

August 18, 2014

**VIA HAND DELIVERY**

Office of the Attorney General  
55 Elm Street, P.O. Box 120  
Hartford, CT 06141-0120  
Attn: Perry Zinn Rowthorn, Deputy Attorney General

Office of Health Care Access, Dept. of Public Health  
410 Capitol Avenue  
Hartford, CT 06134  
Attn: Lisa Davis, Deputy Commissioner

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

Dear Mr. Rowthorn and Ms. Davis:

Greater Waterbury Health Network, Inc. and Vanguard Healthcare Services, Inc., a wholly owned subsidiary of Tenet Healthcare Corporation, hereby submit responses to the Attorney General's First Set of Interrogatories and Requests for Production dated July 28, 2014.

At your request, one copy has been hand delivered to Mr. Rowthorn's office and seven copies have been hand delivered to Ms. Davis' office. In addition, each office has received an electronic version. Those who are copied on the letter will receive the responses to the interrogatories and requests for production by electronic mail and disk.

If you have any questions or need anything further, please contact me at (203) 578-4202. Thank you for your assistance in this matter.

Office of the Attorney General  
Office of Health Care Access, Dept. of Public Health  
August 18, 2014  
Page 2

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Very truly yours,

CARMODY TORRANCE SANDAK & HENNESSEY LLP

By   
Kristin Connors

Enclosures

- c: Gary Hawes, Esq. (via electronic mail and disk)  
Office of the Attorney General
- Steven Lazarus (via electronic mail and disk)  
Office of Health Care Access
- Darlene Stromstad (via electronic mail and disk)  
Greater Waterbury Health Network, Inc.
- Jeffrey Peterson, Esq. (via electronic mail and disk)  
Tenet Healthcare Corporation
- Collin Baron, Esq. (via electronic mail and disk)  
Pullman & Comley LLC
- Randall Mathieson, Esq. (via electronic mail and disk)  
Pullman & Comley LLC
- Attorney Ann Zucker (via electronic mail and disk)  
Carmody Torrance Sandak & Hennessey, LLP

DOCKET NO: 13-486-01

IN RE APPLICATION FOR JOINT : STATE OF CONNECTICUT  
VENTURE BETWEEN GREATER :  
WATERBURY HEALTH NETWORK, INC. : OFFICE OF THE ATTORNEY  
and VANGUARD HEALTH SYSTEMS, : GENERAL  
INC. :  
: AUGUST 18, 2014

**APPLICANTS' RESPONSES TO ATTORNEY GENERAL'S  
FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION**

N.B.: In the event that, prior to closing, the financial condition of GWHN is such that the Applicants conclude that GWHN would be unable to fulfill its intended mission following the closing or its responsibilities under the Operating Agreement, the Applicants may amend the Contribution Agreement as of closing to reduce the ownership interest of GWHN in VHS Waterbury Health System, LLC such that a Vanguard affiliate would own up to 100% of such entity. In that event, no change would be made to the \$45 million purchase price for the GWHN assets, but GWHN's obligation to contribute to the purchase price would be reduced pro-rata to reflect its reduced ownership interest.

**INTERROGATORIES**

- 1. Please identify the Foundation's retained liabilities that will not be paid off at closing. For each, please describe how the Foundation intends to manage the retained liability that will not be paid off at closing.**

Liabilities retained and not paid at closing are:

- a. Workers Compensation Liability**

The analysis contemplates that claims and other related costs will be paid on an on-going annual basis based on the most recent actuarial report for claims, and the most recent annual costs of other Workers' Compensation expenses. Each year the actuarial report will be updated to re-fresh the on-going costs. The post conversion foundation will pursue a Loss Portfolio Transfer (LPT) at least three years out (2017) to dispose of the liabilities if economically feasible.

**b. CHEFA debt for Children’s Center**

The projection shows the annual CHEFA debt service in the pro forma. These payments (over 87%) are directly funded by the State of Connecticut’s school readiness program and other programs and paid directly by the Department of Education to the bondholders’ trustee. The Children’s Center and its obligations will be held in the Foundation.

**c. Estimated RAC, Medicaid Outpatient Liability for 7/1/12 to 12/31/14 and other 3<sup>rd</sup> Party items**

The Foundation will retain all liabilities with respect to periods prior to the closing arising under the terms of the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross, or other third party payor programs. These liabilities include RAC, Medicaid outpatient liability for 7/1/12 to 12/31/14 and other third party items. The Foundation will manage these liabilities by continuing to evaluate the potential exposure as described in the response to question 3.

**d. CHCA Withdrawal Liability**

The total liability of \$27.7M is based on current ERISA rules and those same rules also dictate that the annual payment for the liability is limited to the highest annual pension payment made to date which is \$3.4M. Both amounts have been reviewed and accepted by the Hospital’s ERISA counsel.

**e. Run out of self- funded medical and dental claims**

The amount of our liability for the Hospital’s employee self-funded medical and dental claims is based on its historical actuarial experience valued at \$1.23M. This is updated on a monthly basis with adjudication determination occurring under a short term time frame of the run off period of normally within three months.

**2. Does the Foundation intend to acquire tail insurance as contemplated in section 6.9 of the Contribution Agreement (pp. 122-123) or will the Foundation fund and maintain loss reserves?**

**a. If the Foundation intends to acquire tail insurance, please indicate the extent of the coverage and the retained liabilities that will be covered by the tail insurance.**

The post conversion Foundation will purchase tail coverage as necessary. Nationally recognized insurance consultant Towers Watson has been engaged to review the entire existing corporate insurance program; one of the goals is to determine what tail coverage is needed for the Foundation as well as for other GWHN affiliates. GWHN has received the tail purchase “indications” from two bidders for tail coverage for malpractice (Hospital only) for three years in the same amounts of coverage GWHN has now. Additional amounts will be added as necessary. GWHN is in the process of getting updates from the two bidders

based on the malpractice loss run of 6/30/14. GWHN has not yet received tail purchase “indications” for its affiliates.

- b. If the Foundation intends to fund and maintain loss reserves, please identify the costs or amount of reserves expected for this obligation, how such reserves will be determined, and how such reserves will be funded.**

Not applicable.

- 3. Please identify the due diligence performed by the Foundation to assess the possible exposure it faces for the liabilities and obligations identified in section 2.4(f) of the Contribution Agreement (p. 92).**

GWHN’s team developed estimates for those liabilities. These estimates are based upon the following:

1. RAC – the average “loss” experienced by the Hospital over the past three years.
2. Medicaid – the amount repaid to DSS for the most recent two year outpatient audit (plus an estimate for 7/1/2014 to 12/31/2014) is a potential liability. Historically, DSS audits claims retrospectively to determine if services were rendered to eligible recipients and billings properly reflect the type and amount of medically necessary services. Other conditions require the Hospital to adhere to all applicable State statutes and regulations promulgated by the DSS and that all available third parties were properly billed. Issues raised from the prior audit ending June 30, 2012 (completed and finalized in August 2013) were reviewed and corrective actions taken to prevent future findings.

