

Indian River County Hospital District

Stout Financial Opinion Presentation

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This presentation is in all respects subject to and qualified by the assumptions, limitations, qualifications, and other terms set forth in the engagement agreement (“Agreement”) between Stout Risius Ross, LLC (“Stout”) and Indian River County Hospital District (the “District”) dated March 20, 2018, and in the opinion to be delivered by Stout to the District’s Board of Trustees (the “Board”). These materials have been prepared solely for the confidential use of the Board, except as contemplated by the Agreement and required by Florida Public Records Law.

The information herein has been prepared by Stout based upon information supplied by the District and Indian River Memorial Hospital, Inc. (the “Hospital”) or that is publicly available. Transaction summaries contained herein are based on the transaction documents provided to Stout and on discussions with the District’s management, financial and tax advisors, and legal counsel. We have relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of the District (excluding the appraisal of certain real property owned by the District and leased to Indian River Memorial Hospital, Inc. as described herein), or any other entity. With respect to financial forecasts, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the District or the Hospital as to the future financial performance; we assume no responsibility for and express no view as to such forecasts or the assumptions on which they are based. The information set forth herein is based upon economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, unless indicated otherwise.

The preparation of these materials involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to particular circumstances and, therefore, are not readily susceptible to summary description. Furthermore, we did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Thus, the analyses contained in these materials must be considered as a whole. Selecting portions of the analyses, without considering all analyses, could create an incomplete view. Estimates of value contained in the analyses are not necessarily indicative of actual value or predictive of future results/values, which may be significantly more or less favorable.

These materials are not intended to represent an opinion but to serve as discussion materials for the Board to review and as a summary of the basis upon which Stout may render an opinion. Any opinion rendered by Stout will be limited and qualified in its entirety by the conditions, limitations, assumptions, qualifications, and other terms set forth in the Agreement. Because this material was prepared for use in the context of an oral presentation to the Board, which is familiar with the business and affairs of the District and the Hospital, neither the District nor Stout, nor any of their respective legal or financial advisors or accountants, take any responsibility for the accuracy or completeness of any of this material if used by persons other than the Board.

No selected public company is directly comparable to the District or the Hospital, and no precedent transaction is directly comparable to the District or the Hospital.

I. Transaction & Engagement Overview



Transaction & Engagement Overview

Role of Stout Risius Ross, LLC

We understand that Indian River County Hospital District (“IRCHD” or the “District”) is a special taxing district created by the State of Florida Legislature that owns certain real property and the improvements thereon that comprise a hospital campus in Indian River County, Florida (the “Property”)¹. We understand that the District leases the Property to Indian River Memorial Hospital, Inc. (d/b/a Indian River Medical Center) (“IRMC” or the “Hospital”) for IRMC’s control of the day-to-day operations of the Hospital. We understand that pursuant to Chapter 2003-382, Laws of Florida, the District has an obligation to prudently assess and raise taxes in order to support medical care to the indigent sick of Indian River County, Florida and that the District accomplishes this mission in part by providing payments to IRMC to fund indigent care. We understand that IRMC is contemplating entering into a member substitution transaction with the Cleveland Clinic Foundation (“CCF”) whereby CCF, or a wholly owned subsidiary, would become the sole corporate member of IRMC and enter into an amended and restated lease agreement with the District for the Property whereby the District will (i) be relieved of its obligation to make indigent care payments to IRMC² and (ii) be entitled to receive certain to-be-determined rent payments upon the exercise of any extensions in the term as allowed for in the lease (the “Consideration”). Additionally, IRMC will continue to pay for all costs of maintenance, repairs and improvements to the Hospital facilities. The foregoing transaction is referred to hereinafter as the “Transaction”.

The Board has requested that Stout Risius Ross, LLC (“Stout”) serve as financial advisor to the Board as it contemplates the Transaction. Specifically, the Board has requested that Stout provide the following services, collectively referred to as the “Appraisal Services”:

- Stout will appraise the Property and determine its fair market value rental rate taking into account that rent for the remainder of the existing lease has been prepaid by IRMC.
- Because of the special purpose nature of the Property the appraisal will also include a valuation of certain operations of IRMC to determine if economic obsolescence is present in the Property.

The Board has requested that Stout render an opinion (the “Opinion”) as to the fairness, from a financial point of view, of the Consideration to be received by the District pursuant to the Transaction. Such opinion will consider the essential lease terms, including, but not limited to, the length of the term, who pays

¹ The Property includes the real property used for the operations of: 1) the Indian River Medical Center main hospital building, 2) the Scully-Welsh Cancer Center, 3) the Ambulatory Services Center, and 4) the Center for Emotional and Behavioral Health. The Property also includes 45.37 acres of vacant land along 82nd Avenue in Vero Beach, Florida.

² Excluding contractual payments in 2019 through 2021 outlined in the Draft Third Amended and Restated Agreement for Indigent Care Services Between the District and IRMC dated as of September 5, 2018, as defined on page 7.

I. Transaction & Engagement Overview



for the insurance, who pays for maintenance, and other financial terms. Such opinion will assume that the parties will make current and future improvements to the Property (as required) and that such improvements will be properly maintained by the tenant throughout the lease term.

The Appraisal Services and Opinion are each only to be utilized by the Board as one input to consider in the process of analyzing the contemplated Transaction. The District and the Board acknowledge that neither Stout's verbal conclusions, the Appraisal Services, or the Opinion are in any way intended for, nor may they be relied upon by, any other person or used for any other purpose without our express, prior written consent. The Appraisal Services and the Opinion shall not constitute legal, regulatory, accounting, insurance, or tax advice, and shall not in any manner address the following: (i) the underlying business decision of the District, its stakeholders, the Board, or any other party to proceed with or effect the Transaction; (ii) the merits of the Transaction relative to any alternative business strategies that may exist for the District or any other party or the effect of any other transactions in which the District or any other party might have engaged; (iii) the terms of any arrangements, understandings, agreements or documents related to, or the form or any other portion or aspect of, the Transaction or otherwise, except as expressly addressed in the Appraisal Services or the Opinion; (iv) the fairness of any portion or aspect of the Transaction to the creditors, stakeholders, or other constituencies of the District, or to any other party, not specifically addressed in the Opinion; (v) the solvency, creditworthiness or fair value of the District or any other participant in the Transaction under any applicable laws relating to bankruptcy, insolvency or similar matters or (vi) how the Board, the District, the District's stakeholders or any other person should act with respect to the Transaction.

