SUBSIDIUM HEALTHCARE
Insight and Action for Value

Preliminary Recommendations to Step 2 Team for Initial Negotiating Points with CCF
V2, as of 6/26/14
DRAFT – FOR INTERNAL USE ONLY

Overall Approach:

- Subsidium and the LHA team believe that we must first negotiate with the Clinic to determine whether our current partner is a viable option for us in the future, and/or negotiate the principle terms of early termination.
- Within the next approximately 30 days (which we could extend later if needed), we will first focus on the top four overarching deal points to gauge whether we have a strong probability of reaching an agreement.
- If we cannot make substantial progress toward agreement on our four fundamental deal terms, then we will consider shifting our focus to negotiating the terms of an early termination option for Lakewood. (Note: this is a slightly different order than we discussed with the Caucus, but a faster way to gauge the Clinic's commitment to our major deal terms).
- We will communicate to MetroHealth that the Lakewood team is still very interested in their proposal and will need approximately 45-60 days to discuss the existing relationship with the Clinic, given there is no current provision to terminate for convenience.

Phase 1: Initial Negotiating Period: test the waters on the foundational terms

1. On the "closing" date, the Lakewood community ends up with a negotiated amount of money to fund a non-profit foundation to invest in the health needs of the Lakewood community. We will talk in general terms about the desire of Lakewood to retain its current cash (and equivalent) assets and some additional payments – but not offer a specific target amount in the 1st meeting.

   Lakewood targets for amount to include:

   – Retention of the current LTIP funds
   – Retention of the current LHF funds
   – An amount that acknowledges the economic value of an early termination of the current lease agreement or the impaired value of the asset under CCF management [still need to discuss/decide how we want to phrase this]
      - No less than current NPV of lease payments ~$10M; and nearer to their projected liability of nearly $150-200M
   – Accounts appropriately for main property purchase, and for ancillary properties, if included in the transaction (e.g., 850 Columbia Road facility)