



Confidential Board Discussion Material

March 27, 2014

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Process Overview



Process Overview

Process to Date

Activity	Date
Cain Brothers on-site interviews	July 16, 2013
Calls initiated and NDAs sent out to targeted potential partners	July - August 2013
Executive summaries, process letters and term sheets distributed to bidders	August 2013 - September 2013
Limited data room access to potential interested parties	September 11 - 26, 2013
Initial proposals submitted	September 26, 2013
Proposals reviewed and follow-up questions submitted	October 2013
Presentations by potential partners that submitted proposals including RegionalCare / Billings Clinic, Bidder 2 and Bidder 3	October 17 - 24, 2013
Site visits by CMC at hospitals of potential partners	November 2013 - December 2013
Initiate discussions with Bidder 4	November 2013
Presentation to Board by Bidder 2 and Billings Clinic / RegionalCare	December 2013
Presentation to Board by Bidder 3 and Bidder 4	January 2014
Selection of Billings Clinic / RegionalCare and Bidder 4 finalists	January 2014
Due Diligence by finalists	January 2014 - February 2014
Site visit by CMC at Bidder 4	February 2014
Board deliberations on proposals	February 27, 2014
Finance Committee presentation	March 6, 2014
Negotiations of Letter of Intent/Term Sheet	March 2014
Final Executed Letters of Intent/Term Sheet Submitted	March 25, 2014



Process Overview

Partnership Solicitation Process Summary

CMC's board pursued a limited solicitation process based on potential partners' strategic and geographic fit.

- 8 potential strategic partners were contacted:
 - Not-for-Profit:
 - Bidder 2
 - Billings Clinic
 - Bidder 4
 - Bidder 5
 - Bidder 6
 - For-Profit:
 - Bidder 3
 - Bidder 7
 - RegionalCare
- 3 declined to participate:
 - Bidder 5
 - Bidder 7
 - Bidder 6
- 4 organizations submitted written indications of interest:
 - Bidder 2
 - Bidder 3
 - Bidder 4
 - RegionalCare / Billings Clinic JV
- Reasons for parties declining to participate
 - Geographic location
 - Lack of strategic rationale

Summary of Proposals



Summary of Proposals

Governance and Other Terms



Bidder 4

Foundation	<ul style="list-style-type: none"> Independent and controlled by CMC 	<ul style="list-style-type: none"> Initially 75% of directors appointed by CMC Self-perpetuating ██████████ has right to approve initial governing documents Funds controlled by foundation Restrictions on a small subset of activities (elective abortions, embryo destruction & assisted suicides) Foundation does not have standing to enforce post-closing covenants other than required capital contributions to foundation
Parent Governance	<ul style="list-style-type: none"> One CMC community member appointed to each of JV board One CMC community member appointed to Billings Clinic board for minimum of 10 years 	<ul style="list-style-type: none"> None
Hospital Governance	<ul style="list-style-type: none"> Non-fiduciary local board Initial members appointed in consultation with CMC Self-perpetuating 	<ul style="list-style-type: none"> 50/50 local advisory board evenly divided between CMC and ██████████ appointed members Self-perpetuating



Summary of Proposals

Governance and Other Terms



Bidder 4

<p>Maintenance of Clinical Services</p>	<ul style="list-style-type: none"> • Subject to commercial reasonableness, commitment to maintain services identified by CMC for 10 years 	<ul style="list-style-type: none"> • Subject to exigent financial circumstances, committed to maintain essential services at CMC for 5 years unless otherwise approved by 70% of the Local Board
<p>Medical Staff</p>	<ul style="list-style-type: none"> • At least \$40 million for recruitment over 10 years • Commitment to recruit 60 providers over 3 to 5 years (including 40 physicians) • Physician-led model 	<ul style="list-style-type: none"> • General commitment to recruiting physicians
<p>Limitations on Sale</p>	<ul style="list-style-type: none"> • No sale to Providence for 10 years • For two years, CMC would participate in the upside of any sale to any other party (50% of the difference between current purchase price and the future purchase price adjusted for invested capital and net cash flow to owners) • Limitation does not apply to the sale of Billings Clinic, RegionalCare or the JV if CMC makes up less than 50% of the net revenue 	<ul style="list-style-type: none"> • Limits [REDACTED] from exiting the CMC and [REDACTED] primary service area completely • No restrictions on sale of CMC



