

DOCKET NO.: (X07) HHD-CV24-6184328-S

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|--|---|---------------------------|
| YALE NEW HAVEN HEALTH SERVICES CORPORATION,  | : | COMPLEX LITIGATION DOCKET |
|  | : |                           |
|  | : |                           |
| PLAINTIFF  | : |                           |
| v.   | : |                           |
|  | : |                           |
| PROSPECT MEDICAL HOLDINGS, INC.,   | : | JUDICIAL DISTRICT OF      |
| PROSPECT CT, INC., PROSPECT ECHN, INC.   | : | HARTFORD                  |
| D/B/A EASTERN CONNECTICUT HEALTH NETWORK, PROSPECT ROCKVILLE HOSPITAL, INC. D/B/A THE ROCKVILLE GENERAL HOSPITAL, PROSPECT MANCHESTER HOSPITAL, INC. D/B/A THE MANCHESTER MEMORIAL HOSPITAL, PROSPECT WATERBURY, INC. D/B/A THE WATERBURY HOSPITAL, PROSPECT CT MEDICAL FOUNDATION, INC. D/B/A EASTERN CT MEDICAL PROFESSIONALS AND ALLIANCE MEDICAL GROUP, PROSPECT ECHN HOME HEALTH, INC. D/B/A VISITING NURSE AND HEALTH SERVICES OF CONNECTICUT, CARDIOLOGY ASSOCIATES OF GREATER WATERBURY, LLC, PROSPECT CT MANAGEMENT SERVICES, INC. D/B/A MEDICAL PRACTICE PARTNERS, HEALTHCARE STAFFING ON DEMAND, LLC, PROSPECT WATERBURY AMBULATORY SURGERY, LLC AND PROSPECT WATERBURY HOME HEALTH, INC. D/B/A VNA HEALTH AT HOME, | : | AT HARTFORD               |
|  | : |                           |
| DEFENDANTS   | : | OCTOBER 22, 2024          |

**PLAINTIFF’S REQUEST TO AMEND COMPLAINT**

Pursuant to Practice Book Section 10-60(a)(3), Plaintiff Yale New Haven Health Services Corporation (“YNHH”) respectfully seeks leave to amend its operative Complaint to supplement the allegations against Defendants (“Prospect”) and conform the Complaint to reflect information learned during the course of this litigation. A clean copy of the proposed Second

Amended Complaint is attached as Exhibit A. A redlined copy with the proposed changes is attached as Exhibit B.

## **I. Background**

On May 3, 2024, YNHH commenced this action. (Dkt. No. 100.31.) On September 11, 2024, YNHH filed a motion to amend its Complaint. (Dkt. No. 146.00.) On September 26, 2024, Prospect filed a response, stating that they did not oppose that motion. (Dkt. No. 157.00.) Accordingly, pursuant to Practice Book Section 10-60, the Amended Complaint was deemed to have been filed on consent, as the Court recognized during the October 10, 2024 status conference. On October 7, 2024, Prospect filed a Second Amended Answer, Special Defenses and Counterclaim in response to the Amended Complaint. (Dkt. No. 160.00.)

Since filing its September 11, 2024, motion to amend, YNHH has learned of other serious events that constitute independent breaches of the parties' Asset Purchase Agreement ("APA") at issue in this case, and that also provide further support for the claims asserted in the Amended Complaint. On October 4, 2024, YNHH sent Prospect a letter identifying some of those newly discovered breaches. On October 10, 2024, the Court held a status conference during which the parties discussed their positions regarding the content and timing of discovery in connection with allegations that post-date YNHH's original complaint, filed May 3, 2024. During that conference, the Court invited YNHH to file a request to amend if it so desired, and advised that any such request should also explain whether and how YNHH believed such amendment would impact the scope of discovery and the case schedule.

## **II. YNHH's Requested Amendments**

YNHH now seeks leave to file a Second Amended Complaint to address the additional facts supporting YNHH's currently pleaded claims and identify additional breaches of the APA. In particular, YNHH has recently learned that the Pension Benefit Guaranty Corporation ("PBGC") has filed liens totaling nearly \$16 million against Prospect for Prospect's failure to make required contributions to certain of its single-employer pension plans under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"). Samples of those lien filings are attached as Exhibit C. Prospect has represented to YNHH that they will not make required contributions to these pension plans for the 2024 plan year, which were due October 15, 2024, and that they will be seeking a distressed termination of these pension plans. Prospect is also overdue on its real property and personal property taxes to municipalities; liens have been filed against Waterbury Hospital's real and personal property as a result and may be filed on other property. While the current complaint makes reference to Prospect's breach in terms of allowing other liens to be placed on the properties, because the APA has specific terms relating to these specific failings (relating to pension obligations and taxes), to avoid any argument that these facts cannot be presented at trial, YNHH seeks leave to amend.

Other facts recently discovered by YNHH provide further support for YNHH's claims for breach of the APA, most notably that Prospect has failed to operate the target assets (the "Businesses") in the Ordinary Course, as required by Section 5.3 of the APA (Count Three). Specifically, media reports indicate that on September 27, 2024, the nurses at Waterbury Hospital took a vote calling for the dismissal of Waterbury Hospital's Chief Nursing Officer due to her repeated violations of Connecticut's hospital staffing law. In connection with these failures, complaints have been filed with both the U.S. Inspector General's Office and the

Connecticut Department of Public Health. Those investigations are ongoing and are themselves breaches of the APA.<sup>1</sup>

Other media reports on September 28, 2024 and October 4, 2024 demonstrate that Prospect continues to not operate the Businesses in the Ordinary Course, including by not paying cardiology and pulmonology physician groups, not paying vendors and suppliers, failing to fix or replace non-functional vital sign machines and failing to supply basic working equipment such as thermometers.<sup>2</sup>

### **III. The Proposed Amendments Will Not Work an Injustice to Prospect and Will Not Delay Trial of this Action**

Practice Book Section 10-10 provides that “[s]upplemental pleadings showing matters arising since the original pleading may be filed in actions for equitable relief by either party”. *See also Kelsall v. Kelsall*, 90 A.2d 878, 880 (Conn. 1952) (“It is a well-recognized practice in equity to permit new matter arising subsequent to the complaint to be alleged in a supplemental pleading”). Connecticut courts are “liberal in permitting amendments; unless there is a sound reason, refusal to allow an amendment is an abuse of discretion . . . . The essential tests are whether the ruling of the court will work an injustice to either the plaintiff or the defendant and whether the granting of the motion will unduly delay a trial”. *Baker v. Cordisco*, 657 A.2d 230, 234 (Conn. App. Ct. 1995); *see also Gonzales v. Langdon*, 128 A.3d 562, 575 (Conn. App. Ct. 2015). The Court should permit YNHH to further amend its

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<sup>1</sup> Livi Stanford, *Waterbury Hospital Nurses Pass No-Confidence Vote Against Chief Nursing Officer Over Staffing and Patient Safety Concerns*, REPUBLICAN-AMERICAN (Sept. 28, 2024), <https://www.rep-am.com/localnews/2024/09/28/waterbury-hospital-nurses-pass-no-confidence-vote-against-chief-nursing-officer-over-staffing-and-patient-safety-concerns/>.

<sup>2</sup> *Id.* *See also* Sujata Srinivasan, *Staffing Shake-Up Hits Prospect-Owned Manchester Memorial*, CONNECTICUT PUBLIC (Oct. 4, 2024), <https://www.ctpublic.org/news/2024-09-26/prospect-waterbury-hospital-staffing>.

Complaint because the proposed Second Amended Complaint neither works an injustice to Prospect nor will it unduly delay trial.

*First*, it would not be unjust for the Court to allow YNHH to further amend its Complaint because the amendments go directly to whether Prospect and its Connecticut subsidiaries have complied with their ongoing obligations under the APA in the period prior to closing and whether Prospect can make certain representations that would be required for closing. Regardless of any lawsuit, if Prospect seeks to enforce the contract, it must comply with the contract's requirements. *See Ravitch v. Stollman Poultry Farms, Inc.*, 328 A.2d 711, 719 (Conn. 1973) ("A party cannot recover on a contract unless he has fully performed his obligations under it, has tendered performance, or has some legal excuse for not performing"); *see also Pursuit Partners, LLC v. Reed Smith, LLP*, 233 A.3d 1092, 1102 (Conn. App. Ct. 2020) ("When a party materially breaches a contract, the non-breaching party's performance thereunder is excused"). Prospect's counsel acknowledged as much at the October 10, 2024 status conference by conceding that the PBGC liens must be satisfied before the deal can close—*i.e.*, the imposition of those liens violates a contractual requirement that would become a basis for termination of the APA if not cured, regardless of whether Prospect is in breach of other provisions of the APA as set forth in the Amended Complaint (they are). To the extent Prospect has failed to comply with those ongoing contractual obligations, permitting YNHH to amend its pleading to ensure those issues are appropriately before the Court in this action cannot conceivably work an injustice.

To the contrary, it would be unjust to YNHH *not* to allow the amendments given Prospect's counterclaim seeking an order enforcing the APA and directing YNHH to close the transaction. Absent legal recourse for Prospect's breaches—and other breaches it may yet

commit—Prospect could effectively ignore its ongoing APA obligations, doing even further harm to the hospitals while still seeking to compel YNHH to purchase them.<sup>3</sup>

Additionally, permitting the requested amendments would not work an injustice on Prospect because all the newly alleged facts in YNHH’s proposed Second Amended Complaint are within Prospect’s knowledge and, indeed, were drawn from Prospect’s own documents, statements of its own employees and representatives, or are in the public domain. The new allegations should, therefore, come as no surprise to Defendants.

*Second*, allowing the amendment will not delay trial. As explained to the Court during the October 10, 2024 status conference, the parties reached an informal agreement in August 2024 to impose a temporal cut-off of May 3, 2024 (the date YNHH initiated this action) on document discovery in order to meet what was then a December 9, 2024 trial date. While the case schedule has now been modified and the trial date has been continued to April 22, 2025, YNHH is mindful that serving new document demands related to the new allegations could cause further delay. Accordingly, while it plainly will be appropriate to take some discovery regarding these new issues in order for them to be tried before this Court, YNHH is willing to forego any expansion of the existing parameters of document discovery (whether by serving new requests or by seeking to extend the temporal cutoff for existing requests).

To be clear, YNHH does intend to question fact witnesses at depositions regarding the new allegations and expects that certain expert witnesses for both sides might consider facts that post-date May 3, 2024 in connection with their proffered opinions. But none of that should pose any risk to the case schedule or trial date.

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<sup>3</sup> Presumably, YNHH could file a new action to assert new breaches of the APA by Prospect, but that would be inefficient and contrary to the interest of judicial economy.

In addition, YNHH notes that Prospect has continuing obligations pursuant to various sections of the APA to provide certain information both periodically and in response to requests from YNHH, including, for example, Sections 5.1, 5.9, 5.14, 5.15 and 5.16. Separate and apart from the discovery process, Prospect has provided certain information to YNHH in connection with those contract provisions since May 3, 2024. While those contractual access provisions are more circumscribed than litigation discovery, YNHH assumes Prospect will continue to honor those contractual obligations. Naturally, to the extent materials provided to YNHH pursuant to the APA provisions are relevant to YNHH's claims and allegations (whether concerning the proposed new amendments or not), YNHH expects that it may elect to rely on such materials at trial. Because of that, YNHH takes comfort that it will be able appropriately to litigate the issues presented in the proposed amendments—while compromising its right to obtain document discovery that it might otherwise seek—while also avoiding any risk of delay to the case schedule and April 2025 trial date.

Based on the foregoing, Plaintiff respectfully requests that the Court grant this Request to Amend.

Respectfully submitted,

PLAINTIFF YALE NEW HAVEN HEALTH  
SERVICES CORPORATION,

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## **CERTIFICATION**

I certify that a copy of the above was or will immediately be mailed or delivered electronically or non-electronically on October 22, 2024, to all counsel and self-represented parties of record and that written consent for electronic delivery was received from all counsel and self-represented parties of record who were or will immediately be electronically served.

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# EXHIBIT A

DOCKET NO: (X07) HHD-CV24-6184328-S

YALE NEW HAVEN HEALTH SERVICES  
CORPORATION,

PLAINTIFF

v.

PROSPECT MEDICAL HOLDINGS, INC.,  
PROSPECT CT, INC., PROSPECT ECHN, INC.  
D/B/A EASTERN CONNECTICUT HEALTH  
NETWORK, PROSPECT ROCKVILLE  
HOSPITAL, INC. D/B/A THE ROCKVILLE  
GENERAL HOSPITAL, PROSPECT  
MANCHESTER HOSPITAL, INC. D/B/A THE  
MANCHESTER MEMORIAL HOSPITAL,  
PROSPECT WATERBURY, INC. D/B/A THE  
WATERBURY HOSPITAL, PROSPECT CT  
MEDICAL FOUNDATION, INC. D/B/A  
EASTERN CT MEDICAL PROFESSIONALS  
AND ALLIANCE MEDICAL GROUP,  
PROSPECT ECHN HOME HEALTH, INC.  
D/B/A VISITING NURSE AND HEALTH  
SERVICES OF CONNECTICUT,  
CARDIOLOGY ASSOCIATES OF GREATER  
WATERBURY, LLC, PROSPECT CT  
MANAGEMENT SERVICES, INC. D/B/A  
MEDICAL PRACTICE PARTNERS,  
HEALTHCARE STAFFING ON DEMAND,  
LLC, PROSPECT WATERBURY  
AMBULATORY SURGERY, LLC AND  
PROSPECT WATERBURY HOME HEALTH,  
INC. D/B/A VNA HEALTH AT HOME,

DEFENDANTS

COMPLEX LITIGATION  
DOCKET

JUDICIAL DISTRICT OF  
HARTFORD

AT HARTFORD

OCTOBER 22, 2024

**[PROPOSED] SECOND AMENDED COMPLAINT**

## **INTRODUCTION**

1. Plaintiff Yale New Haven Health Services Corporation (“Yale New Haven Health”, or “YNHH”), by and through its undersigned counsel, hereby files this Complaint against Defendants Prospect Medical Holdings, Inc. (“Prospect”), Prospect CT, Inc., Prospect ECHN, Inc. d/b/a Eastern Connecticut Health Network, Prospect Rockville Hospital, Inc. d/b/a The Rockville General Hospital, Prospect Manchester Hospital, Inc. d/b/a The Manchester Memorial Hospital, Prospect Waterbury, Inc. d/b/a The Waterbury Hospital, Prospect CT Medical Foundation, Inc. d/b/a Eastern CT Medical Professionals and Alliance Medical Group, Prospect ECHN Home Health, Inc. d/b/a Visiting Nurse and Health Services of Connecticut, Cardiology Associates of Greater Waterbury, LLC, Prospect CT Management Services, Inc. d/b/a Medical Practice Partners, Healthcare Staffing On Demand, LLC, Prospect Waterbury Ambulatory Surgery, LLC and Prospect Waterbury Home Health, Inc. d/b/a VNA Health at Home (each, a “Selling Entity” and, collectively, the “Selling Entities”) upon knowledge as to matters relating to itself and upon information and belief as to all other matters, and alleges as follows.

2. Yale New Haven Health is a leading not-for-profit healthcare system in Connecticut that provides comprehensive, integrated and family-focused care in more than 100 medical specialties. It consists of five hospitals—Yale New Haven, Bridgeport, Greenwich, Lawrence + Memorial and Westerly (in Rhode Island)—and Northeast Medical Group, a physician foundation of primary care and medical specialists. It is also affiliated with Yale University and its highly ranked Yale School of Medicine.

3. In 2021, Prospect decided to sell most of its Connecticut assets. Toward the end of 2021, Yale New Haven Health began speaking with Prospect about the possibility of

buying Prospect's three Connecticut-based hospitals—Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital (the "Prospect Hospitals")—and their related medical facilities.

4. Prospect is a private, for-profit company. Prospect and the Selling Entities purchased the Prospect Hospitals in October 2016, converting them from not-for-profit to for-profit entities. In August 2019, Medical Properties Trust, Inc. ("MPT"), a publicly traded real estate investment firm, bought the land and hospital buildings and leased them back to Prospect and the Selling Entities.

5. Yale New Haven Health's acquisition of the Prospect Hospitals would allow the Prospect Hospitals to return to not-for-profit status and would provide for the real estate and buildings to once again belong to the Prospect Hospitals, providing them with greater financial stability. Through the acquisition, Yale New Haven Health sought to provide local access to the high-quality medical care Yale New Haven Health is known for, while at the same time preserving jobs in the local communities, supporting employee pensions and addressing the future capital needs of the hospital facilities.

6. On February 4, 2022, the parties signed a letter of intent for Yale New Haven Health to acquire substantially all of the assets of the Prospect Hospitals and affiliated entities (the "Contemplated Transaction"). After months of continued negotiations and diligence, on October 5, 2022, Yale New Haven Health and Prospect and the Selling Entities entered into the Asset Purchase Agreement ("APA"), pursuant to which Yale New Haven Health agreed to acquire the Prospect Hospitals and related assets (the "Businesses").

7. To ensure that Yale New Haven Health received the benefit of this bargain, the APA contained numerous covenants, representations and warranties that Prospect

and the Selling Entities were required to uphold and satisfy prior to closing. Among those obligations were to operate the Businesses in the Ordinary Course; protect patient and employee personal data; remain current on all payment obligations, including payment of rent, accounts payable, taxes and payroll; avoid material Encumbrances<sup>1</sup> on the Businesses; avoid material breaches or defaults of Material Contracts<sup>2</sup>; comply with the Medicare conditions of participation; avoid incurring debts or obligations beyond its ability to pay; and comply with all other applicable rules, laws and regulations governing the operation of the Businesses. (*See, e.g.*, APA §§ 3.3(a), 3.8(b), 3.13(b), 3.13(c), 3.16(a), 3.19(a), 3.19(b), 3.20(b), 3.21, 3.25, 5.3, 5.4(g).) Among other closing conditions, Prospect and the Selling Entities must use their reasonable best efforts to cooperate with Yale New Haven Health in satisfying the closing conditions of the deal (APA § 5.23), and there must also be no Material Adverse Change (“MAC”) resulting in a material adverse effect on the financial condition, business or results of operations of the Businesses (APA §§ 3.22, 6.4).

8. Despite these terms, over the last two years since the APA was signed, Prospect and the Selling Entities have subjected the Businesses to a pattern of irresponsible financial practices, severe neglect and general mismanagement. As a result, the Prospect Hospitals’ administrators have admitted that they “are going through a very significant financial challenge” and that their situation is “dire”.

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<sup>1</sup> The APA defines “Encumbrances” as, among other things, “levies, claims, charges, leases, assessments, mortgages, security interests, equitable interests, liens, pledges, conditional sales agreements, title retention contracts, easements, restrictions on the use of subject property, rights of first refusal, options to purchase and other similar encumbrances”. (APA § 1.1.)

<sup>2</sup> The APA defines “Material Contracts” as those contracts listed in Schedule 3.8(a) of the APA, which are contracts “to which Seller or any Selling Entity is a party and which relate to the operation of the Businesses”. In addition to the contracts listed in Schedule 3.8(a), Material Contracts include, among other things, those contracts that “involve payments, performance of services or provision of items in an amount exceeding \$500,000”.

9. This dire financial condition has been exacerbated by Prospect and the Selling Entities' failure to abide by applicable regulations and laws. State and federal regulators have identified an inordinate number of serious regulatory violations, straining the Businesses' relationships with federal and state Governmental Authorities and threatening the Medicare contract of at least one of the hospitals.

10. Prospect and the Selling Entities have not complied with their obligations to providers, failing to pay their physician groups, medical staff and vendors and, in turn, damaging irretrievably their relationships with the very individuals and entities that allow the Businesses to provide medical care to their patients.

11. Prospect and the Selling Entities have failed to ensure that their information technology systems have even the most basic protections against data breaches, and in fact, a damaging ransomware matter and system compromise occurred in August 2023, resulting in the compromise of protected health information and personally identifiable information of thousands of patients and employees.

12. Prospect and the Selling Entities have also failed to maintain the physical facilities occupied by the Prospect Hospitals, resulting in unacceptable conditions such as rusty equipment in the operating room (*infra* ¶ 62) and inoperable elevators requiring staff to carry patients up and down stairs (*infra* ¶¶ 122, 130).

13. After Prospect and the Selling Entities signed the APA, they failed to invest further in the Businesses. Their lack of financial support has run the Prospect Hospitals into the ground, to the point that the Businesses are no longer operating as a going concern. Since the signing of the APA, the combined EBITDAR (earnings before interest, taxes, depreciation, amortization and rent costs) of the Businesses has plummeted as compared to the

financial statements based on which the APA was signed, and has persistently remained at significantly negative levels. The financial condition of the Prospect Hospitals is so precarious that rent has not been paid, state provider taxes are delinquent in amounts well over \$100 million, real estate and personal property taxes have not been paid resulting in liens on the Purchased Assets,<sup>3</sup> and Prospect has failed to fund its single-employer pension plans, resulting in additional liens on the Purchased Assets. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14. For these reasons, and as detailed below, Prospect and the Selling Entities have breached the APA and cannot satisfy the closing conditions under the APA.

15. Yale New Haven Health has repeatedly warned Defendants that they are in breach of the APA, and on March 27, 2024, sent Prospect a letter identifying each of the breaches of which Yale New Haven Health was aware on that date.

16. Rather than attempt any steps to rectify the breaches and satisfy the closing conditions, Defendants' only response has been to seek to delay the outside closing date

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<sup>3</sup> The APA defines "Purchased Assets" as including, among other things, "all real property owned by Seller and/or the Selling Entities and that is used primarily in connection with the Businesses", "all of Seller's and the Selling Entities' leasehold interests in the Leased Real Property", and "all tangible personal property owned by Seller and/or Selling Entities that are used primarily in connection with or held for the exclusive benefit of the Businesses or the Purchased Assets". (APA § 2.1)



under the APA. It is now clear that Prospect and the Selling Entities have not satisfied—and cannot satisfy—the APA’s closing conditions.

17. Accordingly, Yale New Haven Health seeks a declaratory judgment that the closing conditions have not been—and cannot be—satisfied and that Yale New Haven Health is therefore not obliged under the APA to close the Contemplated Transaction.

## **PARTIES**

### **Yale New Haven Health**

18. Plaintiff Yale New Haven Health Services Corporation is a not-for-profit healthcare organization organized under the laws of the State of Connecticut, with its principal place of business located in New Haven, Connecticut.

### **Prospect**

19. Defendant Prospect Medical Holdings, Inc. is a private, for-profit healthcare system organized under the laws of Delaware with its principal place of business in Los Angeles, California.

20. Defendant Prospect CT, Inc. is a Delaware business corporation with its principal place of business in Los Angeles, California.

21. Defendant Prospect ECHN, Inc. d/b/a Eastern Connecticut Health Network is a Connecticut stock corporation with its principal place of business in Manchester, Connecticut.

22. Defendant Prospect Rockville Hospital, Inc. d/b/a The Rockville General Hospital is a Connecticut stock corporation with its principal place of business in Vernon, Connecticut.

23. Defendant Prospect Manchester Hospital, Inc. d/b/a The Manchester Memorial Hospital is a Connecticut stock corporation with its principal place of business in Manchester, Connecticut.

24. Defendant Prospect Waterbury, Inc. d/b/a The Waterbury Hospital is a Connecticut stock corporation with its principal place of business in Waterbury, Connecticut.

25. Defendant Prospect CT Medical Foundation, Inc. d/b/a Eastern CT Medical Professionals and Alliance Medical Group is a Connecticut nonstock corporation with its principal place of business in Vernon, Connecticut.

26. Defendant Prospect ECHN Home Health, Inc. d/b/a Visiting Nurse and Health Services of Connecticut is a Connecticut stock corporation with its principal place of business in Vernon, Connecticut.

27. Defendant Cardiology Associates of Greater Waterbury, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

28. Defendant Prospect CT Management Services, Inc. d/b/a Medical Practice Partners is a Connecticut stock corporation with its principal place of business in Culver City, California.

29. Defendant Healthcare Staffing On Demand, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

30. Defendant Prospect Waterbury Ambulatory Surgery, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

31. Defendant Prospect Waterbury Home Health, Inc. d/b/a VNA Health at Home is a Connecticut stock corporation with its principal place of business in Watertown, Connecticut.

### **JURISDICTION AND VENUE**

32. This Court has subject matter jurisdiction pursuant to Conn. Gen. Stat. § 52-1 and Conn. Gen Stat. § 52-29 and venue pursuant to Conn. Gen. Stat. § 51-345(a)(3)(A). The APA specifies that “the venue of all disputes, claims, and lawsuits arising hereunder shall lie in the state and federal courts located in the State of Connecticut”. (APA § 10.3.) The APA further provides that “[a]ll Actions (in contract or tort) arising out of or relating to this Agreement . . . shall be governed by and construed in accordance with the laws of the State of Connecticut”, and that the parties waive any objections to personal jurisdiction in this Court. (*Id.*)

### **FACTUAL ALLEGATIONS**

#### **A. Based on Prospect’s Representations, the Parties Negotiate and Execute the Asset Purchase Agreement.**

33. In late 2021, Yale New Haven Health chose to pursue an acquisition of the Businesses, which included two central Connecticut health systems—(i) the health system associated with Waterbury Hospital and (ii) the Eastern Connecticut Health Network (“ECHN”), which comprises Manchester Memorial Hospital and Rockville General Hospital and affiliated physician practices—and their related assets, including real estate, clinical operations and other medical services. Yale New Haven Health saw this acquisition as a way to offer expanded high-quality healthcare within Connecticut. Most prominently, this acquisition would add three hospitals to Yale New Haven Health’s system: Waterbury Hospital (with 357 licensed beds), Manchester Memorial Hospital (with 249 licensed beds) and Rockville General Hospital (with

102 licensed beds). As “safety net” hospitals, the Prospect Hospitals provided access to medical care to underserved communities, regardless of patients’ insurance status or ability to pay for medical services.

34. Prior to 2022, the Prospect Hospitals had strong relationships with physicians, vendors and suppliers, which had allowed the hospitals to respond effectively to the COVID-19 pandemic and increase the quality of care that these safety net hospitals provided to the underserved communities in which they are located.

35. As ECHN president and CEO Deborah Weymouth touted when the Contemplated Transaction was announced, Prospect had made significant investments in its safety net hospitals “to preserve jobs and respond to the needs of the community throughout the [COVID-19] pandemic while increasing both quality ratings and improvements to the patient experience”.<sup>4</sup> Similarly, in the words of now-former Waterbury Hospital president and CEO Dr. Justin Lundbye, “[a]long with ECHN”, Waterbury Hospital was “proud” of its accomplishments, including “being leaders in Connecticut’s response to the pandemic”.<sup>5</sup>

36. Located in areas not currently served by Yale New Haven Health hospitals, the Businesses and their strong relationships with physician groups would allow Yale New Haven Health to broaden the scope of its high-quality care fueled by academic research and clinical trials—services it provides to communities in other areas across the state and sought to make available to the underserved communities in which the Prospect Hospitals are situated.

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<sup>4</sup> *Yale New Haven Health Has Signed an Agreement to Acquire Connecticut Health Systems from Prospect Medical Holdings*, YALE NEW HAVEN HEALTH (Oct. 6, 2022), <https://www.ynhhs.org/news/1-ynhhs-has-signed-an-agreement-to-acquire-ct-health-systems-from-prospect-medical-holdings>.

<sup>5</sup> *Id.*

37. In a competitive bidding process, Yale New Haven Health and Prospect began discussing a potential sale of the Businesses in late 2021 after signing a Confidentiality Agreement on October 26, 2021.

38. On January 10, 2022, Defendants and Yale New Haven Health signed a Confidentiality and Joint Defense Agreement in furtherance of their negotiations, and on February 4, 2022, the parties signed a letter of intent memorializing Yale New Haven Health's plan to acquire the Businesses.

39. Over the next eight months, Yale New Haven Health conducted due diligence on the Businesses.

40. That diligence showed that on February 28, 2022—the date the parties agreed is the date as of which the Businesses would be valued (the “Balance Sheet Date”)—Prospect reported that the results of the assets to be acquired showed an adjusted EBITDAR of \$6.0 million for the trailing 12 months.

41. On October 5, 2022, the parties entered into the APA, pursuant to which Yale New Haven Health would acquire the Businesses for \$435 million.

42. The APA provides that the Contemplated Transaction would close upon satisfaction of the closing conditions set forth in Articles VI and VII. (APA § 2.10(a).) The APA also contemplates that closing would occur no later than April 5, 2024. (*See* APA § 8.1(a)(v).)

43. Article VI of the APA sets forth the conditions that Prospect and the Selling Entities must satisfy before closing. Among those conditions is that there has been no MAC “since the Balance Sheet Date that is continuing”. (APA § 6.4.) The APA defines a MAC as “any fact, circumstance, condition, change, event or occurrence occurring after the Balance

Sheet Date, regardless of whether such change, event or occurrence actually occurred before, on or after the Balance Sheet Date . . . that, individually or in the aggregate, has resulted in, or would reasonably be expected to result in, a material adverse effect on the financial condition, business, or results of operations of the Businesses (including the Facilities) taken as a whole, or the ability of Seller or any Selling Entity to consummate the transactions contemplated by the Transaction Documents”. (APA § 1.1.) The parties agreed that any adverse changes to the Businesses would be judged as of February 28, 2022 (the Balance Sheet Date) rather than the October 5, 2022 date of signing (the “Effective Date”). (APA § 3.22.)

44. The APA also contains specific covenants with which Prospect and the Selling Entities agreed to comply during the period between execution of the APA and closing (the “Interim Period”). (APA § 5.1.) Of particular relevance, the APA required Prospect and the Selling Entities to “conduct the operation of the Businesses in the Ordinary Course”. (APA § 5.3) “Ordinary Course” is defined in the APA as “the ordinary day-to-day business activity of Seller or such Selling Entity (as applicable) conducted in the usual, regular and ordinary course, consistent with the customary reasonable past practices of Seller or such Selling Entity (as applicable), and in accordance with applicable Laws, taking into effect actions taken in response to COVID-19 or its impacts or effects including, without limitation, any such actions taken in order to comply with Laws”. (APA § 1.1.) This requirement was significant because, in valuing the Businesses, Yale New Haven Health had relied on the existing quality of care rendered by the Prospect Hospitals—made possible by the Prospect Hospitals’ relationships with physician groups, medical staff and vendors—and the Ordinary Course Covenant was intended to give Yale New Haven Health comfort that Prospect and the Selling Entities would be responsible stewards of the Businesses during the Interim Period.