In addition, GWHN is awaiting updated outpatient reimbursement fees and cost to charge ratios for the period ending 6/30/2013. This may result in additional liability.

3. Other Third Party Items – These include outstanding Medicare and Medicaid cost reports which are pending final audits. The outstanding cost reports presently are Medicare FY 2011, FY 2012, FY 2013, FY 2014, along with Medicaid FY 2013, FY 2014. Interim settlement balances are reflected on the balance sheet and will need to be managed on an on-going basis as future audits are conducted to determine any additional future liability.

- 4. Is the Connecticut Health Care Associates pension withdrawal liability represented in the pro forma capitalization table on pages 17 and 18 of the Application? If not, why not.**

No, the CHCA pension liability is not reflected in the pro forma capitalization table because as a multi-employer plan it is not consolidated into GWHN’s balance sheet.

- 5. If the Foundation retains the withdrawal liability for the Connecticut Health Care Associates Pension Plan (p.975), why is it also indemnifying the JV Hospital for any payments above \$2.4 million per year going forward (p.135)?**

We believe that at the time the Contribution Agreement was negotiated, there was an understanding that there might be a continuing liability of the joint venture purchaser to make contributions in respect of the CHCA Pension Plan. These contributions were estimated at \$2.4 million annually. The indemnity was intended to cover any amount in excess of this estimate. The passage of time has made this indemnity moot as the joint venture purchaser has no liability under the Contribution Agreement to make any such contribution. The Applicants intend to amend the Contribution Agreement to make it clear that GWHN has full responsibility for all multi-employer pension plan liabilities.

**On what basis did the Applicants determine the threshold amount of \$2.4M?**

See preceding paragraph.

- 6. On what basis did the Applicants determine the amount that the Foundation would retain as an indemnity reserve, i.e., \$7.5 million for the first three years and \$5.0 million for an additional two years (p.138)?**

The amounts of the indemnity reserve and the applicable periods were the result of an arm's-length negotiation between Vanguard (as to the amounts that it felt were needed to secure the indemnity) and GWHN (as to the amounts that it was willing to stand behind). The amounts set forth at page 138 represent the levels that the parties found mutually acceptable.

- 7. Under what circumstances, other than after Vanguard's possible purchase of the Foundation's interest in the JV Hospital, if any, can there be a capital distribution to one member of the JV Hospital and not to the other, or will all distributions be in proportion to the member's equity interest in the JV Hospital?**

None; all capital distributions will be in proportion to a member's equity interest.

- 8. How does the Foundation intend to use the unrestricted cash that it will have at closing?**

The primary use of the unrestricted cash at closing and during the first few years of the Foundation's existence will be the orderly payment of the unpaid liabilities; the Foundation will have an ongoing commitment to ensure sufficient cash resources to fund all retained liabilities, including the worker's compensation costs and CHCA pension withdrawal liability. Once these obligations are secure, the Foundation will be able to determine what funds will be available for other uses, such as grants.

- 9. On what basis does the Foundation believe that it will have sufficient capital to purchase the 80% interest in the JV Hospital should it wish to exercise its right of first refusal, as set forth in section 6.1 of the Operating Agreement (p.171)?**

It is likely that any exercise of the Foundation's right of first refusal to purchase the 80% interest will require third party financing.

**10. What types of healthcare related programs does the Foundation anticipate that it will fund or support if the Application is approved?**

Initially, the Foundation will seek to continue certain behavioral health and AIDS related grants that the Hospital currently receives. Additional input will be derived from the Advisory Council established under the proposed Foundation bylaws.

**11. Does the Foundation believe that Section 10 of the Contribution Agreement, Covenant Not to Compete (pp.129-130), will hinder in any way its ability to fund grants for the provision of healthcare related services in the Waterbury area?**

No, once the Foundation is in a position to make grants, any granting will be complementary to the services of the new JV Hospital, not competitive.

**12. Why does a Capital Call, as outlined in section 3.2(a) of the Operating Agreement (p. 159), not require the approval of the Board of Directors of the JV Hospital?**

The parties have determined that the Board of Directors will be addressing issues at a strategic level (Operating Agreement, Section 5.1(b)), while the Manager's responsibilities are more operational. Accordingly, the Board is responsible for operating and capital budgets and facility planning, inter alia, while the Manager is responsible for determining, among many things, the levels of capital needed to effectuate the budget so as to appropriately sustain the operations of the JV Hospital.

**13. Why does the selection of the Chief Executive Officer of the JV Hospital not require the approval of the Board of Directors of the JV Hospital?**

Under the terms of the Operating Agreement and Management Agreement, the Manager has broad responsibilities for the operation of the JV Hospital. The Chief Executive Officer is effectively the person who carries out the determinations of the Manager, and thus it is essential that the Chief Executive Officer and the Manager have a harmonious relationship, which is assured by allowing the Manager to appoint a Chief Executive Officer of its choosing. This is consistent with Class B Member's minority interest. Nonetheless, it is the intention of the Manager to present Chief Executive Officer candidates to the Board of Directors of the JV Hospital for its input prior to extending an offer of employment.

**14. Why does the Class B member not have a Put Right in the event a Material Dispute has not been resolved pursuant to section 5.4(a) of the Operating Agreement?**

Granting the Class B Member a Put Right in the event of a Material Dispute would have vested in the Class B Member the right to force a sale that went beyond the limited circumstances where such a right was believed appropriate under Operating Agreement Section 6.3, thus giving the Class B Member negotiating leverage inconsistent with its minority position.

- 15. Why does the Class B member not have a Put Right in the event that any conduct of the Class A member, or any changes in the organizational, governance, or board structure of the JV Hospital as a result of the Agreement, will jeopardize the tax-exempt status of the Class B member?**

Operating Agreement Section 2.6(b) and Operating Agreement Section 6.3(b), read together, essentially provide such a Put Right following a final judicial judgment that Vanguard has breached the Agreement by allowing such circumstances to exist as would jeopardize the tax-exempt status of the Class B Member.

- 16. In section 11(a)(4) of the Management Agreement (p. 197), the JV Hospital shall indemnify the Manager for actions and omission if taken in good faith and “with the reasonable belief that such actions or omissions were in or not opposed to the [JV Hospital’s] best interest . . .” Is it the intention of the Applicants that the “best interest” of the JV Hospital includes its purpose to satisfy the Standards (section 2.6(d) of the Operating Agreement, p. 158) and that any conflict between its duty to maximize profits and its duty to satisfy the Standards will be resolved in favor of satisfying the Standards?**

Yes. The second sentence of Operating Agreement Section 2.6(d) specifically provides that in the event there is a conflict between the operation of the JV Hospital in accordance with the Standards and any duty to maximize profits, the Standards will be satisfied without regard to the duty to maximize profits.