Notwithstanding anything to the contrary contained herein, the parties acknowledge that Stout will not function as a broker or dealer with respect to the Transaction and, accordingly, will not (a) engage in, and will not receive any compensation under the Agreement for (i) identifying, introducing to the District, or screening for creditworthiness, any prospective investors, lenders or other participants in the Transaction, (ii) making any offers to sell, or soliciting any offers to purchase, the District or any other party or any securities or assets thereof, (iii) structuring the Transaction, or (iv) participating in negotiations on the Transaction with a counterparty, or (b) act in the capacity of agent or other intermediary for, or otherwise have the authority to make representations, commitments or contracts on behalf of, the District or any other party in connection with the Transaction.

I. Transaction & Engagement Overview



Due Diligence

The principal sources of information used, and procedures employed, in performing our analysis included, but were not limited to:

- IRCHD's audited financial statements for the years ended September 30, 2013 through 2017;
- IRCHD's internally prepared schedule outlining indigent care payments made to IRMC for the years ended September 30, 2013 through 2017;
- The Draft Amended and Restated Lease Agreement by and between the District and IRMC dated as of September 21, 2018 (the "Lease Agreement");
- The Draft Member Substitution Agreement by and Among the CCF; [Cleveland Clinic Florida, Inc.]³; IRMC; Indian River Hospital Foundation, Inc.; Indian River Health Services, Corporation; Health Systems of Indian River, Inc.; Vero Radiology Associates, LLC; Emergency Physicians of Vero Beach, LLC; Indian River Medical Associates LLC; and the District dated as of September 5, 2018 (the "Member Substitution Agreement");
- The Draft Third Amended and Restated Agreement for Indigent Care Services Between the District and IRMC dated as of September 23, 2018 (the "Indigent Care Agreement");
- The Draft of Cleveland Clinic Florida health system's Financial Assistance Policy dated as of July 20, 2018 (the "CCF Financial Assistance Policy");
- The Draft Guaranty Agreement given by the CCF to induce the District to enter into the Lease Agreement with IRMC dated as of September 5, 2018 (the "Guaranty Agreement");
- The Amended and Restated Lease of Hospital Facilities and Agreement for Operation of Indian River Memorial Hospital dated November 15, 2012 (the "Current Lease");
- Stout's Real Estate Appraisal Report dated as of September 27, 2018;
- discussions with IRCHD's management concerning its business, industry, history, and prospects;
- discussions with IRMC's management concerning its business, industry, history, and prospects;
- a site visit to IRMC located in Vero Beach, Florida; and
- an analysis of other facts and data resulting in our conclusions.

³ Reflects the appropriate Cleveland Clinic entity in Florida that is to be determined.

I. Transaction & Engagement Overview



Summary of Terms and Conditions of the Lease⁴

Lessor	<ul style="list-style-type: none">■ Indian River County Hospital District (“IRCHD” or the “Lessor”)
Lessee	<ul style="list-style-type: none">■ Indian River Memorial Hospital, Inc., d/b/a Indian River Medical Center (“IRMC” or the “Lessee”)
Guarantor	<ul style="list-style-type: none">■ The Cleveland Clinic Foundation (“CCF” or the “Guarantor”)<ul style="list-style-type: none">■ Through the Member Substitution Agreement, CCF will become the sole member of IRMC
Premises	<ul style="list-style-type: none">■ Real Property (the “Land”)■ Improvements, machinery, equipment and fixtures now located on the Land (collectively, the “Existing Improvements”)■ All other personal property now owned by the District, located at the Existing Improvements and used in the operation of the hospital (which are part of the Existing Improvements)■ Any future improvements, additions and extensions thereto or replacements upon the Land and/or to the Existing Improvements■ The Premises are leased on an “AS-IS, WHERE-IS” basis
Term	<ul style="list-style-type: none">■ Initial Term of 30 years starting on the Commencement Date■ The Initial Term shall be extended for three additional terms of 15 years unless Lessee opts not to exercise its option for the applicable Renewal Term

⁴ Capitalized terms not defined herein have the definitions given them in the Lease Agreement (as defined on page 7). This Summary is provided for discussion purposes only. It is not intended to be a comprehensive listing of all relevant terms in the Lease Agreement, or a complete description of the terms described in this Summary, for which reference should be made to the Lease Agreement and any other definitive agreements.

I. Transaction & Engagement Overview



Rent

- Rent during the Initial Term is prepaid through December 31, 2034 under terms of the Current Lease. Beyond this prepaid period, the parties to the Lease Agreement agree that during the Initial Term, Lessee's obligations under the Lease Agreement, including, but not limited to, payment of all costs of maintenance, repairs and improvements to the Hospital Facilities and the Lessee providing indigent care) constitute good and valuable consideration for the Lessee's performance of its obligations under the Lease Agreement during the Lease Term
- Annual rent for the Premises during the Renewal Term shall equal the Land Value multiplied by the Cap Rate with annual escalations following the initial year of the applicable Renewal Term as determined by an appraiser
- The Lease is to be interpreted as an "absolute net lease" (all taxes, insurance, utilities, construction, maintenance, repair and other expenses associated with the occupancy, use and operation of the Premises will be paid for by Lessee)

Indigent Care Payments

- Lessee shall, throughout the term of the Lease, provide for the continued treatment of low income patients and indigent patients at the Hospital Facilities which treatment shall in all cases be in accordance with the publicly announced indigent care policy of the Lessee as modified from time to time. To the extent that Lessee elects, in its sole discretion, to make material changes to its publicly announced indigent care policies, Lessee agrees, to advise Lessor at least 90 days in advance of such material changes.⁵
- However, per the Indigent Care Agreement, the District will annually appropriate funds to reimburse IRMC for a portion of its expenses in the treatment of indigent residents in the amount of \$15.0 million that is payable in equal monthly installments of \$500,000 beginning on the effective date of the Indigent Care Agreement and continuing until the final monthly amount is paid.⁶

⁵ We have assumed that Lessee will continue to provide indigent care payments that support a comparable level of care as was provided previously by the District.