45. Among their Ordinary Course obligations, Prospect and the Selling Entities were required to do the following during the Interim Period:

- a. “maintain and cause to be maintained the Facilities and all parts thereof, including the Purchased Assets, in substantially the same operating condition” as at the Effective Date (APA § 5.3(a));
- b. perform their “obligations relating to or affecting the Businesses . . . in all material respects, including paying in the Ordinary Course (and in any event before delinquency) all bills and invoices for labor, services, materials, repair, maintenance or leasing of real property as well as other debts and liabilities in the Ordinary Course” (APA § 5.3(b));
- c. use their “commercially reasonable efforts” to “comply in all material respects with any Laws applicable to the Businesses”, maintain “relationships with Government Reimbursement Programs or any other material Third Party Payors, physicians, suppliers, customers, licensors, licensees, advertisers, distributors and others having business relations with the Businesses in the Ordinary Course” (APA § 5.3(d));
- d. “promptly notify Buyer of any result, event, fact, condition, change, development or occurrence known” to Prospect or the Selling Entities “that results in an actual breach” of the Ordinary Course covenants set forth in Section 5.3 (APA § 5.3(e)); and

- e. “except with the prior written consent of Buyer . . . neither Selling nor any Selling Entity shall . . . sell, transfer or lease to any third party or create or grant any Encumbrance on any Purchased Asset, except in the Ordinary Course” (APA § 5.4(g)).

46. The APA also required Prospect and the Selling Entities to make certain representations and warranties that were true as of signing and at closing. Prospect must also notify YNHH in writing and provide YNHH with information and documents relating to “any event, transaction or circumstance that would reasonably be expected to cause any condition to Closing . . . not to be satisfied”. (APA § 5.9(a)).

47. ***Financial Statements.*** Among other provisions, the APA requires that the financial statements Prospect provided to Yale New Haven Health “present fairly in all material respects the financial condition” of the Businesses. (APA § 3.4.) During the Interim Period, Prospect was required to provide its audited financial statements to Yale New Haven Health no later than 120 days after the end of each fiscal year (September 30). (APA § 5.16(b).) As detailed below, Prospect issued its audited financial statements for FY 2022 several months after the deadline imposed by the APA, and even then, the financial statements included an inaccurate statement that Prospect refuses to correct. Prospect similarly issued its audited financial statements for FY 2023 after the APA’s deadline, on July 3, 2024.

48. ***Regulatory Compliance.*** The APA requires that Prospect and the Businesses be in compliance with “all applicable Laws . . . including the Healthcare Laws”. (APA §§ 3.6(a) and (b).) As detailed further below, Prospect and the Selling Entities have failed to manage the Prospect Hospitals according to governing laws, rules and regulations. As a result, the Businesses have received an extraordinary and unacceptable number of regulatory



citations and notices of “Immediate Jeopardy” and are now the subject of several governmental investigations.

49. ***Breach of Material Contracts.*** Section 3.8(b) of the APA requires Prospect and the Selling Entities not to be “in material breach or default . . . under such Material Contract”. Material Contracts are defined as those contracts listed in Schedule 3.8(a) and those contracts not listed in Schedule 3.8(a) that “involve payments, performance of services or provision of items in an amount exceeding \$500,000”, among other things. As further described below, Prospect and the Selling Entities have materially breached Material Contracts with at least the North American Partners in Anesthesiology (Connecticut) and the Anesthesiology Associates of Willimantic, by failing to pay these groups, and materially breached the term of the

[REDACTED]

[REDACTED]

50. ***Inventory.*** The APA also requires that all inventory be usable and salable “in the Ordinary Course”. (APA § 3.9.) As detailed below, Prospect and the Selling Entities have been unable to maintain adequate supplies and functioning equipment, rendering them incapable of making this representation at closing.

51. ***Medicare Conditions of Participation.*** The Prospect Hospitals are required at closing to be in compliance with Medicare conditions of participation. (APA § 3.16(a).) As discussed in more detail below, the inordinate number of serious regulatory violations and resulting strain on the Prospect Hospitals’ relationships with federal and state Governmental Authorities has resulted in a January 26, 2024, notice from the Centers for Medicare & Medicaid Services (“CMS”), posing a current threat to the Medicare contract of at least one of the hospitals. This relationship, moreover, had already been compromised under

Prospect's watch, as evidenced by the Department of Justice's November 2023 Civil Investigative Demand in connection with a False Claims Act investigation regarding upcoding certain secondary diagnoses on claims for inpatient care under these programs, discussed below.

52. ***Relationships with Payors.*** Related to the representation in Section 3.16 that the Businesses are in compliance with the Medicare conditions of participation, Prospect and the Selling Entities also must represent that as of the Effective Date and at closing, they “maintain commercially reasonable relations with each of their Key Payors” and that “no event has occurred that would reasonably be expected to materially and adversely affect” Prospect’s and the Selling Entities’ “relations with any Key Payor”. (APA § 3.21.) The Key Payors are listed in Schedule 3.21 and include commercial health plans and Medicare managed care insurance payors. Prospect and the Selling Entities’ failure to maintain compliance with Medicare conditions of participation threatens the Medicare contract of at least Waterbury Hospital, which, if lost, would materially and adversely affect Prospect and the Selling Entities’ relationships with Key Payors.

53. ***Employee Relations.*** At closing, the Businesses must have been for the past two years in compliance with the relevant employment laws and there must be no “pending” or “threatened employee strike, work stoppage, work slowdown, lock-out or labor dispute” with any employees or executives of the Businesses. (APA § 3.14.) As further detailed below, Prospect and the Selling Entities have repeatedly failed to pay physicians and other medical staff, materially compromising their relations with physician groups, medical staff and employees. This has led medical staff to publicly protest at the State Capitol. It has also caused both physicians and entire provider groups to stop providing services at the Prospect Hospitals and resulted in at least one lawsuit against the Businesses.

54. ***Maintenance of Facilities.*** Prospect and the Selling Entities must represent at closing that the facilities occupied by the Businesses are in compliance with the relevant building codes and other applicable laws (APA § 3.12(c)) and that no Selling Entity has suffered “any material taking, damage, destruction or loss with respect to or affecting the Facilities” (APA § 3.22(h)). During the Interim Period, Prospect and the Selling Entities were also required to maintain the facilities “in substantially the same operating condition” as they were in at the time the APA was executed. (APA § 5.3(a).) In breach of this covenant, Prospect and the Selling Entities have failed to maintain the safe condition of their facilities.

55. ***Privacy Laws.*** To close, Prospect and the Selling Entities must be in compliance with the relevant privacy and security laws. (APA § 3.19(a).) As further discussed below, a ransomware matter and system compromise occurred in August 2023 that resulted in the taking of information of thousands of patients and employees, evidencing that Prospect and the Selling Entities failed to implement and maintain adequate technical, administrative and operational cybersecurity and privacy programs with appropriate controls, oversight, testing, personnel and investment. Prospect and the Selling Entities also have failed to take the appropriate steps to remediate this failure, and cannot reasonably represent that they are in compliance with HIPAA and other applicable privacy laws requiring them to safeguard patient and employee protected health and personally identifiable information. Moreover, due to the ransomware attack in August 2023, Prospect cannot represent that it is in compliance with APA Section 3.19(b), which warrants that there has been no data “breach”, as defined by HIPAA, during the last twenty-four months that has affected more than 500 individuals.

56. ***Tax Liabilities.*** Prospect and the Selling Entities represented that they had no material tax liability as of the Effective Date, and will need to represent the same at closing.

(APA § 3.20(b).) In January 2024, Prospect owed \$67 million in outstanding provider taxes<sup>6</sup>; despite entering into a settlement agreement with the Connecticut Department of Revenue Services, has defaulted on that agreement, and the outstanding amount has grown to over \$100 million in subsequent months. Prospect also currently owes over \$17 million dollars in outstanding municipal tax liabilities, meaning that Prospect and the Selling Entities cannot represent that they are current on tax liabilities and that Prospect and the Selling Entities are in violation of Section 5.3(b) of the APA, which requires that Prospect and the Selling Entities “conduct the operation of the Businesses in the Ordinary Course” during the Interim Period, including by “paying in the Ordinary Course (and in any event before delinquency) all bills and invoices for” the Businesses’ “debts and liabilities”. As further detailed below, Prospect and the Selling Entities are in gross default of their tax liabilities and have failed to identify an adequate plan to come current on certain tax liabilities prior to closing. These tax liabilities have led to the imposition of liens on the Purchased Assets, which means that Prospect and the Selling Entities have breached their Ordinary Course duty not to permit Encumbrances on the Purchased Assets (APA § 5.4(g)), and Prospect and the Selling Entities cannot represent that there are no impermissible Encumbrances on the Purchased Assets (APA § 3.3(a)). Nor can Prospect and the Selling Entities represent at closing as they are required to under Section 3.20(b) of the APA that “there is no pending Tax examination or audit of, nor any Action, audit, investigation or claim asserted or threatened against Seller or any Selling Entity by any federal, state or local Taxing authority in respect of the Businesses”; that “[n]either Seller nor any Selling Entity has . . . agreed to any extension of time with respect to a Tax assessment or deficiency . . . in respect of

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<sup>6</sup> Dave Altimari & Jenna Carlesso, *Prospect Medical chain owes CT \$67 million, tax liens show*, CT MIRROR (Jan. 9, 2024), <https://ctmirror.org/2024/01/09/prospect-medical-holdings-ct-hospitals-tax-lien/>.

the Businesses”; or that “[e]xcept for Encumbrances for Taxes not yet due and payable”, “there are no Tax Encumbrances affecting the Businesses”.

57. ***Failure to Fund Pension Plans and Resulting Liens.*** Under the APA, during the period prior to closing, Prospect and the Selling Entities are obligated to fund their pension plans in the Ordinary Course (*see* APA § 5.3(b)) and are prohibited from permitting an Encumbrance on the Purchased Assets, other than those expressly enumerated as Permitted Encumbrances, and other than those in the Ordinary Course (*see* APA § 5.4(g)). Prospect and the Selling Entities have breached these covenants by failing to adequately fund their three pension plans, two of which are single-employer pension plans that benefit current or former employees of the Businesses, resulting in the Pension Benefit Guaranty Corporation (“PBGC”) perfecting liens on the assets of the Businesses totaling nearly \$16 million. In addition to constituting a breach of Prospect’s covenants under the APA, these breaches also result in a failure of the closing conditions as they require that Prospect and the Selling Entities represent that all Employee Benefit Plans have been administered and maintained in accordance with their terms and applicable laws; that since January 1, 2018, no event has occurred that has resulted or would result in the imposition of a lien on the assets of the Businesses; that since January 1, 2018, there has been no failure to make a required contribution to an Employee Benefit Plan that could result in the imposition of a lien; that since January 1, 2018, no lien or Encumbrance has arisen under 26 U.S.C. § 430; and that Prospect and the Selling Entities will transfer title to the Purchased Assets free and clear of all Encumbrances except for those Permitted Encumbrances identified in the APA. (*See* APA §§ 3.3(a), 3.13.)

58. Underlying Prospect’s failure to operate the Businesses in the Ordinary Course and failure to take the steps needed to ensure that its representations and warranties are

true at closing is Prospect's utter failure to invest capital in the Businesses. A few years prior to the signing of the APA, in August 2019, Prospect entered into a sale-leaseback deal with MPT—a publicly traded real estate investment trust. In that deal, Prospect sold the real estate occupied by the Businesses to MPT and received in return approximately \$457 million and was extended a loan by MPT. This provided Prospect with cash necessary to invest in and operate the Businesses in a reasonable manner in the ordinary course.<sup>7</sup> Yet, as described herein, Prospect chose not to do so. Its failure to fund the Businesses has been so severe that the Businesses have been unable to pay even their rent.

**B. Prospect Ceases Ordinary Course Operation of the Businesses.**

59. Shortly after the APA was executed, Prospect and the Selling Entities ceased operating the Businesses in the Ordinary Course. Among other things, state and federal regulators have issued notices that the Prospect Hospitals' regulatory violations pose an immediate jeopardy to the health and safety of patients. (*Infra* ¶¶ 60-81.) Federal regulators have threatened at least one of the Prospect Hospitals with termination of its Medicare contract due to the hospital's failure to comply with federal regulations. (*Infra* ¶ 71.) Defendants have failed to protect health information and personally identifiable information as they have failed to prepare for and remediate adequately a ransomware matter and system compromise. (*Infra* ¶¶ 82-108.) Defendants defaulted on payments to medical staff, physician groups and third-party vendors. (*Infra* ¶¶ 109-126.) As a result, numerous medical providers and vendors have terminated their services with the Businesses, the facilities have not been properly

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<sup>7</sup> *Medical Properties Trust Announces \$1.75 Billion Investment in 24 Hospital Facilities*, BUSINESS WIRE (July 15, 2019), <https://www.businesswire.com/news/home/20190715005775/en/Medical-Properties-Trust-Announces-1.75-Billion-Investment-in-24-Hospital-Facilities>; *News Release: Medical Properties Trust Announces Agreement to Sell Connecticut Hospitals*, MEDICAL PROPERTIES TRUST (Oct. 6, 2022), <https://medicalpropertystrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-announces-agreement-sell-connecticut>.

maintained and the quality of care and patient safety at the Prospect Hospitals have suffered. (*Infra* ¶¶ 127-35.) Defendants stopped paying rent. (*Infra* ¶¶ 136-42.) Defendants stopped paying taxes. (*Infra* ¶¶ 143-50.) And impermissible liens have been perfected against the Businesses. (*Infra* ¶¶ 151-64.)

1. Prospect Fails to Comply with Governmental Regulations.

60. Prospect and the Selling Entities have repeatedly failed to ensure that the Prospect Hospitals provide medically sound treatment and that they comply with governing regulations regarding facility cleanliness and operability, patient safety and quality of patient care. Since signing the APA, the Businesses have received an extraordinary and unacceptable number of regulatory citations and notices of immediate jeopardy to patient health and safety. As discussed in the paragraphs that follow, the high volume and extraordinary nature of these issues evidence the Prospect Hospitals' deteriorating quality of care and inability to provide adequate medical treatment, including due to the Prospect Hospitals' failure to ensure that their medical staff was properly trained and compliant with hospital policy.

61. On June 16, 2023, the CMS issued a notice of noncompliance to Waterbury Hospital Laboratory ("Waterbury Lab"). That notice indicated that the lab was not in compliance with nine of the conditions required for certification under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA") program and that the deficient practices posed immense risk to patient health and safety. Indeed, the Connecticut Department of Public Health ("DPH") surveys in June 2023 uncovered that a patient had died in the emergency department in

December 2022 after Waterbury Lab failed to timely and properly process the patient's bloodwork.<sup>8</sup>

62. On July 25, 2023, DPH issued to Waterbury Hospital a notice of noncompliance identifying 20 violations of Section 19-13-D3 of the Regulations of Connecticut State Agencies ("Section 19-13-D3"). Notably:

- ***Staff failed to sanitize operating room equipment (and operating room had rusty equipment).***
- Staff failed to ensure a plan of care was in place for patients with fall risks, ***resulting in patients falling.***
- Staff failed to properly label medication and ***were unable to identify when certain medications expired.***
- The hospital ***failed to complete criminal background checks on 25 newly hired employees***—all of whom had direct access to patients and/or patient information.
- Staff failed to ensure that pre-drawn medication stored in anesthesia carts were discarded in accordance with the hospital's policy and practice.
- Staff failed to ensure that physician orders for epidural medication were in place and that epidural medication was administered in accordance with hospital policy and practice.
- Staff failed to properly and timely evaluate patients who had been placed in restraints.
- Staff had ***discharged a patient with bipolar disorder without contacting the patient's guardian.***

63. On September 5, 2023, CMS issued a notice of noncompliance to Waterbury Hospital, which stated that CMS had determined the hospital conditions posed an

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<sup>8</sup> Yale New Haven Health understands that the CLIA violations were remedied and Waterbury Lab was found to be in compliance with CLIA conditions as of September 14, 2023. That does not detract, however, from the severity of the violations at this site—including violations that were linked to a patient's death.



immediate jeopardy to the health and safety of patients. While the immediate jeopardy was subsequently abated, CMS maintained that substantial noncompliance with Conditions of Participation still existed with respect to the “Quality Assessment and Performance Improvement Program” (in violation of 42 C.F.R. § 482.2), “Laboratory Services” (in violation of 42 C.F.R. § 482.27) and “Emergency Services” (in violation of 42 C.F.R. § 482.55). That noncompliance has yet to be remedied.

64. On September 7, 2023, DPH issued yet another notice of noncompliance to Waterbury Hospital, identifying six additional violations of Section 19-13-D3 that remain unabated, including the Emergency Department’s failure to timely analyze a patient’s troponin level that was followed by the patient’s death.

65. On October 11, 2023, CMS issued a notice of immediate jeopardy to Manchester Memorial Hospital based on the hospital’s failure to investigate a registered nurse’s alleged inappropriate physical interactions with patients. The nurse was allegedly having intimate relations with patients—including in patient rooms—both while they were admitted at the hospital and after discharge. In violation of the hospital’s abuse policy, that nurse was neither removed from patient care areas nor placed on administrative leave, and was permitted to continue working with patients for a period of four months. CMS concluded that this placed patients at serious risk.<sup>9</sup>

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<sup>9</sup> Immediate jeopardy was removed on October 13, 2023, after the hospital placed the nurse in question on administrative leave and was determined to be implementing a responsive action plan. However, the allegations continue to raise concerns about enforcement of and compliance with the hospital’s abuse policy.

66. An October 31, 2023 notice of noncompliance issued to Manchester Memorial Hospital identified 13 violations of Section 19-13-D3 based on DPH visits made to the hospital concluding on March 15, 2023. Those violations included, among other things:

- Medical staff *losing a sample of potentially cancerous cells that were collected via surgery.*
- Medical staff *using the wrong implant during a total knee arthroplasty* (requiring a second surgery to correct).
- Medical staff's *failure to ensure that patients with infections received antibiotics.*
- Medical staff's *failure to administer anticoagulants* (leading to a patient developing deep vein thrombosis).
- The hospital's *failure to adequately staff a unit (resulting in a patient with a high fall risk falling and fracturing their skull).*

67. A November 1, 2023 notice of noncompliance issued to Manchester Memorial Hospital identified two additional violations of Section 19-13-D3, including the hospital's *failure to implement continuous safety precautions to prevent infant abductions from the birthing center*, based on DPH visits to the hospital concluding on August 31, 2023. On information and belief, those violations remain unabated.

68. That same day, CMS also issued a notice to Manchester Memorial Hospital identifying violations of numerous regulations based on allegations that the above-described nurse (*supra* ¶ 64) had intimate relations with patients (including a patient who had been admitted for psychotic symptoms), was sending money to former patients and had inappropriate relations in patient rooms. The hospital conducted a brief investigation but did not place the nurse on administrative leave, as required by hospital policy. While Yale New Haven Health understands on information and belief that DPH subsequently found Manchester Memorial Hospital to be in substantial compliance with the related Medicare Conditions of

Participation, the severe violations involved in this situation demonstrate Defendants' failure to run the hospital in the Ordinary Course.

69. On November 3, 2023, DPH issued a notice of noncompliance to Waterbury Hospital identifying an additional violation of Section 19-13-D3, which, on information and belief, remains unabated: namely, that Waterbury Hospital staff were found to have ***failed to ensure that medications were transcribed according to the hospital's procedure and administered as prescribed.***

70. A January 3, 2024 notice of noncompliance issued to Manchester Memorial Hospital identified a violation of Section 19-13-D3 based on the hospital's ***failure to maintain certain electrical equipment.*** Specifically, on or around August 1, 2023, the HVAC system at Manchester Memorial Hospital failed because Defendants had neglected to ensure that the breakers feeding electrical power to the system were replaced in a timely manner because "the vendor was not on the Prospect Holding approved vend[o]r list".<sup>10</sup> Rather than pay to have the system repaired promptly, Defendants allowed it to remain inoperable for over five months<sup>11</sup>—meaning that patients and staff at Manchester Memorial Hospital had to endure the summer heat without air conditioning. The HVAC failure also led to the inability to maintain acceptable humidity and temperature levels in the operating rooms, which in turn led to the ***cancellation of surgeries and a full diversion of certain Emergency Department services.***<sup>12</sup> On information and belief, this violation has yet to be cured.

71. In a January 26, 2024 notice to Waterbury Hospital, CMS reported that it found continued substantial noncompliance with Conditions of Participation related to "Patient

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<sup>10</sup> January 3, 2024 DPH Notice of Noncompliance to Manchester Memorial Hospital.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

Rights” (in violation of 42 CFR § 482.13), the “Quality Assessment and Performance Improvement Program” (in violation of 42 CFR § 482.21), “Nursing Service” (in violation of 42 CFR § 482.23) and “Anesthesia Service” (in violation of 42 CFR § 482.52). As a result, Waterbury Hospital no longer met the Conditions of Participation in Medicare and was placed under the jurisdiction of the state survey agency. If Waterbury Hospital fails to achieve compliance, CMS may initiate steps to terminate Waterbury Hospital’s Medicare agreement. While CMS verified that the conditions of Immediate Jeopardy have been abated, it has also indicated that substantial noncompliance remains, demonstrating that Prospect still cannot meet the closing conditions of APA Section 6.6 (“Immediate Jeopardy Matters”).

72. On March 11, 2024, DPH issued a notice of noncompliance to Waterbury Hospital identifying 18 additional violations of Section 19-13-D3, including *failures to properly administer and monitor anesthesia*, which in at least one case led to a patient’s loss of consciousness and intubation after receiving an epidural, and *multiple reports of medical staff’s abuse of patients*. On information and belief, the hospital has yet to correct these violations. While Waterbury Hospital submitted a plan of correction to DPH that indicated certain corrections were already completed, that plan of correction also noted that the hospital was in the process of implementing certain changes to its procedures. These changes would track abuse and neglect allegations that previously were not tracked and would be monitored for several months to ensure compliance with the hospital’s procedures. YNHH has not seen any documentation relating to whether those changes comply with internal hospital procedures and with the plan of correction, even though Prospect is required to provide monthly reports to YNHH with respect to the implementation of such plans of correction. (APA § 5.9(b).)

73. On September 27, 2024, the Waterbury Hospital nurses' union, Connecticut Health Care Associates District 1199 Waterbury Hospital, took a vote of no-confidence in Waterbury's Chief Nursing Officer. By a 96% vote, the nurses' union called for the Waterbury Chief Nursing Officer's dismissal due to what they described as staff shortages and ineffective leadership. The union concluded that the Chief Nursing Officer has violated Connecticut's hospital staffing law numerous times—that law requires hospitals to adhere to the specific nursing-to-patient ratios and assistive staffing-to-patient ratios established in the hospitals' nurse staffing plans—and a related complaint has been filed both with the U.S. Inspector General's Office and DPH. Any related investigation by the U.S. Inspector General's Office or DPH would mean that Prospect and the Selling Entities would be unable to make the representation in Section 3.6(b) of the APA that Prospect and the Selling Entities are not “under investigation with respect to, any applicable material Law”. Staffing shortages have gotten so bad that the union has reported that nurses have been “stripped down to a skeleton crew”, which is putting “patients at risk”.<sup>13</sup>

74. These repeated and serious violations of state and federal law violate APA Section 5.3's requirement that the Prospect Hospitals be operated in the Ordinary Course. And their inability to provide certain services as a result of these issues—such as reduced anesthesia services due to non-payment and the diversion of patients due to faulty electrical systems—evidences both a significant interruption to the Prospect Hospitals' ordinary course operations as well as a material adverse change to the nature of the Businesses.

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<sup>13</sup> Livi Stanford, *Waterbury Hospital nurses pass no-confidence vote against chief nursing officer over staffing and patient safety concerns*, REPUBLICAN-AMERICAN (Sept. 28, 2024), <https://www.rep-am.com/localnews/2024/09/28/waterbury-hospital-nurses-pass-no-confidence-vote-against-chief-nursing-officer-over-staffing-and-patient-safety-concerns/>.

75. These regulatory failures also demonstrate that Prospect and the Selling Entities are unable to represent and warrant—as a condition precedent to closing—that they “are and have been in compliance in all material respects with all applicable Laws . . . including the Healthcare Laws” (APA § 3.6(a)) and that they have not “received written notice of”, are not “in material violation of” and are not under any obligations to take remedial action under “any applicable material Law” (APA § 3.6(b)). If the Contemplated Transaction were to close, Yale New Haven Health would be subject to being placed in immediate jeopardy due to the extensive and as-of-yet unremedied regulatory violations at the Prospect Hospitals.

76. Moreover, Defendants’ failures to comply with state and federal law at Waterbury Hospital now jeopardize and may lead to the termination of the hospital’s Medicare agreement, rendering Defendants unable to represent and warrant that they are in material compliance with the terms and conditions of participation in Medicare and are eligible for payment thereunder (APA § 3.16(a)) and that “no event has occurred that would reasonably be expected to materially and adversely affect Seller’s and the Selling Entities’ relations with any Key Payor”, with Key Payors including Medicare managed care providers (APA § 3.21).

77. That Defendants will be unable to resolve the regulatory issues in order to satisfy the closing conditions is further demonstrated by the existence of at least three unresolved government investigations into Defendants’ operation of the Businesses.

78. On April 19, 2023, the Connecticut Attorney General issued to Prospect a Civil Investigative Demand (“CID”) in connection with Prospect’s hospital funding practices that may constitute unfair or deceptive acts or practices in violation of the provisions of the Connecticut Unfair Trade Practices Act.

79. On November 3, 2023, the U.S. Department of Justice (“DOJ”) issued to Prospect a Civil Investigative Demand (“DOJ CID”) concerning allegations that Prospect violated the False Claims Act by upcoding certain secondary diagnoses on claims for inpatient care that were submitted to federal healthcare programs.

80. On January 12, 2024, the Connecticut Commissioner of Consumer Protection issued to Prospect and the Selling Entities a CID in connection with the August 2023 Cybersecurity Matter, defined and discussed below in Section B.2.

81. None of these investigations have been resolved, which renders Defendants unable to represent that neither Prospect nor any Selling Entity “is under investigation with respect to[] any applicable material Law, including the Healthcare Laws” (APA § 3.6(b)) nor that neither Prospect nor any Selling Entity is “the recipient of or served with any . . . civil investigation demand . . . or any other material inquiry related to compliance with Healthcare Laws from any Governmental Authority” (APA § 3.6(e)). Moreover, the DOJ CID concerning allegations that Prospect violated the False Claims Act in connection with upcoding certain secondary diagnoses on claims for inpatient care under government reimbursement programs jeopardizes its relationship with Medicare. Should any of the Prospect Hospitals be found out of compliance with Medicare conditions of participation, Prospect would also be unable to make the required representations under Sections 3.16 and 3.21 of the APA.

2. Defendants Fail to Prepare for and Remediate Cybersecurity Matter, Further Crippling Prospect Hospitals.

82. In addition to the grievous and numerous regulatory infractions by the Prospect Hospitals, Defendants’ insufficient cybersecurity measures and investment have further contributed to the downturn of the hospitals.

83. In the early morning hours of August 1, 2023, Prospect and the Selling Entities became aware of a ransomware matter and system compromise affecting all three Prospect Hospitals (the “Cybersecurity Matter”).<sup>14</sup> An unauthorized party had gained access to Prospect’s and the Selling Entities’ electronic environments via Waterbury Hospital’s Citrix platform and accessed and/or acquired files that contained private and sensitive patient and employee information. *Approximately 110,000 patients and employees have had their protected health information and/or personally identifiable information compromised* as a result of the Cybersecurity Matter.<sup>15</sup>

84. The Cybersecurity Matter laid bare deficiencies in Prospect’s and the Selling Entities’ information technology (“IT”) security controls and preparedness for threats that the Prospect Hospitals knew or should have known about. Cybersecurity compromises—like the one that impacted the Prospect Hospitals in 2023—have been on the rise in the healthcare industry since the COVID-19 pandemic. Those breaches and the threats they pose to data privacy were the subject of extensive public reporting in the years leading up to the Cybersecurity Matter.<sup>16</sup> Prospect and the Selling Entities ignored these warnings entirely.

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<sup>14</sup> Dave Altimari & Jenna Carlesso, *CT Hospitals Unsure if Patient Records Were Breached in Cyberattack*, CT MIRROR (Sept. 8, 2023), <https://ctmirror.org/2023/09/08/ct-hospital-cyberattack-manchester-rockville-waterbury/>.

<sup>15</sup> Angela Fortuna, *Cyberattack Impacting ECHN, Waterbury Health Affected Nearly 110,000 People: Officials*, NBC CONNECTICUT (Nov. 15, 2023), <https://www.nbcconnecticut.com/news/local/cyberattack-impacting-echn-waterbury-health-affected-nearly-110000-people-officials/3150290/>.

<sup>16</sup> See, e.g., Maggie Miller, *The Mounting Death Toll of Hospital Cyberattacks*, POLITICO (Dec. 28, 2022), <https://www.politico.com/news/2022/12/28/cyberattacks-u-s-hospitals-00075638>; Stacy Weiner, *The Growing Threat of Ransomware Attacks on Hospitals*, AAMC (Jul. 20, 2021), <https://www.aamc.org/news/growing-threat-ransomware-attacks-hospitals>.



85. In the months leading up to the ransomware matter and system compromise, Prospect and the Selling Entities also systematically underinvested in the Prospect Hospitals' cybersecurity programs and tooling.

86. It is customary for a hospital to conduct routine penetration testing of its systems, in which a cybersecurity expert attempts to find and exploit vulnerabilities in the hospital's system. This testing allows a hospital to identify and remedy vulnerabilities in its IT systems that could lead to the compromise of personally identifiable information or protected health information. Indeed, Yale New Haven Health conducts penetration testing at least twice annually. As Yale New Haven Health learned for the first time during its integration planning following execution of the APA, Prospect and the Selling Entities had conducted no recent penetration testing of their systems.

87. Prospect and the Selling Entities also failed to safeguard against a systemwide taking of protected health information or personally identifiable information by failing to install firewalls between its hospitals and other assets. The Businesses had a "flat network", meaning that there were no firewalls in place between the Prospect Hospitals vis-à-vis one another, leaving the systems even more vulnerable to breach and enabling an unauthorized actor to gain access not just to the information on the systems of the target hospital, but also to the information on the systems of the other Businesses.

88. Prospect and the Selling Entities also had an utter lack of asset management with respect to their IT systems. Prospect and the Selling Entities failed to appropriately patch or upgrade the Businesses' IT systems. And in conversations with Yale New Haven Health and its advisors following the execution of the APA, Prospect acknowledged that it was unfamiliar with Waterbury Hospital's system and did not even know that the hospital had

the outdated version of the Citrix platform that it did—the very platform that allowed the unauthorized actor to gain access to Prospect’s and the and the Selling Entities’ systems in the Cybersecurity Matter—despite having owned the hospital for nearly seven years.

89. Prospect and the Selling Entities also made their systems vulnerable to breach by failing to invest in an appropriate antivirus protection. Prior to the Cybersecurity Matter, Prospect’s and the Selling Entities’ systems had an outdated traditional antivirus program that lacked the more protective endpoint detection that is typical in the healthcare industry. Furthermore, Prospect’s and the Selling Entities’ provider of IT infrastructure services, testing services and IT service management, R4 Solutions Inc., is a small, family-owned, offshore IT support group that simply fixes IT problems when they arise, and is a far cry from a provider of the level of IT and cybersecurity that would reasonably safeguard patient and employee data.

90. Prospect and the Selling Entities also failed to maintain or enforce sufficient administrative cybersecurity policies for the Prospect Hospitals (such as a sufficient vulnerability and patch management program, data retention policy or business continuity plan—*i.e.*, a plan for how the hospitals would continue to care for patients in the event of a data breach).

