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10 Attorneys for Plaintiffs Prime Healthcare
Services, Inc. and Prime Healthcare
11 Foundation, Inc.

12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA, EASTERN DIVISION**
14

15 PRIME HEALTHCARE SERVICES,
16 INC. and PRIME HEALTHCARE
FOUNDATION, INC.

17 Plaintiffs,

18 v.

19 KAMALA D. HARRIS, in her personal
20 capacity and in her official capacity as
the Attorney General of the State of
21 California,

22 Defendant.
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Case No. _____

COMPLAINT FOR:

1. **42 U.S.C. § 1983**
(Violation of Rights Under Due
Process Clause of U.S.
Constitution, Amend. XIV);
2. **42 U.S.C. § 1983**
(Violation of Rights Under Equal
Protection Clause of U.S.
Constitution, Amend. XIV);
3. **42 U.S.C. § 1983**
(Violation of Rights Under
National Labor Relations Act, 29
U.S.C. § 151, et seq.);
4. **28 U.S.C. § 2201**
(Declaratory Relief Re Violation
of California Constitution, Article
I, Section 7);
5. **28 U.S.C. § 2201**

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**(Declaratory Relief Re
Constitutionality of CA Corp.
Code §§ 5914-5925);
6. 28 U.S.C. § 2202
(Injunctive Relief);
7. Intentional Interference
with Contract; and
8. Intentional Interference
with Prospective Economic
Advantage**

DEMAND FOR JURY TRIAL

NATURE OF THE ACTION

1. The United States Constitution and the Constitution of the State of California create a bulwark against arbitrary, capricious and unaccountable governmental actions against their citizens. In this case, Kamala D. Harris, the Attorney General of California (“Harris”), corruptly abused the scope of her authority under the Non-Profit Hospital Transfer Statute, California Corp. Code §§ 5914-5925, by entering into an illegal scheme with the Service Employees International Union – United Healthcare Workers West (“UHW”), a powerful union representing hospital workers in California, under which she refused to reasonably approve the sale of the Daughters of Charity Health System (“DCHS”) to Prime Healthcare Services, Inc. and Prime Healthcare Foundation, Inc. (collectively “Prime”) because Prime rejected UHW’s extortionate demands to unionize workers at all Prime hospitals and did so in a *quid pro quo* exchange for the union’s continuing financial support of her political career, including her current candidacy for the U.S. Senate. Harris’ illegal and corrupt conduct provides a stark example of the misconduct by public officials that these founding documents were designed to protect against.

1 2. Under the Non-Profit Hospital Transfer Statute, Attorney General
2 Harris was authorized to review sales of California non-profit hospitals, including
3 those operated by DCHS, and to deny, consent, or conditionally consent to those
4 sales. This statute authorized Attorney General Harris to exercise reasonable
5 discretion to make these determinations, but contained no other limit or governing
6 standards and did not require her to provide any explanation or justification of her
7 decision. Unfortunately, Attorney General Harris chose to use her unfettered
8 power under this statute for the corrupt purpose of supporting UHW's attempt to
9 extort Prime into accepting its unionization demands in exchange for UHW's
10 agreement to financially contribute to her campaign for U.S. Senate without regard
11 to the merits of Prime's proposal to purchase the DCHS hospitals or the best
12 interests of those hospitals and the communities they serve. Put more simply,
13 Harris sold her political office to UHW by conditioning her reasonable approval of
14 the Prime-DCHS transaction on Prime's agreement to extort UHW
15 unionization demands that had nothing to with whether Prime's purchase of the
16 DCHS hospitals was in the public interest.

17 3. In early 2014, facing a financial crisis, DCHS decided to sell the
18 system of five hospitals and a skilled nursing facility that it owns and operates in
19 the State of California, consisting of (1) Seton Medical Center in Daly City,
20 California, (2) Seton Coastside, a skilled nursing facility in Moss Beach,
21 California, (3) O'Connor Hospital in San Jose, California, (4) Saint Louise
22 Regional Hospital in Gilroy, California, (5) St. Francis Medical Center in
23 Lynwood, California, and (6) St. Vincent Medical Center in Los Angeles
24 (collectively the "DCHS Hospitals").

25 4. After a competitive and exhaustive 13 month bidding process and
26 after evaluating more than 200 bids, DCHS selected Prime as the only bidder
27 whose \$843 million-dollar proposal for the purchase of the DCHS Hospitals and
28 related entities best ensured the continued viability of the DCHS Hospitals and

1 continuance of the mission and vision of the Daughters of Charity. In short, Prime
2 was deemed to be the "best and only bidder" based on its commitments to (1)
3 honor \$250 million dollars of unfunded pensions affecting nearly 17,000 retired
4 and current employees; (2) assume \$350 million dollars in bond debt; (3) pay a
5 total purchase price of \$843 million dollars; (4) maintain the facilities as acute care
6 hospitals for five years; (5) maintain all essential service lines for a period of five
7 years; (6) commit \$250 million dollars in capital expenditures; and (7) maintain the
8 existing collective bargaining agreements. In its analysis of this bid, DCHS
9 identified Prime's strengths as follows:

- 10 • Experienced California Operator;
- 11 • Significant acquisition experience;
- 12 • Proven track record of improving distressed hospitals;
- 13 • Access to cash and credit facilities to fund closing payments and post-
14 closing recapitalization; and
- 15 • DCHS transaction was part of Prime's strategic expansion plan.

16 DCHS specifically chose Prime because of its history of successfully fulfilling its
17 stated mission of "Saving Hospitals, Saving Jobs, Saving Lives." During the past
18 15 years, Prime has acquired thirty-five hospitals throughout the United States, the
19 majority of which were in financial distress or in bankruptcy. Prime has saved
20 every hospital it has acquired, providing each with financial and operational
21 stability. Without Prime, many of these hospitals would have closed and the
22 communities they served would have lost critically needed access to healthcare.
23 In fact, Prime has never sold or closed a hospital it has acquired. DCHS chose
24 Prime as the only buyer capable of turning around its hospitals because no other
25 bidder had Prime's proven track record of saving and transforming distressed
26 hospitals.

27 5. In its analysis, DCHS also identified weaknesses associated with
28 Prime's successful bid. While DCHS's identification of such weaknesses for

1 other bidders pertained to significant operational issues – including lack of
2 experience and access to capital – the list for Prime was short and primarily based
3 on political opposition to the Prime proposal, as follows:

- 4 • Resistance from SEIU (UHW) and UNAC;
- 5 • Potential transaction resistance from the California AG and
6 politicians; and
- 7 • Litigious history.

8 6. Accordingly, Prime’s purchase bid was handicapped by DCHS as
9 potentially problematic with respect to Attorney General Harris and other
10 politicians because of Prime’s history of conflict and litigation with UHW, a
11 powerful union representing hospital workers in California. From the outset,
12 DCHS recognized that Attorney General Harris’s review of Prime’s bid under the
13 Non-Profit Hospital Transfer Statute would likely be biased by her political
14 relationship with unions, including UHW and Regan, the UHW president, and her
15 need for their political and financial support.

16 7. On October 10, 2014, despite Attorney General Harris’ expected
17 opposition, DCHS selected Prime as the successful bidder given its long standing
18 history of turning around financially distressed hospitals and its commitment to
19 quality care and service to the community. In short, DCHS concluded that there
20 was no other bidder who could save DCHS and adhere to its mission. Prime is
21 informed and believes that DCHS voted in favor of Prime’s bid as being the "best
22 and only" viable option to save the hospital chain despite Attorney General Harris’
23 likely partisan opposition to the purchase.

24 8. On October 24, 2014, DCHS submitted the DCHS Sale Agreement to
25 Attorney General Harris for her review under Non-Profit Hospital Transfer Statute.
26 The sale of the DCHS hospitals was the single largest hospital transaction ever
27 reviewed by the Attorney General's office and the fate of six non-profit hospitals
28 providing community healthcare across the state was placed in Harris’ hands.

1 9. Both before and after the Prime acquisition was announced, DCHS
2 informed Prime executives, including its President of Operations and General
3 Counsel, that Attorney General Harris would deny the acquisition or require
4 financially crippling approval conditions if Prime did not reach agreement with
5 UHW. DCHS told Prime that Attorney General Harris was in constant
6 communication with UHW and that Prime “needed to make a deal” with UHW if it
7 wanted her approval. In essence, even though Attorney General Harris was legally
8 required to exercise her regulatory oversight authority in an objective and impartial
9 manner over what was to be the largest bail-out of non-profit hospitals in
10 California history, DCHS made clear that UHW was the “Kingmaker” with respect
11 to Harris’ approval of the DCHS acquisition.

12 10. Since 2009, UHW has been and continues to be engaged in a labor
13 dispute with Prime because Prime has been unwilling to cede to UHW’s strong-
14 arm extortionate tactics to impose unionization on all of Prime’s California
15 hospitals and their employees. Both before and after the Prime-DCHS acquisition
16 was announced, UHW repeatedly informed Prime that its purchase would only be
17 approved by Attorney General Harris if Prime surrendered to UHW’s forced
18 unionization demands. UHW also reminded Prime that it had successfully
19 persuaded Attorney General Harris in 2010 to deny the sale of Victor Valley
20 Community Hospital to Prime Healthcare Foundation, a 501(c)(3) public charity
21 founded by Prem Reddy, M.D. (“Dr. Reddy”), the Chairman and founder of Prime
22 Healthcare Services, Inc.

23 11. In July 2014, Regan, UHW’s President, met with Dr. Reddy to discuss
24 the pending sale of DCHS. Regan advised Dr. Reddy that he would prevent the
25 sale unless Prime allowed UHW to unionize hospital workers at all of Prime’s
26 hospitals. Similarly, in the fall and winter of 2014, Regan and his senior leaders
27 had at least five meetings with Prime executives, including its President of
28 Operations, during which UHW demanded that Prime permit unionization at all its

1 hospitals, not just the DCHS Hospitals, and extend UHW unionization to nurses
2 already represented by the California Nurses Association (“CNA”), a supporter of
3 the Prime acquisition of DCHS, as a condition of the UHW’s support of the sale.
4 As before, Regan informed Prime that Attorney General Harris would not approve
5 the sale without UHW support, but would approve the sale with minimal
6 restrictions if Prime agreed to allow the union access to all of its hospitals through
7 “neutrality agreements” that would unilaterally unionize all employees and deprive
8 them of the right to vote on unionization.

9 12. During Prime’s negotiations with UHW, DCHS’s senior advisor and
10 primary lobbyist, Conway Collis (“Collis”), described by DCHS as a “friend” of
11 both UHW and Attorney General Harris, informed Prime that Harris would 100%
12 deny or issue a *de facto* denial if a deal between Prime and UHW was not
13 accomplished. Likewise, Collis encouraged Prime to add former Attorney General
14 William Lockyer (“Lockyer”) as an additional mediator because Lockyer “had the
15 ear of Kamala Harris” who “listened to his opinions” as a “trusted confidant.”
16 During November 2014 negotiations, both Collis and Lockyer insisted that Prime
17 agree to unionization at all of its hospitals, claiming that such unionization was
18 inevitable even though only three of Prime’s fourteen California hospitals had
19 UHW representation, and informing Prime that it would not be allowed by
20 Attorney General Harris to acquire the DCHS hospitals without such a UHW
21 agreement. Prime refused to agree to these UHW global unionization demands and
22 bargain away the rights of their employees.

23 13. On or about February 19, 2015, the day before Attorney General
24 Harris was scheduled to issue her decision about whether to approve the DCHS
25 sale, DCHS lobbyist Collis contacted Prime and advised that the sale would be
26 only be approved by Harris with reasonable conditions if Prime allowed UHW
27 over a several year period to unionize hospital workers, including nurses already
28 represented by CNA under collective bargaining agreements at four Prime

1 hospitals even though UHW has never represented nurses in the past. Prime
2 refused to be the victim of such strong arm tactics and declined Attorney General
3 Harris' extortionate demand as a condition of her sale approval.

4 14. On February 20, 2015, despite DCHS's approval of Prime's purchase
5 bid, Attorney General Harris unlawfully derailed Prime's purchase by publically
6 "approving" the transaction, but imposing unprecedented and onerous conditions
7 on the DCHS-Prime sale that were outside the scope of both her authority and the
8 discretion afforded her under the Non-Profit Hospital Transfer Statute and
9 amounted to a *de facto* denial of Prime's offer because such conditions objectively
10 prevented Prime (or any purchaser) from effectively managing the DCHS
11 Hospitals and solving the massive financial problems that had led DCHS to seek a
12 buyer in the first place. In particular, Attorney General Harris' 77-page list of over
13 300 approval conditions demanded that Prime continue operating all but one of the
14 DCHS Hospitals in their current state for a period of ten years, without regard to
15 whether all their services were essential and even though these hospitals were
16 running at an annual operating loss of over \$140 million. Although Prime
17 explained that continuing to operate DCHS as an insolvent hospital chain did not
18 serve the interests of the citizens of California, Harris informed Prime that this
19 incredible 10-year requirement was non-negotiable even though the Attorney
20 General had never imposed such a condition on any other hospital sale before.

21 15. Unsurprisingly, Attorney General Harris' requirement that Prime
22 continue operating DCHS hospitals at a massive financial loss for the next ten
23 years had no basis in any facts relating to the hospitals' delivery of healthcare
24 services to the communities that they served and was not a recommendation made
25 by Phillip Dalton ("Dalton") of MDS Consulting, the supposedly independent
26 hospital consultant and expert retained by the State to examine and analyze the
27 proposed DCHS-Prime sale's impact on access to healthcare. Rather, Dalton,
28 Deputy Attorney General Wendi Horwitz ("DAG Horwitz") and Senior Assistant

1 Attorney General Tania Ibanez (“SAAG Ibanez”) all informed Prime that this 10-
2 year requirement and other equally incredible approval conditions “were from the
3 Attorney General, herself.”

