in more detail in paragraphs 2 (c) and 3 below, [REDACTED] believes that the delivery of health care is local in nature and therefore requires local involvement. Although we are proposing a purchase by a Connecticut subsidiary of [REDACTED] of GWHN's assets, we are flexible and open to a joint venture arrangement in which [REDACTED] and GWHN hold different ownership percentages based on valuation but where the local Governing Board is made up primarily of local community leaders and physicians. It should be noted that even if [REDACTED] purchases the assets of GWHN, we would still plan on having a local Governing Board comprised of community leaders and physicians.

00825

2. OBJECTIVES ALIGNMENT. PLEASE DESCRIBE HOW YOU ENVISION ACHIEVING GWHN'S OBJECTIVES:

- (a) *Ensure Waterbury Hospital Remains A Viable Health Care Entity, Providing The Highest Safety And Quality Health Care Services To The Greater Waterbury Community For The Long-Term.*

Our interest in GWHN is based on its location in a very attractive market, its strong presence and commitment to its local community, its reputation for quality and service, and its significant potential for growth. We believe that this is the right opportunity for [REDACTED] and plan to build upon GWHN's significant achievements as an essential community system. [REDACTED] believes it is unique in the marketplace in terms of providing a combination of financial resources, management expertise (and, in particular, expertise in managing risk contracts), and proven high quality, low cost health care delivery, which, when combined with the [REDACTED] platform briefly described in our introductory comments, will position Waterbury Hospital not only to remain viable but be a leader in providing high safety and quality healthcare services at low cost to the community for the long-term.

- (b) *Provide Sufficient Capital To Meet Deferred, Current And Future Capital Needs For The Waterbury Hospital Physical Plant To Ensure State Of The Art Health Care Delivery Services Through An Upgrade Of Facilities, Equipment And Technology.*

[REDACTED] possesses a robust balance sheet and, as noted above, is backed by [REDACTED] [REDACTED] which has over [REDACTED] billion in committed capital. It has always been our philosophy to supply sufficient capital to allow our hospitals thrive in the marketplace. We will need more due diligence, including input from GWHN's management and board of directors, to determine a viable strategy with adequate capital to execute on that strategy. In summary, we share GWHN's objective that the hospital possess sufficient capital, whether initially or in the future, to ensure state of the art health care delivery services through, among other things, an upgrade of facilities, equipment and technology.

- (c) *Continue A Meaningful, Local Governance Presence At Waterbury Hospital That Represents Both Physicians And The Greater Waterbury Community.*

As noted above, we believe that the delivery of health care services is local in nature and requires local involvement. Whether a straight asset acquisition or a joint venture, we envision a local Governing Board (responsible for the consideration of and adoption of a strategic plan, credentialing, monitoring quality of care, charity care, patient satisfaction and other issues for which Governing Boards are normally responsible) which would have a preponderance of local members. [REDACTED] would retain certain reserve powers like allocation of capital. However, in our experience, Boards act by consensus and rarely, if ever, are reserve powers exercised.

(d) Develop And Implement An Ambulatory Service Strategy To Best Position Company For Successful Transition In Changing Health Care Delivery Methods.

As noted in our introductory comments, [REDACTED] has two divisions: a hospital division and an IPA division. Our [REDACTED] model is unique and not only positions [REDACTED] for successful transition in changing health care delivery methods, but is on the leading edge of such change. Indeed, although we cannot divulge names, one of the most famous medical centers in the world is negotiating a joint venture with [REDACTED] to leverage [REDACTED] expertise in managing risk for a high risk population. We believe that GWHN, along with others we anticipate will join in the Connecticut [REDACTED], will be first movers in Connecticut with respect to an ambulatory care/IPA/risk contracting strategy that will be very successful.

(e) Develop And Implement Regional Tertiary Care Relationships For The Betterment Of Health Care Delivery To The Community.

[REDACTED] believes in delivering the right care, at the right time, at the right place. Therefore, our [REDACTED] model includes the entire continuum of care with [REDACTED] managing same under risk contracts. In fact, in the markets that [REDACTED] model is well established, [REDACTED] has developed valuable relationships with leading hospitals and academic medical centers for the delivery of tertiary and higher level care to its patient population. We envision deploying the same model in the Connecticut market. We believe GWHN to be an integral part of such a strategy, all of which benefits the community with high quality, low cost health care.

(f) Deploy Repeatable And Scalable Tools And Clinical Care Services To Continually Improve The Health Of The Community.

One of the underlying incentives of risk contracts is to improve the health of the community before an individual catastrophe occurs. As providers, we, of course, all want those results. Furthermore, the financial incentives of risk contracts force providers to employ various financial, operational and clinical metrics to ensure preventative care. Indeed, the Healthcare Reform Act is based on the principle of providing preventative care to improve the health of the community at large in order to reduce healthcare costs. In order to monitor the appropriate delivery of care and its effects on costs overall and the health of the population, we necessarily have to use scalable tools and technology. [REDACTED] has in the past invested significant capital to develop the tools and the technological infrastructure for its existing markets. It is our intent to deploy the same model as we enter into new markets.

(g) Enhance The Hospital's Medical Staff By Attracting And Retaining Physicians Through Access To Available Capital Partner Funds To Support Such Growth.

One commentator once noted that a hospital without physicians is simply a hotel. We couldn't agree more with this statement. We are familiar with and eager to recruit and attract physicians through various models, all of which, of course, must be consistent with various state and federal

fraud and abuse laws and regulations. It should be noted that the recruitment of high quality physicians is a crucial part of our [REDACTED] model.

(h) Maintain High Satisfaction Scores By Patients, Physicians, Employees And Volunteers.

If there is one thing that the hospitality industry has taught hospitals is that high satisfaction scores among all constituencies (in this case, patients, physicians, employees and volunteers) is crucial to success, both financially and, in the case of hospitals, in healing of patients. Furthermore, with the emphasis on value based purchasing by Medicare and various private insurers it is imperative for every healthcare provider to ensure a high level of satisfaction.

(i) Continue Charitable Care Delivery And Funding.

It is [REDACTED] practice and intention to adopt a partner's charity care policy. We believe that providing charity care is the responsibility of all healthcare providers. In fact, [REDACTED] is a member of [REDACTED] is a network of private, core safety net hospitals in [REDACTED] that care for disproportionate share of low-income, medically vulnerable patients.

3. OWNERSHIP, GOVERNANCE AND MANAGEMENT.

a) Describe How GWHN Will Be Organized In Relation To Your Organization.

If [REDACTED] purchases the assets of the GWHN, we propose to form a new entity to purchase all tangible and intangible assets owned or used by GWHN and its affiliates. We contemplate that the assets would be conveyed and assigned free and clear of all liens, claims, charges or encumbrances. [REDACTED] will not assume any liabilities except those liabilities specifically agreed to as part of definitive agreements for the transaction.

If however, a joint venture is preferred, we propose that a new joint venture entity be formed that would receive all tangible and intangible assets owned or used by GWHN and its affiliates as contribution for GWHN's equity stake and [REDACTED] would commit to capital contributions for its equity ownership in the new joint venture company. Of course if a third party, such as [REDACTED], is involved, all three parties would have input as to the structure of the transaction.

b) Describe the proposed governance structure and the ongoing role, if any of GWHN's current Board of Directors.

We believe that all healthcare is local and that a strategic plan should be developed locally. As such, we anticipate a local board comprised of local community leaders and physicians. We would naturally rely on the current board members, or a subset thereof (to the

extent such board members have an interest), to comprise a new board. We welcome GWHN's input on this matter.

c) Describe the proposed management organizational structure for GWHN.

Subject to further diligence, we do not foresee any changes in the management of GWHN. It has been our practice and preference to rely on the existing strong management in place at the time of the transaction. [REDACTED] have been hired as President and SVP Finance and Operations, respectively, of [REDACTED]-East, to replicate the [REDACTED] model in the Northeast. Therefore, the local management team would be reporting to [REDACTED]
[REDACTED]

4. Transaction Value

If you are proposing an asset purchase, please describe how GWHN will be valued, including the methodology and calculation of any adjustments to the proposed consideration.

Assuming that GWHN's consolidated balance sheet at closing would be free of all debt and cash, [REDACTED] is prepared to offer \$125 million for GWHN's assets. The offered price is based solely on the preliminary due diligence conducted to date. The following is the purchase price breakdown:

Cash due at Closing:	\$25,000,000
Cash retained by GWHN surviving entity net of liabilities (approximately)	\$30,000,000
CAPEX commitment by [REDACTED]	\$70,000,000

With respect to capital expenditure commitment, please note that [REDACTED] will commit to \$70 million in new capital (not from operating cash flow) over a five year period. The local Board as described in paragraph 3 shall determine the timing of such additional capital contributions by making a formal request to [REDACTED] for such additional capital contributions. [REDACTED] capital commitment may be used for expansion of services, plant and equipment, and for the development of a [REDACTED] in Connecticut.

5. Maintenance of Clinical Services

a) Describe your commitment to maintaining existing clinical services; b) Describe any new services you anticipate implementing over the next five years; c) Describe which, if any, clinical services may not be maintained at GWHN and the Hospital; d) Indicate the minimum time horizon for maintaining existing services.

We believe that this question is better answered in whole as opposed to the individual parts. We anticipate maintaining all existing clinical services. With respect to new services, we

recognize that meeting the long-term needs of GWHN's service area will require constant evaluation of the market to identify needed services to enhance growth. Growth strategies begin with a detailed assessment of the market to identify opportunities to add or expand healthcare services. GWHN's service lines would be identified and evaluated. Working with the local management team immediately post closing, we will identify and prioritize the growth initiatives that make the most sense. It would be our objective to initiate growth initiatives for the benefit of the surrounding communities of GWHN so long as that care can be delivered in a high quality and financially responsible manner.

6. Excluded Activities and Operations

- a) *Describe any GWHN activities and operations that are expected to be excluded from a transaction.*

We anticipate that the Children's Center of the GWHN will be excluded from the transaction.

- b) *Describe how the surviving GWHN organization (if any) could support the ongoing activities of the acquired operations after the transaction.*

There are a number of different ways that a surviving GWHN organization could support the activities of acquired operations. Assuming that the surviving organization retains its charitable status, it could (if it chooses) raise funds to support certain programs at the hospital; provide grants for charity care; provide social support for the ill. We are without doubt open to any thoughts and suggestions that GWHN has with respect to this matter.

7. Charity Care

Describe your existing charity and indigent care policies and any potential changes to GWHN policies you foresee

As stated above, we anticipate adopting GWHN's charity and indigent care policies.

8. Ethical and Religious Directives

Describe any ethical and religious directives of your organization, if any, which would impact the future operations of GWHN.

██████████ is not subject to any ethical or religious directives.

9. Employee Relationships

- a) *Describe your commitment to GWHN employees, anticipated layoffs, and type of severance package that may be offered to any affected employees.*

Subject to further diligence, [REDACTED] expects to offer employment to substantially all employees of GWHN, including management, active, and in good standing, at the time of the closing of the transaction.

b) *Describe any anticipated benefit changes.*

We expect to provide competitive benefits to all employees.

10. Capital Expenditure Commitments

Describe your expectations and commitment to capital investment over the next five years to improve GWHN facilities and expand programs and services.

We recognize a healthcare company's need to continually re-invest in its property, plant, equipment, and information systems. As stated above, immediately after the closing, we would embark on a strategic planning process involving the local management team and the local board. In collaboration with the above constituents, we would prioritize our growth plans and capital expenditure needs and will use at a minimum the funds committed herein to fund such programs and improvements to GWHN's infrastructure.

11. No Sale

Describe your commitment to retaining ownership of the GWHN operations acquired.

[REDACTED] has never sold any of its hospitals and we do not foresee any sales in the future. Our vision is long term as we look to establish our [REDACTED] model. In fact, [REDACTED] chose to become a private company (as opposed to a publicly traded) in order to relieve itself from the short term pressures involved in a public company. We do not anticipate selling GWHN post acquisition.

12. Right of First Refusal/Repurchase Rights

Describe any terms and conditions under which the surviving GWHN organization (if any) could reacquire interests transferred in a transaction.

Although we do not expect any rights of first refusal or repurchase rights, we are open to discussing this issue with GWHN.

13. Financial and Operating Information

- a) *Provide a copy your most recent audited financial statements.*
- b) *Describe how you propose to finance the transaction an any proposed ongoing financial commitments to GWHN*

- c) Provide an overview of your existing operations, including but not limited to the following;*
- (j) Number and location of facilities owned and operated*
- (k) Number of beds owned and operated*
- (l) Key operating statistics*
- (m) Key quality indicators*

For a response to this question, please see our introductory paragraphs preceding the responses to your questions. Also as stated above, there are no financial contingencies to the proposed transaction. We have also attached a list of our quality awards.

14. Due Diligence

- a) Describe your due diligence process*

Typically, we are able to complete our due diligence process within 60 days. Our process involves an in depth review of material documents, interviews with management and site visits by key personnel at [REDACTED].

- b) Provide a list of due diligence items you would like to receive in phase II if you are selected to continue in the process.*

We note that significant information has been posted in the data room. In Phase II we will conduct an in-depth review of the information and request follow-up information as warranted.

15. Process and Approvals

Indicate the level at which your response has been approved within your organization and what approvals will be required to sign a Definitive Agreement and to close the transaction

This indication of interest has been approved by [REDACTED] senior management. Execution of a definitive agreement and completion of a transaction will require approval by the [REDACTED] Board of Directors. Furthermore, the closing of the proposed transaction is subject to (i) satisfactory completion of due diligence at [REDACTED] sole discretion, and (ii) any other necessary and customary regulatory approvals.

16. Other

Please describe any other factors that GWHN should consider in evaluating your proposal.

We recognize that choosing a buyer involves more than financial considerations and legal structures. Our proposal is about preserving and enhancing a community resource in a way that honors GWHN's stated mission and vision. We believe that [REDACTED] is unique in the market place because of its experience and expertise in not only managing hospitals but also to accept

Jason Horowitz, Senior Vice President
Cain Brothers & Company
October 12, 2012

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and manage risk not only on the facility fees but also on professional fees. We believe that our model is well positioned to effectively and successfully navigate the upcoming changes mandated by Healthcare Reform. Because of our [REDACTED] model, we are able to form ACOs, accept bundled payments and form the necessary healthcare networks to provide quality health services and thrive in the market.

This indication of interest is confidential and subject to the terms and conditions of our Confidentiality Agreement dated September 28, 2012.

If you have any questions, please feel free to contact either Frank Saidara or Steve Aleman at (310) 943-4500.

Thank you.

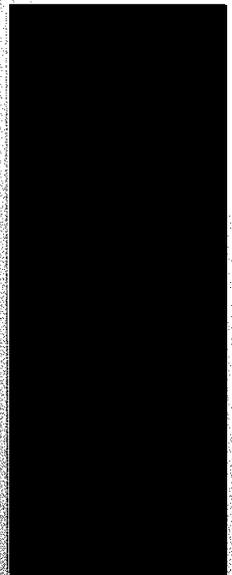
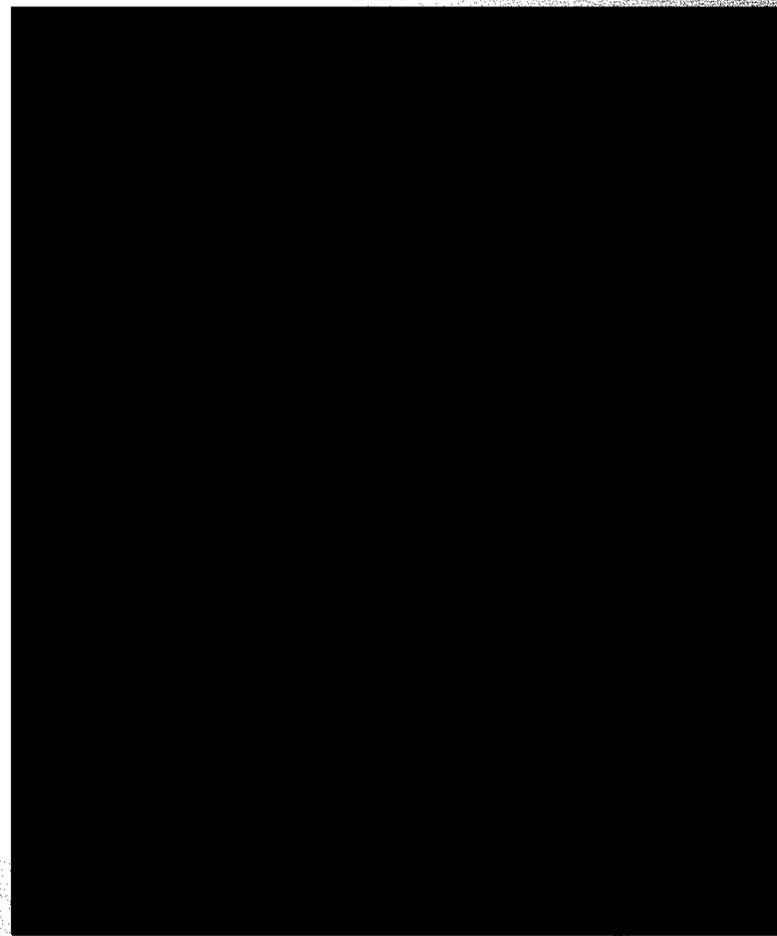
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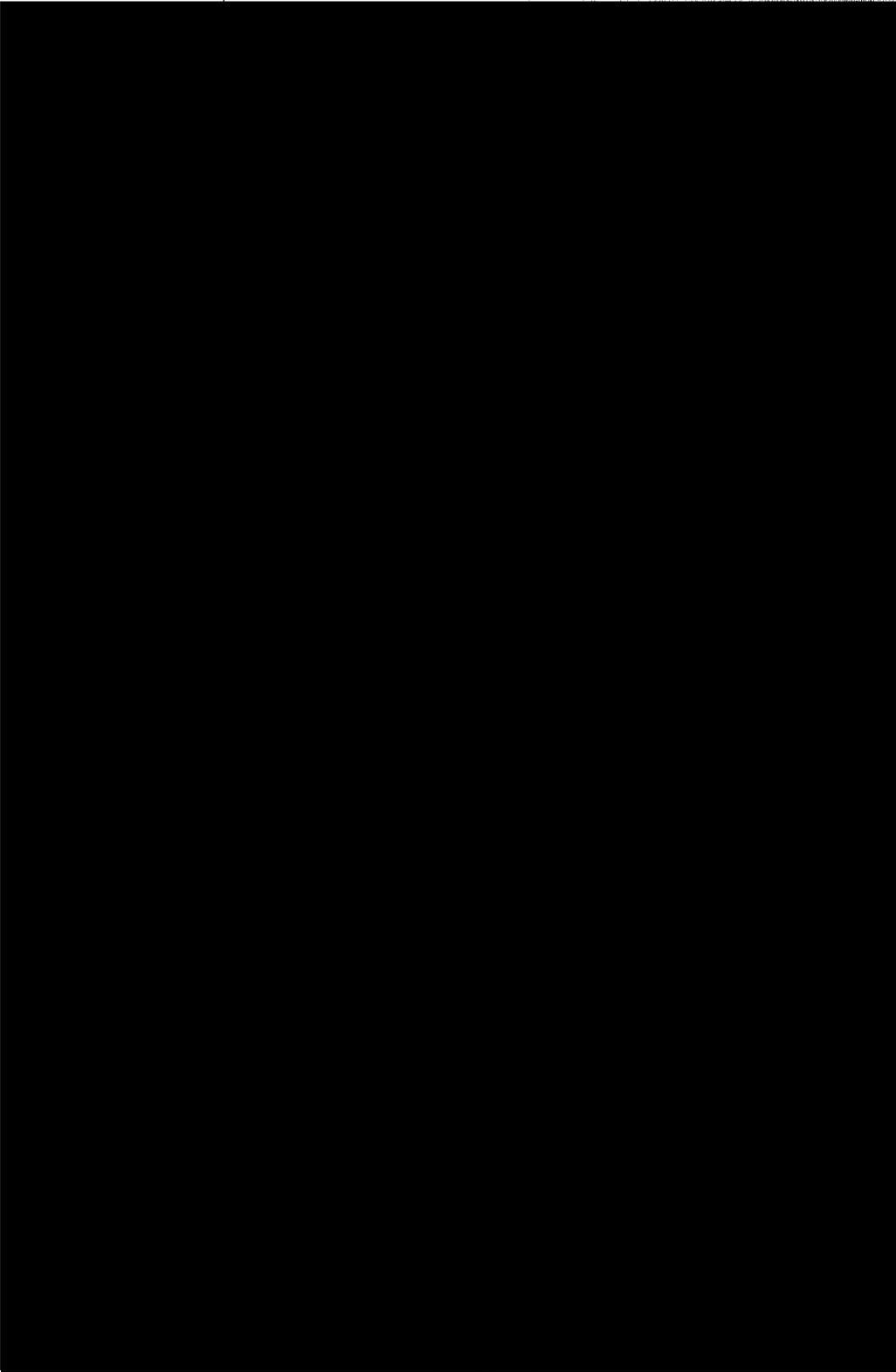
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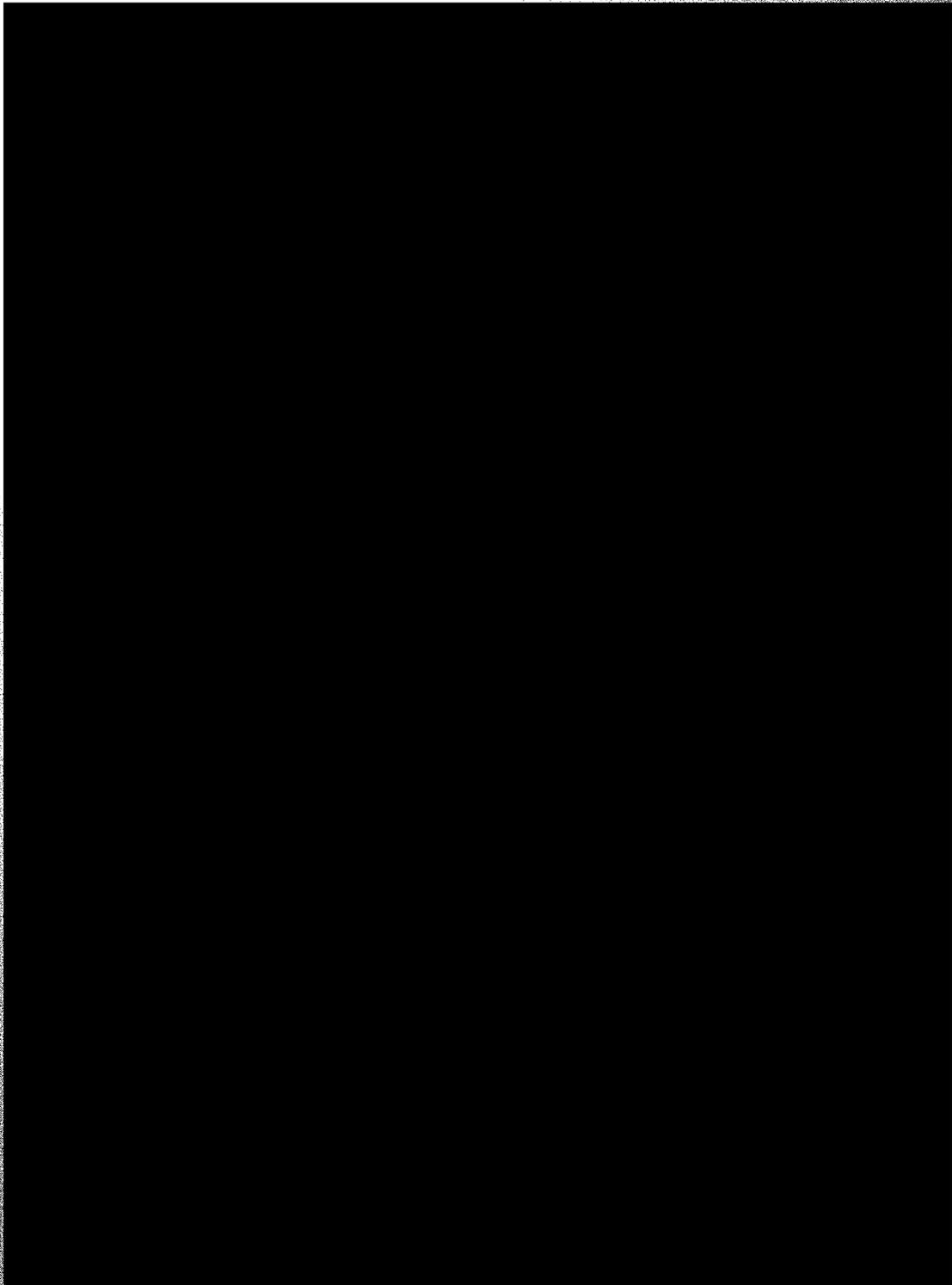
Awards





HealthGrades Awards

AWARDS



AWARDS



October 12, 2012

Mr. Jason Horowitz
Senior Vice President
Cain Brothers & Company LLC
360 Madison Avenue, 5th Floor
New York, NY 10017

Dear Mr. Horowitz,

Vanguard Health Systems, Inc. ("Vanguard") is most appreciative of the opportunity to present our preliminary, non-binding indication of interest and value ("Preliminary Proposal") to be able to discuss the potential benefits of a relationship with the Greater Waterbury Health Network ("GWHN"). Vanguard has a proven track record of operating large, complex health care delivery systems in challenging markets. We have been in the New England market since 2005 and are continually seeking opportunities for growth and expansion. An affiliation with GWHN provides us an outstanding opportunity to partner with a leading health system and through this partnership we can provide GWHN the tools and resources necessary to thrive well into the future and will allow us, together, to provide for the health care needs of the Greater Waterbury community for many years to come.

Attached to this transmittal letter is our response to the items that you requested be included in our Preliminary Proposal. We would also like to highlight some important points in our response as the GWHN Board of Directors, executive management team, medical staff and representatives from Cain Brothers consider their options.

Company History of Keeping Promises

Founded in 1997 by management and Morgan Stanley Capital Partners, Vanguard has grown to 28 hospitals and related businesses in 6 large markets with approximately \$6.0 billion in net revenue. Since August 2010, we have closed on transactions to acquire 13 hospitals with revenues totaling almost \$3 billion. With The Blackstone Group as our majority stockholder, and the completion of our initial public offering this past year, we enjoy robust capital access to both debt and equity capital. Vanguard's management team is made up of proven operators of complex hospital systems, with our senior team each having industry experience of over thirty years, including tenures at both investor-owned and not-for-profit systems. Vanguard senior leaders are recognized among the most forward-thinking and innovative leaders in our industry.

Our ability to grow our company has been due to our track record of keeping our promises to the boards of the non-profit systems that we have acquired over the past 15 years, as well as to the

communities served by these hospitals. In each of our recent acquisitions, our new partners visited existing Vanguard hospitals, spoke with community leaders in our markets and spent time with our some of our local hospital advisory boards. Their findings both validated that we keep our commitments and supported their decision to move forward with us as their new partner. I would strongly encourage members of GWHN's Board of Directors, executive management team and medical staff members to speak with boards, executive teams and medical staffs of our previous acquisitions, as well as to visit other communities where we have acquired hospitals and health care systems in the past.

Our Operating Philosophy

With our mission, vision and values as the foundation, our strategy is to create local operating divisions maintaining local branding, governance and community "ownership". Health care is a unique local business and we believe there is great value in leveraging the long-standing heritage and legacy of local systems. We bring to our regional delivery systems new sources of capital, sustainable access to capital, national purchasing and transformative approaches to clinical and business operations through knowledge transfer and best practice development and sharing, especially around patient safety, care delivery and patient experience.

With our industry in transition from a fee-for-service model to a fee-for-value model, we have transformed our company to be responsive to this evolution. We have added necessary infrastructure and resources to be leaders in this industry transformation and offer tremendous value and scale for our new partners to not just to survive, but to thrive well into the future.

Commitment to Provide Quality Services to all Persons, Regardless of Ability to Pay

Vanguard is committed to providing quality health care services to all persons seeking medical care regardless of their ability to pay. Vanguard is dedicated to continuing GWHN's history of service to the Greater Waterbury community and we will strive to continue providing quality service and cost effective application of resources, while at the same time assuring the long-term viability of GWHN.

Vanguard will assist GWHN in continuing to fulfill its indigent and charity care responsibilities to the communities it serves, and for cooperating with local organizations that sponsor health care initiatives to address identified community needs, so as to improve the health status of the elderly, poor and at-risk populations in the community, and to ensure that access to high-quality health care services remain available to everyone seeking medical care, regardless of their ability to pay.

Future Capital Investments

Vanguard recognizes that substantial capital resources are required to expand and enhance a community's health care services and is prepared to make the investments necessary to sustain and continue building an effective, integrated delivery system in the Greater Waterbury community. We have a proven track record of effectively and efficiently investing in our facilities and markets to deliver the best care possible to our communities and understand that

GWHN will require continued capital investment to remain competitive in its primary and secondary service areas. Our experience tells us that if we are not willing to invest capital in a hospital's service areas, other providers will. Vanguard's goal, if selected as the partner of GWHN, is not only to meet the Greater Waterbury community's current health care needs but, to assure GWHN's continued long term vigor as a provider of leading health care services to the Greater Waterbury community.

Vanguard is excited about the potential opportunity to work with the Greater Waterbury Health Network and we look forward to continuing discussions in the near future. Thank you again for the opportunity to present this Preliminary Proposal. Please do not hesitate to contact me at 615.665.6030 or via email at rjay@vanguardhealth.com if you should have any questions about this letter or the attachments. We look forward to hearing from you regarding the next steps.

Very Truly Yours,



Rob Jay
Vice President – Development

Attachments

Greater Waterbury Health Network

Vanguard Health Systems, Inc. (“Vanguard”) - Preliminary Proposal

1. Form of Transaction

- a) **Please describe the structure of the proposed transaction and resulting relationship with the surviving GWHN organization.**

In determining the appropriate manner in which to partner or affiliate with GWHN, we welcome the opportunity to discuss with the various constituents and decision makers the ways in which we could come together that would allow GWHN to achieve its strategic goals. The Vanguard leadership team has many years of experience in combining for-profit and not-for-profit entities in unique and creative ways to maximize each entity’s potential and to create sustainable, viable partnerships. Among the ways that Vanguard and GWHN could affiliate would be either through an asset acquisition or the creation of a taxable joint venture.

Asset Acquisition and General Transaction Terms

In either an asset acquisition or joint venture partnership between GWHN and Vanguard (“buyer”), the transaction would be valued using an Enterprise Value approach, as explained further below. Included in the Enterprise Value would be net working capital and all owned entities. In addition, buyer or the joint venture partnership may assume certain obligations, those not already included in working capital, as a dollar for dollar reduction of Enterprise Value after appropriate due diligence. The following obligations would be considered for assumption: pension plan, deferred compensation plans, capitalized leases, malpractice, third-party cost reports and certain other long term liabilities that are not part of working capital. The net liability would be assumed as part of the transaction and calculated to reduce the Enterprise Value. GWHN would also indemnify Vanguard or the joint venture partnership for all prior liabilities not assumed as part of the transaction. Regardless of final agreed upon structure, we would expect to assist GWHN with extinguishment of certain of these liabilities that may not be assumed (i.e. filing cost reports, etc.).

Joint Venture

Another option to partner with Vanguard would be through the creation of a taxable joint venture with GWHN and Vanguard (the “Joint Venture”). The Joint Venture would allow the collective resources of Vanguard and GWHN to collaborate using the local knowledge of GWHN leadership, the national and regional perspective and experience of Vanguard to develop an effective strategic plan. We are also open to providing a line of credit to fund the working capital needs and minor capital expenditures of the joint venture to the extent the cash flows are insufficient to cover these needs. As discussed further in our response to item 10. below, we will commit to investing \$75M in both improvements at Waterbury Hospital and in the acquisition or development of ambulatory assets in the Greater Waterbury community over a 5-year period. To the extent that these capital expenditures could not be funded by the cash flows of the joint venture operations, a capital call of the joint venture partners in proportion to their respective ownership percentages will be required.

A joint venture structure would allow the surviving GWHN the opportunity to be intimately involved in the ongoing operations of GWHN and to continue to invest in its future. We initially propose a joint venture wherein Vanguard would own 80% and legacy GWHN would own 20% of a new joint venture entity. We are flexible regarding ownership percentages as long as the

Joint Venture's results can be consolidated into Vanguard's financial statements in accordance with existing accounting principles. A joint venture could also be structured such that GWHN's portion of the joint venture could remain tax exempt status if so desired.

In the Joint Venture, a local joint venture board would be established consisting of a representative number of Vanguard and GWHN members responsible for the mutually agreed upon governance activities. In conjunction with a transaction to create the Joint Venture, the Joint Venture would execute a management services agreement with Vanguard and would pay to Vanguard a management fee for such services.

As illustrated in the chart below, all assets retained by seller, after extinguishing debt, shall be property of GWHN, uninfluenced by Vanguard or the Joint Venture. The initial contributions to the Joint Venture would be a combination of the cash purchase price paid by Vanguard and the assets contributed by GWHN in proportion to each party's respective ownership percentage.

As part of the transaction, regardless of final structure, Vanguard or the Joint Venture will assume all contracts of a normal course, all of which will be subject to schedules provided by GWHN and due diligence. In addition, Vanguard or the Joint Venture would assume the pension liability and the conditional asset retirement obligation upon closing as a reduction of Enterprise Value. Vanguard or the Joint Venture will not assume unrecorded liabilities or any other liabilities not expressly assumed in the transaction.

Vanguard's proposal is based upon an enterprise value range of \$25M, free and clear of debt and liabilities (as is standard). The enterprise value range is calculated based upon financial information which has been provided and certain normalizing items as identified in discussions with GWHN management. This enterprise value is inclusive of net working capital (estimated to be approximately \$14.5M), which is defined as non-cash current assets assumed, less current liabilities assumed related to the ongoing, acquired businesses. These amounts will be validated during due diligence, in conjunction with GWHN, for any unusual, non-run-rate items. To the extent Vanguard or the Joint Venture assumes any long-term obligations, such as the pension plan and the conditional asset retirement obligations, the risks of these liabilities will be transferred to that entity.

Below is a chart calculating net proceeds to GWHN following an asset transaction and in an 80/20 joint venture as described previously. We welcome the opportunity to discuss the schedule and the assumptions used in its creation.

Waterbury Hospital Proceeds Analysis
Based on the June 30, 2012 Combined Balance Sheet
(\$Thousands)

<u>Enterprise Value</u>	<u>\$25,000</u>	<u>\$25,000</u>
<u>Assumed Liabilities</u>		
Pension liability	\$10,474	\$10,474
Conditional asset retirement obligation	<u>2,716</u>	<u>2,716</u>
Total Deductions from Enterprise Value	\$13,190	\$13,190
Enterprise Value Less Assumed Liabilities	\$11,810	\$11,810
Vanguard Ownership	80.0%	100.0%
<u>Cash Purchase Price</u>	<u>\$9,448</u>	<u>\$11,810</u>
<u>Net Debt to be Retired at Closing</u>		
Cash and cash equivalents	(\$25,749)	(\$25,749)
CHEFA Obligations (asset)	(1,361)	(1,361)
Board designated funds	(2,922)	(2,922)
Long-term debt	<u>32,173</u>	<u>32,173</u>
Total Net Debt to be Retired at Closing	\$2,140	\$2,140
<u>Cash Proceeds to Seller</u>	<u>\$7,307</u>	<u>\$9,669</u>
<u>Assets Retained by Seller</u>		
Assets whose use is limited	\$882	\$882
Other accounts receivable	2,234	2,234
Other assets	2,372	2,372
Due from affiliates	6,521	6,521
Investments	21,448	21,448
Board designated funds	99	99
Loans and other receivables	233	233
Other investments	691	691
Funds held in trust by others	<u>40,524</u>	<u>40,524</u>
Total Assets Retained by Seller	\$75,006	\$75,006
<u>Liabilities Retained by Seller</u>		
Due to affiliates	\$0	\$0
Due to/(from) third party payors	(166)	(166)
Worker's comp - LT Liability	5,759	5,759
Tail coverage - professional liability	2,528	2,528
Other long-term liabilities	<u>1,431</u>	<u>1,431</u>
Total Liabilities Retained by Seller	\$9,553	\$9,553
Net Assets Retained by Seller	\$65,453	\$65,453
<u>Cash Proceeds + Net Assets Retained by Seller</u>	<u>\$72,760</u>	<u>\$75,122</u>

2. Objectives Alignment

Please describe how you envision achieving GWHN's Objectives:

a) Ensure Waterbury Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term;

At Vanguard, we are on a high-reliability, quality, safety and experience journey. Our values, vision and mission reflect our commitment to patient safety and clinical excellence. We are committed to building a culture of high reliability, starting with safety as a core value. This is critical to the long-term success of Vanguard. The culture we have established around quality and safety reaches all levels of our organization. For example, “good catches” which reflect the avoidance of a serious safety event at a Vanguard facility are identified during every operational review so that all who are participating might learn from that experience and avoid a similar situation. The sharing of these “good catches” has led to a number of process changes within our company to enhance the safety and quality of care we provide.

The emphasis on quality at Vanguard is perhaps best demonstrated by our monthly Quality Council meeting. This monthly meeting, led by the Vanguard Chief Medical Officer, is a webcast meeting in which senior operational and clinical leaders from each of our hospitals and markets attend via video conference to review our performance against established quality metrics and other quality initiatives. Quality scorecards have been developed and are reviewed in this meeting which track and “score” our performance in key quality measures. Among the items included on this scorecard are the serious safety event rates, our safety/complication composite score, performance in the clinical core measure bundles, severity adjusted mortality rate, re-admission rates, colorectal cancer screening percentage and HbA1c controlled diabetic percentage. The agenda for these meetings also includes the sharing of identified best practices, new programs or updates on initiatives. This meeting has allowed our leaders to review their performance on a comparative basis to their peers, as well as to our external benchmarks, and to identify new practices and programs which have enhanced our clinical quality throughout the company.

