EXHIBIT A

NAVIGANT

Financial Consulting Report related to the Proposed Transfer of Certain Assets from Greater Waterbury Health Network, Inc. and its Affiliates to Prospect Medical Holdings, Inc.

Presented to

Mr. George Jepsen
Attorney General
State of Connecticut Office of the Attorney General
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120

June 24, 2016

Presented by

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June 24, 2016

Mr. George Jepsen
Attorney General
State of Connecticut Office of the Attorney General
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120
Attention: Gary W. Hawes, Assistant Attorney General

Dear Mr. Jepsen:

Navigant Consulting, Inc. ("Navigant") has completed its analysis with respect to the scope of services requested by your office pursuant to §§ 19a-486a to 19a-486h of the Connecticut General Statutes ("Hospital Conversion Act") and in accordance with the contract with your office effective on June 13, 2013 and including subsequent amendments effective on June 15, 2014, August 8, 2014, and May 24, 2016 (the "Contract").

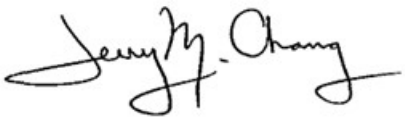
Navigant's analysis and conclusions contained in this report pertain to the proposed transfer of certain assets (the "Transaction") from Greater Waterbury Health Network, Inc. and its subsidiaries ("GWHN" or the "Hospital") to Prospect Medical Holdings, Inc. ("PMH"). Our analysis was performed as of May 31, 2016 (the "Analysis Date" or the "Valuation Date").

Our compensation for this assignment was not dependent in any way on the substance of our findings or conclusions. Our analysis was based, in part and where indicated, upon information provided by GWHN management and GWHN's designated legal and financial advisors. We have assumed that the information provided to us is complete and free of material misrepresentations. In addition, we have performed our own independent research and analysis related to the issues outlined by the State of Connecticut Office of the Attorney General ("OAG") in the Contract.

NAVIGANT

We understand that this report will be part of the public record of the Attorney General's review pursuant to the Hospital Conversion Act and we reserve the right to respond to and explain our analysis, reasoning, and conclusions. The following report and accompanying appendices provide a detailed explanation of the basis of our analysis and conclusions. Please contact Jerry Chang at 404.602.3462 or jchang@navigant.com with any questions.

Very truly yours,
Navigant Consulting, Inc.



By: Jerry M. Chang, CFA
Managing Director

TABLE OF CONTENTS

INTRODUCTION

Summary of Engagement

Navigant was engaged by the OAG to provide financial consultation and expertise related to the OAG's review of the proposed transfer of certain assets from GWHN to PMH pursuant to Section §§ 19a-486a to 19a-486h of the Hospital Conversion Act, as of a current date.

This report specifically addresses the following conditions under Section §§ 19a-486c of the Hospital Conversion Act:

i. *Whether the nonprofit hospital exercised due diligence in (a) deciding to sell its assets, (b) selecting the purchaser, (c) obtaining a fairness evaluation from an independent person expert in such agreements, and (d) negotiating the terms and conditions of the transaction;*

ii. *Whether the nonprofit hospital disclosed any conflict of interest, including, but not limited to, conflicts of interest pertaining to board members, officers, key employees and experts of the nonprofit hospital, the purchaser, or any other party to the transaction;*

iii. *Whether the nonprofit hospital will receive fair market value for its assets, i.e., the most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and in their own best interest, and with a reasonable time being allowed for exposure in the open market;*

iv. *Whether the fair market value of the nonprofit hospital's assets have been manipulated by any person in a manner that causes the value of the assets to decrease;*

v. *Whether the financing of the transaction will place the nonprofit hospital's assets at an unreasonable risk; and*

vi. *Whether any management contract contemplated under the transaction is for reasonable fair value.*

The Navigant Valuation and Transaction Analysis Section contains a summary of the findings with respect to issues analyzed by Navigant, as requested by the OAG, in connection with the Proposed Transaction which are subject, in all cases, to the following conditions, limitations, and qualifications:

In conducting its analyses, Navigant assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or that was publicly available. Navigant further relied on the assurances of management of GWHN that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the financial forecast information furnished to or discussed with Navigant by GWHN or its advisors, Navigant assumed that they were reasonably prepared and reflect the best currently available estimates and judgment of GWHN's management as to the expected future financial performance of GWHN. Navigant expresses no opinion as to such financial forecast information or the assumptions on which they were based. Navigant also assumed that the final form of the Asset Purchase Agreement would be substantially similar to the version included in the June 17, 2016 letter of intent reviewed by it.

The analyses performed by Navigant are necessarily based upon the market, economic and industry conditions as they existed and could be evaluated on, and on the information made available to Navigant as of the date of this report and Navigant has no continuing obligation to update this report. Neither Navigant nor any of its directors, officers, employees, agents or representatives has audited any of the information contained or referenced herein and no warranty is provided as to the accuracy and completeness of this information. Navigant is neither a law firm nor a certified public accounting firm. Accordingly, the information contained herein is not intended to be and should not be relied upon as legal, auditing, or accounting advice.

Summary of Proposed Transaction

GWHN has agreed to sell all or substantially all of its assets to PMH for a total purchase price of $31.8 million, which assumes a target net working capital balance of $6.8 million. Additionally, PMH will assume up to up to $6.5 million in capital leases and commit to a seven year capital expenditure plan of $55 million. In addition, certain liabilities will be assumed by PMH, which will deduct from the total proceeds available to GWHN. It is anticipated that the net assets of GWHN comprised of unrestricted cash and investments will be used to satisfy certain obligations of GWHN which are not assumed by Prospect at the closing. In the case of a cash shortfall at closing, the capital expenditure requirement will be reduced for (i) capital leases assumed by Prospect in excess of $3.0 million (although not to exceed $3.5 million), (ii) an amount not to exceed $5.0 million comprised of the negative amount and the purchase price adjustment, and (iii) unpaid losses up to $4.5 million (for matters which there was originally anticipated a $4.5 million holdback). Subject to the approval of the Attorney General and the Superior Court, charitable assets that may not be used for such obligations will fund an independent foundation or, at the direction of the Superior Court, be directed to appropriate uses.

Greater Waterbury Health Network, Inc.

GWHN is a Connecticut non-stock, 501(c)(3) corporation which holds interests in numerous entities, joint ventures and affiliates. GWHN is the parent company of The Waterbury Hospital (the "Hospital"). The Hospital, which was built in 1902, is GWHN's primary asset, and is an acute care facility with 357 licensed beds plus 36 bassinets, located in the heart of Waterbury, Connecticut. GWHN, through the Hospital and other affiliates, provides acute care hospital services, physician services, diagnostic imaging, as well as rehabilitation and home health care services. A comprehensive overview of GWHN can be found in the *Overview and Background of GWHN* section of this report.

Post-Acquisition Commitments

Based on our review of the Certificate of Need ("CON") application (the "Application") submitted by GWHN and PMH, post-acquisition PMH has a number of commitments it must adhere to. The following provides a summary of some of those requirements:

1. Local Governance – the Hospital will be advised by a community advisory board ("Local Board") which will make recommendations and suggestions regarding the mission, vision and value statements with respect to GWHN, staff credentialing, disciplinary actions, compliance with accreditation requirements, and provide input on various operational decisions

2. Capital Commitment – PMH in consultation with GWHN will develop a capital plan in which PMH will commit to spending not less than $55.0 million (subject to reductions outlined in the Asset Purchase Agreement) on routine and non-routine capital expenditures over a seven year period on the Hospital Businesses (defined as GWHN and its joint ventures).

   PMH management indicated that the specific projects would be identified as part of an overall strategic plan developed within six months of the transaction close date. PMH management indicated at the public hearing that projects would likely include expanding the Hospital's physician network, increasing community access points, and increasing outpatient, ambulatory care sites.

The summary above does not purport to describe all of the details and terms of the Proposed Transaction and is included in this report for the purpose of providing general background of the Proposed Transaction. This summary may omit material terms of the final agreement, which may be further revised after the issuance of our final report.

Description of Prospect Medical Holdings, Inc.

Prospect Medical Holdings, Inc. ("PMH") started in 1996 out of Orange County, California, when the medical group Prospect Medical Group, Inc. began growing through a series of acquisitions and affiliations with various medical groups in the Southern California area. In 2007, PMH established its hospital operations with the acquisition of Alta Hospital System, LLC, a system of four community-based hospitals in Southern California and further expanded its Southern California presence with acquisition of Southern California Hospital at Culver City. In 2012, PMH's hospital operations into Texas with the acquisition of Nix Health, and again in 2013 with an 18-bed acute care hospital in Dilley Texas.

Today, PMH spans 13 hospitals with 2,258 licensed beds and 32 primary and specialty care clinics in Southern California, South Central Texas and Rhode Island. In Southern California, PMH has 10 affiliated Independent Physician Associations ("IPAs") which are managed by two of its subsidiaries, Prospect Medical Systems and ProMed Health Care Administrators which also manage several unaffiliated IPAs. Through PMH's Coordinated-Regional-Care model, its network of physicians, affiliated medical groups, and hospitals contract with and coordinate care with various health plans in the markets it serves. PMH's network currently includes over 9,133 doctors and specialists who arrange care for over 300,317 network members. PMH is accredited by the either Det Norske Veritas (DNV GL) Healthcare, Inc. or The Joint Commission. Additionally, PMH's medical groups have been

awarded “Elite” status by the California Association of Physician groups and have earned 4 to 5 star ratings with Medicare Advantage Plans.[1]

The company’s CEO and Chairman is Sam Lee, who previously served as CEO of Alta Healthcare System, which he co-founded after acquiring 7 Los Angeles area hospitals from Paracelsus Healthcare Corporation. Prior to this, Mr. Lee was a General Partner with Kline Hawkes & Co., a private equity firm located in Brentwood, California which focuses on acquisitions in healthcare, technology and business services. Other key PMH leadership are listed below[2]:

- David Topper, President of Alta Hospital System, LLC
- Mitchell Lew, MD, President
- Stephen O’Dell, Senior Vice President, Coordinated Regional Care
- Steve Aleman, Chief Financial Officer
- Ellen J. Shin, General Counsel and Secretary
- Cindra Syverson, Chief Human Resources Officer
- Von Crocket, Senior Vice President, Corporate Development
- Thomas Reardon, President, Prospect East Hospital Advisory Services, Inc.
- Hoyt Sze, Chief Compliance & Privacy Officer
- Jonathan J. Spees, Senior Vice President, Mergers and Acquisitions

Leonard Green & Partners, L.P. (“Leonard Green”) is a major investor in PMH. Leonard Green is one of the nation’s preeminent private equity firms with over $15 billion of private equity capital raised since its inception. Founded in 1989, the firm has invested in 76 companies in the form of traditional buyouts, going-private transactions, recapitalizations, growth capital investments, corporate carve-outs and selective public equity and debt positions. Based in Los Angeles, CA, Leonard Green invests in established companies that are leaders in their markets.

The affiliated investment funds of Leonard Green own approximately 61.3% of the common stock of Ivy Holding, Inc. (“IH”), a Delaware corporation which owns 100% of the stock in Ivy Intermediate Holding, Inc. (“IIH”). IIH is a Delaware corporation which owns 100% of the stock of PMH. IIH is a holding company for such stock ownership. It has no other assets, liabilities or operations. Current and former employees of PMH and its subsidiaries own the remaining shares of IH stock.

[1] http://www.pmh.com/

[2] Certificate of Need Application by GWHN and PMH dated October 28, 2015.

OVERVIEW AND BACKGROUND OF GWHN

Overview

GWHN is a Connecticut non-stock 501(c)(3) corporation which holds interests in numerous entities, joint ventures and affiliates. GWHN is the parent company of the Waterbury Hospital. The Hospital, which was built in 1902, is GWHN's primary asset, and is an acute care facility with 357 licensed beds plus 36 bassinets, located in the heart of Waterbury, Connecticut.

The Waterbury Hospital is a "safety net" hospital. It treats a large number of Medicare, Medicaid and uninsured patients. Discharges for these three payers represent approximately 80% of the total patient days and 75.6% of emergency room outpatient visits. Combining both inpatient days and emergency department outpatient visits, only 22% of its patients have commercial insurance. The Hospital admitted 10,729 inpatients, 917 newborns, had over 48,500 total emergency department visits, and performed an estimated 1,950 inpatient surgeries and 4,288 outpatient surgeries.

With the exception of Healthcare Alliance Insurance Company, Ltd., the Children's Center of Greater Waterbury Health Network, Inc., and the inactive Greater Waterbury Health Services, Inc. it is our understanding that all entities below will be acquired as part of the transaction between PMH and GWHN.

- **Healthcare Alliance Insurance Company, Ltd. (50%):** Healthcare Alliance Insurance Company, Ltd. ("HAIC" is a Cayman Islands-based captive insurance company owned jointly by Griffin Health Services, Inc., Milford Health and Medical, Inc., and GWHN. HAIC was created to offer professional malpractice and general liability insurance coverage to Griffin Hospital, Milford Hospital, Waterbury Hospital and members of their respective medical staffs. Milford Hospital is no longer an owner of HAIC.

- **Greater Waterbury Health Services, Inc. (100%):** Greater Waterbury Health Services, Inc., a not-for-profit corporation, was organized to provide for the contracting and management of tax-exempt community health services and programs in which GWHN may engage. Currently, there is no activity in this subsidiary.

- **VNA Health at Home, Inc. (100%):** VNA Health at Home, Inc., ("VNA") is a non-profit, non-stock corporation established in 1939 and affiliated with GWHN since 1996. VNA is a home health care agency that provides skilled nursing care, speech, physical and occupational therapy, medical social work and hospice care throughout the greater Waterbury region. It is located at 27 Siemon Company Drive, Watertown, Connecticut 06795.

- **Greater Waterbury Management Resources, Inc. (100%):** Greater Waterbury Management Resources, Inc. ("GWMRI") is a taxable corporation. GWMRI is a medical service organization originally organized to provide services to effectively manage medical group practices. While GWMRI has been in existence since 1984, there has been minimal activity since the formation of AMG. GWMRI is located at 1625 Straits Turnpike, Middlebury, Connecticut.

    - **Valley Imaging, LLC:** Valley Imaging, LLC ("Valley Imaging") is a Connecticut Limited Liability Company formed in 2002 and is owned by GWMRI and Diagnostic

Radiology Associates, LLC. GWMRI has a 49% ownership interest in Valley Imaging. Located at 799 New Haven Road in Naugatuck, Valley Imaging offers open MRI Scanning service to outpatients in the service area.

- **Children's Center of Greater Waterbury Health Network, Inc. (100%):** Children's Center of Greater Waterbury Health Network, Inc. ("CCGWHN") is a not-for-profit tax exempt corporation, is a nationally-accredited, stat-licensed childcare center. CCGWHN provides a staff of early childhood professionals to care for children from six weeks to five years of age and has been providing childcare services since 1997. It is located at 172 Grand Avenue, Waterbury, Connecticut.

- **Greater Waterbury Imaging Center Limited Partnership (64%):** The Hospital is the general partner of Greater Waterbury Imaging Center Limited Partnership, a Connecticut limited partnership formed to develop and operate a medical diagnostic imaging center. It is located at 68 Robbins Street, Waterbury, Connecticut.

    - **Alliance Medical Group, Inc. (100%):** Alliance Medical Group, Inc. ("AMG") is a tax exempt 501(c)(3) medical foundation and a wholly owned subsidiary of the Hospital. AMG is the largest hospital affiliated, multi-specialty group in the Waterbury area with more than 100 physicians and health care providers practicing in the following specialties: Emergency and Internal Medicine, Pediatric and Adolescent Medicine, Breast Surgery, General Surgery, Endocrinology, Pulmonary, Rheumatology, Infectious Disease/Travel Medicine and Sleep Medicine. AMG has Locations at:

        - 1625 Straits Turnpike, Suite 302, Middlebury, Connecticut
        - 40 Main Street, North, Woodbury, Connecticut
        - 305 Church Street Naugatuck, Connecticut
        - 130 South Main Street, Thomaston, Connecticut
        - 140 Grandview Avenue, Suite LO-1 and LO-6, Waterbury, Connecticut
        - 1211 West Main Street, First Floor, Waterbury, Connecticut
        - 51 Depot Street, Suite 506, Watertown, Connecticut

    - **Greater Waterbury Imaging Center Limited Partnership (64%):** The Hospital is the general partner of Greater Waterbury Imaging Center Limited Partnership, a Connecticut limited partnership formed to develop and operate a medical diagnostic imaging center. J It is located at 68 Robbins Street, Waterbury, Connecticut

- **Access Rehab Centers LLC (65%):** Access Rehab Centers LLC is a limited liability company formed in 1998 and owned by the Hospital and Easter Seal Rehabilitation of Greater Waterbury, Inc. It offers the region's largest and most comprehensive array of outpatient physical, occupational and speech therapy to adults and children. Access also provides physical therapy services on an inpatient basis to the Hospital. Access has locations at:

    - 134 Grandview Avenue, Waterbury, Connecticut
    - 715 Lakewood Road, Waterbury, Connecticut
    - 2154 East Main Street, Waterbury, Connecticut
    - 22 Tompkins Street, Waterbury, Connecticut
    - Waterbury Hospital, 64 Robbins Street, Waterbury, Connecticut
    - 1625 Straits Turnpike, Middlebury, Connecticut
    - 70-G Bennett Square, Southbury, Connecticut
    - 84 Oxford Road (Route 67), Oxford, Connecticut
    - 305 Church Street, Suite 16, Naugatuck, Connecticut
    - 131 Main Street, Thomaston, Connecticut

- **Imaging Partners, LLC (85%):** Imaging Partners, LLC is a limited liability company owned by the Hospital and a private radiology practice, Diagnostic Radiology Associates, LLC. Formed in 2001, Imaging Partners owns a 32 Slice CT scanner. It is located at 134 Grandview Avenue, Waterbury, Connecticut.

- **Waterbury Gastroenterological Co-Management Company, LLC:** Waterbury Gastroenterological Co-Management Company, LLC, is a limited liability company established to provide management services to the Hospital to improve and, where appropriate, maintain the overall quality, efficiency, and effectiveness of the Hospital's gastroenterology service line. The Hospital is sole Class H member and has certain management rights; the Physician owners, Class P members, assist the Hospital in providing such management services. It is locate at 64 Robbins Street, Waterbury, Connecticut.

- **Cardiology Associates of Greater Waterbury, LLC:** Cardiology Associates of Greater Waterbury, LLC is a cardiology practice established in 2010 and is wholly owned by the Hospital. The practice is comprised of eight employed board certified cardiologists, three of whom are interventional cardiologists. The practice has approximately 20,000 active patients. It is located at 455 Chase Parkway, Waterbury, Connecticut.

- In addition to the above subsidiaries, the Hospital is a corporate member of two not-for-profit joint ventures with Saint Mary's Hospital ("SMH" or "Saint Mary's") that provide specialty services. The Hospital's interest in both will be included in the transaction.

    - **Harold Leever Regional Cancer Center, Inc:** Harold Leever Regional Cancer Center, Inc. ("HLRCC") is a 501(c)(3) corporation. The Hospital and Saint Mary's are equal corporate members of HLRCC. Formed in October 2002, HLRCC combined both hospitals' existing medical and radiation oncology businesses into one combined program to better meet the needs of the community. HLRCC provides

state of the art cancer diagnostic and radiation services with two (2) linear accelerators and PET/CT scanner. The community's two private medical oncology practices provide services at HLRCC. HLRCC is located at 1075 Chase Parkway, Waterbury, Connecticut.

- **Heart Center of Greater Waterbury, Inc:** Heart Center of Greater Waterbury, Inc. ("HCGW") is a 501(c)(3) corporation. The Hospital and Saint Mary's are equal corporate members of HCGW. HCGW was used to develop a joint cardiac program. It does not have assets or significant operations of its own. Under this joint program, the two hospitals provide are residents with advanced cardiac services, including cardiac angioplasties and open heart surgery on both hospitals' campuses. The program performs over 600 angioplasties and 200 open heart surgeries annually. It has two locations: one at the Hospital at 64 Robbins Street, Waterbury, Connecticut and the other at Saint Mary's Hospital, 56 Franklin Street, Waterbury, Connecticut.

Finance and Operations

Exhibits G-1 through G-3 provide detailed historical financial and operating statistics relating to GWHN. Overall, GWHN revenues have decreased to $248 million from $263 million in 2014 and $263 million in 2013. The EBITDA operating margin was -4.5 percent in 2015, reflecting an EBITDA loss of $11.2 million, and GWHN's profitability has been marginal over the 2011 to 2015 time frame, with operating margins ranging from -4.5 to 4.4 percent.

As of September 30, 2015, GWHN had a consolidated asset balance of $175 million, which consisted of $67 million in current assets, $36 million of net fixed assets, $69 million in long term investments (most of which is restricted), and $2 million in other assets. GWHN liabilities consist of $42 million in current liabilities, $1.5 million of which was in the form of short-term debt. Long-term liabilities total $54 million which include $28 million of long-term debt and capital leases and $26 million in other long term liabilities which include the long term portions of medical malpractice, workers' compensation, retirement benefits, interest rate swap and conditional asset retirement obligations. Debt service on long-term debt and capital leases are projected to be $2 million in 2016 and GWHN anticipates contributing $1.3 million to its pension plan in 2016.

In addition to debt service and pension contributions, GWHN has an aging infrastructure. Depreciation in 2015 was $7.6 million and based on GWHN's available cash flow it won't be able to meet its capital needs and ongoing liabilities. Given GWHN's decreasing volumes, significant liabilities and capital needs, combined with its deteriorating financial performance, the Hospital will continue to experience financial distress absent an affiliation with a larger and more capitalized partner.

ECONOMIC OVERVIEW

When valuing a company or its assets, it is important to consider the condition of, and outlook for, the economy or economies in which the company operates or sells its products or services. This economic analysis is necessary because the financial performance, and consequentially the value, of a company or its assets are affected to varying degrees by the economic environment in which the company operates. The following section provides a brief discussion of the economic condition and outlook for the national and local economy and any impact it could have on a business and related assets.

General Economic Conditions[3]

The gross domestic product ("GDP"), the broadest measure of the U.S. economy, slowed for a third consecutive quarter, growing at an annual rate of 0.5 percent in the first quarter of 2016, which is the slowest pace in two years. In 2015, the economy grew 2.4 percent from the year before, matching 2014 growth. Final sales of domestic product rose in the first quarter by 0.9 percent, following an increase of 1.6 percent in the fourth quarter. The Economic Policy Institute has stated that final sales are arguably a better indicator of underlying economic strength than GDP.

The increase in the first quarter real GDP rate reflected an increase in consumer spending, an increase in residential fixed investment, and growth in state and local government spending. However, the slowing of GDP growth in the first quarter was largely driven by a significant decrease in business and private inventory investment, a deceleration in consumer spending, a decrease in federal government spending, an increase in imports, and a decrease in exports.

Consumer Spending

Consumer spending grew at a rate of 1.9 percent during the first quarter of 2016, reflecting a deceleration from the fourth quarter's 2.4 percent increase. Consumer spending, which is also referred to as personal consumption, accounts for approximately 70 percent of the U.S. GDP.

Government Spending

Total government spending increased at a rate of 1.2 percent in the first quarter of 2016, which was an acceleration from the rate of 0.1 percent in the prior quarter. Federal government spending fell at a rate of 1.6 percent in the first quarter, representing the first decrease in five quarters. The first quarter decrease in federal government spending subtracted 0.11 percentage point from the first quarter GDP rate. State and local government spending increased at a rate of 2.9 percent in the first quarter and added 0.31 percentage point to the first quarter GDP rate, after declining in the fourth quarter of 2015.

[3] All of the contents of the general and U.S. economic outlook section of this valuation report are quoted from the Economic Outlook Update™ 1Q 2016 published by Business Valuation Resources, LLC, © 2016, reprinted with permission. The editors and Business Valuation Resources, LLC, while considering the contents to be accurate as of the date of publication of the Update, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

Business Investment

Business investment, also known as nonresidential fixed investment, fell at a rate of 5.9 percent in the first quarter of 2016. This was mainly due to a large decrease in spending on equipment and in structures. The decrease in business investment subtracted 0.76 percentage point from the first quarter GDP rate.

Residential fixed investment, often considered a proxy for the housing market, increased at an annual rate of 14.8 percent during the first quarter, representing an acceleration from the prior quarter's rate of 10.1 percent. This quarter's growth in residential fixed investment added 0.49 percentage point to the first quarter GDP. Residential fixed investment has now increased for eight consecutive quarters.

Exports and Imports

Exports declined at a rate of 2.6 percent in the first quarter of 2016, after declining at a rate of 2.0 percent in the previous quarter. Exported goods dropped at a rate of 3.4 percent in the first quarter, while exported services decreased at a rate of 0.9 percent.

Imports, which represent a subtraction in the calculation of GDP, increased at a rate of 0.2 percent in the first quarter, following a decline of 0.7 percent in the fourth quarter. Imported goods decreased at a rate of 0.7 percent, while imported services increased at a rate of 3.8 percent. Overall net exports subtracted 0.34 percentage point from the first quarter GDP.

Unemployment and Personal Income

The pace of new job creation remained strong in March, rising 215,000 after an increase of 245,000 in February. According to the White House Council of Economic Advisers, the economy has now added 14.4 million jobs over 73 straight months, extending the longest streak on record. Additionally, average hourly earnings increased by 0.3 percent in March, while the unemployment rate increased slightly to 5.0 percent as more workers entered the labor force.

The Bureau of Economic Analysis ("BEA") reported that current-dollar personal income increased $130.8 billion in the first quarter of 2016, after increasing by $117.4 billion in the fourth quarter of 2015. The BEA found that the acceleration in personal income primarily reflected an upturn in personal interest income and an acceleration in personal current transfer receipts that were partly offset by a downturn in personal dividend income.

Personal outlays increased by approximately $72.5 billion in the first quarter, a deceleration from an increase of $90.9 billion in the fourth quarter. Personal saving, which is calculated as disposable personal income less personal outlays, was $712.3 billion in the first quarter, up from $678.3 billion in the fourth quarter.

United States Economic Outlook

Consensus Economics, Inc., publisher of *Consensus Forecasts - USA*, forecasts real GDP to increase at a seasonally adjusted annual rate of 2.4 percent in the second quarter of 2016 and 2.5 percent in the third quarter. Every month, Consensus Economics surveys a panel of 30 prominent U.S. economic and financial forecasters (the "forecasters") for their predictions on a range of variables including future growth, inflation, current account and budget balances, and interest rates.

The forecasters expect GDP to grow 2.1 percent in 2016, 2.4 percent in 2017, and 2.5 percent in 2018.

The forecasters polled by Consensus Economics believe unemployment will average 4.8 percent in the second quarter of 2016 before decreasing to 4.7 percent in the third quarter.

According to the forecasters, consumer prices will rise at a rate of 1.8 percent in the second quarter of 2016 and 2.1 percent in the third quarter. They forecast consumer prices to increase 1.3 percent in 2016 before rising to 2.2 percent in 2017. The forecasters project producer prices to increase 1.8 percent in the second quarter of 2016 and 2.4 percent in the third quarter. They expect real disposable personal income to grow 2.8 percent in 2016 and 2.7 percent in 2017.

The most recent release of The Livingston Survey predicts fairly persistent growth through the end of 2016. The participants, who are surveyed by the Federal Reserve Bank of Philadelphia twice a year, project real GDP to grow at an annual rate of 2.5 percent in the first half of 2016 and 2.6 percent in the second half of 2016. They believe GDP will grow 2.3 percent annually over the next ten years.

Impact on Valuation

The economy of certain areas across the U.S. continues to struggle following the economic downtown. But there is room for cautious optimism amongst economists. However, the economic headwinds will continue to challenge growth for hospitals in areas that were hardest hit by the economic downturn, including the Waterbury, Connecticut market.

INDUSTRY OVERVIEW

Introduction

An analysis of the healthcare industry is essential to developing an understanding of the industry's impact on the future outlook of GWHN and the Hospital. The following sections provide: (i) an overview and general discussion of the healthcare industry, (ii) future trends in the healthcare industry, and (iii) the impact on our valuation.

General Overview[4]

As a primary provider of healthcare in the United States, hospital revenue is expected to grow 4.0% to $986.4 billion in 2016. In addition, over the past five years, revenues have increased an annualized 3.4%. This traditionally fragmented industry has begun consolidating, largely due to the pressures of healthcare reform. Demand for industry services has steadily grown during the past five years, as healthcare reform legislation broadened insurance coverage and the sinking unemployment rate increased disposable income.

To maintain an advantaged position in this competitive industry, hospitals seek the most skilled and specialized healthcare professionals. Consequently, labor costs in this industry are high. However, hospitals have also faced nurse and physician shortages and have struggled to recruit qualified personnel. As a result, wages' share of industry revenue has fallen during the five years to 2015. However, wages are expected to rise as a proportion of revenue during the next five years, as hospitals increase salaries and provide other employment incentives.

Industry profitability has generally risen over the past five years due to increases in service prices. As the 2010 Patient Protection and Affordable Care Act results in more people with insurance, demand for service will likely continue to increase, and the number of uninsured patients that hospitals treat will drop. As a result, IBISWorld expects industry revenue to rise at an average annual rate of 2.8% to $1.1 trillion during the next five years. Average industry profit is projected to fall over the same period, however, from 7.3% to 6.3% of revenue, as a result of increased purchase and labor costs.

Due to the high risks associated with electronic medical records, hospitals will need to invest in IT security and cyber consultants to protect themselves from hackers. This will result in a steady increase in purchase costs for at least the next five years. In addition, a shortage of highly skilled nurses and staff will likely result in hospitals increasing wages to attract the best employees. In addition, reimbursement from Medicaid and Medicare will be strained while the federal government seeks to finance healthcare reform and individual states deal with budget deficits.

Revenue and Profit

Advances in healthcare have helped people live longer lives. According to the Centers for Disease Control and Prevention, the average US citizen is currently expected to live more than 78 years. However, a longer life is generally accompanied by increased healthcare expenditure. As the median age of the US population has increased, so has total domestic spending on healthcare. Hospital care

[4] Hospitals in the US, IBIS World Industry Report 62211, April 2016

is the largest single category of healthcare expenditure in the United States, so the aging population has generally contributed to industry revenue growth.

Early in the period, people began to visit hospitals more, as a result of recovering disposable income and a growing number of people with health insurance. Demand for industry services had been low during the recession, so in 2011, hospitals began to raise prices for medical care to make up for lost profit margins. As the economy recovered and demand for industry services increased, high prices helped boost industry profitability. Profit margins have been further bolstered by the Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs, which compensate eligible hospitals that demonstrate meaningful use of certified EHR technology. As a result, IBISWorld estimates the profit margin for the average industry hospital will reach 7.7% in 2016.

Consolidation and Reform

The enactment of major healthcare reform in 2010 through the PPACA has driven major changes in the industry in later years. At its core, healthcare reform promises health insurance coverage for a large portion of the otherwise uninsured population; as a result, it will likely increase the number of patients that hospitals serve. In addition to expanding healthcare coverage, the PPACA prohibits insurance companies from denying coverage to children because of their health status, and allows them coverage under their parents' plans up to age 26.

The law also states that adults cannot lose their coverage when they get sick. These measures have already begun to reduce the number of patients who are unable to pay their healthcare bills. Medicaid expansion and the individual mandate to purchase insurance began to take effect in 2014. Coverage purchased in the health insurance exchanges must meet minimum benefit standards, and this requirement is expected to improve the industry's financial situation. However, many states have chosen not to expand Medicaid coverage, and widespread technical and bureaucratic issues plaguing the introduction of state exchanges have limited the expansion of private coverage. Cuts to Disproportionate Share Hospital payments, which provide additional compensation to care providers to offset the burden of treating a large number of uninsured patients, have further limited growth for hospitals in some states.

In the midst of a tightened reimbursement environment, hospitals are consolidating to reduce costs by gaining better negotiating power with suppliers and payers. Hospitals that are a part of a large network of other hospitals and healthcare providers are able to better negotiate with pharmaceutical manufacturers and wholesalers. This is particularly important given the rising price of pharmaceuticals. Additionally, hospital networks have more leverage for negotiating reimbursement rates with private health insurance companies. Over the past five years, the total number of industry enterprises is expected to increase at an annualized rate of 0.8%, to 3,184 in 2016. Reimbursement from government programs has grown at a slow pace, so hospitals have increasingly sought favorable contracts with nongovernment payers, including health maintenance organizations, preferred provider organizations and other managed-care plans. Revenue derived from these entities and other insurers is estimated to account for about 80.0% of patient revenue. Small hospitals are less able to compete for these lucrative contracts, while consolidated hospital companies can rely on economies of scale to offer a wider portfolio of providers and specialties.

Hospitals are also consolidating to combat competition from other providers. Historically, the Hospitals industry has faced low competition because most communities are home to only a few

hospitals. However, over the five years to 2016, the number of new facilities that deliver healthcare services, such as physician-run outpatient surgery centers, specialty hospitals and diagnostic centers, has grown rapidly. Independent competitors often have lower costs because of their smaller size and simpler infrastructure. Since hospitals use the income from high-margin operations to finance certain unprofitable services and procedures, increased competition has forced hospitals to use other strategies to decrease costs.

Physician and Nurse Shortage

To increase or maintain the breadth of specialized services they offer, hospitals must hire qualified physicians and nurses, which has become an industry-wide challenge because the nation faces a shortage in both professions. Hospitals have increased salaries to attract new hires, but while wages have grown an annualized 2.9% to $343.3 billion in the five years to 2016, industry employment has grown just an annualized 1.2% to 5.5 million employees. The nurse and physician shortage has occurred for a variety of reasons, including a scarcity of relevant education programs. According to a report from the American Association of Colleges of Nursing, US nursing schools turned away 78,089 qualified applicants from baccalaureate and graduate nursing programs in 2013, due to budget constraints and insufficient faculty, clinical sites, classroom space and clinical preceptors. In addition, many physicians are getting older and have retired or will in coming years.

Acquisitions and Employment

Nonprofit hospitals, which are unable to borrow money for needed improvements in facilities and equipment, will likely seek for-profit benefactors in the five years to 2021. Concurrently, for-profit hospital operators and investment firms will look to the nonprofit sector for growth opportunities. Nonprofit operators will also face new challenges due to healthcare reform. Section 9007 of the PPACA adds new requirements for charitable hospitals to become, or remain, exempt from federal taxation, including performance of periodic community needs assessments and development of a policy on financial assistance to patients. These changes will trigger further consolidation between nonprofit and for-profit operators in the industry.

For-profit acquisitions of nonprofits are expected to increase over the next five years, increasing the number of industry enterprises at an annualized rate of only 1.6% to a projected 3,445 in 2021. Unfilled faculty positions at nursing colleges, attrition and a shortage of students preparing to be faculty will pose a threat to the nursing education workforce over the next five years. In light of healthcare reform and the subsequent demand for nursing services, the shortage of nurses will adversely affect the industry. Hospitals will likely raise wages and benefits to recruit and retain nurses and other medical support personnel. Moreover, hospitals are likely to rely more on temporary and contract employees to meet seasonal and unanticipated needs. As a result, IBISWorld expects industry spending on wages to increase an annualized 2.7% in the next five years to $391.5 billion.

Impact on Hospital Valuation

As an unaffiliated hospital, the Hospital is suffering from the enormous demands that the new healthcare environment entails. The consolidation trend within the industry is being driven by a number of factors, including:

- Increased capital needs to meet new healthcare information technology requirements;
- Increased capital needs to maintain and upgrade hospital facilities and medical equipment;
- Increased capital needs to facilitate the trend away from inpatient care to outpatient care;
- Significantly lower reimbursements from government payers;
- Highly competitive environment to recruit physicians and nurses into a hospital's network; and
- Importance of better negotiating power with suppliers and payers to increase profit margins.

As an unaffiliated hospital, it has and will continue to be a very challenging environment in which to operate profitably and to compete effectively in its market. Given the Hospital's current financial condition, the Hospital's projected performance will likely lag the industry and the Hospital will face a difficult environment to operate as a going concern without affiliating with a strategic capital partner.

LOCAL MARKET OVERVIEW

Introduction

An analysis of the local market is essential to developing an understanding of the historical, current, and future operations of the Hospital. Local market data was compiled from several sources, including the U.S. Bureau of the Census, Decision Resources Group-Health Leaders InterStudy, and the Connecticut Hospital Association and the Greater Waterbury Health Improvement Partnership. The following sections provide: (i) an overview and general demographics of New Haven County, Connecticut and the City of Waterbury, (ii) overview of other area hospitals, (iii) industry outlook, and (iv) the impact on our valuation.

Demographic Overview

Waterbury Hospital is located in Waterbury, Connecticut. Waterbury is located in New Haven County and along with neighboring Fairfield County, represents the Southern Connecticut market. New Haven County is located in the south central part of Connecticut. New Haven County occupies 862 square miles with Waterbury occupying 29 square miles. New Haven County is bordered on the south by Long Island Sound, to the west by Fairfield County, to the north by Harford County, to the east by Middlesex County and to the northwest by Litchfield County.