- 17. Will Vanguard or any of its affiliates or subsidiaries be a party to the Saint Mary’s Hospital System, Inc. (“SMHS”) asset purchase or the running of Saint Mary’s Hospital post purchase?**

Yes. A Vanguard affiliate will be party to the SMHS asset purchase and will operate Saint Mary’s Hospital post purchase.

- 18. Will Yale-New Haven Health Services Corporation (“YNHH”) or any of its affiliates or subsidiaries be a party to the SMHS asset purchase or the running of Saint Mary’s Hospital post purchase.**

While YNHH is not a party to the SMHS asset purchase agreement, it is the intention of the Vanguard affiliate that is acquiring SMHS to transfer its ownership interest post-closing to an 80-20 joint venture between a Vanguard affiliate and YNHH.

- 19. What will be the corporate relationship, if any, between the JV Hospital and the entity that will own the assets of SMHS? Please provide a full description and an organizational chart of the relationships of the affiliated entities.**

They will both be affiliates of VHS of Connecticut, LLC. See Exhibit 1.

- 20. Will the Vanguard Medical Foundation employ the physicians at SSMH post purchase?**

Yes. It is anticipated that the Vanguard Medical Foundation will acquire substantially all the assets of Franklin Medical Group, P.C., and assume substantially all of its liabilities, and either

will assume existing employment agreements between Franklin Medical Group, P.C., and its employed physicians or enter into new employment agreements with them.

**21. Please identify any and all personnel overlap between VHS Waterbury Health System, LLC, and VHS Saint Mary's Health System, LLC, with respect to the board of directors, board of trustees, officers, and executives.**

No personnel overlap of the board of directors or board of trustees is anticipated; however, over time, as operational efficiencies are identified, it is expected that there will be overlap of managerial personnel.

**22. Do the proposed joint venture with GWHN and the proposed asset purchase of SMHS allow for the redistribution of capital from one hospital system to the other? If so, please describe any and all mechanisms that would provide for such redistribution.**

The proposed joint venture with GWHN and the proposed asset purchase of SMHS are separate and distinct transactions and do not provide for or even contemplate the redistribution of capital between the hospital systems. It is not Tenet's practice to redistribute capital directly from one hospital system to the other and no mechanism exists to do so.

**23. Did GWHN consider the possibility that Vanguard would seek to purchase the assets of SMHS or to enter into a joint venture with SMHS while it was in negotiations with Vanguard? If so, how did this consideration affect your negotiations with Vanguard, if at all.**

Yes, it did. GWHN negotiated its letter of intent with Vanguard almost two years ago, in the fall of 2012. The letter of intent, executed in late October 2012, prohibited Vanguard from pursuing a transaction with SMHS without the consent of GWHN. GWHN was concerned that a Vanguard transaction with SMHS could impede, delay or force a change in its own transaction.

Vanguard requested and GWHN consented to Vanguard entering into negotiations with SMHS because GWHN's board believes that such a transaction is in the best interest of the greater Waterbury community.

**24. When you learned about Tenet's agreement with SMHS to purchase substantially all of SMHS's assets, how did GWHN assess the impact of that agreement on the Agreement between GWHN and Vanguard, including but not limited to its impact on**

- a. the governance of the JV Hospital,
- b. the purchase price for GWHN's delivery of assets, and
- c. any other term and conditions in the Agreement?

The Board discussed the proposed transaction, including these elements, with its investment bankers, Cain Brothers, and the author of its fairness opinion, Principle Valuation, and continued to be satisfied with its proposed transaction.

**25. Did GWHN pursue any changes in the Agreement with Vanguard as a result of the proposed SMHS asset purchase?**

No. GWHN is satisfied with the terms and conditions of its transactions.

**26. What role will YNHH have in the election of directors to the JV Hospital by VHS Waterbury Management Company, LLC (“VHS WMC”)?**

None.

**27. Will individuals serve on the boards of both YNHH and the JV Hospital?**

It is not currently anticipated.

**28. What role will YNHH have in the management of the JV Hospital?**

None.

**29. Will YNHH supply or recruit individuals to perform specific managerial duties for VHS WMC, as those duties are set forth in section 2.1 of the Management Agreement (p. 186)? If so, please identify those duties, and indicate any compensation that YNHH will receive for these services.**

While it is possible that the Manager would contract with a YNHH-affiliated entity to provide services in support of the Manager’s duties as outlined in Management Agreement Section 2.1, it is not currently contemplated and there have been no discussions in that regard.

## REQUESTS FOR PRODUCTION

Please provide copies of the following:

1. **Schedules 2.3(c), 2.3(d), 2.3(g), 2.4 of the Contribution Agreement.**

Schedules to the Contribution Agreement have not yet been prepared.

2. **The Foundation's intended certificate of incorporation and bylaws and any projected capital and operating budget.**

The proposed certificate of incorporation and bylaws are attached as **Exhibits 2 and 3**.

At this time projected capital and operating budgets have not been finalized. The projected capital and operating budgets will be prepared and finalized closer to the closing.

3. **A current pro forma capitalization table.**

See **Attached Exhibit 4**.

4. **The Joint Venture Agreement between YNHH and Tenet Healthcare Corporation.**

The Joint Venture Agreement has not yet been finalized.

**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 of Greater Waterbury Health Network, Inc. being duly sworn, depose and state that Greater Waterbury Health Network, Inc.'s information submitted in this Response to Interrogatories and Requests for Production is accurate and correct to the best of my knowledge.

*Darlene Stromstad*  
Signature

8/8/14  
Date

Subscribed and sworn to before me on August 8<sup>th</sup>, 2014

*Kelly D Keating*  
Notary Public / Commissioner of the Superior Court

My commission expires: August 31, 2014



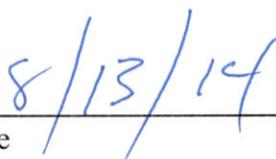
**AFFIDAVIT**

Applicant: Tenet Healthcare Corporation

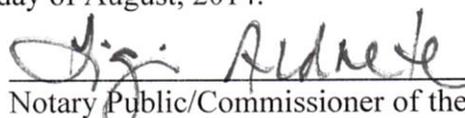
Project Title: Application for Approval of a Joint Venture By and Among Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

I, Harold H. Pilgrim III, Senior Vice President, Development, of Tenet Healthcare Corporation being duly sworn, depose and state that Tenet Healthcare Corporation's information submitted to this Response to Interrogatories and Requests for Production is accurate and correct to the best of my knowledge.

