EXHIBIT A

NAVIGANT

Financial Consulting Report related to the Proposed Transfer of Certain Assets from Eastern Connecticut 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
Attention: Gary W. Hawes, Assistant Attorney General

FINAL

May 23, 2016

Presented by

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May 23, 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 ("Nonprofit 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 and August 5, 2014 (the "Contract").

Navigant's analysis and conclusions contained in this report pertain to the proposed transfer of certain assets (the "Proposed Transaction") from Eastern Connecticut Health Network, Inc. and its affiliates ("ECHN" or the "Health System") to Prospect Medical Holdings, Inc. ("PMH"). Our analysis was performed as of March 31, 2016 (the "Analysis Date" or the "Valuation Date").

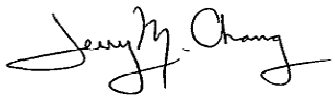
Our compensation for this assignment was not dependent in any way on the substance of our findings or conclusions. Our analysis was based, in part and where indicated, upon information provided by ECHN management and ECHN's designated legal and financial advisors. We have assumed that the information 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" or the "Attorney General") in the Contract.

We understand that this report will be part of the public record of the Attorney General's review pursuant to the Nonprofit 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.

FINAL

By: Jerry M. Chang, CFA



Managing Director

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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 ECHN to PMH pursuant to Section §§ 19a-486a to 19a-486h of the Nonprofit Hospital Conversion Act, as of a current date.

This report specifically addresses the following conditions under Section §§ 19a-486c of the Nonprofit 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.*

Summary of Proposed Transaction

ECHN has agreed to sell all or substantially all of its assets to PMH for $105 million, subject to certain adjustments. Such adjustments include a reconciliation for the value of net working capital, reductions in the value of certain liabilities assumed by PMH, and any joint venture interest not assumed provided the joint venture adjustment does not exceed $22 million. Assets not acquired include cash and equivalents, all short and long-term investments (excluding joint venture interests), board designated, trustee held or escrowed funds, beneficial interests in charitable trusts and the accrued earnings of the foregoing.

The proceeds from the transaction will be used to settle all of ECHN's bond liabilities and other indebtedness and then to fund an indemnity reserve to PMH against ECHN liabilities that may arise after closing. Such excluded liabilities are detailed in Section 2.04 of the draft Asset Purchase Agreement ("APA"). Thereafter, any remaining proceeds will be used to settle post-closing liabilities and wind down the operations of ECHN. Any remainder thereafter will be transferred to an independent charitable organization with the expectation such funds will be used to support charitable health efforts in the ECHN community.

In addition, PMH has committed to invest not less than $75 million in ECHN and its hospital service areas within five years of the closing of the Proposed Transaction. PMH has agreed to increase the purchase price for the assets by up to $10 million in the event that ECHN does not have sufficient cash to close the transaction, which increase would be offset by a corresponding reduction in the $75 million capital commitment amount.

Eastern Connecticut Health Network, Inc.

ECHN is a non-profit health care system serving 19 towns in eastern Connecticut. ECHN was formed in 1995 after the merger of Manchester Memorial Hospital ("MMH") and Rockville General Hospital ("RGH"), though both hospitals can trace their roots to the early 1900's. In addition to the hospitals, ECHN consists of a number of wholly owned outpatient facilities and clinics and ownership interests in multiple joint ventures. A comprehensive overview of ECHN can be found in *Section II. Overview and Background of ECHN.*

Post-Acquisition Commitments

Based on our review of the Certificate of Need ("CON") application (the "Application") submitted by ECHN 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 – MMH and RGH will each maintain an advisory board made up of community representatives, medical staff and the CEO of each respective hospital to consult with PMH with respect to the investment of capital and matters related to clinical quality goals.

2. Capital Commitment – PMH in consultation with ECHN will develop a capital plan in which PMH will commit to spending not less than $75 million in capital expenditures over a five-year period on the Health System Businesses (defined as ECHN 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 Health System's physician network, increasing community access points, and increasing outpatient, ambulatory care sites.

3. Employment – PMH will offer employment as of closing to substantially all of the ECHN employees at compensation and benefits comparable to other hospitals operated by PMH. Additionally PMH will assume and honor ECHN's collective bargaining agreements.

4. Commitment to Clinical Operations and Community Support

    a. Operation of Hospitals: For at least three years after closing, PMH will continue operating the Health Systems' hospitals in their current location as acute care hospitals with emergency departments.

    b. Post-Acute Care: For at least three years after closing PMH will maintain its interest in VNHSC and EES, the current post-acute care providers in ECHN's network, and agrees to maintain appropriate service lines during this period.

    c. Medical Education: PMH will maintain and financially support ECHN's teaching programs and graduate medical education programs, while operating at a level not to exceed the Indirect Medical Education and Direct Education caps established by Centers for Medicare and Medicaid Services.

    d. Community Benefits: PMH will ensure each hospital maintains it policies with respect to charity care, indigent care, community volunteer services and community benefits.

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 expanded 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 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 seven 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 ECHN and PMH dated October 13, 2015.

OVERVIEW AND BACKGROUND OF ECHN

Overview

ECHN is a non-profit health care system serving 19 towns in eastern Connecticut. ECHN was formed in 1995 after the merger of Manchester Memorial Hospital ("MMH") and Rockville General Hospital ("RGH"), though both hospitals can trace their roots to the early 1900's. The ECHN care network consists of several wholly owned entities and multiple joint venture interests. The following provides a description of the wholly owned entities of ECHN.[3] **With the exception of ECHN Community Healthcare Foundation, Inc. ("ECHF")**, all entities described below will be acquired as part of the Potential Transaction.

- **Manchester Memorial Hospital ("MMH")** – MMH is a not-for-profit hospital with 249 licensed beds, located in Manchester, Connecticut. MMH is a short-term, acute-care general hospital, which provides inpatient, outpatient, and emergency care services to the residents of Manchester and 19 nearby towns.

- **Rockville General Hospital ("RGH")** - RGH is a not-for-profit hospital with 102 licensed beds, located in the Rockville section of Vernon, Connecticut. RGH is a short-term, acute-care general hospital, which provides inpatient, outpatient, and emergency care services for residents of Tolland County and nearby towns, for a total service area of 19 towns.

- **ECHN ElderCare Services, Inc. ("EES")** - EES is a not-for-profit, skilled nursing facility with 130 licensed beds and physical, occupational and speech rehabilitation services located in Tolland, Connecticut.

- **ECHN Community Healthcare Foundation, Inc. ("ECHF")** - ECHF is a not-for-profit organization whose purpose is to raise funds on behalf of ECHN and its not-for-profit subsidiaries. It was established in 2000, when the fund raising efforts of ECHN were consolidated into a single not-for-profit foundation. ECHF focuses primarily on the capital and program needs of ECHN and its not-for-profit subsidiaries.

- **Eastern Connecticut Medical Professionals Foundation, Inc. ("ECMPF") -** ECMPF is a not-for-profit organization that currently operates physician office practices in the Network's service area and a hospitalist program that serves MMH and RGH. Its mission allows it to operate other not-for-profit, separately incorporated allied health ventures.

- **ECHN Enterprises, Inc. ("Enterprises") -** Enterprises is a for-profit organization formed under the laws of the State of Connecticut, with ECHN as the sole shareholder. Enterprises owns, leases and has an interest in real estate to support the mission and vision for ECHN. It is also the parent corporation of Haynes Street Property Management, LLC (HSPM). HSPM is a for-profit, limited liability company formed under the laws of the State of Connecticut, which manages the Glastonbury Wellness Center and sublets space to various MMH departments and physician offices, as well as to ECMPF.

[3] Based on information from ECHN's 2014 audited financial statements and the Certificate of Need Application by ECHN and PMH dated October 13, 2015.

- **Visiting Nurse and Health Services of Connecticut, Inc. ("VNHSC") -** VNHSC is a not-for-profit, nonstock Connecticut corporation that provides and administers a comprehensive, multi-disciplinary home health program, hospice program and wellness programs to promote the health of individuals, families and groups in the Greater Northern Central Connecticut area. In addition, VNHSC is the sole member of A Caring Hand, LLC, which is a for-profit Connecticut limited liability company providing and administering homemaker, companion, live-in and personal care assistance services to individuals and families in the Greater Northern Central Connecticut area.

- **Connecticut Healthcare Insurance Company ("CHIC") -** CHIC, a captive insurance company, provides hospital and physician professional and general liability coverage to MMH, RGH, EES, and all other subsidiaries.

- **ECHN Corporate Services ("ECHNCS") -** ECHNCS is a for-profit stock corporation formed under the laws of the State of Connecticut, with ECHN as the sole shareholder. ECHNCS provides billing and other practice management services to the Network and other customers. It is also the parent corporation of Medical Practice Partners, LLC (MPP). MPP is a for-profit, limited liability company formed under the laws of the State of Connecticut, which provides practice management services to medical group practices throughout Connecticut.

- **Clinically Integrated Network of Eastern Connecticut, LLC ("CINECT")** - CINECT is a for-profit organization formed to develop a clinically integrated network of community providers to provide better quality healthcare in the communities it serves.

The following is a list and associated ownership interests of ECHN's joint venture interests in community based services to be acquired as part of the Potential Transaction between PMH and ECHN.

- Evergreen Endoscopy Center, LLC (50%)
- Aetna Ambulance Service, Inc. (50%)
- Metro Wheelchair Service, Inc. (50%)
- Ambulance Service of Manchester, LLC (50%)
- Northeast Regional Radiation Oncology Network, Inc. (50%)
- Tolland Imaging Center, LLC (70%)
- Haynes Street Medical Associates, LLC (23%)
- Haynes Street Medical Associates II, LLC (15%)
- Evergreen Medical Associates, LLC (20%)
- Evergreen Medical Associates II, LLC (20%)
- Walden Behavioral Health (16%)

Finance and Operations

Exhibits C-1 through C-10 provide detailed historical financial, operating, and payor mix statistics relating to ECHN and its hospitals (MMH and RGH). Overall, ECHN revenues have decreased to $315 million from $329 million in 2014 and $328 million in 2013. The operating margin was -0.1 percent in 2015 and ECHN's profitability has been marginal over the 2011 to 2016 time frame, with operating margins ranging from -0.1 to 1.7 percent.

As of September 30, 2015, ECHN had a consolidated asset balance of $261 million, which consisted of $75 million in current assets, $88 million of net fixed assets, $18 million in joint venture interests, $71 million held in long-term investments (most of which is restricted), and $9 million in other assets. However, ECHN has significant liabilities consisting of $52 million in current liabilities, $11 million of which was in the form of short-term debt. Long-term liabilities total $150 million which include $80 million of long-term debt and capital leases and $62 million in long-term pension obligations. Debt service on long-term debt and capital leases are projected to be $7 million in 2016 and ECHN anticipates contributing $1.8 million to the pension plan in 2016.

In addition to debt service and pension contributions, ECHN has an aging infrastructure. Depreciation in 2015 was $12 million and is projected to range between $11.7 and $11.8 million over the next several years. ECHN management communicated that its plant and equipment purchases for 2014 and 2015 totaled $10.1 million and $7.4 million, respectively, which were below ECHN's depreciation expense for both of those years and below the national median for <Baa rated hospitals[4]

Given ECHN's significant liabilities and capital needs, combined with its deteriorating financial performance, the Health System is nearing potential financial distress (including not meeting certain debt service coverage ratios) absent an affiliation with a larger and more capitalized partner.

[4] Public hearing presentation entitled, "The Proposed Transfer of Assets of Eastern Connecticut Health Network, Inc. and Affiliates to Prospect Medical Holdings, Inc.", March 29 & 30, 2016.

ECONOMIC OVERVIEW

When valuing a health system or its assets, it is important to consider the condition of, and outlook for, the economy or economies in which the health system operates. This economic analysis is necessary because the financial performance, and consequentially the value, of a health system or its assets are affected to varying degrees by the economic environment in which the health system 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 health system's business and related assets.

General Economic Conditions[5]

The gross domestic product (GDP), the broadest measure of the U.S. economy slowed for a second consecutive quarter, growing at an annual rate of 0.7 percent in the fourth-quarter of 2015, less than half of the 1.5 percent rate of growth observed in the third-quarter of 2015. In 2015, the economy grew 2.4 percent from the year before, matching 2014 growth. Final sales of domestic product rose in fourth-quarter by 1.2 percent, following an increase of 2.7% in the third-quarter. The Economic Policy Institute has stated that final sales are arguably a better indicator of underlying economic strength than GDP.

The slowing of GDP growth in the fourth-quarter was largely driven by slowed consumer spending, a deterioration in the national trade balance, a sharp drop in private investment, and a smaller build up in business inventories. However, despite the consumer spending losing ground in the fourth-quarter, positive assessments of the job market drove up consumer confidence. Job growth in the fourth-quarter was the strongest of the year, and 2015 capped off the best two year period of hiring since the period ending in 1999.

Consumer Spending

Consumer spending grew at a rate of 2.2 percent during the fourth-quarter of 2015, a deceleration from the third quarter's 3.2 percent increase. Consumer spending—also referred to as personal consumption—accounts for approximately 70 percent of the U.S. GDP.

Government Spending

Total government spending rose at a rate of 0.7 percent in the fourth-quarter of 2015, slower than the rate of 1.8 percent in the prior quarter. Federal government spending rose at a rate of 2.7 percent in the third quarter, the fourth rise in the past 13 quarters and the largest increase since the third quarter of 2014. The fourth-quarter increase in federal government spending added 0.18 percentage point to the fourth-quarter GDP rate.

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[5] All of the contents of the general and U.S. economic outlook section of this valuation report are quoted from the Economic Outlook Update™ 4Q 2015 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 private nonresidential fixed investment, fell at a rate of 1.8 percent in the fourth-quarter of 2015. This was the first decline in business investment since the third quarter of 2012. The drop in business investment subtracted .24 percentage point to fourth-quarter GDP.

Residential fixed investment, often considered a proxy for the housing market, increased at an annual rate of 8.1 percent during the fourth-quarter. This was almost identical to the prior quarter's rate of 8.2 percent. This quarter's growth in residential fixed investment added 0.27 percentage point to the third-quarter GDP. Residential fixed investment increased 1.8 percent in 2014 and 9.5 percent in 2013.

Exports and Imports

Exports fell at a rate of 2.5 percent in the fourth-quarter of 2015, after growing at a rate of 0.7 percent in the previous quarter. Exported goods dropped at a rate of 5.4 percent in the fourth-quarter, while exported services increased at a rate of 3.6 percent. Exports increased 3.4 percent in 2014 and 2.8 percent in 2013.

Unemployment and Personal Income

Hiring ended the year on a strong note, adding 292,000 new jobs in December. This was the second strongest month of the year for employment, only bested by October hiring which topped 307,000. December also marked the greatest two-year period of job growth since the period ending in 1999, while the unemployment rate held at its lowest level since April 2008. Businesses have now added 14.1 million jobs over 70 straight months, extending the longest streak on record. Overall, U.S. businesses have added 5.6 million jobs over the past 24 months.

The Bureau of Economic Analysis reported that current-dollar personal income increased $137.1 billion in the fourth-quarter of 2015, after increasing by $190.8 billion in the third. The BEA found that the acceleration in personal income primarily reflected a downturn in personal interest income and decelerations in wages and salaries and in farm proprietors' income.

Personal outlays increased $72.6 billion in the fourth-quarter, a deceleration from an increase of $131.7 billion the third. Personal saving – disposable personal income less personal outlays- was $739.3 billion in the fourth-quarter, up from $700.6 billion in the third.

United States Economic Outlook

Consensus Economics, Inc., publisher of *Consensus Forecasts - USA*, forecasts real GDP to increase at a seasonally adjusted annual rate of 2.5 percent in the first-quarter of 2016 and 2.7 percent in the second-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 2.5 percent in each year in the period from 2016 through 2018.

The forecasters polled by Consensus Economics believe unemployment will average 4.9 percent in the first-quarter of 2016 before ticking down to 4.8% in the second-quarter.

According to the forecasters, consumer prices will rise at a rate of 1.5 percent in the first-quarter of 2016 and 2.1 percent in the second-quarter. They forecast consumer prices to increase 1.7 percent in 2016 before rising to 2.2 percent in 2017. The forecasters project producer prices to increase 1.3 percent in the first-quarter of 2016 and 2.4 percent in the second-quarter. They expect real disposable personal income to grow 2.9 percent in 2016 and 2.8 percent in 2017.

Impact on Valuation of ECHN and Related Assets

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 robust growth and increasing economic prospects for hospitals in areas that were hardest hit by the economic downturn, including the Eastern Connecticut markets of Manchester and Vernon.

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 ECHN and its related affiliates. 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[6]

As a primary provider of healthcare in the United States, hospitals are expected to generate $1.0 trillion in revenue in 2015. Revenue is expected to increase 3.7% per year on average since 2009, including growth of 4.4% in 2015. 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 3.9% to $1.2 trillion during the next five years. Average industry profit is estimated to rise over the same period from 6.6% to 8.0% of revenue, buoyed by cost-cutting efforts and the Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs. Still, reimbursement from Medicaid and Medicare will be strained while the federal government seeks to finance healthcare reform and individual states deal with budget deficits.

Healthcare reform may also have the long-term effect of driving some patients away from hospitals altogether. Hospitals are particularly expensive healthcare settings, and as Medicare and Medicaid begin imposing penalties for readmission, home healthcare will likely become more popular, eventually reducing demand for industry services. Technology will support this trend, as EHR and telemedicine apps enable patients to share information with healthcare providers from the comfort of their own homes.

[6] Hospitals in the US, IBIS World Industry Report 62211, August 2015

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

The recession slightly reduced patient volumes, as individuals lost access to health insurance and decreased disposable income limited patients' ability to pay for services out of pocket. However, industry services are largely nondiscretionary, so many patients simply accepted care they could not afford, and profit margins for the average industry hospital fell as low as 6.0% in 2011. As industry operators moved to regain profit, many hospitals increased their prices for medical care. 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 7.2% in 2015.

Consolidation and Reform

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 has 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 an outsize 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. Operators are also closing underperforming hospitals. In the last five years, the total number industry enterprises is expected to decline at an average rate of 0.9% per year to 2,921 at the end of 2015. 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 60.0% 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, during the five years to 2015, 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. Because 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 3.2% to $346.8 billion in the five years to 2015, industry employment has grown just 1.2% per year on average to 5.5 million people.

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

Cash-poor 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 2020. 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 during the next five years, reducing the number of industry operators an average of 0.3% per year to 2,876 in 2020. The total number of industry hospitals will decrease concurrently, albeit at the slower annualized rate of 0.3% to 5,358 in 2020.

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 during 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 enhance wages and benefits to recruit and retain nurses and other medical support personnel. Moreover, they may hire more expensive temporary or contract employees. As a result, IBISWorld expects industry spending on wages to increase an annualized 4.3% in the next five years to $427.2 billion.

Impact on Valuation of ECHN and Related Assets

As an unaffiliated hospital, the Health System 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 health system, 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 Health System's current financial condition and limited access to capital, the Health System's projected performance will likely lag the industry and the Health System will face a difficult environment to operate long-term 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 Health System. The following sections provide: (i) an overview and general demographics of Tolland, Hartford, and Windham counties and the State of Connecticut (ii) overview of other area hospitals, (iii) industry outlook, and (iv) the impact on our valuation.

Demographic Overview

ECHN's facilities provides healthcare services to 19 towns in Eastern Connecticut. The following tables summarizes various demographic and economic statistics applicable to the counties and cities ECHN serves.[7]

County	Cities Included	Population	% of Population > age 65	Median Household Income	Unemployment Rate %	Poverty Rate %
Tolland	Andover, Bolton, Columbia, Coventry, Ellington, Hebron, Mansfield, Somers, Stafford, Tolland, Union, Vernon, Willington	151,367	14.0%	$80,529	4.6%	6.5%
Hartford	East Hartford, East Windsor, Glastonbury, Manchester, South Windsor	897,985	15.6%	$64,967	5.8%	11.6%
Windham	Ashford	116,198	14.7%	$59,333	5.8%	11.4%
Connecticut	N/A	3,596,677	15.5%	$69,461	5.3%	10.2%
United States	N/A	318,857,056	14.5%	$53,046	5.1%	15.4%

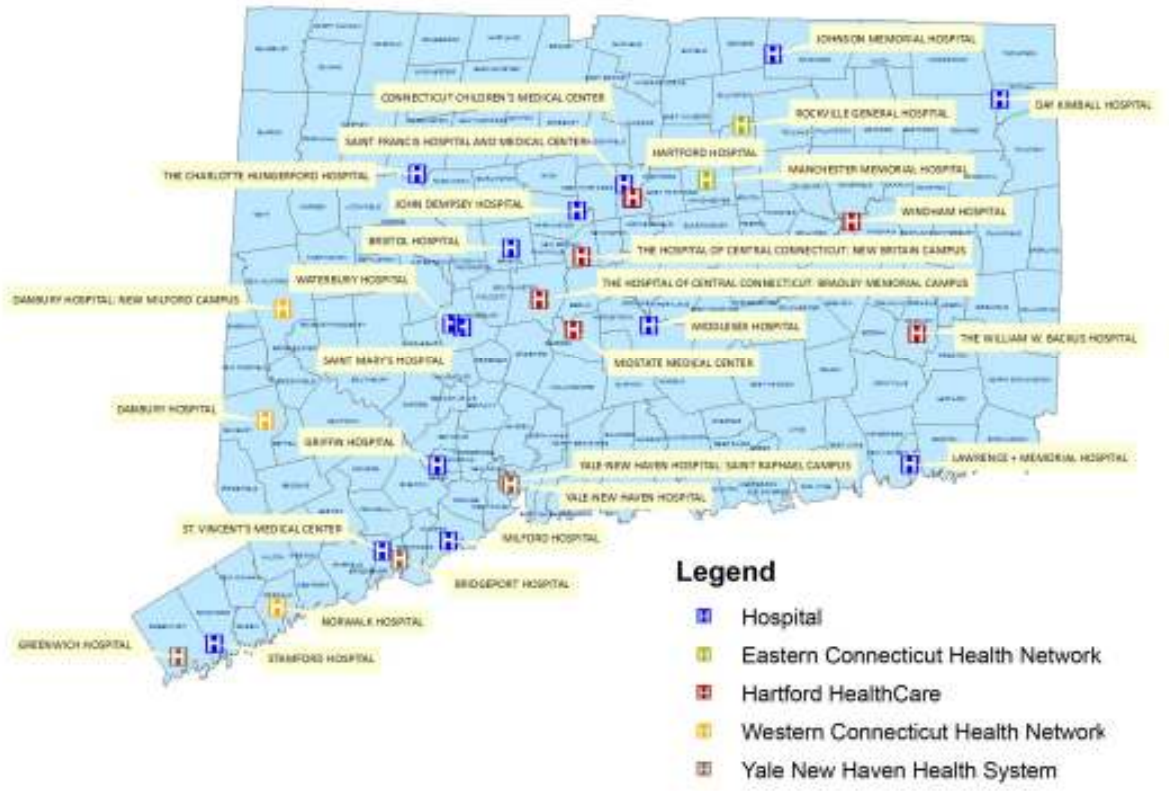
ECHN's combined service area reflects a population of approximately 1.2 million people. On measures of income, Tolland County ranks higher than the overall State of Connecticut, while Hartford and Windham counties rank below. Tolland County also has lower levels of poverty and unemployment than the overall State of Connecticut, though Hartford and Windham rank above the State in these statistics. In terms of its elderly population, the counties were similar to the overall State of Connecticut and national levels, but were significantly above in terms of income and had significantly lower poverty rates. Unemployment was above the national level of Windham and Hartford counties while Tolland County was below national unemployment.

Area Hospitals

ECHN's primary service area is the Eastern Connecticut region. These areas are serviced by a number of acute care providers similar to ECHN, as well as local physicians' offices and outpatient medical centers. The following table identifies competing hospitals which lie in ECHN's service area.[8] Nearby hospitals include Johnson Memorial Hospital, Windham Hospital, the Hospital of Central

[7] Statistics compiled from the US Census Bureau and the US Department of Labor Unemployment Statistics.
[8] Source: http://www.cthosp.org/advocacy/statewide-hospital-profile/

Connecticut: New Britain Campus, St. Francis Hospital and Medical Center, Connecticut Children's Medical Center, and John Dempsey Hospital.



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 establishes 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 hospital companies like Tenet Healthcare. 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 of its planned Connecticut deals citing 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 Valuation of ECHN and Related Assets

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

The state budget cuts adversely affect hospitals in the State of Connecticut as a decrease in state spending also reduces federal funding. This becomes an even larger issue when dealing with hospitals and health systems facing capital challenges such as ECHN. While the hospital may be able to alleviate some income challenges through cuts in variable expenses, funding necessary capital expenditures into the future becomes a challenge as operations weaken.

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

For each section below, Navigant performed an independent research and analysis that resulted in our findings and conclusions as of the Analysis Date or Valuation Date.

I. DUE DILIGENCE ANALYSIS

In this section, 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 our analysis, Navigant interviewed the following parties regarding the transaction due diligence process:

- Mr. Dennis McConville, ECHN SVP & Chief Strategy Officer
- Mr. Peter Karl, ECHN President & CEO
- Ms. Joy Dorin, ECHN Vice Chair Board of Trustees
- Dr. Dennis O'Neill, ECHN Chairman of the Board of Trustees
- Ms. Joyce Tichy, ECHN SVP & Chief Legal Counsel
- Mr. Mike Veillette, ECHN SVP & CFO
- Rebecca A. Matthews, Wiggin & Dana LLP
- Chris Regan, The Chartis Group
- Keith Dickey, The Chartis Group
- Todd Kaltman, Duff & Phelps
- Nick Tarditti, Duff & Phelps

In addition, Navigant reviewed the various materials, including but not necessarily limited to:

1) The ECHN and Prospect Medical Holdings Certificate of Need Application for a Proposed Asset Purchase dated October 13, 2015 (the "Application") and in particular Response 5 (pp 35-43) that described the process undertaken by ECHN in pursuing a strategic partner and eventually the Proposed Transaction;
2) The supplemental responses to the Application completeness letters dated November 23, 2015 and December 24, 2015;
3) Draft Asset Purchase Agreement between Eastern Connecticut Health Network, Inc. and Prospect Medical Holdings, Inc.;
4) Engagement Letter between Chartis Group and ECHN dated January 16, 2012;
5) Engagement Letter between Duff & Phelps, LLC an ECHN dated August 14, 2015;
6) Supplemental presentation by Prospect Medical Holdings dated March 28, 2016 and presented at the ECHN public hearings on March 29 & 30, 2016;
7) Duff & Phelps' Fairness Opinion Letter and related "Eastern Connecticut Health Network Fairness Analysis" presentation dated September 9, 2015
8) List of ECHN Board of Director meeting dates (Although requested by Navigant, ECHN representatives did not provide Board meeting minutes)

Findings and Conclusions

Based on the conditions, limitations, and qualifications contained herein and the interviews and document reviews described above, it appears that the ECHN Board undertook an extensive and diligent process to explore potential strategic options and identify strategic and capital alternatives that would enable it to address its relatively weak financial position and continue its mission of providing quality healthcare to the Manchester and Rockville/Vernon communities.