According to the 2015 census estimates, Waterbury has a population of 108,802, making it the fifth largest city in Connecticut. As of 2015, the population of New Haven County was 859,470 making it the third-most populous county in Connecticut. The population density was 1,427 people per square mile. It is estimated that 64.3 percent of the population was non-Hispanic whites, 17.2 percent was Hispanic or Latino, 14.3 percent was African-American, 0.5 percent Native American, 4.3 percent Asian, 0.1 percent Pacific Islander, and 2.3 percent from two or more races.

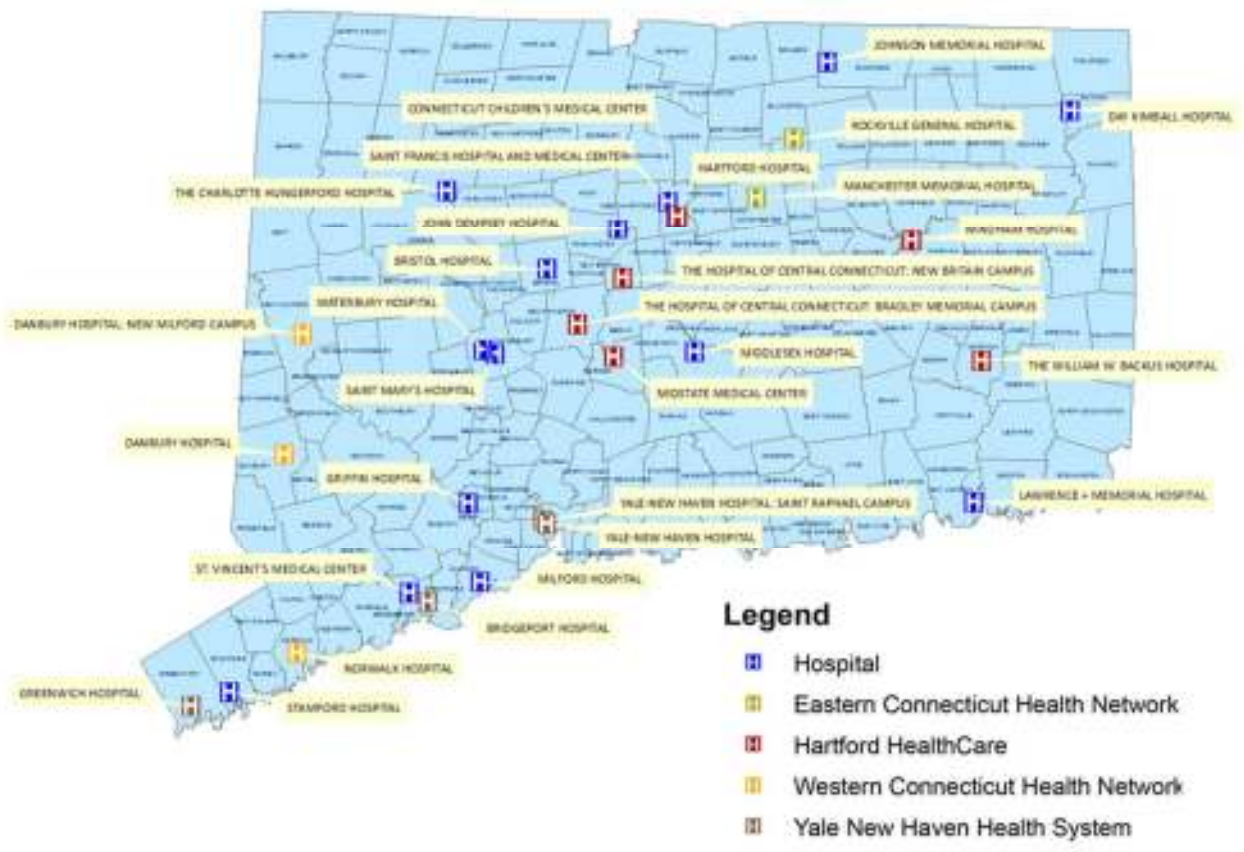
The median household income in New Haven County was $61,646, and the median per capita income for the county was $32,794. Approximately 13.0 percent of New Haven residents live below the poverty line.

Area Hospitals

Waterbury Hospital's primary service area is the greater Waterbury region; however, it also serves the greater Southern Connecticut two-county area including the cities of New Haven, Bridgeport, Danbury, Norwalk, Stamford, Greenwich, Meriden, Derby, Milford and West Haven. These areas are serviced by a number of acute care providers similar to that of Waterbury Hospital, as well as local physicians' offices and outpatient medical centers. The following table and map identify the hospitals which lie in Waterbury Hospital's service area.

Hospital Name	Distance to Waterbury Hospital	Number of Beds
Yale-New Haven Hospital	22.9 miles	944
Yale-New Haven Hospital of Saint Raphael	22.6 miles	606
Bridgeport Hospital	30.6 miles	383
St. Vincent's Medical Center	29.7 miles	473
Danbury Hospital	27.2 miles	371
Stamford Hospital	52.6 miles	300
Norwalk Hospital Association	44.5 miles	328
Smilow Cancer Hospital at Yale-New Haven	22.7 miles	168
Greenwich Hospital Association	53.6 miles	184
Saint Mary's Hospital	1.6 miles	347
MidState Medical Center	16.0 miles	150
Milford Hospital	29.7 miles	106
Griffin Hospital	17.8 miles	119
VA Connecticut Healthcare System-West Haven Campus	22.7 miles	N/A

Source: HealthLeaders InterStudy-Southern Connecticut, June 2014



Source: http://www.cthosp.org/advocacy/statewide-hospital-profile/

Connecticut Hospital Industry Outlook

In September 2015 Connecticut Governor Daniel P. Malloy ordered budget cuts which will have large implication for state hospitals. The cuts included a decision to cut Medicaid payments to hospitals by $63.4 million, these state cuts would lead to further reductions in federal funding which could total $130 million. This additional loss in federal funding is due to the payment structure of Medicaid, in which the state pays establishes a payment program rates within federal requirements and a portion of those payment are funded by the federal government.

On June 3, 2014 Governor Malloy signed Senate Bill 35 from the 2014 session, which removed the prohibition of for-profit hospital systems from owning medical foundations and essentially cleared the way for five not-for-profit hospitals to be acquired by for-profit Tenet. The bill adds state oversight to sales and acquisitions that involve physician practices under provisions of Public Act No. 14-168. In addition, medical practices with at least 30 physicians and medical groups owned by or affiliated with for-profit hospitals are required to report annually to the OAG and Department of Public Health. Tenet later pulled out sighting that "the approach to regulatory oversight in Connecticut would not enable Tenet to operate the hospitals successfully for the benefit of all stakeholders".

Smaller hospitals and physician groups in the region continue to seek the financial, administrative and group purchasing stability which comes from joining larger health systems. Since Tenet backed out of is acquisitions last year, both Eastern Connecticut Health Network and Greater Waterbury Health Network have continued to struggle and have engaged to be acquired by California-based Prospect Medical Holdings. In July 2015 it was also announced that Lawrence & Memorial Healthcare would join Yale new Haven Health System, and that Day Kimball Hospital in Putnam is evaluating a potential affiliation with Hartford HealthCare. Additionally, Johnson Memorial Hospital in Stafford has entered bankruptcy protection and is seeking to have its assets taken over by St. Francis Care.

The Connecticut market includes 28 acute care hospitals which care for approximately 375,000 people on an inpatient basis and approximately 1.65 million people on an emergency care basis in 2013. Over the same period of time these facilities delivered over 35,000 babies, provided over $200 million in charity care, and incurred $573 million and $588 million in Medicare and Medicaid losses respectively. On average Medicare reimburses 85 percent of treatment costs for patients in the state, while Medicaid reimburses 69%.

Impact on Hospital Valuation

The recent legislation passed by the General Assembly allowing for-profit hospitals to acquire non-profits presents an opportunity for health systems such as GWHN which are currently non-profit. As the healthcare system moves towards increased mergers and integration, smaller hospital systems such as GWHN will likely need to align with larger systems with access to capital in order to continue to serve the community.

The state budget cuts adversely affect Hospitals in Connecticut as every decrease in state spending also reduces their federal funding. This becomes an even bigger issue when dealing with already struggling hospitals and health systems such as GWHN. While the hospital may be able to alleviate some income loss through cuts in variable expenses these cuts may have bigger implications long-term due to patients losing some coverage and permanently lower reimbursement rates.

NAVIGANT VALUATION AND TRANSACTION ANALYSIS

The following sections specifically address the conditions analyzed by Navigant under Section §§ 19a-486c of the Nonprofit Hospital Conversion Act:

I. Due Diligence Analysis

II. Conflict of Interest Analysis

III. Fair Market Value of Assets Analysis

IV. Fair Market Value Manipulation Analysis;

V. Financing Analysis; and

VI. Management Contract Valuation Analysis

In this section below, Navigant performed an independent research and analysis that resulted in our findings and conclusions as of the Valuation Date:

I. DUE DILIGENCE ANALYSIS

In this section below, Navigant will address:

Whether the nonprofit hospital exercised due diligence in (a) deciding to sell its assets, (b) selecting the purchaser, (c) obtaining a fairness evaluation from an independent person expert in such agreements, and (d) negotiating the terms and conditions of the transaction.

Review Process

In conducting its analysis, Navigant interviewed the following parties regarding the transaction due diligence process:

i) Carl Contadini, Chairman of GWHN Board,
ii) Darlene Stromstad, CEO of GWHN,
iii) James Moylan, Chief Financial Officer of GWHN,
iv) James Cain, Chairman of Cain Brothers and financial advisor to GWHN, and
v) Ann Zucker, partner with Carmody and Torrance, attorney for GWHN

and reviewed the following materials:

1) The GWHN and Prospect Certificate of Need Determination Letter dated July 16, 2015 and supporting exhibits;

2) The GWHN and Prospect Certificate of Need Application for the proposed asset purchase dated October 28, 2015 (the "Application") and in particular response 4 (pp 16-23) that described the process undertaken by GWHN in pursuing a strategic partner and eventually the Proposed Transaction;

3) The supplemental responses to the Application dated December 24, 2015 and February 16, 2016;

4) The prefile testimony, submitted April 27, 2016, of all individuals participating the hearing scheduled on May 3, 2016;

5) The Letter of Intent between Prospect and GWHN dated April 30, 2015;

6) Draft Asset Purchase Agreement by and between Buyer [Prospect Medical Holding Inc. subsidiary to be defined] dated October 27, 2015;

7) Amended Asset Purchase Agreement by and between Buyer [Prospect Medical Holding Inc. subsidiary to be defined] dated June 17, 2016;

8) Minutes from i) the Special Board Meeting on April 29, 2015 whereby the Task Force was authorized to complete negotiations with Prospect for a Letter of Intent and ii) the Special Board Meeting on September 21, 2015 where the terms of the Proposed Transaction were approved by the GWHN Board;

9) Minutes from the Task Force meetings on December 18, 2014, February 12, 2105, March 13, 2015, April 23, 2015, September 10, 2015, September 30, 2015, and October 20, 2015.

10) The "Analysis of Information Provided by Prospect in Response to Reverse Due Diligence Request submitted by GWHN" memorandum from Carmody Torrance Sandak and Hennessy LP to GWHN Board of Trustees dated September 17, 2015 and supporting exhibits;

11) Materials used by Cain Brothers in their solicitation process including:

    a. List of parties contacted by Cain Brothers, GWHN's investment banker, in the fall of 2012;

    b. The September 2012 Confidential Information Memorandum prepared by Cain Brothers and circulated to parties executing a confidentiality agreement;

    c. The Preliminary Proposals received on October 12, 2012 from Vanguard and one other bidder (name redacted); and

    d. The Letter of Intent dated October 29, 2012 executed by GWHN and Vanguard.

12) Cain Brothers presentations to the GWHN Board of Trustees on September 21, 2015;

13) Materials provide by Prospect in the Application including:

    a. Exhibit Q8-1 -PMH Fiscal Year 2014 Audited Financial Statements;

    b. Exhibit Q58-1 - PMH Hospital Acquisitions;

    c. Exhibit Q5-1 - Credit Rating Analysis for Prospect.

14) Exhibit Q7-5 - the Fairness Opinion letter dated October 20, 2015 and related "Qualitative and Quantitative Considerations for Fairness Opinion" presentation delivered by Principle Valuation LLC dated September 21, 2015;

15) The excel file provided by GWHN labeled "GWHN-Net Proceeds Detail- March 2016 w Opening BS v4".

Findings

Based on the conditions, limitations, and qualifications contained herein and the interviews and document reviews described above, it appears that the GWHN Board undertook an extensive and diligent process to explore strategic options and identify a strategic and capital alternative that would enable it to address its deteriorating financial position and continue its mission of providing quality healthcare to the Waterbury community.

The process extends over a ten (10) year period from 2005 to 2015 and included the retention of two experienced healthcare strategic advisory and investment banking firms in Kaufman Hall & Associates and Cain Brothers as well the retention of a nationally recognized healthcare consulting firm in PricewaterhouseCoopers ("PWC"). In connection with this process, the GWHN Board pursued discussions with multiple strategic partners, evaluated a range of transaction structures and explored multiple strategies to access capital.

a) Exercise of due diligence in deciding to sell its assets

The GWHN Board, over the past ten (10) years, undertook exploration of a broad range of strategic initiatives to address the hospital's operating losses, aging facilities and limited access to capital.[7] These initiatives included:

- In 2005, retaining Kaufman Hall to explore a merger with St. Mary's Health System. These discussions were eventually terminated in 2008 after it was determined a consolidated entity would still struggle financially and no capital partner or state funding could be secured to fund the estimated $130 million cost of the proposed merger.
- In 2009, after experiencing further financial difficulty and defaulting under its bond covenants, GWHN hired PWC to define operational and revenue cycle improvements and set physician initiatives.
- In 2010, GWHN retained Kaufman Hall to identify near-term capital needs. Kaufman Hall identified over $50 million in capital improvements necessary to keep the hospital operational. With difficulty, in late 2010, the Hospital was able to refinance its CHEFA debt in a private offering.
- In 2011, after PWC's initiatives were implemented with only partial success, GWHN realigned its executive team. While the new team reduced operating expenses by $6 million and made modest capital improvements, these were not enough to sustain the long term viability of GWHN.
- In 2011, given GWHN's continuing poor financial results and limited access to capital, GWHN's Board retained Cain Brothers to identify a capital partner. Cain contacted 14 strategic partners and four parties submitted proposals; however only one tax exempt entity submitted a proposal and subsequently dropped out meaning the only viable option was a for-profit conversion and sale or merger with a for-profit.

[7] See Section 5 (pp 12-23) from Application for Approval of Asset Purchase dated October 28, 2015 describing such initiatives.

- In August 2011, the GWHN Board approved a Letter of Intent to convert to for-profit and pursue a 3-way joint venture with St. Mary's Hospital and LHP, a national operator of for-profit hospitals. Under the proposed transaction, St. Mary's and Waterbury would merge and a new consolidated hospital would be constructed.
- In August 2012, after it became clear that significant obstacles related to merging a faith-based hospital with a secular hospital would not be overcome, GWHN authorized Cain Brothers to re-solicit strategic partners.
- In connection with the 2012 solicitation process, Cain Brothers contacted 11 parties and received two indications of interest regarding GWHN. The RFP requested that strategic partners make numerous strategic commitments including a commitment to maintaining and expanding clinical services, provide for local governance address deferred capital needs, and maintain charitable care policies. Cain received two written proposals, both from taxable systems. Both proposals indicate the partner was open to either an asset purchase or a joint venture whereby GWHN would continue as a minority owner in a for-profit Waterbury Hospital.
- In October 2012, after extensive review and analysis, the GWHN Board executed a Letter of Intent with Vanguard to pursue the JV structure with Vanguard, as the GWHN Board believed it provided the greatest form for community engagement while also proving the highest valuation for the asset.
- In October 2013, Tenet Healthcare purchased Vanguard and in October 2013, Tenet announced it had executed a Letter of Intent with St. Mary's Health System in Waterbury and planned to operate both GWHN and St. Mary's Health System under one parent corporate entity.
- In October 2014 a public hearing was held by the Connecticut Attorney General to review Tenet's proposed acquisitions of GWHN and St. Mary's Health System through joint venture structure.
- In November 2014, Tenet's proposed acquisitions of GWHN and St. Mary's Health System received regulatory approval but were subject to certain limitations.
- In December 2014, Tenet announced it was terminating its Letters of Intent for GWHN and St. Mary's Health System and would not be pursuing any other opportunities in Connecticut.
- Even before the official termination of its Letter of Intent with Tenet, the GWHN Board re-engaged Cain Brothers to gauge the level of interest of other potential suitors in the market. Due to the GWHN's challenging financial condition, capital needs and weakened competitive market position, Cain Brothers found limited interest in GWHN from either nonprofit region health systems or for-profit hospital operators. Exploratory conversations were conducted with two Academic Medical Centers but no transaction emerged that addressed GWHN's capital and strategic needs. In the first quarter of 2015, Cain Brothers received preliminary indications of interest from three out-of-state for-profit operators. After multiple discussions, two of these parties submitted written proposals for a transaction with GWHN. One of the parties, was Prospect, which had previously submitted a written proposal in October 2012 when the GWHN Board selected Vanguard.

- In April 2015, after further negotiation of terms by Cain Brothers and evaluation and discussion by the GWHN, the GWHN Board approved a Letter of Intent with Prospect. GWHN's Board was familiar with Prospect and their capabilities as they had interviewed Prospect in 2012 when they selected Vanguard. The other party's proposal was insufficiently developed in the view of GWHN Board.
- After execution of the Letter of Intent with Prospect, GWHN conducted further due diligence on Prospect. A group of GWHN Board members and physicians visited Prospect Hospitals in Rhode Island and the Prospect headquarters in California. In addition GWHN's legal and financial advisors conducted additional research on Prospect for the GWHN Board and provided their findings in a summary memorandum to the GWHN Board.
- The GWHN Board had its legal advisor (Carmody Torrance Sandak & Hennessey LLP) and its and financial advisor (Cain Brothers) review the draft Asset Purchase Agreement and provide feedback to the GWHN Board prior to approval of the Proposed Transaction by GWHN Board
- GWHN approved the Proposed Transaction in a Special Meeting on September 21, 2015. The GWHN Members approved the Proposed Transaction on October 2, 2015.
- Subsequent to the signing of the LOI, the GWHN Board and Management continued due diligence efforts. In January of 2016, two Prospect hospitals in California were cited by Medicare with an Immediate Jeopardy ("IJ") findings. Upon learning of the IJ findings, the GWHN created task force to review IJ findings. Due diligence was performed including review of IJ survey materials, detailed phone conversations with PMH, and a quality team site visit to CharterCARE in Rhode Island and Los Angeles County Hospital in Culver City. Upon completion of due diligence, task force reported it process and findings to the Board and the Board unanimously approved moving forward with the transaction.

Based on these steps taken by the GWHN Board and executive management as summarized in the chronology above, GWHN sought a range of options including a merger with another local system, an operational restructuring and realignment, and a private placement in the bond market. After a decade of failed alternatives, the GWHN Board concluded that the only solution to provide long-term viability of the hospital was a sale with a for-profit operator. **In conclusion, based on the conditions, limitations, and qualifications contained herein and the interviews and document reviews described above, it appears that the steps undertaken by the GWHN Board, as described above, indicate that the GWHN Board exercised due diligence in i) evaluating GWHN's financial and operating and strategic position and ii) deciding to approve the sale of Waterbury Hospital to Prospect, as the best alternative to preserve the long-term viability of the hospital.**

b) Exercise of due diligence in selecting the purchaser

Beginning in 2011, the GWHN Board took a series of deliberate steps to identify, evaluate and select a capital partner which ultimately resulted in its decision to approve the Proposed Transaction. These steps[8] included:

- Forming a special Task Force of the GWHN Board to pursue a capital partner and formally explore strategic options.
    - This Task Force met eleven (11) times between the March 2011 and July 2014 to receive updates from Cain Brothers on the solicitation process, discuss the terms of proposals, discuss business, regulatory and financial issues impacting the proposed transactions, provide feedback to GWHN's financial and legal advisors and develop recommendations for the GWHN Board.
    - The Task Force undertook a detailed review of the two proposals received by Cain Brothers in October 2012 in order to assess the positives and negatives of each proposal with respect to capital commitment, governance, commitment to providing clinical services and the experience and reputation of each prospective partner in operating hospitals as well as their experience in New England and knowledge of the Connecticut healthcare market.
    - In addition, the Task Force met in person with each party submitting a proposal in October 2012, received a presentation from each party on their proposal terms as well as strategy for operating Waterbury Hospital, and was given the opportunity to ask questions of each of these parties.
- Retaining Cain Brothers who, as previously noted, was an experienced investment bank with extensive experience advising non-profit hospitals on strategic alternatives as well as an in-depth knowledge of the Connecticut healthcare market, to undertake a formal solicitation process to identify a capital partner.
- Requesting that Cain Brothers conduct solicitation processes on three separate occasions within a five (5)–year period:
    - The first solicitation in 2011 entailed contacting 14 prospective partners and resulted in four (4) written proposals and result in the Letter of Intent with LHP
    - Upon termination of the LHP Letter of Intent, Cain Brothers solicited 11 parties and received two (2) proposals
    - Receiving a detailed presentation from Cain Brothers on its solicitation process at its October 26, 2012 Board meeting including a review of the parties contacted, the terms of the proposals received, a detailed overview and assessment of capabilities of the parties submitting proposals which resulted in the Letter of Intent with Tenet/Vanguard.
    - Pursuing the joint venture with Tenet/Vanguard including the full application and approval process during the 2012

[8] See Section 5 (pp 12-23) from Application for Approval of Asset Purchase dated October 28, 2015 describing such steps.

- Upon termination of the Tenet/Vanguard Letter of Intent, Cain Brothers re-solicited parties previously contacted and held discussions with additional parties expressing interest which resulted in two (2) written proposals which resulted in the execution of a Letter of Intent with Prospect

- This Task Force met seven (7) times between the December 2014 and October 2015 to receive updates from Cain Brothers on the solicitation process, discuss the terms of proposals, discuss business and financial issues impacting the proposed transactions, provide feedback to GWHN's financial and legal advisors and develop recommendations for the GWHN
- Conducting site visits by members of GWHN Board to Prospect hospitals in Rhode Island and visiting corporate headquarters in California and having GWHN advisors conduct additional research on Prospect.
- Receiving the recommendation from the Task Force after lengthy discussion and analysis.
- Retaining Principle Valuation LLC, a national valuation firm specializing in the healthcare industry, to deliver i) a presentation regarding the fairness, from a financial point of view, of the value to be received by Prospect in the Proposed Transaction, and ii) a fairness opinion letter on October 20, 2015 on the value to be received in selling substantially all of its assets to Prospect.

Based on the series of actions described in this subsection (b) and the conditions, limitations, and qualifications described herein, it appears that the GWHN Board exercised due diligence in selecting Prospect Medical Holdings, Inc. to acquire substantially all the assets of GWHN and to operate Waterbury Hospital.

c) Obtaining a fairness opinion from an independent person expert in such agreements[9]

In September 2011, the GWHN Board sent a Request for Proposal to experienced valuation firms for the purpose of obtaining a fairness opinion for the LHP Joint Venture and received three proposals. After careful consideration and interviews with each of the parties submitting responses, the GWHN Board engaged Principle Valuation LLC ("Principle") to perform the fairness opinion. According to its RFP response, Principle is a national, full-service valuation firm specializing in the healthcare and senior housing industries.

Its Hospital and Healthcare Related Services valuation practice is led by senior executives with extensive hospital valuation experience and focuses on valuations to meet the regulatory compliance needs of transactions including Stark Compliance, State Regulatory Compliance and Purchase Accounting. In their response to the GWHN Board's Request for Proposal, Principle identified over 300 hospital and health systems where their professionals had provided valuation services since 2000. More specifically, the team of professionals assigned to the Waterbury Fairness Opinion engagement, which included Patrick Simers, Tim Bake, John Leary, Mary Jo Duffy, and Sally Domijan (involved at various stages of the fairness opinion and related updates) each are identified by Principle as each having substantial experience with healthcare valuation and Principle's team

[9] The description of the process undertaken by GWHN to obtain a fairness opinion as well as the actual fairness opinion and supporting analyses are provided in Exhibits Q7-1, Q7-2, (pp 602- 737) from the GWHN and Prospect Application for Approval of Asset Purchase dated October 28, 2015.

included professionals with the CFA, CPA, and/or General Appraiser State Certification professional designations.

With respect to the Proposed Transaction, Principle delivered a fairness opinion presentation to the GWHN Board on September 21, 2015 stating that the consideration set forth in the Proposed Transaction was fair from a financial point of view to GWHN which was followed by a written fairness opinion letter on October 20, 2015.

In connection with rendering its fairness opinion, Principle evaluated traditional valuation metrics of Cost Approach, Income Approach and the Guideline Company and Guideline Transaction approaches to value. Principle weighted each of the three approaches to derive its valuation. Principle concluded in fairness opinion that the Proposed Transaction is fair from a financial point of view to the GWHN and that the value of consideration proposed to be received by GWHN is greater than the value of the assets contributed and purchased in the Proposed Transaction. The Principle fairness opinions were based on the financial and operating assumptions provided by GWHN management as well as the financial condition and terms of Proposed Transaction as disclosed at the point in time of the fairness opinions.

With respect to confirming its independence, Principle provided the following:

- In its response to the Request for Proposal, Principle stated, "Neither Principle Valuation nor its staff members have any known conflicts of interest with the parties to this Transaction or the Transaction itself."
- On September 28, 2015, Principle submitted a completed conflict of interest disclosure form signed by Patrick Simers indicating no conflicts of interest.

In its September fairness opinion letter, Principle stated, "We are not acting as a financial advisor to any party in this arrangement. Our fees for this engagement are not at all dependent upon the opinion rendered. We have performed work for GWHN in the past in a similar role for a failed transaction. Several years ago we performed work for Vanguard Health Systems. GWHN has agreed to indemnify us for certain liabilities arising out of our engagement."

We note that the opinion developed by Principle concluded a value of $25.4 million and compared this value to a $45 million total consideration. However, based on our observations, Principle's value does not include the total assets to be contributed by GWHN, as it does not include excess working capital (approximately $11.5 million as of April 30, 2016). Additionally, it appears this value did not explicitly include the full value of GWHN's joint venture interests, particularly with respect to GWHN's largest joint venture, the Harold Leever Regional Cancer Center. This entity appeared to be highly profitable even though the GWHN system as a whole was not. Therefore, by not explicitly valuing the HLRCC, we believe that Principle's value indication is understated.

Based on our calculations, we believe it would have been more accurate and informative for Principle to compare the $45 million total consideration to approximately $43.1 million value ($25.4 million, plus $11.5 million in excess working capital, plus approximately $6.2 million for GWHN's interest in the HLRCC joint venture).

Based solely on our review of the Principle fairness opinion and supporting analyses presented by Principle, Navigant confirms that the GWHN Board did receive a fairness opinion with respect to the fairness, from a financial point of view, of the consideration proposed to be

received in the Proposed Transaction from an independent (based solely on the representations contained in Principle's Request for Proposal response, its fairness opinion letters and its Conflict of Interest disclosures) expert. In making this confirmation, Navigant is not making any representations or rendering any formal opinion on the content or conclusion of the fairness opinions delivered by Principle.

d) Exercised due diligence in negotiating the terms and conditions of the transaction

As highlighted in section 2.2.b above, the GWHN Board took a series of deliberate steps to identify, evaluate, negotiate with and finally select a capital partner. In particular, with respect to negotiation of the Proposed Transaction, the GWHN Board undertook the following steps:[10]

- Retained Cain Brothers, an experienced healthcare investment banking firm, to orchestrate three competitive solicitation processes over the period 2011-2015 which resulted in two written proposals in April 2015.
- Appointed the Task Force to work with Cain Brothers to evaluate proposals and instruct Cain Brothers on key elements of the proposals to negotiate with prospective partners
- Evaluated and compared the proposals received in April 2015 with the assistance of Cain Brothers and legal counsel during meetings on April 29th 2015 (as further highlighted on page 23 of the October 28, 2015 Application).
- Conducting site visits by members of GWHN Board to Prospect hospitals in Rhode Island and also visited corporate headquarters in California and having GWHN financial and legal advisors conduct additional research on Prospect.

Based on the series of actions described in subsection (d) above and conditions, limitations, and qualifications contained herein, it appears that the GWHN Board exercised due diligence in negotiating the terms of the Proposed Transaction. Navigant notes that the Prospect proposal selected by the GWHN Board has a higher transaction value and was more completely developed than the competing proposal received in April 2015.[11] Navigant would also note that GWHN had limited leverage for negotiations given its deteriorating financial condition but was able to negotiate a transaction that recapitalized Waterbury Hospital to stabilize current operations and provide a source of capital for long term growth.[12]

[10] See Section 5 (pp 12-23) from Application for Approval of Asset Purchase dated October 28, 2015.

[11] Based on the comparison of two proposals provided in Cain Brothers' presentations to the GWHN Board on September 21, 2015.

[12] As described in Section 5 (pp 12-23) from Application for Approval of Asset Purchase dated October 28, 2015.

II. CONFLICT OF INTEREST ANALYSIS

In this section, Navigant will address:

Whether the nonprofit hospital disclosed any conflict of interest, including, but not limited to, conflicts of interest pertaining to board members, officers, key employees and experts of the nonprofit hospital, the purchaser, or any other party to the transaction.

Review Process

In conducting its analysis, Navigant reviewed the following materials:

1) The application from GWHN and Prospect dated October 28, 2015 (the "Application") and in particular response 6 (pp 23) that described the process undertaken by the GWHN and Prospect for identifying conflicts of interest;
2) Exhibit Q6-1 to the Application that contains the September 2015 Conflict of Interest disclosures from GWHN Board of Directors, officers and key employees and experts advising on the Proposed Transaction;
3) Exhibit Q6-2 to the Application that contains the September 2015 Conflict of Interest disclosures from Prospect's Board of Directors, officers and key employees and experts advising on the Proposed Transaction.

Findings

In September 2015, both GWHN and Prospect circulated a Conflict of Interest Disclosure Form to: i) Board of Directors and officers, ii) experts advising on the Proposed Transaction and iii) key employees (senior executives with managerial responsibilities who have direct involvement in the Proposed Transaction).

GWHN Conflict Disclosure Review

The GWHN Conflict of Interest Disclosure forms required the person executing the form to disclose if that individual or any related person (person related by blood, law, or marriage, and individuals in committed relationship) has any financial interest, beneficial interest and/or employment interests in Prospect or any or any entity associated with Prospect.

We have reviewed the executed Conflict of Interest Forms and a summary of that review is attached to this report as Exhibit 2.2.2. **GWHN's Board requested and received Conflict of Interest disclosure statements from its Board members, its executive management team members who had direct involvement in the Proposed Transaction, that were signed during the period of September and October 2015. Except as set forth in Schedule 2.2.2, based solely upon our review of the Conflict of Interest Forms listed on such schedule, there were no conflicts of interest were disclosed on the executed Conflict of Interest forms Navigant reviewed[13].**

Prospect Conflict Disclosure Review

[13] All information contained herein was provided by GWHN and Prospect has been relied on by Navigant. Navigant has made no additional or independent investigation.

The Prospect Conflict of Interest Disclosure forms required the person executing the form to disclose if that individual or any related person (person related by blood, law, or marriage, and individuals in committed relationship) has any financial interest, beneficial interest and/or employment interests in GWHN or any or any entity associated with GWHN.

Prospect provided Conflict of Interest disclosures from its Board of Directors, officers, key employees and experts who had direct involvement in the Proposed Transaction that were signed during the period September 2015 to October 2015. Except as set forth in Schedule 2.2.2, based solely upon our review of the Conflict of Interest Forms listed on such schedule, there were no conflicts of interest were disclosed on the executed Conflict of Interest forms Navigant reviewed. [14]

[14] All information contained herein was provided by GWHN and Prospect has been relied on by Navigant. Navigant has made no additional or independent investigation.

Summary of Conflict of Interest Disclosure

September 2015 – October 2015

Greater Waterbury Health Network

Name	Title	Date Received	Disclosure Received	Disclosu
Carl Contadini	Chairman	10/2/2015	Yes	None
John Kelly Jr	Vice Chairman	9/20/2015	Yes	None
William Pizzuto	Secretary	9/15/2015	Yes	None
Darlene Stromstad	CEO, ex-officio	9/15/2015	Yes	None
Ron D'Andrea	Director	9/30/2015	Yes	None
Sundae M. Black	Director	10/20/2015	Yes	None
Henry Borkowski	Director	9/30/2015	Yes	None
James Gatling	Director	9/14/2015	Yes	None
Patricia McKinley	Director	9/15/2015	Yes	None
John Michaels	Director	10/2/2015	Yes	None
Neil Peterson	Director Chief of Staff, Ex-officio	9/27/205	Yes	None
David Pizzuto, MD [1]	Director, VP, Medical Affairs	9/16/2015	Yes	Yes [1]
Frank A. Sherer, Jr.,Esq.	Director	9/15/2016	Yes	None
Carl B Sherter, M.D.	Director	9/14/2016	Yes	None
Waterbury Management				
Darlene Stromstad	President & CEO	9/15/2015	Yes	None
Mark Holtz	COO	9/16/2015	Yes	None
James Moylan	CFO	9/17/2015	Yes	None
Michael J. Cemeno	CIO	9/10/2015	Yes	None
Sandra A. Iadarola	CNO	9/16/2015	Yes	None
John Camus	President of Alliance Medical Group, Inc.	9/16/2015	Yes	None
Richard P. Kropp	Senior Vice President, Human Resources	9/16/2015	Yes	None
Patricia Gentil	Director Health Information	9/16/2015	Yes	None
Waterbury Advisors				
Cain Brothers				
James Cain [2]	Managing Director	10/19/2015	Yes	Yes[2]
Chris McDonough [2]	Senior Vice President	10/19/2015	Yes	Yes[2]
Carmody & Torrance, LLP				
Ann H Zucker	Partner	9/22/2015	Yes	None
Principle Valuation, LLC				
Patrick J. Simers	Executive Vice President	9/28/2015	Yes	None

[1] Disclosed under Section (3b) he will be subject to a compensation arrangement with Prospect Entity - Chairman B of Managers - Prospect Provider Group CT - Waterbury LLC. No income to date

[2] Disclosed that 1) Cain Brothers provided a fairness opinion to Prospect Medical that was unrelated to GWHN. Tota fees & expenses were $125,000 and 2) Cain Brothers is financial advisor to GWHN and will receive financial benefit a result of the proposed transaction.

Summary of Conflict of Interest Disclosure

September 2015 – October 2015

Prospect Medical Holdings, Inc.

Name	Title	Date Received	Disclosure Received	Disclosures
Board of Directors				
Sam Lee	Chairman and CEO	9/21/2015	Yes	None
Dr. Jeereddi Prasad	Director, President, ProMed	10/8/2015	Yes	None
Michael Solomon	Director	9/18/2015	Yes	None
John Baumer	Director	10/8/2015	Yes	None
Alyse Wagner	Director	9/18/2015	Yes	None
Senior Management				
Dr. Mitchell Lew	President	9/27/2015	Yes	None
Steve Aleman	CFO	9/18/2015	Yes	None
Ellen Shin	General Counsel & Secretary	10/7/2015	Yes	None
David Topper	President of ALTA	10/1/2015	Yes	None
Jonathan Spees [1]	Senior Vice President M&A	10/19/2015	Yes	None[1]
Von Crockett	SVP Corp Development	9/17/2015	Yes	None
Steve O'Dell	SVP, CRC	10/9/2015	Yes	None
Thomas Reardon [2]	President, Prospect East	10/8/2015	Yes	None [2]
Prospect Advisors				
Epstein, Becker				
Gary Herschman	Member	9/24/2015	Yes	None
Bernstein, Volpe				
Michele Volpe	Partner	10/8/2015	Yes	None
Baker Hostetler				
Jay Krupin	Partner	9/21/2015	Yes	None
Groom Law Group				
Elizabeth Dodd	Principal	9/17/2015	Yes	None
Lockton				
Alan Weiss	Senior Vice President	9/17/2015	Yes	None
Ernst & Young LLP				
Chris Kujawa	Transaction Advisory Services	10/12/2015	Yes	None
Rosemary Free	Transaction Advisory Services	10/8/2015	Yes	None
Milliman				
Arthur Rains-McNally	Consulting Actuary	10/15/2015	Yes	None

[1] Disclosed under Section (3c) his principal job responsibility and the proposed transaction will be considered in his overall performance evaluation & bonus calculation.

[2] Disclosed under Section (3c) that transactions are part of his job responsibility and the proposed transaction will be considered in his overall performance evaluation & bonus calculation.