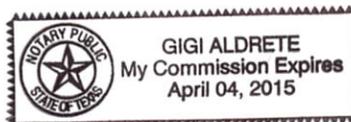
  
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Signature

  
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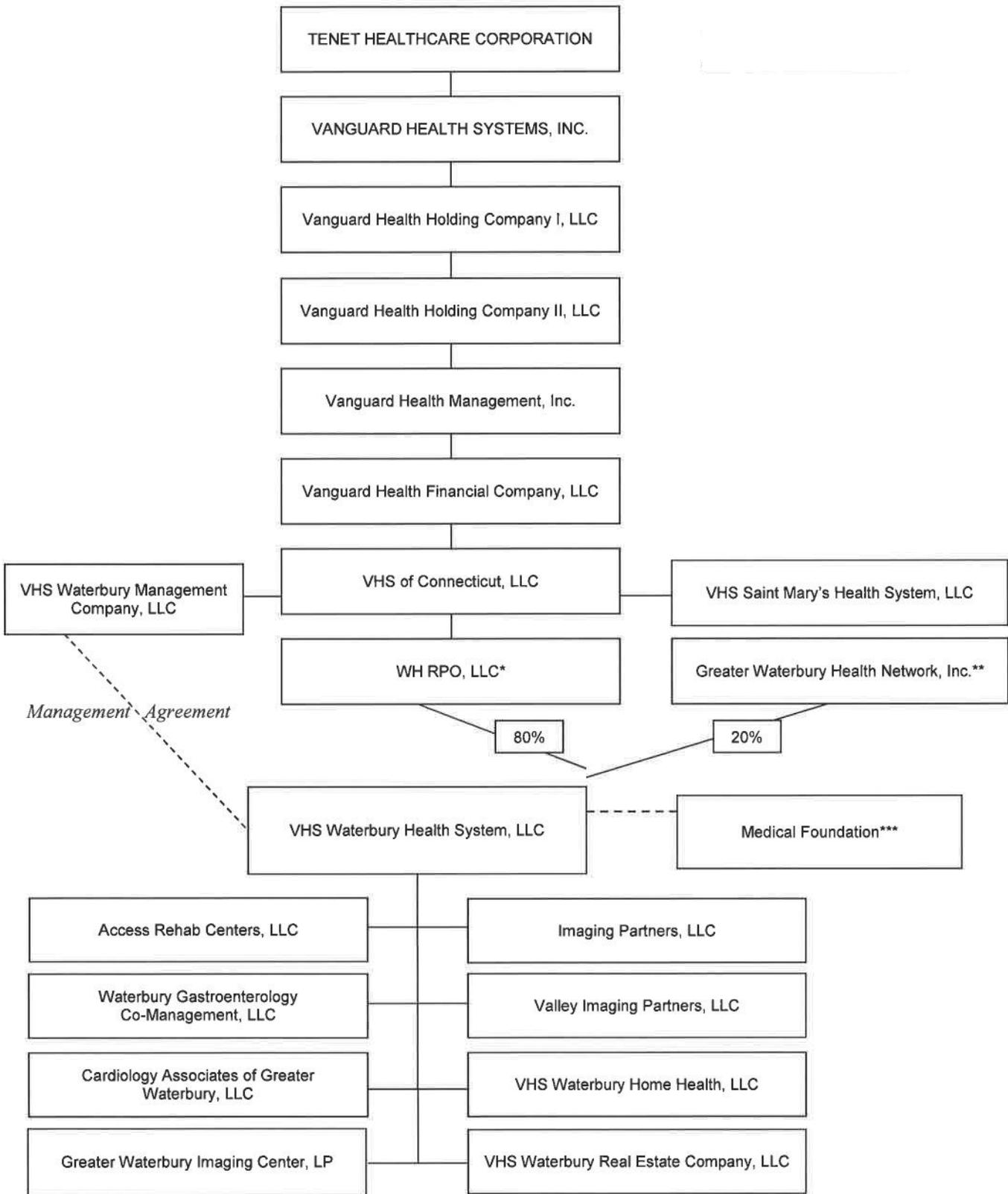
Subscribed and sworn to before me on this 13<sup>th</sup> day of August, 2014.

  
\_\_\_\_\_  
Notary Public/Commissioner of the Superior Court

My commission expires:



## Ex. 1: Organizational Chart



\*WH RPO, LLC will be a wholly-owned subsidiary of the Regional Provider Organization ("RPO"), which is not shown on this chart. The RPO will be an 80-20 joint venture of VHS of Connecticut, LLC, and a Yale-New Haven Health Services Corporation affiliate.

\*\*To be merged into Waterbury Hospital with Waterbury Hospital as the surviving entity and renamed Waterbury Hospital Foundation, Inc.

\*\*\*The parties will work to restructure GWHN's medical foundation, Alliance Medical Group, Inc., in a manner consistent with Public Act No. 14-168 by a transfer of the assets and liabilities of Alliance Medical Group, Inc., to a new medical foundation, the sole member of which will be Tenet or an affiliate of Tenet.

## Ex. 2: Proposed Certificate of Incorporation

**Exhibit 2**  
**AMENDED AND RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**[NAME OF POST-CONVERSION FOUNDATION]**

1. *Name.* The name of the Foundation is [NAME OF POST-CONVERSION FOUNDATION] (the “Foundation”).

2. *No Members.* The Foundation shall have no members.

3. *Purposes.* The Foundation shall be operated exclusively for charitable, religious, educational, and/or scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding section of any future federal tax code, as amended (the “Code” and referred to by Section reference). In furtherance of the foregoing purposes, the specific activities and purposes to be conducted, promoted and carried out by the Foundation shall be to provide for the healthcare needs of the greater Waterbury area, including the towns of Beacon Falls, Bethlehem, Cheshire, Middlebury, Naugatuck, Prospect, Southbury, Waterbury, Watertown, Wolcott and Woodbury. In furtherance of the foregoing activities and purposes, but subject to the restrictions of this Amended and Restated Certificate of Incorporation, the Foundation may engage in any lawful act or activity for which nonstock corporations may be formed under the Connecticut Revised Nonstock Corporation Act (the “Nonstock Act”).

4. *Nonprofit.* The Foundation is nonprofit and shall not have or issue shares of stock or make distributions unless as expressly provided herein.

5. *Restrictions.* The Foundation shall (i) be empowered only to engage in activities in furtherance of the above-described exclusively charitable, religious, educational and/or scientific purposes, and (ii) not be empowered to engage in activities that would cause the Foundation to cease to be qualified as exempt under Section 501(a) of the Code as described in Section 501(c)(3) of the Code, or that would cause contributions to the Foundation to cease to be deductible under Section 170(c)(2) of the Code. The Foundation shall be subject to the following additional restrictions and requirements:

(a) The Foundation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. No substantial part of the activities of the Foundation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, except to the extent the Foundation makes expenditures for purposes of influencing legislation in conformity with the requirements of Section 501(h) of the Code.

