

CONFIDENTIAL



Process Update

September 26, 2013



Agenda

Agenda Items

Section

Process Overview

1

Profiles of Potential Partners Submitting Bids

2

Next Steps

3

Process Overview



Process Overview

Process to Date

Event	Date
Cain Brothers on-site interviews	July 16, 2013
Potential interested partners identified <ul style="list-style-type: none"> ➤ Bidder 2 ➤ Billings Clinic ➤ Bidder 3 ➤ Bidder 7 ➤ Bidder 5 ➤ RegionalCare Hospital Partners ➤ Bidder 6 	July - August 2013
Due diligence received to date uploaded to data room	July 23-25, 2013
Call initiated and NDAs sent out to targeted potential partners	July - August 2013
Preparation of term sheets	July - August 2013
Preparation of executive summary and process letter	August 2013
Executive summaries, process letters and term sheets distributed to interested parties	August 2013 - September 2013
Limited data room access to potential interested parties	September 11 - 26, 2013
Initial proposals due	September 26, 2013



Process Overview

Initial List of Potential Affiliation Partners

- Limited group of potential partners identified for contact rather than broad solicitation
 - Strategically compatible with CMC
 - Montana interest/familiarity
 - Financial wherewithal
- Potential Interested Parties contacted:
 - 5 Not-for-Profits:
 - Bidder 2
 - Billings Clinic (in partnership with RegionalCare)
 - Bidder 5
 - Bidder 6
 - Bidder 4
 - 3 For-Profits:
 - Bidder 3
 - Bidder 7
 - RegionalCare Hospital Partners (in partnership with Billings Clinic)
- Bidder 6 and Bidder 5 declined to pursue the opportunity further
 - Bidder 6 Interested but does not have the available time to pursue a transaction until the first quarter of 2014
 - Bidder 5 Not geographically compatible



Process Overview

Information Provided and Requested Responses

- Executive Summary - Summary description of Community Medical Center (“CMC”)
- Process letter
 - Instruction letter to participate in process
 - Outline of CMC’s objectives:
 - Ensure continued high quality and cost effective delivery of healthcare with measureable improvements
 - Enhance and expand CMC’s medical staff
 - Commit to charitable care delivery
 - Maintain existing employment practices
 - Be well positioned for healthcare reform
 - Provides well integrated health system
 - Secure CMC’s long term stability
 - Limited hurdles to close a transaction and experienced with merger integration of hospitals
- Proposed term sheet
 - Asset purchase
 - Membership substitution
- Requested submission
 - Mark up of term sheet
 - Detailed responses to CMC’s objectives



Process Overview

Responses from Potential Partners

Potential Partners	Response
Not-for-Profit	
Bidder 2	Submitted mark-up of term sheet
Billings Clinic	Expected to submit one proposal: <ul style="list-style-type: none"> ➤ Joint proposal with RegionalCare Hospital Partners Would consider membership substitution if for-profit alternative is not attractive
Bidder 5	Not interested in pursuing a transaction due to lack of geographic compatibility
Bidder 6	Unable to pursue a transaction at this time
Bidder 4	To be discussed on whether to include in process. Remains highly interested
For-Profit	
Bidder 3	Expected to submit a proposal
Bidder 7	Will submit verbal proposal if interested
RegionalCare Hospital Partners	Expected to submit a joint proposal with Billings Clinic

