

EXHIBIT P

NCA Presentation, June 27, 2011



Status Update to the Board of Trustees of
Quincy Medical Center

June 27, 2011



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Disclaimer Statement

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Due to time and other limitations, this report has been prepared utilizing limited due diligence. It is based on assumptions, forecasts and estimates made by the management of the Hospital, information provided to NCA by Hospital personnel, information provided by industry sources, and, in some cases, assumptions made by NCA, which may not have been reviewed with Hospital management. Any historical financial information given to, and subsequently presented by NCA may not be reliable. The financial statements contained herein, including any forecasts, are the financial statements and forecasts of management, not NCA. NCA has not subjected the information contained herein to an examination in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information issued by the AICPA. Further, the work involved did not include a detailed review of any transactions, and cannot be expected to identify errors, irregularities or illegal acts, including fraud or defalcations that may exist. Accordingly, NCA cannot and does not express an opinion or any other form of assurance on the financial information and does not assume any responsibility for the accuracy or correctness of the historical and forecasted financial data, information and assessments upon which this report is presented.

It must be recognized that any projections of results or benefits set forth in the attached materials are necessarily, by their nature, inherently uncertain, and no warranty or representations, expressed or implied, is given that the results or benefits set forth in such projections will be achieved or realized.

NCA is neither a law firm nor a certified public accounting firm. Accordingly, the information contained herein is not intended to be and should not be relied upon as legal, auditing or accounting advice.

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I. Marketing Update



Strategic Alternative Process Overview

Overview

- Navigant Capital Advisors, LLC (“NCA”) was engaged on March 1, 2011 to provide operating and financial support services as well as explore strategic alternatives for Quincy Medical Center, Inc. (“QMC” “Quincy”, or the “Hospital”).
- NCA identified and solicited a group of 23 potential buyers actively engaged in the healthcare sector. Initial calls and contacts began Wednesday, April 6th, 2011.
- On April 21st, 2011, NCA began distributing the Confidential Information Memorandum (“CIM”) to the 10 parties that executed non-disclosure agreements (“NDA”), allowing those parties to begin a detailed review of the evaluation materials. Online data room access was also provided to these parties.
- Packages with this evaluation material included a bid process letter requesting written non-binding letters of intent to be provided to NCA by Monday, May 23rd. In order to facilitate the due diligence process for interested parties, this date was subsequently extended to Tuesday, May 31st.
- Of the 10 parties that signed NDAs, two parties, Steward Healthcare and Vanguard Health Systems, submitted initial bids (“Proposals”).

Status	Total
Parties Contacted	23
Parties Executed NDA	10
Parties Submitted Bid	2

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Strategic Alternative Process Overview

Non-Profit Prospects Contacted (11)

- Below is a list of prospective partners who were contacted by NCA for initial indications of interest in a strategic partnership with QMC.

Company (\$MM)	Revenue, Hospitals, Bond Rating
Atrius Health Headquarters: Newton, MA CEO: Dr. Eugene Lindsey	N/A N/A N/A
Beth Israel Deaconess Medical Center. Headquarters: Boston, MA CEO/Contact: Paul Levy	\$2,301 1 A3
Lahey Clinic Headquarters: Burlington, MA CEO/Contact: David Barrett	\$680 3 N/A
Lifespan Headquarters: Providence, RI CEO/Contact: August Cordeiro	\$1,519 5 A3
New England Baptist Headquarters: Boston, MA CEO: Trish Hannon	\$174 1 N/A

Company (\$MM)	Revenue, Hospitals, Bond Rating
Partners Healthcare System Headquarters: Boston, MA CEO: Gary Gottlieb	\$6,478 12 Aa2
Southcoast Health System Headquarters: New Bedford, MA CEO: John Day	\$23 3 A2
South Shore Hospital Headquarters: Weymouth, MA CEO: Richard Aubut	\$360 1 A3
Sturdy Memorial Headquarters: Attleboro, MA CEO/Contact: Linda J. Shyavitz	\$153 1 N/A
Tufts Medical Center Headquarters: Boston MA CEO/Contact: Ellen Zane	N/A 1 N/A
UMass Memorial Headquarters: Worcester, MA CEO/Contact: John O'Brien	\$2,128 5 Baa1

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Strategic Alternative Process Overview

For-Profit Prospects Contacted (12)

Company (\$MM)	Revenue, Hospitals, Bond Rating
Ardent Health Services Headquarters: Nashville, TN CEO/Contact: David Vandewater	\$1,785 7 B2
Capella Healthcare Headquarters: Franklin, TN CEO: Dan Slipkovich	\$794 12 B2
Community Health Systems, Inc. Headquarters: Franklin, TN CEO: Wayne Smith	\$12,108 130 B1
HCA, Inc. Headquarters: Nashville, TN CEO: Richard Bracken	\$30,052 166 B2
IASIS Healthcare LLC Headquarters: Franklin, TN CEO: David White	\$2,429 16 B2
Kindred Healthcare Headquarters: Louisville, KY CEO: Paul Diaz	\$4,360 89 B1

Company (\$MM)	Revenue, Hospitals, Bond Rating
LHP Hospital Partners Headquarters: Plano, TX CEO: Dan Moen	N/A 1 N/A
LifePoint Hospitals, Inc. Headquarters: Brentwood, TN CEO: Bill Carpenter	\$2,963 51 Ba3
RegionalCare Hospital Partners Headquarters: Brentwood, TN CEO/Contact: Marty Rash	N/A N/A N/A
Steward Health Care System Headquarters: Boston, MA CEO: Ralph de la Torre	\$1,326 6 N/A
Transition Healthcare Headquarters: Franklin, TN	N/A N/A N/A
Vanguard Health Systems Headquarters: Nashville, TN CEO: Charles Martin	\$3,591 15 B2

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Strategic Alternative Process Overview

Proposal Status

- Since receiving the Proposals on May 31, 2011, NCA and QMC have continued to negotiate terms with both parties:
 - **Steward:**
 - June 7, 2011 - Steward senior executives met with QMC Executive Committee to review Steward proposal
 - June 9, 2011 - Steward agreed to revised terms in a summary term sheet reflecting improved structure and pricing
 - June 10, 2011 - NCA sent revised Asset Purchase Agreement (“APA”) to Steward documenting revised terms
 - June 15, 2011 - Steward provided comments to revised APA
 - June 17, 2011 - Steward submitted a revised APA back to QMC
 - June 20, 2011 - Attorneys from Steward and QMC had a call to discuss revised APA; agreement subject to further review of schedules and final negotiation of certain items
 - June 23, 2011 - Attorneys from QMC submitted a revised APA back to Steward reflecting terms in substantially final form
 - June 24-26, 2011 - Attorneys from QMC and Steward finalized terms of APA