The process extended over a four (4) year period from 2011 to 2015 and includes the retention of the Chartis Group, a national advisory healthcare advisory firm. In connection with this process, the ECHN Board pursued discussions with multiple potential 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

ECHN has had financial difficulties since 2001, generating annual net income losses while contending with significant debt service and pension related liabilities. While generating positive operating cash flows since 2011, ECHN's ability to meet both its debt service and pension related liabilities have been challenging, with ECHN reporting negative net income in 2011, 2013 and 2015.

ECHN management stated that it has implemented a number of cost cutting initiatives over the years to mitigate these trends, but at the expense of deferring needed infrastructure improvements. These included hiring freezes, wage freezes, eliminating defined contribution match, reductions in force, a reduced workweek of 37.5 hours, LEAN program initiatives and group purchasing initiatives. With the passage of the Patient Protection and Affordability Act of 2010 ("PPACA"), ECHN's finances were

further strained through reductions in federal and state government reimbursements for services, added requirements to participate in new payment models requiring higher levels of care coordination, and state supplemental payment challenges.

As a result of these developments, in September 2011, the ECHN board authorized the creation of a workgroup to study the impact of the PPACA on ECHN and to evaluate whether benefits would be realized by affiliating with another healthcare system or whether ECHN should remain independent.

- In November 2011, ECHN assembled its workgroup consisting of Trustees, Corporators, medical staff members and key executives. The workgroup hired the consulting firm The Chartis Group, LLC, a national healthcare consulting firm, to assist the workgroup in its evaluation.
- The workgroup began its study in December 2011, and met several times over the ensuing months with various constituents and prospective partner organizations to gain their perspectives on ECHN, its current state, and future.
- In September 2012, the workgroup presented its initial findings to the ECHN board, concluding that affiliating with a larger health system would help ECHN in i) attracting patients and providers based on quality, service, accessibility and affordability; ii) enhancing physician retention and recruitment; iii) improving ECHN's financial position; and iv) coordinating care to manage risk and participate in new payment vehicles.
- Following the presentation, the ECHN board voted to pursue an affiliation and tasked the workgroup with evaluating potential partners and developing key affiliation terms.
- By year end 2011, ECHN had a net income loss of $1.3 million, the first year the new State of Connecticut hospital tax had been implemented. Further, as a result of reduced patient volumes in 2012 and shifts in payer mix to exchange and Medicaid payers as a result of the PPACA, ECHN was projecting net income losses of $6 million per year in 2014 and 2015. Given these significant financial challenges, ECHN management concluded that partnering with another healthcare organization would be essential to maintaining its long term financial viability.

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 ECHN Board, as described above, indicate that the ECHN Board exercised due diligence in i) evaluating ECHN's financial and operating and strategic position and ii) deciding to approve a potential sale of its assets as a viable option to preserve the long-term viability of the Health System.

b. Exercise of due diligence in selecting the purchaser

Beginning in 2012, the ECHN 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[9] included:

[9] See Section 5 (pp 35-43) from ECHN and Prospect Medical Holdings Certificate of Need Application for a Proposed Asset Purchase dated October 13, 2015 describing such steps.

- Between November 2012 and April 2013, the workgroup worked with The Chartis Group to develop Requests for Proposals ("RFP"'s) to three non-profit health systems and three for-profit health systems.
- The workgroup received and considered four indications of interest, and members of the workgroup met with each respondent for further detail on the proposal submitted, followed up with formal requests for clarification/additional information, conducted site visits to facilities operated by those healthcare systems and performed due diligence for each of the respondents.
- In April 2013, the workgroup made a formal presentation to the ECHN board of the proposals received and the board was asked to consider whether i) the proposals made would meet ECHN's needs and ii) whether other options should be considered. The board determined that other alternatives were unlikely and that further evaluation should be undertaken regarding the proposals received to date.
- On April 27, 2013, the ECHN board authorized the creation of a formal Board Transaction Committee to consider all proposals and evaluate their benefits and risks. The Transaction Committee carefully considered all proposals and also reviewed reverse due diligence information prepared by The Chartis Group.
- In June 2013, the Transaction Committee reviewed final information from the respondents and made its recommendation and report to the ECHN board. Their recommendation was to proceed with a proposal by a joint venture arrangement between Yale New Haven Health System ("YNHHS") and Vanguard Health Systems, Inc. ("Vanguard") (the "JV") in which the JV would acquire all or substantially all of the assets of ECHN. The Board considered and approved the recommendation of the Transaction Committee.
- On June 24, 2013, ECHN was informed by Vanguard that it was to be acquired by Tenet, but that Tenet intended to proceed with negotiating a letter of intent for the acquisition with ECHN.
- In July of 2013, the ECHN board considered the diligence review of Tenet conducted by the Transaction Committee and a proposed Letter of Intent. As a result of that review, the Board approved the Letter of Intent and it authorized management, in consultation with the Transaction Committee, to proceed to negotiation of a definitive APA.
- The letter of intent was executed among ECHN, YNHHS and Vanguard on August 8, 2013. Following its execution, the parties conducted confirmatory due diligence and negotiated an APA which was executed by the ECHN board on April 9, 2014. On October 24, 2014, a certificate of need application for the acquisition of ECHN by the JV was filed with the Office of Attorney General and with the Office of Health Care Access.
- On December 11, 2014, Tenet informed ECHN that it was withdrawing its certificate of need application for the acquisition of ECHN, citing the proposed regulatory conditions that had been placed on its application to partner with Waterbury Hospital.
- While waiting to see if Tenet would return to Connecticut, the ECHN board reaffirmed its need for an affiliation partner and on January 6, 2015, sent letters requesting expressions of interest to five health systems. ECHN in turn received letters back from four Connecticut based systems expressing interest.
- On February 6, 2015, RFPs were sent to the health systems that had expressed interest and to two out-of-state systems that had approached ECHN with interest in an affiliation. On March 16, 2015, three proposals were received.

- The proposals were evaluated by the Transaction Committee against selection criteria approved by the ECHN board. Criteria included their ability with respect to ECHN's financial needs, its obligations to creditors, antitrust considerations and state regulatory acceptance for a hospital conversion.
- The Transaction Committee then met with each respondent for further detail on the proposals and followed up with formal requests for clarification/additional information on April 10, 2015. Following this, the Transaction Committee conducted reverse due diligence on each respondent, reviewing financial, quality, and corporate compliance data. The Transaction Committee also conducted site visits of affiliated hospitals recently acquired or merged with the respondents, meeting with leadership, members of medical staffs and employees of each organization.
- On May 7 and May 14, 2015, two teams of Transaction Committee members and ECHN executives toured Prospect Medical Systems, Inc. ("PMH") Culver City Hospital in Los Angeles, California, meeting with representatives in the areas of governance, medical staff leadership and administration. On June 8, 2015, members of the Transaction Committee and ECHN executives visited CharterCARE Health Partners ("CharterCARE") in Providence, Rhode Island, a PMH affiliated facility. There was a discussion regarding CharterCARE's transaction experience, the PMH organizational culture and PMH's implementation of PMH's CRC Model at CharterCARE.
- On June 1, 2015, requests were made to each of the respondents for best and final offers. At its June 16, 2015 meeting, the Transaction Committee reviewed the information from the respondents and it was agreed that ECHN would negotiate solely with PMH to address open items in their proposed APA.
- On June 22, 2015, the Transaction Committee reviewed and discussed the Letter of Intent and APA negotiated with PMH, and recommended unanimously that the board accept PMH's proposal. On June 25, 2015, the ECHN board met to discuss the Transaction Committee's recommendations and surrounding due diligence. Following the discussion, the ECHN board unanimously approved the Letter of Intent and APA in substantially the same form presented. On July 29, 2015, the Letter of Intent and APA was approved by ECHN's Corporators.
- Subsequent to the signing of the LOI, the ECHN 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 ECHN Board met to discuss the implications. Due diligence was performed including reviewing PMH's current efforts to remedy the deficiencies, detailed phone conversations with PMH, and a quality team site visit to CharterCARE in Rhode Island. Upon completion of due diligence, the Board conducted a special meeting to address the concerns and concluded that their concerns were satisfactorily answered.

Based on the series of actions described in this subsection (b), our discussions with ECHN representatives, and the conditions, limitations, and qualifications described herein, it appears that the ECHN Board exercised due diligence in selecting PMH as the entity that would purchase ECHN's assets.

c. Obtaining a fairness opinion from an independent person expert in such agreements[10]

The Transaction Committee engaged Duff & Phelps to provide a fairness opinion related to the Proposed Transaction. In selecting Duff & Phelps to perform the fairness opinion, the Transaction Committee considered the advice of Ropes & Gray LLP, its transaction counsel and received additional recommendations by the Chartis Group. In total, five firms were solicited for bids to provide a fairness opinion including Goldman Sachs, DGA Partners, Cain Brothers, Duff & Phelps, and Principle Valuation.

Duff & Phelps was selected based on their favorable reputation in the healthcare fairness opinion marketplace and the strong recommendation from Ropes & Gray LLP. Duff & Phelps is a national and global provider of fairness opinions, with a dedicated healthcare practice. In connection with rendering its fairness opinion, Duff & Phelps evaluated traditional valuation methods, including a discounted cash flow and market multiples, and assigned a 50/50 weighting to each approach. On September 8, 2015, the Transaction Committee met to review the fairness opinion prepared by Duff & Phelps.

Navigant reviewed Duff & Phelps' fairness opinion analysis and held telephone discussions with the Todd Kaltman and Nick Tarditti who performed the analysis in order to gain an understanding of the methodology and key assumptions.

Duff & Phelps compensation for the services was based on a fixed fee and was not contingent on the closing of the Transaction, indicating a level of independence and objectivity in rendering its opinion.

Based solely on our review of the Duff & Phelps fairness opinions and supporting analyses presented by Duff & Phelps, Navigant confirms that the ECHN 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 expert (based solely on the representations contained in Duff & Phelps conflict of interest/financial disclosure forms, its fairness opinion letter and report).

Based on Navigant's review of the Duff & Phelp's fairness opinion, we make note of the following:

- **Duff & Phelps considered three valuation methods in its fairness opinion (discounted cash flow, guideline company, and M&A transaction). Based on their analysis, Duff & Phelps developed a mid-point estimate of $57.1 million for the Health System.**
- **In addition, Duff & Phelps utilized a market approach and a capitalized cash flow approach to estimate the value of ECHN's joint venture interests at $13.1 million. The total fair value of ECHN's business enterprise (including the joint venture interests) estimated by Duff & Phelps was $70.2 million.**

[10] The description of the process undertaken by ECHN to obtain a fairness opinion as well as the actual fairness opinion and supporting analyses are provided in Section 7 (pp 47-48) and Exhibits Q7-2, Q7-3, and Q7-4 (pp 798-841) from the ECHN and Prospect Medical Holdings Certificate of Need Application for an Asset Purchase dated October 13, 2015.

- **Duff & Phelps did not develop an asset-based valuation approach.**

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

As highlighted in subsection (b) above, the ECHN 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 ECHN Board undertook the following steps:[11]

- Retained The Chartis Group, an experienced healthcare consulting firm, to orchestrate a competitive solicitation process.
- Appointed a Transaction Committee to work with The Chartis Group in evaluating proposals and developing various levels of reverse due diligence on certain respondents which included on site visits and interviews with management.
- In its second round of RFPs, the Transaction Committee, with the assistance of the Chartis Group solicited a total of six health systems of which three sent responses back.
- With respect to each proposal, ECHN provided a template affiliation agreement and asset purchase agreement reflecting ECHN's contract requirements. ECHN asked all respondents to include any requested or required changes to the templates with their proposals. In addition, ECHN asked respondents to answer the following questions within their proposal:
  1. How the affiliation would help ECHN to achieve its vision and goals, with a focus on access to care, medical staff integration, clinical quality, safety, service and patient satisfaction.
  2. Proposed form or structure of affiliation (e.g., merger, acquisition of assets, member substitution or joint venture).
  3. Financial terms of affiliation, including proposed treatment of ECHN's existing debt, consideration, and future capital commitments.
  4. Proposed governance and management structure.
  5. Plans for retention of employees.
  6. Commitments to continuing and expanding services.
  7. Proposed timing, required regulatory approvals, and material contingencies.
  8. If the organization was subject to any religious or ethical restrictions that would apply to ECHN post-closing and, if so, how ECHN would continue to meet the needs of its community in the event the restrictions applied.
- The Transaction Committee evaluated each proposal against the strategic, financial, and operational goals of ECHN, any antitrust considerations and state regulatory requirements for a hospital conversion. Based on these considerations, the Transaction Committee unanimously approved PMH as being the best health system to partner with.
- On June 25, 2015, after consideration of the risks and uncertainty of each potential partner, and the due diligence performed on each, the ECHN board unanimously approved PMH's letter of intent and APA.
- Pursuant to the signing of the APA, ECHN management negotiated for terms to maximize the value to the Health System.

[11] See Section 5 (pp 18-22) from ECHN and Prospect Medical Holdings Certificate of Need Application for an Asset Purchase dated October 13, 2015.

- The transaction with PMH provided for deal terms consistent with the failed Tenet acquisition. After Tenet withdrew, ECHN conducted their search in an expedited manner, and considered that they had a more limited set of potential suitors. Therefore, ECHN management and Board believed that attaining a similar set of deal terms would be favorable to the Health System.
- PMH also agreed to increase the purchase consideration by up to $10 million in the event that ECHN does not have sufficient cash to close the transaction. The increase would be offset by a corresponding reduction in the $75 million capital commitment amount. Management strongly felt that this increased the probability of being able to close the transaction, even if unforeseen events occurred that would further weaken its financial position.
- Upon signing the LOI, ECHN was in negotiations to secure additional financing. If the assumable loan had been attained, then the purchase price would have been increased by $10 million. Ultimately, this financing was not secured as lenders were unwilling to extend ECHN additional credit.

Based on the series of actions described in subsection (d) above, our discussions with ECHN representatives, and conditions, limitations, and qualifications contained herein, it appears that the ECHN Board exercised due diligence in negotiating the terms of the Proposed Transaction. Navigant would also note that ECHN had limited leverage for negotiations given its relatively weak financial condition, but was able to negotiate a transaction that recapitalized ECHN to stabilize current operations and provide a source of capital for long term growth.[12]

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 ECHN and PMH dated October 13, 2015 and in particular Response 6 (pp 43-47) that described the process undertaken by the ECHN and PMH for identifying conflicts of interest;
2) Exhibit Q6-1 to the Application that contains i) the August 2015 Conflict of Interest disclosures from ECHN Board of Directors, senior executives and experts advising on the Proposed Transaction, and ii) the August 2015 Conflict of Interest disclosures from PMH's Board of

[12] See Section 5 (pp 18-22) from ECHN and Prospect Medical Holdings Certificate of Need Application for an Asset Purchase dated October 13, 2015.

Directors, senior management and advisors who have a direct involvement in the Proposed Transaction;

During August 2015, conflict of interest and financial disclosure forms were prepared and disseminated to: i) the Board of Trustees of ECHN, MMH, RGH, ECHN Eldercare Services Inc., and Visiting Nurse and Health Services Connecticut, Inc.; ii) experts consulted with respect to the Proposed Transaction; and iii) senior executives of ECHN and PMH who had direct involvement in the Proposed Transaction.

The 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 the transaction, ECHN, PMH or in any entity associated with the principals involved in the transaction.

Findings and Conclusions

The following summarizes the conflicts of interest and related financial disclosures information for all persons identified in i), ii) and iii). Based on our review of the conflict of interest and disclosures forms, no individual had expressed having any financial or other beneficial interest in the transaction that would appear to compromise their objectivity and independence based on the Conflict of Interest Forms reviewed by Navigant.

ECHN Conflict Of Interest and Disclosures

Name	Affiliation	Conflicts/Disclosures (1)
Gordon Brodie, MD	ECHN Trustee	None
Thomasina Clemon	ECHN Trustee	None
Michele Conlon, MD	ECHN Trustee	None
Joy Dorin	ECHN Trustee	None
Louise C. England	ECHN Trustee	None
Donald S. Genovesi	ECHN Trustee	None
David H. Gonci	ECHN Trustee	None
Rebecca D. Janenda	ECHN Trustee	None
Peter Karl	ECHN Trustee/Senior Management Team	None
Eric Kloter	ECHN Trustee	None
Pamela Lewis, MD	ECHN Trustee	None
Kathleen O'Neill	ECHN Trustee	None
Dennis O'Neil	ECHN Trustee	None
Keith J. Wolff	ECHN Trustee	None
Natalie Cook	ECHN Senior Management Team	None
Nina Kruse	ECHN Senior Management Team	None
Linda Lemire	ECHN Senior Management Team	None
Dennis McConville	ECHN Senior Management Team	None
Linda Quirici	ECHN Senior Management Team	None
Joel Reich, MD	ECHN Senior Management Team	None
Edward Roberts	ECHN Senior Management Team	None
Todd Rose	ECHN Senior Management Team	None
Joyce Tichy	ECHN Senior Management Team	None
Michael Veillette	ECHN Senior Management Team	None
Gregory Williams	ECHN Senior Management Team	None
Susan Breslau	ElderCare Services Board	None
Richard Bundy	ElderCare Services Board	None
David Engleson	ElderCare Services Board	None
Joanne Renee Irvin	ElderCare Services Board	None
Marianne Lassman-Fisher	ElderCare Services Board	None
Rev Donald Miller	ElderCare Services Board	None
Irene Quong-Conlon	ElderCare Services Board	None
Americo Rodrigues	ElderCare Services Board	None
Kathleen Stavens	ElderCare Services Board	None
Krystal Anderson	ElderCare Senior Management Team	None
Margaret Candito	ElderCare Senior Management Team	None
Catherine Collette	ElderCare Senior Management Team	None
Janet Gallugi	ElderCare Senior Management Team	None
Paul Golino	ElderCare Senior Management Team	None
Rosemary Harding	ElderCare Senior Management Team	None
Christine McGuire	ElderCare Senior Management Team	None
Katherine Mon	ElderCare Senior Management Team	None

(1) A general provision in the asset purchase agreement offered at-will employment at PMH to substantially all employees of ECHN. Beyond this very general provision, no individual had any conflicts of interest or financial interests that would appear to affect their objectivity and independence.

ECHN Conflict Of Interest and Disclosures Continued

Name	Affiliation	Conflicts/Disclosures (2)
Melinda Agsten	Advisor	None
Jonathan Barry	Advisor	None
Aaron Bayer	Advisor	None
David Blackwell	Advisor	None
Cody Braithwaite	Advisor	None
Leslie DesMarteau	Advisor	None
Keith Dickey	Advisor	None
Adam Eckart	Advisor	None
Merton Gollaher	Advisor	None
Patrick Griffin	Advisor	None
Thomas Hurley	Advisor	None
Thomas Kaltman	Advisor	None
Rebecca Matthews	Advisor	None
Michael McDonough	Advisor	None
Anne Ogilby	Advisor	None
David Peloquin	Advisor	None
Lisa Pelta	Advisor	None
R. Christopher Regan	Advisor	None
Joseph Simpson	Advisor	None
Louis Spadaccini	Advisor	None
Nicolas Tarditti	Advisor	None
Lori Stone	Advisor	None
Jane Willis	Advisor	None
Mark Wilson	Advisor	None

(2) The advisors and counsel to the transaction were compensated for their services. However, there were no other conflicts of interest or financial interests that would appear to affect their independence and objectivity.

PMH Conflict Of Interest and Disclosures

Name	Affiliation	Conflicts/Disclosures
Alyse Wagner	Director, BOD	None
John Baumer	Director, BOD	None
Michael Solomon	Director, BOD	None
Sam Lee	Chairman, BOD; CEO, PMH	None
Dr. Jeereddi Prasad	Director, BOD, President, ProMed	None
Dr. Mitchell Lew	President, PMH	None
Steve Aleman	CFO, PMH	None
Ellen Shin	General Counsel & Secretary, PMH	None
David Topper	President, Alta	None
Jonathan Spees	SVP, M&A, PMH	None
Von Crockett	SVP, Corporate Development, PMH	None
Steve O'Dell	SVP, CRC, PMH	None
Thomas Reardon	President, Prospect East	None
Gary Herschman	PMH Advisor, Epstein, Becker	None
Michele Volpe	PMH Advisor, Berstein, Volpe	None
Jay Krupin	PMH Advisor, Baker Hostetler	None
Elizabeth Dold	PMH Advisor, Groom Law Group	None
Alan Weiss	PMH Advisor, Lockton	None
Jim Tinyo	PMH Advisor, Keenan	None
Arthur Rains-McNally	PMH Advisor, Milliman	None
Chris Kujawa	PMH Advisor, Ernst & Young, LLP	None
Rosemary Free	PMH Advisor, Ernst & Young, LLP	None

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.

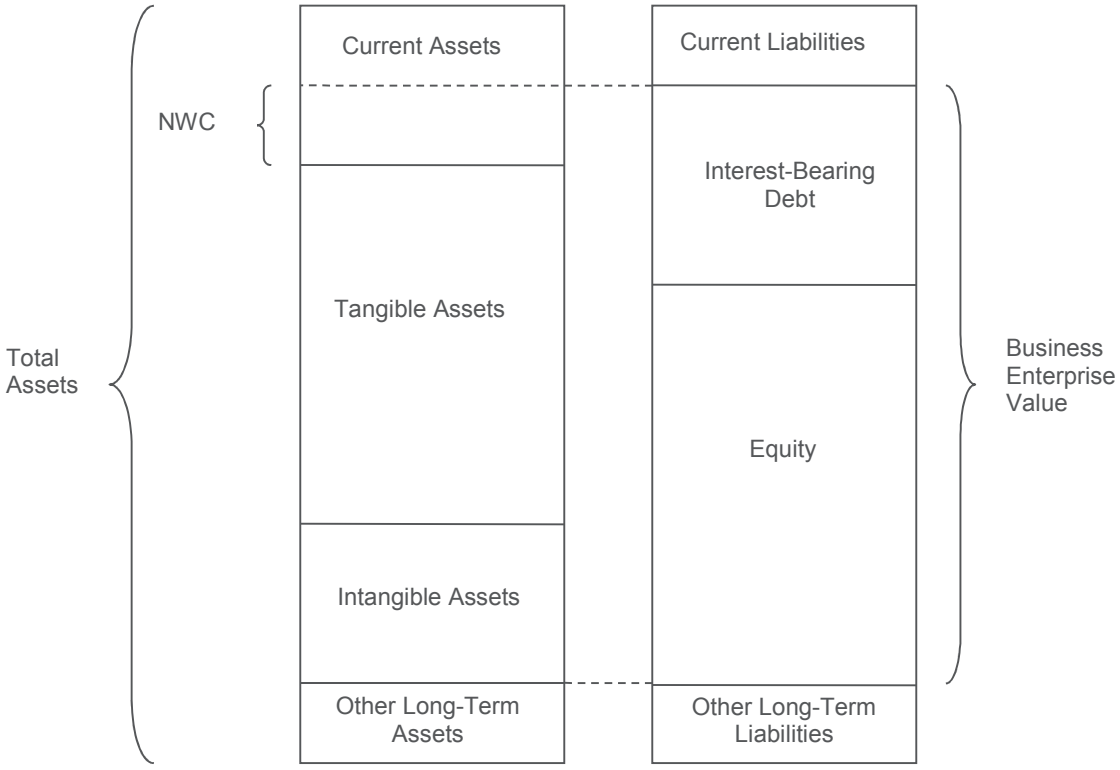
Nonprofit Hospital Conversion Act §§ 19a-486c:

> *…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 ECHN 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 ECHN Community HealthCare Foundation ("ECHF")
- 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, ECHN's health benefit plan for retirees, ECHN's captive insurer liabilities of Connecticut Healthcare Insurance Company ("CHIC") and worker's compensation obligations. It is also been determined that all of ECHN's joint venture interests will be included in the Potential Transaction.

In estimating the FMV of the Health System's assets to be included in the Potential Transaction, Navigant conducted various procedures, including but not limited to the following:

- Review and analysis of relevant documents and data provided by ECHN management regarding ECHN, 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 ECHN;
- On-site interviews with the management of ECHN concerning:
    - the nature and operations of the business, including the historical financial and operational performance of ECHN;
    - existing business plans, future financial and operating performance estimates, and budgets for ECHN;
    - 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 ECHN by Navigant professionals to view the Health System's hospital facilities 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 ECHN'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 ECHN operates;
- Analysis of the performance and market position of ECHN relative to its competitors;
- Analysis of the earning capacity of ECHN;
- Consideration of goodwill or other intangible value;
- Analysis of financial data of similar publicly-traded companies or transactions;
- Valuation analysis of ECHN utilizing accepted valuation methodologies including (as appropriate and applicable):
    - Discounted Cash Flow Method
    - Similar Transactions Method
    - Guideline Company Method
    - Adjusted Net Assets Method; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at our conclusions; and

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 Nonprofit Hospital Conversion Act, the nonprofit status of the ECHN, 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.

Nonprofit 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[13]:

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 Health System'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 Health System'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 possible. In such cases, the valuation exercise may focus on a FMV analysis under a Value-In-Place

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

or Value in Exchange premise as described above utilizing a market and/or asset-based approach.

While ECHN has experienced marginal profitability to significant net income losses historically, it has generated positive cash flow. However, in the absence of an affiliation, ECHN management projects future net income losses and continued cash flow challenges due to the need for capital expenditures to maintain and grow its asset base to remain competitive and to meet community needs.

Based on our analysis and discussions, we concluded that ECHN and its assets should be valued under the premise of **Value-In-Continued Use, as Part of a Going Concern**. In addition, we performed a supplemental asset-based valuation approach to add additional support that the hospital will receive at least FMV for its assets under the Proposed Transaction. Accordingly, all valuation methods and approaches, including the income and market approaches, were considered in our FMV analysis of ECHN.

