Report of the Monitor, R. Shermer & Company, Inc.,

to the parties and the Court

Concerning St. Luke's Health System, Ltd. and the

Saltzer Medical Group, P.A.

January 12, 2016

Executive Summary

As part of its Final Order, the United States District Court in the District of Idaho approved a Monitor Agreement on December 10th, 2015 under which R. Shermer & Company ("R. Shermer" or "Monitor") was appointed to oversee the efforts of St. Luke's Health System, Ltd. ("St. Luke's") to maintain the economic viability and marketability of the assets of the Saltzer Medical Group, P.A. ("Saltzer") during the divestment process. Additionally, the Order appointed Cain Brothers as Divestiture Trustee ("Trustee") to accomplish the divestiture, as promptly and reasonably possible

This report contains observations and information related to R. Shermer's role as Monitor and summarizes activities working with the management and staff of the St. Luke's and Saltzer during the period from December 10th, 2015 to January10th, 2016. During this period, the Monitor has been in contact with many members of the management and physician staff of Saltzer and the legal staff of St. Luke's. Key milestones during this period are summarized in Section I "Significant Events During This Period" of this report.

The Monitor is satisfied at this time that it has been granted access to all necessary personnel, information and records needed to support the monitoring process. To the best of the Monitor's knowledge, since December 10, 2015 St. Luke's has operated within the spirit of the Final Order consistent with its intent and goals.

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I. Significant Events During This Period

Order Executed: On December 10th, 2015, Chief Judge B. Lynn Winmill of the United States District Court in the District of Idaho signed the Final Order to remedy the likely lessening of competition resulting from St. Luke's acquisition of Saltzer and to restore the competitive intensity of Saltzer as a viable, independent competitor in the market for adult primary care physician services sold to commercially insured patients in Nampa, Idaho.

Monitor Agreement: On December 10th, as part of the Order, R. Shermer & Company was appointed to monitor the efforts of St. Luke's to maintain the economic viability and marketability of the assets of Saltzer during the divestment process. Additionally, the Order appointed Cain Brothers as the Trustee to accomplish the divestiture

Employee Notices: On December 17th, St. Luke's in house counsel sent notifications to the required employees. The notification was in the form of a letter to Saltzer and St. Luke's employees from Vice President, Chief Legal Officer Christine Neuhoff and Deputy General Counsel David Barton. St. Luke's was required to complete this within five (5) days of the Final Order's entry under Paragraph III.A.

Initial Meetings: On December 17th and 18th, the Monitor and the Trustee conducted a series of meetings with Saltzer physicians, management and employees. The purpose of the meetings was to develop an initial high-level assessment of the Saltzer environment, to introduce the Monitor and the Trustee and to discuss how the process may evolve.

II. Employee Notices

A. Paragraph III.A

Under Paragraph III.A of the Final Order, St. Luke's was required to send notifications to required personnel "within five (5) days" of the Order's entry." St. Luke's in house counsel completed this requirement on December 17th. The notification was in the form of a letter to Saltzer employees from Vice President ("VP"), Chief Legal Officer Christine Neuhoff and Deputy General Counsel David Barton.

A copy of the letter is attached as Exhibit A.

The notices were sent to almost four hundred Saltzer and St. Luke's physicians, employees and contractors.

B. Letter to St. Luke's and Saltzer's Leadership

Additionally, a letter from Saltzer Medical Group President Dr. John Kaiser and St. Luke's West Region Chief Executive Officer Kathy Moore was sent to the St. Luke's and Saltzer management team members. The letter emphasizes the obligations under the Order, encourages employees to stay with Saltzer, and in essence indicates that it is "business as usual" during this unsettling time. A copy of the letter is attached as Exhibit B.

III. Initial Meetings

A. Selected Saltzer Physicians and Staff

On December 17th and 18th, the Monitor and the Trustee had a series of meetings with Saltzer employees and Physicians. The purpose of the meetings was to develop an initial high-level assessment of the Saltzer environment, to introduce the Monitor and the Trustee to Saltzer, and to discuss how the process may evolve. General observations from the meeting include the following:

- Saltzer has not been fully integrated into St Luke's due to restraints imposed by the pending challenges to the acquisition; however employees are St Luke's employees. In 2015 St. Luke's established a new entity, South Idaho Health Partners ("SIHP") that contains the Saltzer assets and businesses. Effective July 1st, 2015, this entity booked revenue and expenses to mimic a stand-alone Saltzer, as a kind of pre-divestment vehicle to conduct business in a semi-separate entity, although it is still owned by St. Luke's.