Strategic Alternative Process Overview

Proposal Status

- **Vanguard:**

- February 25, 2011 - Vanguard made a presentation to the QMC Board of Trustees which included an informal proposal
- May 31, 2011 - Vanguard submits LOI reflecting less favorable structure and pricing than February 2011 proposal; Vanguard submits APA using Vanguard form
- QMC/NCA sought clarification with Vanguard regarding material modifications and economic implications reflected in May 31, 2011 proposal relative to February proposal; Vanguard subsequently confirms May 2011 proposal is less favorable than February 2011 proposal
- June 16, 2011 - NCA sent a revised APA and accompanying financial analysis reflecting proposed structure and terms that more closely resemble February offer; Vanguard indicates it is not prepared to alter terms of May 31, 2011 proposal at that time
- Representatives from Vanguard present to QMC executive committee on June 24, 2011. At that meeting, Vanguard indicated it was not prepared to improve terms from May 31, 2011 proposal

Strategic Alternative Process Overview

Proposal Status

- Both parties have conducted substantial due diligence on QMC:
 - **Steward:**
 - Steward conducted on-site diligence with third party attorneys, engineers and accountants during May and June
 - Steward submitted final due diligence request list on June 14, 2011 and QMC management team has responded to substantially all requests as of June 24, 2011
 - **Vanguard:**
 - Vanguard has continued with data room due diligence, but has elected not to conduct any further on site due diligence over the past 45 days

II. Quincy Financial Update



Quincy Financial Update

Overview

- With a recent affiliation with Tufts Medical Center, QMC introduced new programs for endovascular procedures, an expanded surgical oncology program, and has several other programs under development.
- However, QMC has experienced significant declines in operating performance attributable primarily to:
 - the loss of the BMC relationship
 - need for further capital improvements
 - competitive pressures in QMC's service area and
 - continued reimbursement pressures particularly from Medicare and Medicaid
- Quincy implemented significant performance improvements in FY2009 and FY2010 totaling approximately \$7.2MM. Without these initiatives and in light of the BMC departure, financial performance would have been significantly worse.
- While Quincy management has stabilized the current operations, QMC is unable to generate adequate cash flow to meet its debt service obligations and reinvest in the business to remain competitive.

Quincy Financial Update

Declining Financial Performance

- Deterioration in financial performance became acute in FY2010 as the BMC relationship ended. Discharges dropped significantly and ED Visits, a key indicator of outpatient activity, began to decline. While EBIDA was positive during the period, insufficient liquidity to fund key capital investments compounded the situation.

\$ in 000s	FY ended Sept. 30,				8mo ended May 31,	
	FY2008 Audited	2009 Actual	2010 Actual	2011 Proj.	2010 Actual	2011 Actual
Total Revenue	104,914.4	107,397.4	103,001.6	99,536.0	68,991.8	67,322.2
Growth			(4.1%)	(3.4%)		(2.4%)
Operating Expenses						
Salaries and Wages	50,046.2	53,204.8	49,905.6	49,934.5	34,039.0	32,685.3
Benefits	10,923.8	11,004.8	9,730.4	11,252.4	7,315.7	7,255.2
Physician Fees	7,347.7	8,498.6	9,509.7	8,767.8	6,612.7	6,154.8
Supplies and Other	28,361.2	26,059.3	25,446.4	25,529.7	16,230.4	17,030.4
Depreciation	3,752.9	3,773.2	4,247.9	4,153.7	2,860.8	2,851.2
Insurance	1,045.3	1,025.3	911.3	999.5	647.2	667.9
Interest Expense	2,155.3	2,841.5	2,953.1	2,521.3	1,597.9	2,521.3
Provision For Bad Debts	3,738.5	4,401.3	4,146.9	4,200.7	2,435.3	2,886.4
Non-recurring expenses	-	208.8	1,980.3	321.8	802.3	321.8
Restructuring Expenses	-	-	-	-	-	-
Total Operating Expenses⁽¹⁾	107,370.9	111,017.6	108,831.5	107,681.4	72,541.4	72,374.4
Growth			(2.0%)	(1.1%)		(0.2%)
Gain (Loss) From Operations	(2,456.5)	(3,620.2)	(5,829.9)	(8,145.4)	(3,549.6)	(5,052.2)
Margin	(2.3%)	(3.4%)	(5.7%)	(8.2%)	(5.1%)	(7.5%)
EBIDA	3,451.7	4,994.5	1,371.1	(1,470.4)	909.2	320.2
Margin	3.3%	4.7%	1.3%	(1.5%)	1.3%	0.5%
Performance Improvements	-	-	-	246.4	-	-
Adjusted EBIDA	3,451.7	5,203.4	3,351.4	(902.2)	1,711.4	642.0
Margin	3.3%	4.8%	3.3%	(0.9%)	2.5%	1.0%
CAPEX				5,192.1		3,564.0
Debt Service Obligations				56,482.2		56,456.4
Key Statistics:						
Discharges	6,660	6,604	6,102	5,967	3,627	3,505
ED Visits	38,975	38,594	37,896	37,770	24,766	25,180

⁽¹⁾Before restructuring expenses

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Quincy Financial Update

Declining Financial Performance

- Quincy's cash flows are not sufficient to fund debt service and required capital expenditures. Previous grants from federal and state sources supplemented the cash flow and the MEFA fund provided dollars to support critical deferred infrastructure projects. Grant funding has ceased given the current federal and state budget environment and the MEFA fund is being depleted.

\$ in 000s	FY ended Sept. 30,				8mo ended May 30,	
	FY2008 Audited	2009 Actual	2010 Actual	2011 Proj.	2010 Actual	2011 Actual
Total Revenue	104,914.4	107,397.4	103,001.6	99,536.0	68,991.8	67,322.2
Total Operating Expenses ⁽¹⁾	107,370.9	111,017.6	108,831.5	107,681.4	72,541.4	72,374.4
Gain (Loss) From Operations	(2,456.5)	(3,620.2)	(5,829.9)	(8,145.4)	(3,549.6)	(5,052.2)
Margin	(2.3%)	(3.4%)	(5.7%)	(8.2%)	(5.1%)	(7.5%)
EBIDA	3,451.7	4,994.5	1,371.1	(1,470.4)	909.2	320.2
Margin	3.3%	4.7%	1.3%	(1.5%)	1.3%	0.5%
Less: CAPEX (non-MEFA)	1,014.0	1,781.9	1,066.8	1,071.8	711.2	976.0
Implied FCF before Debt Service	2,437.7	3,212.6	304.3	(2,542.3)	198.0	(655.8)
Interest Expense	2,155.3	2,841.5	2,953.1	2,521.3	1,597.9	2,521.3
Debt Amortization	1,500.0	500.0	790.0	790.0	790.0	790.0
Implied FCF after Debt Service	(1,217.6)	(128.9)	(3,438.8)	(5,853.6)	(2,189.9)	(3,967.1)
Grant Income	2,500.0	2,000.0	1,100.0	-	-	-
Normalized CAPEX @ 1.25x Depr.	4,691.12	4,716.48	5,309.85	5,192.07	3,576.06	3,563.96
Est. CAPEX underspend	3,677.12	2,934.58	4,243.05	4,120.23	2,864.86	2,587.96