Valuation Analysis

In completing our valuation analysis, we performed the three generally accepted approaches to value: income, market, and cost. The detail regarding each of these approaches is outlined in the section below:

Income Approach

Discounted Cash Flow Method

The DCF method estimates the FMV of an entity based on expected future economic benefits discounted to present value at a rate of return commensurate with the risk of the investment. ECHN management provided information and assumptions upon which projections for the ECHN are based. Projected debt-free net cash flows ("DFNCF") for ECHN were discounted to present value using an estimated weighted average cost of capital ("WACC"), reflecting returns to both equity and debt investors. Debt-free net cash flow is defined as:

+ Debt-Free Net Income
+ Depreciation and Amortization
- Capital Expenditures
+/- Changes in Net Working Capital Requirements
= Debt-free Net Cash Flow

The annual DFNCFs during the discrete projection period are discounted to present value. Under the premise of a going concern, the cash flow stream of the business is expected to continue for the foreseeable future. The stabilized cash flow (or terminal value) attributable to the business enterprise is estimated, capitalized and discounted back to present value. The sum of the discounted annual net cash flows plus the terminal year value represents the FMV of the subject business enterprise.

The terminal value represents the prospective value at the end of the discrete time period and is calculated by dividing the net cash flow available for distribution in the terminal year by an appropriate capitalization rate, which assumes a constant growth rate into perpetuity. This calculation is known as the Gordon Growth Model and is shown arithmetically below:

$$TV = \frac{CF_t}{K - g}$$

where:

TV = Terminal Value
CFt = Normalized DFNCF
K = Discount Rate (WACC)
g = Sustainable Long-Term Growth Rate

DCF Assumptions

In developing projections, we relied upon financial projections provided by ECHN management. The following details the assumptions used in determining after-tax debt free net income:

Revenues

Our revenues projections are detailed in Exhibit B-3 and summarized as follows:

- Revenue projections for the years 2016 through 2019 were provided by management. In our analysis, we separately valued ECHN's joint venture interests using the market approach. Accordingly, we excluded Management's forecast of income from joint venture interests from the projected revenue stream.

- Net patient revenue is projected to be $290 million in 2016, $299 million in 2017, $306 million in 2018 and $312 million in 2019.

- Other operating revenue is projected to remain flat over the forecast horizon at $12.9 million, while net assets released from restrictions is projected to be $648 thousand in 2016, and $275 thousand each year thereafter through 2019.

Expenses

- Projected operating expenses were provided by Management. Overall, operating expenses are projected to be approximately 96 percent of revenues over the forecast horizon, as compared to 96 to 98 percent of revenues in the years 2013 through 2015.

Capital Expenditures and Depreciation

Capital expenditure estimates were based on comparison to guideline company levels and discussions with Management regarding current and future capital expenditure needs. Based on peer comparisons, capital expenditure levels generally run between 5 and 6 percent of net revenues. However, given the limitations of ECHN's available cash flow to finance debt repayment and other cash operating needs, we have projected a 1.5% annual capital expenditure level. Projections of depreciation were based on age and life estimates of existing fixed assets and future capital expenditures. Our capital expenditure and depreciation forecast is detailed in Exhibit B-5.

Income Taxes

Though ECHN is a non-profit corporation, its earnings stream was tax affected given that likely market participants would be for-profit corporations subject to taxes. Accordingly, the value to a willing buyer would need to consider income taxes in the cash flow projections. Income taxes were estimated to be 40.9% based on a blending of federal and Connecticut state corporate income tax rates.

Working Capital Requirements

Based on an analysis of guideline companies and the ECHN's historical trends in cash-free, debt-free working capital, we estimated working capital requirements to be approximately 9.0% of the change in total net revenue.

Perpetuity Growth Rate

Based on an analysis of the industry and discussions with ECHN management, a sustainable long-term revenue growth rate of 2.0 percent was assumed for the perpetuity cash flow calculation.

Discount Rate - Weighted Average Cost of Capital ("WACC")

The magnitude of a discount rate is related to the perceived risk of the investment as well as current capital costs. The concept of risk involves an investment situation, which lies between complete certainty of monetary return (no risk), and complete uncertainty of monetary return (infinite risk). When an investor contemplates two investments, each having the same expected monetary return, an investor would prefer the investment bearing the least risk. Therefore, the higher the risk, the higher the expected return.

The WACC measures the costs of debt and equity weighted by the percentage of debt and percentage of equity in a company's estimated target capital structure. The formula for calculating an after-tax WACC is:

$$WACC = \left(K_D \times (1 - t) \times \frac{D}{V}\right) + \left(K_E \times \frac{E}{V}\right)$$

SYMBOL	DESCRIPTION
Kd	Cost of debt financing
Ke	Cost of equity financing
D	Estimated market value of debt
E	Estimated market value of equity
V	Value of total invested capital (debt plus equity)
T	Assumed tax rate

Cost of Equity

The Capital Asset Pricing Model ("CAPM")[14] was utilized to estimate the return required by investors given a company's risk profile. The model is deployed arithmetically by the following equation:

$$K_E = r_f + (\beta \times rp_m) + R_c + R_s$$

SYMBOL	DESCRIPTION
Ke	**Cost of equity financing**
Rf	**Risk-free rate of return**: A risk-free rate of return is generally measured by the rate of return on U.S. Treasury securities. The yield on the 20-year U.S. Treasury security as of the Valuation Date was 2.20 percent.[15]
β	**Beta**: Beta is a measure of systematic risk, which represents the covariance of the rate of return on the subject company with the rate of return on the market. A beta coefficient of 1.00 implies that a company's return varies directly with the overall market. The unlevered beta chosen for ECHN was 0.66, based on an analysis of publically traded companies. After re-levering this beta based on ECHN's capital structure, the indicated beta coefficient was 1.05.
Rpm	**Market equity risk premium**: This premium is the excess of the market rate of return over the risk-free rate that investors have historically demanded for an investment in equities. Quantification of the market premium has been the subject of much research by security analysts. Findings stemming from the SBBI Cost of Capital Yearbook, 2015, indicate the total rate of return on large capitalization common stocks using supply side estimates exceeded the risk-free rate by an average of 6.19 percent for a long-term horizon.[16]
R_C	**Small company stock premium**: This premium is the average premium in excess of the cost of equity derived from the CAPM that the overall market investor requires to invest in a business with low market capitalization. Based on our analysis, the Company was categorized in the 10th decile for companies with market capitalization below $302 million using the SBBI Cost of Capital Yearbook, 2015. Therefore, we applied the 5.78 percent small stock premium.[17]
R_S	**Company specific risk premium**: This premium represents the additional risk specific to an investment in a company. We added a company specific risk premium of 5.0 percent to the cost of equity of ECHN to account for relatively low margins, ability to meet capital expenditure needs, state government payment uncertainty, and concentration of services in two markets. We believe that the selected company specific risk premium is appropriate due to the risk inherent in management's forecast of cash flows.

[14] W.F. Sharpe, "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk," *Journal of Finance*, 19:425-442 (September 1964); J. Linter, "The Valuation of Risk Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets," *Review of Economics and Statistics*, 47:13-37 (February 1965).

[15] Source: Federal Reserve Statistical Release, H.15, March 31, 2016.

[16] Source: Ibbotson Associates, Stocks, Bonds, Bills, and Inflation 2015 Yearbook.

[17] Source: Ibid

Based on the variables presented above, the rate of return on equity capital was calculated as follows:

Ke = 2.20%+ (1.05 * 6.19%) + 5.78% + 5.00%

= 19.5%

Cost of Debt

The pretax cost of debt for ECHN was determined based on the Baa corporate bond equal to 4.90%, as of the Valuation Date. As interest expense is deductible for income tax purposes, the pretax cost of debt was tax-affected to derive an after-tax cost of debt.

The rate of return on debt capital is calculated as follows:

Kd = 4.90% * (1 – 40.9%)

= 2.9%

Capital Structure

The estimated proportion of debt and equity financing is an important component of the WACC calculation. The capital structure was assumed to be 50.0 percent debt and 50.0 percent equity based on an analysis of the capital structures of publically traded companies in the same industry as ECHN.

The implied WACC of 11.0 percent was utilized to discount the future cash flow projections of the Center to the present value.

Joint Venture Analysis

As discussed in Section II, ECHN has several joint venture interests which are accounted for under the equity method of accounting. As of September 30, 2015, these interests were carried on the books at $18.2 million. To value the joint ventures, we relied on the market approach. We removed the income stream related to the joint ventures from our DCF forecast and applied relevant BEV/EBITDA multiples to each of ECHN's investment's share in EBITDA.

The multiples selected were based on a review of transaction data within the industry associated with each investment, and valuator experience. The details of this analysis can be found in Exhibit F-4. Additionally, several of ECHN's joint venture interests were real estate assets. The valuation of these assets is detailed in Exhibit F-3. Based on our analysis, the concluded value of ECHN's non-real estate joint venture interests was determined to be $13.2 million, while real estate related joint venture interests were determined to be $1.8 million.

Estimated Value Discounted Cash Flow Method

Based on the DCF method, as shown in Exhibit B-1, the indicated BEV value of ECHN including the value of joint ventures, on a marketable, controlling interest basis is $63,750,000 (rounded).

Market Approach – Guideline Company Method Overview

In our application of the guideline company method, we considered valuation multiples derived from public guideline companies that were identified as belonging to a group of industry peers and then calculated and applied selected multiples to ECHN's historical and projected financial metrics.

Guideline Company Research

In applying the guideline company method, we focused on identifying companies that operate in the same or a similar line of business as ECHN. We analyzed comparable companies with significant operations involving general acute-care hospitals.

Based on the above search criteria, we identified five companies as being comparable to ECHN to employ in our analysis. It should be recognized that it is impossible to identify publicly traded companies with operations that are identical to that of the ECHN, as no two companies are exactly alike. For purposes of our analysis, the guideline companies selected represented similar, but alternative investment opportunities to an investment in ECHN. The companies selected were not pure play comparable to ECHN primarily due to size and geographic diversification differences.

Application of the Guideline Company Method

After identifying the guideline company, we developed market-based valuation multiples related to BEV-to-TTM revenue and BEV-to-TTM EBITDA.

The application of the guideline company method includes: (i) the identification of reasonably similar publicly-traded companies operating in the same or a similar industry as ECHN as discussed above; (ii) analysis of the guideline companies' financial and operating performance relative to ECHN; (iii) calculation of market multiples for the selected guideline companies; (iv) adjustment of the market multiples for differences between the guideline companies and ECHN; and (v) application of the market multiples to ECHN's fundamentals to arrive at an indication of FMV.

The BEV-to-TTM revenue of our guideline companies ranged between 0.9 x and 1.7x with a median BEV-to-TTM revenue multiple of 1.0. The BEV-to-TTM EBITDA of our guideline companies ranged between 7.9x and 9.3x with a median BEV-to-TTM EBITDA multiple of 8.5x. BEV-to-NTM revenue multiples ranged from 0.8x to 1.5x with a median of 1.0x while BEV-to-NTM EBITDA multiples ranged from 6.7x to 8.9x with a median of 7.5x.

In our selection of the multiples, we also considered the comparability of the guideline company relative to ECHN and made adjustments for ECHN's size, geographical concentration in the state of Connecticut, and profitability. Based on our analysis, we applied a BEV-to-TTM EBITDA multiple of

4.6x and a BEV-to-NTM EBITDA multiple of 4.3x. We applied a BEV-to-TTM Revenue multiple of 0.2x and a BEV-to-NTM Revenue multiple of 0.2x.

Estimated Value by Guideline Company Method

Application of the multiples discussed above resulted in an estimate of value for the business enterprise of ECHN. The values represent the value of ECHN on a marketable, non-controlling interest basis.

In order to determine the value of ECHN on a marketable, controlling basis we applied a control premium of 10.0%, based on an analysis of control premiums paid in recent transactions in the industry, to arrive at an indicated business enterprise value for ECHN on a marketable, controlling basis. We then added the value of joint venture interests. Based on our analysis, as illustrated in Exhibit C-2, the indicated BEV of ECHN on a marketable, controlling basis, as of the Valuation Date, is approximately $70,344,000 (rounded).

Market Approach – Similar Transaction Method Overview

In our market approach analysis of ECHN, we also considered the Similar Transaction Method. The Similar Transaction Method is a market approach in which the FMV of a business is estimated by analyzing the prices at which companies similar to the subject have sold in controlling interest transactions (mergers and acquisitions). Target companies are compared to the subject company, and multiples paid in transactions are analyzed and applied to subject company data resulting in value indications. Similarity can be affected by, among other things, the product or service produced or sold, geographic markets served, competitive position, profitability, growth expectations, size, risk perception, and capital structure.

Similar Transaction Research

In applying the similar transaction method, we screened companies using published data the Irving Levin Transaction Database based on the following criteria: (i) transactions in the similar service line model; (ii) transactions occurring during the four years that preceded the Valuation Date; (iii) acquired interests representing a majority of common equity to reflect a controlling interest level of value; and (iv) with publicly available transaction information.

In our search, we identified one hundred and thirty-eight relevant transactions with published transaction data. However, all of the transactions were at least four years distant from the Valuation Date. We calculated a range of BEV-to-TTM Revenue and BEV-to-TTM EBITDA multiples produced under the transaction method. For the identified comparable transactions, the BEV-to-TTM Revenue multiples ranged from 0.0x to 9.0x with a median of 0.6x and the BEV-to-TTM EBITDA multiples ranged from 0.2x to 52.7x with a median of 9.1x. We additionally segmented the transaction data by date, revenues and profitability. Based on our analysis, we selected a BEV-to-TTM EBITDA multiple of 4.9x and a BEV-to-TTM Revenue of 0.2x. Our multiple selection was based on ECHN's lower profitability levels and growth prospects.

Estimated Value – Similar Transaction Method

We applied the selected multiple to ECHN's fundamentals to determine an indication of the value of ECHN's BEV on a marketable, controlling basis. We then added the estimated value of ECHN's joint venture interests. Based on our analysis, as illustrated in Exhibit C-1, the indicated BEV of ECHN on a marketable, controlling basis, as of the Valuation Date, is approximately $73,091,000.

Supplemental Asset-Based Valuation Approach

Navigant performed a supplemental asset-based valuation analysis to further support our overall assessment that PMH was not paying less than fair market value for ECHN's assets. As summarized previously, the premise of Value-in-Place 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 Health System's hospitals as general acute care hospitals with similar levels and types of services.

In order to estimate the FMV of the Health System's assets under the premise of Value-in-Place, we performed an independent fair market valuation of the Health System's real and personal property and added this to the Health System's current net working capital balance as of August 31, 2014. Please refer to Appendix C and D for details of Navigant's real and personal property FMV analyses. Summary of each analysis is provided in Exhibits F-2 and F-3. We then added the value of ECHN's joint ventures and the projected value of net working capital as of the valuation date of $21,130,000.

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. One intangible asset could possibly include the Health System's CON licenses. However, we understand that the Health System's CON licenses are not separable or transferrable apart from the Health System's real property. Accordingly, we determined the value of ECHN on a Value-In-Place premise did not support an intangible asset value of the CON licenses apart from the Health System's real property.

Asset-Based Conclusion

Based on a valuation of the Health System's assets under the premise of Value-In-Place, the indicated value of ECHN's business enterprise is approximately $101,847,000. A summary of the analysis is provided in Exhibit F-1.

Fair Market Valuation Conclusion

We primarily relied on the Discounted Cash Flow Method in order to estimate the FMV of ECHN and related affiliates with corroborative value indications from two market-based valuation methods. Based on our review of information provided to us, independent research and analysis, and our informed judgment, we estimate the FMV of the Health System's assets as follows:

Summary of Fair Market Value Going Concern Premise of Value	Weighting	FMV
Discounted Cash Flow	100%	$63,750,000
Guideline Company Method	0%	70,344,000
Similar Transaction Method	0%	73,091,000
Unadjusted ECHN Business Enterprise Value		$63,750,000
Less: Net Working Capital Adjustment		(2,870,000)
FMV of ECHN Business Enterprise (Going Concern)		**$60,880,000**

The consideration provided by Prospect to ECHN is summarized below:

Summary of Consideration		As of 2/29/2016
Purchase Price	(1)	$105,000,000
Working Capital Adjustment	(1)	(2,870,000)
Total Consideration		**$102,130,000**

(1) Per Asset Purchase Agreement. Working capital adjustment calculated as working capital contributed less targeted working capital of $24.0M.

As the purchase price of $105 million adjusted for the $2.9 million working capital deficit adjustment exceeds our estimated FMV indications, we conclude that ECHN will receive FMV for the Health System assets, as of the Valuation 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 ECHN's financial position and operations, as well as observations during our valuation and transaction analysis process, we found no indication that ECHN'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

PMH will not incur any debt financing to consummate the transaction. As such, there is no financing that would place the Health System's assets at unreasonable risk.

The proceeds from the Proposed Transaction will result in the settlement of ECHN's bond liabilities and other outstanding indebtedness. In addition, PMH will assume ECHN's unfunded pension liabilities, health benefit plan for retirees, captive insurer liabilities, and workers' compensation obligations. Any remaining proceeds will be used to settle post-closing liabilities and wind down the operations of ECHN.

PMH agreed to increase the purchase price for the assets by $10 million in the event that ECHN does not have sufficient cash to close the transaction, which increase would be offset by a corresponding reduction in the $75 million capital commitment amount.[18].

[18] As described in ECHN and PMH's Certificate of Need Application dated October 13, 2015 and supplemental responses to completeness letters dated November 23, 2015 and December 24, 2015.

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

It is not currently anticipated that there will be a management contract between PMH and ECHN as of the closing. Therefore, it was not necessary to perform a management fee valuation analysis[19].

[19] 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 ECHN;
- The ECHN and Prospect Medical Holdings Certificate of Need Application for a Proposed Asset Purchase dated October 13, 2015 (the "Application") and in particular Response 5 (pp 35-43) that described the process undertaken by ECHN in pursuing a strategic partner and eventually the Proposed Transaction;
- The supplemental responses to the Application completeness letters dated November 23, 2015 and December 24, 2015;
- Draft Asset Purchase Agreement between Eastern Connecticut Health Network, Inc. and Prospect Medical Holdings, Inc.;
- Supplemental presentation by Prospect Medical Holdings dated March 28, 2016 and presented at the ECHN public hearings on March 29 & 30, 2016;
- Engagement Letter between Chartis Group and ECHN dated January 16, 2012;
- Engagement Letter between Duff & Phelps, LLC an ECHN dated August 14, 2015;
- Duff & Phelps' Fairness Opinion Letter and related "Eastern Connecticut Health Network Fairness Analysis" presentation dated September 9, 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;
- In-person interviews with ECHN Management and Chairman of the Board:
    - Dennis McConville, SVP & Chief Strategy Officer
    - Peter Karl, President & CEO
    - Joy Dorin, Vice Chair Board of Trustees
    - Dr. Dennis O'Neill, Chairman of the Board of Trustees
    - Joyce Tichy, SVP & Chief Legal Counsel
    - Mike Veillette, SVP & CFO
- Telephone interviews with ECHN legal and financial advisors:
    - Rebecca A. Matthews, Wiggin & Dana LLP
    - Chris Regan, The Chartis Group
    - Keith Dickey, The Chartis Group
    - Todd Kaltman, Duff & Phelps
    - Nick Tarditti, Duff & Phelps

- “Selected Interest Rates,” Federal Reserve Statistical Reserve;
- “Economic Outlook Update Q4, 2015” Business Valuation Resources;
- Capital-IQ;
- U.S. Bureau of the Census;
- IBISWorld Industry Report, Hospitals in the US, August 2015;
- 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. **Going Concern Assumption, No Undisclosed Contingencies** – Our analysis: (i) assumes that as of the valuation date the Company and its assets will continue to operate as configured as a going concern; (ii) is based on the past and present financial condition of the Company and its assets as of the valuation date; and (iii) 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

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. 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

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.

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:

- Fixed asset record ("FAR") provided by Management with historical cost and acquisition date information;
- Third party inventory of the Subject Assets with information such as Location, Department, Room, Barcode Asset Number, Floor, Asset Description, Manufacturer, Model No.
- Historical invoices of personal property assets for major assets;
- Capital leases;
- Equipment maintenance contracts;
- Electronic medical record and third party software specifications;
- Data center equipment hardware specifications;
- Health System floor plans;
- Photographs of personal property
- Physical inspection of a sampling of the assets in order to verify fixed asset records and to determine the quality, condition, and utility of the personal property.
- 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. Inventory was estimated at cost based on the value on the balance sheet. Our analysis is limited only to the assets described above.

Assets Valued

The personal property assets valued ('Subject Assets") are located at the following entities of Eastern Connecticut Health Network:

- Manchester Memorial Hospital
- Rockville General Hospital
- ECHN ElderCare Services, Inc.

The 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 nuclear imaging equipment, 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 hospital 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;
- Analyzed all the facts and data compiled resulting in a conclusion of value.

Tim Lubbe inspected the Subject Assets at:

- Manchester Memorial Hospital; 71 Haynes Street, Manchester, CT;
- Rockville General Hospital, 31 Union Street, Vernon, CT
- Evergreen Imaging Center, 2800 Tamarack Ave., Suite 002South Windsor, CT
- John DeQuattro Cancer Center, 100 Haynes Street Manchester, CT
- Sterilization Center_460 Hartford Vernon CT- Dialysis
- Tolland Imaging Center, 6 Fieldstone Commons, Tolland, CT
- Women's Wellness Center - 2600 Tamarack- South Windsor, CT
- Woodlake at Tolland Nursing Facility-26 Shenipsit, Tolland CT

Valuation Procedures

Our valuation analysis involved a depreciated cost study of the assets. In order to utilize the cost approach, we used the fixed asset schedule and available historical invoices as accurately representing the assets 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 estimated a Replacement Cost New for the property on an uninstalled basis. Installation costs and other indirect costs were added, as appropriate.

We primarily used the indirect approach to value the 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.

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.

Our analysis is limited only to the Subject Assets described above. 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 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 approximately $38.9 million as of the Valuation Date (before the capital lease liability of $6.84 million) and $32.0 million after the capital lease liability. (See the next section for a summary of the value by category).

Sample Equipment Photographs

Nuclear Gamma Camera at Manchester Memorial Hospital

Data Center Equipment at Manchester Memorial Hospital

CT Scanner at Manchester Memorial Hospital

Operating Room/ Da Vinci Robot Equipment at Manchester Memorial Hospital

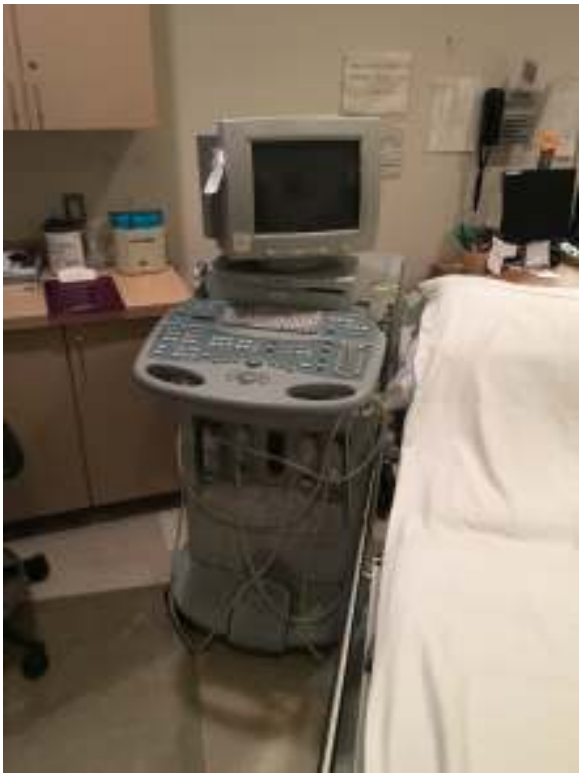
Medical Imaging Equipment at Rockville General Hospital

2-D Mammography Machine at Rockville General Hospital

C-Arm Equipment at Rockville General Hospital

Ultrasound Equipment at Rockville General Hospital

CT Scanner at Evergreen Imaging Center



Ultrasound Equipment at Evergreen Imaging Center

Woodlake at Tolland Nursing Facility

Woodlake at Tolland Nursing Facility

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
        - Manchester Memorial Hospital
        - Rockville General Hospital
        - 460 Hartford Turnpike
        - Woodlake at Tolland – Skilled Nursing
    - Minor nonessential real estate
    - Joint Venture real estate

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 address 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 recent historic appraisals, recent acquisitions and available public records.

Property Identification

The subject of this real estate analysis is that real estate owned by ECHN. This includes major real estate assets such as the Manchester Memorial Hospital (MMH), the Rockville General Hospital (RGH), the Woodlake at Tolland (WAT) owned by ECHN ElderCare Services and 460 Hartford Turnpike in Vernon, CT. In addition there are a number of small medical office buildings, small general office buildings, single-family residential properties surrounding MMH and RGH, as well as vacant land parcels. Furthermore, ECHN has ownership in four real estate focused joint ventures.

The following is a list of the properties owned by ECHN

REAL ESTATE PROPERTY SUMMARY				
Address	**City**	**Property Type**	**Size (SF)**	**Land (acres)**
71-80 Haynes Street (MMH)	Manchester	Hospital and parking	527,224	15.40
31 Union St (RGH)	Vernon	Hospital	177,348	7.95
460 Hartford Turnpike	Vernon	Medical/Dialysis/Sterilizing	36,000	3.29
26 Shenipsit Lake Road (WAT)	Tolland	Elder Care	65,721	6.39
Properties near MMH				
18 Haynes Street	Manchester	Office Building/Commercial	6,061	0.4
26 Haynes Street	Manchester	Office Building/Commercial	4,256	0.43
36 Haynes Street	Manchester	Office Building/Commercial	7,068	0.46
44 Haynes Street	Manchester	Office Building/Commercial	1,523	0.17
310-312 Main Street	Manchester	Office Building/Commercial	3,954	0.34
320 Main Street	Manchester	Office Building/Commercial	10,640	0.29
353 Main Street	Manchester	Office Building/Commercial	5,348	0.47
150 North Main Street	Manchester	Medical Office Building	20,656	1.28
945 Main St (2 condos)	Manchester	Office Building/Condos	2,330	Condo
319 Broad Street	Manchester	Thrift/retail store	6,236	0.46
W Middle Tpke; Russell; S Alton	Manchester	12 SFR residential properties	15,233	2.61
Hemlock; S Hawthorne; S Alton	Manchester	5 Vacant Residential parcels		11.57
56 Haynes Street	Manchester	Vacant commercial parcel		0.31
Properties near RGH				
Ward, Village and W Main Streets	Vernon	Vacant parcels		1.37
JV - Partially Owned				
100 Haynes Street	Manchester	Cancer Center MOB	30,443	2.59
29 Haynes Street	Manchester	Medical office building	11,241	0.96
2800 Tamarack Avenue	South Windsor	Medical office building	40,000	4.12
2400 + 2600 Tamarack Avenue	South Windsor	Medical office building	52,615	Ground leased

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 March 31, 2016. The appraisal is based upon market conditions observed at that time.