Listed below are some of the Quality and Safety initiatives that have been implemented at our hospitals in recent years.

- Implemented and embedded high reliability strategies modeled after other high risk industries such as aviation and nuclear power, including:
 - Error prevention training for leaders, physicians and staff
 - A model developed to detect and classify safety events through the use of technology
 - Tools developed, standardized and implemented to support the high reliability strategies
- A pressure ulcer prevention and management initiative resulted in a significant reduction in the system hospital pressure ulcer rate over the past several years. The Health Care Advisory Board gave special recognition as a “Best Practice” for this program and its resultant outcomes.
- A fall prevention and management initiative was developed company-wide. The strategy for risk reduction of falls includes:
 - A standardized risk assessment tool
 - A plan of care model
 - Identification of recognized national benchmarks to be utilized for performance analysis

- Developed a method to identify, communicate and spread best practices across the Vanguard system
- Developed and implemented an evidence-based model of care for the critical care environments. This includes:
 - Implementation of eICU technology in certain markets
 - Clinical protocols and standards of care
 - Reduction of unnecessary clinical variance
- Developed a corporate-wide risk tool and guidelines to assist hospitals in the prevention of hospital-acquired infections, and implementation of Theradoc, a sophisticated software system providing infection prevention and pharmacy surveillance
- Structured and implemented a hospitalist model of care based on evidence based practice
- Advanced an Acute Coronary Syndrome initiative that has contributed to improved clinical outcomes for patients with acute myocardial infarction

We have committed significant human and technological resources to quality and safety as we believe that to be successful in the future, we must differentiate ourselves by providing excellent clinical care in a safe environment. See our response to Item 13.c) for our performance on certain quality measures.

b) Provide sufficient capital to meet deferred, current and future capital needs for the Waterbury Hospital physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology;

We are committed to assuring that GWHN continues in long-term vigor as a provider of leading health care services in the Greater Waterbury community. In order to do that, we are committed to developing a capital strategy which links a hospital capital strategy to an ambulatory network development strategy. With Waterbury Hospital as the hub of this comprehensive delivery network and for our strategy to be successful, the hospital must operate at a high level utilizing upgraded equipment and technology and provide state-of-the-art services. During the course of due diligence, we will work closely with physicians and hospital leadership to ensure that we develop a capital plan that establishes Waterbury Hospital and its ambulatory network as the preeminent hospital and health care provider in the Waterbury community. See item 10. below for our capital commitment to GWHN.

As our track record suggests, we spend capital where necessary and we will do the same at Waterbury Hospital and in the Greater Waterbury community. We have a tremendous amount of experience in efficiently and effectively deploying capital in our markets. In each case where we have committed to certain levels of capital we have met or exceeded those expectations. For example, in our San Antonio market, we doubled our initial commitment and continue to invest in that market including the recent completion of a replacement hospital campus in 2011 and the establishment of a de novo hospital and health and wellness campus currently underway in New Braunfels, TX.

c) Continue a meaningful, local governance presence at Waterbury Hospital that represents both physicians and the Greater Waterbury community;

Vanguard believes strongly in local governance in its hospitals and its hospitals have advisory boards to ensure that there is local input into the operations and activities of the hospitals. In an asset purchase where Vanguard would acquire most of the assets of GWHN, we anticipate the participation of the existing members of the GWHN Board on a hospital advisory board.

Vanguard has found this model ensures continued community and medical staff input into the governance of the local delivery system. Typically, approximately half of the governing board members are physicians who provide the input for clinical quality and clinical programmatic planning. The balance of the board is comprised of individuals drawn from the local community, ensuring a mechanism for input regarding community needs and expectations. Similarly, in a joint venture with GWHN, Vanguard and GWHN would establish a local joint venture board made up of a representative number of Vanguard and GWHN members responsible for the mutually agreed upon governance activities.

Whether a joint venture board or a new governing board in an asset transaction, the governing board would maintain those responsibilities as required by The Joint Commission (TJC). Among the responsibilities of our hospital boards would include the following:

- Organizational leadership and advisement
- Organization of the board of directors, officers, and committees
- Formulation and oversight of policies and procedures
- Financial management, including adoption and oversight of the budgets
- Review & support safety, quality, patient & family experience and employee engagement efforts
- Oversight of program planning and evaluation
- Personnel evaluation and staff development
- Review of organizational and programmatic reports
- Promotion of the organization within the community
- Advocacy

We would expect the same responsibilities and functionality from a joint venture board or new governing board at GWHN.

In selecting members to an advisory board, appointments from among the existing members of GWHN's board of trustees would be considered and GWHN's leadership would be consulted about others in the community and on the medical staff who can make valuable contributions to the board.

We are open to discussing a board structure and a nomination process that meets the needs of all parties involved. Our only requirement is that we retain enough "control" such that the financial results of GWHN could be consolidated into our financial results for purposes of financial reporting in accordance with existing accounting principles.

At Vanguard, all of our hospitals' local boards help shape the direction of our company. We carefully listen to our local leaders and advisory board members as they understand the immediate, local impact of the decisions we make. Our transparent approach with our business partners allows us to consider input from many sources.

d) Develop and implement an ambulatory service strategy to best position the Company for successful transition in changing health care delivery methods;

We believe that we are the partner that allows GWHN to achieve its objectives in pursuing this process of selecting a strategic partner. We have an innovative culture that is focused on developing and expanding ways to deliver care in the markets we serve. Attracting and retaining patients through a broad network of ambulatory sites and services is key to each of our markets'

strategies. Additionally, as payment methodologies evolve from fee-for-service to fee-for-value, we believe that to effectively manage a risk based payment system, we must have in place a complete continuum of care to deliver services at the right place and at the right time. Alternative ambulatory sites of care are integral to risk initiatives and an effective growth strategy.

An ambulatory service strategy for GWHN would include the acquisition and development of physician practices, urgent care sites and other ambulatory sites throughout the Greater Waterbury community. Among the ambulatory sites would include specialty care centers (i.e., women's services, cardiology, etc.) to expand the hospitals' brand throughout the market and provide additional points of entry into the delivery network. An initial area of focus for development would be to establish sites to the west and northeast of Waterbury to attract and retain patients in the Waterbury service area.

e) Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;

Vanguard is currently in discussions with Yale New Haven Health to develop a network affiliation agreement. This relationship will facilitate the development of a regional network of community hospitals, ambulatory facilities and physician networks in Connecticut and broadens Vanguard's presence in the New England market.

This potential relationship represents a continuation of our approach to partnering with key, regional tertiary providers which allows us to enhance care delivery in our markets. We recently announced the creation of a joint venture with Tufts Medical Center in Boston, MA. Tufts also affiliates with community-based private practice physicians through New England Quality Care Alliance, Inc. ("NEQCA"), a network of independent and employed physicians and hospitals based in Braintree, Massachusetts. Our relationship with Tufts began with a network affiliation agreement, similar to that which we are pursuing with Yale. The vision of the partnership with Tufts is to create a high quality, cost effective, regional system of care. The goals of this partnership are to 1) maximize alignment despite different corporate structures, 2) clinically integrate to reduce cost and increase quality and 3) achieve scale within the network. These goals will be achieved by leveraging 1) Tufts Medical Center's brand, academic and clinical affiliations 2) NEQCA's expertise as the health environment moves to population health management and 3) Vanguard's market assets, national experience with insurance and population management, capital access and hospital management resources.

We will continue to seek these types of relationships in the New England market which will enhance the delivery of and access to innovative, high quality care.

f) Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community;

Clinical focus at Vanguard is driven by a model we have labeled "VanguardCare". The goals of VanguardCare are as follows:

- Service line clinical standards
- Eliminate unnecessary clinical variation & quality waste (inclusive of VanguardLean)
- Service line clinical leadership and clinical councils
- Reducing unnecessary clinical variation

Evidence-based medicine and processes are utilized to establish system-wide standards and technology is employed as needed to support the changes.

VanguardLean is the implementation of Lean process improvement into clinical and operational processes to enhance efficiency and reliability of patient care across the system. VanguardLean operates under the premise that it is impossible to improve that which cannot be improved on a consistent basis. We have a performance improvement team trained in Lean processes to work with our clinical teams across the company.

Clinical councils have been established across the company. These councils are comprised of service line leaders from all hospitals and all markets. They meet periodically (monthly or bi-monthly) and discuss best practices, progress with initiatives and common dashboard metrics, innovations and anything that can improve service line performance for better patient outcomes. We have established councils in the following areas:

- Cardiovascular Medicine
- Critical Care
- Emergency Medicine
- Hospitalist Medicine
- Imaging Services
- Perioperative / Surgical Services
- Palliative Care
- Pharmacy
- Graduate Medical Education
- Primary Care
- Musculoskeletal Medicine

As these councils have developed and matured, greater standardization and performance is being seen across our markets. Each of these councils has among their toolkits a dashboard which tracks and measures progress on key performance indicators.

One of our initial focus areas for VanguardCare has been in Critical Care. In January 2010, we named a VP of Critical Care Services for Vanguard - David Kaufman, M.D. Dr. Kaufman is an intensivist who had established a high performing ICU at our St. Vincent Hospital in Worcester, MA. He was charged with replicating those evidence-based process and practices across the company. Index scores are used to measure the infrastructure and effectiveness of the ICUs across the company. These index scores, whose criteria is established by the Society of Critical Care Medicine, measure the extent to which certain processes are in place in the areas of Physician Management, Multiprofessional Teams and Quality. The goal is to achieve 100% in each of these areas.

Other clinical areas are experiencing improvements as we continue to focus our VanguardCare efforts. We have recently added additional national physician service line leaders in Palliative Care and Cardiovascular Medicine. In the near future we will add physician leaders in Ambulatory Care, Emergency Medicine, Hospitalist Medicine and Imaging Services.

g) Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth;

A strong, comprehensive medical staff is the critical component to an effective health care delivery system. As the needs of physicians have changed over the years, Vanguard has developed a very aggressive program to attract and retain physicians and physician groups. We

believe in allowing physicians to practice in the model of their choosing – there is no “one size” fits all at Vanguard. We affiliate with physicians in a number of ways including employment, professional service agreements, management service agreements, co-management agreements and we also provide start-up costs for new physicians joining an independent practice. As a Company, we are deeply committed to enhancing our medical staffs and furthering our relationships with physicians. GWHN will participate in our activities as we would seek to broaden its physician network.

h) Maintain high satisfaction scores by patients, physicians, employees and volunteers; and

It is our goal to create a highly reliable experience for every one of our patients, which starts with safe, quality care. The patients and guests that enter our hospitals are emotional and vulnerable; it is our job and the job of our employees to create an emotional connection, while providing them with a safe care experience.

Creating a world class patient experience is something we strive to achieve with each patient seen at Vanguard – whether an inpatient or an outpatient. We have spent several years studying best practices around providing excellent patient experiences within our organization and have taken each of these and embedded them into bundles and toolkits for each of our hospitals to utilize. We list exactly what the tactic is, step-by-step processes on how best to implement the tactic, the value of implementing the tactic and all the system products (i.e. supporting training materials, agendas, posters, etc.) that other hospitals within Vanguard have utilized to implement these tactics. We have best practices for in-patient (including HCAHPS), out-patient and emergency patient and guest experience toolkits and bundles. We have also begun using iPads to concurrently evaluate patient experiences. When we identify a situation where we need to recover from a potentially poor experience, the iPad allows us to quickly and directly respond to that situation. All reporting, toolkits and processes would be made available to GWHN and we are excited by the opportunity to enhance our toolkits with the processes and practices we can learn from GWHN.

Vanguard Health Systems believes in the engagement, development and promotion of our employees. One of our top objectives is to “Invest in the development of current associates, as well as attracting the best & brightest external candidates, in an effort to increase capabilities and thrive as leaders in our company, as evidenced by 70% internal fill rate for leadership positions, and 25% of our new hires graduating from internal training programs by the end of FY2015.” To support this, we have a talent management strategy to help ensure we are bringing in top talent, setting them up for success, engaging them, developing them and putting the top talent on a succession plan to drive our internal promotions.

Below is an illustration of our talent development and management strategy.



- Onboarding: Our goal is to ensure that we are setting our new hires up for success with clear expectations and a career path.
- Employee Engagement: We conduct an employee engagement survey twice a year (one census and one pulse) to help ensure we are engaging and inspiring our workforce.
- Vanguard Management Academy (VMA): We have a management academy for managers, leads, coordinators and supervisors that need or want managerial and leadership skill and talent development. We conduct one VMA in each region every 12 months. 25 participants are selected for participation in each regional session. The curriculum is balanced between classroom learning, project/experiential development and online Harvard training. We are currently in our inaugural year with our VMA program.
- Vanguard Leadership Academy (VLA): We conduct a VLA each year for directors and vice presidents that want to continue their development journey to prepare for the c-suite of a Vanguard region or facility. The VLA is conducted one time a year at a national level. The VLA is a collaborative learning environment where employed physicians, affiliated physician, nurses and operators go to develop their leadership skills and talents together. Up to 45 participants are selected each year to participate in the VLA after a thorough application process.
- Succession Planning: Vanguard top talent from a director level and above is identified and put on a system succession plan to understand the readiness of each person to go to the next level and the development needed to get there. These plans are formalized into the creation on an Individual Development Plan (IDP).

We also utilize Gallup talent based hiring processes and tools for hiring a number of positions. In-depth assessments are conducted for all hospital and market CEO, CFO, COO, CNO and Department head positions, as well as any Sr. Vice President and Vice President positions at the corporate level. These assessments consist of an in-depth interview to assess each candidate's skills and capabilities and help to predict success for the position in which the candidate is applying. A computer assisted assessment is performed at the hospitals for department and area

managers in clinical and non-clinical positions, as well as nursing and technical positions. Similar to the in-depth assessments, the online assessment helps screen candidates to determine suitability for the job for which they are applying.

We recognize that an engaged workforce is an essential asset required to deliver the highest quality patient care and experience. By increasing employee engagement, we believe that we can deliver on our obligation to the patients and communities we serve. Our engagement scores have increased significantly over the last several years. As a result of our increased engagement scores, we were awarded by the Gallup Organization with the “Great Workplace Award” in 2010 and 2011. The honor puts Vanguard among the ranks of some of the world’s top organizations like Ritz-Carlton, Marriott, Campbell Soup and Starbucks.

Developing and maintaining strong relationships with our medical staffs at our hospitals is another key component to our success. We engage with our physicians in a number of ways throughout Vanguard. We currently have positions for Chief Medical Officers (“CMOs”) at all of our hospitals, at the market level and at the corporate level. At the hospital level, the CMOs report to a market CMO (and to a hospital CEO) and are responsible for driving safety, quality and other clinical initiatives at their respective hospitals. The market CMOs report to their market President and the Corporate CMO and are responsible for executing safety, quality and clinical initiatives for their markets. The Corporate CMO is an Executive Vice President and is responsible for setting the clinical quality and safety agenda for the entire company. At all levels, the CMOs play critical, strategic roles in the operations of Vanguard.

Physician Leadership Councils (PLCs) were established in 2008 to help bridge the gap that can develop between hospital leadership and physician leadership. PLCs have been established at each of our hospitals and are comprised of physician opinion leaders, dedicated physicians and representatives of the Medical Staff to discuss strategy and to make recommendations to the CEO and the hospital’s management team. Both co-chairs of these councils are physicians who develop the agenda and run the meetings. Management is present to hear the issues and solve the problems no matter the magnitude. There is a Corporate Vice President of Medical Affairs who supports and attends each of these meetings, as do members of the market leadership. As the PLCs have evolved over time, their primary function has moved from problem solving to that of strategy development that is often used for setting hospital budgets. Our experience has taught us that we must remain engaged with our local physicians and we must listen to their requests and concerns so that we may share in each other’s successes. We have taken deliberate steps over the years to make certain that we provide the structure and the culture to be responsive to our physicians’ requests and concerns.

i) Continue charitable care delivery and funding.

At Vanguard, we believe our hospitals have an obligation to provide care to those with the greatest needs and the least ability to pay, and in addition to our community-based health programs, our hospitals have provided significant amounts of care for indigent and low-income patients. In 2012 alone, Vanguard hospitals provided approximately \$1.224B in total uncompensated care in the communities we serve, including approximately \$233M in charity care, \$452M in discounts to the uninsured and \$539M in bad debts. At our hospitals, uninsured patients with incomes below 200% of the Federal Poverty Level are classified as financially indigent and receive free care. Those patients with income between 200% and 500% of the Federal Poverty Level or balances due in excess of 50% of their annual income are classified as “Medically Indigent,” and receive 40% to 80% discounts (on a sliding scale basis) on amounts they owe.

Vanguard's commitment to providing a fair amount of charity care has been recognized by independent parties. The former Michigan Attorney General, Mike Cox, in his "Report on the Proposed Sale of the Detroit Medical Center Hospital Business to Vanguard Health Systems, Inc.," dated November 13, 2010, highlighted the Vanguard Charity Care Policy. His report included the following observation:

"Vanguard's policy is actually more patient-friendly than DMC's current policy since it allows patients with higher incomes to qualify for charity care. While current DMC policy provides charity care for patients with incomes up to twice the federal poverty level, Vanguard's charity care policy will provide care to patients with incomes up to five times the federal poverty level. Vanguard's charity care policy also includes well-defined procedures and explanations concerning a wide variety of topics including application for government assistance, collection policies, and treatment for homeless patients. Importantly, Vanguard's collections policy is more patient-friendly because it includes limits on seizing indigent or underinsured patients' assets through liens or garnishment. The policy also provides liberal interest-free extended payment plans."

The Attorney General required that the Vanguard Charity Care Policy be implemented upon closing of the transaction between Vanguard and DMC.

In an October 19, 2009 article titled "Non-profits No Better on Charity Care" in Chicago Business, Vanguard's Weiss Memorial Hospital was highlighted, with the article specifically noting that Weiss's charity care level was higher than 20 of Chicago's largest hospitals, all but one of which were non-profit hospitals.

Our commitment is to have in place a policy which is at least as favorable to patients as the existing policy at GWHN. We are open to discussing the ways in which this can be accomplished.

3. Ownership, Governance and Management

a) Describe how GWHN will be organized in relation to your organization.

In a partnership with Vanguard, GWHN will enjoy economies of scale and will have access to many services to improve and enhance its overall operations and performance. Vanguard is an operating company providing resources and support for our hospitals across the country. Vanguard believes that all health care is local because the people who live and work in the communities we serve know what is best for that community. We believe that we provide the right level of centralized support and back-office services that allows our markets to feel independent, but at the same time, alleviates the burden of certain non-critical parts of the business. Upon a partnership or acquisition of GWHN, the acquired or partnered entities would become part of Vanguard's New England market. GWHN executives would report directly to the New England market president and would receive support from market resources there and also from the national resources at Vanguard. Among the services that are consolidated and performed on a market basis include – accounting, business office, supply chain, physician recruitment and information technology among others.

In addition to those corporate services performed on a market basis, there are additional resources available on a national scale as well, such as finance and accounting services, legal, reimbursement, information technology, clinical care, safety, business development, compliance, supply chain, managed care and human resources. Allowing our markets to focus on the critical business at hand is crucial to our success. We have recently embarked on national service centers

for coding, business office services and information technology. We believe that we can achieve greater efficiency and significantly improve performance in our hospitals by utilizing this approach.

b) Describe the proposed governance structure and the ongoing role, if any, of GWHN's current Board of Directors.

See response to 2.c) above for discussion of the ongoing role of GWHN's Board of Directors.

c) Describe the proposed management organizational structure for GWHN.

From the information we have been provided, the management team structure at GWHN is similar to that utilized in typical Vanguard hospitals. At this stage, we would not propose any structural changes. We prefer to keep existing management in place when we enter as a new partner and are open to discussions regarding expectations for commitments to keep the team intact. GWHN currently has in place certain leaders in interim positions due to extenuating circumstances. Upon closing a transaction with GWHN, a decision must be made about the continuation of these interim roles or to convert them to full time positions due to the incremental costs associated with interim personnel.

4. Transaction Value

If you are proposing an asset purchase, please describe how GWHN will be valued, including the methodology and calculation of any adjustments to the proposed consideration.

We have been provided different sources of information including recent financial statements and other information we have requested in the process of preparing this proposal. As noted in our response to 1. a) above, whether an asset transaction or a joint venture transaction, we value a transaction using an Enterprise Value approach and have established \$25M as the Enterprise Value of GWHN. This represents the total transaction value, or total consideration. As we consider total consideration, we consider the cash purchase price plus the value of capital commitments which represent deferred projects with little or no return as additional consideration. We understand that GWHN's desires in seeking a transaction is to make certain that the medical needs of the Waterbury Community are appropriately addressed. See item 10, for our capital commitment.

The Enterprise Value we have established is based upon financial information we have been provided and other considerations. During due diligence, we will continue to evaluate our assumptions used in determining this value.

5. Maintenance of Clinical Services

a) Describe your commitment to maintaining existing clinical services.

We welcome the opportunity to discuss with GWHN leadership, medical staff and board members, which service lines it considers key, or core service lines. Vanguard has a history of increasing services, not decreasing them. We believe that it is our responsibility to the communities served by our hospitals to provide a comprehensive service offering which meets the communities' medical needs. We are committed to continuing to serve the community by maintaining and expanding robust services and service lines at GWHN.

b) Describe any new services you anticipate implementing over the next five years.

At Vanguard, we are committed to the creation of high quality and comprehensive service lines. Together, Vanguard and GWHN would develop joint business plans in which specific strategies, tactics and investments would be identified. This joint business planning process would set priorities and determine investments, including capital needs. We rely on physician participation

throughout this process. Through this process, we would collectively identify new services to ensure that GWHN continues to provide high quality, comprehensive service lines to the community it serves.

c) Describe which, if any, clinical services may not be maintained at GWHN and the Hospital.

At this time, we are not aware of any clinical services which may not be maintained at GWHN and the Hospital. However, through the collaborative process discussed in b) above, we could collectively identify certain services which may not be maintained at some point in the future.

d) Indicate the minimum time horizon for maintaining existing services.

Vanguard would commit to maintaining core, existing service lines (identified in the process noted in a) above), for a period of 10 years noting the need to consider changes in the practice of medicine and changes in technology as these evolve and advance.

6. Excluded Activities and Operations

a) Describe any GWHN activities and operations that are expected to be excluded from a transaction.

Upon completion of detailed due diligence, a complete list of excluded activities and operations will be created in conjunction with GWHN.

b) Describe how the surviving GWHN organization (if any) could support the ongoing activities of the acquired operations after the transaction.

Vanguard's goal in a transaction with GWHN would be to help GWHN achieve its objective of assuring that GWHN continues its long term vigor as a provider of leading health care services to the Greater Waterbury community. In a joint venture transaction with Vanguard, GWHN would maintain ownership in the new partnership and would retain a level of involvement to support the ongoing operations. In an asset acquisition, a new governing hospital board would include individuals from the existing GWHN Board of Directors. Also, in an asset acquisition, proceeds from such a transaction would create a foundation with funds to support and supplement ongoing hospital and community activities.

7. Charity Care

Describe your existing charity and indigent care policies and any potential changes to GWHN policies you foresee.

As noted previously, at Vanguard hospitals, uninsured patients with incomes below 200% of the Federal Poverty Level are classified as financially indigent and receive free care. Those patients with income between 200% and 500% of the Federal Poverty Level or balances due in excess of 50% of their annual income are classified as "Medically Indigent," and receive 40% to 80% discounts (on a sliding scale basis) on amounts they owe. When comparing the GWHN and Vanguard charity care policies, there are certain components of the GWHN policy which are more favorable to patients than the Vanguard policy and in other cases the Vanguard policy is more favorable to patients than the GWHN policy. Our commitment is to have in place a policy which is at least as favorable to patients as the existing policy at GWHN. We are open to discussing the ways in which this can be accomplished.

8. Ethical and Religious Directives

Describe any ethical or religious directives of your organization, if any, which would impact the future operations of GWHN.

None

9. Employee Relationships

a) Describe your commitment to GWHN employees, anticipated layoffs, and type of severance package that may be offered to any affected employees.

At Vanguard, we recognize the value of talented and dedicated employees. The existing workforce of any hospital and health system is the backbone of its operations. If selected as your partner, Vanguard will, at closing, extend offers of employment to substantially all employees of Vanguard upon similar terms and conditions (i.e., salaries, wages, job duties, titles and responsibilities) in place prior to closing. Additionally, we will honor and accept all senior management employment and severance agreements, assuming all are in compliance with laws and other requisite statutes and subject to due diligence. All employees' years of service with Vanguard will be honored for vesting and/or participation in any employee benefit plans.

Vanguard will also assume all obligations under collective bargaining agreements with GWHN's various unions.

b) Describe any anticipated employee benefit changes.

The Vanguard approach to benefits at an acquisition hospital or system is to thoroughly analyze the benefits that have historically been offered. In certain instances, where we have acquired a hospital in one of our existing markets, we have rolled the acquisition hospitals employees on to the existing market's benefit plans. In each case, the conversion to our benefits has been more favorable to employees. We maintain a very open mind regarding the movement of employees from or to certain benefit plans and always seek to take the most appropriate course of action for employees and the organization. It is expected that the employees of GWHN will be placed on benefit plans similar to those at Vanguard's St. Vincent Hospital and MetroWest Medical Center at some point in the future.

As a for-profit entity, Vanguard offers to its employees the opportunity to participate in its company sponsored 401(k) plan. Employees of GWHN will have the opportunity to participate in this plan.

10. Capital Expenditure Commitments

Describe your expectations and commitment to capital investments over the next five years to improve GWHN facilities and expand programs and services.

We believe there is tremendous opportunity to expand services in the Greater Waterbury community and to establish Waterbury Hospital as the dominant provider. We are committed to developing a capital strategy to help accomplish this. We will work closely with hospital leaders, physicians and board members to develop a strategy which links a hospital capital strategy to a carefully planned ambulatory capital strategy. We believe that this approach will allow GWHN to thrive well into the future and best positions it for future success. For the five years following closing of a transaction, Vanguard commits to invest, or cause third parties to invest, \$75M in capital for the improvement of GWHN facilities and in the future development of ambulatory sites to the benefit of GWHN in the Greater Waterbury community.

11. No Sale

Describe your commitment to retaining ownership of the GWHN operations acquired.

Vanguard doesn't purchase hospitals and health systems to close or sell them. We purchase and partner with hospitals and health systems so that we may operate them in a highly efficient and effective manner where quality and patient outcome improve. Our commitment to the communities we serve is to provide a partner with whom the hospitals and health systems can thrive and expand,

leveraging off of a nationally based system of 28 hospitals. We welcome the opportunity to discuss a time commitment for retaining ownership in the GWHN operations.

12. Right of First Refusal/Repurchase Rights

Describe any terms and conditions under which the surviving GWHN organization (if any) could reacquire interests transferred in a transaction.

As mentioned in our previous response above, our intention in a transaction with a hospital or health system is to continue to operate them well into the future. However, there might be situations where a surviving organization might reacquire interests transferred in a transaction. Vanguard would allow GWHN the Right of First Refusal or grant certain Repurchase Rights to GWHN for the interests transferred in a transaction upon the occurrence of certain events or the achievement of, or failure to achieve, certain performance targets or expectations.

13. Financial and Operating Information

a) Provide a copy of your most recent audited financial statements.

Our Form 10-K for fiscal years ended June 30, 2012 and 2011 (most recently available) are publicly available on the SEC Edgar Database which can be accessed directly through the investor section of Vanguard's website at www.vanguardhealth.com.

b) Describe how you propose to finance the transaction and any proposed ongoing financial commitments to GWHN.

Vanguard, a Fortune 500 company, is publicly traded on the New York Stock Exchange (NYSE:VHS). The company has grown from the "ground up" by obtaining financing and generating sufficient cash flows from operations to sustain its organic growth and growth through acquisitions. We currently have access to public and private equity, as well as public and private debt, our financial metrics remain strong and we enjoy a long, positive track record with our investors. We believe that the path that we are on as a company will allow us to lead the industry as it shifts from a fee-for-service model to a fee-for-value model. With over \$6.0B in revenue, we are among the leaders in our industry and we are not stopping here. Our model is to grow organically and through strategic acquisitions that will place the company among the elite in the industry and will allow it to become the partner of choice for those hospitals and health systems looking to partner across the country.

c) Provide an overview of your existing operations, including, but not limited to, the following:

(i) Number and location of facilities owned and operated

(ii) Number of beds owned and operated

(iii) Key operating statistics

(iv) Key quality indicators

Below is a current listing of all hospitals (and related businesses) that Vanguard owns and operates:

Phoenix, Arizona: Abrazo Health Care (1,044 beds)

- Arrowhead Hospital: 220 beds
- Maryvale Hospital: 249 beds
- Paradise Valley Hospital: 136 beds
- Phoenix Baptist Hospital: 216 beds

- West Valley Hospital: 164 beds
- Arizona Heart Hospital: 59 beds
- Phoenix Health Plan: 200,000+ member Medicare/Medicaid Health Plan
- Arizona Health Partners: 150 physicians
- Arizona Heart Institute: 20 physicians

San Antonio, Texas: Baptist Health System (1,753 beds)

- Baptist Medical Center: 636 beds
- North Central Baptist Hospital: 268 beds
- Northeast Baptist Hospital: 367 beds
- Mission Trail Baptist Hospital: 175 beds
- St. Luke's Baptist Hospital: 307 beds
- Baptist M&S Imaging: 8 centers
- Baptist School of Health Professions

Harlingen/Brownsville, Texas: Valley Baptist Health System (866 beds)*

- Valley Baptist Medical Center, Harlingen: 586 beds*
- Valley Baptist Medical Center, Brownsville: 280 beds*
- Valley Baptist Insurance Company: Health Plan (HMO, PPO and Self-Funded Products)*

Note: Valley Baptist is a new acquisition since we last proposed to GWHN. This is a 51% (Vanguard) / 49% (Valley Baptist) joint venture.

Detroit, Michigan: Detroit Medical Center ("DMC") (1,734 Beds)

- Children's Hospital of Michigan: 228 beds
- Detroit Receiving Hospital: 273 beds
- Harper University Hospital: 470 beds
- Hutzel Women's Hospital: 97 beds
- Rehabilitation Institute of Michigan: 94 beds
- Sinai-Grace Hospital: 383 beds
- Huron Valley-Sinai Hospital: 153 beds
- DMC Surgery Hospital: 36 beds

Greater Chicagoland, Illinois (1,225 beds)

- MacNeal Hospital: 427 beds
- Weiss Memorial Hospital: 339 beds*
- Westlake Hospital: 225 beds
- West Suburban Medical Center: 234 beds
- MacNeal Health Providers: Chicago Health System

Massachusetts (667 beds)

- MetroWest Medical Center: 319 beds (Leonard-Morse and Framingham Union Hospitals)
- Saint Vincent Hospital: 348 beds

* Partnership with not for profit partners

Vanguard's operating strategy focuses on comparing local execution against company-wide standards. We manage this process through a balanced scorecard approach (see Exhibit A for a sample of our balance scorecard), ensuring a proper balance of achievement in growth, patient/guest safety, quality outcomes, patient/guest experience, employee engagement and community leadership. Over the past few years, Vanguard has invested significantly in workforce initiatives, patient experience strategies and enhancing the breadth and depth of our clinical care platform.

Accountability is high at Vanguard and we operate under the belief that to effectuate change, we first must be able to measure results and progress and then be held accountable to those results. In addition to the balanced scorecard, a number of scorecards and measurement tools are routinely implemented and reviewed for progress toward goals. As a result of this approach, we have been able to experience improvements in all areas of the company.

Our Mission and purpose is "To Help People Achieve Health for Life" and our Vision is "To Create Life-long Relationships by Changing the Way Health and Health Care are delivered in our Communities." Our company Values are Safety, Excellence, Respect, Integrity, Accountability and Innovation. These values support our mission, vision and the corporate and regional business strategies that will define our future success.

With our Mission, Vision and Values as the foundation, our strategy is to create local operating divisions maintaining local branding, governance and community "ownership." Health care is a unique, local business and we believe there is great value in leveraging the long-standing heritage and legacy of local systems, but also in taking advantage of scale afforded to regionally-based delivery systems. We bring to our regional delivery hospitals and systems flexible and sustainable access to capital, national purchasing and transformative approaches to clinical and business operations through knowledge transfer and best practice development and sharing, especially around patient safety, care delivery and patient experience. Over the past several years, Vanguard has extended its traditional strengths in operating hospitals and building hospital systems in urban markets to dramatically improving employee engagement, quality and safety, and patient experience as part of a balanced approach to managing the business.

Standardization and process re-engineering are being broadly scaled across the Vanguard system. New ideas are being executed, and as we find something that works in one region we quickly move it to others, creating a highly transparent, nationally scaled "learning organization."

As examples, Vanguard is:

- reducing serious safety events by more than 80% on a journey to having no patient under our care harmed;
- creating new formats for clinical integration and leadership among employed and affiliated physicians;
- setting system-wide standards for clinical care through hospitalists, in critical care, for palliative and end-of-life care, with our radiologists, for our emergency departments, and in primary care and;

- one of only five U.S. health systems to have successfully implemented Medicare's Acute Care Episode (ACE) demonstration project for orthopedics and cardiology in its 5 Baptist Health System hospitals in San Antonio, TX.

Vanguard has embraced IHI's Triple Aim™ initiative, formally becoming a partner organization in September, 2009. Working to achieve the goals of reducing health care costs, improving quality outcomes and enhancing the experience of health care, we have integrated these goals into our strategic planning.

Building on these broadly conceived strategies, Vanguard has defined a number of objectives to meet and exceed the Triple Aim™ goals, including:

- Develop a culture of safety that results in Vanguard Health Systems becoming one of the nation's safest places to receive care by reducing serious safety events by more than 80% in pursuit of no patient harmed by the end of FY 2013.
- Partner with physicians, nurses and other professionals to develop new models of care, which substantially improve the population health and total care experience, attracting the best caregivers in a financially sustainable model, by the end of FY 2013.
- Achieve enterprise-wide clinical information support that ensures the right evidence-based information and resources are available at the right time and in the right place, enabling our caregivers to make the most informed decisions across our care delivery networks, by the end of FY 2015.
- Be recognized as a top market performer, setting the standard for experience (patient/guest, employees and physicians), quality and efficiency.

We believe that it is vital to our success that we continue to build networks of hospitals that are among the most innovative and comprehensive within their markets. Our hospitals offer a variety of medical and surgical services including emergency services, pediatrics (through a dedicated children's hospital), general surgery, internal medicine, cardiology, obstetrics, orthopedics and neurology, as well as tertiary services such as open-heart surgery, advanced neurosurgery, level II and III neonatal intensive care and level I trauma. We also continue to add significant, differentiating services in each of our markets to continue in our effort to establish a comprehensive network.

We are also aggressively seeking opportunities to accelerate the transition from fee-for-service to fee-for-value. For example,

- We have been awarded a CMS Pioneer ACO in Detroit and 2 CMS Shared Savings ACOs in Chicago and San Antonio
- In Massachusetts, we were awarded a CMS Community Based Care Transition Program grant
- In our Chicago hospitals we were awarded a CMS Innovation grant
- We are actively pursuing bundled pricing initiatives with CMS and private payers (7 of our hospitals were awarded Model 1 bundled payments) and we are leveraging our multi-year experience in the Acute Care Episode (ACE) demonstration project in San Antonio, TX
- We continue to leverage our experience in Arizona with Medicare, Medicaid and Dual-Eligible risk in other markets

A summary of Vanguard's recent financial performance and operating statistics are included in the table below. As can be seen, Vanguard has been successful in growing and sustaining its existing operations while at the same time growing the company through the acquisition of additional hospitals.

	Year ended June 30,				
	2008	2009	2010	2011	2012
(\$millions)					
Net Revenue	\$2,570	\$2,951	\$3,224	\$4,582	\$5,949
<i>Yr/Yr</i>	<i>n/a</i>	<i>14.8%</i>	<i>9.3%</i>	<i>42.1%</i>	<i>29.8%</i>
EBITDA	\$266.0	\$302.7	\$326.6	\$423.0	\$575.7
<i>Margin</i>	<i>10.3%</i>	<i>10.3%</i>	<i>10.1%</i>	<i>9.2%</i>	<i>9.7%</i>
<i>Yr/Yr</i>	<i>n/a</i>	<i>13.8%</i>	<i>7.9%</i>	<i>29.5%</i>	<i>36.1%</i>

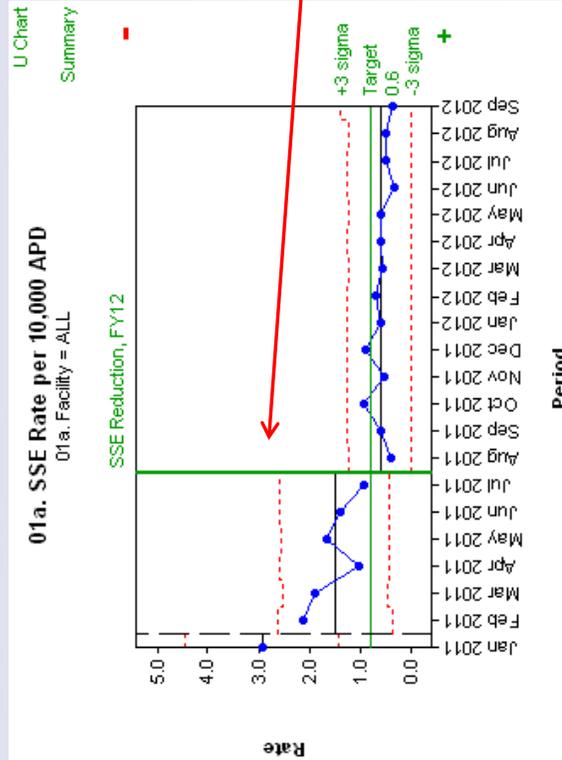
Unaudited Operating Data - continuing operations:

Number of hospitals, end of period	15	15	15	26	28
Number of licensed beds, end of period	4,181	4,135	4,135	6,201	7,064
Discharges	169,668	167,880	168,370	223,793	285,026
Adjusted discharges	283,250	288,807	295,702	404,178	518,118
Net revenue per adjusted discharge	7,321	7,775	7,893	8,860	9,637
Patient days	734,838	709,952	701,265	977,879	1,254,121
Adjusted patient days	1,226,766	1,221,343	1,231,604	1,766,085	2,279,732
Inpatient surgeries	37,538	37,970	37,320	49,813	67,258
Outpatient surgeries	73,339	76,378	75,969	98,875	127,402
Emergency room visits	588,246	605,729	626,237	924,848	1,220,357
Health plan member lives	149,600	218,700	241,200	245,100	234,500

Source: Form 10-K for fiscal year ending June 30, 2012

Included below are key quality metrics we routinely measure and track.