4 16. On multiple occasions, Prime warned Attorney General Harris that
5 this 10-year requirement and other onerous approval conditions were
6 unprecedented, not only in California but in the nation, and would have a chilling
7 effect on sale of the DCHS Hospitals and future hospital transactions in California.
8 Specifically, Prime explained to Harris that such sale conditions created a recipe
9 for failure because no one, including Prime, could successfully operate the DCHS
10 Hospitals under such conditions. However, Harris refused to remove or modify
11 these poison pill conditions on her “approval” of the DCHS-Prime sale.

12 17. Prime is informed and believes that Attorney General Harris’ *de facto*
13 denial of its purchase of the DCHS hospitals was not a proper exercise of her
14 regulatory oversight under the Non-Profit Hospital Transfer Statute over non-profit
15 hospital sales in California, but instead was an irrational, corrupt and
16 unconstitutional abuse of power to prevent Prime from legitimately acquiring the
17 DCHS hospitals because Prime had refused to agree to the demands of UHW, a
18 political ally and financial supporter of the Attorney General. Prime is further
19 informed and believes that Attorney General Harris derailed the Prime-DCHS sale
20 in order to secure a commitment of continuing financial campaign support by
21 UHW and Regan, who was a key financial contributor in Harris’ prior political
22 campaigns, for her candidacy for the United States Senate that she announced on
23 January 13, 2015, only days after the public hearings on the Prime-DCHS
24 transaction at which the only opposition was expressed by UHW.

25 18. On March 10, 2015, Prime was forced by Attorney General Harris to
26 abandon its \$843 million dollar bid to acquire the DCHS Hospitals because her
27 irrational requirement that Prime continue operating those hospitals at a massive
28 financial loss for a decade was so burdensome and restrictive that it would have

1 been impossible for Prime (or any buyer) to make the changes needed to operate
2 and save the hospitals. As a result, Attorney General Harris' supposed "approval"
3 of the DCHS-Prime sale under the Non-Profit Hospital Transfer Statute was pure
4 political theater designed to protect her from political fallout if the DCHS
5 Hospitals went into bankruptcy as a result of the transaction-terminating conditions
6 that she imposed and to insulate her decision from judicial review.

7 19. Attorney General Harris' arbitrary and unconstitutional *de facto* denial
8 of Prime's purchase of DCHS was unprecedented on two levels. First, she had
9 never imposed such a condition on any other hospital sale and the only two
10 hospital sales that she has expressly or effectively denied involved Prime as the
11 buyer. Second, in every other state requiring attorney general approval of Prime
12 hospital acquisitions, including Kansas, Michigan, Missouri, New Jersey,
13 Pennsylvania, and Rhode Island, Prime obtained the attorney general's approval
14 without fanfare and through a process where all approval conditions were within
15 industry norms without exception. The only difference is that these attorney
16 generals were not named Kamala Harris and they did not abuse the acquisition
17 approval process in exchange for political campaign contributions to support their
18 ambition to expand their political careers to the national stage.

19 20. Plaintiffs bring this action for damages and declaratory and injunctive
20 relief to challenge Attorney General Harris's and UHW's corrupt and illegal
21 scheme to deprive Prime of their constitutional rights to liberty, equal protection,
22 due process of law, and to acquire property under the U.S. and California
23 Constitutions. Plaintiff also seek a judicial declaration that the Non-Profit
24 Hospital Transfer Statute (California Corp. Code 5914, *et seq.*), the statutory
25 scheme providing the Attorney General with regulatory oversight over sales of
26 non-profit hospitals to for profit entities, is unconstitutional because it unlawfully
27 delegates legislative power to the Attorney General, is unconstitutionally vague
28 with respect to the Attorney General's standard of review, and impermissibly

1 restricts a hospital purchaser's constitutional right to acquire property in California
2 under the California Constitution.

3 **PARTIES**

4 21. Plaintiff Prime Healthcare Services, Inc. is a California based
5 company located in Ontario, California. Prime Healthcare Services, Inc. is the sole
6 shareholder or member of corporations or limited liability companies that own
7 and/or operate 28 hospitals: ten in California (Alvarado Hospital Medical Center,
8 Centinela Hospital Medical Center, Chino Valley Medical Center, Desert Valley
9 Hospital, Garden Grove Hospital Medical Center, Glendora Community Hospital,
10 Paradise Valley Hospital, San Dimas Community Hospital, Shasta Regional
11 Medical Center, and West Anaheim Medical Center); one in Alabama (Riverview
12 Regional Medical Center); one in Indiana (Monroe Hospital); two in Kansas
13 (Providence Medical Center and Saint John Hospital); two in Michigan (Garden
14 City Hospital and Lake Huron Hospital); two in Missouri (St. Mary's Medical
15 Center and St. Joseph's Medical Center) two in Nevada (Saint Mary's Regional
16 Medical Center and North Vista Hospital); one in New Jersey (Saint Mary's
17 Medical Center); two in Pennsylvania (Lower Bucks Hospital and Roxborough
18 Memorial Hospital); two in Rhode Island (Landmark Medical Center and
19 Rehabilitation Hospital of Rhode Island); and three in Texas (Dallas Medical
20 Center, Dallas Regional Medical Center and Harlingen Medical Center). Prime
21 Healthcare Services, Inc. is one of the largest minority owned healthcare
22 businesses in the State of California and in the nation.

23 22. Plaintiff Prime Healthcare Foundation ("The Foundation") is a
24 501c(3) non-profit public charity with its principal place of business in Ontario,
25 California 91761. The Foundation was formed in 2006 by Dr. Reddy with a
26 mission of giving back to the community. The Foundation owns seven non-profit
27 hospitals: five in California (Encino Hospital Medical Center, Huntington Beach
28 Hospital, La Palma Intercommunity Hospital; Montclair Hospital Medical Center,

1 and Sherman Oaks Hospital) and two in Texas (Knapp Medical Center and Pampa
2 Regional Medical Center). Each of these hospitals was donated to the Foundation
3 by Prime Healthcare Services and Dr. Reddy without any debt and with assets of
4 over \$800 million. In addition to operating award winning hospitals, the
5 Foundation has donated more than \$5 million dollar to the Victor Valley
6 Community College in Victorville, California for scholarships and construction of
7 its Allied Healthcare Building, a new state-of-the art health and science building,
8 on its campus. In recognition of the highest donations ever made, the college
9 named its nursing school the “Dr. Prem Reddy School of Allied Healthcare and
10 Nursing.” The Foundation has also donated \$500,000 to California State
11 University, San Bernardino for its Department of Nursing, donated \$40 million
12 dollars to build California University of Science and Medicine, a new not for profit
13 university and medical school in San Bernardino County to address the lack of
14 primary care physicians in California; and funded countless scholarships/grants to
15 continue medical education in the State of California. Plaintiffs Prime Healthcare
16 Services, Inc. and Prime Healthcare Foundation are collectively referred to as
17 “Prime.”

18 23. Prime is an award winning healthcare system with numerous
19 accolades unmatched by any other system in California. Prime’s hospitals in
20 California have been ranked as 100 Top Hospitals by Thompson Reuters/ Truven
21 Analytics thirty-three (33) times. In addition, Prime was ranked as a Top 10
22 System in the United States in 2009 which was the only system west of Mississippi
23 River to receive such an award for patient care and quality metrics. Moreover,
24 Prime was awarded the Top 15 designation in the nation by Truven Analytics in
25 both 2012 and 2013. These awards are based upon unbiased data submitted to
26 CMS which includes patient case quality metrics such as mortality rates, medical
27 complications, Medicare core measures, risk adjusted length of stay and patient
28 satisfaction. Finally, thirteen Prime hospitals were listed as Top Performers by the

1 Joint Commission in 2014, the leading accreditation agency of healthcare
2 organizations in the nation.

3 24. Defendant Kamala D. Harris (“Harris”) is the Attorney General of the
4 State of California and, on information and belief, is a resident of California in the
5 County of Sacramento.

6 JURISDICTION AND VENUE

7 25. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
8 1331, 1343, 1367, and 2201, 29 U.S.C. § 151, *et seq.* and 42 U.S.C. § 1983.

9 26. This Court has personal jurisdiction over Defendant Harris because
10 she is a resident of this State.

11 27. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391
12 because Defendant Harris transacts business in this District as the Attorney
13 General of California and a substantial part of the events and omissions giving rise
14 to Plaintiffs’ claims occurred in this District.

15 LEGAL BACKGROUND

16 1. Federal and State Prohibitions Against Political Corruption

17 28. Under the federal bribery statute (18 U.S.C. § 666), any state
18 government official who “corruptly solicits or demands for the benefit of any
19 person, or accepts or agrees to accept, anything of value from any person,
20 intending to be influenced or rewarded in connection with any business,
21 transaction, or series of transactions of such . . . agency involving anything of
22 value of \$5,000 or more” is guilty of a felony punishable by up to 10 years in
23 prison, a fine of \$250,000, or both.

24 29. The federal bribery statute criminalizes a state government official’s
25 acceptance of campaign donations in return for the official’s agreement to take or
26 forego some specific action. The state official’s illegal *quid pro quo* agreement
27 must be explicit, but need not be in writing or express and may be implied from the
28 official’s words and actions or other circumstantial evidence. *See Evans v. U.S.*,

1 504 U.S. 255, 258 (1992); *U.S. v. Siegelman*, 640 F.3d 1159, 1170-72 (11th Cir.
2 2011); *U.S. v. Terry*, 707 F.3d 607, 614 (6th Cir. 2013). Under this statute,
3 criminal liability extends to an explicit promise of a campaign contribution or
4 solicitation of a campaign contribution conditioned on the performance of a
5 specific official action. See *U.S. v. McGregor*, 879 F.Supp.2d 1308, 1317-1319
6 (M.D.Ala. 2012); *United States v. Brewster*, 408 U.S. 501, 526 (1972) (“The
7 illegal conduct is taking or *agreeing to take money* for a promise to act in a certain
8 way.”) (emphasis added). Similarly, the federal mail and wire fraud statutes (18
9 U.S.C. §§ 1341 and 1343) prohibit a state official’s involvement in a scheme
10 involving bribes or kickbacks that deprive state citizens of their intangible right to
11 that official’s honest services, 18 U.S.C. § 1346, and the federal Hobbs Act makes
12 it a crime for a state official to affect interstate commerce by engaging in extortion,
13 defined as “the obtaining of property from another, with his consent, induced . . .
14 under color of official right,” or attempting to do so. 18 U.S.C. § 1951(b)(3); see
15 *McCormick v. U.S.*, 500 U.S. 257, 273-274 (1991).

16 30. Under state law, Penal Code Section § 68, subdivision (a) provides
17 that any “employee, or appointee of the State of California . . . who asks, receives,
18 or agrees to receive, any bribe, upon any agreement or understanding that his or
19 her vote, opinion, or action upon any matter then pending, or that may be brought
20 before him or her in his or her official capacity, shall be influenced thereby, is
21 punishable by imprisonment in the state prison for two, three, or four years.”
22 Under this state bribery statute, the word “bribe” means “anything of value or
23 advantage, present or prospective, or any promise or undertaking to give any,
24 asked, given, or accepted, with a corrupt intent to influence, unlawfully, the person
25 to whom it is given, in his or her action, vote, or opinion, in any public or official
26 capacity.” Penal Code § 7, subd. (6). In order for a state official to be convicted of
27 state bribery, “a jury need only find that ‘there existed subjects of potential action
28 by the recipient, and that the bribe was given or received with the intent that some

1 such action be influenced.” *People v. Wong*, 186 Cal. App.4th 1433, 1447
2 (2010), quoting, *People v. Gaio*, 81 Cal. App.4th 919, 929 (2000).

3 31. These federal and criminal statutes recognize that political corruption
4 is a subversion of the political process because elected officials are influenced to
5 act contrary to their obligations of office by the prospect of financial gain to
6 themselves or infusions of money into their campaigns. As detailed below, this
7 action presents a classic *quid pro quo* scheme whereby Attorney General Harris
8 issued a *de facto* denial of the Prime-DCHS transaction in exchange for UHW’s
9 promise of future campaign contributions after Prime refused to agree to UHW’s
10 extortionate unionization demands.

11 2. **California’s Unconstitutional Statutory Regime for**
12 **Approving Transactions Involving Non-Profit Hospitals**

13 32. California Corporation Code Sections 5914 through 5925 (“the Non-
14 Profit Hospital Transfer Statute” or the “Statute”) require a non-profit corporation
15 that operates or controls a hospital to give notice to and obtain the written consent
16 of Attorney General Harris for certain transactions. Among the transactions that
17 require the approval of Attorney General Harris are those that “[s]ell, transfer,
18 lease, exchange, option, convey, or otherwise dispose of, [a non-profit hospital’s]
19 assets to a for-profit corporation or entity” or “[s]ell, transfer, lease, exchange,
20 option, convey, or otherwise dispose of, [a non-profit hospital’s] assets to another
21 nonprofit corporation or entity. . . .” California Corp. Code §§ 5914(a), 5920(a).