Property History

Manchester Memorial Hospital and Rockville General Hospital are both currently operated as acute care hospitals. Woodlake at Tolland is operated as a skilled nursing facility. The hospitals and nursing facility have not changed ownership within the past three years. Of the additional other 38 properties owned by ECHN, only 353 Main Street, Manchester, CT had been purchased within the past three years. This 5,348 square foot commercial building was purchase May 9, 2014 for $695,000 or nearly $130 per square foot. This was a market transactions between unrelated parties. In discussion with ECHN real estate specialist, it is evident that the hospital has been acquiring properties around the campus for some time and are prudent in their acquisition decisions.

The Proposed Transaction involves the sale of specific asset from ECHN 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."* [20]

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.

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

Manchester, Vernon and Tolland – Real Estate Description

ECHN properties are located in the Hartford-West Hartford-East Hartford CBSA. Manchester Memorial Hospital is located in the city of Manchester, Connecticut in Hartford County. The hospital campus is located in central Manchester, equal distance between Interstate 84 and Interstate 384. The area is improved with a mix of residential along the side streets with neighborhood services along the arterials. This is an older well-established area of Manchester. New retail development has occurred in recent years just to the north of Manchester in South Windsor. South Windsor is the location of some of the real estate owned in Joint Ventures. The demographics for Manchester indicate a population within the city limits of 58,241 people. The area has an area median household income of $61,936, just short of the State median of $67,098. And the unemployment rate was 6.4% in 2014.

Rockville General Hospital is located in the Rockville area of the city of Vernon, Connecticut in Tolland County. Rockville area is an area with historic buildings. It is not surprising that the RGH has as a part of its campus a historic mansion. The location is approximately one mile northwest of Interstate 84. The demographics for Vernon indicate a population of 29,179 within the city limits. The area has a median household income of $59,081, below the state median of $67,098. And the unemployment rate was 6.4% in 2014. The median housing or condo value is slightly higher than the median in Manchester.

Woodlake at Tolland is located in the unincorporated area of Tolland County, Connecticut, to the east of Vernon. This area is a low-density suburban/ rural residential area of Tolland County. There are views of the surrounding habitat and access to Interstate 84 about two miles to the southwest.

Of the larger owned properties, the dialysis clinic and sterilization facility at 460 Hartford Turnpike in Vernon is in an attractive commercial area along the I-84, with surrounding commercial office and retail services.

The 37 small owned parcels that surround either the MMH campus or the RGH campus. There are two JV properties adjacent to the MMH. There are two JV investments in three properties in South Windsor. South Windsor is to the north of Manchester and has seen development in the past ten years. The population of South Windsor is just over 25,000 people. And the area median household income is $92,718, significantly above the state median household income and higher than Manchester and Vernon.

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

The following map shows the location of the real estate.

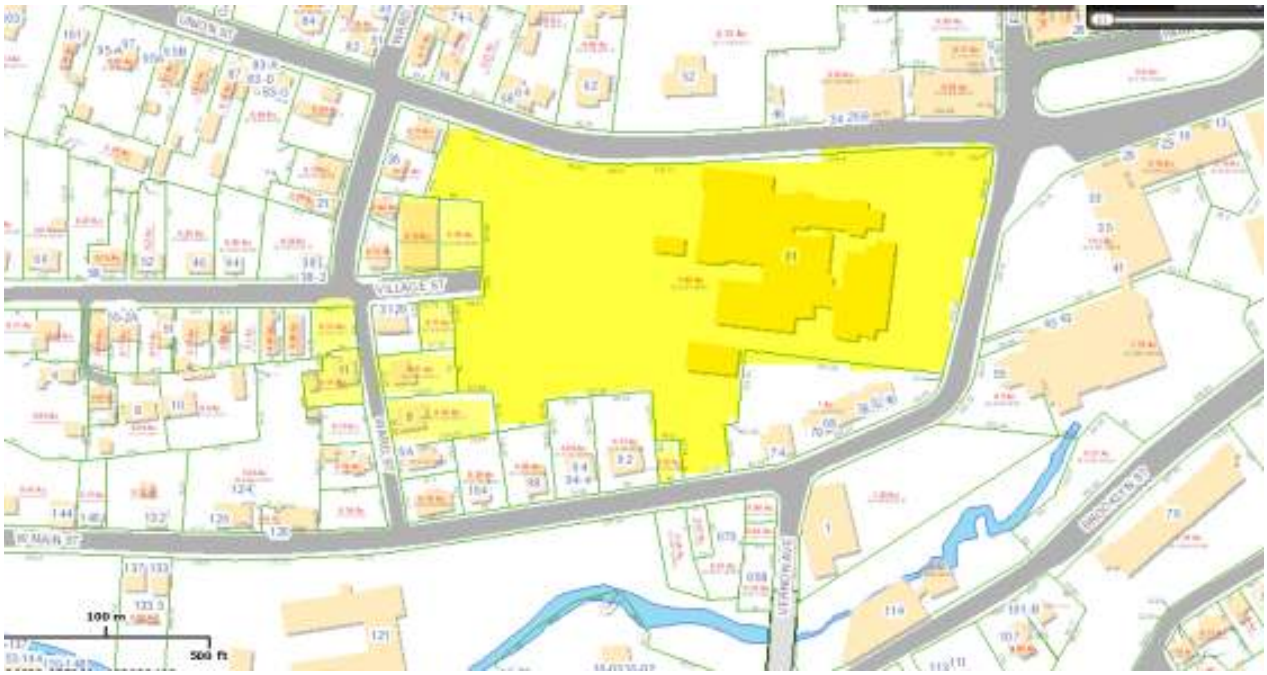
Both Vernon and Manchester are suburban communities to the larger community of Hartford, Connecticut. Both have higher demographics to Hartford.

A closer look at the MMH campus shows the wide variety of properties around the hospital. The following map shows the location of MMH and its surrounding owned properties. These show the hospital in the yellow, the MOB, general office and retail in blue, the single family residential properties in red, the vacant land is green and the joint venture medical office properties in purple.

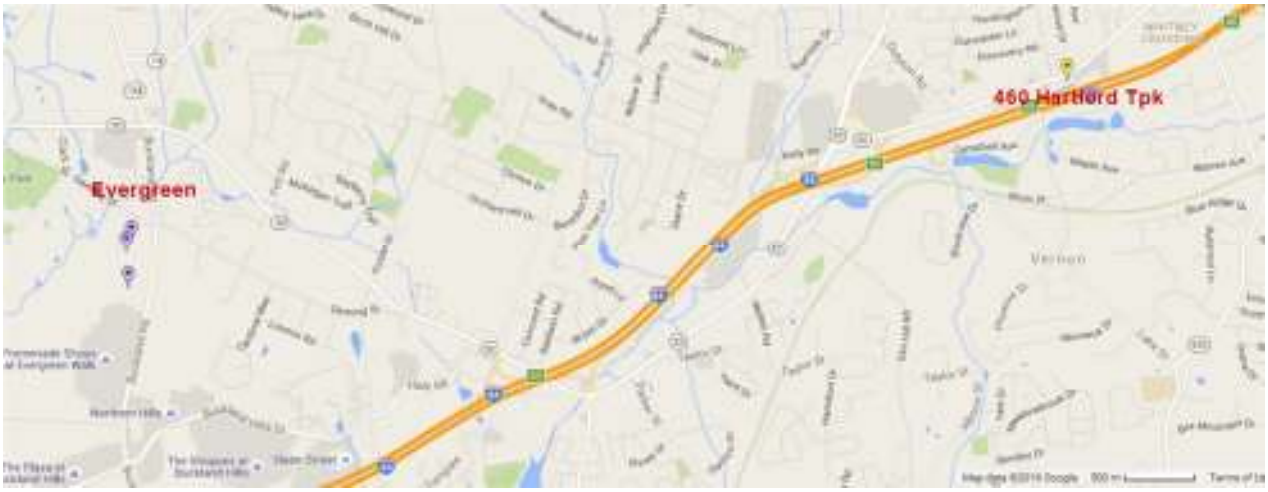
MMH campus area

In addition, a parcel map below is used to show the owned parcels (highlighted in yellow) and the two joint venture properties (highlighted in green).

The Rockville General Hospital is in the Rockville section of Vernon, Connecticut. The map below show the Rockville General Hospital campus. The main property is highlighted in yellow and the additional small land and commercial properties are highlighted in light yellow.



This map below shows the location of the joint venture properties in South Windsor on the western side and also shows one of the main owned properties, 460 Hartford Turnpike in Vernon, near I-84.



Property Descriptions - MMH

Property Name	Manchester Memorial Hospital
Property Address	71 Haynes Street, Manchester, CT
Property Type	Acute Care Hospital
Site area	12.54 at 71 Haynes Street (hospital site) and 2.86 acres at 80 Haynes across the street (parking lot)
Years Built	1920, 1942, 1966, 1971, 1976, 1982, 1984 with renovations through the years. Most recently the ICU in 2009 and the Pharmacy in 2014.
No. of Buildings	One, made up of adjoining buildings, constructed over the years.
No. of Stories	Four plus basement level below front street grade but at ground level due to hillside elevation.
Ceiling Height	13 feet
Property Description	Manchester Memorial Hospital is licensed for 249 acute-care beds. Construction is masonry exterior walls. The roof is built-up cover on a flat deck. The hospital contains 527,224 square feet of improved space plus basement area and a four-story parking garage structure with skyway to hospital. Included in the hospital campus are other related MOBs and parking lots. These are on separate parcels and are valued separately.
Construction Class & Quality	Class B –Average
Parking	196,004 square foot parking garage
ADA Compliant:	Yes
HVAC/Utilities	Chilled water, gas-fired. Newly installed Generator outside and new boilers installed. 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. 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

Site improvements include paved parking, curbs, and landscaped buffers around the site perimeter.

Property Descriptions - RGH

Property Name	Rockville General Hospital
Property Address	31 Union Street, Vernon, CT
Property Type	Acute Care Hospital
Site Area	7.95 acres
Years Built	1906, 1964, 1969, 1974, 1980, with renovations through the years. Most recently the Emergency Room 2004.
No. of Buildings	Two adjoining. Original mansion fronting Union Street (now primarily office use) and main hospital building to the rear and side of the historic mansion building.
No. of Stories	Four
Ceiling Height	13 feet
Property Description	Rockville General Hospital is licensed for 102 acute-care beds. Construction is painted stucco over masonry exterior walls. The roof is built-up cover on a flat deck. The hospital contains 149,419 square feet of improved space in the main hospital and 27,929 square feet of improved space in the original mansion building.
Construction Class & Quality	Class B –Average (hospital) and Class D – Fair (mansion). Due to the age and condition of the original mansion, costs to maintain and repair a depreciated structure can outweigh the usefulness.
Parking	Open paved parking lots
ADA Compliant:	Yes
HVAC	Chilled water, gas-fired
Interior Finishes	The level of finish is typical for the age of the improvements; however some of the interior finishes are showing their age and have reached the end of their useful lives. The flooring is vinyl, and tile. Walls are painted drywall and ceilings are acoustic ceilings.
Sprinklers/Detectors	Building is fully-sprinklered and has smoke detectors

Site improvements include paved parking, curbs, and landscaped buffers around the site perimeter.

Property Descriptions – WAT

Property Name	Woodlake at Tolland – Skilled Nursing Facility
Property Address	26 Shenipsit Lake Road, Tolland, CT
Property Type	Skilled Nursing Facility
Site area	6.39 acres
Years Built	1992 (100 beds) with an addition built in 2009 (30 beds).
No. of Buildings	One building
No. of Stories	Two
Ceiling Height	10 - 20 feet
Property Description	Woodlake at Tolland is a skilled nursing facility, licensed for 130 beds. It includes common areas – dining room, kitchen, library, physical therapy. Construction is steel frame with masonry and painted stucco over masonry exterior walls. The roof is pitched metal and areas of flat rolled roofing. The building contains 65,721 square feet.
Construction Class & Quality	Class C –Average
Parking	Open paved parking lots
ADA Compliant:	Yes
HVAC	Chilled water, gas-fired
Interior Finishes	The level of finish is typical for the age of the improvements; however some of the interior finishes are showing their age and have reached the end of their useful lives. The lower level addition reflects contemporary finishes. The flooring is vinyl, and tile. Walls are painted drywall and ceilings are acoustic ceilings.
Sprinklers/Detectors	Building is fully-sprinklered, smoke detectors on site

Site improvements include paved parking, curbs, and landscaped buffers around the site perimeter.

Property Descriptions – 460 Hartford Turnpike

Property Name	460 Hartford Turnpike
Property Address	460 Hartford Turnpike, Vernon, CT
Property Type	MOB with dialysis center, sterilization operation on lower basement level
Site area	3.29 acres
Years Built	1999
No. of Buildings	One building
No. of Stories	Two
Ceiling Height	10 feet
Property Description	Construction is Class C brick masonry over wood frame with basement level of concrete block exterior walls. The roof is pitched metal. The building contains 18,000 square feet on each level for a total of 36,000 square feet.
Construction Class & Quality	Class C –Average
Parking	Open paved parking lots
ADA Compliant:	Yes
HVAC	Gas-fired
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 ceilings.
Sprinklers	Building is fully-sprinklered

Site improvements include paved parking, curbs, and landscaped buffers around the site perimeter.

The other real estate owned by ECHN is summarized in the following table. Surrounding the MMH hospital, there are a mix of residential and small commercial uses. The hospital has been acquiring properties as they become available at reasonable prices. These acquisitions include 12 single-family residential properties, five vacant residential parcels, a vacant commercial site and eight general/medical office properties, one commercial condo property and a retail property housing a thrift shop.

The RGH campus has a main hospital property, but in addition there are several small residential and commercial lots, adjacent to the hospital property, previously acquired for future expansion or buffer zone.

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 these five properties is presented to be used in the consideration of ECHN's interest in the JV investments.

The follow chart shows the non-essential real estate and the joint venture real estate. Some of these are grouped together, such as the 12 single family homes near MMH.

REAL ESTATE CONSTRUCTION SUMMARY

Address	City	Property Use	Type	Size (SF)	Land (acres)
Properties near MMH					
18 Haynes Street	Manchester	Office Building/Commercial	1-story masonry	6,061	0.4
26 Haynes Street	Manchester	Office Building/Commercial	1-story masonry	4,256	0.43
36 Haynes Street	Manchester	Office Building/Commercial	1-story masonry	7,068	0.46
44 Haynes Street	Manchester	Office Building/Commercial	1-story masonry	1,523	0.17
310-312 Main Street	Manchester	Office Building/Commercial	2-story wood frame	3,954	0.34
320 Main Street	Manchester	Office Building/Commercial	2-story wood frame	10,640	0.29
353 Main Street	Manchester	Office Building/Commercial	1-story masonry	5,348	0.47
150 North Main Street	Manchester	Medical Office Building	2-story masonry	20,656	1.28
945 Main St (2 condos)	Manchester	Office Building/Condos	2-story masonry	2,330	Condo
319 Broad Street	Manchester	Thrift/retail store	1-story masonry	6,236	0.46
W Middle Tpke; Russell; S Alton	Manchester	12 SFR residential properties		15,233	2.61
Hemlock; S Hawthorne; S Alton	Manchester	5 Vacant Residential parcels			11.57
56 Haynes Street	Manchester	Vacant commecial parcel			0.31
Properties near RGH					
Ward, Village, W Main Streets	Vernon	Vacant parcels			1.37
JV - Partially Owned					
100 Haynes Street	Manchester	Cancer Center MOB	2-story masonry	30,443	2.59
29 Haynes Street	Manchester	Medical office building	1-story masonry	11,241	0.96
2800 Tamarack Avenue	South Windsor	Medical office building	2-story masonry	40,000	4.12
2400 + 2600 Tamarack Avenue	South Windsor	Medical office building	2-story masonry	52,615	Ground leased

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 was not the highest and best use. This is supported by the initial review of generally legally permissible uses according to the zoning, consideration of surrounding uses, and general market trends. It is also supported by the third party appraisal reports that were relied upon in this analysis. No additional detailed highest and best use study was conducted. We conclude that highest and best use of MMH and RGH, as improved, is for continued hospital use. The highest and best use of WAT is continued skilled nursing facility. The highest and best use for the midsize medical office and smaller medical office properties surrounding the hospitals, as improved, is for continued healthcare use.

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

Major Properties –

For MMH and RGH, 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 established facilities excluding recently constructed facilities, are used as a check of reasonableness to the cost approach.

Minor Properties –

There are 37 properties considered nonessential and placed in the minor properties category, each by itself considered immaterial. Due to the number of small properties, the timing and resources, these smaller properties were concluded to have fair market values approximate to the Assessors' reported market values, the recent purchase price or the recent third party appraised value. In some cases, properties were recently purchase, as in the case with 353 Main Street, Manchester. In other cases, there were recent third party appraisals, as in the case of 945 Main Street, Manchester. In addition to the Assessor's opinion of market value, recent purchase prices and recent third party appraisals were utilized to opine on fair market value of the minor properties.

Joint Venture Properties –

All four of the joint venture properties have been recently constructed. It is reasonable to consider the actual construction costs as an indicator of the fair market value. In this case, Management has provided cost information of each of the properties at 100 Haynes Street, Manchester; 29 Haynes Street, Manchester; 2800 Tamarack and 2400-2600 Tamarack, South Windsor. In addition, sales of recently constructed MOB buildings of comparable size were considered and presented to provide market support for the recent construction costs as an indicator of fair market value. Furthermore, sales of good quality, recently constructed cancer centers and imaging centers were considered and presented to support the valuation of 100 Haynes Street, Manchester.

Presentation of Analysis

The analysis of the major properties are presented first 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 F-3

Cost Approach

The cost approach is being applied to the major properties, MMH, RGH, WAT and 460 Hartford Turnpike. We have used the market approach to value the land as though vacant, used within the cost approach along with the depreciated replacement costs or the structure, and the site improvements. The Fair Market Value conclusions via the cost approach, summarized in Exhibit G-5, were reconciled with our review and analysis of improved sales of comparable hospitals, skilled nursing facilities and mid-size MOB space presented in Exhibits G-6, G-7, and G-8.

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 G-1 and G-2

Building Improvements

Building improvements analyzed in the major properties are hospital facilities, a skilled nursing facility and a medical office building. Based on information provided by Management and the County Assessors offices, the buildings were categorized by construction type as either Average Class B general hospitals; Average Class C Nursing Homes/Convalescent hospital or Class C MOB.

The cost new of the building improvements was estimated based on *Marshall and Swift Valuation Service* ("*MVS*"), specifically Section 15, of the February 2016 edition. The hard costs per square foot were 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 to this, the recent Facility

Assessment Report by CharterCare Health Partners dated September 23, 2015 was helpful in providing information on capital improvement needs, which are considered against the replacement cost new.

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 MMH 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.

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. As shown in the Historic Operational Analysis –ECHN, Exhibit C-3, the occupancy of licensed beds has continued to decline over the past several years to its 2015 level of 34.5%. The difference in actual occupancy versus standard occupancy indicates an external obsolescence of 43%. 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 43% is applied to both MMH and RGH since the 43% diminution comes from aggregate ECHN numbers.

RGH is treated similarly with regard to age/life, capital needs and functional and external obsolescence. WAT also has some capital improvement needs used in the cost approach analysis.

Details of the building improvements analysis are presented in Exhibit G-3.

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 the ALTA survey or 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 G-4

Cost Approach Conclusion

The conclusion of the Cost Approach for the four major properties is concluded in Exhibit G-5

MAJOR PROPERTIES - SUMMARY OF COST VALUATION CONCLUSIONS

Address	City	Size	Land Value (1)	Site Imps (2)	Bldg Imps (3)	Fair Market Value
71-80 Haynes Street (MMH)	Manchester	527,224	$ 1,800,000	$ 740,000	$ 18,023,900	$ 20,563,900
					Rounded	$ 20,600,000
31 Union St (RGH)	Vernon	177,348	$ 1,200,000	$ 320,000	$ 2,275,800	$ 3,795,800
					Rounded	$ 3,800,000
460 Hartford Turnpike	Vernon	36,000	$ 500,000	$ 180,000	$ 3,060,000	$ 3,740,000
					Rounded	$ 3,700,000
26 Shenipsit Lake Road (WAT)	Tolland	65,721	$ 800,000	$ 270,000	$ 7,029,000	$ 8,099,000
					Rounded	$ 8,100,000

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, were also taken into consideration.

Details of the Sales bracketing the concluded Fair Value are presented in Exhibits G-6, G-7 and G-8.

Overall Fair Value – Major Properties

Based on our analysis as summarized in the Exhibit G-5, we conclude that the overall fair value conclusions for the major real properties are reasonable and supported by the comparable data.

Valuation of minor properties

There are 37 nonessential real properties surrounding the campuses of MMH and RGH. Due to the timing and resources, Assessor's opinion of market value, recent purchase prices and recent third party appraisals were utilized to opine on initial value of the minor properties. In some cases, properties were recently purchase, as in the case with 353 Main Street, Manchester. In another case, there was a recent third party appraisal, as in the case of 945 Main Street, Manchester.

But given the nonessential nature of these other smaller properties and the quantity of properties, it is likely that a potential buyer focused on the real estate to house the hospital operation would divest themselves to this nonessential real estate. This is similar to personal property valuations of nonessential personal property for a business operation.

Therefore, the aggregate of initial property prices were used in a short three year cash flow model to reflect the present value of the selloff of these assets. The cash flow included a deduction for sales and marketing costs. The profit incentive was included within the discount rate, based on PwC Investor Survey.

This analysis is presented in Exhibit G-9.

Valuation of Joint Venture properties

There are four joint ventures, Evergreen Medical I and II, Haynes Street Medical I and II, which own a total of five fairly recently constructed buildings. Due to the limited information on financial statements for each property, and the recent construction, the actual construction costs provided by the ECHN management were utilized to opine on fair market value of the JV properties. The actual historic costs between 2007 and 2011 were escalated to current date by using Marshall Valuation Services (MVS) District Comparative Cost Multipliers in Section 98. After begin the actual costs to current date, the appropriate physical depreciation was applied to opine on an "as is" value by the cost approach. This approach is support by review of comparable sales of recently building medical office building of comparable size in the northeast. The sales support the concluded values from the analyzed actual costs.

This analysis is presented in Exhibit G-11 with comparable sales in Exhibits G-12 and G-13.

Valuation Conclusion

Based on the investigation and analyses contained herein, it is our opinion that as of March 31, 2016, the FMV of the fee simple interest in the wholly owned real property appraised, as if available on the open market, is $42,170,000.

The joint venture real estate, net of liabilities is $1,760,000.

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

PROPERTY BY PROPERTY SUMMARY OF VALUE CONCLUSIONS

Wholly Owned

Address	City	Property Type	Size		Fair Market Value
71-80 Haynes Street (MMH)	Manchester	Hospital and park	527,224		$ 20,600,000
31 Union St (RGH)	Vernon	Hospital	177,348		3,800,000
460 Hartford Turnpike	Vernon	Medical/Dialysis/	36,000		3,700,000
26 Shenipsit Lake Road (WAT)	Tolland	Elder Care	65,721		8,100,000
Additional MMH properties				Base Values	
18 Haynes Street	Manchester	Office Building/C	6,061	$ 770,000	
26 Haynes Street	Manchester	Office Building/C	4,256	$ 500,000	
36 Haynes Street	Manchester	Office Building/C	7,068	$ 780,000	
44 Haynes Street	Manchester	Office Building/C	1,523	$ 160,000	
310-312 Main Street	Manchester	Office Building/C	3,954	$ 320,000	
320 Main Street	Manchester	Office Building/C	10,640	$ 770,000	
353 Main Street	Manchester	Office Building/C	5,348	$ 700,000	
150 North Main Street	Manchester	Medical Office Bu	20,656	$ 1,890,000	
945 Main St (2 condos)	Manchester	Office Building/C	2,330	$ 180,000	
319 Broad Street	Manchester	Thrift/retail store	6,236	$ 620,000	
W Middle Tpke; Russell;	Manchester	12 SFR residenti	15,233	$ 1,320,000	
Hemlock; Hawthorne; Alton	Manchester	5 Vacant Reside	11.57 acres total	$ 440,000	
56 Haynes Street	Manchester	Vacant commeci	0.31 acres	$ 40,000	
Additional RGH properties					
Ward, Village and W Main	Vernon	Vacant parcels	1.37 acres	410,000	
Aggregate of retail values of nonessential real estate				8,900,000	
Net Proceeds - nonessential real estate					$ 5,970,000
Total Fair Market Value of Wholly Owned Real Estate Assets					**$ 42,170,000**

JV - Partially Owned

Address	City	Property Type	Size	Ownership	Fair Market Value - RE	FMV Equity
100 Haynes Street	Manchester	Cancer Center M	30,443	15.0%	$ 1,321,965	$ 378,616
29 Haynes Street	Manchester	Medical office bu	11,241	22.9%	512,479	135,475
2800 Tamarack Avenue	South Winds	Medical office bu	40,000	20.0%	1,186,740	276,123
2400 + 2600 Tamarack Avenue	South Winds	Medical office bu	52,615	20.0%	2,593,280	970,849
					$ 5,614,464	$ 1,761,063
Total Fair Market Value of JV Owned Real Estate Assets					Rounded	**$ 1,760,000**

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 not performed services, as an appraiser or in any other capacity, regarding the property that is 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

Eastern Connecticut Health Network, Inc.

Valuation Analysis as of March 31, 2016

FINAL

Valuation Summary

Value as a Going Concern (1)	Notes	Wgt %	FMV
Discounted Cash Flow Method	(2)	*100.0%*	$63,750,000
Guideline Company Method	(3)	*0.0%*	70,344,000
Guideline Transaction Method	(4)	*0.0%*	73,091,000
Unadjusted ECHN Business Enterprise Value			$63,750,000
Net Working Capital Adjustment	(5)		(2,870,000)
FMV of ECHN Business Enterprise Value, Going Concern			**$60,880,000**

Consideration Paid for ECHN Assets	Notes	As of 2/29/2016
Purchase Price for 100% of ECHN	(5)	$105,000,000
Net Working Capital Adjustment	(5)	(2,870,000)
Adjusted Purchase Price (including net working capital adjustment)		**$102,130,000**

Amount By Which Purchase Price Exceeds FMV of Business Enterprise, Going Concern	**$41,250,000**

Notes:

(1) Navigant has assumed that ECHN would continue to be operated as a going concern health system. Our going concern premise of value relied primarily upon the DCF method, with corroborating support from the market approach. Navigant also performed a supplemental asset-based approach as additional support. See Exhibit F-1, Summary of Supplemental Asset-Based Approach.