Serious Safety Event Rate per 10,000 Adjusted Patient Days

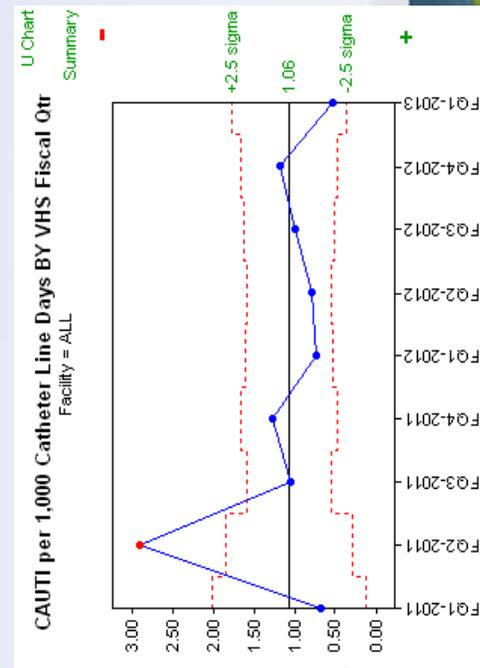
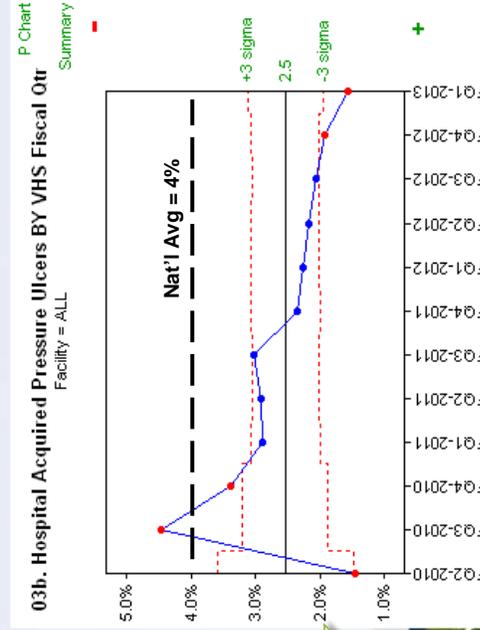
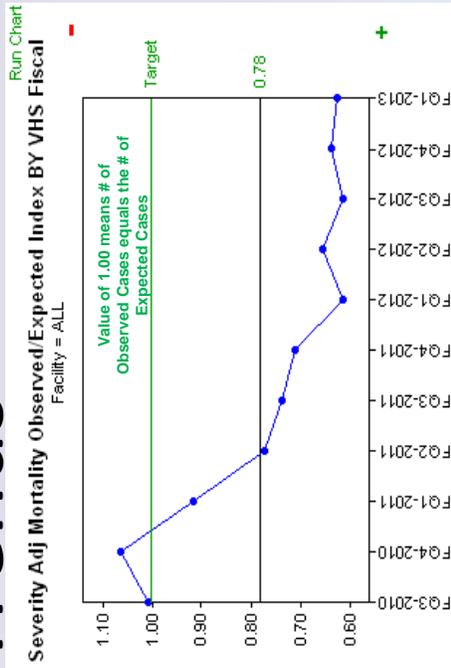
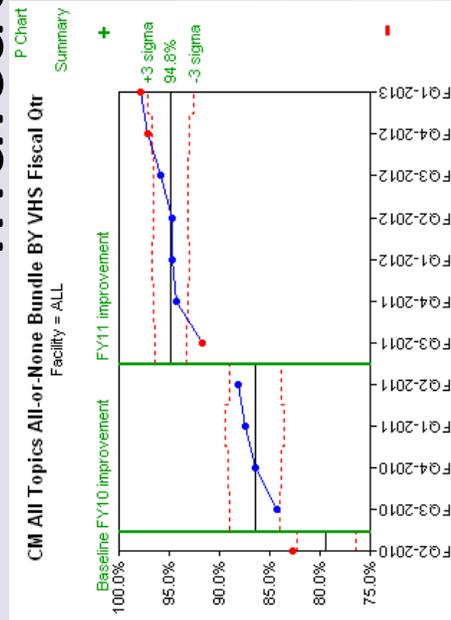


Process: SSE Reduction, FY12
Statistically Improved

During the baseline period our 14 legacy hospitals focused on increasing safety event reporting. July 2010 began the 12 mth baseline period for all VHS legacy hospitals except those in the Phoenix Market. Jan 2011 began the 6 mth baseline period for Phoenix Market hospitals. At the start of FY12 (July 2011) the focus shifted to reducing Serious Safety Events.

SSE Reduction, FY12 Average:	0.6
Start Midas SE Rptg Average:	1.5
Difference:	-0.9
P-Value:	0.000
Phase Start:	Aug 2011
# of Periods:	14

Indicator Trends



Note: Valley Baptist not included in the above graphs.

14. Due Diligence

a) Describe your due diligence process.

The general goal of our diligence activities will be to 1) determine the current financial run rate of GWHN, 2) evaluate the sustainability of the current financial run rate, 3) identify risks and opportunities in the operations, 4) develop capital commitments, 5) meet with management and begin to understand the culture of the health system and 6) identify issues which should be addressed in the development of a definitive agreement. Through the course of due diligence we could identify issues which would further modify our proposal. However, we take very seriously any proposal we submit in response to a request for a proposal. We work extremely hard to honor the criteria upon which we are selected to move forward in a process. We have a very transparent due diligence process where we share progress as we work through that process so that there are no surprises.

We would deploy a team of subject matter experts to the Hospital to review documentation and to conduct interviews with responsible personnel. We would expect that due diligence could be completed within a 30-45 day period.

b) Provide a list of due diligence items you would like to receive in Phase II if you are selected to continue in the process.

Attached as Exhibit B is our preliminary due diligence request list with a cross reference to the materials we have been provided in the data room and an indication of additional documentation we would be seeking in our initial request for data. Note that a number of materials have been provided in the data room, but not for a recent period. To be most beneficial, we would request that all data room materials be updated for a recent period where applicable. As with any process, requests for additional information will generally follow as we work through the data and have discussions with members of management.

15. Process and Approvals

Indicate the level at which your response has been approved within your organization and what approvals will be required to sign a Definitive Agreement and to close the transaction.

Any transaction to acquire or partner with GWHN will be subject to approval by Vanguard's Board of Directors upon the completion of due diligence. We generally keep our Board informed of acquisition activities as they progress, so such approval is generally not a significant hurdle to executing a definitive agreement or closing a transaction.

16. Other

Please describe any other factors that GWHN should consider in evaluating your proposal.

As you consider partners, we would like to highlight some additional considerations.

Consider the need for transformation

Our nation's current health care system is unsustainable and is in desperate need of transformation. Regardless of the ultimate outcome of the Patient Protection and Affordable Care Act, success in transforming our industry will require leaders in the private sector to create innovative new models of health care delivery. As our environment changes, strong partnerships and systems with regional and national scale will be best positioned for success and leadership. The scaled enterprise will also have the most efficient access to capital, and capital will remain a critical factor for the future success of health care organizations.

Consider Vanguard's leadership, experience and national scale

Vanguard is a Fortune 500 company publicly traded on the New York Stock Exchange (NYSE: VHS). We have consistently grown the company when opportunities present themselves and have the means and desire to continue to execute on that philosophy. Vanguard's Chairman and CEO, Charlie Martin, began the company in 1997 by putting together an experienced, stable management team and has continued to enhance this team over the years. Our senior leaders, with both not for profit and investor-owned experience, are recognized among the most forward thinking and innovative leaders in the industry. You will see them on boards of directors, speaking panels and in leadership roles in leading industry advisory groups and associations. Our diverse board of directors also consists of industry leaders and experts driving our company to the leading edge of transformation.

Our experience in transactions is unmatched in the industry with our leadership having been involved in hundreds of hospital and health system transactions throughout their careers. From signing a purchase agreement, to closing a transaction to transitioning a new system within our company, our team's experience is unmatched. Our belief is every transaction is unique. Consequently we do not approach our partnership opportunities with a set viewpoint or "cookie cutter" process. Rather, we have a flexible mindset when we structure deals to address the uniqueness of a particular partnership or transaction.

Our system of 28 hospitals across 5 states provides us a platform from which to draw "best in class" ideas and processes and to quickly cascade those throughout the company. We want to be the partner of choice for physicians, hospitals and other providers. GWHN is seeking a partner that will allow it to continue to be a provider of leading health care services to the Greater Waterbury community – Vanguard is that partner.

Commitment to New England

Vanguard is committed to its New England market. We have been in this market since 2005 and are looking for opportunities for growth and expansion. We encourage GWHN leaders and Board members to visit existing Vanguard hospitals and communities to see evidence of our successes at our hospitals and our positive impact on the communities in which we operate.

Commitment to communities

When we enter a community, we keep our promises. Our recent acquisition activity is a testament to our track record. With each recent acquisition, our partners performed significant due diligence on us and found that we are trusted community members and we keep our promises. Our hospitals are well capitalized and provide high quality care. We commit to providing GWHN the means to remain and thrive as ***THE*** leading provider of health care services in the Greater Waterbury community.

Exhibit A



Vanguard Health Systems Balanced Scorecard - FY 2012

	Stretch Target	Current Month	Rolling 12	Fiscal YTD	Score	Current Month		Fiscal Year To Date	
						Target	Actual	Target	Actual
Health, Quality, & Safety									
Pillar Score						Pillar Score			
Financial									
Serious Safety Events (hospital)	↓								
Care Reliability Variance in Top Conditions	↓								
Safety / Complication Composite Score	↑								
Core Measure Bundles (1 mon. lag)	↑								
Severity Adjusted Hospital Mortality (1 mon. lag)	↓								
Re-admits composite (CHF, AMI, & PN) (1 mon. lag)	↓								
Colorectal cancer screening	↑								
HbA1c controlled diabetics	↑								
Experience / Operations						Pillar Score			
HCAHPS Bundle (IP %tile)	↑								
Emergency Department Sat Bundle (%tile)	↑								
Outpatient Sat Bundle (%tile)	↑								
Ambulatory Sat (non-hospital)	↑								
ED Dispo to Admission Time (mins)	↓								
Annualized RN Voluntary Turnover	↓								
Growth						Pillar Score			
Inpatient Discharges	↑								
Outpatient Visits	↑								
Surgical Cases	↑								
Emergency Department Visits	↑								
Deliveries	↑								
Ambulatory Visits (employed)	↑								
Physicians with >= 50 adm/rolling 12	↑								
Physicians using registry (emp & affil)	↑								
Market Composite Score						MIP Score			
						4.0			
						3.0			
						2.0			
						1.0			
						0.0			
						Exceeding Expectations or Full Credit (Top Quartile)			
						Interim Target or 75% Credit			
						Below target or 50% Credit			
						Minimum achievement or 25% Credit			
						Not Achieving Minimum Standard			

Exhibit B

EXHIBIT 16: TRANSITION PLAN

At the beginning of the transition process, the development department will host a kickoff meeting to provide an overview of the integration process. The development team will walk the integration task force through the data room. Team Leaders or “champions” for each department will be identified. The Lessons Learned Coordinators will also introduce their role in the integration process.

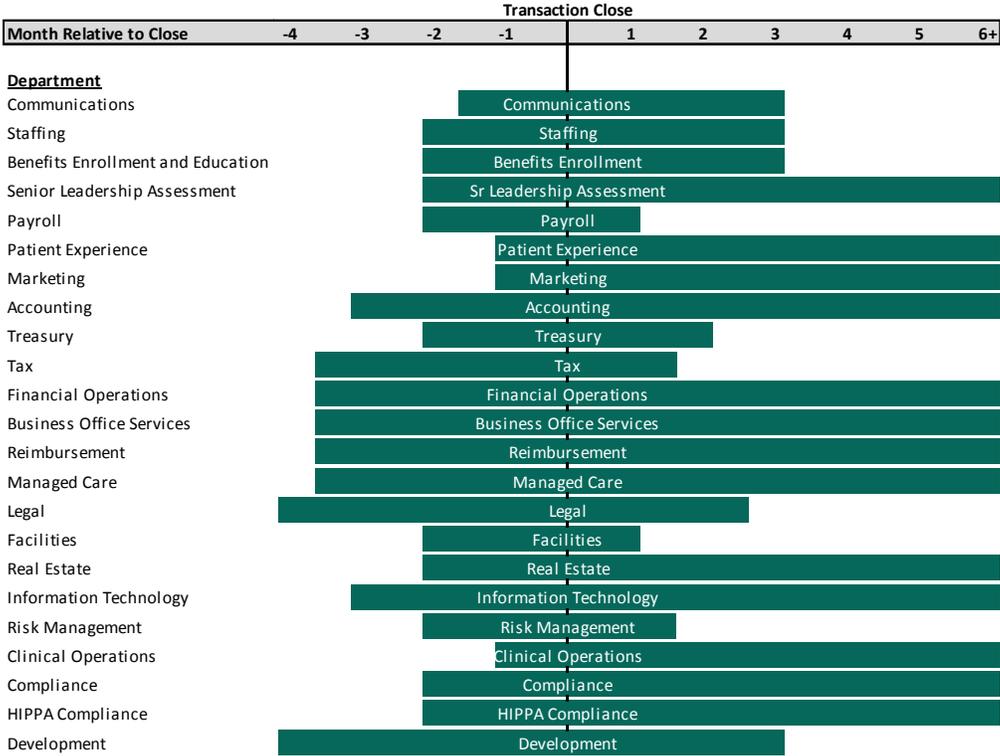


EXHIBIT 17: GWHN CHARITABLE CARE POLICIES

**Waterbury Hospital
CREDIT & COLLECTION MANUAL**

CHARITY CARE

CATEGORY: Credit & Collection	POLICY: Charity Care
	ORIGINATED: 12/5/97
REVIEWED: 6/10,11/11	REVISED: 07/03, 01/07, 12/07,12/09
RETIRED:	Comment:

SCOPE: Determination of when charity care is appropriate.
PURPOSE: To make provisions for situations in which charity care is appropriate based on aggregate balance and Encounter review.

POLICY: It is the policy of Waterbury Hospital to appropriately offer charity care in situations where balances are uncollectible and criteria meets established guidelines.

PURPOSE: To provide a mechanism to identify patients/encounters that are uncollectible due to specific reasons:

- o No assets
- o Deceased, no estate
- o Homeless, no information
- o Patient has recently been granted Title XIX

In addition, charity cases do not need to be presented to the Patient Assistance Committee:

- Balances in aggregate totaling <\$1000 – write off to Charity Care
- Balances in aggregate totaling >\$1000 - write off to appropriate Free Bed Fund

PROCEDURE:

When faced with one of the above situations, the Patient Financial Services Staff will do the following:

- Prepare an allowance sheet with the appropriate encounter numbers, documentation and summary bill.
- When submitting for a deceased patient, obtain a copy of the death certificate and/or verification from an authorized person i.e. relative, conservator, or caregiver. Estates must be verified by a phone call to the Probate Court of the city/town of residence. Some of the local probate numbers are: Waterbury 755-1127, Naugatuck 729-4571, and Southbury 262-0641.
- Self Pay outsourcing agency will send out the financial application.
- When these forms are received back, the customer service rep will review the outsourced encounters along with any outstanding encounters to determine if patient assistance should be pursued.
- On a weekly basis, the supervisor, Customer Service, will review all Encounters submitted for charity care.
- If the Encounter falls into a category for one of the free bed funds, then the

balance will be written off to that fund using the appropriate procedure code and recorded as a utilization of that free bed fund for accounting purposes.

Approved encounters for charity care will be written off to the Permanent Bed Fund and logged as charity care.

Denied encounters will be referred back to the person who submitted them for further review or follow-up if it is determined that there is a source of payment available.

Differences between Charity Care and Bad Debts:

Examples of charity care recipients

- Patients that are over income for assistance but are in financial hardship [working poor]
- Uninsured persons who are impoverished by daily expenses
- Patients who are unable to pay for services rendered and show true hardship

Bad Debts

- Patients who have the ability to pay but choose not to pay
- Patients who do not cooperate with the hospital during patient interviews i.e. providing needed information to complete assistance applications.
- Patients who do not follow through with assistance applications
- Patients who willfully give bad demographic information
- Encounters that are not resolved via collection efforts and there is no response from the patient or interest to resolve balances due.

Waterbury Hospital FY 2011-2012

Waterbury Hospital Sliding Scale for 2011-2012	2011-2012 Federal Poverty Income Guidelines	Patients at or below 200% of the FPIG, and who meet other criteria are eligible for a reduction of their bill to zero.	Care provided at hospital cost for those uninsured patients whose income is between 200% - 250% of the FPL.	Care should be discounted for those uninsured patients whose income is between 250% - 400% of the FPL [in accordance with IRS Section 501(r)(5) i.e. by using either the best or an average of the three best negotiated Commercial rates or the Medicare rate.	
FAMILY SIZE		Income is between 0 and 200% of the FPL	Income is between 200% - 250% of the FPL	Income is between 250% - 400% of the FPL	
	Income	200%	250%	400%	>400%
	Discount	100%	71%	35%	No discount
1	\$ 10,890	\$ 21,780	\$ 27,225	\$ 43,560	Income is greater than 400%
2	\$ 14,710	\$ 29,420	\$ 36,775	\$ 58,840	
3	\$ 18,530	\$ 37,060	\$ 46,325	\$ 74,120	
4	\$ 22,350	\$ 44,700	\$ 55,875	\$ 89,400	
5	\$ 26,170	\$ 52,340	\$ 65,425	\$ 104,680	
6	\$ 29,990	\$ 59,980	\$ 74,975	\$ 119,960	
7	\$ 33,810	\$ 67,620	\$ 84,525	\$ 135,240	
8	\$ 37,630	\$ 75,260	\$ 94,075	\$ 150,520	
For each additional family member add	\$ 3,820	\$ 7,640	\$ 9,550	\$ 15,280	

**Waterbury Hospital
CREDIT & COLLECTION MANUAL**

COMPLIANCE with IRS 501(r) (5)

CATEGORY: Credit & Collection	POLICY: Compliance with IRS 501 (r)(5)
ORIGINATED: October 1, 2011	REVIEWED:
REVISED:	
SCOPE: IRS section 501 (r) added to IRS Code section 9007 (a) of the Patient Protection and Affordable Care Act [PPACA] enacted March 23, 2010, Pub. L.No.111-148. Section 501 (r) affects hospital organizations that are currently described in section 501 (c)(3) of the Code as exempt from Federal Income taxation.	
PURPOSE: To document compliance with the above IRS code.	

POLICY: It is the policy of Waterbury Hospital to comply with the IRS regulations governing tax exempt status, as defined in the Patient Protection and Affordable Care Act, section 3. Financial Assistance, section 4., Limitation on Charges and section 5. Billing and Collection.

Section 3. FINANCIAL ASSISTANCE POLICY

Section 501(r)(4) requires a hospital organization to establish a financial assistance policy and a policy relating to emergency medical care.

Specifically, section 501(r)(4)(A) requires a hospital organization to have a written financial assistance policy that includes the following:

- (i) eligibility criteria for financial assistance, and whether such assistance includes free or discounted care;*
- (ii) the basis for calculating amounts charged to patients;*
- (iii) the method for applying for financial assistance;*
- (iv) in the case of an organization which does not have a separate billing and collections policy, the actions the organization may take in the event of nonpayment, including collections action and reporting to credit agencies; and*
- (v) measures to widely publicize the policy within the community to be served by the organization.*

Section 501(r)(4)(B) requires a hospital organization to have a written policy requiring the organization to provide, without discrimination, care for emergency medical conditions (within the meaning of section 1867 of the Social Security Act (42 U.S.C. 1395dd)) to individuals regardless of their eligibility under the financial assistance policy described in section 501(r)(4)(A). The Technical Explanation states that “[t]he policy must prevent discrimination in the provision of emergency medical treatment, including denial of service, against those eligible for financial assistance under the facility’s financial assistance policy or those eligible for government assistance.”

- Waterbury Hospital’s Credit & Collection Policy, Financial Assistance Section fully complies with Section 3 [above].
- Signage is posted at every point of entry where patient registration occurs.
- Financial packets are provided to patients who do not meet the qualifications for Medicaid entitlement.
- All statements provide information on the back regarding how to obtain financial assistance.
- Information is provided in the Patient Handbook
- Customer Service staff is available via phone, personal visit; to work with all patients expressing difficulty resolving open balances.

Section 4. LIMITATION on CHARGES

Section 501(r)(5) requires a hospital organization to limit amounts charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under the organization's financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care. Section 501(r)(5) also prohibits the use of gross charges.

The Technical Explanation states that "[i]t is intended that amounts billed to those who qualify for financial assistance may be based on either the best, or an average of the three best, negotiated commercial rates, or Medicare rates."

- Waterbury Hospital has a sliding scale program which provides discounts to patients who qualify according to family size/income as stated in the Federal Poverty Income Guidelines.

Section 5. BILLING and COLLECTIONS

Section 501(r)(6) requires a hospital organization to forego extraordinary collection actions against an individual before the organization has made reasonable efforts to determine whether the individual is eligible for assistance under the hospital organization's financial assistance policy.

The Technical Explanation states that "extraordinary collections include lawsuits, liens on residences, arrests, body attachments, or other similar collection processes." Technical Explanation at 82. The Technical Explanation also states that "[i]t is intended that for this purpose, 'reasonable efforts' includes notification by the hospital of its financial assistance policy upon admission and in written and oral communications with the patient regarding the patient's bill, including invoices and telephone calls, before collection action or reporting to credit agencies is initiated."

- When a patient expresses difficulty resolving an open balance, the encounter is placed on hold to allow sufficient time for the patient to complete a financial application and provide documents. This would include collection efforts if the encounter/s are at a collection agency.
- Patients who do not comply or respond to contacts by Waterbury Hospital will be placed back in the collection flow.

The Connecticut Hospital Association [CHA] has provided *Voluntary Principles and Guidelines for Assisting Uninsured Patients.*

Waterbury Hospital has adopted these guidelines which are reflected in the Credit & Collection Policies and Sliding Scales.

Excerpts are listed below:

Principles

Assistance to uninsured patients should be based on the following principles:

- Concern over a hospital bill should never prevent any individual from receiving emergency health services.
- All patients should be treated with fairness, dignity, compassion, and respect.
- Hospitals should have financial aid policies that are consistent with the mission and values of the hospital and that take into account each individual's ability to contribute to the cost of his or her care.
- Financial aid policies should be clear, understandable, and communicated in a manner that is dignified and in languages appropriate to the communities and patients served. These policies should be made readily available to prospective and current patients and to the community at large.
- Hospitals should assist patients in obtaining health insurance coverage from privately and publicly funded sources, including free bed funds, whenever appropriate.
- Debt collection policies—by both hospital staff and external collections agencies—should reflect the mission and values of the hospital, and be carefully monitored to avoid unintended consequences.
- Financial assistance by the hospital is not a substitute for the responsibility of government and employers to find solutions to expand access to healthcare coverage for all Connecticut residents. Hospitals must balance needed financial assistance for some patients with broader fiscal responsibilities in order to keep their doors open for all who may need care.
- Financial aid policies do not eliminate personal responsibility. All patients should be expected to contribute to the cost of their care, based upon their individual ability to pay.

Guidelines

These financial aid guidelines are intended to assist those low-income and uninsured individuals who do not otherwise have the ability to pay for medically necessary healthcare as prescribed by their physician and as determined by the hospital's qualification criteria. While it is incumbent upon hospitals to have and fairly implement financial aid policies, it is incumbent upon financial aid applicants to cooperate with the hospital by providing necessary financial information and/or providing other information needed to enroll in a publicly sponsored insurance plan such as Medicaid or HUSKY.

Connecticut Not-for-Profit Hospital Discount Policy

Based on a review of annual income, uninsured patients in Connecticut receiving medically necessary services should be offered discounted services as described below:

- Care should be provided free for those uninsured patients who request assistance and verify their annual income is less than 200% of the Federal Income Poverty Level (FPL).
- Care should be provided at hospital cost, as established by the Office of Health Care Access (OHCA), for those uninsured patients who request assistance and verify their annual income is between 200% and 250% of the FPL.
- Care should be discounted for those uninsured patients whose annual income is between 250% and 400% of the FPL in accordance with the requirements of IRS Section 501(r)(5); i.e., by either the best, or an average of the three best, negotiated commercial rates, or Medicare rate.

Hospitals should consider the total medical expenses faced by a family and the family's ability to pay for those expenses, and offer greater assistance when possible to those families facing catastrophic medical expenses.

Adopted by the CHA Board of Trustees - April 10, 2006 Revised - April 25, 2011

The policies governing Financial Assistance in the Waterbury Hospital Credit & Collection Policy Manual are listed below:

-  01_Bankruptcy. doc.doc
-  02_Charity Care rev 1209.doc
-  03_DMHAS IP Grant.doc
-  04_FINANCIAL ASSISTANCE APPLICATION FORM rev 1209.doc
-  04a_Glossary of Definitions.doc
-  05_Financial Assistance Checklist rev 1209.doc
-  06_Free Care Patient Information rev 0911.doc
-  06_Free Care Patient Information rev 1209.doc
-  07_Free Care Policies Matrix rev 1209.doc
-  08_Patient Assistance Committee Bylaws Rev 120109.doc
-  09_Patient Assistance Policy rev 120109.doc
-  10_Uncompensated Care Pool Regulations_FINAL 12.9.09.doc
-  11_Uninsured Patient Rev 112409.doc
-  12_Sliding Scales.xls
-  13_Compliance with IRS 501(r)(1).docx

Waterbury Hospital
Patient Access/ Financial Services
FINANCIAL ASSISTANCE APPLICATION FORM 2011-2012

CASE # _____

DATE _____ Account # _____

I. PATIENT DATA – [If patient is a minor, [under 18] mother, father and/or guardian information must be completed]

Name _____ date of birth _____

Address _____

zip code _____

Phone number _____ social security # _____

Mother's information

Name _____ social security # _____

Date of birth _____ phone number _____

Address _____

zip code _____

Father's information

Name _____ social security # _____

Date of birth _____ phone number _____

Address _____

zip code _____

Guardian's information

Name _____ social security # _____

Date of birth _____ phone number _____

Address _____

zip code _____

CHURCH

AFFILIATION: _____

Waterbury Hospital
Patient Access/ Financial Services
FINANCIAL ASSISTANCE APPLICATION FORM 2011-2012

II. HEALTH INSURANCE YES NO

Insurance _____ policy # _____
 Insurance _____ policy # _____

III. DEPENDENTS [not working and/or live in household, including spouse]

Name	Age	Birth Date	SSN #

Total number of dependents living in household _____

IV. THE FOLLOWING INFORMATION IS RELATED TO THE INDIVIDUAL RESPONSIBLE FOR PAYMENT:

Patient _____ Responsible Party [give name] _____

Employer name _____ phone # _____

Address _____

Dates of employment: from _____ to _____

Gross weekly income _____ net weekly income _____

Gross income from income tax return _____ year _____

Waterbury Hospital
Patient Access/ Financial Services
FINANCIAL ASSISTANCE APPLICATION FORM 2011-2012

INCOME FROM OTHER SOURCES: spouse ___ dependent ___ other ___

Employer name _____ phone # _____

Address _____

Dates of employment: from _____ to _____

Gross weekly income _____ net weekly income _____

MISCELLANEOUS INCOME

Source of Income	Amount of Income
Rent	
Pensions	
Social Security [SSN]	
Veterans' Security	
Workman's compensation	
Unemployment compensation	
Other :	
Other:	

Total from All Income Sources _____ \$ _____

PERSONAL / CAPITAL ASSETS

Personal Asset	Amount of asset	Capital Asset	Purchase Date	Price
Checking accounts		Real Estate [own home]		
Savings accounts		Automobile		
Life Insurance [cash surrender value]		Other:		
Securities and bonds		Other:		
Other:				
Other:				
Total personal		Total Capital		
Income Tax Refund (s)	Federal \$ State \$			

Waterbury Hospital
Patient Access/ Financial Services
FINANCIAL ASSISTANCE APPLICATION FORM 2011-2012

V. CURRENT DEBTS

Type of Debt	To Whom Paid	Monthly Payment	Balance
Mortgage			
Rent			
Gas			
Electric			
Phone			
Oil			
Income taxes due	IRS		
Finance Companies			
Credit Unions			
Life Insurance			
Homeowner/Rental Insurance			
Car Insurance			
Property Tax			
Other			
Other			

CHARGE ACCOUNTS

Credit card/Store	Monthly Payment	Balance

OTHER MEDICAL BILLS

Hospital/Doctor etc.	Monthly Payment	Balance

Total outstanding debts \$ _____

IMPORTANT: SIGNATURE IS REQUIRED ON NEXT PAGE FOR VERIFICATION OF INFORMATION. UNSIGNED APPLICATIONS WILL BE RETURNED and/or DENIED, IF SIGNATURE NOT OBTAINED.

Waterbury Hospital
Patient Access/ Financial Services
FINANCIAL ASSISTANCE APPLICATION FORM 2011-2012

VI. CERTIFICATION

I certify under the penalty of perjury that the information I have given is correct, true and complete. I also give permission for verification of all facts relating to my eligibility.

ACKNOWLEDGEMENT

Patient or guarantor signature _____

Witnessed by _____ date

Address of above

City, town _____ State

******NOTE**** IF PATIENT IS CLAIMING NO INCOME, A NOTARIZED STATEMENT MUST BE PROVIDED FROM THE PERSON THAT IS SUPPORTING THE PATIENT FINANCIALLY.**

Please mail this application and the required information off the checklist to the address listed below.

WATERBURY HOSPITAL HEALTH CENTER
P.O. BOX 1590
WATERBURY, CT 06721

ATTN: PATIENT FINANCIAL SERVICES

**Waterbury Hospital
CREDIT & COLLECTION MANUAL**

FREE CARE PATIENT INFORMATION

CATEGORY: Credit & Collection	POLICY: Free Care Patient Information
	ORIGINATED: 10/03
REVIEWED: 06/10,11/11	REVISED:01/07, 01/08, 12/09,09/11
RETIRED: Free Care Signage, replaced with Free Care Patient Information	Comment:

POLICY: It is the policy of Waterbury Hospital to provide patients with information relating to financial counseling services.

The following signs are posted at registration points of service:

ARE YOU HAVING PROBLEMS PAYING YOUR HOSPITAL BILLS?

If you are coping with a personal financial hardship, and are facing significant debts owed to Waterbury Hospital, Waterbury Hospital offers “free bed funds” to cover the cost (partially or fully) for inpatient, outpatient and emergency services rendered at the Hospital for qualifying patients.

To obtain further information, including an application, please contact our customer service representatives as follows:

- By phone at 203-573-7116, Monday through Friday, 8:30 a.m. to 3:30 p.m.
- By appointment or walk-in in the Patient Financial Services office (ground floor adjacent to the Main Lobby) Monday through Friday, 8 a.m. to 4:30 p.m.

ESTA USTED TENIENDO PROBLEMAS PAGANDO LOS BILES DEL HOSPITAL?

Si usted está pasando por un problema financiero o está usted en deuda con el Hospital de Waterbury, ahora el Hospital el ofrece un programa llamado “Fondo de Cama Gratis” para cubrir el gasto parcial o completo a los pacientes que son internados, dado de alta o en emergencia que visitan el Hospital. Este programa solamente es para esas personas que califican.

Para obtener más información, incluyendo una aplicación, por favor comuníquese con nuestra oficina de servicios al paciente en el horario indicado a continuación:

***POR TELEFONO:
203-573-7116, de lunes a viernes, 8:30 a.m. to 3:30 p.m.***

CON CITA O SIN CITA:

Horario de la oficina: lunes a viernes, 8 a.m. a 4:30 p.m.

LAS OFICINAS DE ASISTENCIA AL PACIENTE ESTAN LOCALIZADAS EN LA PLANTA BAJA AL CRUZAR LA SALA DE ESPERA.

All statements sent from Waterbury Hospital will have the following information printed on the back of each statement:

ARE YOU HAVING PROBLEMS PAYING YOUR HOSPITAL BILLS?

Waterbury Hospital offers “free bed funds” to cover the cost (partially or fully) for inpatient, outpatient and emergency services rendered at the Hospital for qualifying patients. To obtain further information, including an application, please contact our customer service representatives.

You will receive written notice of the outcome of your case including reason/s if your case is rejected. You may reapply for free bed funds at any time. Additional funding may become available on an annual basis.

Other assistance options, such as a sliding scale discount may also apply to your situation. The financial counseling process will indicate available options to assist you with your outstanding balance.

ESTA USTED TENIENDO PROBLEMAS PAGANDO LOS BILES DEL HOSPITAL?

El Hospital de Waterbury le ofrece un programa llamado “Fondo de Cama Gratis” para cubrir el gasto parcial o completo a los pacientes que son internados, dado de alta o en emergencia que visitan el Hospital. Este programa solamente es para esas personas que califican. Para obtener más información, incluyendo una aplicación, por favor comuníquese con nuestra oficina de servicios al paciente en el horario indicado a continuación:

POR TELEFONO:

203-573-7116, de lunes a viernes, 8:30 a.m. to 3:30 p.m.

CON CITA O SIN CITA:

Horario de la oficina: lunes a viernes, 8 a.m. a 4:30 p.m.

LAS OFICINAS DE ASISTENCIA AL PACIENTE ESTAN LOCALIZADAS EN LA PLANTA BAJA AL CRUZAR LA SALA DE ESPERA.

Usted recibirá una notificación indicando si su caso ha sido aprobado o negado. Fondos adicionales estarán disponibles anualmente. Otra opción de asistencia es la aplicación “Sliding Scale Discount” para su situación financiera. Esta aplicación es para ayudarle con al balance de su cuenta pendiente.

Asistencia adicional estará disponible en el Departamento de Servicio Social o Departamento de Salud.

ARE YOU UNINSURED?

If you meet the definition of “uninsured” as defined by Connecticut State statutes, section 19a-673, [effective October 1, 2003], you may be eligible to have your balance/s reduced.

1. You have one or more outstanding balances due to Waterbury Hospital.
2. You have applied and been denied eligibility for any medical or health care coverage provided by Medicaid or State Administered General Assistance [SAGA] due to failure to satisfy income or other eligibility requirements
 - a. Proof of denial is required
3. You are not eligible for coverage for hospital services under any other health insurance program [including workers compensation, third-party liability, motor vehicle insurance]
4. Your household income is at or below 250% of the Federal Poverty Income Guidelines.
 - a. Proof of income is required

To find out if you qualify, please contact us.

PATIENT FINANCIAL SERVICES

By phone at 203-573-7116, Monday through Friday, 8:30 a.m. to 3:30 p.m.

By appointment or walk-in in the Patient Financial Services office (ground floor adjacent to the Main Lobby) Monday through Friday, 8 a.m. to 4:30 p.m.

In addition, a handout is available upon request as Required By The State Of Ct, SB568. Forms are available in the storeroom – form # CN4457 for all registration points of service.

The information sheet must be available for anyone who requests information about discounts or free bed funds.