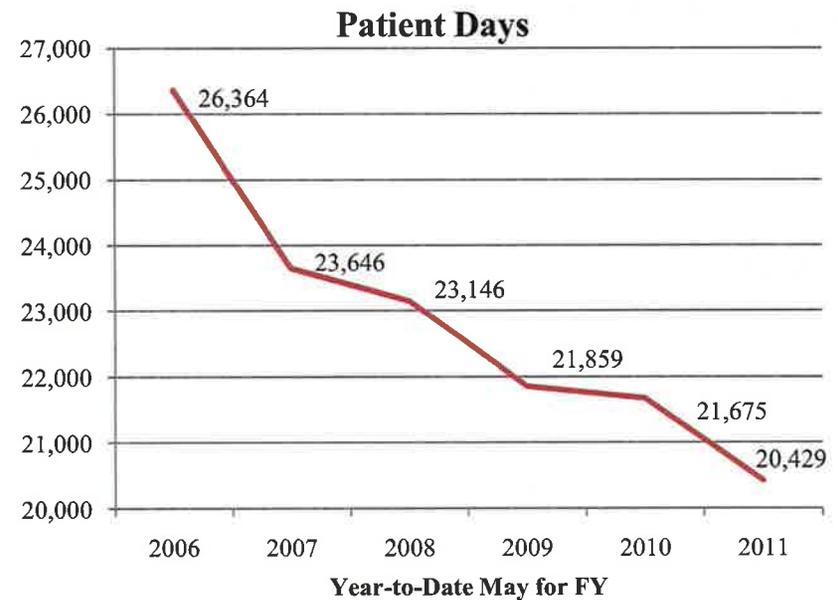
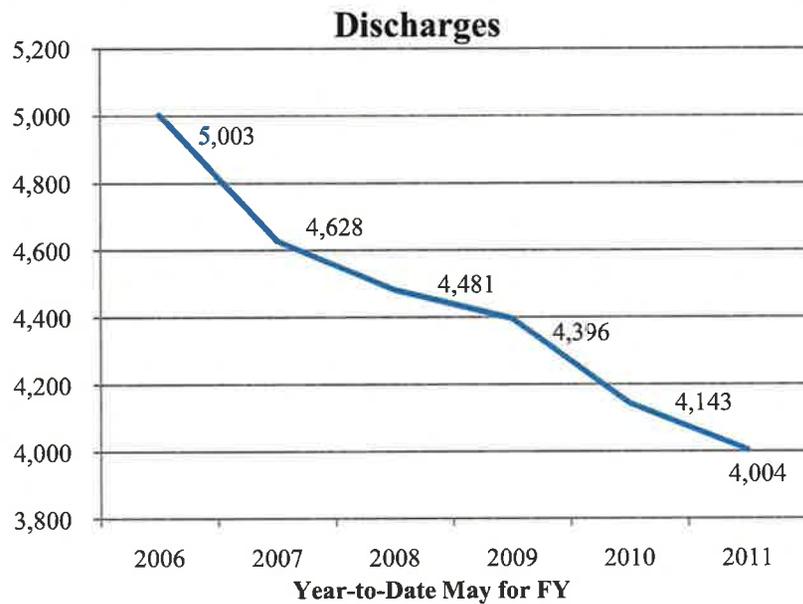
⁽¹⁾Before restructuring expenses

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Quincy Financial Update

Recent Operating Statistics

- Discharges and patient days have significantly eroded in the last few years. This was exacerbated by the exit of BMC in 2009 and a subsequent failed attempt at affiliation with South Shore.



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III. Current Valuation Metrics



Current Valuation Metrics

Public Company Valuation Analysis

- Based upon the current market values of these comparable publicly-traded hospital companies, median values are 0.9x Last Twelve Months (“LTM”) revenue and 7.2x LTM EBITDA.
- When considering forward-looking estimates in calendar year 2011, median multiples for hospital companies are 0.9x and 6.0x CY 2011 revenue and EBITDA, respectively.
- Trading values for these hospital companies are not reflective of QMC’s operating performance profile and significantly deferred CAPEX requirements.

(\$ in millions, except per share data)														
Company Name	Ticker	Stock Price 6/23/11	% of 52 Wk High	Enterprise Value	Latest Twelve Months (LTM)			Cal Year 2011		Enterprise Value/ LTM				
					Revenue	EBITDA	EBITDA %	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	
Community Health Systems, Inc.	CYH	\$25.03	59%	\$11,671	\$13,266	\$1,687	12.7%	\$14,846	\$1,939	0.9x	6.9x	0.8x	6.0x	
HCA Holdings, Inc.	HCA	\$33.21	94%	43,287	31,194	5,606	18.0%	34,412	6,455	1.4x	7.7x	1.3x	6.7x	
Health Management Associates Inc.	HMA	\$10.59	90%	5,670	5,277	760	14.4%	6,055	866	1.1x	7.5x	0.9x	6.5x	
Lifepoint Hospitals Inc.	LPNT	\$39.15	90%	3,379	3,365	530	15.7%	3,778	570	1.0x	6.4x	0.9x	5.9x	
Tenet Healthcare Corp.	THC	\$6.29	82%	7,297	9,372	1,128	12.0%	10,132	1,301	0.8x	6.5x	0.7x	5.6x	
⁽¹⁾ Vanguard Health Systems Inc.	VHS	\$17.94	97%	3,567	4,253	360	8.5%	NA	NA	0.8x	9.9x	NA	NA	
										High:	1.4x	9.9x	1.3x	6.7x
										Low:	0.8x	6.4x	0.7x	5.6x
										Mean:	1.0x	7.5x	0.9x	6.2x
										Median:	0.9x	7.2x	0.9x	6.0x

Source: Capital IQ

⁽¹⁾ Vanguard IPO was on 6/22/11; Vanguard CY 2011 projections are not yet available

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Current Valuation Metrics

Precedent Transaction Valuation Analysis

- For the 98 comparable precedent hospital acquisitions from across the country spanning 2010 and 2011 with publicly-disclosed data, transactions reflect acquisition multiples of 0.7x LTM revenue, 6.9x LTM EBIDA and \$447,732 per Bed.