(2) See Exhibit B-1, Discounted Cash Flow Method.

(3) See Exhibit D-1, Guideline Company - Summary.

(4) See Exhibit E-1, Similar Transaction Method Summary.

(5) Purchase price is based on a review of Asset Purchase Agreement. Based on the agreement, the aggregate purchase price is to be adjusted for the amount by which the net book value of net working capital of ECHN is greater or less than $24.0M. Based on Management's projected net working capital of $21.13M, the adjustment from purchase price is ($2.87M).

State of Connecticut, Office of Attorney General **Exhibit B-1**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Discounted Cash Flow Method

		FYE		Projections				Terminal
		2015		2016	2017	2018	2019	Year
Net Revenues		$313,562,465	(1)	$303,632,999	$312,541,565	$319,075,166	$325,602,675	$332,114,729
Growth Rate				*(3.2%)*	*2.9%*	*2.1%*	*2.0%*	*2.0%*
EBITDA		10,845,633	(1)	11,281,034	11,971,441	12,266,755	11,905,998	12,144,118
EBITDA margin		*3.5%*		*3.7%*	*3.8%*	*3.8%*	*3.7%*	*3.7%*
Depreciation			(2)	19,427,783	15,129,963	12,031,324	9,809,442	4,981,721
Operating Income (EBIT)				(8,146,749)	(3,158,522)	235,431	2,096,556	7,162,397
Less: Income Taxes	40.9%		(3)	-	0	96,174	856,443	2,925,839
After-Tax Debt-Free Net Income				(8,146,749)	(3,158,522)	139,258	1,240,113	4,236,558
Free Cash Flow Adjustments								
Add: Depreciation			(2)	19,427,783	15,129,963	12,031,324	9,809,442	4,981,721
Less: Working Capital Investment	9.0%		(4)	(893,652)	801,771	588,024	587,476	586,085
Less: Capital Expenditures	1.5%		(2)	4,554,495	4,688,123	4,786,127	4,884,040	4,981,721
After-Tax Debt-Free Cash Flow				7,620,191	6,481,546	6,796,430	5,578,039	3,650,473
Partial Period				0.50	1.00	1.00	1.00	
Mid-Year Period				0.25	1.00	2.00	3.00	
Present Value Factor	11.0%		(5)	0.97	0.90	0.81	0.73	
Present Value of Available Cash Flows				3,711,975	5,839,231	5,516,135	4,078,614	

Sum of Present Value of Cash Flows		19,145,955
Present Value of Terminal Year		29,657,715
Unadjusted Business Enterprise Value ("BEV")		48,803,670
Plus: Joint Venture Interests	(6)	13,187,000
Plus: Real Estate Joint Venture Interests	(7)	1,760,000
Business Enterprise Value (Rounded)		**$63,750,000**

Residual Calculation	
Terminal Year Cash Flow	3,650,473
Capitalization Rate	9.0%
Cash Flow After Terminal Year	40,560,811
Present Value Factor	0.73
Present Value of Terminal Year	29,657,715

Implied Multiples:	
BEV / Base Year Revenue Multiple	0.2x
BEV / Base Year EBITDA Multiple	5.9x
BEV / Year 1 Revenue Multiple	0.2x
BEV / Year 1 EBITDA Multiple	5.7x

Sensitivity Analysis: WACC			
	10.5%	**11.0%**	**11.5%**
1.5%	65,330,000	63,160,000	61,200,000
2.0%	66,060,000	63,750,000	61,680,000
2.5%	66,880,000	64,410,000	62,210,000

Notes:
(1) See Exhibit B-2, Projected Income Statement.
(2) See Exhibit B-5, Tax Depreciation Analysis. Capital expenditures estimated to be 1.5% a year based on comparison to guideline companies and ECHN's avaliable cash flows.
(3) Income taxes are based on a blend of the corporate state income tax for Connecticut and the top federal marginal tax rate on US corporations.
(4) See Exhibit D-3, Guideline Company - Ratios. Working capital based on benchmark based on median debt-free working capital level for guideline companies.
(5) See Exhibit B-4, Weighted Average Cost of Capital. Discount factor reflects a mid period convention.
(6) See Exhibit F-4, Joint Venture Analysis.
(7) See Exhibit F-3, Real Property - Summary of Fair Market Values.

Projected Income Statement (1)

	FYE	Projections			
	2015	2016	2017	2018	2019
Net Revenues	$313,562,465	$303,632,999	$312,541,565	$319,075,166	$325,602,675
Expenses					
Salaries & wages	156,774,464	148,753,683	155,663,010	159,627,792	163,579,059
Fringe benefits	44,024,084	41,467,584	41,437,584	42,207,584	42,897,584
Physician Fees	14,605,651	14,605,651	15,043,821	15,495,135	15,959,989
Supplies & Other Expenses	85,077,223	86,077,223	87,925,709	88,977,900	90,760,045
Total Operating Expenses	300,481,422	290,904,141	300,070,124	306,308,411	313,196,677
Less Non-Operating Expense/(Income)	2,235,410	1,447,824	500,000	500,000	500,000
EBITDA	**$10,845,633**	**$11,281,034**	**$11,971,441**	**$12,266,755**	**$11,905,998**
EBITDA margin%	*3.5%*	*3.7%*	*3.8%*	*3.8%*	*3.7%*

	FYE	Projections			
	2015	2016	2017	2018	2019
Net Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses					
Salaries & wages	50.0%	49.0%	49.8%	50.0%	50.2%
Fringe benefits	14.0%	13.7%	13.3%	13.2%	13.2%
Physician Fees	4.7%	4.8%	4.8%	4.9%	4.9%
Supplies & Other Expenses	27.1%	28.3%	28.1%	27.9%	27.9%
Total Operating Expenses	95.8%	95.8%	96.0%	96.0%	96.2%
Less Non-Operating Expense/(Income)	0.7%	0.5%	0.2%	0.2%	0.2%
EBITDA	**3.5%**	**3.7%**	**3.8%**	**3.8%**	**3.7%**

Notes:
(1) See Exhibit B-3, Revenue Projections and Operating Expense Projections - ECHN.

Revenue Projections and Operating Expense Projections - ECHN (1)

	FYE			Projected			
	2013	2014	2015	2016	2017	2018	2019
Revenue Projections							
Total Net Patient Revenue	**$298,979,957**	**$299,755,216**	**$297,145,105**	**$290,069,367**	**$299,351,565**	**$305,885,166**	**$312,412,675**
Other Operating Revenue (2)	$25,002,846	$25,687,937	$15,584,752	$12,915,000	$12,915,000	$12,915,000	$12,915,000
Growth		*2.7%*	*-39.3%*	*-17.1%*	*0.0%*	*0.0%*	*0.0%*
Net Assets Released From Restrictions	$1,871,227	$833,650	$832,608	$648,632	$275,000	$275,000	$275,000
		-55.4%	*-0.1%*	*-22.1%*	*-57.6%*	*0.0%*	*0.0%*
Total Net Revenue	**$325,854,030**	**$326,276,803**	**$313,562,465**	**$303,632,999**	**$312,541,565**	**$319,075,166**	**$325,602,675**

	FYE			Projected			
	2013	2014	2015	2016	2017	2018	2019
Operating Expense Projections							
Total Salaries & Wages	$163,729,402	$162,727,445	$156,774,464	$148,753,683	$155,663,010	$159,627,792	$163,579,059
Fringe Benefits	$47,592,094	$43,859,398	$44,024,084	$41,467,584	$41,437,584	$42,207,584	$42,897,584
As a % of Salaries & Wages	*29.1%*	*27.0%*	*28.1%*	*27.9%*	*26.6%*	*26.4%*	*26.2%*
Total Salaries, Wages & Benefits	$211,321,496	$206,586,843	$200,798,548	$190,221,267	$197,100,594	$201,835,376	$206,476,643
Total Supplies & Other Expenses	$100,342,397	$104,034,396	$99,682,874	$100,682,874	$102,969,530	$104,473,035	$106,720,035
Physician Fees	$ -	$14,478,331	$14,605,651	$14,605,651	$15,043,821	$15,495,135	$15,959,989
Growth	*n.a*	*n.a*	*0.9%*	*0.0%*	*3.0%*	*3.0%*	*3.0%*
Supplies & Other Expenses	$100,342,397	$89,556,065	$85,077,223	$86,077,223	$87,925,709	$88,977,900	$90,760,045
Growth	*n.a*	*-10.7%*	*-5.0%*	*1.2%*	*2.1%*	*1.2%*	*2.0%*
Non-Operating (Income)/Expense	$2,138,589	$2,125,751	$2,235,410	$1,447,824	$500,000	$500,000	$500,000
Growth	*n.a*	*-0.6%*	*5.2%*	*-35.2%*	*-65.5%*	*0.0%*	*0.0%*
Total Operating Expenses	**$313,802,482**	**$312,746,990**	**$302,716,832**	**$292,351,965**	**$300,570,124**	**$306,808,411**	**$313,696,677**

Notes:

(1) Revenue and operating expense projections were provided by management.

(2) Other operating revenue excludes joint venture income. We have valued the joint ventures in Exhibit F-4, Joint Venture Analysis.

(Dollars in Millions)

Weighted Average Cost of Capital

Ticker	Company Name	Stock Price	Shares Outstanding	Market Value of Equity	Interest Bearing Debt	Preferred Stock	Minority Interest	Market Value of Capital	Debt to Capital	Equity to Capital	Effective Tax Rate	Levered Beta (1)	Unlevered Beta
CYH	Community Health Systems, Inc.	$18.51	112.76	$2,087	$17,019	$ -	$680	$19,786	86.0%	14.0%	28.1%	1.30	0.24
UHS	Universal Health Services Inc.	124.72	97.66	12,180	3,289	-	324	15,793	20.8%	79.2%	34.3%	1.48	1.26
LPNT	LifePoint Health, Inc.	69.25	43.13	2,987	2,741	-	155	5,883	46.6%	53.4%	36.0%	0.86	0.55
HCA	HCA Holdings, Inc.	78.05	395.77	30,890	30,674	-	1,557	63,121	48.6%	51.4%	29.9%	1.10	0.66
THC	Tenet Healthcare Corp.	28.93	98.53	2,850	14,522	-	2,682	20,054	72.4%	27.6%	75.3%	1.44	0.87
								Average	54.9%	45.1%	40.8%	1.23	0.72
								Median	48.6%	51.4%	40.9%	1.30	0.66
								Selected	**50.0%**	**50.0%**			**0.66**

Relevered Beta	
Unlevered Beta	0.66
Target Equity to Capital Weight	50.0%
Target Debt to Capital Weight	50.0%
Target Preferred Stock to Capital Weight	0.0%
Target Minority Interest to Capital Weight	0.0%
Subject Tax Rate	40.9%
Calculated Beta	**1.05**

Cost of Equity	ECHN
Risk-free Rate (Rf) (2)	2.20%
Equity Risk Premium (Rm - Rf) (3)	6.2%
Levered Beta	1.05
Small Stock Premium (SSP) (4)	5.8%
Specific Risk Premium (SRP) (5)	5.0%
Calculated Cost of Equity (6)	**19.5%**

Cost of Debt	
Pretax Cost of Debt (7)	4.9%
Combined Effective Tax Rate (8)	40.9%
Calculated Cost of Debt	**2.9%**

Capital Structure and WACC		
Equity to Capital Weight	50.00% x 19.48% =	9.7%
Debt to Capital Weight	50.00% x 2.90% =	1.4%
Calculated WACC (9)		**11.0%**

Notes:

(1) Represents a five-year monthly historical beta, utilizing the S&P 500 as a proxy for the market.

(2) Federal Reserve Statistical Release, H.15 as of March 31, 2016 (20-year treasury bond constant maturity).

(3) SBBI Yearbook 2015, Ibbotson Associates, long-horizon expected equity risk premium (supply side).

(4) SBBI Yearbook 2015, Ibotson Associates, small stock risk premium based on the 10th decile portfolio.

(5) Based on company specific risk factors including relatively low margins, ability to meet capital expenditure needs, state government payment uncertainty, and concentration of services in two geographic markets.

(6) Cost of Equity using the Capital Asset Pricing Model = $R_f + B \times (R_m - R_f) + SSP + SRP$

(7) Federal Reserve Statistical Release, H.15 as of March 31, 2016 (Moody's Seasoned Baa Corporate Bonds).

(8) Estimated tax rate based on top federal marginal tax rate for US corporations and state corporate income tax for the state of Connecticut.

(9) Weighted Average Cost of Capital = Equity Weight x Cost of Equity + Debt Weight x Cost of Debt

Tax Depreciation Analysis

Depreciation of Existing Assets

		Projections			
		2016	2017	2018	2019
Existing Fixed Asset Balance at Beginning of Year	(1)	$65,770,000	$46,978,571	$33,556,122	$23,968,659
Estimated Remaining Tax Life		7.0	6.0	5.0	4.0
Declining Balance Method Depreciation		18,791,429	13,422,449	9,587,464	6,848,188
Straight Line Method Depreciation		9,395,714	7,829,762	6,711,224	5,992,165
Total Existing Fixed Assets Depreciation		18,791,429	13,422,449	9,587,464	6,848,188
Fixed Asset Balance at End of the Year		$46,978,571	$33,556,122	$23,968,659	$17,120,471
Average Tax Life of Existing Fixed Assets		7.0			
Declining Balance		200%			

			Projections			
			2016	2017	2018	2019
Total Projected Capital Expenditures			$4,554,495	$4,688,123	$4,786,127	$4,884,040
Capital Expenditure %						
5 Year Property		40%				
7 Year Property		40%				
39 Year Property		20%				
Five Year Property						
Depreciation Percentages			20.0%	32.0%	19.2%	11.5%
		Additions				
Acquisition Year	2016	$1,821,798	$364,360	$582,975	$349,785	$209,871
	2017	1,875,249		375,050	600,080	360,048
	2018	1,914,451			382,890	612,624
	2019	1,953,616				390,723
Total Five Year Property Depreciation			$364,360	$958,025	$1,332,755	$1,573,267

Notes:
(1) Based on information provided by and discussions with Management.

Tax Depreciation Analysis

			Projections			
			2016	2017	2018	2019
Seven Year Property						
Depreciation Percentages			14.29%	24.49%	17.49%	12.49%
		Additions				
Acquisition Year	2016	$1,821,798	$260,335	$446,158	$318,632	$227,543
	2017	1,875,249		267,973	459,249	327,981
	2018	1,914,451			273,575	468,849
	2019	1,953,616				279,172
Total Seven Year Property Depreciation			$260,335	$714,131	$1,051,456	$1,303,544

			Projections			
			2016	2017	2018	2019
Thirty-Nine Year Property						
Depreciation Percentages			1.28%	2.56%	2.56%	2.56%
		Additions				
Acquisition Year	2016	$910,899	$11,660	$23,355	$23,355	$23,355
	2017	937,625		12,002	24,041	24,041
	2018	957,225			12,252	24,543
	2019	976,808				12,503
Total Thirty-Nine Year Property Depreciation			$11,660	$35,357	$59,649	$84,443
Total Projected Capital Expenditures Depreciation			$636,354	$1,707,514	$2,443,860	$2,961,254
Total Exisiting Depreciation			$18,791,429	$13,422,449	$9,587,464	$6,848,188
Total Projected Capital Expenditures Depreciation			636,354	1,707,514	2,443,860	2,961,254
Total Depreciation			**$19,427,783**	**$15,129,963**	**$12,031,324**	**$9,809,442**

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

Exhibit C-1

NAVIGANT

FINAL

Historical Balance Sheet - ECHN

	FYE September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
ASSETS										
Current Assets										
Cash and cash equivalents	$20,991,180	$20,052,067	$22,439,356	$20,733,601	$16,286,829	8.0%	7.1%	7.9%	7.5%	6.2%
Current portion of investments held under bond indentures	1,504,988	5,435,445	1,850,531	1,163,916	1,097,599	0.6%	1.9%	0.7%	0.4%	0.4%
Accounts receivable, net	39,643,428	46,711,255	46,524,143	44,610,272	41,607,499	15.1%	16.5%	16.5%	16.2%	16.0%
Inventory	4,228,568	4,253,600	5,065,716	5,437,285	5,553,809	1.6%	1.5%	1.8%	2.0%	2.1%
Current portion of estimated settlements due from third-party payers	432,832	4,402,920	3,463,096	3,602,585	3,573,134	0.2%	1.6%	1.2%	1.3%	1.4%
Prepaid expenses and other current assets	5,471,488	5,020,607	5,046,865	5,686,236	6,653,091	2.1%	1.8%	1.8%	2.1%	2.6%
Total Current Assets	72,272,484	85,875,894	84,389,707	81,233,895	74,771,961	27.6%	30.3%	29.9%	29.4%	28.7%
Assets whose use is limited, net of current portion	47,123,518	54,429,142	54,963,606	66,064,543	63,675,098	18.0%	19.2%	19.5%	23.9%	24.4%
Investments	16,944,697	21,510,816	13,009,540	7,138,341	7,118,433	6.5%	7.6%	4.6%	2.6%	2.7%
Investments in joint ventures	16,969,568	13,500,324	13,731,843	14,562,738	18,190,809	6.5%	4.8%	4.9%	5.3%	7.0%
Property, Plant & Equipment - net	96,189,597	96,295,455	96,188,497	94,065,559	88,275,419	36.7%	34.0%	34.1%	34.1%	33.9%
Other Assets	12,789,825	11,678,494	20,183,543	13,022,113	8,567,926	4.9%	4.1%	7.1%	4.7%	3.3%
TOTAL ASSETS	**$262,289,689**	**$283,290,125**	**$282,466,736**	**$276,087,189**	**$260,599,646**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts payable and accrued expenses	$23,210,287	$30,730,676	$34,874,835	$35,964,615	$33,429,551	8.8%	10.8%	12.3%	13.0%	12.8%
Line of credit	8,272,642	6,500,000	6,500,000	5,600,000	3,800,000	3.2%	2.3%	2.3%	2.0%	1.5%
Current portion of long-term debt	5,652,447	6,904,354	6,832,322	6,660,757	7,018,708	2.2%	2.4%	2.4%	2.4%	2.7%
Current portion of estimated settlements due to third-party payers	2,104,534	2,793,775	4,512,361	5,743,160	3,124,803	0.8%	1.0%	1.6%	2.1%	1.2%
Current portion of accrued pension and other postretirement benefits	11,329,346	3,897,164	6,085,518	193,769	190,189	4.3%	1.4%	2.2%	0.1%	0.1%
Other current Liabilities	5,700,671	8,153,373	5,321,044	5,841,792	4,134,712	2.2%	2.9%	1.9%	2.1%	1.6%
Total Current Liabilities	56,269,927	58,979,342	64,126,080	60,004,093	51,697,963	21.5%	20.8%	22.7%	21.7%	19.8%
Long-Term Liabilities										
Long-term debt and capital lease obligations, net of current	86,635,165	87,541,749	84,416,006	82,424,313	80,122,247	33.0%	30.9%	29.9%	29.9%	30.7%
Estimated self-insurance liabilities	6,311,338	9,521,697	9,243,930	9,683,668	7,196,797	2.4%	3.4%	3.3%	3.5%	2.8%
Accrued pension and postretirement benefits	56,772,305	74,618,608	38,111,463	45,796,486	62,407,379	21.6%	26.3%	13.5%	16.6%	23.9%
Estimated settlements due to third-party payers, net of current	335,416	82,500	122,921	65,838	-	0.1%	0.0%	0.0%	0.0%	0.0%
Other liabilities	803,881	944,968	597,187	419,002	467,711	0.3%	0.3%	0.2%	0.2%	0.2%
Total Long-Term Liabilities	150,858,105	172,709,522	132,491,507	138,389,307	150,194,134	57.5%	61.0%	46.9%	50.1%	57.6%
Net Assets										
Unrestricted	41,815,956	36,549,384	70,965,928	59,544,873	42,167,565	15.9%	12.9%	25.1%	21.6%	16.2%
Temporarily restricted	2,249,963	3,243,522	2,587,301	2,096,313	1,486,536	0.9%	1.1%	0.9%	0.8%	0.6%
Permanently restricted	11,095,738	11,808,355	12,295,920	16,052,603	15,053,448	4.2%	4.2%	4.4%	5.8%	5.8%
Total Net Assets	55,161,657	51,601,261	85,849,149	77,693,789	58,707,549	21.0%	18.2%	30.4%	28.1%	22.5%
TOTAL LIABILITIES AND NET ASSETS	**$262,289,689**	**$283,290,125**	**$282,466,736**	**$276,087,189**	**$260,599,646**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash-Free, Debt-free Net Working Capital (1)	*$18,760,824*	*$18,710,558*	*$15,391,580*	*$11,786,811*	*$16,698,467*					
As a % of net revenue	*7.0%*	*6.4%*	*4.7%*	*3.6%*	*5.3%*					

Source: Based on information provided by Management.

Notes:

(1) Net working capital is defined per Asset Purchase Agreement. Excludes cash and equivalents, investments (except joint ventures), debt, including accrued pension and post retirement liabilities.

Historical Income Statement - ECHN

	FYE September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Revenues:										
Net Patient Service Revenue	$261,348,876	$277,042,997	$310,122,159	$309,971,310	$308,044,394	96.8%	94.0%	94.6%	94.3%	97.6%
Less Bad Debts	(11,106,480)	(11,285,210)	(11,142,202)	(10,216,094)	(10,899,289)	-4.1%	-3.8%	-3.4%	-3.1%	-3.5%
Net Patient Revenue less Bad Debts	**250,242,396**	**265,757,787**	**298,979,957**	**299,755,216**	**297,145,105**	**92.7%**	**90.2%**	**91.2%**	**91.2%**	**94.2%**
Contributions	732,256	2,243,112	1,614,319	1,163,883	2,194,034	0.3%	0.8%	0.5%	0.4%	0.7%
Other revenues	17,132,518	17,532,328	22,871,370	25,216,442	14,565,493	6.3%	6.0%	7.0%	7.7%	4.6%
Electronic Health Records	975,412	3,833,172	2,630,820	1,786,134	830,386	0.4%	1.3%	0.8%	0.5%	0.3%
Contribution from VNHSC	-	4,592,459	-	-	-	0.0%	1.6%	0.0%	0.0%	0.0%
Net assets released from restrictions	801,123	638,113	1,871,227	833,650	832,608	0.3%	0.2%	0.6%	0.3%	0.3%
Total Net Revenue	**269,883,705**	**294,596,971**	**327,967,693**	**328,755,325**	**315,567,626**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Expenses:										
Salaries & wages	134,218,139	139,915,729	163,729,402	162,727,445	156,774,464	49.7%	47.5%	49.9%	49.5%	49.7%
Fringe benefits	35,696,855	40,155,469	47,592,094	43,859,398	44,024,084	13.2%	13.6%	14.5%	13.3%	14.0%
Total Salaries, Wages, & Benefits	169,914,994	180,071,198	211,321,496	206,586,843	200,798,548	63.0%	61.1%	64.4%	62.8%	63.6%
Supplies and other expenses	83,802,696	93,804,618	100,342,397	104,034,396	99,682,874	31.1%	31.8%	30.6%	31.6%	31.6%
Depreciation and amortization	11,898,918	11,811,633	12,290,822	12,196,877	11,920,720	4.4%	4.0%	3.7%	3.7%	3.8%
Interest and financing costs	4,224,420	3,981,831	3,900,483	3,764,488	3,445,934	1.6%	1.4%	1.2%	1.1%	1.1%
Total Interest, Depreciation & Amortizatio	16,123,338	15,793,464	16,191,305	15,961,365	15,366,654	6.0%	5.4%	4.9%	4.9%	4.9%
Total Operating Expenses	**269,841,028**	**289,669,280**	**327,855,198**	**326,582,604**	**315,848,076**	**100.0%**	**98.3%**	**100.0%**	**99.3%**	**100.1%**
Operating Income	42,677	4,927,691	112,495	2,172,721	(280,450)	0.0%	1.7%	0.0%	0.7%	-0.1%
Non-Operating Income/(Expense)	(1,341,596)	(1,200,536)	(2,138,589)	(2,125,751)	(2,235,410)	-0.5%	-0.4%	-0.7%	-0.6%	-0.7%
Net Income	**(1,298,919)**	**3,727,155**	**(2,026,094)**	**46,970**	**(2,515,860)**	**-0.5%**	**1.3%**	**-0.6%**	**0.0%**	**-0.8%**
EBITDA	**$14,824,419**	**$19,520,619**	**$14,165,211**	**$16,008,335**	**$12,850,794**	**5.5%**	**6.6%**	**4.3%**	**4.9%**	**4.1%**
Capital Expenditures	*$10,620,037*	*$7,498,197*	*$12,104,527*	*$10,073,939*	*$6,130,580*					
As a % of Total Net Revenue	*3.9%*	*2.5%*	*3.7%*	*3.1%*	*1.9%*					

Source: Based on information provided by management

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

	FYE September 30,					
	2011	2012	2013	2014	2015	
Gross Outpatient Charges	409,922,763	476,021,456	572,644,188	592,717,508	600,758,074	**A**
Gross Inpatient Charges	228,912,612	278,843,185	328,063,718	333,197,293	318,875,465	**B**
Outpatient Adjustment Factor	2.79	2.71	2.75	2.78	2.88	**C = (A + B)/B**
Discharges	11,796	11,350	11,909	11,451	10,918	**D**
Adjusted Discharges	32,920	30,726	32,696	31,821	31,487	**E = C*D**
ER Visits	74,297	72,925	72,201	62,392	60,668	
Patient Days	55,845	58,601	58,987	55,261	50,565	**F**
Adjusted Patient Days	155,849	158,641	161,950	153,564	145,829	**G = C*F**
Beds In Service	237	218	218	218	218	**H**
Licensed Beds	401	401	401	401	401	
Available Patient Days	86,505	79,570	79,570	79,570	79,570	**I = H*365*Months In Period/12**
Occupancy Rate - Beds in Service	64.6%	73.6%	74.1%	69.4%	63.5%	**J = F/I**
Occupancy Rate - Licenced Beds	38.2%	40.0%	40.3%	37.8%	34.5%	
Average Length of Stay	4.7	5.2	5.0	4.8	4.6	**K = F/D**
Average Daily Census	153	161	162	151	139	**L = G/365*Months In Period/12**
Full Time Employees	N/A	N/A	N/A	2,298	2,256	