Patient Handbook – for inpatients, the patient handbook contains information on financial assistance

EXHIBIT 18: IRS 990 REPORT

Form **990**

Return of Organization Exempt From Income Tax

OMB No 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2010

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

- B Check if applicable
- Address change
- Name change
- Initial return
- Terminated
- Amended return
- Application pending

C Name of organization
THE WATERBURY HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite
64 ROBBINS STREET

City or town, state or country, and ZIP + 4
WATERBURY, CT 06708

D Employer identification number
06-0665979

E Telephone number
(203) 573-6000

G Gross receipts \$ 264,810,718

F Name and address of principal officer
DARLENE STROMSTAD
64 ROBBINS STREET
WATERBURY, CT 06708

H(a) Is this a group return for affiliates? Yes No

H(b) Are all affiliates included? Yes No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527

J Website: WWW.WATERBURYHOSPITAL.ORG

K Form of organization Corporation Trust Association Other ▶ **L Year of formation** 1951 **M State of legal domicile** CT

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities WATERBURY HOSPITAL'S MISSION IS TO PROVIDE COMPASSIONATE HIGH QUALITY HEALTH CARE SERVICES THROUGH A FAMILY OF PROFESSIONALS AND SERVICES		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	2,227
	6 Total number of volunteers (estimate if necessary)	6	282
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	3,727,068
b Net unrelated business taxable income from Form 990-T, line 34	7b	100,724	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	6,580,621	5,432,131
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	229,011,318	231,768,719
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,513,080	3,389,996
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	3,650,743	5,501,666
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	241,755,762	246,092,512
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	127,864,288	135,820,931
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 388,446	0	0
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	110,474,594	107,970,428
	18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	238,338,882	243,791,359
19 Revenue less expenses Subtract line 18 from line 12	3,416,880	2,301,153	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	163,030,487	168,460,419
	22 Net assets or fund balances Subtract line 21 from line 20	67,145,451	88,118,686
		95,885,036	80,341,733

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer: ***** Date: 2012-08-15

DARLENE STROMSTAD PRESIDENT/CEO
Type or print name and title

Paid Preparer Use Only

Preparer's name: DOUGLAS FARRINGTON Preparer's signature: DOUGLAS FARRINGTON Date: Check if self-employed PTIN:

Firm's name: MARCUM LLP Firm's EIN:

Firm's address: CITY PLACE II 185 ASYLUM STREET HARTFORD, CT 06103 Phone no: (860) 549-8500

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C N/A

Identifier	ReturnReference	Explanation
		<p>PART II AS THE LARGEST PRIVATE EMPLOYER IN THE CITY OF WATERBURY, WATERBURY HOSPITAL (WH) UNDERSTANDS ITS ROLE AS A LEADER IN THE COMMUNITY MANY OF OUR PROGRAMS ARE SPECIFICALLY TARGETED AT STRENGTHENING THE WELFARE AND AWARENESS OF THE CITIZENS WITHIN OUR COMMUNITY FROM EDUCATING WATERBURY'S YOUTH ABOUT HEALTHCARE CAREERS TO OFFERING SUPPORT GROUPS TO FAMILIES WHO HAVE LOST LOVED ONES, WATERBURY HOSPITAL REMAINS COMMITTED TO MAKING THE GREATER WATERBURY AREA A STRONGER, MORE PROSPEROUS COMMUNITY KEY PROGRAMS YOUTH PIPELINE INITIATIVES SINCE THE YOUTH PIPELINE INITIATIVES WERE ESTABLISHED IN 2001 AS A PARTNERSHIP BETWEEN WATERBURY HOSPITAL AND WATERBURY PUBLIC SCHOOLS, ITS MISSION HAS REMAINED THE SAME TO CLOSE THE ACHIEVEMENT GAP FOR MINORITY AND ECONOMICALLY DISADVANTAGED STUDENTS IN WATERBURY SO THEY CAN MATRICULATE AND COMPETE NATIONALLY FOR PLACEMENT IN POST-SECONDARY EDUCATION PROGRAMS IN PREPARATION FOR HEALTH CAREERS WATERBURY HOSPITAL HAS REMAINED DEDICATED TO ENHANCING AND ENRICHING THE LIVES OF WATERBURY'S YOUTH WE TAKE PRIDE IN HELPING STUDENTS REALIZE THEIR POTENTIAL AS THEY EMBARK ON THEIR ACADEMIC AND PERSONAL JOURNEYS TO THIS END, DURING 2011, WATERBURY HOSPITAL CONTINUED TO PROVIDE OVER 600 STUDENTS AND PARENTS IN GREATER WATERBURY WITH UNIQUE EDUCATIONAL PROGRAMS THAT WILL ENHANCE THE OVERALL WELFARE OF OUR COMMUNITY THE YOUTH PIPELINE INITIATIVES ARE A MULTIFACETED SERIES WITH FIVE FOCUS AREAS DURING 2011, INCLUDING - PROVIDING EARLY ACQUAINTANCE WITH CAREERS IN HEALTH (PEACH) - SINCE ITS INCEPTION IN 2004, WATERBURY HOSPITAL'S PROVIDING EARLY ACQUAINTANCE WITH CAREERS IN HEALTH (PEACH) PROGRAM HAS WORKED WITH ADMINISTRATORS, TEACHERS, AND STUDENTS AT WATERBURY'S NORTH END MIDDLE SCHOOL AND WEST SIDE MIDDLE SCHOOL TO ADDRESS PROJECTED SHORTAGES OF HEALTHCARE WORKERS AND TO CLOSE THE ACHIEVEMENT GAP FOR STUDENTS IN WATERBURY PUBLIC SCHOOLS THROUGH THE PEACH PROGRAM, STUDENTS ENGAGE WITH HEALTHCARE WORKERS IN A NON-EMERGENCY SETTING AND ARE INFORMED OF THE VARIETY OF HEALTHCARE CAREER OPPORTUNITIES AVAILABLE IN OUR COMMUNITY EACH SPRING, OVER 100 SEVENTH GRADERS FROM WATERBURY TAKE PART IN A DAY-LONG PEACH TOUR AT WATERBURY HOSPITAL, DURING WHICH THEY VISIT AT LEAST SIX HOSPITAL DEPARTMENTS AND COMPLETE HANDS-ON LEARNING ACTIVITIES WITH HOSPITAL STAFF ANNUALLY, WATERBURY HOSPITAL ALSO OFFERS ITS PEACH SPRING BREAK EXPLORATION CAMP, IN WHICH 20 MIDDLE SCHOOL STUDENTS FROM WATERBURY TAKE PART IN SHADOWING AND HANDS-ON LEARNING ACTIVITIES AT THE HOSPITAL AND ARE CPR CERTIFIED - 9TH GRADE MENTORING - FOR THE PAST SIX YEARS, DOZENS OF WATERBURY HOSPITAL EMPLOYEES HAVE SERVED AS MENTORS AT WATERBURY'S WILBY HIGH SCHOOL WATERBURY HOSPITAL'S MENTORS VOLUNTEER FOR ONE HOUR PER WEEK FOR 25 TO 30 WEEKS PER SCHOOL YEAR TO GUIDE STUDENTS AS THEY SET ACADEMIC AND PERSONAL GOALS FOR HIGH SCHOOL AND BEYOND IN 2011, FIFTEEN WATERBURY HOSPITAL STAFF MEMBERS WORKED WITH A TOTAL OF 200 STUDENTS FOR OVER 500 HOURS - PARENT LEADERSHIP TRAINING INSTITUTE (PLTI) - IN 2011, SIXTEEN INDIVIDUALS FROM GREATER WATERBURY SUCCESSFULLY COMPLETED WATERBURY'S PLTI, A 20-WEEK CURRICULUM TEACHING LEADERSHIP AND ADVOCACY SKILLS WATERBURY HOSPITAL HAS HOSTED THE WATERBURY PLTI SINCE 2000, AND THE PROGRAM HAS TRAINED AND GRADUATED OVER 150 AREA PARENTS PLTI'S CORE MISSION IS TO IMPART LEADERSHIP AND ADVOCACY SKILLS TO PARENTS WHILE SIMULTANEOUSLY EDUCATING THEM ABOUT VOLUNTEERISM, CIVIC LIFE, AND THE PROCESS BY WHICH STATE AND LOCAL GOVERNMENTS ENACT AND CHANGE LAWS EACH PARTICIPANT COMPLETES AND IMPLEMENTS A COMMUNITY PROJECT, EXAMPLE PROJECTS FROM 2011 INCLUDE "BRIDGE THE GAP" (TO CLOSE THE ACHIEVEMENT GAP FOR STUDENTS) AND "ALL DAY WEE CARE" (A 24-HOUR LEARNING CENTER TO BETTER CHILDREN AND THE COMMUNITY) - WH SUMMER BRIDGE PROGRAM - DURING THE SUMMER OF 2011, TWENTY-SIX STUDENTS FROM WATERBURY, GRADES 6-11, PARTICIPATED IN THE WH SUMMER BRIDGE PROGRAM, WHICH PROVIDED THE STUDENTS WITH ACADEMIC PREPARATION, SUCH AS SAT MATH AND SAT ENGLISH REVIEW, JOB READINESS ACTIVITIES, AND JOB SHADOWING THROUGHOUT THE HOSPITAL IN ORDER TO INCREASE THE PROGRAM'S DIVERSITY, A HANDFUL OF PROGRAM SLOTS WERE ALLOCATED FOR STUDENTS OF WATERBURY HOSPITAL EMPLOYEES BY THE END OF THE PROGRAM, STUDENTS - LEARNED 360 NEW SAT VOCABULARY WORDS, - COMPLETED 11 HOURS OF ALGEBRA AND GEOMETRY REVIEW, - READ LORD OF THE FLIES AND WORKED ON A JOURNAL, - COMPLETED A PHOTOGRAPHY SELF-PORTRAIT, WHICH THEY CONTRIBUTED TO THE CLASS PHOTO BOOK, - COMPLETED MOCK JOB APPLICATIONS AND JOB INTERVIEWS WITH THE HOSPITAL'S HUMAN RESOURCES CONSULTANTS, - LEARNED MICROSOFT OFFICE AND ADOBE PHOTOSHOP FROM WH'S INFORMATION SERVICES TRAINER, AND - SHADOWED WH CLINICIANS IN GASTROENTEROLOGY, TRAUMA, RADIOLOGY, ELECTROENCEPHALOGRAPHY, AND EMERGENCY DEPARTMENTS SUPPORT GROUPS - DURING 2011, WATERBURY HOSPITAL HOSTED SEVERAL SUPPORT GROUPS FOR ITS PATIENTS AND THEIR FAMILIES, INCLUDING - SHARE, A SUPPORT GROUP RUN BY THE FAMILY BIRTHING CENTER FOR PAREN</p>

Identifier	ReturnReference	Explanation
		<p>TS WHO HAVE LOST A BABY, - BEHAVIORAL HEALTH'S PARENT AND SIBLING SUPPORT GROUP, WHICH OFFERS EMOTIONAL ASSISTANCE TO FAMILIES WHO HAVE CHILDREN IN TREATMENT , AND - ALCOHOLICS ANON YMOUS, WHICH MEETS WEEKLY THROUGHOUT THE YEAR AND IS COORDINATED BY OUR BEHAVIORAL HEALTH DEPARTMENT</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 WATERBURY HOSPITAL WORKS CLOSELY WITH LOCAL HEALTHCARE PROVIDERS AND COMMUNITY-BASED ORGANIZATIONS TO IDENTIFY HEALTHCARE NEEDS FOR UNDERSERVED PATIENTS THROUGHOUT THE WATERBURY COMMUNITY THROUGH THESE COLLABORATIONS, WATERBURY HOSPITAL WORKS TO DEVELOP KEY PROGRAMMING FOR THE CITY'S VULNERABLE POPULATIONS, INCLUDING THE WATERBURY HOSPITAL INFECTIOUS DISEASE CLINIC, WHICH PROVIDES COMPREHENSIVE HIV CARE TO 500 PEOPLE LIVING WITH HIV/AIDS, THE WATERBURY HEALTH ACCESS PROGRAM, WHICH PROVIDES COMPREHENSIVE CASE MANAGEMENT SERVICES TO OVER 3,000 UNINSURED AND UNDERINSURED PATIENTS ANNUALLY, AND THE WATERBURY HOSPITAL CHASE DIABETES DISEASE MANAGEMENT CLINIC, WHICH PROVIDES >150 DIABETICS WITH SELF-MANAGEMENT SKILLS AND CLINICAL CARE. WATERBURY HOSPITAL BEGAN WORKING ON ITS COMMUNITY HEALTH NEEDS ASSESSMENT DURING FY 2012 IN COLLABORATION WITH ST. MARY'S HOSPITAL, THE WATERBURY HEALTH DEPARTMENT, CONNECTICUT COMMUNITY FOUNDATION, STAYWELL HEALTH CENTER (FQHC), AND THE UNITED WAY OF GREATER WATERBURY. IN THE PAST, WE HAVE COLLABORATED WITH THESE ORGANIZATIONS TO COMPLETE COMMUNITY NEEDS ASSESSMENTS, THE MOST RECENT OF WHICH WAS COMPLETED BY THE UNITED WAY OF GREATER WATERBURY IN 2007.</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 6 REALIZING THE DIVERSE NEEDS OF RESIDENTS IN OUR COMMUNITY, WATERBURY HOSPITAL REMAINS DEDICATED TO PROVIDING COMPREHENSIVE HEALTH SERVICES TO ENSURE EVERY INDIVIDUAL HAS ACCESS TO APPROPRIATE, QUALITY HEALTHCARE DURING 2011, WATERBURY HOSPITAL'S SPECTRUM OF SERVICES CONTINUED TO HAVE A POSITIVE IMPACT ON THE WELFARE OF WATERBURY'S CITIZENS TO REMAIN CONSISTENT WITH WATERBURY HOSPITAL'S MISSION, MANY OF OUR SERVICES ARE TARGETED FOR VULNERABLE MEMBERS OF OUR COMMUNITY, INCLUDING THOSE WHO ARE UNINSURED OR UNDERINSURED KEY PROGRAMS WATERBURY HEALTH ACCESS PROGRAM WATERBURY HOSPITAL IS AWARE OF THE ECONOMIC NEEDS MANY PATIENTS IN OUR COMMUNITY, AND, AS A RESULT, WE REMAIN COMMITTED TO THE WATERBURY HEALTH ACCESS PROGRAM FOUNDED IN 2003 AS A PARTNERSHIP BETWEEN WATERBURY HOSPITAL, ST MARY'S HOSPITAL, STAYWELL HEALTH CENTER (FQHC), AND THE WATERBURY HEALTH DEPARTMENT, THE WATERBURY HEALTH ACCESS PROGRAM IMPROVES ACCESS TO HIGH-QUALITY MEDICAL CARE BY PROVIDING COMPREHENSIVE CASE MANAGEMENT, PHARMACY ASSISTANCE, AND ACCESS TO PRIMARY AND SUB-SPECIALTY MEDICAL CARE FOR THE UNINSURED AND UNDERINSURED RESIDENTS OF THE GREATER WATERBURY REGION DURING 2011, THE WATERBURY HEALTH ACCESS PROGRAM SAW OVER 3,600 ACTIVE CLIENTS ADDITIONALLY, DURING WATERBURY HOSPITAL'S FY 2011, WATERBURY HOSPITAL PROVIDED \$397,785 WORTH OF DONATED SERVICES TO WHAP PATIENTS BEHAVIORAL HEALTH - WATERBURY HOSPITAL'S CENTER FOR BEHAVIORAL HEALTH IS ONE OF THE REGION'S LARGEST, PROVIDING COMPREHENSIVE INPATIENT AND OUTPATIENT SERVICES AND A VARIETY OF SUPPORT GROUPS OUR BEHAVIORAL HEALTH DEPARTMENT BOASTS A CRISIS CENTER, WHICH PROVIDED SERVICES TO OVER 2,400 INDIVIDUALS DURING 2011 OTHER PROGRAMS INCLUDE HOMELESS OUTREACH, A RESPITE PROGRAM, A PARENT SUPPORT GROUP, A SIBLING SUPPORT GROUP, AND A MEDICAL TRANSPORTATION PROGRAM THAT BRINGS CHILDREN AND ADOLESCENTS TO THE IR OUTPATIENT THERAPY APPOINTMENTS AT WATERBURY HOSPITAL BE WELL BUS - IN ORDER TO ENSURE THAT PATIENTS HAVE ACCESS TO MEDICAL APPOINTMENTS, AT THE HOSPITAL AND AT LOCAL PHYSICIANS' OFFICES, WATERBURY HOSPITAL'S BE WELL BUS PROVIDES TRANSPORTATION SERVICES TO PATIENTS FROM WATERBURY AND ELEVEN OF ITS SURROUNDING TOWNS DURING 2011, THE BE WELL BUS COMPLETED OVER 4,400 TRANSPORTS TO AND FROM MEDICAL APPOINTMENTS WATERBURY HOSPITAL HAS CONTRACTED WITH A TRANSPORTATION PROVIDER TO OFFER THE BUS SERVICE, AND PROVIDERS PAY A SMALL FEE TO PARTICIPATE HEART CENTER OF GREATER WATERBURY - FORMED IN COLLABORATION WITH SAINT MARY'S HOSPITAL, THE HEART CENTER OF GREATER WATERBURY PROVIDES DIVERSE MEDICAL SUPPORT INITIATIVES TO HELP EDUCATE RESIDENTS IN THE GREATER WATERBURY COMMUNITY ABOUT PERTINENT HEALTH AND WELLNESS ISSUES THIS PAST YEAR, THE HEART CENTER CONDUCTED A SERIES OF HEALTH FAIRS AND VARIOUS HEALTH AND WELLNESS EDUCATION SESSIONS, INCLUDING "ASK THE NURSE," WHICH PROVIDES PATIENTS WITH COMPLIMENTARY BLOOD PRESSURE SCREENINGS AND HEALTH AWARENESS EDUCATION AND A "FREEDOM FROM SMOKING" SERIES TO HELP OUR RESIDENTS KICK THE HABIT DURING 2011, THE HEART CENTER'S PROGRAMS SERVED OVER 3,800 RESIDENTS FROM THE GREATER WATERBURY AREA FAMILY BIRTHING CENTER - PROVIDING A CHILD-CENTERED FOCUS, WATERBURY HOSPITAL'S FAMILY BIRTHING CENTER OFFERS EXPECTANT PARENTS A VARIETY OF CLASSES TO PREPARE THEM FOR THEIR BABY'S ARRIVAL BETWEEN BREAST FEEDING, CHILDBIRTH, AND INFANT CARE CLASSES, OUR FAMILY BIRTHING CENTER PROVIDED VITAL INSTRUCTION TO OVER 170 PARENTS LAST YEAR THANK GOD I'M FEMALE - FOR THE PAST 20 YEARS, WATERBURY HOSPITAL'S "THANK GOD I'M FEMALE" HAS SERVED AS AN ANNUAL WOMEN'S WELLNESS FORUM THAT FEATURES 40 EDUCATIONAL BOOTHS AND HEALTH-RELATED GIVEAWAYS THE ULTIMATE GOAL OF THE FORUM IS TO EDUCATE ATTENDEES ABOUT STRESS, MENTAL WELL-BEING, HEART HEALTH, DIET, OSTEOPOROSIS AND BONE HEALTH, CHANGE OF LIFE, AND MORE IN 2011, OVER 400 ARE A RESIDENTS ATTENDED THE EVENT EVERGREEN 50 CLUB - WATERBURY HOSPITAL'S EVERGREEN 50 CLUB IS AN ORGANIZATION COMPRISED OF OVER 15,000 MEMBERS OVER THE AGE OF 50 THE CLUB OFFERS WELLNESS PROGRAMMING, MEDICARE COUNSELING, AND HEALTH EDUCATION PRESENTATIONS ON A VARIETY OF TOPICS ARE PRESENTED BY HEALTH CARE PROFESSIONALS PRESENTATION TOPICS INCLUDE HOLISTIC HEALTH, VARICOSE VEIN TREATMENT, HEART DISEASE, SUMMER SKIN CARE, WEIGHT LOSS, BLOOD PRESSURE, BLADDER SCREENINGS, JOINT CARE AND REPLACEMENT, AND RESOLVING ADVERSE OUTCOMES WITH PATIENTS AND FAMILIES ANNUALLY, THE EVERGREEN 50 CLUB HOSTS A HEALTH FAIR FOR ITS MEMBERS, WHICH PROVIDES FREE FLU SHOTS AND HEALTHCARE SCREENINGS MEMBERS ALSO ENJOY COMPLIMENTARY PARKING AT WATERBURY HOSPITAL AND RECEIVE A NEWSLETTER THREE TIMES A YEAR WITH INFORMATION ABOUT STAYING HEALTHY AND THE COMMUNITY YALE PRIMARY CARE RESEARCH DAY - THROUGH COLLABORATION WITH ST MARY'S HOSPITAL IN WATERBURY, CT, WATERBURY HOSPITAL HOSTED ITS ANNUAL YALE PRIMARY CARE RESEARCH DAY DURING THE DAY, PHYSICIANS AND MEDICAL STUDENTS PRESENT RESEARCH PROJECTS TO THE COMMUNITY HIGH SCHOOL STUDENT</p>

Identifier	ReturnReference	Explanation
		<p>TS ARE ALSO ENCOURAGED TO PARTICIPATE IN THE ACTIVITIES WATERBURY HOSPITAL INFECTIOUS DISEASE CLINIC (WHIC) - CURRENT SERVICES THE WHIC OFFERS A COMPREHENSIVE "ONE-STOP SHOPPING" MODEL THAT PROVIDES PATIENTS WITH ON-SITE PRIMARY AND SPECIALTY SERVICES, MEDICAL CASE MANAGEMENT, INDIVIDUALIZED MEDICATION ADHERENCE SERVICES, MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES, NUTRITION COUNSELING, INDIVIDUALIZED HIV EDUCATION, LABORATORY TESTING, AND RADIO LOGY SERVICES IN 2011, WHIC SERVED OVER 470 PEOPLE LIVING WITH HIV/AIDS WHIC'S STAFF MEMBERS ACTIVELY PARTICIPATE IN STATEWIDE AND AREA COLLABORATIVES, SUCH AS THE CONNECTICUT HIV PLANNING CONSORTIUM (CHPC) AND THE RYAN WHITE PART A PLANNING COUNCIL, AND WHIC FACILITATES THE GREATER WATERBURY HIV CONSORTIUM WHIC HAS A VERY ACTIVE CONSUMER ADVISORY GROUP (CAG), WHICH ORGANIZES SOCIAL AND TESTING EVENTS FOR THE COMMUNITY AND FACILITATES THE WATERBURY HOSPITAL PHOTOGRAPHY GROUP THE WHIC ALSO HAS A HEPATITIS C CLINIC, RUN BY AN ADVANCED PRACTITIONER NURSE FROM OCTOBER 2004 TO PRESENT, AT LEAST 150 HEPATITIS C MONO AND CO-INFECTED (HEPATITIS C AND HIV) HAVE BEEN EVALUATED AT THE ID CLINIC THE HEPATITIS C CLINIC PROVIDES A CONSULTATION WITH A NUTRITIONIST TO ADVISE ON HEALTHY EATING, COORDINATION WITH MENTAL HEALTH SERVICES, AND EDUCATIONAL SESSIONS ON SIDE EFFECT MANAGEMENT, THE IMPORTANCE OF HYDRATION AND ADHERENCE, AND POSITIVE COPING STRATEGIES FORGING COMMUNITY PARTNERSHIPS SINCE 2009, THE WHIC HAS SERVED AS THE LEAD AGENCY FOR RYAN WHITE PART A FEDERAL FUNDING REGION 2 OF THE NEW HAVEN/FAIRFIELD ELIGIBLE METROPOLITAN AREA THE WHIC WAS CHOSEN AS LEAD AGENCY BY THE CONSENSUS OF OTHER LOCAL RYAN WHITE PART A AGENCIES DUE TO ITS EXPERTISE IN PATIENT CARE AND FISCAL MANAGEMENT AS THE LEAD AGENCY, THE WHIC HAS FORMED LONGSTANDING PARTNERSHIPS WITH STAYWELL HEALTH CENTER, INC , HISPANOS UNIDOS, INC , NEW OPPORTUNITIES, INC , RECOVERY NETWORK OF PROGRAMS, INC , CONNECTICUT COUNSELING CENTERS, INC , AND THE WATERBURY HEALTH DEPARTMENT, ALL OF WHOM WORK ALONGSIDE THE WHIC TO PROVIDE PATIENTS IN THE REGION WITH - PRIMARY CARE, - MEDICAL CASE MANAGEMENT, - ORAL HEALTH CARE, - INPATIENT AND OUTPATIENT SUBSTANCE ABUSE TREATMENT, - HEALTH INSURANCE ASSISTANCE, - MENTAL HEALTH, - EARLY INTERVENTION SERVICES, - HOUSING ASSISTANCE, - EMERGENCY FINANCIAL ASSISTANCE, - MEDICAL TRANSPORTATION, AND - FOOD PANTRY FOR THE PAST 10 YEARS, THE WHIC HAS PARTNERED WITH YALE UNIVERSITY'S PROJECT TRANSITIONS, A PROGRAM THAT INTEGRATES SUBSTANCE ABUSE TREATMENT AND CONTINGENCY MANAGEMENT INTO A COMPREHENSIVE JAIL RELEASE PROGRAM FOR PLWH THROUGH THIS PARTNERSHIP, YALE FUNDS A SUBSTANCE ABUSE COUNSELOR AND MEDICAL CASE MANAGER, BOTH OF WHOM ARE SPANISH SPEAKING AND LOCATED ON-SITE AT THE WHIC RESHAPING HIV TESTING STATEWIDE SINCE 2008, PATIENTS VISITING WATERBURY HOSPITAL'S EMERGENCY DEPARTMENT ARE OFFERED FREE HIV TESTING WHILE WAITING TO BE EVALUATED OR TREATED FOR OTHER SYMPTOMS PATIENTS IN THE EMERGENCY DEPARTMENT NOW HAVE TO OPT OUT OF TESTING THE PROGRAM HAS SUCCESSFULLY SERVED AS A MODEL FOR OTHER HEALTHCARE INSTITUTIONS ACROSS THE STATE THANKS, IN PART, TO WHIC'S LEADERSHIP, THE STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH NO LONGER REQUIRES PROVIDERS TO HAVE A SEPARATE CONSENT FORM FOR HIV TESTING [SEE BELOW FOR CONTINUATION]</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 7 N/APART VI, LINE 5 (CONTINUED) ENGAGING PATIENTS IN 2009, THE WHIC ESTABLISHED ITS PEER ADVOCATE PROGRAM THREE PATIENTS FROM THE CLINIC SERVE AS THE PEER ADVOCATES, WHO WORK WITH CLIENTS AT THE CLINIC AND USE A SOCIAL NETWORKS STRATEGY TO BRING DIFFICULT-TO-REACH CLIENTS IN FOR TESTING AND/OR CARE, THEY HAVE TRAVELED TO HIGH-RISK NEIGHBORHOODS ON THE WATERBURY HEALTH DEPARTMENT'S COMMUNITY HEALTH VAN TO OFFER COUNSELING AND TESTING AND HAVE PARTICIPATED IN AIDS AWARENESS DAYS TO FACILITATE THE LINKAGE OF NEWLY DIAGNOSED PATIENTS TO PRIMARY CARE PEER ADVOCATES PARTICIPATE IN THE WHIC'S CARE TEAM AND CONTINUUM MEETINGS TO KEEP PROVIDERS AND LOCAL PARTNERS AWARE OF THE PATIENTS' ACTIVITIES AND NEEDS THE WHIC OFFERS ITS PATIENTS NATIONALLY-RECOGNIZED PEER AND SUPPORT PROGRAMS, INCLUDING ITS PROJECT PHOTOGRAPHY, WHICH WAS ESTABLISHED IN 2007 TO ENCOURAGE NON-COMPLIANT HIV/AIDS PATIENTS IN THE GREATER WATERBURY AREA TO BECOME MORE PROACTIVE IN THE SELF-MANAGEMENT OF THEIR DISEASE PROJECT PHOTOGRAPHY HAS POSITIVELY TRANSFORMED ITS PARTICIPANT'S SELF-ESTEEM AND CONFIDENCE PATIENT PROJECTS HAVE INCLUDED (1) ENROLLING IN PHOTOGRAPHY CLASSES AT NAUGATUCK VALLEY COMMUNITY COLLEGE, (2) TAKING FIELD TRIPS TO BOSTON, (3) DONATING FRAMED PHOTOGRAPHS TO THE HOSPITAL'S ANNUAL FUNDRAISING GALA, (4) PRODUCING HOLIDAY GREETING CARDS FOR THE HOSPITAL, (5) CREATING TEAM PORTRAITS AT THE HOSPITAL'S FUNDRAISING GOLF TOURNAMENT, AND (6) CONSTRUCTING PHOTOGRAPHY EXHIBITS AT THE HOSPITAL, BARNES & NOBLE BOOKSTORE, AND SILAS BRONSON LIBRARY IN WATERBURY</p>

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

2010

**Open to Public
Inspection**

Name of the organization
THE WATERBURY HOSPITAL

Employer identification number

06-0665979

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS (CONTINUED)	<p>TOTAL COMMUNITY BENEFITS FOR FY 2011 BY CATEGORY A COMMUNITY HEALTH IMPROVEMENT SERVICES & COMMUNITY BENEFIT OPERATIONS BENEFIT \$12,823,398 PERSONS SERVED 30,230 - COMMUNITY HEALTH EDUCATION - COMMUNITY-BASED CLINICAL SERVICES - HEALTH CARE SUPPORT SERVICES B HEALTH PROFESSIONS EDUCATION BENEFIT \$14,506,339 PERSONS SERVED 8,096 - PHYSICIANS/MEDICAL STUDENTS - NURSES/NURSING STUDENTS - OTHER HEALTH PROFESSIONS EDUCATION - SCHOLARSHIPS/FUNDING FOR PROFESSIONAL EDUCATION - OTHER D RESEARCH BENEFIT \$116,911 PERSONS SERVED 283 - CLINICAL RESEARCH - COMMUNITY HEALTH RESEARCH E FINANCIAL AND IN-KIND CONTRIBUTIONS BENEFIT \$412,704 PERSONS SERVED 61,972 - CASH DONATIONS - IN-KIND DONATIONS F COMMUNITY BUILDING ACTIVITIES BENEFIT \$529,607 PERSONS SERVED 1,703 - COMMUNITY SUPPORT - ENVIRONMENTAL IMPROVEMENTS - LEADERSHIP DEVELOPMENT/TRAINING COMMUNITY MEMBERS/ YOUTH PIPELINE - COALITION BUILDING - OTHER G COMMUNITY BENEFIT OPERATIONS BENEFIT \$64,373 PERSONS SERVED N/A SUBTOTAL FOR COMMUNITY BENEFITS \$28,453,332 SUBTOTAL FOR PERSONS SERVED 102,284 TRADITIONAL CHARITY CARE COSTS - FREE CARE \$936,076 - BAD DEBT \$3,038,674 - UNPAID MEDICAID COSTS \$15,540,048 - UNPAID MEDICARE COSTS \$8,335,190 SUBTOTAL FOR CHARITY CARE COSTS BENEFIT \$27,849,988 TOTAL BENEFIT - FY 2011 \$56,303,320 CATEGORY A COMMUNITY HEALTH IMPROVEMENT SERVICES TOTAL BENEFIT \$12,823,398 TOTAL PERSONS SERVED 30,230 REALIZING THE DIVERSE NEEDS OF RESIDENTS IN OUR COMMUNITY, WATERBURY HOSPITAL REMAINS DEDICATED TO PROVIDING COMPREHENSIVE HEALTH SERVICES TO ENSURE EVERY INDIVIDUAL HAS ACCESS TO APPROPRIATE, QUALITY HEALTHCARE. DURING 2011, WATERBURY HOSPITAL'S SPECTRUM OF SERVICES CONTINUED TO HAVE A POSITIVE IMPACT ON THE WELFARE OF WATERBURY'S CITIZENS TO REMAIN CONSISTENT WITH WATERBURY HOSPITAL'S MISSION, MANY OF OUR SERVICES ARE TARGETED FOR VULNERABLE MEMBERS OF OUR COMMUNITY, INCLUDING THOSE WHO ARE UNINSURED OR UNDERINSURED. KEY PROGRAMS WATERBURY HEALTH ACCESS PROGRAM WATERBURY HOSPITAL IS AWARE OF THE ECONOMIC NEEDS MANY PATIENTS IN OUR COMMUNITY, AND, AS A RESULT, WE REMAIN COMMITTED TO THE WATERBURY HEALTH ACCESS PROGRAM FOUNDED IN 2003 AS A PARTNERSHIP BETWEEN WATERBURY HOSPITAL, SAINT MARY'S HOSPITAL, STAYWELL HEALTH CENTER (FQHC), AND THE WATERBURY HEALTH DEPARTMENT, THE WATERBURY HEALTH ACCESS PROGRAM IMPROVES ACCESS TO HIGH-QUALITY MEDICAL CARE BY PROVIDING COMPREHENSIVE CASE MANAGEMENT, PHARMACY ASSISTANCE, AND ACCESS TO PRIMARY AND SUB-SPECIALTY MEDICAL CARE FOR THE UNINSURED AND UNDERINSURED RESIDENTS OF THE GREATER WATERBURY REGION. DURING 2011, THE WATERBURY HEALTH ACCESS PROGRAM HAD OVER 3,600 ACTIVE CLIENTS. ADDITIONALLY, DURING WATERBURY HOSPITAL'S FY 2011, WATERBURY HOSPITAL PROVIDED \$397,785 WORTH OF DONATED SERVICES TO WHAP PATIENTS. BEHAVIORAL HEALTH - WATERBURY HOSPITAL'S CENTER FOR BEHAVIORAL HEALTH IS ONE OF THE REGION'S LARGEST, PROVIDING COMPREHENSIVE INPATIENT AND OUTPATIENT SERVICES AND A VARIETY OF SUPPORT GROUPS. OUR BEHAVIORAL HEALTH DEPARTMENT BOASTS A CRISIS CENTER, WHICH PROVIDED SERVICES TO OVER 2,400 INDIVIDUALS DURING 2011. OTHER PROGRAMS INCLUDE HOMELESS OUTREACH, A RESPITE PROGRAM, A PARENT SUPPORT GROUP, A SIBLINGS SUPPORT GROUP, AND A MEDICAL TRANSPORTATION PROGRAM THAT BRINGS CHILDREN AND ADOLESCENTS TO THEIR OUTPATIENT THERAPY APPOINTMENTS AT WATERBURY HOSPITAL. BE WELL BUS - IN ORDER TO ENSURE THAT PATIENTS HAVE ACCESS TO MEDICAL APPOINTMENTS, AT THE HOSPITAL AND AT LOCAL PHYSICIANS' OFFICES, WATERBURY HOSPITAL'S BE WELL BUS PROVIDES TRANSPORTATION SERVICES TO PATIENTS FROM WATERBURY AND ELEVEN OF ITS SURROUNDING TOWNS. DURING 2011, THE BE WELL BUS COMPLETED OVER 4,400 TRANSPORTS TO AND FROM MEDICAL APPOINTMENTS. WATERBURY HOSPITAL HAS CONTRACTED WITH A TRANSPORTATION PROVIDER TO OFFER THE BUS SERVICE, AND AREA PROVIDERS PAY A SMALL FEE TO PARTICIPATE. HEART CENTER OF GREATER WATERBURY - FORMED IN COLLABORATION WITH SAINT MARY'S HOSPITAL, THE HEART CENTER OF GREATER WATERBURY PROVIDES DIVERSE MEDICAL SUPPORT INITIATIVES TO HELP EDUCATE RESIDENTS IN THE GREATER WATERBURY COMMUNITY ABOUT PERTINENT HEALTH AND WELLNESS ISSUES. THIS PAST YEAR, THE HEART CENTER CONDUCTED A SERIES OF HEALTH FAIRS AND VARIOUS HEALTH AND WELLNESS EDUCATION SESSIONS, INCLUDING "ASK THE NURSE," WHICH PROVIDES PATIENTS WITH COMPLIMENTARY BLOOD PRESSURE SCREENINGS AND HEALTH AWARENESS EDUCATION AND A "FREEDOM FROM SMOKING" SERIES TO HELP OUR RESIDENTS KICK THE HABIT. DURING 2011, THE HEART CENTER'S PROGRAMS SERVED OVER 3,800 RESIDENTS FROM THE GREATER WATERBURY AREA. FAMILY BIRTHING CENTER - PROVIDING A CHILD-CENTERED FOCUS, WATERBURY HOSPITAL'S FAMILY BIRTHING CENTER OFFERS EXPECTANT PARENTS A VARIETY OF CLASSES TO PREPARE THEM FOR THEIR BABY'S ARRIVAL. BETWEEN BREAST FEEDING, CHILD BIRTH, AND INFANT CARE CLASSES, OUR FAMILY BIRTHING CENTER PROVIDED VITAL INSTRUCTION TO OVER 170 PARENTS LAST YEAR. THANK GOD I'M FEMALE - FOR THE PAST 20 YEARS, WATERBURY HOSPITAL'S "THANK GOD I'M FEMALE" HAS SERVED AS AN ANNUAL</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS (CONTINUED)	<p>WOMEN'S WELLNESS FORUM THAT FEATURES 40 EDUCATIONAL BOOTHS AND HEALTH-RELATED GIVEAWAYS THE ULTIMATE GOAL OF THE FORUM IS TO EDUCATE ATTENDEES ABOUT STRESS, MENTAL WELL-BEING, HEART HEALTH, DIET, OSTEOPOROSIS AND BONE HEALTH, CHANGE OF LIFE, AND MORE. IN 2011, OVER 400 AREA RESIDENTS ATTENDED THE EVENT. EVERGREEN 50 CLUB - WATERBURY HOSPITAL'S EVERGREEN 50 CLUB IS AN ORGANIZATION COMPRISED OF OVER 15,000 MEMBERS OVER THE AGE OF 50. THE CLUB OFFERS WELLNESS PROGRAMMING, MEDICARE COUNSELING, AND HEALTH EDUCATION PRESENTATIONS ON A VARIETY OF TOPICS ARE PRESENTED BY HEALTH CARE PROFESSIONALS. PRESENTATION TOPICS INCLUDE HOLISTIC HEALTH, VARICOSE VEIN TREATMENT, HEART DISEASE, SUMMER SKIN CARE, WEIGHT LOSS, BLOOD PRESSURE, BLADDER SCREENINGS, JOINT CARE AND REPLACEMENT, AND RESOLVING ADVERSE OUTCOMES WITH PATIENTS AND FAMILIES. ANNUALLY, THE EVERGREEN 50 CLUB HOSTS A HEALTH FAIR FOR ITS MEMBERS, WHICH PROVIDES FREE FLU SHOTS AND HEALTHCARE SCREENINGS. MEMBERS ALSO ENJOY COMPLIMENTARY PARKING AT WATERBURY HOSPITAL AND RECEIVE A NEWSLETTER THREE TIMES A YEAR WITH INFORMATION ABOUT STAYING HEALTH AND THE COMMUNITY. YALE PRIMARY CARE RESEARCH DAY - THROUGH COLLABORATION WITH ST. MARY'S HOSPITAL IN WATERBURY, CT, WATERBURY HOSPITAL HOSTED ITS ANNUAL YALE PRIMARY CARE RESEARCH DAY DURING THE DAY, PHYSICIANS AND MEDICAL STUDENTS PRESENT RESEARCH PROJECTS TO THE PHYSICIAN COMMUNITY. HIGH SCHOOL STUDENTS ARE ALSO ENCOURAGED TO PARTICIPATE IN THE ACTIVITIES. WATERBURY HOSPITAL ID CLINIC - CURRENT SERVICES THE WHIC OFFERS A COMPREHENSIVE "ONE-STOP SHOPPING" MODEL THAT PROVIDES PATIENTS WITH ON-SITE PRIMARY AND SPECIALTY SERVICES, MEDICAL CASE MANAGEMENT, INDIVIDUALIZED MEDICATION ADHERENCE SERVICES, MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES, NUTRITION COUNSELING, INDIVIDUALIZED HIV EDUCATION, LABORATORY TESTING, AND RADIOLOGY SERVICES. IN 2011, WHIC SERVED OVER 470 PEOPLE LIVING WITH HIV/AIDS. WHIC'S STAFF MEMBERS ACTIVELY PARTICIPATE IN STATEWIDE AND AREA COLLABORATIVES, SUCH AS THE CONNECTICUT HIV PLANNING CONSORTIUM (CHPC) AND THE RYAN WHITE PART A PLANNING COUNCIL, AND WHIC FACILITATES THE GREATER WATERBURY HIV CONSORTIUM. WHIC HAS A VERY ACTIVE CONSUMER ADVISORY GROUP (CAG), WHICH ORGANIZES SOCIAL AND TESTING EVENTS FOR THE COMMUNITY AND FACILITATES THE WATERBURY HOSPITAL PHOTOGRAPHY GROUP. THE WHIC ALSO HAS A HEPATITIS C CLINIC, RUN BY AN ADVANCED PRACTITIONER NURSE. FROM OCTOBER 2004 TO PRESENT, AT LEAST 150 HEPATITIS C MONO AND CO-INFECTED (HEPATITIS C AND HIV) HAVE BEEN EVALUATED AT THE ID CLINIC. THE HEPATITIS C CLINIC PROVIDES A CONSULTATION WITH A NUTRITIONIST TO ADVISE ON HEALTHY EATING, COORDINATION WITH MENTAL HEALTH SERVICES, AND EDUCATIONAL SESSIONS ON SIDE EFFECT MANAGEMENT, THE IMPORTANCE OF HYDRATION AND ADHERENCE, AND POSITIVE COPING STRATEGIES. FORGING COMMUNITY PARTNERSHIPS. SINCE 2009, THE WHIC HAS SERVED AS THE LEAD AGENCY FOR RYAN WHITE PART A FEDERAL FUNDING REGION 2 OF THE NEW HAVEN/FAIRFIELD ELIGIBLE METROPOLITAN AREA. THE WHIC WAS CHOSEN AS LEAD AGENCY BY THE CONSENSUS OF OTHER LOCAL RYAN WHITE PART A AGENCIES DUE TO ITS EXPERTISE IN PATIENT CARE AND FISCAL MANAGEMENT. AS THE LEAD AGENCY, THE WHIC HAS FORMED LONGSTANDING PARTNERSHIPS WITH STAYWELL HEALTH CENTER, INC., HISPANOS UNIDOS, INC., NEW OPPORTUNITIES, INC., RECOVERY NETWORK OF PROGRAMS, INC., CONNECTICUT COUNSELING CENTERS, INC., AND THE WATERBURY HEALTH DEPARTMENT, ALL OF WHOM WORK ALONGSIDE THE WHIC TO PROVIDE PATIENTS IN THE REGION WITH - PRIMARY CARE, - MEDICAL CASE MANAGEMENT, - ORAL HEALTH CARE, - INPATIENT AND OUTPATIENT SUBSTANCE ABUSE TREATMENT, - HEALTH INSURANCE ASSISTANCE, - MENTAL HEALTH, - EARLY INTERVENTION SERVICES, - HOUSING ASSISTANCE, - EMERGENCY FINANCIAL ASSISTANCE, - MEDICAL TRANSPORTATION, AND - FOOD PANTRY.</p>