91. In addition to revealing Prospect’s and the Selling Entities’ failure to adequately safeguard against a compromise of protected health information and personally identifiable information, the Cybersecurity Matter showed Prospect’s and the Selling Entities’ failure to remediate the breach in a way that ensured patients could continue to be served adequately.

92. Prior to the Cybersecurity Matter, Prospect’s Chief Information Security Officer (“CISO”) resigned. Prospect did not immediately fill that position. In fact, to date,

Prospect has failed to hire a new CISO. The resulting lack of leadership of Prospect's information security team exacerbated Prospect's inadequate response to the Cybersecurity Matter.

93. For the first 24 hours following the Cybersecurity Matter, the Prospect Hospitals were on "full diversion", taking no patients.<sup>17</sup>

94. On August 6, 2023, an anonymous grievance regarding Waterbury Hospital alerted state officials that the Cybersecurity Matter was adversely impacting patient safety and quality of care. According to the complaining party, the "Hospital is being run in unsafe conditions after computers being hacked. There is poor communication between healthcare providers and mistakes are being made that are affecting the welfare and safety of patients. There is insufficient information and history available due to no access to electronic records. Pharmacy is not verifying new medication orders before medications are administered putting patients at further risk."<sup>18</sup>

95. On August 7, 2023, DPH officials observed "issues related to medical administration" and learned that patients at Waterbury Hospital had missed their medication.<sup>19</sup>

96. As DPH officials would later discover, Manchester Memorial was not equipped to safeguard patients in the aftermath of the Cybersecurity Matter. The infant security system malfunctioned and because medical staff were not adequately monitoring the ward, no proper system was in place to prevent infants from being abducted from the hospital.

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<sup>17</sup> Dave Altamari & Jenna Carlesso, *Inside the Cyberattack at Prospect Medical Holdings' CT Hospitals*, CT MIRROR (Oct. 1, 2023), <https://ctmirror.org/2023/10/01/ct-prospect-medical-holdings-hospitals-cyberattack-yale-sale/>.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

97. Even weeks after the Cybersecurity Matter was first detected, conditions at the Prospect Hospitals did not improve. Patient census reports showed that Manchester Memorial lost over 30% of its patients between August 9 and August 20, 2023.<sup>20</sup> Manchester Memorial was so crippled by the Cybersecurity Matter that it could not take patients, and patients were forced to be diverted to hospitals in neighboring states. That diversion lasted until August 28, 2023.<sup>21</sup>

98. Waterbury Hospital's emergency department diverted so many patients to Saint Mary's Hospital that Saint Mary's emergency department became overrun, with patients sitting on the floor and waiting on gurneys in hallways for days before being admitted.<sup>22</sup>

99. During the six weeks following the breach, the Prospect Hospitals were forced to cancel nearly half of their elective procedures and at times could not process X-rays or CT scans that were vital to providing proper treatment to potential stroke or heart attack victims.<sup>23</sup>

100. The Prospect Hospitals were also short-staffed. Prospect asked DPH to provide temporary pharmacists and pharmacy technicians. State officials were so concerned about staffing issues at Waterbury Hospital that they considered activating the volunteer Medical Reserve Corps.<sup>24</sup>

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<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

101. The Prospect Hospitals were unable to bill insurance providers and Medicaid for payment, forcing the state Department of Social Services to advance them approximately \$7.5 million.<sup>25</sup>

102. The Prospect Hospitals did not declare “all services back online” until September 12, 2023, nearly six weeks after the breach began.<sup>26</sup>

103. The loss of patient confidence and tarnished reputations of the Prospect Hospitals resulting from the Cybersecurity Matter is extensive. As Waterbury Hospital CEO Dr. Lundbye confirmed, the Prospect Hospitals are faced with “a long-term recovery” from the Cybersecurity Matter.<sup>27</sup>

104. Notwithstanding the catastrophic harm done from the breach, Prospect and the Selling Entities refused to take steps to rebuild the Prospect Hospitals’ IT systems or protect them from further incursions. At a September 26, 2023 meeting with state legislators, the Prospect Hospitals’ IT systems were described as “old” and requiring updating, but Prospect claimed “they don’t have enough resources” to fund upgrades—passing the buck until such a time as Yale New Haven Health could fix them.<sup>28</sup>

105. Prospect is also now under investigation by the Connecticut Commissioner of Consumer Protection for potential legal violations in connection with its failure to safeguard personal information. The investigation was initiated on January 12, 2024, and Yale New Haven Health understands it to remain ongoing.

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<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> Dave Altimari, Jenna Carlesso & Mark Pazniokas, *Hospital Execs to Lamont, Lawmakers: Seal the Yale-Prospect Deal*, CT MIRROR (Sept. 26, 2023), <https://ctmirror.org/2023/09/26/hospital-execs-to-lamont-lawmakers-seal-the-yale-prospect-deal/> [hereinafter *Seal the Yale-Prospect Deal*].

<sup>28</sup> *Id.*

106. As a result of Defendants’ failure to adequately prepare for and remediate the compromise of patient and employee protected health information and/or personally identifiable information, Defendants are unable to represent, as required for closing, that during the last 24 months leading up to either the Effective Date or closing date, they have complied with applicable Privacy and Security Laws and have “taken all appropriate and necessary steps to contain, eradicate and remediate each ‘breach’, as defined by HIPAA, of the security of any Purchased Asset.” (APA § 3.19(a).)

107. Moreover, due to the breach, Defendants cannot represent that during the last 24 months “there has been no data ‘breach,’ as defined by HIPAA, affecting more than 500 individuals”. (APA § 3.19(b).)

108. Given the investigation that has been launched as a result of the Cybersecurity Matter, Defendants are also unable to represent that they are under no “investigation by any Governmental Authority for a violation” of any Privacy and Security Laws. (APA § 3.19(c).)

3. Defendants’ Failure to Pay Vendors & Suppliers.

109. Further exacerbating the decline in quality of care, the Prospect Hospitals have violated their obligation to pay vendors and physicians in the Ordinary Course, “and in any event before delinquency”, driving many vendors and physicians (including entire physician groups) to stop providing services to the Prospect Hospitals. (APA § 5.3(b).)

110. In a September 13, 2023 email to Yale New Haven Health, the Chair of the Department of Anesthesiology at ECHN and the Managing Partner of Anesthesia Associates of Willimantic (“AAW”)—the sole provider of anesthesia services for ECHN—stated that ECHN was “months behind in payments despite multiple invoice reminders, in-person meetings

with the CEO, emails, and . . . corporate attorney involvement.” AAW indicated it would be reducing the services it provides due to lack of payment and that, together with other hospital specialty groups that had also not been paid, planned to detail their concerns to the Connecticut Attorney General. In addition to violating the Ordinary Course covenant (APA § 5.3(b)), Prospect’s failure to pay timely AAW constitutes a failure of the representation at Schedule 3.8(a) of the APA, which requires Prospect and the Selling Entities to represent that they have not materially breached the AAW contract.

111. During a September 26, 2023 meeting, executives from Waterbury Hospital and ECHN informed Governor Lamont and legislators that all three of the Prospect Hospitals faced financial ruin if the transaction with Yale New Haven Health were not expedited. Describing the Prospect Hospitals’ financial condition as “dire”, the executives admitted that the Prospect Hospitals were struggling to pay their vendors and contracted physicians, that “there have been limitations on lab equipment and chemicals used in labs” and that they were even “having difficulty paying for bed linens, things like that”.<sup>29</sup>

112. Beginning on or before September 23, 2023, the Waterbury Hospital Neonatal Intensive Care Unit and Well Baby Nursery/Postpartum Unit were unable to provide patients with on-site bilirubin testing due to a lack of laboratory testing supplies. The fact that Waterbury Hospital, which has a dedicated Family Birthing Center and a Level III neonatal intensive care unit, was unable to administer such a routine and necessary procedure to newborns/neonates (which is a particularly vulnerable patient population) for a period of time demonstrates a lack of quality patient care and is detrimental to the hospital’s reputation.

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<sup>29</sup> *Id.*

113. Since at least November 27, 2023, doctors have reported instances of being unable to use required materials due to supply shortages and at times are forced to use lower-quality materials associated with slower healing and increased reports of pain. By way of example, some surgeons have been unable to obtain their preferred surgical mesh. More recently, it has been reported that basic equipment such as vital sign machines and many thermometers do not work at Waterbury Hospital. Instead of relying on the hospital-provided faulty thermometers, one nurse reported that nurses “are using Dollar Tree thermometers” to treat patients.<sup>30</sup>

114. On November 30, 2023, the CT Mirror reported that “[s]urgeries have been postponed because health care providers don’t have the needed resources.”<sup>31</sup> Additionally, surgeons are no longer performing certain spine and vascular surgeries at Waterbury Hospital and are instead taking those surgeries to competing hospitals because vendors will no longer provide certain supplies necessary for such surgeries. Indeed, because the Prospect Hospitals were not paying physicians, “[m]any of them are planning to leave”.<sup>32</sup>

115. In November 2023, it was reported that ECHN owed \$5.9 million to local vendors and \$5.18 million of unpaid compensation to physicians.<sup>33</sup>

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<sup>30</sup> Livi Stanford, *Waterbury Hospital nurses pass no-confidence vote against chief nursing officer over staffing and patient safety concerns*, REPUBLICAN-AMERICAN (Sept. 28, 2024), <https://www.republican.com/localnews/2024/09/28/waterbury-hospital-nurses-pass-no-confidence-vote-against-chief-nursing-officer-over-staffing-and-patient-safety-concerns/>.

<sup>31</sup> Jenna Carlesso & Dave Altimari, *CT Presents Draft Settlement in YNHH-Prospect Hospitals Sale*, CT MIRROR (Nov. 30, 2023), <https://ctmirror.org/2023/11/30/prospect-medical-holdings-ct-hospitals-ynhh-sale/>.

<sup>32</sup> *Seal the Yale-Prospect Deal*, *supra*, n.22.

<sup>33</sup> Jenna Carlesso & Dave Altimari, *The CT Hospitals Face a Situation Called ‘Dire.’ Doctors and Other Joined the Fight to Save Them*, HARTFORD COURANT (Nov. 13, 2023), <https://www.courant.com/2023/11/13/the-ct-hospitals-face-a-situation-called-dire-doctors-and-other-joined-the-fight-to-save-them/>.



116. On November 13, 2023, nurses and physicians from all three Prospect Hospitals rallied at the State Capitol, complaining that, among other things, they were not getting paid for their services. During that rally, cardiologist and president of the medical staff at ECHN, Dushynt Gandhi, publicly stated: “Cardiologists, general surgeons, vascular surgeons are making phone calls—they are not getting paid for their services, including myself. And we are not talking about only delayed or delinquent payments. In some situations, [it’s] no payment.” Dr. Gandhi also stated that staff and doctors were considering leaving and that one of his colleagues had said that they “probably will not take calls . . . and the reason is nonpayment”. Dr. Gandhi also noted that “[t]here’s a chance that if the money is not paid, some of the nurses and staff who are providing travel services would go away”, resulting in a necessary decrease of the services those staff provide.<sup>34</sup>

117. On December 18, 2023, a Connecticut Superior Court entered an order finding probable cause to conclude that Waterbury Hospital had failed to pay North American Partners in Anesthesia (Connecticut) for anesthesia services, and ordered it to either post a bond in the amount of \$1.9 million or to file an affidavit disclosing its assets within 45 days. *North American Partners in Anesthesia (Connecticut) v. Prospect Waterbury, Inc. D/B/A Waterbury Hospital*, UWY-CV22-6065813-S (Super. Ct. Waterbury). Prospect failed to disclose this lawsuit in Schedule 3.15(a), which required Prospect to identify “all material Actions with respect to the Business that are pending . . . in which the amount claimed exceeds Five Hundred Thousand Dollars”. A prejudgment remedy in the amount of \$1,919,778 was granted in this

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<sup>34</sup> Jenna Carlesso & Dave Altimari, *Medical Staff, CT Legislators Rally for Prospect Hospitals’ Sale to Yale New Haven Health*, CT MIRROR (Nov. 13, 2023), <https://ctmirror.org/2023/11/13/ct-prospect-medical-hospitals-yale-health-sale/>.

case, thus potentially violating provisions of the APA that required the Purchased Assets to be clear of all Encumbrances other than those in the Ordinary Course (APA § 5.4(g)). Prospect's contract with the North American Partners in Anesthesia of Connecticut is a Material Contract under Section 3.8(a) of the APA, and so Prospect's failure to pay the North American Partners in Anesthesia of Connecticut is a "material breach or default" of a Material Contract, resulting in a failure of Section 3.8(b) of the APA. Prospect's failure to perform the contract with North American Partners in Anesthesia of Connecticut<sup>35</sup>—an Assumed Contract listed in Schedule 2.1(k)-1—also falls outside of the ordinary course of business under Section 5.4(c).

118. Further, the entire Waterbury Hospital emergency room physician group was changed over in March 2024 because the previous group was deemed too expensive. Additional cuts have also been recommended to multiple services. One of two hospitalist service groups has not been paid and will be leaving, and certain subspecialists in orthopedic and other surgical specialties are refusing to provide care at Waterbury Hospital due to the hospital's refusal to pay for important services such as call coverage.

119. Similar issues have plagued Manchester Memorial Hospital. On October 4, 2024, it was reported that the New England Cardiology Associates—in addition to three other practices in the Manchester area—has been waiting for months to be paid by Prospect. The Northeastern Pulmonary Associates also has worked for months without pay at Manchester

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<sup>35</sup> Jenna Carlesso & Dave Altimari, *Lamont warned cyberattack, vendor debt put sale of Prospect hospitals at risk*, CT MIRROR (Sept. 21, 2023), <https://ctmirror.org/2023/09/21/ct-prospect-medical-holdings-hospital-yale-health/>.

Memorial. One pulmonologist reported that the Northeastern Pulmonary Associates was paying her out of their own pocket because they were not being paid by Prospect.<sup>36</sup>

120. While this inability to timely pay the people supplying critical services was exacerbated by the Cybersecurity Matter, it had already begun to plague the Prospect Hospitals in the months leading up to the Cybersecurity Matter.

121. Indeed, Waterbury Hospital's then-CEO Dr. Lundbye acknowledged that even prior to the Cybersecurity Matter, the hospital was "stretching out his vendors" and its *accounts payable had grown to over \$40 million*.<sup>37</sup> Fearing bankruptcy, several vendors had put Waterbury Hospital and Manchester Memorial "on credit hold" and were "refusing to do additional business with the hospitals" until they got paid. Dr. Lundbye reported that he had been called by unpaid vendors "who tell him (while crying) that they may have to declare bankruptcy because of [the] nonpayment".<sup>38</sup>

122. Defendants also failed to pay the Waterbury Hospital and Manchester Memorial elevator supplier, Otis, and, thus, have been unable to maintain operable elevators at both hospitals. As a result, staff has been forced to carry patients up and down the stairs, posing a clear and substantial risk to patient (and employee) safety.

123. Dr. Lundbye had promised vendors that they would be repaid after Prospect closed a financing deal it had been working on, yet none of the proceeds from that deal

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<sup>36</sup> Sujata Srinivasan, *Staffing shake-up hits Prospect-owned Manchester Memorial*, CONNECTICUT PUBLIC (Oct. 4, 2024), <https://www.ctpublic.org/news/2024-09-26/prospect-waterbury-hospital-staffing>.

<sup>37</sup> Aug. 5, 2023 Email from J. Dach to J. Manisha re Prospect Continued, <https://s3.documentcloud.org/documents/23997185/2023-09-28-15-10.pdf>.

<sup>38</sup> *Id.*

flowed to any of the three Prospect Hospitals.<sup>39</sup> Prospect's financial practices are currently under investigation by the Connecticut Attorney General's office.<sup>40</sup>

124. On May 14, 2024, the Connecticut Hospital Association ("CHA") filed an application for a prejudgment remedy against Prospect Medical Holdings Inc. and other Prospect entities<sup>41</sup> for defaulting on payment for, among other things, membership dues and specialized data services. *The Connecticut Hospital Association, Inc. v. Prospect Medical Holdings, Inc. et al.*, HHD-CV24-5083244-S (Super. Ct. Hartford). A prejudgment remedy in the form of an attachment against Prospect in the amount of \$1,747,456.07 had been sought, which, if granted, would have been an impermissible encumbrance. (APA §§ 3.3(a), 5.4(g).) On August 21, 2024, the CHA withdrew its claims against Prospect pursuant to a settlement agreement Prospect had reached with the CHA. Any failure to comply with the terms of that settlement agreement would constitute a further breach of the APA.

125. These failures to pay medical staff, physicians and vendors violate the Ordinary Course covenant to timely pay all liabilities of the Businesses. (APA § 5.3(b).)

126. These failures have also led to the breakdown in the Businesses' relationships with key providers that are essential to the core operations of the Businesses, rendering the required representations in Section 3.14 incapable of being true and accurate. Physician groups have terminated services with the Businesses, and medical staff have rallied in protest and threatened to leave. Vendors are refusing to supply necessary medical supplies. For

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<sup>39</sup> *Id.*

<sup>40</sup> Eric Bedner, *CT AG Probing Prospect Medical Holdings' 'Financial Practices' Amid Sale of ECHN Hospitals to Yale*, CT INSIDER (Nov. 3, 2023), <https://www.ctinsider.com/journalinquirer/article/ct-prospect-medical-attorney-general-investigation-18466708.php>.

<sup>41</sup> Defendants in this case are Prospect Medical Holdings, Inc., Prospect Manchester Hospital, Inc., Prospect Rockville Hospital, Inc., Prospect Waterbury, Inc. and Prospect Chartercare SJHSRI, LLC

April 2023, Prospect reported that, in total, Waterbury Hospital and ECHN had more than \$7.8 million in accounts payable that were more than 180 days past due, and more than \$950,000 in accounts payable that were more than one year past due. ***By January 2024, these figures grew to \$28.8 million and \$6.5 million, respectively.*** Even if these critical providers were paid out of any closing proceeds, such payment could not guarantee that the providers would resume services at the Businesses. To the contrary; the damage that has been done to these relationships is extensive and will require significant time and investment to repair—and may not even be reparable.

4. Defendants' Failure to Maintain Facilities.

127. In addition to Defendants' mismanagement of the Prospect Hospitals' services and operations, physicians, employees and patients have reported unsafe conditions of the facilities themselves, again stemming from Prospect and the Selling Entities' utter failure to invest further in the hospitals they wish to sell.

128. As described above, in early August 2023, the HVAC system at Manchester Memorial Hospital failed because Defendants had neglected to ensure that the breakers feeding electrical power to the system were replaced in a timely manner because “the vendor was not on the Prospect Holding approved vend[o]r list”.<sup>42</sup> The hospital was forced to cancel surgical procedures and divert patients to other hospitals due to the operating room temperature and humidity levels that were outside the acceptable range.<sup>43</sup>

129. In November 2023, the Mother/Baby Unit at Manchester Memorial Hospital (which houses delivery and post-partum rooms, the newborn nursery and the neonatal

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<sup>42</sup> January 3, 2024 DPH Notice of Noncompliance to Manchester Memorial Hospital.

<sup>43</sup> *Id.*

intensive care unit) was without heat for approximately two weeks as a result of a broken boiler. During this period, the hospital installed space heaters in the Unit, jeopardizing the health and safety of the patients—newborns and mothers—and staff. Prior to the boiler breaking, Prospect was aware that it was in need of replacement, and even after the boiler broke, Prospect delayed in providing ECHN the required funding.

130. As described above, Prospect has also failed to pay the Waterbury Hospital and Manchester Memorial elevator maintenance provider, resulting in staff being forced to carry patients up and down the stairs, posing a clear and substantial risk to patient (and employee) safety and further driving patients away from the hospitals.

131. Additionally, the cameras and lights in the Prospect Hospitals' parking lots have not been functioning consistently, leading to criminal activity and feelings of unease among visitors and staff.

132. Yale Medicine physicians who work at Waterbury Hospital reported that as of October 25, 2023, there had been at least four vehicles stolen from the Waterbury Hospital parking lots.

133. In addition, several people (both staff and visitors) have reported being followed or approached in the parking lots after exiting the hospital in the off hours.

134. These failures to pay for even minimal maintenance of the facilities and to provide basic security threatens to drive away even more patients and physicians and further degrades the Prospect Hospitals' reputations.

135. These failures to maintain the facilities of the Businesses violates the Ordinary Course covenant (APA § 5.3(a)) and also renders untrue any representation by Prospect or the Selling Entities that the facilities have been maintained as required (APA § 3.12).

5. Prospect Defaults on Its Rent.

136. Defendants' failure to timely pay the Businesses' liabilities also extended to their rent payment obligations.

137. On February 23, 2023, MPT stated during its own earnings call that Prospect had not paid the rent that it owed to MPT in connection with the Prospect Hospitals in January or February 2023.<sup>44</sup> Defendants had not notified Yale New Haven Health of this failure to pay rent, despite their obligation under Section 5.3(e) of the APA to do so, and Yale New Haven Health learned of the unpaid rent for the first time during this earnings call.

138. By May 2023, Prospect owed MPT \$56 million in accrued rent and interest, in addition to nearly \$400 million more in loans that MPT had extended to Prospect.<sup>45</sup>

139. Prospect negotiated a restructuring of its Master Agreement with MPT under which, "in lieu of cash payment for \$573 million of loans, unpaid rent and interest, and other amounts owed", MPT would receive equity in PHP Holdings, LLC, which controls Prospect.<sup>46</sup> Specifically, Prospect promised to pay MPT \$355 million out of the closing proceeds from the Yale New Haven Health deal and give MPT a \$103 million equity stake in PHP Holdings. In exchange, MPT would reduce Prospect's rent obligations to \$0.00 per month through October 31, 2023. This arrangement was finalized in May 2023.<sup>47</sup>

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<sup>44</sup> Medical Properties Trust Q4 2022 Earnings Call (When asked by Michael Carroll from RBC Capital Markets, "Did Prospect pay their full rent in January and February?", Steven Hamner, MPT CFO, responded, "No").

<sup>45</sup> Katy Golvala & Jenna Carlesso, *Meet the Hospital Mega-landlord at the Center of the Yale-Prospect Deal*, CT MIRROR (November 16, 2023), <https://ctmirror.org/2023/11/16/prospect-medical-holdings-mpt-properties-trust/>.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*; *Medical Properties Trust Announces Prospect Recapitalization Transactions*, MEDICAL PROPERTIES TRUST (May 23, 2023), <https://medicalpropertystrust.gcs-web.com/node/15376/pdf>.

140. Prospect induced Yale New Haven Health to consent to this arrangement by representing that the restructuring would provide Prospect's hospital operations with liquidity and capitalize its managed care business for continued growth. Prospect also indicated that the restructuring and recapitalization agreement would prevent Prospect from receiving a "going concern" qualification in future audits. Indeed, Prospect made clear that its external auditors would be able to issue an unqualified audit opinion for FY 2022 only if Prospect were able to close the extraordinary MPT restructuring and recapitalization deal.

141. While the MPT restructuring provided for a rent holiday only through October 2023, Prospect was late in payment rent for several months in 2024.

142. Defendants' ongoing failure to timely satisfy their rent obligations directly violates Section 5.3(b) of the APA, which required Prospect and the Selling Entities to pay "all bills and invoices for . . . leasing of real property" in the Ordinary Course, "and in any event before delinquency".

6. Prospect and the Selling Entities Default on Tax Liabilities.

143. Defendants have failed to keep current on their taxes.

144. On a March 9, 2023 call, Prospect informed Yale New Haven Health that it had not paid provider taxes to the Connecticut Department of Revenue Services (the "Department of Revenue"). Each quarter, the Prospect Hospitals have been required to pay to the Department of Revenue a tax on the total net revenue received by each hospital for the provision of inpatient and outpatient hospital services. Conn. Gen. Stat. § 12-263q(a)(1). As of March 2023, Defendants' unpaid Connecticut provider tax liability for 2022 amounted to approximately \$38 million, plus interest and fees.



145. In late December 2023, the State of Connecticut filed three tax liens against Defendants due to their failure to pay the applicable provider taxes since at least March 2022. Waterbury Hospital owed the Department of Revenue \$36.39 million, Manchester Memorial Hospital owed \$22.9 million and Rockville General Hospital owed \$8.1 million, for a total of \$67.39 million.<sup>48</sup>

146. In response to the Department of Revenue's attempts to collect on the delinquent taxes, Defendants negotiated a settlement of their provider tax liabilities. That settlement, executed on January 31, 2024, provided that the Selling Entities would be granted a discount of \$2 million and be allowed to pay the remaining outstanding \$65 million in payments, with \$55 million paid as a "down payment" with proceeds from the closing of the Contemplated Transaction if Prospect was unable to secure financing before that time, and the remaining \$10 million paid in monthly installments. This discount and payment arrangement were granted in consideration of Defendants' representation to the Department of Revenue that they were in serious financial distress. The settlement agreement provided that "in no event" shall the downpayment contemplated by the agreement be paid after April 15, 2024 and "in no event" shall any installment payment be paid after September 15, 2024. These deadlines have long passed, and Prospect has made no payments on the delinquent provider taxes, which have continued to accrue and now total over \$100 million. In any event, the APA requires Prospect and the Selling Entities to pay their taxes in the Ordinary Course as a precondition to closing the transaction. (APA § 5.3) It is not in the Ordinary Course for Prospect to ignore tax payment

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<sup>48</sup> Dav Altimari et al., *Prospect Medical Chain Owes CT \$67 Million, Tax Liens Show*, CT MIRROR (Jan. 9, 2024), <https://ctmirror.org/2024/01/09/prospect-medical-holdings-ct-hospitals-tax-lien/>.

obligations for two years and then use the proceeds from a non-Ordinary Course sale of the Businesses to attempt to satisfy post hoc this condition of the APA.

147. State provider taxes were not the only taxes that Prospect and the Selling Entities have failed to pay. According to public tax records, Prospect and the Selling Entities owe outstanding real property and personal property taxes plus interest in the following amounts:

- Real property taxes plus interest for Waterbury Hospital in the amount of \$13,740,231.80;
- Personal property taxes plus interest for Waterbury Hospital in the amount of \$2,301,929.25;
- Real property taxes plus interest for Manchester Memorial Hospital in the amount of \$1,057,804.42;
- Personal property taxes plus interest for Manchester Memorial Hospital in the amount of \$347,013.57;
- Real property taxes plus interest for Rockville General Hospital in the amount of \$266,286.51; and
- Personal property taxes plus interest for Rockville General Hospital in the amount of \$81,396.37.

148. Under Prospect's lease agreement with MPT, Prospect and the Selling Entities are responsible for paying these taxes.

149. As a result of the failure to pay the past-due municipal taxes, on April 9, 2024, the City of Waterbury filed a lien against Waterbury Hospital's real property. The City of Waterbury also filed two liens, on April 11, 2024 and August 2, 2024, respectively, for the past due personal property taxes. These attachments constitute impermissible Encumbrances under the APA that are outside the Ordinary Course. (APA §§ 3.3(a), 5.4(g).) They also constitute a violation of Prospect's and the Selling Entities' obligation to timely pay liabilities. (APA § 5.3.) Liens may also be filed on other property due to overdue municipal taxes.

150. Even beyond the liens filed against the Businesses, which constitute impermissible Encumbrances in breach of the APA, these failures to pay tax liabilities render false Defendants' representation in Section 3.20(b) of the APA that as of both the Effective Date and at closing, "all material Taxes, penalties, interest, and any other statutory additions which have become due pursuant to the Tax Returns, and any material assessments in respect of the Tax Returns of Seller and the Selling Entities have been paid when due".

7. Prospect and the Selling Entities Fail to Make Required Contributions to Pension Plans, Resulting in Impermissible Liens on the Purchased Assets.

151. In addition to the tax liens that have been filed, the PBGC has perfected liens against assets of the Businesses due to Prospect's and the Selling Entities' failure to make required contributions to two of Prospect's established single-employer pension plans, one of which covers the Businesses' employees in Connecticut, under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA") (the "Prospect Pension Plans"). As described below in Paragraph 156, Prospect and the Selling Entities [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] These plan contributions are required by both ERISA and parallel provisions of the Internal Revenue Code.

152. For each of the Prospect Pension Plans, Defendants are members of the controlled group of the plan sponsor and are responsible for making the contributions due to the pension plans under federal law.

153. The PBGC is a federally chartered corporation created by ERISA that, among other things, insures payment of pension benefits under a single-employer insurance program. If an employer fails to make required plan contributions, the PBGC can perfect and enforce a statutory lien on the employer's property if the unfunded amount rises above \$1 million. Members of an employer's controlled group are jointly and severally liable for payment of the required contributions. 26 U.S.C. § 412(b)(2).

154. Contributions of around \$16 million due to the Prospect Pension Plans for the 2023 plan year were due on September 15, 2024. Defendants failed to make those contributions.

155. Due to the failure to make the required contributions for the 2023 plan year, on September 17, 2024, the PBGC perfected liens under 26 U.S.C. § 430(k) on assets of the Businesses.

156. According to publicly filed notices of lien, examples of which are attached as Appendix A, the PBGC's lien on Prospect's and the Selling Entities' assets arising from Eastern Connecticut Health Network, Inc. Pension Plan totals \$4,002,055 (which names as debtors Prospect ECHN, Inc., Prospect Waterbury, Inc. and Prospect CT Medical Foundation, Inc., among other Prospect entities), and the PBGC's lien on Prospect's and the Selling Entities' assets arising from the Crozer-Keystone Health System Employees Retirement Plan totals \$11,991,908 (which names as debtors Prospect Waterbury, Inc., Prospect Waterbury Ambulatory Surgery, LLC, Prospect CT Medical Foundation, Inc., and Prospect Crozer Ambulatory Surgery, LLC, among other Prospect entities). Prospect and the Selling Entities have also failed to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

157. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

158. Prospect's and the Selling Entities' failure to fund the Eastern Connecticut Health Network, Inc. Pension Plan [REDACTED] constitutes a breach of APA Section 5.3's requirement that during the Interim Period, Prospect and the Selling Entities pay all "debts and liabilities" of the Businesses "in the Ordinary Course" "and in any event before delinquency". [REDACTED]

[REDACTED] is also a violation of Section 5.3's requirement that the Businesses be operated in the Ordinary Course. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

159. Prospect's and the Selling Entities' failure to fund the Prospect Pension Plans and the resulting PBGC liens on the Businesses' assets also constitute a breach of APA Section 5.4(g), which prohibits Prospect and the Selling Entities from creating or granting "any Encumbrance on any Purchased Asset, except in the Ordinary Course" during the Interim Period.

160. In addition to violating the Ordinary Course covenants of the APA, the PGBC liens render false certain representations that Prospect and the Selling Entities must make before YNHH is obligated to close.

