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September 9, 2014

Tim Fox
Attorney General
Office of the Attorney General
State of Montana
Justice Building, Third Floor
215 North Sanders
P.O. Box 201401
Helena, MT 59620

RE: NOTICE OF SALE OF THE ASSETS OF **COMMUNITY MEDICAL CENTER, INC.**, A MONTANA PUBLIC BENEFIT CORPORATION

Dear Attorney General Fox:

Our office represents Community Medical Center, Inc., a Montana non-profit, public benefit corporation ("Community" or the "Hospital"). This Notice is being sent pursuant to Section 35-2-617(7)(a) of the Montana Non-Profit Corporation Act (the "Act"), to notify you that on September 4, 2014, Community as "Seller" entered into a definitive Asset Purchase Agreement ("APA") with RCHP/Billings-Missoula, LLC ("RCHP/Billings" or the "Buyer") for the sale of substantially all of Community's assets to RCHP/Billings. This letter serves as Community's notice of the transaction pursuant to the Act.

For purposes of certain covenants in the APA, there are other parties to the APA as follows: Billings/RCHP Healthcare Holdings, LLC, a Delaware limited liability company ("Billings/RCHP Healthcare"), Billings Clinic, a Montana non-profit public benefit corporation ("Billings Clinic"), RCHP-Montana, LLC, a Delaware limited liability company ("RCHP-Montana"), and RegionalCare Hospital Partners, Inc., a Delaware corporation ("RegionalCare").

Pursuant to Section 9.2(a) of the APA, the "Closing" of this sale transaction from Community to RCHP/Billings is expressly contingent upon Community receiving consent/approval or a "no action" statement from the Attorney General of the State of Montana. A true, fully executed copy of the APA is being delivered to you with this Notice, except as marked to honor individual privacy concerns, trade secrets, and other proprietary and/or confidential information or data.

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Background:

Community Medical Center, Inc.:

Community is a public benefit, not-for-profit 501(c)(3) corporation that is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Hospital was founded in 1947 to provide Missoula with a local hospital that would provide high quality, accessible and affordable health care to its residents. Today, Community owns and operates a 151-licensed bed acute care hospital serving residents in western Montana. The Hospital provides a full suite of services and is the only facility offering obstetrical and newborn care in Missoula County. Community has over 900 full-time-equivalent employees and approximately 349 physicians on staff including 54 employed physicians and midlevel providers. In 2014, Community had 5,080 discharges and 139,766 outpatient visits.

RCHP/Billings-Missoula, LLC:

RCHP/Billings-Missoula, LLC is a for-profit limited liability company, whose sole Member is Billings/RCHP Healthcare. Billings/RCHP Healthcare is a joint venture partnership between RCHP-Montana, a wholly-owned subsidiary of RegionalCare, and Billings Clinic that draws on the clinical excellence, operational expertise and financial resources of both organizations. The Buyer offers potential partners, such as Community, expanded clinical services; access to physician integration, support, and recruitment; clinical protocols; and quality improvement systems. Additionally, through its joint ownership by RegionalCare and Billings Clinic, the Buyer offers operational expertise and access to the capital needed for such growth strategies, including technology and facility expansion and renovation.

Billings Clinic:

Based in Billings, Montana, Billings Clinic is a public benefit, not-for-profit 501(c)(3) corporation that is exempt from federal income tax pursuant to the Code. It is a community-governed, physician-run health care organization consisting of a multi-specialty group practice, a 285-bed hospital, and a 90-bed skilled nursing and assisted living facility. Billings Clinic is the community's largest employer and its 255 physicians and 85 non-physician providers serve patients in Montana, Wyoming, and the Western Dakotas. Further, Billings Clinic is partnered with ten critical access hospitals in Montana and Wyoming and provides physician staffing, professional support personnel and operational oversight for the radiation oncology service at Community. In 2012, Billings Clinic was named number one for hospital safety out of 1,159 participating hospitals in the country and U.S. News & World Report recently ranked Billings Clinic as the best hospital in Montana for 2014 – 2015.

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RegionalCare Hospital Partners, Inc.:

RegionalCare is a privately-held, for-profit hospital management company based in Brentwood, Tennessee. The company currently owns and operates eight acute care hospitals in seven states, all of which are in non-urban or rural markets. RegionalCare is backed by Warburg Pincus, one of the world's leading health care investment firms and a total of more than \$30 billion under management in multiple industry sectors.

Decision to Pursue an Affiliation Process:

Although financially successful now after a number of difficult years, Community is faced with a number of challenges as health care delivery in Montana adjusts to market forces and legislative mandates for change. Community's Board of Directors recognized as early as 2010 that its options for the future must be viewed within the context of the market changes occurring nationally, regionally as well as in the state of Montana. To meet the challenges imposed by regulatory and broad market forces, Community concluded through a series of long-range planning sessions, that it would need to invest significant resources into facilities, new technologies and new methods of providing care. Recognizing the inherent difficulty these issues posed for standalone hospitals, the Board concluded that a partnering initiative should be explored. With this in mind, the Board decided to seek a partner that would offer Community the opportunity to:

- Reduce costs through service coordination and support service consolidation.
- Improve quality by collaborating on the identification and adoption of best practices.
- Prepare for the challenges introduced by the Affordable Care Act by acquiring the experience and competencies needed to manage capitation and population management.
- Secure access to capital for service expansion, information systems development and physician recruitment.