Summary of Proposals

Governance and Other Terms



Bidder 4

Right of First Refusal

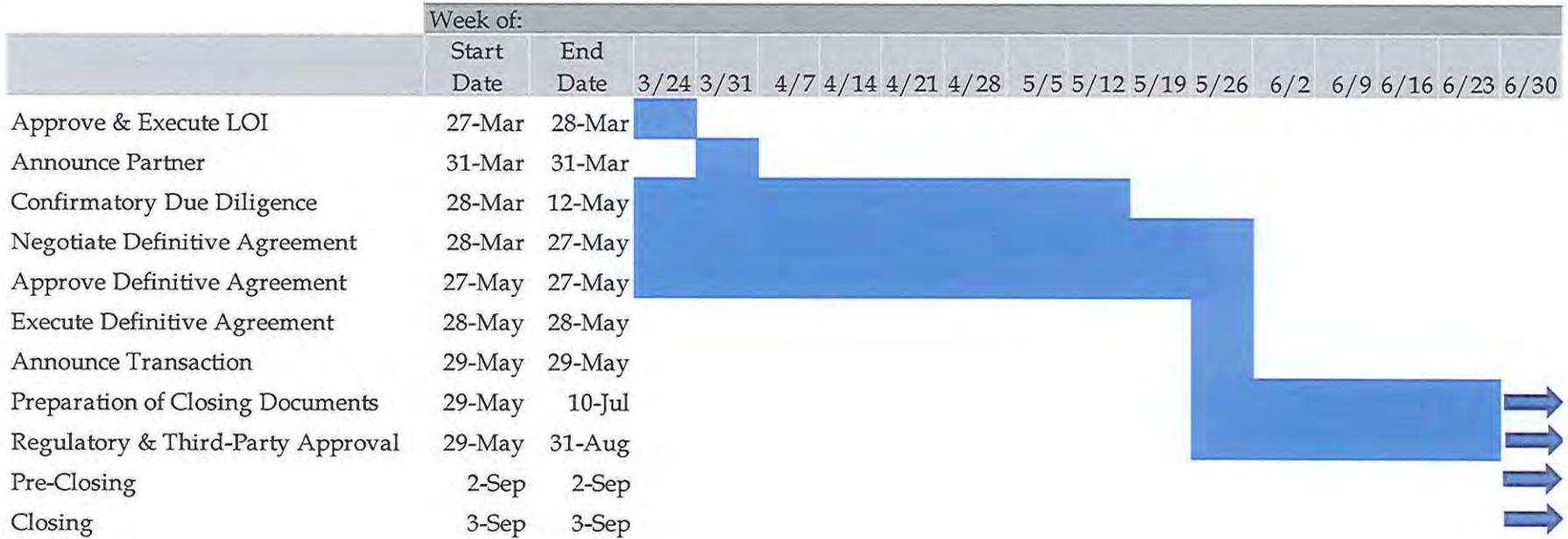
- Perpetual right of first refusal if CMC is sold
- Not applicable if part of multi-facility sale or sale of JV
- Perpetual right of first refusal only applies if [REDACTED] exits western Montana completely

Next Steps and Communications



Next Steps

High level steps required for an expected closing on September 3, 2013.