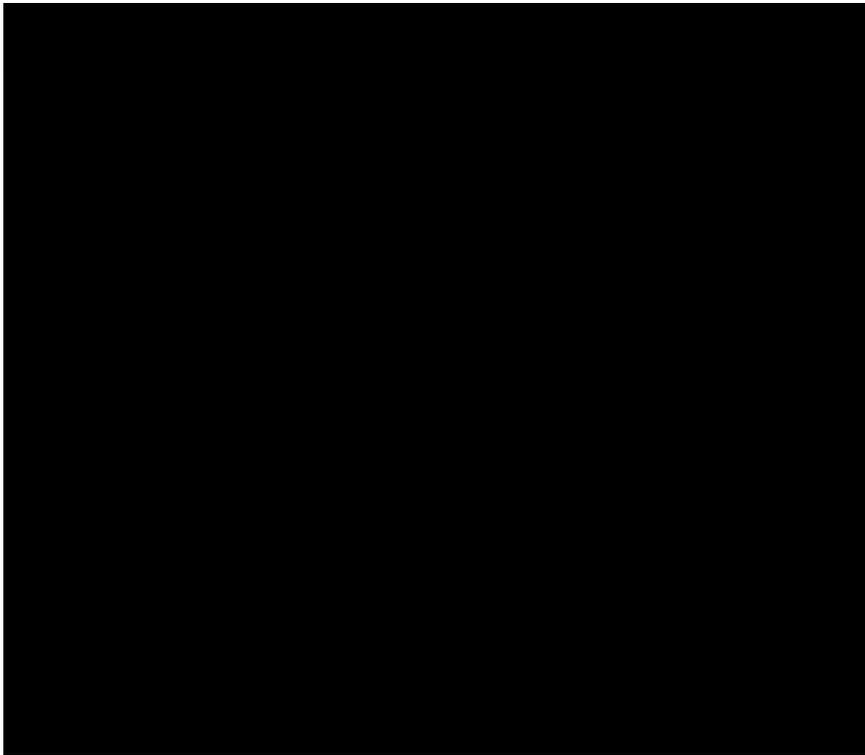
Profiles of Potential Partners Submitting Bids



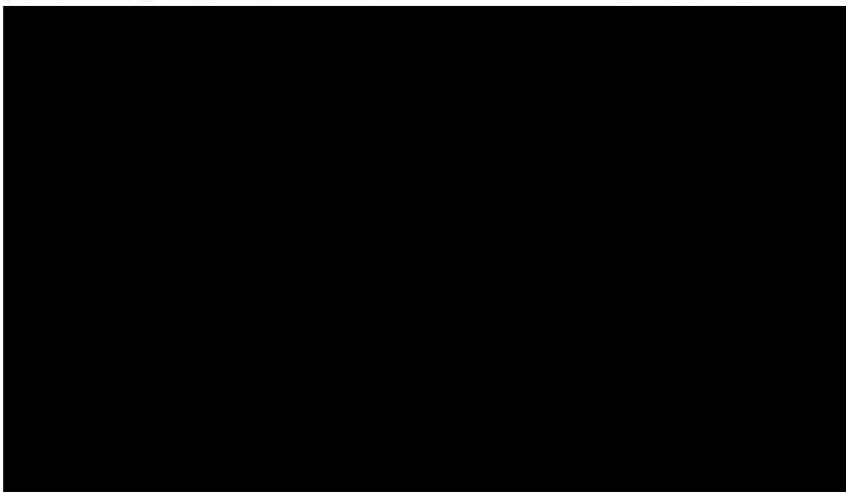
Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: Bidder 2