22 33. The Non-Profit Hospital Transfer Statute includes two sets of parallel
23 procedures, one governing sales of non-profit hospitals to for-profit entities
24 (California Corp. Code §§ 5914-5918) and one governing the sale of non-profit
25 hospitals to other non-profit entities (California Corp. Code §§ 5920-5925). Under
26 the Statute, the non-profit hospital must provide Attorney General Harris with
27 written notice of the proposed sale, including information about the nature of and
28 reasons for the sale, the fair market value of the sale, and the effect of the sale on

1 the delivery, availability, and accessibility of health care services to the
2 communities served by the hospitals being sold. California Corp. Code §§
3 5914(b), 5920(b); Title 11, Cal. Code Regulations Tit., § 999.5(d).

4 34. Within 60 days of the receipt of the non-profit hospital's written
5 notice of proposed sale and, if required, an Independent Health Care Impact
6 Statement, Attorney General Harris must hold one or more public meetings to hear
7 comments from interested parties about the proposed sale and issue a written
8 decision "to consent to, give conditional consent to, or not consent to the
9 agreement or transaction." California Corp. Code §§ 5915, 5916, 5921, 5922.
10 The Attorney General may extend this deadline by 45 days when the proposed sale
11 involves a multi-hospital health system serving multiple communities. California
12 Corp. Code §§ 5915, 5921.

13 35. Under Attorney General Harris' own regulations, if the proposed
14 hospital sale involves an acute care hospital with more than 50 beds or may result
15 in a significant effect on the availability or accessibility of existing health care
16 services, the Attorney General must also prepare an "independent health care
17 impact statement" that includes an assessment of the effect of the transaction on (a)
18 emergency services, reproductive health services and any other health care services
19 that the hospital is providing, (b) the level and type of charity care that the hospital
20 has historically provided, (c) the provision of health care services to Medi-Cal
21 patients, county indigent patients, and any other class of patients, (d) any
22 significant community benefit program that the hospital has historically funded or
23 operated, and (e) staffing as it may affect availability of care, the likely retention of
24 employees as it may affect continuity of care, and the rights of employees to
25 provide input on health quality and staffing issues. Title 11, Cal. Code Regulations
26 Tit., § 999.5(e) (5)–(6). The Independent Health Care Impact Statement must also
27 assess the effectiveness of any mitigation measures proposed by the non-profit
28 hospital to reduce any significant adverse effect on health care services identified

1 in the impact statement, recommend additional feasible mitigation measures that
2 would reduce or eliminate any such significant adverse effect, and discuss
3 alternatives to the proposed sale, including closure of the hospital. *Id.*

4 36. Since Attorney General Harris has no expertise in running hospitals,
5 she is also statutorily authorized to contract with outside experts and consultants to
6 assist her in reviewing the proposed sale or other transaction, including through the
7 preparation of an Independent Health Care Impact Statement. California Corp.
8 Code §§ 5915, 5919; Title 11, Cal. Code Regulations Tit., § 999.5(e) (5)–(6).

9 37. The Non-Profit Hospital Transfer Statute provides Attorney General
10 Harris with limitless and unfettered discretion both in the Attorney General's
11 ultimate determination regarding the transfer and as to what conditions to impose
12 on the transfer, should the Attorney General chose to conditionally consent. For
13 example, the Statute provides that the Attorney General shall have discretion to
14 consent to, give conditional consent to, or not consent to any sale or transfer
15 submitted for approval, but does limit her discretion in any meaningful way:

16 In making the determination, the Attorney General shall consider *any*
17 *factors* that the Attorney General deems relevant, *including, but not*
limited to, whether any of the following apply:

18 (a) The terms and conditions of the agreement or transaction are
19 fair and reasonable to the nonprofit corporation.

20 (b) The agreement or transaction will result in inurement to any
21 private person or entity.

22 (c) Fair market value of the agreement or transaction, meaning
23 the most likely price that the assets being sold would bring in a
24 competitive and open market under all conditions requisite to a
25 fair sale, the buyer and seller, each acting prudently,
26 knowledgeable, and in their own best interest, and a reasonable
27 time being allowed for exposure in the open market.

28 (d) The market value has been manipulated by the actions of the
parties in a manner that causes the value of the assets to
decrease.

(e) The proposed use of the proceeds from the agreement or
transaction is consistent with the charitable trust on which the
assets are held by the health facility or by the affiliated
nonprofit health system.

1 (f) The agreement or transaction involves or constitutes any
2 breach of trust.

3 (g) The Attorney General has been provided, pursuant to
4 Section 5250, with sufficient information and data by the
5 nonprofit public benefit corporation to evaluate adequately the
6 agreement or transaction or the effects thereof on the public.

7 (h) The agreement or transaction may create a significant effect
8 on the availability or accessibility of health care services to the
9 affected community.

10 (i) The proposed agreement or transaction is in the public
11 interest.

12 California Corp. Code §§ 5917, 5923 (emphasis added). Despite providing a list of
13 factors that the Attorney General Harris is required to consider, the Statute does
14 not require the Attorney General to provide a written explanation of her decision
15 detailing what factors were considered in reaching that decision.

16 38. While the Non-Profit Hospital Transfer Statute allows Attorney
17 General Harris to conditionally consent to a proposed transfer, the Statute also does
18 not contain any guidance regarding what conditions can be imposed on the
19 transfer, whether the conditions should relate to the enumerated list of factors set
20 forth in California Corporations Code §§ 5917 and 5923, or indeed if the
21 conditions even need to relate to the health facility being transferred. Although not
22 specifically stated anywhere in the Statute, it is axiomatic that the Attorney
23 General's discretion and authority thereunder does not extend to imposing
24 conditions on a proposed transfer for the purpose of furthering personal gain or
25 currying favor with political campaign contributors.

26 39. The Non-Profit Hospital Transfer Statute further provides the
27 Attorney General with the following additional authority and obligations:

- 28 • The Attorney General "shall not consent" to an agreement or
transaction in which the seller restricts the type or level of medical
services that may be provided at the health facility. California Corp.
Code § 5917.5;

- 1 • The Attorney General can contract with, consult or receive advice
2 from any state agency and contract with experts or consultants to
3 assist in reviewing the transaction. California Corp. Code §§ 5919,
4 5924;
- 5 • The Attorney General can contract with experts or consultants to
6 monitor compliance with terms and conditions of sale or transfer of
7 assets. California Corp. Code §§ 5919, 5924; and
- 8 • The Attorney General can adopt regulations to implement the Statute.
9 California Corp. Code §§ 5918, 5925.

10 **FACTUAL ALLEGATIONS**

11 **1. The Alliance Between Attorney General Harris and UHW**

12 40. UHW and Attorney General Harris have had a long term and mutually
13 beneficial relationship. When Harris ran for Attorney General in 2010 and 2014,
14 UHW and its parent union SEIU donated no less than \$204,000 to her campaign in
15 addition to millions of dollars provided through the Political Action Committees
16 that dominate California politics. *See* Dan Morain, *Senator Does Good But Must*
17 *Pay Tribute*, Sacramento Bee (Feb. 9, 2015). In 2014, SEIU, UHW's parent union,
18 was Harris' leading campaign donor.

19 41. On January 13, 2015, Harris announced her 2016 run for the U.S.
20 Senate seat currently held by Senator Barbara Boxer. Harris is dependent on her
21 base support of labor unions, including UHW and SEIU, to fund her Senate
22 candidacy. Prime is informed and believes that UHW promised Harris up to \$25
23 million dollars by way of political contributions through SEIU COPE, the national
24 Political Action Committee for SEIU and UHW, if she denied or imposed
25 conditions on the Prime-DCHS sale which would constitute a *de facto* denial.
26 Moreover, Prime is informed and believes that UHW advised Harris that if she did
27 not agree to their demands and approved the sale of DCHS Hospitals to Prime, this
28 money would be spent supporting alternative candidates.

1 42. UHW repeatedly represented to Prime that it had the ability to control
2 Attorney General Harris' decision regarding the approval of the DCHS sale.
3 Indeed, during a July 24, 2014 meeting between Regan and Dr. Reddy regarding
4 Prime's attempted acquisition of DCHS and Defendants' efforts to prevent that
5 acquisition, Regan guaranteed that Prime would never get approval from Harris
6 unless it acceded to UHW's demands. Regan specifically told Dr. Reddy that he
7 has the influence with Harris to either make or break Prime with respect to the
8 Prime-DCHS sale transaction. Regan also advised Dr. Reddy that he did it before
9 (*i.e.* with respect to Prime's unsuccessful attempt to purchase Victor Valley
10 Community Hospital described below) and could and would do it again. Regan
11 further boasted that his influence in Sacramento, and in particular with Harris and
12 the entire Democratic legislature in California, went far beyond anything that
13 Prime could achieve through its own lobbying efforts.

14 43. Thereafter, Prime executives met with Regan on approximately a half
15 dozen occasions in 2014 to discuss DCHS and UHW's involvement in obtaining
16 approval from Attorney General Harris. During these meetings, which included
17 several of Harris' political advisors, Prime was again told in no uncertain terms
18 that Defendant Harris would most likely deny the transaction unless a deal was
19 made with UHW. Prime was led to believe by these individuals that the only way
20 for Defendant Harris to approve the deal consistent with other Attorney General
21 deals was to acquiesce to the demands of UHW. To that end, UHW attempted to
22 force Prime to agree to allow "neutrality agreements" in each of its hospitals and
23 to allow UHW to organize nurses that it typically does not represent even though
24 Prime already had a long standing relationship with the California Nurses
25 Association ("CNA"), the labor organization that traditionally represents nurses in
26 the state.

27 44. Plaintiffs are informed and believe that during another conversation
28 around the same time, Regan told a high-ranking DCHS official and its lobbyist,

1 Collis, that Prime would never get approval from Defendant Harris for the
2 acquisition. Collis and DCHS advised Prime that Defendant Harris would deny the
3 acquisition unless Prime made concessions to UHW. Prime is informed and
4 believes that UHW also told DCHS not to agree to sell to Prime because such
5 approval would force the DCHS Hospitals into bankruptcy and turmoil after
6 Attorney General Harris denied Prime's purchase proposal.

7 **3. Attorney General Harris' Denial of the Prime-Victor**
8 **Valley Community Hospital Transaction Under the Non-**
9 **Profit Hospital Transfer Statute**

10 45. Before her review of the DCHS-Prime transaction, Attorney General
11 Harris had already once used the Non-Profit Hospital Transfer Statute to reject an
12 acquisition by Prime. On September 20, 2011, Harris denied consent to Prime
13 Healthcare Foundation's acquisition of Victor Valley Community Hospital
14 ("VVCH"). Tellingly, UHW was quick to take credit for Harris' denial. Per a
15 UHW press release following the denial of the sale to Prime, UHW "loudly and
16 publicly opposed the sale at every turn" and ultimately "helped to stop Prime
17 again." Prime did not have confirmation that it was UHW and Regan that made
18 Harris deny the VVCH-Prime deal until July 24, 2014.

19 46. VVCH, one of only three hospitals in the geographically isolated High
20 Desert area declared bankruptcy in September 2010. Riverside, California-based
21 for-profit KPC Global outbid Prime with a \$37 million bid for VVCH (\$2 million
22 higher than the Foundation's bid) during a November 2010 bankruptcy auction.
23 The sale to KPC Global was approved by the bankruptcy court and then California
24 Attorney General Jerry Brown, but KPC failed to finalize the acquisition because it
25 was not able to line up financing and that deal fell apart in May 2011, leaving
26 VVCH on the brink of collapse. Prime, acting through the non-profit Prime
27 Healthcare Foundation, stepped in and agreed to buy VVCH for its previous bid of
28 \$35 million and to keep VVCH as a non-profit hospital following the acquisition.

1 47. VVCH's Board of Directors accepted Prime's offer and approved the
2 sale, but Prime is informed and believes that UHW had already received Attorney
3 General Harris' assurance months before that any attempt by Prime to acquire
4 VVCH would be denied. In fact, months prior to a July 12, 2011 bankruptcy
5 hearing, a UHW attorney stated in open court that Attorney General Harris would
6 not approve the transaction. Counsel for UHW, Jordan Mazur, objected to the
7 proposed acquisition, stating that the "Prime deal is an inexecutable [sic] deal and
8 it's a disservice to the community, the debtor, and the creditors to drag this out . . .
9 . [T]he California Attorney General [must] approve[] the transaction . . . (and)
10 that's not going to happen in this case." The bankruptcy court nevertheless
11 approved the Prime-VCCH sale and final approval of the deal then fell to Harris.

12 48. While mistaken for hyperbole at the hearing, the UHW attorney's
13 words turned out to be accurate because Attorney General Harris rejected the
14 proposed sale of VVCH to Prime without explanation on September 20, 2011.
15 Harris' denial was especially troubling, and surprising, in that high ranking Prime
16 executives, including its General Counsel, were advised by both DAG Horwitz and
17 Senior Assistant Attorney General Belinda Johns ("SAAG Johns"), that the deal
18 had "been approved" at their level and the approval was on "the Attorney
19 General's desk" for final approval. Concurrently, VVCH representatives,
20 including several members of its Board of Directors, traveled to San Francisco to
21 meet with the Attorney General Harris or her senior aide, Michael Troncosco.
22 Instead, upon arriving, VVCH was advised they would be meeting with aide Mark
23 Breckler who advised them that the sale was awaiting final approval by Harris.
24 Prime is informed and believes that Attorney General Harris herself contacted
25 UHW in the final hours before her decision and UHW instructed Harris to deny the
26 sale.

27 49. Prior to Attorney General Harris' denial, the Office of the Attorney
28 General repeatedly represented that the VVCH sale would be approved.