In June 2013, in light of the objectives described above and the challenges faced by Community to meet such objectives, Community decided to engage Cain Brothers & Company ("Cain Brothers"), one of the nation's largest health care financial advisory firms, to assist it in identifying and evaluating strategic alternatives, including remaining independent or pursuing an affiliation with a regional or national health system.

Overview of Affiliation Process:

Cain Brothers initiated the selection process in July 2013 by conducting interviews of Community's executive team, Board members and physicians to define Community's organizational objectives as well as identify the organization's strengths and challenges. Community established an Affiliation

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Taskforce including Scott Stearns (Board Chair), Scott Hacker (Board Vice Chair), Steve Carlson (CEO) and Stan Moser (EVP/CIO) to spearhead the affiliation process and participate in weekly process review meetings with Cain Brothers.

In late July 2013, the Affiliation Taskforce finalized a list of potential partners that could meet Community's strategic objectives. Cain Brothers began the targeted solicitation process shortly thereafter contacting potential partners that were determined to be able to meet the objectives of Community and ensure the continued availability of high-level and accessible health care in Missoula. In August and early September, Cain Brothers distributed an executive summary of Community, a process letter and proposed term sheets to the identified interested parties with a deadline to provide initial indications of interest. The interested parties also received access to a limited electronic data room.

Cain Brothers initially received three indications of interest in the form of proposed term sheets with responses to a set of questions submitted to the bidders covering topics such as clinical quality, commitment to the employees and community, relationship with the medical staff and future capital commitment. These responses were reviewed by the Community Board. In addition, to assist in the review of the potential partners, the Board formed a Physician Advisory Committee ("PAC"). The purpose of the PAC was to give the medical staff an opportunity to provide significant input into the selection process.

The three interested parties that submitted proposals were invited to present to the Community Board and PAC. After deliberation of the proposals submitted, the Community Board also directed Cain Brothers to include Providence Health and Services ("Providence"), a Seattle based sponsor of St. Patrick Hospital ("St. Patrick") in Missoula, in the affiliation process and directed Cain Brothers to solicit a proposal from Providence.

As part of Community's reverse due diligence, Cain Brothers organized site visits at hospitals owned by the respective bidders for the Board members and PAC members to tour between the end of November and middle of December 2013. The site visits included tours of the facilities as well as meetings with local board members and physicians to discuss their experiences with the respective bidders. In total, Community visited seven different hospitals as part of its review process.

In December 2013 and January 2014, in a series of meetings, the bidders again presented to the Community Board. After several months of reverse due diligence, additional negotiations, revisions to the proposals and significant deliberation, the Community Board decided to narrow the bidders to RCHP/Billings and Providence.

The finalists were asked to conduct thorough due diligence over the next six weeks to confirm the economics underlying their respective proposals. During this time, Cain Brothers also further negotiated the terms of the initially submitted term sheets with both bidders and an additional reverse due diligence site visit was conducted with Providence.

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At the February 27th Community Board meeting, Community decided to postpone the final decision to the next Board meeting and to further negotiate the transaction terms in the interim. On March 27, 2014, Cain Brothers provided a detailed overview of the final terms negotiated with each of the finalists. The Community Board members further deliberated and considered its options. Included in the deliberation was a review of over 100 emails from community residents that voiced a strong preference for Community remaining an acute care provider, independent of St Patrick Hospital. The board also reassessed the advantages and disadvantages of reconsidering previously eliminated bidders. After additional consideration, the Community Board selected RCHP/Billings as the winning bidder to acquire the Community assets. The parties conducted confirmatory due diligence and negotiated the purchase agreement in the ensuing months. The APA was approved by the Community Board on August 28, 2014, and executed on September 4, 2014. The APA was approved by RCHP/Billings and executed on September 4, 2014.

Selection of RCHP/Billings:

The proposed transaction with RCHP/Billings is the result of Community's long-term planning and a 14-month strategic undertaking and six months of substantial reverse due diligence by the executive team, Community Board members and PAC members with the goal of securing Community's long-term future in a changing health care environment that assures the delivery of high-quality care and expands medical services in the community.

In evaluating the various bidders, the Community Board considered the economic proposals as well as a range of factors that would best meet the above mentioned objectives and best serve the needs of the community in the future. Some of the factors considered included:

- Purchase price;
- Commitment to physician recruitment;
- Ability to continue and enhance programs and services;
- Ability and commitment to maintain women's services;
- Enhancement of quality;
- Access to specialty care;
- Capital commitment;
- Commitment to the community;
- Continued choice of provider for the community; and
- Impact of Certificate of Public Advantage.

Community, in conjunction with its advisors, determined that the total consideration (including a \$67.4 Million cash purchase price adjusted at closing) offered by RCHP/Billings is fair judging

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against competing offers and precedent transactions involving similarly situated standalone hospitals. RCHP/Billings was also judged best suited to recruit and retain high quality physicians to further expand and enhance services in the greater Missoula community. RCHP/Billings also committed \$40 Million over the next ten (10) years toward physician recruitment.