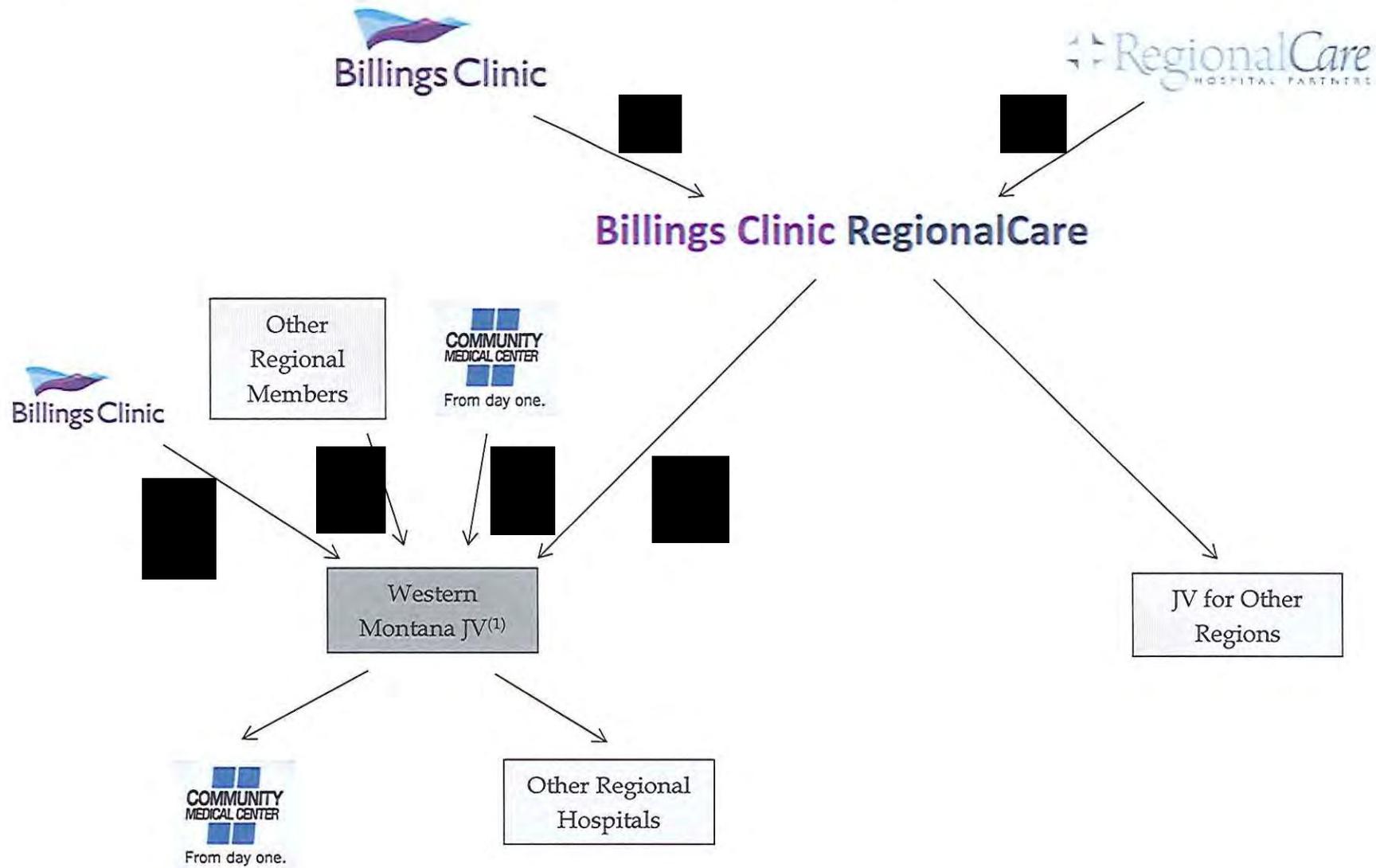
- Confidentiality
- Bidder Communications
 - Bidder 4 if not selected
 - RC/BC if not selected
- Communications with key constituents
 - Physicians
 - Staff
 - Local politicians
 - State politicians
 - Attorney General
 - Community leaders
 - Community at large
- Media messaging and management