⁶ For purposes of our analysis, we have assumed that the \$500,000 monthly payments begin in October 2018 and continue into fiscal 2021 totaling \$15 million over this time period.

I. Transaction & Engagement Overview



Additional Rights and Responsibilities of Lessee

- Lessee agrees to: 1) operate a general, acute care hospital on the Premises during the first ten years of the Term; and 2) provide acute care services to the residents of Indian River County through facilities located in Indian River County, Florida for the remaining 20 years of the Initial Term. During the Renewal Terms (if any), Lessee agrees to provide acute care services to the residents of Indian River County through facilities located in Indian River County, Florida or located within 25 miles of the Indian River County line.
- Lessee shall continue to maintain and operate the following patient care services at the Hospital for the first ten years of the Term: a) maternity care (labor, delivery, and obstetrics), well baby care/pediatrics and gynecology services, b) behavioral health/mental health services, c) inpatient and outpatient cardiovascular services as provided by the Welsh Heart Center, d) inpatient and outpatient cancer care services as provided by the Scully-Welsh Cancer Center, and e) gastroenterology services as provided by the Scully Endoscopy Center
- Lessee shall maintain, at its sole expense, all Hospital Facilities and improvements (Existing Improvements and future improvements)
- Lessee shall make repairs and replacements of the Premises and Hospital Facilities so that they are kept safe and structurally sound
- Lessee may make additions and alterations to the Premises of any kind (at its expense and in its sole discretion without consent from Lessor)
- Lessee may mortgage its leasehold estate under the Lease to secure indebtedness or other obligations
- For purposes of this analysis, the Consideration received by the District is equal to the elimination of the obligation to make indigent care payments (other than those outlined above through September 30, 2021). In return for the Consideration, the District will give up its right to receive rental income beginning in January 1, 2035 through the end of the Initial Term. The District is not entitled to rental income before January 1, 2035 as rent has been prepaid through December 31, 2034. The Lessee is also responsible for the maintenance, repair and other expenses associated with operating the Hospital Facilities due to the “absolute net lease” structure; however, the Lessee was also responsible for these items under the Current Lease. The District is also entitled to receive a fair market rental rate on the Land Value during the Renewal Term. The District has informed us that it is not entitled to receive rent on any improvements made by CCF during the lease term.

Consideration

I. Transaction & Engagement Overview



Background on the Transaction

- The District owns real property and improvements thereon used in the operation of a general acute care hospital licensed for 332 beds located in Vero Beach, Florida. In 1984, in response to the changing healthcare market, the District voted to establish a community, not-for-profit corporation, IRMC, and lease the hospital to that corporation for control of day-to-day operations. The transfer took place on May 1, 1985. IRMC operates the hospital facilities and provides healthcare services to the residents of Indian River County.
- In fiscal 2017, the District established an effort to analyze the long-term best path for the community's hospital to assure the sustainability of high quality healthcare in the county. In full cooperation with the IRMC Board of Directors and the IRMC Foundation Board of Directors, the Board approved the establishment of a collaborative committee (the "Collaborative Committee") consisting of representatives of each entity. Ultimately a consultant, Stroudwater Associates, was retained. After analyzing available data, the Collaborative Committee recommended the best alternative for the community's hospital was to seek a partner to help it "raise the bar" for quality care and to assure long-term financial viability. The Collaborative Committee was disbanded and a specialized investment bank, Juniper Advisory, was retained to seek potential interested partners.
- CCF responded to IRMC's Request for Proposal ("RFP") dated October 6, 2017 on November 10, 2017.
 - CCF is a multi-specialty academic medical organization that integrates clinical and hospital care with research and education, with a reputation as a recognized leader in the provision of quality healthcare services across its Ohio, Florida and other national and international locations.
- IRMC, the District, and CCF entered into a letter of intent ("LOI") on February 22, 2018.
- Through the Member Substitution Agreement, CCF will become the sole member of IRMC. As sole member of IRMC, CCF will also enter into the Lease Agreement with the District for the Property, whereby the District will receive relief from its obligation to make indigent care payments.
- Rent during the Initial Term is prepaid through December 31, 2034 under terms of the Current Lease. Beyond this prepaid period, the parties to the Lease Agreement agree that during the Initial Term, Lessee's obligations under the Lease Agreement (payment of all costs of maintenance, repairs and improvements to the Hospital Facilities and the Lessee providing indigent care) constitute good and valuable consideration for the Lessee's performance of its obligations under the Lease Agreement during the Lease Term. Annual rent for the Premises during the Renewal Term shall equal the Land Value multiplied by the Cap Rate with annual escalations following the initial year of the applicable Renewal Term as determined by an appraiser.
- CCF will fund a minimum of \$250.0 million in strategic and routine capital for IRMC over the capital commitment period (10 years following the closing date).