Identifier	Return Reference	Explanation
		<p>FOR THE PAST 10 YEARS, THE WHIC HAS PARTNERED WITH YALE UNIVERSITY'S PROJECT TRANSITIONS, A PROGRAM THAT INTEGRATES SUBSTANCE ABUSE TREATMENT AND CONTINGENCY MANAGEMENT INTO A COMPREHENSIVE JAIL RELEASE PROGRAM FOR PLWH THROUGH THIS PARTNERSHIP, YALE FUNDS A SUBSTANCE ABUSE COUNSELOR AND MEDICAL CASE MANAGER, BOTH OF WHOM ARE SPANISH SPEAKING AND LOCATED ON-SITE AT THE WHIC RESHAPING HIV TESTING STATEWIDE SINCE 2008, PATIENTS VISITING WATERBURY HOSPITAL'S EMERGENCY DEPARTMENT ARE OFFERED FREE HIV TESTING WHILE WAITING TO BE EVALUATED OR TREATED FOR OTHER SYMPTOMS PATIENTS IN THE EMERGENCY DEPARTMENT NOW HAVE TO OPT OUT OF TESTING THE PROGRAM HAS SUCCESSFULLY SERVED AS A MODEL FOR OTHER HEALTHCARE INSTITUTIONS ACROSS THE STATE THANKS, IN PART, TO WHIC'S LEADERSHIP, THE STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH NO LONGER REQUIRES PROVIDERS TO HAVE A SEPARATE CONSENT FORM FOR HIV TESTING ENGAGING PATIENTS IN 2009, THE WHIC ESTABLISHED ITS PEER ADVOCATE PROGRAM THREE PATIENTS FROM THE CLINIC SERVE AS THE PEER ADVOCATES, WHO WORK WITH CLIENTS AT THE CLINIC AND USE A SOCIAL NETWORKS STRATEGY TO BRING DIFFICULT-TO-REACH CLIENTS IN FOR TESTING AND/OR CARE, THEY HAVE TRAVELED TO HIGH-RISK NEIGHBORHOODS ON THE WATERBURY HEALTH DEPARTMENT'S COMMUNITY HEALTH VAN TO OFFER COUNSELING AND TESTING AND HAVE PARTICIPATED IN AIDS AWARENESS DAYS TO FACILITATE THE LINKAGE OF NEWLY DIAGNOSED PATIENTS TO PRIMARY CARE PEER ADVOCATES PARTICIPATE IN THE WHIC'S CARE TEAM AND CONTINUUM MEETINGS TO KEEP PROVIDERS AND LOCAL PARTNERS AWARE OF THE PATIENTS' ACTIVITIES AND NEEDS THE WHIC OFFERS ITS PATIENTS NATIONALLY-RECOGNIZED PEER AND SUPPORT PROGRAMS, INCLUDING ITS PROJECT PHOTOGRAPHY, WHICH WAS ESTABLISHED IN 2007 TO ENCOURAGE NON-COMPLIANT HIV/AIDS PATIENTS IN THE GREATER WATERBURY AREA TO BECOME MORE PROACTIVE IN THE SELF-MANAGEMENT OF THEIR DISEASE PROJECT PHOTOGRAPHY HAS POSITIVELY TRANSFORMED ITS PARTICIPANTS SELF-ESTEEM AND CONFIDENCE PATIENT PROJECTS HAVE INCLUDED (1) ENROLLING IN PHOTOGRAPHY CLASSES AT NAUGATUCK VALLEY COMMUNITY COLLEGE, (2) TAKING FIELD TRIPS TO BOSTON, (3) DONATING FRAMED PHOTOGRAPHS TO THE HOSPITAL'S ANNUAL FUNDRAISING GALA, (4) PRODUCING HOLIDAY GREETING CARDS FOR THE HOSPITAL, (5) CREATING TEAM PORTRAITS AT THE HOSPITAL'S FUNDRAISING GOLF TOURNAMENT, AND (6) CONSTRUCTING PHOTOGRAPHY EXHIBITS AT THE HOSPITAL, BARNES & NOBLE BOOKSTORE, AND SILAS BRONSON LIBRARY IN WATERBURY CATEGORY B HEALTH PROFESSIONS EDUCATION TOTAL BENEFIT \$14,506,339 TOTAL PERSONS SERVED 8,096 SINCE IT FIRST AFFILIATED WITH THE YALE UNIVERSITY SCHOOL OF MEDICINE IN 1973, WATERBURY HOSPITAL HAS SERVED AS THE CLINICAL TRAINING SITE FOR THOUSANDS OF MEDICAL PROFESSIONALS IN TRAINING DURING 2011, STUDENTS COMPLETED CLINICAL ROTATIONS, INTERNSHIPS, AND SHADOWING EXPERIENCES AT WATERBURY HOSPITAL KEY PROGRAMS YALE PRIMARY CARE INTERNAL MEDICINE RESIDENCY PROGRAM - DURING 2011, OUR YALE PRIMARY CARE INTERNAL MEDICINE RESIDENCY COMPLEMENT CONSISTED OF THE FOLLOWING BREAKDOWN 21 FIRST-YEAR RESIDENTS, 14 SECOND-YEAR RESIDENTS, 14 THIRD-YEAR RESIDENTS, AND 5 CHIEF RESIDENTS, FOR A TOTAL OF 54 RESIDENTS RESIDENT ACTIVITIES INCLUDED - PARTICIPATION IN RESEARCH DAYS AT YALE AND WATERBURY/ST MARY'S HOSPITALS, - ACP REGIONAL AND NATIONAL MEETINGS, - THE ANNUAL HEALTH FAIR HELD ON THE WATERBURY GREEN, - HOME/OFFICE VISITS FOR CLINIC PATIENTS, AND - EDUCATIONAL SEMINARS HELD AT WATERBURY HOSPITAL AND YALE UNIVERSITY AT WATERBURY HOSPITAL, WE SEEK TO TRAIN PHYSICIANS WHO DESIRE A GENERALIST BACKGROUND TO THEIR CAREERS IN MEDICINE THIS PROGRAM IS UNIQUE IN THAT IT PROVIDES THE MEDICAL RESIDENTS THE OPPORTUNITY TO WORK EACH YEAR IN A TERTIARY MEDICAL CENTER AT YALE-NEW HAVEN HOSPITAL, A COMMUNITY HOSPITAL AT WATERBURY HOSPITAL, AND OUTPATIENT PRACTICE SITES THAT INCLUDE PRIVATE PRACTICE OFFICES AND COMMUNITY HEALTH CENTERS IS UNIQUE IN RESIDENCY TRAINING OUR GRADUATES ARE HIGHLY SOUGHT AFTER BY PRIVATE PRACTICE OFFICES, HOSPITALIST PROGRAMS, AND FELLOWSHIP PROGRAMS THROUGHOUT THE COUNTRY NURSING AND CERTIFIED NURSE'S AID STUDENTS - DURING 2011, NURSING AND CERTIFIED NURSE'S AID (CNA) STUDENTS FROM NAUGATUCK VALLEY COMMUNITY COLLEGE, WESTERN CONNECTICUT STATE UNIVERSITY, UCONN, QUINNIPIAC UNIVERSITY, BRIDGEPORT HOSPITAL SCHOOL OF NURSING, KAYNOR HIGH SCHOOL, WILBY HIGH SCHOOL, PORTER & CHESTER INSTITUTE, WATERTOWN HIGH SCHOOL, AND YALE UNIVERSITY COMPLETED CLINICAL ROTATIONS AT WATERBURY HOSPITAL DURING THEIR TIME AT THE HOSPITAL, THESE STUDENTS WORKED IN OVER EIGHTEEN DEPARTMENTS, RANGING FROM THE EMERGENCY DEPARTMENT TO THE CHILD CARE CENTER STUDENT NURSE INTERN PROGRAM (SNI) - THE SNI PROGRAM IS AVAILABLE FOR NURSING STUDENTS ENTERING THEIR SENIOR YEAR THE PROGRAM PROVIDES THESE STUDENT NURSES WITH SHADOWING OPPORTUNITIES SO THEY CAN APPLY THEIR CONTENT KNOWLEDGE TO AUTHENTIC PATIENT CARE SITUATIONS STAFF NRS SERVE AS THE STUDENTS' MENTORS AS THE STUDENTS ACCOMPANY THEM ON THEIR MEDICAL ROUNDS THE GOALS OF THE PR</p>

Identifier	Return Reference	Explanation
		<p>PROGRAM ARE (1) TO PROVIDE THE STUDENT NURSES WITH THE KNOWLEDGE AND SKILLS NECESSARY TO PASS THE NCLEX EXAM AND (2) TO SOCIALIZE THE STUDENT NURSE IN AN ATTEMPT TO DECREASE THE STRESS OF ASSIMILATING INTO THE HOSPITAL'S WORK ENVIRONMENT, SHOULD THEY BE HIRED AS GRADUATE NURSES AT WATERBURY HOSPITAL. PHYSICIAN'S ASSISTANT (PA) STUDENTS - OVER 20 PA STUDENTS FROM QUINNIPAC UNIVERSITY AND UCONN COMPLETED CLINICAL ROUNDS IN SEVERAL DEPARTMENTS AROUND THE HOSPITAL, INCLUDING THE OPERATING ROOM, EMERGENCY DEPARTMENT, BEHAVIORAL HEALTH, AND RADIOLOGY. THE EXPERIENCE IS DESIGNED FOR THE STUDENT TO LEARN TO APPLY THE KNOWLEDGE GAINED FROM DIDACTIC COURSE WORK IN MEDICINE, SURGERY, AND THE BASIC AND BEHAVIORAL SCIENCES INTO THE CLINICAL ARENA RESULTING IN THE ABILITY TO SUCCESSFULLY MANAGE PATIENTS IN A THOROUGH AND COMPREHENSIVE MANNER. THE PRIMARY GOAL OF CLINICAL ROTATIONS IS TO EXPOSE THE STUDENT TO PATIENTS OF ALL AGES, PATIENTS IN A VARIETY OF DIFFERENT SETTINGS, AND PATIENTS WITH A BROAD RANGE OF MEDICAL, SURGICAL, AND PSYCHOSOCIAL PROBLEMS. THE PA STUDENTS PARTICIPATE IN - HISTORY TAKING, - EXAMINING THE PATIENT, - ASSISTING IN AND/OR PERFORMING DIAGNOSTIC TESTING, - ASSISTING IN AND/OR PERFORMING THERAPEUTIC TASKS, - ORAL PRESENTATIONS, - MEDICAL DOCUMENTATION OF THE PATIENT ENCOUNTER, - FORMULATING A DIFFERENTIAL DIAGNOSIS AND PROBLEM LIST, - FORMULATING A TREATMENT PLAN, AND - COUNSELING OF PATIENTS REGARDING MEDICATION, DIET, AND LIFESTYLE CHANGES SUCH AS SMOKING CESSATION, EXERCISE, AND WELL-BEING. PHARM.D STUDENTS FROM UCONN - WATERBURY HOSPITAL PHARMACY DEPARTMENT PROVIDES ROTATIONS IN CRITICAL CARE, INFECTIOUS DISEASE, AND INSTITUTIONAL PHARMACY FOR PHARM.D STUDENTS COMPLETING THEIR FINAL YEAR. THE CRITICAL CARE AND INFECTIOUS DISEASE ROTATIONS REQUIRE THE STUDENTS TO PERFORM CASE PRESENTATIONS, JOURNAL CLUB PRESENTATIONS, SOAP PRESENTATIONS AND PARTICIPATE IN ROUNDS WITH THE MEDICAL TEAM. A PHARMACIST OVERSEES THE STUDENTS AS THEY ACTIVELY PARTICIPATE IN ROUNDS AND ALSO PROVIDES INSTRUCTION FOR FORMAT AND CONTENT OF THEIR PRESENTATIONS. THE INSTITUTIONAL PHARMACY EXPERIENCE CONSISTS OF, BUT IS NOT LIMITED TO, LEARNING HOW TO CALCULATE, MIX AND DETERMINE STABILITIES AND STERILITIES OF IV MEDICATIONS. PHARMACISTS AND PHARMACY TECHNICIANS FACILITATE THE EDUCATION AND TRAINING FOR THE INSTITUTIONAL ROTATION. THROUGHOUT ALL THREE ROTATIONS THE STUDENTS LEARN TO PROVIDE DRUG INFORMATION. THE STUDENTS ARE AN ASSET TO THE PHARMACIST AS DRUG INFORMATION QUESTIONS ARISE. THIS IS THE PERFECT OPPORTUNITY FOR THE STUDENT TO UTILIZE WHAT THEY HAVE LEARNED WHILE PROVIDING SUPPORT FOR THE CLINICIANS AT WATERBURY HOSPITAL. WATERBURY HOSPITAL PHARMACY IS ENRICHED WHILE PROVIDING THESE ROTATIONS TO DOCTOR OF PHARMACY CANDIDATES. TRAINING NEW PHARMACISTS ALLOWS FOR CONSTANT REVIEW OF OUR POLICIES AND PROCEDURES TO REMAIN CURRENT WITH NEW TECHNOLOGY AND DRUG INFORMATION. DURING 2011, TWENTY PHARMACY STUDENTS COMPLETED ROTATIONS AT WATERBURY HOSPITAL.</p>

Identifier	Return Reference	Explanation
		<p>RADIOLOGY STUDENTS FROM NVCC - THE NAUGATUCK VALLEY COMMUNITY COLLEGE (NVCC) RADIOLOGY STUDENTS ARE INVOLVED WITH MANY ACTIVITIES WHILE ASSIGNED TO WATERBURY HOSPITAL UNDER THE SUPERVISION OF A NVCC CLINICAL INSTRUCTOR AND HOSPITAL RADIOLOGIC TECHNOLOGISTS, THE STUDENTS ARE ASSIGNED TO THE VARIOUS RADIOGRAPHIC SUITES AND MODALITIES DURING THEIR ASSIGNMENT, STUDENTS ARE PERFORMING OR ASSISTING WITH RADIOGRAPHIC PROCEDURES, INCLUDING CHEST X-RAYS, SKELETAL EXAMS, FLUOROSCOPIC PROCEDURES, MOBILE X-RAYS IN THE VARIOUS PATIENT UNITS, AND SURGICAL CASES THE STUDENTS ALSO INCREASE THE NUMBER OF INDIVIDUALS AVAILABLE IN THE DEPARTMENT TO ASSIST IN MOVING AND TRANSPORTING PATIENTS AS WELL AS CHAPERONING SENSITIVE EXAMS IN ADDITION TO THE DIAGNOSTIC RADIOLOGY THE STUDENTS ARE ASSIGNED TO EXPERIENCES IN INTERVENTIONAL RADIOLOGY, CT, MRI, NUCLEAR MEDICINE, AND ULTRASOUND STUDENTS WORK IN THESE MODALITIES UNDER THE DIRECT SUPERVISION OF THE HOSPITAL STAFF WATERBURY HOSPITAL'S AFFILIATION WITH NVCC AS A CLINICAL SITE FOR STUDENTS HAS MANY BENEFITS PERHAPS THE SINGLE MOST IMPORTANT BENEFIT IS THE HOSPITAL HAS A CONTINUOUS STREAM OF POTENTIAL RADIOLOGY EMPLOYEES STUDENTS ARE IN THE PROGRAM FOR 22 MONTHS AND IN THAT TIME BECOME VERY FAMILIAR WITH THE HOSPITAL EQUIPMENT, ROUTINES, PERSONAL, AND MISSION THIS PROVIDES WATERBURY HOSPITAL WITH NEW EMPLOYEES WHO HAVE A STRONG SKILL SET AND PROVEN DEDICATION TO THE HOSPITAL COMMUNITY OTHER CLINICAL STUDENTS - WATERBURY HOSPITAL ALSO HOSTED THE FOLLOWING STUDENTS FROM DIVERSE CLINICAL BACKGROUNDS - DRUG & ALCOHOL STUDENTS FROM GATEWAY COMMUNITY COLLEGE AND NAUGATUCK VALLEY COMMUNITY COLLEGE - MARRIAGE & FAMILY THERAPY STUDENTS FROM SOUTHERN CONNECTICUT STATE UNIVERSITY - OCCUPATIONAL THERAPY STUDENTS FROM QUINNIAC UNIVERSITY - ART THERAPY STUDENTS FROM ALBERTUS MAGNUS COLLEGE - MEDICAL STUDENTS FROM YALE UNIVERSITY CATEGORY D RESEARCH TOTAL BENEFIT \$116,911 TOTAL PERSON SERVED 283 DURING 2011, WATERBURY HOSPITAL PARTICIPATED IN SEVERAL CLINICAL TRIALS THAT BENEFITED RESIDENTS IN GREATER WATERBURY THESE TRIALS INCLUDED THE SAPPHIRE STUDY, WHICH EXAMINED STENTING AND ANGIOPLASTY WITH PROTECTION IN PATIENTS AT HIGH-RISK FOR ENDARTECTOMY, AND THE KONICA-MINOLTA XPRESS DIGITAL MAMMOGRAPHY SYSTEM STUDY FOR COMPUTER AIDED DETECTION ON MAMMOGRAM AND BREAST BIOPSY CATEGORY E FINANCIAL & IN-KIND CONTRIBUTIONS TOTAL BENEFIT \$412,704 TOTAL PERSONS SERVED 61,972 WATERBURY HOSPITAL CONTINUES TO PROVIDE FINANCIAL AND IN-KIND CONTRIBUTIONS TO MEMBERS OF OUR COMMUNITY FROM UNITED WAY DONATIONS FROM HOSPITAL EMPLOYEES TO PARKING VOUCHERS FOR PATIENTS, WATERBURY HOSPITAL PROVIDED \$412,704 WORTH OF FINANCIAL AND IN-KIND SUPPORT DURING 2011 LOCAL AGENCIES RECEIVING DONATIONS INCLUDED - AMERICAN LIVER FOUNDATION - EASTER SEALS - HOMELESS CONNECT - MATTATUCK MUSEUM - NATIONAL KIDNEY FOUNDATION - PALACE THEATER - UNITED WAY OF GREATER WATERBURY - VNA HEALTH AT HOME - WATERBURY SYMPHONY ORCHESTRA - WATERBURY REGIONAL CHAMBER CATEGORY F COMMUNITY BUILDING ACTIVITIES TOTAL BENEFIT \$529,607 TOTAL PERSONS SERVED 1,703 AS THE LARGEST PRIVATE EMPLOYER IN THE CITY OF WATERBURY, WATERBURY HOSPITAL UNDERSTANDS ITS ROLE AS A LEADER IN THE COMMUNITY MANY OF OUR PROGRAMS ARE SPECIFICALLY TARGETED AT STRENGTHENING THE WELFARE AND AWARENESS OF THE CITIZENS WITHIN OUR COMMUNITY FROM EDUCATING WATERBURY'S YOUTH ABOUT HEALTHCARE CAREERS TO OFFERING SUPPORT GROUPS TO FAMILIES WHO HAVE LOST A LOVED ONE, WATERBURY HOSPITAL REMAINS COMMITTED TO MAKING THE GREATER WATERBURY AREA A HEALTHIER, STRONGER, MORE PRODUCTIVE COMMUNITY KEY PROGRAMS YOUTH PIPELINE INITIATIVES SINCE THE YOUTH PIPELINE INITIATIVES WERE ESTABLISHED IN 2001 AS A PARTNERSHIP BETWEEN WATERBURY HOSPITAL AND WATERBURY PUBLIC SCHOOLS, ITS MISSION HAS REMAINED THE SAME TO CLOSE THE ACHIEVEMENT GAP FOR MINORITY AND ECONOMICALLY DISADVANTAGED STUDENTS IN WATERBURY SO THEY CAN MATRICULATE AND COMPETE NATIONALLY FOR PLACEMENT IN POST-SECONDARY EDUCATION PROGRAMS IN PREPARATION FOR HEALTH CAREERS WATERBURY HOSPITAL HAS REMAINED DEDICATED TO ENHANCING AND ENRICHING THE LIVES OF WATERBURY'S YOUTH WE TAKE PRIDE IN HELPING STUDENTS REALIZE THEIR POTENTIAL AS THEY EMBARK ON THEIR ACADEMIC AND PERSONAL JOURNEYS TO THIS END, DURING 2011, WATERBURY HOSPITAL CONTINUED TO PROVIDE OVER 600 STUDENTS AND PARENTS IN GREATER WATERBURY WITH UNIQUE EDUCATIONAL PROGRAMS THAT WILL ENHANCE THE OVERALL WELFARE OF OUR COMMUNITY THE YOUTH PIPELINE INITIATIVES ARE A MULTIFACETED SERIES WITH FIVE FOCUS AREAS DURING 2011, INCLUDING - PROVIDING EARLY ACQUAINTANCE WITH CAREERS IN HEALTHCARE (PEACH) - SINCE ITS INCEPTION IN 2004, WATERBURY HOSPITAL'S PROVIDING EARLY ACQUAINTANCE WITH CAREERS IN HEALTHCARE (PEACH) PROGRAM HAS WORKED WITH ADMINISTRATORS, TEACHERS, AND STUDENTS AT WATERBURY'S NORTH END MIDDLE SCHOOL AND WEST SIDE MIDDLE SCHOOL TO ADDRESS PROJECTED SHORTAGES OF HEALTHCARE WORKERS AND TO CLOSE THE ACHIEVEMENT GAP FOR STUDENTS IN WATERBURY PUBLIC SC</p>

Identifier	Return Reference	Explanation
		<p>HOOLS. THROUGH THE PEACH PROGRAM, STUDENTS ENGAGE WITH HEALTHCARE WORKERS IN A NON-EMERGENCY SETTING AND ARE INFORMED OF THE VARIETY OF HEALTHCARE CAREER OPPORTUNITIES AVAILABLE IN OUR COMMUNITY. EACH SPRING, OVER 100 SEVENTH GRADERS FROM WATERBURY TAKE PART IN A DAY-LONG PEACH TOUR AT WATERBURY HOSPITAL, DURING WHICH THEY VISIT AT LEAST SIX HOSPITAL DEPARTMENTS AND COMPLETE HANDS-ON LEARNING ACTIVITIES WITH HOSPITAL STAFF. ANNUALLY, WATERBURY HOSPITAL ALSO OFFERS IT PEACH SPRING BREAK EXPLORATION CAMP, IN WHICH 20 MIDDLE SCHOOL STUDENTS FROM WATERBURY TAKE PART IN SHADOWING AND HANDS-ON LEARNING ACTIVITIES AT THE HOSPITAL AND ARE CPR CERTIFIED. - 9TH GRADE MENTORING - FOR THE PAST SIX YEARS, DOZENS OF WATERBURY HOSPITAL EMPLOYEES HAVE SERVED AS MENTORS AT WATERBURY'S WILBY HIGH SCHOOL. WATERBURY HOSPITAL'S MENTORS VOLUNTEER FOR ONE HOUR PER WEEK FOR 25 TO 30 WEEKS PER SCHOOL YEAR TO GUIDE STUDENTS AS THEY SET ACADEMIC AND PERSONAL GOALS FOR HIGH SCHOOL AND BEYOND. IN 2011, FIFTEEN WATERBURY HOSPITAL STAFF MEMBERS WORKED WITH A TOTAL OF 200 STUDENTS FOR OVER 500 HOURS. - PARENT LEADERSHIP TRAINING INSTITUTE (PLTI) - IN 2011, SIXTEEN PARENTS IN THE GREATER WATERBURY SUCCESSFULLY COMPLETED WATERBURY'S PLTI, A 20-WEEK CURRICULUM TEACHING LEADERSHIP AND ADVOCACY SKILLS. WATERBURY HOSPITAL HAS HOSTED THE WATERBURY PLTI SINCE 2000, AND THE PROGRAM HAS TRAINED AND GRADUATED OVER 150 AREA PARENTS. PLTI'S CORE MISSION IS TO IMPART LEADERSHIP AND ADVOCACY SKILLS TO PARENTS WHILE SIMULTANEOUSLY EDUCATING THEM ABOUT VOLUNTEERISM, CIVIC LIFE, AND THE PROCESS BY WHICH STATE AND LOCAL GOVERNMENTS ENACT AND CHANGE LAWS. EACH PARTICIPANT COMPLETES AND IMPLEMENTS A COMMUNITY PROJECT, EXAMPLE PROJECTS FROM 2011 INCLUDE "BRIDGE THE GAP" (TO CLOSE THE ACHIEVEMENT GAP FOR STUDENTS) AND "ALL DAY WEE CARE" (A 24-HOUR LEARNING CENTER TO BETTER CHILDREN AND THE COMMUNITY). - WH SUMMER BRIDGE PROGRAM - DURING THE SUMMER OF 2011, TWENTY-SIX LOCAL STUDENTS FROM WATERBURY, GRADES 6-11, PARTICIPATED IN THE WH SUMMER BRIDGE PROGRAM, WHICH PROVIDED THE STUDENTS WITH ACADEMIC PREPARATION, SUCH AS SAT MATH AND SAT ENGLISH REVIEW, JOB READINESS ACTIVITIES, AND JOB SHADOWING THROUGHOUT THE HOSPITAL IN ORDER TO INCREASE THE PROGRAM'S DIVERSITY. A HANDFUL OF PROGRAM SLOTS WERE ALLOCATED FOR STUDENTS OF WATERBURY HOSPITAL EMPLOYEES. BY THE END OF THE PROGRAM, STUDENTS - LEARNED 360 NEW SAT VOCABULARY WORDS. - COMPLETED 11 HOURS OF ALGEBRA AND GEOMETRY REVIEW. - READ LORD OF THE FLIES AND WORKED ON A JOURNAL. - COMPLETED A PHOTOGRAPHY SELF-PORTRAIT, WHICH THEY CONTRIBUTED TO THE CLASS PHOTO BOOK. - COMPLETED MOCK JOB APPLICATIONS AND JOB INTERVIEWS WITH THE HOSPITAL'S HUMAN RESOURCES CONSULTANTS. - LEARNED MICROSOFT OFFICE AND ADOBE PHOTOSHOP FROM WH'S INFORMATION SERVICES TRAINER, AND SHADOWED WH CLINICIANS IN GASTROENTEROLOGY, TRAUMA, RADIOLOGY, ELECTROENCEPHALOGRAPHY, AND EMERGENCY DEPARTMENTS. SUPPORT GROUPS - DURING 2011, WATERBURY HOSPITAL HOSTED SEVERAL SUPPORT GROUPS FOR ITS PATIENTS AND THEIR FAMILIES, INCLUDING - SHARE A SUPPORT GROUP RUN BY THE FAMILY BIRTHING CENTER FOR PARENTS WHO HAVE LOST A BABY, - BEHAVIORAL HEALTH PARENT AND SIBLING SUPPORT GROUP, WHICH OFFERS EMOTIONAL ASSISTANCE TO FAMILIES WHO HAVE CHILDREN IN TREATMENT, AND - ALCOHOLICS ANONYMOUS, WHICH MEETS WEEKLY THROUGHOUT THE YEAR AND IS COORDINATED BY OUR BEHAVIORAL HEALTH DEPARTMENT.</p>

EXHIBIT 19: CURRICULUM VITAE/BIOGRAPHIES

**CONFIDENTIAL RESUME OF
DARLENE STROMSTAD, FACHE
Middlebury, CT**

PROFESSIONAL EXPERIENCE:

THE GREATER WATERBURY HEALTH NETWORK, Waterbury, CT

A 367 bed private not-for-profit, secular acute care teaching hospital with centers of excellence in primary care, cardiac services, behavioral health and orthopaedics; network includes numerous joint ventures and large multi-specialty group practice.

PRESIDENT/CEO (2011 – present)

Leads Waterbury Hospital's transformation which includes developing a Joint Venture with Saint Mary's Hospital and LHP Hospital Group of Texas in developing a three-way partnership which includes the proposed construction of a \$400 million medical center in Greater Waterbury. Responsible for stabilizing and guiding the hospital and network into a new direction to ensure the Greater Waterbury community receives optimal health care service long into the future.

GOODALL HOSPITAL, Sanford, ME

\$150M healthcare organization, including community hospital, three out-patient centers, two models of physician employed groups, and 1 72-bed long term care division.

President/CEO (2005-2011)

Protected mission of a struggling community healthcare system through operational, quality and growth strategies, to make it attractive to a large healthcare system for merger (now in process). Goodall Hospital had suffered from years of neglect, resulting in substantial lost market share, a poor reputation, regulatory and licensing deficiencies and was operating at a loss since the mid-1990s; it was at risk of closure. Restored reputation, accreditation, removed regulatory impediments, rebuilt reputation, recruited physicians and identified new management staff, resulting in the hospital becoming a respected community leader and healthcare provider. Quickly implemented 6-point "turnaround" operational priorities to support strategic plan of bringing the organization (hospital, outpatient centers, physician practices and long term care division) to stability, in order to negotiate from a position of strength in future affiliations or mergers.

CATHOLIC MEDICAL CENTER, Manchester, NH

\$325M, 322-bed healthcare organization (formerly part of the Optima Healthcare merger).

Senior Vice President, Chief Strategy Officer (1999-2004)

Reporting to the CEO of Catholic Medical Center, actively led efforts to build CMC's revenues and reputation in a highly charged and challenging healthcare market. Leadership role in turnaround effort to grow market share, increase volume in key strategic areas, rebuild relationships with medical staff and re-open all formerly closed business units. Reversed reputation as hospital slated for closure, and subordinate to market leader.

OLYMPUS HEALTHCARE GROUP, INC., Waltham, MA

\$200M start-up healthcare organization, which included Skilled Nursing Facilities, Long-Term Acute Hospitals, Transitional Care Units, Home Care/DME and Outpatient Rehabilitation Centers, operating in 3 states.

Senior Vice President, Managed Care/Network Development (1997-1999)

Implemented company-wide managed care strategy to link for-profit post-acute business to referral sources, as a lower cost care alternative in the continuum of care.

ST. JOSEPH HEALTHCARE, Nashua, NH

\$185M community acute care hospital with ancillary services including a DME company, physician practices, ambulance service, home healthcare and a jointly owned freestanding cancer center.

Vice President, Marketing and Planning (1988-1996)

Responsible for business development strategy and implementation for community healthcare system which is a member of a regional Catholic organization; responsible for regulatory processes, physician practice development, managed care and patient satisfaction

MEDCENTER ONE, Bismarck, ND

A tertiary healthcare system serving Central North Dakota and Northern South Dakota.

Director, Community Relations/Business Development (1981-1987)

Key role in the transition from Bismarck Hospital to Medcenter One which involved several major building projects, establishing new programs, technological advances, and joint ventures with major physician groups, resulting in increased market share and consumer preference in a two medical center region.

EDUCATION:

MBA, Rivier College, Nashua, NH

BA, Journalism, University of North Dakota, Grand Forks, ND

Fellow (FACHE), American College of Healthcare Executives

MEMBERSHIPS:

Governor, Board of Governors (International), American College of Healthcare Executives

Regent, State of Maine, American College of Healthcare Executives

Member, Board of Directors, Maine Hospital Association

Member, Board of Directors, Northern New England Association of Health care Executives

Member, Government Relations Committee, New Hampshire Hospital Association

Member, New England Society for Healthcare Strategy

COMMUNITY ACTIVITIES:

Member, Board of Directors, Waterbury Chamber of Commerce

Member, Board of Directors, Sanford/Springvale Chamber of Commerce, Sanford, Maine

Member, Board of Directors, United Way of York County, York County, Maine

Member, Board of Directors, Sanford Downtown Legacy, Sanford, Maine

Executive Member, Board of Directors, Adult Learning Center, Nashua, NH

Chairman, Board of Directors, Greater Nashua YMCA, Nashua, NH

Chairman, Board of Directors, Greater Nashua Chamber of Commerce, Nashua, NH

HONORS/AWARDS:

Grassroots Champion, State of Maine, American Hospital Association

Recipient, Distinguished Woman Leader, Nashua YWCA

Recipient, New Hampshire's Most Powerful Women, Business New Hampshire

Recipient, One of 30 Statewide Leaders, Leadership New Hampshire

Recipient, Numerous Regional and National Marketing Awards

Sandra A. Iadarola
166 Ice House Rd., Unit #5
Oakville, CT 06779
860-274-6610

PROFILE

Energetic, experienced healthcare administrator with over 25 years in managing both clinical and service operations. Extensive background includes implementation of a shared governance structure, reengineering work processes for efficiency and result oriented gain, organization wide implementation of an electronic medical record including physician order entry, proven quality improvement strategy with excellent outcomes, and reorganization/streamlining management structure to improve customer focus and integrate clinical and financial accountability.

PROFESSIONAL EXPERIENCE

THE WATERBURY HOSPITAL 2002- Present
Waterbury, CT

Chief Nursing Officer/Vice President Patient Care Services 2011-Present
Responsibilities include operational planning and direction for over 30 clinical cost center and 650 FTE's. Provides leadership and direction for all Nursing functions within the organization

- Successfully implemented 5% salary cost reduction
- Acted as Clinical Transformation Champion for Meaningful Use pathway, including CPOE and Surgical Service information system implementation
- Established foundation for shared governance in a unionized environment

Administrative Director, Med/Surg and Critical Care Units 2002-2011
Responsibilities include planning, implementing and evaluating operational activities for these services in alignment with strategic direction. Also responsible for clinical oversight of patient care related contract services, such as physical therapy.

