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CAIN BROTHERS

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*Divestiture Trustee Status Report*

February 10, 2016

## Status Update – Summary of Major Events

In accordance with Section II.D.5. of the Order to Maintain Assets and Appointing a Monitor and a Divestiture Trustee (Case No. 1:13-cv-00116-BLW) filed December 10, 2015 (the “Order”), Cain Brothers (the “Divestiture Trustee” or “Trustee”) is providing this report to update the parties and the Court on: (i) our efforts to effect the divestiture and (ii) St. Luke’s and Saltzer’s compliance with the Order

### ■ Summary of due diligence

- > Coordinating review of data and documentation with Consilium team
- > Meeting with Consilium and Monitor in Seattle on February 9 for in-person diligence review
- > Conducting site visits and physician interviews in Nampa on February 10 and additional meetings with leadership on the morning of February 11

### ■ Prepare marketing materials

- > Preparing and refining pro forma financial analysis to better understand the potential financial profile of Saltzer as an entity independent from SLHS (St. Luke’s)
- > Developing draft teaser, offering memorandum, and non-disclosure agreement (“NDA”)

### ■ Draft preliminary buyers list

- > Compiling a list of potential strategic buyers including physician groups, payers, and health systems as well as a list of financial sponsors with a specific interest in physician groups or an existing platform in the sector
- > Populating a contact list and outreach plan for leveraging the Cain Brothers network in the sale process
- > Communicating with Monitor to identify and address any potential conflicts of interest prior to the start of outreach

### ■ Contact potential transaction counsel

- > Developing list of potential law firms for use as transaction counsel in conjunction with the Government Plaintiffs
- > Cain Brothers will contact potential law firms identified to solicit qualifications and proposals

### ■ Set up and participated in various additional calls related to the sales process

- > Continued standing weekly conference call with Saltzer management
- > Spoke to Saltzer management and Consilium regularly as part of the due diligence process and preparation of the offering memorandum
- > Communicated regularly with Monitor to maintain alignment and share intelligence
- > Responded to inquiries from potentially interested parties who initiated contact with Cain Brothers

## Key Workstreams for Coming Month

### Finalize Buyers List

- Finalize list of strategic buyers and investors to contact in Phase I of the sale process
- Compile contact list and develop outreach plan to leverage existing Cain Brothers relationships

### Finalize Offering Memorandum

- Work with management team to craft messaging and present the group's story and growth potential to interested parties
- Finalize offering memorandum and share with potential partners

### Conduct Pro Forma Analysis

- In coordination with the Monitor, prepare pro forma scenarios to evaluate SMG's financial outlook as a standalone entity and potential revenue and cost synergies to be recognized by a partner
- Work with Consilium to understand existing financial analyses and historical performance
- Solicit proposals for Quality of Earnings (QofE) analysis by third-party accounting firm

### Finalize NDA for Potential Partners

- Non-disclosure agreement will limit the use of the confidential data provided to assessing the transaction and prohibit potential partners from sharing the information with outside parties

### Develop Process Letter

- Process letter will provide guidelines and timing for submitting a formal indication of interest
- Specific requests will likely include an understanding of long-term strategy to make Saltzer viable as an independent medical group in addition to financial terms

### Prepare Phase I Data Site

- Continue to work with Consilium to complete Phase I data request list provided by Cain
- Cain to host data site and coordinate Phase I due diligence with potential partners