I. Transaction & Engagement Overview



Other Transaction Considerations

- The scope of our engagement includes an appraisal and fairness analysis regarding the Consideration received in exchange for the use of the Property – defined in the Agreement as the real property and the improvements thereon⁷. The Premises, as defined in the Lease Agreement, includes machinery, equipment and other assets which fall outside the scope of our assignment as outlined in the Agreement. Based on discussions with the District’s counsel, it is our understanding that the machinery, equipment and personal property assets referenced in the Lease Agreement have been purchased by IRMC from its cash flows and not District funds. Counsel indicated that the Lease Agreement includes a reference to these other assets because in the event of the expiration or termination of the lease between the District and IRMC, these assets, along with the Property, would revert to the District. We understand that the District has agreed not to charge rent on the value of the improvements and equipment made by CCF during the Initial Term and Renewal Term.
- The Lease Agreement does provide a mechanism for the District to receive or acquire these personal property assets upon the termination of the lease so that the District has the assets necessary to maintain a working hospital and is in a similar position to when it entered the Lease Agreement. As outlined in the Lease Agreement, upon expiration of the Lease Term or an earlier termination, Lessee shall convey to Lessor its interest in all tangible and intangible personal property used in connection with the operation of the Hospital Facilities (excluding “Specialized Personal Property” and “Undepreciated Personal Property”), free and clear of all liens. The Lessor shall have the option to purchase all of the “Undepreciated Personal Property” and all or any portion of the “Specialized Personal Property” for its depreciated book value. In the event that the Lessor does not exercise its option to purchase the personal property, then the Lessee may remove all or any portion of the Specialized Personal Property” and “Undepreciated Personal Property” remaining unpurchased.
- The Current Lease has been prepaid through December 31, 2034, more than 16 years in the future. While appraising IRMC’s machinery, equipment, and personal property assets is outside the scope of our assignment, given the shorter useful lives of equipment and personal property assets in general, it is not unreasonable to assume that these existing assets would have de minimis value by December 31, 2034.

⁷ Based on discussions with the District and District counsel, the Property includes the real property used for the operations of: 1) the Indian River Medical Center main hospital building, 2) the Scully-Welsh Cancer Center, 3) the Ambulatory Services Center, and 4) the Center for Emotional and Behavioral Health. The Property also includes 45.37 acres of vacant land along 82nd Avenue in Vero Beach, Florida.

II. Fairness Analysis



Fairness Analysis

Consideration Analysis				
<i>In Thousands of U.S. Dollars</i>				
	Low		High	
<u>Consideration to the District</u>				
Present Value of Relief from Payments for Indigent Care	\$	67,500	\$	76,800
<u>Foregone Rental Income</u>				
Present Value of Foregone Rental Income	\$	4,100	\$	4,600

- As presented in the chart above, the benefit the District is receiving in the form of relief from payments for indigent care is greater than the rental income the District is giving up.

Other Quantitative and Qualitative Considerations

- As the sole member of IRMC, CCF will continue to be responsible for payment of all costs of maintenance, repairs and improvements to the Hospital Facilities.
- We have assumed that Lessee will continue to provide indigent care payments that support a comparable level of care as was provided previously by the District.

II. Fairness Analysis



Consideration to the District

For purposes of this analysis, we view the consideration to the District to be the elimination of the obligation to make indigent care payments for the next 30 years (other than those outlined in the Indigent Care Agreement through 2021). In order to project indigent care payments, we reviewed historical indigent care payments paid by the District to IRMC. Indigent care payments ranged between \$5.6 million and \$6.7 million between 2013 and 2017, with a five-year average of \$6.3 million. Based thereon, we projected indigent care payments to be \$6.3 million in 2019 and grow 3.0% thereafter, based on industry growth statistics. We calculated the present value of projected indigent care payments (after-tax) through September 30, 2048 based on an industry weighted average cost of capital. Based thereon, we estimate the present value of relief from payment for indigent care to range from \$67.5 million to \$76.8 million. Refer to Exhibit A.2. We understand that in accordance with the terms of the Lease Agreement, the District will be entitled to receive a market rate of rent based on the Land Value at the time of the renewal. Further, the District has informed us that they are not entitled to receive rent payments on improvements made by CCF during the term of the Lease Agreement. As such, we have only analyzed the consideration received during the Initial Term as rent during the Renewal Term is assumed to be equal to a market rate.

Foregone Rental Income

In return for the Consideration, the District will give up its right to receive rental income beginning in January 1, 2035 through the remainder of the 30-year term of the lease. The District is not entitled to rental income before January 1, 2035 as rent has been prepaid through December 31, 2034 under the Current Lease. The foregone rental income from January 1, 2035 through December 31, 2048 is based on the Fair Market Rent range for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal report. We calculated the present value of projected foregone rental income (after-tax) through September 30, 2048 based on an industry weighted average cost of capital. Based thereon, we estimate the present value of foregone rental income to range from \$4.1 million to \$4.6 million. Refer to Exhibits A.4 and A.5.

A. Fairness Analysis



Historical Indigent Care Payments

Exhibit A.1

In Thousands of U.S. Dollars

	Notes	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
1 Actual Indigent Care Payments	[a]	\$ 6,194	\$ 6,715	\$ 6,478	\$ 5,611	\$ 6,338
2 Annual Growth Rate		n/a	8.4%	-3.5%	-13.4%	13.0%
3 Average Reimbursement (2013-2017)						<u>\$ 6,267</u>

Source: Indian River County Hospital District internal financial statements provided by management.

[a] Indian River Hospital County District reimburses Indian River Memorial Hospital, Inc. for qualifying indigent care based upon criteria established by the District.