(b) For any period during which it is a “private foundation,” as defined in Section 509 of the Code, the Foundation shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code. Among the activities in which the Foundation shall not engage for any period during which it is such a “private foundation” are: (i) any act of self-dealing (as defined in Section 4941(d) of the Code); (ii) retaining any excess business holdings (as defined in Section 4943(c) of the Code); (iii) making any investment in such manner as to subject the Foundation to tax under Section 4944 of the Code; and (iv) making any taxable expenditures (as defined in Section 4945(d) of the Code).

(c) No part of the net earnings of the Foundation shall inure to the benefit of, or be distributable to, its officers, directors, trustees or other private persons, except that the Foundation shall be authorized and empowered to pay reasonable compensation for services rendered, to reimburse reasonable expenses incurred, to purchase goods and services at reasonable prices, and to provide programs, services and other benefits, all in furtherance of the exclusively charitable, religious, educational, and/or scientific purposes of the Foundation set forth in Section 3, and to make distribution of its assets upon dissolution as provided for in Section 9.

6. *Board of Trustees.* All corporate powers shall be exercised by or under the authority of, and the activities, property and affairs of the Foundation shall be managed by or under the direction of its Board of Trustees as set forth in the Bylaws of the Foundation.

7. *Limitation of Liability of Trustees to the Foundation.*

(a) Liability Limited. To the fullest extent that the Nonstock Act or any other law of the State of Connecticut, as in effect on the date of this Certificate of Incorporation or as hereafter amended, permits the limitation or elimination of the personal liability of a Trustee of the Foundation to the Foundation, no Trustee shall be liable to the Foundation for monetary damages for breach of duty as a Trustee.

(b) Effect of Limitation. No repeal, modification or amendment of this Section 7 shall adversely affect any right or protection of a Trustee of the Foundation existing at the time of such repeal or modification. Nothing contained in this Section 7 shall be construed to deny to the Trustees of the Foundation the benefit of Section 52-557m of the Connecticut General Statutes as in effect at the time of the violation (or the corresponding provisions of any subsequent statute amending or replacing said statute), if applicable. The provisions of this Section 7 are set forth in this Certificate of Incorporation pursuant to the authority contained in subdivision (4) of subsection (b) of Section 33-1026 of the Nonstock Act and are intended to limit the liability of Trustees of the Foundation to the greatest extent now or hereafter permitted under the laws of the State of Connecticut.

8. *Indemnification of Trustees and Officers; Prepayment of Expenses.*

(a) Right to Indemnification. The Foundation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an “Indemnitee”) who was or is made or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact that he or she, or a person for whom he or she is a legal representative, is or was a Trustee or officer of the Foundation, or while a Trustee or officer of the Foundation, is or was serving at the request of the Foundation as a director, trustee, officer, employee or agent of another corporation or of a partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability (as defined in Section 33-1116 of the Nonstock Act) and loss suffered by such Indemnitee for any action taken, or any failure to take any action, by the Indemnitee. Notwithstanding the preceding sentence, except as otherwise provided in paragraph (c) of this Section 8, the Foundation shall be required to indemnify an Indemnitee in connection with a

Proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such Proceeding (or part thereof) by the Indemnitee was authorized by the Board of Trustees of the Foundation.

(b) Prepayment of Expenses. Subject to the last sentence of paragraph (a) of this Section 8, the Foundation shall pay the expenses (including attorneys' fees) incurred by an Indemnitee in defending any Proceeding in advance of its final disposition; provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of (1) a written affirmation of the Indemnitee as required under Section 33-1119 of the Nonstock Act and (2) an undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Section 8 or otherwise.

(c) Claims. Subject to the last sentence of paragraph (a) of this Section 8, if a claim for indemnification or payment of expenses under this Section 8 is not paid in full within sixty (60) days after a written claim therefor by the Indemnitee has been received by the Foundation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Foundation shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or payment of expenses under applicable law.

(d) Nonexclusivity of Rights. The rights conferred on any Indemnitee by this Section 8 shall not be exclusive of any other rights which such Indemnitee may have or hereafter acquire under this Certificate of Incorporation or any statute, agreement, bylaw, vote of disinterested Trustees or otherwise.

(e) Other Sources. The Foundation's obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such other Foundation, partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity.

(f) Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Section 8 shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification.

(g) Other Indemnification and Prepayment of Expenses; Employees. This Section 8 shall not limit the right of the Foundation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action. Without limiting the effect of the foregoing sentence, the Foundation may, if specifically authorized by the Board of Trustees of the Foundation, indemnify and advance expenses to any person who is made a party to or is otherwise involved in a proceeding by reason of the fact that he or she, or a person for whom he or she is a legal representative, is or was an employee of the Foundation, or while an employee of the Foundation, is or was serving at the request of the Foundation as a director, trustee, officer, employee or agent of another corporation or of a partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability (as defined in Section 33-1116 of the Nonstock Act) and loss suffered by such employee for any action taken, or any failure to take any action, by such employee, to the greatest extent permitted by applicable law.

(h) Interpretation. The provisions of this Section 8 are set forth in this Certificate of Incorporation pursuant to the authority contained in subdivision (5) of subsection (b) of Section 33-1026 of the Nonstock Act and are intended to expand the scope of, and make obligatory on the Foundation, the indemnification of Trustees and officers of the Foundation to the greatest extent now or hereafter permitted under the laws of the State of Connecticut, and to make permissible for the Foundation the indemnification of employees to the greatest extent permitted by applicable law.

(i) Limitation. Notwithstanding any other provision of this Section 8, if at any time the Foundation is a “private foundation,” as defined in Section 509 of the Code, the Foundation shall not, during the period it is such a private foundation, indemnify any person if such indemnity or its carrying out will constitute a violation of any provision of Section 33-281(b) of the Connecticut General Statutes or any substantially like provision which may be contained in this Certificate of Incorporation.

9. *Dissolution.* Upon dissolution of the Foundation, the Board of Trustees shall adopt a plan of distribution which shall, after paying or making provision for payment of the liabilities of the Foundation, cause all of the net assets of the Foundation to be distributed to one or more organizations that are described in Section 501(c)(3) of the Code and that are exempt under Section 501(a) of the Code and are established for purposes substantially similar to those of this Foundation as the plan of distribution, adopted in accordance with law, shall provide. Such organization(s) shall be selected by the Superior Court of New Haven County after notice to the Attorney General of the State of Connecticut.

10. *References to Laws.* References to Sections of the 1986 Internal Revenue Code shall include references to the corresponding provisions of any future Internal Revenue Code, and references to any law, regulation, statute or ordinance shall likewise include references to the corresponding provisions of any future law, regulation, statute or ordinance.

