
CAIN BROTHERS

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CONFIDENTIAL

August 28, 2013

Dr. Nicholas Wolter
Chief Executive Officer
Connie Prewitt
Chief Financial Officer
BILLINGS CLINIC
P.O. Box 37000
Billings, MT 59107

Dear Dr. Wolter and Ms. Prewitt:

On behalf of Community Medical Center and its affiliates (collectively, "CMC"), we are pleased to provide you with guidelines for submitting a proposal in connection with a potential strategic transaction with CMC (the "Transaction"). Cain Brothers has been requested by CMC to assist in soliciting and developing proposals from a highly select group of organizations in order to identify a strong partner for CMC. To assist in the evaluation of this opportunity by interested parties, an executive summary describing CMC has been attached hereto as Exhibit A. CMC will also provide access to an electronic data room with preliminary due diligence information.

CMC is endeavoring to complete a transaction as soon as practical, subject to any regulatory approvals that may be necessary. As such, interested parties must submit a marked version of the applicable term sheet(s) set forth in Exhibit B and C hereof no later than September 16, 2013 at 5 PM EDT via e-mail to the following:

Carsten Beith
Managing Director
Cain Brothers & Company, LLC
One North Franklin Street
Suite 300
Chicago, IL 60606
Telephone: (312) 604-0500
Email: cbeith@cainbrothers.com

Jim Moloney
Managing Director
Cain Brothers & Company, LLC
601 California Street
Suite 1505
San Francisco, CA 94108
Telephone: (415) 962-2961
Email: jmoloney@cainbrothers.com

Daniel Koob
Vice President
Cain Brothers & Company, LLC
360 Madison Avenue
5th Floor
New York, NY 10017
Telephone: (212) 981-6904
Email: dkoob@cainbrothers.com

Please submit requests for access to the electronic data room via email to Daniel Koob at dkoob@cainbrothers.com and include the individual's name, organization and email address.

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In order to allow CMC to evaluate the potential partners and the terms of the proposed transaction, your proposal should include the following items in the order presented:

- 1) A marked version of the applicable term sheet(s) set forth in Exhibit B and C hereof.
- 2) If an acquisition is proposed, a detailed description of the consideration to be paid to CMC including the amount and form of consideration and, in the event of a proposed asset acquisition, an allocation of the balance sheet per the template included as Exhibit D hereto;
- 3) In the order presented in Exhibit E hereto and separated out by each of the nine numbered parts and subparts, a detailed response to each of the items listed describing your organization's approach to each issue and sub-issue;
- 4) A discussion about the expected sources and uses of funding for the proposed transaction, if applicable;
- 5) A due diligence request list setting forth the information your organization requires prior to executing a definitive agreement if selected by CMC; and
- 6) A list of the names and phone numbers of your internal team and any outside advisors with whom we should discuss your preliminary proposal.

Any proposal submitted by you will be subject to the terms of any Confidentiality Agreement that you have executed. This letter along with its attachments and all discussions with Cain Brothers regarding CMC shall be treated as confidential information by you and your agents pursuant to such Confidentiality Agreement.

All meetings and information to be provided will be coordinated through Cain Brothers. Cain Brothers will remain available to respond to questions or reasonable requests for additional information. All such requests should be directed to Carsten Beith at (312) 604 0500 or cbeith@cainbrothers.com, Jim Moloney at (415) 962 2961 or jmoloney@cainbrothers.com, or Daniel Koob at (212) 981 6904 or dkoob@cainbrothers.com. **Under no circumstances should employees of CMC or any physician partner be contacted directly regarding this Transaction.** In no event shall this transaction process or your participation herein be discussed with any third parties.

CMC expressly reserves the right, at its sole discretion, to evaluate the terms and conditions of any proposal, to accept or reject any such proposal for further consideration without specifying reasons therefore, and to alter or terminate this process at any time. Until such time, if any, that CMC and a potential partner enter into mutually satisfactory definitive agreements, no binding arrangement will exist as to a strategic transaction with CMC as contemplated herein.

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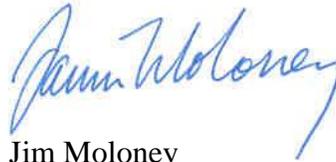
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If you have any questions regarding the procedures governing the invitation as detailed in this letter, please feel free to contact us. CMC appreciates your interest and looks forward to your response.

Sincerely,



Carsten Beith
Managing Director



Jim Moloney
Managing Director

EXHIBIT A

Community Medical Center Overview

(See attached Community Medical Center Overview)

EXHIBIT B

Membership Substitution Term Sheet

(See attached Membership Substitution Term Sheet)

EXHIBIT C

Asset Purchase Term Sheet

(See attached Asset Purchase Term Sheet)

EXHIBIT D

Balance Sheet Allocation

(See attached Excel® spreadsheet to be completed)

EXHIBIT E

Proposal Response Requests

Please provide a detailed response to each of the items listed below describing your organization's approach to each issue and sub-issue:

1. Ensure the delivery of high-quality, cost effective health care services with measurable outcomes to the community through a commitment to expanding both the quality and scope of clinical services provided by CMC;
 - a. Provide your organization's Mission Statement; identify how it is implemented and how it aligns with CMC's commitment to provide a patient experience that is of high quality, safe and service-oriented to the patients, families and communities who seek health care services at CMC.
 - b. Summarize your organization's overall strategy and specifically indicate how you envision CMC to fit into the strategy including any enhancement or realignment of services at CMC. It is CMC's goal to improve its cost position by 3 – 6% through service realignment with a new regional partner.
 - c. Define how you will lead the adoption of best practices and the elimination of unnecessary practice variation (clinical transformation) at CMC. It is CMC's goal to improve its cost position by 6-14% through this initiative.
 - d. Define your plan to centralize "back office" services. It is CMC's goal to improve its cost position by 4-8% by securing scale and the integration of administrative services with a regional partner.
 - e. Define your competencies and goals to advance Lean or process improvement at CMC. It is CMC's goal to secure savings of 8-12% through its Lean initiative.
 - f. Describe your organization's plans to increase the scope of services provided at CMC.
 - g. Identify the systems and structures utilized to drive, implement, measure, report and improve quality of patient care, and how these systems and structures would be implemented and/or integrated in the CMC environment to achieve measurable improvements in clinical quality (as defined by current CMS standards) at CMC.
2. Enhance and expand CMC's medical staff by recruiting, training and retaining physicians while providing competitive compensation and benefits;
 - a. Describe your primary care and specialty networks and your strategy for achieving Community's goal of hiring approximately 60+ providers over the next three years and building Community Physician Group and developing a virtual, multi-specialty clinic with select specialty groups.

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- b. Identify the electronic health record system your organization uses that integrates between physicians and other outpatient and inpatient facilities, and how CMC's physicians and facilities would be integrated into that system.
 - c. Describe the formal organizational structures for physician leadership and how they will have input into regional/organizational strategic and operational care delivery planning and decision making.
 3. Committed to charitable care delivery and funding;
 - a. Summarize your organization's charitable care policy and the average percentage of charity care provided relative to net patient revenue over the past three years.
 4. Offer employees a friendly work environment and maintain existing employment practices;
 - a. Provide your organization's nurse staffing levels, nurse-to-patient ratios, and overall turnover and vacancy rates for the past three years.
 - b. Provide the job categories and percentage of your organization's employees that are subject to collective bargaining agreements.
 - c. Define your overall employee satisfaction or employee engagement scores and define how they compare (percentile) with other like providers.
 5. Be well-positioned for health care reform and population management in the greater Missoula market;
 - a. Describe the extent to which your organization has entered into shared-savings programs/contracts, ACOs, bundled payment programs, or risk-bearing contracts with government health care programs or commercial payors.
 - b. Describe your organization's IT infrastructure and its ability to support an ACO/population health-type model including meaningful use compliance status, integration across the continuum of care, total cost of care management, etc.
 - c. Describe your organization's ability to provide the continuum of care (including owning/partnering with SNFs, ALFs, home health agencies, behavioral health, medical homes, etc.) and the level of coordination across all settings.
 - d. Describe the care management models deployed or planned for your organization.
 - e. Describe the expertise/competency that your organization offers in regards to population health management, shared savings programs and risk-bearing contracts including your organization's ability to spread financial risk under risk-based reimbursement models.

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- f. Describe your organization's strategy to build and expand a regional provider network and how Community would fit into that plan.
 - g. Describe your organization's strategy to position CMC for population health management and/or other new care models under health care reform.
6. Describe your organization's experience in the merger integration of hospitals, outpatient facilities and physician practices.
7. Provides a well-integrated health system;
 - a. Describe the functions performed at the corporate level versus at the local hospitals.
 - b. Describe the methodology for allocating capital and corporate overhead.
8. Provide for CMC's long-term stability and security based on the historic and projected financial performance, long-term vision, and commitment to serve as a stable partner;
 - a. Provide a summary of your organization's financial position.
 - i. Three years of audited financial statements.
 - ii. Interim year-to-date financial statements through the most recent month-end available.
 - iii. Most recent Official Statement, if applicable.
 - iv. Last rating agency updates.
 - v. Access to third-party capital, including the amount of debt capacity or funds available from equity investors.
 - vi. Capital raising plans within the next 12 months, including debt offerings or equity raises including the timing, amount and expected use of proceeds.
 - b. Provide an organizational profile for your organization including (a) not-for-profit/for-profit status, (b) religious affiliation, if any, (c) current listing (including location) of hospitals, (d) number and location of other facilities, (e) founding date of organization, (f) location of headquarters, (g) number of employees, (h) number of physicians on medical staff, (i) number of employed physicians, (j) make-up of board, (k) name and position of senior executives along with their biography, (l) credit rating, (m) top five managed care payors by volume.
 - c. Indicate whether your organization is subject to a corporate integrity agreement and if so, the terms of that agreement(s).
 - d. Provide a list of any hospitals acquired or sold in the past five years.
9. Present any financial, regulatory and other non-financial hurdles to closing;

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- a. Identify and discuss any and all contingencies to closing, including regulatory (e.g. antitrust) and if applicable, third-party financing.
- b. Indicate the level at which your response has been approved within your organization and what approvals will be required to sign a definitive agreement and close the transaction.
- c. Identify any third party consents you will need to obtain for entering into the transaction as contemplated (such as banks, bond insurers, lessors, and landlords).