III. FAIR MARKET VALUATION OF ASSETS ANALYSIS

In this section, Navigant will address:

Whether the nonprofit hospital will receive fair market value for its assets, i.e., the most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and in their own best interest, and with a reasonable time being allowed for exposure in the open market;

For the purposes of our valuation analysis, we considered the following definitions of fair market value ("FMV") and are assuming no difference in the two definitions.

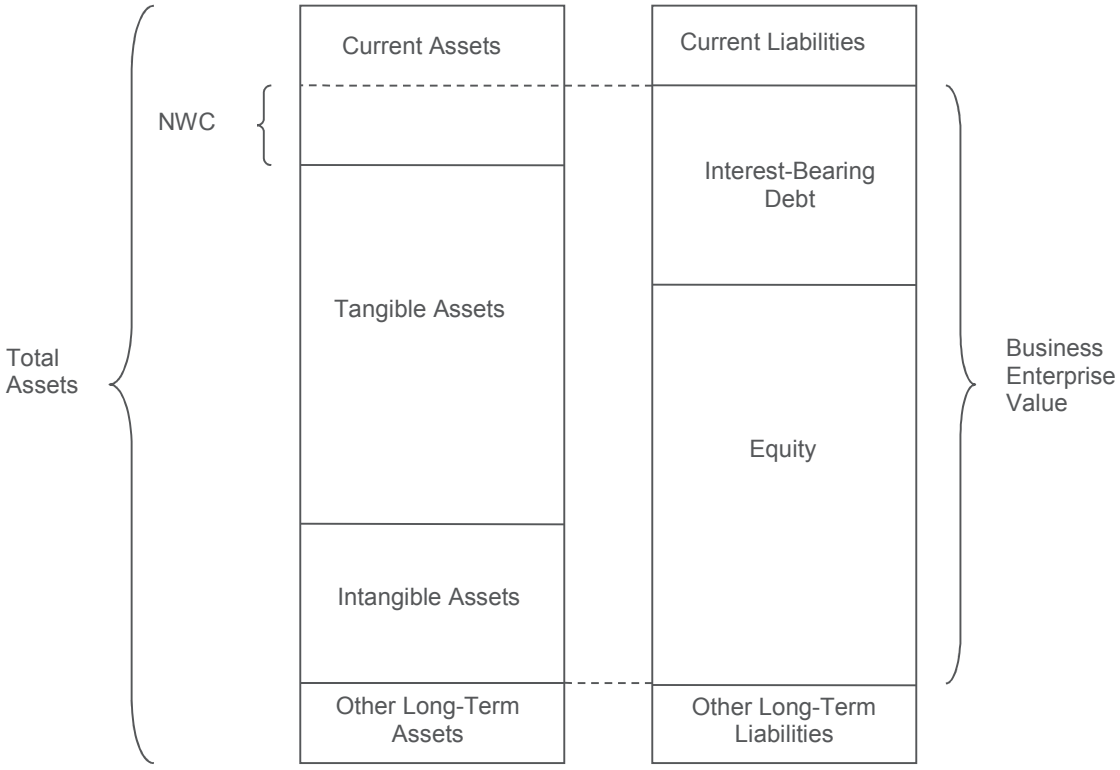
Hospital Conversion Act §§ 19a-486c:

> *…the most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and in their own best interest, and with a reasonable time being allowed for exposure in the open market.*

IRS Revenue Ruling 59-60:

> *…the price at which an entity (asset) would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of all relevant facts.*

The components of a hospital's total asset value can be depicted as follows:



However, it is our understanding that in the proposed transfer of assets between GWHN and PMH, certain assets will not be contributed, including but not limited to the following:

- All cash, cash equivalents and securities;
- All short and long-term investments (excluding joint venture interests);
- All board-designated, restricted, and trustee-held or escrowed funds;
- The assets of GWHN Community HealthCare Foundation ("ECHF")
- All interests in and assets related to Children's Center of Greater Waterbury Health Network, Inc., Healthcare Alliance Insurance Company, Ltd., and the Greater Waterbury Health Services, Inc. (inactive)
- Other Assets identified in Section 2.02 of the APA

PMH will also assume all current liabilities accrued as of the transaction date, in addition to unfunded pension liabilities, GWHN's health benefit plan for retirees, GWHN's captive insurer liabilities of Connecticut Healthcare Insurance Company ("CHIC") and worker's compensation obligations.

In estimating the full and FMV of the Hospital's assets, Navigant conducted various procedures, including but not limited to the following:

- Review and analysis of relevant documents and data provided by GWHN management regarding GWHN, including historical and projected financial and operational results;
- Consideration of factors that would impact future financial and operational performance;
- Review of budgets and long-term financial and operational projections for GWHN;
- On-site interviews with the management of GWHN concerning:
    - the nature and operations of the business, including the historical financial and operational performance of GWHN;
    - existing business plans, future financial and operating performance estimates, and budgets for GWHN;
    - current and future capital expenditure needs; and
    - the assumptions underlying the business plans, estimates, or budgets, as well as the risk factors that could affect planned financial and operating performance, including expected patient volume, payer mix, service line mix, reimbursement expectations, market competition, and physician relationships;
- On-site inspection of GWHN by Navigant professionals to view the Hospital facility and operations, as well as conducting a field site analysis related to certain real and personal property;
- Review of initial and supplemental completeness question responses submitted to the OAG by GWHN's legal counsel;
- Review of the initial CON application (and responses) related to the Transaction;
- Review of transaction-related documents including the letter of intent and asset purchase agreement;
- Analysis of the industry, as well as the economic and competitive environments in which the GWHN operates;
- Analysis of the performance and market position of GWHN relative to its competitors;
- Analysis of the earning capacity of GWHN;
- Consideration of goodwill or other intangible value;
- Analysis of financial data of similar publicly-traded companies or transactions;
- Valuation analysis of GWHN utilizing accepted valuation methodologies including (as appropriate and applicable):
    - Discounted Cash Flow Method
    - Similar Transactions Method
    - Guideline Company Method
    - Adjusted Net Assets Method
- Analysis of other facts and data considered pertinent to this valuation to arrive at our conclusions; and

- Preparation of this narrative report describing the procedures performed and key assumptions

Valuation Approaches

In performing our FMV analysis, we considered the three generally accepted approaches to value: income, market, and cost. The theory of these approaches is summarized as follows:

Income Approach

There are several variants of the income approach. One of these variants is the discounted cash flow ("DCF") method. In the DCF method, the cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. The DCF and other prospective models are considered to be the most theoretically correct methods to valuing an income producing business because they explicitly consider the future benefits associated with owning the business.

Another income approach method is based on capitalizing some measure of financial performance such as earnings or dividends, using a capitalization rate that reflects both the risk and long-term growth prospects of the subject firm. In capitalizing a historical measure of financial performance, it is important to remember that historical results serve as a proxy for future performance. Both the required rate of return used in the DCF model and the capitalization rate reflect capital market conditions and the specific circumstances of the subject health system.

Market Approach

In the market approach, the value of a business is estimated by comparing the subject business to similar businesses or "guideline" companies whose securities are actively traded in public markets or have recently been sold in a private transaction. This method is applied as the price per unit of a measure of financial performance or position, and equates to a multiple approach, using price-to-earnings before interest and taxes or similar market/transaction derived multiples applied against the appropriate financial measure generated by the subject to indicate value.

In using merger and acquisition data to develop indications of value, it is important to have adequate knowledge of the terms of the transaction to be able to make appropriate valuation judgments regarding the subject. For example, seller financing or the use of restricted stock to pay for an acquisition may require an adjustment relative to an all cash deal.

Cost Approach

The cost approach estimates a business's value based on an analysis of the value of its individual assets. The adjusted net book value method involves estimating the FMV of all assets on the balance sheet, and then subtracting the estimated FMV of the liabilities. A common application of the adjusted book value method is valuing an entity whose sole function is investing in other businesses.

The Adjusted Net Assets Method represents one methodology employed in the Cost Approach. In this method, a valuation analysis is performed of a business's identified fixed, financial, and other assets. The derived aggregate value of these assets is then "netted" against the estimated value of all

existing and potential liabilities, resulting in an indication of the value. An ongoing business enterprise is typically worth more than the FMV of its underlying assets due to several factors: (i) the assets valued independently may not reflect economic value related to the prospective cash flows they could generate; (ii) this approach may not fully reflect the synergy of the assets but rather their independent values; and (iii) intangible assets inherent in the business such as reputation, superior management, proprietary procedures or systems, or superior growth opportunities are very difficult to measure independent of the cash flow they generate. The value of the assets using the Cost Approach may be perceived as providing a pricing "floor" in the absence of earnings.

Standard of Value

We have concluded that the appropriate standard of value for our valuation analysis is FMV. Our conclusion was based on our review of the Hospital Conversion Act, the nonprofit status of the GWHN, and our experience with similar transactions.

As stated previously, for the purposes of our valuation analysis, we considered the following definitions of FMV and are assuming no difference in the two definitions.

Hospital Conversion Act §§ 19a-486c:

> *…the most likely price that the assets would bring in a sale in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and in their own best interest, and with a reasonable time being allowed for exposure in the open market.*

IRS Revenue Ruling 59-60:

> *…the price at which an entity (asset) would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of all relevant facts.*

FMV should be distinguished from strategic (or investment) value for the purposes of this valuation. The strategic value is the value to a specific owner or prospective owner. Therefore, strategic value considers the owner's or prospective owner's knowledge, capabilities, expectations of risks and future earnings, and other factors. An example of strategic value is when a transaction provides unique motivators or synergies to a particular buyer that is not available to the typical buyer.

Premises of Value

Various premises of value may be considered under the FMV standard of value. In general, four premises of value are typically considered[15]:

1. ***Value in Continued Use, as Part of a Going Concern***

   Value in continued use, as a mass assemblage of income producing assets, and as a going concern business enterprise.

2. ***Value-in-Place, as Part of a Mass Assemblage of Assets***

   Value-in-place, as part of a mass assemblage of assets, but not in current use in the production of income, and not as a going-concern business enterprise

3. ***Value in Exchange, in an Orderly Disposition***

   Value in exchange, on a piecemeal basis (not part of a mass assemblage of assets), as part of an orderly disposition. This premise contemplates that all of the assets of the business enterprise will be sold individually and that they will enjoy normal exposure to their appropriate secondary market.

4. ***Value in Exchange, in a Forced Liquidation***

   Value in exchange, on a piecemeal basis (not part of a mass assemblage of assets), as part of a forced liquidation. This premise contemplates that all of the assets of the business enterprise will be sold individually and that they will experience less than normal exposure to their appropriate secondary market.

For our valuation analysis, we considered each of the premises of value and selected the premise that was most appropriate based on our analysis of the Hospital's current and projected financial and operational outlook, as well as the most likely transaction scenario.

Selected Methodology

Each of the valuation approaches described above may be used to develop an indication of the FMV of the Hospital's assets; however, the appropriateness of certain approaches and the premise of value can vary depending on the specific facts and circumstances of the entity being valued, the assumed transaction, and the information available.

For service-oriented, income-producing entities, the income and market approaches are typically performed in order to estimate the FMV of a business on a going concern basis. However, for businesses that are not currently generating positive cash flow from current operations and are not projected to generate positive cash flow in the future, a going concern premise of value may not be

[15] Shannon P. Pratt, Robert F. Reilly, and Robert P. Schweihs, Valuing Small Businesses & Professional Practices, Third Edition, 1998, pp 46-47

possible. In such cases, the valuation exercise may focus on a FMV analysis under a Value-In-Place or Value in Exchange premise as described above utilizing a market and/or asset-based approach.

For the period ended September 30, 2015, GWHN had an EBITDA loss of $11.2 million and a net income loss of $22.3 million. These losses are atop a history of marginal profitability and growing debt and pension related liabilities, all while delaying needed infrastructure improvements for GWHN. Based on discussions with Management and our analysis, we determined that GWHN would not have positive economic value on a going-concern basis. Accordingly, we concluded that GWHN and its assets should be valued under the premise of **Value-In-Place, as Part of a Mass Assemblage of Assets**.

As summarized above, the premise of Value-In-Place assumes that the Hospital's assets are in place, but not in current use in the production of income, and not as part of a going-concern business enterprise. Furthermore, this premise of value assumes that all assets will continue to be used in the manner for which they were originally intended which is consistent with prospective buyer's stated intent to use the assets to operate a general acute care hospital with similar levels and types of services as GWHN.

In order to estimate the FMV of the Hospital's assets under a Value-Place premise, we utilized the Adjusted Net Asset Value method under the Cost Approach. In this method, all assets and liabilities are restated to FMV and netted against each other to derive a business' value. We also considered whether a market approach could be performed to value the Hospital; however, due to the absence of projected free cash flow for the Hospital and the challenges of finding comparable hospitals that have sold under a Value-in-Place premise, we determined that the market approach was not applicable. However, Navigant considered market factors in valuing the Hospital's real and personal property under the Cost Approach.

In our analysis below, we will explain the key factors that support our conclusion that the Hospital's assets should be valued under a Value-in-Place premise and not a going concern premise on a standalone basis.

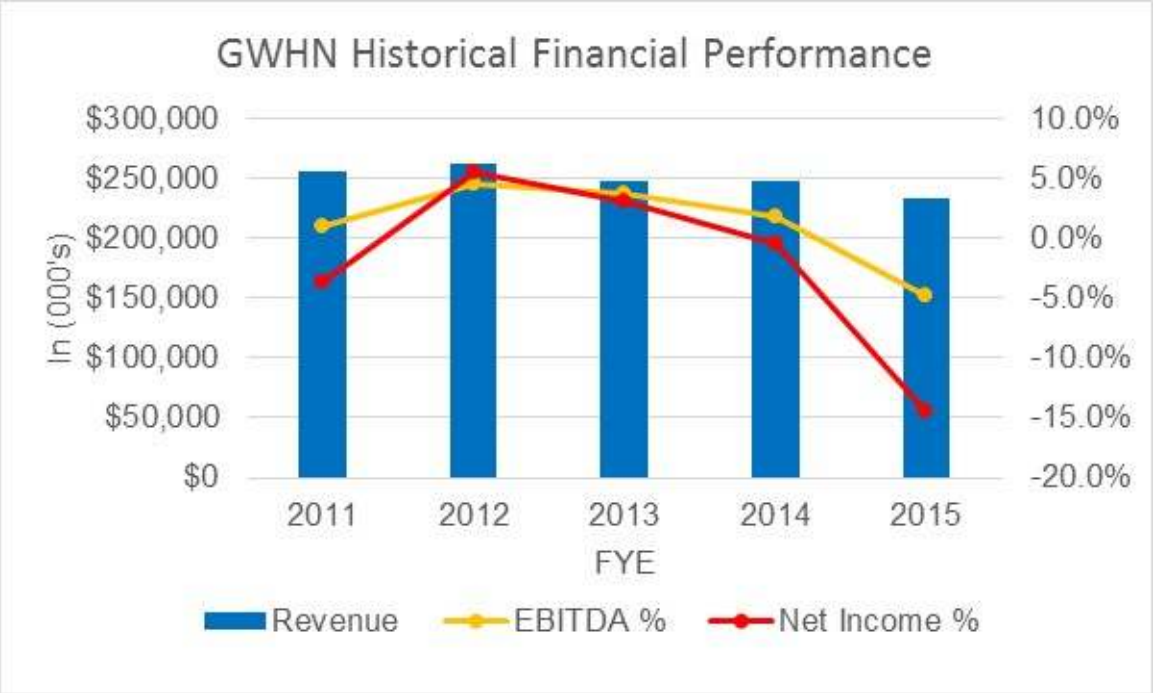
Valuation Analysis

As indicated in our due diligence analysis, GWHN has experienced material cash flow and income losses since 2011. Therefore, in order to fully assess the Hospital's going concern potential, we held in-depth discussions with Waterbury management and analyzed historical financial and operational data related to GWHN, as well as previous performance improvement initiatives. In addition, our analysis and discussions with Waterbury management included the future outlook related to the Hospital in the context of numerous factors, including geographic location, service lines, capital expenditure needs, supporting physicians, competition, payer mix, state support, and healthcare reform. Below, we explain the basis for our conclusion that the Hospital is not a going concern business on a standalone basis.

Weak Historical Operational and Financial Performance

As indicated below, EBITDA and Net Income margins have been marginal to negative since 2011, with revenues also trending down over the period. Since 2011, GWHN has experienced cumulative net income losses of approximately $39 million. Much of these losses can be attributed to GWHN's

unfavorable payor mix, as indicated in Exhibit G-4. In FYE 2015, approximately of GWHN's payor mix were Medicare and Medicaid, and only 29 percent were commercial payors. By comparison, the industry benchmark 35 percent Medicare and Medicaid, with 55 percent commercial payors.



GWHN's combined operating losses have led to a rapidly declining cash position. To maintain financial viability, GWHN has undergone several rounds of decreases in staffing and discretionary expenses, most notably capital expenditures related to not only capital to build out service lines, but also routine capital expenditures to maintain the facility consistent with industry norms. Based on discussions with GWHN management, it appears that cost cutting options have been exhausted. Capital expenditures at GWHN were 0.5% and 0.4% of net revenue for FYE 2014 and 2015 respectively. Comparatively, publicly traded hospital systems spend approximately 5% of net revenues on capital expenditures.

During our February 2016 on-site visit with GWHN's executive team, we learned that the operating and financial problems were exacerbated by Tenet withdrawing its proposals to joint venture with the Hospital. After the withdrawal, the Hospital experienced significant volume decreases. Layoffs that were being foregone due to the planned joint venture with Tenet were implemented. This resulted in roughly 80 FTEs being eliminated.

In October of 2015, pay cuts were implemented with concessions provided by the Hospital's labor unions. Currently, Management feels that their compensation is below market and compensation levels cannot be maintained in the long-term. With the uncertainty regarding the Hospital's future in doubt, physicians in the community were developing alternative areas to practice, whether competing hospitals or developing surgery centers on their own. In addition, reimbursement decreases announced by the Governor's office severely impacted the Hospital's financial condition.

Beginning in fiscal year 2016, the Hospital has started to see small positive improvements in performance. The Hospital was reclassified to a higher wage index in regards to Medicare reimbursement. They also have renegotiated three managed care contracts that has had a positive impact on reimbursement. For Fiscal year 2016, volumes had stabilized and the Hospital was meeting forecasted volumes at that time. Management indicated that GWHN has entered into capital leases for a DaVinci robot that has helped with the process of stabilizing volumes.

While the Hospital has seen some small improvements in financial performance in fiscal year 2016, Management strongly believes that Hospital is not viable without an outside acquirer providing needed capital to maintain and improve the performance of the Hospital. Please see Exhibit 3.0 for historical operating results.

Stagnant and Aging Physician Network

Another factor contributing to GWHN's poor financial condition is a stagnant and aging physician network. The inability of Hospital management to strengthen and expand its physician network continues to be a disadvantage and future threat to the viability of GWHN since the system has seen increased attrition recently as existing physicians continue to age according to Waterbury management. The current age of Waterbury's physicians was stated to be 59 years old.

Expanding the physician network was identified as a focus of any capital commitment through the recruitment of new physicians to the area and development of the Hospital's physician network. GWHN's capital constraints have allowed competitor hospitals to acquire physician practices and employ the physicians directly. This has led to lower utilization and revenue within the GWHN system.

Significant Capital Expenditure Needs

Based on discussions with Management, there has been deferment of capital expenditures and a significant amount of capital is needed to maintain and update the Hospital's asset base to remain competitive in the market. There is a backlog of routine capital expenditures that need to be made, along with renovations to the aging building infrastructure, and strategic capital needed to improve the operations of the Hospital.

GWHN management indicated that the Hospital's projected cash flow cannot currently fund its required capital expenditure needs and would need to find a strategic capital partner to meet its capital expenditure needs. Based on the Agreement, Prospect is committing to $55.0 million in aggregate capital expenditure in the next seven years post-transaction (subject to adjustments outlined in the Asset Purchase Agreement). Additionally, Prospect has access to capital markets that will make capital available to GWHN for replacements and upgrades to the systems and infrastructure of GWHN facilities; investments in electronic medical records and upgrades to medical equipment and technology to provide state-of-the-art technology for the diagnosis, treatment and care to GWHN patients.

Deteriorating Projected Operational and Financial Performance

Waterbury management was not able to provide Navigant with a financial projection that reflected GWHN generating positive cash flow in the future on a standalone basis without a strategic capital partner. As part of their original CON application and supplemental responses, Waterbury Management projected future cash flows without the Proposed Transaction moving forward. These

projections showed net income losses in future years with an EBITDA margin ranging from 2.0% in 2016 down to 1.6% by 2018, as detailed in Exhibit D-2.

This level of EBITDA does not allow for the capital expenditures necessary to maintain the asset base of GWHN, much less fund future growth needs. For the period ended September 30, 2015, GWHN had an EBITDA loss of $11.2 million and a net income loss of $22.3 million. For the 3 month YTD period ending December 2015, GWHN has experienced an EBITDA loss of $1 million and a net income loss of $3 million. In GWHN's budget for the 2016 period, they projected a significantly reduced level of revenues ($215 million) relative to what was stated in their CON application ($259 million). Accordingly, we developed a current financial forecast incorporating the latest 2016 budget information, as detailed in Exhibit D-1. According to our projections, GWHN would not generate positive cash flow on a going-concern basis.

Findings and Conclusions

Based on our analysis described above, we have concluded that GWHN is not a going concern business on a standalone basis and therefore, its assets should be valued under the premise of Value-in-Place. As summarized previously, the premise of Value-in-Place assumes that the Hospital's assets are in place, but not in current use in the production of income, and not as part of a going-concern business enterprise. Furthermore, this premise of value assumes that all assets will continue to be used in the manner for which it/they was/were originally intended which is consistent with the prospective buyer's stated intent to operate the Hospital as a general acute care hospital with similar levels and types of services.

In order to estimate the FMV of the Hospital's assets under the premise of Value-in-Place, we performed an independent fair market valuation of the Hospital's real and personal property and added this to the Hospital's current net working capital balance as of April 30, 2016. Please refer to Appendix C and D for details of Navigant's real and personal property FMV analyses.

Intangible Assets

As part of Navigant's overall valuation analysis, we considered the potential for intangible assets that could be identified and valued, including under a Value-in-Place premise of value. Intangible assets could possibly include the Hospital's CON licenses, trade name(s) and trademark(s), and domain names. However, the Hospital's legal advisors indicated that the Hospital's CON licenses were not transferable, and is therefore, not separable from the Hospital's real property.

Typically, the cash flow generating capability of a business is analyzed to assess whether the economic support exists for the valuation of intangible assets. In GWHN's case, we have determined that there are no projected positive free cash flows that would support additional intangible asset value. Based on our analysis, we determined that the identification and valuation of intangible assets would not be supportable from an economic perspective.

Fair Market Valuation Conclusion

We primarily relied on the ANAV Method as it yielded the highest value. Based on our review of information provided to us, independent research and analysis, and our informed judgment, we estimate the FMV of the Hospital's assets as follows:

Adjusted Net Assets Method	FMV
Net Asset Components :	
Personal Property - Wholly Owned	$11,149,000
Real Property - Wholly Owned	5,420,000
Personal Property - Partially Owned	636,430
Harold Leever Regional Cancer Center, Equity Interest	6,188,500
Net Working Capital	18,258,911
FMV of GWHN Business Enterprise, Value In Place	**$41,652,841**

As the total purchase price of $43.3 million ($31.8 million adjusted for $11.5 million working capital) exceeds the estimated FMV of assets to be acquired, we conclude that GWHN will receive FMV for the Hospital assets. We note that the final net working capital adjustment will depend on the balance of net working capital in effect on the transaction date.

IV. FAIR MARKET VALUATION MANIPULATION ANALYSIS

In this section, Navigant will address:

Whether the fair market value of the nonprofit hospital's assets have been manipulated by any person in a manner that causes the value of the assets to decrease.

Findings and Conclusions

Based on our analysis of GWHN's financial position and operations, as well as observations during our valuation and transaction analysis process, we found no indication that GWHN's assets have been manipulated by any person in a manner that causes the value of the assets to decrease.

V. FINANCING ANALYSIS

In this section, Navigant will address:

Whether the financing of the transaction will place the nonprofit hospital's assets at an unreasonable risk.

Findings and Conclusions

Not Applicable. The Proposed Transaction results in the retirement of the Hospital's outstanding municipal bond debt and does not require any additional debt financing at

completion[16]. As shown in the table below, overall third-party debt liabilities of the Hospital are reduced from $27.4 million to $4.7 million as a result of the Proposed Transaction. Therefore, there is no financing from the Proposed Transaction that would place the Hospital's assets at unreasonable risk.

	Balance Sheet as of 3/31/2016 (Ownership Adjusted)	Pro Forma		Purchase Adjustments	Prospect Waterbury Opening Balance Sheet
		Retained by Surviving Entity	Purchased/ Assumed by Prospect		
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 19,961,330	$ 19,961,330	$ -	$ 10,000,000 [1]	$ 10,000,000
Short-term Investments	1,562,060	1,562,060	-	-	-
Net Accounts Receivable	32,707,526	120,745	32,586,781	-	32,586,781
Accts Receivable - Other	8,051,434	3,335,277	4,716,157	-	4,716,157
Inventories	3,492,659	-	3,492,659	-	3,492,659
Prepaid Insurance and Other Expenses	3,135,424	1,380,551	1,754,873	-	1,754,873
Due From Affiliates	(707,994)	(707,994)	-	-	-
Total Current Assets	68,202,439	25,651,968	42,550,470	10,000,000	52,550,470
					-
Noncurrent Assets Who Use Is Limited:					-
CHEFA Bond Issue Cost	279,740	279,740	-		-
Investments	26,058,773	26,058,773	-		-
Board Designated Funds	-	-	-		-
Loans and Other Receivables	359,162	359,162	-		-
Funds Held in Trust by Others	44,293,313	44,293,313	-		-
Goodwill	1,813,567	-	1,813,567	(1,813,567)	-
Net PP&E	33,218,080	2,017,680	31,200,401	(24,120,685)	7,079,716
Total Assets	**$ 174,225,074**	**$ 98,660,636**	**$ 75,564,438**	**$ (15,934,252)**	**$ 59,630,186**
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Expenses	$ 28,918,380	$ 2,867,507	$ 26,050,873	$ -	$ 26,050,873
Current Portion of Accrued Pension Liability	3,867,000	-	3,867,000		3,867,000
Intercompany Payable (Due to PMH)				10,000,000 [1]	10,000,000
Current Portion of Long Term Debt	1,889,492	750,821	1,138,671	639,817.84 [2]	1,778,489
Due to Third-Party Payors	7,435,228	7,435,228	-	-	-
Total Current Liabilities	42,110,100	11,053,556	31,056,544	10,639,818	41,696,362
					-
Long-Term Debt	27,425,361	24,437,446	2,987,914	1,733,596 [2]	4,721,511
Other Long-Term Liabilities:					-
Workers Compensation	11,981,725	11,981,725	-	-	-
Pension	8,543,722	-	8,543,722	-	8,543,722
Malpractice	1,770,062	-	1,770,062	-	1,770,062
Asbestos Abatement	2,898,529	-	2,898,529	-	2,898,529
Other Long-Term Liabilities	2,337,593	2,337,593	-	-	-
Total Other Liabilities	54,956,991	38,756,764	16,200,227	1,733,596	17,933,824
					-
Total Liabilities	**97,067,091**	**49,810,320**	**47,256,772**	**12,373,414**	**59,630,186**
Net Assets/Capital	**77,157,983**	**48,850,316**	**28,307,667**	**(28,307,667)**	**-**
Total Liabilities and Capital	**$ 174,225,074**	**$ 98,660,636**	**$ 75,564,438**	**$ (15,934,252)**	**$ 59,630,186**
	-	-	-	-	-

[1] Cash from PMH at closing (intercompany loan)
[2] To reflect increase in capital leases to $6.5M
[3] Purchase price for assets less off-balance-sheet MEP liability

16 As described in the excel file provided by GWHN labeled "GWHN-Net Proceeds Detail- March 2016 w Opening BS v4".

VI. MANAGEMENT CONTRACT VALUATION ANALYSIS

In this section, Navigant will address:

Whether any management contract contemplated under the transaction is for reasonable fair value.

Findings and Conclusions

Although PMH is currently providing certain management services to the Hospital, it is not currently anticipated that there will be a management contract between PMH and GWHN after the transaction closes. Therefore, it was not necessary to perform a management fee valuation analysis[17].

[17] Ibid.

APPENDIX A: SOURCES OF INFORMATION

We have relied upon sources including, but not limited to the following:

- Selected audited and unaudited operational and financial data of GWHN;
- The GWHN and Prospect Medical Holdings Certificate of Need Application for a Proposed Asset Purchase dated October 28, 2015 (the "Application") and in particular response 5 (pp 22-33) that described the process undertaken by GWHN in pursuing a strategic partner and eventually the Proposed Transaction;
- The supplemental responses to the Application dated December 24, 2015 and February 16, 2016 and late files dated May 24, 2016 and May 27, 2016;
- Pre-file Testimony submitted to Attorney General dated April 27, 2016 and Public Hearing Transcript dated May 3, 2016;
- Draft Asset Purchase Agreement between Greater Waterbury Health Network, Inc. and Prospect Medical Holdings, Inc. as of 10/27/2015 and amended Asset Purchase Agreement dated June 17, 2016;
- Combined Presentation by GWHN and Prospect Medical Holdings, Inc. dated May 3, 2016
- Principle Valuation, LLC Fairness Opinion Letter dated September 25, 2015 and Confidential Discussion Materials prepared by Cain Brothers & Company dated September 21, 2015
- Selected transaction and regulatory documents, including letter of intent, asset purchase agreement, initial and supplemental completeness question responses; and PMH's Certificate of Need application;
- Interviews with GWHN Management and Chairman of the Board:
    - Carl Contadini, Chairman of GWHN Board
    - Darlene Stromstad, CEO of GWHN
    - James Moylan, Chief Financial Officer of GWHN
    - James Cain, Chairman of Cain Brother and financial advisor to GWHN
    - Ann Zucker, partner with Carmody and Torrance, attorney for GWHN
- "Selected Interest Rates," Federal Reserve Statistical Reserve;
- "Economic Outlook Update Q1, 2016" Business Valuation Resources;
- Capital-IQ;
- U.S. Bureau of the Census;
- IBISWorld Industry Report, Hospitals in the US, April 2016;
- Selected Internet sites; and
- Other sources, as noted.

APPENDIX B: ASSUMPTIONS AND LIMITING CONDITIONS

1. **Report Distribution** – This report has been prepared solely for the purpose stated in our engagement letter and should not be used for any other purpose. Except as specifically stated in the report, neither our report nor its contents is to be referred to or quoted, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval. In addition, except as set forth in the report, our analysis and report presentation are not intended for general circulation or publication, nor are they to be reproduced nor distributed to other third parties without our prior written consent.
2. **Scope of Analysis** – The appraisal of any financial instrument or business is a matter of informed judgment. The accompanying appraisal has been prepared on the basis of information and assumptions set forth in the attached report, associated appendices, our underlying work papers, and these limiting conditions and assumptions.
3. **Nature of Opinion** – Neither our opinion nor our report are to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, are the expression of our determination of the fair market value of the underlying assets and liabilities between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date. For various reasons, the price at which the assets and liabilities might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in our report.
4. **No Undisclosed Contingencies** – Our analysis assumes that the Company had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor had any litigation pending or threatened that would have a material effect on our analysis.
5. **Lack of Verification of Information Provided** – With the exception of audited financial statements, we have relied on information supplied by the Company without audit or verification. We have assumed that all information furnished is complete, accurate and reflects Management's good faith efforts to describe the status and prospects of the Company at the valuation date from an operating and a financial point of view. As part of this engagement we have relied upon publicly available data from recognized sources of financial information, which have not been verified in all cases.
6. **Reliance on Forecasted Data** – Any use of Management's projections or forecasts in our analysis does not constitute an examination or compilation of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants ("AICPA"). We do not express an opinion or any other form of assurance on the reasonableness of the underlying assumptions or whether any of the prospective financial statements, if used, are presented in conformity with AICPA presentation guidelines. Further, there will usually be differences between prospective and actual results because events and circumstances frequently do not occur as expected and these differences may be material.
7. **Subsequent Events** – The terms of our engagement are such that we have no obligation to update this report or to revise the valuation because of events and transactions occurring subsequent to the Valuation Date.
8. **Legal Matters** – We assume no responsibility for legal matters including interpretations of either the law or contracts. We have made no investigation of legal title and have assumed that

owner(s) claim(s) to property are valid. We have given no consideration to liens or encumbrances except as specifically stated. We assumed that all required licenses, permits, etc. are in full force and effect. We assume no responsibility for the acceptability of the valuation approaches used in our report as legal evidence in any particular court or jurisdiction. The suitability of our report and opinion for any legal forum is a matter for the client and the client's legal advisor to determine.

9. **Testimony** – Neither Navigant Consulting, Inc. nor any individual signing or associated with this report shall be required to give testimony or appear in court or other legal proceedings unless specific arrangements have been made in advance.
10. **USPAP** – Unless otherwise stated in our opinion, our engagement is not required to be conducted pursuant to the Uniform Standards of Professional Appraisal Practice.
11. **Verification of Legal Description or Title** – As part of this engagement, we will not assume any responsibility for matters of a legal nature. No investigation of legal description or title to the property will be made and we will assume that your claim to the property is valid. No consideration will be given to liens or encumbrances which may be against the property, except as specifically stated as part of the financial statements you provide to us as part of this engagement. Full compliance with all applicable federal, state, local zoning, environmental and similar laws and regulations is assumed, unless otherwise stated and responsible ownership and competent property management are assumed.

APPENDIX C: PERSONAL PROPERTY VALUATION

Assets Valued

The assets valued ('Subject Assets") included the personal property of the GWHN, the parent company of Waterbury Hospital. In addition to the hospital's personal property, the personal property at the affiliates and subsidiaries included in the transaction were valued. The affiliates and subsidiaries include:

- Alliance Medical Group, Inc.;
- Access Rehab Centers LLC;
- Cardiology Associates of Greater Waterbury, LLC;
- Greater Waterbury Imaging Center;
- Imaging Partners, LLC; and
- VNA Health at Home, Inc.

Joint Venture

- Harold Leever Regional Cancer Center, Inc.

In the current transaction, the assets at the following affiliates and subsidiaries **were not considered** to be part of the transaction and were excluded:

- Greater Waterbury Health Services, Inc. (inactive);
- Children's Center of Greater Waterbury; and
- Healthcare Alliance Insurance Co., Ltd.

No other affiliates or subsidiaries included in the transaction were deemed to contain any personal property assets based on conversations with Hospital Management and a reconciliation of the balance sheet with the fixed asset records. The Harold Leever Regional Cancer Center assets are part of a joint venture with St. Mary's Hospital in Waterbury, Connecticut and the personal property is not fully owned by Waterbury Hospital. The asset values reported herein have not been adjusted based on GWHN's equity percentage in the personal property and represent the full value of the assets.

The personal property assets can be categorized within the following general asset classifications:

- **Computer Equipment** – includes, but not limited to, servers, desktops, laptops, monitors, printers, network equipment, etc.
- **Furniture & Fixtures** – includes, but not limited to, patient beds, chairs, tables, book shelves, book cases, cabinets, carts, couches, desks, file cabinets, etc.
- **Kitchen Equipment** – includes, but not limited to, ovens, refrigerators, coolers, fryers, broilers, freezers, stoves, toasters, salad bars, skillets, water coolers, etc.
- **Machine Tools** – includes, but not limited to, hand drills, grinders, planers, routers, sanders, hoists, jack hammers, jig saws, knife sharpeners, nail guns, saws, tool boxes, welders, etc.

- **Medical Equipment** - includes all medical equipment and devices such as surgical equipment & instrumentation, radiology equipment, nuclear imaging equipment, X-ray machines, ultrasound equipment, fetal monitors, defibrillators, laboratory equipment, anesthesia equipment, EKG equipment, etc.
- **Office Equipment** – includes, but not limited to, copiers, faxes, telephones, etc.
- **Other Equipment**– includes, but not limited to, televisions, security cameras, exercise equipment, floor scrubbers, snow blowers, humidifiers, time clocks, etc.

Scope of Services

In our valuation analysis, the following steps were performed:

- Conducted site visit to collect equipment information for the Subject Assets such as capacity, type, manufacturer, model, vintage, etc. The verification of major assets was performed through the site visit, gathering equipment listings at the department level, and discussions with department personnel in order to verify the fixed asset inventory listing and to estimate the quality, condition, and utility of the personal property;
- Reviewed the fixed asset inventory listing, and other documentation for the equipment and contents;
- Estimated the current cost of and the cost to install the personal property;
- Conducted industry research of personal property to estimate the replacement cost, obsolescence, and remaining useful life based on asset type, utility, quality and age;
- Held discussions with equipment vendors and distributors of similar pre-owned, refurbished and/or new personal property to determine the market value of assets and compare research results with data from published sources to determine reasonableness; and
- Analyzed all the facts and data compiled resulting in a conclusion of value.

