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Office of The Attorney General
State of Connecticut

December 2, 2011

VIA U.S. and ELECTRONIC MAIL

Robert J. Anthony, Esq.
Brown Rudnick
City Place I
185 Asylum Street
Hartford, Connecticut 06103

Re: In re Saint Mary's Health System, Inc. – Application Deficiency

Dear Attorney Anthony:

As you know, our office and the Connecticut Office of Health Care Access are currently evaluating the Application for Joint Venture (the "Application") initially submitted on July 21, 2011, by Saint Mary's Health System, Inc. ("Saint Mary's") and LHP Hospital Group, Inc. (together with its affiliates and subsidiaries, "LHP"). After having had the opportunity to review all of your submissions, OHCA and the OAG have the following concerns that must be addressed before we are in a position to deem the Application complete.

As you know, pursuant to Conn. Gen. Stat. § 19a-486a(c)(5), a complete application shall include "a fairness evaluation by an independent person who is an expert in such agreements, that includes an analysis of each of the criteria set forth in section 19a-486c." We have concerns that Morgan Keegan's fairness opinion (Exhibit 6, 265-270) may not address all of the criteria listed in § 19a-486c. Generally, the opinion appears to limit its applicability: "[W]e express no opinion herein as to the structure, terms or effect of any other aspect of the Transaction Documents . . ." (270) Additionally, it states: "[i]t is understood that this letter is for the information of the Board of Directors of SMHS in connection with their evaluation of the fairness, *from a financial point of view*, of the Transaction Consideration." (Emphasis added.) (270)

Specifically, the opinion does not appear to address, for example, the questions of whether the nonprofit hospital exercised "due diligence in (A) deciding to transfer, (B) selecting the purchaser, (C) obtaining a fairness evaluation from an independent person expert in such agreements, or (D) negotiating the terms and conditions of the transfer" (Conn. Gen. Stat § 19a-486c(a)(2)) and whether "any management contract contemplated under the transaction is . . . for reasonable fair value." (Conn. Gen. Stat § 19a-486c(a)(7).)

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In addition, as noted in earlier correspondence, we remain concerned that the present fairness opinion does not provide any analysis of fairness, value, or due diligence relating to Saint Mary's publicly announced intention to quickly enter into another joint venture with Waterbury Hospital, which joint venture would necessarily affect various governance, capitol commitment, and other important aspects of the transaction contemplated between Saint Mary's and LHP.

As such, please respond to our above-described concerns with the fairness opinion and provide the additional information and/or documentation we previously requested regarding the anticipated transaction with Waterbury Hospital. Please mail one (1) complete hard copy and one (1) complete electronic copy of the requested materials for approval to the following address:

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

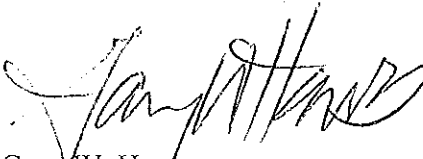
Also, please mail one (1) complete hard copy and one (1) complete electronic copy of the requested materials for approval to the following address:

Commissioner of Public Health
410 Capitol Avenue
Hartford, Connecticut 06134
Attn: Melanie A. Dillon

After receipt of these requested materials, the Commissioner and the Attorney General shall review the submission to determine whether the Application is complete. If not, the Commissioner and the Attorney General shall provide written notice of any deficiencies within twenty (20) days of receipt of the requested material.

Should you have any questions regarding these requests or any other issues relating to the Commissioner's and Attorney General's review, please do not hesitate to contact either Steven Lazarus at the Department of Public Health (860-418-7012; Steven.Lazarus@ct.gov) or me at the Office of the Attorney General (860-808-5020; gary.hawes@ct.gov).

Very truly yours,



Gary W. Hawes
Assistant Attorney General

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cc: Lisa A. Davis, Deputy Commissioner, DPH
Kimberly Martone, Director of Operations, OHCA
Melanie Dillon, Staff Attorney, OHCA
Steven Lazarus, Associate Healthcare Analyst, OHCA