A. Fairness Analysis



Present Value of Relief from Payments for Indigent Care

Exhibit A.2.1

In Thousands of U.S. Dollars

	Notes	Year 1 9/30/2019	Year 2 9/30/2020	Year 3 9/30/2021	Year 4 9/30/2022	Year 5 9/30/2023	Year 6 9/30/2024	Year 7 9/30/2025	Year 8 9/30/2026	Year 9 9/30/2027	Year 10 9/30/2028	
1 Payments for Indigent Care	[a]	\$ 6,267	\$ 6,455	\$ 6,649	\$ 6,848	\$ 7,054	\$ 7,265	\$ 7,483	\$ 7,708	\$ 7,939	\$ 8,177	
2 Annual Growth Rate		n/a	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
3 Less: Contractual Payments for Indigent Care	[b]	(6,000)	(6,000)	(3,000)	0	0	0	0	0	0	0	
4 Relief from Payments for Indigent Care		\$ 267	\$ 455	\$ 3,649	\$ 6,848	\$ 7,054	\$ 7,265	\$ 7,483	\$ 7,708	\$ 7,939	\$ 8,177	
5 Income Taxes	[c]	(68)	(115)	(925)	(1,736)	(1,788)	(1,841)	(1,897)	(1,953)	(2,012)	(2,072)	
6 Relief from Payments for Indigent Care - Tax-Affected		199	340	2,724	5,112	5,266	5,424	5,587	5,754	5,927	6,105	
Present Value of Relief of Payments for Indigent Care												
7 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
8 Discount Period	[d]	0.52	1.54	2.54	3.54	4.54	5.54	6.54	7.54	8.54	9.54	
9 Present Value Factor		0.9656	0.9013	0.8423	0.7872	0.7357	0.6876	0.6426	0.6006	0.5613	0.5246	
10 Present Value of Relief from Payments for Indigent Care		\$ 192	\$ 306	\$ 2,294	\$ 4,025	\$ 3,874	\$ 3,729	\$ 3,590	\$ 3,456	\$ 3,327	\$ 3,202	
11 Present Value of Relief from Payments for Indigent Care (Through 2048)		\$ 71,967										
12 Rounded		\$ 72,000										

13 Sensitivity Analysis

WACC	Value
5.5%	88,000
6.0%	82,100
6.5%	76,800
7.0%	72,000
7.5%	67,500
8.0%	63,500
8.5%	59,700

[a] Payments for indigent care in 2019 are estimated based on the 5-year average and grown at a rate of 3.0% per year.

[b] Pursuant to Section V of the Third Amended and Restated Agreement for Indigent Care Services Between Indian River County Hospital District and Indian River Memorial Hospital, Inc.

[c] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[d] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

CCC

A. Fairness Analysis



Present Value of Relief from Payments for Indigent Care

Exhibit A.2.2

In Thousands of U.S. Dollars

	Notes	Year 11 9/30/2029	Year 12 9/30/2030	Year 13 9/30/2031	Year 14 9/30/2032	Year 15 9/30/2033	Year 16 9/30/2034	Year 17 9/30/2035	Year 18 9/30/2036	Year 19 9/30/2037	Year 20 9/30/2038
1 Payments for Indigent Care	[a]	\$ 8,422	\$ 8,675	\$ 8,935	\$ 9,203	\$ 9,479	\$ 9,764	\$ 10,057	\$ 10,358	\$ 10,669	\$ 10,989
2 Annual Growth Rate		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
3 Less: Contractual Payments for Indigent Care	[b]	0	0	0	0	0	0	0	0	0	0
4 Relief from Payments for Indigent Care		\$ 8,422	\$ 8,675	\$ 8,935	\$ 9,203	\$ 9,479	\$ 9,764	\$ 10,057	\$ 10,358	\$ 10,669	\$ 10,989
5 Income Taxes	[c]	(2,135)	(2,199)	(2,265)	(2,333)	(2,403)	(2,475)	(2,549)	(2,625)	(2,704)	(2,785)
6 Relief from Payments for Indigent Care - Tax-Affected		6,288	6,476	6,671	6,871	7,077	7,289	7,508	7,733	7,965	8,204
Present Value of Relief of Payments for Indigent Care											
7 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
8 Discount Period	[d]	10.54	11.54	12.54	13.54	14.54	15.54	16.54	17.54	18.54	19.54
9 Present Value Factor		0.4902	0.4582	0.4282	0.4002	0.3740	0.3495	0.3267	0.3053	0.2853	0.2667
10 Present Value of Relief from Payments for Indigent Care		\$ 3,082	\$ 2,967	\$ 2,856	\$ 2,750	\$ 2,647	\$ 2,548	\$ 2,453	\$ 2,361	\$ 2,273	\$ 2,188

[a] Payments for indigent care in 2019 are estimated based on the historical average and grown 3.0% per year thereafter based on industry growth expectations.

[b] Pursuant to Section V of the Third Amended and Restated Agreement for Indigent Care Services Between Indian River County Hospital District and Indian River Memorial Hospital, Inc.

[c] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[d] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Relief from Payments for Indigent Care

Exhibit A.2.3

In Thousands of U.S. Dollars

	Notes	Year 21 9/30/2039	Year 22 9/30/2040	Year 23 9/30/2041	Year 24 9/30/2042	Year 25 9/30/2043	Year 26 9/30/2044	Year 27 9/30/2045	Year 28 9/30/2046	Year 29 9/30/2047	Year 30 9/30/2048
1 Payments for Indigent Care	[a]	\$ 11,319	\$ 11,658	\$ 12,008	\$ 12,368	\$ 12,740	\$ 13,122	\$ 13,515	\$ 13,921	\$ 14,338	\$ 14,769
2 Annual Growth Rate		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
3 Less: Contractual Payments for Indigent Care	[b]	0	0	0	0	0	0	0	0	0	0
4 Relief from Payments for Indigent Care		\$ 11,319	\$ 11,658	\$ 12,008	\$ 12,368	\$ 12,740	\$ 13,122	\$ 13,515	\$ 13,921	\$ 14,338	\$ 14,769
5 Income Taxes	[c]	(2,869)	(2,955)	(3,043)	(3,135)	(3,229)	(3,326)	(3,425)	(3,528)	(3,634)	(3,743)
6 Relief from Payments for Indigent Care - Tax-Affected		8,450	8,704	8,965	9,234	9,511	9,796	10,090	10,393	10,704	11,026
Present Value of Relief of Payments for Indigent Care											
7 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
8 Discount Period	[d]	20.54	21.54	22.54	23.54	24.54	25.54	26.54	27.54	28.54	29.54
9 Present Value Factor		0.2492	0.2329	0.2177	0.2034	0.1901	0.1777	0.1661	0.1552	0.1450	0.1356
10 Present Value of Relief from Payments for Indigent Care		\$ 2,106	\$ 2,027	\$ 1,951	\$ 1,878	\$ 1,808	\$ 1,741	\$ 1,676	\$ 1,613	\$ 1,553	\$ 1,495

[a] Payments for indigent care in 2019 are estimated based on the historical average and grown 3.0% per year thereafter based on industry growth expectations.