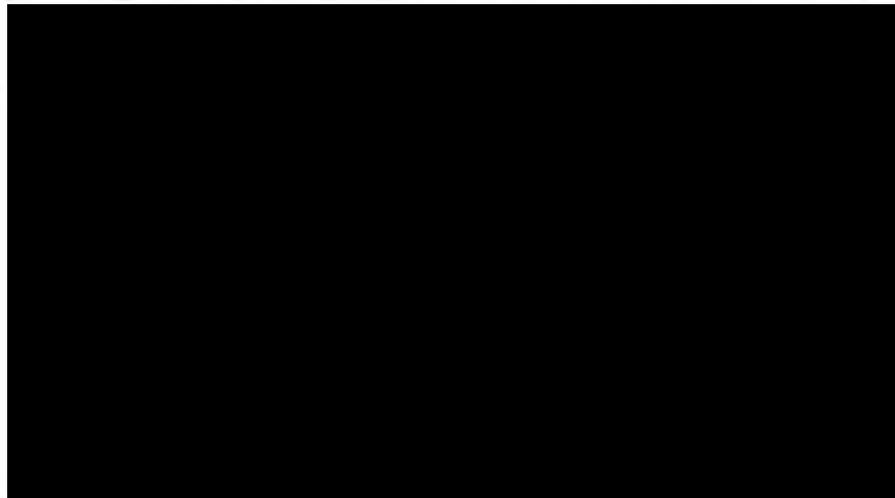
Overview



Summary Information



Geographic Footprint





Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: Billings Clinic



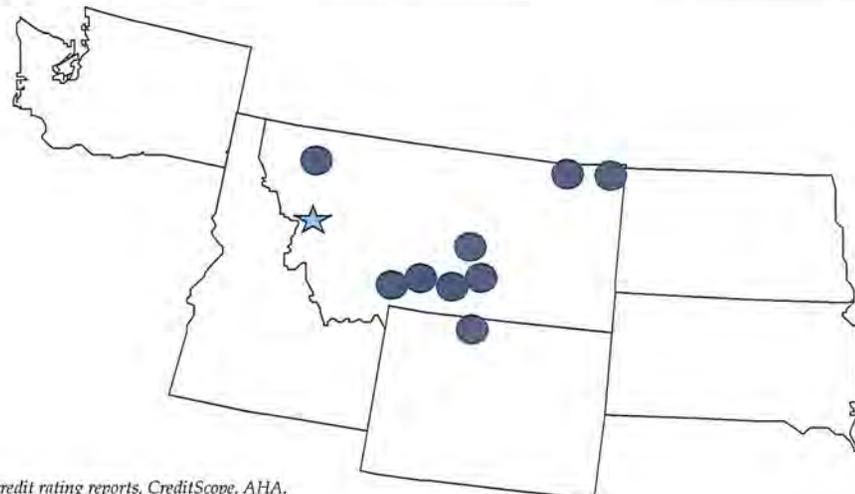
Overview

- Billings Clinic (“Billings”) is a community-owned health care organization consisting of a multi-specialty physician group, a hospital and a skilled-nursing and assisted living facility
- Billings is the only Montana MAGNET-designated health care organization and a member of the Mayo Clinic Care Network
- Billings and RegionalCare Hospital Partners recently announced the formation of a joint venture
 - The new arrangement offers potential partners expanded clinical services, access to physician support and recruitment, quality improvement systems, operational expertise and access to capital
- Owns Billings Clinic Hospital (376 beds)
- Billings also has a network of affiliated hospitals
- Billings Clinic is one of the first four to receive NCQA designation

Summary Information

- Headquarters: Billings, MT
- Founded: NA
- Hospitals: 1
- Beds: 376
- Employees: NA
- FY 2012 Revenue⁽¹⁾: \$506.2 million
- FY 2012 EBITDA⁽¹⁾: \$55.0 million
- Ratings: NA/NA/NA

Geographic Footprint⁽²⁾





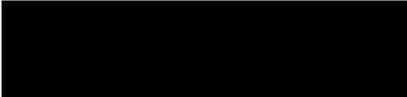
Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: Bidder 3