	Revenue	EBIDA	Beds
High	1.5x	10.9x	895,714.3
Low	0.1x	3.6x	16,413.6
Mean	0.7x	7.4x	421,815.0
Median	0.7x	6.9x	447,731.9

- While there has historically been limited hospital M&A activity in Massachusetts, consolidation has rapidly accelerated in the past year.
- Caritas Christi was recapitalized by Cerberus in 2010 and Steward Healthcare Systems, the recapitalized entity, has been active in seeking acquisitions.

(\$ in millions, except price per bed)				Whole Company Transactions Method Multiples							
Date	Buyer	Target	Target			Transaction		Transaction Value/			
			ST	Status	Revenue	EBIDA	Beds	Value	Revenue	EBIDA	Bed
05/26/11	Steward Health Care System, LLC	Landmark Medical Center, Inc.	RI	Non-profit	119.5	(6.4)	214	76.6	0.6x	NA	357,944
04/04/11	Steward Health Care System, LLC	Saints Medical Center	MA	Non-profit	133.9	NA	157	NA	NA	NA	NA
03/30/11	Steward Health Care System, LLC	Morton Hospital & Medical Center	MA	Non-profit	135.8	4.0	154	48.0	0.4x	12.0x	311,688
12/01/10	Steward Health Care System, LLC	Two Essent Healthcare, Inc. hospitals	MA	For profit	98.1	4.8	181	NA	NA	NA	NA
03/25/10	Cerberus Capital Management, LP	Caritas Christi Health Care	MA	For profit	1,320.0	85.0	1,552	495.0	0.4x	5.8x	318,943

High	0.6x	12.0x	\$357,944
Low	0.4x	5.8x	\$311,688
Mean	0.5x	8.9x	\$329,525
Median	0.4x	8.9x	\$318,943

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IV. Comparison of Current Proposals



Comparison of Current Proposals

	Steward Healthcare 6.26.11 APA	Vanguard Health Systems 5.31.11 Proposal
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1 Transaction Structure

i. Purchase Price	\$35 million for operating assets of hospital including non-cash working capital (AR, inventory and prepaids) at book value <i>Plus</i> assumption of Employee Liabilities (Payroll, Vacation, Health Claims)	\$10 million for real estate and equipment <i>Plus</i> value at closing of usable inventory and supplies
ii. Assets Acquired	Seller retains all cash i) Tangible Assets including real estate; plant, property & equipment; ii) Intangible assets including financial, patient and personnel records, transferable permits, patents, trademarks, and service marks and other intellectual property; iii) the Hospital's Medicare & Medicaid provider numbers and managed care contracts; iv) QMC's interest in South Suburban Oncology Services, L.P.; v) Non cash working capital assets - accounts receivable; inventory prepaid expenses	Seller retains all cash, receivables and prepaid expenses i) Tangible Assets including real estate; plant, property & equipment; ii) Intangible assets including financial, patient and personnel records, transferable permits, patents, trademarks, and service marks and other intellectual property; iii) the Hospital's Medicare & Medicaid provider numbers and managed care contracts; iv) QMC's interest in South Suburban Oncology Services, L.P. v) Non cash working capital assets - ONLY Inventory
iii. Assumption of Liabilities	Buyer assumes Employee Liabilities (Payroll, Vacation, Health Claims) with <u>no purchase price credit</u> Buyer will receive a Purchase Price credit for any additional known liabilities assumed (specified trade payables, capitalized leases, etc)	Buyer <u>will receive a Purchase Price credit for any</u> liabilities assumed including Employee Liabilities (Payroll, vacation, health claims), trade payables, capitalized leases, etc
iv. Provider Agreements	Will assume the Medicare & Medicaid Provider Agreement and QMC's managed care contracts	Will assume the Medicare & Medicaid Provider Agreement and QMC's managed care contracts
v. Stalking Horse Protections	i) Break-up fee equal to \$875,000 ii) Initial overbid protection such that any competing bid is at least \$875,000 higher than stalking horse bid	i) Break-up fee of 3% to 5% of purchase price, plus reimbursement for business expenses ii) Overbid protection of an unspecified dollar amount

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Comparison of Current Proposals

	Steward Healthcare 6.26.11 APA	Vanguard Health Systems 5.31.11 Proposal
2 Organizational Overview	Community-based accountable care organization and community hospital network with approx 14,000 employees, 1,700 physicians and \$1.75 billion in net revenue and over 325,000 emergency department visits. Currently operates 8 hospitals in Eastern MA with one acquisition pending regulatory review	Based in Nashville, TN, Vanguard was founded in 1997 by an experienced management team in partnership with Morgan Stanley Capital Partners. In 2004, The Blackstone Group invested in the company, acquiring a 66% interest. Management and Morgan Stanley together own approximately 34% of the company. With approximately \$5.8 billion in annual net revenue, Vanguard currently owns and operates 26 acute care hospitals and complementary facilities
i. Entity that will acquire QMC	Will purchase QMC in a newly formed, wholly owned Subsidiary which will operate as a secular hospital under Steward Medical Holdings	Wholly owned subsidiary of Vanguard that is incorporated and qualified to do business in MA
3 Management and Operations		
i. Board Composition and responsibilities	Current Board selects members of local governing board, with successor board members recommended by board and subject to Steward approval, approval not to be unreasonably withheld. Board will have responsibility for strategic planning for QMC, Budget approvals, capital prioritization, operating budgets, medical staff credentialing, community benefit planning <u>Complies Determination of Need ("DoN") guidelines for the role of the local governing board post-closing</u>	Board will consist of QMC CEO and equal number of QMC physicians and community representatives. Board shall have responsibility for staff credentialing, quality assurance, approve borrowings in excess of \$500k, capital and operating budgets, changes in QMC services and determination of need. Appointments made by Vanguard after consultation with management, existing Board members and community and medical staff leaders <u>Complies Determination of Need ("DoN") guidelines for the role of the local governing board post-closing</u>
ii. Integrating QMC Leadership	Employment offered to all active employees in good standing at comparable salary, wage levels and benefits package	Anticipate retaining all permanent members of QMC's senior management in their current roles and positions. During due diligence procedures, Vanguard will determine which leadership employment agreements it will assume
iii. Religious Affiliations	Includes both Catholic and secular hospitals. QMC would join Steward as a secular organization and would not be bound by the Ethical & Religious Directives of the Catholic Church	Will not require QMC to operate in accordance with any ethical or religious directives that may affect the scope of services to be provided

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Comparison of Current Proposals