- Served as co-chairman of implementation team responsible for the successful creation of the Open Heart and Interventional Cardiology program
- Played a key leadership role in the development of staff retention and recruitment initiatives with the outcome of decreasing utilization of agency staff and need for monetary hiring incentives
- Provided leadership and coordination in the implementation of a hospital wide information system in the patient care areas

THE CHARLOTTE HUNGERFORD HOSPITAL 1988- 2002
Torrington, CT

Vice President, Patient Care Services 1998 -2002
Responsibilities included operational oversight of all inpatient services, surgical services, emergency services, ambulatory care units, pharmacy, cardiopulmonary, case management, social work services, quality improvement and risk management. Accountable for 30 cost centers and greater than 300 FTE's.

- Reduced operating expenses by 5% within one year, resulting in hospital wide savings of \$5 million
- Implemented business unit structure, decreasing management positions by 50%
- Maintained or improved key quality indicators including customer satisfaction throughout the transition

Director, Case Management/Quality Improvement 1992- 1998
Responsibilities included coordination of organization wide quality improvement activities including Medical Staff functions and implementation of case management processes

- Implemented case management model, integrating utilization review, discharge planning and social work services, to accomplish decreased length of stay with no increase in readmission or denial rates
- Collaborated with Medical Staff leadership to develop credentialing process based on data tracking and trending function
- Coordinated quality data reporting and analysis for multiple hospital departments, Medical Staff and Board of Governors

Associate Administrator, Patient Care Services 1988- 1992
Responsibilities included clinical operations accountability for multiple patient care departments

THE WATERBURY HOSPITAL 1973 – 1988
Waterbury, CT

Progressive Management Positions 1978 - 1988
Positions included Materials Management Coordinator for Nursing Services, Clinical Supervisor for Medical Services, Quality Assurance Coordinator, and Nurse Manager for a 52 bed Medical Teaching Unit with and oncology specialty

Registered Nurse, Medical and Critical Care Units 1973 - 1978

EDUCATION/CERTIFICATIONS

Rensselaer Polytechnic Institute, Troy, NY
M.B.A., Health Care Concentration

University of Connecticut, Storrs, CT
B.S., Nursing

Healthcare Quality Certification Board, San Gabriel, CA
Certified Professional in Healthcare Quality

PROFESSIONAL AFFILIATIONS

National Association for Healthcare Quality
Connecticut Organization of Nurse Executives

COMMUNITY ACTIVITIES

Vice Chairperson, Board of Directors for VNA Health at Home

Michael J. Cemeno
8 Flax Mill Hollow
Branford, CT 06405
203-483-5532
mikecem@comcast.net

Healthcare IT Executive with extensive experience aligning IT strategy with the business objectives of an organization. Ability to analyze and interpret complex existing organizational workflows, into a comprehensive automated system, with resultant cost efficiencies and enhancement of patient care. Excellent problem solving and operational skills, along with the ability to galvanize IT project participants into a cohesive team.

Career Experience:

March 2011 to **Waterbury Health System, Waterbury, CT**
Present Chief Information Officer, Waterbury Hospital

Acting executive reporting directly to CEO responsible for all aspects of Information Systems functions during a comprehensive hospital wide Senior Executive reorganization.

- Successful implementation of whole house Cerner CPOE and house wide clinician documentation.
- Developed Community Physician strategy and recommendations for the Waterbury area. Develop IT
- Complete IT reorganization.
- Develop planning tools with IT staff to track projects, priorities and create a resource grid to identify staffing requirements to meet those priorities.
- Assure congruence of IT priorities with the organizations goals.
- Provide day to day leadership to IT staff and represent the department at Senior Executive meetings
- Assure day to day operations of the Information Systems department.

March 2003 to **Yale-New Haven Health System, New Haven, CT**
Dec 2010 Associate Chief Information Officer

Implement Information System strategies and lead all operational activities for the YNHHS Information Technology Department. Yale New Haven Health System is the largest healthcare provider system in Connecticut, affiliated with Yale University School of Medicine. Includes Yale-New Haven, Bridgeport and Greenwich Hospitals and affiliated entities. Provide application contracting, development and implementation expertise. Overall responsibility for department policy and procedure and budget. Executive IT liaison with major departments and system executive staff.

- Lead the IT EBP (Enhanced Business Practices for SOX compliance) project for computer controls. Developed computer and compensating controls for all major financial systems, these controls deemed "effective" by outside audit, saving audit dollars.
- Developed complete migration and implementation strategy for the Eclipsys SCM product, which was instrumental in the achievement of HIMSS stage six EMR adoption rating.
- Coordination of IT resources for complete Electronic Documentation for both Physicians' and Nursing, throughout the Yale-New Haven Hospital integrated delivery network, including all IP/OP and clinics.
- Spearheaded the IT implementation for 500,000 square foot Cancer Center on time and on budget.
- Developed the ARRA/Hitech act response and developed new policy and procedures to enable compliance.
- Fully deployed RFID solution for equipment tracking and automated refrigerator temperature monitoring to meet the Joint Commission recommendations and create operational efficiencies.
- Coordinated Web Development and SharePoint Development for many major initiatives including, Safe Patient Flow, Shared Services, Smilow Portal, Epic Portal, Board Portal and others.
- Consolidation of Tumor Registry amongst the three IDN's, saving operational dollars and providing enhanced patient safety.

- Implemented Telestroke Telemedicine program, this program allows a remote stroke patient evaluation by a Yale neurologist allowing the immediate administration of TPA.
- Negotiated and implemented the Premise Bed Management system which contributed to increased bed turnover and positively impacted length of stay.

July 1998 to **Greater Hudson Valley Health System, Newburgh, NY**
Feb 2003 Vice President of Information Technology and Chief Information Officer

Responsible for all Information Systems for a four hospital integrated delivery system which included Arden Hill Hospital, Cornwall Hospital, The Horton Medical Center, and St Luke's Hospital and affiliated entities. Held direct line information system management responsibilities for the entire health system. Responsibilities included the strategic and operational planning for the consolidation of all IS resources, including IT personnel and the data center.

- Led efforts for system consolidation of IS. Had the only successful consolidation project of any kind, in the three years of system development.
- Created a county wide fiber WAN to connect the 4 hospitals.
- Coordinated fast-track selection of the PeopleSoft Financial products.
- Spearheaded a full PeopleSoft financial system (GL, AP, MM, and HR) in 2 hospitals within 3 months of contract signing.
- Coordinated the selection and installation of a full modality PACs system.
- Coordinated the IS implementation of a \$25Mill ambulatory center.

Aug 1997 to **Temple University Health System, Philadelphia, PA**
July 1998 Director of Technical Services and Computer Operations, Hospital Information Services, Temple University Health System

Responsible for all technical areas of information systems for TUHS I which is affiliated with the Temple University School of Medicine and 7 area hospitals, including Temple University Hospital.

- Responsible for complete system deployment at Temple Universities Children's Medical Center, this included integration of 6 separate systems, in 90-day time frame.
- Designed and implemented logical/physical layer security strategy for entire network.
- Implemented Wide Area Connectivity within system.

Feb 1995 to **Allegheny Health, Education and Research Foundation, Philadelphia, PA**
Aug 1997 Information Services Director, Information Systems, Hahnemann University Hospital(HUH), Physician Systems, DVR, Account Executive, HUH.

Was Information Systems liaison for the Philadelphia system flagship 600 bed Hahnemann University Hospital and for all 200 physician practices. Responsibilities included interfacing with HUH executive management as part of the executive staff as well as like responsibility on the physician executive staff.

- Developed "cookie-cutter" installation methodology utilizing standardized workflow analysis to network and application installs, resulting in 108 installations in less than one year.
- Developed specifications and implementations strategy for several new systems including Pharmacy, Flow Cytometry, Home Infusion, OR scheduling and supplies, and a custom electronic referral submission and tracking application.
- Created IS steering and the Patient Care/IS steering committee.

Feb 1991 to **Berwick Hospital Center, Berwick, PA**
Dec 1994 Director Management Information Systems

Managed MIS department for 179-bed acute care hospital and two 120-bed nursing homes.

- Responsibilities including budget and management functions for MIS, Occupational and Employee Health Departments.

Jan 1980 to **Drexel Burnham Lambert, Inc., Philadelphia, PA**
Jan 1991 Corporate Vice President Operations

- Developed and maintained first computerized accounting system for DBL's Philadelphia floor operation.

Jan 1979 to **Philadelphia Stock Exchange, Philadelphia, PA**
Jan 1981 Compliance analyst

- Designed specifications for auditing programming.

Education:

1974 to 1978 Temple University, Philadelphia, PA
BBA, Accounting

CURRICULUM VITAE

Scott H. Kurtzman, MD FACS

ADDRESS

461 Rockwood Drive
Southington, CT 06489
(860) 628-0181

MARITAL STATUS

Married, 3 children

PRESENT POSITION

Chairman, Department of Surgery (April 15, 2005 to present)
Program Director, Surgical Residency Program
Waterbury Hospital
Department of Surgery
64 Robbins Street
Waterbury, Connecticut 06721
Phone: (203) 573-7257; Fax: (203) 573-6073
E-Mail: skurtzman@wtbyhosp.org

Professor of Surgery Present
Department of Surgery
University of Connecticut Health Center
Farmington, Connecticut 06030-3955

Associate Professor of Surgery (September 1, 1999 – April, 2005)
Assistant Professor of Surgery (July 1, 1990 – August 31, 1999)

FELLOWSHIPS

Surgical Oncology Fellow; Memorial Sloan Kettering Cancer Center, New York City, NY: July 1988
- June 1990

Medical Staff Fellow, Surgery Branch, National Cancer Institute, National Institutes of Health,
Bethesda, Maryland: July 1983 - June 1985

POSTGRADUATE TRAINING

Resident in General Surgery (PGY 3-5); University of Medicine and Dentistry of New Jersey,
Newark, New Jersey: July 1985 - June 1988

Resident in General Surgery (PGY 1 & 2); University of Maryland Hospital, Baltimore, Maryland:
July 1981 - June 1983

EDUCATION

Albany Medical College of Union University MD June 1981
Roswell Park Memorial Institute, State University of NY MS July 1977
Northwestern University (Neuroscience Major) BA June 1976

AWARDS AND HONORS

- ◆ Chabad of Litchfield- Maimonides Award December 2011
- ◆ American College of Surgeons/American Society of Breast Surgeons Health Policy Scholar; Brandeis University Heller School June 2009
- ◆ Administrative Chief Resident in Surgery UMDNJ
- ◆ American Cancer Society Breast Cancer Education Award, Greater Hartford Unit June 1995
- ◆ American Cancer Society Breast Cancer Award, Greater Hartford Unit, June 1995
- ◆ American Cancer Society Breast Cancer Award, Greater Hartford Unit, June 1996
- ◆ Best Faculty Teacher Award, voted by Univ. of Connecticut Health Ctr Medical Students, June 2000

CERTIFICATION AND LICENSURE

Diplomate, American Board of Surgery, November 1990; Recertified 2009
Fellow, American College of Surgeons, October, 1993
Licensure: Maryland, New Jersey, New York, and Connecticut (all but CT not renewed)

PROFESSIONAL SOCIETIES

- ◆ American Association for Cancer Research
- ◆ American College of Surgeons
- ◆ American Radium Society
- ◆ American Society of Breast Surgeons
- ◆ American Society of Breast Diseases
- ◆ American Society of Clinical Oncology
- ◆ Connecticut Society of American Board Surgeons
- ◆ Connecticut State Medical Society
- ◆ Hartford County Medical Society
- ◆ New England Cancer Society
- ◆ Society of Surgical Oncology, Inc.
- ◆ New England Surgical Society

COMMITTEES

University/Hospital Committees

1990-99 Surgical Case Review Committee, **Chairman**
1991-2002 Institutional Review Board **Vice Chairman (1995-97); Chairman 1997- 2002**
1991-2005 Interviewer for Medical School Admission

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1991-2005 Clinical Cancer Committee (**Chair 2002-2005**)
 1992-2005 Pharmacy and Therapeutics Committee, (**Acting Chairman 1994-95**)
 1992-98 Cancer Genetics Committee
 1992-2005 Breast Health Center, **Medical Director**
 1992-93 Women's Health Center Steering Committee
 1994-2005 Medical Records Review Committee
 1994-95 Process Improvement Team for OR Preparation, **Chairman**
 1995-2005 Oncology Course Committee, (Lectures, Problem-Based Learning)
 1995-2005 CHIPS (Compassionate Help for Impaired Professional Students Committee)
 1995-97 Electronic Medical Records Committee
 1995-2005 Medical Records Steering Committee
 1996 7th Floor Redesign Committee
 1996-98 Lead Physician/General Surgery
 1996 Subcommittee on Specimen Handling - **Chairman**
 1997 Order Entry & Re-design Committee
 1997 GI Credentialing Committee
 1997 Enhanced Electronics Education System Committee
 1997-2000 At-Large Representative to the School of Medicine Council
 1998-2000 School of Medicine Council Steering Committee
 1998 Academic Affairs Subcommittee of the Practices Clinical Governance Committee
 1999-2008 Faculty Review Board
 1999 Connecticut State Medical Society – Cancer Coordinating Committee
 2005-2009 Waterbury Hospital Surgical Services Committee (**Chair**)
 2005-present Waterbury Hospital Cancer Committee (**chair**)
 2005-present Waterbury Hospital IRB (**Chair 2007-present**)
 2011-present Waterbury Hospital Graduate Medical Education Committee
 2012-present Waterbury Hospital Continuing Medical Education Committee

Regional/National Committees

1990-94 American Cancer Society (ACS) Public Education Committee
 1992-2000 American College of Surgeons - Cancer Liaison
 1994-2000 ACS State Task Force on Breast Cancer
 1994-97 Corporate Relations Committee, Society of Surgical Oncology
 1994-98 Breast Cancer Team, Greater Hartford Unit ACS, **Chairman**
 1995-99 Greater Hartford Unit ACS - **Executive Board**
 1996-present Connecticut Breast & Cervical Cancer Early Detection Program **Executive Board**
 1996-99 Program Committee, Society of Surgical Oncology
 1997 Web Page Committee - Society of Surgical Oncology
 1997-2005 Training Committee - Society of Surgical Oncology (**Chair 2002-2005**)
 1997-present Breast Disease Committee, NSABP
 1997-2000 Cancer Coordinating Committee - CT Medical Society
 1998-present Connecticut State Legislative Committee of the American Association for Cancer Research, Inc
 1998-2005 Yale Cancer Center Education Committee
 1999 CSMS Cancer Committee, Vice Chairman
 1999 Clinical Trials Workgroup – with Senator Edith Prague
 2001-present Ct Chapter of the American College of Surgeons (**Executive Council 2002-05, President 2005-2007**)

2002-2005 Education Committee ASBS
 2005-2008 Society of Surgical Oncology (**Executive Council 2005-2008**)
 2007-present National Accreditation Program for Breast Centers – **Executive Committee and Chair Standards and Approvals Committee (2008-present)**
 2008-2011 Member American Joint Commission for Cancer (**Chair Finance Committee Spring 2011-present, Executive Committee 2011-present**)
 2009-2012 Governor at large, American College of Surgeons
 2010-present Legislative Committee American Society of Breast Surgeons
 2010-present Connecticut Department of Public Health Breast and Cervical Cancer Early Detection program Medical Advisory Board
 2011-present Physician Health Subcommittee, American College of Surgeons Board of Governors

COMMUNITY SERVICE

1983-1985 Central Elementary School PTO, Treasurer
 1994 -2004 Religious Committee Farmington Valley Jewish Center - Emek Shalom
 1998-2004 Chairman Religious Committee and Executive Board member Farmington Valley JewishCenter - Emek Shalom

PRESENTATIONS

Post Graduate Medical Education

Local Presentations

1. "Soft Tissue Sarcomas" Mount Sinai Hospital Grand Rounds, Hartford, CT, October 1990
2. "Surgery in the Elderly Patient, Immuno-compromised Patient, and Malnourished Patient", (Panelist), University of Connecticut School of Medicine, Annual Controversies in Surgery Program, February 1991
3. "Central Venous Access in the Cancer Patient", University of Connecticut School of Medicine, Combined Surgical Grand Rounds, 1991
4. "Radioimmune Guided Surgery" Charlotte Hungerford Hospital Grand Rounds, Torrington, CT, May 1991
5. "Surgical Approach to Soft Tissue Sarcomas" Charlotte Hungerford Hospital Grand Rounds, Torrington, CT
6. "Controversies in Melanoma Management", (Panelist), Annual Controversies in Surgery Program, University of Connecticut School of Medicine, February 1992
7. "Central Venous Access in the Cancer Patient", Charlotte Hungerford Hospital; Hospital Grand Rounds, Torrington, CT
8. "Breast Cancer", Department of Medicine Weekly Conference, University of Connecticut School of Medicine, January, 1993

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9. "Basic Science for the Clinician" (**Moderator**);
10. "Issues in Colorectal Cancer" (Panelist), Annual Controversies in Surgery Program, University of Connecticut School of Medicine, February and March, 1993
11. "Monoclonal Antibodies in Cancer Detection and Treatment", Rockville General Hospital Grand Rounds, Rockville, CT, February, 1993
12. "Surgical Approach to Melanoma", Surgical Combined Grand Rounds, University of Connecticut School of Medicine, March, 1993
13. "Radioimmune Guided Surgery", Charlotte Hungerford Hospital Grand Rounds, Torrington, CT
14. "Rehabilitation of the Cancer Patient", New Britain Memorial Hospital Grand Rounds, New Britain, CT, September, 1993
15. "Prevention and Early Detection of Breast Cancer", Charlotte Hungerford Hospital Grand Rounds, Torrington, CT, September 1993
16. "Principles of Surgery for GI Tumor", Medical Oncology Fellowship Lecture Series,
17. University of Connecticut School of Medicine, November, 1993
18. "Issues in Surgical Oncology", (**Moderator**), Annual Controversies in Surgery Program,
19. University of Connecticut School of Medicine, February 1994
20. "Surgical Approach to Melanoma", Charlotte Hungerford Hospital Grand Rounds, Torrington, CT, March, 1994
21. "Melanoma", Cancer Registry Training Program, University of Connecticut School of Medicine, June, 1994
22. "Breast Cancer Requiem for the Surgeon" (**Moderator**);
23. "Lymph Node Dissection for Clinically "Node Negative" Cancer: Rational and Worthwhile, or Simply Traditional?" (Panelist), Annual Controversies in Surgery Program, University of Connecticut School of Medicine, February and March, 1995
24. "New Imaging Modalities in Breast Cancer" CT Society of Radiology Technologists, June 1995
25. "Genetic Screening for Cancer: Scientific, Legal and Ethical Perspectives" (**Moderator**);
"Challenging Therapeutic Problems in Surgical Oncology" (Panelist), Annual Controversies in Surgery Program, University of Connecticut School of Medicine, February and March 1996
26. "Breast Cancer" Practical Nurse Class, Morse School, Hartford, CT, March 1995
27. "Management of Breast Masses", St. Mary's Hospital, Waterbury, CT, March, 1996
28. "Management of Breast Masses", William Backus Hospital, Norwich, CT, March 1996

29. "Management of Breast Masses", St. Raphael's Hospital, New Haven, CT, March, 1996
30. "Breast Cancer: Screening and Early Detection", St. Mary's Hospital, Waterbury, CT, January 7, 1997.
31. "Updates in Breast Cancer", William Backus Hospital, Norwich, CT, December 1997
32. "Role of the Primary Care M.D. vs Ob/Gyn vs. Oncologist, Sharon Hospital, Sharon, CT February 1998
33. "Minimally Invasive Breast Surgery", Women's Cancers, UConn Health System Discovery Series, Farmington, CT April 1998.
34. "New Modalities in Cancer Diagnosis & Treatment" Oncology Lecture Series, UConn Health Center, Farmington, CT May 1998
35. "New Modalities in the Treatment of Breast Cancer", Danbury Hospital, Danbury, CT May 1998
36. "Role of the Primary Care Doctor/Gynecologist in Breast Cancer"; Charlotte Hungerford Hospital, May 1998
37. "Breast Cancer: Role of the Primary Care Physician", Charlotte Hungerford Hospital, Torrington, CT June 1998
38. "Breast Cancer Prevention", Grand Rounds, Rockville General Hospital, Rockville, CT May 1999
39. "Management of Non-Palpable Breast Cancer", Danbury Hospital, Danbury, CT June 1999
40. "Sentinel Node Biopsy", Combined Grand Rounds, University of Connecticut Health Center, Farmington, CT August 1999.
41. "Breast Cancer Screening and Estrogen Replacement" General Internal Medicine Grand Rounds, University of Connecticut Health Center, Farmington, CT February 2000
42. "Sentinel Node Biopsy", Community Education Program, Manchester Memorial Hospital, Manchester, CT May 2000.
43. Breast Cancer Prevention, Community Education Program, Danbury Hospital, Danbury, CT June, 2000.
44. "Sentinel Node Biopsy", Community Education Program, St. Mary's Hospital, Waterbury, CT June, 2000.
45. "Sentinel Node Biopsy in Breast Cancer" Community Education Program, Norwalk Hospital, Nov 2000
46. "Breast Nodules" Recent Advances in Internal Medicine, Continuing Medical Education Course, Department of Medicine, University of Connecticut Health Center, Dec 2000

47. "Ductal Lavage in Breast Cancer" Multidisciplinary Breast Education Conference, Hartford Hospital, Hartford, CT September, 2001
48. Lecture, Cancer & Surgical Technology, Avon High School, Avon, CT, March 26, 2002
49. Lecture, University of Connecticut Health Center, New England Dermatological Society Didactic Symposium – Cutaneous Melanoma, "Sentinel node biopsy update", April 6, 2002
50. Lecture, Day Kimball Hospital, Connecticut Breast and Cervical Cancer Early Detection/Wise Woman Program, "Intraductal Approach to Breast Cancer", April 23, 2002
51. Lecture, Danbury Hospital, Intraductal Approach to Breast Cancer, Ductal Lavage and Ductoscopy, May 23, 2002
52. Lecture, St. Raphael's Hospital, Intraductal Approach to Breast Cancer, Ductal Lavage and Ductoscopy, June 14, 2002
53. "An Update: Menopause & HRT" Discovery Series Program, UConn Health Center, Farmington, CT...(Moderator)
54. Lecture, Charlotte Hungerford Hospital, Torrington, Conn, "Sentinel Node Biopsy", April 11, 2003.
55. Lecture, Holyoke Hospital, Holyoke, Massachusetts, "Treatment of Advanced and Early Stage Breast Cancer", April 25, 2003.
56. "New Diagnostic Tools in Breast Cancer" Recent Advances in Internal Medicine 2003/04, UConn Health Center, Farmington, CT...January 21, 2004.
57. Medical Grand Rounds, Waterbury Hospital, "Breast Cancer Update". September 23, 2005.
58. "Screening/Diagnosis of Breast Cancer". September 27, 2008. Educational Session/Primary Care Update, Middlebury Edge, Middlebury, CT.
59. UMass Surgical Grand Rounds, University of Massachusetts Medical School, "Surgical Dogma". June 3, 2009.
60. Medical Grand Rounds, Waterbury Hospital, "Surgical Dogma". July 10, 2009.
61. "What's New with Breast Cancer Screening", February 17, 2010. Primary Care Update, Middlebury Edge, Middlebury, CT.
62. "Melanoma". Willow Senior Center, Waterbury, CT. March 30, 2010.
63. Oncology Conference, Waterbury Hospital, "Breast Cancer Screening". June 3, 2010.
64. Medical Grand Rounds, Waterbury Hospital, "Screening, Diagnostics, and Prevention of Breast Cancer". August 13, 2010.

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65. "Breast Health and Surgery". Willow Senior Center, Waterbury, CT. October 12, 2010.
66. Oncology Conference, Waterbury Hospital, "The Work-Up of a Breast Mass". May 26, 2011
67. Oncology Conference, Waterbury Hospital, "Sarcomas and Melanomas of the Extremities". August 11, 2011
68. Tumor Board Conference Series, Waterbury Hospital, Waterbury, CT. Monthly, 2009- present.

Regional/National/International Presentations

1. "Soft Tissue Sarcomas", Annual Sugarbush Medical Symposium, Warren, VT, March 1992
2. "Management of Breast Lumps", Review of Internal Medicine CME Program, Scottsdale, AZ, November 1994
3. "New Approaches to Cancer Detection", Annual Sugarbush Medical Symposium, Warren, VT, March, 1994
4. Breast Cancer Session (Moderator), 46th Annual Meeting of the Society of Surgical Oncology, Boston, MA, March, 1995
5. "Cost Effectiveness of Groshong Catheters", Sims-Deltec Annual Meeting, Ponte Vedra, FL, September, 1995
6. "Increased Angiogenesis Factor Expression is Associated with Negative Hormone Receptor Status in Human Breast Cancer", Surgical Forum, American College of Surgeons, San Francisco, CA, October 1996
7. "Current Imaging in Cancer" (Moderator) Society of Surgical Oncology 50th Annual Cancer Symposium, Chicago, IL March 1997
8. "Current Imaging Techniques in Breast Cancer" (Speaker), Society of Surgical Oncology 50th Annual Cancer Symposium, Chicago, IL March 1997
9. "Cancer Prevention and Early Detection", National Cancer Institute of Bulgaria, Sofia, Bulgaria for Albert Schweitzer Foundation, November 1997
10. "Micrometastasis in Cancer" (Moderator) Society for Surgical Oncology 51st Annual Cancer Symposium, San Diego, CA, March 1998
11. Melanoma/Sarcoma Session (Moderator) Society of Surgical Oncology 51st Annual Cancer Symposium, San Diego, CA, March 1998
12. Melanoma/Sarcoma Parallel Session, (Moderator) Society of Surgical Oncology 52nd Annual Cancer Symposium, March 1999
13. Sentinel Lymph Node Biopsy Techniques Update, Instructor, Combined Annual Meeting of the Connecticut Chapter of the American College of Surgeons and the Connecticut Society of American Board Surgeons. Waterbury, CT November 1999
14. (Reviewer) at the California Breast Cancer Research Program in San Francisco, California, April 11 & 12, 2002.

15. "Implementing Risk Assessment: Changing the Breast Cancer Risk Paradigm", Cytoc dinner, June 10, 2003 "Implementing Risk Assessment: Changing the Breast Cancer Risk Paradigm", Symposium for OB-GYN, primary care and surgeons
16. "Breast Cancer Risk: Emerging Issues and Strategies for Patient Management", Lecturer, small group and overall session organizer and moderator, Avon Old Farms School, Avon, Connecticut, September 10, 2003
17. "Identifying High Risk women for Breast Cancer", New England Obstetrical & Gynecological Society, 75th Annual Spring Meeting, April 14, 2004
18. "What is the Status of Breast Surgery Fellowships? The American Society of Breast Surgeons 5th Annual Meeting, Las Vegas, Nevada, March 31-April 4, 2004.
19. Breast Surgery Fellowships, Breast Cancer Symposium, Paris, France July 2004
20. Status of Breast Fellowships, Amelia Island Breast Conference, Amelia Island, FL February 2006
21. Panel on Breast Fellowships, Annual Meeting of the American College of Surgeons, New Orleans, LA October 2007
22. National Accreditation Program for Breast Centers Workshop, Chicago IL November 2010
23. National Accreditation Program for Breast Centers Workshop at American Society of Breast Diseases New York City April 2010
24. National Accreditation Program for Breast Centers Workshop at National Consortium of Breast Centers Las Vegas, NV March 2011
25. Personal experiences purchasing and using an HER at Annual Meeting of the American Society of Breast Surgeons, Washington, DC April 2011
26. National Accreditation Program for Breast Centers Workshop at Cancer Registrars Conference Orlando, FL May 2011
27. National Accreditation Program for Breast Centers Webinar, June 2011
28. National Accreditation Program for Breast Centers Workshop, Chicago, IL November 2011
29. NAPBC Components and Standards-Incorporating Multidisciplinary Care as a Culture of Care, Annual meeting of the National Consortium of Breast Centers, March 2012

Resident Education Presentations

1. "Radioimmune Guided Surgery", Affiliated Residency in General Surgery
2. "How to Prepare and Deliver a Lecture", Affiliated Residency in General Surgery
3. "Surgical Approach to Breast Cancer", Affiliated Residency in General Surgery
4. "Breast Lumps", Community Lecture Series, Bristol Hospital, September 1996
5. "Breast Cancer Diagnosis and Treatment" Resident Lecture Series, April 1997

Undergraduate Medical Education Lectures

1. 4th Year Elective in Surgical Oncology, Course Director
2. "Upper Gastrointestinal Bleed"; "Breast Cancer"; "Endocrine Disorders"; "Suturing and Knot-Tying", Breast Day (Preceptor), 3rd Year Medical Student Education
3. "Surgical Oncology Lecture" Oncology Course 2nd Year Medical Students, February 1997
4. "Cancer's Effect on the Host" Small group Session; Oncology Course 2nd Year Medical Students, February 1997
5. "Patterns of invasion and metastases and their clinical significance" Small group Session; Oncology Course 2nd Year Medical Students, February 1997
6. "Breast Cancer Tumor Board" Lecture, Oncology Course 2nd Year Medical Students, February 1997
7. "Management of Metastatic Cancer", Oncology Course 2nd Year Medical Students, February 1997
8. Biomedical Scholars Track Tutorial Session – MDPHD Student lecture on biomedical track program – Tutorial Leader in tutorial session, Center for Molecular Medicine, UConn Health Center, May 2000.
9. Principles of Clinical Research Course – "Human Subjects Issues in Clinical Research", General Clinical Research Center, September 00.
10. **Clerkship Supervisor:** 3 Times per academic year
11. **Course Director:** Breast Symposium for 3rd Year Students, six times per academic year
12. UConn MAX Student Breast Lecture, October 9, 2010. UConn School of Medicine, Farmington, CT.

Medical Student Faculty Advisor - Laboratory

Kevin Burton
Ziv Peled*
Nitya Chakarborty**
Maria Renna
Marra Stankus ***
James Pierkowski

*Smith - Kline Beecham Excellence in Basic Science Research Award, June 1994

**Awarded First Place, Oncology Section, Connecticut Society of Board Surgeons Annual Meeting, December, 1995

***Awarded Third Place, Oncology Section, Connecticut Society of Board Surgeons Annual Meeting, December, 1996

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Medical Student Presentations

New England Cancer Society Annual Meeting Nov, 1996, The Role of Interleukin - 8 in Pancreatic Adenocarcinomas: Brendan T. Campbell Angiogenesis in colon cancer and normal adjacent tissue: Steven Fox

Medical Student Research Presentations

Connecticut Chapter, American College of Surgeons, October 1996, Tumor cell expression of IL-1rl in human pancreatic cancer Marra L. Stankus

Public Education Lectures

1. "Management of Breast Cancer", American Cancer Society, Vernon, CT September 1992
2. "Breast Cancer", Fellowship Village, West Hartford, CT October 1993
3. "The Importance of a Mammogram", Center for Menopausal Studies, Farmington, CT, March 1993
4. "Breast Cancer", ITT Hartford, Simsbury, CT May 1993
5. "Breast Cancer", The Gables Retirement Center, Farmington, CT May 1993
6. "Breast Cancer", American Cancer Society, West Hartford Planned Giving Program, West Hartford, CT December 1994
7. "Breast Cancer", West Hartford Senior Center, West Hartford, CT February 1994
8. "Breast Cancer & Melanoma", Ensign Bickford Corporation, Simsbury, CT June 1994
9. "Breast Cancer", Hartford Civic Center, Hartford, CT August 1994
10. "Progress in the Fight against Breast Cancer", American Cancer Society, Hartford, CT, October 1995
11. "Progress in the Fight against Breast Cancer", American Cancer Society, Donor Seminar, Wallingford, CT, November 1995
12. "Breast Cancer", Morse School of Business, School of Practical Nursing, Hartford, CT March 1996
13. "Breast Cancer", Ames Department Stores, Inc., Associate Medical Seminar, Rocky Hill, CT May 1996
14. "Breast Cancer and Cigarette Tax" testimony for State Legislature, Hartford, CT May, 1996
15. "Breast Cancer" State Taskforce on Breast Cancer, American Cancer Society, Wallingford, CT September 1996
16. "Drive through Mastectomies" testimony for State Legislature, Hartford, CT September, 1996
17. "Breast Lumps" The Maryland Insurance Group, American Cancer Society, Rocky Hill, CT., October 1996
18. "Breast Cancer" General Electric Company, American Cancer Society, Plainville, CT., August 1997
19. "Breast Cancer" Guest Expert for Chat Room Web Site for SALU Health Network, based in San Francisco, CA, February 1997

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20. "Axillary Dissection" Guest Expert for Chat Room Web Site for SALU Health Network, based in San Francisco, CA May 1997
21. "Clinical Trials" BioDimensions Newsletter, incorporated interview with article written, February, 1999.
22. "Diagnosis and Prevention of Breast Cancer", Fifteenth Annual Ella T. Grasso Memorial Conference, Hartford Marriott Hotel/ Farmington, CT November 1999.
23. "General Overview of Breast Cancer Including Symptoms, Self-examination, Diagnosis and Treatment", The Gables Retirement Center, Farmington, CT, October 2002.
24. "Ductal Lavage", Menopausal Group, Southbury Library, Southbury, Connecticut, November 2002.
25. "Treatment of Advanced and Early Stage Breast Cancer", Windham Hospital, Willimantic, CT, June 2003.
26. "Breast Cancer Awareness", St. Anthony's Church, Prospect, CT. January 20, 2009.
27. Advances in Breast Cancer, Harold Leever Cancer Center Waterbury CT November 2009
28. "Melanoma". Spring Presentation Series for Evergreen Club 50, Waterbury Hospital, Waterbury, CT. May 26, 2010
29. Mock Tumor Board for Breast Cancer, Harold Leever Cancer Center Waterbury, CT October 2010
30. "NAPBC Guidelines and E-Staging", Tumor Registry Association of Connecticut (TRAC) Meeting, Waterbury Hospital, Waterbury, CT. June 8, 2011.
31. Mock Tumor Board for Breast Cancer, Harold Leever Cancer Center, Waterbury, CT October 27, 2011

Media Presentations

1991

WTIC Radio - Health Update - Medical Topic Series "Breast Cancer"

Ivanhoe Communications - "Mammograms"

TV61 - "Breast Cancer Awareness"

RTM Magazine - "Use of Radioactive 'String' to Treat Cancer"

TV61 - "Breast Cancer"

1992

WTIC Radio - "Breast Cancer"

TV3 Program - *Black Perspective*, "Breast Cancer"

Redbook Magazine - "Breast Cancer Biopsies"

Lear's Magazine - "PCB's in Biopsies"

Hospital News - "Laparoscopy" and "DDT's in Breast Biopsy"

1993

TV30 - "Breast Cancer"

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WKND Radio - "Breast cancer in African American Patients"

1994

WKSS Radio - "Breast Cancer"

WTIC Radio - "Tamoxifen"

Nutmeg Cable TV - "Breast Cancer"

1995

Cox Cable, Greater Hartford, Inc. - "Learning, Loving and Living with Breast Cancer"

1996

Channel 3 "Report on skin cancer and sun exposure"

Hartford Courant: Review of the role of Axillary Dissection in Breast Cancer

Channel 32, WVIT: "Do bras cause breast cancer?"

1997

WHUS Radio - "Breast Cancer" SHN World Wide Web, Expert leader of Chat discussion on Breast Cancer, January 1997

Natural Way Magazine, May/June 1997 Vol 3(2), Rye Brook, NY; Lethal Lingerie? Interview

Nutmeg Cable TV - "Breast Cancer" panel discussant Rocky Hill Wethersfield Health District, Wethersfield, High School

1998

WHUS Radio - "Breast Cancer"

WDRG-AM Radio - Respond to questions on air regarding breast cancer.

