

**From:** Gary B. Chumrau [<mailto:gbchumrau@GARLINGTON.COM>]

**Sent:** Monday, December 15, 2014 5:52 PM

**To:** Hubbard, Kelley; Eck, Ed

**Subject:** CMC Proposal For Use of Funds

Hi Kelley and Ed:

I am enclosing a copy of CMC's formal Proposal for Use of Net Closing Proceeds. This email submittal is intended to be in lieu of and to supersede my email submittal of December 9 and follow-up email of December 10 making the submittal conditional. **The Proposal is now being submitted as a formal proposal for the AGO to review and post for public review and comment.** This is not being filed on a confidential basis, so we realize it will be a public document. If convenient, we would very much appreciate an indication of **when you might post this on the website**, so we can be prepared to answer questions and coordinate our communication with the public. This is, however, being submitted on the **condition** that if the AGO for any reason does not make its final decision on the sale transaction by December 31, 2014, CMC reserves the right to reconsider and re-submit the terms of the Proposal.

The Proposal is quite thorough and accounts for the use of the estimated \$74.9 million sale price. In addition to the Buyer's \$500,000 gift to UM, CMC's \$10 million direct gift to UM, and the CMC Reserve Fund for ongoing wind-down operations (estimated at \$1 to \$1.5 million), the bulk of the net proceeds of approximately \$64.2 million will be held by CMC, Inc. (f/k/a Community Medical Center, Inc.) on an interim basis until the new Community Hospital Legacy Foundation is created and has received tax exempt status, at which time the funds, less the Reserve Fund, will be transferred to the Foundation to be held and managed on an endowment basis. CMC, Inc. will during its existence retain the right to enforce the Buyer's obligations under the APA, and will have the right to request funds from the Foundation to finance such an effort if necessary if the Reserve Fund is inadequate to do so.

The Foundation will be an independent private foundation with a geographic "Triple Aim" mission as outlined in the Proposal. It will have a self-perpetuating Board, with local qualified members, a minority of whom may be current CMC Board members, but who will not be paid and who will have no affiliation with the new CMC hospital (except for CMC physicians who will be eligible) or any other parties to the APA. We have tried to outline general qualifications for the Board to assure they bring value to the Foundation and its mission. While it maintains its existence, but for no longer than 9 years, CMC may appoint the minority Board members.

There will also be a larger Advisory Board created to be representative of the region being served. We have provided flexibility to add up to two members who may bring national experience and expertise to this advisory body.

We have provided for AGO approval of initial Board members.

Thank you, and of course if you have any questions or concerns about the terms of the Proposal, please contact us and we would be happy to discuss. It has been prepared only after CMC looked in detail at other options, including using other existing Montana foundations, and believe this proposal will honor CMC's legacy by providing for healthcare needs in the region on a long-term endowment basis, which concept was broadly supported at the public forum. We look forward to working with you on this Proposal.

Thank you. Gary

Gary B. Chumrau

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PO Box 7909 (350 Ryman)  
Missoula, MT 59807-7909  
Phone: (406) 523-2500, Fax: (406) 523-2595

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