Steward Healthcare
6.26.11 APA

Vanguard Health Systems
5.31.11 Proposal

4 Post Closing Commitments

i. Long Term Commitment	For 1st 5 yrs post transaction, Steward will keep the facility open regardless of economic conditions. For years 6 through 10 Steward cannot close the Hospital unless the facility has experienced 2 consecutive yrs of negative operating margins subsequent to 1st 3 yrs with an 18 month pre-closing review requirement by the Department of Public Health	Committed to maintaining the clinical services necessary to keep QMC operating as a licensed acute care hospital for at least 5 yrs after closing
ii. Chapter 94 of the Acts of 1999, an Act Relative to QMC	Steward acknowledges the terms of Chapter 94 of the Acts of 1999 and does not intend to close the Emergency Department Will NOT require deed restriction to be altered as condition to closing	Willing to agree to continue to provide a specified list of core or essential inpatient, outpatient and diagnostic services. Will require that the deed by which the City of Quincy conveyed title to QMC be amended to terminate or modify the restrictions on the use of the real property
iii. Future Capital Expenditures	\$34M over the 1st 5 yrs for investment in capital & IT. Expects \$15M to be committed in the 1st 12 mo.w/an additional \$10M in the following yr. post transaction close (including at least \$5M in IT) Will commit 110% of depreciation in years 6-10 (estimated \$4M per year)	\$27M towards capital expenditures over the next 5 years for the benefit of the Hospital and the development and/or expansion of the network of healthcare providers
iv. Community Benefits	Maintain community benefits and charity care at the current levels. The enforceability component of this arrangement is unique to Steward	Primary goal will be to continue to enhance and develop the existing clinical services for the greatest benefit to QMC and the Quincy community. Intend to assume the clinical affiliation agreement with Tufts Medical Center and to work with Tufts to further build specialty services to serve the community. Will make a collective decision and implement the best charity care policy for the Hospital and the Quincy community

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Comparison of Current Proposals

	Steward Healthcare 6.26.11 APA	Vanguard Health Systems 5.31.11 Proposal
5 Employees and Medical Staff		
i. Union Collective Bargaining Agreements	Will recognize all existing union relationships and amend contracts so they are consistent with Steward's master agreements with each union	Will recognize the unions as the exclusive bargaining representatives of their bargaining unit employees and will bargain in good faith with them regarding any proposed changes of wages, hours, or terms and conditions of employment
ii. Non-union employment	Employment will be offered to all active employees in good standing at comparable salary and wage levels and with a benefits package that is consistent with similarly situated employees at other Steward facilities	Will offer to employ substantially all active employees of QMC on substantially the same terms and conditions with respect to base salaries or wages, benefits, job duties, titles and responsibilities
iii. Medical Staff	Will maintain medical staff privileges for all medical staff members in good standing. Physicians will have the opportunity to join Steward's contracting network or remain with their current networks. No restrictions or expectations on physicians with regard to their tertiary relationships	Will recognize and continue to credential all existing medical staff members in accordance with the medical staff bylaws of the Hospital. The Buyer will also continue to honor existing staff leadership roles and directorships, and will assume all physician employment and professional service agreements in place at closing
iv. Medical Service Contracts	Respects current relationships QMC has with its contracted physicians. Goal is to preserve all current contracts at their current compensation levels	Not specified
v. Employed Physicians	Steward has a large multi-specialty physician group practice for employed physicians ("SMG"). Those physicians in the community that wish to join SMG will be offered the opportunity to at compensation levels equal to their current levels	Not specified
vi. Displaced Employees	Does not anticipate the displacement of any employees. However, if there are employees that are displaced during the transaction Steward will offer them an "exit benefit" package equivalent to what they would normally receive under QMC's benefit plans	Does not foresee any layoffs, but if layoffs occur, employees will receive a severance package consistent with QMC's severance policy or if none exist, a fair and equitable plan will be developed

Comparison of Current Proposals

Steward Healthcare
6.26.11 APA

Vanguard Health Systems
5.31.11 Proposal

6 List of Seller Representations in APA

1. Organization and Good Standing; 2. Authorization of Agreement
3. Contravention; Consents of Third Parties; Contractual Consents;
4. Financial Statements; 5. Title to Purchased Assets
6. Taxes; 7. Real Property; 8. Litigation; 9. Tangible Leased Personal Property; 10. Intellectual Property; 11. Contracts; 12. Insurance
13. Employee Benefits; 14. Employee Relations; Medical Staff, Labor
15. Compliance with Laws; 16. Environmental Matters
17. Permits; 18. Privacy Laws; Health Information Laws
19. Relationships With Affiliates; 20. Financial Advisors
21. Full Disclosure; 22. No Other Representations or Warranties; Schedules

1. Organization and Qualification; 2. Corporate Power; Consents; Absence of Conflicts, Etc.; 3. Binding Agreement; 4. Subsidiaries and Third Party Rights; 5. Legal and Regulatory Compliance; 6. Financial Statements; 7. Undisclosed Liabilities; 8. Recent Activities;
9. Inventory; 10. Equipment; 11. Title to Personal Property;
12. Owned Real Property; 13. Environmental Matters and Medical Waste;
14. Intellectual Properties and Information Systems;
15. Insurance; 16. Permits; 17. Government Payment Programs; Accreditation; 18. Agreement and Commitments; 19. The Assumed Contracts; 20. Transactions with Affiliates; 21. Employees and Employee Relations 22. Employee Benefit Plans; 23. Proceedings and Claims; 24. Taxes; 25. Medical Staff, Physician Relations; 26. Restricted Assets; 27. Brokers and Finders; 28. Payments; 29. Operation of the Hospital Businesses; 30. Full Disclosure

7 Key Conditions to closing

Approval by both the Department of Public Health and the Massachusetts Attorney General's Office.
All material Representations and Warranties must be met
No Material Adverse Effects (limited to property condition).
Purchaser must receive issued title policies from First American Title Corporation.
No Order from Government Body can prohibit Transaction.
Bankruptcy Court must enter Sale Order.