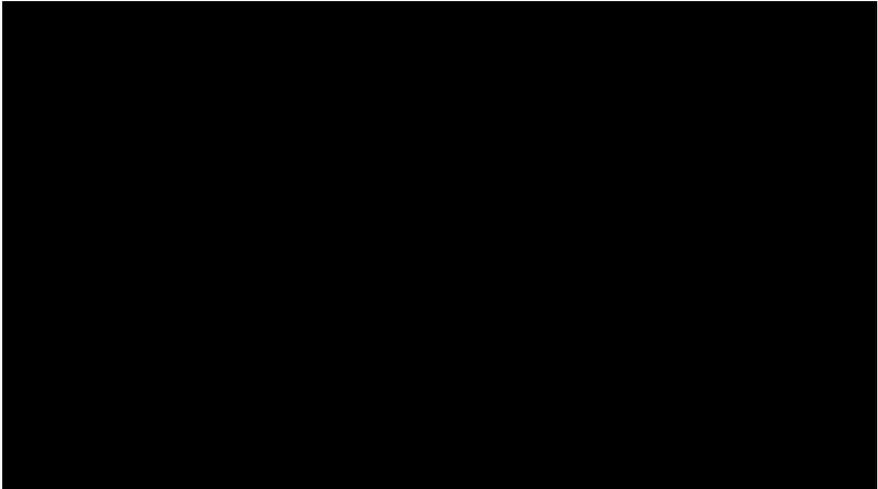
Overview



Summary Information



Geographic Footprint

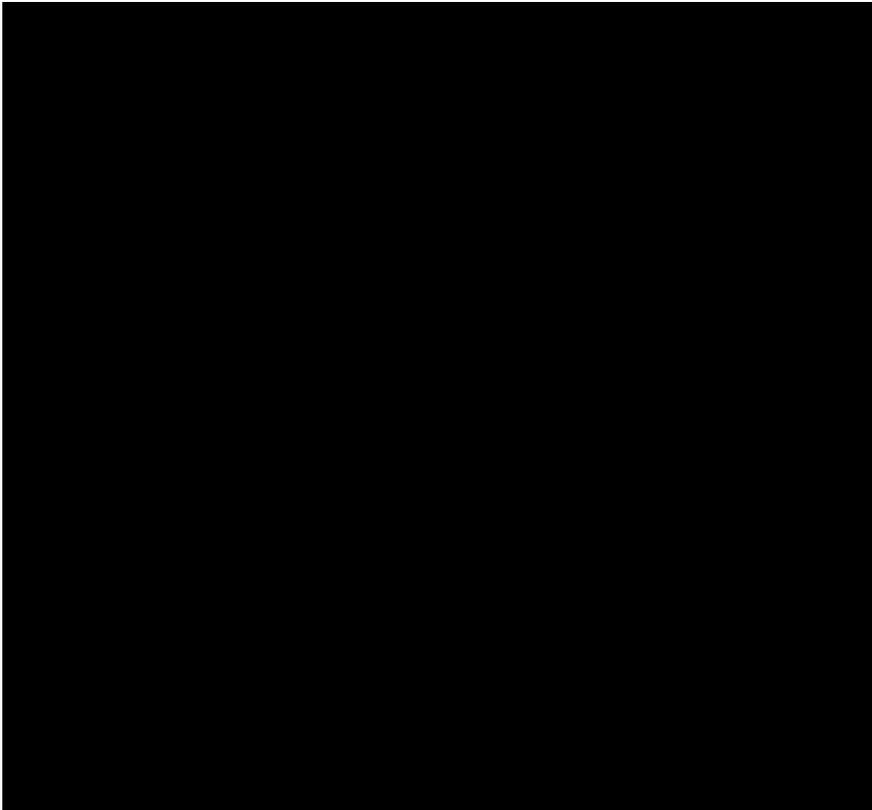




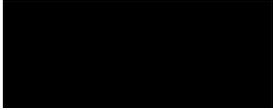
Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: Bidder 7