161. *First*, under Section 3.13(b), Prospect and the Selling Entities must represent at closing that "[e]xcept as disclosed on Schedule 3.13(b), all Employee Benefit Plans and the related trusts comply, and have been established, administered and maintained, in all material respects, with (i) their terms, [and] (ii) the applicable provisions of ERISA" and that "since January 1, 2018, no event has occurred that has resulted in or would subject . . . the assets of the Businesses to a lien under Section 430(k) of the Code". By failing to make the required plan contributions due for plan years 2023 [REDACTED] Prospect and the Selling Entities failed to administer and maintain the Eastern Connecticut Health Network, Inc. Pension Plan [REDACTED] [REDACTED] in accordance with their terms and the provisions of ERISA. This failure was not disclosed on Schedule 3.13(b) to the APA, or any amendment thereto, and the failure to fund the Eastern Connecticut Health Network, Inc. Pension Plan has already led to the imposition of liens on assets of the Businesses under 26 U.S.C. § 430(k). Accordingly, Prospect and the Selling Entities will be unable to make the representation in Section 3.13(b) upon closing. Additionally, Section 3.13(c) requires Prospect and the Selling Entities to represent at closing that "since January 1, 2018, . . . there has been no . . . failure to make a required contribution that could result in the imposition of a lien or the

provision of security under Section 430 of the Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance”. Prospect and the Selling Entities have admittedly not made the contribution required for the 2023 plan year and that failure has already resulted in a lien on the Businesses’ assets. [REDACTED]

[REDACTED] Accordingly, Prospect and the Selling Entities will be unable to make the representation in Section 3.13(c) upon closing. The representations in Section 3.13 are Seller Compliance Representations. Their failure constitutes a failure of the closing condition of Section 6.1(b), which requires that the Seller Fundamental Representations and Seller Compliance Representations “be true and correct in all material respects”.

162. *Second*, pursuant to Section 3.3(a) of the APA, Prospect or the applicable Selling Entity must represent that it “owns and holds, or will own and hold as of Closing, and, at the Closing, will sell, transfer, and assign to Buyer, valid title to or leasehold interest in, as the case may be, all of the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances”. The PBGC liens are not Permitted Encumbrances, and to the extent those liens remain unsatisfied, Prospect and the Selling Entities will be unable to make the representation in Section 3.3(a) that must be made at closing. Section 3.3(a) is a Seller Fundamental Representation. Its failure constitutes a failure of the closing condition of Section 6.1(b).

163. On October 4, 2024, YNHH gave notice to Prospect and the Selling Entities that the failure to make the required pension contributions and the PBGC liens each constitute breaches of the APA that give YNHH the right to terminate the APA under Section 8.1(a)(ii) if not cured within 30 days. A copy of that notice is attached as Appendix B.

164. Prospect's and the Selling Entities' admitted failure to fund the Prospect Pension Plans months after YNHH filed the instant action seeking a declaration that Prospect has breached numerous other provisions of the APA further demonstrates Defendants' blatant disregard for their contractual obligations and inability to meet the conditions required for the parties to close the transaction contemplated by the APA.

**C. The Prospect Hospitals Are No Longer Financially Viable.**

165. Defendants' grievous mismanagement of the Businesses since the Balance Sheet Date has led to financial degradation that has been overwhelming—even when accounting for any impact of the Cybersecurity Matter that Defendants may claim is merely temporary. As detailed below, the Businesses' EBITDAR has plummeted, they have suffered operating income losses and they have avoided a going concern qualification in their annual audits only because they secured a 10-month rent holiday and misrepresented to their external auditor the liabilities that Yale New Haven Health would assume under the APA. This financial deterioration, coupled with the gross mismanagement of the Businesses—which will only lead to further financial decline—evinces Defendants' failure to operate the Businesses in the Ordinary Course and constitutes a MAC under the APA.

166. Even prior to the Cybersecurity Matter, the Businesses' ability to continue as a going concern was called into question. Prospect's audited financial statements for FY 2022—due 120 days after its year-end on September 30, 2022—were not provided to Yale New Haven Health until June 2023 (approximately five months late). (*See* APA § 5.16(b).) Prospect told Yale New Haven Health in March 2023 that its restructuring of its lease agreement with MPT was necessary to avoid a going concern qualification from its external auditor. But it was not just the lease restructuring that allowed Prospect and its subsidiaries to obtain an unqualified



audit report. The audit opinion relied upon the assumption that the Contemplated Transaction would close (as opposed to analyzing the Businesses on a stand-alone basis), and on the related incorrect assumption that Yale New Haven Health would be acquiring substantially all of the Businesses' significant liabilities. Under the APA, Yale New Haven Health in fact agreed to assume very few of the Businesses' liabilities.<sup>49</sup> (*See* APA § 2.5.)

167. That the Businesses are unlikely to continue as a going concern is further supported by their increasingly bleak financial performance since the Balance Sheet Date.

168. Although the Businesses had a reported adjusted EBITDAR of positive \$6.0 million for the trailing 12 months ended the Balance Sheet Date (February 28, 2022), by October 2023—a year after the APA was executed and 20 months after the Balance Sheet Date—that figure declined to *negative* \$55.1 million. By December 2023—14 months after the APA was executed and 22 months after the Balance Sheet Date—the Businesses' reported adjusted EBITDAR declined to negative \$65.0 million.

169. Similarly, the Businesses' operating income deficit increased from negative \$13.0 million for the trailing 12 months ended the Balance Sheet Date to negative \$98.5 million for the trailing 12 months ended October 2023. By December 2023—14 months after the APA was executed and 22 months after the Balance Sheet Date—the operating income deficit further increased to negative \$107.3 million. That is, the Businesses' operating income deficit increased *more than 725 percent* between the Balance Sheet Date and December 2023.

170. Moreover, while EBITDAR is the principal financial metric on which Prospect and the Selling Entities have reported monthly results to Yale New Haven Health, on

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<sup>49</sup> When Yale New Haven Health asked Prospect to correct this misstatement, Prospect refused.

information and belief, other relevant financial metrics would show similar—or worse—deterioration since the Balance Sheet Date.

171. Prospect also failed to comply with its obligation to produce audited financials for FY 2023 on a timely basis. This tardiness in itself is another breach of Section 5.16(b) of the APA.

172. In light of the foregoing, and given that Prospect (i) has promised to pay MPT \$355 million out of the transaction’s closing proceeds, (ii) is past due on over \$100 million in state provider taxes, over \$17 million in real property and personal property municipal taxes; (iii) must satisfy nearly \$16 million in the Prospect PBGC Liens for Prospect’s unpaid contributions to its single-employer pension plans; and (iv) owes hundreds of vendors tens of millions of dollars in past due accounts payable, Prospect cannot represent that it will be solvent after giving effect to the transaction, as it is required under Section 3.25 of the APA.<sup>50</sup>

173. Furthermore, on April 16, 2024, the Superior Court granted a prejudgment remedy against Prospect in favor of the Eastern Connecticut Health Network in the amount of \$2,689,772 for the legal fees and expenses Eastern Connecticut Health Network has incurred in connection with the proceeding *Prospect Medical Holdings, Inc. et al. v. Eastern Connecticut Health Network Inc. N/K/A Leg*, HHD-CV19-6116665-S (Super. Ct. Hartford). Any attachment of the Purchased Assets would be an impermissible Encumbrance. (APA §§ 3.3(a), 5.4(g).)

174. Importantly, most of the Businesses’ economic decline is not attributable to the Cybersecurity Matter, which indicates that the problems are systemic. Indeed, in

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<sup>50</sup> Pursuant to Section 3.25 of the APA, Prospect must be solvent immediately after giving effect to the transactions contemplated by the APA and must not incur debts beyond its ability to pay. Under the APA, Prospect will be responsible for satisfying these debts, which are plainly beyond its ability to pay.

documents provided to the Connecticut Office of Health Strategy (“OHS”), Prospect estimates the financial impact of the Cybersecurity Matter, from August through November 2023, to be \$20.85 million. Thus, even if that estimated impact is excluded from EBITDAR, the Businesses’ EBITDAR declined from positive \$6.0 million on the Balance Sheet Date to negative \$44.2 million for the trailing 12 months ended December 2023. EBITDAR is a measure of financial operating performance that stands for “earnings before interest, taxes, depreciation, amortization and rent.” If anything, the significant declines in the Businesses’ EBITDAR *understates* the full extent of the Businesses’ adverse financial condition, because it does not take into account Defendants’ failure and inability to pay their Ordinary Course tax and rent obligations since the APA was executed.

175. Essentially acknowledging that the Businesses are in extreme financial distress, Defendants resorted to attempting to implement “turnaround” plans for the approximate time period of June 2023 to December 2023 for each of Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital. And when internal turnaround plans could not be implemented, Defendants engaged consulting firm Alvarez and Marsal (“A&M”), which specializes in bankruptcy and restructuring, to assist with turnaround plans for each of Waterbury Hospital and ECHN—plans for which they never sought Yale New Haven Health’s approval, in violation of Sections 5.3 and 5.4 of the APA. Not only are these turnaround plans a far cry from operating in the Ordinary Course, as required under Section 5.3 of the APA, but Defendants have provided no report or other evidence to Yale New Haven Health of the plans’ efficacy. To the contrary, as the Businesses’ financials demonstrate, the Prospect Hospitals continue to see increasingly negative financial performance.

**D. Prospect’s Mismanagement Carries Long-Term Consequences.**

176. Prospect and the Selling Entities have materially compromised their relationships with medical staff, employees, suppliers and patients in a way that is likely to impede the Businesses' ability to provide adequate medical care and sustain volume/operations going forward. Physicians and medical staff are likely to continue to avoid providing services at the Prospect Hospitals given they cannot guarantee they will be paid for their services. Suppliers and vendors are likely to continue to refuse doing business with the Prospect Hospitals since they are also not being paid on time or at all. Patients are likely to continue to look elsewhere for services given the myriad regulatory noncompliance issues such as lack of maintenance of facilities and inappropriate behavior of medical staff, as well as the lack of protection of their personal information and data. This severe level of reputational harm will have long-lasting effects on the Prospect Hospitals and cannot be remediated in a short period of time nor without significant and unanticipated investment from Yale New Haven Health.

177. Since the Cybersecurity Matter, Defendants have been unable to provide Yale New Haven Health with sufficient information to confirm that the Selling Entities' security posture is appropriate on a going forward basis. For example, Defendants would not timely provide standard documentation that Yale New Haven Health requested, such as a network architecture diagram for each of the Prospect Hospitals. Nor have Defendants provided any evidence that they have put in place an appropriate plan to better prepare the Prospect Hospitals' IT systems against a future breach. Defendants have provided no evidence that they are implementing adequate firewalls and/or endpoint detection tools, that they have updated their security policies and procedures to address the vulnerabilities associated with the Cybersecurity Matter or that they are establishing a vulnerability management program. Upon request for access to IT systems in Yale New Haven Health's Information Request pursuant to Section 5.1

of the APA, Defendants denied Yale New Haven Health access to their IT systems. These failures constitute separate breaches of the APA (§ 5.1). They also present risk not just to the Prospect Hospitals, but also to any integration of the Prospect Hospitals' systems with Yale New Haven Health's own IT system should the Contemplated Transaction close.

**E. Prospect Refuses to Negotiate in Good Faith.**

178. Yale New Haven Health has remained committed to the success of the Contemplated Transaction, as evidenced by its continued negotiations with Defendants and cooperation with OHS. Since discussions between the parties began regarding the Contemplated Transaction, Yale New Haven Health has engaged in good faith negotiations with the aim of closing the Contemplated Transaction. Additionally, Yale New Haven Health has ensured governmental clearance for the Contemplated Transaction by undertaking the steps necessary to twice obtain clearance under the Hart-Scott-Rodino Improvements Act of 1976, and by cooperating with OHS over the course of 16 months, resulting in the approved application for a Certificate of Need ("CON").

179. On March 27, 2024, OHS announced that it had reached a settlement with Yale New Haven Health and Defendants on the CON required before the Contemplated Transaction could close. That CON approved the Contemplated Transaction, including, among other things, the consolidation of Manchester Memorial Hospital and Rockville General Hospital, subject to various conditions set forth in the CON. The CON also provides that, prior to any other payment issued by Yale New Haven Health in closing the Contemplated

Transaction, the Department of Revenue shall be paid \$55 million in provider tax liabilities that Defendants have agreed to pay as part of its settlement with the Department of Revenue.<sup>51</sup>

180. Despite Yale New Haven Health’s continued attempts in good faith to move forward the Contemplated Transaction, Defendants have refused to face the reality that the Businesses are but a shell of what they were when Yale New Haven Health agreed to acquire them.

181. As early as fall 2023, Yale New Haven Health made public statements indicating that it would be seeking a purchase price adjustment. And throughout January and February 2024, Yale New Haven Health advised Defendants that a MAC had occurred to the Businesses since the Balance Sheet Date and that Defendants had breached a number of covenants of the APA. Yale New Haven Health nonetheless made clear that it was willing to negotiate appropriate amendments to the APA to allow the parties to consummate the Contemplated Transaction.

182. Defendants “entirely and unequivocally” rejected Yale New Haven Health’s proposal and demanded that Yale New Haven Health close the Contemplated Transaction without further renegotiation. Defendants have refused to acknowledge any covenant breach and flatly denied that a MAC has occurred, despite the extensive and egregious decline in both the quality of care offered by the Prospect Hospitals and the Businesses’ financial performance—all of which is plainly evident from the face of the very documents that Defendants have provided to Yale New Haven Health.

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<sup>51</sup> Certificate of Need ¶ 46.

183. On March 27, 2024, Yale New Haven Health issued a detailed notice to Defendants, outlining the various breaches of the APA described herein.

184. On April 18, 2024, Defendants responded, offering no substantive response with respect to most of the issues detailed in Yale New Haven Health's notice. Defendants even failed to acknowledge Yale New Haven Health's argument that in addition to there being a MAC, Defendants have failed to comply with their obligation to operate the Businesses in the Ordinary Course during the Interim Period as set forth in Section 5.3 of the APA and have failed to use their reasonable best efforts to cooperate with Yale New Haven Health in satisfying the closing conditions to the deal, as required in Section 5.23 of the APA.

185. Given Defendants' refusal to address the various covenant breaches—all of which render Prospect and the Selling Entities incapable of accurately making the various representations that they are required to make to close the Contemplated Transaction—Yale New Haven Health now seeks a declaratory judgment that Prospect and the Selling Entities are in breach of the various provisions of the APA described herein, that such breaches amount to a MAC, rendering Prospect and the Selling Entities unable to satisfy the closing conditions of the APA, and that, as a result, Yale New Haven Health is not obligated to close the Contemplated Transaction under the APA.

### **COUNT ONE**

#### **(DECLARATORY RELIEF)**

#### **Violation of Sections 6.1(a) and 6.4 of the Asset Purchase Agreement**

186. Plaintiff repeats and realleges each of the allegations set forth above.

187. Section 6.1(a) of the APA provides that Defendants' contractual representations and warranties "shall be true, correct and complete in all respects" as of both the Effective Date and the Closing Date.

188. If the failure of Defendants’ representations or warranties, individually or in the aggregate, have a Material Adverse Change on the Businesses, then Yale New Haven Health is relieved of its obligation to consummate the transaction.

189. For the reasons alleged, numerous representations and warranties made by Prospect and the Selling Entities—including those set forth in Sections 3.3 (Assets), 3.4 (Financial Statements), 3.8 (Material Contracts), 3.9 (Supplies), 3.12 (Real Property and Real Property Leases), 3.14 (Employee Relations), 3.15 (Litigation and Proceedings), 3.20 (Tax Liabilities), 3.21 (Healthcare Payors), 3.22 (Absence of Changes), 3.25 (Solvency) and 3.28 (No Violation)—were incorrect as of the Effective Date and/or will be incorrect as of any Closing Date, and those failures have caused a Material Adverse Change to the Businesses.

190. Furthermore, Section 6.4 of the APA provides that the existence of any “Material Adverse Change since the Balance Sheet Date that is continuing” will likewise relieve Yale New Haven Health of its obligation to consummate the transaction.

191. For the reasons alleged, the financial deterioration of the Businesses, coupled with the gross mismanagement of the Businesses since the Balance Sheet Date, evinces that the Businesses have experienced a Material Adverse Change that is continuing.

192. Accordingly, Defendants are unable to truthfully and accurately make all of the representations and warranties required for closing under Section 6.1(a) of the APA and to otherwise satisfy the closing condition in Section 6.4 of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

## **COUNT TWO**

### **(DECLARATORY RELIEF)**

#### **Violation of Section 6.1(b) of the Asset Purchase Agreement**

193. Plaintiff repeats and realleges each of the allegations set forth above.



194. Section 6.1(b) of the APA provides that the Seller Fundamental Representations and Seller Compliance Representations “shall be true and correct in all material respects” as of both the Effective Date and the Closing Date.

195. “Seller Compliance Representations” is defined in the APA as “those representations and warranties of Seller and Selling Entities in Section 3.6 (Regulatory Compliance), Section 3.10 (Environmental Laws), Section 3.13 (Employee Benefit Plans), Section 3.14(b) (Employee Relations), Section 3.16 (Reimbursement Matters), and Section 3.19 (Privacy and Data Security)”.

196. “Seller Fundamental Representations” is defined in the APA as “those representations and warranties of Seller and the Selling Entities contained in Sections 3.1(a), 3.1(b)(i), 3.1(b)(ii)(A) and 3.1(b)(v) (Capacity, Authority and Consents), Section 3.2 (Binding Agreement), Section 3.3(a) (Assets), and Section 3.23 (No Brokerage)”.

197. The failure of any Seller Compliance Representation will relieve Yale New Haven Health of its obligation to consummate the transaction.

198. The failure of any Seller Fundamental Representation will relieve Yale New Haven Health of its obligation to consummate the transaction.

199. For the reasons alleged, the Seller Compliance Representations set forth in Sections 3.6 (Regulatory Compliance), 3.14(b) (Employee Relations), 3.16 (Reimbursement Matters) and 3.19 (Privacy and Data Security) were not true and correct in all material respects as of the Effective Date and cannot be true and correct in all material respects as of the Closing Date.

200. For the reasons alleged, the Seller Fundamental Representation set forth in Section 3.3(a) (Assets) and the Seller Compliance Representations set forth in Section 3.13

(Employee Benefit Plans) cannot be true and correct in all material respects as of the Closing Date.

201. Accordingly, Defendants are unable to truthfully and accurately make all of the representations and warranties required for closing under Section 6.1(b) of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

### **COUNT THREE**

#### **(DECLARATORY RELIEF)**

#### **Violation of Section 6.1(c) of the Asset Purchase Agreement**

202. Plaintiff repeats and realleges each of the allegations set forth above.

203. Section 6.1(c) of the APA provides, in pertinent part, that “[a]ll of the covenants in this Agreement to be complied with or performed by Seller and the Selling Entities on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects”.

204. Defendants’ failure to comply with or perform any covenant in all material respects relieves Yale New Haven Health of its obligation to consummate the transaction.

205. For the reasons alleged, Prospect and the Selling Entities have materially violated their obligation to operate the Businesses in the Ordinary Course during the Interim Period as set forth in Section 5.3 (Operating Covenants) and Section 5.4 (Negative Covenants).

206. Prospect and the Selling Entities failed to operate the Businesses in the Ordinary Course; protect patient and employee personal data; maintain facilities in substantially the same operating condition; remain current on all payment obligations, including payment of rent, accounts payable, taxes, payroll and pension plan contributions; prevent any unpermitted Encumbrance on any Purchased Assets; permit YNHH to access books, records and additional

financial and operating data; perform all Assumed Contracts; promptly inform YNHH of any events that would reasonably be expected to lead to a failure of a closing condition; provide monthly reports to YNHH regarding implementation of corrective action plans; use reasonable best efforts to close the transaction; and comply with all applicable rules, laws and regulations governing the operation of hospitals. (*See, e.g.*, APA §§ 3.19(a), 3.20(b), 5.1, 5.3, 5.4(c), 5.4(g), 5.9(a), 5.9(b), 5.16(b), 5.23.)

207. Overall, the financial deterioration, coupled with the gross mismanagement of the Businesses, evinces Defendants' failure to operate the Businesses in the Ordinary Course, in violation of Section 5.3 (Operating Covenants).

208. Accordingly, Defendants are unable to comply with the conditions for closing set forth in Section 6.1(c) of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

### **PRAYER FOR RELIEF**

**WHEREFORE**, Yale New Haven Health respectfully requests that the Court enter judgment as follows:

1. Declaring that there has been a Material Adverse Change to the Businesses that precludes satisfaction of the closing conditions set forth in Sections 6.1(a) and 6.4 of the Asset Purchase Agreement;
2. Declaring that Defendants breached the Ordinary Course Covenants of Sections 5.3 and 5.4(g) of the Asset Purchase Agreement;
3. Declaring that the Seller Compliance Representations at Sections 3.6, 3.14(b), 3.16, 3.19 and 3.20(b) of the Asset Purchase Agreement were not true and correct in all

material respects as of the Effective Date and cannot be true and correct in all material respects as of the Closing Date;

4. Declaring that the Seller Fundamental Representation at Section 3.3(a) and the Seller Compliance Representations at Section 3.13 cannot be true and correct in all material respects as of the Closing Date;

5. Declaring that Yale New Haven Health is not obliged under the Asset Purchase Agreement to close the Contemplated Transaction;

6. Awarding Yale New Haven Health reasonable attorneys' fees and costs pursuant to Section 10.2 of the Asset Purchase Agreement; and

7. Granting Yale New Haven Health such other and further relief as this Court may deem just, equitable and proper.

Respectfully submitted,

PLAINTIFF YALE NEW HAVEN HEALTH  
SERVICES CORPORATION,

By: /s/ Kim E. Rinehart

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(\*Admitted Pro Hac Vice)

# APPENDIX A

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074342831

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

### Interest accrues until required contributions are made.

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1128

Form 430(k)

B3039-3725 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074351426

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

### Interest accrues until required contributions are made.

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1130

Form 430(k)

B30339-3726 09/17/2024 5:00 PM Received by California Secretary of State



Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074360425

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect ECHN, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

  
Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1133

Form 430(k)

B3039-3729 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074410523

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (DEBTOR):

**Prospect Medical Holdings Risk  
Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (SECURED PARTY):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

  
Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1151

Form 430(k)

B3039-3747 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074411727

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. § 430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. § 430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. § 430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. § 6323. See 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. § 6323(f).
- As provided by 26 U.S.C. § 430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. § 430(k)(1).
- All prior notices of lien under 26 U.S.C. § 430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd.  
9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network, Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§ 430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|---|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |  |  |
|--|--|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. § 430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |  |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1152

Form 430(k)

B3039-3748 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074374939

Date Filed: 9/17/2024



**NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k)  
PENSION BENEFIT GUARANTY CORPORATION**

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

**IMPORTANT FILING INFORMATION:**

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Crozer Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1094

B3039-3793 09/17/2024 5:00 PM Received by California Secretary of State

**Please return a copy of the recorded original to:**

**ERIN KIM, ESQ.**  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074380629

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Waterbury Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a)  | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|------------------|------------------------------|--|
| <b>9/15/2024</b> | <b>9/18/2030</b>             | <b>\$11,991,908.00</b>                                   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

**Kartar Khalsa**

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1096

Please return a copy of the recorded original to:

ERIN KIM, ESQ.

OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074594330

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kartar Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1047

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074595121

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a)  | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|------------------|------------------------------|--|
| <b>9/15/2024</b> | <b>9/18/2030</b>             | <b>\$11,991,908.00</b>                                   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kam Khalsa*

**Kartar Khalsa**

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1048

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074630217

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
- As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
- All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1014



Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074641220

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kartar Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1017



U240074907730

B3066-4796 09/25/2024 7:14 AM Received by California Secretary of State



**STATE OF CALIFORNIA**  
*Office of the Secretary of State*  
**UCC FINANCING STATEMENT (UCC 1)**

California Secretary of State  
1500 11th Street  
Sacramento, California 95814  
(916) 657-5448

For Office Use Only

**-FILED-**

File No.: U240074907730

Date Filed: 9/25/2024

## Submitter Information:

|                   |   |
|-------------------|---|
| Contact Name      | CORPORATION SERVICE COMPANY                     |
| Organization Name | CORPORATION SERVICE COMPANY                     |
| Phone Number      | 18008585294                                     |
| Email Address     | SPRFiling@cscglobal.com                         |
| Address           | 801 ADLAI STEVENSON DR<br>SPRINGFIELD, IL 62703 |

## Debtor Information:

| Debtor Name                     | Mailing Address   |
|---------------------------------|---|
| PROSPECT MEDICAL HOLDINGS, INC. | 3415 SOUTH SEPULVEDA BLVD, 9TH FLOOR<br>LOS ANGELES, CA 90034 |

## Secured Party Information:

| Secured Party Name                      | Mailing Address                       |
|---|---------------------------------------|
| MCKESSON CORPORATION AND ITS AFFILIATES | 401 MASON ROAD<br>LA VERGNE, TN 37086 |

## Indicate how documentation of Collateral is provided:

Entered as Text

## Description:

All assets of the Debtor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including without limitation all accessions thereto and all products and proceeds thereof.

## Indicate if Collateral is held in a Trust or is being administered by a Decedent's Personal Representative:

Not Applicable

## Select an alternate Financing Statement type:

## Select an additional alternate Financing Statement type:

## Select an alternative Debtor/Secured Party designation for this Financing Statement:

## Optional Filer Reference Information:

2934 69700

# APPENDIX B

October 4, 2024

Eric A. Klein, Esq.  
Nioura F. Ghazni, Esq.  
Sheppard, Mullin, Richter & Hampton LLP  
1901 Avenue of the Stars, Suite 1600  
Los Angeles, California 90067-6055  
[eklein@sheppardmullin.com](mailto:eklein@sheppardmullin.com)  
[nghazni@sheppardmullin.com](mailto:nghazni@sheppardmullin.com)

cc: Prospect Medical Holdings, Inc.,  
On behalf of itself and the Selling Entities  
3415 South Sepulveda Boulevard, 9th Floor  
Los Angeles, CA 90034  
Attention: Rob Elders, Esq.  
Frank Saidara, Esq.  
Email: [Rob.Elders@prospectmedical.com](mailto:Rob.Elders@prospectmedical.com)  
[Frank.Saidara@prospectmedical.com](mailto:Frank.Saidara@prospectmedical.com)

Yale New Haven Health Services Corporation  
789 Howard Avenue – CB2039  
New Haven, CT 06519  
Attention: Bill Aseltyne  
Email: [Bill.Aseltyne@ynhh.org](mailto:Bill.Aseltyne@ynhh.org)

Cravath, Swaine & Moore LLP  
Two Manhattan West  
375 Ninth Avenue  
New York, NY 10001  
Attention: Daniel Slifkin, Esq.  
Michael A. Paskin, Esq.  
Lauren M. Rosenberg, Esq.  
Helam Gebremariam, Esq.  
Email: [DSlifkin@cravath.com](mailto:DSlifkin@cravath.com)  
[MPaskin@cravath.com](mailto:MPaskin@cravath.com)  
[LRosenberg@cravath.com](mailto:LRosenberg@cravath.com)  
[HGebremariam@cravath.com](mailto:HGebremariam@cravath.com)

October 4, 2024

Page 2

Dear Eric and Nioura:

Reference is made to the Asset Purchase Agreement dated October 5, 2022 (as amended by those certain letter agreements dated November 29, 2022, February 3, 2023, February 28, 2023, May 23, 2023 and May 25, 2023, and as further amended, modified and restated from time to time) (the “APA”), by and among Yale New Haven Health Services Corporation (“YNHH” or “Buyer”), Prospect Medical Holdings, Inc. (“Prospect” or “Seller”) and the Selling Entities set forth therein.<sup>1</sup>

Pursuant to APA Section 8.1(a)(ii), this letter constitutes written notice of Prospect’s contractual breach and failure to perform, giving rise to the failure of closing conditions set forth in Section 6.1 of the APA. YNHH will have the right to terminate the APA if Prospect does not cure the breaches identified herein within the next 30 days. (*See* APA § 8.1(a)(ii).)

Section 3.3(a) of the APA—a Seller Fundamental Representation—provides that Prospect must transfer to YNHH valid title to the Businesses “free and clear of all Encumbrances other than Permitted Encumbrances.” Section 3.13(c) of the APA—a Seller Compliance Representation—provides that, “[w]ith respect to any Employee Benefit Plan that is or was a defined benefit plan within the meaning of Section 3(35) of ERISA, since January 1, 2018 . . . there has been no . . . failure to make a required contribution that could result in the imposition of a lien or the provision of security under Section 430 of the Code or Section 4068 of ERISA, or the arising of such a lien or encumbrance”. And Section 5.4(g) of the APA provides that Prospect shall not “create or grant any Encumbrance on any Purchased Asset, except in the Ordinary Course.” As of today, Prospect is in material breach of these provisions.

*First*, on September 30, 2024, your firm informed me by email that [REDACTED]

[REDACTED] As a direct result of these failures, under 26 U.S.C. § 430(k), the Pension Benefit Guarantee Corporation has perfected liens on assets of the Businesses contemplated to be sold to YNHH under the APA. According to public filings of which we are aware, the PBGC’s lien on Prospect’s assets securing the Eastern Connecticut Health Network, Inc. Pension Plan totals \$4,002,055 (which names as debtors Prospect ECHN, Inc., Prospect Waterbury, Inc. and Prospect CT Medical Foundation, Inc., among other Prospect entities), and the PBGC’s liens on Prospect’s assets securing the Crozer-Keystone Health System Employees Retirement Plan totals \$11,991,908 (which name as debtors Prospect Waterbury, Inc., Prospect Waterbury Ambulatory

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<sup>1</sup> Capitalized terms used but not defined herein have the respective meanings ascribed to such terms in the APA. Sections referred to herein refer to the sections of the APA.

October 4, 2024

Page 3

Surgery, LLC, Prospect CT Medical Foundation, Inc., Prospect ECHN, Inc. and Prospect Crozer Ambulatory Surgery, LLC, among other Prospect entities). These liens constitute impermissible encumbrances under Sections 3.3(a), 3.13(c) and 5.4(g) of the APA.

*Second*, in its response to Interrogatory 21 of YNHH's First Set of Interrogatories served in the action titled *Yale New Haven Health Services Corporation v. Prospect Medical Holdings, Inc., et al.*, (X07) HHD-CV24-6184328-S (the "Pending Litigation"), Prospect disclosed that as a result of its failure to pay \$9,276,938.69 in municipal taxes and interest, the City of Waterbury has filed a lien on Prospect's Waterbury Hospital real estate to secure that sum. This lien constitutes an impermissible encumbrance under Sections 3.3(a) and 5.4(g) of the APA.

*Third*, on April 16, 2024, the Connecticut Superior Court granted a prejudgment remedy against Prospect in favor of the Eastern Connecticut Health Network ("Legacy ECHN") in the amount of \$2,689,772 for the legal fees and expenses Eastern Connecticut Health Network had incurred in connection with the proceeding *Prospect Medical Holdings, Inc. et al. v. Eastern Connecticut Health Network Inc. N/K/A Leg*, HHD-CV19-6116665-S (Super. Ct. Hartford). The court's order permits Legacy ECHN to "attach or garnish to the value of \$2,689,772.05" Prospect's real property, bank accounts or debts owing to Prospect. (Dkt. 347.86.) Any such attachment of a Purchased Asset would be an impermissible incumbrance under Sections 3.3(a) and 5.4(g) of the APA.