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

Historical Balance Sheet - RGH

	FYE September 30,				Common-Size			
	2011	2012	2013	2014	2011	2012	2013	2014
ASSETS								
Current Assets								
Cash and cash equivalents	$4,739,454	$1,463,823	$1,059,290	$1,772,696	5.7%	1.8%	1.4%	2.4%
Current portion of investments held under bond indentures	501,284	467,222	364,771	323,965	0.6%	0.6%	0.5%	0.4%
Accounts receivable, net	10,246,785	10,959,585	10,269,970	10,900,702	12.2%	13.7%	13.4%	14.6%
Inventory	1,576,966	1,519,666	1,467,009	1,325,483	1.9%	1.9%	1.9%	1.8%
Due from affliliated entities	2,196,771	781,899	58,029	65,011	2.6%	1.0%	0.1%	0.1%
Current portion of estimated settlements due from third-party payers	-	853,555	384,274	148,435	0.0%	1.1%	0.5%	0.2%
Prepaid expenses and other current assets	270,651	218,802	276,211	201,349	0.3%	0.3%	0.4%	0.3%
Total Current Assets	19,531,911	16,264,552	13,879,554	14,737,641	23.3%	20.4%	18.1%	19.7%
Total assets whose use is limited, net of current portion	12,891,345	13,743,382	14,593,721	15,607,066	15.4%	17.2%	19.1%	20.9%
Interest in net assets of ECHN CHF, Inc.	2,629,614	3,254,582	3,616,191	3,599,134	3.1%	4.1%	4.7%	4.8%
Investments	7,740,794	9,554,311	3,088,116	2,068,819	9.3%	12.0%	4.0%	2.8%
Investments in joint ventures	2,858,713	3,127,553	3,208,828	3,489,604	3.4%	3.9%	4.2%	4.7%
Property, Plant & Equipment - net	31,151,854	30,472,774	27,654,664	25,700,876	37.2%	38.2%	36.1%	34.4%
Other Assets	6,854,302	3,451,619	10,502,780	9,583,805	8.2%	4.3%	13.7%	12.8%
TOTAL ASSETS	**$83,658,533**	**$79,868,773**	**$76,543,854**	**$74,786,945**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable and accrued expenses	$4,898,568	$5,969,615	$6,096,840	$6,181,391	5.9%	7.5%	8.0%	8.3%
Current portion of long-term debt	1,247,313	1,271,671	870,081	945,159	1.5%	1.6%	1.1%	1.3%
Current portion of due to affiliates	2,717,350	3,297,172	398,089	-	3.2%	4.1%	0.5%	0.0%
Current portion of estimated settlements due to third-party payers	684,512	1,157,913	1,040,198	1,132,410	0.8%	1.4%	1.4%	1.5%
Current portion of accrued pension and other postretirement benefits	2,650,753	1,164,039	1,401,749	288,603	3.2%	1.5%	1.8%	0.4%
Other current Liabilities	1,240,661	715,430	754,403	732,322	1.5%	0.9%	1.0%	1.0%
Total Current Liabilities	13,439,157	13,575,840	10,561,360	9,279,885	16.1%	17.0%	13.8%	12.4%
Long-Term Liabilities								
Long-term debt and capital lease obligations, net of current	25,860,313	24,394,084	23,519,254	23,392,308	30.9%	30.5%	30.7%	31.3%
Estimated self-insurance liabilities	1,813,842	3,307,458	2,423,371	3,566,892	2.2%	4.1%	3.2%	4.8%
Accrued pension and postretirement benefits	13,402,108	17,147,802	8,855,195	10,081,347	16.0%	21.5%	11.6%	13.5%
Other liabilities	125,749	128,578	132,211	132,211	0.2%	0.2%	0.2%	0.2%
Total Long-Term Liabilities	41,202,012	44,977,922	34,930,031	37,172,758	49.3%	56.3%	45.6%	49.7%
Net Assets								
Unrestricted	24,688,727	17,066,097	26,773,989	24,211,838	29.5%	21.4%	35.0%	32.4%
Temporarily restricted	912,532	615,748	561,463	549,043	1.1%	0.8%	0.7%	0.7%
Permanently restricted	3,416,105	3,633,166	3,717,011	3,573,421	4.1%	4.5%	4.9%	4.8%
Total Net Assets	29,017,364	21,315,011	31,052,463	28,334,302	34.7%	26.7%	40.6%	37.9%
TOTAL LIABILITIES AND NET ASSETS	**$83,658,533**	**$79,868,773**	**$76,543,854**	**$74,786,945**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Debt-free Working Capital	*7,340,067*	*3,960,383*	*4,188,275*	*6,402,915*				
As a % of net revenue	*11.2%*	*5.5%*	*5.6%*	*8.5%*				

Source: Based on information provided by Management.

Historical Income Statement - RGH

	FYE September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Revenues:										
Net Patient Service Revenue	$63,387,116	$67,847,638	$73,037,858	$71,329,965		97.1%	95.0%	97.4%	95.2%	0.0%
Less Bad Debts	(2,925,278)	(3,309,948)	(4,127,214)	(2,801,283)		-4.5%	-4.6%	-5.5%	-3.7%	0.0%
Net Patient Revenue less Bad Debts	**60,461,838**	**64,537,690**	**68,910,644**	**68,528,682**	**63,002,481**	**92.7%**	**90.4%**	**91.9%**	**91.5%**	**96.6%**
Change in interest in unrestricted net assets of	237,954	192,851	253,309	315,697	123,590	0.4%	0.3%	0.3%	0.4%	0.2%
Other operating revenue					1,892,379					2.9%
Joint ventures					132,721					0.2%
Investment income/realized gains					26,701					0.0%
Other revenues	3,888,629	5,020,030	4,492,026	5,227,522		6.0%	7.0%	6.0%	7.0%	
Electronic Health Records	618,428	1,626,870	1,220,153	799,300		0.9%	2.3%	1.6%	1.1%	
Net assets released from restrictions	48,044	31,857	112,828	49,147	50,382	0.1%	0.0%	0.2%	0.1%	0.1%
Total Net Revenue	**65,254,893**	**71,409,298**	**74,988,960**	**74,920,348**	**65,228,254**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Expenses:										
Salaries & wages	29,535,778	30,268,391	31,509,639	32,460,253		45.3%	42.4%	42.0%	43.3%	
Fringe benefits	8,838,640	10,223,293	10,024,601	9,360,797		13.5%	14.3%	13.4%	12.5%	
Total Salaries, Wages & Benefits	38,374,418	40,491,684	41,534,240	41,821,050	40,377,767	58.8%	56.7%	55.4%	55.8%	61.9%
Supplies and other expenses	21,930,029	25,886,843	25,888,529	26,367,709	24,653,758	33.6%	36.3%	34.5%	35.2%	37.8%
Depreciation and amortization	3,672,297	3,811,952	3,565,031	3,281,014		5.6%	5.3%	4.8%	4.4%	
Interest and financing costs	1,115,177	719,107	682,298	689,882		1.7%	1.0%	0.9%	0.9%	
Total Interest, Depreciation & Amortization	4,787,474	4,531,059	4,247,329	3,970,896	3,836,390	7.3%	6.3%	5.7%	5.3%	5.9%
Total Operating Expenses	**65,091,921**	**70,909,586**	**71,670,098**	**72,159,655**	**68,867,915**	**99.8%**	**99.3%**	**95.6%**	**96.3%**	**105.6%**
EBITDA	**4,950,446**	**5,030,771**	**7,566,191**	**6,731,589**	**196,729**	**7.6%**	**7.0%**	**10.1%**	**9.0%**	**0.3%**
Operating Income	162,972	499,712	3,318,862	2,760,693	(3,639,661)	0.2%	0.7%	4.4%	3.7%	-5.6%
Non-Operating Income/(Expense)	(855,256)	(179,961)	(660,236)	(378,564)	(546,692)	-1.3%	-0.3%	-0.9%	-0.5%	-0.8%
Net Income	**(692,284)**	**319,751**	**2,658,626**	**2,382,129**	**(4,186,353)**	**-1.1%**	**0.4%**	**3.5%**	**3.2%**	**-6.4%**
Capital Expenditures	*$2,020,432*	*$1,728,554*	*$746,921*	*$1,327,226*	*n.a*					
As a % of Total Net Revenue	*3.1%*	*2.4%*	*1.0%*	*1.8%*	*n.a*					

Source: Based on information provided by management

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

	FYE September 30,					
	2011	2012	2013	2014	2015	
Gross Outpatient Charges	93,948,299	118,179,406	143,414,268	150,411,287	152,882,315	**A**
Gross Inpatient Charges	54,124,324	69,889,867	79,250,361	76,888,785	74,614,647	**B**
Outpatient Adjustment Factor	2.74	2.69	2.81	2.96	3.05	**C = (A + B)/B**
Discharges	2,515	2,519	2,567	2,341	2,112	**D**
Adjusted Discharges	6,881	6,778	7,212	6,921	6,439	**E = C*D**
ER Visits	26,463	26,422	25,136	21,351	20,889	
Outpatient Visits	N/A	N/A	N/A	421,124	NA	
Patient Days	12,370	13,056	12,325	11,155	9,873	**F**
Adjusted Patient Days	33,842	35,133	34,629	32,977	30,102	**G = C*F**
Beds In Service	66	47	47	47	47	**H**
Licensed Beds	118	118	118	118	118	
Available Patient Days	24,090	17,155	17,155	17,155	17,155	**I = H*365*Months In Period/12**
Occupancy Rate - Beds in Service	51.3%	76.1%	71.8%	65.0%	57.6%	**J = F/I**
Occupancy Rate - Licensed Beds	28.7%	30.3%	28.6%	25.9%	22.9%	
Average Length of Stay	4.9	5.2	4.8	4.8	4.7	**K = F/D**
Average Daily Census	34	36	34	31	27	**L = G/365*Months In Period/12**
Full Time Employees	405	377	378	423	373	

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

Historical Balance Sheet - MMH

	FYE September 30,				Common-Size			
	2011	2012	2013	2014	2011	2012	2013	2014
ASSETS								
Current Assets								
Cash and cash equivalents	$10,880,739	$6,414,687	$12,239,488	$9,361,439	7.2%	3.8%	7.2%	5.8%
Current portion of investments held under bond indentures	803,195	4,781,749	1,300,096	653,623	0.5%	2.8%	0.8%	0.4%
Accounts receivable, net	24,700,330	26,534,856	27,182,276	25,099,884	16.3%	15.6%	15.9%	15.5%
Inventory	2,591,838	2,660,785	3,245,125	3,876,042	1.7%	1.6%	1.9%	2.4%
Due from affiliated entities	419,887	484,258	370,120	142,498	0.3%	0.3%	0.2%	0.1%
Current portion of estimated settlements due from third-party payers	432,832	3,549,365	3,078,822	3,454,150	0.3%	2.1%	1.8%	2.1%
Prepaid expenses and other current assets	2,506,129	2,028,449	2,316,130	2,357,425	1.7%	1.2%	1.4%	1.5%
Total Current Assets	42,334,950	46,454,149	49,732,057	44,945,061	27.9%	27.3%	29.1%	27.8%
Assets whose use is limited, net of current portion	18,522,584	20,159,091	17,681,970	25,860,728	12.2%	11.9%	10.3%	16.0%
Interest in net assets of ECHN CHF, Inc.	3,872,533	6,199,192	7,278,631	7,323,190	2.6%	3.6%	4.3%	4.5%
Investments	7,217,602	8,547,933	4,366,493	1,339,234	4.8%	5.0%	2.6%	0.8%
Investments in joint ventures	3,719,835	3,565,975	3,501,635	3,849,302	2.5%	2.1%	2.0%	2.4%
Property, Plant & Equipment - net	52,084,498	51,317,622	54,574,351	55,717,642	34.3%	30.2%	31.9%	34.4%
Other Assets	24,077,486	33,827,422	34,019,637	22,722,234	15.9%	19.9%	19.9%	14.0%
TOTAL ASSETS	**$151,829,488**	**$170,071,384**	**$171,154,774**	**$161,757,391**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable and accrued expenses	$15,290,987	$17,702,182	$21,391,578	$21,842,838	10.1%	10.4%	12.5%	13.5%
Line of credit	6,500,000	6,500,000	6,500,000	5,600,000	4.3%	3.8%	3.8%	3.5%
Current portion of long-term debt	3,467,143	3,898,759	3,909,618	4,092,102	2.3%	2.3%	2.3%	2.5%
Current portion of due to affiliates	2,283,655	818,583	-	23,158	1.5%	0.5%	0.0%	0.0%
Current portion of estimated settlements due to third-party payers	1,420,022	1,343,126	2,943,941	4,285,117	0.9%	0.8%	1.7%	2.6%
Current portion of accrued pension and other postretirement benefits	8,678,593	2,733,125	4,683,769	1,025,166	5.7%	1.6%	2.7%	0.6%
Other current Liabilities	2,557,626	2,426,820	2,482,951	2,653,756	1.7%	1.4%	1.5%	1.6%
Total Current Liabilities	40,198,026	35,422,595	41,911,857	39,522,137	26.5%	20.8%	24.5%	24.4%
Long-Term Liabilities								
Long-term debt and capital lease obligations, net of current	49,708,745	51,672,633	50,793,813	50,421,026	32.7%	30.4%	29.7%	31.2%
Estimated self-insurance liabilities	5,736,899	9,814,802	6,830,954	6,835,215	3.8%	5.8%	4.0%	4.2%
Accrued pension and postretirement benefits	43,370,197	57,470,806	29,256,268	34,595,139	28.6%	33.8%	17.1%	21.4%
Due to affiliates	-	-	7,220,571	5,298,863	0.0%	0.0%	4.2%	3.3%
Other liabilities	673,979	684,775	409,571	283,594	0.4%	0.4%	0.2%	0.2%
Total Long-Term Liabilities	99,489,820	119,643,016	94,511,177	97,433,837	65.5%	70.3%	55.2%	60.2%
Net Assets								
Unrestricted	3,473,307	4,925,515	27,759,929	11,344,473	2.3%	2.9%	16.2%	7.0%
Temporarily restricted	988,702	1,905,069	1,392,902	974,762	0.7%	1.1%	0.8%	0.6%
Permanently restricted	7,679,633	8,175,189	8,578,909	12,479,182	5.1%	4.8%	5.0%	7.7%
Total Net Assets	12,141,642	15,005,773	37,731,740	24,798,417	8.0%	8.8%	22.0%	15.3%
TOTAL LIABILITIES AND NET ASSETS	**$151,829,488**	**$170,071,384**	**$174,154,774**	**$161,754,391**	**100.0%**	**100.0%**	**101.8%**	**100.0%**
Debt-free Working Capital	*$12,535,683*	*$21,441,172*	*$17,512,302*	*$5,422,924*				
As a % of net revenue	*7.2%*	*11.4%*	*9.2%*	*2.9%*				

Source: Based on information provided by Management.

Historical Income Statement - MMH

	FYE September 30,					Common-Size				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Revenues:										
Net Patient Service Revenue	$166,602,261	$175,217,566	$175,818,082	$178,026,737		96.0%	92.9%	92.7%	93.9%	0.0%
Less Bad Debts	(6,164,670)	(6,382,307)	(5,518,461)	(5,822,470)		-3.6%	-3.4%	-2.9%	-3.1%	0.0%
Net Patient Revenue less Bad Debts	**160,437,591**	**168,835,259**	**170,299,621**	**172,204,267**	**176,292,453**	**92.4%**	**89.5%**	**89.8%**	**90.9%**	**93.4%**
Change in interest in unrestricted net assets of ECHN	455,096	2,035,698	961,465	496,356	1,889,272	0.3%	1.1%	0.5%	0.3%	1.0%
Other operating revenue					9,394,083					5.0%
Joint ventures					337,654					0.2%
Investment income/realized gains					175,415					0.1%
Other revenues	11,857,772	15,303,250	15,458,360	15,370,698		6.8%	8.1%	8.2%	8.1%	
Electronic Health Records	356,984	2,206,302	1,410,667	986,834		0.2%	1.2%	0.7%	0.5%	
Net assets released from restrictions	478,506	316,686	1,458,982	486,908	590,724	0.3%	0.2%	0.8%	0.3%	0.3%
Total Net Revenue	**173,585,949**	**188,697,195**	**189,589,095**	**189,545,063**	**188,679,601**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Expenses:										
Salaries & wages	77,581,560	81,549,825	83,909,349	83,606,297		44.7%	43.2%	44.3%	44.1%	0.0%
Fringe benefits	21,779,464	25,465,287	27,658,791	25,720,253		12.5%	13.5%	14.6%	13.6%	0.0%
Total Salaries, Wages, & Benefits	99,361,024	107,015,112	111,568,140	109,326,550	107,278,932	57.2%	56.7%	58.8%	57.7%	56.9%
Supplies and other expenses	58,149,870	62,035,761	66,966,600	66,276,903	62,970,889	33.5%	32.9%	35.3%	35.0%	33.4%
Depreciation and amortization	7,107,904	6,896,812	7,115,302	7,116,905		4.1%	3.7%	3.8%	3.8%	
Interest and financing costs	2,539,198	2,714,044	2,685,044	2,589,201		1.5%	1.4%	1.4%	1.4%	
Total Interest, Depreciation & Amortization	9,647,102	9,610,856	9,800,346	9,706,106	9,474,502	5.6%	5.1%	5.2%	5.1%	5.0%
Total Operating Expenses	**167,157,996**	**178,661,729**	**188,335,086**	**185,309,559**	**179,724,323**	**96.3%**	**94.7%**	**99.3%**	**97.8%**	**95.3%**
EBITDA	**16,075,055**	**19,646,322**	**11,054,355**	**13,941,610**	**18,429,780**	**9.3%**	**10.4%**	**5.8%**	**7.4%**	**9.8%**
Operating Income	6,427,953	10,035,466	1,254,009	4,235,504	8,955,278	3.7%	5.3%	0.7%	2.2%	4.7%
Non-Operating Income/(Expense)	(364,307)	(868,637)	(1,466,699)	(1,743,322)	(1,638,670)	-0.2%	-0.5%	-0.8%	-0.9%	-0.9%
Net Income	**$6,063,646**	**$9,166,829**	**($212,690)**	**$2,492,182**	**$7,316,608**	**3.5%**	**4.9%**	**-0.1%**	**1.3%**	**3.9%**
Capital Expenditures	*$7,386,712*	*$5,202,968*	*$10,293,692*	*$8,260,196*	*n.a*					
As a % of Total Net Revenue	*4.3%*	*2.8%*	*5.4%*	*4.4%*	*n.a*					

Source: Based on information provided by management

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

	FYE September 30,					
	2011	2012	2013	2014	2015	
Gross Outpatient Charges	270,967,534	306,599,578	337,511,330	369,575,729	379,110,517	**A**
Gross Inpatient Charges	150,353,329	185,302,228	225,513,086	232,383,939	219,935,974	**B**
Outpatient Adjustment Factor	2.80	2.65	2.50	2.59	2.72	**C = (A + B)/B**
Discharges	9,281	8,831	9,342	9,110	8,806	**D**
Adjusted Discharges	26,007	23,443	23,324	23,598	23,985	**E = C*D**
ER Visits	47,834	46,503	47,065	41,041	39,779	
Outpatient Visits	N/A	N/A	N/A	1,631,301	NA	
Patient Days	43,475	45,545	46,662	44,106	40,692	**F**
Adjusted Patient Days	121,826	120,903	116,498	114,251	110,834	**G = C*F**
Beds In Service	171	171	171	171	171	**H**
Licensed Beds	283	283	283	283	283	
Available Patient Days	62,415	62,415	62,415	62,415	62,415	**I = H*365*Months In Period/12**
Occupancy Rate - Beds in Service	69.7%	73.0%	74.8%	70.7%	65.2%	**J = F/I**
Occupancy Rate - Licensed Beds	42.1%	44.1%	45.2%	42.7%	39.4%	
Average Length of Stay	4.7	5.2	5.0	4.8	4.6	**K = F/D**
Average Daily Census	119	125	128	121	111	**L = G/365*Months In Period/12**
Full Time Employees	1139	1076	1109	1153	1,133	

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

Payor Mix Analysis

RGH Gross Charges By Payor % (1)					
Payor	FYE 2012	FYE 2013	FYE 2014	FYE 2015	Benchmark (2)
Medicare	46.0%	46.5%	43.8%	45.2%	**24.1%**
Managed Care/Commercial	32.6%	32.3%	34.0%	31.6%	**53.5%**
Medicaid	16.1%	16.4%	18.0%	19.8%	**11.2%**
Self-pay/Uninsured	3.5%	3.0%	2.4%	1.5%	**12.3%**
Other	1.4%	1.3%	1.1%	1.2%	
Other Governmental	0.5%	0.5%	0.6%	0.6%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

MMH Gross Charges By Payor % (1)					
Payor	FYE 2012	FYE 2013	FYE 2014	FYE 2015	Benchmark (2)
Medicare	42.9%	43.2%	42.5%	43.0%	**24.1%**
Managed Care/Commercial	35.0%	33.9%	33.3%	32.2%	**53.5%**
Medicaid	17.5%	18.4%	20.9%	22.1%	**11.2%**
Self-pay/Uninsured	3.1%	3.0%	1.9%	1.4%	**12.3%**
Other	1.0%	1.0%	0.9%	0.8%	
Other Governmental	0.5%	0.5%	0.4%	0.6%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

Notes:
(1) Based on payor mix data provided by management for Rockville General and Manchester Memorial hospitals.
(2) The benchmarks based on the median payor mix from an analysis of guideline public companies. See Exhibit D-7.

State of Connecticut, Office of Attorney General | **Exhibit D-1**

Fair Market Value of

Eastern Connecticut Health Network, Inc.

Valuation Analysis as of March 31, 2016

(Dollars in Millions)

NAVIGANT

FINAL

Guideline Company - Summary

	BEV	TTM Revenue	TTM EBITDA	NTM Revenue	NTM EBITDA	BEV/ TTM Revenue	BEV/ TTM EBITDA	BEV/ NTM Revenue	BEV/ NTM EBITDA
Community Health Systems, Inc.	$19,449	$19,525	$2,287	$20,153	$2,899	1.0x	8.5x	1.0x	6.7x
Universal Health Services Inc.	15,703	9,268	1,692	10,562	1,766	1.7x	9.3x	1.5x	8.9x
LifePoint Health, Inc.	5,119	5,531	633	6,494	780	0.9x	8.1x	0.8x	6.6x
HCA Holdings, Inc.	62,793	40,262	7,918	41,938	8,318	1.6x	7.9x	1.5x	7.5x
Tenet Healthcare Corp.	19,059	19,254	2,241	19,113	2,462	1.0x	8.5x	1.0x	7.7x
					Median	1.0x	8.5x	1.0x	7.5x
					Average	1.2x	8.5x	1.1x	7.5x
Financial Metric for Eastern Connecticut Health Network, Inc. (In 000's)					(1)	$313,562	$10,846	$303,633	$11,281
Selected Market Multiples					(2)	0.20	4.6x	0.2x	4.3x
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis						**62,712**	**49,750**	**60,727**	**48,401**
Less: Interest-Bearing Debt					(3)	78,420	78,420	78,420	78,420
Preliminary Indication of Unadjusted Equity Value - Marketable, Minority Basis						(15,708)	(28,670)	(17,693)	(30,019)
Control Premium Calculation									
Actual Equity Weighting (Ea)						(25.0%)	(57.6%)	(29.1%)	(62.0%)
Optimal Equity Weighting (Eo)						50.0%	50.0%	50.0%	50.0%
Control Premium Based on Optimal Capital Structure (C Po)					(4)	10.0%	10.0%	10.0%	10.0%
Control Premium Based on Actual Capital Structure (C Pa)						n.a	n.a	n.a	n.a
Plus: Control Premium					(0)	n.a	n.a	n.a	n.a
Preliminary Indication of Unadjusted Equity Value - Marketable, Control Basis						(15,708)	(28,670)	(17,693)	(30,019)
Plus: Interest-Bearing Debt						78,420	78,420	78,420	78,420
Indicated Business Enterprise Value - Marketable, Control Basis						$62,712	$49,750	$60,727	$48,401
Weighting					(5)	25.0%	25.0%	25.0%	25.0%
Preliminary Business Enterprise Value (In 000's)									$55,397
Plus: Joint Venture Interests					(6)				13,187
Plus: Real Estate Joint Venture Interests					(7)				1,760
Business Enterprise Value (In 000's)									**$70,344**

Notes:

(1) See Exhibit B-2, Projected Income Statement.

(2) Based on analysis of guideline companies and subject company metrics, after adjustments for differences in profitability, future growth, and risk.

(3) Based on Management's Net Proceeds Analysis as of September 30, 2015.

(4) Control premium based on transaction data from Irving Levin Associates, Inc. and CapitalIQ.

(5) Most weight was given to the EBITDA indication as this metric is most commonly used by buyers and sellers in the hospital M&A market.
BEV = Business Enterprise Value
EBITDA = Earnings Before Interest, Tax, Depreciation, and Amortization

(6) See Exhibit F-4, Joint Venture Analysis.

(7) See Exhibit F-3, Real Property - Summary of Fair Market Values.