Tim Lubbe visited the Subject Assets at Waterbury Hospital, Waterbury, CT on Wednesday, February 3, 2016. The Subject Assets were observed to be in fair condition and quality. The following photographs were gathered as a part of the site inspection.

Waterbury Hospital – Fifth Floor Patient Room

Waterbury Hospital – Third Floor Patient Room

Waterbury Hospital – Third Floor Special Care Nursery

Waterbury Hospital – Second Floor Intensive Care Unit – Surgical C-Arm Unit

Waterbury Hospital – First Floor Radiology Department – X-Ray Unit

Waterbury Hospital – First Floor Radiology Department – CT Scanner Aquilion 64

Waterbury Hospital – Data Center

Waterbury Hospital – Catheterization Laboratory

Waterbury Hospital – Operating Room

Waterbury Hospital – Operating Room – da Vinci Surgical System

Waterbury Hospital – Urology Procedure Room

Waterbury Hospital – Urology Procedure Room – Anesthesia Machine

Definition of Value

The standard of value used in the valuation of the personal property is Fair Market Value. Fair Market Value is defined as "the estimated amount that may be reasonably be expected for a property, in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell and both fully aware of all relevant facts, as of a specific date."

Fair Market Value In-Place

Fair Market Value In-Place assumes the use of the assets in the ongoing business and therefore includes all normal direct and indirect costs (such as installation and other assemblage costs) to make the property fully operational. Under the premise of Fair Market Value In-Place, we included certain capitalized costs in our valuation such as installation, freight, engineering costs, electrical set-up costs, and other assemblage costs that would be required to make the personal property fully operational.

Approaches to Value

Three approaches are considered in the valuation of personal property: the Cost, Income, and Market (or Sales Comparison) Approaches. The application of each of these approaches is dependent upon the nature of the assets, the availability of appropriate information, and the scope of the analysis. Based on the value indications derived from the application of appropriate methodologies, an opinion of value is estimated using expert judgment within the confines of the appraisal process. Summary descriptions of the three approaches typically used in the valuation of tangible assets are provided in the following paragraphs:

Cost Approach: The Cost Approach recognizes that a prudent investor would not ordinarily pay more for an asset than the cost to replace it new. The first step is to estimate the reproduction/replacement cost new of an asset using current materials, prices, and labor. Reproduction cost and replacement cost are defined as follows:

> *Reproduction Cost* is the estimated cost to construct, at current prices, an exact duplicate (or replica) of the asset being appraised, using the same materials, construction standards, design, layout and quality of workmanship, and embodying all the subject's deficiencies, super-adequacies, and obsolescence.
>
> *Replacement Cost* is considered to be the cost of substituting an asset with another asset having equivalent functional utility as the asset being appraised.

The cost new is then reduced by the amount of depreciation resulting from physical deterioration, functional obsolescence, and economic/external obsolescence which are inherent in the asset. The resulting depreciated replacement cost is an indication of the Fair Market Value of an asset providing all elements of depreciation are addressed. The factors of depreciation are defined in the following paragraphs:

> *Physical Depreciation* as a result of age and wear can be divided into curable and incurable. Curable physical deterioration is a loss in value which can be recovered or offset by repairing

or replacing defective items causing the loss, provided that the resulting value increase equals or exceeds the cost of work. Incurable physical deterioration is a loss in value which cannot be offset or which would involve a cost to correct greater than the resulting increase in value.

Functional Obsolescence is any loss in value resulting from inappropriate design, inefficient process flow, poor construction or layout for the intended use, and changes in the technical state-of-the-art. Functional obsolescence may be either curable or incurable.

Economic/External Obsolescence relates to the loss in value that occurs from factors external to the assets.

Market Approach: The Market (Sales Comparison) Approach estimates value based on what other purchasers and sellers in the market have agreed to as prices for comparable assets. This approach is based on the principle of substitution which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the Market Approach for the valuation of the personal property, we gather data on reasonably substitutable assets and make adjustments for such factors as market conditions, location, conditions of sale, income characteristics, etc. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the asset.

The sales comparison approach was used to value the Subject Assets, in cases where asset/data information was readily available. We contacted used equipment sellers, researched various websites, and publications to gather information regarding recent transactions and offerings of comparable assets. Similar transactions and offering prices were adjusted, as appropriate, to arrive at an estimation of the fair market value of the Subject Assets. Adjustments were considered based on the following elements of the comparable transaction data:

- Vintage
- Effective Age
- Condition
- Capacity
- Features
- Manufacturer
- Price
- Quality
- Quantity
- Date of sale
- Type of sale
- Assemblage Costs

Income Approach: The Income Approach is a valuation technique by which Fair Market Value is estimated based upon the cash flows that the subject asset can be expected to generate over its remaining useful life.

Approaches Utilized: The Cost and Market Approaches were utilized to value the Subject Assets depending on the quality and the quantity of information available related to the specific asset employed. The Income Approach was considered but not utilized in valuing the Subject Assets due

to the difficulty in allocating the revenue or income streams of a business enterprise to a specific asset employed.

Sources of Information

The sources of information used in our valuation of the Personal Property included the following:

- Third party inventory of the Subject Assets with information such as Location, Department, Room, Barcode Asset Number, Floor, Asset Description, Manufacturer, Model No.;
- Fixed asset record ("FAR") provided by Management with historical cost and acquisition date information;
- Historical invoices of personal property assets since 2005;
- Capital lease documents and spreadsheets;
- Hospital floor plans;
- Photographs of personal property;
- Physical inspection of Waterbury Hospital in order to verify fixed asset records and to determine the quality, condition, and utility of the personal property; and
- Discussions with Management to obtain an explanation and clarification of the data provided and to obtain additional data and descriptions of the history and future operations of the Personal Property.

We relied on this data as fairly representing the Subject Assets. We have not audited the inventory in the course of our valuation assignment. We relied on this information in:

- Identifying the assets to be valued, acquisition dates and historical costs of the assets to be valued;
- Estimating reproduction cost new and age/life based depreciation;
- Supporting information regarding the condition and operational status of the equipment;
- Identifying certain capitalized costs that would not have resale value to third-parties; and
- Overall support of the value calculations relating to the Subject Assets.

We did not consider supplies, materials on hand, or working capital as part of our analysis. Our analysis is limited only to the assets described above.

Valuation Procedures

Our valuation analysis involved a depreciated cost and market value study of the assets. We investigated the market from both a replacement cost and sales comparable standpoint. Our final conclusions take into account that the Personal Property was (with the exception of items identified by the client as idle or disposed) fully functional and operable and was utilized in its highest and best use in an efficient manner to be expected for the type of equipment (unless noted otherwise by the Client). We reconciled the various approaches to conclude on one estimate of value for each of the assets and made adjustments to arrive at an indication of value under the presumption of installed and in-place.

In valuing the Subject Assets, for items in which there was an active secondary market and recent sales comparables exist, the sales comparison approach was utilized. In instances where market

data was available, but deemed too incomplete to apply the sales comparison approach, we used the market relationship data available to support the cost approach analysis.

In instances where a Subject Asset is found to have no used market resale exposure, we utilized the cost approach. In order to utilize the cost approach, we used the fixed asset schedule and available historical invoices as accurately representing the asset to be appraised. No adjustments were made to historical costs or in-service dates.

The cost approach establishes reproduction/replacement cost estimates for the assets and was applied using direct and indirect methods. Direct costing relies on standard pricing media or quotations from equipment suppliers, original manufacturers and other industry sources. We applied the direct cost approach to Subject Assets depending on the quality and quantity of asset data/information. Based on the compiled data, we concluded on a Replacement Cost New for the property on an uninstalled basis. Installation costs and other indirect costs were added, as appropriate.

We also used the indirect approach to value certain assets. Indirect costing is the application of inflation indices to historical costs to estimate Reproduction Cost New. The indirect approach will index the historical cost data to provide an estimate of replacement cost new, using cost indices which reflect changes in equipment costs, and installation costs over time. These indices reflect the increase in cost on an asset-specific basis.

After replacement cost new for the assets has been developed, depreciation estimates were made based on the relationship of age, as indicated from fixed asset records, condition, functional and economic obsolescence. Our analysis is limited only to the Subject Assets described above. We express no opinion or other form of assurance regarding the inventory data accuracy, completeness, or fairness of representation. Our valuation of the personal property considers a value-in-place concept. Based on the analysis described in this report, we estimated the Fair Market Value In-Place of the Personal Property to be as follows:

- Waterbury Hospital, Affiliates, and Subsidiaries $12.125 million
- Harold Leever Regional Cancer Center $ 3.057 million
  (Unadjusted for JV Ownership Percentage)
  (See next page for a summary of the value by category).

Summary of Personal Property Fair Market Values

USD $ (Actuals)	Fair Market Value (Rounded)
Waterbury Hospital	$416,000
	1,143,000
	796,000
	1,157,000
	4,224,000
	5,000
	2,953,000
Personal Property Total (Rounded)	**$10,694,000**
Waterbury Partners	
Alliance Medical Group	$104,000
	51,000
	70,000
	107,000
	7,000
Personal Property Total (Rounded)	**$339,000**
Access Rehab Centers LLC	$48,000
	81,000
Personal Property Total (Rounded)	**$129,000**
Cardiology Associates of Greater Waterbury, LLC	$56,000
	5,000
Personal Property Total (Rounded)	**$61,000**
Greater Waterbury Imaging Center	$64,000
	571,000
	162,000
Personal Property Total (Rounded)	**$797,000**
Imaging Partners, LLC	$50,000
Personal Property Total (Rounded)	**$50,000**
VNA Health at Home	$55,000
Personal Property Total (Rounded)	**$55,000**
Grand Total (Rounded)	**$12,125,000**
Joint Venture (Asset Values - Full and Unadjusted for Ownership Percentage)	
Harold Leever Regional Cancer Center, Inc.	$63,000
	44,000
	2,950,000
Personal Property Total (Rounded)	**$3,057,000**

(1) The capital lease value is the value of the capital lease assets and does not include the remaining liability on the lease.

APPENDIX D: REAL PROPERTY VALUATION

- Nature of the Assignment
- Property Identification
- Scope of work, definitions and history
- Description of locations
- Highest and Best Use
- Methodologies
- Analysis
    - Major real estate
        - Waterbury Hospital
        - Ancillary office and residential on Waterbury Hospital parcel
        - 134, 140 and 170 Grandview Avenue, Waterbury (land)
    - Minor nonessential real estate
        - 72 Hale Street, Waterbury - SFR
        - 101 Robbins Street, Waterbury - SFR
        - 36 Grandview Avenue, Waterbury – SFR
        - 134 Grandview Avenue, Waterbury – office condo
        - 140 Grandview Avenue, Waterbury – office condo
    - Joint Venture real estate
        - 1075 Chase Parkway, Waterbury

Nature of the Assignment

The real estate is analyzed to opine on fair market value of these fixed assets as a part of a larger valuation of the business entity being acquired. This appendix only addresses the real estate assets. Given the breadth of the real estate owned, the focus of the analysis is on the larger properties given the greatest materiality. The valuation of the smaller real estate properties is done with the use of cost approach in conjunction with a review of current residential listings The Joint Venture include significant real estate and is analyzed in a similar manner as the hospital.

Property Identification

The subject of this real estate analysis is that real estate owned by GWHN. This includes major real estate assets such as the Waterbury Hospital (WH), in Waterbury, CT. This include some auxiliary building on the hospital campus. In addition, there are adjacent parcels of land, some of which are encumbered by ground leases on portions in which medical office condominium building were built. There are a number of small single-family residential properties surrounding Waterbury Hospital. Furthermore, GWHN has ownership in a real estate focused joint venture known as the Harold Leever Regional Cancer Center.

The following is a list of the properties owned by GWHN

Greater Waterbury Healthcare Network					
Parcel Number (MBL)	**Location**	**Description**	**Year Built**	**Building area**	**Land Size**
GWH hospital					
0251-0528-0063		Buildings (section)			
On hospital site	Part of WH structure	Main Center Building	1911	139,387	
On hospital site	Part of WH structure	Peck Wing	1908, 1928	28,125	
On hospital site	Part of WH structure	North Wing	1908, 1928	40,318	
On hospital site	Part of WH structure	West Wing	1953, 1961	80,181	
On hospital site	Part of WH structure	Pomeroy	1972	238,549	
On hospital site	Part of WH structure	Reed	2002	18,635	
On hospital site	Part of WH structure	NW Library	1960	14,730	
On hospital site	On hospital site	Boiler House	1995	22,032	
On hospital site	On hospital site	Storage	1955	1,440	
	64 Robbins St		1952 Weighted Avg	583,397	
On hospital site	64 Robbins St	Grandview/Merriman	1956	24,200	
On hospital site	192 Grandview Ave	Residential - Respite House	1960	6,480	
On hospital site	192 Grandview Ave	Residential- Rainbow House	1960	6,480	
On hospital site	88 Grandview Ave	Baker /Meter House	1940	2,731	
0251-0528-0063		Total Area Bldg and Land on Hospital site		623,288	38.33
Land					
0231-0528-0631	140 Grandview Ave	Parking Lot	1978		1.67
0231-0529-0632	170 Grandview Ave	MOB site	1988		1.00
0250-0528-0051	134 Grandview Ave	MOB site	1974		4.60
Residential				*	
0231-0530-0064	72 Hale St	Residence	1910	3,709	0.65
0251-0026-0003	101 Robbins St	Residence	1960	1,260	0.20
0271-0026-0010	36 Grandview Ave	Residence	1925	2,006	0.14
MOB condominiums				*	
Suite 104, L02/L03	140 Grandview Ave	Office condos	1978	3,583	
Suite 104	134 Grandview Ave	MOB condo	1974	702	
Ground leases - building footprint -					
On hospital site	172 Grandview Ave	child care, ground only	1988 2000		
	140 Grandview Ave	MOB, ground only	1978		
	170 Grandview Ave	MOB, ground only	1988		
	134 Grandview Ave	MOB, ground only	1974		
JV - Partially Owned					
Harold Leevers Regional Cance	1075 Chase Parkway	Waterbury	50%	38,236	4.35
HLRCC					

Scope of the Appraisal

Relevant information about the subject property was collected from the Client, discussion with the listing broker, proprietary data bases, appraisal files, and public records. The subject was legally identified through postal addresses, Assessors' records, legal description, and other documents/sources.

Specific steps in the scope of work included:

- Review and compilation of data about the subject property, the terms of the investment, the local market area, national and regional healthcare trends;

- Analysis of the factors considered to impact value including economic life of the improvements, barriers to entry, real estate development trends, operating expenses, competitive landscape, and construction costs of new hospitals and medical office buildings.

- Analysis of the subject in the Cost Approach by valuing the land as if vacant and the depreciated replacement cost new for the building improvements and the site improvements.

- Analysis of the Sales Comparison Approach to provide a framework and support for the Cost Approach.

- Reconciliation to a value conclusion.

Our valuations of the major properties are based on the steps described above. The smaller less material properties are valued with the help of recent historic appraisals, recent acquisitions, and Assessors' valuations supported by a review of small commercial property sales within the market. In addition, the high level analysis of the joint ventures concentrated in real estate involve recently constructed buildings which allowed us to look at the actual costs to construct to help opine on the net partial interest.

The business enterprise and personal property were valued separately by Navigant and are not included in this real estate appraisal appendix.

Effective Dates of Appraisal

The valuation date is May 31, 2016. The appraisal is based upon market conditions observed at that time.

Property History

Waterbury Hospital is currently operated as acute care hospitals. The hospital has not changed ownership within the past three years. The real estate owned by the hospital has not transacted in the past three years.

Two of the owned residential properties near the hospital, 72 Hale Street and 101 Robbins Street, are being marketed for sale. 101 Robbins is being listed for $75,000 and 72 Hale Street is being listed for $230,000.

The Proposed Transaction involves the sale of specific asset from GWHN to PMP. See prior sections of this report for more specific details.

Property Rights Appraised and Value Definitions

The property rights appraised are the fee simple estate ownership of the land, site improvements, and buildings (without personal property and the business). The fee simple estate is defined as, *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."* [18]

Exposure Period

The concept of FMV assumes the hypothetical sale of a property given reasonable exposure on the market. Further, the exposure time is presumed to precede the effective date of the appraisal. Exposure time is defined in USPAP Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Market Value Estimates" as:

> *The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.*

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort. The best estimate of exposure time is a function of price, time, use, and current market conditions for the cost and availability of funds.

In estimating the length of time the property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of this appraisal, we considered information gathered on comparable sales and historical and current market conditions.

After analyzing the aforementioned factors, we believe the reasonable exposure time to sell the properties would have been 18 to 24 months.

[18] The Dictionary of Real Estate Appraisal, Sixth Edition, Page 113.

Waterbury – Real Estate Description [19]

Area –

Waterbury Hospital is located in the city of Waterbury, Connecticut in New Haven County. Waterbury is in the southwest quadrant of central Connecticut on the Naugatuck River in New Haven County. Waterbury, located approximately 30 miles north of the city of New Haven and 33 miles southwest of the city of Hartford, is part of the New Haven – Milford, CT Metropolitan Statistical Areas (MSA) which is also part of a New York-Northern New Jersey- Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area (CMSA) at a population of 23.5 million people. The CMSA includes six of the seven largest cities in Connecticut (Bridgeport, New Haven, Stamford, Waterbury, Norwalk and Danbury).

Waterbury is adjacent to the cities of Naugatuck, Middlebury, Watertown, Wolcott, Cheshire and unincorporated New Haven County. The area was mostly rural farmland and open space when the subject hospital was originally developed in 1911.

Waterbury is an industrial and distribution center with easy access to the freeway systems. The largest producer is GGP Brass Mill, Inc. The five largest employers are City of Waterbury, Waterbury Hospital, St. Mary's Hospital, State of Connecticut, and AT&T, Inc.

The demographics for Waterbury indicate a population within the city limits of 109,915 people, making Waterbury the second largest city in New Haven County and the fifth largest city in the state. The city population is anticipated to decline another 0.13% between 2013 and 2018. Median household income in Waterbury in 2015 was $39,663, far below the New Haven County median household income of $59,870 and the State median household income of $65,753. The median household income is anticipated to increase by 18% from 2013 to 2018 for both the State and New Haven County, while increasing just over 13% during that time for Waterbury. The unemployment rate in Waterbury was 8.8% in April 2016, down from 9.3% at the beginning of 2016. This is the second highest city in Connecticut in unemployment rate, behind the city of Hartford at 10.8%. The unemployment rate for the State of Connecticut was 5.6%.

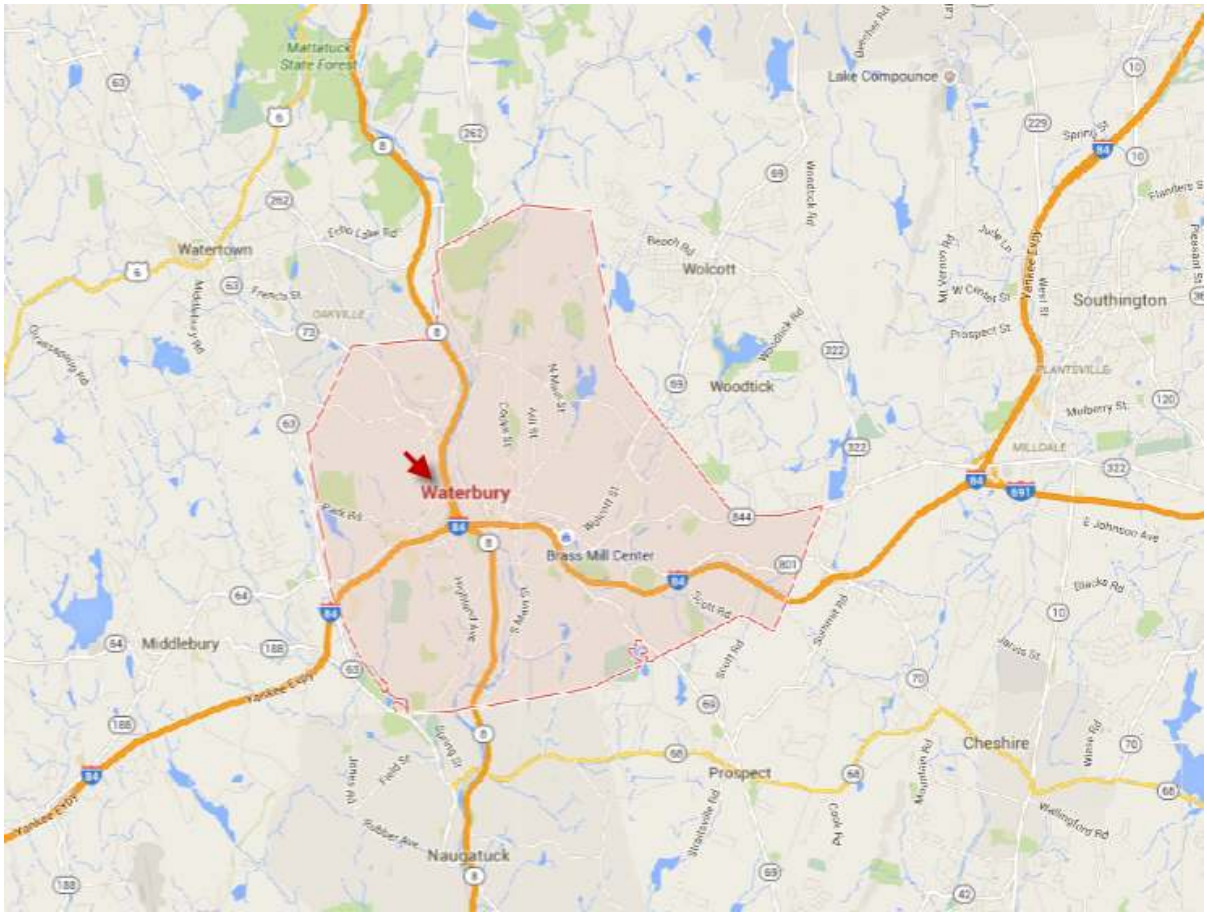
The city has 48,236 housing units. According to Trulia, the median sales price for all housing in Waterbury averaged $85,000. This is up 6.3% year-over-year, but still down from its peak five years ago at $102,000.

Waterbury is serviced by two hospitals. The subject, Waterbury Hospital, is located on the west side of James H Darcey Memorial Highway, CT Route 8, to the north of its intersection with Interstate 84. The surrounding area is residential with commercial services along commercial arterials. The second facility is St Mary's Hospital, located just to the southeast of downtown to the east of CT Route 8 in downtown Waterbury, near the Brass Mill Center. The hospitals are similar in age and size.

Most of the commercial development in Waterbury is somewhat dated with little new construction occurring in the past decade. Newer retail construction, such as Wal-Mart has taken place in eastern

[19] A healthcare industry overview, economic overview, and a local market overview are provided in the main section of the overall report.

part of the city. However, few vacant land sales have occurred in the past five years. The highest price land sales are for retail site on the eastern side of Waterbury where the newer retail has been developed. Land listing typically are marketed for over a year or more. This lack of land sales and listing activity indicates minimal demand for new development in the near-term.

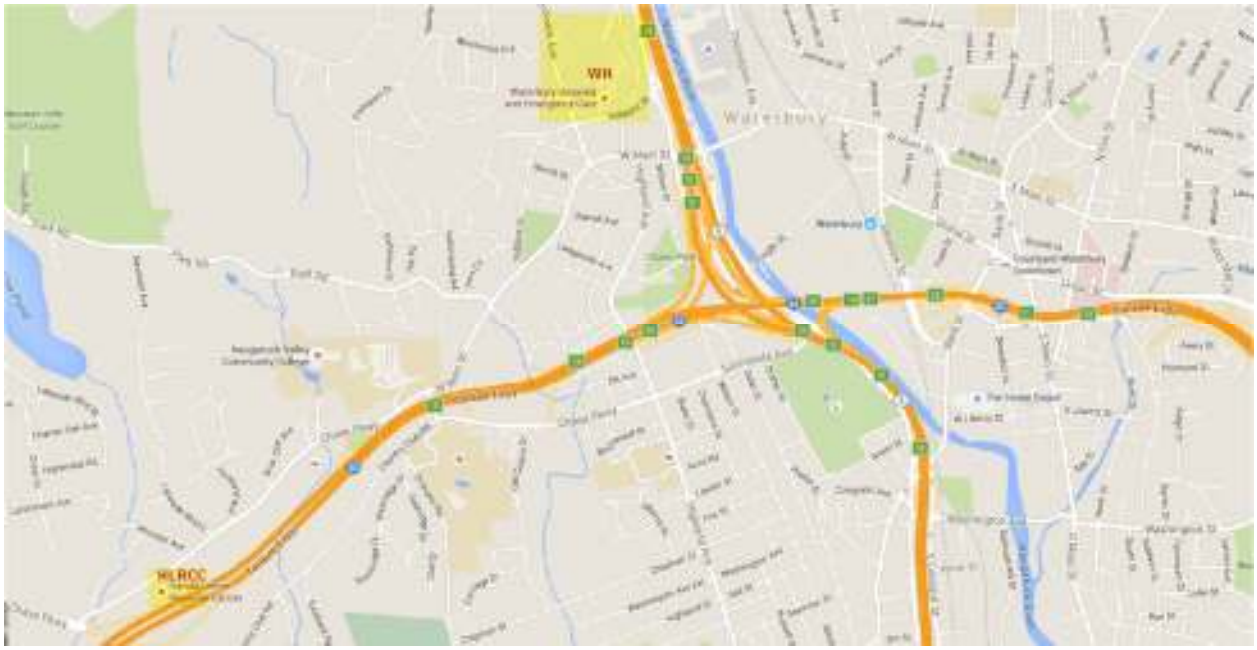


Greater Waterbury Health Network – Real Estate

The Waterbury Hospital campus is located at 64 Robbins Street in western Waterbury in the northwest quadrant of the interchange of I-84 and State Route 8. The improvements are built on an eastern facing hillside. The area is improved with a mix of residential along the side streets with medical office along the arterials in this area of Waterbury. This is an older well-established residential area of Waterbury with many of the homes from early the previous century. Along with the hospital, the campus includes adjacent medical and residential buildings owned by the hospital. Portions of the hospital were ground-leased to provide development of medical office condominiums. The hospital retains ownership of the land with all but the building foot print as shared parking and common area. The improvements are office/MOB condominium developments owned primarily by physicians and medical related entities. The hospital owns small office condominiums in 134 Grandview and 140 Grandview Avenue. The campus is also home to a day care center; however, again, the hospital retains ownership of the land while the improvements are owned by a separate non-profit. Three residential properties, 72 Hale Street, 101 Robbins and 36 Grandview Avenue, are within a block of the hospital.

Waterbury Hospital has a joint venture with St. Mary's Hospital in Harold Leever Regional Cancer Center which includes the ownership of real estate. This facility is located in the western area of Waterbury, near the border of Middlebury. This area has low-density office and service commercial along Chase Parkway, Naugatuck Valley Community College to the northeast and is surrounded by suburban/ rural residential area

The following map shows the location of the real estate.



A closer look at the WH campus shows the variety of properties around the hospital. The following map shows the location of WH and its surrounding owned properties. These show the hospital in the yellow, and the single family residential properties in red. On the campus the various buildings are noted.

Waterbury Hospital campus area

The map below shows the Harold Leever Regional Cancer Center, a joint venture property.

The real estate owned by GWHN is summarized in the following table. On the hospital parcel, there are several auxiliary buildings. In addition, there are parcels of land owned by the Hospital and ground lease for MOB condominiums developed in the 1970's. Surrounding the Waterbury Hospital, there are three residential properties.

Greater Waterbury Healthcare Network					
Parcel Number (MBL)	**Location**	**Description**	**Year Built**	**Building area**	**Land Size**
GWH hospital					
0251-0528-0063		Buildings (section)			
On hospital site	Part of WH structure	Main Center Building	1911	139,387	
On hospital site	Part of WH structure	Peck Wing	1908, 1928	28,125	
On hospital site	Part of WH structure	North Wing	1908, 1928	40,318	
On hospital site	Part of WH structure	West Wing	1953, 1961	80,181	
On hospital site	Part of WH structure	Pomeroy	1972	238,549	
On hospital site	Part of WH structure	Reed	2002	18,635	
On hospital site	Part of WH structure	NW Library	1960	14,730	
On hospital site	On hospital site	Boiler House	1995	22,032	
On hospital site	On hospital site	Storage	1955	1,440	
	64 Robbins St		1952 Weighted Avg	583,397	
On hospital site	64 Robbins St	Grandview/Merriman	1956	24,200	
On hospital site	192 Grandview Ave	Residential - Respite House	1960	6,480	
On hospital site	192 Grandview Ave	Residential- Rainbow House	1960	6,480	
On hospital site	88 Grandview Ave	Baker /Meter House	1940	2,731	
0251-0528-0063		Total Area Bldg and Land on Hospital site		623,288	38.33
Land					
0231-0528-0631	140 Grandview Ave	Parking Lot	1978		1.67
0231-0529-0632	170 Grandview Ave	MOB site	1988		1.00
0250-0528-0051	134 Grandview Ave	MOB site	1974		4.60
Residential					
0231-0530-0064	72 Hale St	Residence	1910	3,709	0.65
0251-0026-0003	101 Robbins St	Residence	1960	1,260	0.20
0271-0026-0010	36 Grandview Ave	Residence	1925	2,006	0.14
MOB condominiums					
Suite 104, L02/L03	140 Grandview Ave	Office condos	1978	3,583	
Suite 104	134 Grandview Ave	MOB condo	1974	702	
JV - Partially Owned					
Harold Leevers Regional Ca HLRCC	1075 Chase Parkway	Waterbury	50%	38,236	4.35

As additional consideration of the assets owned, the valuation of the real estate assets of the joint ventures is also considered in the overall valuation. Therefore, a high level analysis of the Harold Leever Regional Cancer Center property is presented to be used in the consideration of GWHN's interest in the JV investments.

More specific details of the hospital building and other buildings on the Hospital parcel follow.

Property Descriptions - WH

Property Name	Waterbury Hospital
Property Address	64 Robbins Street, Waterbury, CT
Property Type	Acute Care Hospital
Site area	38.33 acres
Shape	Irregular
Utilities	Available to sites
Slope	Sloping
Soil Conditions	Unknown, assumed adequate for development
Environmental Factors	Value assumes adverse conditions do not exist
Streets & Access	Adequate vehicular access from Robbins Street and Grandview Avenue
Visibility & Exposure	Average for medical and residential use
Zoning	Commercial Office District (CO). Hospital use is permitted by Special Exception Approval. CO zoning allows office use, medical office use, inpatient clinic use with a special permit, various commercial uses and mixed-use planned development with special use permit. Multi-family residential is not allowed.
Parcel ID	Block 21, Lot 6, New Haven County
Flood Zone Area	Zone X (defined as area outside the hazardous floodplain) FEMA Community Panel Numbers 09009C0116H dated 12/17/2010
Easements	The property includes typical drainage and sanitary sewer easements around the perimeter of the site.

Building Name	Waterbury Hospital
Years Built	1911, 1928, 1961, 1960, 1972, 1994 and most recent addition in 2002.
No. of Buildings	One hospital building, made up of adjoining building sections, constructed over the years with free standing boiler plant building.
No. of Stories	Two to Ten plus basement levels below street grade but one at ground level due to hillside elevation.
Ceiling Height	13 feet
Property Description	Waterbury Hospital is licensed for 393 acute-care beds. Construction is masonry exterior walls. The roof is built-up cover on a flat deck with rock cover. The hospital contains 583,397 square feet of improved space including basement area of 71,074 square feet.
Construction Class & Quality	Class B –Average to Lost Cost
Parking	Estimated 1,181 spaces.
ADA Compliant:	Yes
HVAC/Utilities	Chilled water, gas-fired. Boiler system. Upgrades to the hospitals electrical distribution system will be necessary, particularly for emergency power.
Interior Finishes	The level of finish is typical for the age of the improvements with some area's receiving upgrades over time. The flooring is vinyl, and tile. Walls are painted drywall and ceilings are acoustic drop ceilings.
Sprinklers. Detectors	Building is fully-sprinklered and has smoke detectors

Building Name	Merriman
Years Built	1956
No. of Buildings	One
No. of Stories	Two plus basement levels below street grade but one at ground level due to hillside elevation.
Ceiling Height	10 feet
Property Description	Former medical building. Construction is masonry exterior walls. The roof is built-up cover on a flat deck with rock cover. The building contains 24,200 square feet of improved space including basement area.
Construction Class & Quality	Class C –Low Cost
Parking	Included as part of hospital site
ADA Compliant:	Yes
HVAC/Utilities	Gas and electricity. The building is not hot/cool zoned. Windows have air conditioning units attached to combat Summer heat.
Interior Finishes	The level of finish is typical for the age of the improvements. The flooring is vinyl, and tile. Walls are painted drywall and ceilings are acoustic drop ceilings.
Sprinklers. Detectors	Building is fully-sprinklered and has smoke detectors

Building Name	192 Grandview Avenue
Years Built	1960
No. of Buildings	Two
No. of Stories	Two plus basement levels
Ceiling Height	8 feet
Property Description	Multi-family residential. Construction is masonry exterior walls.
Construction Class & Quality	Class C –Fair
Parking	Included as part of hospital site
ADA Compliant:	N.A.
HVAC/Utilities	Gas and electricity.
Interior Finishes	The level of finish is typical for the age of the improvements. The flooring is assumed to be vinyl in kitchen and bathrooms and carpet in bedrooms. Walls and ceiling are assumed to be painted drywall
Sprinklers. Detectors	Building have smoke detectors

Building Name	Baker House and Meter House
Years Built	1940
No. of Buildings	Two
No. of Stories	Two plus basement levels
Ceiling Height	8 feet
Property Description	Multi-family residential. Construction is wood frame.
Construction Class & Quality	Class D –Fair
Parking	Included as part of hospital site
ADA Compliant:	N.A.
HVAC/Utilities	Gas and electricity.
Interior Finishes	The level of finish has deteriorated to the end of its useful life.

Minor Properties –

As shown on the summary table, in addition to the main hospital parcel and buildings, GWHN owns surrounding properties.

134, 140 and 170 Grandview-

As part of the subject project, there are three land parcels adjacent to the Hospital parcel. The addresses are 134 Grandview Avenue, 140 Grandview Avenue and 170 Grandview Avenue. These range in size from 1.0 acre to 4.60 acres.

In the 1970's the hospital entered into ground leases for the construction of medical office condominium building developments on the parcels.

The Assessor's parcel identified as 140 Grandview Avenue, although noting a building on site in the town records, an aerial view shows the 140 Grandview building actually sits on the 134 Grandview parcel along with the 134 Grandview building.

Historic 2014 information indicates annual lease payments as follows

Ground leased sites						
Assessors Parcel Number	Address	Function	Land Size (acres)		Annual rent	Per acre
0231-0526-0631	140 Grandview	Ground lease	1.67	$	29,004	$ 17,368
0251-0529-0632	170 Grandview	Ground lease	1.00	$	10,956	$ 10,956
0250-0528-0051	134 Grandview	Ground lease*	2.29	$	31,536	$ 13,771
			4.96	$	71,496	$ 14,415
* Assessor has 4.40 acres but indenture has this as 2.29 acres plus an additional area.						

The actual ground leases could not be reviewed. It is unclear if the ground lease applied to the footprint of the building or the entire sites or if there are reciprocal access easements. The terms of the ground leases are unclear. Given the limited information, for the purposes of this valuation, the Hospital's interest is valued equivalent to fee simple interest in the land.

Single Family Residential-

There are 3 single family residential properties within 1.2 block of the hospital owned by Waterbury Hospital. These are to be disposed of with in the near term.

72 Hale Street is to the northwest of the hospital. It is a 3,709 square foot home on 0.65 acre of land at the corner of Hale Street and Grandview Avenue. The home was originally built in 1910. It is being marketed for $230,000.

101 Robbins Street is located across from the Emergency Room entrance to the hospital. It is a hillside location. The home was built in 1960. It is being marketed as a 1,260 square foot house for $75,000 price.

36 Grandview Avenue is ½ block to the south of the hospital campus. It was built in1925 and is a 2,006 square foot house on a relatively level lot, down sloping at the rear. There was no listing found for this site.

Highest and Best Use Analysis

According to The Dictionary of Real Estate Appraisal, sixth edition, published by the Appraisal Institute, highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The highest and best use was presumed to be "as currently improved" as the market did not suggest that the current use has been surpassed by a better use of the property as improved. The Highest and Best Use "as improved" is supported by the initial review of generally legally permissible uses according to the zoning, consideration of surrounding uses, and general market trends. No additional detailed highest and best use study was conducted. We conclude that highest and best use of WH, as improved, is for continued hospital use, until such time as the value "as improved" is less than the land value less demolition costs. The highest and best use for the medical office properties surrounding the hospitals, as improved, is for continued healthcare use. The highest and best use of the residential properties is continued use as residential properties.