### Ex. 3: Proposed Foundation Bylaws

**Exhibit 3**  
**AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**[NAME OF POST-CONVERSION FOUNDATION]**

**ARTICLE I**  
Name, Governing Law, Offices

The name of the corporation is “[Name of Post-Conversion Foundation]” (the “Foundation”). The Foundation shall be governed by the Connecticut Revised Nonstock Corporation Act, Chapter 602 of the Connecticut General Statutes (as the same may hereafter be revised or replaced, the “Nonstock Act”). The registered office of the Foundation shall be at such place in the State of Connecticut as the Board of Trustees of the Foundation (the “Board”) shall from time to time designate.

**ARTICLE II**  
Purpose

The purpose of the Foundation shall be as set forth in the Certificate of Incorporation and to provide for the healthcare needs of the greater Waterbury area, including the towns of Beacon Falls, Bethlehem, Cheshire, Middlebury, Naugatuck, Prospect, Southbury, Waterbury, Watertown, Wolcott and Woodbury (the “Service Area”).

**ARTICLE III**  
No Members

The Foundation shall have no members.

**ARTICLE IV**  
Trustees

4.1 General. All corporate powers shall be exercised by or under the authority of, and the activities, property and affairs of the Foundation shall be managed by or under the direction of the Board.

4.2 Number and Election of Trustees. There shall be not fewer than nine (9) nor more than twelve (12) Trustees. The actual number of Trustees within such minimum and maximum shall initially be [\_\_\_\_\_] ([\_\_]), and thereafter by prescribed resolution adopted from time to time by the Board. If no number is so prescribed by the Board, the number of Trustee positions shall be equal to the number of Trustees in office immediately after the most recent Annual Board Meeting (as defined in Section 4.4). The total number of Trustees shall be divided into three (3) classes, with each class consisting of one-third of the Trustees or as close to one-third as is practical. The terms of the Trustees shall be staggered so that the terms of one such class of Trustees shall expire at the Annual Board Meeting each year. At each Annual Board Meeting, Trustees shall be elected by the Board for a term of three (3) years to succeed the Trustees in the class whose terms expire at such Annual Board Meeting, except that Trustees may be elected to shorter terms as necessary to fill vacancies or to place or keep the staggered terms in effect. The Board shall be self-perpetuating to the extent that the Board elects the Trustees as set forth above.

4.3 Term Limits.

(a) Subject to Section 4.3(b), Trustees may serve a maximum of three (3) consecutive three-year terms in office, after which such person shall not be eligible to serve as a Trustee for a period of one (1) year. If a Trustee is elected to serve for a term of less than three (3) years, then such term shall not count as a term for purposes of computing term limits. For purposes of computing the time periods referred to in Section 4.2 and this Section 4.3, the full period between consecutive Annual Board Meetings shall be considered one (1) year.

(b) If a Trustee's term expires while the Trustee is serving as Chairman, Vice-Chairman or Secretary, then the Board shall re-elect such Trustee to serve an additional term as Trustee, even if such additional term would exceed the term limits provided in Section 4.3(a).

4.4 Annual Board Meeting. An annual meeting of the Board (the "Annual Board Meeting") for the election of Trustees and Officers, and other appropriate business, shall be held each year at a date, time and place designated by the Board. The Annual Board Meeting shall be considered one of the regular meetings of the Board.

4.5 Regular Meetings of the Board. In addition to the Annual Board Meeting, regular meetings of the Board shall be held at least four times each year in accordance with a schedule established for the year by the Board at each Annual Board Meeting, which may be revised thereafter at any duly called and convened meeting of the Board.

4.6 Special Meetings of the Board. Special meetings of the Board may be held at any time. Special meetings may be called by the President whenever he or she deems it appropriate, and shall be called by the Secretary at the request of any two (2) Trustees.

4.7 Method of Notice; When Notice is Effective; Contents of Notice. Not less than five (5) days' notice by mail, fax, telephone or e-mail shall be given to the Trustees of each regular meeting of the Board. Not less than seven (7) days' notice by mail, fax, telephone or e-mail shall be given to the Trustees of each special meeting of

the Board. Notice of the Annual Board Meeting and any other regular meeting of the Board shall state the date, time and place of the meeting and need not specify the business to be transacted at the meeting unless required by the Nonstock Act, the Certificate of Incorporation or a provision of the Bylaws, and notice of any special meeting of the Board shall state the date, time and place of the meeting and the business to be transacted at the meeting.

4.8 Place of Meetings. The Board may hold its meetings at such place or places within or without the State of Connecticut as the Board may from time to time determine.

4.9 Waiver of Notice. A Trustee may waive any notice required by the Nonstock Act, the Certificate of Incorporation or the Bylaws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the Trustee entitled to the notice, and filed with the minutes or corporate records. Notwithstanding the foregoing, a Trustee's attendance at or participation in a meeting waives any required notice to the Trustee of the meeting unless the Trustee at the beginning of the meeting, or promptly upon the arrival of the Trustee, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

4.10 Quorum. A quorum for the transaction of business at any meeting of the Board shall be a majority of the total number of Trustee positions prescribed at the time, including vacancies, if any.

4.11 Action By the Board. The act of a majority of the Trustees present at a meeting at which a quorum is present at the time of the act shall be the act of the Board, except as may otherwise be required by law or by the Certificate of Incorporation or the Bylaws. Each Trustee must act personally; there shall be no voting by proxy, power of attorney or other delegation method.

4.12 Action with respect to Hospital. Any action to be taken by the Foundation with respect to its membership interest in [JOINT VENTURE ENTITY], its successors and assigns (the "Hospital"), and any other rights of the Foundation with respect to the Hospital, whether by existing contract or otherwise, may be authorized only by the affirmative vote of two-thirds (2/3) of the Trustees then in office. The Chairman, President and Secretary shall be authorized to execute and deliver any instrument or certificate effecting or evidencing any action so authorized.

4.13 Action Without Meeting. Any action required or permitted by the Nonstock Act to be taken at a Board meeting may be taken without a meeting if the action is taken by all Trustees. The action shall be evidenced by one (1) or more written consents describing the action taken, signed by each Trustee and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last Trustee signs the consent, unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

4.14 Telephonic, etc., Meeting. The Board may permit any or all Trustees to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication, such as conference telephone communication, by which all Trustees participating may simultaneously hear each other during the meeting. A Trustee participating in a meeting by this means is deemed to be present in person at the meeting.

4.15 Resignation of Trustees. A Trustee may resign at any time by delivering written notice to the Board or the Foundation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

4.16 Removal of Trustees. The Board may remove one or more of the Trustees with or without cause at any time by the affirmative vote of two-thirds (2/3) of the Trustees then in office. A Trustee may be removed by the Board only at a meeting called for the purpose of removing the Trustee and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the Trustee.