1 Specifically, Prime was told by DAG Horwitz and SAAG Johns that the
2 transaction was approved at their level and was waiting for Harris' approval.
3 Prime is informed and believes that VVCH representatives, including Board
4 Members and its attorney of record, were also told by senior members of the
5 Attorney General's staff that the sale to Prime had been approved at their level and
6 recommended for approval by Harris. In addition, MDS Consulting, the
7 supposedly independent expert hired by Attorney General Harris, recommended
8 approval of the VVCH sale subject to certain conditions that were consistent with
9 those placed on prior acquisitions (i.e., a five-year requirement to maintain the
10 hospital) to which the Foundation agreed. Overall, Prime is informed and believes
11 that the VVCH sale transaction was approved at every level within Harris' office
12 by the time it reached her desk for her final signature.

13 50. On August 17, 2011, the Office of the Attorney General held a public
14 hearing on the sale of VVCH to Prime. In the days leading up the hearing, Regan
15 personally corresponded with Defendant Harris' office about UHW's plans to
16 oppose the sale at the hearing. Harris' office responded by arranging for a larger
17 meeting space. While UHW and Regan campaigned heavily to rally elected
18 officials, physicians and others against the sale, the opposition at the hearing was
19 minimal. At the hearing, the VVCH Chief Executive Officer pleaded for Harris to
20 approve the sale to the Foundation and stated that without a quick approval she
21 would be forced to start closing VVCH. The vast majority of attendees, including
22 each and every elected official, spoke in favor of the sale and the need to keep the
23 hospital open. The only opposition to the VVCH sale was voiced by UHW
24 supporters or those with competing business interests, including certain medical
25 groups and another hospital in the region.

26 51. Although not stated by Attorney General Harris at the time of her
27 decision, it was later reported that:

28 A major consideration [for the Attorney General] was
 that Victor Valley Community was founded and set up as

1 a non-profit institution. The attorney general's office had
2 moved to ensure that the High Desert preserve at least
3 one non-profit hospital in an area with a multiplicity of
for-profit medical centers, including one already owned
by [Dr.] Reddy, Desert Valley Hospital.

4 *See Venturi, Chadhuri to Purchase Victorville Hospital*, San Bernardino County
5 Sentinel (July 7, 2012). This purported reason for Attorney General Harris' denial
6 of the VVCH was blatantly false because the proposed transaction required Prime
7 to keep and operate the hospital as a non-profit facility.

8 52. On September 20, 2011, Attorney General Harris denied the VVCH
9 sale despite the approval recommendations by her own staff and outside expert,
10 public support for the sale, the hospital's retention of its non-profit status, and the
11 substantial likelihood that a sale denial would force VVCH to shut its doors.
12 Harris did not provide any specific reason for the denial, stating only generally that
13 it was not in the public's best interest.

14 53. Plaintiffs are informed and believe that Harris decided to deny the
15 VVCH sale at UHW's request, a fact later confirmed by Regan in July 2014
16 during negotiations with Dr. Reddy. Plaintiffs are informed and believe that
17 Harris would not have denied the sale of VVCH to Prime but for UHW and
18 Regan's interference and influence. Subsequently, in 2015, SAAG Ibanez of the
19 Attorney General's office informed Prime that the Attorney General "made a
20 mistake and was inexperienced and new to the job" when she made the decision to
21 deny the VVCH sale.

22 54. Based on public records available on the Office of the Attorney
23 General's website, Harris' denial of the sale of VVCH to Prime was the first and
24 only time that she has denied the sale of a California non-profit hospital. Prime
25 does not believe that any Attorney General has ever previously denied the sale of a
26 non-profit hospital to a non-profit hospital operator in California. In all other
27 instances, Attorney General Harris has approved the proposed sales of non-profit
28 hospitals, including, somewhat incredibly, VVCH's ultimate sale to KPC Global

1 despite that buyer's stated intention to convert VVCH to a for-profit hospital.
2 Plaintiffs are informed and believe that Attorney General Harris had no justifiable
3 and rational basis for denying the sale of VVCH to Prime, but instead simply
4 capitulated to the demands by UHW and Regan that she deny the sale.

5 55. In fact, following denial of the sale, Prime requested information
6 regarding Harris' denial through a Public Records Request. Attorney General
7 Harris refused to comply with Prime's request and forced Prime to file a petition
8 for a writ of mandate requiring her to disclose such records, which was ultimately
9 granted by Sacramento Superior Court Judge Timothy Frawley. In her opposition
10 to the petition, Harris attempted to rewrite history by offering after-the-fact
11 justifications for her denial of the VVCH sale, including "ongoing federal criminal
12 investigations against entities related to Prime . . . and reports that a charitable
13 foundation controlled by Prime may have avoided federal taxes through a
14 questionable charitable gift." However, in truth and fact, these supposed
15 justifications did not exist at the time of Attorney General Harris' September 20,
16 2011 denial of the VVCH sale. Instead, the federal investigation of Prime's coding
17 practices did not commence until 2012, the following year. Likewise, the IRS
18 audit was not initiated until after Harris' denial and Plaintiffs are informed and
19 believe that Harris personally reached out to the IRS for an audit to be conducted
20 in an effort to provide post-hoc support for her decision. Further, during the IRS
21 audit, which found no Prime wrongdoing, the auditor advised Prime that the
22 investigation was political in nature stating, "I do not know why the Attorney
23 General's office thinks the IRS was going to find . . . there is nothing wrong with
24 the Prime Healthcare Foundation." Plaintiffs are informed and believe that
25 Attorney General Harris was upset that the IRS report found no improper tax
26 accounting by Prime.

27 56. After Attorney General Harris' sale denial, VVCH sought to enter
28 into a stop-gap financing plan and consulting agreement with Prime to keep the

1 hospital open, which was tentatively approved by the bankruptcy court on October
2 20, 2011, and backed by several California healthcare agencies. On October 28,
3 2011, Attorney General Harris, at UHW and Regan's urging, filed a request for a
4 temporary restraining order to prevent VVCH from moving forward with the
5 financing plan and consulting agreement despite agency support and the absence of
6 any required state approval for such a plan and agreement. As with Harris'
7 decision to deny the sale of VVCH to Prime, Harris did not explain her opposition
8 to the financing and consulting plan. Indeed, when the judge directly asked the
9 lawyer representing the Office of the Attorney General to explain her opposition,
10 the attorney declined to offer any explanation. Prime is informed and believed that
11 Harris had no rational basis for opposing the financing and consulting plan and was
12 again simply acting as UHW's political agent.

13 57. On October 31, 2011, San Bernardino County Superior Court Judge
14 Steve Malone held a hearing on Attorney General Harris' request for a temporary
15 restraining order and denied Harris' attempt to prevent the financing and
16 consulting agreement between VVCH and Prime. That same day, the bankruptcy
17 court approved the financing and consulting plan.

18 58. On or about November 10, 2011, VVCH filed a Petition for Writ of
19 Mandate in San Bernardino County Superior Court, Case No. CIVVS1105565,
20 seeking an order compelling Attorney General Harris to vacate her denial of the
21 VVCH sale due to her failure to provide any explanation for such decision.

22 59. At or about the same time in November 2011, KPC Global, the same
23 for profit buyer that had previously failed to close on the sale, thus threatening
24 VVCH's very existence, reappeared on the scene. Prime is informed and believes
25 that KPC Global's resurrection as a buyer was at the request of Attorney General
26 Harris and UHW. KPC Global offered to buy VVCH for \$33.8 million, \$1.2
27 million less than Prime's offer and \$3.2 million less than KPC Global's initial,
28

1 accepted, and approved offer from a year earlier. Under the new proposed deal,
2 KPC Global would convert VVCH to a for-profit hospital.

3 60. Attorney General Harris' support of KPC Global's offer was
4 incomprehensible because Kali Chauduri, M.D., its owner, was responsible as the
5 owner of KPC Medical Management in 2000 for the largest financial collapse of a
6 medical group (named MedPartners) in California history, which resulted in
7 millions of dollars lost, physicians unpaid and, most importantly, patients unable to
8 access their medical record and physicians for treatment. Attorney General
9 Harris' support for KPC Global's bid is emblematic of her "Anyone but Prime"
10 approach to hospital sales.

11 61. Plaintiffs are informed and believe that Attorney General Harris also
12 threatened VVCH Board Members with criminal investigations and being replaced
13 on the Board if they continued to support a Prime deal for the hospital and opposed
14 her choice of KPC Global as the purchaser of the hospital. Plaintiffs are informed
15 and believe that Harris told Board Members that they had to back the KPC Global
16 deal and not support Prime any further. Prime is informed and believes that at
17 least two of the board members who worked in governmental agencies were tacitly
18 threatened by Harris with investigations and/or possible termination if they did not
19 comply with her wishes. Prime is informed and believes that VVCH soured on the
20 Prime deal and abandoned its petition for a writ of mandate as a direct result of
21 Attorney General Harris' threats and interference.

22 62. On June 27, 2012, the federal bankruptcy judge approved the sale of
23 VVCH to KPC Global over Prime's objections. Following the bankruptcy judge's
24 decision, UHW publicly took credit for thwarting the acquisition and helping to
25 "stop Prime again." On August 31, 2012, Attorney General Harris approved the
26 sale of VVCH to KPC Global notwithstanding her prior commitment to keep
27 VVCH as a non-profit hospital and without any UHW objections. On October 16,
28

1 2013, KPC Global completed its purchase of VVCH and changed the hospital's
2 name to Victor Valley Global Medical Center in July 2013.

3 63. In approving the sale of VVCH to KPC Global, a for profit buyer,
4 Attorney General Harris also placed zero conditions on KPC Global's use of fees
5 and reimbursement ear-marked for VVCH when it was still a non-profit hospital.
6 As a result, Victor Valley Global Medical Center recently received \$82,000,000 in
7 hospital fees for treatment of poor and indigent patients by VVCH prior to its
8 acquisition by KPC Global, without any requirement that such funds be dedicated
9 to charity care in the community. Thus, nothing prevented KPC Global from
10 booking these charity care dollars as profits or otherwise pulling the money out of
11 the hospital.

12 **4. Attorney General Harris' *De Facto* Denial of the Prime-**
13 **DCHS Sale**

14 64. Over the last year, Attorney General Harris worked together with
15 UHW to improperly block yet another Prime transaction. UHW was determined to
16 have history repeat itself. It was also common knowledge within California that
17 Prime was unable to acquire hospitals in California due to the politics of Harris.
18 As such, Prime was never approached by any California hospital regarding a
19 potential sale between the time of the VVCH denial and the DCHS sale transaction
20 and likely lost many opportunities to purchase California non-profit hospitals
21 because of Harris' publically expressed opposition against Prime. Despite being a
22 California-based company, Prime was forced to expand outside of California in
23 acquiring over a dozen hospitals during that period. While steering clear of the
24 California market for the past several years, Prime entered into the DCHS bidding
25 process because it felt compelled to try to save these struggling hospitals in its own
26 state. These hospitals were on the brink of disaster and only an experienced
27 operator with sufficient capital could save these hospitals. Given the magnitude of
28 the transaction, Prime believed that people would play over politics for the

1 struggling DCHS system and believed that its ongoing labor dispute with UHW
2 would be dwarfed by the massive undertaking needed to save the DCHS Hospitals.
3 However, as Regan told Dr. Reddy on July 24, 2014 and on several subsequent
4 occasions, he and UHW were powerful enough to persuade Attorney General
5 Harris to deny any deal Prime tried to be part of in California and that California
6 (and New York) were off the market for Prime as long as the labor dispute with
7 UHW continued. Regan also told Dr. Reddy that Harris was “his politician” and
8 “would do what [he] told her to.” In other words, unless Prime surrendered to
9 UHW’s forced unionization demands, UHW and Harris would take steps to
10 prevent Prime from acquiring any hospitals in California.

11 65. DCHS was prompted to sell its five hospitals due to its dire financial
12 condition. In fiscal year 2014, DCHS suffered an operating loss of \$146 million.
13 In addition, DCHS had unfunded pension liabilities in excess of \$250,000,000
14 which affected over 17,000 past and current employees and long term bond debt in
15 excess of \$350,000,000. In short, the system was financially failing in epic
16 proportions. However, because the DCHS Hospitals were operated by a non-profit
17 religious corporation, any DCHS sale was subject to the Non-Profit Hospital
18 Transfer Statute.

19 66. DCHS retained an investment banking firm, Houlihan Lokey, to
20 explore the sale of the system and to solicit bids. This deliberate and exhaustive
21 process took nearly thirteen months and elicited nearly 200 bids. Prime
22 participated in the first two rounds of bidding, which ended on or around May 21,
23 2014. Prime was among the six bidders selected after the first two rounds to
24 proceed to the final round of bidding.

25 67. UHW and Regan immediately took several steps to prevent Prime
26 from consummating the transaction, including threatening and coercing DCHS, a
27 neutral employer, to not sell its hospitals to Prime.

28

1 68. On or around July 10, 2014, UHW published a separate section on its
2 website dedicated to interfering with Prime's pending bid to purchase DCHS.
3 Calling Prime's attempted acquisition a "takeover," UHW's website was used to
4 ask its members and others to "speak up" to support a sale to a buyer other than
5 Prime. As an alternative to Prime, UHW also promoted Blue Wolf Capital
6 Partners LLC ("Blue Wolf"), a New York City based private equity firm with zero
7 experience in operating hospitals with which UHW had a friendly relationship, as
8 a bidder for DCHS. UHW was willing to impose significant pay cuts upon its
9 members in connection with Blue Wolf's acquisition in order to ensure a union-
10 friendly buyer and maintain its dues revenue, even though Prime's proposal did
11 not include salary cuts. This union support of Blue Wolf confirmed that UHW
12 and Regan were not pursuing the best interests of the DCHS hospitals or their
13 workers, but simply attempting to thwart Prime's bid and enrich the union in the
14 process.