[b] Pursuant to Section V of the Third Amended and Restated Agreement for Indigent Care Services Between Indian River County Hospital District and Indian River Memorial Hospital, Inc.

[c] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[d] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Calculation of Hypothetical Future Rent

Exhibit A.3

In U.S. Dollars

Period End Date	Ground Rent [a] Hospital Campus		Ground Rent [a] Western Land		Improvements Rent [a] Ambulatory Services Center		Total Rent		
	Low	High	Low	High	Low	High	Low	High	
1	9/30/2019	\$ 624,863	\$ 690,638	\$ 281,438	\$ 311,063	\$ 66,876	\$ 83,595	\$ 973,176	\$ 1,085,295
2	9/30/2020	643,608	711,357	289,881	320,394	68,882	86,103	1,002,371	1,117,854
3	9/30/2021	662,917	732,697	298,577	330,006	70,949	88,686	1,032,442	1,151,389
4	9/30/2022	682,804	754,678	307,534	339,906	73,077	91,347	1,063,416	1,185,931
5	9/30/2023	703,288	777,319	316,760	350,104	75,270	94,087	1,095,318	1,221,509
6	9/30/2024	724,387	800,638	326,263	360,607	77,528	96,910	1,128,178	1,258,154
7	9/30/2025	746,119	824,657	336,051	371,425	79,853	99,817	1,162,023	1,295,899
8	9/30/2026	768,502	849,397	346,133	382,568	82,249	102,811	1,196,884	1,334,776
9	9/30/2027	791,557	874,879	356,517	394,045	84,717	105,896	1,232,790	1,374,819
10	9/30/2028	815,304	901,125	367,212	405,866	87,258	109,073	1,269,774	1,416,064
11	9/30/2029	839,763	928,159	378,228	418,042	89,876	112,345	1,307,867	1,458,546
12	9/30/2030	864,956	956,004	389,575	430,583	92,572	115,715	1,347,103	1,502,302
13	9/30/2031	890,905	984,684	401,263	443,501	95,349	119,186	1,387,516	1,547,371
14	9/30/2032	917,632	1,014,224	413,300	456,806	98,210	122,762	1,429,142	1,593,792
15	9/30/2033	945,161	1,044,651	425,699	470,510	101,156	126,445	1,472,016	1,641,606
16	9/30/2034	973,515	1,075,991	438,470	484,625	104,191	130,238	1,516,176	1,690,854
17	9/30/2035	1,002,721	1,108,270	451,625	499,164	107,316	134,145	1,561,662	1,741,580
18	9/30/2036	1,032,803	1,141,519	465,173	514,139	110,536	138,170	1,608,512	1,793,827
19	9/30/2037	1,063,787	1,175,764	479,129	529,563	113,852	142,315	1,656,767	1,847,642
20	9/30/2038	1,095,700	1,211,037	493,502	545,450	117,267	146,584	1,706,470	1,903,071
21	9/30/2039	1,128,571	1,247,368	508,307	561,813	120,785	150,982	1,757,664	1,960,163
22	9/30/2040	1,162,428	1,284,789	523,557	578,668	124,409	155,511	1,810,394	2,018,968
23	9/30/2041	1,197,301	1,323,333	539,263	596,028	128,141	160,177	1,864,706	2,079,537
24	9/30/2042	1,233,220	1,363,033	555,441	613,909	131,986	164,982	1,920,647	2,141,924
25	9/30/2043	1,270,217	1,403,924	572,104	632,326	135,945	169,931	1,978,266	2,206,181
26	9/30/2044	1,308,323	1,446,042	589,268	651,296	140,023	175,029	2,037,614	2,272,367
27	9/30/2045	1,347,573	1,489,423	606,946	670,835	144,224	180,280	2,098,743	2,340,538
28	9/30/2046	1,388,000	1,534,105	625,154	690,960	148,551	185,689	2,161,705	2,410,754
29	9/30/2047	1,429,640	1,580,129	643,909	711,689	153,007	191,259	2,226,556	2,483,076
30	9/30/2048	1,472,529	1,627,533	663,226	733,039	157,598	196,997	2,293,353	2,557,569

[a] Reflects Fair Market Rent in 2019 as determined by Stout in Stout's Draft Real Estate Appraisal Report dated as of September 17, 2018. Hypothetical future rent in 2020 through 2048 is estimated using annual rent escalations of 3.0%.

A. Fairness Analysis



Present Value of Rental Income (Low)

Exhibit A.4.1

In Thousands of U.S. Dollars

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Notes	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025	9/30/2026	9/30/2027	9/30/2028
1 Rental Income (Low)	[a] \$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2 Income Taxes	[b] 0	0	0	0	0	0	0	0	0	0
3 Rental Income (Low) - Tax Affected	0	0	0	0	0	0	0	0	0	0
Present Value of Rental Income										
4 Industry Weighted Average Cost of Capital	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c] 0.52	1.54	2.54	3.54	4.54	5.54	6.54	7.54	8.54	9.54
6 Present Value Factor	0.9656	0.9013	0.8423	0.7872	0.7357	0.6876	0.6426	0.6006	0.5613	0.5246
7 Present Value of Rental Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
8 Present Value of Rental Income (Through 2048)	\$ 4,116									
9 Rounded	<u>\$ 4,100</u>									

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the low end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Rental Income (Low)

Exhibit A.4.2

In Thousands of U.S. Dollars

	Notes	Year 11 9/30/2029	Year 12 9/30/2030	Year 13 9/30/2031	Year 14 9/30/2032	Year 15 9/30/2033	Year 16 9/30/2034	Year 17 9/30/2035	Year 18 9/30/2036	Year 19 9/30/2037	Year 20 9/30/2038
1 Rental Income (Low)	[a]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,171	\$ 1,609	\$ 1,657	\$ 1,706
2 Income Taxes	[b]	0	0	0	0	0	0	(297)	(408)	(420)	(433)
3 Rental Income (Low) - Tax Affected		0	0	0	0	0	0	874	1,201	1,237	1,274
Present Value of Rental Income											
4 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c]	10.54	11.54	12.54	13.54	14.54	15.54	16.54	17.54	18.54	19.54
6 Present Value Factor		0.4902	0.4582	0.4282	0.4002	0.3740	0.3495	0.3267	0.3053	0.2853	0.2667
7 Present Value of Rental Income		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 286	\$ 367	\$ 353	\$ 340