Approaches to Value

Sales Comparison (Market) Approach

The sales comparison approach estimates the value of a property by comparing it to similar properties sold on the open market. To obtain a supportable estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarities between it and the property being appraised.

Income Approach

The income approach analyzes a property's ability to generate financial returns as an investment. The appraisal estimates a property's operating cash flow, projecting revenue and expenses. Inherent to the income approach is the capitalization of the resulting net operating income. Through an income capitalization procedure, the value of the subject property is calculated. The income approach is often selected as the preferred valuation method for operating properties because it most closely reflects the investment rationale of knowledgeable buyers. This approach, however, is utilized for income producing properties, such as lease office buildings and shopping centers, and is not typically relied upon for special use facilities, that are not under lease contract and that are not currently or expected to generate income in the near future.

Cost Approach

The cost approach estimates market value by computing the current cost of replacing the property and subtracting any depreciation resulting from physical deterioration, functional obsolescence, and

external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements to produce a total value estimate. The cost approach is most reliable for estimating the value of new and/or special-purpose properties; however, as the improvements deteriorate and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately.

The most relevant approaches to value are selected and their concluded values are reconciled in to a final value or value range.

Valuation Approaches Selected

For WH, due to the special purpose nature of the hospital improvements, we have developed the cost approach including a depreciated replacement cost analysis for the buildings and site improvements. We have relied on the sales comparison approach to value the land as though vacant to be used in the cost approach. The analysis of hospital sales, in particular older facilities with potential physical, functional, and external obsolescence are used as a check of reasonableness to the cost approach.

The three single family residential properties were valued by the cost approach, and was considered in light of the list prices and a reasonable discount off the list price.

Joint Venture Property – Real Estate –

The joint ventures only include one property with real estate as a significant asset. The Harold Leever Regional Cancer Center. This real estate was valued by the cost approach. Information on recent cancer centers in the area were available as a cross check to Marshall's valuation cost survey. In addition, sales of similar cancer center buildings of comparable size were considered and presented to provide market support for fair market value.

Presentation of Analysis

The analysis of the properties is presented in exhibits at the end of this Appendix with reference to each exhibit in the following description of analysis.

All of the conclusions included in our summary table presented in Exhibit B-4.

Cost Approach

The cost approach is being applied to the properties. We have used the market approach to value the land as though vacant, used within the cost approach along with the depreciated replacement costs of the structure, and the site improvements. The Fair Market Value conclusions via the cost approach, summarized in Exhibit C-6, were reconciled with our review and analysis of improved sales of comparable hospitals presented in Exhibit C-7.

Land Valuation

Land is valued as if vacant and available for development to its highest and best use. Similar land that has recently sold or is offered for sale is investigated, and a comparative analysis is made of factors influencing value. Factors considered included, but were not limited to, interest conveyed; cash equivalency; conditions of sale; date of sale; location and surrounding improvements; and physical characteristics including size, zoning, and density. Notes about the adjustments for comparison with the subjects are found on the exhibits referenced below.

The land value of the sites has been estimated, relying on the market approach, which has been supported with comparable sales data and current listings researched via CoStar, LoopNet, real estate brokerage firms, and other sources. The most appropriate unit of comparison is price per acre.

The data selected for direct comparison is summarized in the Exhibit C-1. The comparative analysis for both the hospital land and the JV – HLRCC land are in Exhibits C-2 and C-3.

Building Improvements

Building improvements analyzed are the hospital facility and auxiliary on-site buildings including Merriman Building, the apartment building and the older Baker building. Based on information provided by Management and the County Assessors offices, the buildings were categorized by construction type.

The cost new of the building improvements was estimated based on *Marshall and Swift Valuation Service* ("*MVS*"), specifically Section 15, of the May 2016 edition. The hard costs per square foot was estimated based on the construction type and quality as detailed in the exhibit footnotes. Soft costs of 12%, and local multipliers were applied, to arrive at an adjusted cost new. No entrepreneurial profit is considered implied in this market since, these hospitals are typically owner/builders for the purpose of housing their operation, not as a means for generating a profit incentive.

Economic life was estimated based on *MVS* and the estimated effective age reflects the chronological age as well as condition and any recent capital improvements. In addition, due to the changing regulations and requirements of the healthcare marketplace, facilities built many years ago do not best meet the needs of the hospital operations. This reduction is usefulness is from a combination of functional and external obsolescence for a hospital facility. For example, dual room occupancy is becoming less desirable as the trend is toward single bed occupancy. This in part is to help control the spread of infectious diseases. A recent study by similar Connecticut hospital as to the potential cost of changing to single bed occupancy indicated a cost of $51 million. By applying all $51 million as a curable functional obsolescence, if cured, it would have an offsetting impact on the amount of physical depreciation and may also offset the current external obsolescence discussed below. Therefore, there offsetting consequences of an improved physical plant is recognized, reducing the functional obsolescence to half the cost to cure or 30% of physically depreciated cost in that case. It is reasonable to consider a similar 30% functional obsolescence to Waterbury Hospital.

External obsolescence is applied in the cost approach to recognize the deficient in the utilization of the assets based upon outside external and economic forces that are impacting the value of these real estate assets. This can be measured by considering the use of the real estate at it optimal designed capacity and comparing that with the current demand for the property. In typical commercial

properties this can be viewed by comparing the market rent required to support a reasonable return on the cost new versus the current market rent. In the case of hospitals, they are not typically leased. An indication of the existence of this negative external force is a look at the licensed bed capacity used to justify the creation of the buildings and then comparing this with the staffed beds in actual use. We can quantify this diminution by comparing the anticipated occupancy levels of the licensed beds with the recent actual occupancy levels of the licensed beds. Typically, in a health market, the occupancy level of licensed beds would be 60% on average. The occupancy of licensed beds is shown in 2015 to be 38.6%. The difference in actual occupancy versus standard occupancy indicates an external obsolescence of 36%. There is an oversupply of licensed hospital beds resulting in much fewer staffed beds to meet the demand of the marketplace.

This external obsolescence of 36% is applied to WH.

Details of the building improvements analysis are presented in Exhibit C-4.

The smaller off campus buildings, including the three residences and two office condos are analyzed using the cost approach. The cost new of the building improvements was estimated based on *Marshall and Swift Valuation Service* ("*MVS*"), May 2016, specifically Section 12 for residential and Section 15 for the office condominiums. The hard costs per square foot was estimated based on the construction type and quality as detailed in the exhibit footnotes. Soft costs of 12%, and local multipliers were applied, to arrive at an adjusted cost new. No entrepreneurial profit is considered in the office condo market. In the residential properties it is common to recognize a profit motive in their development.

Details of the second building improvements analysis are also presented in Exhibit C-4.

Site Improvements

Site improvements include parking areas and drive/loading areas, landscaping, and miscellaneous items listed in the exhibit footnotes.

The cost new of the site improvements was estimated based on Section 66 of *MVS*. Areas and measurements were scaled from aerial photographs as well as from information provided by Management. Soft costs of 12%, and the *MVS* current and local multipliers were applied to arrive at an adjusted cost new. No entrepreneurial profit is considered implied in this market since, these hospitals are typically owner/builders for the purpose of housing their operation, not as a means for generating a profit incentive.

Depreciation was based on the age/life method; both economic life and effective age were estimated based on discussions with Management, observations during the site inspection, information on the ages of various segments of the facilities and other data provided or researched by Navigant.

Details of the site improvements analysis are presented in Exhibit C-5.

Cost Approach conclusion –

The conclusion of the Cost Approach for the four major properties is concluded in Exhibit C-6.

SUMMARY OF COST VALUATION CONCLUSIONS							
Address	**City**	**Property Type**	**Size**	**Land Value (1)**	**Site Imps (2)**	**Bldg Imps (3)**	**Fair Market Value**
64 Robbins St	Waterbury	Hospital	512,333	$ 1,500,000	$ 400,000	$ 2,528,998	$ 4,428,998
						Rounded	$ 4,430,000
64 Robbins St	Waterbury	Merriman/MOB	24,200	included above	included above	$ 162,211	$ 162,211
						Rounded	$ 160,000
192 Grandview	Waterbury	MF Residential	12,960	included above	included above	$ 43,236	$ 43,236
						Rounded	$ 40,000
Baker house and Meter house	Waterbury	Vacant residence	2,731	included above	included above	$ -	$ -
						Rounded	$ -
						Hospital City Subtotal:	$ 4,630,000
101 Robbins St	Waterbury	Residence (1)	1,260	$ 23,076	minimum	$ 42,504	$ 65,580
						Rounded	$ 70,000
36 Grandview Ave	Waterbury	Residence	2,006	$ 22,500	minimum	$ 54,791	$ 77,291
						Rounded	$ 80,000
72 Hale St	Waterbury	Residence (2)	3,709	$ 44,027	minimum	$ 146,023	$ 190,050
						Rounded	$ 190,000
140 Grandview Ave	Waterbury	Office condo	3,583	N.A.	minimum	$ 127,580	$ 127,580
						Rounded	$ 130,000
134 Grandview Ave	Waterbury	MOB condo	702	N.A.	minimum	$ 31,482	$ 31,482
						Rounded	$ 30,000

1 101 Robbins Street, Waterbury is currently being listed for $75,000.
2 72 Hale Street, Waterbury is currently being listed and pending for $230,000.

Improved Sales

Navigant analyzed improved property sales to test the reasonableness of the conclusion via the cost approach. We identified multiple comparable transactions that closed in 2014 to 2016 supplemented with earlier sales, listings and pending. Comparative factors included location, age and condition of the property, land-to-building ratios, and type of construction. The data set represents properties that are considered generally similar to the subjects. The Navigant analysis also included review of the current book values. Assessor's opinions of market value, when available or relevant, were also taken into consideration.

Details of the Sales bracketing the concluded Fair Value are presented in Exhibit C-7.

Overall Fair Value – Owned Properties

Based on our analysis as summarized in the Exhibit C-6, we conclude that the overall fair value conclusions for the owned real properties are reasonable and supported by the comparable data.

Valuation of Joint Venture real property

There is one joint venture, Harold Leever Regional Cancer Center, which owns a fairly recently constructed cancer center building with substantial improvements for diagnosis and treatment of cancers. This include lead lined rooms and radiation vaults. The real estate owned was analyzed by considering the cost approach. The cost new of the building improvements was estimated based on *Marshall and Swift Valuation Service* ("*MVS*"), May 2016, specifically Section 15 using outpatient

facilities. The hard costs per square foot was estimated based on the construction type and quality as detailed in the exhibit footnotes. Soft costs of 12% and entrepreneurial profit or incentive or 12% were applied. Then current and local multipliers were applied, to arrive at an adjusted cost new.

Economic life was estimated based on *MVS* and the estimated effective age reflects the chronological age as well as condition and any recent capital improvements and observations during the site inspection, information on the ages of various segments of the facilities and other data provided or researched by Navigant.

Site improvements include parking areas, landscaping, and miscellaneous items listed in the exhibit footnotes. The cost new of the site improvements was estimated based on Section 66 of *MVS*. Areas and measurements were scaled from aerial photographs. Soft costs of 12% and entrepreneurial profit or incentive or 12% were applied. Then current and local multipliers were applied, to arrive at an adjusted cost new.

Land value was previously analyzed in the land analysis section of the exhibits. The size and location of this site resulted in a higher price per acre than the hospital land.

This analysis of the real estate in the JV – HLRCC by the cost approach is presented in Exhibit C-8 with comparable real estate sales in Exhibit C-9.

Valuation Conclusion

Based on the investigation and analyses contained herein, it is our opinion that as of May 31, 2016, the FMV of the fee simple interest in the wholly owned real property appraised, as if available on the open market, is $5,420,000.

This Appendix is not intended to be relied upon apart from the larger valuation report encompassing all assets of GWHN.

PROPERTY BY PROPERTY SUMMARY OF VALUE CONCLUSIONS

Wholly Owned

				Cost Approach (1)	Market Approach (2)		Fair Market Value
Address	**City**	**Property Type**	**Size (SF)**	**Land, Site and Bldg**	**Low**	**High**	
64 Robbins	Waterbury	Hospital and parking	583,397	$4,430,000			$4,430,000
64 Robbins St	Waterbury	Grandview/Merriman	24,200	$160,000			$160,000
192 Grandview Ave	Waterbury	Residential - Respite House	12,960	$40,000			$40,000
88 Grandview Ave	Waterbury	Baker /Meter House	2,731	$0			$0
Total Waterbury Hospital Site				$4,630,000	$2,100,000	$5,300,000	
							$4,630,000 Subtotal
Residential			Size (SF)				
72 Hale St	Waterbury	Residence	3,709	$190,000			$190,000
101 Robbins St	Waterbury	Residence	1,260	$70,000			$70,000
36 Grandview Ave	Waterbury	Residence	2,006	$80,000			$80,000
							$340,000 Subtotal
WH office condominiums			Size (SF)	Building only			
140 Grandview Ave	Waterbury	Office condos	3583	$130,000			$130,000
134 Grandview Ave	Waterbury	MOB condo	772	$30,000			$30,000
							$160,000 Subtotal
WH Land - at campus			Site (acres)	Land only			
140 Grandview Ave	Waterbury	Land	1.67	$70,000			$70,000
170 Grandview Ave	Waterbury	Land	1.00	$40,000			$40,000
	Waterbury	Land	4.60	$180,000			
134 Grandview Ave							$180,000
							$290,000 Subtotal
Total Fair Market Value of 100% Owned Real Estate Assets							**$5,420,000**

JV - Partially Owned

				Cost Approach (3)	Market Approach (4)		FMV RE 100%
Address	City	Property Type	Size (SF)	Land, Site and Bldg	Low	High	
1075 Chase Parkway	Waterbury	HLRCC	38,236	$9,320,000	$9,600,000	$11,500,000	**$9,320,000**

Notes:
(1) See Exhibits C-1, C-2, C-3, C-4, C-5, and C-6.
(2) See Exhibit C-7.
(3) See Exhibit C-8.
(4) See Exhibit C-9

Certification: Real Property

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported real property analyses, opinions, and conclusions are limited only by the accompanying assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the property or parties involved.
- My engagement in this assignment and compensation are not contingent upon developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have performed services, as an appraiser, for the same client and of the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have made a personal inspection of selected designated owned assets.
- No one provided significant real property appraisal assistance to the person signing this certification with preparing the report.
- As of the date of this report, Kathryn Sturgis-Bright, MAI, has completed the requirements of the continuing education program for designated members of the Appraisal Institute.

Kathryn Sturgis-Bright, MAI, MBA
Associate Director
Certified General Appraiser - Connecticut Temporary License #RTG.0002824

State of Connecticut, Office of Attorney General

Fair Market Value of

Greater Waterbury Health Network, Inc.

Valuation Analysis as of May 31, 2016

FINAL

State of Connecticut, Office of Attorney General
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

Exhibit A-1

NAVIGANT

FINAL

Valuation Summary

Value in Place	Notes	FMV
Adjusted Net Assets Method	(1)	
Net Asset Components :		
Personal Property - Wholly Owned	(2)	$11,149,000
Real Property - Wholly Owned	(2)	5,420,000
Personal Property - Partially Owned	(2)	636,430
Harold Leever Regional Cancer Center, Equity Interest	(2)	6,188,500
Net Working Capital	(3)	18,258,911
FMV of GWHN Business Enterprise, Value In Place (Rounded)		**$41,652,841**
		As of 4/30/2016
Purchase Price for 100% of GWHN		$31,800,000
Net Working Capital Adjustment	(4)	11,458,911
Adjusted Purchase Price (including net working capital adjustment) (Rounded)		**$43,259,000**
Amount By Which Purchase Price Exceeds FMV of Business Enterprise, Value In Place		**$1,606,159**

Notes:

(1) For our valuation analysis, we have assumed a Value In Place premise and placed 100% reliance on the Net Asset Value Method. Given the lack of positive cash flow in Management projections, we determined that GWHN did not have positive value under a Going Concern premise.

(2) See Exhibit B-1, Asset Approach Summary.

(3) Net working capital balance based on net proceeds analysis as of April 30, 2016.

(4) Purchase price and net working capital adjustment based on Asset Purchase Agreement. Purchase price assumes a working capital balance of $6,800,000. Since working capital balance was $18,258,911 as of April 30, 2016, the net working capital adjustment is $11,458,911 assuming the transaction took place on that date. The final net working capital adjustment will change based on the net working capital balance in effect on the transaction date.

Asset Approach Summary

Asset Approach Summary (1)

Entity		Total Asset Value	GWHN Ownership	GWHN Asset Value
Wholly-Owned Personal Property				
Waterbury Hospital		$10,694,000	100%	$10,694,000
Alliance Medical Group		339,000	100%	339,000
Cardiology Associates of Greater Waterbury, LLC		61,000	100%	61,000
VNA Health at Home		55,000	100%	55,000
Wholly-Owned Personal Property, Total		$11,149,000	100%	$11,149,000
Partially-Owned Personal Property (Joint Ventures)				
Access Rehab Centers LLC		129,000	65%	83,850
Greater Waterbury Imaging Center		797,000	64%	510,080
Imaging Partners, LLC		50,000	85%	42,500
Partially-Owned Personal Property, Total		$976,000	N/A	$636,430
Personal Property, Total		**$12,125,000**	**N/A**	**$11,785,430**
Wholly-Owned Real Property		**$5,420,000**	**100%**	**$5,420,000**
Harold Leever Regional Cancer Center (Joint Venture)				
Market Approach	(2)	$12,355,000	50%	$6,177,500
Asset Approach				
-Personal Property		$3,057,000	50%	$1,528,500
-Real Property		9,320,000	50%	4,660,000
Asset Approach Total		$12,377,000	50%	$6,188,500
Higher of Market or Asset Approach		$12,377,000	50%	$6,188,500
Harold Leever Regional Cancer Center, Total		**$12,377,000**	**50%**	**$6,188,500**
GWHN Tangible Asset Value (Rounded)				**$23,394,000**

Notes:
(1) All value indications for personal and real property using Asset Approach are detailed in Exhibits B-3 and B-4.
(2) See Exhibit B-2, Harold Leever Regional Cancer Center JV Analysis. Market approach represents a minority, non-marketable equity interest.

(Dollars in Millions)

Harold Leever Regional Cancer Center JV Analysis

Date Announced	Buyer	Target	Enterprise Value	Target Revenue	Target EBITDA	Target EBITDA %	Transaction Value / Revenue	Transaction Value / EBITDA
Cancer Center Comps								
10/21/2015	NeoGenomics, Inc.	Clarient, Inc.	$275.2	$127.0	$13.0	10.2%	2.2x	21.2x
6/24/2013	Radiation Therapy Services, Inc.	OnCure Holdings, Inc.	125.0	-	-	N/A	N/A	N/A
9/1/2011	RadNet, Inc.	Hematology-Oncology Medical Group	1.4	-	-	N/A	N/A	N/A
3/2/2011	Radiation Therapy Services Holding, Inc.	Medical Developers, LLC	80.0	53.1	17.5	33.0%	1.5x	4.6x
4/15/2010	Radiation Therapy Services Holding, Inc.	Carolina Regional Cancer Center, PA	34.5	12.4	1.9	15.3%	2.8x	18.2x
4/2/2010	Floyd Memorial Hospital and Health Services	Cancer Care Center of Indiana, LLC	1.0	-	-	N/A	N/A	N/A
					Average	**19.5%**	**2.2x**	**14.6x**
					Median:	**15.3%**	**2.2x**	**18.2x**
Imaging Center Comps								
9/16/2015	Fujian Thaihot Investment Co., Ltd.	Alliance Healthcare Services, Inc.	$1,296.2	$447.7	$119.5	26.7%	2.9x	10.9x
8/3/2015	Lifescan Imaging Pte. Ltd.	Pacific Healthcare Imaging	2.3	1.7	-	N/A	1.4x	N/A
5/1/2015	Fullerton Healthcare Group Pte Ltd	Radlink-Asia Pte Limited	111.0	60.6	-	N/A	1.8x	N/A
4/14/2015	RadNet, Inc.	New York Radiology Partners	34.0	45.0	-	N/A	0.8x	N/A
1/26/2015	Natus Medical Inc.	Global Neuro-Diagnostics, LP	11.4	7.0	-	N/A	1.6x	N/A
1/13/2015	Capitol Health Ltd.	Imaging @ Olympic Park Pty Ltd	25.0	10.4	3.3	31.7%	2.4x	7.6x
9/12/2014	Medi-Rad Associates Limited	Radlink-Asia Pte Limited	137.0	30.2	-	N/A	4.5x	N/A
2/25/2014	EQT Partners AB	I-MED Holdings Pty Limited	503.0	514.0	79.0	15.4%	1.0x	6.4x
8/15/2013	Shanghai Jian Qian Science and Technology Development Co.	Concord Medical Services Holdings Limited	275.5	877.0	367.0	41.8%	0.3x	0.8x
6/25/2013	LifeLabs Inc.	CML HealthCare Inc.	1,227.6	350.9	104.4	29.8%	3.5x	11.8x
10/2/2012	Canada Diagnostic Centres	CML Healthcare Inc., Diagnostic Imaging Business in Alt	17.0	20.8	-	N/A	0.8x	N/A
9/17/2012	Integramedica S.A.	Sonorad I SA	14.7	13.9	-	N/A	1.1x	N/A
8/21/2012	Diagnostic Imaging International Corp. (nka:Medical Imaging C	Schuylkill Open MRI, Inc.	2.0	2.0	-	N/A	1.0x	N/A
4/2/2012	RadNet, Inc.	West Coast Radiology	9.5	17.0	-	N/A	0.6x	N/A
3/7/2011	RadNet, Inc.	Five multi-modality imaging centers	7.8	10.0	-	N/A	0.8x	N/A
1/6/2011	RadNet, Inc.	Two imaging centers	2.9	7.0	-	N/A	0.4x	N/A
					Average:	**29.1%**	**1.6x**	**7.5x**
					Median:	**29.8%**	**1.0x**	**7.6x**

(Actual USD)				
Harold Leever Regional Cancer Center Financial Metrics, 6 Months YTD March 31, 2016 (Annualized		30.6%	$8,868,704	$2,713,920
Selected Multiple:	(1)		1.5x	7.0x
Indicated Business Enterprise Value - Marketable, Control Basis			$13,303,056	$18,997,440
Less Discount For Lack of Control @ 15%	(2)		(1,995,458)	(2,849,616)
Indicated Business Enterprise Value - Marketable, Minority Interest Basis			$11,307,598	$16,147,824
Less Discount For Lack of Marketability @ 10%	(2)		(1,130,760)	(1,614,782)
Indicated Business Enterprise Value - Unmarketable, Minority Interest Basis			$10,176,838	$14,533,042
Weighting			50.0%	50.0%
Business Enterprise Value (Rounded)				$12,355,000
Less Outstanding Debt				-
Equity Value (Rounded)				**$12,355,000**

Source: Irving Levin Transaction Database and Capital IQ.

Notes:

(1) Multiples were selected based on analysis of transaction data after adjusting for differences in size, scope, profitability and geographic concentration.

(2) Discounts for lack of control and marketability based on analysis of multiple factors, including the size of the interest, the marketplace of likely buyers, and the profitability of the entity.

Summary of Personal Property Fair Market Values

USD $ (Actuals)	Fair Market Value (Rounded)
Waterbury Hospital	$416,000
	1,143,000
	796,000
	1,157,000
	4,224,000
	5,000
	2,953,000
Personal Property Total (Rounded)	**$10,694,000**
Waterbury Partners	
Alliance Medical Group	$104,000
	51,000
	70,000
	107,000
	7,000
Personal Property Total (Rounded)	**$339,000**
Access Rehab Centers LLC	$48,000
	81,000
Personal Property Total (Rounded)	**$129,000**
Cardiology Associates of Greater Waterbury, LLC	$56,000
	5,000
Personal Property Total (Rounded)	**$61,000**
Greater Waterbury Imaging Center	$64,000
	571,000
	162,000
Personal Property Total (Rounded)	**$797,000**
Imaging Partners, LLC	$50,000
Personal Property Total (Rounded)	**$50,000**
VNA Health at Home	$55,000
Personal Property Total (Rounded)	**$55,000**
Grand Total (Rounded)	**$12,125,000**
Joint Venture (Asset Values - Full and Unadjusted for Ownership Percentage)	
Harold Leever Regional Cancer Center, Inc.	$63,000
	44,000
	2,950,000
Personal Property Total (Rounded)	**$3,057,000**

Notes:
(1) The Capital Lease Value is the value of the capital lease assets and does not include the remaining liability on the lease.

Summary of Real Property Fair Market Values

PROPERTY BY PROPERTY SUMMARY OF VALUE CONCLUSIONS

Wholly Owned

				Cost Approach (1)	Market Approach (2)		Fair Market Value
Address	**City**	**Property Type**	**Size (SF)**	**Land, Site and Bldg**	**Low**	**High**	
64 Robbins	Waterbury	Hospital and parking	583,397	$4,430,000			$4,430,000
64 Robbins St	Waterbury	Grandview/Merriman	24,200	$160,000			$160,000
192 Grandview Ave	Waterbury	Residential - Respite Hous	12,960	$40,000			$40,000
88 Grandview Ave	Waterbury	Baker /Meter House	2,731	$0			$0
Total Waterbury Hospital Site				$4,630,000	$2,100,000	$5,300,000	
							$4,630,000 Subtotal
Residential			Size (SF)				
72 Hale St	Waterbury	Residence	3,709	$190,000			$190,000
101 Robbins St	Waterbury	Residence	1,260	$70,000			$70,000
36 Grandview Ave	Waterbury	Residence	2,006	$80,000			$80,000
							$340,000 Subtotal
WH office condominiums			Size (SF)	Building only			
140 Grandview Ave	Waterbury	Office condos	3583	$130,000			$130,000
134 Grandview Ave	Waterbury	MOB condo	772	$30,000			$30,000
							$160,000 Subtotal
WH Land - at campus			Site (acres)	Land only			
140 Grandview Ave	Waterbury	Land	1.67	$70,000			$70,000
170 Grandview Ave	Waterbury	Land	1.00	$40,000			$40,000
	Waterbury	Land	4.60	$180,000			
134 Grandview Ave							$180,000
							$290,000 Subtotal

Total Fair Market Value of 100% Owned Real Estate Assets **$5,420,000**

JV - Partially Owned

				Cost Approach (3)	Market Approach (4)		FMV RE 100%
Address	City	Property Type	Size (SF)	Land, Site and Bldg	Low	High	
1075 Chase Parkway	Waterbury	HLRCC	38,236	$9,320,000	$9,600,000	$11,500,000	**$9,320,000**

Notes:
(1) See Exhibits C-1, C-2, C-3, C-4, C-5, and C-6.
(2) See Exhibit C-7.
(3) See Exhibit C-8.
(4) See Exhibit C-9

State of Connecticut, Office of Attorney General **Exhibit C-1**
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Summary of Vacant Land Sales

SUMMARY OF COMPARABLE VACANT LAND SALES

No.	Date	Address	Land (Acres)	Land (SF)	Price	Price/Acre	Price/SF	Zoning	Proposed Use
L-1	3/26/2013	1 Huntley Road Old Lyme, CT	6.20	270,072	$700,000	$112,903	$2.59	C	Medical Office
L-2	pending	Washington Dr/Kimberwick C Middlebury, CT	35.00	1,524,600	$750,000	$21,429	$0.49	R-40	31 paper lots
L-3	9/10/2014	1 Business Park Rd Lot 4 Bristol, CT	5.53	240,887	$277,000	$50,090	$1.15	IP1	Manufacturing
L-4	Listing	Rt 188/849 Southford Rd Middlebury, CT	5.00	217,800	$600,000	$120,000	$2.75	LI200	Commercial
L-5	12/10/2013	1875 Thomaston Ave Waterbury, CT	10.75	468,270	$750,000	$69,767	$1.60	IG	Industrial
L-6	7/8/2013	90 Town Line Rd Plainville, CT	10.79	470,012	$530,000	$49,120	$1.13	RI	Commercial
Subject		64 Robbins Street	38.33	1,669,655				CO	
		134 Grandview Ave	4.60	200,376				CO	
		140 Grandview Ave	1.67	72,745				CO	
		170 Grandview Ave Waterbury, CT	1.00	43,560				CO	

Notes:

L-1: A sale of commercial land purchased for medical office development, rural area but near freeway access.

L-2: 35 acres of raw land, 31 paper lots. Reported in contract. Listed by Gary Teetsel of Coldwell Banker Coml Scalzo Grp. The property has been on the market for 1023 days.

L-3: City of Bristol sold to BMN USA LP. No listing broker but city had property on the market 883 days.

L-4: Located just west of Waterbury. Superior exposure for retail, service commercial use. Listed by David Theroux of Drubner Commercial

L-5: Subdivided from a larger remediated brownfield site. Sold by the City of Waterbury do develop with 80,000 square foot manufacturing plant.

L-6: Bocwinski Robert S Trust sold to 90 Town Line LLC. Initially listed for $650,000. Listed by David Richard/Colliers Int'l.

Land Sales Adjustment Grid - Hospital

LAND SALES ADJUSTMENT GRID - Hospital

DESCRIPTION	Subject	Comparable L-1	Comparable L-2	Comparable L-3	Comparable L-7	Comparable L-5	Comparable L-6
LOCATION:	64 Robbins Waterbury, CT	1 Huntley Road Old Lyme, CT	Washington Dr/Kimberwick Ct Middlebury, CT	1 Business Park Rd Lot 4 Bristol, CT	710 Main Street S Southbury, CT	1875 Thomaston Ave Waterbury, CT	90 Town Line Rd Plainville, CT
LAND AREA - ACRES	38.33	6.20	35.00	5.53	25.00	10.75	10.79
	1,669,655	270,072	1,524,600	240,887	1,089,000	468,270	470,012
SHAPE/TOPOGRAPH	Hillside / Irregular	Level / Irregular	Level / Irregular	Level / Irregular	Level / irregular	Level / Irregular	Level / Parallelogram
ZONING:		C	R-40	IP1	B-3B	IG	RI
SOURCE:	Assessor	CoStar	Costar	CoStar	CoStar	Seller	Broker
DATE OF SALE:		Mar-2013	pending	Sep-2014	Aug-2013	Dec-2013	Jul-2013
SALE PRICE:		$700,000	$750,000	$277,000	$1,260,000	$750,000	$530,000
PRICE PER ACRE:		$112,903	$21,429	$50,090	$50,400	$69,767	$49,120
ADJUSTMENTS:							
UNIT SALE PRICE:		$112,903	$21,429	$50,090	$50,400	$69,767	$49,120
PROPERTY RIGHTS CONVEYED:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$21,429	$50,090	$50,400	$69,767	$49,120
FINANCIAL CONSIDERATIONS:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$21,429	$50,090	$50,400	$69,767	$49,120
CONDITIONS OF SALE:		0.00%	-10.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$19,286	$50,090	$50,400	$69,767	$49,120
MARKET CONDITIONS:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TIME ADJUSTED UNIT SALE PRICE:		$112,903	$19,286	$50,090	$50,400	$69,767	$49,120
PHYSICAL ADJUSTMENTS:							
LOCATION:		-20.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SIZE:		-30.00%	0.00%	-30.00%	0.00%	-20.00%	-20.00%
SHAPE/TOPOGRAPHY:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CORNER:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ZONING/PROPOSED USE:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PHYSICAL ADJUSTMENTS:		-50.00%	0.00%	-30.00%	0.00%	-20.00%	-20.00%
ADJUSTED UNIT PRICE for Main Site		$56,452	$19,286	$35,063	$50,400	$55,814	$39,296

RANGE OF VALUE PER ACRE/AVERAGE			$19,286	to	$56,452	$42,718
INDICATED PRICE PER ACRE						$40,000
LAND AREA for main site:	64 Robbins Street					38.33
CONCLUDED VALUE		$40,000 per acre		1,533,200	Rounded:	$1,500,000
LAND AREA for small commercial sites:	140, 170 and 134 Grandview					7.27
CONCLUDED VALUE		$40,000 per acre		290,800	Rounded:	$290,000
LAND AREA for Residential:	Residential properties (Hale, Grandview and Robbins) at Assessed values					0.99
CONCLUDED VALUE				89,603	Rounded:	$90,000

Notes:

Conditions of Sale: The listings are adjusted downward to probably contract closing price. Typically we see a 10% discount off of the listing price.

Location: Most locations are considered generally similar, with no quantifiable location adjustment. L-1 is located to the south, east of New Haven. The immediate area's median annual household income ($90,000) is nearly twice that of Waterbury, indicating a downward adjustment. L-4 is a site with three frontages of freeway, side road and arterial along the south side of Middlebury. Middlebury also has a superior median household income of $86,000. Both location elements indicate a downward adjustment.

Size: L-1, L-3 and L-4 are smaller sites. We see a diminution is price per acre for larger size parcels, due to diminishing marginal return. These three smaller sales are adjusted downward on prices per acre.

Zoning: All of the zoning and proposed uses are considered to bracket the subject site with no quantitative distinction in this market.

Conclusion: There are limited number of land sales in the Waterbury area, indicating a lack of new development in general. It was necessary to bracket the subject land with sales of commercial at the high end and residential or industrial land at the lower end. If vacant the subject site would be anticipate to be developed with residential or subdivided into non-retail commercial, due to the surrounding uses and the lack of retail exposure.

The main hospital campus is 38.33 acres and is bracketed by the comparable sales. Adjacent to the hospital area parcels that have at least a portion improved with MOB structures under ground leases expiring 2040. The actual leases were not available for review. Due to the lack of information, the land is considered at a similar price as the other campus land as much of the land is parking lots, mutually accessible.

The residential properties are considered immaterial and their lands are considered at their assessed values. The smaller commercial land under the JV property - Harold Leever Regional Cancer Center - is valued in the second adjustment grid.

Land Sales Adjustment Grid - Harold Leever Regional Cancer Center JV

LAND SALES ADJUSTMENT GRID - HLRCC - JV

DESCRIPTION	Subject	Comparable L-1	Comparable L-3	Comparable L-4	Comparable L-5	Comparable L-6
LOCATION:	1075 Chase Parkway Waterbury, CT	1 Huntley Road Old Lyme, CT	1 Business Park Rd Lot 4 Bristol, CT	Rt 188/849 Southford Rd Middlebury, CT	1875 Thomaston Ave Waterbury, CT	90 Town Line Rd Plainville, CT
LAND AREA - ACRES	4.35	6.20	5.53	5.00	10.75	10.79
	189,486	270,072	240,887	217,800	468,270	470,012
SHAPE/TOPOGRAPH	Level / Irregular	Level / Irregular	Level / Irregular	Level / Parallelogram	Level / Irregular	Level / Parallelogram
ZONING:		C	IP1	LI200	IG	RI
SOURCE:	Assessor	CoStar	CoStar	CoStar	Seller	Broker
DATE OF SALE:		Mar-2013	Sep-2014	Listing	Dec-2013	Jul-2013
SALE PRICE:		$700,000	$277,000	$600,000	$750,000	$530,000
PRICE PER ACRE:		$112,903	$50,090	$120,000	$69,767	$49,120
ADJUSTMENTS:						
UNIT SALE PRICE:		$112,903	$50,090	$120,000	$69,767	$49,120
PROPERTY RIGHTS CONVEYED:		0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$50,090	$120,000	$69,767	$49,120
FINANCIAL CONSIDERATIONS:		0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$50,090	$120,000	$69,767	$49,120
CONDITIONS OF SALE:		0.00%	0.00%	-10.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$112,903	$50,090	$108,000	$69,767	$49,120
MARKET CONDITIONS:		0.00%	0.00%	0.00%	0.00%	0.00%
TIME ADJUSTED UNIT SALE PRICE:		$112,903	$50,090	$108,000	$69,767	$49,120
PHYSICAL ADJUSTMENTS:						
LOCATION:		-5.00%	20.00%	-5.00%	20.00%	20.00%
SIZE:		0.00%	0.00%	0.00%	-15.00%	-15.00%
SHAPE/TOPOGRAPHY:		0.00%	0.00%	0.00%	0.00%	0.00%
CORNER:		0.00%	0.00%	0.00%	0.00%	0.00%
ZONING/PROPOSED USE:		0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PHYSICAL ADJUSTMENTS:		-5.00%	20.00%	-5.00%	5.00%	5.00%
ADJUSTED UNIT PRICE for Main Site		$107,258	$60,108	$102,600	$73,256	$51,576
RANGE OF VALUE PER ACRE and AVERAGE			$51,576	to	$107,258	$78,960
INDICATED PRICE PER ACRE						
LAND AREA for HLRCC (JV):	1075 Chase Parkway					4.35
CONCLUDED VALUE		$107,000 per acre		$465,450	Rounded:	$470,000

Notes:

Conditions of Sale: The listings are adjusted downward to probably contract closing price. Typically we see a 10% discount off of the listing price.