15 69. Of note, as with Prime, DCHS rated the Blue Wolf proposal's
16 strengths and weaknesses. Despite the fact that Blue Wolf had never operated a
17 hospital and its proposal only involved a minimal investment in capital, required
18 \$24 million dollars in management fees, provided no deposit, and would result in a
19 working capital shortfall, DCHS and its broker opined that its strengths
20 outweighed its weaknesses making it a finalist with Prime and other proven
21 operators. The only strengths identified (compared to nearly double the strengths
22 identified for Prime) were as follows:

- 23 * Support of SEIU and UNAC
- 24 * Committed financing from GE
- 25 * Anticipated support from California AG

26 70. Plaintiffs are informed and believe that UHW and Regan advised
27 DCHS that Attorney General Harris would approve the Blue Wolf sale despite the
28 fact that Blue Wolf had never operated a hospital of any size, much less one with

1 over one billion dollars in annual patient net revenue, and had also been found
2 guilty in 2013 by a New York court of violating that state's criminal usury law by
3 charging a borrower an exorbitant and illegal interest rate of 36% disguised as a
4 non-refundable loan commitment fee. Plaintiffs are also informed and believe that
5 Blue Wolf and UHW met with Attorney General Harris to persuade her to reject
6 the Prime-DCHS deal in exchange for their support for her run for the United
7 States Senate in 2016.

8 71. During a July 24, 2014 meeting, one of several that took place
9 between UHW and Prime regarding Prime's attempted acquisition of DCCHS,
10 Regan threatened that Prime would never get approval from Attorney General
11 Harris unless it agreed to UHW's unionization demands. Regan told Dr. Reddy
12 and other senior Prime officials that a UHW deal was the price for doing business
13 in California and obtaining a sale approval from Harris. Two weeks later, on
14 August 8, 2014, Regan publicized his confidential closed-door meeting with Dr.
15 Reddy on UHW's website in an attempt to incite public outcry against the sale of
16 DCCHS to Prime. When Dr. Reddy questioned Regan about whether he would
17 really kill a deal that would actually help his union for political gain, Regan told
18 Dr. Reddy that he would and that Attorney General Harris would do what she was
19 told and nothing more.

20 72. Plaintiffs are informed and believe that, in another conversation
21 around the same time with Robert Issai, ("Issai"), DCCHS's CEO, Regan stated that
22 he and UHW would work to ensure that Prime would never get approval from
23 Attorney General Harris for the DCCHS acquisition. Plaintiffs are also informed
24 and believe that Regan implored Issai and his team to look at alternatives because
25 the Prime acquisition had no chance of succeeding. In fact, Plaintiffs are informed
26 and believe that Regan told DCCHS that it should allow Blue Wolf to acquire
27 DCCHS because that bidder had the best chance of Attorney General approval given
28 UHW's consistent financial support of Harris. Issai informed Prime of these

1 conversations with Regan and expressed frustration that UHW was intent on
2 killing the Prime deal because of its long standing feud with Dr. Reddy and Prime.

3 73. On July 29, 2014, UHW proposed a resolution at the California
4 Federation of Labor's convention that called for Attorney General Harris to stop
5 the sale of any hospital in California to Prime unless and until any investigations of
6 Prime for allegedly overcharging Medicare – based on the same false allegations
7 derived from faulty and fraudulent “studies” produced by UHW and Regan – were
8 completed. This resolution passed and was adopted.

9 74. On September 7, 2014, UHW issued a press release announcing that
10 27 state legislators had submitted a letter to Attorney General Harris on August 22
11 demanding that she stop the sale of DCHS to Prime. Many of those legislators,
12 including Dr. Richard Pan (“Assemblyman Pan”), the Chairman of the California
13 Assembly Health Committee, and Ed Hernandez (“Senator Hernandez”), Chairman
14 of the Senate Health Committee, were known UHW supporters and also signed
15 onto the UHW-backed initiative to stop all political donations by Prime to
16 Democrats and Democratic associations. In particular, UHW threatened to
17 withdraw its support for any Democratic politician or elected official who accepted
18 contributions from Prime or Dr. Reddy. On November 13, 2014, UHW announced
19 that 38 state legislators, two U.S. representatives, and other elected officials had
20 signed on to the letter to Harris. None of these elected officials talked to Prime
21 before signing the opposing letters and some even refused to talk to Prime. Most
22 of the letters were signed or dated before DCHS chose Prime as a bidder. Each of
23 these legislators has been provided substantial campaign assistance from UHW by
24 way of volunteers and campaign contributions, with Pan and Hernandez known as
25 stalwart UHW supporters. These legislators were told what to do and they did it.
26 Despite the fact that patient lives and hospital worker jobs were at stake, these
27 politicians opposed the Prime-DCHS deal at UHW's behest and never talked to
28 Prime about the specifics of its purchase offer. Hernandez in particular has made a

1 career of supporting UHW against Prime and is consistently reelected based in
2 significant part on UHW's financial support and contributions.

3 75. On September 12, 2014, Prime submitted its final round proposal for
4 the purchase of DCHS. There were three other bidders that received
5 comprehensive consideration by the DCHS Board of Directors. Four proposals
6 were evaluated based on 11 factors: (1) post-closing health care services, (2)
7 treatment of pension obligations, (3) treatment of collective bargaining agreements,
8 (4) operational and transactional experience, (5) historical service quality, (6)
9 financial wherewithal, (7) capital commitment, (8) need for bankruptcy, (9)
10 valuation, (10) closing risk, and (11) timeline.

11 76. Prime is informed and believes that the voting for Prime's proposal
12 was done "blind" and that the strengths and weaknesses of each bid was carefully
13 analyzed by the Board of Directors which included a majority of the Sisters of the
14 Daughters of Charity. The Board was responsible for choosing the buyer who they
15 believed provided the best opportunity to continue DCHS's mission.

16 77. The DCHS Board of Directors determined that Prime offered the best
17 bid and that Prime's proposal was the only one that satisfied each of the evaluation
18 factors. The DCHS Board also concluded that a sale to Prime would best uphold
19 DCHS's values and mission. As described above, one of the only negatives
20 concerning the Prime bid identified by DCHS was the impact of the Prime-UHW
21 dispute on Attorney General Harris' decision to approve the Prime sale.

22 78. Despite UHW's tactics, on October 10, 2014, DCHS announced that it
23 had approved the sale of its six California hospitals to Prime (the "DCHS Sale
24 Agreement"). Under the Prime-DCHS Sale Agreement executed by the parties,
25 Prime agreed to:

- 26 • Keep each of the hospital facilities open, and maintain all existing
27 healthcare services, including emergency rooms and trauma centers,
for at least five years;
- 28 • Maintain or increase the DCHS current charitable care policies;

- 1 • Commit more than \$150 million over a three-year period to capital
- 2 improvements and state-of-the-art medical equipment purchases;
- 3 • Work to substantially protect 7,600 jobs and an annual payroll of
- 4 about \$750 million, while maintaining all collective bargaining
- 5 agreements and contracts with workers;
- 6 • Assume nearly \$300 million in pension liabilities for current and
- 7 retired workers; and
- 8 • Maintain an independent medical staff and local governing board for
- 9 each hospital.

10 79. On October 10, 2014, UHW announced that it was fighting to stop the

11 sale of DCHS to Prime. Among UHW's plans were the airing of television

12 advertisements in Sacramento and San Francisco urging Attorney General Harris

13 to reject the sale. That same day, UHW initiated a calling campaign, urging its

14 members and the public to call Harris and leave scripted messages asking her to

15 stop the sale.

16 80. In contrast to UHWs' opposition, several other labor groups strongly

17 supported the DCHS sale to Prime and publicly called for its approval by Attorney

18 General Harris. These groups include the SEIU Local 121RN and the CNA, which

19 represents 90,000 registered nurses in California. In an open December 3, 2014

20 letter to Harris, the CNA wrote that "the nurses have determined that the most

21 comprehensive and reliable proposal to operate these hospitals – and therefore the

22 one most closely allied with the public interest – is the proposed sale of DCHS to

23 Prime Healthcare." The CNA letter further observed that "[a] refusal to consent to

24 Prime's ownership of these facilities will inevitably result in diminished services

25 and outright bankruptcy." The CNA went on to address UHW's opposition, noting

26 that "we are fully aware that other organizations purporting to represent working

27 people vigorously oppose this sale for self-interested reasons. Their goal is to

28 politicize this process in order to distract you from considering the public interest."

1 81. On October 24, 2014, DCHS filed the written notice to the Office of
2 Attorney General called for by the Non-Profit Hospital Transfer Statute.

3 82. As required by the Non-Profit Hospital Transfer Statute, Attorney
4 General Harris commissioned MDS Consulting and Phil Dalton, its principal, to
5 complete an Independent Healthcare Impact Statement. The purpose of the
6 Independent Healthcare Impact Statement was to provide independent analysis to
7 the Attorney General to ascertain whether the proposed sale of the non-profit
8 DCHS hospitals would have a significant effect on the availability or accessibility
9 of healthcare within the affected regions. However, Prime has been advised by
10 multiple individuals that Attorney General Harris told MDS and Dalton that a
11 requirement that Prime continue operating the DCHS Hospitals without any
12 change for 10 years, which had never been required before, should be included
13 within the statement. Prime is informed and believes that high level officials
14 within the Attorney General's office told MDS to include this 10-year requirement
15 before the report or any studies had been generated. Specifically, Dalton advised
16 Prime that inclusion of the "10-year requirement" and related conditions in the
17 MDS statement report had been directly requested "by the AG's office at the top
18 level." Similarly, during a telephone call, DAG Horwitz also told Dr. Reddy and
19 other Prime executives that the ten-year requirement was "at the boss' request" and
20 that she had no ability to change it. Such a request by Attorney General Harris was
21 both unprecedented and clearly designed to make any "approval" by Harris a *de*
22 *facto* denial of Prime's winning bid.

23 83. Despite having knowledge that Prime and DCHS had a signed
24 agreement, Plaintiff is informed and believes that UHW and Blue Wolf met with
25 Attorney General Harris in late 2014 and that UHW pressured Harris to either
26 reject the Prime deal or provide a *de facto* denial by imposing onerous approval
27 conditions that no buyer could possibly satisfy. In particular, DCHS's counsel and
28 broker informed Prime that UHW had met with Attorney General Harris and

1 presented a new Blue Wolf offer in an attempt to disrupt the bidding process and
2 provide Harris with an alternative buyer. As a result, DCHS asked Prime to
3 temporarily “suspend” the exclusivity clause of its purchase agreement to allow
4 DCHS to meet with Blue Wolf regarding its new offer. Prime refused and
5 informed DCHS that interference by Attorney General Harris and UHW with
6 DCHS’s bidding process was entirely inappropriate and likely illegal.

7 84. In January 2015, pursuant to the Non-Profit Hospital Transfer Statute,
8 Attorney General Harris held multiple meetings, received written comments and
9 heard public comments regarding the proposed DCHS-Prime sale. The hearings
10 transpired over a five-day period with nearly fifty hours of testimony. During
11 these hearings, there was a public outpouring of overwhelming support for the sale
12 of DCHS to Prime. In fact, over 75% of the speakers supported the sale to Prime
13 as the only viable option to preserve the struggling DCHS Hospitals. Letters
14 backing the sale also came from groups such as the California National
15 Organization for Women and the California State Conference of the NAACP.
16 While UHW opposed the sale, busing the same speakers to each hearing in an
17 attempt to sway public perception, impassioned support for the sale also came from
18 rank-and-file UHW members who worked at DCHS Hospitals, many of whom sent
19 petitions and letters to Harris imploring her to approve the sale to Prime. Prime’s
20 proposed acquisition was also supported by several non-partisan organizations
21 including Consumer Watchdog, the San Francisco Chronicle, and the Los Angeles
22 Times. The only real opposition came from UHW.

23 85. Given such widespread support, the strength of the Prime-DCHS deal,
24 and DCHS’s financial crisis, it became politically impossible for Attorney General
25 Harris to flatly deny approval of the Prime-DCHS sale as she had previously done
26 with the VVCH transaction. Plaintiffs are informed and believe that Harris and
27 Regan worked in concert with one another to make sure that any “approval” would
28 include onerous financial conditions that would force Prime to walk away. Prime

1 is informed and believes that Attorney General Harris and Regan agreed to prevent
2 Prime's acquisition of DCHS in order to further their own political agenda without
3 regard to the merits of the Prime-DCHS sale. Later, members of Attorney General
4 Harris's office specifically advised Prime that the conditions imposed on the Prime
5 sale were personally requested by Harris herself. Similarly, during negotiations
6 with Prime, Regan unabashedly boasted about his ability to control Harris and the
7 political process in California.

8 86. Following the public hearings, Attorney General Harris requested at
9 least two continuances before making a decision on the DCHS-Prime transaction.
10 During that time, her office informed Prime that Harris would only approve the
11 DCHS sale if Prime agreed to various onerous conditions, including a requirement
12 that Prime continue operating the DCHS Hospitals at a massive financial loss for
13 the next 10 years.

