



Questions & Answers
Proposed Acquisition of Waterbury Hospital/Greater Waterbury Health Network by
Prospect Medical Holdings

1) What is being announced?

Greater Waterbury Health Network, the parent company of Waterbury Hospital, is announcing it has signed a letter of intent to be acquired by Prospect Medical Holdings of Los Angeles, CA, a privately owned company that provides healthcare services in Rhode Island, Texas, and California.

2) What is the transaction?

GWHN will sell substantially all of its assets to Prospect Medical Holdings.

3) What are the financial terms of the transaction?

Right now, the terms are confidential. They will be made public through regulatory filings. The GWHN Board of Directors is very satisfied with the terms and conditions of this transaction and believes that it is in the best interest of the organization and the community we serve.

4) After the recent failed attempt with Tenet Healthcare, why is GWHN doing this?

The GWHN board of directors understands that the healthcare industry is very dynamic and changing quickly. As we have stated before, we believe that an innovative healthcare company that is able to work through the challenges of the changing healthcare industry and a strong capital partner is a key component of the long-term strategy for the sustainability of Waterbury Hospital.

5) Why did GWHN select Prospect?

There are a few reasons that Prospect was selected. First, Prospect's "coordinated regional care" approach to healthcare will strengthen and enhance access to and the delivery of high quality, cost-effective services for our community. Second, the company has a keen focus on collaborating closely with physicians and other key stakeholders such as labor unions. Third, Prospect offers a wealth of experience and brings advanced solutions for the coordination of care and population health. And, finally, we think that a transaction with Prospect can move through the regulatory process successfully because Prospect has experience in a highly regulated state environment given its acquisition of hospitals in Rhode Island.

6) Is GWHN doing this now because of financial hardship?

After three years of trying to do the right thing for this community and our hospital, we are focused on a parallel strategy of strengthening the services at Waterbury Hospital while seeking a strategic partner. We are proud of our successful efforts to reduce costs, bolster our technology and state-of-the-art equipment, such as the recently acquired daVinci Xi surgical robot, and rebuild and reorganize our organization. However, we continue to believe that that a partnership with a larger organization or system is a key part of the strategy for long-term sustainability of Waterbury Hospital.

7) Is Saint Mary's Hospital part of this transaction?

They are not at this time. We understand they are going through their own process.

8) Why aren't Waterbury Hospital and Saint Mary's Hospital working together to create a single healthcare solution in Waterbury?

Past experience has shown us that there are significant obstacles to such a solution. For example: the different missions and heritages of each hospital, the need for comprehensive reproductive services in our community, different approaches to funding employee pensions, and one hospital with labor unions (Waterbury) and one without (Saint Mary's Hospital). However, we will continue to be collaborative with Saint Mary's as demonstrated through the Heart Center of Greater Waterbury, the Harold Leever Cancer Center, and the Connecticut Children's Medical Center.

9) Will employees still have jobs?

All employees who wish to remain with the hospital will be offered the opportunity to do so, in their current positions.

10) What about the unions at Waterbury Hospital?

Prospect has a history of working collaboratively with labor unions. In fact, Prospect will assume all labor contracts.

11) Will the hospital name remain the same?

There are no plans to change the name of the hospital at this time.

12) Will Prospect honor Waterbury's charity care policies?

Subject to any changes in federal and state law, Prospect will honor the hospital's charity care policies and will maintain charity care policies which are at least as favorable to patients as the existing Waterbury Hospital policies.

13) What impact does becoming a for-profit hospital have on our community, our patients, and our employees?

Besides having better access to capital, the other major difference between not-for-profit and for-profit hospitals is that for-profit hospitals pay taxes. As a for-profit company, Prospect will become a new taxpayer for the State of Connecticut and for the City of Waterbury. For-profit hospitals adhere to the same standards as not-for-profits; this includes the Joint Commission, Medicare Conditions of

Participation, state regulatory requirements, and EMTALA (which mandates that no one can be turned away from an emergency department). The impact for our community, patients, and employees will be that Waterbury Hospital can be strengthened and sustained for the future.

14) What is the governance structure?

A community-based advisory board will be established to advise the Hospital's Board, which will report to a Corporate Board of Directors.

15) Will a foundation be created as part of this acquisition?