WDRG-AM & FM Radio - "Myths of Breast Cancer" - Hot Seat Program

2000

CPTV -24 - "House Calls on Skin Cancer" Community Education Network - Live television panel that fielded questions on skin cancer

2008

WTIC- Fox 61- "Avon Mountain Crash Rescuer Dr. Scott Kurtzman" Morning Show Live Television Interview

2009

Waterbury Radio Station- What's new in Breast Cancer

2010

Waterbury Radio Station- Patient Care in a Teaching Hospital

RESEARCH EXPERIENCE

Undergraduate: Effects of electrical stimulation of the intracranial reward system on learning in rats

Graduate: Effects of the polyamine inhibitor, Methyl-glyoxyl(*bis*) guanyl hydrazone on mitochondrial DNA

Medical School: Prognostic indicators in Hodgkin's disease

NIH Fellowship: Radiolabeled monoclonal antibodies in pancreatic cancer; Intraoperative radiation therapy for esophageal cancer; tumor markers; novel opiates in cancer pain control

MSKCC: Delivery of radiolabeled monoclonal antibodies by hepatic artery infusion; p 53 oncogene in melanoma

Current

1. MAGE antigen in melanoma using macrophages as antigen presenting cells
Role: Co-investigator (P.I.: B. Mukherji)
Funded-NIH
2. Breast and Colo-rectal cancer treatment trials: NSABP
Role: P.I. at University of CT
Funding: NSABP/NIH

Research Activities

1. Radioimmune guided surgery in primary and recurrent colorectal cancer
Role: P.I.
Funded by the Neoprobe Corporation, Columbus, Ohio
2. Interleukin 8 in Interstitial Cystitis
Role: Co-investigator (P.I.: D. Kreutzer)
Funded-NIH
3. Thallium 201 nuclear imaging in breast cancer
Role: Co-investigator (P.I.: M Kharmeddini)
Funded: HCRAC 4/94
4. Interleukin 8, Angiogenesis and Breast Cancer
Role: P.I.
Funded by Department of Defense 9/1/94
5. Angiogenesis Inhibitors in Breast Cancer
Role: Co- P.I. (P.I. Don Kreutzer)
Funding: CaP CURE Award

6. Ductal Lavage in Patients at Risk for Breast Cancer
Role- Investigator- Cytoc Corporation
7. Infrared light Imaging in Breast Cancer
Role- Co-PI (P.I. Qing Zhu)
8. Wave Motion in Breast Cancer Survivors
Role- PI- (Precious Passage, Inc)
9. A Multi-Reader Multi-Center clinical study to compare the diagnostic accuracy of the Xpress Digital Mammography System to standard screen-film mammography”
Role- PI- Konica Minolta
10. Novel US imaging in Breast Cancer
Role-PI (Yukov US, Inc)
11. Wave Motion in Post Operative Patients
Role-PI (Waterbury Hospital)

PUBLICATIONS

PEER REVIEWD ARTICLES

References

1. Collier, T.J., S. Kurtzman, and A. Routtenberg, *Intracranial self-stimulation derived from entorhinal cortex*. Brain Research, 1977. **137**(1): p. 188-96.
2. Steinberg, W.M., R. Gelfand, K.K. Anderson, J. Glenn, S.H. Kurtzman, W.F. Sindelar, and P.P. Toskes, *Comparison of the sensitivity and specificity of the CA19-9 and carcinoembryonic antigen assays in detecting cancer of the pancreas*. Gastroenterology, 1986. **90**(2): p. 343-9.
3. Pass, H.I., W.F. Sindelar, T.J. Kinsella, A.M. DeLuca, M. Barnes, S. Kurtzman, H. Hoekstra, Z. Tochner, J. Roth, and E. Glatstein, *Delivery of intraoperative radiation therapy after pneumonectomy: experimental observations and early clinical results*. Annals of Thoracic Surgery, 1987. **44**(1): p. 14-20.
4. Glenn, J., W.M. Steinberg, S.H. Kurtzman, S.M. Steinberg, and W.F. Sindelar, *Evaluation of the utility of a radioimmunoassay for serum CA 19-9 levels in patients before and after treatment of carcinoma of the pancreas*. Journal of Clinical Oncology, 1988. **6**(3): p. 462-8.
5. Kurtzman, S.H., A. Russo, J.B. Mitchell, W. DeGraff, W.F. Sindelar, M.W. Brechbiel, O.A. Gansow, A.M. Friedman, J.J. Hines, and J. Gamson, *212Bismuth linked to an antipancreatic carcinoma antibody: model for alpha-particle-emitter radioimmunotherapy*. Journal of the National Cancer Institute, 1988. **80**(6): p. 449-52.
6. Kurtzman, S.H., A.D. Turnbull, M. Burt, and M.S. Bains, *Recurrence of resected esophagogastric adenocarcinoma: results of re-resection*. Journal of Surgical Oncology, 1990. **45**(4): p. 224-6.

7. Rothfield, N., S. Kurtzman, D. Vazques-Abad, C. Charron, L. Daniels, and B. Greenberg, *Association of anti-topoisomerase I with cancer.[comment]*. *Arthritis & Rheumatism*, 1992. **35**(6): p. 724.
8. Mukherji, B., N.G. Chakraborty, S. Yamasaki, T. Okino, H. Yamase, J.R. Sporn, S.K. Kurtzman, M.T. Ergin, J. Ozols, and J. Meehan, *Induction of antigen-specific cytolytic T cells in situ in human melanoma by immunization with synthetic peptide-pulsed autologous antigen presenting cells*. *Proceedings of the National Academy of Sciences of the United States of America*, 1995. **92**(17): p. 8078-82.
9. Hu, X., N.G. Chakraborty, J.R. Sporn, S.H. Kurtzman, M.T. Ergin, and B. Mukherji, *Enhancement of cytolytic T lymphocyte precursor frequency in melanoma patients following immunization with the MAGE-1 peptide loaded antigen presenting cell-based vaccine*. *Cancer Research*, 1996. **56**(11): p. 2479-83.
10. MacGillivray, D.C., M.A. Mumtaz, S.H. Kurtzman, R.P. Spencer, R.E. Weiner, and C.D. Malchoff, *Preferential localization of regional metastases from gastroenteropancreatic endocrine tumors with somatostatin-receptor scintigraphy*. *Archives of Surgery*, 1996. **131**(12): p. 1338-42.
11. Ferrer, F.A., L.J. Miller, R.I. Andrawis, S.H. Kurtzman, P.C. Albertsen, V.P. Laudone, and D.L. Kreutzer, *Vascular endothelial growth factor (VEGF) expression in human prostate cancer: in situ and in vitro expression of VEGF by human prostate cancer cells.[see comment]*. *Journal of Urology*, 1997. **157**(6): p. 2329-33.
12. Chakraborty, N.G., J.R. Sporn, A.F. Tortora, S.H. Kurtzman, H. Yamase, M.T. Ergin, and B. Mukherji, *Immunization with a tumor-cell-lysate-loaded autologous-antigen-presenting-cell-based vaccine in melanoma*. *Cancer Immunology & Immunotherapy*, 1998. **47**(1): p. 58-64.
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17. Stankus, M, Campbell, B, *Kurtzman SH, Kreutzer DL: Tumor cell expression of Interleukin 1 Receptor Type I in Pancreatic Adenocarcinoma. **Poster presentation**, Society of Surgical Oncology Meeting, Chicago, IL, March 1997.
18. Miller L, *Kurtzman SH, Lindquist R, Kreutzer DL: Expression of Interleukin -8 receptors on tumor cells and vascular endothelial cells in human breast cancer tissue. **Poster presentation**, Society of Surgical Oncology Meeting, Chicago, IL, March 1997.
19. Fox SH, Whalen GF, Sanders M, Burleson JA, Jennings K, Kurtzman SH, et al: Angiogenesis in colon cancer and normal adjacent tissue. **Podium presentation**, New England Cancer Society Meeting, Hanover NH, November 1996.
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21. Ferrer FA, Miller LJ, Andrawis RI, Kurtzman SH et al: Angiogenesis Factors in Human Prostate Cancer: *Ex vivo* and *In vitro* Expression of VEGF and IL-8 in Human Prostate Cancer. **Podium Presentation**, American Urologic Association, New Orleans, April, 1997
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23. Katz A, *Kurtzman SH, Anderson K, et al: GRO- α Expression in Human Breast Cancer Tissue, **Poster Presentation**, Society of Surgical Oncology, March 1999. **Podium Presentation**, Connecticut Chapter of the American College of Surgeons and the Connecticut Society of American Board Surgeons, Combined Annual Meeting, Cromwell, CT, Dec 1998.
24. Quing Zhu, PhD¹, Mark Kane, MD², Susan Tannenbaum, MD², Edward Cronin, MD³, Poornima Hegde, MD², Malini Iyers, MD², Patricia DeFusco, MD³, Yasaman Ardeshirpour, MS¹, Chen Xu, Ph.D¹, Nancy Baccaro², Scott Kurtzman, MD² and Peter Deckers, MD². ¹University of Connecticut, Storrs, Connecticut, United States; ²University of Connecticut Health Center, Connecticut, United States and ³Hartford Hospital, Connecticut. **Podium Presentation**, San Antonio Breast Conference, December 2008

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1. Kurtzman SH; MacGillivray DC; Dowsett R, Deckers PJ. Brachytherapy in Extremity Sarcoma. Presented at the Society of Surgical Oncology Meeting, Houston TX, March 17, 1994
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3. Kurtzman SH: Breast Patient Education Film. 1997

Rev. 11/06, 5/08, 9/08, 7/09, 3/10, 8/10, 11/11, 3/12

Book and Chapter Editing

1. Guest Editor, Surgical Oncology Clinics of North America: Imaging in Cancer, Publication Date Jan 99
2. Guest Editor, Connecticut Medicine, Breast Cancer
3. Guest Editor, Breast Cancer in Connecticut Handbook for Health Care Providers; Connecticut Breast & Cervical Cancer Early Detection Program, July 98
4. Guest Editor: Surgical Oncology Clinics of North America: Pre and Postoperative Cancer Imaging: Practical and Innovative Approaches. April 2007; Vol 16 (2)
5. Co-Editor: AJCC Cancer Staging Atlas 2nd Edition (anticipated Summer 2012)

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References

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5. Kurtzman, S.H., *The role of sentinel node biopsy in breast cancer*. Connecticut Medicine, 1999. **63**(1): p. 5-6.
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18. H. David Reines, MD, FACS; Souheil Adra, MD1; Amber Trickey, MS, CPH1; Moira Crosby, MPH1; Scott Kurtzman, MD, FACS2; Mark Friedell, MD3: General Surgery versus Fellowship: The role of the Independent Academic Medical Center. Submitted to the Virginia Surgical Society, November 2011



WATERBURY HOSPITAL

David J. Pizzuto, MD
Vice President, Medical Affairs

POST – GRADUATE TRAINING

Internal Medicine – Waterbury Hospital, Waterbury, CT 6/1984 – 6/1987

EDUCATION

<u>DATES</u>	<u>DEGREE AWARDED</u>	<u>SCHOOL</u>	<u>LOCATION</u>
9/1980 – 6/1984	Doctor of Medicine	New York Medical College	Valhalla, NY
9/1978 – 6/1980	Master of Science (Medical Microbiology)	University of Minnesota	Minneapolis, MN
9/1973 – 5/1977	Bachelor of Science (Biological Sciences)	University of Connecticut	Storrs, CT
9/1969 – 6/1973	Diploma	Wolcott High School	Wolcott, CT

AWARDS – ACHIEVEMENTS

Graduate – University of Connecticut Magna Cum Laude with Distinction in Biological Sciences. Dean’s List Student.

Member – Phi Beta Kappa (University of Connecticut).

Member – Phi Kappa Phi (University of Minnesota).

Recipient – Graduate School Fellowship, 1978 – 1979.

Graduate program representative to the Council of Graduate Students (University of Minnesota).

Recipient – Machinery Dealers National Association (New England Chapter) Scholarship – 1981, 1982.

Eileen H. Pike, Ph.D. – Microbiology Award – New York Medical College.

Chairman – Department of Medicine, Waterbury Hospital, Waterbury, CT 1998 – 2007.

Chief of Staff, Waterbury Hospital, Waterbury, CT 2008 – 2010

Board of Directors – Greater Waterbury Health Network, Inc. and Affiliates, Waterbury, CT
2008 – present.

Board of Trustees – Waterbury Hospital, Waterbury, CT 2011 – present.

Vice President of Medical Affairs/Chief Medical Officer – Waterbury Hospital, Waterbury, CT 6/2011 – present.

David J. Pizzuto, M.D.

RESEARCH

University of Connecticut – The physico – chemical characterization of the Baculoviruses (a group of natural predators of invertebrates) – identification of group and subgroup specific viral antigens.

University of Minnesota – Evaluation and modification of rapid carbohydrate degradation tests used in the identification of pathogenic Neisseria.

CERTIFICATION

Registered Microbiologist (American Academy of Microbiology), 1980 – present.

Diplomate of the National Board of Medical Examiners – 1985.

Medical License – Connecticut, 1986 – present.

DEA Registration and Connecticut Controlled Substance Registration.

Board Certified – American Board of Internal Medicine. Recertified 2006.

ORGANIZATIONS

New Haven County Medical Association – member.

Connecticut State Medical Society – member.

American Society of Microbiology – member.

PUBLICATIONS

Pizzuto, D.J., and J.A. Washington II, 1980. Evaluation of rapid carbohydrate degradation tests for identification of pathogenic Neisseria. *Journal of Clinical Microbiology*. 11:394 – 397.

Pizzuto, D.J., and T. Papachristos, 1982. Listeriosis in a Compromised Host. *Clinical Microbiology Newsletter*. 4:44 – 45.

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Chang, R., Pizzuto, D., and M. Rosenberg, 1986. Clinical impact of sputum gram stain and culture on patient management. *Clinical Research*. 34:360A.

EXPERIENCE

Private Practice – Internal Medicine (Primary Care) 1/1988 – present.

Vice President of Medical Affairs/Chief Medical Officer – Waterbury Hospital, Waterbury, CT 6/2011 – present.

Waterbury Hospital, Waterbury, CT – Emergency Department Physician 7/1987 – 12/1987.

CURRICULUM VITAE

CARL BERYL SHERTER

Sex: Male
Birthplace: Boston, Massachusetts
Citizenship: USA

EDUCATION

1963 University of Vermont. Burlington, Vermont, BA Special Honors in Zoology
1963-1967 Tufts University School of Medicine, Boston, MA
M.D. (Cum Laude)

PROFESSIONAL EXPERIENCE

1972-1974 US Navy, Chief Pulmonary section, Boston Naval Hospital
1974-1975 Director Pulmonary Function Laboratory, Boston University Hospitals
1975-Present Chief Pulmonary Section, Waterbury Hospital
1991-Present Waterbury Pulmonary Associates, Waterbury, Connecticut
Private Practice, Pulmonary Medicine
2008-2011 Chief of Staff, Elect Waterbury Hospital
2011- Chief of Staff, Waterbury Hospital

HOSPITAL PRIVILEGES

Waterbury Hospital Attending Staff
66 Robbins Street
Waterbury CT 06708

St. Mary's Hospital Attending Staff
56 Franklin Street
Waterbury CT 06706

MAJOR RESEARCH INTEREST

Chest Medicine – Pulmonary Physiology, Pharmacology

RESEARCH AND/OR PROFESSIONAL EXPERIENCE

2011-Present Chief of Staff, Waterbury Hospital Health center
2008-2010 Chief of Staff, elect Waterbury Hospital Health Center
1987-Present Clinical Professor of Medicine, Yale University School of Medicine
1975-Present Chief, Pulmonary Disease Service, Waterbury Health Center
1978-1987 Associate Clinical Professor of Medicine, Yale University School of Medicine
1975-1978 Assistant Clinical Professor of Medicine, Yale University School of Medicine
1974-1975 Director of Pulmonary Function Laboratory, Staff Physician,
Veterans Administration Hospital, Boston, MA
1972-1974 Chief, Pulmonary Section, Naval Hospital, Boston, MA
Instructor in Medicine, Boston University School of Medicine

Carl B. Sherter
Curriculum Vitae
Page 2

1971-1972 Instructor in Medicine, Yale University School of Medicine
1970-1972 Research Associate Award in Pulmonary Disease,
West Haven Veterans Administration Hospital, West Haven, CT
1969-1970 Senior Assistant Resident in Medicine, Yale Medical Center, New Haven, CT
1968-1969 Junior Assistant Resident in Medicine, Yale Medical Center, New Haven, CT
1967-1968 Intern in Medicine, Yale Medical Center, New Haven, CT

EDITOR

Asthma Management. Mary Ann Liebert, Inc. Publishers, New York

HONORS AND AWARDS

1963 Elected to Sigma XI
1963 Special Honors Award in Zoology
1964 Alumni Award in Physiology
1966 Alpha Omega Alpha
1966 Pre-Doctoral Trainee in Pulmonary Disease, Harvard School of Public Health
Lemuel Shattuck Hospital
1967 Roche Award – Excellence as a Medical Student
1967 Physiology Prize
1972 Diploma: Board of Internal Medicine
1974 Diploma: Pulmonary Disease Subspecialty Board
1976 Fellow: American College of Chest Physicians (F.C.C.P.)
1980-81 President: Connecticut Thoracic Society
1989 Diploma: Critical Care Subspecialty Board, Recertified 1999
Best Doctors In America 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009-
2010, 2011-2012
Top Doctors in America 2004, 2005, 2006, 2007, 2008, 2009, 2010-2011
2002 -2010 Chairman State of Connecticut Pharmacy & Therapeutics Committee
2006 Connecticut Thoracic Society Award
2008 CASTLECONNOLLY. America's Top Doctors
2011 Ct magazine: Best Doctors in Ct

PUBLICATIONS

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*Presented at the Eastern Section of the American Federation of Clinical Research, January 1975

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CV Sherter

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VANGUARD HEALTH SYSTEMS, INC EXECUTIVE PROFILES

Charles N. Martin, Jr. has served as Chairman of the Board and Chief Executive Officer since July 1997. Until May 31, 2001, he was also Vanguard Health Systems, Inc's ("Vanguard") President. From January 1992 until January 1997, Mr. Martin was Chairman, President and Chief Executive Officer of OrNda HealthCorp ("OrNda"), a hospital management company. Prior thereto, Mr. Martin was President and Chief Operating Officer of HealthTrust, Inc., a hospital management company, from September 1987 until October 1991. Mr. Martin is also a director of several privately held companies.

Keith B. Pitts has been Vanguard's Vice Chairman since May 2001, was one of its directors from August 1999 until September 2004, and was an Executive Vice President from August 1999 until May 2001. Prior thereto, from November 1997 until June 1999, he was the Chairman and Chief Executive Officer of Mariner Post-Acute Network, Inc. and its predecessor, Paragon Health Network, Inc., a nursing home management company. Prior thereto from August 1992 until January 1997, Mr. Pitts served as Executive Vice President and Chief Financial Officer of OrNda, a hospital management company ("OrNda").

Mark R. Montoney, M.D. has been Vanguard's Executive Vice President & Chief Medical Officer since December 2008. Prior to his employment with Vanguard, from July 2005 to December 2008, Dr. Montoney was System Vice President and Chief Medical Officer of OhioHealth Corporation, a not-for-profit regional hospital management company headquartered in Columbus, Ohio, which operates several hospitals and health and surgery centers, home-health providers, medical equipment and health service suppliers. Prior thereto, from July 2000 to July 2005, Dr. Montoney was Vice President—Quality & Clinical Support of Riverside Methodist Hospital, a large tertiary care hospital in Columbus, Ohio.

Joseph D. Moore has served as an Executive Vice President for Vanguard since November 2007. He served as Executive Vice President, Chief Financial Officer and Treasurer from July 1997 until November 2007 and was one of Vanguard's directors from July 1997 until September 2004. From February 1994 to April 1997, he was Senior Vice President—Development of Columbia/HCA Healthcare Corporation ("Columbia"), a hospital management company. Mr. Moore first joined Hospital Corporation of America (a predecessor of Columbia) in April 1970, rising to Senior Vice President—Finance and Development in January 1993.

Bradley A. Perkins, M.D. has been Vanguard's Executive Vice President—Strategy and Innovation & Chief Transformation Officer since July 2009. Prior to his employment with Vanguard, Dr. Perkins held various positions with the Centers for Disease Control & Prevention from July 1989 to June 2009, including Chief Strategy & Innovation Officer and Chief, Office of Strategy & Innovation from December 2005 to June 2009, and Deputy Director, Office of Strategy & Innovation, from May 2004 to December 2005.

Timothy M. Petrikin has served as Vanguard's Executive Vice President, Ambulatory Care Services since February 2012. Prior thereto, he was the Chief Executive Officer and director of e+healthcare, LLC, an outpatient cancer care center company that he co-founded in 2002. Mr. Petrikin continues to serve as the Vice Chairman of e+healthcare, LLC. Prior to

e+healthcare, LLC, from February 1997 to July 1999, he was the Vice President of Development for Ambulatory Resource Centres, an ambulatory surgery center company that was acquired by Symbion, Inc. in June 1999. Prior thereto, from December 1995 to February 1997, he was involved in the development of ambulatory surgery and diagnostic imaging joint ventures for OrNda.

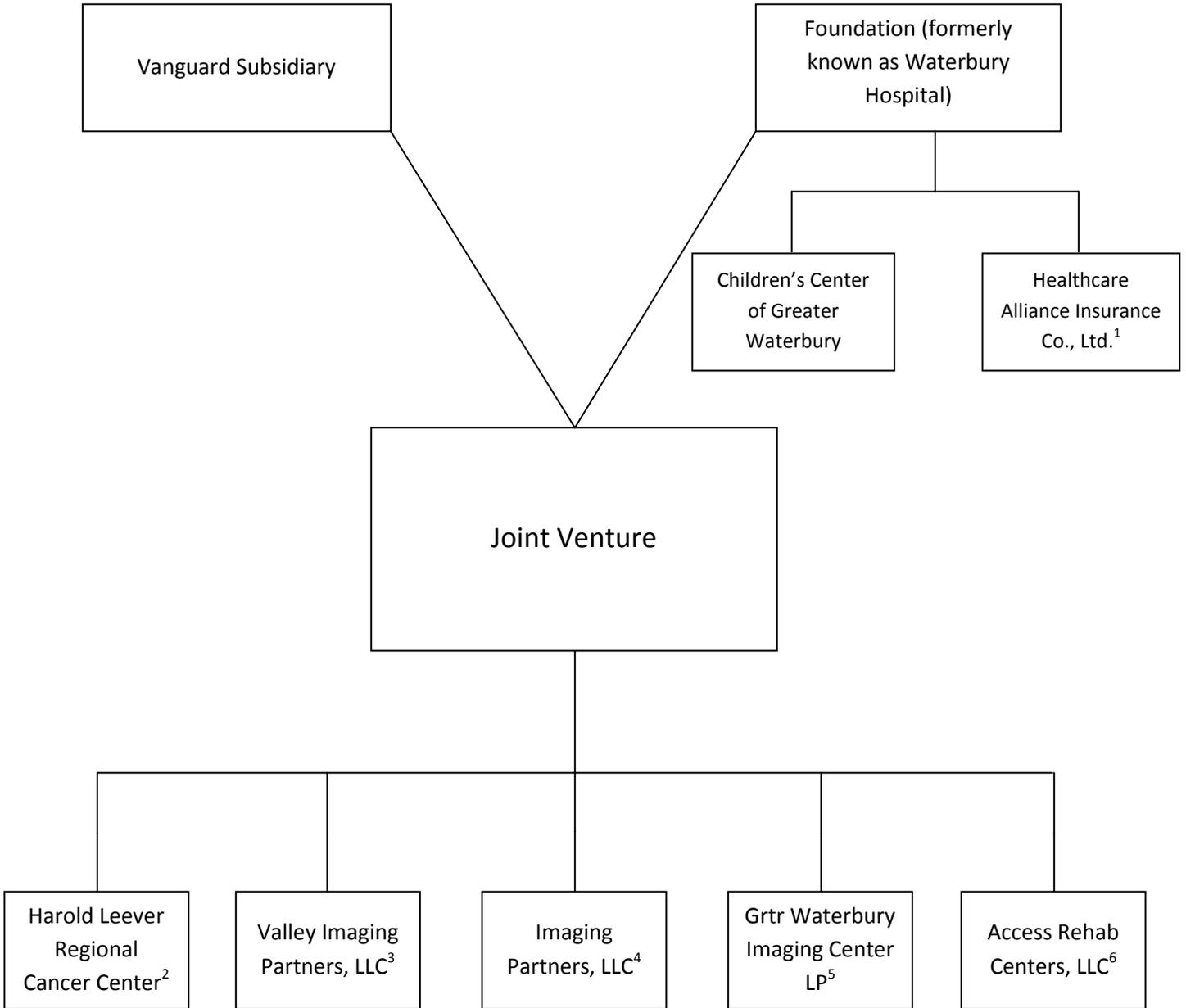
Phillip W. Roe has been Vanguard's Executive Vice President, Chief Financial Officer and Treasurer since November 2007. He was Senior Vice President, Controller and Chief Accounting Officer from July 1997 to November 2007. Prior thereto he was Senior Vice President, Controller and Chief Accounting Officer of OrNda from September 1996 until January 1997 and was Vice President, Controller and Chief Accounting Officer of OrNda from October 1994 until September 1996.

James H. Spalding has served as Vanguard's Executive Vice President, General Counsel and Secretary since September 2011. Prior thereto, he was Senior Vice President, Assistant General Counsel and Assistant Secretary from November 1998 to August 2011. Before that he was Vice President, Assistant General Counsel and Assistant Secretary for Vanguard from July 1997 until November 1998. Prior thereto, from April 1994 until January 1997, he served as Vice President, Assistant General Counsel and Assistant Secretary of OrNda.

Rob Jay has served as Vanguard's Vice President, Development since July 2006. Prior thereto he was Controller at Health Management Associates, Inc. from October 2000 until July 2006. Before that, he was Controller for Saint Dominic Hospital, a non-profit hospital in Jackson, Mississippi, from October 1996 until October 2000. Prior thereto, from August 1992 until October 1996, he was an auditor for KPMG.

EXHIBIT 20: CORPORATE ORGANIZATIONAL CHARTS

JOINT VENTURE ORGANIZATIONAL CHART POST CLOSING



¹33% ownership interest

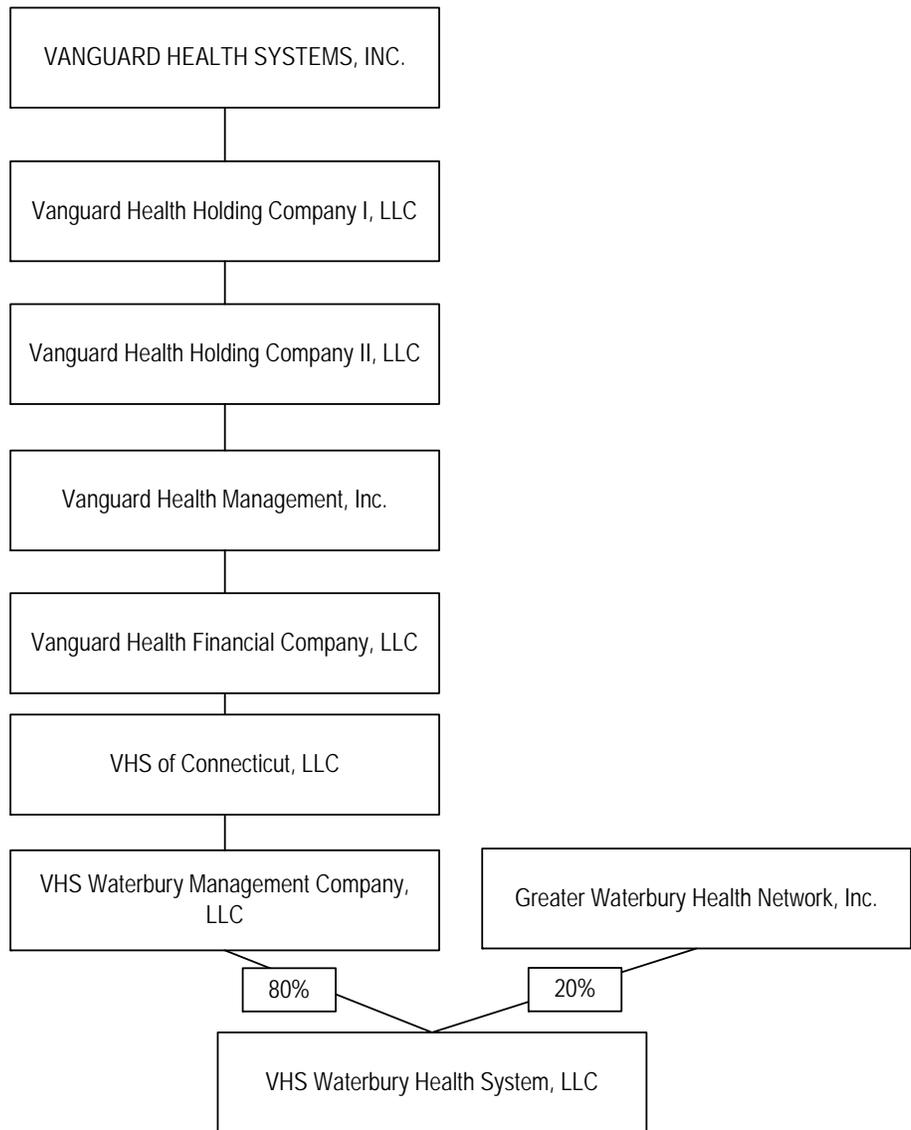
²50% ownership interest

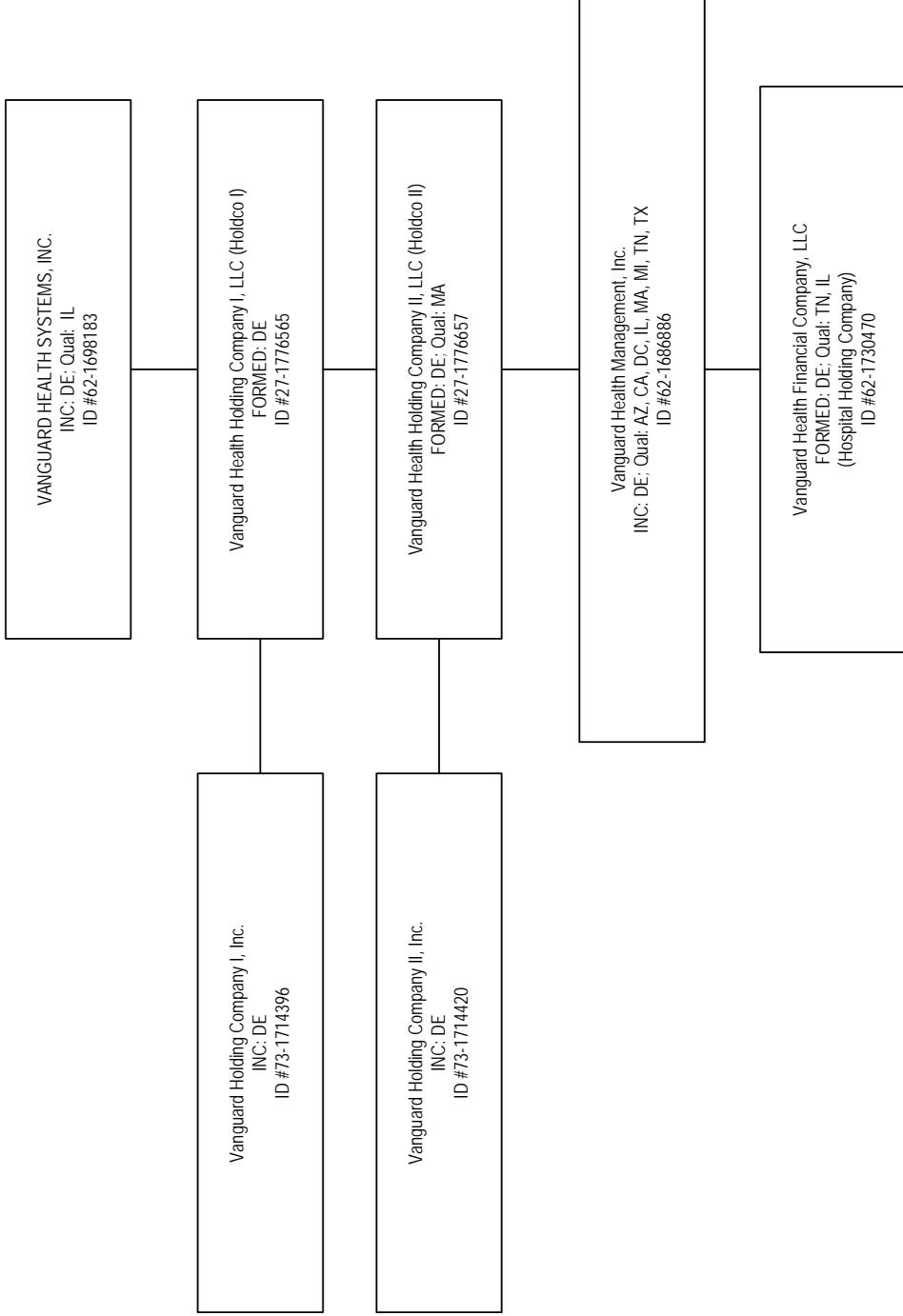
³49% ownership interest

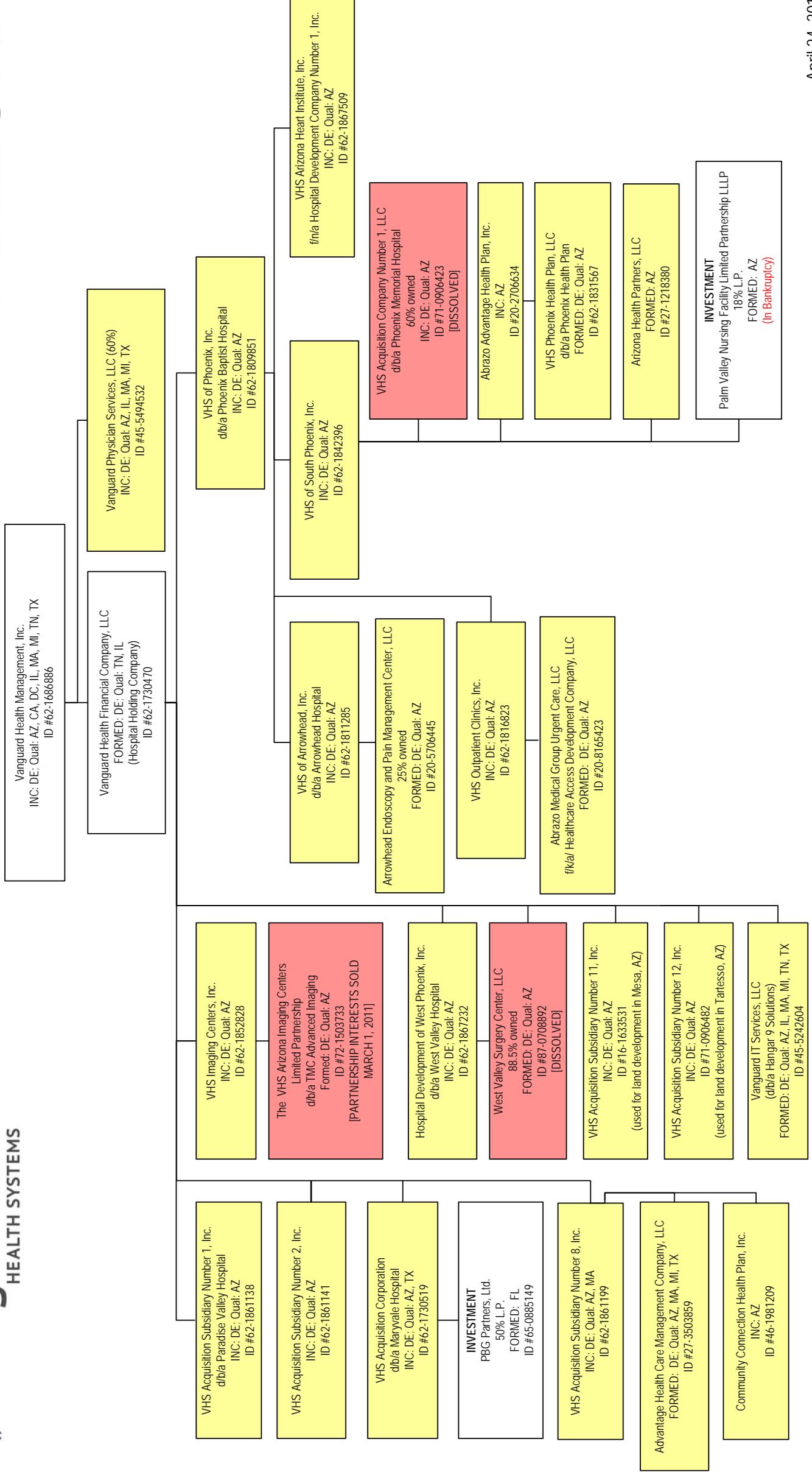
⁴85% ownership interest

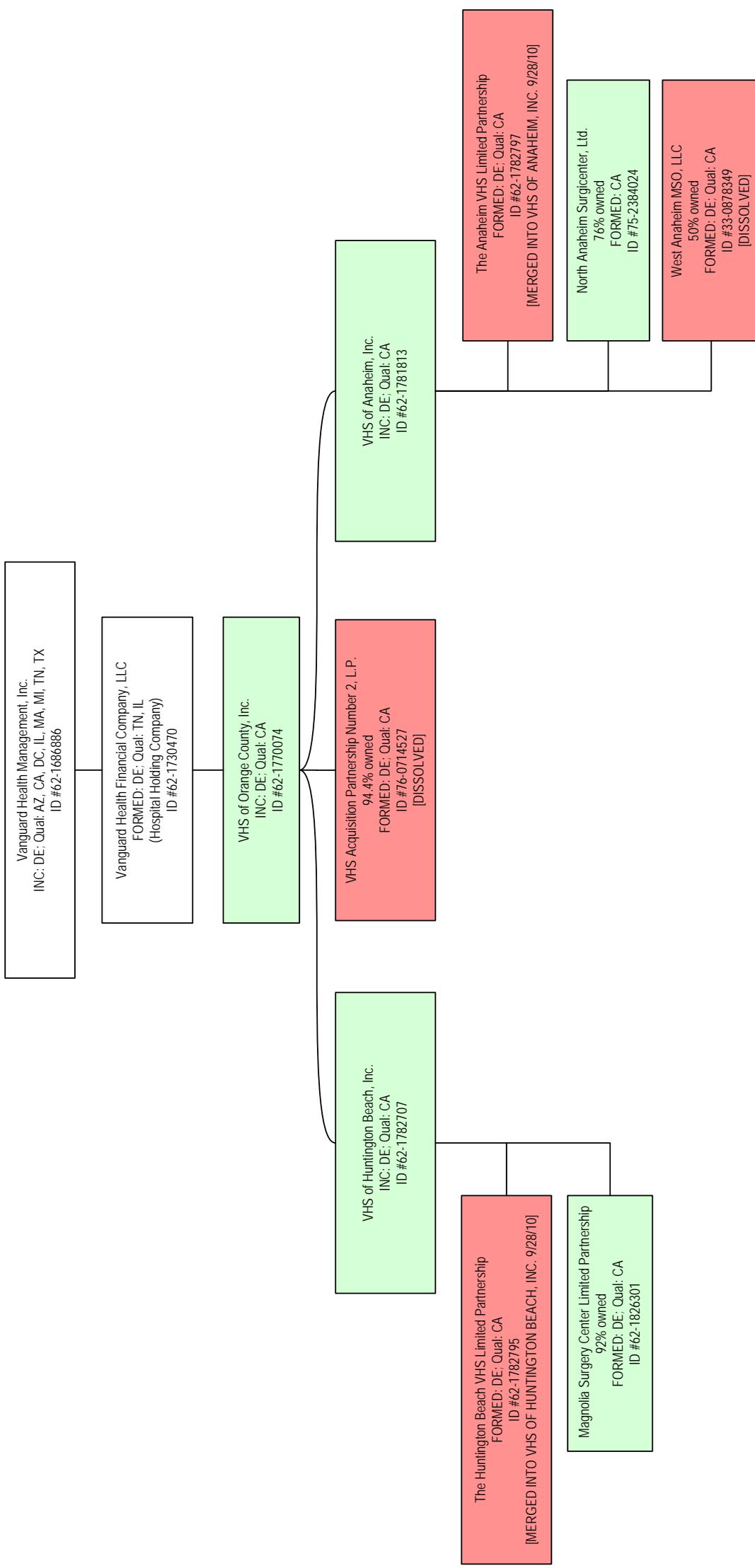
⁵64% ownership interest and general partner