14 87. In February 2015, Prime representatives met with high ranking
15 officials of the Attorney General's office, including Chief of Staff Nathan
16 Barankin ("COS Barankin") and General Counsel Brian Nelson ("GC Nelson")
17 and expressed major concerns about the proposed conditions, including the ten
18 year requirement to essentially run the hospitals the same way despite their terrible
19 financial performance. Prime advised COS Barankin and GC Nelson that such
20 conditions, by definition, constituted "fiscal insanity" because they required Prime
21 to run the hospitals in the same way, but somehow to obtain a different result.
22 Prime expressed its belief that Harris' conditions were nonsensical and a recipe for
23 guaranteed hospital failure. Prime also noted that the attorney general of
24 Connecticut had tried to impose a similar seven-year requirement which caused
25 Tenet Healthcare, the potential buyer, to pull out of the proposed hospital purchase.
26 Prime advised COS Barankin that Harris' 10-year requirement was unprecedented
27 both in California and across the nation and would have a chilling effect on
28 hospital sales in the California marketplace. Prime also warned the Attorney

1 General's Office that if Harris imposed these requirements, other major hospital
2 players – such as HCA, Community Health Systems, and Tenet – would likely
3 remain out of the acquisition market in California, already considered an
4 unfriendly state to business, because of the transparently political nature of the
5 Attorney General's approval process and that no major national operators would be
6 interested in trying to replace Prime as the purchaser of the DCHS Hospitals.
7 Finally, Prime advised the Attorney General's Office during that visit that it felt
8 like Attorney General Harris was trying to force Prime to withdraw from the
9 DCHS deal so that she avoid the political fallout if DCHS was later forced into
10 bankruptcy.

11 88. During this February 2015 meeting, both COS Barankin and GC
12 Nelson made clear that Attorney General Harris' 10-year requirement was non-
13 negotiable. However, COS Barankin told Prime that Attorney General Harris
14 would be requiring the "ten year commitment" for any future sale of a non-profit
15 hospital to a for profit operator in California. He assured Dr. Reddy and other
16 Prime executives that Prime was not being singled out for special treatment
17 because Harris had decided such a ten-year requirement should be the "standard
18 going forward" for any hospital sale and would be the norm while she was in
19 office. As further described below, this representation by Attorney General Harris'
20 staff that the ten-year requirement would be a standard condition of approval for
21 future hospital sales (including for any other buyer of the DCHS system) was
22 entirely false.

23 89. On February 20, 2015, Attorney General Harris announced that she
24 had conditionally approved the sale of DCHS to Prime, but, as predicted, imposed
25 sale conditions that were unprecedented both in their number and scope, including
26 the requirement that Prime continue operating the DCHS system at a massive
27 financial loss for the next ten years. In a 77-page decision, Harris saddled the
28 DCHS-Prime sale with more than 300 *additional conditions* that had to be satisfied

1 by Prime for the sale now to occur, including onerous conditions requiring Prime
2 to:

- 3 • Continue operating five money-losing hospitals as acute care facilities
4 for 10 years, even though Attorney General Harris and
5 her predecessors had never required more than 5 years in prior
6 hospital sales subject to review under the Non-Profit Hospital
7 Transfer Statute;
- 8 • Maintain the majority of current hospital services at each DCHS
9 hospital (other than St. Vincent Medical Center) for 10 years
10 regardless of whether each service was an “essential” one needed for
11 the community or was financially viable, even though Attorney
12 General Harris and her predecessors had never previously required so
13 many hospital service lines to continue for such a long period of time
14 as a condition of approving a non-profit hospital sale;
- 15 • Provide increasing levels of uninsured care over the next 10 years
16 even though the number of uninsured patients is projected to
17 significantly decrease in the future as a result of the Affordable Care
18 Act;
- 19 • Maintain grant-supported community services even though Prime
20 would likely not be eligible to receive such grants as a for-profit
21 hospital operator;
- 22 • Continue DCHS’s existing health plan contracts even though the
23 reimbursement rates for hospital services under such contracts were
24 below fair-market value and below the rates paid by other hospitals in
25 the same community and service area; and
- 26 • Allow the Los Angeles County Board of Supervisors to unilaterally
27 pick a member of Prime’s Board of Directors.

19 90. Prime is informed and believes that the ten-year requirement and
20 many other approval conditions were not independently recommended by MDS
21 Consulting, the supposedly independent consultant who prepared the Independent
22 Health Care Impact Statement, but were instead added to that statement at Attorney
23 General Harris’ specific request. In particular, Prime was told by both DAG
24 Horwitz, a member of Harris’ staff, and Dalton, the principal of MDS Consulting,
25 that these approval conditions were specifically requested by Harris herself.

26 91. Shortly after Attorney General Harris imposed sale conditions that
27 totally rewrote the sale agreement negotiated by Prime and DCHS, UHW took
28 public credit for her “approval” decision, noting “We Won” in an announcement

1 to its union members and issuing a February 20, 2015 press release stating,
2 “California Attorney General Kamala Harris’ decision to place strict,
3 unprecedented conditions on the sale of six, non-profit hospitals to Prime
4 Healthcare is a victory for protecting community health.” Similarly, Attorney
5 General Harris also made clear that her approval conditions were targeted at Prime
6 and that another buyer of the DCHS hospitals might not have to face these onerous
7 and unprecedented conditions because they were “unique and tailored to Prime.”

8 92. On March 10, 2015, Prime announced that Attorney General Harris’s
9 unprecedented conditions on her approval of the DCHS sale had forced Prime to
10 withdraw its purchase for the DCHS Hospitals because those conditions made it
11 impossible for Prime (or any buyer) to save the DCHS Hospitals by turning them
12 into hospitals that were financially and operationally viable. Despite the fact that
13 Attorney General Harris has no experience operating hospitals, her approval
14 conditions effectively removed Prime’s ability to efficiently and effectively
15 manage and operate the DCHS hospitals by imposing a hospital micro-
16 management plan that dictated how Prime was required to operate the hospitals for
17 the next ten years, including with respect to the hospitals’ service lines, financial
18 reporting, governance, staffing levels, on-call coverage, seismic compliance and
19 health plan contracts.

20 **5. Attorney Harris’ and UHW’s Corrupt Scheme to**
21 **Unlawfully Prevent Prime from Acquiring VCVH, DCHS**
22 **or Any Other Hospital in California**

23 93. As detailed above, Plaintiffs are informed and believe that Attorney
24 General Harris’s September 2011 denial of Prime’s purchase of VVCH and her
25 February 2015 conditional “approval” of Prime’s purchase of DCHS, with
26 unprecedented conditions that constituted a *de facto* denial of such purchase, were
27 not a proper exercise of her discretion under the Non-Profit Hospital Transfer
28 Statute to determine whether either transaction was in the public interest, but were
instead based on her unlawful agreement with UHW and Regan to prevent Prime

1 from acquiring any non-profit hospitals in California unless Prime agreed to allow
2 UHW to unionize all of its hospital workers in exchange for UHW's political
3 support of Attorney General Harris and, more recently, its commitment to
4 financially support her recent candidacy for the U.S. Senate with tens of millions
5 of dollars in political contributions.

6 94. In particular, with respect to the DCHS sale, Plaintiffs are informed
7 and believe that Attorney General Harris knew (based on the information contained
8 in DCHS's written notice and description of the transaction) that her conditional
9 "approval" of the DCHS-Prime was a *de facto* denial of the proposed sale because
10 requiring Prime to honor its \$843 million dollar purchase offer, but to continue
11 operating the DCHS hospitals without change for ten years, would force Prime to
12 withdraw its purchase offer because the DCHS hospitals were losing more than
13 \$15 million a month and Harris' condition would cause DCHS (and Prime, as the
14 new owner) to lose nearly \$3 billion over the decade that her approval conditions
15 were in effect.

16 95. Plaintiffs are further informed and believe that since Prime's \$843
17 million dollar offer to purchase the DCHS hospitals already included its agreement
18 to continue operating the hospitals for five years in accordance with the Attorney
19 General's regulatory policy of requiring "for a period of at least five years the
20 continuation at the hospital of existing levels of 'essential healthcare' services,
21 including but not limited to emergency room services," (Title 11, Cal. Code
22 Regulations Tit., § 999.5(f) (8)(C)), Attorney General Harris also knew that
23 financially derailing the transaction would require her to impose a condition far
24 longer than her standard five-year requirement. As a result, Plaintiffs are informed
25 and believed that Attorney General Harris imposed a 10-year requirement with full
26 knowledge that Prime's purchase offer was financially premised on the standard
27 five-year requirement and that doubling that standard requirement would constitute
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1 a *de facto* denial by ensuring that Prime’s purchase of the DCHS hospitals was no
2 longer financially or operationally viable.

3 96. Attorney General Harris’ imposition of a 10-year requirement on the
4 Prime-DCHS transaction was also totally unprecedented. Prior to her conditional
5 “approval” of the Prime-DCHS sale, Harris’ conditional approvals of non-profit
6 hospital sales or transfer – including St. Agnes Medical Center (April 26, 2013),
7 Verdugo Hills Hospital (July 5, 2013), Downey Regional Medical Center (August
8 5, 2013), Emanuel Medical Center (June 10, 2014) and Saint John’s Hospital (July
9 14, 2014) – had all included the standard requirement that the hospital stay open
10 for a period of five years and had required that no more than 8 essential services to
11 be maintained during that period, with the exception of women’s health services (a
12 Harris priority) which were required to be maintained for 10 years. By contrast, as
13 shown in the chart below, Attorney General Harris’ effective termination of
14 Prime’s purchase of the DCHS hospitals was accomplished by imposing a 10-year
15 requirement on the operation of four of the five DCHS hospitals (with a five-year
16 requirement on St. Vincent’s Medical Center) and requiring each hospital to
17 maintain between 12 and 18 services (or typically double that required of other
18 hospital buyers) for between five and eleven years that were supposedly “essential”
19 healthcare services even though they had never been considered critical to the
20 delivery and accessibility of healthcare services in other hospital acquisitions that
21 she had approved:

Hospital	AG Approval Date	Duration Condition	AG Essential Services Condition
Saint Agnes Medical Center	April 26, 2013	Five years	1. Emergency Department 2. Intensive Care Services 3. Coronary Care Services 4. Obstetrics 5. Women’s Health (10 years) 6. California Eye Institute 7. Home Health 8. Wound Ostomy

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Hospital	AG Approval Date	Duration Condition	AG Essential Services Condition
Verdugo Hills Hospital	July 5, 2013	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. Intensive Care Services 3. Coronary Care Services 4. Acute Inpatient Geropsychiatric
Downey Regional Medical Center	August 5, 2013	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. Intensive Care Services 3. Coronary Care Services 4. Women's Health (10 years)
Emanuel Medical Center	January 10, 2014	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. NICU 3. Obstetrics 4. Cardiac Services 5. Women's Health (10 years) 6. Oncology Services
Saint John's Health Center	January 14, 2014	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. Critical Care Services 3. NICU 4. Obstetrics 5. Cardiac Services 6. Women's Health (10 years) 7. Child and Family Development Center 8. Cancer Services
Daughters of Charity Health System			
St. Francis Medical Center	February 20, 2015	10 years	<ol style="list-style-type: none"> 1. Cardiac Services 2. Emergency Department 3. Level II Trauma Center 4. 5150 Receiving Facility 5. Critical Care Services 6. Primary Stroke Center 7. NICU 8. Women's Health 9. Pediatric Services 10. Orthopedic Services 11. Rehabilitation Services 12. Wound Care 13. Reproductive Health Services 14. Inpatient Psychiatric Services

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Hospital	AG Approval Date	Duration Condition	AG Essential Services Condition
			15. Obstetric Services
Seton Medical Center	February 20, 2015	10 years	1. Emergency Department 2. Cardiac Services 3. Critical Care Services 4. Primary Stroke Center 5. Obstetrics 6. Women’s Health Services 7. Reproductive Health Services 8. Sub Acute Services 9. Gastroenterology Services 10. Cancer Services 11. Interventional Radiology 12. Outpatient Infusion Center 13. Diabetes Services 14. Urgent Care Services 15. Wound Care Services 16. Nephrology Services 17. Skilled Nursing Services
O’Connor Hospital	February 20, 2015	10 years	1. Emergency Department 2. Intensive Care Services 3. Coronary Care Services 4. Obstetric Services 5. Sub-Acute Services 6. Women’s Health Services 7. Reproductive Health Services 8. Cardiac Services 9. Cancer Services 10. Ambulatory Infusion Center 11. Primary Stroke Center 12. NICU 13. Orthopedics 14. Joint Replacement Services 15. Wound Care 16. Pediatric Services 17. Pediatric Center for Life
Saint Louise Regional Medical Center	February 20, 2015	10 years	1. Emergency Department (mandating expansion) 2. Critical Care Services

Hospital	AG Approval Date	Duration Condition	AG Essential Services Condition
			3. Obstetric Services 4. Stroke Services 5. Women's Services 6. Reproductive Services 7. Cancer Services 8. Urgent Care Center 9. Wound Care 10. Pulmonary Rehabilitation Program 11. Asthma Education 12. Diabetes Education
St. Vincent Medical Center	February 20, 2015	Five years	1. Emergency Department (mandating expansion) 2. Rehabilitation Services 3. Intensive Care Services 4. Critical Care Services 5. Cancer Services 6. Radiation Therapy 7. Gastroenterology Services 8. Imaging 9. Laboratory 10. Nephrology Services 11. Neurology 12. Neurotology 13. Neurosurgery 14. Orthopedics 15. Joint Replacement 16. Spine Care Services 17. Transplant Services 18. Inpatient Dialysis

97. Contrary to the Attorney General Harris' false representation (through her staff members) to Prime that the 10-year requirement imposed on its purchase of DCHS hospitals would now be the standard requirement for all future buyers of non-profit hospitals, her conditional approvals of non-profit hospital sales and transfers returned to "business as usual" after she successfully torpedoed the Prime acquisition. Specifically, Harris' subsequent conditional approvals of three hospital transfers only imposed a five-year requirement applicable to no more than eight essential services, as follows:

Hospital	AG Approval Date	Duration Condition	AG Essential Services Condition
ValleyCare Medical Center	April 7, 015	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. Cardiac Services 3. Critical services 4. Obstetric Services 5. Orthopedic Services 6. Neonatal Services 7. Women's Services (10 years) 8. Urgent Care Services
Valley Memorial Hospital	April 7, 015	Five years	<ol style="list-style-type: none"> 1. Acute Psychiatric Services 2. Women's Services (10 years) 3. Urgent Care Services
Lodi Memorial Hospital	May 18, 2015	Five years	<ol style="list-style-type: none"> 1. Emergency Department 2. Acute Rehab 3. Cardiac Services 4. Critical Care Services 5. Obstetric Services 6. Urgent Care Services 7. Adult Day Care Services 8. Women's Reproductive Services (10 years)

98. More disturbingly, Plaintiffs are informed and believed that Attorney General Harris intends to conditionally approve a July 17, 2015 restructuring and support agreement between the DCHS hospitals and Blue Mountain Capital, LLC ("Blue Mountain"), a New York hedge fund with no healthcare experience and involved in the credit swap debacle, under which the DCHS hospitals will now only be subject to a five-year requirement and many of the "essential" services that Harris required Prime to maintain or support will be closed and eliminated.