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the low end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Rental Income (Low)

Exhibit A.4.3

In Thousands of U.S. Dollars

	Notes	Year 21 9/30/2039	Year 22 9/30/2040	Year 23 9/30/2041	Year 24 9/30/2042	Year 25 9/30/2043	Year 26 9/30/2044	Year 27 9/30/2045	Year 28 9/30/2046	Year 29 9/30/2047	Year 30 9/30/2048
1 Rental Income (Low)	[a]	\$ 1,758	\$ 1,810	\$ 1,865	\$ 1,921	\$ 1,978	\$ 2,038	\$ 2,099	\$ 2,162	\$ 2,227	\$ 2,293
2 Income Taxes	[b]	(445)	(459)	(473)	(487)	(501)	(516)	(532)	(548)	(564)	(581)
3 Rental Income (Low) - Tax Affected		1,312	1,352	1,392	1,434	1,477	1,521	1,567	1,614	1,662	1,712
Present Value of Rental Income											
4 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c]	20.54	21.54	22.54	23.54	24.54	25.54	26.54	27.54	28.54	29.54
6 Present Value Factor		0.2492	0.2329	0.2177	0.2034	0.1901	0.1777	0.1661	0.1552	0.1450	0.1356
7 Present Value of Rental Income		\$ 327	\$ 315	\$ 303	\$ 292	\$ 281	\$ 270	\$ 260	\$ 250	\$ 241	\$ 232

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the low end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Rental Income (High)

Exhibit A.5.1

In Thousands of U.S. Dollars

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Notes	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025	9/30/2026	9/30/2027	9/30/2028
1 Rental Income (High)	[a] \$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2 Income Taxes	[b] 0	0	0	0	0	0	0	0	0	0
3 Rental Income (High) - Tax Affected	0	0	0	0	0	0	0	0	0	0
Present Value of Rental Income										
4 Industry Weighted Average Cost of Capital	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c] 0.52	1.54	2.54	3.54	4.54	5.54	6.54	7.54	8.54	9.54
6 Present Value Factor	0.9656	0.9013	0.8423	0.7872	0.7357	0.6876	0.6426	0.6006	0.5613	0.5246
7 Present Value of Rental Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
8 Present Value of Rental Income (Through 2048)	\$ 4,591									
9 Rounded	<u>\$ 4,600</u>									

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the high end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Rental Income (High)

Exhibit A.5.2

In Thousands of U.S. Dollars

	Notes	Year 11 9/30/2029	Year 12 9/30/2030	Year 13 9/30/2031	Year 14 9/30/2032	Year 15 9/30/2033	Year 16 9/30/2034	Year 17 9/30/2035	Year 18 9/30/2036	Year 19 9/30/2037	Year 20 9/30/2038
1 Rental Income (High)	[a]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,306	\$ 1,794	\$ 1,848	\$ 1,903
2 Income Taxes	[b]	0	0	0	0	0	0	(331)	(455)	(468)	(482)
3 Rental Income (High) - Tax Affected		0	0	0	0	0	0	975	1,339	1,379	1,421
Present Value of Rental Income											
4 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c]	10.54	11.54	12.54	13.54	14.54	15.54	16.54	17.54	18.54	19.54
6 Present Value Factor		0.4902	0.4582	0.4282	0.4002	0.3740	0.3495	0.3267	0.3053	0.2853	0.2667
7 Present Value of Rental Income		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 319	\$ 409	\$ 394	\$ 379

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the high end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Present Value of Rental Income (High)

Exhibit A.5.3

In Thousands of U.S. Dollars

	Notes	Year 21 9/30/2039	Year 22 9/30/2040	Year 23 9/30/2041	Year 24 9/30/2042	Year 25 9/30/2043	Year 26 9/30/2044	Year 27 9/30/2045	Year 28 9/30/2046	Year 29 9/30/2047	Year 30 9/30/2048
1 Rental Income (High)	[a]	\$ 1,960	\$ 2,019	\$ 2,080	\$ 2,142	\$ 2,206	\$ 2,272	\$ 2,341	\$ 2,411	\$ 2,483	\$ 2,558
2 Income Taxes	[b]	(497)	(512)	(527)	(543)	(559)	(576)	(593)	(611)	(629)	(648)
3 Rental Income (High) - Tax Affected		1,463	1,507	1,552	1,599	1,647	1,696	1,747	1,800	1,854	1,909
Present Value of Rental Income											
4 Industry Weighted Average Cost of Capital		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
5 Discount Period	[c]	20.54	21.54	22.54	23.54	24.54	25.54	26.54	27.54	28.54	29.54
6 Present Value Factor		0.2492	0.2329	0.2177	0.2034	0.1901	0.1777	0.1661	0.1552	0.1450	0.1356
7 Present Value of Rental Income		\$ 365	\$ 351	\$ 338	\$ 325	\$ 313	\$ 301	\$ 290	\$ 279	\$ 269	\$ 259

[a] There is no rental income through December 31, 2034 as rent was prepaid under the Current Lease. Rent from January 1, 2035 through December 31, 2048 reflects the high end of the range of Fair Market Rent for the Property for Indian River County Hospital District determined by Stout. Refer to Exhibit B for Stout's Real Estate Appraisal Report.

[b] Calculated using a 25.3% tax rate, which is based on the federal tax rate of 21.0% and the Florida corporate state tax rate of 5.5%.

[c] Calculated utilizing the "mid-year convention," which assumes that payments for indigent care will be paid evenly throughout the projection period rather than at the end of the period.