(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:	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015
Stock Price As of: 09/30/2015	$18.51	$124.72	$69.25	$78.05	$28.93
Shares Outstanding	110.3	98.9	44.5	410.6	98.8
Market Value of Equity	$2,042	$12,334	$3,082	$32,045	$2,857
Interest Bearing Debt	16,989	3,098	2,206	29,905	14,754
Preferred Stock	-	-	-	-	-
Minority Interest	604	311	144	1,482	1,898
Market Value of Invested Capital (MVIC)	19,635	15,743	5,432	63,432	19,509
Less: Cash and Cash Equivalents	186	40	313	639	450
Enterprise Value (EV)	$19,449	$15,703	$5,119	$62,793	$19,059
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	1.7x	1.0x	1.6x	1.0x
EBITDA	8.1x	9.5x	7.9x	8.0x	8.8x
EBIT	13.6x	12.5x	13.2x	10.5x	13.8x
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	1.7x	0.9x	1.6x	1.0x
EBITDA	8.5x	9.3x	8.1x	7.9x	8.5x
EBIT	14.7x	12.2x	14.3x	10.5x	13.2x
Next Twelve Months (NTM)					
Revenue	$20,153	$10,562	$6,494	$41,938	$19,113
EBITDA	$2,899	$1,766	$780	$8,318	$2,462
EBITDA %	14.4%	16.7%	12.0%	19.8%	12.9%
FY1 Multiples					
Revenue	1.0x	1.5x	0.8x	1.5x	1.0x
EBITDA	6.7x	8.9x	6.6x	7.5x	7.7x
2 Years Forward					
Revenue	$20,855	$11,127	$6,854	$44,034	$19,841
EBITDA	$2,971	$1,874	$843	$8,722	$2,600
EBITDA %	14.2%	16.8%	12.3%	19.8%	13.1%
FY2 Multiples					
Revenue	0.9x	1.4x	0.7x	1.4x	1.0x
EBITDA	6.5x	8.4x	6.1x	7.2x	7.3x

	BEV/ LFY Revenue	BEV/ LFY EBITDA	BEV/ TTM Revenue	BEV/ TTM EBITDA	BEV/ NTM Revenue	BEV/ NTM EBITDA
Community Health Systems, Inc.	1.0x	8.1x	1.0x	8.5x	1.0x	6.7x
Universal Health Services Inc.	1.7x	9.5x	1.7x	9.3x	1.5x	8.9x
LifePoint Health, Inc.	1.0x	7.9x	0.9x	8.1x	0.8x	6.6x
HCA Holdings, Inc.	1.6x	8.0x	1.6x	7.9x	1.5x	7.5x
Tenet Healthcare Corp.	1.0x	8.8x	1.0x	8.5x	1.0x	7.7x
Low	1.0x	7.9x	0.9x	7.9x	0.8x	6.6x
25th Percentile	1.0x	8.0x	1.0x	8.1x	1.0x	6.7x
Median	1.0x	8.1x	1.0x	8.5x	1.0x	7.5x
75th Percentile	1.6x	8.8x	1.6x	8.5x	1.5x	7.7x
High	1.7x	9.5x	1.7x	9.3x	1.5x	8.9x
Selected Multiple			**n.a**	**4.6x**	**n.a**	**4.3x**

Notes:
Source: Capital IQ

Guideline Company - Ratios

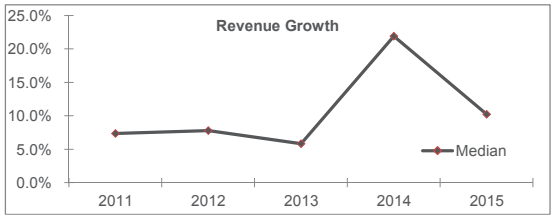
Trailing Twelve Months Ending:	Community Health Systems, Inc. CYH 9/30/2015	Universal Health Services Inc. UHS 9/30/2015	LifePoint Health, Inc. LPNT 9/30/2015	HCA Holdings, Inc. HCA 9/30/2015	Tenet Healthcare Corp. THC 9/30/2015	Eastern Connecticut Health Network, Inc. ECHN 9/30/2015	Range of Ratios for Guideline Companies High	Low	Median	Average
Liquidity Ratios										
Cash & Equivalents / Total Assets	0.7%	0.4%	5.6%	2.0%	1.9%	6.2%	5.6%	0.4%	1.9%	2.1%
Current Ratio	1.8	1.4	2.1	1.5	1.5	1.4	2.1	1.4	1.5	1.7
Quick Ratio	1.6	1.3	1.9	1.2	1.5	1.3	1.9	1.2	1.5	1.5
Days Cash on Hand	4.0	2.0	25.7	7.4	10.4	19.6	25.7	2.0	7.4	9.9
Working Capital Ratios										
Working Capital % of Sales	12.3%	5.7%	13.5%	7.4%	12.2%	7.3%	13.5%	5.7%	12.2%	10.2%
Debt-Free Working Capital % of Sales	13.5%	6.7%	14.0%	11.0%	12.8%	9.5%	14.0%	6.7%	12.8%	11.6%
Cash-Free Debt-Free Working Capital % of Sales	12.5%	6.2%	7.9%	9.3%	10.3%	4.4%	12.5%	6.2%	9.3%	9.3%
Efficiency Ratios										
Accounts Receivable Turnover	5.3	6.6	6.8	6.7	6.2	7.6	6.8	5.3	6.6	6.3
Days' Receivable	68.8	55.3	53.4	54.4	58.7	48.1	68.8	48.1	55.3	58.1
Accounts Payable Turnover	9.9	4.6	20.4	13.0	9.6	9.0	20.4	4.6	9.9	11.5
Days' Payable	37.0	79.2	17.9	28.1	38.2	40.6	79.2	17.9	37.0	40.1
Inventory Turnover	20.9	45.1	27.5	17.7	41.9	54.1	45.1	17.7	27.5	30.6
Days' Inventory	17.4	8.1	13.3	20.6	8.7	6.7	20.6	6.7	13.3	13.6
Net PP&E Turnover	1.9	2.3	2.1	2.7	2.5	3.6	2.7	1.9	2.3	2.3
Asset Turnover	0.7	1.0	0.9	1.2	0.8	1.2	1.2	0.7	0.9	0.9
Cash Conversion Cycle	49.2	(15.8)	48.8	47.0	29.2	14.3	49.2	(15.8)	47.0	31.7
Leverage Ratios										
Interest Coverage	1.8	10.9	3.5	3.4	1.7	0.3	10.9	1.7	3.4	4.2
Debt / Book Capital	77.8%	41.1%	48.1%	124.1%	84.5%	59.7%	124.1%	41.1%	77.8%	75.1%
Debt / Assets	62.5%	33.6%	39.4%	93.8%	63.7%	33.4%	93.8%	33.6%	62.5%	58.6%
Assets / Equity	5.6	2.1	2.4	(5.5)	8.6	4.4	8.6	(5.5)	2.4	2.6
Net Fixed Assets / Total Capital	0.5	0.5	0.5	0.6	0.4	0.6	0.6	0.4	0.5	0.5
Long-Term Debt / Equity	3.5	0.7	0.9	(4.9)	5.4	1.4	5.4	(4.9)	0.9	1.1
Profitability Ratios										
EBITDA Margin	13.2%	18.9%	12.8%	19.7%	12.6%	4.1%	19.7%	12.6%	13.2%	15.4%
EBIT Margin	8.7%	14.4%	7.8%	14.9%	8.0%	0.3%	14.9%	7.8%	8.7%	10.7%
Net Income Margin	1.7%	7.8%	3.0%	5.3%	0.1%	(1.5%)	7.8%	0.1%	3.0%	3.6%
DuPont Return on Equity										
Net Income Margin	1.7%	7.8%	3.0%	5.3%	0.1%	(1.5%)	7.8%	(1.5%)	3.0%	3.6%
Asset Turnover	0.7	1.0	0.9	1.2	0.8	1.2	1.2	0.7	0.9	0.9
Return on Assets	1.3%	7.4%	2.7%	6.5%	0.1%	(1.8%)	7.4%	(1.8%)	2.7%	3.6%
Assets / Equity	5.6	2.1	2.4	(5.5)	8.6	4.4	8.6	(5.5)	2.4	2.6
Return on Equity	7.1%	15.3%	6.4%	(35.7%)	0.7%	(8.1%)	15.3%	(35.7%)	6.4%	(1.3%)
Capital Expenditures / Revenue	5.1%	1.5%	5.3%	5.8%	4.2%	1.9%	5.8%	1.5%	5.1%	4.4%
Price/Earnings (P/E)	5.2x	17.9x	19.7x	14.9x	150.0x	N/A	150.0x	5.2x	17.9x	41.6x

Notes:
Source: Capital IQ

Guideline Company - Historic Revenue Growth and Margin Analysis

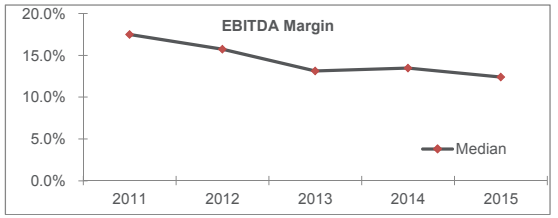
Revenue Growth

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



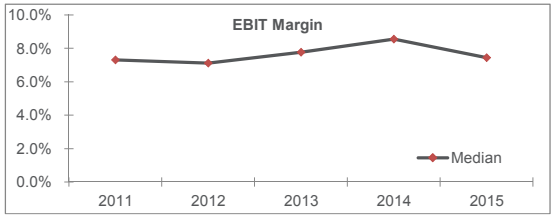
EBITDA Margin

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



EBIT Margin

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

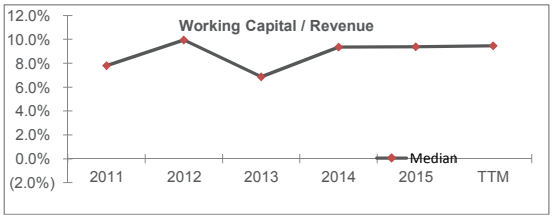


Source: Capital IQ

Guideline Company - Historic Working Capital and Capital Expenditures Analysis

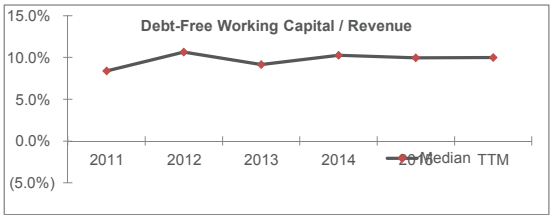
Working Capital / Revenue

	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%



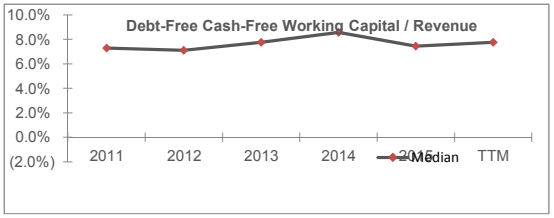
Debt-Free Working Capital / Revenue

	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

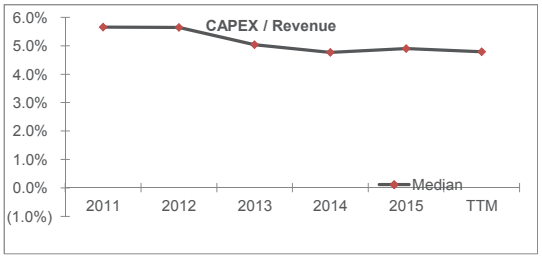
	FY 2011	2012	2013	2014	2015	TTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	7.3%	7.6%	8.4%	9.1%	11.0%	11.6%	9.5%	8.7%
Universal Health Services Inc.	7.2%	7.1%	6.4%	5.7%	6.8%	4.1%	6.3%	6.7%
LifePoint Health, Inc.	11.3%	12.0%	13.1%	10.4%	7.4%	7.9%	10.3%	10.9%
HCA Holdings, Inc.	8.9%	6.9%	7.8%	8.6%	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%



Guideline Company - Historic Working Capital and Capital Expenditures Analysis

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%

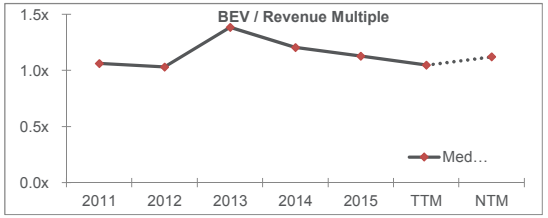


Source: Capital IQ

Guideline Company - Historical Multiple Analysis

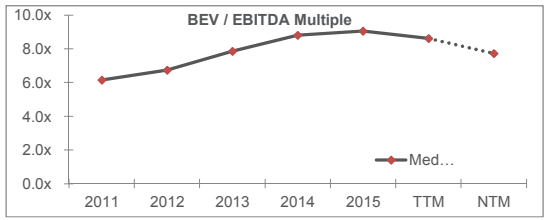
BEV / Revenue Multiple

	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	1.7x	1.5x	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	1.7x	1.5x	1.7x	1.5x
Mean	1.0x	1.1x	1.1x	1.4x	1.3x	1.3x	1.2x	1.3x	1.2x



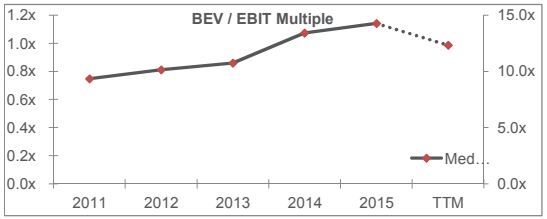
BEV / EBITDA Multiple

	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	8.6x	7.8x	7.7x	7.1x
Universal Health Services Inc.	6.5x	6.8x	8.7x	10.0x	9.4x	9.4x	8.9x	9.4x	8.3x
LifePoint Health, Inc.	6.1x	6.6x	3.9x	9.6x	9.1x	9.1x	7.3x	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	7.3x	7.5x	7.0x
Median	6.2x	6.7x	7.9x	8.8x	9.0x	8.6x	7.7x	8.0x	7.5x
High	6.6x	7.1x	11.6x	10.0x	9.4x	9.4x	8.9x	9.8x	8.5x
Mean	6.3x	6.7x	7.5x	9.2x	8.8x	8.7x	7.8x	8.5x	7.7x



BEV / EBIT Multiple

	FY 2011	2012	2013	2014	2015	TTM	NTM	3 FY Avg	5 FY Avg
Community Health Systems, Inc.	9.6x	10.2x	9.1x	13.3x	14.4x	14.7x	13.6x	12.3x	11.3x
Universal Health Services Inc.	8.6x	9.0x	11.5x	13.4x	12.4x	12.3x	11.5x	12.5x	11.0x
LifePoint Health, Inc.	9.3x	10.9x	7.3x	16.7x	15.2x	16.1x	13.1x	13.0x	11.9x
HCA Holdings, Inc.	8.8x	9.1x	10.7x	11.3x	10.0x	10.5x	9.8x	10.7x	10.0x
Tenet Healthcare Corp.	9.6x	11.0x	19.6x	15.7x	14.3x	11.5x	11.5x	16.5x	14.0x
Low	8.6x	9.0x	7.3x	11.3x	10.0x	10.5x	9.8x	10.7x	10.0x
Median	9.3x	10.2x	10.7x	13.4x	14.3x	12.3x	11.5x	12.5x	11.3x
High	9.6x	11.0x	19.6x	16.7x	15.2x	16.1x	13.6x	16.5x	14.0x
Mean	9.2x	10.0x	11.7x	14.1x	13.3x	13.1x	11.9x	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	ECHN				
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	2,256	203,500	40,000	119,148	110,030
Licensed Beds	29,853	27,620	8,243	43,771	22,525	401	43,771	8,243	27,620	26,402
Admissions	940,292	708,734	236,474	1,868,800	-	10,918	1,868,800	-	708,734	750,860
Adjusted Admissions	2,038,103	NA	617,434	3,122,700	NA	31,487	3,122,700	617,434	2,038,103	1,926,079
ER Visits	NA	NA	1,477,113	8,050,200	NA	60,668	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	50,565	9,155,660	4,175,214	7,054,125	6,795,000
Adjusted Patient Days	9,049,866	NA	NA	15,298,790	NA	145,829	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	2.88	2.61	1.67	2.17	2.15
Net Inpatient Revenue	NA	NA	NA	NA	NA	N/A	-	-	NA	NA
Net Outpatient Revenue	NA	NA	NA	NA	NA	N/A	-	-	NA	NA
Total Net Patient Revenue	$19,234	$9,043	$5,214	39,678	-	316	39,678	-	9,043	14,634
EBITDA	$2,387	$1,658	$646	7,869	2,177	12.9	7,869	646	2,177	2,947
Payor Mix										
Medicare %	24.1%	21.0%	29.1%	32.2%	20.4%		32.2%	20.4%	24.1%	25.4%
Medicaid %	11.2%	14.0%	16.1%	9.9%	8.7%		16.1%	8.7%	11.2%	12.0%
Managed Care %	52.4%	52.0%	53.5%	58.5%	70.9%		70.9%	52.0%	53.5%	57.5%
Uninsured %	12.3%	13.0%	16.6%	9.3%	0.0%		16.6%	0.0%	12.3%	10.2%
Total	100.0%	100.0%	115.3%	109.9%	100.0%					
Operating Ratios										
% Inpatient Revenue	NA	NA	NA	NA	NA	NA	0.0%	0.0%	NA	NA
% Outpatient Revenue	NA	NA	NA	NA	NA	NA	0.0%	0.0%	NA	NA
Net Revenue / Bed	$644,290	$327,424	$632,573	$906,491	$ -	786,952	906,491	-	632,573	502,156
Net Revenue / Admission	$20,455	$12,760	$22,050	$21,232	NA	28,903	22,050	12,760	20,844	19,124
Net Revenue / Adjusted Admission	$9,437	NA	$8,445	$12,706	NA	10,022	12,706	8,445	9,437	10,196
Net Revenue / Patient Day	$4,607	$1,282	NA	$4,334	NA	6,241	4,607	1,282	4,334	3,407
Net Revenue / Adjusted Patient Day	$2,125	NA	NA	$2,594	NA	2,164	2,594	2,125	2,359	2,359
EBITDA / Bed	$79,958	$60,029	$78,370	$179,777	$96,648	32,047	179,777	60,029	79,958	98,956
EBITDA / Admission	$2,539	$2,339	$2,732	$4,211	NA	1,177	4,211	2,339	2,635	2,955
EBITDA / Adjusted Admission	$1,171	NA	$1,046	$2,520	NA	408	2,520	1,046	1,171	1,579
EBITDA / Patient Day	$572	$235	NA	$859	NA	254	859	235	572	555
EBITDA / Adjusted Patient Day	$264	NA	NA	$514	NA	88	514	264	389	389
FTEs / Bed	4.1	2.3	4.9	4.6	5.3	5.6	5.3	2.3	4.6	4.2
Average Length of Stay (Days)	4.4	10.0	NA	4.9	NA	4.6	10.0	4.4	4.9	6.4
Occupancy Rate	38.3%	70.0%	NA	57.3%	NA	34.5%	70.0%	38.3%	57.3%	55.2%
Avg. Daily Census (Per Facility)	59.0	76.4	NA	88.3	NA	138.5	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.	Eastern Connecticut Health Network, Inc.	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Eastern Connecticut Health Network, Inc.	Range for Guideline Companies	
		CYH	UHS	LPNT	HCA	THC		CYH	UHS	LPNT	HCA	THC			
Latest Twelve Months Ending:		9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	Median	Average
	Total Revenues	$19,557	$8,765	$5,107	$39,065	$18,085	$316	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Salaries & Benefits	8,935	4,128	2,457	17,791	-	201	45.7%	47.1%	48.1%	45.5%	0.0%	63.6%	45.7%	37.3%
	Supplies	3,038	955	934	6,611	11,520	100	15.5%	10.9%	18.3%	16.9%	63.7%	31.6%	16.9%	25.1%
(1)	Cost of Goods Sold	11,973	5,083	3,391	24,402	11,520	300	61.2%	58.0%	66.4%	62.5%	63.7%	95.2%	62.5%	62.4%
	Gross Profit	**7,584**	**3,682**	**1,716**	**14,663**	**6,565**	**15**	**38.8%**	**42.0%**	**33.6%**	**37.5%**	**36.3%**	**4.8%**	**37.5%**	**37.6%**
	Selling, General & Admin. Exp.	459	94	53	-	264	-	2.3%	1.1%	1.0%	0.0%	1.5%	0.0%	1.1%	1.2%
	Other Operating Expenses	4,542	1,934	1,010	6,972	4,031	2	23.2%	22.1%	19.8%	17.8%	22.3%	0.7%	22.1%	21.0%
	EBITDA	**2,583**	**1,654**	**653**	**7,691**	**2,270**	**13**	**13.2%**	**18.9%**	**12.8%**	**19.7%**	**12.6%**	**4.1%**	**13.2%**	**15.4%**
	Depreciation & Amortization Expense	878	394	256	1,883	829	12	4.5%	4.5%	5.0%	4.8%	4.6%	3.8%	4.6%	4.7%
	EBIT	**1,705**	**1,260**	**396**	**5,808**	**1,441**	**1**	**8.7%**	**14.4%**	**7.8%**	**14.9%**	**8.0%**	**0.3%**	**8.7%**	**10.7%**
								0.0%							
	Net Interest Income (Expense)	(966)	(116)	(114)	(1,684)	(860)	(3)	(4.9%)	(1.3%)	(2.2%)	(4.3%)	(4.8%)	(1.1%)	(4.3%)	(3.5%)
	Non-Operating Income	64	-	45	49	39	(2)	0.3%	0.0%	0.9%	0.1%	0.2%	(0.7%)	0.2%	0.3%
	Non-Recurring Income	(69)	-	(72)	(300)	(402)	-	(0.4%)	0.0%	(1.4%)	(0.8%)	(2.2%)	0.0%	(0.8%)	(0.9%)
	Pretax Income	**734**	**1,144**	**256**	**3,873**	**218**	**(5)**	**3.8%**	**13.1%**	**5.0%**	**9.9%**	**1.2%**	**(1.5%)**	**5.0%**	**6.6%**
	Total Income Taxes	234	394	91	1,239	60	-	1.2%	4.5%	1.8%	3.2%	0.3%	0.0%	1.8%	2.2%
	Minority Interest Expense	102	70	13	560	139		0.5%	0.8%	0.3%	1.4%	0.8%	0.0%	0.8%	0.8%
	Net Income Before Extraordinaries	**398**	**680**	**151**	**2,074**	**19**	**(5)**	**2.0%**	**7.8%**	**3.0%**	**5.3%**	**0.1%**	**(1.5%)**	**3.0%**	**3.6%**
	Extraordinary Items	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Discontinued Operations	(56)	-	-	-	(1)	-	(0.3%)	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	(0.1%)
	Net Income	**342**	**680**	**151**	**2,074**	**18**	**(5)**	**1.7%**	**7.8%**	**3.0%**	**5.3%**	**0.1%**	**(1.5%)**	**3.0%**	**3.6%**
	Extraordinary Items	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Discontinued Operations	(56)	-	-	-	(1)	-	(0.3%)	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	(0.1%)
	Non-Operating Income	64	-	45	49	39	(2)	0.3%	0.0%	0.9%	0.1%	0.2%	(0.7%)	0.2%	0.3%
	Non-Recurring Income	(69)	-	(72)	(300)	(402)	-	(0.4%)	0.0%	(1.4%)	(0.8%)	(2.2%)	0.0%	(0.8%)	(0.9%)
	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*	*0*									
	Related Tax Expense	(2)	-	(10)	(80)	(100)		(0.0%)	0.0%	(0.2%)	(0.2%)	(0.6%)	0.0%	(0.2%)	(0.2%)
(2)	**Net Income (Adj.)**	**$401**	**$679**	**$169**	**$2,245**	**$282**	**($3)**	**2.1%**	**7.8%**	**3.3%**	**5.7%**	**1.6%**	**(0.8%)**	**3.3%**	**4.1%**
	Capital Expenditures	$989	$132	$270	$2,265	$765	$6	5.1%	1.5%	5.3%	5.8%	4.2%	1.9%	5.1%	4.4%