Yes, a separate, not-for-profit foundation will be created. It will be led by a newly created governing board of Waterbury Hospital. The foundation will manage any remaining assets and liabilities of GWHN, including charitable assets, and will support charitable health-related activities in the community in addition to those that the Hospital will continue to provide in accordance with the community benefit standard.

16) Why does Prospect think it can complete this transaction when neither LHP nor Tenet could?

Prospect has a strong reputation as an ethical and responsible healthcare company, and maintains positive, collaborative relationships with its physicians, employees, labor unions and payers, as well as with the communities served by its hospitals. We all believe that Prospect can get a deal done because of their experience in Rhode Island, another highly regulated state, and their collaborative approach to working with physicians, medical groups, the community and organized labor.

17) Will Prospect accept the same conditions that were placed by the state of Connecticut on the Tenet transaction?

We believe that the conditions that were placed on the Tenet transaction were specific to that transaction at that time. The Tenet transaction involved five hospitals. This is a single-hospital transaction. We believe that once the state regulators review our offer for Waterbury, they will treat it as a separate and unique transaction and apply conditions specific to it.

18) What is Prospect's business model?

Prospect has developed a unique and innovative healthcare delivery model that emphasizes coordination of care and population health management, with an emphasis on wellness. Prospect's model of healthcare delivery is not hospital-centric but focuses on partnerships with physicians, medical groups, other providers and payers. This ensures that patients receive the right care, in the right place, at the right time, compassionately and efficiently. It's higher quality care at lower cost.

19) Why would Prospect want a struggling hospital in CT? How does Prospect think it can make money with Waterbury Hospital?

Prospect has a successful track record of turning around financially challenged hospitals like Waterbury Hospital. Prospect's innovative business model is interested in Waterbury Hospital because it provides high quality care at lower costs—and they can build on this strong foundation.

20) Will Prospect be willing to sign a community benefit agreement?

This will not be necessary given that Waterbury Hospital will continue to fulfill its community benefits responsibilities and obligations in virtually the same manner as it does today as a tax-exempt, not-for-profit organization.

21) Who is Prospect?

Prospect Medical Holdings, Inc. is an innovative healthcare services company that owns and operates 13 hospitals, with a total of 2,258 licensed beds, as well as 40 clinics and outpatient centers. Prospect also manages the provision of healthcare services for over 300,000 members enrolled in its networks of over 8,900 primary care physicians and specialists. Prospect's hospitals are located in diverse, high-density population areas within five markets in California, Texas, and Rhode Island.

22) Who owns Prospect?

Prospect is owned by a combination of funds managed by a well-known private equity sponsor and certain members of management.

23) What does Prospect do with the profits it makes from its hospitals and related health care businesses?

Prospect is currently planning to use its profits to invest in and grow operations, organically or through acquisition, to provide quality, cost-efficient and coordinated healthcare services through our hospitals, clinics and physician networks.

24) What is Prospect's funding source for the acquisition of Waterbury?

Prospect does not require outside financing to fund the transaction.

25) Does Prospect have plans to expand in Connecticut and the Northeast?

Prospect is a growth company and we are continually seeking opportunities to joint venture with or acquire hospitals in communities similar to those we currently serve.

26) Will Waterbury Hospital use this transaction to make significant changes to the hospital's main campus?

While resources will certainly be used to upgrade some of the hospital's main campus, significant resources will also be used to expand the hospital's range of outpatient services and enhance the hospital's presence in the communities it serves.

27) What other partners did GWHN review?

It was a very organized, thorough and competitive process. As is typical, the identity of the other candidates remains confidential. The GWHN board retained an outside financial advisor and reviewed its options thoroughly to find the best partner – strategically, financially and culturally.

28) When will this transaction be completed?

That's a good question. We'd hope to have a transaction completed within the year.

29) Isn't this a little fast after the last attempted transaction?

It may feel like it, but the market place is dynamic and we don't want our window of opportunity to close. As we have stated time and again, we believe that part of our long-term strategy for sustainability is a partnership with a larger organization.

30) Will there be a change in services?

No. Right now, there are no plans for changes in services.

31) What's next?

With this Letter of Intent in place, GWHN and Prospect will begin the due diligence and regulatory processes.

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