A. Fairness Analysis



Industry Weighted Average Cost of Capital Exhibit A.6

Required Return on Equity			
Modified Capital Asset Pricing Model			
	Notes		
1 Risk-Free Rate of Return	[a]		3.1%
2 Long-Term Market Equity Risk Premium	[b]	6.0%	
3 Selected Equity Beta	[c]	<u>0.80</u>	4.8%
4 Small Stock Risk Premium	[b]		1.4%
5 Company-Specific Risk Premium			<u>0.0%</u>
6 Concluded Required Return on Equity			<u><u>9.3%</u></u>
Cost of Debt			
Corporate Bond Yields			
7 "BB"-Rated Corporate Bond Yield	[d]		6.7%
8 Less: Income Tax Factor		25.3%	<u>-1.7%</u>
9 Concluded Cost of Debt			<u><u>5.0%</u></u>
Weighted Average Cost of Capital			
10 Equity Allocation of Capital Structure	[c]	50.0%	4.6%
11 Debt Allocation of Capital Structure	[c]	50.0%	<u>2.5%</u>
12 Weighted Average Cost of Capital (Rounded)			<u><u>7.0%</u></u>

[a] 20-year U.S. Treasury bond yield as of the Valuation Date.

[b] Based on: *Valuation Handbook: U.S. Guide to Cost of Capital*, Duff & Phelps, LLC. Reflects an industry size premium based on a group of publicly traded hospital operators.

[c] Based on the results of a group of publicly traded hospital operators. Refer to Exhibit A.7.

[d] Based on the "BB"-rated corporate bond yield as of the Valuation Date, as reported by Bloomberg, L.P.

A. Fairness Analysis



Capital Structure and Beta Analysis

Exhibit A.7

In Millions of U.S. Dollars

Guideline Companies [a]	Notes	Ticker	Credit Rating [b]	LTM Revenue	LTM EBITDA	LTM EBITDA Margin	5-year Debt & Pfd. to EV [c]	Current Debt & Pfd. to EV [c]	5-year Debt & Pfd. to Equity [d]	Current Debt & Pfd. to Equity [d]	5-year Cash to TIC [d]	Current Cash to TIC [d]	Beta [e][f]		
													β_L	β_U	β_{RL}
1 Community Health Systems, Inc.		CYH	CCC+	\$ 13,975.0	\$ 806.0	5.8%	85.0%	94.8%	1424.7%	3716.5%	1.5%	1.4%	1.05	0.09	0.16
2 HCA Healthcare, Inc.		HCA	BB+	45,210.0	8,443.0	18.7%	48.2%	41.5%	96.8%	72.3%	1.1%	1.1%	0.75	0.46	0.80
3 LifePoint Health, Inc.	[g]	LPNT	BB-	6,239.0	660.7	10.6%	50.0%	54.1%	100.5%	117.6%	4.1%	2.6%	0.76	0.48	0.84
4 Tenet Healthcare Corporation		THC	B	18,769.0	2,512.0	13.4%	74.4%	76.1%	530.7%	511.6%	2.2%	2.0%	1.12	0.26	0.46
5 Universal Health Services, Inc.		UHS	BB+	10,553.5	1,701.0	16.1%	24.1%	25.3%	32.2%	33.9%	0.4%	0.5%	0.72	0.60	1.04
6 Quorum Health Corporation	[h]	QHC	B-	1,973.8	83.1	4.2%	n/a	88.5%	n/a	844.1%	n/a	0.2%	0.61	nmf	nmf
7 Upper Quartile				17,570.5	2,309.3	15.4%	74.4%	85.4%	530.7%	761.0%	2.2%	1.9%	0.98	0.48	0.84
8 Median				12,264.3	1,253.5	12.0%	50.0%	65.1%	100.5%	314.6%	1.5%	1.3%	0.76	0.46	0.80
9 Average				16,120.1	2,367.6	11.5%	56.3%	63.4%	437.0%	882.7%	1.9%	1.3%	0.84	0.38	0.66
10 Lower Quartile				7,317.6	697.0	7.0%	48.2%	44.6%	96.8%	83.6%	1.1%	0.7%	0.73	0.26	0.46
11 Selected	[i]		<u>BB</u>					<u>50.0%</u>							<u>0.80</u>

[a] Source: S&P Capital IQ, Inc.

[b] Reflects long-term ratings by Standard & Poor's.

[c] EV is presented on a cash-free basis.

[d] Equity and TIC (Total Invested Capital) are presented on a cash-inclusive basis.

[e] Betas represent five-year betas based on weekly volatility measurements.

[f] Unlevered and relevered betas are calculated using the following formulas:

Where:

β_u = Unlevered beta

β_L = Levered beta

β_{RL} = Relevered beta

D = Debt plus preferred stock of Guideline Company

E = Market value of equity of Guideline Company

t = Applicable Tax rate

Cash = Cash and cash equivalents of Guideline Company

TIC = Total invested capital (i.e., EV plus cash)

Target D/E = 100.0%

$$\beta_u = \left[\frac{\beta_L}{1 + \text{Actual} \frac{D}{E} (1 - t)} \right] \div \left[1 - \frac{\text{Cash}}{\text{TIC}} \right]$$

$$\beta_{RL} = \beta_u \times \left(1 + \text{Target} \frac{D}{E} (1 - t) \right)$$

[g] RegionalCare Hospital Partners Holdings Inc. ('RCCH') entered into a definitive agreement to acquire LifePoint Health Inc. (NasdaqGS:LPNT) ('LifePoint') for \$2.6 billion on July 22, 2018. The transaction was still pending as of the date of our analysis.

[h] Beta was deemed not meaningful due to limited number of trading days and low R².

[i] We selected inputs to the CAPM model based on the factors described below:

Debt Rating: Selected based the range of the guideline public companies.

Debt Weighting: Selected based on the median of the guideline public companies

Beta: Selected based on the median of the guideline public companies

B. Real Estate Appraisal



[Attach Real Estate Appraisal Prepared by Stout]