Massachusetts Attorney General and the Massachusetts Department of Public Health and issuance of the healthcare and other licenses and permits by the appropriate state and federal authorities, receipt of title insurance policies, Purchaser and Seller must deliver items specified in Agreement, and satisfaction of other closing conditions customary in similar transactions. No Material Adverse Effects (includes financial performance of QMC)

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Comparison of Current Proposals

	Steward Healthcare 6.26.11 APA	Vanguard Health Systems 5.31.11 Proposal
8 Remedies of Seller for Breach of Representations	<ul style="list-style-type: none"> i) Specific Performance ii) Indemnification (uncapped) for damages for breach of representation or covenant provided claim is made within six months of closing 	<p>After the closing date, Purchaser is obligated to indemnify Seller for misrepresentations, failure to perform covenants in Agreement, and Assumed Liabilities. No losses will be paid until aggregate claims exceed \$50,000.</p> <p>Survival period based on individual reps and warranties.</p>
9 Remedies of Buyer for Breach of Representations	<ul style="list-style-type: none"> i) Indemnification capped at \$500,000 ii) Minimum aggregate claims for losses must exceed \$100,000 iii) Claims must be filed within 6 month of closing 	<p>After Closing Date, Seller is obligated to indemnify Purchaser and Purchaser Parties resulting from misrepresentations, failure to perform covenants in Agreement, or the Excluded Liabilities. No losses will be paid until aggregate claims exceed \$50,000.</p> <p>Survival period based on individual reps and warranties.</p>
10 Purchaser Party Guaranteeing Post Closing Obligations	Steward Medical Holdings LLC (subsidiary Steward Health Care System LLC that owns non-catholic hospitals)	VHS QMC Hospital Company, Inc., a Delaware corporation and VHS Quincy Physician Services, Inc., a Massachusetts non-profit corporation

V. Gross Proceeds Analysis



Gross Proceeds Analysis

<u>Based on Balance Sheet at 10/31/2011</u>	Steward Healthcare	Vanguard Healthcare
	APA 6.26.2011	Proposal 5.31.11
HOSPITAL SALE PROCEEDS		
<i>Hospital Purchase Price</i>	\$35,000,000	\$10,000,000
<i>Working Capital Adjustments</i>		
Accounts Receivable , Net	13,670,758	0
Inventories	952,846	952,846
Other Assets and Prepaid	1,222,481	0
State Grant	298,839	0
Other Receivables	30,073	0
Accounts Payable and Accrued Expenses	0	0
Accrued Vacation & Sick Time	(3,710,567)	(3,457,820)
Accrued Payroll ⁽¹⁾	(1,090,950)	0
Accrued Employee Health Claims ⁽²⁾	(1,291,764)	0
Due Third Party - Payors	(2,193,673)	0
Total Net Working Capital	7,888,042	(2,504,974)
Target Working Capital	(7,888,042)	0
<i>Plus/Less: Difference in Actual & Target Net Working Capital</i>	0	(2,504,974)
Net Purchase Price	\$35,000,000	\$7,495,026

Footnotes:

(1) Excludes \$824,120 BMC payable that was transferred to Accrued Expenses

(2) Amount previously included in Accrued expenses

Gross Proceeds Analysis

<u>Based on Balance Sheet at 10/31/2011</u>	<u>Steward Healthcare</u>	<u>Vanguard Healthcare</u>
	<u>APA 6.26.2011</u>	<u>Proposal 5.31.11</u>
RETAINED ASSETS		
Cash & Cash Equivalents		
Cash on Hand	488,722	488,722
Debt Service Fund	254,608	254,608
Debt Service Reserve Fund	4,797,771	4,797,771
Investments	3,856,511	3,856,511
Escrow Account - MEFA	3,840,534	3,840,534
Total Cash & Cash Equivalents	13,238,146	13,238,146
Other Retained Assets		
Cash QMC Foundation	938,287	938,287
Accounts Receivable , Net	0	13,670,758
Less: Due Third Party payors	0	(2,193,673)
Less: Collection Cost and Addtl Write-offs	0	(1,093,661)
Inventories	0	0
QMC Foundation - Receivables	64,847	64,847
Other Assets and Prepaid	0	1,222,481
State Grant	0	298,839
Other Receivables	0	30,073
Total Retained Assets	1,003,134	11,999,664
Total Retained Assets	\$14,241,280	\$25,237,810
TOTAL PROCEEDS AVAILABLE TO CREDITORS		
Net Proceeds from Hospital Sale	\$35,000,000	\$7,495,026
Cash & Cash Equivalents	13,238,146	13,238,146
Other Retained Assets	1,003,134	11,999,664
Total Available Gross Recovery	\$49,241,280	\$32,732,835

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Gross Proceeds Analysis

BASED ON BALANCE SHEET AT 10/31/2011	Steward Healthcare	Vanguard Healthcare
	APA 6.26.11	Proposal 5.31.11
RECOVERY WATERFALL:		
Administrative Claims		
(a) Wind down professional fees	1,013,000	1,013,000
(b) Post Petition Trade A/P	495,819	495,819
Total Administrative Claims	1,508,819	1,508,819
Secured Claims		
(a) 2008 Bond Principal	56,487,343	56,487,343
(b) Accrued Interest payable on 2008 Bond	533,122	533,122
(c) Purchase Money Security Interest (equipment)	TBD	TBD
Total Secured Claims	57,020,465	57,020,465
Unsecured Priority Claims		
(a) Accrued Salary & Wages	-	1,090,950
(b) Accrued Vacation & Sick Pay	-	-
(c) Other Priority Claims	-	-
Total Unsecured Priority Claims	-	1,090,950
General Unsecured Claims		
(a) Accounts Payable and Accrued Expenses	11,972,255	11,972,255
(b) Bondholders' Deficiency Claim	-	-
(c) Other Unsecured Claims	-	-
Total General Unsecured Claims	11,972,255	11,972,255
Total Claims & Expenses	70,501,540	71,592,489
Total Proceeds/Total Claims & Expenses	70%	46%

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VI. Analysis of Financial Capabilities for Steward Healthcare and Vanguard Health Systems



Bidder Comparison

	Steward Health Care	Vanguard Health Systems
Overview	9 acute care hospitals in eastern Massachusetts with over 14,000 employees and 1,700 physicians	26 acute care hospitals and complementary facilities and services in Chicago, Illinois; Phoenix, Arizona; San Antonio, Texas; Detroit, Michigan and Massachusetts
Massachusetts Hospitals	<p>Carney Hospital - Dorchester, MA (164 beds)</p> <p>Good Samaritan Medical Center - Brockton, MA (231 beds)</p> <p>Holy Family Hospital - Methuen, MA (261 beds)</p> <p>Merrimack Valley Hospital - Haverhill, MA (124 beds)</p> <p>Morton Hospital (Pending) - Taunton, MA (154 beds)</p> <p>Nashoba Valley Medical Center - Ayer, MA (57 beds)</p> <p>Norwood Hospital - Norwood, MA (264 beds)</p> <p>Saint Anne's Hospital - Fall River, MA (160 beds)</p> <p>St. Elizabeth's Medical Center - Boston, MA (205 beds)</p>	<p>MetroWest Medical Center - Natick and Framingham, MA (Leonard-Morse and Framingham Union Hospitals - 319 beds combined)</p> <p>Saint Vincent Hospital - Worcester, MA (348 beds)</p>
Other Facilities & Services	<p>Caritas Hospice - Brighton, MA</p> <p>Caritas Home Care - Norwood, MA</p> <p>Labouré College - Boston MA</p>	<p>Detroit Medical Center (8 hospital system in MI)</p> <p>6 hospitals in Arizona</p> <p>4 hospitals in Illinois</p> <p>6 hospitals in Texas</p>
Other Announced Acquisitions	<p>Landmark Medical Center - Woonsocket, RI (214 beds)</p> <p>Saints Medical Center - Lowell, MA (157 beds)</p>	
Leadership Team	<p>Ralph del la Torre – Chairman & CEO</p> <p>Robert Guyon – EVP & COO</p> <p>Mark Rich – EVP of Corporate Strategy and Management</p> <p>James Renna – EVP & CFO</p>	<p>Charles Martin, Jr. – Chairman & CEO</p> <p>Kent Wallace – President & COO</p> <p>Keith Pitts – Vice Chairman</p> <p>Phillip Roe – EVP, CFO & Treasurer</p> <p>Bradley Perkins – EVP & Chief Transformation Officer</p>