99. Specifically, on July 31, 2015, DCHS submitted its agreement with Blue Mountain to Harris for approval. Under the DCHS-Blue Mountain Agreement, the DCHS hospitals will be managed by Integrity Health LLC, a non-profit Blue Mountain affiliate, for three years in exchange for a management fee of four percent of DCHS' annual operating revenue (i.e., approximately \$55 million

1 per year), and Blue Mountain will have the option to purchase the hospitals in three
 2 years after Harris' term as Attorney General has expired. In addition, the
 3 agreement provides that Blue Mountain is only required to maintain the DCHS
 4 hospitals for five years. Under a related July 17, 2015 consulting agreement,
 5 DCHS also essentially transferred control and management of the DCHS hospitals
 6 (through a Performance Improvement Steering Committee ("PISC")) to Blue
 7 Mountain prior to Harris' decision, including the power to enforce a provision
 8 (under a mitigation plan and performance improvement plan also filed with the
 9 Attorney General) requiring DCHS to eliminate the following services that Harris
 10 required Prime to maintain or support as "essential" services:

DCHS Hospital	Service Line	DCHS-Blue Mountain Mitigation Plan	AG Prime Condition
O'Connor Hospital	Pediatrics	Close	Remain open for five years
	NICU	Close	Remain open for five years
	Obstetrics	Close	Remain open for 10 years
Saint Louise Regional Medical Center	Obstetrics	Close	Remain open for 10 years
	Pediatrics	Close	Remain open for 10 years
	NICU	Close	Remain open for 10 years
	Women's Health	Close	Remain open for 10 years
Seton Medical Center	Obstetrics	Close	Remain open for 10 years
	NICU	Close	Remain open for 10 years
	Express Care	Close	Remain open

DCHS Hospital	Service Line	DCHS-Blue Mountain Mitigation Plan	AG Prime Condition
			for five years
	New Life Center	Close	Remain open for six years
St. Francis Medical Center	Outpatient Clinics	Close	Remain open for five years
	Health Benefit Resource Center	Close	Maintain support for 11 years
	Healthy Community Initiatives	Close	Maintain support for 11 years
St. Vincent Medical Center	Casa De Amigo	Close	Maintain support for six years
	Asian Pacific Liver Center	Close	Maintain support for six years
	Health Benefits Resource Center	Close	Maintain support for six years
	Multicultural Health Awareness	Close	Maintain support for six years
	General Ortho Clinic	Close	Remain open for five years

100. Plaintiffs are informed and believe that Attorney General Harris informed DCHS and Blue Mountain that she would approve their restructuring and support agreement before they formally submitted it to her for approval because there would otherwise be no reason for Blue Mountain or DCHS to believe that a five-year requirement would be approved when Harris had previously imposed a ten-year requirement on DCHS in connection with the Prime purchase offer earlier

1 that year or that Harris would permit DCHS and Blue Mountain to close hospital
2 service lines and facilities (including the Women's Health services close to her
3 heart) that Harris had previously designated as essential services that Prime was
4 required to maintain or support for up to eleven years. This is especially true when
5 DCHS and Blue Mountain have not waited for Attorney General Harris' formal
6 approval of the Blue Mountain offer, but has already closed many of the service
7 lines required to be closed under the parties' mitigation plan – including the
8 obstetrics and Women's Health programs at Seton Medical Center – which Harris
9 had insisted be kept for 10 years.

10 101. In addition, DCHS has not waited for Attorney General Harris'
11 approval before implementing other aspects of Blue Mountain's required
12 "mitigation plan," including provisions that reduce labor and physician costs at the
13 five hospitals by significantly reducing physician payments, cutting services,
14 terminating staff, and reducing benefits among others. In particular, DCHS is in
15 the process of reducing physician payments by \$6,181,201 through the termination
16 or renegotiation of physician contracts for critical services and is lowering labor
17 costs by \$88,744,324 through the firing of employees and reduction of employee
18 benefits.

19 102. Attorney General Harris' denial of Prime's acquisition of VVCH and
20 her *de facto* denial of Prime's offer to purchase the DCHS hospitals at the request
21 of UHW and Regan request and in exchange for the UHW's continuing financial
22 support, including of her current U.S. Senate campaign, because Prime refused to
23 permit UHW to unionize all of its hospital workers was an abuse of her discretion
24 under the Non-Profit Hospital Transfer Statute which did not authorize her to
25 consent or deny a hospital sale for that reason, violated Prime's rights under the
26 California and U.S. Constitutions to equal protection, due process of law, and to
27 acquire property, and also constituted an improper interference with Prime's
28 DCHS purchase contract and prospective economic advantage. Moreover, no

1 Attorney General could reasonably believe that denying a hospital sale or imposing
2 objectively unreasonable and unprecedented conditions on a hospital sale in order
3 to prevent that sale from occurring because the buyer did not accede to demands by
4 a union unrelated to the merits of the buyer's purchase proposal and doing so in
5 exchange for that union's campaign contributions was lawful conduct for which
6 she has qualified legal immunity. Instead, any attorney general would know that
7 such conduct was illegal and violated both the federal and state bribery statutes.
8 *See* 18 U.S.C. § 666; Penal Code § 68.

9 103. Attorney General Harris' arbitrary and unlawful conduct based on her
10 corrupt financial relationship with UHW and Regan while a public official with a
11 fiduciary duty to the citizens of California also deprived such citizens of their right
12 to have her review of non-profit hospital sales conducted honestly, rather than for
13 the purpose of financially furthering her political career through *quid pro quo*
14 campaign contributions by a union requesting that hospital purchases by Prime be
15 denied. Attorney General Harris' failure to conduct an honest review of Prime's
16 proposed acquisitions of VVCH and the DCHS hospitals also deprived the citizens
17 of improved access to much needed healthcare services. In particular, Harris's *de*
18 *facto* denial of the Prime-DCHS sale has already resulted in the subsequent closure
19 by DCHS of essential healthcare services, programs and facilities that were needed
20 by the local communities and which Prime had expressly agreed to maintain and
21 support, including the obstetrics programs at Seton Medical Center and Saint
22 Louise Regional Medical Center.

23 104. Prime was founded in California and remains committed to California.
24 It has proven to be an economic engine for California in fourteen distinct
25 communities where hospitals were nearly forced to close. Prime saved those
26 hospitals from closure in San Diego County, San Bernardino County, Los Angeles
27 County, Orange County and Shasta County and stood willing and enable to do the
28 same for the DCHS hospitals. In the process, Prime has saved thousands of

1 hospital worker jobs in California and thousands of patient lives. In addition,
2 Prime has done its part in preserving the American Dream in California. While
3 many growing companies leave California due to overreaching governmental
4 intrusion, higher taxes and unions, Prime and Dr. Reddy have remained based in
5 California and, have paid more than \$1 billion in state taxes which include state
6 income taxes, employment, taxes, property taxes, and sales taxes among others.

7 105. However, now that Attorney General Harris has twice prevented
8 Prime from acquiring hospitals as a result of her corrupt financial relationship with
9 UHW and Regan when Prime was fully qualified to purchase and operate VVCH
10 and the DCHS hospitals, Prime has commenced discussions with other states to
11 relocate its principal place of business out of California. Since Prime has only
12 asked to be treated fairly by Attorney General Harris in the same manner as any
13 other hospital operator in the state, it is shameful that Harris has repaid her debts to
14 her union supporters by unlawfully thwarting the growth of a true California
15 company, minority owned, award winning and with a proven commitment to
16 thousands of employees and millions of patients in this state.

17 **CLAIMS FOR RELIEF**

18 **COUNT I**

19 **42 U.S.C. § 1983**
20 **Violation of Rights Under Due Process Clause**
21 **of U.S. Constitution, Amend. XIV**
(Against Defendant Harris in Her Personal and Official Capacity)

22 106. Plaintiffs incorporate by reference all proceeding paragraphs as if set
23 forth fully in this paragraph.

24 107. Plaintiffs had a property interest in the DCHS Sale Agreement and a
25 liberty interest in freedom from arbitrary government action and were entitled to
26 have the agreement impartially and rationally approved, conditionally approved,
27 or denied by Defendant Harris in accordance with the Non-Profit Hospital
28 Transfer Statute without any bias or conflict of interest.

1 108. Defendant Harris' conditional approval and *de facto* denial of the
2 Prime-DCHS transaction through her imposition of arbitrary, capricious, onerous
3 and unprecedented approval conditions was not impartial, unbiased and rational
4 because her decision was made based on Plaintiffs' rejection of UHW's
5 unionization demands and in *quid pro quo* exchange for the continuing political
6 and financial support of UHW and Regan.

7 109. By these actions, Harris deprived Plaintiffs of their right to due
8 process of law guaranteed by the Fourteenth Amendment to the U.S. Constitution
9 and did so under color of law and the auspices of her official position as the
10 Attorney General of California. Harris' conduct was an abuse of power that
11 violated clearly established statutory and constitutional rights of which a
12 reasonable official in her position would have known.

13 110. As a direct and proximate result of Harris' conduct, Plaintiffs have
14 suffered damages in an amount to be determined at trial and are also entitled to an
15 award of reasonable attorneys' fees pursuant to 42 U.S.C. § 1988.

16 **COUNT II**

17 **42 U.S.C. § 1983**
18 **Violation of Rights Under Equal Protection**
19 **Clause of U.S. Constitution, Amend. XIV**
(Against Defendant Harris in Her Personal and Official Capacity)

20 111. Plaintiffs incorporate by reference all proceeding paragraphs as if set
21 forth fully in this paragraph.

22 112. Plaintiffs had a property interest in the DCHS Sale Agreement and a
23 liberty interest in freedom from arbitrary government action and were entitled to
24 have the agreement impartially and rationally approved, conditionally approved, or
25 denied by Defendant Harris under the Non-Profit Hospital Transfer Statute using
26 the same standard of review and approval applied by her to other similarly situated
27 buyers of non-profit hospitals in California.

28

1 113. Defendant Harris' conditional approval and *de facto* denial of the
2 Prime-DCHS transaction did not use the same standard of review and approval that
3 she used with other similarly situated buyers of non-profit hospitals, but instead
4 used a different standard that imposed arbitrary, capricious, onerous and
5 unprecedented approval conditions because Plaintiffs rejected UHW's unionization
6 demands, an impermissible standard that was not authorized under the Non-Profit
7 Hospital Transfer Statute and the Fourteenth Amendment to the U.S. Constitution
8 nor a legitimate state purpose related to the public health, safety, morals, or general
9 welfare of the citizens of California..

10 114. By these actions, Defendant Harris violated Plaintiffs' right to the
11 equal protection of the laws guaranteed by the Fourteenth Amendment to the U.S.
12 Constitution and did so under the color of law and the auspices of her position as
13 the Attorney General of California. Harris' conduct was an abuse of power that
14 violated clearly established statutory and constitutional rights of which a
15 reasonable official in her position would have known.

16 115. As a direct and proximate result of Harris' conduct, Plaintiffs have
17 suffered damages in an amount to be determined at trial and are also entitled to an
18 award of reasonable attorneys' fees pursuant to 42 U.S.C. § 1988.

19 **COUNT III**

20 **42 U.S.C. § 1983**
21 **Violation of Rights Under National Labor**
22 **Relations Act, 29 U.S.C. § 151, *et seq.***
(Against Defendant Harris in Her Personal and Official Capacity)

23 116. Plaintiffs incorporate by reference all proceeding paragraphs as if set
24 forth fully in this paragraph.

25 117. Defendant Harris' involvement in the labor dispute between Plaintiffs
26 and UHW and her refusal to approve Plaintiffs' DCHS Sale Agreement with
27 reasonable conditions unless Plaintiffs agreed to UHW's unionization demands
28 deprived Plaintiffs' of their rights under the National Labor Relations Act

1 (“NLRA”), 29 U.S.C. § 151, *et seq.*, to collectively bargain with UHW free of
2 government interference. Long-established Supreme Court precedent holds that
3 the NLRA gives employers a federal right to engage in the collective bargaining
4 process free from governmental interference and that this right is enforceable by an
5 action under 42 U.S.C. § 1983. In *Golden State Transit Corp. v. City of Los*
6 *Angeles*, the Supreme Court held “We agree with [the employer] that it is the
7 intended beneficiary of a statutory scheme that prevents governmental interference
8 with the collective-bargaining process and that the NLRA gives it rights
9 enforceable against governmental interference in an action under § 1983.” *Golden*
10 *State Transit Corp. v. City of Los Angeles*, 493 U.S. 103, 109 (1989).