Location: The Chase Parkway location is within easy access of the Highway, near Middlebury's higher household income areas. L-1 is located to the south, east of New Haven, superior location indicating a slight downward adjustment. L-4 is a site with three frontages of freeway, side road and arterial along the south side of Middlebury. Both general and specific location elements are slightly superior and indicate a slight downward adjustment. The other industrial /office locations are inferior to this Chae Parkway commercial location, indicating a upward adjustment.

Size: L-1, L-3 and L-4 are similar size sites. L-5 and L-6 are larger sites. We see a diminution in price per acre for larger size parcels, due to diminishing marginal return. These larger sales are adjusted upward on their prices per acre.

Zoning: All of the zoning and proposed uses are considered to bracket the subject site with no quantitative distinction in this market.

Conclusion: There are limited number of land sales in the Waterbury area, indicating a lack of new development in general. It was necessary to bracket the subject land with sales of commercial at the high end and residential or industrial land at the lower end. If vacant the subject JV site would be anticipate to be developed with office/commercial, due to the surrounding uses .
The smaller commercial land under the JV property - Harold Leever Regional Cancer Center - is valued based on the smaller comparable sales with no size adjustment. the Harold Leever Regional Cancer Center at 1075 Chase Parkway is most similar to the listing L-4 with very similar exposure; therefore greatest weight was placed on L-1 and L-4, commercial sites. This indicates a value at the top of the adjusted range.

State of Connecticut, Office of Attorney General **Exhibit C-4**
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Building Improvement Costs

SUMMARY OF BUILDING IMPROVEMENT COSTS

APN 0251-0528-0063										Depreciation					Depreciated
Building name							Multipliers			Economic	Effective	RUL	Depr	Depr	Replacement
Cost/Unit	Hard Cost	Extras	Soft Costs		Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	Age (Yrs)	(Yrs)	(%)	($)	Cost
General Hospital - Main		512,333													
$245.42	$125,736,765	$0	$15,088,412	$	-	$140,825,177	1.01	1.14	$162,146,108	45	43	2	96%	$154,939,615	$7,206,494
	basement	71,064													
$56.29	$3,999,837	$0	$479,980	$	-	$4,479,818	1.03	1.13	$5,214,060	45	43	2	96%	$4,982,324	$231,736
															$7,438,230
											Less				
											Functional Obsolescence			30.00%	($2,231,469)
											External Obsolescence			36.00%	($2,677,763)
											Total Depreciated Replacement Costs				**$2,528,998**
Grandview/Merriman		16,861													
$108.89	$1,835,994	$0	$220,319	$	-	$2,056,314	1.03	1.13	$2,393,343	40	38	2	95%	$2,273,676	$119,667
	basement	7,339													
$88.94	$652,731	$0	$78,328	$	-	$731,058	1.03	1.13	$850,879	40	38	2	95%	$808,335	$42,544
192 Grandview		12,960													
$63.98	$829,181	$0	$99,502	$	-	$928,682	1.03	1.13	$1,080,894	50	48	2	96%	$1,037,658	$43,236
Baker house and Meter house		2,731													
$71.97	$196,550	$0	$23,586	$	-	$220,136	1.04	1.12	$256,415	45	45	0	100%	$256,415	$ -
														Subtotal Depreciated Building Improvements	$2,734,445
														Total Depreciated Building Improvements	$3,136,824

Notes:
The building areas were provided by GWHN. The hospital and Merriman basement areas are based on City of Waterbury building information.
Hospital - Hard Cost per Unit is from Marshall Valuation Service (MVS), May 2016 edition, Section 15, pg 24. General hospital -Class B between average and low cost. The basement was Class C Average, 50% applied to account for unfinished sections. Costs are augmented with additional attributes, i.e. sprinklers.
Grandview/Merriman - Hard Cost per Unit is from Marshall Valuation Service (MVS), May 2016 edition, Section 15, pg 22, Class C Low Cost. Base cost of $104.80 is augmented with perimeter multiplier of 1.039, indicating a cost per square foot of $108.89.
192 Grandview - Multifamily residential - Hard Cost per Unit is from Marshall Valuation Service (MVS),May 2016 edition, Section 12, pg 16, Class C Fair.
Baker house and Meter house - Residential - end of useful life.- Hard Cost per Unit is from Marshall Valuation Service (MVS),May 2016 edition, Section 12, pg 16, Class D Fair.
Child Care buildings on hospital parcel are not included, as the child care is ground leased and the improvements belong with the leasehold.
Soft costs at 12% and profit is not considered realizable in this market.
Multipliers from MVS, Section 99, p.745 for Current and p.749 Waterbury CT.
Economic life from MVS, Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements
Current conditions indicate the remaining economic life is 2 years without capital improvements.
Although some section are newer like Reed building section (built 2002) it is a minor portion of the whole, the weighted average age of the combined buildings sections is 98 years old.

State of Connecticut, Office of Attorney General **Exhibit C-4**
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Building Improvement Costs

APN 0251-0528-0063										Depreciation					Depreciated
		Size (SF)				Multipliers			Economic	Effective	RUL	Depr	Depr	Replacement
Cost/Unit	Hard Cost	Extras	Soft Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	Age (Yrs)	(Yrs)	(%)	($)	Cost
APN 0251-0026-0003														
101 Robbins - Residence (1952		1260												
$71.97	$90,682	$32,731	$14,810	$13,822	$152,044	1.04	1.12	$177,101	50	38	12	76%	$134,597	$42,504
APN 0271-0026-0010														
36 Grandview - Residence (192		2006												
$71.97	$144,372	$14,715	$19,090	$17,818	$195,995	1.04	1.12	$228,295	50	38	12	76%	$173,504	$54,791
APN 0231-0530-0064														
72 Hale - Residence/office (192		3709												
$83.72	$310,517	$18,692	$39,505	$36,871	$405,586	1.04	1.12	$472,426	55	38	17	69%	$326,403	$146,023
								Subtotal Depreciated Residential Building Improvements						$243,318
140 Grandview Ave condos (19		3583												
$109.26	$391,479		$46,977	$0	$438,456	1.03	1.13	$510,319	40	30	10	75%	$382,739	$127,580
134 Grandview Ave condos (19		702												
$137.61	$96,602		$11,592	$0	$108,194	1.03	1.13	$125,928	40	30	10	75%	$94,446	$31,482
								Subtotal Depreciated Office condominium Improvements						$159,062

Notes:
Residential, Single Family - Hard Cost per Unit is from Marshall Valuation Service (MVS), May 2016 edition, Section 12, pg 25, Class D Fair for 101 Robbins and 36 Grandview. Class D Average for 72 Hale. The basement areas are calculated based on the building area provided by the client less the living area provided by the town data. Costs are from MVS Section 12, pg 26.
Office condos at 140 Grandview Avenue and 134 Grandview Avenue - Hard Cost per Unit is from Marshall Valuation Service (MVS), May 2016 edition, Section 15, pg 25, Class C Average
Soft costs at 12% and profit is 0% for residential properties and office condominiums.
Multipliers from MVS, Section 99, p.745 for Current and p.749 Waterbury CT.
Economic life from MVS, Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements

Site Improvements - GWHN

												Depreciation					Depreciated
								Multipliers			Economic	Effective	RUL	Physical	Physical	Replacement
Item	Units	Type	Cost/Unit	Hard Cost	Soft Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	Age (Yrs)	(Yrs)	%	($)	Cost
Landscaping	168,447	Sq Ft	$2	$360,476	$43,257	#	$403,733	1.01	1.12	$456,702	20	18	2	90%	$411,032	$45,670
Parking	1,181	Spaces	$1,251	$1,477,726	$177,327	#	$1,655,053	1.01	1.12	$1,872,196	8	6	2	75%	$1,404,147	$468,049
Canopies, retaining walls, curbs and sidewalks																$100,000
														External Obsolescence	36.00%	($220,939)
														Total Depreciated Site Improvements (rounded)		$400,000

Notes:
Hard Cost per Unit is from MVS, May 2016 edition, Section 66, pg 8 and pg 3, with current multipliers from Site Improvements section of Section 99.
Parking area is estimated as 1181 parking sites and the landscaping is estimated to cover 1/10 of the site or 168,447 square feet.
Soft costs @ 12% and profit @ 0%
Economic life from MVS, Section 97, pgs 18-19 and effective age is based on discussions with client, and capital improvements. The external obsolescence is similarly impacts the site improvements as it does on the building improvements.

State of Connecticut, Office of Attorney General **Exhibit C-6**
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Cost Approach Summary - GWHN

SUMMARY OF COST VALUATION CONCLUSIONS

Address	City	Property Type	Size	Land Value	Site Imps	Bldg Imps	Fair Market Value
64 Robbins St	Waterbury	Hospital	512,333	$1,500,000	$ 400,000	$2,528,998	$4,428,998
						Rounded	$4,430,000
64 Robbins St	Waterbury	Merriman/MOB	24,200	included above	included above	$162,211	$162,211
						Rounded	$160,000
192 Grandview	Waterbury	MF Residential	12,960	included above	included above	$43,236	$43,236
						Rounded	$40,000
Baker house and Meter hou	Waterbury	Vacant residence	2,731	included above	included above	$ -	$ -
						Rounded	$ -
						Hospital City Subtotal:	$4,630,000
101 Robbins St	Waterbury	Residence (1)	1,260	$23,076	minimum	$42,504	$65,580
						Rounded	$70,000
36 Grandview Ave	Waterbury	Residence	2,006	$22,500	minimum	$54,791	$77,291
						Rounded	$80,000
72 Hale St	Waterbury	Residence (2)	3,709	$44,027	minimum	$146,023	$190,050
						Rounded	$190,000
140 Grandview Ave	Waterbury	Office condo	3,583	N.A.	minimum	$127,580	$127,580
						Rounded	$130,000
134 Grandview Ave	Waterbury	MOB condo	702	N.A.	minimum	$31,482	$31,482
						Rounded	$30,000

Notes:
1) 101 Robbins Street, Waterbury is currently being listed for $75,000.
2) 72 Hale Street, Waterbury is currently being listed and pending for $230,000.

State of Connecticut, Office of Attorney General
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

Exhibit C-7

NAVIGANT
FINAL

Improved Sales - Hospitals

SUMMARY OF COMPARABLE HOSPITAL SALES

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Licensed Bed	Land Acres	Sale Price	$/SF	Per lic Bed	Uses
I-1	1/27/2016	2701 Dekalb Pike	Norristown	PA	1993	372,820	131	4.15	$11,000,000	$30	$83,969	Requires a $30 million upgrade
I-2	9/24/2015	45-59 Townsend St	Roxbury	MA	1940/ 1987	159,000	207	4.96	$5,000,000	$31	$24,155	Former Radius Specialty Hospital, sold at auction.
I-3	8/14/2013	156 West Ave	Brockport	NY	1970	279,140	191	18.90	$2,500,000	$9	$13,089	Lakeside Hospital has gone out of business for financial reasons
I-4	12/23/2013	137 E Blount Ave	Knoxville	TN	1948	1,360,540	N.A.	23.00	$5,651,242	$4	N.A.	Former Baptist Hospital campus, multi-buildings, allocation price hospital.
I-5	12/24/2013	115 Cass Ave	Woonsocket	RI	1925	220,182	214	13.95	$14,099,430	$64	$65,885	Court appointed sale of hospital - BV and PP included
I-6	1/3/2013	800 Washington St	Norwood	MA	1920	147,121	292	9.33	$2,169,595	$15	$7,430	Norwood Hospital
	GW	64 Robbins St			1951 W Avg	623,288	393 176	38.33 staffed				
		Range of Operational Hospitals							Low	$4	$7,430	
									Median	$25	$38,906	
									High	$64	$83,969	

Notes:
The sales noted above are from a search of sales of occupied or recently occupied hospital property with purchase prices reported on real estate only. These sales focus on older facilities. The most similar sale, I-4, involved the buildings on a hospital campus of 23 acres in Knoxville, TN, the primary building was a the 10 story former Baptist Hospital. The WH facilities, including all of the building on the hospital parcel. , is 2 - 5 times larger than the comparable sales, except I-4.. This results in a much higher building area per bed for the subject property. Due to economies of scale and diminishing marginal returns, the per square foot price would be expected to be reduced by that impact and reside on the lower end of the range. The largest properties above show a cost per square foot of $4, $9 and $30. In addition, while the subject property has license for 393 beds, the actual number of staffed beds is 176. As presenting in the Cost Approach, based on occupy level of 38.6% of licensed beds, the market is indicating a 36% reduction in demand. Overall, the size of the building compared with the comparable sales and the low occupancy of licensed beds indicate the lowest end of the range.

The concluded cost approach for Waterbury Hospital and auxiliary buildings on the parcel, at $4.6 million indicates a fair market value of $8.50 per square foot, $12,000 per licensed bed and just over $26,000 per staffed bed. Due to the larger size of Waterbury Hospital, the price per square foot and the price per bed are as anticipated, at the lower end and supported by the lower sales.

Cost Approach - Harold Leever Regional Cancer Center JV

SUMMARY OF BUILDING and SITE IMPROVEMENT COSTS

Building Improvements									Depreciation					Depreciated
						Multipliers			Economic	Effective	RUL	Depr	Depr	Replacement
Cost/Unit	Hard Cost	Extras	Soft Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	Age (Yrs)	(Yrs)	(%)	($)	Cost
Cancer Ctr- HLRCC		38,236												
$198.99	$7,608,517	$0	$913,022	$1,022,585	$9,544,124	1.03	1.13	$11,108,406	45	10	35	22%	$2,468,535	$8,639,871
								Total Depreciated Building Improvements						$8,639,871

Site Improvements									Depreciation					Depreciated
						Multipliers			Economic	Effective	RUL	Physical	Physical	Replacement
Cost/Unit	Hard Cost		Soft Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	Age (Yrs)	(Yrs)	%	($)	Cost
Landscape area (SF)		37,897												
$2.14	$81,100		$9,732	$10,900	$101,732	1.01	1.12	$115,079	20	10	10	50%	$57,540	$57,540
Parking lot (spaces)		150												
$1,251	$187,688		$22,523	$25,225	$235,435	1.01	1.12	$266,324	8	4	4	50%	$133,162.15	$133,162
Canopies, retaining walls, curbs and sidewalks														$20,000
													Total Depreciated Site Improvements	$210,702

Land Value														
Land area		4.35	acres										Land Value (rounded)	$470,000
$107,000	470,000													

Total value by the Cost Approach **(Rounded)** **$9,320,000**

Notes:

Building areas from HLRCC was based on City of Waterbury building information.
Cancer Center - Hard Cost per Unit is from Marshall Valuation Service (MVS), May 2016 edition, Section 15, pg 25 .Out Patient Facilities -Class C Average costs ($207.53 per square foot) are augmented with additional attributes, i.e. perimeter multiplier (0.944) and the additional costs of sprinklers ($3.08 per square foot). With indirects and profits, along with current and local multipliers, this results in a Replacement Cost New of $291 per square foot. This is compared with another newly constructed similar cancer center near Hartford. The construction costs were $285 per square foot in 2010. Both appreciation and depreciation were considered offsetting to support a construction cost of $285 per square foot.
Soft costs at 12% and profit of 12% is considered realizable in this market for specialty ambulatory outpatient centers.
Multipliers from MVS, Section 99, p.745 for Current and p.749 Waterbury CT.
Economic life from MVS, Section 97, pgs 10 & 13, and effective age is based on prior inspection, and discussion with management.

Site Improvements Hard Cost per Unit is from MVS, March 2016 edition, Section 66, pg 8 and pg 3, multipliers from Site Improvements section.
Park spaces is based on a count from a recent aerial and the landscaping estimated as 20% of the site.
Soft costs @ 12% and profit @ 12%
Economic life from MVS, Section 97, pgs 18-19 and effective age is based on discussions with client, and capital improvements.

Improved Cancer Center/Radiology Sales - JV

SUMMARY OF NEWER CANCER CENTER/RADIOLOGY BUILDINGS

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Land Acres	Sale Price	$/SF	Uses
1	7/17/2014	400 W 144th Ave	Westminster	CO	2012	45,092	6.23	$17,173,448	$ 381	Imaging Center with Radiology and CT/MRI
2	8/27/2014	111 Marys Avenue	Kingston	NY	2004	36,479	grd lse	11,200,000	307	Benedictine Cancer Ctr, tenant: Benedictine Hosp.
3	2/26/2015	1924-1934 Alcoa Hwy	Knoxville	TN	2012	100,104		33,660,000	336	Cancer Institute building, MOB adj Hospital
4	4/10/2014	2473 McFarland Rd	Rockford	IL	2002	10,000	1.39	2,576,650	258	MOB, former cancer and chemotherapy center
5	12/31/2012	10700 Charter Dr	Columbia	MD	2002	56,212	4.25	20,600,000	366	Multi-tenants, an MRI suite
6	6/26/2015	9020-9024 5th Ave	Brooklyn	NY	1994	24,829	0.18	7,500,000	302	Multi- tenant, includes MRI suite
7	10/7/2013	1300 W Jefferson St	Franklin	IN	2005	28,317	3.85	5,146,000	182	Multi-tenant, 1/3 CT / MRI suite, low density area

Range of Cancer Centers and imaging			Excluding extremes
	Low	$ 182	$ 258
	Average	305	314
	High	381	366

The sales above range from $182 per square foot to $381 per square foot. Excluding the extremes the market is reflecting a range of $258 to $366 per square foot with a average of $314 per square foot. Less weight is given to those with higher ambulatory surgery uses. Given the demographics of the subject's location, among the lowest household median incomes, the low end the range is post applicable. These sales of similar cancer center or imaging facilities support the cost valuation, similar to the depreciated costs reflected in the fix asset records. They indicate a value in the range of $9.6 million to $11.5 million for the real estate.

Indicated Values						Indicated Ranges			
Harold Leevers Regional Cancer Ctr				SF		Low	High	Low	High
1075 Chase Parkway	Waterbury		2002	38,236	4.35	$250	$300	$9,600,000	$11,500,000

Projected Income Statement - Current (1)

	FYE	Actual	Projections				
	2015	3 mths YTD 12/31/2015	2016	2017	2018	2019	2020
Net Revenues	$247,613,461	$52,097,041	$215,471,979	215,471,979	215,471,979	215,471,979	215,471,979
			(13.0%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Expenses							
Salaries, Wages & Benefits	154,106,643	26,618,997	106,521,253	108,651,678	110,824,712	113,041,206	115,302,030
				2.0%	*2.0%*	*2.0%*	*2.0%*
Salaries & Wages		20,326,641	81,586,940				
Benefits		6,292,356	24,934,313				
Supplies & Other Expenses	104,740,692	26,529,313	104,404,822	106,492,919	108,622,777	110,795,233	113,011,137
				2.0%	*2.0%*	*2.0%*	*2.0%*
Professional/Legal Fees		3,394,792	13,763,925				
Medical Supplies & Drugs		7,001,392	28,115,034				
Other Supplies		2,300,614	9,140,715				
Purchased Services		8,078,143	31,900,038				
Insurances		1,456,513	5,746,723				
Utilities		909,847	3,648,082				
Affiliate Subsidy		3,388,012	12,090,306				
Total Operating Expenses	258,847,335	53,148,310	210,926,075	215,144,597	219,447,489	223,836,439	228,313,167
EBITDA	**($11,233,874)**	**($1,051,269)**	**$4,545,903**	**$327,382**	**($3,975,510)**	**($8,364,460)**	**($12,841,189)**
EBITDA margin%	*-4.5%*	*-2.0%*	*2.1%*	*0.2%*	*-1.8%*	*-3.9%*	*-6.0%*

	FYE	Actual	Common-Size				
	2015	3 mths YTD 12/31/2015	2016	2017	2018	2019	2020
Net Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses							
Salaries, Wages & Benefits	62.2%	51.1%	49.4%	50.4%	51.4%	52.5%	53.5%
Salaries & Wages							
Benefits		39.0%	37.9%				
Supplies & Other Expenses	42.3%	50.9%	48.5%	49.4%	50.4%	51.4%	52.4%
Professional/Legal Fees		6.5%	6.4%				
Medical Supplies & Drugs		13.4%	13.0%				
Other Supplies		4.4%	4.2%				
Purchased Services		15.5%	14.8%				
Insurances		2.8%	2.7%				
Utilities		1.7%	1.7%				
Affiliate Subsidy		6.5%	5.6%				
Total Operating Expenses	104.5%	102.0%	97.9%	99.8%	101.8%	103.9%	106.0%
EBITDA	**-4.5%**	**-2.0%**	**2.1%**	**0.2%**	**-1.8%**	**-3.9%**	**-6.0%**

Notes:

(1) Management provided a budget for 2016, which was materially lower than what was originally projected in their CON application.
Given the significant level of uncertainty surrounding the future outlook of GWHN, we confirmed with Management that a flat level of revenue growth and inflationary growth in expenses through the projection period is a reasonable expectation. Given the negative operating margin outlook, a Discounted Cash Flow Analysis would not have been a meaningful analysis. Accordingly, we did not develop the Discounted Cash Flow Method further.

Projected Income Statement - CON Application (1)

	FYE	Projections				
	2015	2016	2017	2018	2019	2020
Net Revenues	$247,613,461	$259,280,612	$262,686,145	$264,972,787	$267,622,515	$270,298,740
		4.7%	*1.3%*	*0.9%*	*1.0%*	*1.0%*
Expenses						
Salaries, Wages & Benefits	154,106,643	150,617,036	151,600,216	154,408,067		
Salaries & Wages		115,590,029	117,692,915	119,507,521		
Benefits		35,027,007	33,907,301	34,900,546		
Supplies & Other Expenses	104,740,692	104,648,607	104,661,456	105,185,971		
Physician Fees		12,697,776	12,680,260	12,682,807		
Supplies & Drugs		23,712,061	23,917,529	24,142,219		
Malpractice Insurance		6,901,688	6,928,910	6,931,831		
Lease Expense		3,612,010	3,623,435	3,635,055		
Other Operating Expenses		57,725,072	57,511,322	57,794,059		
Total Operating Expenses	258,847,335	255,265,643	256,261,672	259,594,038	262,189,979	264,811,878
EBITDA	**($11,233,874)**	**$4,014,969**	**$6,424,473**	**$5,378,749**	**$5,432,536**	**$5,486,862**
EBITDA margin%	*-4.5%*	*1.5%*	*2.4%*	*2.0%*	*2.0%*	*2.0%*

	FYE	Common-Size				
	2015	2016	2017	2018	2019	2020
Net Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses						
Salaries, Wages & Benefits	62.2%	58.1%	57.7%	58.3%		
Salaries & Wages		44.6%	44.8%	45.1%		
Benefits		13.5%	12.9%	13.2%		
Supplies & Other Expenses	42.3%	40.4%	39.8%	39.7%		
Physician Fees		4.9%	4.8%	4.8%		
Supplies & Drugs		9.1%	9.1%	9.1%		
Malpractice Insurance		2.7%	2.6%	2.6%		
Lease Expense		1.4%	1.4%	1.4%		
Other Operating Expenses		22.3%	21.9%	21.8%		
Total Operating Expenses	104.5%	98.5%	97.6%	98.0%	98.0%	98.0%
EBITDA	**-4.5%**	**1.5%**	**2.4%**	**2.0%**	**2.0%**	**2.0%**

Notes:

(1) Revenue and expense projections were provided by management for the years 2016 through 2018 in their original CON application. Thereafter we have assumed a marginal 1.0% growth in revenues and a stable operating margin of 2.0%.

(Dollars and Shares Outstanding in Millions, stock price in $s)

Guideline Company - Multiples

Company Name:	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.
	CYH	UHS	LPNT	HCA	THC
As Of:	5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016
Stock Price As of: 5/31/2016	$13.44	$134.86	$66.29	$78.02	$28.94
Shares Outstanding	110.3	98.9	44.5	410.6	98.8
Market Value of Equity	$1,483	$13,337	$2,950	$32,033	$2,858
Interest Bearing Debt	17,019	3,289	2,741	30,674	14,522
Preferred Stock	-	-	-	-	-
Minority Interest	680	324	155	1,557	2,682
Market Value of Invested Capital (MVIC)	19,182	16,950	5,846	64,264	20,062
Less: Cash and Cash Equivalents	181	55	187	904	728
Enterprise Value (EV)	$19,001	$16,895	$5,659	$63,360	$19,334
Last Fiscal Year (LFY)					
Revenue	$19,437	$9,043	$5,214	$39,678	$18,634
EBITDA	$2,387	$1,658	$646	$7,869	$2,177
EBITDA %	12.3%	18.3%	12.4%	19.8%	11.7%
EBIT	$1,427	$1,259	$388	$5,965	$1,380
EBIT %	7.3%	13.9%	7.4%	15.0%	7.4%
LFY Multiples					
Revenue	1.0x	1.9x	1.1x	1.6x	1.0x
EBITDA	8.0x	10.2x	8.8x	8.1x	8.9x
EBIT	13.3x	13.4x	14.6x	10.6x	14.0x
Trailing Twelve Months (TTM)					
Revenue	$19,525	$9,268	$5,531	$40,262	$19,254
EBITDA	$2,287	$1,692	$633	$7,918	$2,241
EBITDA %	11.7%	18.3%	11.4%	19.7%	11.6%
EBIT	$1,327	$1,289	$359	$6,008	$1,439
EBIT %	6.8%	13.9%	6.5%	14.9%	7.5%
TTM Multiples					
Revenue	1.0x	1.8x	1.0x	1.6x	1.0x
EBITDA	8.3x	10.0x	8.9x	8.0x	8.6x
EBIT	14.3x	13.1x	15.8x	10.5x	13.4x
Next Twelve Months (NTM)					
Revenue	$18,047	$9,835	$6,501	$42,055	$19,354
EBITDA	$2,543	$1,766	$777	$8,305	$2,478
EBITDA %	14.1%	18.0%	12.0%	19.7%	12.8%
FY1 Multiples					
Revenue	1.1x	1.7x	0.9x	1.5x	1.0x
EBITDA	7.5x	9.6x	7.3x	7.6x	7.8x
2 Years Forward					
Revenue	$17,543	$10,331	$6,831	$44,121	$20,006
EBITDA	$2,548	$1,879	$837	$8,750	$2,597
EBITDA %	14.5%	18.2%	12.3%	19.8%	13.0%
FY2 Multiples					
Revenue	1.1x	1.6x	0.8x	1.4x	1.0x
EBITDA	7.5x	9.0x	6.8x	7.2x	7.4x

	BEV/ LFY Revenue	BEV/ LFY EBITDA	BEV/ TTM Revenue	BEV/ TTM EBITDA	BEV/ NTM Revenue	BEV/ NTM EBITDA
Community Health Systems, Inc.	1.0x	8.0x	1.0x	8.3x	1.1x	7.5x
Universal Health Services Inc.	1.9x	10.2x	1.8x	10.0x	1.7x	9.6x
LifePoint Health, Inc.	1.1x	8.8x	1.0x	8.9x	0.9x	7.3x
HCA Holdings, Inc.	1.6x	8.1x	1.6x	8.0x	1.5x	7.6x
Tenet Healthcare Corp.	1.0x	8.9x	1.0x	8.6x	1.0x	7.8x
Low	1.0x	8.0x	1.0x	8.0x	0.9x	7.3x
25th Percentile	1.0x	8.1x	1.0x	8.3x	1.0x	7.5x
Median	1.1x	8.8x	1.0x	8.6x	1.1x	7.6x
75th Percentile	1.6x	8.9x	1.6x	8.9x	1.5x	7.8x
High	1.9x	10.2x	1.8x	10.0x	1.7x	9.6x

Notes:

Source: Capital IQ

Guideline Company - Ratios

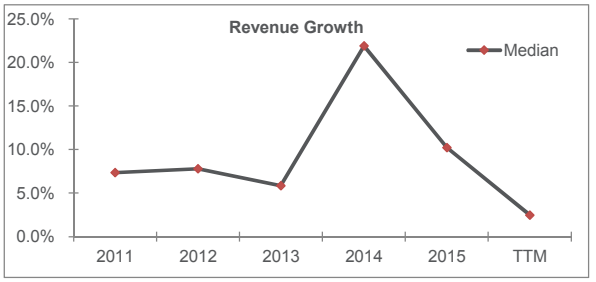
	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Greater Waterbury Health Network, Inc.	Range of Ratios for Guideline Companies			
	CYH	UHS	LPNT	HCA	THC	GWHN				
Trailing Twelve Months Ending:	5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016	9/30/2015	High	Low	Median	Average
Liquidity Ratios										
Cash & Equivalents / Total Assets	0.7%	0.6%	3.0%	2.8%	3.1%	14.2%	3.1%	0.6%	2.8%	2.0%
Current Ratio	1.7	1.0	1.7	1.7	1.2	1.6	1.7	1.0	1.7	1.5
Quick Ratio	1.5	0.9	1.5	1.4	1.1	1.5	1.5	0.9	1.4	1.3
Days Cash on Hand	3.8	2.6	13.9	10.2	15.6	36.8	15.6	2.6	10.2	9.2
Working Capital Ratios										
Working Capital % of Sales	11.3%	(0.5%)	10.8%	9.4%	4.5%	10.0%	11.3%	(0.5%)	9.4%	7.1%
Debt-Free Working Capital % of Sales	12.6%	4.7%	11.3%	10.0%	5.4%	10.6%	12.6%	4.7%	10.0%	8.8%
Cash-Free Debt-Free Working Capital % of Sales	11.6%	4.1%	7.9%	7.8%	1.6%	0.6%	11.6%	1.6%	7.8%	6.6%
Efficiency Ratios										
Accounts Receivable Turnover	5.2	6.7	5.9	6.8	5.9	7.7	6.8	5.2	5.9	6.1
Days' Receivable	69.6	54.1	61.7	53.3	61.7	47.6	69.6	47.6	61.7	60.1
Accounts Payable Turnover	10.3	4.6	17.2	12.9	10.1	8.0	17.2	4.6	10.3	11.0
Days' Payable	35.5	78.7	21.2	28.2	36.2	45.4	78.7	21.2	35.5	40.0
Inventory Turnover	20.7	45.6	24.5	17.8	39.7	74.8	45.6	17.8	24.5	29.6
Days' Inventory	17.7	8.0	14.9	20.5	9.2	4.9	20.5	4.9	14.9	14.1
Net PP&E Turnover	1.9	2.4	1.8	2.7	2.4	6.8	2.7	1.8	2.4	2.2
Asset Turnover	0.7	1.0	0.9	1.2	0.8	1.4	1.2	0.7	0.9	0.9
Cash Conversion Cycle	51.8	(16.6)	55.5	45.6	34.7	7.1	55.5	(16.6)	45.6	34.2
Leverage Ratios										
Interest Coverage	1.3	11.4	2.9	3.6	1.5	0.2	11.4	1.3	2.9	4.2
Debt / Book Capital	78.4%	41.6%	52.9%	124.3%	81.5%	1.9%	124.3%	41.6%	78.4%	75.7%
Debt / Assets	63.7%	34.4%	43.4%	93.6%	61.1%	0.8%	93.6%	34.4%	61.1%	59.2%
Assets / Equity	5.7	2.1	2.6	(5.5)	7.2	2.3	7.2	(5.5)	2.6	2.4
Net Fixed Assets / Total Capital	0.5	0.5	0.6	0.6	0.4	0.5	0.6	0.4	0.5	0.5
Long-Term Debt / Equity	3.6	0.6	1.1	(5.1)	4.3	0.0	4.3	(5.1)	1.1	0.9
Profitability Ratios										
EBITDA Margin	11.7%	18.3%	11.4%	19.7%	11.6%	0.1%	19.7%	11.4%	11.7%	14.5%
EBIT Margin	6.8%	13.9%	6.5%	14.9%	7.5%	0.1%	14.9%	6.5%	7.5%	9.9%
Net Income Margin	0.5%	7.5%	3.0%	5.5%	(1.3%)	(0.6%)	7.5%	(1.3%)	3.0%	3.0%
DuPont Return on Equity										
Net Income Margin	0.5%	7.5%	3.0%	5.5%	(1.3%)	(0.6%)	7.5%	(1.3%)	3.0%	3.0%
Asset Turnover	0.7	1.0	0.9	1.2	0.8	1.4	1.4	0.7	0.9	0.9
Return on Assets	0.3%	7.3%	2.6%	6.8%	(1.0%)	(0.8%)	7.3%	(1.0%)	2.6%	3.2%
Assets / Equity	5.7	2.1	2.6	(5.5)	7.2	2.3	7.2	(5.5)	2.6	2.4
Return on Equity	1.9%	15.1%	6.7%	(37.2%)	(7.4%)	(1.9%)	15.1%	(37.2%)	1.9%	(4.2%)
Capital Expenditures / Revenue	4.8%	4.3%	5.2%	6.1%	4.5%	0.6%	6.1%	4.3%	4.8%	5.0%
Price/Earnings (P/E)	13.0x	19.1x	17.9x	14.4x	-11.8x	N/A	19.1x	-11.8x	14.4x	10.5x

Notes:
Source: Capital IQ

Guideline Company - Historic Revenue Growth and Margin Analysis

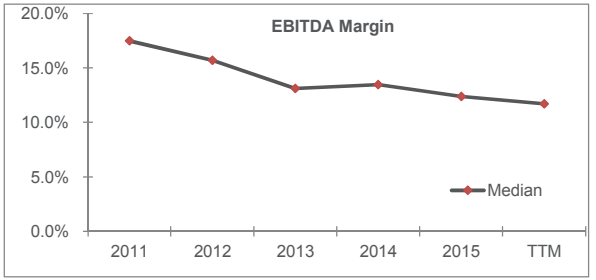
Revenue Growth

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	7.3%	7.8%	(0.1%)	45.4%	4.3%	0.5%	16.5%	12.9%
Universal Health Services Inc.	38.0%	3.0%	5.8%	11.4%	10.2%	2.5%	9.1%	13.7%
LifePoint Health, Inc.	7.4%	12.1%	8.4%	21.9%	16.3%	6.1%	15.5%	13.2%
HCA Holdings, Inc.	5.9%	11.2%	3.5%	8.0%	7.5%	1.5%	6.3%	7.2%
Tenet Healthcare Corp.	4.7%	5.4%	21.6%	49.8%	12.2%	3.3%	27.9%	18.7%
Low	4.7%	3.0%	(0.1%)	8.0%	4.3%	0.5%	6.3%	7.2%
Median	7.3%	7.8%	5.8%	21.9%	10.2%	2.5%	15.5%	13.2%
High	38.0%	12.1%	21.6%	49.8%	16.3%	6.1%	27.9%	18.7%
Mean	12.6%	7.9%	7.9%	27.3%	10.1%	2.8%	15.1%	13.2%



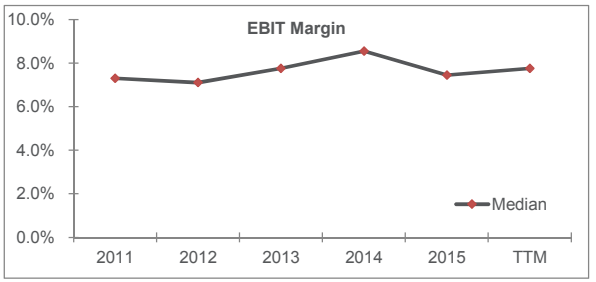
EBITDA Margin

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	15.1%	15.2%	13.1%	13.5%	12.3%	11.7%	13.0%	13.8%
Universal Health Services Inc.	17.6%	18.5%	18.4%	18.0%	18.3%	18.3%	18.2%	18.2%
LifePoint Health, Inc.	17.5%	15.7%	12.8%	12.5%	12.4%	11.4%	12.5%	14.2%
HCA Holdings, Inc.	19.6%	19.7%	19.1%	20.0%	19.8%	19.7%	19.7%	19.6%
Tenet Healthcare Corp.	12.9%	13.2%	12.0%	11.7%	11.7%	11.6%	11.8%	12.3%
Low	12.9%	13.2%	12.0%	11.7%	11.7%	11.4%	11.8%	12.3%
Median	17.5%	15.7%	13.1%	13.5%	12.4%	11.7%	13.0%	14.2%
High	19.6%	19.7%	19.1%	20.0%	19.8%	19.7%	19.7%	19.6%
Mean	16.6%	16.5%	15.1%	15.1%	14.9%	14.5%	15.0%	15.6%



EBIT Margin

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	7.3%	7.6%	8.4%	9.1%	11.0%	11.6%	9.5%	8.7%
Universal Health Services Inc.	7.2%	7.1%	6.4%	5.7%	6.8%	4.1%	6.3%	6.7%
LifePoint Health, Inc.	11.3%	12.0%	13.1%	10.4%	7.4%	7.9%	10.3%	10.9%
HCA Holdings, Inc.	8.9%	6.9%	7.8%	8.6%	8.0%	7.8%	8.1%	8.0%
Tenet Healthcare Corp.	5.7%	7.1%	5.8%	1.9%	3.4%	1.6%	3.7%	4.8%
Low	5.7%	6.9%	5.8%	1.9%	3.4%	1.6%	3.7%	4.8%
Median	7.3%	7.1%	7.8%	8.6%	7.4%	7.8%	8.1%	8.0%
High	11.3%	12.0%	13.1%	10.4%	11.0%	11.6%	10.3%	10.9%
Mean	8.1%	8.1%	8.3%	7.1%	7.3%	6.6%	7.6%	7.8%