Appendix A: Transaction Structures



Transaction Structures

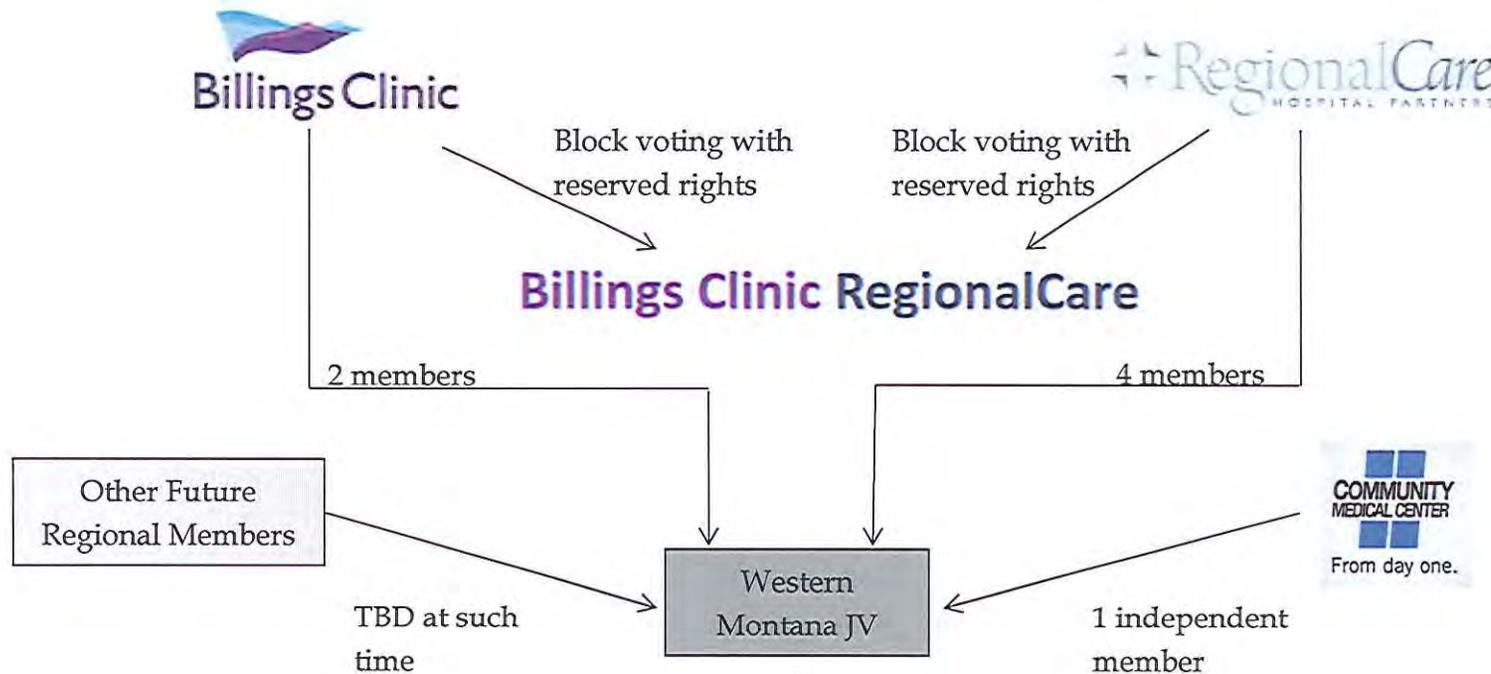
Proposed Structure of Billings Clinic RegionalCare Greater Montana Network



1) Vehicle through which Billings Clinic RegionalCare intends to acquire other hospital partners in western Montana including the regions west of, and including, Livingston and west of, but excluding, Great Falls.