11 118. Plaintiffs and their subsidiary hospitals are employers under the
12 NLRA and were engaged in collective bargaining and a labor dispute with UHW, a
13 union with which they have collective bargaining agreements at three Prime
14 hospitals.

15 119. In exchange for the continued financial and political support of UHW
16 and Regan, Defendant Harris informed or caused others to inform Plaintiffs that
17 she would not approve the Prime-DCHS transaction with reasonable conditions
18 unless Plaintiffs agreed to Defendant UHW’s unionization demands, thereby
19 interfering with Plaintiffs’ rights under the NLRA to express their views against
20 union organization, oppose union organization, including through “peaceful
21 economic weapons,” and collectively bargain with UHW free from government
22 interference. *Golden State Transit Corp.*, 493 U.S. at 109.

23 120. By these actions, Defendant Harris violated Plaintiffs’ right under the
24 NLRA to collectively bargain with UHW without government interference and did
25 so under the color of law and the auspices of her position as the Attorney General
26 of California. Harris’ conduct was an abuse of power that violated a clearly
27 established statutory right of which a reasonable official in her position would have
28 known.

1 121. As a direct and proximate result of Harris' conduct, Plaintiffs have
2 suffered damages in an amount to be determined at trial and are also entitled to an
3 award of reasonable attorneys' fees pursuant to 42 U.S.C. § 1988.

4 **COUNT IV**

5 **Declaratory Relief (28 U.S.C. § 2201)**
6 **Violation of Rights to Due Process of Law and Equal**
7 **Protection of the Laws Under California**
8 **Constitution, Article I, Section 7**
9 **(Against Defendant Harris in Her Official Capacity)**

10 122. Plaintiffs incorporate by reference all proceeding paragraphs as if set
11 forth fully in this paragraph.

12 123. The California Constitution, Article I, Section 7 provides that a
13 "person may not be deprived of life, liberty, or property without due process of law
14 or denied equal protection of the laws."

15 124. Plaintiffs had a property interest in the DCHS Sale Agreement and a
16 liberty interest in freedom from arbitrary government action and were entitled to
17 have the agreement impartially and rationally approved, conditionally approved,
18 or denied by Defendant Harris in accordance with the Non-Profit Hospital
19 Transfer Statute without any bias or conflict of interest and using the same
20 standard of review and approval applied by her to other similarly situated buyers of
21 non-profit hospitals in California.

22 125. Defendant Harris' conditional approval and *de facto* denial of the
23 Prime-DCHS transaction through her imposition of arbitrary, capricious, onerous
24 and unprecedented approval conditions was not impartial, unbiased and rational
25 because her decision was made based on Plaintiffs' rejection of UHW's
26 unionization demands and in exchange for the continuing political and financial
27 support of UHW and Regan, and used a different standard of review and approval
28 that the standard applied by her to other similarly situated buyers of non-profit
hospitals in California.

1 legislature; and (3) provides adequate safeguards for use and does not provide
2 unfettered discretion.

3 131. The Non-Profit Hospital Transfer Statute, California Corporations
4 Code §§ 5914-5925, is facially invalid and unconstitutionally vague under Article
5 I, Section 1 of the California Constitution because it provides the Attorney
6 General with unfettered discretion to deny, or impose unlimited conditions on
7 approving, a buyer's contract to purchase or otherwise acquire a non-profit hospital
8 in California and thereby constitutes an arbitrary, irrational and unreasonable
9 restriction on the buyer's constitutional right to acquire property.

10 132. The Non-Profit Hospital Transfer Statute is also facially invalid
11 under Article III, Section 3 of the California Constitution because it provides the
12 Attorney General with unfettered discretion to deny, or impose unlimited
13 conditions on approving, a buyer's contract to purchase or otherwise acquire a non-
14 profit hospital in California and thereby constitutes an unconstitutional delegation
15 of legislative power to the Attorney General that is not channeled by a sufficient
16 standard of review, contains no safeguards against its abuse, and provides the
17 Attorney General with unfettered discretion.

18 133. The Non-Profit Hospital Transfer Statute is also unconstitutional
19 under Article I, Section 1 and Article III, Section 3 of the California Constitution
20 as applied to Plaintiffs because Defendant Harris' conditional approval and *de*
21 *facto* denial of the Plaintiffs' DCHS Sale Agreement through her imposition of
22 arbitrary, capricious, onerous and unprecedented approval conditions violated
23 Plaintiffs' constitutional right to acquire property and was accomplished through
24 an unlawful delegation of legislative power.

25 134. An actual controversy has arisen and now exists between Plaintiffs
26 and the Attorney General of California over whether the Non-Profit Hospital
27 Transfer Statute violates Article I, Section 1 and Article III, Section 3 of the
28 California Constitution. Plaintiffs contends that the Non-Profit Hospital Transfer

1 Statute is unconstitutional and its enforcement must be enjoined. Defendant Harris
2 contends otherwise.

3 135. A judicial determination resolving this actual controversy is
4 necessary and appropriate at this time.

5 **COUNT VI**

6 **Injunctive Relief (28 U.S.C. § 2202)**
7 **(Against Defendant Harris in Her Official Capacity)**

8 136. Plaintiffs incorporate by reference all proceeding paragraphs as if set
9 forth fully in this paragraph.

10 137. The Non-Profit Hospital Transfer Statute is unconstitutional under
11 Article I, Section 1 and Article III, Section 3 of the California Constitution and its
12 enforcement by Defendant Harris must be enjoined.

13 138. Unless Defendant Harris is also enjoined from violating Plaintiffs'
14 right to due process of law and equal protection of the laws under the Fourteenth
15 Amendment to the U.S. Constitution and Article I, Section 7 of the California
16 Constitution in conditionally approving and *de facto* denying the Prime-DCHS
17 transaction, Plaintiffs will suffer irreparable injury because they will be prevented
18 from lawfully acquiring and operating the DCHS hospitals pursuant to the DCHS
19 Sale Agreement and be potentially subject to an action by DCHS for breach of the
20 DCHS Sale Agreement, and will also be unlawfully prevented by Defendant Harris
21 from acquiring any other non-profit hospitals in California because of Plaintiffs'
22 continuing rejection of UHW's unreasonable unionization demands during
23 collective bargaining with that union.

24 139. As Plaintiffs do not have an adequate or complete remedy at law to
25 redress Defendant Harris' violations of their constitutional rights, declaratory and
26 injunctive relief is Plaintiffs' only means of securing complete and adequate relief.

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COUNT VII

**Intentional Interference with Contract
(Against Defendant Harris in Her Personal Capacity)**

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4 140. Plaintiffs incorporate by reference all proceeding paragraphs as if set
5 forth fully in this paragraph.

6 141. Plaintiffs and DCHS entered into the DCHS Sale Agreement, which
7 constituted a legally binding and valuable contract that entitled Plaintiffs to
8 numerous benefits including, among other things, Plaintiffs' acquisition of five
9 additional hospitals and a skilled nursing facility in California.

10 142. At all relevant times, the parties to the DCHS Sale Agreement had the
11 intent and ability to fully perform their contractual obligations and would have
12 fully performed those obligations, but for Defendant Harris' intentional
13 interference with such contract.

14 143. Defendant Harris knew of the existence of the DCHS Sale Agreement
15 and knew that a condition of the DCHS Sale Agreement required approval by
16 Defendant Harris under the Non-Profit Hospital Transfer Statute.

17 144. On information and belief, Plaintiffs allege that Defendant Harris
18 knowingly and willingly conspired and agreed with UHW and Regan to
19 intentionally interfere with the DCHS Sale Agreement by having Defendant Harris
20 conditionally approve and *de facto* deny the Prime-DCHS transaction by imposing
21 arbitrary, capricious, onerous and unprecedented approval conditions because
22 Plaintiffs rejected UHW's unionization demands and that Defendant Harris did so
23 in a *quid pro quo* exchange for the continuing political and financial support of
24 UHW and Regan, in violation of federal and state law.

25 145. Defendant Harris has proximately caused harm to Prime by disrupting
26 the contractual relationship between Prime and DCHS, causing Prime to suffer
27 damages, including substantial legal and professional fees and costly delays in the
28 sale process, in an amount to be proven at trial.

1 146. In intentionally interfering with the DCHS Sale Agreement,
2 Defendant Harris acted with malice and oppression, warranting the award of
3 punitive damages and exemplary damages in an amount to be proven at trial.

4 **COUNT VIII**

5 **Intentional Interference with Prospective Economic Advantage**
6 **(Against Defendant Harris in Her Personal Capacity)**

7 147. Plaintiffs incorporate by reference all proceeding paragraphs as if set
8 forth fully in this paragraph.

9 148. Plaintiffs had an existing relationship with DCHS that provided them
10 with a prospective economic advantage in the form of the acquisition and future
11 operation of five DCHS hospitals and a skilled nursing facility. The economic
12 relationship between DCHS and Plaintiffs was substantially likely to result in
13 economic benefits to Plaintiffs beyond those economic benefits contained in the
14 DCHS Sale Agreement, including future profits from hospital operations, greater
15 bargaining power with healthcare plans regarding reimbursement rates and with
16 unions with respect to labor issues, and a significant expansion of Plaintiffs'
17 hospital system in Northern California.

18 149. Defendant Harris knew of the existence of the relationship between
19 Plaintiffs and DCHS and the economic advantages that Plaintiffs could derive
20 from such relationship.

21 150. On information and belief, Plaintiffs allege that Defendant Harris
22 knowingly and willingly conspired and agreed with UWH and Regan to
23 intentionally interfere with Prime's prospective economic advantage in violation of
24 federal and state law, and Defendant Harris engaged in independently wrongful
25 conduct with the intent to interfere with or destroy the economically advantageous
26 relationship between Plaintiffs and DCHS and to make that relationship financially
27 impossible for Plaintiffs. Defendant Harris' conduct was independently wrongful
28 because, among other things, her agreement with UHW and Regan that she would

1 conditionally approve and *de facto* deny the Prime-DCHS transaction by imposing
2 arbitrary, capricious, onerous and unprecedented approval conditions in retaliation
3 for Plaintiffs' rejection UHW's unionization demands and would do so in
4 exchange for the continuing political and financial support of UHW and Regan,
5 violated the NLRA, Plaintiffs' constitutional rights to due process of law and equal
6 protection of the laws under the under the Fourteenth Amendment to the U.S.
7 Constitution and Article I, Section 7 of the California Constitution, and the federal
8 and state bribery statutes.

9 151. Defendant Harris has proximately caused harm to Prime by disrupting
10 the relationship between Prime and DCHS, causing Prime to suffer damages,
11 including substantial legal and professional fees and costly delays in the sale
12 process, in an amount to be proven at trial.

13 152. In intentionally interfering with Plaintiffs' prospective economic
14 advantage, Defendant Harris acted with malice and oppression warranting the
15 award of punitive damages and exemplary damages in an amount to be proven at
16 trial.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment against Defendants as follows:

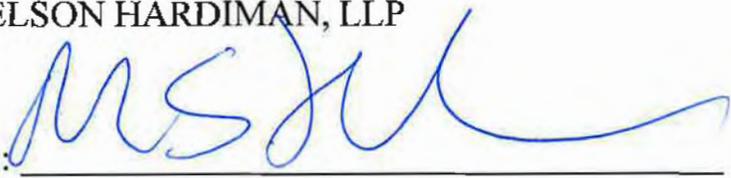
- 1) Entry of judgment on each Count in favor of Plaintiffs;
- 2) An award of monetary damages on Counts 1, 2, 3, 7 and 8, as may be proven at trial;
- 3) An award of punitive damages on Counts 7 and 8, as may be proven at trial;
- 4) Entry of a declaratory judgment on Count 4 declaring Defendant Harris' conditional approval of the DCHS Sale Agreement to be an unconstitutional violation of Plaintiffs' right to due process of law and equal protection of laws under the Article I, Section 7 of the California Constitution;
- 5) Entry of a declaratory judgment on Count 4 declaring that the Non-Profit Hospital Transfer Statute, California Corporations Code §§ 5914-5925, is unconstitutional under Article I, Section 1 and Article III, Section 3 of the California Constitution, on its face and as applied to Plaintiffs;
- 6) Entry of a permanent injunction on Count 6 that (a) enjoins Defendant Harris from enforcing the unconstitutional Non-Profit Hospital Transfer Statute, California Corporations Code §§ 5914-5925; and (b) enjoins Defendant Harris, , from enforcing, directly or indirectly through third parties, the Non-Profit Hospital Transfer Statute, Corporations Code §§ 5914-5925, against Plaintiffs, including with respect to the DCHS Sale Agreement, in a manner that violates their right to due process of law and equal protection of laws under the Fourteenth Amendment to the U.S. Constitution and Article I, Section 7 of the California Constitution;
- 7) An award of reasonable costs and attorneys' fees; and
- 8) Such further relief as the Court deems appropriate.

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JURY DEMAND

Plaintiffs hereby demand a trial by jury or each and every one of the foregoing claims for relief so triable.

Dated: September 21, 2015 NELSON HARDIMAN, LLP

By: 

Mark Hardiman

Attorneys for Plaintiffs Prime Healthcare Services, Inc. and Prime Healthcare Foundation, Inc.