

GEORGE C. JEPSEN
ATTORNEY GENERAL



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Office of The Attorney General
State of Connecticut

August 26, 2011

VIA U.S. MAIL and FACSIMILE (860-509-6501)

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

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

Dear Attorney Anthony:

I write in connection with published reports concerning a proposed three-party joint venture involving St. Mary's Health System, Inc. ("St. Mary's"), Waterbury Hospital and LHP Hospital Group, Inc. (together with its affiliates and subsidiaries, "LHP"). As you know, this office and the Office of Health Care Access ("OHCA") are already conducting a review pursuant to the Hospital Conversion Act, Conn. Gen. Stat. § 19a-486a et seq., of a proposed two-party joint venture transaction involving St. Mary's and LHP.

In connection with our pending review, St. Mary's has submitted a detailed application and supporting information describing the structure and valuation of a two-party joint venture with LHP. Our review requires, among other things, evaluation of the hospital's due diligence in selecting the proposed transaction, including whether St. Mary's will receive fair market value for its assets.

It now appears that inclusion of Waterbury Hospital in the joint venture materially alters the terms and structure of the proposed transaction detailed in St. Mary's application. For example, the application contemplates that St. Mary's will contribute certain assets in exchange for, among other consideration, twenty percent ownership and equal governance of the joint venture. According to reports, Waterbury Hospital and Saint Mary's would each own ten percent of the proposed three-party joint venture. Presumably, St. Mary's governance rights will also be affected if Waterbury Hospital is included in the joint venture.

We also note that St. Mary's has submitted a fairness opinion of the proposed St. Mary's/LHP joint venture rendered by Morgan Keegan & Company, Inc. That evaluation is premised on a two-party joint venture structured in the manner described in St. Mary's pending application and is expressly limited to "market, economic and other conditions as in effect on,

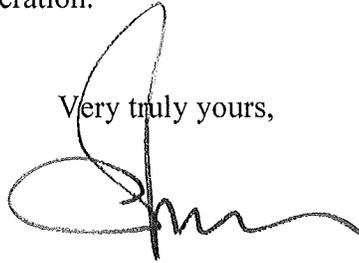
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and the information made available to [Morgan Keegan] as of, the date” of the opinion. Morgan Keegan cautions that “subsequent developments may affect [its fairness] opinion[.]”

Accordingly, St. Mary’s pending application may no longer accurately or completely reflect the proposed transaction with LHP, and may not provide a sufficient basis for review of that transaction by this office and OHCA. We ask that you inform us and OHCA as soon as possible in writing of St. Mary’s intentions, if any, with respect to revising, withdrawing and/or resubmitting its application, so that we may determine whether or how to proceed with our pending review.

Thank you for your anticipated cooperation.

Very truly yours,

A handwritten signature in black ink, appearing to read 'G. Jepsen', with a large, stylized initial 'G' and a long, sweeping horizontal stroke at the end.

GEORGE JEPSEN
ATTORNEY GENERAL

cc: Kimberly Martone, Director of Operations, OHCA
Steven Lazarus, Associate Healthcare Analyst, OHCA
Gary W. Hawes, Assistant Attorney General, OAG