Transaction Structures

Proposed Governance Structure of Billings Clinic RegionalCare

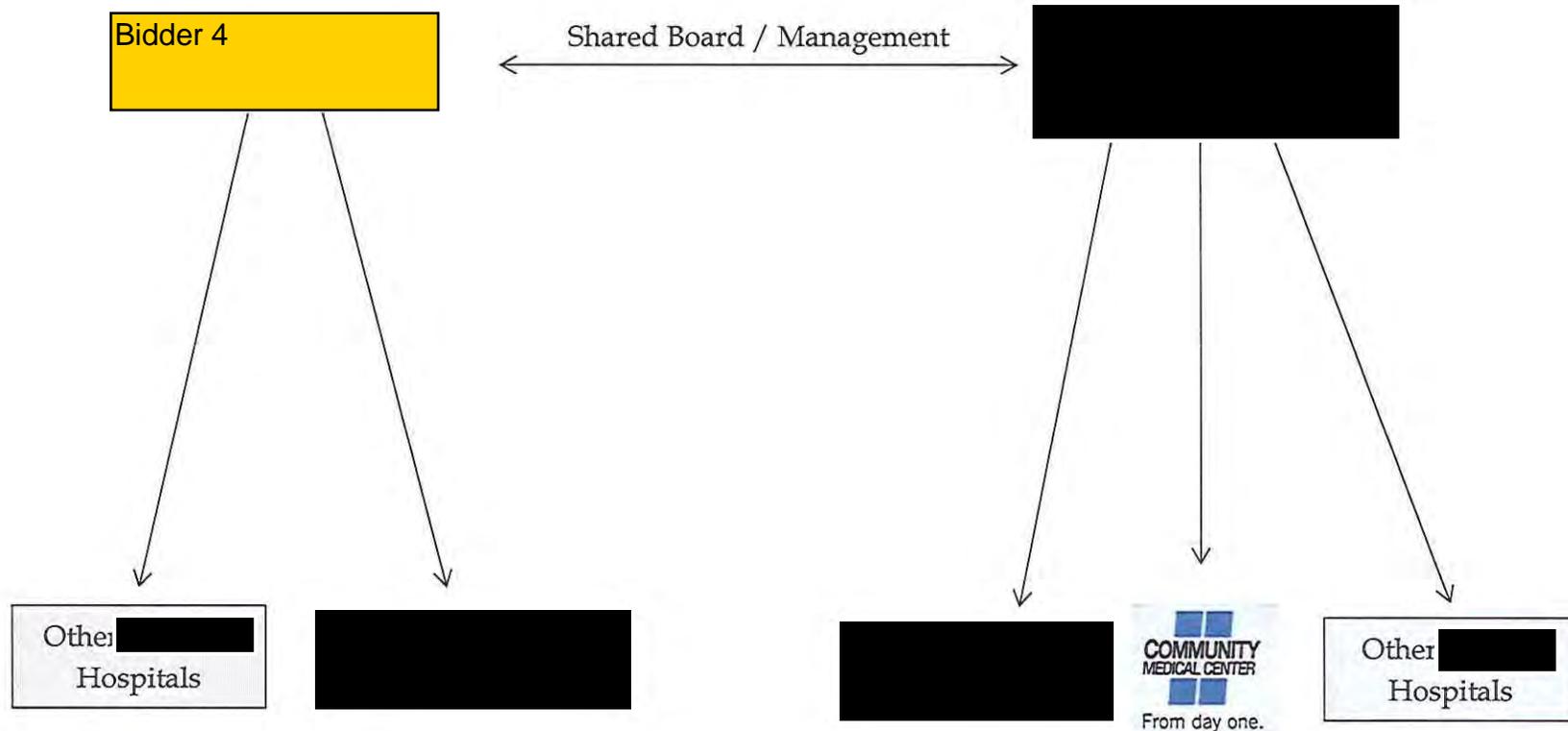


Self-Perpetuating Local Board (4 physicians, 5 community members and local CEO) -
 Responsible for compliance, oversight for institutional planning and quality, recommend new services lines, participate in annual review of strategic and financial plan and goals, recommend operating and capital budgets, evaluate recruitment needs