Each of these breaches would, if the closing otherwise were to occur today, give rise to the failure of Section 6.1(a), (b) and (c) of the APA. On that basis, pursuant to Section 8.1(a)(ii) of the APA, these breaches give YNHH the right to terminate the APA if Prospect does not cure these breaches by November 4, 2024.

The breaches described above are not meant to be and should not be construed as an exhaustive list of breaches, failures or violations of the APA by Prospect. Indeed, YNHH has already identified numerous other breaches of the APA by Prospect, as detailed in my March 27, 2024 letter and YNHH's complaint and proposed amended complaint filed in the Pending Litigation. YNHH is not waiving any rights that it has under the APA to identify further breaches, failures and violations.

Sincerely,

Peter F. Olberg

PFO

# **EXHIBIT B**

DOCKET NO: (X07) HHD-CV24-6184328-S

YALE NEW HAVEN HEALTH SERVICES  
CORPORATION,

PLAINTIFF

v.

PROSPECT MEDICAL HOLDINGS, INC.,  
PROSPECT CT, INC., PROSPECT ECHN, INC.  
D/B/A EASTERN CONNECTICUT HEALTH  
NETWORK, PROSPECT ROCKVILLE  
HOSPITAL, INC. D/B/A THE ROCKVILLE  
GENERAL HOSPITAL, PROSPECT  
MANCHESTER HOSPITAL, INC. D/B/A THE  
MANCHESTER MEMORIAL HOSPITAL,  
PROSPECT WATERBURY, INC. D/B/A THE  
WATERBURY HOSPITAL, PROSPECT CT  
MEDICAL FOUNDATION, INC. D/B/A  
EASTERN CT MEDICAL PROFESSIONALS  
AND ALLIANCE MEDICAL GROUP,  
PROSPECT ECHN HOME HEALTH, INC.  
D/B/A VISITING NURSE AND HEALTH  
SERVICES OF CONNECTICUT,  
CARDIOLOGY ASSOCIATES OF GREATER  
WATERBURY, LLC, PROSPECT CT  
MANAGEMENT SERVICES, INC. D/B/A  
MEDICAL PRACTICE PARTNERS,  
HEALTHCARE STAFFING ON DEMAND,  
LLC, PROSPECT WATERBURY  
AMBULATORY SURGERY, LLC AND  
PROSPECT WATERBURY HOME HEALTH,  
INC. D/B/A VNA HEALTH AT HOME,

DEFENDANTS

COMPLEX LITIGATION  
DOCKET

JUDICIAL DISTRICT OF  
HARTFORD

AT HARTFORD

OCTOBER 22, 2024

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**[PROPOSED] SECOND AMENDED COMPLAINT**



## **INTRODUCTION**

1. Plaintiff Yale New Haven Health Services Corporation (“Yale New Haven Health” or “YNHH”), by and through its undersigned counsel, hereby files this Complaint against Defendants Prospect Medical Holdings, Inc. (“Prospect”), Prospect CT, Inc., Prospect ECHN, Inc. d/b/a Eastern Connecticut Health Network, Prospect Rockville Hospital, Inc. d/b/a The Rockville General Hospital, Prospect Manchester Hospital, Inc. d/b/a The Manchester Memorial Hospital, Prospect Waterbury, Inc. d/b/a The Waterbury Hospital, Prospect CT Medical Foundation, Inc. d/b/a Eastern CT Medical Professionals and Alliance Medical Group, Prospect ECHN Home Health, Inc. d/b/a Visiting Nurse and Health Services of Connecticut, Cardiology Associates of Greater Waterbury, LLC, Prospect CT Management Services, Inc. d/b/a Medical Practice Partners, Healthcare Staffing On Demand, LLC, Prospect Waterbury Ambulatory Surgery, LLC and Prospect Waterbury Home Health, Inc. d/b/a VNA Health at Home (each, a “Selling Entity” and, collectively, the “Selling Entities”) upon knowledge as to matters relating to itself and upon information and belief as to all other matters, and alleges as follows.

2. Yale New Haven Health is a leading not-for-profit healthcare system in Connecticut that provides comprehensive, integrated and family-focused care in more than 100 medical specialties. It consists of five hospitals—Yale New Haven, Bridgeport, Greenwich, Lawrence + Memorial and Westerly (in Rhode Island)—and Northeast Medical Group, a physician foundation of primary care and medical specialists. It is also affiliated with Yale University and its highly ranked Yale School of Medicine.

**Deleted:** highly-ranked

3. In 2021, Prospect decided to sell most of its Connecticut assets. Toward the end of 2021, Yale New Haven Health began speaking with Prospect about the possibility of

buying Prospect's three Connecticut-based hospitals—Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital (the "Prospect Hospitals")—and their related medical facilities.

4. Prospect is a private, for-profit company. Prospect and the Selling Entities purchased the Prospect Hospitals in October 2016, converting them from not-for-profit to for-profit entities. In August 2019, Medical Properties Trust, Inc. ("MPT"), a publicly traded real estate investment firm, bought the land and hospital buildings and leased them back to Prospect and the Selling Entities.

5. Yale New Haven Health's acquisition of the Prospect Hospitals would allow the Prospect Hospitals to return to not-for-profit status and would provide for the real estate and buildings to once again belong to the Prospect Hospitals, providing them with greater financial stability. Through the acquisition, Yale New Haven Health sought to provide local access to the high-quality medical care Yale New Haven Health is known for, while at the same time preserving jobs in the local communities, supporting employee pensions and addressing the future capital needs of the hospital facilities.

6. On February 4, 2022, the parties signed a letter of intent for Yale New Haven Health to acquire substantially all of the assets of the Prospect Hospitals and affiliated entities (the "Contemplated Transaction"). After months of continued negotiations and diligence, on October 5, 2022, Yale New Haven Health and Prospect and the Selling Entities entered into the Asset Purchase Agreement ("APA"), pursuant to which Yale New Haven Health agreed to acquire the Prospect Hospitals and related assets (the "Businesses").

7. To ensure that Yale New Haven Health received the benefit of this bargain, the APA contained numerous covenants, representations and warranties that Prospect

and the Selling Entities were required to uphold and satisfy prior to closing. Among those obligations were to operate the Businesses in the Ordinary Course; protect patient and employee personal data; remain current on all payment obligations, including payment of rent, accounts payable, taxes and payroll; avoid material Encumbrances<sup>1</sup> on the Businesses; avoid material breaches or defaults of Material Contracts<sup>2</sup>; comply with the Medicare conditions of participation; avoid incurring debts or obligations beyond its ability to pay; and comply with all other applicable rules, laws and regulations governing the operation of the Businesses. (See, e.g., APA §§ 3.3(a), 3.8(b), 3.13(b), 3.13(c), 3.16(a), 3.19(a), 3.19(b), 3.20(b), 3.21, 3.25, 5.3, 5.4(g).) Among other closing conditions, Prospect and the Selling Entities must use their reasonable best efforts to cooperate with Yale New Haven Health in satisfying the closing conditions of the deal (APA § 5.23), and there must also be no Material Adverse Change (“MAC”) resulting in a material adverse effect on the financial condition, business or results of operations of the Businesses (APA §§ 3.22, 6.4).

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8. Despite these terms, over the last two years since the APA was signed, Prospect and the Selling Entities have subjected the Businesses to a pattern of irresponsible financial practices, severe neglect and general mismanagement. As a result, the Prospect Hospitals’ administrators have admitted that they “are going through a very significant financial challenge” and that their situation is “dire”.

<sup>1</sup> The APA defines “Encumbrances” as, among other things, “levies, claims, charges, leases, assessments, mortgages, security interests, equitable interests, liens, pledges, conditional sales agreements, title retention contracts, easements, restrictions on the use of subject property, rights of first refusal, options to purchase and other similar encumbrances”. (APA § 1.1.)

<sup>2</sup> The APA defines “Material Contracts” as those contracts listed in Schedule 3.8(a) of the APA, which are contracts “to which Seller or any Selling Entity is a party and which relate to the operation of the Businesses”. In addition to the contracts listed in Schedule 3.8(a), Material Contracts include, among other things, those contracts that “involve payments, performance of services or provision of items in an amount exceeding \$500,000”.

9. This dire financial condition has been exacerbated by Prospect and the Selling Entities' failure to abide by applicable regulations and laws. State and federal regulators have identified an inordinate number of serious regulatory violations, straining the Businesses' relationships with federal and state Governmental Authorities and threatening the Medicare contract of at least one of the hospitals.

10. Prospect and the Selling Entities have not complied with their obligations to providers, failing to pay their physician groups, medical staff and vendors and, in turn, damaging irretrievably their relationships with the very individuals and entities that allow the Businesses to provide medical care to their patients.

11. Prospect and the Selling Entities have failed to ensure that their information technology systems have even the most basic protections against data breaches, and in fact, a damaging ransomware matter and system compromise occurred in August 2023, resulting in the compromise of protected health information and personally identifiable information of thousands of patients and employees.

12. Prospect and the Selling Entities have also failed to maintain the physical facilities occupied by the Prospect Hospitals, resulting in unacceptable conditions such as rusty equipment in the operating room (*infra* ¶¶ 62) and inoperable elevators requiring staff to carry patients up and down stairs (*infra* ¶¶ 122, 130).

13. After Prospect and the Selling Entities signed the APA, they failed to invest further in the Businesses. Their lack of financial support has run the Prospect Hospitals into the ground, to the point that the Businesses are no longer operating as a going concern. Since the signing of the APA, the combined EBITDAR (earnings before interest, taxes, depreciation, amortization and rent costs) of the Businesses has plummeted as compared to the

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financial statements based on which the APA was signed, and has persistently remained at significantly negative levels. The financial condition of the Prospect Hospitals is so precarious that rent has not been paid, state provider taxes are delinquent in amounts well over \$100 million, real estate and personal property taxes have not been paid resulting in liens on the Purchased Assets,<sup>3</sup> and Prospect has failed to fund its single-employer pension plans, resulting in additional liens on the Purchased Assets. [REDACTED]

14. For these reasons, and as detailed below, Prospect and the Selling Entities have breached the APA and cannot satisfy the closing conditions under the APA.

15. Yale New Haven Health has repeatedly warned Defendants that they are in breach of the APA, and on March 27, 2024, sent Prospect a letter identifying each of the breaches of which Yale New Haven Health was aware on that date.

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16. Rather than attempt any steps to rectify the breaches and satisfy the closing conditions, Defendants' only response has been to seek to delay the outside closing date

<sup>3</sup> The APA defines "Purchased Assets" as including, among other things, "all real property owned by Seller and/or the Selling Entities and that is used primarily in connection with the Businesses", "all of Seller's and the Selling Entities' leasehold interests in the Leased Real Property", and "all tangible personal property owned by Seller and/or Selling Entities that are used primarily in connection with or held for the exclusive benefit of the Businesses or the Purchased Assets". (APA § 2.1)

under the APA. It is now clear that Prospect and the Selling Entities have not satisfied—and cannot satisfy—the APA’s closing conditions.

17. Accordingly, Yale New Haven Health seeks a declaratory judgment that the closing conditions have not been—and cannot be—satisfied and that Yale New Haven Health is therefore not obliged under the APA to close the Contemplated Transaction.

### **PARTIES**

#### **Yale New Haven Health**

18. Plaintiff Yale New Haven Health Services Corporation is a not-for-profit healthcare organization organized under the laws of the State of Connecticut, with its principal place of business located in New Haven, Connecticut.

Deleted: health care

#### **Prospect**

19. Defendant Prospect Medical Holdings, Inc. is a private, for-profit healthcare system organized under the laws of Delaware with its principal place of business in Los Angeles, California.

Deleted: health care

20. Defendant Prospect CT, Inc. is a Delaware business corporation with its principal place of business in Los Angeles, California.

21. Defendant Prospect ECHN, Inc. d/b/a Eastern Connecticut Health Network is a Connecticut stock corporation with its principal place of business in Manchester, Connecticut.

22. Defendant Prospect Rockville Hospital, Inc. d/b/a The Rockville General Hospital is a Connecticut stock corporation with its principal place of business in Vernon, Connecticut.

23. Defendant Prospect Manchester Hospital, Inc. d/b/a The Manchester Memorial Hospital is a Connecticut stock corporation with its principal place of business in Manchester, Connecticut.

24. Defendant Prospect Waterbury, Inc. d/b/a The Waterbury Hospital is a Connecticut stock corporation with its principal place of business in Waterbury, Connecticut.

25. Defendant Prospect CT Medical Foundation, Inc. d/b/a Eastern CT Medical Professionals and Alliance Medical Group is a Connecticut nonstock corporation with its principal place of business in Vernon, Connecticut.

26. Defendant Prospect ECHN Home Health, Inc. d/b/a Visiting Nurse and Health Services of Connecticut is a Connecticut stock corporation with its principal place of business in Vernon, Connecticut.

27. Defendant Cardiology Associates of Greater Waterbury, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

28. Defendant Prospect CT Management Services, Inc. d/b/a Medical Practice Partners is a Connecticut stock corporation with its principal place of business in Culver City, California.

29. Defendant Healthcare Staffing On Demand, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

30. Defendant Prospect Waterbury Ambulatory Surgery, LLC is a Connecticut limited liability company with its principal place of business in Waterbury, Connecticut.

31. Defendant Prospect Waterbury Home Health, Inc. d/b/a VNA Health at Home is a Connecticut stock corporation with its principal place of business in Watertown, Connecticut.

### **JURISDICTION AND VENUE**

32. This Court has subject matter jurisdiction pursuant to Conn. Gen. Stat. § 52-1 and Conn. Gen. Stat. § 52-29 and venue pursuant to Conn. Gen. Stat. § 51-345(a)(3)(A). The APA specifies that “the venue of all disputes, claims, and lawsuits arising hereunder shall lie in the state and federal courts located in the State of Connecticut”. (APA § 10.3.) The APA further provides that “[a]ll Actions (in contract or tort) arising out of or relating to this Agreement . . . shall be governed by and construed in accordance with the laws of the State of Connecticut”, and that the parties waive any objections to personal jurisdiction in this Court. (*Id.*)

### **FACTUAL ALLEGATIONS**

#### **A. Based on Prospect’s Representations, the Parties Negotiate and Execute the Asset Purchase Agreement.**

33. In late 2021, Yale New Haven Health chose to pursue an acquisition of the Businesses, which included two central Connecticut health systems—(i) the health system associated with Waterbury Hospital and (ii) the Eastern Connecticut Health Network (“ECHN”), which comprises Manchester Memorial Hospital and Rockville General Hospital and affiliated physician practices—and their related assets, including real estate, clinical operations and other medical services. Yale New Haven Health saw this acquisition as a way to offer expanded high-quality healthcare within Connecticut. Most prominently, this acquisition would add three hospitals to Yale New Haven Health’s system: Waterbury Hospital (with 357 licensed beds), Manchester Memorial Hospital (with 249 licensed beds) and Rockville General Hospital (with



102 licensed beds). As “safety net” hospitals, the Prospect Hospitals provided access to medical care to underserved communities, regardless of patients’ insurance status or ability to pay for medical services.

34. Prior to 2022, the Prospect Hospitals had strong relationships with physicians, vendors and suppliers, which had allowed the hospitals to respond effectively to the COVID-19 pandemic and increase the quality of care that these safety net hospitals provided to the underserved communities in which they are located.

35. As ECHN president and CEO Deborah Weymouth touted when the Contemplated Transaction was announced, Prospect had made significant investments in its safety net hospitals “to preserve jobs and respond to the needs of the community throughout the [COVID-19] pandemic while increasing both quality ratings and improvements to the patient experience”<sup>4</sup>. Similarly, in the words of now-former Waterbury Hospital president and CEO Dr. Justin Lundbye, “[a]long with ECHN”, Waterbury Hospital was “proud” of its accomplishments, including “being leaders in Connecticut’s response to the pandemic”<sup>5</sup>.

36. Located in areas not currently served by Yale New Haven Health hospitals, the Businesses and their strong relationships with physician groups would allow Yale New Haven Health to broaden the scope of its high-quality care fueled by academic research and clinical trials—services it provides to communities in other areas across the state and sought to make available to the underserved communities in which the Prospect Hospitals are situated.

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<sup>4</sup> *Yale New Haven Health Has Signed an Agreement to Acquire Connecticut Health Systems from Prospect Medical Holdings*, YALE NEW HAVEN HEALTH (Oct. 6, 2022), <https://www.ynhhs.org/news/1-ynhhs-has-signed-an-agreement-to-acquire-ct-health-systems-from-prospect-medical-holdings>.

<sup>5</sup> *Id.*

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37. In a competitive bidding process, Yale New Haven Health and Prospect began discussing a potential sale of the Businesses in late 2021 after signing a Confidentiality Agreement on October 26, 2021.

38. On January 10, 2022, Defendants and Yale New Haven Health signed a Confidentiality and Joint Defense Agreement in furtherance of their negotiations, and on February 4, 2022, the parties signed a letter of intent memorializing Yale New Haven Health's plan to acquire the Businesses.

39. Over the next eight months, Yale New Haven Health conducted due diligence on the Businesses.

40. That diligence showed that on February 28, 2022—the date the parties agreed is the date as of which the Businesses would be valued (the “Balance Sheet Date”)—Prospect reported that the results of the assets to be acquired showed an adjusted EBITDAR of \$6.0 million for the trailing 12 months.

41. On October 5, 2022, the parties entered into the APA, pursuant to which Yale New Haven Health would acquire the Businesses for \$435 million.

42. The APA provides that the Contemplated Transaction would close upon satisfaction of the closing conditions set forth in Articles VI and VII. (APA § 2.10(a).) The APA also contemplates that closing would occur no later than April 5, 2024. (*See* APA § 8.1(a)(v).)

43. Article VI of the APA sets forth the conditions that Prospect and the Selling Entities must satisfy before closing. Among those conditions is that there has been no MAC “since the Balance Sheet Date that is continuing”. (APA § 6.4.) The APA defines a MAC as “any fact, circumstance, condition, change, event or occurrence occurring after the Balance

Sheet Date, regardless of whether such change, event or occurrence actually occurred before, on or after the Balance Sheet Date . . . that, individually or in the aggregate, has resulted in, or would reasonably be expected to result in, a material adverse effect on the financial condition, business, or results of operations of the Businesses (including the Facilities) taken as a whole, or the ability of Seller or any Selling Entity to consummate the transactions contemplated by the Transaction Documents”. (APA § 1.1.) The parties agreed that any adverse changes to the Businesses would be judged as of February 28, 2022 (the Balance Sheet Date) rather than the October 5, 2022 date of signing (the “Effective Date”). (APA § 3.22.)

44. The APA also contains specific covenants with which Prospect and the Selling Entities agreed to comply during the period between execution of the APA and closing (the “Interim Period”). (APA § 5.1.) Of particular relevance, the APA required Prospect and the Selling Entities to “conduct the operation of the Businesses in the Ordinary Course”. (APA § 5.3) “Ordinary Course” is defined in the APA as “the ordinary day-to-day business activity of Seller or such Selling Entity (as applicable) conducted in the usual, regular and ordinary course, consistent with the customary reasonable past practices of Seller or such Selling Entity (as applicable), and in accordance with applicable Laws, taking into effect actions taken in response to COVID-19 or its impacts or effects including, without limitation, any such actions taken in order to comply with Laws”. (APA § 1.1.) This requirement was significant because, in valuing the Businesses, Yale New Haven Health had relied on the existing quality of care rendered by the Prospect Hospitals—made possible by the Prospect Hospitals’ relationships with physician groups, medical staff and vendors—and the Ordinary Course Covenant was intended to give Yale New Haven Health comfort that Prospect and the Selling Entities would be responsible stewards of the Businesses during the Interim Period.

45. Among their Ordinary Course obligations, Prospect and the Selling Entities were required to do the following during the Interim Period:

- a. “maintain and cause to be maintained the Facilities and all parts thereof, including the Purchased Assets, in substantially the same operating condition” as at the Effective Date (APA § 5.3(a));
- b. perform their “obligations relating to or affecting the Businesses . . . in all material respects, including paying in the Ordinary Course (and in any event before delinquency) all bills and invoices for labor, services, materials, repair, maintenance or leasing of real property as well as other debts and liabilities in the Ordinary Course” (APA § 5.3(b));
- c. use their “commercially reasonable efforts” to “comply in all material respects with any Laws applicable to the Businesses”, maintain “relationships with Government Reimbursement Programs or any other material Third Party Payors, physicians, suppliers, customers, licensors, licensees, advertisers, distributors and others having business relations with the Businesses in the Ordinary Course” (APA § 5.3(d));
- d. “promptly notify Buyer of any result, event, fact, condition, change, development or occurrence known” to Prospect or the Selling Entities “that results in an actual breach” of the Ordinary Course covenants set forth in Section 5.3 (APA § 5.3(e)), and

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- e. “except with the prior written consent of Buyer . . . neither Selling nor any Selling Entity shall . . . sell, transfer or lease to any third party or create or grant any Encumbrance on any Purchased Asset, except in the Ordinary Course” (APA § 5.4(g)).

46. The APA also required Prospect and the Selling Entities to make certain representations and warranties that were true as of signing and at closing. Prospect must also notify YNHH in writing and provide YNHH with information and documents relating to “any event, transaction or circumstance that would reasonably be expected to cause any condition to Closing . . . not to be satisfied”. (APA § 5.9(a)).

47. **Financial Statements.** Among other provisions, the APA requires that the financial statements Prospect provided to Yale New Haven Health “present fairly in all material respects the financial condition” of the Businesses. (APA § 3.4.) During the Interim Period, Prospect was required to provide its audited financial statements to Yale New Haven Health no later than 120 days after the end of each fiscal year (September 30). (APA § 5.16(b).) As detailed below, Prospect issued its audited financial statements for FY 2022 several months after the deadline imposed by the APA, and even then, the financial statements included an inaccurate statement that Prospect refuses to correct. Prospect similarly issued its audited financial statements for FY 2023 after the APA’s deadline, on July 3, 2024.

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48. **Regulatory Compliance.** The APA requires that Prospect and the Businesses be in compliance with “all applicable Laws . . . including the Healthcare Laws”. (APA §§ 3.6(a) and (b).) As detailed further below, Prospect and the Selling Entities have failed to manage the Prospect Hospitals according to governing laws, rules and regulations. As a result, the Businesses have received an extraordinary and unacceptable number of regulatory

citations and notices of “Immediate Jeopardy” and are now the subject of several governmental investigations.

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49. **Breach of Material Contracts.** Section 3.8(b) of the APA requires Prospect and the Selling Entities not to be “in material breach or default . . . under such Material Contract”. Material Contracts are defined as those contracts listed in Schedule 3.8(a) and those contracts not listed in Schedule 3.8(a) that “involve payments, performance of services or provision of items in an amount exceeding \$500,000”, among other things. As further described below, Prospect and the Selling Entities have materially breached Material Contracts with at least the North American Partners in Anesthesiology (Connecticut) and the Anesthesiology Associates of Willimantic, by failing to pay these groups, and materially breached the term of the

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50. **Inventory.** The APA also requires that all inventory be usable and salable “in the Ordinary Course”. (APA § 3.9.) As detailed below, Prospect and the Selling Entities have been unable to maintain adequate supplies and functioning equipment, rendering them incapable of making this representation at closing.

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51. **Medicare Conditions of Participation.** The Prospect Hospitals are required at closing to be in compliance with Medicare conditions of participation.

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(APA § 3.16(a).) As discussed in more detail below, the inordinate number of serious regulatory violations and resulting strain on the Prospect Hospitals’ relationships with federal and state Governmental Authorities has resulted in a January 26, 2024, notice from the Centers for Medicare & Medicaid Services (“CMS”), posing a current threat to the Medicare contract of at least one of the hospitals. This relationship, moreover, had already been compromised under

Prospect's watch, as evidenced by the Department of Justice's November 2023 Civil Investigative Demand in connection with a False Claims Act investigation regarding upcoding certain secondary diagnoses on claims for inpatient care under these programs, discussed below.

52. ***Relationships with Payors.*** Related to the representation in Section 3.16

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that the Businesses are in compliance with the Medicare conditions of participation, Prospect and the Selling Entities also must represent that as of the Effective Date and at closing, they "maintain commercially reasonable relations with each of their Key Payors" and that "no event has occurred that would reasonably be expected to materially and adversely affect" Prospect's and the Selling Entities' "relations with any Key Payor". (APA § 3.21.) The Key Payors are listed in Schedule 3.21 and include commercial health plans and Medicare managed care insurance payors. Prospect and the Selling Entities' failure to maintain compliance with Medicare conditions of participation threatens the Medicare contract of at least Waterbury Hospital, which, if lost, would materially and adversely affect Prospect and the Selling Entities' relationships with Key Payors.

53. ***Employee Relations.*** At closing, the Businesses must have been for the

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past two years in compliance with the relevant employment laws and there must be no "pending" or "threatened employee strike, work stoppage, work slowdown, lock-out or labor dispute" with any employees or executives of the Businesses. (APA § 3.14.) As further detailed below, Prospect and the Selling Entities have repeatedly failed to pay physicians and other medical staff, materially compromising their relations with physician groups, medical staff and employees. This has led medical staff to publicly protest at the State Capitol. It has also caused both physicians and entire provider groups to stop providing services at the Prospect Hospitals and resulted in at least one lawsuit against the Businesses.

**54. Maintenance of Facilities.** Prospect and the Selling Entities must

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represent at closing that the facilities occupied by the Businesses are in compliance with the relevant building codes and other applicable laws (APA § 3.12(c)) and that no Selling Entity has suffered “any material taking, damage, destruction or loss with respect to or affecting the Facilities” (APA § 3.22(h)). During the Interim Period, Prospect and the Selling Entities were also required to maintain the facilities “in substantially the same operating condition” as they were in at the time the APA was executed. (APA § 5.3(a).) In breach of this covenant, Prospect and the Selling Entities have failed to maintain the safe condition of their facilities.

**55. Privacy Laws.** To close, Prospect and the Selling Entities must be in

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compliance with the relevant privacy and security laws. (APA § 3.19(a).) As further discussed below, a ransomware matter and system compromise occurred in August 2023 that resulted in the taking of information of thousands of patients and employees, evidencing that Prospect and the Selling Entities failed to implement and maintain adequate technical, administrative and operational cybersecurity and privacy programs with appropriate controls, oversight, testing, personnel and investment. Prospect and the Selling Entities also have failed to take the appropriate steps to remediate this failure, and cannot reasonably represent that they are in compliance with HIPAA and other applicable privacy laws requiring them to safeguard patient and employee protected health and personally identifiable information. Moreover, due to the ransomware attack in August 2023, Prospect cannot represent that it is in compliance with APA Section 3.19(b), which warrants that there has been no data “breach”, as defined by HIPAA, during the last twenty-four months that has affected more than 500 individuals.

**56. Tax Liabilities.** Prospect and the Selling Entities represented that they had

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no material tax liability as of the Effective Date, and will need to represent the same at closing.



(APA § 3.20(b).) In January 2024, Prospect owed \$67 million in outstanding provider taxes<sup>6</sup>, despite entering into a settlement agreement with the Connecticut Department of Revenue Services, has defaulted on that agreement, and the outstanding amount has grown to over \$100 million in subsequent months. Prospect also currently owes over \$17 million dollars in outstanding municipal tax liabilities, meaning that Prospect and the Selling Entities cannot represent that they are current on tax liabilities and that Prospect and the Selling Entities are in violation of Section 5.3(b) of the APA, which requires that Prospect and the Selling Entities “conduct the operation of the Businesses in the Ordinary Course” during the Interim Period, including by “paying in the Ordinary Course (and in any event before delinquency) all bills and invoices for” the Businesses’ “debts and liabilities”. As further detailed below, Prospect and the Selling Entities are in gross default of their tax liabilities and have failed to identify an adequate plan to come current on certain tax liabilities prior to closing. These tax liabilities have led to the imposition of liens on the Purchased Assets, which means that Prospect and the Selling Entities have breached their Ordinary Course duty not to permit Encumbrances on the Purchased Assets (APA § 5.4(g)), and Prospect and the Selling Entities cannot represent that there are no impermissible Encumbrances on the Purchased Assets (APA § 3.3(a)). Nor can Prospect and the Selling Entities represent at closing as they are required to under Section 3.20(b) of the APA that “there is no pending Tax examination or audit of, nor any Action, audit, investigation or claim asserted or threatened against Seller or any Selling Entity by any federal, state or local Taxing authority in respect of the Businesses”; that “[n]either Seller nor any Selling Entity has . . . agreed to any extension of time with respect to a Tax assessment or deficiency . . . in respect of

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<sup>6</sup> Dave Altamari & Jenna Carlesso, *Prospect Medical chain owes CT \$67 million, tax liens show*, CT MIRROR (Jan. 9, 2024), <https://ctmirror.org/2024/01/09/prospect-medical-holdings-ct-hospitals- tax-lien/>.

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the Businesses”; or that “[e]xcept for Encumbrances for Taxes not yet due and payable”, “there are no Tax Encumbrances affecting the Businesses”.

57. **Failure to Fund Pension Plans and Resulting Liens.** Under the APA, during the period prior to closing, Prospect and the Selling Entities are obligated to fund their pension plans in the Ordinary Course (see APA § 5.3(b)) and are prohibited from permitting an Encumbrance on the Purchased Assets, other than those expressly enumerated as Permitted Encumbrances, and other than those in the Ordinary Course (see APA § 5.4(g)). Prospect and the Selling Entities have breached these covenants by failing to adequately fund their three pension plans, two of which are single-employer pension plans that benefit current or former employees of the Businesses, resulting in the Pension Benefit Guaranty Corporation (“PBGC”) perfecting liens on the assets of the Businesses totaling nearly \$16 million. In addition to constituting a breach of Prospect’s covenants under the APA, these breaches also result in a failure of the closing conditions as they require that Prospect and the Selling Entities represent that all Employee Benefit Plans have been administered and maintained in accordance with their terms and applicable laws; that since January 1, 2018, no event has occurred that has resulted or would result in the imposition of a lien on the assets of the Businesses; that since January 1, 2018, there has been no failure to make a required contribution to an Employee Benefit Plan that could result in the imposition of a lien; that since January 1, 2018, no lien or Encumbrance has arisen under 26 U.S.C. § 430; and that Prospect and the Selling Entities will transfer title to the Purchased Assets free and clear of all Encumbrances except for those Permitted Encumbrances identified in the APA. (See APA §§ 3.3(a), 3.13.)

58. Underlying Prospect’s failure to operate the Businesses in the Ordinary  
Course and failure to take the steps needed to ensure that its representations and warranties are

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true at closing is Prospect's utter failure to invest capital in the Businesses. A few years prior to the signing of the APA, in August 2019, Prospect entered into a sale-leaseback deal with MPT—a publicly traded real estate investment trust. In that deal, Prospect sold the real estate occupied by the Businesses to MPT and received in return approximately \$457 million and was extended a loan by MPT. This provided Prospect with cash necessary to invest in and operate the Businesses in a reasonable manner in the ordinary course.<sup>7</sup> Yet, as described herein, Prospect chose not to do so. Its failure to fund the Businesses has been so severe that the Businesses have been unable to pay even their rent.