Community, including members of the PAC and other Community medical staff members, spent significant time conducting due diligence on the bidders and their ability to continue women's services at Community without interruption. It was determined that RCHP/Billings would be able and best positioned to not only maintain but also enhance this key service line in the Missoula community.

With Billings Clinic, Community has chosen a premier, Montana health care provider as its clinical partner. Top ranked for safety and quality, Billings Clinic is a nationally recognized health system that will bring its expertise to Missoula to further improve health care in western Montana. The proposed transaction establishes a Montana-centric health system that gives Community the opportunity to access specialty care services at the Billings Clinic and share best practices among Billings Clinic, Community and RegionalCare facilities.

The combination of Billings Clinic and RegionalCare offers the Missoula community a high quality regional, Montana-based partner with the resources and expertise of a well-funded national hospital management company. RCHP/Billings has made a contractual commitment in the APA to invest \$60 million over ten (10) years in strategic initiatives in Western Montana in addition to its ten (10) year routine capital commitment at Community equal to three percent (3%) of net patient revenue, which combined will provide Community the financial resources necessary to expand and enhance the services offered to the greater Missoula community.

The Community Board also carefully considered the advantages and disadvantages of consolidating into a single health system with St. Patrick versus maintaining competition in Missoula. Community concluded that while it continues to strongly support its collegial relationship with St. Patrick, the community and medical staff would be best served by continuing to have a choice between providers. In evaluating a partnership with Providence, the Board also considered the likelihood of obtaining the necessary Certificate of Public Advantage (COPA) and the impact of any restrictions set forth in such Certificate on the future operation of the hospital system.

Due Diligence Materials:

As part of this review process, Community will provide to the Attorney General copies of the Community Board Minutes as well as materials prepared by or for the Board, including Board presentation materials prepared by Cain Brothers, to assist Community with its strategic affiliation due diligence process.

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Antitrust:

Community understands that the Attorney General will conduct an antitrust analysis as part of its overall review process. Community will cooperate to provide any information or data requested by the Attorney General as part of that process.

Further Cooperation;

Community recognizes that the Attorney General will likely need further information , data and documentation to conduct and complete its review. Community will accommodate requests for further information. Some information will be marked "Confidential" to honor individual's privacy rights and to protect certain trade secret information from the prospective bidders.

Public Benefit:

The Community Board recognizes Community's post-closing obligation as a Montana public benefit corporation to use the net proceeds of the sale to RCHP/Billings for similar public benefit purposes approved by the Attorney General. The Community Board has been working diligently to determine how best to meet its continuing net worth requirements under the APA, otherwise adequately account for any further unknown post-closing liabilities, and how to use the net proceeds of sale for appropriate and approved public benefit purposes. Community will provide the Attorney General with its proposed plan to accomplish these required objectives, including the name, structure, governance, and mission of the public benefit foundation to which the net proceeds of sale will be transferred.

Conclusion:

Community has determined that selling to RCHP/Billings would best secure Community's long-term future in light of healthcare reform and the number of challenges facing independent community hospitals. The RCHP/Billings is expected to be a highly-capable and qualified operator with a deep commitment to expand and enhance health care services in the greater Missoula community. Through the proposed transaction, Community will gain access to two strong health systems that combined are nationally recognized for high-quality care and have the financial resources to increase the level and quality of care at Community.

The proposed transaction with RCHP/Billings preserves Community's significant role in the community and is judged by the Community board to be in the public interest. For the foregoing reasons, we respectfully request that the proposed transaction be approved. As the sole members of the Buyer purchasing Community's assets under this proposed transaction, Billings Clinic and RegionalCare have a significant interest in your review process. Therefore, we would appreciate it if you would include Billings Clinic and RegionalCare's outside counsel on all correspondence. Their contact information is as follows:

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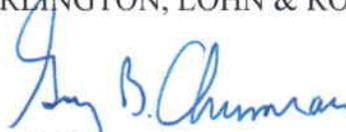
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Kevin Heaney, Esq. Counsel to Billings Clinic Crowley Fleck PLLP Transwestern Plaza II 490 N 31st St., Suite 500 Billings, Montana 59101 kheaney@crowleyfleck.com 406.255.7307	MaryEllen Pickrell, Esq. Counsel to RegionalCare Waller Lansden Dortch & Davis, L.L.P. Nashville City Center 511 Union Street, Suite 2700 Nashville, Tennessee 37219 maryellen.pickrell@wallerlaw.com 615.850.8917
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Thank you for your attention to this matter and please direct any requests for information or questions to me.

Very truly yours,

GARLINGTON, LOHN & ROBINSON, PLLP



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GBC:jsm/rad
Enclosure

cc: Steve Carlson, Community Medical Center, Inc.
Geoff Cockrell, Esq., McGuireWoods, LLP
Kevin Heaney, Esq., Crowley Fleck PLLP
MaryEllen Pickrell, Esq., Waller Lansden Dortch & Davis, L.L.P.