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CAIN BROTHERS

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*Divestiture Trustee Status Report*

May 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

### ■ Distributed Phase I Marketing Materials

- > Confidential Information Memorandum (“CIM”) and Process Letter sent to potential partners that have executed the Non-Disclosure Agreement

### ■ Coordinated Quality of Earnings (“QofE”) Data Collection

- > Hosted twice-a-week conference calls with Saltzer management, St. Luke’s management, the Monitor, Consilium, KPMG, and Cain Brothers to facilitate data collection for the QofE analysis which reviews historic financial statements and identifies the run-rate financial performance after adjusting for one-time events and or non-recurring items
  - QofE report substantially complete, with dissemination of final version targeted for the week of May 9th

### ■ Assessed Opportunities for Financial Improvement of Saltzer

- > Saltzer Medical Group is currently operating at a financial loss due in part to non-recurring costs and structural challenges
- > Cain Brothers worked with Saltzer management, St. Luke’s management, the Monitor, Consilium, and KPMG to identify financial improvement opportunities that could result in significantly improved financial performance for the medical group

### ■ Prepared for Phase II Diligence and Management Presentations

- > Worked closely with the management team of Saltzer and Consilium to collect and organize the diligence materials that will be shared with second round participants
- > Continued twice-a-week conference calls with Consilium to review the due diligence data materials and organize the data
- > Began to prepare for the development of the Management Presentations to potentially interested parties

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

- > Continued conversations with interested potential partners who have signed the NDA
- > Conversed regularly with the Sheppard Mullin team and St. Luke’s internal counsel to facilitate the review of diligence materials and execution of NDAs
- > Met with Saltzer management and Consilium regularly to finalize marketing materials
- > Communicated frequently with the Monitor to share information and provide each other with regular updates on any developments with Saltzer

## Key Workstreams for Coming Month

### Continue Dialogue with Potential Partners

- Host follow-up calls with potential partners prior to submission of Phase I proposals in early June
- Answer questions and provide requested information in response to Phase I due diligence requests from potential partners

### Continue Distributing Offering Materials

- Disseminate finalized CIM and process letter to potential partners that have executed the NDA and expressed interest in the transaction

### Finalize Quality of Earnings Analysis

- Finalize QofE report from KPMG to be made available to potential partners in Phase II

### Prepare for Phase II

- Continue to work with Consilium and SMG management to collect and collate files for the Phase II electronic data room
- Update requested list of items based on feedback from Phase I follow-up calls

### Prepare Management Presentation

- Work with the physician leaders and management team of Saltzer to create management presentations for Second Round participants
- Cain Brothers and the management team to develop materials and prepare the Saltzer for upcoming management presentations

### Evaluate Phase I Proposals





- Evaluate Phase I proposals to be received June 8 and facilitate a discussion with the Government Plaintiffs, Saltzer and St. Luke's to determine which parties to invite to Phase II

# Bluebird Process Update

Monthly Forward Calendar as of May 10, 2016

May 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				

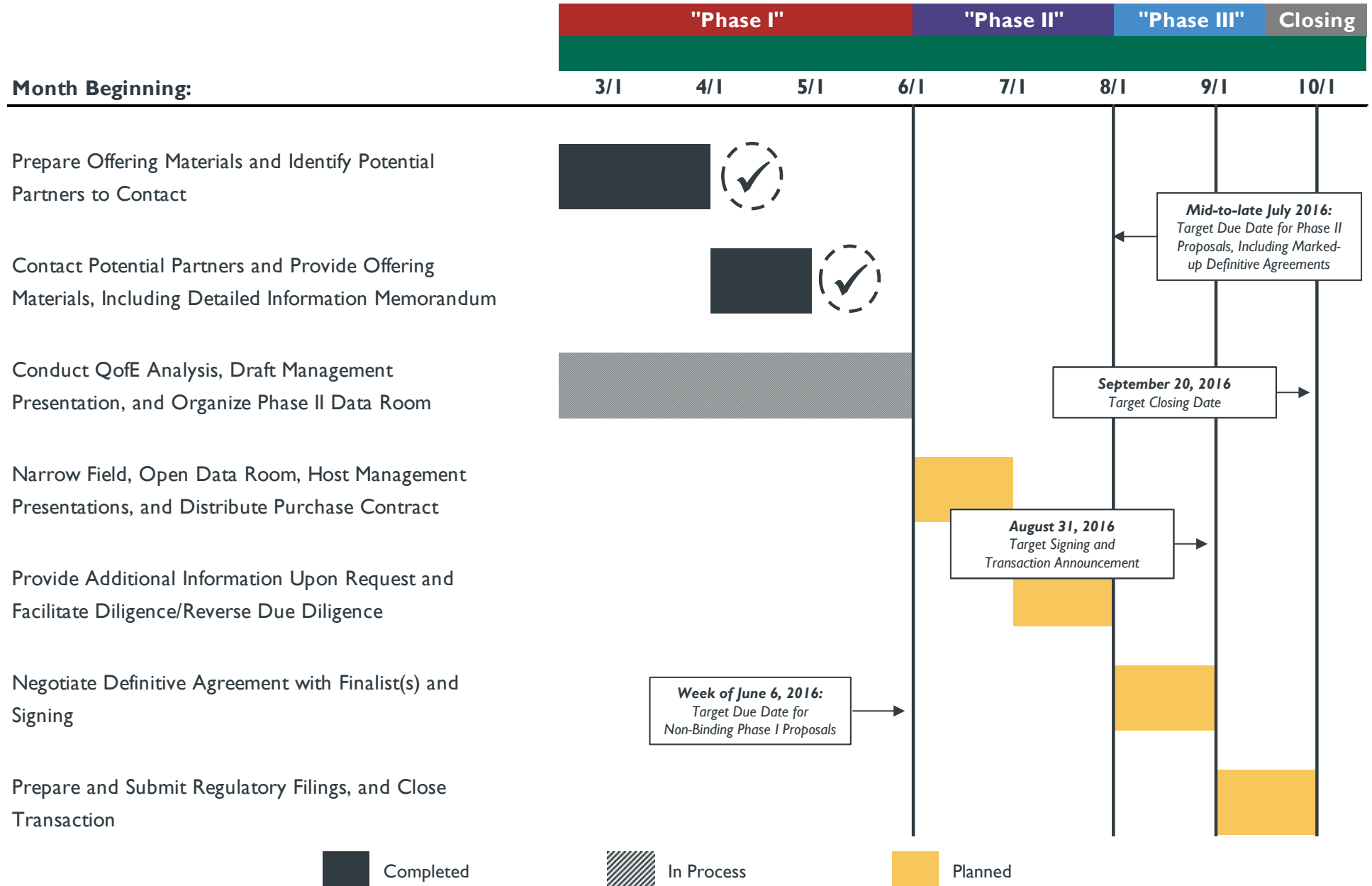
June 2016						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