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#### **B. Prospect Ceases Ordinary Course Operation of the Businesses.**

<sup>59</sup> Shortly after the APA was executed, Prospect and the Selling Entities ceased operating the Businesses in the Ordinary Course. Among other things, state and federal regulators have issued notices that the Prospect Hospitals' regulatory violations pose an immediate jeopardy to the health and safety of patients. (*Infra* ¶¶ <sup>60-81</sup>.) Federal regulators have threatened at least one of the Prospect Hospitals with termination of its Medicare contract due to the hospital's failure to comply with federal regulations. (*Infra* ¶ <sup>71</sup>.) Defendants have failed to protect health information and personally identifiable information as they have failed to prepare for and remediate adequately a ransomware matter and system compromise.

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(*Infra* ¶¶ <sup>82-108</sup>.) Defendants defaulted on payments to medical staff, physician groups and third-party vendors. (*Infra* ¶¶ <sup>109-126</sup>.) As a result, numerous medical providers and vendors have terminated their services with the Businesses, the facilities have not been properly

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<sup>7</sup> *Medical Properties Trust Announces \$1.75 Billion Investment in 24 Hospital Facilities*, BUSINESS WIRE (July 15, 2019), <https://www.businesswire.com/news/home/20190715005775/en/Medical-Properties-Trust-Announces-1.75-Billion-Investment-in-24-Hospital-Facilities>; *News Release: Medical Properties Trust Announces Agreement to Sell Connecticut Hospitals*, MEDICAL PROPERTIES TRUST (Oct. 6, 2022), <https://medicalpropertystrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-announces-agreement-sell-connecticut>.

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maintained and the quality of care and patient safety at the Prospect Hospitals have suffered.

(*Infra* ¶¶ 127-35.) Defendants stopped paying rent. (*Infra* ¶¶ 136-42.) Defendants stopped paying taxes. (*Infra* ¶¶ 143-50.) And impermissible liens have been perfected against the Businesses. (*Infra* ¶¶ 151-64.)

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1. Prospect Fails to Comply with Governmental Regulations.

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60. Prospect and the Selling Entities have repeatedly failed to ensure that the

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Prospect Hospitals provide medically sound treatment and that they comply with governing regulations regarding facility cleanliness and operability, patient safety and quality of patient care. Since signing the APA, the Businesses have received an extraordinary and unacceptable number of regulatory citations and notices of immediate jeopardy to patient health and safety. As discussed in the paragraphs that follow, the high volume and extraordinary nature of these issues evidence the Prospect Hospitals' deteriorating quality of care and inability to provide adequate medical treatment, including due to the Prospect Hospitals' failure to ensure that their medical staff was properly trained and compliant with hospital policy.

61. On June 16, 2023, the CMS issued a notice of noncompliance to

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Waterbury Hospital Laboratory ("Waterbury Lab"). That notice indicated that the lab was not in compliance with nine of the conditions required for certification under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA") program and that the deficient practices posed immense risk to patient health and safety. Indeed, the Connecticut Department of Public Health ("DPH") surveys in June 2023 uncovered that a patient had died in the emergency department in

December 2022 after Waterbury Lab failed to timely and properly process the patient's bloodwork.<sup>8</sup>

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62. On July 25, 2023, DPH issued to Waterbury Hospital a notice of noncompliance identifying 20 violations of Section 19-13-D3 of the Regulations of Connecticut State Agencies ("Section 19-13-D3"). Notably:

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- *Staff failed to sanitize operating room equipment (and operating room had rusty equipment).*
- Staff failed to ensure a plan of care was in place for patients with fall risks, *resulting in patients falling.*
- Staff failed to properly label medication and *were unable to identify when certain medications expired.*
- The hospital *failed to complete criminal background checks on 25 newly hired employees*—all of whom had direct access to patients and/or patient information.
- Staff failed to ensure that pre-drawn medication stored in anesthesia carts were discarded in accordance with the hospital's policy and practice.
- Staff failed to ensure that physician orders for epidural medication were in place and that epidural medication was administered in accordance with hospital policy and practice.
- Staff failed to properly and timely evaluate patients who had been placed in restraints.
- Staff had *discharged a patient with bipolar disorder without contacting the patient's guardian.*

63. On September 5, 2023, CMS issued a notice of noncompliance to Waterbury Hospital, which stated that CMS had determined the hospital conditions posed an

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<sup>9</sup> Yale New Haven Health understands that the CLIA violations were remedied and Waterbury Lab was found to be in compliance with CLIA conditions as of September 14, 2023. That does not detract, however, from the severity of the violations at this site—including violations that were linked to a patient's death.

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immediate jeopardy to the health and safety of patients. While the immediate jeopardy was subsequently abated, CMS maintained that substantial noncompliance with Conditions of Participation still existed with respect to the “Quality Assessment and Performance Improvement Program” (in violation of 42 C.F.R. § 482.2), “Laboratory Services” (in violation of 42 C.F.R. § 482.27) and “Emergency Services” (in violation of 42 C.F.R. § 482.55). That noncompliance has yet to be remedied.

64. On September 7, 2023, DPH issued yet another notice of noncompliance to Waterbury Hospital, identifying six additional violations of Section 19-13-D3 that remain unabated, including the Emergency Department’s failure to timely analyze a patient’s troponin level that was followed by the patient’s death.

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65. On October 11, 2023, CMS issued a notice of immediate jeopardy to Manchester Memorial Hospital based on the hospital’s failure to investigate a registered nurse’s alleged inappropriate physical interactions with patients. The nurse was allegedly having intimate relations with patients—including in patient rooms—both while they were admitted at the hospital and after discharge. In violation of the hospital’s abuse policy, that nurse was neither removed from patient care areas nor placed on administrative leave, and was permitted to continue working with patients for a period of four months. CMS concluded that this placed patients at serious risk.<sup>9</sup>

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<sup>9</sup> Immediate jeopardy was removed on October 13, 2023, after the hospital placed the nurse in question on administrative leave, and was determined to be implementing a responsive action plan. However, the allegations continue to raise concerns about enforcement of and compliance with the hospital’s abuse policy.

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66. An October 31, 2023 notice of noncompliance issued to Manchester

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Memorial Hospital identified 13 violations of Section 19-13-D3 based on DPH visits made to the hospital concluding on March 15, 2023. Those violations included, among other things:

- Medical staff *losing a sample of potentially cancerous cells that were collected via surgery*.
- Medical staff *using the wrong implant during a total knee arthroplasty* (requiring a second surgery to correct).
- Medical staff's *failure to ensure that patients with infections received antibiotics*.
- Medical staff's *failure to administer anticoagulants* (leading to a patient developing deep vein thrombosis).
- The hospital's *failure to adequately staff a unit (resulting in a patient with a high fall risk falling and fracturing their skull)*.

67. A November 1, 2023 notice of noncompliance issued to Manchester

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Memorial Hospital identified two additional violations of Section 19-13-D3, including the hospital's *failure to implement continuous safety precautions to prevent infant abductions from the birthing center*, based on DPH visits to the hospital concluding on August 31, 2023. On information and belief, those violations remain unabated.

68. That same day, CMS also issued a notice to Manchester Memorial

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Hospital identifying violations of numerous regulations based on allegations that the above-described nurse (*supra* ¶ 64) had intimate relations with patients (including a patient who had been admitted for psychotic symptoms), was sending money to former patients and had inappropriate relations in patient rooms. The hospital conducted a brief investigation but did not place the nurse on administrative leave, as required by hospital policy. While Yale New Haven Health understands on information and belief that DPH subsequently found Manchester Memorial Hospital to be in substantial compliance with the related Medicare Conditions of

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Participation, the severe violations involved in this situation demonstrate Defendants' failure to run the hospital in the Ordinary Course.

<sup>69</sup>. On November 3, 2023, DPH issued a notice of noncompliance to Waterbury Hospital identifying an additional violation of Section 19-13-D3, which, on information and belief, remains unabated: namely, that Waterbury Hospital staff were found to have *failed to ensure that medications were transcribed according to the hospital's procedure and administered as prescribed*.

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<sup>70</sup>. A January 3, 2024 notice of noncompliance issued to Manchester Memorial Hospital identified a violation of Section 19-13-D3 based on the hospital's *failure to maintain certain electrical equipment*. Specifically, on or around August 1, 2023, the HVAC system at Manchester Memorial Hospital failed because Defendants had neglected to ensure that the breakers feeding electrical power to the system were replaced in a timely manner because "the vendor was not on the Prospect Holding approved vend[o]r list"<sup>10</sup>. Rather than pay to have the system repaired promptly, Defendants allowed it to remain inoperable for over five months<sup>11</sup>—meaning that patients and staff at Manchester Memorial Hospital had to endure the summer heat without air conditioning. The HVAC failure also led to the inability to maintain acceptable humidity and temperature levels in the operating rooms, which in turn led to the *cancellation of surgeries and a full diversion of certain Emergency Department services*<sup>12</sup>. On information and belief, this violation has yet to be cured.

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<sup>71</sup>. In a January 26, 2024 notice to Waterbury Hospital, CMS reported that it found continued substantial noncompliance with Conditions of Participation related to "Patient

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<sup>10</sup> January 3, 2024 DPH Notice of Noncompliance to Manchester Memorial Hospital.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

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Rights” (in violation of 42 CFR § 482.13), the “Quality Assessment and Performance Improvement Program” (in violation of 42 CFR § 482.21), “Nursing Service” (in violation of 42 CFR § 482.23) and “Anesthesia Service” (in violation of 42 CFR § 482.52). As a result, Waterbury Hospital no longer met the Conditions of Participation in Medicare and was placed under the jurisdiction of the state survey agency. If Waterbury Hospital fails to achieve compliance, CMS may initiate steps to terminate Waterbury Hospital’s Medicare agreement. While CMS verified that the conditions of Immediate Jeopardy have been abated, it has also indicated that substantial noncompliance remains, demonstrating that Prospect still cannot meet the closing conditions of APA Section 6.6 (“Immediate Jeopardy Matters”).

72. On March 11, 2024, DPH issued a notice of noncompliance to Waterbury Hospital identifying 18 additional violations of Section 19-13-D3, including *failures to properly administer and monitor anesthesia*, which in at least one case led to a patient’s loss of consciousness and intubation after receiving an epidural, and *multiple reports of medical staff’s abuse of patients*. On information and belief, the hospital has yet to correct these violations. While Waterbury Hospital submitted a plan of correction to DPH that indicated certain corrections were already completed, that plan of correction also noted that the hospital was in the process of implementing certain changes to its procedures. These changes would track abuse and neglect allegations that previously were not tracked and would be monitored for several months to ensure compliance with the hospital’s procedures. YNHH has not seen any documentation relating to whether those changes comply with internal hospital procedures and with the plan of correction, even though Prospect is required to provide monthly reports to YNHH with respect to the implementation of such plans of correction. (APA § 5.9(b).)

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73. On September 27, 2024, the Waterbury Hospital nurses' union, Connecticut Health Care Associates District 1199 Waterbury Hospital, took a vote of no-confidence in Waterbury's Chief Nursing Officer. By a 96% vote, the nurses' union called for the Waterbury Chief Nursing Officer's dismissal due to what they described as staff shortages and ineffective leadership. The union concluded that the Chief Nursing Officer has violated Connecticut's hospital staffing law numerous times—that law requires hospitals to adhere to the specific nursing-to-patient ratios and assistive staffing-to-patient ratios established in the hospitals' nurse staffing plans—and a related complaint has been filed both with the U.S. Inspector General's Office and DPH. Any related investigation by the U.S. Inspector General's Office or DPH would mean that Prospect and the Selling Entities would be unable to make the representation in Section 3.6(b) of the APA that Prospect and the Selling Entities are not "under investigation with respect to, any applicable material Law". Staffing shortages have gotten so bad that the union has reported that nurses have been "stripped down to a skeleton crew", which is putting "patients at risk".<sup>13</sup>

74. These repeated and serious violations of state and federal law violate APA Section 5.3's requirement that the Prospect Hospitals be operated in the Ordinary Course. And their inability to provide certain services as a result of these issues—such as reduced anesthesia services due to non-payment and the diversion of patients due to faulty electrical systems—evidences both a significant interruption to the Prospect Hospitals' ordinary course operations as well as a material adverse change to the nature of the Businesses.

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<sup>13</sup> Livi Stanford, *Waterbury Hospital nurses pass no-confidence vote against chief nursing officer over staffing and patient safety concerns*, REPUBLICAN-AMERICAN (Sept. 28, 2024), <https://www.rep-am.com/localnews/2024/09/28/waterbury-hospital-nurses-pass-no-confidence-vote-against-chief-nursing-officer-over-staffing-and-patient-safety-concerns/>.

75. These regulatory failures also demonstrate that Prospect and the Selling

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Entities are unable to represent and warrant—as a condition precedent to closing—that they “are and have been in compliance in all material respects with all applicable Laws . . . including the Healthcare Laws” (APA § 3.6(a)) and that they have not “received written notice of”, are not “in material violation of” and are not under any obligations to take remedial action under “any applicable material Law” (APA § 3.6(b)). If the Contemplated Transaction were to close, Yale New Haven Health would be subject to being placed in immediate jeopardy due to the extensive and as-of-yet unremedied regulatory violations at the Prospect Hospitals.

76. Moreover, Defendants’ failures to comply with state and federal law at

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Waterbury Hospital now jeopardize and may lead to the termination of the hospital’s Medicare agreement, rendering Defendants unable to represent and warrant that they are in material compliance with the terms and conditions of participation in Medicare and are eligible for payment thereunder (APA § 3.16(a)) and that “no event has occurred that would reasonably be expected to materially and adversely affect Seller’s and the Selling Entities’ relations with any Key Payor”, with Key Payors including Medicare managed care providers (APA § 3.21).

77. That Defendants will be unable to resolve the regulatory issues in order to satisfy the closing conditions is further demonstrated by the existence of at least three unresolved government investigations into Defendants’ operation of the Businesses.

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78. On April 19, 2023, the Connecticut Attorney General issued to Prospect a

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Civil Investigative Demand (“CID”) in connection with Prospect’s hospital funding practices that may constitute unfair or deceptive acts or practices in violation of the provisions of the Connecticut Unfair Trade Practices Act.

79. On November 3, 2023, the U.S. Department of Justice (“DOJ”) issued to Prospect a Civil Investigative Demand (“DOJ CID”) concerning allegations that Prospect violated the False Claims Act by upcoding certain secondary diagnoses on claims for inpatient care that were submitted to federal healthcare programs.

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80. On January 12, 2024, the Connecticut Commissioner of Consumer Protection issued to Prospect and the Selling Entities a CID in connection with the August 2023 Cybersecurity Matter, defined and discussed below in Section B.2.

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81. None of these investigations have been resolved, which renders Defendants unable to represent that neither Prospect nor any Selling Entity “is under investigation with respect to[] any applicable material Law, including the Healthcare Laws” (APA § 3.6(b)) nor that neither Prospect nor any Selling Entity is “the recipient of or served with any . . . civil investigation demand . . . or any other material inquiry related to compliance with Healthcare Laws from any Governmental Authority” (APA § 3.6(e)). Moreover, the DOJ CID concerning allegations that Prospect violated the False Claims Act in connection with upcoding certain secondary diagnoses on claims for inpatient care under government reimbursement programs jeopardizes its relationship with Medicare. Should any of the Prospect Hospitals be found out of compliance with Medicare conditions of participation, Prospect would also be unable to make the required representations under Sections 3.16 and 3.21 of the APA.

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2. Defendants Fail to Prepare for and Remediate Cybersecurity Matter, Further Crippling Prospect Hospitals.

82. In addition to the grievous and numerous regulatory infractions by the Prospect Hospitals, Defendants’ insufficient cybersecurity measures and investment have further contributed to the downturn of the hospitals.

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<sup>83.</sup> In the early morning hours of August 1, 2023, Prospect and the Selling Entities became aware of a ransomware matter and system compromise affecting all three Prospect Hospitals (the “Cybersecurity Matter”).<sup>14</sup> An unauthorized party had gained access to Prospect’s and the Selling Entities’ electronic environments via Waterbury Hospital’s Citrix platform and accessed and/or acquired files that contained private and sensitive patient and employee information. *Approximately 110,000 patients and employees have had their protected health information and/or personally identifiable information compromised* as a result of the Cybersecurity Matter.<sup>15</sup>

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<sup>84.</sup> The Cybersecurity Matter laid bare deficiencies in Prospect’s and the Selling Entities’ information technology (“IT”) security controls and preparedness for threats that the Prospect Hospitals knew or should have known about. Cybersecurity compromises—like the one that impacted the Prospect Hospitals in 2023—have been on the rise in the healthcare industry since the COVID-19 pandemic. Those breaches and the threats they pose to data privacy were the subject of extensive public reporting in the years leading up to the Cybersecurity Matter.<sup>16</sup> Prospect and the Selling Entities ignored these warnings entirely.

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<sup>14</sup> Dave Altamari & Jenna Carlesso, *CT Hospitals Unsure if Patient Records Were Breached in Cyberattack*, CT MIRROR (Sept. 8, 2023), <https://ctmirror.org/2023/09/08/ct-hospital-cyberattack-manchester-rockville-waterbury/>.

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<sup>15</sup> Angela Fortuna, *Cyberattack Impacting ECHN, Waterbury Health Affected Nearly 110,000 People: Officials*, NBC CONNECTICUT (Nov. 15, 2023), <https://www.nbcconnecticut.com/news/local/cyberattack-impacting-echn-waterbury-health-affected-nearly-110000-people-officials/3150290/>.

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<sup>16</sup> See, e.g., Maggie Miller, *The Mounting Death Toll of Hospital Cyberattacks*, POLITICO (Dec. 28, 2022), <https://www.politico.com/news/2022/12/28/cyberattacks-u-s-hospitals-00075638>; Stacy Weiner, *The Growing Threat of Ransomware Attacks on Hospitals*, AAMC (Jul. 20, 2021), <https://www.aamc.org/news/growing-threat-ransomware-attacks-hospitals>.

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85. In the months leading up to the ransomware matter and system

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compromise, Prospect and the Selling Entities also systematically underinvested in the Prospect Hospitals' cybersecurity programs and tooling.

86. It is customary for a hospital to conduct routine penetration testing of its

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systems, in which a cybersecurity expert attempts to find and exploit vulnerabilities in the hospital's system. This testing allows a hospital to identify and remedy vulnerabilities in its IT systems that could lead to the compromise of personally identifiable information or protected health information. Indeed, Yale New Haven Health conducts penetration testing at least twice annually. As Yale New Haven Health learned for the first time during its integration planning following execution of the APA, Prospect and the Selling Entities had conducted no recent penetration testing of their systems.

87. Prospect and the Selling Entities also failed to safeguard against a

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systemwide taking of protected health information or personally identifiable information by failing to install firewalls between its hospitals and other assets. The Businesses had a "flat network", meaning that there were no firewalls in place between the Prospect Hospitals vis-à-vis one another, leaving the systems even more vulnerable to breach and enabling an unauthorized actor to gain access not just to the information on the systems of the target hospital, but also to the information on the systems of the other Businesses.

88. Prospect and the Selling Entities also had an utter lack of asset

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management with respect to their IT systems. Prospect and the Selling Entities failed to appropriately patch or upgrade the Businesses' IT systems. And in conversations with Yale New Haven Health and its advisors following the execution of the APA, Prospect acknowledged that it was unfamiliar with Waterbury Hospital's system and did not even know that the hospital had

the outdated version of the Citrix platform that it did—the very platform that allowed the unauthorized actor to gain access to Prospect’s and the and the Selling Entities’ systems in the Cybersecurity Matter—despite having owned the hospital for nearly seven years.

89. Prospect and the Selling Entities also made their systems vulnerable to breach by failing to invest in an appropriate antivirus protection. Prior to the Cybersecurity Matter, Prospect’s and the Selling Entities’ systems had an outdated traditional antivirus program that lacked the more protective endpoint detection that is typical in the healthcare industry. Furthermore, Prospect’s and the Selling Entities’ provider of IT infrastructure services, testing services and IT service management, R4 Solutions Inc., is a small, family-owned, offshore IT support group that simply fixes IT problems when they arise, and is a far cry from a provider of the level of IT and cybersecurity that would reasonably safeguard patient and employee data.

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90. Prospect and the Selling Entities also failed to maintain or enforce sufficient administrative cybersecurity policies for the Prospect Hospitals (such as a sufficient vulnerability and patch management program, data retention policy or business continuity plan—*i.e.*, a plan for how the hospitals would continue to care for patients in the event of a data breach).

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91. In addition to revealing Prospect’s and the Selling Entities’ failure to adequately safeguard against a compromise of protected health information and personally identifiable information, the Cybersecurity Matter showed Prospect’s and the Selling Entities’ failure to remediate the breach in a way that ensured patients could continue to be served adequately.

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92. Prior to the Cybersecurity Matter, Prospect’s Chief Information Security Officer (“CISO”) resigned. Prospect did not immediately fill that position. In fact, to date,

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Prospect has failed to hire a new CISO. The resulting lack of leadership of Prospect’s information security team exacerbated Prospect’s inadequate response to the Cybersecurity Matter.

<sup>93.</sup> For the first 24 hours following the Cybersecurity Matter, the Prospect Hospitals were on “full diversion”, taking no patients.<sup>17</sup>

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<sup>94.</sup> On August 6, 2023, an anonymous grievance regarding Waterbury Hospital alerted state officials that the Cybersecurity Matter was adversely impacting patient safety and quality of care. According to the complaining party, the “Hospital is being run in unsafe conditions after computers being hacked. There is poor communication between

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healthcare providers and mistakes are being made that are affecting the welfare and safety of patients. There is insufficient information and history available due to no access to electronic records. Pharmacy is not verifying new medication orders before medications are administered putting patients at further risk.”<sup>18</sup>

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<sup>95.</sup> On August 7, 2023, DPH officials observed “issues related to medical administration” and learned that patients at Waterbury Hospital had missed their medication.<sup>19</sup>

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<sup>96.</sup> As DPH officials would later discover, Manchester Memorial was not equipped to safeguard patients in the aftermath of the Cybersecurity Matter. The infant security system malfunctioned and because medical staff were not adequately monitoring the ward, no proper system was in place to prevent infants from being abducted from the hospital.

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<sup>17</sup> Dave Altimari & Jenna Carlesso, *Inside the Cyberattack at Prospect Medical Holdings’ CT Hospitals*, CT MIRROR (Oct. 1, 2023), <https://ctmirror.org/2023/10/01/ct-prospect-medical-holdings-hospitals-cyberattack-yale-sale/>.

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<sup>18</sup> *Id.*

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<sup>19</sup> *Id.*

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<sup>97.</sup> Even weeks after the Cybersecurity Matter was first detected, conditions at the Prospect Hospitals did not improve. Patient census reports showed that Manchester Memorial lost over 30% of its patients between August 9 and August 20, 2023.<sup>20</sup> Manchester Memorial was so crippled by the Cybersecurity Matter that it could not take patients, and patients were forced to be diverted to hospitals in neighboring states. That diversion lasted until August 28, 2023.<sup>21</sup>

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<sup>98.</sup> Waterbury Hospital's emergency department diverted so many patients to Saint Mary's Hospital that Saint Mary's emergency department became overrun, with patients sitting on the floor and waiting on gurneys in hallways for days before being admitted.<sup>22</sup>

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<sup>99.</sup> During the six weeks following the breach, the Prospect Hospitals were forced to cancel nearly half of their elective procedures and at times could not process X-rays or CT scans that were vital to providing proper treatment to potential stroke or heart attack victims.<sup>23</sup>

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<sup>100.</sup> The Prospect Hospitals were also short-staffed. Prospect asked DPH to provide temporary pharmacists and pharmacy technicians. State officials were so concerned about staffing issues at Waterbury Hospital that they considered activating the volunteer Medical Reserve Corps.<sup>24</sup>

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<sup>20</sup> *Id.*

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<sup>21</sup> *Id.*

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<sup>22</sup> *Id.*

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<sup>23</sup> *Id.*

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<sup>24</sup> *Id.*

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<sup>101</sup>. The Prospect Hospitals were unable to bill insurance providers and Medicaid for payment, forcing the state Department of Social Services to advance them approximately \$7.5 million.<sup>25</sup>

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<sup>102</sup>. The Prospect Hospitals did not declare “all services back online” until September 12, 2023, nearly six weeks after the breach began.<sup>26</sup>

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<sup>103</sup>. The loss of patient confidence and tarnished reputations of the Prospect Hospitals resulting from the Cybersecurity Matter is extensive. As Waterbury Hospital CEO Dr. Lundbye confirmed, the Prospect Hospitals are faced with “a long-term recovery” from the Cybersecurity Matter.<sup>27</sup>

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<sup>104</sup>. Notwithstanding the catastrophic harm done from the breach, Prospect and the Selling Entities refused to take steps to rebuild the Prospect Hospitals’ IT systems or protect them from further incursions. At a September 26, 2023 meeting with state legislators, the Prospect Hospitals’ IT systems were described as “old” and requiring updating, but Prospect claimed “they don’t have enough resources” to fund upgrades—passing the buck until such a time as Yale New Haven Health could fix them.<sup>28</sup>

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<sup>105</sup>. Prospect is also now under investigation by the Connecticut Commissioner of Consumer Protection for potential legal violations in connection with its failure to safeguard personal information. The investigation was initiated on January 12, 2024, and Yale New Haven Health understands it to remain ongoing.

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<sup>25</sup> *Id.*

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<sup>26</sup> *Id.*

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<sup>27</sup> Dave Altimari, Jenna Carlesso & Mark Pazniokas, *Hospital Execs to Lamont, Lawmakers: Seal the Yale-Prospect Deal*, CT *MIRROR* (Sept. 26, 2023), <https://ctmirror.org/2023/09/26/hospital-execs-to-lamont-lawmakers-seal-the-yale-prospect-deal/> [hereinafter *Seal the Yale-Prospect Deal*].

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<sup>28</sup> *Id.*

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106. As a result of Defendants’ failure to adequately prepare for and remediate the compromise of patient and employee protected health information and/or personally identifiable information, Defendants are unable to represent, as required for closing, that during the last 24 months leading up to either the Effective Date or closing date, they have complied with applicable Privacy and Security Laws and have “taken all appropriate and necessary steps to contain, eradicate and remediate each ‘breach’, as defined by HIPAA, of the security of any Purchased Asset.” (APA § 3.19(a).)

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107. Moreover, due to the breach, Defendants cannot represent that during the last 24 months “there has been no data ‘breach,’ as defined by HIPAA, affecting more than 500 individuals”. (APA § 3.19(b).)

108. Given the investigation that has been launched as a result of the Cybersecurity Matter, Defendants are also unable to represent that they are under no “investigation by any Governmental Authority for a violation” of any Privacy and Security Laws. (APA § 3.19(c).)

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3. Defendants’ Failure to Pay Vendors & Suppliers.

109. Further exacerbating the decline in quality of care, the Prospect Hospitals have violated their obligation to pay vendors and physicians in the Ordinary Course, “and in any event before delinquency”, driving many vendors and physicians (including entire physician groups) to stop providing services to the Prospect Hospitals. (APA § 5.3(b).)

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110. In a September 13, 2023 email to Yale New Haven Health, the Chair of the Department of Anesthesiology at ECHN and the Managing Partner of Anesthesia Associates of Willimantic (“AAW”)—the sole provider of anesthesia services for ECHN—stated that ECHN was “months behind in payments despite multiple invoice reminders, in-person meetings

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with the CEO, emails, and . . . corporate attorney involvement.” AAW indicated it would be reducing the services it provides due to lack of payment and that, together with other hospital specialty groups that had also not been paid, planned to detail their concerns to the Connecticut Attorney General. In addition to violating the Ordinary Course covenant (APA § 5.3(b)), Prospect’s failure to pay timely AAW constitutes a failure of the representation at Schedule 3.8(a) of the APA, which requires Prospect and the Selling Entities to represent that they have not materially breached the AAW contract.

111. During a September 26, 2023 meeting, executives from Waterbury Hospital and ECHN informed Governor Lamont and legislators that all three of the Prospect Hospitals faced financial ruin if the transaction with Yale New Haven Health were not expedited. Describing the Prospect Hospitals’ financial condition as “dire”, the executives admitted that the Prospect Hospitals were struggling to pay their vendors and contracted physicians, that “there have been limitations on lab equipment and chemicals used in labs” and that they were even “having difficulty paying for bed linens, things like that” <sup>29</sup>

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112. Beginning on or before September 23, 2023, the Waterbury Hospital Neonatal Intensive Care Unit and Well Baby Nursery/Postpartum Unit were unable to provide patients with on-site bilirubin testing due to a lack of laboratory testing supplies. The fact that Waterbury Hospital, which has a dedicated Family Birthing Center and a Level III neonatal intensive care unit, was unable to administer such a routine and necessary procedure to newborns/neonates (which is a particularly vulnerable patient population) for a period of time demonstrates a lack of quality patient care and is detrimental to the hospital’s reputation.

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<sup>29</sup> *Id.*

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<sup>113</sup>. Since at least November 27, 2023, doctors have reported instances of being unable to use required materials due to supply shortages and at times are forced to use lower-quality materials associated with slower healing and increased reports of pain. By way of example, some surgeons have been unable to obtain their preferred surgical mesh. More recently, it has been reported that basic equipment such as vital sign machines and many thermometers do not work at Waterbury Hospital. Instead of relying on the hospital-provided faulty thermometers, one nurse reported that nurses “are using Dollar Tree thermometers” to treat patients.<sup>30</sup>

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<sup>114</sup>. On November 30, 2023, the CT Mirror reported that “[s]urgeries have been postponed because health care providers don’t have the needed resources.”<sup>31</sup> Additionally, surgeons are no longer performing certain spine and vascular surgeries at Waterbury Hospital and are instead taking those surgeries to competing hospitals because vendors will no longer provide certain supplies necessary for such surgeries. Indeed, because the Prospect Hospitals were not paying physicians, “[m]any of them are planning to leave”<sup>32</sup>

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<sup>115</sup>. In November 2023, it was reported that ECHN owed \$5.9 million to local vendors and \$5.18 million of unpaid compensation to physicians.<sup>33</sup>

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<sup>30</sup> Livi Stanford, *Waterbury Hospital nurses pass no-confidence vote against chief nursing officer over staffing and patient safety concerns*, REPUBLICAN-AMERICAN (Sept. 28, 2024), <https://www.republican.com/localnews/2024/09/28/waterbury-hospital-nurses-pass-no-confidence-vote-against-chief-nursing-officer-over-staffing-and-patient-safety-concerns/>.

<sup>31</sup> Jenna Carlesso & Dave Altimari, *CT Presents Draft Settlement in YNHH-Prospect Hospitals Sale*, CT MIRROR (Nov. 30, 2023), <https://ctmirror.org/2023/11/30/prospect-medical-holdings-ct-hospitals-ynhh-sale/>.

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<sup>32</sup> *Seal the Yale-Prospect Deal*, *supra*, n.22.