- The tone of the meeting is that for the most part the Saltzer group welcomes the chance to now move forward to a different state, while being apprehensive as to what that state will actually look like. The contentious attitude of St. Luke's and Saltzer appears to be behind them and they appear ready to work with the Monitor and the Trustee.

- There have been significant changes to Saltzer since the acquisition in late 2012. Much of this can be attributed to the fallout from the defection of the eight specialty members of the Saltzer group prior to the acquisition; seven went to St. Alphonsus Medical Center and one to the Veterans Administration ("VA"). This change has had a ripple effect throughout the organization, impacting most service lines such as Imaging, physical therapy ("PT"), and labs.

- The Monitor and Trustee met with several physicians. Many had been with Saltzer for 20 years or more.

- The integration of the IT medical and financial systems has not been completed. The Monitor has not completed its assessment of the IT and systems landscape, but it is clear that the medical systems did not move to St. Luke's EPIC system.

B. Group Meeting with Saltzer Physicians and Management

The Monitor and Trustee also met with the Physicians Group on December 18th, 2015. The primary purpose of the meeting to introduce the Monitor and the Trustee to a broad group of Saltzer management and doctors and to discuss how the monitoring and divestment process will evolve. Time was also spent answering questions from the group.

C. Idaho Attorney General

The Monitor and the Trustee met with the Idaho Attorney General and the FTC staff, via telephone, on December 18th, 2015 to update the Government Plaintiffs on the results of the initial meetings, identify potential buyers for the business, and to discuss some issues that needed attention before the end of the year.

D. Employee Departures

Since the 2012 acquisition there have been significant changes to the employee and physician population at Saltzer. The overall trend has been one of declining levels of staff. The Monitor does not know where the departed personnel found new positions prior to December 10th, 2015, but the overall employment market in the Nampa area seems to be dominated by a few large medical providers and many of the employees have found employment with St. Luke's as service lines have been transferred. With the new medical facilities being constructed in the Nampa area, the competition for experienced medical professionals and support staff is increasing.

The Order states that from December 10th, 2015 until divestiture, St. Luke's and Saltzer will (I.A.1) maintain all Saltzer Physicians, Orthopedic Surgeons and Designated Employees in the current employment status and position, and that (I.A.2) St. Luke's and Saltzer will neither discourage them from continuing at Saltzer, or encourage them to seek employment at St. Luke's. The combined impact of these two requirements makes it imperative that to minimize departures, Saltzer proactively takes steps to retain the Saltzer people, while St. Luke's take some measures to minimize any continued shift of people from Saltzer to St. Luke's. The Monitor will continue to work with both parties achieve this objective while reviewing all proposed personnel changes with the Government Plaintiffs.

IV. Conclusion

The Monitor is satisfied at this time that St. Luke's is acting consistently with the spirit of the Final Order. Additionally, the Monitor is satisfied that it has been granted access to the personnel, information and records needed to support the monitoring process.

Respectfully Submitted,

R. Shermer & Company, Inc.

January 12th, 2016

Exhibit A:
Employee Notices

January 11, 2016

St Luke's

DATE: December 17, 2015
FROM: Christine Neuhoff, Vice President, Chief Legal Officer David Barton, and Deputy General Counsel

TO: Management Council
RE: Compliance with Federal Court Order

On Thursday, December 10, the Idaho Federal District Court entered an order setting out the process to divest Saltzer Medical Group from St. Luke's. St. Luke's and Saltzer joined the Federal Trade Commission and the Idaho Attorney General's Office in drafting the order and asking the court to adopt it.
St. Luke's must comply with the order. You are receiving this notice because we need you to know our obligations under the order. We encourage you to share this information with others as necessary to ensure St. Luke's strict compliance with our obligations.

The order appoints a Trustee to find a buyer for Saltzer's assets and business, and a Monitor to ensure the marketability of Saltzer while a buyer is sought. The Trustee is Cain Brothers and the Monitor is R. Shermer & Company. Mr. Richard Shermer is our primary contact at R. Shermer & Company, and our primary contact at Cain Brothers is Mr. James Moloney. If you are contacted by **R. Shermer & Company and/or Cain Brothers, you should give them your full cooperation. Please direct those reporting up to you to give their full cooperation as well.** It is very important that we respond in a timely fashion to their questions and requests for information.

In addition to appointing a Trustee and a Monitor, the order restricts our conduct while a buyer is sought. The order generally requires business decisions affecting Saltzer to be made by Saltzer personnel in consultation with the Monitor, and prohibits St. Luke's from impairing the viability and marketability of Saltzer. Specific obligations are summarized immediately below.