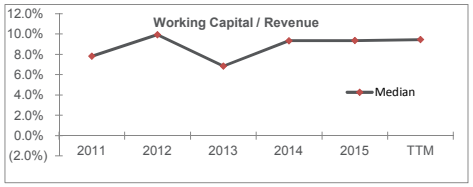


Source: Capital IQ

Guideline Company - Historic Working Capital and Capital Expenditures Analysis

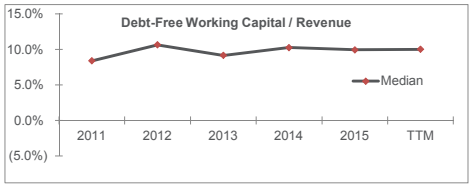
Working Capital / Revenue

	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	7.9%	9.9%	10.1%	10.6%	10.8%	11.3%	10.5%	9.8%
Universal Health Services Inc.	7.8%	7.4%	5.1%	5.3%	6.8%	(0.5%)	5.7%	6.5%
LifePoint Health, Inc.	15.4%	14.2%	14.6%	14.3%	12.4%	10.8%	13.8%	14.2%
HCA Holdings, Inc.	5.7%	4.8%	6.9%	9.3%	9.4%	9.4%	8.5%	7.2%
Tenet Healthcare Corp.	6.3%	10.1%	5.4%	2.4%	4.6%	4.5%	4.1%	5.7%
Low	5.7%	4.8%	5.1%	2.4%	4.6%	(0.5%)	4.1%	5.7%
Median	7.8%	9.9%	6.9%	9.3%	9.4%	9.4%	8.5%	7.2%
High	15.4%	14.2%	14.6%	14.3%	12.4%	11.3%	13.8%	14.2%
Mean	8.6%	9.3%	8.4%	8.4%	8.8%	7.1%	8.5%	8.7%



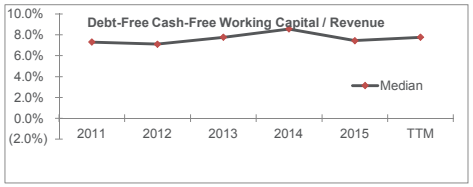
Debt-Free Working Capital / Revenue

	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	8.4%	10.6%	11.4%	11.9%	12.0%	12.6%	11.7%	10.8%
Universal Health Services Inc.	7.8%	7.4%	6.7%	6.1%	7.5%	4.7%	6.8%	7.1%
LifePoint Health, Inc.	15.5%	14.6%	30.5%	14.7%	12.9%	11.3%	19.4%	17.6%
HCA Holdings, Inc.	10.4%	9.2%	9.2%	10.3%	10.0%	10.0%	9.8%	9.8%
Tenet Healthcare Corp.	7.0%	11.1%	6.8%	3.0%	5.3%	5.4%	5.0%	6.7%
Low	7.0%	7.4%	6.7%	3.0%	5.3%	4.7%	5.0%	6.7%
Median	8.4%	10.6%	9.2%	10.3%	10.0%	10.0%	9.8%	9.8%
High	15.5%	14.6%	30.5%	14.7%	12.9%	12.6%	19.4%	17.6%
Mean	9.8%	10.6%	12.9%	9.2%	9.5%	8.8%	10.5%	10.4%



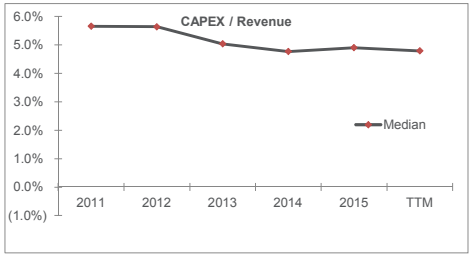
Debt-Free Cash-Free Working Capital / Revenue

	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	7.3%	7.6%	8.4%	9.1%	11.0%	11.6%	9.5%	8.7%
Universal Health Services Inc.	7.2%	7.1%	6.4%	5.7%	6.8%	4.1%	6.3%	6.7%
LifePoint Health, Inc.	11.3%	12.0%	13.1%	10.4%	7.4%	7.9%	10.3%	10.9%
HCA Holdings, Inc.	8.9%	6.9%	7.8%	8.6%	8.0%	7.8%	8.1%	8.0%
Tenet Healthcare Corp.	5.7%	7.1%	5.8%	1.9%	3.4%	1.6%	3.7%	4.8%
Low	5.7%	6.9%	5.8%	1.9%	3.4%	1.6%	3.7%	4.8%
Median	7.3%	7.1%	7.8%	8.6%	7.4%	7.8%	8.1%	8.0%
High	11.3%	12.0%	13.1%	10.4%	11.0%	11.6%	10.3%	10.9%
Mean	8.1%	8.1%	8.3%	7.1%	7.3%	6.6%	7.6%	7.8%



Capital Expenditures / Revenue

	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	6.5%	6.0%	4.8%	4.6%	4.9%	4.8%	4.8%	5.4%
Universal Health Services Inc.	4.7%	5.6%	4.9%	4.8%	4.2%	4.3%	4.6%	4.8%
LifePoint Health, Inc.	7.3%	6.5%	5.0%	4.6%	5.3%	5.2%	5.0%	5.7%
HCA Holdings, Inc.	5.7%	5.6%	5.7%	5.9%	6.0%	6.1%	5.9%	5.8%
Tenet Healthcare Corp.	5.4%	5.5%	6.2%	5.6%	4.5%	4.5%	5.5%	5.5%
Low	4.7%	5.5%	4.8%	4.6%	4.2%	4.3%	4.6%	4.8%
Median	5.7%	5.6%	5.0%	4.8%	4.9%	4.8%	5.0%	5.5%
High	7.3%	6.5%	6.2%	5.9%	6.0%	6.1%	5.9%	5.8%
Mean	5.9%	5.9%	5.3%	5.1%	5.0%	5.0%	5.1%	5.4%

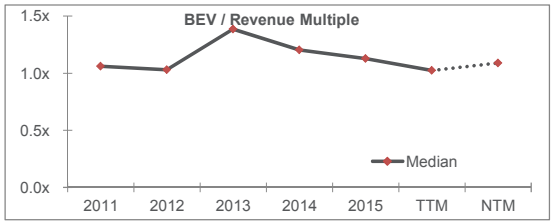


Source: Capital IQ

Guideline Company - Historical Multiple Analysis

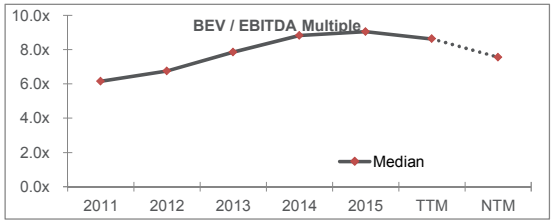
BEV / Revenue Multiple

	FY 2011	2012	2013	2014	2015	TTM	NTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	0.9x	1.0x	0.7x	1.2x	1.1x	1.0x	1.1x	1.0x	1.0x
Universal Health Services Inc.	1.1x	1.3x	1.6x	1.8x	1.7x	1.8x	1.7x	1.7x	1.5x
LifePoint Health, Inc.	1.1x	1.0x	0.5x	1.2x	1.1x	1.0x	0.9x	0.9x	1.0x
HCA Holdings, Inc.	1.3x	1.3x	1.5x	1.7x	1.5x	1.6x	1.5x	1.6x	1.5x
Tenet Healthcare Corp.	0.8x	0.9x	1.4x	1.0x	1.1x	1.0x	1.0x	1.2x	1.0x
Low	0.8x	0.9x	0.5x	1.0x	1.1x	1.0x	0.9x	0.9x	1.0x
Median	1.1x	1.0x	1.4x	1.2x	1.1x	1.0x	1.1x	1.2x	1.0x
High	1.3x	1.3x	1.6x	1.8x	1.7x	1.8x	1.7x	1.7x	1.5x
Mean	1.0x	1.1x	1.1x	1.4x	1.3x	1.3x	1.2x	1.3x	1.2x



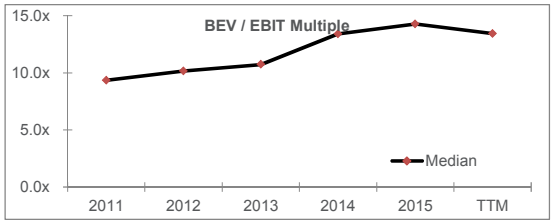
BEV / EBITDA Multiple

	FY 2011	2012	2013	2014	2015	TTM	NTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	6.1x	6.4x	5.7x	8.8x	8.6x	8.3x	7.6x	7.7x	7.1x
Universal Health Services Inc.	6.5x	6.8x	8.7x	10.0x	9.4x	10.0x	9.4x	9.4x	8.3x
LifePoint Health, Inc.	6.1x	6.6x	3.9x	9.6x	9.1x	8.9x	7.2x	7.5x	7.0x
HCA Holdings, Inc.	6.6x	6.7x	7.9x	8.5x	7.6x	8.0x	7.5x	8.0x	7.5x
Tenet Healthcare Corp.	6.2x	7.1x	11.6x	8.8x	9.0x	8.6x	7.7x	9.8x	8.5x
Low	6.1x	6.4x	3.9x	8.5x	7.6x	8.0x	7.2x	7.5x	7.0x
Median	6.2x	6.7x	7.9x	8.8x	9.0x	8.6x	7.6x	8.0x	7.5x
High	6.6x	7.1x	11.6x	10.0x	9.4x	10.0x	9.4x	9.8x	8.5x
Mean	6.3x	6.7x	7.5x	9.2x	8.8x	8.8x	7.9x	8.5x	7.7x



BEV / EBIT Multiple

	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	9.6x	10.2x	9.1x	13.3x	14.4x	14.3x	12.3x	11.3x
Universal Health Services Inc.	8.6x	9.0x	11.5x	13.4x	12.4x	13.1x	12.5x	11.0x
LifePoint Health, Inc.	9.3x	10.9x	7.3x	16.7x	15.2x	15.8x	13.0x	11.9x
HCA Holdings, Inc.	8.8x	9.1x	10.7x	11.3x	10.0x	10.5x	10.7x	10.0x
Tenet Healthcare Corp.	9.6x	11.0x	19.6x	15.7x	14.3x	13.4x	16.5x	14.0x
Low	8.6x	9.0x	7.3x	11.3x	10.0x	10.5x	10.7x	10.0x
Median	9.3x	10.2x	10.7x	13.4x	14.3x	13.4x	12.5x	11.3x
High	9.6x	11.0x	19.6x	16.7x	15.2x	15.8x	16.5x	14.0x
Mean	9.2x	10.0x	11.7x	14.1x	13.3x	13.4x	13.0x	11.6x



Source: Capital IQ

Guideline Company - Operating Statistics

	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	State of Connecticut, Office of Attorney General	Range for Guideline Companies			
	CYH	UHS	LPNT	HCA	THC					
Fiscal Year Ending:	12/31/2015	12/31/2015	12/31/2015	12/31/2015	12/31/2015	9/30/2015	High	Low	Median	Average
Operating Statistics (Last Fiscal Year)										
Number of Hospitals	194	253	67	284	590	1	590	67	253	278
FTEs	123,000	64,500	40,000	203,500	119,148	1,152	203,500	40,000	119,148	110,030
Licensed Beds	29,853	27,620	8,243	43,771	22,525	393	43,771	8,243	27,620	26,402
Admissions	940,292	708,734	236,474	1,868,800	-	11,693	1,868,800	-	708,734	750,860
Adjusted Admissions	2,038,103	NA	617,434	3,122,700	NA	23,006	3,122,700	617,434	2,038,103	1,926,079
ER Visits	NA	NA	1,477,113	8,050,200	NA	53,684	8,050,200	1,477,113	4,763,657	4,763,657
Patient Days	4,175,214	7,054,125	NA	9,155,660	NA	58,082	9,155,660	4,175,214	7,054,125	6,795,000
Adjusted Patient Days	9,049,866	NA	NA	15,298,790	NA	114,275	15,298,790	9,049,866	12,174,328	12,174,328
Inpatient Procedures	NA	NA	65,432	529,900	NA	N/A	529,900	65,432	297,666	297,666
Outpatient Procedures	NA	NA	243,820	909,400	NA	N/A	909,400	243,820	576,610	576,610
Outpatient Adjustment Factor	2.17	NA	2.61	1.67	NA	1.97	2.61	1.67	2.17	2.15
Net Inpatient Revenue	NA	NA	NA	NA	NA	N/A	-	-	-	-
Net Outpatient Revenue	NA	NA	NA	NA	NA	N/A	-	-	-	-
Total Net Patient Revenue	$19,234	$9,043	$5,214	39,678	-	263	39,678	-	9,043	14,634
EBITDA	$2,387	$1,658	$646	7,869	2,177	4.4	7,869	646	2,177	2,947
Payor Mix										
Medicare %	24.1%	21.0%	29.1%	32.2%	20.4%	45.9%	32.2%	20.4%	24.1%	25.4%
Medicaid %	11.2%	14.0%	16.1%	9.9%	8.7%	22.2%	16.1%	8.7%	11.2%	12.0%
Managed Care %	52.4%	52.0%	53.5%	58.5%	70.9%	29.2%	70.9%	52.0%	53.5%	57.5%
Uninsured %	12.3%	13.0%	16.6%	9.3%	0.0%	2.7%	16.6%	0.0%	12.3%	10.2%
Total	100.0%	100.0%	115.3%	109.9%	100.0%	100.0%				
Operating Ratios										
% Inpatient Revenue	NA	NA	NA	NA	NA	NA	0.0%	0.0%	0.0%	0.0%
% Outpatient Revenue	NA	NA	NA	NA	NA	NA	0.0%	0.0%	0.0%	0.0%
Net Revenue / Bed	$644,290	$327,424	$632,573	$906,491	$ -	670,300	906,491	-	632,573	502,156
Net Revenue / Admission	$20,455	$12,760	$22,050	$21,232	NA	22,529	22,050	12,760	20,844	19,124
Net Revenue / Adjusted Admission	$9,437	NA	$8,445	$12,706	NA	11,451	12,706	8,445	9,437	10,196
Net Revenue / Patient Day	$4,607	$1,282	NA	$4,334	NA	4,535	4,607	1,282	4,334	3,407
Net Revenue / Adjusted Patient Day	$2,125	NA	NA	$2,594	NA	2,305	2,594	2,125	2,359	2,359
EBITDA / Bed	$79,958	$60,029	$78,370	$179,777	$96,648	11,311	179,777	60,029	79,958	98,956
EBITDA / Admission	$2,539	$2,339	$2,732	$4,211	NA	380	4,211	2,339	2,635	2,955
EBITDA / Adjusted Admission	$1,171	NA	$1,046	$2,520	NA	193	2,520	1,046	1,171	1,579
EBITDA / Patient Day	$572	$235	NA	$859	NA	77	859	235	572	555
EBITDA / Adjusted Patient Day	$264	NA	NA	$514	NA	39	514	264	389	389
FTEs / Bed	4.1	2.3	4.9	4.6	5.3	2.9	5.3	2.3	4.6	4.2
Average Length of Stay (Days)	4.4	10.0	NA	4.9	NA	5.0	10.0	4.4	4.9	6.4
Occupancy Rate	38.3%	70.0%	NA	57.3%	NA	40.5%	70.0%	38.3%	57.3%	55.2%
Avg. Daily Census (Per Facility)	59.0	76.4	NA	88.3	NA	159.1	88.3	59.0	76.4	74.6

Source: CapitalIQ

(Dollars in Millions)

Guideline Company - Income Statements

		Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Greater Waterbury Health Network, Inc.	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Greater Waterbury Health Network, Inc.	Range for Guideline Companies	
		CYH	UHS	LPNT	HCA	THC		CYH	UHS	LPNT	HCA	THC			
Latest Twelve Months Ending:		5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016	9/30/2015	5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016	9/30/2015	Median	Average
	Total Revenues	$19,525	$9,268	$5,531	$40,262	$19,254	$248	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Salaries & Benefits	9,051	4,329	2,651	18,419	277	259	46.4%	46.7%	47.9%	45.7%	1.4%	104.5%	46.4%	37.6%
	Supplies	3,085	991	1,033	6,714	12,098	-	15.8%	10.7%	18.7%	16.7%	62.8%	0.0%	16.7%	24.9%
(1)	Cost of Goods Sold	12,136	5,319	3,684	25,133	12,375	259	62.2%	57.4%	66.6%	62.4%	64.3%	104.5%	62.4%	62.6%
	Gross Profit	**7,389**	**3,948**	**1,847**	**15,129**	**6,879**	**(11)**	**37.8%**	**42.6%**	**33.4%**	**37.6%**	**35.7%**	**(4.5%)**	**37.6%**	**37.4%**
	Selling, General & Admin. Exp.	460	97	57	-	18	-	2.4%	1.0%	1.0%	0.0%	0.1%	0.0%	1.0%	0.9%
	Provision for Bad Debts	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Operating Expenses	4,642	2,160	1,157	7,211	4,620	(12)	23.8%	23.3%	20.9%	17.9%	24.0%	(4.7%)	23.3%	22.0%
	EBITDA	**2,287**	**1,692**	**633**	**7,918**	**2,241**	**0**	**11.7%**	**18.3%**	**11.4%**	**19.7%**	**11.6%**	**0.1%**	**11.7%**	**14.5%**
	Depreciation & Amortization Expense	960	404	274	1,910	802	-	4.9%	4.4%	5.0%	4.7%	4.2%	0.0%	4.7%	4.6%
	EBIT	**1,327**	**1,289**	**359**	**6,008**	**1,439**	**0**	**6.8%**	**13.9%**	**6.5%**	**14.9%**	**7.5%**	**0.1%**	**7.5%**	**9.9%**
								0.0%							
	Net Interest Income (Expense)	(983)	(113)	(124)	(1,662)	(954)	(2)	(5.0%)	(1.2%)	(2.2%)	(4.1%)	(5.0%)	(0.6%)	(4.1%)	(3.5%)
	Non-Operating Income	65	-	50	39	119	(1)	0.3%	0.0%	0.9%	0.1%	0.6%	(0.5%)	0.3%	0.4%
	Non-Recurring Income	(103)	-	(12)	(411)	(446)	-	(0.5%)	0.0%	(0.2%)	(1.0%)	(2.3%)	0.0%	(0.5%)	(0.8%)
	Pretax Income	**306**	**1,176**	**273**	**3,974**	**158**	**(2)**	**1.6%**	**12.7%**	**4.9%**	**9.9%**	**0.8%**	**(1.0%)**	**4.9%**	**6.0%**
	Total Income Taxes	86	404	98	1,187	119	(1)	0.4%	4.4%	1.8%	2.9%	0.6%	(0.4%)	1.8%	2.0%
	Minority Interest Expense	106	75	10	555	282		0.5%	0.8%	0.2%	1.4%	1.5%	0.0%	0.8%	0.9%
	Net Income Before Extraordinaries	**114**	**697**	**165**	**2,232**	**(243)**	**(1)**	**0.6%**	**7.5%**	**3.0%**	**5.5%**	**(1.3%)**	**(0.6%)**	**3.0%**	**3.1%**
	Extraordinary Items	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Discontinued Operations	(24)	-	-	-	(3)	-	(0.1%)	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	(0.0%)
	Net Income	**90**	**697**	**165**	**2,232**	**(246)**	**(1)**	**0.5%**	**7.5%**	**3.0%**	**5.5%**	**(1.3%)**	**(0.6%)**	**3.0%**	**3.0%**
	Extraordinary Items	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Discontinued Operations	(24)	-	-	-	(3)	-	(0.1%)	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	(0.0%)
	Non-Operating Income	65	-	50	39	119	(1)	0.3%	0.0%	0.9%	0.1%	0.6%	(0.5%)	0.3%	0.4%
	Non-Recurring Income	(103)	-	(12)	(411)	(446)	-	(0.5%)	0.0%	(0.2%)	(1.0%)	(2.3%)	0.0%	(0.5%)	(0.8%)
	Preference Dividend	-	0	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Effective Tax Rate	*0*	*0*	*0*	*0*	*1*									
	Related Tax Expense	(11)	-	14	(111)	(246)		(0.1%)	0.0%	0.2%	(0.3%)	(1.3%)	0.0%	(0.1%)	(0.3%)
(2)	**Net Income (Adj.)**	**$141**	**$697**	**$140**	**$2,493**	**($162)**	**($0)**	**0.7%**	**7.5%**	**2.5%**	**6.2%**	**(0.8%)**	**(0.1%)**	**2.5%**	**3.2%**
	Capital Expenditures	$936	$402	$286	$2,438	$866	$1	4.8%	4.3%	5.2%	6.1%	4.5%	0.6%	4.8%	5.0%

Common-size

Notes:

(1) Cost of Goods Sold includes Salaries and Services, Employee Benefits, and Supplies and Drugs

(2) Net Income (Adj.) = Net Income - Extraordinary Ops - Non Op Income - Non Rec Income - Pref Dividend + [Non Operating Income + Non Recurring Income] * (1 - Tax Rate)

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization

EBIT = Earnings Before Interest and Tax

Source: Capital IQ

(Dollars in Millions)

Guideline Company - Balance Sheet

	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Greater Waterbury Health Network, Inc.	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Greater Waterbury Health Network, Inc.	Range For Guideline Companies	
	CYH	UHS	LPNT	HCA	THC		CYH	UHS	LPNT	HCA	THC			
As of:	5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016	9/30/2015	5/31/2016	5/31/2016	5/31/2016	5/31/2016	5/31/2016	9/30/2015	Median	Average
Assets														
Cash & Short-Term Investment	$181	$55	$187	$904	$728	$25	0.7%	0.6%	3.0%	2.8%	3.1%	14.2%	2.8%	2.0%
Accounts Receivable	3,723	1,375	936	5,880	3,254	32	13.9%	14.4%	14.8%	17.9%	13.7%	18.5%	14.4%	14.9%
Inventory	587	117	151	1,415	312	3	2.2%	1.2%	2.4%	4.3%	1.3%	2.0%	2.2%	2.3%
Prepaid Expenses	218	-	63	-	-	-	0.8%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Deferred Tax Asset, Current	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Current Assets	547	89	93	1,002	835	6	2.0%	0.9%	1.5%	3.1%	3.5%	3.5%	2.0%	2.2%
Total Current Assets	5,256	1,635	1,429	9,201	5,129	67	19.7%	17.1%	22.6%	28.1%	21.6%	38.2%	21.6%	21.8%
Net Property, Plant & Equipment	10,104	3,881	3,027	15,057	7,961	36	37.8%	40.6%	47.9%	45.9%	33.5%	20.8%	40.6%	41.1%
Long-Term Investments	504	8	-	599	1,142	-	1.9%	0.1%	0.0%	1.8%	4.8%	0.0%	1.8%	1.7%
Goodwill	9,022	3,595	1,721	-	7,122	-	33.8%	37.6%	27.2%	0.0%	30.0%	0.0%	30.0%	25.7%
Other Intangibles	147	-	69	6,713	1,686	-	0.6%	0.0%	1.1%	20.5%	7.1%	0.0%	1.1%	5.8%
Deferred Charges, Long-Term	-	16	-	-	-	-	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Tax Asset, Long-Term	-	-	-	-	726	-	0.0%	0.0%	0.0%	0.0%	3.1%	0.0%	0.0%	0.6%
Other Long-Term Assets	1,691	429	75	1,206	-	72	6.3%	4.5%	1.2%	3.7%	0.0%	41.0%	3.7%	3.1%
Total Long-Term Assets	21,468	7,930	4,892	23,575	18,637	108	80.3%	82.9%	77.4%	71.9%	78.4%	61.8%	78.4%	78.2%
Total Assets	**$26,724**	**$9,565**	**$6,320**	**$32,776**	**$23,766**	**$175**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities & Shareholder's Equity														
Accounts Payable	$1,179	$1,147	$214	$1,944	$1,228	$32	4.4%	12.0%	3.4%	5.9%	5.2%	18.4%	5.2%	6.2%
Accrued Expenses	1,356	-	232	3,228	1,240	-	5.1%	0.0%	3.7%	9.8%	5.2%	0.0%	5.1%	4.8%
Current Portion of L-T Debt	249	488	27	226	172	1	0.9%	5.1%	0.4%	0.7%	0.7%	0.8%	0.7%	1.6%
Current Income Taxes Payable	-	50	46	-	-	-	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.2%
Unearned Revenue, Current	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Tax Liability, Current	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Current Liabilities	270	-	314	-	1,628	8	1.0%	0.0%	5.0%	0.0%	6.9%	4.8%	1.0%	2.6%
Total Current Liabilities	3,054	1,685	833	5,398	4,268	42	11.4%	17.6%	13.2%	16.5%	18.0%	24.0%	16.5%	15.3%
Long-Term Debt	16,770	2,801	2,714	30,448	14,350	-	62.8%	29.3%	42.9%	92.9%	60.4%	0.0%	60.4%	57.7%
Capital Leases	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unearned Revenue, Non-Current	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension & Other Post-Retirement Benefits	-	-	-	-	593	-	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	0.5%
Deferred Tax Liability, Non-Current	599	179	88	-	-	-	2.2%	1.9%	1.4%	0.0%	0.0%	0.0%	1.4%	1.1%
Other Non-Current Liabilities	1,618	287	245	2,929	1,248	54	6.1%	3.0%	3.9%	8.9%	5.3%	31.0%	5.3%	5.4%
Total Long-Term Liabilities	18,987	3,267	3,047	33,377	16,191	54	71.0%	34.2%	48.2%	101.8%	68.1%	31.0%	68.1%	64.7%
Total Liabilities	**22,041**	**4,952**	**3,880**	**38,775**	**20,459**	**96**	**82.5%**	**51.8%**	**61.4%**	**118.3%**	**86.1%**	**55.0%**	**82.5%**	**80.0%**
Minority Interest	680	324	155	1,557	2,682	3	2.5%	3.4%	2.5%	4.8%	11.3%	1.5%	3.4%	4.9%
Preferred Stock (Carrying Value)	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	4,003	4,289	2,285	(7,556)	625	76	15.0%	44.8%	36.1%	(23.1%)	2.6%	43.5%	15.0%	15.1%
Total Shareholder's Equity	4,683	4,613	2,440	(5,999)	3,307	79	17.5%	48.2%	38.6%	(18.3%)	13.9%	45.0%	17.5%	20.0%
Total Liabilities & Shareholder's Equity	**$26,724**	**$9,565**	**$6,320**	**$32,776**	**$23,766**	**$175**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Capital IQ

Guideline Company - Descriptions

Name	Stock Symbol	Description
Community Health Systems, Inc.	CYH	Community Health Systems, Inc., together with its subsidiaries, provides general and specialized hospital healthcare services to patients in the United States. The company operates general acute care hospitals that offer a range of inpatient and outpatient medical and surgical services, such as general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic, psychiatric, and rehabilitation services, as well as skilled nursing and home care services based on individual community needs. It also provides outpatient services at urgent care centers, occupational medicine clinics, imaging centers, cancer centers, ambulatory surgery centers, and home health and hospice agencies. In addition, the company offers management and consulting services to non-affiliated general acute care hospitals. As of May 14, 2015, it owned, leased, or operated 199 affiliated hospitals in 29 states with approximately 30,000 licensed beds. Community Health Systems, Inc. was founded in 1985 and is headquartered in Franklin, Tennessee.
Universal Health Services Inc.	UHS	Universal Health Services, Inc., through its subsidiaries, owns and operates acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers, and radiation oncology centers. The company's hospitals offer various services, including general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services, pharmacy services, and/or behavioral health services. As of February 26, 2015, it owned and/or operated 24 acute care hospitals and 216 behavioral health centers located in 37 states, Washington, D.C.; the United Kingdom; Puerto Rico; and the U.S. Virgin Islands. Universal Health Services, Inc. was founded in 1978 and is headquartered in King of Prussia, Pennsylvania.
LifePoint Health, Inc.	LPNT	LifePoint Health, Inc., through its subsidiaries, operates general acute care hospitals primarily in non-urban communities in the United States. Its hospitals offer a range of medical and surgical services, such as general surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, rehabilitation, and pediatric services, as well as specialized services comprising open-heart surgery, skilled nursing, psychiatric care, and neuro-surgery. The company's hospitals also provide various outpatient services, including same-day surgery, laboratory, X-ray, respiratory therapy, imaging, sports medicine, and lithotripsy. In addition, it owns and operates schools of nursing and other allied health professions. As of February 12, 2015, LifePoint Health, Inc. operated 65 hospitals campuses in 21 states. The company was formerly known as LifePoint Hospitals, Inc. and changed its name to LifePoint Health, Inc. in May 2015. LifePoint Health, Inc. was founded in 1997 and is based in Brentwood, Tennessee.
HCA Holdings, Inc.	HCA	HCA Holdings, Inc., through its subsidiaries, provides health care services in the United States. It operates general, acute care hospitals that offer medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic, and emergency services; and outpatient services, such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology, and physical therapy services. The company also operates psychiatric hospitals, which provide therapeutic programs comprising child, adolescent and adult psychiatric care, adult and adolescent alcohol and drug abuse treatment, and counseling. In addition, it operates outpatient health care facilities consisting of freestanding ambulatory surgery centers, freestanding emergency care facilities, diagnostic and imaging centers, comprehensive outpatient rehabilitation and physical therapy centers, outpatient radiation and oncology therapy centers, and various other facilities. As of December 31, 2014, the company operated 166 hospitals, including 162 general acute care hospitals with 42,860 licensed beds; 3 psychiatric hospitals with 396 licensed beds; and 1 rehabilitation hospital, as well as 113 freestanding surgery centers. HCA Holdings, Inc. was founded in 1968 and is headquartered in Nashville, Tennessee.
Tenet Healthcare Corp.	THC	Tenet Healthcare Corporation, a healthcare services company, primarily operates acute care hospitals and related healthcare facilities in the United States. It operates through two segments, Hospital Operations and Other, and Conifer. The company's general hospitals offer acute care services, operating and recovery rooms, radiology services, respiratory therapy services, clinical laboratories, and pharmacies. It also provides intensive care, critical care and/or coronary care units, physical therapy, orthopedic, oncology, and outpatient services; tertiary care services, including open-heart surgery, neonatal intensive care, and neurosciences; quaternary care services in the areas of heart, liver, kidney, and bone marrow transplants; quaternary pediatric and burn services; advanced treatment options for patients; gamma-knife brain surgery; cyberknife radiation therapy for tumors and lesions in the brain, lung, neck, and spine; and outpatient services. In addition, the company offers clinical research programs related to cardiovascular disease, pulmonary disease, musculoskeletal disorders, neurological disorders, genitourinary disease, and various cancers, as well as drug and medical device studies. Further, it provides operational management for patient access, health information management, revenue integrity, and patient financial services; communications and engagement solutions to optimize the relationship between providers and patients; and management services comprising clinical integration, financial risk management, and population health management. As of October 2, 2015, the company operated 87 general acute care hospitals, 19 short-stay surgical hospitals, and approximately 425 outpatient centers in the United States; and 9 facilities in the United Kingdom. Tenet Healthcare Corporation was founded in 1967 and is headquartered in Dallas, Texas.

