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Due Diligence Process Overview

CONFIDENTIAL AND PRIVILEGED

Purpose of Due Diligence

- Confirm the accuracy of information and disclosures previously conveyed
- Due diligence allows both parties to:
  - Ensure no issues exist that would impact willingness to consummate the transaction
  - Ensure no issues exist that would impact commitments made by the parties of the transaction
  - Identify any issues that require further investigation or additional expertise
- If material issues arise during due diligence, it is likely that the parties will negotiate solutions to the issue within the transaction structure and/or work to resolve/correct items of concern
- ***The key to successful due diligence is sufficient planning and organization at the beginning of the process by both parties and to the extent possible, consistent application of processes and procedures.***

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Confirmatory Due Diligence

- Dartmouth-Hitchcock Health ("D-HH") will conduct confirmatory due diligence on CMC, Monadnock Community Hospital and Huggins Hospital
- Confirmatory due diligence is more extensive and technical than preliminary due diligence and typically involves significant analysis of the following areas:

Confirmatory Due Diligence	
• Accreditation • Certificate of need / licensure • Employee benefits • Union relationships • Environmental compliance • Quality of earnings: – Accounts payable – AR / revenue recognition • Insurance / risk management • Litigation • Operational issues • Organizational structure	• Real estate holdings / title • Restricted assets • Tax exempt status • Contracts / third party consents • Regulatory compliance • Equipment / capital plans • Information technology • Physician employment and contractual relationships • Utilization projections

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"Reverse" Due Diligence

- GraniteOne Health ("GOH"), on behalf of its members CMC, Monadnock and Huggins, will also perform due diligence on D-HH
- The primary purpose of the GOH due diligence will be to confirm the accuracy of the information/disclosures that D-HH has previously conveyed
  - Add to the understanding of organizational culture
  - Confirm there are no material financial, tax, regulatory, legal or operational issues that would cause GOH and its members to not pursue the transaction on the terms agreed upon in the Letter of Intent (and Definitive Agreement)
  - Validate key D-HH strengths that a combined Dartmouth-Hitchcock Health GraniteOne system would deliver related to population health, clinical and financial synergies, alignment strategies, more centralized and integrated services and other key factors
  - Confirmatory due diligence on operational capabilities
- GOH will also confirm that D-HH has the capacity and capability to execute on the financial and operation of commitments included in the Letter of Intent (and Definitive Agreement)

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Due Diligence Functional Teams Overview

- Project Managers are assigned to manage the overall process, including maintaining overall scheduling, materials, and workflow from Functional Teams
- Functional Teams will be formed for each operational due diligence category as well for legal due diligence and transaction categories (to coincide with the due diligence list):
  - A. Corporate Organization and Governance
  - B. Regulatory Matters
  - C. Tax and Finance Matters
  - D. Payor Matters
  - E. Planning Data
  - F. Contracts
  - G. Insurance
  - H. Physical Plant and Real Assets
  - I. Medical Staff
  - J. Personnel
  - K. Material Litigation
  - L. Data Privacy and Security
  - M. Other Documents or Information
- Functional teams are assigned a Team Lead that is responsible for organizing workflow, providing status updates, and providing final deliverables for assigned operational area
  - Will also keep Project Managers updated and apprised of any roadblocks/issues

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Due Diligence Functional Team Work Overview

- The Functional Team's work will consist of due diligence
- Due Diligence will consist of the following tasks/ responsibilities for each functional area:
  - Assist and support the General Counsel office with responding to D-HH information requests
  - Review the documents and interviews assigned to it
  - Identify incomplete information or additional documents needed to complete the review
  - Provide an explanation of the scope of review (i.e., for what operational areas did you review the documents; what documents were reviewed)
  - Identify material issues that might impact the decision to enter into the transaction and/or materially impact the ability of the other party to meet commitments (financial, clinical, organizational, cultural, etc.):
    - Describe the issue
    - Identify how the issue can be addressed
    - Provide a reasonable estimate of the dollar impact (one-time and ongoing), if applicable
  - Describe other noteworthy items uncovered that might impact the transaction, the transition or ongoing operations post-transaction
    - Describe the issue
    - Identify how the issue can be addressed
    - Provide a reasonable estimate of the dollar impact (one-time and ongoing) , if applicable
  - Describe any limitations relating to the review of materials
  - Identify items requiring further review and/or provide findings/recommendations for further action