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<sup>33</sup> Jenna Carlesso & Dave Altimari, *The CT Hospitals Face a Situation Called ‘Dire.’ Doctors and Other Joined the Fight to Save Them*, HARTFORD COURANT (Nov. 13, 2023), <https://www.courant.com/2023/11/13/the-ct-hospitals-face-a-situation-called-dire-doctors-and-other-joined-the-fight-to-save-them/>.

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<sup>116</sup>. On November 13, 2023, nurses and physicians from all three Prospect Hospitals rallied at the State Capitol, complaining that, among other things, they were not getting paid for their services. During that rally, cardiologist and president of the medical staff at ECHN, Dushynt Gandhi, publicly stated: “Cardiologists, general surgeons, vascular surgeons are making phone calls—they are not getting paid for their services, including myself. And we are not talking about only delayed or delinquent payments. In some situations, [it’s] no payment.” Dr. Gandhi also stated that staff and doctors were considering leaving and that one of his colleagues had said that they “probably will not take calls . . . and the reason is nonpayment”. Dr. Gandhi also noted that “[t]here’s a chance that if the money is not paid, some of the nurses and staff who are providing travel services would go away”, resulting in a necessary decrease of the services those staff provide.<sup>34</sup>

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<sup>117</sup>. On December 18, 2023, a Connecticut Superior Court entered an order finding probable cause to conclude that Waterbury Hospital had failed to pay North American Partners in Anesthesia (Connecticut) for anesthesia services, and ordered it to either post a bond in the amount of \$1.9 million or to file an affidavit disclosing its assets within 45 days. *North American Partners in Anesthesia (Connecticut) v. Prospect Waterbury, Inc. D/B/A Waterbury Hospital*, UWY-CV22-6065813-S (Super. Ct. Waterbury). Prospect failed to disclose this lawsuit in Schedule 3.15(a), which required Prospect to identify “all material Actions with respect to the Business that are pending . . . in which the amount claimed exceeds Five Hundred Thousand Dollars”. A prejudgment remedy in the amount of \$1,919,778 was granted in this

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<sup>34</sup> Jenna Carlesso & Dave Altimari, *Medical Staff, CT Legislators Rally for Prospect Hospitals’ Sale to Yale New Haven Health*, CT ~~MIRROR~~ (Nov. 13, 2023), <https://ctmirror.org/2023/11/13/ct-prospect-medical-hospitals-yale-health-sale/>.

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case, thus potentially violating provisions of the APA that required the Purchased Assets to be clear of all Encumbrances other than those in the Ordinary Course (APA § 5.4(g)). Prospect's contract with the North American Partners in Anesthesia of Connecticut is a Material Contract under Section 3.8(a) of the APA, and so Prospect's failure to pay the North American Partners in Anesthesia of Connecticut is a "material breach or default" of a Material Contract, resulting in a failure of Section 3.8(b) of the APA. Prospect's failure to perform the contract with North American Partners in Anesthesia of Connecticut<sup>35</sup>—an Assumed Contract listed in Schedule 2.1(k)-1—also falls outside of the ordinary course of business under Section 5.4(c).

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118. Further, the entire Waterbury Hospital emergency room physician group was changed over in March 2024 because the previous group was deemed too expensive. Additional cuts have also been recommended to multiple services. One of two hospitalist service groups has not been paid and will be leaving, and certain subspecialists in orthopedic and other surgical specialties are refusing to provide care at Waterbury Hospital due to the hospital's refusal to pay for important services such as call coverage.

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119. Similar issues have plagued Manchester Memorial Hospital. On October 4, 2024, it was reported that the New England Cardiology Associates—in addition to three other practices in the Manchester area—has been waiting for months to be paid by Prospect. The Northeastern Pulmonary Associates also has worked for months without pay at Manchester

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<sup>35</sup> Jenna Carlesso & Dave Altimari, *Lamont warned cyberattack, vendor debt put sale of Prospect hospitals at risk*, CT MIRROR (Sept. 21, 2023), <https://ctmirror.org/2023/09/21/ct-prospect-medical-holdings-hospital-yale-health/>.

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Memorial. One pulmonologist reported that the Northeastern Pulmonary Associates was paying her out of their own pocket because they were not being paid by Prospect.<sup>36</sup>

120. While this inability to timely pay the people supplying critical services was exacerbated by the Cybersecurity Matter, it had already begun to plague the Prospect Hospitals in the months leading up to the Cybersecurity Matter.

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121. Indeed, Waterbury Hospital's then-CEO Dr. Lundbye acknowledged that even prior to the Cybersecurity Matter, the hospital was "stretching out his vendors" and its *accounts payable had grown to over \$40 million.*<sup>37</sup> Fearing bankruptcy, several vendors had put

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Waterbury Hospital and Manchester Memorial "on credit hold" and were "refusing to do additional business with the hospitals" until they got paid. Dr. Lundbye reported that he had been called by unpaid vendors "who tell him (while crying) that they may have to declare bankruptcy because of [the] nonpayment"<sup>38</sup>

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122. Defendants also failed to pay the Waterbury Hospital and Manchester Memorial elevator supplier, Otis, and, thus, have been unable to maintain operable elevators at both hospitals. As a result, staff has been forced to carry patients up and down the stairs, posing a clear and substantial risk to patient (and employee) safety.

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123. Dr. Lundbye had promised vendors that they would be repaid after Prospect closed a financing deal it had been working on, yet none of the proceeds from that deal

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<sup>36</sup> Sujata Srinivasan, *Staffing shake-up hits Prospect-owned Manchester Memorial*, CONNECTICUT PUBLIC (Oct. 4, 2024), <https://www.ctpublic.org/news/2024-09-26/prospect-waterbury-hospital-staffing>.

<sup>37</sup> Aug. 5, 2023 Email from J. Dach to J. Manisha re Prospect Continued, <https://s3.documentcloud.org/documents/23997185/2023-09-28-15-10.pdf>.

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<sup>38</sup> *Id.*

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flowed to any of the three Prospect Hospitals.<sup>39</sup> Prospect's financial practices are currently under investigation by the Connecticut Attorney General's office.<sup>40</sup>

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124. On May 14, 2024, the Connecticut Hospital Association ("CHA") filed an application for a prejudgment remedy against Prospect Medical Holdings Inc. and other Prospect entities<sup>41</sup> for defaulting on payment for, among other things, membership dues and specialized data services. *The Connecticut Hospital Association, Inc. v. Prospect Medical Holdings, Inc. et al.*, HHD-CV24-5083244-S (Super. Ct. Hartford). A prejudgment remedy in the form of an attachment against Prospect in the amount of \$1,747,456.07 had been sought, which, if granted, would have been an impermissible encumbrance. (APA §§ 3.3(a), 5.4(g).) On August 21, 2024, the CHA withdrew its claims against Prospect pursuant to a settlement agreement Prospect had reached with the CHA. Any failure to comply with the terms of that settlement agreement would constitute a further breach of the APA.

125. These failures to pay medical staff, physicians and vendors violate the Ordinary Course covenant to timely pay all liabilities of the Businesses. (APA § 5.3(b).)

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126. These failures have also led to the breakdown in the Businesses' relationships with key providers that are essential to the core operations of the Businesses, rendering the required representations in Section 3.14 incapable of being true and accurate. Physician groups have terminated services with the Businesses, and medical staff have rallied in protest and threatened to leave. Vendors are refusing to supply necessary medical supplies. For

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<sup>39</sup> *Id.*

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<sup>40</sup> Eric Bedner, *CT AG Probing Prospect Medical Holdings' 'Financial Practices' Amid Sale of ECHN Hospitals to Yale*, CT INSIDER (Nov. 3, 2023), <https://www.ctinsider.com/journalinquirer/article/ct-prospect-medical-attorney-general-investigation-18466708.php>.

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<sup>41</sup> Defendants in this case are Prospect Medical Holdings, Inc., Prospect Manchester Hospital, Inc., Prospect Rockville Hospital, Inc., Prospect Waterbury, Inc. and Prospect Chartercare SJHSRI, LLC

April 2023, Prospect reported that, in total, Waterbury Hospital and ECHN had more than \$7.8 million in accounts payable that were more than 180 days past due, and more than \$950,000 in accounts payable that were more than one year past due. ***By January 2024, these figures grew to \$28.8 million and \$6.5 million, respectively.*** Even if these critical providers were paid out of any closing proceeds, such payment could not guarantee that the providers would resume services at the Businesses. To the contrary; the damage that has been done to these relationships is extensive and will require significant time and investment to repair—and may not even be reparable.

4. Defendants' Failure to Maintain Facilities.

<sup>127</sup>. In addition to Defendants' mismanagement of the Prospect Hospitals' services and operations, physicians, employees and patients have reported unsafe conditions of the facilities themselves, again stemming from Prospect and the Selling Entities' utter failure to invest further in the hospitals they wish to sell.

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<sup>128</sup>. As described above, in early August 2023, the HVAC system at Manchester Memorial Hospital failed because Defendants had neglected to ensure that the breakers feeding electrical power to the system were replaced in a timely manner because "the vendor was not on the Prospect Holding approved vend[o]r list"<sup>42</sup> The hospital was forced to cancel surgical procedures and divert patients to other hospitals due to the operating room temperature and humidity levels that were outside the acceptable range.<sup>43</sup>

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<sup>129</sup>. In November 2023, the Mother/Baby Unit at Manchester Memorial Hospital (which houses delivery and post-partum rooms, the newborn nursery and the neonatal

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<sup>42</sup> January 3, 2024 DPH Notice of Noncompliance to Manchester Memorial Hospital.

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<sup>43</sup> *Id.*

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intensive care unit) was without heat for approximately two weeks as a result of a broken boiler. During this period, the hospital installed space heaters in the Unit, jeopardizing the health and safety of the patients—newborns and mothers—and staff. Prior to the boiler breaking, Prospect was aware that it was in need of replacement, and even after the boiler broke, Prospect delayed in providing ECHN the required funding.

130. As described above, Prospect has also failed to pay the Waterbury Hospital and Manchester Memorial elevator maintenance provider, resulting in staff being forced to carry patients up and down the stairs, posing a clear and substantial risk to patient (and employee) safety and further driving patients away from the hospitals.

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131. Additionally, the cameras and lights in the Prospect Hospitals' parking lots have not been functioning consistently, leading to criminal activity and feelings of unease among visitors and staff.

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132. Yale Medicine physicians who work at Waterbury Hospital reported that as of October 25, 2023, there had been at least four vehicles stolen from the Waterbury Hospital parking lots.

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133. In addition, several people (both staff and visitors) have reported being followed or approached in the parking lots after exiting the hospital in the off hours.

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134. These failures to pay for even minimal maintenance of the facilities and to provide basic security threatens to drive away even more patients and physicians and further degrades the Prospect Hospitals' reputations.

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135. These failures to maintain the facilities of the Businesses violates the Ordinary Course covenant (APA § 5.3(a)) and also renders untrue any representation by Prospect or the Selling Entities that the facilities have been maintained as required (APA § 3.12).

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5. Prospect Defaults on Its Rent.

<sup>136</sup> Defendants' failure to timely pay the Businesses' liabilities also extended to their rent payment obligations.

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<sup>137</sup> On February 23, 2023, MPT stated during its own earnings call that Prospect had not paid the rent that it owed to MPT in connection with the Prospect Hospitals in January or February 2023.<sup>44</sup> Defendants had not notified Yale New Haven Health of this failure to pay rent, despite their obligation under Section 5.3(e) of the APA to do so, and Yale New Haven Health learned of the unpaid rent for the first time during this earnings call.

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<sup>138</sup> By May 2023, Prospect owed MPT \$56 million in accrued rent and interest, in addition to nearly \$400 million more in loans that MPT had extended to Prospect.<sup>45</sup>

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<sup>139</sup> Prospect negotiated a restructuring of its Master Agreement with MPT under which, "in lieu of cash payment for \$573 million of loans, unpaid rent and interest, and other amounts owed", MPT would receive equity in PHP Holdings, LLC, which controls Prospect.<sup>46</sup> Specifically, Prospect promised to pay MPT \$355 million out of the closing proceeds from the Yale New Haven Health deal and give MPT a \$103 million equity stake in PHP Holdings. In exchange, MPT would reduce Prospect's rent obligations to \$0.00 per month through October 31, 2023. This arrangement was finalized in May 2023.<sup>47</sup>

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<sup>44</sup> Medical Properties Trust Q4 2022 Earnings Call (When asked by Michael Carroll from RBC Capital Markets, "Did Prospect pay their full rent in January and February?", Steven Hamner, MPT CFO, responded, "No").

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<sup>45</sup> Katy Golvala & Jenna Carlesso, *Meet the Hospital Mega-landlord at the Center of the Yale-Prospect Deal*, CT MIRROR (November 16, 2023), <https://ctmirror.org/2023/11/16/prospect-medical-holdings-mpt-properties-trust/>.

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<sup>46</sup> *Id.*

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<sup>47</sup> *Id.*; *Medical Properties Trust Announces Prospect Recapitalization Transactions*, MEDICAL PROPERTIES TRUST (May 23, 2023), <https://medicalpropertystrust.gcs-web.com/node/15376/pdf>.

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140. Prospect induced Yale New Haven Health to consent to this arrangement by representing that the restructuring would provide Prospect’s hospital operations with liquidity and capitalize its managed care business for continued growth. Prospect also indicated that the restructuring and recapitalization agreement would prevent Prospect from receiving a “going concern” qualification in future audits. Indeed, Prospect made clear that its external auditors would be able to issue an unqualified audit opinion for FY 2022 only if Prospect were able to close the extraordinary MPT restructuring and recapitalization deal.

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141. While the MPT restructuring provided for a rent holiday only through October 2023, Prospect was late in payment rent for several months in 2024.

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142. Defendants’ ongoing failure to timely satisfy their rent obligations directly violates Section 5.3(b) of the APA, which required Prospect and the Selling Entities to pay “all bills and invoices for . . . leasing of real property” in the Ordinary Course, “and in any event before delinquency”.

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6. Prospect and the Selling Entities Default on Tax Liabilities.

143. Defendants have failed to keep current on their taxes.

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144. On a March 9, 2023 call, Prospect informed Yale New Haven Health that it had not paid provider taxes to the Connecticut Department of Revenue Services (the “Department of Revenue”). Each quarter, the Prospect Hospitals have been required to pay to the Department of Revenue a tax on the total net revenue received by each hospital for the provision of inpatient and outpatient hospital services. Conn. Gen. Stat. § 12-263q(a)(1). As of March 2023, Defendants’ unpaid Connecticut provider tax liability for 2022 amounted to approximately \$38 million, plus interest and fees.

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<sup>145</sup>. In late December 2023, the State of Connecticut filed three tax liens against Defendants due to their failure to pay the applicable provider taxes since at least March 2022. Waterbury Hospital owed the Department of Revenue \$36.39 million, Manchester Memorial Hospital owed \$22.9 million and Rockville General Hospital owed \$8.1 million, for a total of \$67.39 million.<sup>48</sup>

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<sup>146</sup>. In response to the Department of Revenue's attempts to collect on the delinquent taxes, Defendants negotiated a settlement of their provider tax liabilities. That settlement, executed on January 31, 2024, provided that the Selling Entities would be granted a discount of \$2 million and be allowed to pay the remaining outstanding \$65 million in payments, with \$55 million paid as a "down payment" with proceeds from the closing of the Contemplated Transaction if Prospect was unable to secure financing before that time, and the remaining \$10 million paid in monthly installments. This discount and payment arrangement were granted in consideration of Defendants' representation to the Department of Revenue that they were in serious financial distress. The settlement agreement provided that "in no event" shall the downpayment contemplated by the agreement be paid after April 15, 2024 and "in no event" shall any installment payment be paid after September 15, 2024. These deadlines have long passed, and Prospect has made no payments on the delinquent provider taxes, which have continued to accrue and now total over \$100 million. In any event, the APA requires Prospect and the Selling Entities to pay their taxes in the Ordinary Course as a precondition to closing the transaction. (APA § 5.3) It is not in the Ordinary Course for Prospect to ignore tax payment

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Deleted: had paid only \$165,000 of their more than \$6.5 million real property tax liabilities, taxes that they are responsible for paying pursuant to the terms of their leases with MPT.<sup>¶</sup> 141

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<sup>48</sup> Dav Altimari et al., *Prospect Medical Chain Owes CT \$67 Million, Tax Liens Show*, CT MIRROR (Jan. 9, 2024), <https://ctmirror.org/2024/01/09/prospect-medical-holdings-ct-hospitals-tax-lien/>.

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obligations for two years and then use the proceeds from a non-Ordinary Course sale of the Businesses to attempt to satisfy post hoc this condition of the APA.

147. State provider taxes were not the only taxes that Prospect and the Selling Entities have failed to pay. According to public tax records, Prospect and the Selling Entities owe outstanding real property and personal property taxes plus interest in the following amounts:

- Real property taxes plus interest for Waterbury Hospital in the amount of \$13,740,231.80;
- Personal property taxes plus interest for Waterbury Hospital in the amount of \$2,301,929.25;
- Real property taxes plus interest for Manchester Memorial Hospital in the amount of \$1,057,804.42;
- Personal property taxes plus interest for Manchester Memorial Hospital in the amount of \$347,013.57;
- Real property taxes plus interest for Rockville General Hospital in the amount of \$266,286.51; and
- Personal property taxes plus interest for Rockville General Hospital in the amount of \$81,396.37.

148. Under Prospect's lease agreement with MPT, Prospect and the Selling Entities are responsible for paying these taxes.

149. As a result of the failure to pay the past-due municipal taxes, on April 9, 2024, the City of Waterbury filed a lien against Waterbury Hospital's real property. The City of Waterbury also filed two liens, on April 11, 2024 and August 2, 2024, respectively, for the past due personal property taxes. These attachments constitute impermissible Encumbrances under the APA that are outside the Ordinary Course. (APA §§ 3.3(a), 5.4(g).) They also constitute a violation of Prospect's and the Selling Entities' obligation to timely pay liabilities. (APA § 5.3.) Liens may also be filed on other property due to overdue municipal taxes.

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**Deleted:** have similarly reached settlement on their delinquent property taxes with respect to Waterbury Hospital, but that settlement is contingent on the closing of the Contemplated Transaction and allows the City of Waterbury to terminate the settlement agreement in the event the Contemplated Transaction does not close.¶

**Moved (insertion) [5]**

150. Even beyond the liens filed against the Businesses, which constitute impermissible Encumbrances in breach of the APA, these failures to pay tax liabilities render false Defendants' representation in Section 3.20(b) of the APA that as of both the Effective Date and at closing, "all material Taxes, penalties, interest, and any other statutory additions which have become due pursuant to the Tax Returns, and any material assessments in respect of the Tax Returns of Seller and the Selling Entities have been paid when due".

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7. Prospect and the Selling Entities Fail to Make Required Contributions to Pension Plans, Resulting in Impermissible Liens on the Purchased Assets.

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151. In addition to the tax liens that have been filed, the PBGC has perfected liens against assets of the Businesses due to Prospect's and the Selling Entities' failure to make required contributions to two of Prospect's established single-employer pension plans, one of which covers the Businesses' employees in Connecticut, under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA") (the "Prospect Pension Plans"). As described below in Paragraph 156, Prospect and the Selling Entities

These plan contributions are required by both ERISA and parallel provisions of the Internal Revenue Code.

152. For each of the Prospect Pension Plans, Defendants are members of the controlled group of the plan sponsor and are responsible for making the contributions due to the pension plans under federal law.



153. The PBGC is a federally chartered corporation created by ERISA that, among other things, insures payment of pension benefits under a single-employer insurance program. If an employer fails to make required plan contributions, the PBGC can perfect and enforce a statutory lien on the employer's property if the unfunded amount rises above \$1 million. Members of an employer's controlled group are jointly and severally liable for payment of the required contributions. 26 U.S.C. § 412(b)(2).

154. Contributions of around \$16 million due to the Prospect Pension Plans for the 2023 plan year were due on September 15, 2024. Defendants failed to make those contributions.

155. Due to the failure to make the required contributions for the 2023 plan year, on September 17, 2024, the PBGC perfected liens under 26 U.S.C. § 430(k) on assets of the Businesses.

156. According to publicly filed notices of lien, examples of which are attached as Appendix A, the PBGC's lien on Prospect's and the Selling Entities' assets arising from Eastern Connecticut Health Network, Inc. Pension Plan totals \$4,002,055 (which names as debtors Prospect ECHN, Inc., Prospect Waterbury, Inc. and Prospect CT Medical Foundation, Inc., among other Prospect entities), and the PBGC's lien on Prospect's and the Selling Entities' assets arising from the Crozer-Keystone Health System Employees Retirement Plan totals \$11,991,908 (which names as debtors Prospect Waterbury, Inc., Prospect Waterbury Ambulatory Surgery, LLC, Prospect CT Medical Foundation, Inc., and Prospect Crozer Ambulatory Surgery, LLC, among other Prospect entities). Prospect and the Selling Entities have also failed to

[REDACTED]

157. [REDACTED]

[REDACTED]

158. Prospect's and the Selling Entities' failure to fund the Eastern Connecticut Health Network, Inc. Pension Plan [REDACTED] constitutes a breach of APA Section 5.3's requirement that during the Interim Period, Prospect and the Selling Entities pay all "debts and liabilities" of the Businesses "in the Ordinary Course" "and in any event before delinquency". [REDACTED]

[REDACTED] is also a violation of Section 5.3's requirement that the Businesses be operated in the Ordinary Course. [REDACTED]

[REDACTED]

159. Prospect's and the Selling Entities' failure to fund the Prospect Pension Plans and the resulting PBGC liens on the Businesses' assets also constitute a breach of APA Section 5.4(g), which prohibits Prospect and the Selling Entities from creating or granting "any Encumbrance on any Purchased Asset, except in the Ordinary Course" during the Interim Period.

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160. In addition to violating the Ordinary Course covenants of the APA, the PGBC liens render false certain representations that Prospect and the Selling Entities must make before YNHH is obligated to close.

161. First, under Section 3.13(b), Prospect and the Selling Entities must represent at closing that "[e]xcept as disclosed on Schedule 3.13(b), all Employee Benefit Plans and the related trusts comply, and have been established, administered and maintained, in all material respects, with (i) their terms, [and] (ii) the applicable provisions of ERISA" and that "since January 1, 2018, no event has occurred that has resulted in or would subject . . . the assets of the Businesses to a lien under Section 430(k) of the Code". By failing to make the required plan contributions due for plan years 2023 [REDACTED] Prospect and the Selling Entities failed to administer and maintain the Eastern Connecticut Health Network, Inc. Pension Plan [REDACTED]

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[REDACTED] in accordance with their terms and the provisions of ERISA. This failure was not disclosed on Schedule 3.13(b) to the APA, or any amendment thereto, and the failure to fund the Eastern Connecticut Health Network, Inc. Pension Plan has already led to the imposition of liens on assets of the Businesses under 26 U.S.C. § 430(k). Accordingly, Prospect and the Selling Entities will be unable to make the representation in Section 3.13(b) upon closing. Additionally, Section 3.13(c) requires Prospect and the Selling Entities to represent at closing that "since January 1, 2018, . . . there has been no . . . failure to make a required contribution that could result in the imposition of a lien or the

provision of security under Section 430 of the Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance”. Prospect and the Selling Entities have admittedly not made the contribution required for the 2023 plan year and that failure has already resulted in a lien on the Businesses’ assets. [REDACTED]

[REDACTED] Accordingly, Prospect and the Selling Entities will be unable to make the representation in Section 3.13(c) upon closing. The representations in Section 3.13 are Seller Compliance Representations. Their failure constitutes a failure of the closing condition of Section 6.1(b), which requires that the Seller Fundamental Representations and Seller Compliance Representations “be true and correct in all material respects”.

162. Second, pursuant to Section 3.3(a) of the APA, Prospect or the applicable Selling Entity must represent that it “owns and holds, or will own and hold as of Closing, and, at the Closing, will sell, transfer, and assign to Buyer, valid title to or leasehold interest in, as the case may be, all of the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances”. The PBGC liens are not Permitted Encumbrances, and to the extent those liens remain unsatisfied, Prospect and the Selling Entities will be unable to make the representation in Section 3.3(a) that must be made at closing. Section 3.3(a) is a Seller Fundamental Representation. Its failure constitutes a failure of the closing condition of Section 6.1(b).

163. On October 4, 2024, YNHH gave notice to Prospect and the Selling Entities that the failure to make the required pension contributions and the PBGC liens each constitute breaches of the APA that give YNHH the right to terminate the APA under Section 8.1(a)(ii) if not cured within 30 days. A copy of that notice is attached as Appendix B.

164. Prospect's and the Selling Entities' admitted failure to fund the Prospect Pension Plans months after YNHH filed the instant action seeking a declaration that Prospect has breached numerous other provisions of the APA further demonstrates Defendants' blatant disregard for their contractual obligations and inability to meet the conditions required for the parties to close the transaction contemplated by the APA.

**C. The Prospect Hospitals Are No Longer Financially Viable.**

165. Defendants' grievous mismanagement of the Businesses since the Balance Sheet Date has led to financial degradation that has been overwhelming—even when accounting for any impact of the Cybersecurity Matter that Defendants may claim is merely temporary. As detailed below, the Businesses' EBITDAR has plummeted, they have suffered operating income losses and they have avoided a going concern qualification in their annual audits only because they secured a 10-month rent holiday and misrepresented to their external auditor the liabilities that Yale New Haven Health would assume under the APA. This financial deterioration, coupled with the gross mismanagement of the Businesses—which will only lead to further financial decline—evinces Defendants' failure to operate the Businesses in the Ordinary Course and constitutes a MAC under the APA.

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166. Even prior to the Cybersecurity Matter, the Businesses' ability to continue as a going concern was called into question. Prospect's audited financial statements for FY 2022—due 120 days after its year-end on September 30, 2022—were not provided to Yale New Haven Health until June 2023 (approximately five months late). (See APA § 5.16(b).) Prospect told Yale New Haven Health in March 2023 that its restructuring of its lease agreement with MPT was necessary to avoid a going concern qualification from its external auditor. But it was not just the lease restructuring that allowed Prospect and its subsidiaries to obtain an unqualified

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audit report. The audit opinion relied upon the assumption that the Contemplated Transaction would close (as opposed to analyzing the Businesses on a stand-alone basis), and on the related incorrect assumption that Yale New Haven Health would be acquiring substantially all of the Businesses' significant liabilities. Under the APA, Yale New Haven Health in fact agreed to assume very few of the Businesses' liabilities.<sup>49</sup> (See APA § 2.5.)

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167. That the Businesses are unlikely to continue as a going concern is further supported by their increasingly bleak financial performance since the Balance Sheet Date.

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168. Although the Businesses had a reported adjusted EBITDAR of positive \$6.0 million for the trailing 12 months ended the Balance Sheet Date (February 28, 2022), by October 2023—a year after the APA was executed and 20 months after the Balance Sheet Date—that figure declined to *negative* \$55.1 million. By December 2023—14 months after the APA was executed and 22 months after the Balance Sheet Date—the Businesses' reported adjusted EBITDAR declined to negative \$65.0 million.

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169. Similarly, the Businesses' operating income deficit increased from negative \$13.0 million for the trailing 12 months ended the Balance Sheet Date to negative \$98.5 million for the trailing 12 months ended October 2023. By December 2023—14 months after the APA was executed and 22 months after the Balance Sheet Date—the operating income deficit further increased to negative \$107.3 million. That is, the Businesses' operating income deficit increased *more than 725 percent* between the Balance Sheet Date and December 2023.

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170. Moreover, while EBITDAR is the principal financial metric on which Prospect and the Selling Entities have reported monthly results to Yale New Haven Health, on

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<sup>49</sup> When Yale New Haven Health asked Prospect to correct this misstatement, Prospect refused.

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information and belief, other relevant financial metrics would show similar—or worse—  
deterioration since the Balance Sheet Date.

171. Prospect also failed to comply with its obligation to produce audited  
financials for FY 2023 on a timely basis. This tardiness in itself is another breach of  
Section 5.16(b) of the APA.

172. In light of the foregoing, and given that Prospect (i) has promised to pay  
MPT \$355 million out of the transaction’s closing proceeds, (ii) is past due on over \$100 million  
in state provider taxes, over \$17 million in real property and personal property municipal taxes;  
(iii) must satisfy nearly \$16 million in the Prospect PBGC Liens for Prospect’s unpaid  
contributions to its single-employer pension plans; and (iv) owes hundreds of vendors tens of  
millions of dollars in past due accounts payable, Prospect cannot represent that it will be solvent  
after giving effect to the transaction, as it is required under Section 3.25 of the APA.<sup>50</sup>

173. Furthermore, on April 16, 2024, the Superior Court granted a prejudgment  
remedy against Prospect in favor of the Eastern Connecticut Health Network in the amount of  
\$2,689,772 for the legal fees and expenses Eastern Connecticut Health Network has incurred in  
connection with the proceeding *Prospect Medical Holdings, Inc. et al. v. Eastern Connecticut  
Health Network Inc. N/K/A Leg*, HHD-CV19-6116665-S (Super. Ct. Hartford). Any attachment  
of the Purchased Assets would be an impermissible Encumbrance. (APA §§ 3.3(a), 5.4(g).)

174. Importantly, most of the Businesses’ economic decline is not attributable  
to the Cybersecurity Matter, which indicates that the problems are systemic. Indeed, in

<sup>50</sup> Pursuant to Section 3.25 of the APA, Prospect must be solvent immediately after giving effect to the  
transactions contemplated by the APA and must not incur debts beyond its ability to pay. Under the APA, Prospect  
will be responsible for satisfying these debts, which are plainly beyond its ability to pay.

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taxes owed, in combination with the \$2.6 million prejudgment  
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of the ordinary course of business, in violation of Sections 5.3 and  
5.4(g) of the APA.

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documents provided to the Connecticut Office of Health Strategy (“OHS”), Prospect estimates the financial impact of the Cybersecurity Matter, from August through November 2023, to be \$20.85 million. Thus, even if that estimated impact is excluded from EBITDAR, the Businesses’ EBITDAR declined from positive \$6.0 million on the Balance Sheet Date to negative \$44.2 million for the trailing 12 months ended December 2023. EBITDAR is a measure of financial operating performance that stands for “earnings before interest, taxes, depreciation, amortization and rent.” If anything, the significant declines in the Businesses’ EBITDAR understates the full extent of the Businesses’ adverse financial condition, because it does not take into account Defendants’ failure and inability to pay their Ordinary Course tax and rent obligations since the APA was executed.

175. Essentially acknowledging that the Businesses are in extreme financial distress, Defendants resorted to attempting to implement “turnaround” plans for the approximate time period of June 2023 to December 2023 for each of Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital. And when internal turnaround plans could not be implemented, Defendants engaged consulting firm Alvarez and Marsal (“A&M”), which specializes in bankruptcy and restructuring, to assist with turnaround plans for each of Waterbury Hospital and ECHN—plans for which they never sought Yale New Haven Health’s approval, in violation of Sections 5.3 and 5.4 of the APA. Not only are these turnaround plans a far cry from operating in the Ordinary Course, as required under Section 5.3 of the APA, but Defendants have provided no report or other evidence to Yale New Haven Health of the plans’ efficacy. To the contrary, as the Businesses’ financials demonstrate, the Prospect Hospitals continue to see increasingly negative financial performance.