4.17 Vacancy among Trustees. If a vacancy occurs among the Trustees, including a vacancy resulting from an increase in the number of Trustees: (1) the Board may fill the vacancy; or (2) if the Trustees remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the Trustees remaining in office. The term of a Trustee elected between Annual Board Meetings to fill a vacancy expires at the next Annual Board Meeting. A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date under Section 4.15 or otherwise, may be filled before the vacancy occurs but the new Trustee may not take office until the vacancy occurs.

## ARTICLE V

### Officers

5.1 General. The Officers of the Foundation shall be: a President, a Vice President, a Treasurer and a Secretary. The Officers of the Board shall be a Chairman and one or more Vice-Chairmen as the Board may prescribe. The Officers shall be elected by the Board at the Annual Board Meeting, or thereafter as the need may arise. Any two (2) or more such offices may be held by the same person. The duties of Officers shall be such as are prescribed by these Bylaws and as may be prescribed by the Board.

5.2 Terms of Office. The Chairman, Vice Chairman, Treasurer and Secretary shall each be elected from among the Trustees and serve for two (2) year terms and until his or her successor shall be duly elected, but any Officer may be removed by the Board at any time, with or without cause. The period between consecutive Annual Board Meetings shall be deemed one (1) year for this purpose. Vacancies among the Officers shall be filled by the Board. Other than the President and Vice-President, an Officer may serve a maximum of two (2) consecutive biannual terms in a given office. Thereafter, such person shall be ineligible to serve in the capacity as that Officer for a period of two (2) years. No Trustee shall be elected as an Officer who has exceeded his or her term limits as Trustee but continues to serve as Trustee as a result of the provisions of Section 4.3(b).

5.3 Chairman. The Chairman shall exercise overall supervision of Board affairs; preside at all meetings of the Board; provide leadership to the Board in formulating, developing and evaluating the policies and goals of the Foundation; represent the Foundation to the community and promote its interests; and appoint the members and chairmen of committees and Advisory Council, as necessary, in consultation with and upon approval of the Board. The Chairman shall also perform such other duties as may be assigned to him or her from time to time by the Board. The Chairman shall be elected from among the Trustees and may not serve as Chairman during any time that he or she is not a Trustee. The Chairman shall be an *ex-officio* member of all committees and shall be counted in determining a quorum and entitled to vote.

5.4 Vice-Chairmen. The Vice-Chairmen shall assist the Chairman in the exercise of his or her duties, and shall perform such other duties as may be assigned to him or her from time to time by the Board. Vice-Chairmen, if any, shall be elected from among the Trustees and may not serve as Vice-Chairmen during any time that he or she is not a Trustee.

5.5 President. The President shall be the Chief Executive Officer of the Foundation, and shall also perform such other duties as shall be assigned to him or her by the Board from time to time. The President may but need not be elected from among the Trustees at the time of election.

5.6 Vice President. Subject to any restrictions imposed by the Board, the Vice President shall perform the duties and have the powers of the President during the absence or disability of the President. The Vice President shall also perform such other duties as may be assigned to him or her by the Board from time to time. The Vice President may but need not be elected from among the Trustees at the time of such election.

5.7 Secretary. The Secretary shall be responsible for preparing and keeping a record of the proceedings of all meetings of the Board and for authenticating records of the Foundation. The Secretary shall issue all notices required by law or by these Bylaws. The Secretary shall have the custody of the seal of the Foundation and all books, records and papers of the Foundation, except as shall be in the charge of the Treasurer or of some other person authorized to have custody and possession thereof by a resolution of the Board, and shall discharge all other duties required of such officer by law or assigned to him or her from time to time by the Board or as are incident to the office of Secretary. The Secretary may but need not be elected from among the Trustees at the time of election.

5.8 Treasurer. The Treasurer shall oversee the custody of all funds and securities of the Foundation, shall supervise the keeping of full and accurate accounts of receipts and disbursements of all funds of the Foundation, shall oversee the maintenance of the accounting books and records of the Foundation, and shall supervise the deposit of all monies and valuable effects in the name and to the credit of the Foundation in depositories designated by the Board. The Treasurer shall prepare or cause to be prepared an annual budget for the Foundation and shall submit it to the Board prior to the beginning of each fiscal year of the Foundation. The Treasurer shall prepare or cause to be prepared annual financial statements for the Foundation in form and substance satisfactory to the Board and shall submit such financial statements to the Board prior to each Annual Board Meeting. The Treasurer shall report to the Board periodically on the financial condition of the Foundation in such detail as the Board may request from time to time, and shall discharge all other duties required of such officer by law or assigned to him or her from time to time by the Board or as are incident to the office of Treasurer. The Treasurer may but need not be elected from among the Trustees at the time of election.

ARTICLE VI  
Community Advisory Council

6.1 General. Within [x months] of the adoption of this Amended and Restated Bylaws, the Board shall create a Community Advisory Council (“Advisory Council”), whose purpose and function shall be to advise the Board on the healthcare needs of the Service Area and recommend programs, services, grant recipients and other activities that may further the mission of the Foundation. The Advisory Council may recommend individuals to the Nominating Committee to be nominated to the Board.

6.2 Number, Qualifications and Term. The Advisory Council shall be composed of not less than twelve (12) nor more than twenty (20) individuals appointed by the Board. Members of the Advisory Council shall serve for a term of one (1) year and until their successors are elected. Members of the Advisory Council may serve for maximum of five (5) consecutive terms, after which such member will be ineligible to serve for a period of one (1) year. The Board may remove any member of the Advisory Council with or without cause.

ARTICLE VII  
Committees

7.1 Composition of Committees.

(a) The Board may create committees, which may exercise the power and authority of the Board; provided, however, that each such committee must be composed entirely of two or more persons who are Trustees while they serve on such committee, and each such committee must be created, and shall have and may exercise such power and authority of the Board as shall be specified for it by vote of the greater of: (i) Trustees constituting a majority of the entire number of Directors in office at the time; or (ii) the number of Trustees required to take action under the Bylaws or the Certificate of Incorporation if either such document requires a vote greater than a majority of the entire number of Trustee in office at the time. A committee which is so created and appointed by the Board shall be referred to as a “Committee of the Board”.

(b) Notwithstanding the foregoing, Committees of the Board may not: (i) fill vacancies on the Board or any of its committees; (ii) amend the Certificate of Incorporation; (iii) adopt, amend or repeal Bylaws; (iv) approve a plan of merger; (v) approve a sale, lease, exchange or other disposition of all, or substantially all, of the property of the Corporation, other than a mortgage, pledge or other encumbrance described in subdivision (2) of subsection (a) of section 33-1165 of the Nonstock Act; or (vi) approve a proposal to dissolve.