St. Luke's must:

1. Maintain support for all Saltzer personnel in their current employment status and location. No changes in Saltzer personnel status, positions or locations may be made without approval by the Monitor, the Federal Trade Commission, and the Idaho Attorney General's Office. "Saltzer personnel" includes all Saltzer physicians, all individuals who were employees of Saltzer when St. Luke's purchased Saltzer, and all individuals subsequently hired by St. Luke's to perform services at or for Saltzer.

2. Not encourage any Saltzer personnel to leave Saltzer or seek post-divestiture employment with St. Luke's.

3. Provide continuing support for all Saltzer service lines. Saltzer's previously announced plans to focus on primary care are on hold, and we cannot advocate or predict a Saltzer transition to a primary care focused model.

4. Maintain Saltzer equipment, facilities, and office space without reduction, except as approved by the Monitor, the Federal Trade Commission, and the Idaho Attorney General's Office.

5. Maintain the level of financial assistance provided to Saltzer.

6. Allow Saltzer personnel to make decisions regarding Saltzer's business independently from St. Luke's, in consultation with the Monitor.

7. Not take any action that might create a material change in the operations of Saltzer, except with the approval of the Monitor in consultation with the Federal Trade Commission and the Idaho Attorney General's Office.

8. Not discourage Kenneth Lindley, M.D., Jared Armstrong, M.D., or Jared Johnson, M.D. from accepting a position with Saltzer or with a purchaser of Saltzer.

9. Not negotiate or arrange the sale of Saltzer or any of its assets. Any sale of Saltzer or its assets will be as directed by the Trustee in consultation with the Monitor, Saltzer, the Federal Trade Commission and the Idaho Attorney General's Office. Any participation by St. Luke's in such a sale will be only as directed by the Monitor, the Trustee, the Federal Trade Commission, and the Idaho Attorney General's Office.

10. Not take any action that lessens the economic viability, marketability, or competitiveness of Saltzer.

11. Not terminate any Saltzer or St. Luke's contract with a payor that involves any Saltzer physician or medical professional. Saltzer may make new contracts with payors.

We recognize that, in some situations, you may be uncertain what the order requires you to do. We strongly encourage you to contact counsel at any time with any questions you may have regarding our obligations. Please direct your questions to David Barton (493-0560).

Exhibit B:
Letter to St. Luke's and Saltzer's Leadership

SALTZER MEDICAL GROUP

December 17, 2015

Dear Members of the Saltzer Community:

I am writing to you, a valued employee, to share some information about how you will be affected by a recent court order in the St. Luke's antitrust litigation. This settlement order was approved by the Federal District Court on December 10, 2015 and is intended to implement the Court's 2014 judgment that requires St. Luke's to divest Saltzer. It also requires St. Luke's to keep Saltzer as a viable operation until it is divested or spun-off as an independent competitor.

Pursuant to the settlement order, we are notifying you as follows:

1. St. Luke's and Saltzer will not take any action to restrict your discussions with and employment or affiliation with a company that may buy Saltzer.

2. During the divestiture process, you may meet personally with potential acquirers outside the presence or hearing of any employee, agent, or management of St. Luke's or Saltzer. You may also share your views with the Divestiture Trustee, Mr. James Moloney, or his associates, from Cain Brothers. Mr. Moloney has been engaged to find a buyer for Saltzer, and to negotiate the terms of that transaction. In addition, Mr. Richard Shermer, of R. Shermer & Company, has been appointed the Monitor under the Order, to assure St. Luke's and Saltzer comply with the Court's Order to maintain the Saltzer assets.

3. We encourage you to remain with Saltzer if Saltzer is purchased by a third party.

4. Everything will stay as it is between St. Luke's and Saltzer until divestiture is complete. You are still required to perform your current duties and responsibilities to maintain your employment. Neither St. Luke's nor Saltzer will make any changes in employment, unless those changes are approved by the Monitor and the Federal Trade Commission and Idaho Attorney General.

5. Saltzer is putting its plans to be a primary care focused practice on hold. Any changes will wait until Saltzer is divested.

Although the divestiture process may be somewhat unsettling, we assure you that St. Luke's and Saltzer are committed to supporting all of your needs so that you can continue to provide our patients the excellent care they have come to expect.

If you desire a copy of the settlement order, have questions about the settlement order, or questions about any other issue relating to the divestiture process, please feel free to call or email me. You may also contact the Trustee, Mr. James Moloney of Cain Brothers, at (415) 962-2961 or JMoloney@Cainbrothers.com, or the Monitor, Mr. Richard Shermer, of R. Shermer & Company, at (214) 668-0294 or dshermer@rshermer.com.

Sincerely,

John Kaiser, M.D.
President, Saltzer Medical Group

Kathy Moore
Chief Executive Officer
St. Luke's West Region