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CAIN BROTHERS

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*Divestiture Trustee Status Report*

March 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

- **Finalized Buyers List with Input from the SMG’s Management and the Government Plaintiffs**
- **Prepared Phase I Marketing Materials**
  - > Non-Disclosure Agreement and Teaser are in final stages of approval process and are expected to be ready to share externally by the end of this week
  - > Confidential Information Memorandum and Process Letter are substantially complete with dissemination targeted for late next week
- **Solicited Proposals from Quality of Earnings (“QofE”) Accounting Firms**
  - > Invited multiple firms to participate and hosted introductory phone calls among accounting firm, SLHS, SMG, the Monitor, and Cain Brothers
  - > Negotiating terms of engagement with selected firm and beginning data collection
- **Solicited Proposals for Transaction Counsel**
  - > Invited multiple firms to participate and hosted introductory phone calls among law firms, SLHS, SMG, the Monitor, and Cain Brothers
  - > Reviewing proposals and qualifications to select a law firm, likely early into the marketing process
- **Conducted Detailed Financial Diligence**
  - > Received comprehensive revenue and expense analysis from Consilium
  - > Hosted phone call to better understand group developments since late 2012
- **Began Outreach**
  - > Will attempt to contact all potential interested parties by the end of the week of March 14
- **Set up and participated in various additional calls related to the sale process**
  - > Continued standing weekly conference call with Saltzer management
  - > Met with Saltzer management and Consilium regularly as part of the due diligence process and visited Saltzer to meet with Dr. Kaiser and the St. Luke’s orthopedic surgeons
  - > Communicated frequently with the 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

### Send Teaser and NDA to Potential Partners

- Schedule introductory and follow-up calls with potential partners
- Leverage existing Cain Brothers relationships to expedite process

### Distribute Offering Materials

- Send finalized offering memorandum to potential partners that have executed the NDA and expressed interest in the transaction
- Distribute process letter to potential partners receiving the offering memorandum

### Facilitate Quality of Earnings Analysis

- Help facilitate QofE accounting firm's analysis to further understand Saltzer's current financial position and historical financial trends

### Prepare for Phase I Proposal Submission

- Process due diligence requests from potential partners prior to the submission deadline for non-binding Phase I proposals
- Work with the Monitor to ensure proposals comply with the terms of the Order

### Prepare for Phase II

- Continue to work with Consilium and SMG management on collecting and collating files for Phase II data room
- Compile management presentation for Phase II site visits