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Steward Health Care



Steward Health Care

Historical & Projected Income Statements

\$ in millions	Actual	Actual	Projected	7mo Ended	7mo Ended
	FY 2009	FY 2010	FY 2011 (2)	Apr-11 Actual	Apr-11 Budget
Total Revenue	\$1,325.7	\$1,407.9	\$1,522.2	\$853.5	\$851.1
Salaries, Wages, & Benefits	763.5	813.3	867.0	498.7	492.5
Supplies & Other	425.9	455.6	535.8	244.7	241.6
Premium Expense			52.7	47.0	49.0
Bad Debt Expense	39.4	45.5	24.6	32.1	29.6
Pension Expense	0.0	3.2		20.4	20.4
Reorganization Expense				1.4	0.0
Transaction Expense				12.9	9.5
Total Operating Expenses	1,228.8	1,317.6	1,480.1	857.2	842.6
EBITDA	96.9	90.3	42.1	(3.7)	8.5
Adjustments					
Pro Forma For Profit Expenses	(33.9)	(33.9)	0.0	0.0	0.0
Transaction & Reorg Expenses (1)	13.8	25.6	40.3	36.3	24.0
Total Adjustments	(20.1)	(8.3)	40.3	36.3	24.0
Adjusted EBITDA	\$76.8	\$82.0	\$82.4	\$32.6	\$32.5

(1) Year-to-date April 2011 includes transaction related expenses (\$12.9MM), reorganization expenses (\$1.4MM), payout of SERP (\$14.6MM), one time SUTA expenses related to for-profit conversion (\$5.4MM) Cerberus consulting expenses (\$1.3MM) and bad debt expenses related to transaction (\$0.7MM)

(2) Per discussion with Steward management, FY11 results are more heavily weighted to second half of the year due to i) seasonality (Q1 falls during holidays), and ii) the timing of business plans for FY11 market initiatives were delayed until after FY11 Q1 in order to avoid conflicts with sale to Steward.

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Steward Health Care

Balance Sheet as of April 2011

<u>Assets</u>		<u>Liabilities</u>	
Cash & Cash Equivalents	\$50.8	Current Portion of LT Debt	\$0.6
Current Assets Limited as to Use	1.7	AP and Accrued Expenses	249.9
Net Patient Accounts Receivable	127.1	Third Party Payables	9.2
Other Current Receivables	16.1	Other Current Liabilities	<u>18.6</u>
Inventory and Other CA	<u>30.4</u>		
Total Current Assets	226.3	Total Current Liabilities	278.3
Board Designated Investments	0.7	Long-term Debt	2.6
Malpractice Trust	55.7	Third Party Payables	15.7
Restricted Investments	<u>2.2</u>	Other LT Liabilities	<u>113.7</u>
Total Assets Limited as to Use	58.5	Total Non-Current Liabilities	132.1
PP&E - net	494.7	Shareholders' Equity	<u>415.8</u>
Other Assets - net	<u>46.8</u>		
Total Assets	\$826.2	Total Liabilities and Equity	\$826.2

Note: FIN 141/Opening Balance Sheet Work is in process; numbers are subject to change as a result

Steward Health Care

Liquidity Sources

- **Steward has cash of \$50MM and additional borrowing capacity of \$400MM under its revolver and ability to obtain additional financing**
 - No debt at present but undetermined pension liability
 - Annual capital expenditures Commitments as follow:
 - Required to spend no less than \$400MM under AG agreement to improve Caritas Christi Health System (will have spent approximately \$200MM as of September 2011)
 - Required to spend no less than \$85MM on Morton Hospital over a five year period
 - Required to spend
 - Assumed existing pension plan from Roman Catholic Archdiocese of Boston
 - Current Annual EBITDA of \$80MM (does not include Morton Hospital, Landmark Medical Center, Merrimack Valley Hospital and Nashoba Valley Medical Center)
 - Access to equity capital through Cerberus Capital Management, a private equity firm with over \$24 billion under management

Steward Health Care

Liquidity Sources

\$ in millions

Steward Liquidity Sources		Steward Capital Commitments		
Immediate:			5 Year	
Unrestricted cash on hand	\$50.8		Commitment	2012
Capacity under current revolver	\$150.0			
	<u>\$200.8</u>			
Additional Liquidity Sources:	Expects to receive \$44M in refunds from achieving "meaningful use" under federal programs	Caritas Christi	\$400.0 ^{(1),(2)}	N/A
		Morton Hospital	\$85.0 ⁽²⁾	\$25.0
		Landmark Medical Center	\$50.0	N/A
		QMC	\$34.0	\$15.0
			<u>\$569.0</u>	<u>\$40.0</u>
Additional borrowing capacity (1)	\$250.0			
Cerberus additional capital (2)	TBD			

(1) Management estimates that it has total borrowing capacity of approximately 4.0x pro forma EBITDA (\$100MM)

(2) As majority owner of Steward Health Care, Cerberus Capital Management, a private equity firm with over \$24BB under management, has indicated a willingness to fund additional capital needs.

