



HUEBNER ADVISORY LLC

SCH-SEARHC Strategic Affiliation* Process
Update for CBS Assembly

October 23, 2018

Overview of Teams, Roles, and Process:

Who	What	Frequency
CBS Assembly	<p><u>Regular and Special Sessions as well as Email/Telephone Input:</u></p> <ul style="list-style-type: none"> • Provide guidance regarding community and transaction goals in either open or executive session, as appropriate • Facilitate communication through formal and informal community settings regarding transaction progress and Assembly's oversight role • Internal Team to provide Executive Summaries of key activities in advance of Assembly meetings and request review/input on critical issues, deal points 	At least twice a month
<p>Key Collaborators:</p> <ul style="list-style-type: none"> • SCH Management Team • SCH Board 	<p><u>Regular Project Updates (F2F/conference call):</u></p> <p>Internal Team to update SCH Management Team and Board on progress to-date, and gather input</p>	Every 2-3 Weeks
<p>CBS Negotiating Team:</p> <ul style="list-style-type: none"> • Keith Brady (Project Lead) • Brian Hanson (CBS Counsel) • Jay Sweeney (CBS Finance) • Robert Allen (Sitka Community Hospital) • Roger Golub, MD (Sitka Community Hospital Physician Leader) • Sarah Cave (Project Manager/CBS Consultant) • Steve Huebner (Finance & Accounting Expert/CBS Consultant) • Sandy Johnson (CBS Outside Counsel) 	<p><u>Meetings (F2F/conference call):</u></p> <ul style="list-style-type: none"> • Identify critical issues and significant deal points related to transaction • Iterative review of, and input on, draft documents • Negotiate resolution of critical issues, deal points on behalf of CBS in Joint Negotiating Team sessions 	Every 2-3 Weeks

Who	What	Frequency
CBS Internal Team <ul style="list-style-type: none"> • Keith Brady • CBS core staff • Consultants • Outside Counsel 	<u>Project check-in “huddles”:</u> <ul style="list-style-type: none"> • Overall project management • Coordinate data requests and due diligence process • Coordinate communications 	Weekly
Joint Negotiating Team: <ul style="list-style-type: none"> • CBS Negotiating Team (above) • SEARHC Negotiating Team (SVP, Outside Counsel, etc.) 	<u>Meetings (F2F/conference call):</u> <ul style="list-style-type: none"> • Negotiate resolution of critical issues, deal points 	Monthly

Progress Report & What’s on the Horizon:

Since the October 9 CBS Assembly Meeting:

- Internal Team has been meeting regularly to thoughtfully plan and prepare for the Negotiations and Due Diligence process.
- CBS Negotiating Team has been assembled, and (schedules permitting) will convene for it’s first meeting before the end of October. Topics of discussion will include:
 1. Introductions and overview of negotiations process;
 2. Identification of critical issues to be addressed in negotiations (guided by input from CBS Assembly);
 3. Initial data/information to request of SEARHC as part of due diligence (guided by input from CBS Assembly);
 4. Review of initial draft definitive agreement (if ready by first meeting).
- CBS Outside Counsel, Sandy Johnson, has been in contact with SEARHC Counsel to coordinate, plan, and prepare for legal components of the due diligence process:
 1. Anticipating receipt of formal due diligence checklist by end of October.
- Keith Brady and Sarah Cave have been in contact with Dan Neumeister of SEARHC to coordinate Joint Negotiating Team process:
 1. Anticipating receipt of *initial draft* documents (lease and term sheet) by end of October.
 2. Anticipating first Joint Negotiating Team meeting will take place in early November.

The CBS Consultants and CBS Internal Team will provide their first Executive Summary on the project to the Assembly following the CBS Negotiating Team’s kick-off meeting and receipt of initial draft documents from SEARHC. Regular updates like this one will be made available to the public at Assembly meetings and on the CBS website. Joint CBS-SEARHC statements and press releases will be issued periodically to the media to keep the community informed.

**Footnote: The term “Affiliation” is used in healthcare to describe a broad range of collaborative ventures between two or more healthcare organizations. Generally, not-for-profit healthcare organizations prefer the term “Strategic Affiliation” to other more detailed business transaction terms like “Merger” or “Acquisition.”*