**D. Prospect’s Mismanagement Carries Long-Term Consequences.**

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176. Prospect and the Selling Entities have materially compromised their

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relationships with medical staff, employees, suppliers and patients in a way that is likely to impede the Businesses' ability to provide adequate medical care and sustain volume/operations going forward. Physicians and medical staff are likely to continue to avoid providing services at the Prospect Hospitals given they cannot guarantee they will be paid for their services. Suppliers and vendors are likely to continue to refuse doing business with the Prospect Hospitals since they are also not being paid on time or at all. Patients are likely to continue to look elsewhere for services given the myriad regulatory noncompliance issues such as lack of maintenance of facilities and inappropriate behavior of medical staff, as well as the lack of protection of their personal information and data. This severe level of reputational harm will have long-lasting effects on the Prospect Hospitals and cannot be remediated in a short period of time nor without significant and unanticipated investment from Yale New Haven Health.

177. Since the Cybersecurity Matter, Defendants have been unable to provide

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Yale New Haven Health with sufficient information to confirm that the Selling Entities' security posture is appropriate on a going forward basis. For example, Defendants would not timely provide standard documentation that Yale New Haven Health requested, such as a network architecture diagram for each of the Prospect Hospitals. Nor have Defendants provided any evidence that they have put in place an appropriate plan to better prepare the Prospect Hospitals' IT systems against a future breach. Defendants have provided no evidence that they are implementing adequate firewalls and/or endpoint detection tools, that they have updated their security policies and procedures to address the vulnerabilities associated with the Cybersecurity Matter or that they are establishing a vulnerability management program. Upon request for access to IT systems in Yale New Haven Health's Information Request pursuant to Section 5.1

of the APA, Defendants denied Yale New Haven Health access to their IT systems. These failures constitute separate breaches of the APA (§ 5.1). They also present risk not just to the Prospect Hospitals, but also to any integration of the Prospect Hospitals' systems with Yale New Haven Health's own IT system should the Contemplated Transaction close.

**E. Prospect Refuses to Negotiate in Good Faith.**

178. Yale New Haven Health has remained committed to the success of the Contemplated Transaction, as evidenced by its continued negotiations with Defendants and cooperation with OHS. Since discussions between the parties began regarding the Contemplated Transaction, Yale New Haven Health has engaged in good faith negotiations with the aim of closing the Contemplated Transaction. Additionally, Yale New Haven Health has ensured governmental clearance for the Contemplated Transaction by undertaking the steps necessary to twice obtain clearance under the Hart-Scott-Rodino Improvements Act of 1976, and by cooperating with OHS over the course of 16 months, resulting in the approved application for a Certificate of Need ("CON").

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179. On March 27, 2024, OHS announced that it had reached a settlement with Yale New Haven Health and Defendants on the CON required before the Contemplated Transaction could close. That CON approved the Contemplated Transaction, including, among other things, the consolidation of Manchester Memorial Hospital and Rockville General Hospital, subject to various conditions set forth in the CON. The CON also provides that, prior to any other payment issued by Yale New Haven Health in closing the Contemplated

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Transaction, the Department of Revenue shall be paid \$55 million in provider tax liabilities that Defendants have agreed to pay as part of its settlement with the Department of Revenue.<sup>51</sup>

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180. Despite Yale New Haven Health’s continued attempts in good faith to move forward the Contemplated Transaction, Defendants have refused to face the reality that the Businesses are but a shell of what they were when Yale New Haven Health agreed to acquire them.

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181. As early as fall 2023, Yale New Haven Health made public statements indicating that it would be seeking a purchase price adjustment. And throughout January and February 2024, Yale New Haven Health advised Defendants that a MAC had occurred to the Businesses since the Balance Sheet Date and that Defendants had breached a number of covenants of the APA. Yale New Haven Health nonetheless made clear that it was willing to negotiate appropriate amendments to the APA to allow the parties to consummate the Contemplated Transaction.

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182. Defendants “entirely and unequivocally” rejected Yale New Haven Health’s proposal and demanded that Yale New Haven Health close the Contemplated Transaction without further renegotiation. Defendants have refused to acknowledge any covenant breach and flatly denied that a MAC has occurred, despite the extensive and egregious decline in both the quality of care offered by the Prospect Hospitals and the Businesses’ financial performance—all of which is plainly evident from the face of the very documents that Defendants have provided to Yale New Haven Health.

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<sup>51</sup> Certificate of Need ¶ 46.

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183. On March 27, 2024, Yale New Haven Health issued a detailed notice to Defendants, outlining the various breaches of the APA described herein.

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184. On April 18, 2024, Defendants responded, offering no substantive response with respect to most of the issues detailed in Yale New Haven Health's notice. Defendants even failed to acknowledge Yale New Haven Health's argument that in addition to there being a MAC, Defendants have failed to comply with their obligation to operate the Businesses in the Ordinary Course during the Interim Period as set forth in Section 5.3 of the APA and have failed to use their reasonable best efforts to cooperate with Yale New Haven Health in satisfying the closing conditions to the deal, as required in Section 5.23 of the APA.

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185. Given Defendants' refusal to address the various covenant breaches—all of which render Prospect and the Selling Entities incapable of accurately making the various representations that they are required to make to close the Contemplated Transaction—Yale New Haven Health now seeks a declaratory judgment that Prospect and the Selling Entities are in breach of the various provisions of the APA described herein, that such breaches amount to a MAC, rendering Prospect and the Selling Entities unable to satisfy the closing conditions of the APA, and that, as a result, Yale New Haven Health is not obligated to close the Contemplated Transaction under the APA.

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#### **COUNT ONE**

##### **(DECLARATORY RELIEF)**

##### **Violation of Sections 6.1(a) and 6.4 of the Asset Purchase Agreement**

186. Plaintiff repeats and realleges each of the allegations set forth above.

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187. Section 6.1(a) of the APA provides that Defendants' contractual representations and warranties "shall be true, correct and complete in all respects" as of both the Effective Date and the Closing Date.

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188. If the failure of Defendants’ representations or warranties, individually or in the aggregate, have a Material Adverse Change on the Businesses, then Yale New Haven Health is relieved of its obligation to consummate the transaction.

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189. For the reasons alleged, numerous representations and warranties made by Prospect and the Selling Entities—including those set forth in Sections 3.3 (Assets), 3.4 (Financial Statements), 3.8 (Material Contracts), 3.9 (Supplies), 3.12 (Real Property and Real Property Leases), 3.14 (Employee Relations), 3.15 (Litigation and Proceedings), 3.20 (Tax Liabilities), 3.21 (Healthcare Payors), 3.22 (Absence of Changes), 3.25 (Solvency) and 3.28 (No Violation)—were incorrect as of the Effective Date and/or will be incorrect as of any Closing Date, and those failures have caused a Material Adverse Change to the Businesses.

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190. Furthermore, Section 6.4 of the APA provides that the existence of any “Material Adverse Change since the Balance Sheet Date that is continuing” will likewise relieve Yale New Haven Health of its obligation to consummate the transaction.

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191. For the reasons alleged, the financial deterioration of the Businesses, coupled with the gross mismanagement of the Businesses since the Balance Sheet Date, evinces that the Businesses have experienced a Material Adverse Change that is continuing.

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192. Accordingly, Defendants are unable to truthfully and accurately make all of the representations and warranties required for closing under Section 6.1(a) of the APA and to otherwise satisfy the closing condition in Section 6.4 of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

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## **COUNT TWO**

### **(DECLARATORY RELIEF)**

#### **Violation of Section 6.1(b) of the Asset Purchase Agreement**

193. Plaintiff repeats and realleges each of the allegations set forth above.

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194. Section 6.1(b) of the APA provides that the Seller Fundamental Representations and Seller Compliance Representations “shall be true and correct in all material respects” as of both the Effective Date and the Closing Date.

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195. “Seller Compliance Representations” is defined in the APA as “those representations and warranties of Seller and Selling Entities in Section 3.6 (Regulatory Compliance), Section 3.10 (Environmental Laws), Section 3.13 (Employee Benefit Plans), Section 3.14(b) (Employee Relations), Section 3.16 (Reimbursement Matters), and Section 3.19 (Privacy and Data Security)”.

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196. “Seller Fundamental Representations” is defined in the APA as “those representations and warranties of Seller and the Selling Entities contained in Sections 3.1(a), 3.1(b)(i), 3.1(b)(ii)(A) and 3.1(b)(v) (Capacity, Authority and Consents), Section 3.2 (Binding Agreement), Section 3.3(a) (Assets), and Section 3.23 (No Brokerage)”.

197. The failure of any Seller Compliance Representation will relieve Yale New Haven Health of its obligation to consummate the transaction.

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198. The failure of any Seller Fundamental Representation will relieve Yale New Haven Health of its obligation to consummate the transaction.

199. For the reasons alleged, the Seller Compliance Representations set forth in Sections 3.6 (Regulatory Compliance), 3.14(b) (Employee Relations), 3.16 (Reimbursement Matters) and 3.19 (Privacy and Data Security) were not true and correct in all material respects as of the Effective Date and cannot be true and correct in all material respects as of the Closing Date.

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200. For the reasons alleged, the Seller Fundamental Representation set forth in Section 3.3(a) (Assets) and the Seller Compliance Representations set forth in Section 3.13

(Employee Benefit Plans) cannot be true and correct in all material respects as of the Closing Date.

201. Accordingly, Defendants are unable to truthfully and accurately make all of the representations and warranties required for closing under Section 6.1(b) of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

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### **COUNT THREE**

#### **(DECLARATORY RELIEF)**

#### **Violation of Section 6.1(c) of the Asset Purchase Agreement**

202. Plaintiff repeats and realleges each of the allegations set forth above.

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203. Section 6.1(c) of the APA provides, in pertinent part, that “[a]ll of the covenants in this Agreement to be complied with or performed by Seller and the Selling Entities on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects”.

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204. Defendants’ failure to comply with or perform any covenant in all material respects relieves Yale New Haven Health of its obligation to consummate the transaction.

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205. For the reasons alleged, Prospect and the Selling Entities have materially violated their obligation to operate the Businesses in the Ordinary Course during the Interim Period as set forth in Section 5.3 (Operating Covenants) and Section 5.4 (Negative Covenants).

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206. Prospect and the Selling Entities failed to operate the Businesses in the Ordinary Course; protect patient and employee personal data; maintain facilities in substantially the same operating condition; remain current on all payment obligations, including payment of rent, accounts payable, taxes, payroll and pension plan contributions; prevent any unpermitted

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Encumbrance on any Purchased Assets; permit YNHH to access books, records and additional

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financial and operating data; perform all Assumed Contracts; promptly inform YNHH of any events that would reasonably be expected to lead to a failure of a closing condition; provide monthly reports to YNHH regarding implementation of corrective action plans; use reasonable best efforts to close the transaction; and comply with all applicable rules, laws and regulations governing the operation of hospitals. (See, e.g., APA §§ 3.19(a), 3.20(b), 5.1, 5.3, 5.4(c), 5.4(g), 5.9(a), 5.9(b), 5.16(b), 5.23.)

207. Overall, the financial deterioration, coupled with the gross mismanagement of the Businesses, evinces Defendants' failure to operate the Businesses in the Ordinary Course, in violation of Section 5.3 (Operating Covenants).

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208. Accordingly, Defendants are unable to comply with the conditions for closing set forth in Section 6.1(c) of the APA, thereby discharging Yale New Haven Health of its obligation to consummate the Contemplated Transaction.

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#### **PRAYER FOR RELIEF**

**WHEREFORE**, Yale New Haven Health respectfully requests that the Court enter judgment as follows:

1. Declaring that there has been a Material Adverse Change to the Businesses that precludes satisfaction of the closing conditions set forth in Sections 6.1(a) and 6.4 of the Asset Purchase Agreement;

2. Declaring that Defendants breached the Ordinary Course Covenants of Sections 5.3 and 5.4(g) of the Asset Purchase Agreement;

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3. Declaring that the Seller Compliance Representations at Sections 3.6, 3.14(b), 3.16, 3.19 and 3.20(b) of the Asset Purchase Agreement were not true and correct in all



material respects as of the Effective Date and cannot be true and correct in all material respects as of the Closing Date;

4. Declaring that the Seller Fundamental Representation at Section 3.3(a) and the Seller Compliance Representations at Section 3.13 cannot be true and correct in all material respects as of the Closing Date;

5. Declaring that Yale New Haven Health is not obliged under the Asset Purchase Agreement to close the Contemplated Transaction;

6. Awarding Yale New Haven Health reasonable attorneys' fees and costs pursuant to Section 10.2 of the Asset Purchase Agreement; and

7. Granting Yale New Haven Health such other and further relief as this Court may deem just, equitable and proper.

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Respectfully submitted,

PLAINTIFF YALE NEW HAVEN HEALTH  
SERVICES CORPORATION,

By: /s/ Kim E. Rinehart

Kim E. Rinehart  
WIGGIN and DANA LLP  
265 Church Street  
P.O. Box 1832  
New Haven, CT 06508  
(203) 498-4400  
(203) 782-2889 (fax)  
krinehart@wiggin.com  
Juris Number: 067700

OF COUNSEL:

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375 Ninth Street  
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dslifkin@cravath.com  
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lrosenberg@cravath.com  
hgebremariam@cravath.com

(\*Admitted Pro Hac Vice)

Deleted: \*

Deleted: \*

Deleted: (\*\*Pro Hac Vice Pending) )

# APPENDIX A

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074342831

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

### Interest accrues until required contributions are made.

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1128

Form 430(k)

B3039-3725 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074351426

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1130

Form 430(k)

B30339-3726 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

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**-FILED-**

File No.: U240074360425

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect ECHN, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1133

Form 430(k)

B3039-3729 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074410523

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (DEBTOR):

**Prospect Medical Holdings Risk  
Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (SECURED PARTY):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1151

Form 430(k)

B3039-3747 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074411727

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. § 430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. § 430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. § 430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. § 6323. See 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. § 6323(f).
- As provided by 26 U.S.C. § 430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. § 430(k)(1).
- All prior notices of lien under 26 U.S.C. § 430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd.  
9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network, Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§ 430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|---|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |  |  |
|--|--|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. § 430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |  |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1152

Form 430(k)

B3039-3748 09/17/2024 5:00 PM Received by California Secretary of State



Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074374939

Date Filed: 9/17/2024



**NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k)  
PENSION BENEFIT GUARANTY CORPORATION**

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

**IMPORTANT FILING INFORMATION:**

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Crozer Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1094

B3039-3793 09/17/2024 5:00 PM Received by California Secretary of State

**Please return a copy of the recorded original to:**

**ERIN KIM, ESQ.**  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074380629

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. § 430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. § 430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. § 430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. § 6323. See 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(1).

**IMPORTANT FILING INFORMATION:**

1. As provided by 26 U.S.C. § 430(k)(4)(C) and 29 U.S.C. § 1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. § 6323(f).
2. As provided by 26 U.S.C. § 430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. § 430(k)(1).
3. All prior notices of lien under 26 U.S.C. § 430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Waterbury Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a)  | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§ 430(k)(3) at Due Date*<br>(c) |
|------------------|------------------------------|---|
| <b>9/15/2024</b> | <b>9/18/2030</b>             | <b>\$11,991,908.00</b>                                    |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |  |  |
|--|--|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. § 430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |  |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

**Kartar Khalsa**

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1096

Please return a copy of the recorded original to:

ERIN KIM, ESQ.

OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074594330

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kan Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1047

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074595121

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. *See* 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a)  | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|------------------|------------------------------|--|
| <b>9/15/2024</b> | <b>9/18/2030</b>             | <b>\$11,991,908.00</b>                                   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

***Interest accrues until required contributions are made.***

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

**Kartar Khalsa**

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1048

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074630217

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
- As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
- All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1014

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074641220

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kartar Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1017



U240074907730

B3066-4796 09/25/2024 7:14 AM Received by California Secretary of State



**STATE OF CALIFORNIA**  
*Office of the Secretary of State*  
**UCC FINANCING STATEMENT (UCC 1)**

California Secretary of State  
1500 11th Street  
Sacramento, California 95814  
(916) 657-5448

For Office Use Only

**-FILED-**

File No.: U240074907730

Date Filed: 9/25/2024

## Submitter Information:

|                   |   |
|-------------------|---|
| Contact Name      | CORPORATION SERVICE COMPANY                     |
| Organization Name | CORPORATION SERVICE COMPANY                     |
| Phone Number      | 18008585294                                     |
| Email Address     | SPRFiling@cscglobal.com                         |
| Address           | 801 ADLAI STEVENSON DR<br>SPRINGFIELD, IL 62703 |

## Debtor Information:

| Debtor Name                     | Mailing Address   |
|---------------------------------|---|
| PROSPECT MEDICAL HOLDINGS, INC. | 3415 SOUTH SEPULVEDA BLVD, 9TH FLOOR<br>LOS ANGELES, CA 90034 |

## Secured Party Information:

| Secured Party Name                      | Mailing Address                       |
|---|---------------------------------------|
| MCKESSON CORPORATION AND ITS AFFILIATES | 401 MASON ROAD<br>LA VERGNE, TN 37086 |

## Indicate how documentation of Collateral is provided:

Entered as Text

## Description:

All assets of the Debtor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including without limitation all accessions thereto and all products and proceeds thereof.

## Indicate if Collateral is held in a Trust or is being administered by a Decedent's Personal Representative:

Not Applicable

## Select an alternate Financing Statement type:

## Select an additional alternate Financing Statement type:

## Select an alternative Debtor/Secured Party designation for this Financing Statement:

## Optional Filer Reference Information:

2934 69700

# APPENDIX B



October 4, 2024

Eric A. Klein, Esq.  
Nioura F. Ghazni, Esq.  
Sheppard, Mullin, Richter & Hampton LLP  
1901 Avenue of the Stars, Suite 1600  
Los Angeles, California 90067-6055  
[eklein@sheppardmullin.com](mailto:eklein@sheppardmullin.com)  
[nghazni@sheppardmullin.com](mailto:nghazni@sheppardmullin.com)

cc: Prospect Medical Holdings, Inc.,  
On behalf of itself and the Selling Entities  
3415 South Sepulveda Boulevard, 9th Floor  
Los Angeles, CA 90034  
Attention: Rob Elders, Esq.  
Frank Saidara, Esq.  
Email: [Rob.Elders@prospectmedical.com](mailto:Rob.Elders@prospectmedical.com)  
[Frank.Saidara@prospectmedical.com](mailto:Frank.Saidara@prospectmedical.com)

Yale New Haven Health Services Corporation  
789 Howard Avenue – CB2039  
New Haven, CT 06519  
Attention: Bill Aseltyne  
Email: [Bill.Aseltyne@ynhh.org](mailto:Bill.Aseltyne@ynhh.org)

Cravath, Swaine & Moore LLP  
Two Manhattan West  
375 Ninth Avenue  
New York, NY 10001  
Attention: Daniel Slifkin, Esq.  
Michael A. Paskin, Esq.  
Lauren M. Rosenberg, Esq.  
Helam Gebremariam, Esq.  
Email: [DSlifkin@cravath.com](mailto:DSlifkin@cravath.com)  
[MPaskin@cravath.com](mailto:MPaskin@cravath.com)  
[LRosenberg@cravath.com](mailto:LRosenberg@cravath.com)  
[HGebremariam@cravath.com](mailto:HGebremariam@cravath.com)

October 4, 2024

Page 2

Dear Eric and Nioura:

Reference is made to the Asset Purchase Agreement dated October 5, 2022 (as amended by those certain letter agreements dated November 29, 2022, February 3, 2023, February 28, 2023, May 23, 2023 and May 25, 2023, and as further amended, modified and restated from time to time) (the “APA”), by and among Yale New Haven Health Services Corporation (“YNHH” or “Buyer”), Prospect Medical Holdings, Inc. (“Prospect” or “Seller”) and the Selling Entities set forth therein.<sup>1</sup>

Pursuant to APA Section 8.1(a)(ii), this letter constitutes written notice of Prospect’s contractual breach and failure to perform, giving rise to the failure of closing conditions set forth in Section 6.1 of the APA. YNHH will have the right to terminate the APA if Prospect does not cure the breaches identified herein within the next 30 days. (*See* APA § 8.1(a)(ii).)

Section 3.3(a) of the APA—a Seller Fundamental Representation—provides that Prospect must transfer to YNHH valid title to the Businesses “free and clear of all Encumbrances other than Permitted Encumbrances.” Section 3.13(c) of the APA—a Seller Compliance Representation—provides that, “[w]ith respect to any Employee Benefit Plan that is or was a defined benefit plan within the meaning of Section 3(35) of ERISA, since January 1, 2018 . . . there has been no . . . failure to make a required contribution that could result in the imposition of a lien or the provision of security under Section 430 of the Code or Section 4068 of ERISA, or the arising of such a lien or encumbrance”. And Section 5.4(g) of the APA provides that Prospect shall not “create or grant any Encumbrance on any Purchased Asset, except in the Ordinary Course.” As of today, Prospect is in material breach of these provisions.

*First*, on September 30, 2024, your firm informed me by email that [REDACTED]

[REDACTED] As a direct result of these failures, under 26 U.S.C. § 430(k), the Pension Benefit Guarantee Corporation has perfected liens on assets of the Businesses contemplated to be sold to YNHH under the APA. According to public filings of which we are aware, the PBGC’s lien on Prospect’s assets securing the Eastern Connecticut Health Network, Inc. Pension Plan totals \$4,002,055 (which names as debtors Prospect ECHN, Inc., Prospect Waterbury, Inc. and Prospect CT Medical Foundation, Inc., among other Prospect entities), and the PBGC’s liens on Prospect’s assets securing the Crozer-Keystone Health System Employees Retirement Plan totals \$11,991,908 (which name as debtors Prospect Waterbury, Inc., Prospect Waterbury Ambulatory

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<sup>1</sup> Capitalized terms used but not defined herein have the respective meanings ascribed to such terms in the APA. Sections referred to herein refer to the sections of the APA.

October 4, 2024

Page 3

Surgery, LLC, Prospect CT Medical Foundation, Inc., Prospect ECHN, Inc. and Prospect Crozer Ambulatory Surgery, LLC, among other Prospect entities). These liens constitute impermissible encumbrances under Sections 3.3(a), 3.13(c) and 5.4(g) of the APA.

*Second*, in its response to Interrogatory 21 of YNHH's First Set of Interrogatories served in the action titled *Yale New Haven Health Services Corporation v. Prospect Medical Holdings, Inc., et al.*, (X07) HHD-CV24-6184328-S (the "Pending Litigation"), Prospect disclosed that as a result of its failure to pay \$9,276,938.69 in municipal taxes and interest, the City of Waterbury has filed a lien on Prospect's Waterbury Hospital real estate to secure that sum. This lien constitutes an impermissible encumbrance under Sections 3.3(a) and 5.4(g) of the APA.

*Third*, on April 16, 2024, the Connecticut Superior Court granted a prejudgment remedy against Prospect in favor of the Eastern Connecticut Health Network ("Legacy ECHN") in the amount of \$2,689,772 for the legal fees and expenses Eastern Connecticut Health Network had incurred in connection with the proceeding *Prospect Medical Holdings, Inc. et al. v. Eastern Connecticut Health Network Inc. N/K/A Leg*, HHD-CV19-6116665-S (Super. Ct. Hartford). The court's order permits Legacy ECHN to "attach or garnish to the value of \$2,689,772.05" Prospect's real property, bank accounts or debts owing to Prospect. (Dkt. 347.86.) Any such attachment of a Purchased Asset would be an impermissible incumbrance under Sections 3.3(a) and 5.4(g) of the APA.

Each of these breaches would, if the closing otherwise were to occur today, give rise to the failure of Section 6.1(a), (b) and (c) of the APA. On that basis, pursuant to Section 8.1(a)(ii) of the APA, these breaches give YNHH the right to terminate the APA if Prospect does not cure these breaches by November 4, 2024.

The breaches described above are not meant to be and should not be construed as an exhaustive list of breaches, failures or violations of the APA by Prospect. Indeed, YNHH has already identified numerous other breaches of the APA by Prospect, as detailed in my March 27, 2024 letter and YNHH's complaint and proposed amended complaint filed in the Pending Litigation. YNHH is not waiving any rights that it has under the APA to identify further breaches, failures and violations.

Sincerely,

Peter F. Olberg

PFO

# **EXHIBIT C**

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074342831

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1128

Form 430(k)

B3039-3725 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074351426

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

### Interest accrues until required contributions are made.

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1130

Form 430(k)

B30339-3726 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074360425

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. WITHDRAWAL INFORMATION: Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (**DEBTOR**):

**Prospect ECHN, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

  
Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1133

Form 430(k)

B3039-3729 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074410523

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for  
Contributions (DEBTOR):

**Prospect Medical Holdings Risk  
Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (SECURED PARTY):

**Eastern Connecticut Health Network,  
Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

  
Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1151

Form 430(k)

B3039-3747 09/17/2024 5:00 PM Received by California Secretary of State



Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074411727

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
- As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
- All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd.  
9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Eastern Connecticut Health Network, Inc. Pension Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$4,002,055.00   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11th St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1152

Form 430(k)

B3039-3748 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074374939

Date Filed: 9/17/2024



**NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k)  
PENSION BENEFIT GUARANTY CORPORATION**

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

**IMPORTANT FILING INFORMATION:**

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Crozer Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1094

B3039-3793 09/17/2024 5:00 PM Received by California Secretary of State

**Please return a copy of the recorded original to:**

**ERIN KIM, ESQ.**  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074380629

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Waterbury Ambulatory Surgery, LLC**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a)  | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|------------------|------------------------------|--|
| <b>9/15/2024</b> | <b>9/18/2030</b>             | <b>\$11,991,908.00</b>                                   |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

**Kartar Khalsa**

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1096

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074594330

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

- As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
- As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
- All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
- WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kartar Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1047

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074595121

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings Risk Retention Group, Inc.**  
3415 South Sepulveda Blvd., 9th Floor  
Los Angeles, CA 90034

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.



Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1048

B3039-3841 09/17/2024 5:00 PM Received by California Secretary of State

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074630217  
Date Filed: 9/17/2024



**NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k)  
PENSION BENEFIT GUARANTY CORPORATION**

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

**IMPORTANT FILING INFORMATION:**

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect Medical Holdings, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.



Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation

PBGC Lien No. 24L-1014

Please return a copy of the recorded original to:

ERIN KIM, ESQ.  
OFFICE OF THE GENERAL COUNSEL  
PENSION BENEFIT GUARANTY CORPORATION  
445 12th Street SW  
Washington, DC 20024-2101  
PHONE NO. (202) 229-3399

For Office Use Only

**-FILED-**

File No.: U240074641220

Date Filed: 9/17/2024



## NOTICE OF FEDERAL LIEN UNDER 26 U.S.C. § 430(k) PENSION BENEFIT GUARANTY CORPORATION

As provided by 26 U.S.C. §430(k), notice is given by the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974, that the pension plan named below has a lien on all property and rights to property of the person named below because that person failed to make contributions to the pension plan required under 26 U.S.C. §430 by the due date specified below. The amount of the lien was determined under 26 U.S.C. §430(k)(3) and shall be treated as taxes due and owing the United States. The priority of the lien imposed shall be determined in the same manner as for federal taxes under 26 U.S.C. §6323. See 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(1).

### IMPORTANT FILING INFORMATION:

1. As provided by 26 U.S.C. §430(k)(4)(C) and 29 U.S.C. §1368(c)(4), this notice shall be filed in the same manner as a lien for federal taxes under 26 U.S.C. §6323(f).
2. As provided by 26 U.S.C. §430(k)(5), the Pension Benefit Guaranty Corporation may perfect a lien that arises under 26 U.S.C. §430(k)(1).
3. All prior notices of lien under 26 U.S.C. §430(k) filed against this person are listed in columns (d) and (e).
4. **WITHDRAWAL INFORMATION:** Unless a notice of lien is re-filed by the date given in column (b), this notice shall, on the day following such date, be deemed withdrawn.

Name and Address of Person Liable for Contributions (**DEBTOR**):

**Prospect CT Medical Foundation, Inc.**  
3824 Hughes Ave.  
Culver City, CA 90232

Name of Pension Plan (**SECURED PARTY**):

**Crozer-Keystone Health System Employees Retirement Plan**  
c/o Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024-2101

| Due Date<br>(a) | Last Day for Refiling<br>(b) | Amount Under 26 U.S.C.<br>§430(k)(3) at Due Date*<br>(c) |
|-----------------|------------------------------|--|
| 9/15/2024       | 9/18/2030                    | \$11,991,908.00  |

\* Excludes amounts attributable to any other lien notices listed in columns (d) and (e).

**Interest accrues until required contributions are made.**

|  |   |  |
|--|---|--|
| Place of Filing:<br>Secretary of State of California<br>UCC Section<br>1500 11 <sup>th</sup> St., Room 255<br>Sacramento, CA 95814 | Prior 26 U.S.C. §430(k) Notice of<br>Lien Filing Dates<br>(d) | Recording Office File Stamp Numbers<br>(e) |
|  |   |  |

This notice was prepared and signed at Washington, D.C., on September 16, 2024.

*Kartar Khalsa*

Kartar Khalsa

Deputy General Counsel, Pension Benefit Guaranty Corporation  
PBGC Lien No. 24L-1017



U240074907730

B3066-4796 09/25/2024 7:14 AM Received by California Secretary of State



**STATE OF CALIFORNIA**  
*Office of the Secretary of State*  
**UCC FINANCING STATEMENT (UCC 1)**

California Secretary of State  
1500 11th Street  
Sacramento, California 95814  
(916) 657-5448

For Office Use Only

**-FILED-**

File No.: U240074907730

Date Filed: 9/25/2024

## Submitter Information:

|                   |   |
|-------------------|---|
| Contact Name      | CORPORATION SERVICE COMPANY                     |
| Organization Name | CORPORATION SERVICE COMPANY                     |
| Phone Number      | 18008585294                                     |
| Email Address     | SPRFiling@cscglobal.com                         |
| Address           | 801 ADLAI STEVENSON DR<br>SPRINGFIELD, IL 62703 |

## Debtor Information:

| Debtor Name                     | Mailing Address   |
|---------------------------------|---|
| PROSPECT MEDICAL HOLDINGS, INC. | 3415 SOUTH SEPULVEDA BLVD, 9TH FLOOR<br>LOS ANGELES, CA 90034 |

## Secured Party Information:

| Secured Party Name                      | Mailing Address                       |
|---|---------------------------------------|
| MCKESSON CORPORATION AND ITS AFFILIATES | 401 MASON ROAD<br>LA VERGNE, TN 37086 |

## Indicate how documentation of Collateral is provided:

Entered as Text

## Description:

All assets of the Debtor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including without limitation all accessions thereto and all products and proceeds thereof.

## Indicate if Collateral is held in a Trust or is being administered by a Decedent's Personal Representative:

Not Applicable

## Select an alternate Financing Statement type:

## Select an additional alternate Financing Statement type:

## Select an alternative Debtor/Secured Party designation for this Financing Statement:

## Optional Filer Reference Information:

2934 69700