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Data Room

- A data room has been set up to house the information requested by/for both parties that follows the numbering and sequence of the due diligence request list
- Process:
  - A "staging" room has been set up on the CMC T Drive: "T:\DHH_GOH Due Diligence\Due Diligence Documents" that mirrors the "standard" data room for which you have been granted access (week of 3/11)
  - All information will first be loaded to the "staging room" on the T Drive and it will be stored there until legal counsel has reviewed
  - After legal counsel has reviewed and approved the document, the information will be transferred to the "standard" data room, that the other party has access to, by the Data Site Administrator (Lee Moriarty) (see timeline)
  - If there are questions by Legal counsel that need attention before releasing the documents, then a call will be scheduled with the Lead and Functional Team

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Data Room – Labeling of Documents

- With data being produced from multiple resources, it is important that the proper naming of files is established in order to maintain accuracy and consistency of our records
  - All documents you provide and save to the T Drive must be labeled to match the folder that it is being saved to
  - Please use the corresponding Section Letter and Number at the beginning of the file name when naming the document
  - Example:
    - Section of due diligence request: **A-1. Articles and Bylaws**
    - Document being provided: **CMC Amended and Restated Bylaws**
    - Label file name as: **A-1.CMC Amended and Restated Bylaws**
  - If a Section has multiple subparts (e.g. A-5.a, A-5.b, etc.)
    - Please only name the file as **A-5.[INSERT FILE NAME]**

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Data Room – Labeling of Documents – Supplemental Requests

- As both sides begin to review documents and make their analysis of the information, there will be requests made by both sides for additional information or clarification on certain documents. These supplemental requests for documentation will also need to be uploaded and labeled appropriately
  - All supplemental requested documents you provide and save to the T Drive must be labeled to match the folder that it is being saved to
  - Please use the corresponding Section Letter and Number at the beginning of the file name when naming the document, only this time add an "S" at the beginning to distinguish that this item was a supplemental request
  - Example:
    - Section of due diligence request: **A-1. Articles and Bylaws**
    - Document being provided: **CMC Amended and Restated Bylaws**
    - Label file name as: **S.A-1.CMC Amended and Restated Bylaws**

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Due Diligence "Hot Topics"

- Typical due diligence hot topics include the following:
  - Governance Issues
  - Capitalization issues
  - Financial and operational trends
  - Non-assignability clauses in contracts
  - Contract termination/default provisions
  - Employment/severance agreements
  - Change of control provisions in contracts
  - Litigation, fines or liabilities discussed in meeting minutes or other documents
  - Exclusivity provisions in contracts
  - Restrictive covenant or non-competition provisions in contracts
  - Privacy and/or data security issues
  - Software licensing rights and issues
  - Cultural compatibility
  - Pension liabilities

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Due Diligence Report Structure

(See Handout)

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Timeline & Milestones

March

- Set up tools & team kickoffs
- Distribute requests
- Document collection & upload

April

- Document review
- Supplemental document requests
- Begin to document key findings

May

- Complete document reviews
- Complete report outs
- Prepare summary reports for BOTs

June

- Distribute reports to BOTs for review
- BOT meetings

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Next Steps

- Verify Functional Team members
- Execute Functional Team kick-off meetings (including distribution of due diligence request list)
- Upload information to T Drive for legal review

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CMC
CATHOLIC MEDICAL CENTER

Huggins
Hospital

Monadnock
COMMUNITY HOSPITAL

Questions?