CMC will also have one board seat on Billings Clinic Board

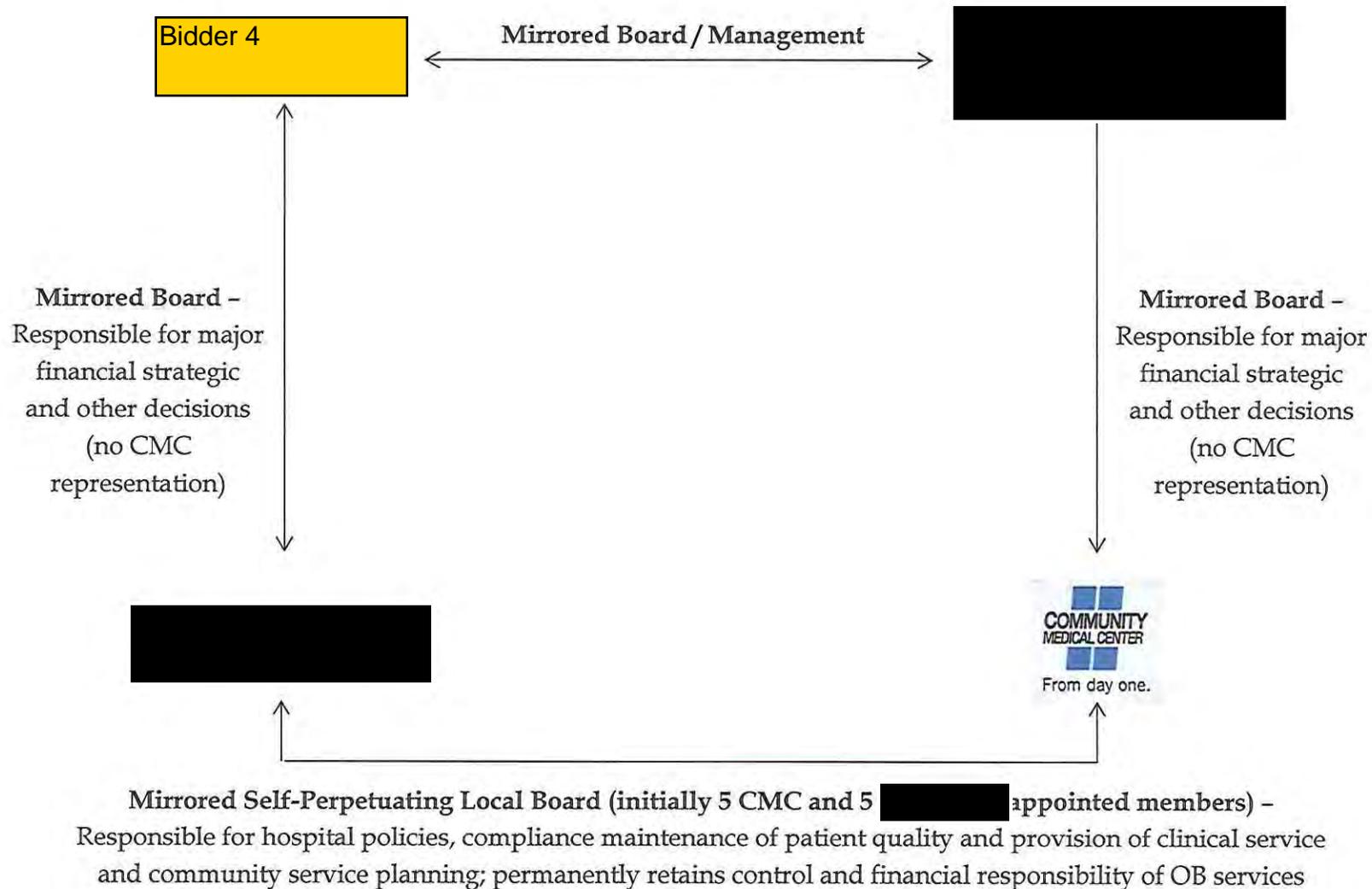
Transaction Structures

Proposed Structure of Bidder 4



Transaction Structures

Proposed Governance Structure of Bidder 4



1) Does not include contingencies, medical malpractice and transaction costs.

2) \$10 million paid annually between 2016 and 2020 has not been discounted to represent present value