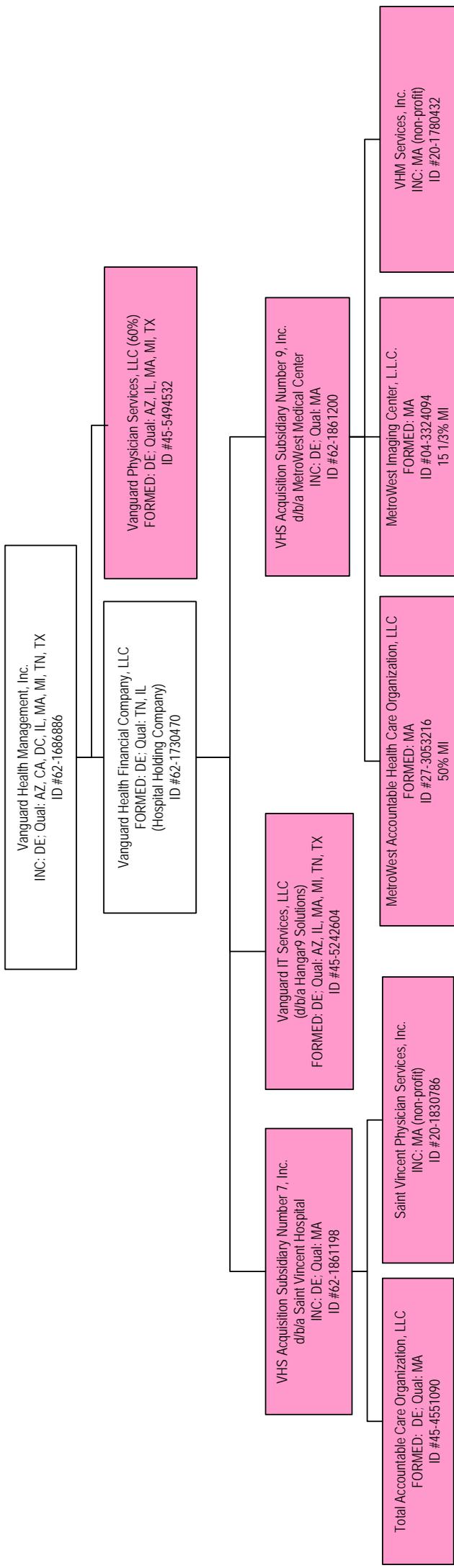
⁶65% ownership interest

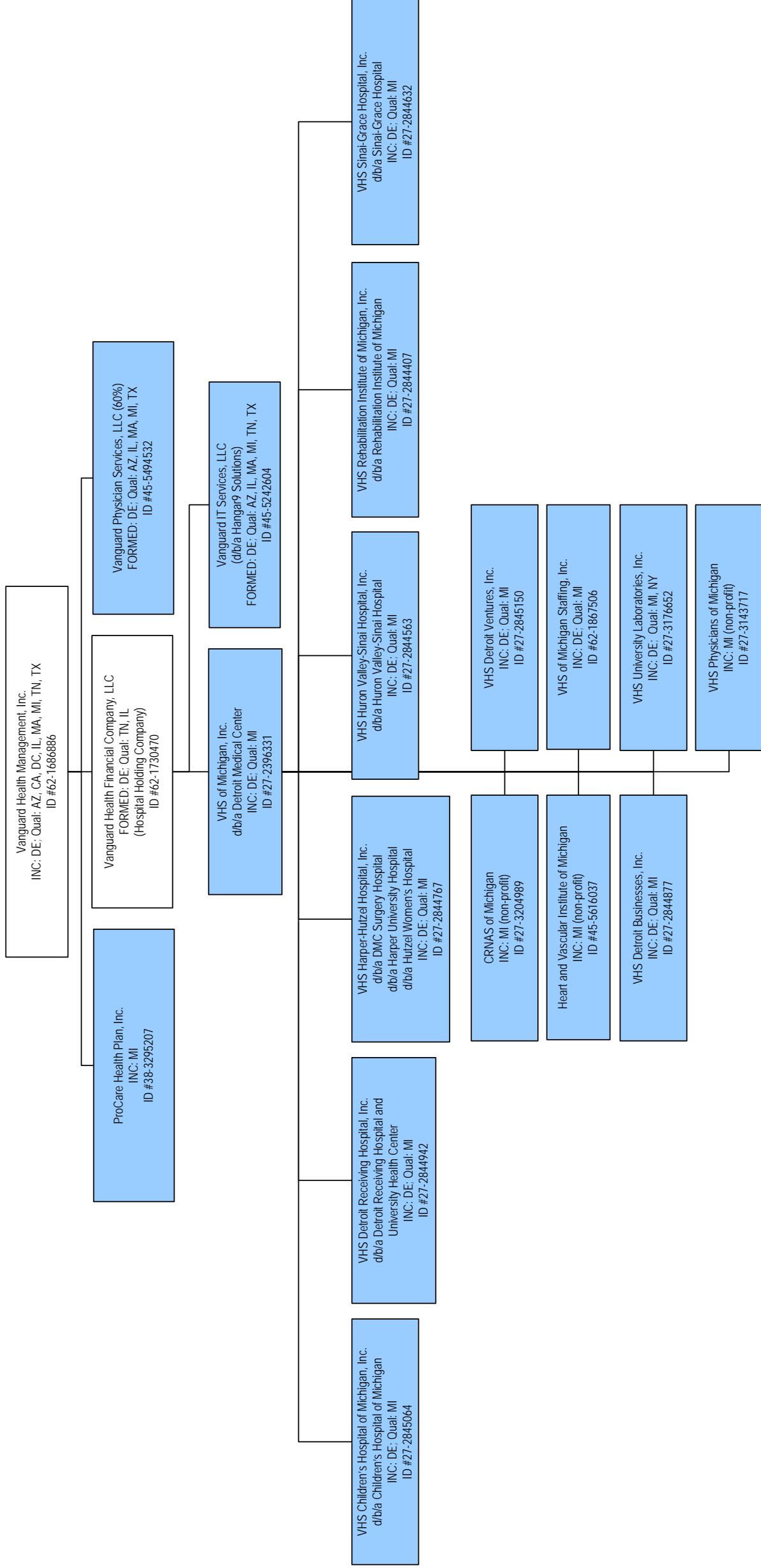


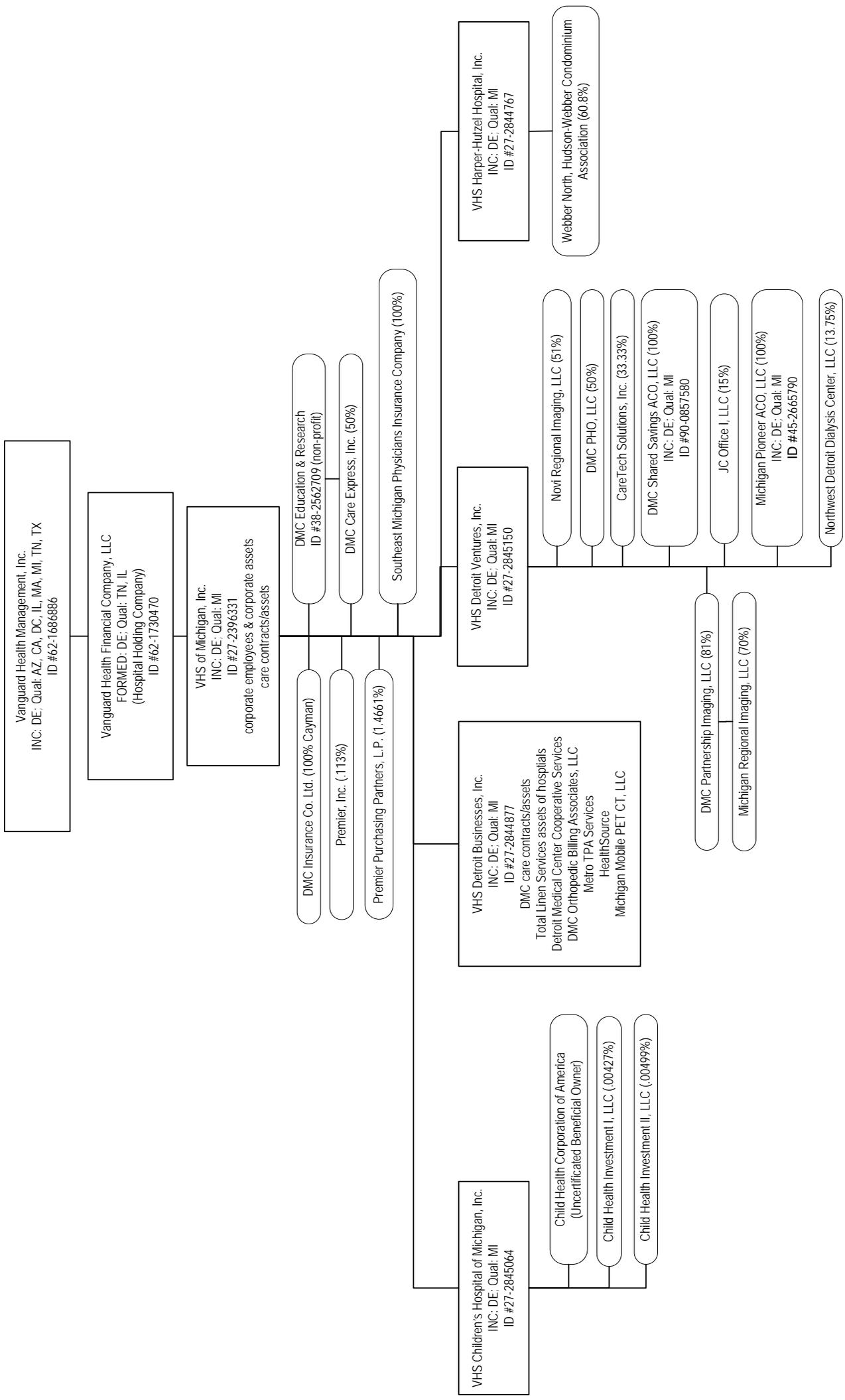


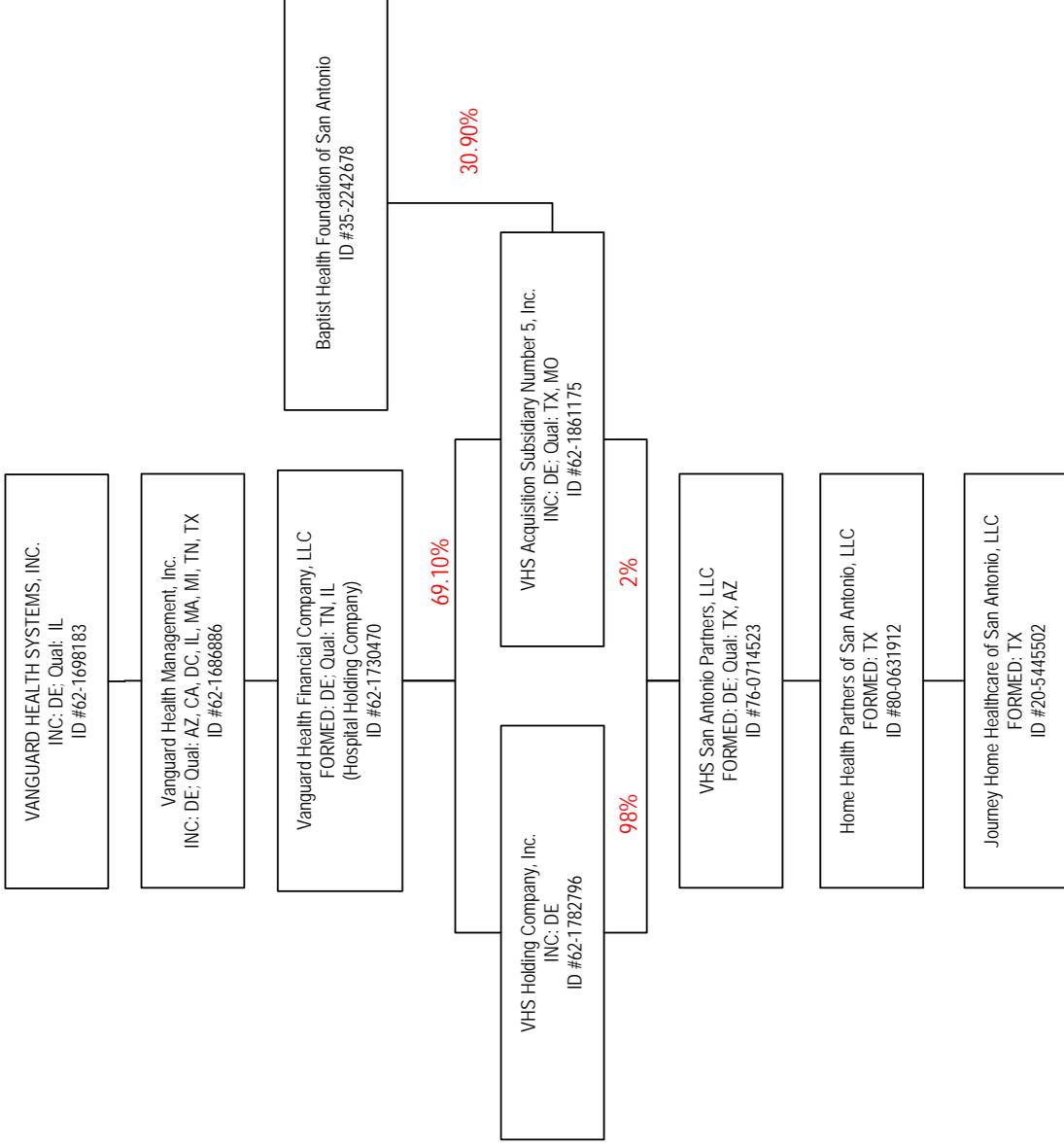


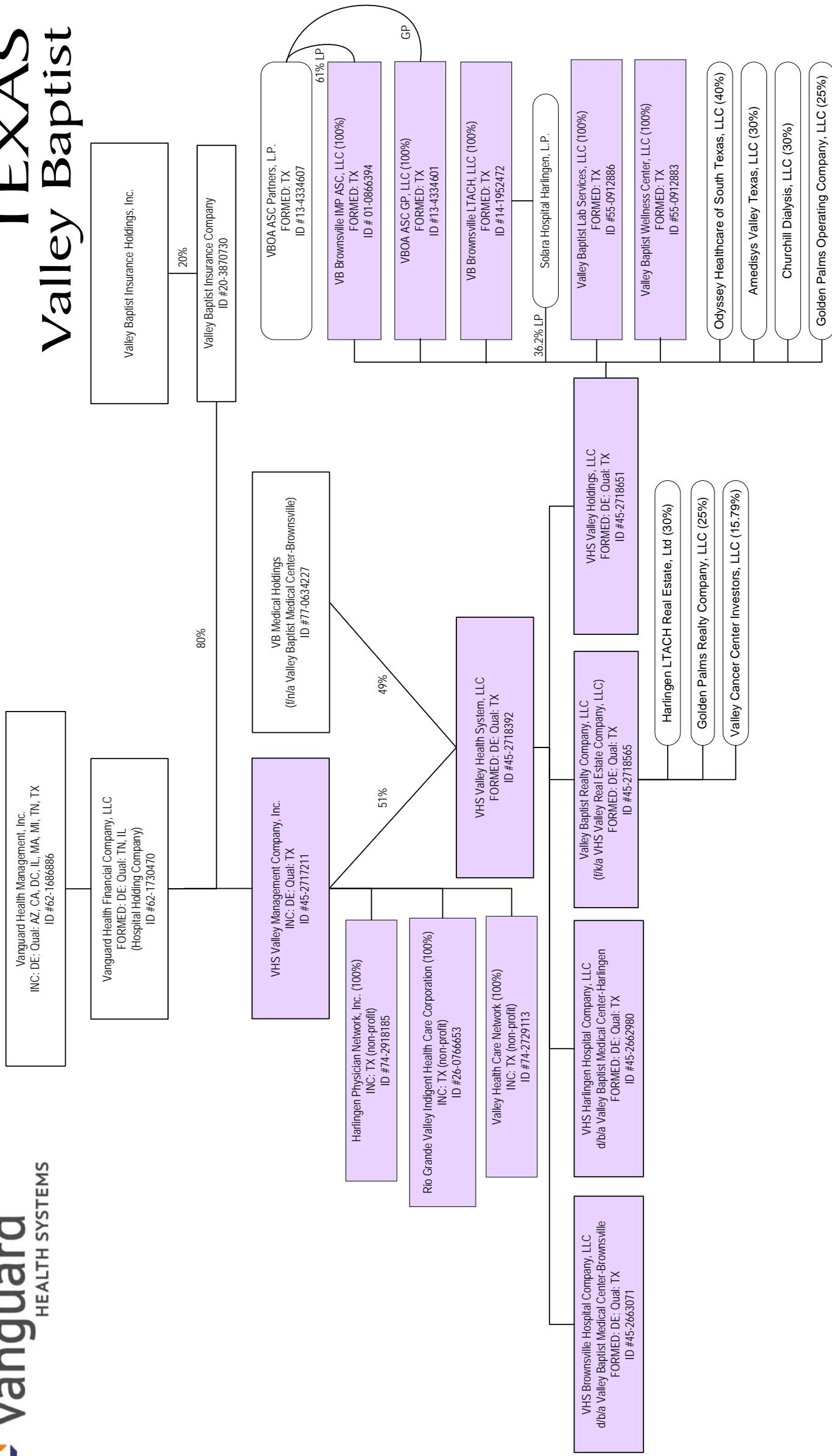












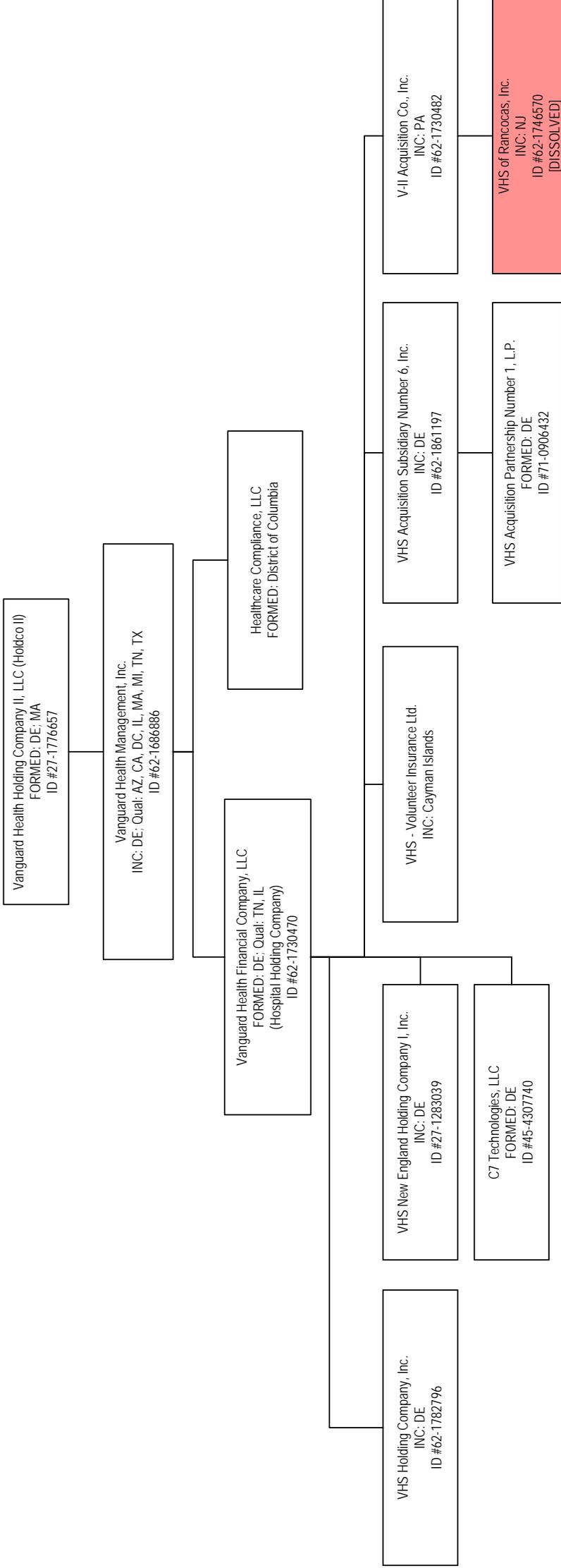


EXHIBIT 21: OHCA FINANCIAL ATTACHMENTS 1A, 1B AND 1C

FINANCIAL ATTACHMENT I (See the two tabs below)

- Financial Attachment 1(A) _ Total Hospital Health System (**Not-for-Profit**) _ *To be completed for most recent Actual Completed Year & 3 years of Projections without the proposal*
- Financial Attachment 1(B) _ Total Hospital Health System (**For-Profit**) _ *To be completed for the "new" For-Profit entity created after the proposal takes effect*
- Financial Attachment 1(C) _ Hospital ONLY (**Prior & Post** to the joint venture) _ *To be completed for most recent Actual Completed Year & Projections for years to include prior to and 3 years past the joint venture*

Greater Waterbury Health Network, Inc. (Not-For Profit)

Please provide one year of actual results and three years of Total Hospital Health System projections of revenue, expense, ratios and volume statistics without the CON proposal, in the following reporting format:

<u>Description</u>	<u>FY 12 Actual Results</u>	<u>FY 13</u>		<u>FY 14</u>		<u>FY 15</u>		<u>FY 16</u>	
		<u>Projected</u>							
		<u>W/out CON</u>							
Total Hospital Health System:									
NET PATIENT REVENUE									
Non-Government	\$121,753,453	\$122,198,493	\$124,586,284	\$127,300,702	\$130,129,312				
Medicare	\$112,518,145	\$114,124,121	\$111,672,718	\$109,263,298	\$106,937,279				
Medicaid and Other Medical Assistance	\$39,212,500	\$39,557,588	\$39,820,651	\$40,089,264	\$40,358,941				
Other Government	\$0	\$0	\$0	\$0	\$0				
Total Net Patient Revenue	\$273,484,098	\$275,880,201	\$276,079,652	\$276,653,264	\$277,425,533				
Other Operating Revenue	\$13,227,694	\$8,255,212	\$8,066,927	\$8,214,018	\$8,363,787				
Revenue from Operations	\$286,711,792	\$284,135,413	\$284,146,579	\$284,867,283	\$285,789,320				
OPERATING EXPENSES									
Salaries and Fringe Benefits	\$164,634,663	\$159,684,954	\$161,165,114	\$162,346,732	\$163,592,127				
Professional / Contracted Services	\$45,267,639	\$47,246,357	\$46,729,938	\$47,222,184	\$47,718,764				
Supplies and Drugs	\$35,319,374	\$34,897,946	\$35,097,110	\$35,208,339	\$35,333,031				
Bad Debts	\$10,966,628	\$12,124,534	\$12,752,998	\$13,172,644	\$13,603,693				
Other Operating Expense	\$16,836,637	\$15,337,970	\$15,491,881	\$15,654,681	\$15,819,266				
Subtotal	\$273,024,941	\$269,293,762	\$271,237,041	\$273,604,579	\$276,066,881				
Depreciation/Amortization	\$9,421,601	\$9,211,708	\$9,226,325	\$9,242,976	\$9,259,831				
Interest Expense	\$1,237,849	\$1,544,883	\$1,517,668	\$1,491,775	\$1,466,475				
Lease Expense	\$2,825,478	\$3,450,585	\$3,454,346	\$3,488,890	\$3,523,779				
Total Operating Expense	\$286,509,869	\$283,500,938	\$285,435,381	\$287,828,220	\$290,316,966				
Gain/(Loss) from Operations	\$201,923	\$634,476	(\$1,288,802)	(\$2,960,938)	(\$4,527,646)				
Plus: Non-Operating Revenue	\$2,087,588	\$777,007	\$811,030	\$845,733	\$881,131				
Revenue Over/(Under) Expense	\$2,289,511	\$1,411,483	(\$477,772)	(\$2,115,205)	(\$3,646,516)				
Profit Margins:									
Operating	0%	0%	0%	-1%	-2%				
Non-Operating	1%	0%	0%	0%	0%				
Total Margin	1%	0%	0%	-1%	-1%				
Debt Principal Payments									
Capital Structure Ratios:									
Capital Expense	372%	379%	376%	373%	369%				
Times Interest Earned	2.849588278	1.913650251	0.685193524	-0.417910813	-1.486585647				
Debt Service Coverage	10.4608567	7.876372347	6.764470566	5.77804566	4.827761033				
FTEs	1,730	1,654	1,648	1,640	1,632				
IP Cases	12,364	11,969	11,730	11,495	11,265				
OP Cases	184,631	179,206	182,790	186,446	190,175				

Projections to be complete prior to and 3 years past the joint venture. Add columns as necessary.

*Volume Statistics:

Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the pro

Please provide three years of **Total Hospital Health System** projections of revenue, expense, ratios and volume statistics with the CON and incremental to the proposal in the following reporting format:

<u>Total Hospital Health System:</u>	FY 13 Projected Incremental	FY 13 Projected With CON	FY 14 Projected Incremental	FY 14 Projected With CON	FY 15 Projected Incremental	FY 15 Projected With CON	FY 16 Projected Incremental	FY 16 Projected With CON
NET PATIENT REVENUE								
Non-Government	\$0	\$0	\$121,852,393	\$121,852,393	\$128,571,503	\$128,571,503	\$135,537,883	\$135,537,883
Medicare	\$0	\$0	\$110,553,554	\$110,553,554	\$111,695,266	\$111,695,266	\$112,730,753	\$112,730,753
Medicaid and Other Medical Assistance	\$0	\$0	\$39,054,849	\$39,054,849	\$40,600,507	\$40,600,507	\$42,150,536	\$42,150,536
Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Patient Revenue	\$0	\$0	\$271,460,796	\$271,460,796	\$280,867,276	\$280,867,276	\$290,419,171	\$290,419,171
Other Operating Revenue	\$0	\$0	\$12,476,786	\$12,476,786	\$12,917,897	\$12,917,897	\$13,108,427	\$13,108,427
Revenue from Operations	\$0	\$0	\$283,937,582	\$283,937,582	\$293,785,173	\$293,785,173	\$303,527,598	\$303,527,598
OPERATING EXPENSES								
Salaries and Fringe Benefits	\$0	\$0	\$166,398,226	\$166,398,226	\$167,078,854	\$167,078,854	\$172,110,747	\$172,110,747
Professional / Contracted Services	\$0	\$0	\$36,003,209	\$36,003,209	\$36,724,758	\$36,724,758	\$37,449,883	\$37,449,883
Supplies and Drugs	\$0	\$0	\$36,443,851	\$36,443,851	\$39,362,664	\$39,362,664	\$41,142,455	\$41,142,455
Bad Debts	\$0	\$0	\$13,541,930	\$13,541,930	\$14,009,989	\$14,009,989	\$14,494,185	\$14,494,185
Other Operating Expense	\$0	\$0	\$15,198,147	\$15,198,147	\$16,631,949	\$16,631,949	\$17,810,323	\$17,810,323
Subtotal	\$0	\$0	\$267,585,363	\$267,585,363	\$273,808,214	\$273,808,214	\$283,007,593	\$283,007,593
Depreciation/Amortization	\$0	\$0	\$5,418,639	\$5,418,639	\$6,290,067	\$6,290,067	\$8,032,924	\$8,032,924
Interest Expense	\$0	\$0	\$0	\$0	\$59,556	\$59,556	\$555,340	\$555,340
Lease Expense	\$0	\$0	\$5,619,340	\$5,619,340	\$5,713,721	\$5,713,721	\$5,809,945	\$5,809,945
Total Operating Expenses	\$0	\$0	\$278,623,342	\$278,623,342	\$285,871,558	\$285,871,558	\$297,405,802	\$297,405,802
Income (Loss) from Operations	\$0	\$0	\$5,314,241	\$5,314,241	\$7,913,615	\$7,913,615	\$6,121,796	\$6,121,796
Non-Operating Income	\$0	\$0	(\$4,839,985)	(\$4,839,985)	(\$4,888,341)	(\$4,888,341)	(\$4,929,672)	(\$4,929,672)
Income before provision for income taxes	\$0	\$0	\$474,255	\$474,255	\$3,025,274	\$3,025,274	\$1,192,124	\$1,192,124
Provision for income taxes	\$0	\$0	\$151,762	\$151,762	\$968,088	\$968,088	\$381,480	\$381,480
Net Income	\$0	\$0	\$322,494	\$322,494	\$2,057,186	\$2,057,186	\$810,645	\$810,645
Retained earnings, beginning of year	\$0	\$0	\$322,494	\$322,494	\$2,057,186	\$2,057,186	\$810,645	\$810,645
Retained earnings, end of year								
Profit Margins:								
Operating		0%		2%		3%		2%
Non-Operating		0%		-2%		-2%		-2%
Total Margin		0%		0%		1%		0%
Debt Principal Payments								
Capital Structure Ratios:								
Capital Expense		0%		194%		222%		289%
Times Interest Earned		0.000		0.000		35.54204008		2.459727447
Debt Service Coverage		0.000		0.000		141.1580248		16.92461239
FTEs	0	0	1,709	1,709	1,717	1,717	1,736	1,736
IP Cases	0	0	11,493	11,493	11,723	11,723	11,957	11,957
OP Cases	0	0	184,631	184,631	188,324	188,324	192,090	192,090

First 3 years of the new joint venture LLC and use the W/O CON from FA1(A)

*Volume Statistics:

Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the proposal.

Waterbury Hospital ONLY (Prior & Post Joint Venture)
Please provide one year of actual results and three years of projections of **Total Facility** revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:

Total Facility: Description	FY 12 Actual Results	FY 13		FY 14		FY 14		FY 15		FY 15		FY 16		FY 16		
		Projected W/out CON	Projected Incremental	Projected With CON												
NET PATIENT REVENUE																
Non-Government	\$119,232,708	\$119,407,487	\$0	\$119,914,514	(\$1,806,829)	\$121,721,343	(\$1,806,829)	\$119,914,514	\$124,360,874	\$2,154,472	\$126,515,346	\$127,112,906	\$6,328,702	\$133,441,608		
Medicare	\$111,387,190	\$112,873,459	\$0	\$108,795,366	(\$1,639,290)	\$110,434,656	(\$1,639,290)	\$108,795,366	\$108,037,322	\$1,871,677	\$109,908,999	\$105,723,458	\$5,283,763	\$110,987,221		
Medicaid and Other Medical Assistance	\$38,492,645	\$38,760,755	\$0	\$38,433,741	(\$579,106)	\$39,012,847	(\$579,106)	\$38,433,741	\$39,270,869	\$680,342	\$39,951,211	\$39,530,476	\$1,968,145	\$41,498,621		
Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total Net Patient Revenue	\$269,112,543	\$271,041,701	\$0	\$271,041,701	(\$4,025,224)	\$271,168,845	(\$4,025,224)	\$267,143,621	\$271,669,065	\$4,706,491	\$276,375,555	\$272,366,840	\$13,560,610	\$295,927,450		
Other Operating Revenue	\$11,393,636	\$6,154,215	\$0	\$6,154,215	\$5,983,989	\$6,276,926	\$5,983,989	\$12,260,915	\$6,414,817	\$6,287,209	\$12,702,026	\$6,555,340	\$6,337,217	\$12,892,556		
Revenue from Operations	\$280,506,239	\$277,195,916	\$0	\$277,195,916	\$1,958,765	\$277,445,771	\$1,958,765	\$279,404,536	\$278,083,882	\$10,983,700	\$289,077,581	\$278,922,180	\$19,897,827	\$298,820,007		
OPERATING EXPENSES																
Salaries and Fringe Benefits	\$160,088,630	\$154,975,904	\$0	\$163,063,009	\$6,701,127	\$156,361,883	\$6,701,127	\$163,063,009	\$157,447,436	\$6,178,721	\$163,626,157	\$158,594,846	\$10,063,205	\$168,658,051		
Professional / Contracted Services	\$44,823,279	\$46,599,533	\$0	\$35,302,370	(\$10,772,256)	\$46,074,626	(\$10,772,256)	\$35,302,370	\$46,553,765	(\$10,546,863)	\$36,006,902	\$47,036,977	(\$10,304,951)	\$36,732,026		
Supplies and Drugs	\$35,006,526	\$34,787,246	\$0	\$36,221,221	\$1,235,918	\$34,985,303	\$1,235,918	\$36,221,221	\$35,094,296	\$4,036,386	\$39,130,682	\$35,216,707	\$5,693,766	\$40,910,473		
Bad Debts	\$10,964,528	\$12,106,534	\$0	\$13,539,812	\$804,814	\$12,734,998	\$804,814	\$13,539,812	\$13,154,644	\$853,143	\$14,007,787	\$13,585,693	\$906,289	\$14,491,982		
Other Operating Expense	\$15,993,084	\$14,558,218	\$0	\$14,993,047	\$289,247	\$14,703,800	\$289,247	\$14,993,047	\$14,850,838	\$1,576,011	\$16,426,849	\$14,999,347	\$2,605,876	\$17,605,223		
Subtotal	\$266,876,047	\$263,027,435	\$0	\$263,119,460	(\$1,741,151)	\$264,860,610	(\$1,741,151)	\$263,119,460	\$267,100,979	\$2,097,397	\$269,196,377	\$269,433,569	\$8,964,186	\$278,397,755		
Depreciation/Amortization	\$9,241,682	\$9,024,808	\$0	\$5,332,463	(\$3,705,093)	\$9,037,556	(\$3,705,093)	\$5,332,463	\$9,050,432	(\$2,860,957)	\$6,189,474	\$9,063,436	(\$1,154,752)	\$7,908,684		
Interest Expense	\$1,160,533	\$1,471,508	\$0	\$0	(\$1,443,559)	\$1,443,559	(\$1,443,559)	\$0	\$1,416,185	(\$1,357,581)	\$58,604	\$1,389,372	(\$842,622)	\$546,751		
Lease Expense	\$2,825,478	\$3,450,585	\$0	\$5,447,177	\$1,992,831	\$3,454,346	\$1,992,831	\$5,447,177	\$3,488,890	\$2,052,668	\$5,541,558	\$3,523,779	\$2,114,004	\$5,637,782		
Total Operating Expense	\$280,103,740	\$276,974,336	\$0	\$273,899,100	(\$4,896,972)	\$278,796,072	(\$4,896,972)	\$273,899,100	\$281,056,485	(\$68,473)	\$280,988,013	\$283,410,156	\$9,080,816	\$292,490,973		
Gain/(Loss) from Operations	\$402,499	\$221,580	\$0	\$221,580	\$6,855,737	(\$1,350,302)	\$6,855,737	\$5,505,436	(\$2,972,604)	\$11,062,172	\$8,089,569	(\$4,487,976)	\$10,817,010	\$6,329,034		
Plus: Non-Operating Revenue	\$1,086,589	\$777,007	\$0	(\$4,753,577)	(\$5,564,607)	\$811,030	(\$5,564,607)	(\$4,753,577)	\$845,733	(\$5,644,174)	(\$4,798,441)	\$881,131	(\$5,720,903)	(\$4,839,772)		
Revenue Over/(Under) Expense	\$1,489,088	\$998,587	\$0	\$751,859	\$1,291,131	(\$539,272)	\$1,291,131	\$751,859	(\$2,126,871)	\$5,417,998	\$3,291,128	(\$3,606,846)	\$5,096,108	\$1,489,262		
Profit Margins:																
Operating	0%	0%	2%	0%	3%	0%	3%	2%	-1%	3%	3%	-2%	2%	2%		
Non-Operating	0%	0%	-2%	0%	-2%	0%	-2%	-2%	0%	-2%	-2%	0%	0%	-2%		
Total Margin	1%	0%	0%	0%	1%	0%	1%	0%	-1%	1%	1%	-1%	1%	1%		
Debt/Principal Payments																
Capital Structure Ratios:																
Capital Expense	371%	379%	-184%	195%	-154%	376%	-154%	195%	372%	-83%	222%	369%	-369%	289%		
Times Interest Earned	2.283106986	1.68	-1.68	0.63	56.53	0.63	56.53	0.00	-0.50	4.23	57.16	-1.60	1.60	3.72		
Debt Service Coverage	10.24641522	7.81	-7.81	6.89	155.89	6.89	155.89	0.00	5.89	12.30	162.78	4.93	-4.93	18.19		
FTEs	1,654	1,578	0	1,648	76	1,572	76	1,648	1,564	91	1,655	1,556	118	1,674		
IP Cases	12,364	11,969	0	11,493	(237)	11,730	(237)	11,493	11,495	228	11,723	11,265	692	11,957		
OP Cases	184,631	179,206	0	186,446	3,656	182,790	3,656	186,446	186,446	3,729	190,175	190,175	3,803	193,978		

Please complete Actual Year for Hospital and projections for all years of the proposal including 3 years post joint venture. Please add columns as necessary.

*Volume Statistics:

Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the proposal.