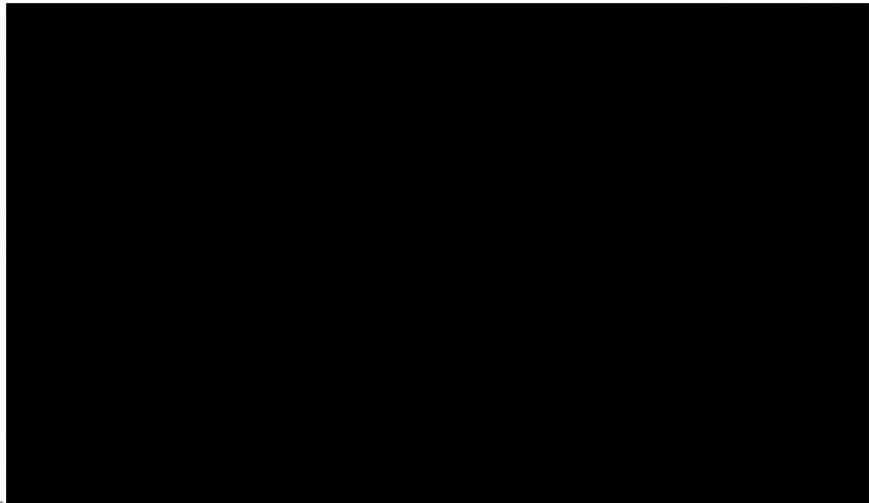
Overview



Summary Information



Geographic Footprint

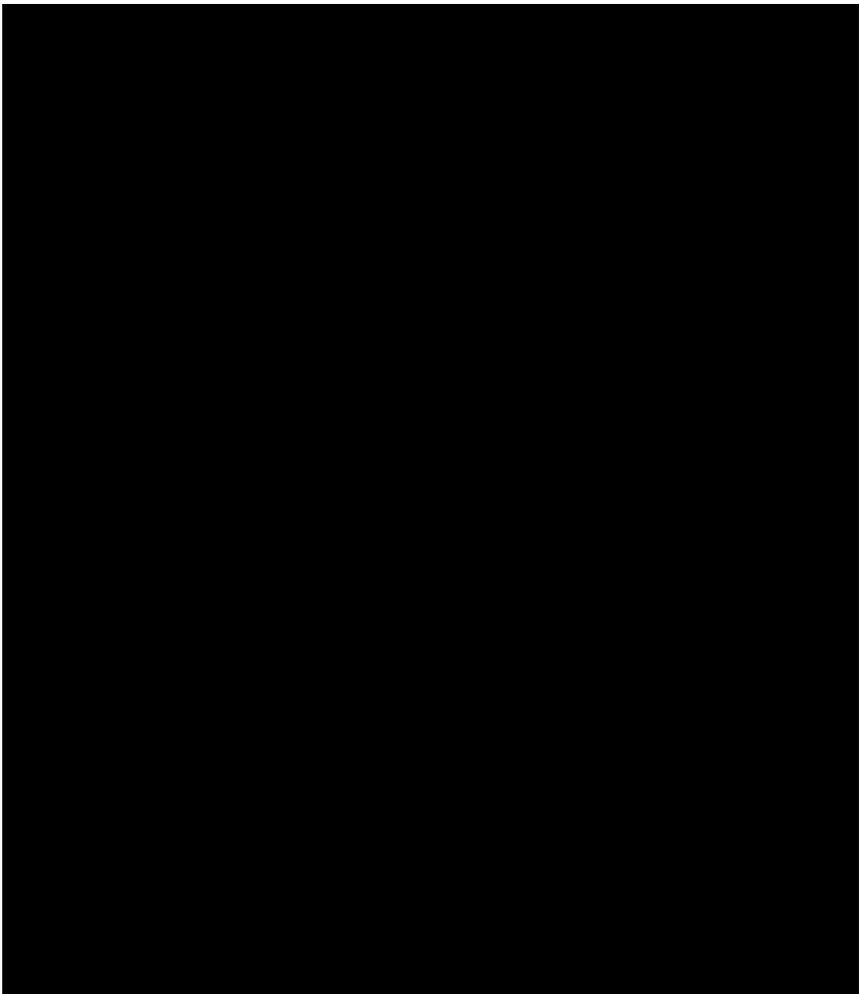




Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: Bidder 4

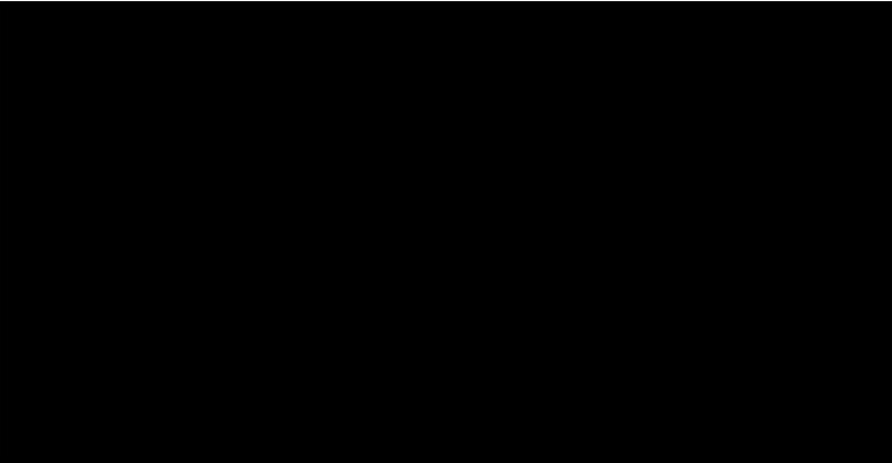
Overview



Summary Information



Geographic Footprint⁽²⁾





Profiles of Potential Partners Submitting Bids

Potential Strategic Partner: RegionalCare Hospital Partners



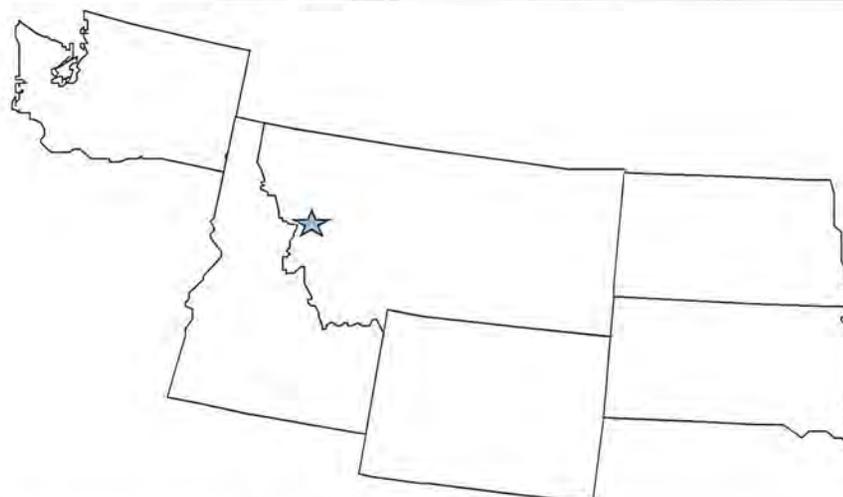
Overview

- RegionalCare Hospital Partners (“RegionalCare”) is a privately owned corporation, which focuses on providing hospital organizations access to capital for growth and expansion
 - Currently operates seven hospitals with a total of 928 beds
- Warburg Pincus, a New York-based private equity firm, is the majority shareholder of RegionalCare and has made a \$300 million equity commitment to the hospital company
- RegionalCare focuses on partnering with non-urban community hospitals in medium-sized markets with growth potential
- Management approach emphasizes and supports the leadership of the local management team and board as well as working with the medical staff
- Recently formed joint venture with Billings Clinic

Summary Information

- Headquarters: Brentwood, TN
- Founded: 2009
- Hospitals: 7
- Beds: 928
- Employees: NA
- Revenue (2012): ~\$640.2 million
- EBITDA (2012): ~\$74.9 million