# Bluebird Process Update

Four-Week Forward Calendar as of February 10, 2016

February 2016						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29					

March 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

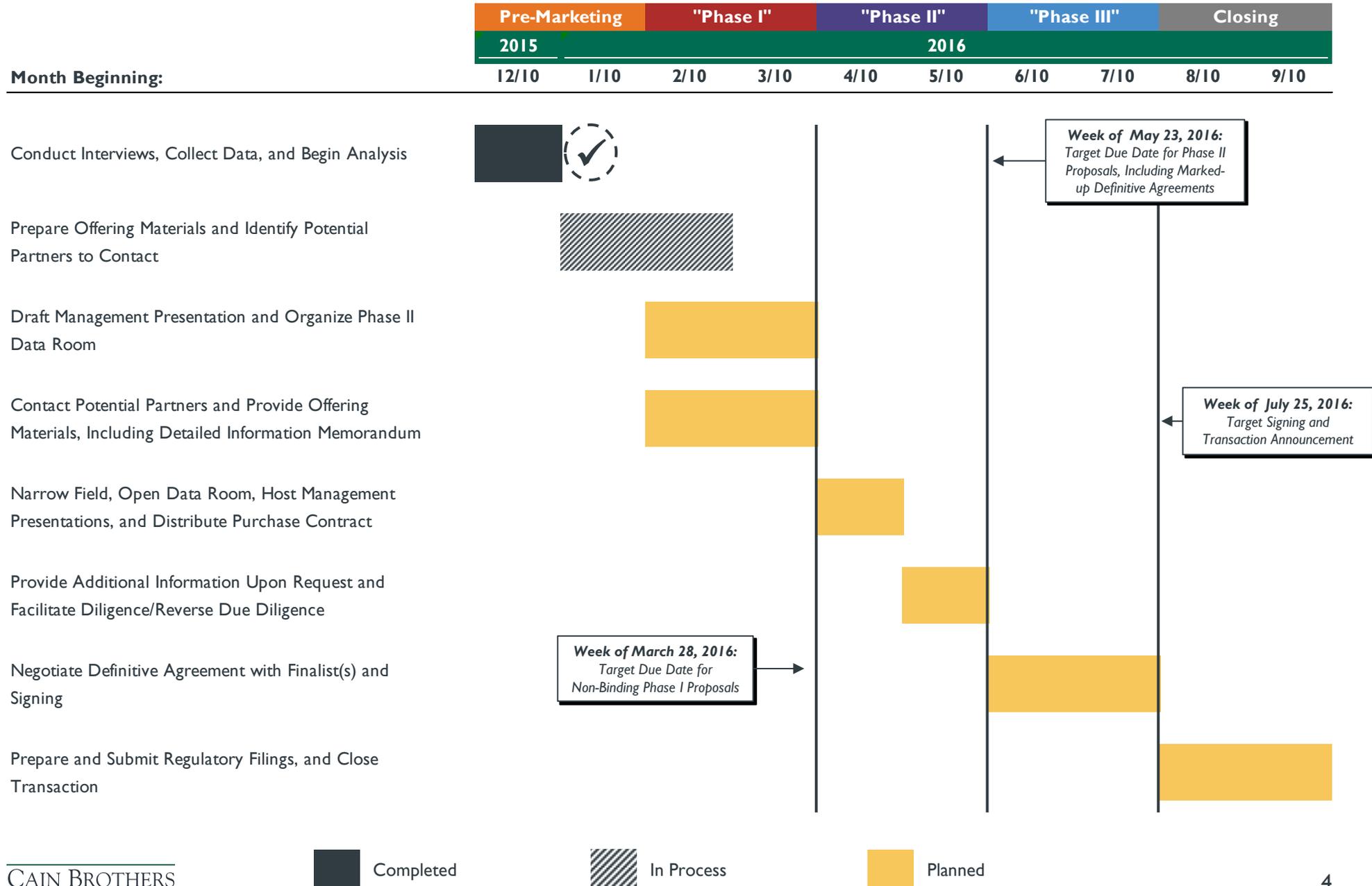
 = Holiday

 = Begin Outreach

Date	Events
Week of February 8, 2016	<ul style="list-style-type: none"> <li>Diligence meeting with Consilium and Monitor in Seattle (2/9)</li> <li>Site visits and physician interviews in Nampa (2/10)</li> <li>Contact potential transaction counsel firms</li> <li>Finalize potential buyer list</li> </ul>
Week of February 15, 2016	<ul style="list-style-type: none"> <li>Deliver draft of Confidential Information Memorandum ("CIM") to management team</li> <li>Finalize Non-Disclosure Agreement ("NDA")</li> <li>Receive proposals from potential transaction counsel firms</li> <li>Contact potential firms for Quality of Earnings analysis ("QofE")</li> </ul>
Week of February 22, 2016	<ul style="list-style-type: none"> <li>Finalize CIM and process letter</li> <li>Circulate teaser and negotiate NDAs with interested parties</li> <li>Identify transaction counsel</li> <li>Identify firm for QofE</li> </ul>
Week of February 29, 2016	<ul style="list-style-type: none"> <li>Distribute CIM and process letter to interested parties that have executed the NDA (2/29)</li> <li>Begin preparing data room for Phase II and management presentation</li> <li>Answer diligence questions from interested parties</li> </ul>

# Preliminary Timeline

The timetable below is our current estimate, although could shift depending upon many factors



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