7.2 Additional Committees.

(a) In addition to Committees of the Board, the Corporation may have Standing Committees and such other committees as may be created by resolution of the Board. The Standing Committees and other committees may consist of Trustees, or of both Trustees and non-Trustees, provided that these shall be at least two Trustees appointed to each Committee. Members of all committees shall be appointed annually by the Chairman and approved by the Board. The Chairman shall designate a Chairman and Vice-Chairman of each committee. Committee Chairmen, and in their absence the Committee Vice-Chairmen, shall conduct all committee meetings.

(b) No committee other than a Committee of the Board shall have or exercise any power or authority of the Board. A committee which is not a Committee of the Board may advise, recommend, investigate and report to the Board and/or to the officers of the Corporation on such matters as may be assigned to it, but shall not exercise the power or authority of the Board.

7.3 Standing Committees. The standing committees of the Foundation shall be the Governance and Nominating Committee, the Investment and Pension Committee, the Development Committee, the Compensation Committee and the Audit Committee. Where these Bylaws prescribe a minimum number of Trustees to be appointed to a standing committee, the Chairman, as an *ex-officio* member of all committees, shall not be counted for the purpose of meeting such requirement.

7.4 Governance and Nominating Committee. There shall be a Governance and Nominating Committee consisting of no greater than **[eight (8)]** and not less than [three (3)] individuals chosen from among the Board and the Advisory Council and past Chairmen of the Foundation. Consideration for membership on the Committee shall be given to past Chairmen of the Foundation. The Governance and Nominating Committee will meet on an as needed basis at the direction of the Chairman, but will meet at least three (3) times per year, to include planning meetings in March and June, and one or two meetings in the fall, in order to make its nominations available to the Board by its regular meeting in **[May]**. The Governance and Nominating Committee is responsible for making recommendations to the Board on issues related to the size, structure, duties and effectiveness of the Board, making nominations to the Board and Advisory Council, and such other duties as may be provided in the Nominating Committee's charter approved by the Board from time to time and as otherwise assigned from time to time by the Chairman or the Board.

7.5 Investment and Pension Committee. There shall be an Investment Committee consisting of no less than five (5) members. The Investment Committee shall oversee investable funds of the Foundation and shall be charged with the supervision of the investment advisors so engaged by Foundation to manage and invest such funds under the investment guidelines and objectives which have been ratified by the Board. The Investment Committee shall also be charged with examining and recommending options for the handling of the Foundation's terminated pension plan. The Committee shall meet on a quarterly basis and report its activities to the full Board at its next regularly scheduled meeting. The Investment and Pension Committee's responsibilities shall also include those set forth on the Investment and Pension Committee's Charter approved by the Board from time to time. Any changes to the Investment and Pension Committee Charter shall require approval of the Board.

7.6 Development Committee. There shall be a Development Committee of no less than **[nine (9)]** members. The Development Committee shall oversee matters related to charitable resource development of the Foundation. The Development Committee's responsibilities shall also include those set forth on the Development Committee's Charter approved by the Board from time to time. Any changes to the Development Committee Charter shall require approval of the Board.

7.7 Audit Committee. There shall be an Audit Committee consisting of **[three (3)]** members. **[Two (2)]** individuals shall be Trustees; all members of the Audit Committee shall have sufficient financial literacy to carry at the duties of the Audit Committee and shall be independent of the management of the Foundation, its affiliates, subsidiaries and the Hospital and free of any relationship that in the opinion of the Board would interfere with their judgment as a committee member. Two members of this Audit Committee shall constitute a quorum, and the vote of the majority of members present shall be the act of the Audit Committee.

(a) The Audit Committee shall meet a minimum of three (3) times each year, and at the call of its chairman or the President. Audit Committee meetings may also be called by any two (2) members of the Audit Committee.

(b) The Audit Committee shall make or cause to be made such examinations of the financial affairs of the Foundation and its affiliates and subsidiaries (other than the Hospital) as shall be sufficient, in the opinion of the Audit Committee, to determine whether the financial condition of the Foundation and its affiliates and subsidiaries (other than the Hospital) is sound, their practices correct, and the financial information furnished by their respective officers correct and compliant with applicable reporting requirements. The Audit Committee shall study each report on the Foundation conducted by the outside auditors, if any, and may consult directly with such auditors. **[The Audit Committee annually shall recommend to the Board an independent audit firm for the Foundation.]**

(c) The Audit Committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board and any action taken by the Board with respect thereto shall be entered in the minutes of the Board.

(d) The Audit Committee's responsibilities shall also include those set forth on the Audit Committee's Charter approved by the Board from time to time. Any changes to the Audit Committee Charter shall require approval of the Board.

(e) The Audit Committee shall develop, monitor and make recommendations to the Board with respect to financial reporting and compliance for the Foundation, including an appropriate educational component and audit procedures so that Trustees, senior management and staff of the Foundation are familiar with financial reporting and compliance.

7.8 Compensation Committee. There shall be a Compensation Committee consisting of **[three (3)]** members. All members of the Compensation Committee shall be independent of the management of the Foundation, its affiliates, subsidiaries and the Hospital, and free of any relationship that in the opinion of the Board would interfere with their judgment as a committee member. The Compensation Committee's responsibilities shall also include those set forth on the Compensation Committee's Charter approved by the Board from time to time. Any changes to the Compensation Committee Charter shall require approval of the Board. The Compensation Committee shall review and recommend compensation plans and policies for senior management of the Foundation, including the President.

## ARTICLE VIII

### Miscellaneous

8.1 Seal. The seal of the Foundation shall be in such form as may be adopted by the Board.

- 8.2 Fiscal Year. The fiscal year of the Foundation shall end on September 30 of each year.
- 8.3 Conflict of Interest Policy. The Board shall adopt from time to time a conflict of interest policy.

## ARTICLE IX

### Amendments

These Bylaws may be altered, amended or repealed at a meeting of the Board by the affirmative vote of two-thirds (2/3) if the notice for the meeting gave notice of and included the text of the proposed change; provided, however, that no amendment shall be effective that changes a quorum or voting requirement shall require such greater vote as may be required by the Nonstock Act.

Ex. 4: Current Pro Forma Capitalization Table

Exhibit 4

**Response to Connecticut Attorney General  
Requests for Production**

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<b>(\$M's)</b>	<b><u>Jun-14</u></b>
<b><u>Debt</u></b>	
Capital leases	<u>\$0.9</u>
Total Debt	\$0.9
<b><u>Shareholder's Equity</u></b>	
Shareholder's Equity - Waterbury	\$6.4
Shareholder's Equity - Tenet	<u>25.7</u>
Total Shareholder's Equity	\$32.1
<b>Total Debt and Shareholder' Equity</b>	<b>\$33.1</b>

Source: Based on the June 2014 Net Proceeds Analysis

Note: The JV will also assume an asbestos liability of \$2.7M and a pension liability of \$9.3M.