	= Holiday
	= Target First-Round Proposal Due Date
	= Review First Round Responses
	= Launch Phase II

Date	Events
Week of May 9, 2016	<ul style="list-style-type: none"> <li>Field due diligence requests from potential partners</li> <li>Continue distributing the Confidential Information Memorandum (“CIM”) to potential partners that have recently executed the NDA</li> <li>Receive finalized QofE analysis from KPMG</li> <li>Host first planning session for Management Presentation</li> </ul>
Week of May 16, 2016	<ul style="list-style-type: none"> <li>Continue diligence dialogue with potential partners</li> <li>Begin populating Phase II data room</li> </ul>
Week of May 23, 2016	<ul style="list-style-type: none"> <li>Continue diligence dialogue with potential partners</li> <li>Continue populating the Phase II data room and preparing management presentation</li> </ul>
Week of May 30, 2016	<ul style="list-style-type: none"> <li>Process final due diligence requests from potential partners prior to the submission of non-binding Phase I proposals</li> <li>Continue populating Phase II data room and preparing management presentation</li> </ul>
Week of June 6, 2016	<ul style="list-style-type: none"> <li>Phase I proposals due by June 8</li> <li>Select parties to invite to Phase II of the process</li> <li>Target completion of Management Presentation</li> </ul>

# Preliminary Timeline

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



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 12th day of May, 2016, I electronically filed the *Divestiture Trustee Status Report No.5-May 2016*, with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following:

J. Walter Sinclair  
Brian C. Wonderlich  
*Holland & Hart LLP*  
jwsinclair@hollandhart.com  
bcwonderlich@hollandhart.com

Jack R. Bierig  
Scott D. Stein  
Charles K. Schafer  
Tacy F. Flint  
*Sidley Austin, LLP*  
jbierig@sidley.com  
sstein@sidley.com  
cschafer@sidley.com  
tflint@sidley.com

*Counsel for St. Luke's Health System, Ltd.*

Brian K. Julian  
*Anderson, Julian & Hull, LLP*  
bjulian@ajhlaw.com

*Counsel for Saltzer Medical Group, P.A*

John P. Marren  
Patrick E. Deady  
Thomas J. Babbo  
*Hogan Marren Babbo & Rose, Ltd.*  
jpm@hmltd.com  
ped@hmltd.com  
tjb@hmltd.com

*St. Luke's Regional Medical Center, Ltd.*

J. Thomas Greene  
Michael James Perry  
Henry C. Su  
tgreene@ftc.gov  
mperry@ftc.gov  
hsu@ftc.gov

*Counsel for Plaintiff Federal Trade Commission*

Keely E. Duke  
Kevin J. Scanlan  
*Duke Scanlan Hall PLLC*  
ked@dukescanlan.com  
kjs@dukescanlan.com

David A. Ettinger  
Lara Festco Phillip  
*Honigman Miller Schwartz and Cohn LLP*  
dettinger@honigman.com  
lara.phillip@honigman.com

*Counsel for Saint Alphonsus Medical Center - Nampa, Inc.; Saint Alphonsus Health System, Inc.; and Saint Alphonsus Regional Medical Center, Inc.*

Raymond D. Powers  
Portia L. Rauer  
*Powers Tolman Farley, PLLC*  
rdp@powerstolman.com  
plr@powerstolman.com

*Counsel for Treasure Valley Hospital Limited Partnership*

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL

By /s/ Brett T. DeLange  
BRETT T. DELANGE  
Deputy Attorney General