Source: Capital IQ

(Dollars in Millions)

Similar Transaction Multiples - Hospitals

	Number	Median Revenue	Median EBITDA	Median EBITDA Margin	Median Revenue Multiple	Median EBITDA Multiple
All						
2015	22	$53.6	$0.9	2.4%	0.5x	8.6x
2014 - 2015	41	$77.3	$4.3	5.9%	0.5x	7.2x
2013 - 2015	60	$95.7	$8.2	6.4%	0.5x	7.8x
2012 - 2015	89	$97.2	$7.6	5.9%	0.5x	8.8x
2011 - 2015	138	$105.1	$9.5	6.4%	0.6x	9.1x
Hospitals with EBITDA > 20%	5	$49.5	$15.0	37.2%	0.7x	2.0x
Hospitals with EBITDA > 15% and < 20%	6	$187.7	$30.1	16.2%	0.8x	4.5x
Hospitals with EBITDA > 10% and < 15%	20	$126.4	$17.2	11.7%	0.9x	6.5x
Hospitals with EBITDA > 5% and < 10%	26	$136.3	$9.1	6.4%	0.6x	9.3x
Hospitals with EBITDA > 0% and < 5%	22	$159.6	$1.0	2.3%	0.4x	18.3x
Hospital with EBITDA < 0%	13	$45.9	($2.9)	(4.8%)	0.3x	N/A
Hospitals with Net Revenue > $500 million	10	$1,187.8	$65.3	4.9%	0.8x	17.1x
Hospitals with Net Revenue $400 to $500 million	3	$450.6	$15.4	3.4%	0.6x	10.4x
Hospitals with Net Revenue $300 to $400 million	3	$327.4	$33.0	10.5%	0.2x	4.2x
Hospitals with Net Revenue $200 to $300 million	16	$233.9	$15.8	6.8%	0.6x	9.6x
Hospitals with Net Revenue $100 to $200 million	30	$142.7	$9.1	6.5%	0.6x	9.2x
Hospitals with Net Revenue < $100 million	59	$45.3	$2.8	5.7%	0.5x	7.2x
Low		$3.1	($34.0)	-55.2%	0.0x	0.2x
25th Percentile		$45.9	$1.8	2.1%	0.3x	4.9x
Median		$105.1	$9.5	6.4%	0.6x	9.1x
75th Percentile		$204.7	$17.1	11.6%	0.9x	13.7x
High		$5,846.8	$702.6	38.5%	9.0x	52.7x

Notes:

BEV = Business Enterprise Value

EBITDA = Earnings Before Interest, Tax, Depreciation, and Amortization

(Dollars in Millions)

Similar Transactions - Hospitals

Date Announced	Buyer	Target	Target State	Target Status	Transaction Value	Target Revenue	Target EBITDA	Target Beds	Transaction Value[2] / Revenue	Transaction Value[2] / EBITDA	Transaction Value[2] / EBITDA %	Transaction Value[2] / Beds
10/1/2015	Meadville Medical Center	Titusville Area Hospital	Pennsylvania	Nonprofit	8	26.2	(2.5)	72	0.3x	N/A	-9.4%	0.1x
9/30/2015	LCMC Health	West Jefferson Medical Center	Louisiana	Nonprofit	540	243.9	(2.3)	405	2.2x	N/A	-1.0%	1.3x
9/23/2015	Nobilis Health Corp.	Freedom Pain Hospital	Arizona	For-profit	3	10.2	0.2	12	0.3x	14.8x	2.1%	0.3x
8/12/2015	Sympaticare LLC	Summit Park Hospital	New York	Nonprofit	12	73.7	(4.8)	74	0.2x	N/A	-6.5%	0.2x
8/3/2015	Regional Health Network	Clark Memorial Hospital	Indiana	Nonprofit	80	144.0	9.5	241	0.6x	8.4x	6.6%	0.3x
8/1/2015	Banner Health	Payson Regional Medical Center	Arizona	For-profit	25	51.4	19.8	39	0.5x	1.3x	38.5%	0.6x
7/30/2015	Carter Validus Mission Critical REIT II	Warm Spring Specialty Hospital of Luling	Texas	For-profit	10	16.2	0.9	34	0.6x	10.5x	5.7%	0.3x
7/24/2015	Carter Validus Mission Critical REIT II	The Surgical Institute of Reading	Pennsylvania	For-profit	25	24.4	5.8	15	1.0x	4.3x	23.8%	1.7x
6/24/2015	Larkin Community Hospital	Hollywood Pavilion Hospital	Florida	Nonprofit	25	5.5	(0.1)	50	4.5x	N/A	-1.1%	0.5x
6/8/2015	Adventist Health	Lodi Health	California	Nonprofit	100	168.1	4.0	182	0.6x	24.7x	2.4%	0.5x
6/5/2015	St. Mary's Health Care System	Ty Cobb Regional Medical Center	Georgia	Nonprofit	13	27.9	(6.7)	56	0.5x	N/A	-24.1%	0.2x
5/15/2015	LifePoint Health	Watertown Regional Medical Center	Wisconsin	Nonprofit	100	97.4	11.3	95	1.0x	8.8x	11.6%	1.1x
5/11/2015	Nobilis Health Corp.	Victory Healthcare Plano Hospital	Texas	For-profit	13	N/A	N/A	25	N/A	N/A	N/A	0.5x
4/20/2015	Nobilis Health Corp.	Victory Medical Center Houston	Texas	For-profit	4	49.5	18.4	25	0.1x	0.2x	37.2%	0.2x
4/15/2015	Spectrum Health	Pennock Health Services	Michigan	Nonprofit	56	61.4	8.8	88	0.9x	6.4x	14.3%	0.6x
4/6/2015	Ventas, Inc.	Ardent Health Services	Tennessee	For-profit	1,750	2,000.0	N/A	2,045	0.9x	N/A	N/A	0.9x
3/27/2015	LifeBridge Health	Carroll Hospital Center	Maryland	Nonprofit	250	220.3	25.8	193	1.1x	9.7x	11.7%	1.3x
3/18/2015	Benefis Health System	Teton Medical Center	Montana	Nonprofit	1	6.3	(0.2)	10	0.1x	N/A	-3.8%	0.1x
3/2/2015	Prime Healthcare Services	Mercy Suburban Hospital	Pennsylvania	Nonprofit	30	105.9	(34.0)	N/A	0.3x	N/A	-32.1%	N/A
1/16/2015	Griffin-American Healthcare REIT III	Southlake Hospital	Texas	For-profit	128	N/A	N/A	70	N/A	N/A	N/A	1.8x
1/9/2015	TriHealth	McCullough-Hyde Memorial Hospital	Ohio	Nonprofit	17	55.8	4.3	60	0.3x	3.9x	7.8%	0.3x
1/8/2015	Conemaugh Health System	Nason Hospital	Pennsylvania	Nonprofit	12	30.7	0.6	44	0.4x	19.5x	2.0%	0.3x
12/23/2014	Florida Hospital Tampa	Bert Fish Medical Center	Florida	Nonprofit	40	95.5	5.6	112	0.4x	7.2x	5.9%	0.4x
12/16/2014	Center Management Group, LLC	Runnells Specialized Hospital	New Jersey	Nonprofit	26	24.8	N/A	44	1.0x	N/A	N/A	0.6x
12/4/2014	Nueterra and MU Health	Callaway Community Hospital	Missouri	For-profit	6	16.3	0.3	36	0.4x	17.3x	2.1%	0.2x
11/20/2014	Prime Healthcare Services	Saint Joseph Mercy Port Huron	Michigan	Nonprofit	20	81.0	8.3	164	0.2x	2.4x	10.2%	0.1x
11/6/2014	UW Health	SwedishAmerican Health System	Illinois	Nonprofit	255	460.3	40.2	357	0.6x	6.3x	8.7%	0.7x
10/31/2014	HCA	Citrus Memorial Hospital	Florida	Nonprofit	195	179.6	5.7	198	1.1x	34.3x	3.2%	1.0x
10/20/2014	Prime Healthcare Services	Monroe Hospital	Indiana	Nonprofit	2	41.9	(23.1)	132	0.0x	N/A	-55.2%	0.0x
10/6/2014	University of Virginia Medical Center	Culpeper Regional Hospital	Virginia	For-profit	50	69.3	4.0	70	0.7x	12.6x	5.7%	0.7x
9/9/2014	RCHP/Billings Clinic joint venture	Community Medical Center	Montana	Nonprofit	75	161.5	14.4	151	0.5x	5.2x	8.9%	0.5x
8/21/2014	Duke LifePoint Healthcare	Conemaugh Health System	Pennsylvania	Nonprofit	500	516.0	N/A	600	1.0x	N/A	N/A	0.8x
8/1/2014	Duke LifePoint Healthcare	MedWest Haywood	North Carolina	Nonprofit	36	105.5	4.0	138	0.3x	9.1x	3.7%	0.3x
7/1/2014	CNL Healthcare Properties, Inc.	Houston Orthopedic & Spine Hospital campus	Texas	For-profit	76	N/A	N/A	64	N/A	N/A	N/A	1.2x
6/26/2014	Banner Health	UA Health Network	Arizona	Nonprofit	446	1,613.6	97.2	1,339	0.3x	4.6x	6.0%	0.3x
5/29/2014	Prospect Medical Holdings, Inc.	East Orange General Hospital	New Jersey	Nonprofit	84	N/A	N/A	212	N/A	N/A	N/A	0.4x
5/12/2014	South Nassau Communities Hospital	Long Beach Medical Center	New York	Nonprofit	12	N/A	N/A	162	N/A	N/A	N/A	0.1x
3/24/2014	Carter Validus Mission Critical REIT II	Cypress Pointe Surgical Hospital	Louisiana	For-profit	25	30.2	3.5	30	0.8x	7.1x	11.7%	0.8x
2/28/2014	Via Christi Health	Mercy Regional Health Center	Kansas	Nonprofit	7	92.3	12.9	111	0.1x	0.5x	13.9%	0.1x
2/17/2014	Buyer Consortium	Chindex International, Inc.	Maryland	For-profit	461	170.0	15.8	N/A	2.7x	29.3x	9.3%	N/A
1/8/2014	Duke LifePoint Healthcare, LLC	Wilson Medical Center	North Carolina	Nonprofit	96	141.4	25.1	274	0.7x	3.8x	17.8%	0.4x
10/31/2013	Duke LifePoint Healthcare, LLC	WestCare	North Carolina	Non-profit	43.0	96.0	N/A	110	0.4x	N/A	N/A	0.4x
10/25/2013	Rush University Medical Center	Oak Park Hospital	Illinois	Non-profit	21.1	107.5	2.3	237	0.2x	9.2x	2.1%	0.1x
10/22/2013	Sabra Health Care REIT, Inc.	Forest Park Medical Center	Texas	For-profit	119.8	13.3	N/A	54	9.0x	N/A	N/A	2.2x
8/14/2013	Medical Properties Trust, Inc.	3 IASIS Healthcare hospitals	Louisiana	For-profit	283.3	N/A	N/A	670	N/A	N/A	N/A	0.4x
8/6/2013	LifePoint Hospitals, Inc.	Portage Health	Michigan	Non-profit	40.0	82.5	9.1	96	0.5x	4.4x	11.0%	0.4x
7/30/2013	Community Health Systems, Inc.	Health Management Associates, Inc.	Florida	For-profit	7,600.0	5,846.8	702.6	11,000	1.3x	10.8x	12.0%	0.7x
7/18/2013	HCA West Florida	3 IASIS Healthcare Hospitals	Tennessee	For-profit	146.0	231.3	15.8	691	0.6x	9.2x	6.8%	0.2x
7/18/2013	Physicians Realty Trust	El Paso Surgical Center and MOB	Oklahoma	For-profit	40.0	28.1	N/A	40	1.4x	N/A	N/A	1.0x
7/18/2013	HCA West Florida	3 IASIS Healthcare Hospitals	Tennessee	For-profit	146.0	231.3	15.8	691	0.6x	9.2x	6.8%	0.2x
7/18/2013	Physicians Realty Trust	El Paso Surgical Center and MOB	Oklahoma	For-profit	40.0	28.1	N/A	40	1.4x	N/A	N/A	1.0x
7/16/2013	University of Southern California	Verdugo Hills Hospital	California	Non-profit	30.0	92.4	8.6	158	0.3x	3.5x	9.3%	0.2x
7/11/2013	Carolinas HealthCare System	Stanly Health Services	North Carolina	Non-profit	70.0	105.1	14.1	119	0.7x	5.0x	13.4%	0.6x
7/1/2013	Carter Validus Mission Critical REIT	Physicians Specialty Hospital	Arkansas	For-profit	22.6	94.8	1.5	20	0.2x	15.1x	1.6%	1.1x
6/23/2013	UPMC Health System	Altoona Regional Health System	Pennsylvania	Non-Profit	10.0	372.7	61.0	402	0.0x	0.2x	16.4%	0.0x
4/19/2013	Catholic Health Initiatives	St. Luke's Episcopal Health System	Texas	Non-Profit	1,000.0	1,275.7	26.5	1,098	0.8x	37.7x	2.1%	0.9x
3/28/2013	Prime Healthcare Services	Two Kansas Hospitals	Kansas	Non-Profit	54.3	184.8	(8.8)	232	0.3x	N/A	-4.8%	0.2x
3/8/2013	Carolinas HealthCare System	Cleveland County HealthCare System	North Carolina	Non-Profit	101.0	222.3	24.8	504	0.5x	4.1x	11.1%	0.2x
2/21/2013	Tenet Healthcare Corporation	Emanuel Medical Center	California	Non-Profit	5.0	211.2	12.8	354	0.0x	0.4x	6.1%	0.0x
1/2/2013	Prime Healthcare Foundation	Knapp Medical Center	Texas	Non-Profit	110.0	128.6	8.2	209	0.9x	13.5x	6.4%	0.5x
12/13/2012	Montefiore Medical Center	New York Westchester Square Medical Center	New York	Non-Profit	14.0	75.7	(2.4)	140	0.2x	N/A	-3.1%	0.1x
12/10/2012	Licking Memorial Health Systems	Medical Center of Newark	Ohio	Non-Profit	26.0	18.2	(0.2)	20	1.4x	N/A	-0.9%	1.3x
12/5/2012	University General Health System, Inc.	South Hampton Community Hospital	Texas	For-Profit	30.0	40.0	15.0	111	0.8x	2.0x	37.5%	0.3x

(Dollars in Millions)

Similar Transactions - Hospitals

Date Announced	Buyer	Target	Target State	Target Status	Transaction Value	Target Revenue	Target EBITDA	Target Beds	Transaction Value[2] / Revenue	Transaction Value[2] / EBITDA	Transaction Value[2] / EBITDA %	Transaction Value[2] / Beds
11/29/2012	Prime Healthcare Services	St. Mary's Hospital	New Jersey	Non-Profit	25.0	166.4	1.3	279	0.2x	19.2x	0.8%	0.1x
11/15/2012	Medical Facilities Corporation	Arkansas Surgical Hospital	Arkansas	For-Profit	36.2	51.4	13.4	51	0.7x	2.7x	26.0%	0.7x
11/14/2012	KentuckyOne Health	University of Louisville Hospital	Kentucky	Non-Profit	543.5	450.6	10.9	345	1.2x	49.8x	2.4%	1.6x
11/9/2012	UNC Health Care System	Caldwell Memorial Hospital	North Carolina	Non-Profit	39.0	N/A	N/A	110	N/A	N/A	N/A	0.4x
11/5/2012	Wise Regional Health System	North Texas Community Hospital	Texas	Non-Profit	20.0	N/A	N/A	21	N/A	N/A	N/A	1.0x
10/25/2012	Health Management Associates, Inc.	Bayfront Medical Center	Florida	Non-Profit	162.0	257.7	13.7	397	0.6x	11.8x	5.3%	0.4x
10/19/2012	HighMark, Inc.	St. Vincent's Health System	Pennsylvania	Non-Profit	65.0	327.4	15.3	400	0.2x	4.2x	4.7%	0.2x
10/10/2012	Atlantic Health System	Chilton Hospital	New Jersey	Non-Profit	43.0	166.9	(2.9)	260	0.3x	N/A	-1.7%	0.2x
8/27/2012	Queen's Health Systems	Hawaii Medical Center - West Campus	Hawaii	Non-Profit	70.0	N/A	N/A	102	N/A	N/A	N/A	0.7x
7/2/2012	Cardiovascular Care Group	Bakersfield Heart Hospital	California	For-Profit	38.1	N/A	N/A	47	N/A	N/A	N/A	0.8x
7/1/2012	Temple University Health System	Fox Chase Cancer Center	Pennsylvania	Non-Profit	83.8	236.6	36.5	100	0.4x	2.3x	15.4%	0.8x
6/12/2012	Highmark, Inc.	Jefferson Regional Medical Center	Pennsylvania	Non-Profit	275.0	204.7	22.6	376	1.3x	12.2x	11.0%	0.7x
6/1/2012	Lawrence & Memorial Hospital	Westerly Hospital	Rhode Island	Non-Profit	69.0	90.6	5.8	101	0.8x	12.0x	6.4%	0.7x
5/3/2012	McLaren Health Care	Cheboygan Memorial Hospital	Michigan	Non-Profit	5.0	45.9	(7.4)	91	0.1x	N/A	-16.1%	0.1x
5/1/2012	MultiCare Health System	Auburn Regional Medical Center	Washington	For-Profit	98.0	135.2	17.0	159	0.7x	5.8x	12.6%	0.6x
4/4/2012	Steward Health Care System	New England Sinai Hospital	Massachusetts	For-Profit	37.0	74.3	N/A	212	0.5x	N/A	N/A	0.2x
4/3/2012	Sacred Heart Health System, Inc.	Bay Medical Center	Florida	Non-Profit	154.0	258.4	9.5	323	0.6x	16.2x	3.7%	0.5x
3/27/2012	Hudson Hospital Holdco, Inc.	Christ Hospital	New Jersey	Non-Profit	43.5	125.1	1.4	227	0.3x	31.1x	1.1%	0.2x
3/20/2012	Cape Fear Valley Health System	Bladen County Hospital	North Carolina	Non-Profit	0.0	18.3	N/A	25	0.0x	N/A	N/A	0.0x
3/9/2012	Tift Regional Medical Center	Memorial Hospital and Convalescent Center	Georgia	For-Profit	8.3	N/A	N/A	155	N/A	N/A	N/A	0.1x
3/6/2012	Duke LifePoint Healthcare, LLC	Marquette General Health System	Michigan	Non-Profit	147.0	244.2	15.6	307	0.6x	9.4x	6.4%	0.5x
3/1/2012	Mayo Clinic Health System	Satilla Health Services	Georgia	Non-Profit	51.0	152.8	4.2	231	0.3x	12.1x	2.7%	0.2x
2/28/2012	Huntsville Hospital	Decatur General Hospital	Alabama	For-Profit	25.0	113.5	5.9	242	0.2x	4.2x	5.2%	0.1x
2/8/2012	Cookeville Regional Medical Center	Cumberland River Hospital	Tennessee	For-Profit	6.8	11.1	N/A	36	0.6x	N/A	N/A	0.2x
2/3/2012	Health Management Associates, Inc.	Integris Health joint venture	Oklahoma	Non-Profit	60.0	96.5	1.8	226	0.6x	34.2x	1.8%	0.3x
1/24/2012	Community Health Systems, Inc.	Memorial Health Systems	Pennsylvania	Non-Profit	45.0	97.0	7.1	100	0.5x	6.3x	7.3%	0.5x
12/19/2011	Huntsville Hospital	Parkway Medical Center	Alabama	For-Profit	37.8	45.3	N/A	109	0.8x	N/A	N/A	0.3x
12/15/2011	Cone Health	Alamance Regional Medical Center	North Carolina	Non-Profit	200.0	213.9	23.6	218	0.9x	8.5x	11.0%	0.9x
12/12/2011	Community Health Systems, Inc.	MetroSouth Medical Center	Illinois	For-Profit	70.5	151.6	N/A	244	0.5x	N/A	N/A	0.3x
12/7/2011	Essentia Health	Virginia Regional Medical Center	Minnesota	Non-Profit	27.0	50.7	N/A	164	0.5x	N/A	N/A	0.2x
11/30/2011	Prime Healthcare Services	Harlingen Medical Center	North Carolina	For-Profit	9.0	N/A	N/A	112	N/A	N/A	N/A	0.1x
11/29/2011	Orlando Health	Health Central	Florida	For-Profit	177.0	131.0	15.5	177	1.4x	11.4x	11.8%	1.0x
11/29/2011	UC Health	The Drake Center	Ohio	For-Profit	15.0	57.5	N/A	166	0.3x	N/A	N/A	0.1x
11/1/2011	Baptist Health System	Leake Memorial Hospital	Mississippi	Non-Profit	2.8	11.7	N/A	25	0.2x	N/A	N/A	0.1x
10/27/2011	Duke LifePoint Healthcare, LLC	Twin County Regional Hospital	Virginia	Non-Profit	30.0	44.0	N/A	86	0.7x	N/A	N/A	0.3x
10/20/2011	New Directions Health Systems, LLC	Cleveland Regional Medical Center	Texas	For-Profit	0.9	57.3	N/A	107	0.0x	N/A	N/A	0.0x
10/3/2011	Cardiovascular Care Group	Louisiana Medical Center and Heart Hospital, LLC	Louisiana	For-Profit	23.0	50.4	N/A	137	0.5x	N/A	N/A	0.2x
9/29/2011	LHP Hospital Group, Inc.	Bay Medical Center	Florida	Non-Profit	155.0	258.4	9.5	323	0.6x	16.3x	3.7%	0.5x
9/6/2011	Trinity Health	Mercy Hospital & Medical Center	Illinois	Non-Profit	150.0	251.4	15.3	449	0.6x	9.8x	6.1%	0.3x
9/1/2011	Mercy	Logan Medical Center	Oklahoma	Non-Profit	7.2	22.3	1.0	25	0.3x	7.2x	4.5%	0.3x
8/26/2011	Kingman Regional Medical Center	Hualapai Mountain Medical Center	Arizona	For-Profit	42.0	N/A	N/A	70	N/A	N/A	N/A	0.6x
7/28/2011	Community Health Systems, Inc.	Tomball Regional Medical Center	Texas	Non-Profit	225.4	151.0	17.6	358	1.5x	12.8x	11.7%	0.6x
7/25/2011	Duke LifePoint Healthcare, LLC	Maria Parham Medical Center	North Carolina	For-Profit	57.9	97.8	11.9	102	0.6x	4.9x	12.2%	0.6x
7/19/2011	Community Health Systems, Inc.	Moses Taylor Health Care System	Pennsylvania	Non-Profit	172.4	148.8	9.5	242	1.2x	18.1x	6.4%	0.7x
7/1/2011	Health Management Associates, Inc.	Mercy Health Partners, Inc.	Tennessee	Non-Profit	532.4	600.0	22.8	833	0.9x	23.4x	3.8%	0.6x
6/28/2011	Ardent Health Services	Southcrest Hospital, Claremore Regional	Oklahoma	For-Profit	154.2	187.7	30.1	269	0.8x	5.1x	16.0%	0.6x
6/28/2011	Steward Health Care System	Quincy Medical Center	Massachusetts	Non-Profit	79.0	78.1	1.5	196	1.0x	52.7x	1.9%	0.4x
6/28/2011	Ardent Health Services	Southcrest Hospital, Claremore Regional	Oklahoma	For-Profit	154.2	187.7	30.1	269	0.8x	5.1x	16.0%	0.6x
6/25/2011	Highmark, Inc.	West Penn Allegheny Health System	Pennsylvania	Non-Profit	1,475.0	1,600.0	33.3	2,000	0.9x	44.3x	2.1%	0.7x
6/22/2011	Capella Healthcare	Cannon County Hospital, LLC	Tennessee	For-Profit	27.7	N/A	N/A	112	N/A	N/A	N/A	0.2x
6/15/2011	HCA, Inc.	Remaining interest in HealthONE	Colorado	For-Profit	1,450.0	N/A	193.0	1,500	N/A	7.5x	N/A	1.0x
6/7/2011	Steward Health Care System	Landmark Medical Center	Rhode Island	Non-Profit	76.6	N/A	N/A	203	N/A	N/A	N/A	0.4x
6/3/2011	Duke LifePoint Healthcare, LLC	Person Memorial Hospital	North Carolina	For-Profit	22.7	41.6	2.1	102	0.5x	10.8x	5.0%	0.2x
5/25/2011	University of Maryland Medical System	Civista Health System	Maryland	Non-Profit	16.5	103.8	N/A	130	0.2x	N/A	N/A	0.1x
5/18/2011	LifeCare Holdings, Inc.	Five long-term acute care hospitals	Alabama	For-Profit	117.5	121.7	17.5	355	1.0x	6.7x	14.4%	0.3x
5/13/2011	South Georgia Medical Center	Smith Northview Hospital	Georgia	For-Profit	40.0	50.2	2.8	45	0.8x	14.3x	5.6%	0.9x
5/10/2011	Franciscan Services Corp.	Twin City Hospital	Ohio	Non-Profit	4.9	15.5	N/A	25	0.3x	N/A	N/A	0.2x
5/9/2011	Ardent Health Services	Heart Hospital of New Mexico	New Mexico	For-Profit	119.0	80.8	15.4	55	1.5x	7.7x	19.1%	2.2x
5/9/2011	AR-MED, LLC	Arkansas Heart Hospital	Arkansas	For-Profit	65.0	117.5	17.4	112	0.6x	3.7x	14.8%	0.6x
4/27/2011	Ascension Health	Alexian Brothers Health System	Illinois	Non-Profit	645.0	952.6	101.9	752	0.7x	6.3x	10.7%	0.9x
4/25/2011	HUMC Holdco, LLC	Hoboken University Medical Center	New Jersey	Non-Profit	91.7	115.3	N/A	230	0.8x	N/A	N/A	0.4x
4/20/2011	Health Management Associates, Inc.	Tri-Lakes Medical Center	Mississippi	For-Profit	38.8	30.3	N/A	112	1.3x	N/A	N/A	0.3x
4/18/2011	Adventist Health	Sierra Kings District Hospital	California	Non-Profit	24.8	22.1	N/A	44	1.1x	N/A	N/A	0.6x
4/1/2011	One Cura Wellness, Inc.	Two Oklahoma hospitals	Oklahoma	For-Profit	12.0	12.8	N/A	50	0.9x	N/A	N/A	0.2x

(Dollars in Millions)

Similar Transactions - Hospitals

Date Announced	Buyer	Target	Target State	Target Status	Transaction Value	Target Revenue	Target EBITDA	Target Beds	Transaction Value[2] / Revenue	Transaction Value[2] / EBITDA	Transaction Value[2] / EBITDA %	Transaction Value[2] / Beds
3/31/2011	Steward Health Care System	Morton Hospital and Medical Center	Massachusetts	Non-Profit	178.5	127.3	8.6	153	1.4x	20.8x	6.8%	1.2x
3/31/2011	Sabra Health Care REIT	Texas Regional Medical Center	Texas	For-Profit	62.7	N/A	N/A	70	N/A	N/A	N/A	0.9x
3/25/2011	Yale-New Haven Hospital	Hospital of Saint Raphael	Connecticut	Non-Profit	160.0	450.3	15.4	511	0.4x	10.4x	3.4%	0.3x
3/22/2011	LHP Hospital Group, Inc.	St. Mary's Hospital	Connecticut	Non-Profit	200.0	201.4	17.1	175	1.0x	11.7x	8.5%	1.1x
3/18/2011	Iasis Healthcare, LLC	St. Joseph Medical Center	Texas	Non-Profit	156.8	245.0	N/A	792	0.6x	N/A	N/A	0.2x
3/11/2011	Carle Foundation Hospital	Hoopeston Regional Health Center	Illinois	For-Profit	12.4	20.4	1.4	25	0.6x	8.9x	6.9%	0.5x
3/7/2011	Trinity Health	Loyola University Health System	Illinois	Non-Profit	475.0	1,100.0	N/A	820	0.4x	N/A	N/A	0.6x
2/16/2011	Vanguard Health Systems, Inc.	Valley Baptist Health System	Texas	Non-Profit	201.4	527.0	N/A	866	0.4x	N/A	N/A	0.2x
2/10/2011	Community Health Systems, Inc.	Mercy Health Partners	Pennsylvania	Non-Profit	161.0	183.9	N/A	313	0.9x	N/A	N/A	0.5x
2/1/2011	UPMC Health System	Hamot Medical Center	Pennsylvania	Non-Profit	300.0	315.2	33.0	351	1.0x	9.1x	10.5%	0.9x
1/17/2011	Sisters of Mercy Health System	Johnston Memorial Hospital	Oklahoma	For-Profit	1.6	3.1	N/A	25	0.5x	N/A	N/A	0.1x

Source: Irving Levin Associates Transaction Database

Historical Balance Sheet -GWHN

	As of September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
ASSETS										
Current Assets										
Cash and cash equivalents	$16,661,759	$25,756,594	$25,712,050	$34,127,272	$22,023,992	8.9%	13.3%	13.5%	17.6%	12.6%
Restricted cash	-	3,511,398	4,519,908	675,000	1,350,000	0.0%	1.8%	2.4%	0.3%	0.8%
Short-term investments	1,034,841	1,089,172	1,203,559	1,420,733	1,527,528	0.6%	0.6%	0.6%	0.7%	0.9%
Patient accounts receivable, gross	44,746,627	49,468,012	45,047,753	40,617,622	37,547,680	23.9%	25.5%	23.6%	20.9%	21.5%
less allowances	(15,162,000)	(17,101,000)	(15,090,000)	(9,288,000)	(5,232,000)	-8.1%	-8.8%	-7.9%	-4.8%	-3.0%
Grants and other receivables	4,228,499	2,977,504	3,702,524	3,843,762	3,837,291	2.3%	1.5%	1.9%	2.0%	2.2%
Inventories	3,258,762	3,305,079	3,586,821	3,922,673	3,461,115	1.7%	1.7%	1.9%	2.0%	2.0%
Prepaid insurance and other expenses	1,784,333	1,525,890	1,603,096	1,967,241	2,060,247	1.0%	0.8%	0.8%	1.0%	1.2%
Due from third-party reimbursement agencies	2,634,481	-	-	-	-	1.4%	0.0%	0.0%	0.0%	0.0%
Due from affiliates	205,399	195,978	189,379	190,880	189,380	0.1%	0.1%	0.1%	0.1%	0.1%
Total Current Assets	59,392,701	70,728,627	70,475,090	77,477,183	66,765,233	31.8%	36.4%	36.9%	39.9%	38.2%
Other Assets										
Under bond indenture agreements	29,288	30,070	34,218	32,613	31,682	0.0%	0.0%	0.0%	0.0%	0.0%
Construction fund	3,958,301	661,338	-	-	-	2.1%	0.3%	0.0%	0.0%	0.0%
Funds held in trust by others	37,339,264	42,218,163	44,960,039	46,117,761	43,411,397	20.0%	21.8%	23.5%	23.7%	24.8%
Goodwill	1,813,567	1,813,567	1,813,567	1,813,567	1,813,567	1.0%	0.9%	0.9%	0.9%	1.0%
CHEFA obligations issue expense, less amortization	360,656	321,666	282,676	243,686	204,696	0.2%	0.2%	0.1%	0.1%	0.1%
Long-term investments	29,021,464	23,280,651	25,296,300	26,937,851	25,903,153	15.5%	12.0%	13.2%	13.9%	14.8%
Board-designated endowment funds	2,615,009	2,974,503	3,193,664	3,315,500	-	1.4%	1.5%	1.7%	1.7%	0.0%
Other investments	55,000	55,000	80,000	80,000	80,000	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and other receivables	230,070	521,906	359,375	231,105	293,725	0.1%	0.3%	0.2%	0.1%	0.2%
Accrued interest and dividends receivable	29,563	22,017	13,743	52	18,169	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Assets	75,452,182	71,898,881	76,033,582	78,772,135	71,756,389	40.4%	37.0%	39.8%	40.5%	41.0%
Property, Plant & Equipment										
Land	287,549	287,549	287,549	287,549	287,549	0.2%	0.1%	0.2%	0.1%	0.2%
Buildings and improvements	92,064,340	95,206,351	97,137,417	97,400,827	97,552,740	49.3%	49.1%	50.8%	50.1%	55.8%
Furniture, fixtures and equipment	181,753,747	185,958,291	187,642,399	188,855,009	194,547,864	97.3%	95.8%	98.2%	97.2%	111.3%
Construction in progress	3,023,126	2,473,015	73,654	-	13,934	1.6%	1.3%	0.0%	0.0%	0.0%
Less accumulated depreciation	(225,120,225)	(232,453,154)	(240,510,083)	(248,520,576)	(256,109,338)	-120.5%	-119.8%	-125.8%	-127.9%	-146.5%
Net Property, Plant & Equipment	52,008,537	51,472,052	44,630,936	38,022,809	36,292,749	27.8%	26.5%	23.3%	19.6%	20.8%
TOTAL ASSETS	**$186,853,420**	**$194,099,560**	**$191,139,608**	**$194,272,127**	**$174,814,371**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Historical Balance Sheet -GWHN

	As of September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts payable and accrued expenses	40,605,088	37,244,812	29,395,718	33,650,793	32,196,071	21.7%	19.2%	15.4%	17.3%	18.4%
Due to third-party reimbursement agencies	-	771,288	3,143,186	4,444,304	7,729,230	0.0%	0.4%	1.6%	2.3%	4.4%
Current portion of CHEFA obligations	488,779	506,444	532,136	548,776	576,408	0.3%	0.3%	0.3%	0.3%	0.3%
Current portion of notes payable and capital lease obligations	584,216	666,376	694,549	461,705	1,455,894	0.3%	0.3%	0.4%	0.2%	0.8%
Due to affiliates	9,984	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Total Current Liabilities	41,688,067	39,188,920	33,765,589	39,105,578	41,957,603	22.3%	20.2%	17.7%	20.1%	24.0%
CHEFA Obligations - less current portion	26,647,100	26,140,656	25,608,520	25,059,744	24,483,336	14.3%	13.5%	13.4%	12.9%	14.0%
Notes Payable and Capital Lease Obligations - less current portion	1,499,034	1,426,291	852,568	438,984	3,647,977	0.8%	0.7%	0.4%	0.2%	2.1%
Other Noncurrent Liabilities	19,806,617	21,853,067	21,813,507	25,354,977	26,049,588	10.6%	11.3%	11.4%	13.1%	14.9%
Net Assets										
Unrestricted	47,421,696	49,687,465	50,223,049	43,957,226	21,583,554	25.4%	25.6%	26.3%	22.6%	12.3%
Temporarily restricted	6,477,454	7,645,420	8,409,794	8,729,527	8,220,369	3.5%	3.9%	4.4%	4.5%	4.7%
Permanently restricted	40,131,275	45,010,199	47,752,075	48,909,797	46,203,433	21.5%	23.2%	25.0%	25.2%	26.4%
Total Net Assets	94,030,425	102,343,084	106,384,918	101,596,550	76,007,356	50.3%	52.7%	55.7%	52.3%	43.5%
Non-Controlling Interests	3,182,177	3,147,542	2,714,506	2,716,294	2,668,511	1.7%	1.6%	1.4%	1.4%	1.5%
TOTAL LIABILITIES AND NET ASSETS	**$186,853,420**	**$194,099,560**	**$191,139,608**	**$194,272,127**	**$174,814,371**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Debt-free Working Capital	*$18,288,850*	*$32,206,083*	*$37,404,050*	*$38,833,310*	*$26,263,524*					
As a % of net revenue	*6.8%*	*11.6%*	*14.2%*	*14.7%*	*10.6%*					

Source: Based on information provided by Management.

State of Connecticut, Office of Attorney General **Exhibit G-2**
Fair Market Value of
Greater Waterbury Health Network, Inc.
Valuation Analysis as of May 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Historical Income Statement - GWHN

	As of September 30,					Common-size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Revenues:										
Net Patient Service Revenue	$270,732,398	$273,484,098	$259,397,257	$253,394,006	$238,149,648	100.3%	98.7%	98.6%	96.2%	96.2%
Less Bad Debts	(13,882,243)	(10,966,628)	(11,368,671)	(4,454,817)	(4,483,187)	-5.1%	-4.0%	-4.3%	-1.7%	-1.8%
Net Patient Revenue less Bad Debts	**256,850,155**	**262,517,470**	**248,028,586**	**248,939,189**	**233,666,461**	**95.1%**	**94.7%**	**94.3%**	**94.5%**	**94.4%**
Investment related income	1,534,896	1,245,481	2,336,622	1,706,241	1,876,016	0.6%	0.4%	0.9%	0.6%	0.8%
Other operating revenues	3,791,137	5,905,372	5,333,245	4,332,689	4,620,874	1.4%	2.1%	2.0%	1.6%	1.9%
Services, sales and rental income	1,596,854	1,713,317	1,670,464	1,657,959	1,766,102	0.6%	0.6%	0.6%	0.6%	0.7%
Unrestricted gifts and bequests	312,248	123,699	232,275	1,249,261	669,579	0.1%	0.0%	0.1%	0.5%	0.3%
Net assets released from restrictions	5,919,545	5,609,005	5,419,591	5,542,491	5,014,429	2.2%	2.0%	2.1%	2.1%	2.0%
Total Net Revenue	**270,004,835**	**277,114,344**	**263,020,783**	**263,427,830**	**247,613,461**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Expenses:										
Salaries, wages and benefits	174,319,493	164,634,664	152,117,220	151,760,190	154,106,643	64.6%	59.4%	57.8%	57.6%	62.2%
Supplies, utilities and other	92,609,309	100,249,125	101,697,631	107,222,243	104,740,692	34.3%	36.2%	38.7%	40.7%	42.3%
Depreciation	9,490,443	9,421,603	8,996,581	7,991,436	7,670,258	3.5%	3.4%	3.4%	3.0%	3.1%
Operations improvement	285,998	-	-	-	-	0.1%	0.0%	0.0%	0.0%	0.0%
Interest and amortization	1,303,514	1,237,849	1,125,827	1,476,326	1,535,311	0.5%	0.4%	0.4%	0.6%	0.6%
Total Operating Expenses	**278,008,757**	**275,543,241**	**263,937,259**	**268,450,195**	**268,052,904**	**103.0%**	**99.4%**	**100.3%**	**101.9%**	**108.3%**
EBITDA	**2,790,035**	**12,230,555**	**9,205,932**	**4,445,397**	**(11,233,874)**	**1.0%**	**4.4%**	**3.5%**	**1.7%**	**-4.5%**
Operating Income	(8,003,922)	1,571,103	(916,476)	(5,022,365)	(20,439,443)	-3.0%	0.6%	-0.3%	-1.9%	-8.3%
Non-Operating Income/(Expense)	(2,869,907)	1,715,547	194,340	294,354	(1,197,928)	-1.1%	0.6%	0.1%	0.1%	-0.5%
Non-Controlling Interests	(1,111,268)	(997,139)	(874,685)	(926,677)	(750,533)	-0.4%	-0.4%	-0.3%	-0.4%	-0.3%
Net Income	**(11,985,097)**	**2,289,511**	**(1,596,821)**	**(5,654,688)**	**(22,387,904)**	**-4.4%**	**0.8%**	**-0.6%**	**-2.1%**	**-9.0%**
Capital Expenditures	*$2,414,415*	*$524,547*	*$2,155,465*	*$1,383,309*	*$1,099,291*					
As a % of Total Net Revenue	*0.9%*	*0.2%*	*0.8%*	*0.5%*	*0.4%*					

Source: Based on information provided by management

Historical Operational Analysis - GWHN **(1)**

	FYE Sep 30,					
	2011	2012	2013	2014	2015	
Gross Outpatient Charges	392,296,928	454,156,899	464,333,146	487,152,005	496,532,555	**A**
Gross Inpatient Charges	513,441,416	518,068,405	477,310,641	503,526,979	505,459,581	**B**
Outpatient Adjustment Factor	1.76	1.88	1.97	1.97	1.98	**C = (A + B)/B**
Discharges	12,758	12,364	11,847	11,693	11,646	**D**
Adjusted Discharges	22,506	23,203	23,372	23,006	23,086	**E = C*D**
ER Visits	57,022	55,944	54,356	53,684	N/A	
Outpatient Visits	464,677	503,974	501,738	499,293	464,191	
Patient Days	58,780	57,548	55,099	58,082	55,391	**F**
Adjusted Patient Days	103,691	107,997	108,700	114,275	109,804	**G = C*F**
Beds In Service	190	190	176	176	176	**H**
Licensed Beds	393	393	393	393	393	
Available Patient Days	69,350	69,350	64,240	64,240	64,240	**I = H*365*Months In Period/12**
Occupancy Rate - Beds In Service	84.8%	83.0%	85.8%	90.4%	86.2%	**J = F/I**
Occupancy Rate - Licensed Beds	41.0%	40.1%	38.4%	40.5%	38.6%	
Average Length of Stay	4.6	4.7	4.7	5.0	4.8	**K = F/D**
Average Daily Census	161	158	151	159	152	**L = G/365*Months In Period/12**
Full Time Employees	1512.7	1299.9	1209.1	1151.5	1,511	

Notes:
(1) Based on hospital operating data provided by management.

($000s)

Payor Mix Analysis

GWHN Gross Charges By Payor (1)				
Payor	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Medicare/Managed Medicare	$450,187	$432,584	$458,832	$459,761
Commercial	305,567	291,171	295,384	292,115
Medicaid	183,731	185,052	205,713	222,918
Self-pay	15,200	15,515	11,900	10,506
Workman's Compensation	17,541	17,322	18,851	16,693
Total	**$972,225**	**$941,644**	**$990,679**	**$1,001,992**

GWHN Gross Charges By Payor % (1)					
Payor	FYE 2012	FYE 2013	FYE 2014	FYE 2015	Benchmark (2)
Medicare/Managed Medicare	46.3%	45.9%	46.3%	45.9%	**24.1%**
Commercial	31.4%	30.9%	29.8%	29.2%	**53.5%**
Medicaid	18.9%	19.7%	20.8%	22.2%	**11.2%**
Self-pay	1.6%	1.6%	1.2%	1.0%	**12.3%**
Workman's Compensation	1.8%	1.8%	1.9%	1.7%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

Notes:
(1) Based on payor mix data provided by Management.
(2) The benchmarks based on the median payor mix from an analysis of guideline public companies. See Exhibit E-6, Guideline Company - Operating Statistics.