(1) Approximately \$200MM will have been spent as of September 30, 2011

(2) Technically, the \$400MM commitment to the AG applies to all hospitals in Massachusetts, so capital commitments spent on Morton Hospital or QMC could be applied to this total

Vanguard Health Systems



Vanguard Health Systems

Historical Income Statements

\$ in millions	9mo Ended March 2011	
	Actual Vanguard	Pro Forma Vanguard
Revenues:		
Patient service revenues	\$2,747.8	\$3,704.3
Premium revenues	646.3	646.3
Other revenues	—	96.4
Total revenues	3,394.1	4,447.0
Costs and expenses:		
Salaries and benefits	1,381.2	1,833.7
Provision for doubtful accounts	214.1	317.9
Supplies	462.3	610.2
Other operating expenses	1,047.4	1,298.1
Depreciation and amortization	131.6	164.7
Interest, net	117.9	125.8
Acquisition related expenses	11.9	19.9
Pension expense	—	8.0
Regulatory settlement expense (2)	—	30.0
Impairment and restructuring charges	6.0	6.0
Other expenses	3.0	0.3
Total costs and expenses	3,375.4	4,414.6
Income (loss) from continuing operations before income taxes	18.7	32.4
Income tax benefit (expense)	(11.7)	(27.4)
Income (loss) from continuing operations	\$7.0	\$5.0
Adjusted EBITDA	286.1	378.8

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Vanguard Health Systems

Balance Sheet as of March 2011

\$ in millions	March 2011		
	Actual Vanguard	Pro Forma Offering Adj	Pro Forma Vanguard
Current assets:			
Cash and cash equivalents	\$502.6	—	\$502.6
Restricted cash	2.3	—	2.3
Net AR	517.0	—	517.0
Prepays & other current assets	248.4	—	248.4
Deferred income taxes	18.3	—	18.3
Total current assets	1,288.6	—	1,288.6
Net PP&E	1,795.9	—	1,795.9
Goodwill	786.9	—	786.9
Intangible assets	96.2	—	96.2
Other assets	194.6	4.9	199.5
Total assets	\$4,162.2	\$4.9	\$4,167.1
Current liabilities:			
AP & accrued expenses	919.1	(21.7)	897.4
Current maturities of debt	13.0	—	13.0
Total current liabilities	932.1	(21.7)	910.4
Other liabilities	650.6	—	650.6
Long-term debt	2,766.1	(453.2)	2,312.9
Equity (deficit):			
Common stock	—	0.3	0.3
Additional paid in capital	(88.5)	488.6	400.1
Accumulated other comprehensive loss	0.9	—	0.9
Retained deficit	(106.9)	(9.1)	(116.0)
Total equity (deficit) attributable to parent	(194.5)	479.8	285.3
Non-controlling interests	7.9	—	7.9
Total equity (deficit)	(186.6)	479.8	293.2
Total liabilities and equity	\$4,162.2	\$4.9	\$4,167.1

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Vanguard Health Systems

Liquidity Sources

- **Vanguard has cash of \$500MM and additional borrowing capacity from a revolving credit facility of \$224MM**
 - Went public on June 22, 2011
 - Over \$2.3BB of debt and approximately \$228MM pension liability
 - Annual capital expenditures of almost \$200MM in the next year (over \$880MM in five years)
 - Pro Forma Annualized Adjusted EBITDA of almost \$500MM
 - Access to excess capital through new revolving credit facility and public equity market

Vanguard Health Systems

Liquidity Sources

\$ in millions

Vanguard Liquidity		Vanguard Capital Commitments	
Immediate:		Capital Expenditure Commitments (1)	
Unrestricted cash on hand	\$500.3		
Capacity under current revolver	\$223.9		
	<u>\$724.2</u>	2011	\$180.7
		2012-2013	\$300.0
Additional Liquidity Sources:		2014-2014	\$400.0
Public equity market	TBD		<u>\$880.7</u>

(1) VHS Holdco II, LLC is the borrower under Vanguard's 2010 Credit Facilities which consist of an \$815.0 million senior secured term loan facility maturing in January 2016 and a \$260.0 million senior secured revolving credit facility maturing in January 2015. The revolving credit facility is currently undrawn except for \$36.1MM of outstanding letters of credit

(1) A large majority of capital expenditures will be for improvements to recently acquired Detroit Medical Center

VII. Proposed Transaction Timeline



Proposed Transaction Timeline

Subject to material change based on further discussions with creditor and regulatory constituents

ID	Task Name	Start	Finish	Jul 2011				Aug 2011				Sep 2011				Oct 2011				Nov 2011				Dec 2011							
				6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	9/18	9/25	10/2	10/9	10/16	10/23	10/30	11/6	11/13	11/20	11/27	12/4	12/11	12/18	12/25	1/1
1	Quincy GANTT Chart 363 Sale Scenario			[Gantt Chart Header]																											
2	Bankruptcy Filing	6/30/2011	6/30/2011	[Task 2 Gantt Bar]																											
3	Interim cash collateral hearing	7/1/2011	7/1/2011	[Task 3 Gantt Bar]																											
4	1st day motions hearing	7/5/2011	7/5/2011	[Task 4 Gantt Bar]																											
5	Motion to approve sale and expedited hearing on sale procedures	7/5/2011	7/5/2011	[Task 5 Gantt Bar]																											
6	Hearing to approve sale procedures motion	7/8/2011	7/8/2011	[Task 6 Gantt Bar]																											
7	Notice of sale/auction goes out	7/8/2011	7/8/2011	[Task 7 Gantt Bar]																											
8	Counteroffer solicitation period	7/8/2011	8/30/2011	[Task 8 Gantt Bar]																											
9	Unsecured creditors committee created	7/21/2011	7/21/2011	[Task 9 Gantt Bar]																											
10	File SOFAs and Schedules with Court	7/29/2011	7/29/2011	[Task 10 Gantt Bar]																											
11	341 Meeting of Creditors	8/1/2011	8/1/2011	[Task 11 Gantt Bar]																											
12	File Plan of Liquidation	8/15/2011	8/15/2011	[Task 12 Gantt Bar]																											
13	Counteroffers and objections to sale due	9/2/2011	9/2/2011	[Task 13 Gantt Bar]																											
14	Bankruptcy auction occurs	9/7/2011	9/7/2011	[Task 14 Gantt Bar]																											
15	Hearing to approve sale	9/7/2011	9/7/2011	[Task 15 Gantt Bar]																											
16	Disclosure Statement Hearing	9/14/2011	9/14/2011	[Task 16 Gantt Bar]																											
17	Appeal deadline	10/12/2011	10/12/2011	[Task 17 Gantt Bar]																											
18	Confirmation of Sale Order	10/17/2011	10/17/2011	[Task 18 Gantt Bar]																											
19	Confirmation Hearing	10/31/2011	10/31/2011	[Task 19 Gantt Bar]																											
20	Regulatory Approval	6/30/2011	10/14/2011	[Task 20 Gantt Bar]																											
21	Sales Closes	11/1/2011	11/1/2011	[Task 21 Gantt Bar]																											
22	Wind-down begins	11/1/2011	4/30/2012	[Task 22 Gantt Bar]																											

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