- Ratings: NA/NA/NA

Geographic Footprint



Next Steps



From day one.

Next Steps

- Review and summarize proposals
- Clarify proposals
- Present proposals to Board for consideration
 - Selection of one or more finalists
- Negotiate proposed terms sheets
- Site visits / reverse due diligence
- Anti-trust analysis (if applicable)



Next Steps Transaction Calendar

			Week of:																	
			9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20
Term Sheets	Start Date	End Date																		
Negotiate Term Sheets	26-Sep	22-Oct	█	█	█	█	█													
Continued Due Diligence by Potential Partners	2-Oct	21-Oct		█	█	█	█													
Due Diligence on Potential Partners by CMC	30-Sep	21-Oct		█	█	█	█													
Anti-Trust Analysis	7-Oct	15-Oct			█	█	█													
Mutual Site Visits	14-Oct	18-Oct				█	█													
Evaluate Term Sheets and Select Finalist	21-Oct	25-Oct						█												
Definitive Agreement/ Close Transaction	Start Date	End Date																		
Draft and Negotiate Definitive Agreement	28-Oct	3-Dec						█	█	█	█	█	█	█						
Second Round Due Diligence	28-Oct	2-Dec						█	█	█	█	█	█							
Execute Definitive Agreement	4-Dec	4-Dec											█							
Confirmatory Due Diligence by Selected Partner	5-Dec	18-Jan											█	█	█	█	█	█	█	█
Regulatory and Third Party Approval	5-Dec	4-Mar											█	█	█	█	█	█	█	█
Close Transaction	5-Mar	5-Mar																		█