# Bluebird Process Update

Monthly Forward Calendar as of March 10, 2016

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		

April 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



= Holiday



= Begin Outreach

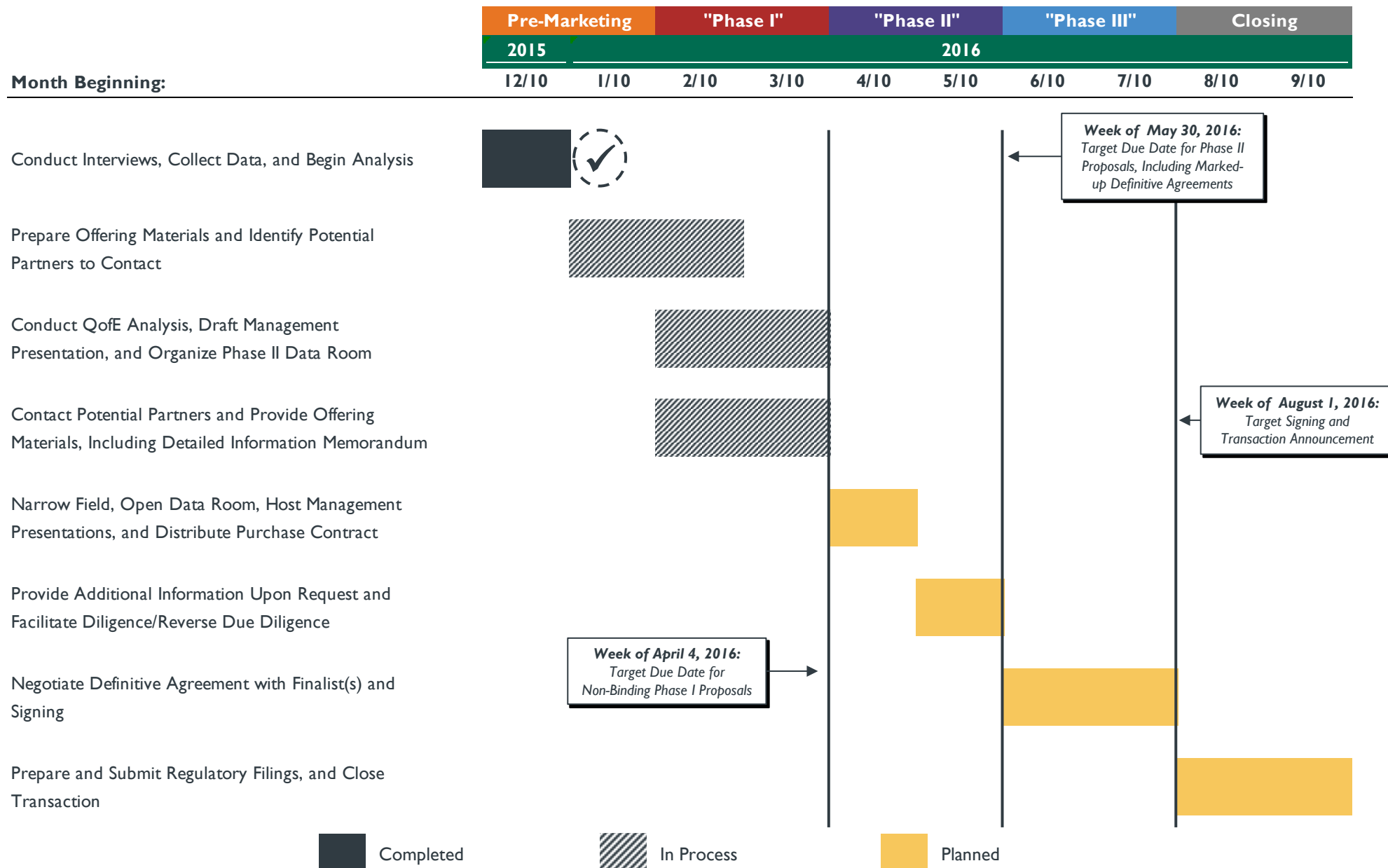


= Target First-Round Proposal Due Date

Date	Events
Week of March 7, 2016	<ul style="list-style-type: none"> <li>▪ Circulate teaser to potential partners</li> <li>▪ Distribute Non-Disclosure Agreement (“NDA”) to potential partners</li> <li>▪ Finalize draft of Confidential Information Memorandum (“CIM”) with management team, Monitor, and FTC</li> </ul>
Week of March 14, 2016	<ul style="list-style-type: none"> <li>▪ Continue to distribute and negotiate NDAs with potential partners</li> <li>▪ Distribute CIM and process letter to potential partners that have executed the NDA</li> <li>▪ Begin Quality of Earnings analysis (“QofE”)</li> <li>▪ Follow up with potential partners and begin fielding due diligence requests</li> </ul>
Week of March 21, 2016	<ul style="list-style-type: none"> <li>▪ Continue distributing CIM to potential partners</li> <li>▪ Schedule site visits with QofE accounting firm</li> <li>▪ Begin preparing Phase II data site and management presentation</li> </ul>
Week of March 28, 2016	<ul style="list-style-type: none"> <li>▪ Respond to due diligence requests from potential partners</li> <li>▪ Continue working with QofE accounting firm to prepare Phase II deliverable</li> </ul>
Week of April 4, 2016	<ul style="list-style-type: none"> <li>▪ Receive non-binding initial indications of interest</li> <li>▪ Receive preliminary QofE report from accounting firm</li> </ul>

# Preliminary Timeline

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



## Disclaimer

### Confidential

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 11th day of March, 2016, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following:

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