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.	Eastern Connecticut Health Network, Inc.	Community Health Systems, Inc.	Universal Health Services Inc.	LifePoint Health, Inc.	HCA Holdings, Inc.	Tenet Healthcare Corp.	Eastern Connecticut Health Network, Inc.	Range For Guideline Companies	
	CYH	UHS	LPNT	HCA	THC		CYH	UHS	LPNT	HCA	THC			
As of:	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	9/30/2015	Median	Average
Assets														
Cash & Short-Term Investment	$186.0	$39.5	$313.2	$639.0	$450.0	$16.3	0.7%	0.4%	5.6%	2.0%	1.9%	6.2%	1.9%	2.1%
Accounts Receivable	3,686.0	1,328.3	747.7	5,827.0	2,907.0	41.6	13.6%	14.4%	13.4%	18.3%	12.5%	16.0%	13.6%	14.4%
Inventory	572.0	112.7	123.3	1,379.0	275.0	5.6	2.1%	1.2%	2.2%	4.3%	1.2%	2.1%	2.1%	2.2%
Prepaid Expenses	215.0	-	49.3	-	-	-	0.8%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.3%
Deferred Tax Asset, Curr.	345.0	134.6	61.9	412.0	625.0	-	1.3%	1.5%	1.1%	1.3%	2.7%	0.0%	1.3%	1.6%
Other Current Assets	548.0	81.5	34.7	964.0	2,039.0	11.3	2.0%	0.9%	0.6%	3.0%	8.8%	4.3%	2.0%	3.1%
Total Current Assets	5,552.0	1,696.6	1,330.1	9,221.0	6,296.0	74.8	20.4%	18.4%	23.8%	28.9%	27.2%	28.7%	23.8%	23.7%
Net Property, Plant & Equipment	10,064.0	3,776.1	2,437.1	14,704.0	7,330.0	88.3	37.0%	41.0%	43.5%	46.1%	31.6%	33.9%	41.0%	39.9%
Long-Term Investments	487.0	9.0	-	595.0	1,029.0	89.0	1.8%	0.1%	0.0%	1.9%	4.4%	34.1%	1.8%	1.6%
Goodwill	8,972.0	3,388.4	1,667.5	-	6,606.0	-	33.0%	36.8%	29.8%	0.0%	28.5%	0.0%	29.8%	25.6%
Other Intangibles	158.0	-	72.3	6,540.0	1,585.0	-	0.6%	0.0%	1.3%	20.5%	6.8%	0.0%	1.3%	5.8%
Deferred Charges, Long-Term	-	35.1	27.3	-	245.0	-	0.0%	0.4%	0.5%	0.0%	1.1%	0.0%	0.4%	0.4%
Deferred Tax Asset, Long-Term	-	-	-	-	82.0	-	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.1%
Other Long-Term Assets	1,956.0	301.7	64.7	836.0	-	8.6	7.2%	3.3%	1.2%	2.6%	0.0%	3.3%	2.6%	2.8%
Total Long-Term Assets	21,637.0	7,510.3	4,268.9	22,675.0	16,877.0	185.8	79.6%	81.6%	76.2%	71.1%	72.8%	71.3%	76.2%	76.3%
Total Assets	**$27,189.0**	**$9,206.9**	**$5,599.0**	**$31,896.0**	**$23,173.0**	**$260.6**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities & Shareholder's Equity														
Accounts Payable	1,214.0	1,102.6	166.6	1,877.0	1,206.0	33.4	4.5%	12.0%	3.0%	5.9%	5.2%	12.8%	5.2%	6.1%
Accrued Expenses	1,548.0	-	213.3	3,059.0	1,313.0	-	5.7%	0.0%	3.8%	9.6%	5.7%	0.0%	5.7%	5.0%
Current Portion of L-T Debt	240.0	84.9	25.1	1,377.0	112.0	7.0	0.9%	0.9%	0.4%	4.3%	0.5%	2.7%	0.9%	1.4%
Current Income Taxes Payable	102.0	8.7	-	-	-	-	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Unearned Revenue, Curr.	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Tax Liability, Curr.	23.0	-	-	-	-	-	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Current Liabilities	27.0	-	234.7	-	1,462.0	11.2	0.1%	0.0%	4.2%	0.0%	6.3%	4.3%	0.1%	2.1%
Total Current Liabilities	3,154.0	1,196.2	639.7	6,313.0	4,093.0	51.7	11.6%	13.0%	11.4%	19.8%	17.7%	19.8%	13.0%	14.7%
Long-Term Debt	16,749.0	3,013.0	2,181.2	28,528.0	14,642.0	80.1	61.6%	32.7%	39.0%	89.4%	63.2%	30.7%	61.6%	57.2%
Capital Leases	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unearned Revenue, Non-Curr.	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension & Other Post-Retirement Benefits	-	-	-	-	621.0	62.4	0.0%	0.0%	0.0%	0.0%	2.7%	23.9%	0.0%	0.5%
Deferred Tax Liability, Non-Curr.	847.0	264.4	173.3	-	-	-	3.1%	2.9%	3.1%	0.0%	0.0%	0.0%	2.9%	1.8%
Other Non-Current Liabilities	1,594.0	289.4	225.2	2,867.0	1,117.0	7.7	5.9%	3.1%	4.0%	9.0%	4.8%	2.9%	4.8%	5.4%
Total Long-Term Liabilities	19,190.0	3,566.8	2,579.7	31,395.0	16,380.0	150.2	70.6%	38.7%	46.1%	98.4%	70.7%	57.6%	70.6%	64.9%
Total Liabilities	**22,344.0**	**4,762.9**	**3,219.4**	**37,708.0**	**20,473.0**	**201.9**	**82.2%**	**51.7%**	**57.5%**	**118.2%**	**88.3%**	**77.5%**	**82.2%**	**79.6%**
Minority Interest	604.0	310.8	143.9	1,482.0	1,898.0	-	2.2%	3.4%	2.6%	4.6%	8.2%	0.0%	3.4%	4.2%
Preferred Stock (Carrying Value)	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	4,241.0	4,133.1	2,235.7	(7,294.0)	802.0	-	15.6%	44.9%	39.9%	(22.9%)	3.5%	0.0%	15.6%	16.2%
Total Shareholder's Equity	4,845.0	4,443.9	2,379.6	(5,812.0)	2,700.0	58.7	17.8%	48.3%	42.5%	(18.2%)	11.7%	22.5%	17.8%	20.4%
Total Liabilities & Shareholder's Equity	**$27,189.0**	**$9,206.9**	**$5,599.0**	**$31,896.0**	**$23,173.0**	**$260.6**	**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, owns, leases, and operates general acute care hospitals in the United States. It offers 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. The company 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, it offers management and consulting services to non-affiliated general acute care hospitals. As of February 15, 2016, the company owned, leased, or operated 195 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 provide 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 25, 2016, it owned and/or operated 24 inpatient acute care hospitals, 3 free-standing emergency departments, and 213 inpatient and 16 outpatient behavioral health care facilities 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, owns and operates community hospitals, regional health systems, physician practices, outpatient centers, and post-acute facilities 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, including open-heart surgery, skilled nursing, psychiatric care, and neuro-surgery. The company's hospitals also provide various outpatient services comprising 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 December 31, 2015, the company operated 67 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, urgent care facilities, walk-in clinics, diagnostic and imaging centers, rehabilitation and physical therapy centers, radiation and oncology therapy centers, physician practices, and various other facilities. As of December 31, 2015, the company operated 164 general, acute care hospitals with 43,275 licensed beds; 3 psychiatric hospitals with 396 licensed beds; and 1 rehabilitation hospital, as well as 116 freestanding surgery centers. HCA Holdings, Inc. was founded in 1968 and is headquartered in Nashville, Tennessee.
Tenet Healthcare Corp.	THC	Tenet Healthcare Corporation, together with its subsidiaries, primarily operates acute care hospitals and related healthcare facilities. The company operates through three segments: Hospital Operations and Other, Ambulatory Care, and Conifer. Its general hospitals offer acute care services, operating and recovery rooms, radiology services, respiratory therapy services, clinical laboratories, and pharmacies. The company also provides intensive, critical, and 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 for heart, liver, kidney, and bone marrow transplants; quaternary pediatric and burn services; gamma-knife brain surgery; and cyberknife radiation therapy for tumors and lesions in the brain, lung, neck, and spine. In addition, it offers clinical research programs related to cardiovascular and pulmonary diseases, musculoskeletal disorders, neurological disorders, genitourinary diseases, and various cancers, as well as drug and medical device studies. Further, the company operates freestanding ambulatory surgery and imaging centers, short-stay surgical facilities, and Aspen's hospitals and clinics. Additionally, it offers operational management for patient access, accounts receivable management, health information management, revenue integrity, and patient financial services; communications and engagement solutions; and clinical integration, financial risk management, and population health management services. As of December 31, 2015, the company operated 86 hospitals, 20 short-stay surgical hospitals, and approximately 475 outpatient centers; and 9 private hospitals and clinics, as well as 249 ambulatory surgery, 20 imaging, and 35 urgent care centers in the United Kingdom. Tenet Healthcare Corporation was founded in 1967 and is headquartered in Dallas, Texas.

Source: Capital IQ

($000s)

Similar Transaction Method Summary

		BEV/ 2015 Revenue	BEV/ 2015 EBITDA
ECHN Financial Metrics (000's)	(1)	313,562	10,846
Selected Market Multiples	(2)	0.2x	4.9x
Indicated Business Enterprise Value - Marketable, Control Basis		$62,712	$53,575
Weighting	(3)	50.0%	50.0%
Preliminary Business Enterprise Value			$58,144
Plus: Joint Venture Interests	(4)		13,187
Plus: Real Estate Joint Venture Interests	(5)		1,760
Business Enterprise Value (Rounded)			**$73,091**

Notes:

(1) See Exhibit C-2, Historical Income Statement - ECHN

(2) See Exhibit E-2, Similar Transaction Multiples - Hospitals.

(3) Most weight was given to the EBITDA indication as this metric is most commonly used by buyers and sellers in the hospital M&A market.
BEV = Business Enterprise Value
EBITDA = Earnings Before Interest, Tax, Depreciation, and Amortization

(4) See Exhibit F-4, Joint Venture Analysis.

(5) See Exhibit F-3, Real Property - Summary of Fair Market Values.

($000s)

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
(1) **Selected Multiple**					0.2x	4.9x

Notes:

(1) Selection of multiples was based on comparison of ECHN to other transactions based on risk, size and profitability and consideration of unique factors to ECHN including payor mix and utilization statistics.

BEV = Business Enterprise Value

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

($000s)

Similar Transactions - Hospitals

Date Announced			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

($000s)

Similar Transactions - Hospitals

Date Announced			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
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
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

($000s)

Similar Transactions - Hospitals

Date Announced			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
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
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

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

Exhibit F-1

NAVIGANT

FINAL

Asset-Based Approach - Summary

Supplemental Asset-Based Approach (1)	Notes	FMV
Net Asset Components:		
Personal Property	(2)	$23,600,000
Real Property	(3)	42,170,000
Real Property Joint Ventures Interests	(3)	1,760,000
Joint Ventures Interests	(4)	13,187,000
Net Working Capital	(5)	21,130,000
FMV of ECHN Business Enterprise, Value-in-Place	(6)	**$101,847,000**

Notes:

(1) Navigant performed a supplemental asset-based valuation analysis to further support our overall assessment that PMH was not paying less than fair market value for ECHN's assets.

(2) Based on Navigant analysis. See Exhibit F-2, Personal Property - Summary of Fair Market Values.

(3) Based on Navigant analysis. See Exhibit F-3, Real Property - Summary of Fair Market Values.

(4) See Exhibit F-4, Joint Venture Analysis.

(5) Net working capital adjustment is based on the projected balance of net working capital as of the latest Net Proceeds Analysis provided by Management.

(6) Based on Navigant's analysis, it was determined that any intangible asset value would be negligible given the financial condition of the Health System.

Personal Property - Summary of Fair Market Values

USD $ (Actuals)	Asset Category	Historical Cost	Net Book Value	Fair Market Value (Rounded)
	Manchester Memorial Hospital			
	Capital Leases	$14,732,808	$6,971,978	$5,888,000
	Computer Equipment	8,332,096	894,420	548,000
	Computer Software	8,950,752	536,358	1,077,000
	Furniture & Fixtures	11,782,571	1,556,382	2,637,000
	Lab Equipment	3,329,207	416,725	821,000
	Leasehold Improvements	1,256,314	846,610	562,000
	Medical Equipment	37,856,537	8,452,940	9,061,000
	Vehicles	215,832	21,969	63,000
	Machinery & Equipment	651,598	600,690	419,000
	Manchester Memorial Hospital Total	**$87,107,716**	**$20,298,072**	**$21,076,000**
	Rockville General Hospital			
	Computer Equipment	$2,443,805	$230,745	$148,000
	Computer Software	3,281,066	238,980	364,000
	Furniture & Fixtures	3,567,218	374,846	740,000
	Lab Equipment	1,356,464	200,025	318,000
	Leasehold Improvements	949,902	712,771	485,000
	Medical Equipment	19,472,825	2,559,354	4,000,000
	Vehicles	103,543	1,680	21,000
	Machinery & Equipment	58,701	1,760	3,000
	Rockville General Hospital Total	**$31,233,523**	**$4,320,161**	**$6,079,000**
	South Windsor Primary Care			
	Computer Equipment	$384,836	$78,493	$41,000
	Computer Software	930,764	110,901	170,000
	Furniture & Fixtures	706,475	311,200	230,000
	Lab Equipment	16,801	1,654	3,000
	Leasehold Improvements	1,161,706	674,023	483,000
	Medical Equipment	983,827	433,094	359,000
	South Windsor Primary Care Total	**$4,184,409**	**$1,609,365**	**$1,286,000**
	Other			
	Woodlake at Tolland	$2,178,099	$638,657	$512,000
	Enterprise	13,500	-	4,000
	Other Total	**$13,500**	**$ -**	**$516,000**
	Construction In Progress	$1,495,545	$1,495,545	**$1,500,000**
Personal Property Total		**$124,034,693**	**$27,723,142**	**$30,457,000**
Personal Property Total		**$124,000,000**	**$27,700,000**	**$30,500,000**
Capital Lease Liability (As of December 31, 2015)				(6,840,359)
Personal Property Total (Excluding Capital Lease Liability (As of December 31, 2015))				**$23,600,000**

State of Connecticut, Office of Attorney General | **Exhibit F-3**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Real Property - Summary of Fair Market Values

PROPERTY BY PROPERTY SUMMARY OF VALUE CONCLUSIONS

Wholly Owned

Address	City	Property Type	Size	Cost Approach (1) Land, Site and Bldg	Market Approach (2) Low	Market Approach (2) High	Fair Market Value
71-80 Haynes Street (MMH)	Manchester	Hospital and parking	527,224	$ 20,600,000	$15,800,000	$27,400,000	$ 20,600,000
31 Union St (RGH)	Vernon	Hospital	177,348	$ 3,800,000	$ 1,600,000	$ 5,300,000	$ 3,800,000
460 Hartford Turnpike	Vernon	Medical/Dialysis/Sterlizing	36,000	$ 3,700,000	$ 3,600,000	$ 4,500,000	$ 3,700,000
26 Shenipsit Lake Road (WA	Tolland	Elder Care	65,721	$ 8,100,000	$ 7,600,000	$ 9,900,000	$ 8,100,000
Total of Major Properties							$ 36,200,000
Additional MMH properties (3)					Basic Price		
18 Haynes Street	Manchester	Office Building/Commercial	6,061		$ 770,000		
26 Haynes Street	Manchester	Office Building/Commercial	4,256		$ 500,000		
36 Haynes Street	Manchester	Office Building/Commercial	7,068		$ 780,000		
44 Haynes Street	Manchester	Office Building/Commercial	1,523		$ 160,000		
310-312 Main Street	Manchester	Office Building/Commercial	3,954		$ 320,000		
320 Main Street	Manchester	Office Building/Commercial	10,640		$ 770,000		
353 Main Street	Manchester	Office Building/Commercial	5,348		$ 700,000		
150 North Main Street	Manchester	Medical Office Building	20,656		$ 1,890,000		
945 Main St (2 condos)	Manchester	Office Building/Condos	2,330		$ 180,000		
319 Broad Street	Manchester	Thrift/retail store	6,236		$ 620,000		
W Middle Tpke; Russell;	Manchester	12 SFR residential properties	15,233		$ 1,320,000		
Hemlock; Hawthorne; Alton	Manchester	5 Vacant Residential parcels	11.57 acres total		$ 440,000		
56 Haynes Street	Manchester	Vacant commecial parcel	0.31 acres		$ 40,000		
Additional RGH properties (3)							
Ward, Village and W Main	Vernon	Vacant parcels	1.37 acres		$ 410,000		
Aggregate retal of non-essential real estate					$ 8,900,000		
Non essential real estate - sold as a portfolio - and sold off over time							
Discounted for sell off over three years					Net Proceeds - non-essential real estate		$ 5,970,000
Total Fair Market Value of Real Estate Assets							**$ 42,170,000**

JV - Partially Owned

Address	City	Property Type	Size	Costs (4)	Ownership	Fair Market Value	Less Debt	FMV Equity
100 Haynes Street	Manchester	Cancer Center Medical Building	30,443	$ 8,813,100	15.0%	$ 1,321,965	$ 943,349	$ 378,616
29 Haynes Street	Manchester	Medical office building	11,241	2,237,900	22.9%	512,479	377,004	135,475
2800 Tamarack Avenue	South Windsor	Medical office building	40,000	5,933,700	20.0%	1,186,740	910,617	276,123
2400 + 2600 Tamarack Aven	South Windsor	Medical office building	52,615	12,966,400	20.0%	2,593,280	1,622,431	970,849
Total Fair Market Value of Real Estate Assets				$ 29,951,100		$ 5,614,464	$ 3,853,401	$ 1,761,063
							Rounded	**$ 1,760,000**

Notes:
(1) See Exhibits G-1, G-2, G-3, G-4 and G-5
(2) See Exhibit G-6, G-7 and G-8
(3) See Exhibit G-9 and G-10
(4) See Exhibit G-11, G-12 and G-13.

Joint Venture Analysis

Company Name (1), (2)	Business Description	% Ownership	ECHN Net Income 2014	ECHN Net Income 2015	ECHN EBITDA 2014	ECHN EBITDA 2015	Multiple (3)	Indicated BEV
Metro Wheelchair Service, Inc.	Ambulance	50.0%	($54,225)	$4,180	($54,462)	$4,180	5.0x	$20,900
Aetna Ambulance Service, Inc.	Ambulance	50.0%	188,996	(80,067)	495,936	128,329	5.0x	641,643
Ambulance Service of Manchester, LLC	Ambulance	50.0%	1,026,411	1,341,175	1,355,963	1,637,379	5.0x	8,186,893
WBC Connecticut East, LLC	Behavioral Health Center	16.0%	(1,455)	21,473	10,366	29,840	5.0x	149,198
Evergreen Endoscopy Center, Inc.	Endoscopy Surgery Center	50.0%	491,891	204,933	565,547	271,273	5.0x	1,356,363
Tolland Imaging Center, LLC	Imaging Center	70.0%	179,810	291,458	238,046	322,674	4.5x	1,452,033
Northeast Regional Radiation Oncology Network, Inc.	Cancer Center	50.0%	381,743	(26,016)	506,689	306,609	4.5x	1,379,741
	Totals:		**$2,213,171**	**$1,757,136**	**$3,118,085**	**$2,700,282**		**$13,186,770**
	Rounded:							**$13,187,000**

Notes:

(1) Data on joint venture interests and profitability were provided by Management. Investments are accounted for under equity method accounting. EBITDA values represent ECHN's share of EBITDA in affiliates as of 9/30/2015.

(2) Joint ventures represented are exclusive of ECHN's real estate joint ventures, summarized in Exhibit F-3.

(3) Selection of multiples based on consideration of guideline company and comparable transaction data in each JV's respective industry, according to data from the Irving Levin Transaction Database and Capital IQ. Multiples adjusted based on differences in risk, diversification, and marketability.

State of Connecticut, Office of Attorney General **Exhibit G-1**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Land Sales - Commercial land

SUMMARY OF COMPARABLE VACANT LAND SALES

No.	Date	Address	Parcel ID	Land (Acres)	Land (SF)	Price	Price/Acre	Price/SF	Zoning	Proposed Use
L-1	6/30/2013	200 Deming St South Windsor	SWIN-002760-000200	4.62	201,247	$2,000,000	$432,900	$9.94	AA30	Senior Apts
L-2	12/19/2012	444 Center St Manchester	MANC-000102-000000-000444	1.89	82,328	$410,000	$216,931	$4.98	B2	Commercial
L-3	8/6/2014	594 Tolland Tpke Manchester	MANC-000549-000000-000594	6.00	261,360	$450,000	$75,000	$1.72	RR	MultiFamily
L-4	5/15/2015	41 Courtney Dr Ellington	ELLI-002012-000004	2.05	89,298	$120,000	$58,537	$1.34	Industrial	Commercial
L-5	Listing	77-113 Spencer St Manchester	MANC-000519-000000-000089	7.00	304,920	$1,750,000	$250,000	$5.74	GC	Commercial
L-6	Pending	797 John Fitch Blvd South Windsor	SWIN-004770-000797	2.35	102,366	$495,000	$210,638	$4.84	GC	Commercial
L-7	Listing	40-48 Merrow Rd Tolland	TOLL-000022M-000000-000102	14.00	609,840	$2,900,000	$207,143	$4.76	GDD	Commercial

Subject	71 Haynes Street	MANC-000279-00000-000071	12.54	546,242
Major properties	80 Haynes Street	MANC-000279-00000-000080	2.86	124,582
	31 Union Street	146 23-0105-00001	7.95	346,302
	460 Hartford Turnpike	VERN-000019-000016-0000018	3.29	143,312
	26 Shenipsit Lake Road		6.39	278,348

L-1: A recent sale of commercial land purchased for medical office development, rural area but near freeway access.
L-2: Across Highway 36, existing property has 135,000 sf building to be demolished at the buyer's expense included in the purchare price.
L-3: Within a residential area, wooded, elongated, proposed multi-family development, on the market 1,372 days
L-4: Inferior flag lot, indicates the lower end of the range in the market.
L-5: Listed by Drubner Commercial for 1,370 days. Site is close to general commercial.
L-6: Level wooded lot, about 2 acres developable, on US Route 5, commuter route.
L-7: 26 acres gross, 14 acres net, near a four-way interchange New EnglandThroughway. Good visibility from I-84 and Rt. 195. (12 acres swamp area)

Land Sales Adjustment - MMH and RGH Hospitals, WAT

MAJOR PROPERTIES - LAND SALES ADJUSTMENT GRID

DESCRIPTION	Subject	Comparable L-1	Comparable L-2	Comparable L-3	Comparable L-4	Comparable L-5	Comparable L-6	Comparable L-
LOCATION:	71 Haynes St Manchester, CT	200 Deming St South Windsor	444 Center St Manchester	594 Tolland Tpke Manchester	41 Courtney Dr Ellington	77-113 Spencer St Manchester	797 John Fitch Blvd South Windsor	40-48 Merrow Rd Tolland
LAND AREA - ACRES	12.54	4.62	1.89	6.00	2.05	7.00	2.35	14.00
	1,684,465	201,247	82,328	261,360	89,298	304,920	102,366	609,840
SHAPE/TOPOGRAPH	Level / Irregular	Level / Irregular	Level / Rectangular	Level / Rectangular	Level / Rectangular	Level / Rectangular	Level / Rectangula	evel / Rectangula
ZONING:		AA30	B2	RR	Industrial	GC	GC	GDD
SOURCE:	Assessor	CoStar	CoStar	CoStar	CoStar	CoStar	CoStar	CoStar
DATE OF SALE:		Jun-2013	Dec-2012	Aug-2014	May-2015	Listing	Pending	Listing
SALE PRICE:		$2,000,000	$410,000	$450,000	$120,000	$1,750,000	$495,000	$2,900,000
PRICE PER ACRE:		$432,900	$216,931	$75,000	$58,537	$250,000	$210,638	$207,143
ADJUSTMENTS:								
UNIT SALE PRICE:		$432,900	$216,931	$75,000	$58,537	$250,000	$210,638	$207,143
PROPERTY RIGHTS CONVEYED:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$432,900	$216,931	$75,000	$58,537	$250,000	$210,638	$207,143
FINANCIAL CONSIDERATIONS:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED UNIT SALE PRICE:		$432,900	$216,931	$75,000	$58,537	$250,000	$210,638	$207,143
CONDITIONS OF SALE:		0.00%	0.00%	0.00%	0.00%	-20.00%	0.00%	-20.00%
ADJUSTED UNIT SALE PRICE:		$432,900	$216,931	$75,000	$58,537	$200,000	$210,638	$165,714
MARKET CONDITIONS:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TIME ADJUSTED UNIT SALE PRICE:		$432,900	$216,931	$75,000	$58,537	$200,000	$210,638	$165,714
PHYSICAL ADJUSTMENTS:								
LOCATION:		-40.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SIZE:		-20.00%	-30.00%	0.00%	-30.00%	0.00%	-30.00%	0.00%
SHAPE/TOPOGRAPHY:		0.00%	0.00%	50.00%	50.00%	0.00%	0.00%	0.00%
CORNER:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ZONING/PROPOSED USE:		0.00%	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%
TOTAL PHYSICAL ADJUSTMENTS:		-60.00%	-30.00%	50.00%	45.00%	0.00%	-30.00%	0.00%
ADJUSTED UNIT PRICE		$173,160	$151,852	$112,500	$84,878	$200,000	$147,447	$165,714

RANGE OF VALUE PER ACRE and AVERAGE	$84,878	to	$200,000	$147,936	
RANGE OF VALUE PER ACRE and AVERAGE - excluding extremes	$112,500	to	$173,160	$150,135	

INDICATED PRICE PER ACRE	Acres	Price per Acre			
71 and 80 Haynes St	15.40	$120,000	$1,848,000	Rounded:	$1,800,000
31 Union Street	7.95	$150,000	$1,192,500	Rounded:	$1,200,000
460 Hartford Turnpik	3.29	$150,000	$493,500	Rounded:	$500,000
26 Shenipsit Lake Rc	6.39	$120,000	$766,800	Rounded:	$800,000

Notes:

Conditions of Sale: The listings are adjusted downward to probably contract closing price. Typically we see a 20% discount off of the listing price.

Location: L-1 is considered a superior commercial location and adjusted downward. No other location adjustments were considered necessary.

Size: L-1, L-2, L-4 and L-6 are smaller sites. We see a diminution is price per acre for larger size parcels, due to diminishing marginal return. Smaller site typically see an increasing price per acre as each acre is more critical. These smaller site sales are adjusted downward.

Shape and Topography: L-5 is a flag lot, reflecting inferior frontage and visibility; while L-4 is a elongated parcel. Both require upwards adjustments for inferior configurations.

Zoning: Most of the zoning and proposed uses are considered comparable with no quantitative distinction in this market. However, L-5 is an industrial use, requiring an upward adjustment.

Conclusion: The adjusted sales, excluding the extremes, indicate a range from commercial land in the immediate area to be generally $110,000 per acre to $180,000 per acre. The MMH and RGH sites would be expected to fall to the mid range; however, MMH is a very large site, requiring a lower price per acre to account for the larger size. The Woodlake at Tolland site is more rural and would fall to the lower end of the range.

Building Improvements - MMH and RGH Hospitals, WAT

MAJOR PROPERTIES - SUMMARY OF BUILDING IMPROVEMENT COSTS

Manchester Memorial Hospital						Multipliers			Depreciation					Depreciated
Cost/Unit	Hard Cost	Extras	Soft Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Economic Life (Yrs)	Effective Age (Yrs)	RUL (Yrs)	Depr (%)	Depr ($)	Replacement Cost
General Hospital - Main		527,224 SF												
$244.01	$128,649,879	$1,078,358	$15,567,388	$0	$145,295,625	1.01	1.21	$177,565,783	45	25	20	56%	$98,647,657	$78,920,000
Basement		62,763 SF												
$112.57	$7,065,231	$0	$847,828	$0	$7,913,059	1.03	1.21	$9,862,045	45	25	20	56%	$5,478,914	$4,380,000
Parking Garage		196,004 SF												
$51.75	$10,143,207	$0	$1,217,185	$0	$11,360,392	1.03	1.21	$14,158,456	40	35	5	88%	$12,388,649	$1,770,000
														$85,070,000
										Less				
											Needed Repairs			-$4,945,000
											Functional Obsolescence		30.00%	-$25,521,000
											External Obsolescence		43.00%	-$36,580,100
											Total Depreciated Replacement Costs			**$18,023,900**
Rockville General Hospital														
General Hospital - Main		149,419 SF												
$257.49	$38,474,436	$727,226	$4,704,200	$0	$43,905,862	1.01	1.21	$53,657,354	45	28	17	62%	$33,386,798	$20,270,000
Maxwell - Mansion -office		27,929 SF												
$96.70	$2,700,683	$0	$324,082	$0	$3,024,765	1.01	1.22	$3,727,115	40	35	5	88%	$3,261,226	$470,000
														$20,740,000
										Less:	Needed Repairs			-$3,324,000
											Functional Obsolescence		30.00%	-$6,222,000
											External Obsolescence		43.00%	-$8,918,200
											Total Depreciated Replacement Costs			**$2,275,800**
460 Hartford Turnpike														
MOB, Dialysis		18,000 SF												
$137.61	$2,476,980	$0	$297,238	$0	$2,774,218	1.01	1.22	$3,418,391	35	16	19	46%	$1,562,693	$1,860,000
MOB - Basement level		18,000 SF												
$88.94	$1,600,920	$0	$192,110	$0	$1,793,030	1.01	1.22	$2,209,372	35	16	19	46%	$1,009,999	$1,200,000
											Total Depreciated Replacement Costs			**$3,060,000**
Woodlake at Tolland														
Skilled Nursing		65,721 SF												
$139.62	$9,175,966	$0	$1,101,116	$0	$10,277,082	1.03	1.23	$13,020,035	40	15	25	38%	$4,882,513	$8,140,000
										Less:	Needed Repairs			-$1,111,000
											Total Depreciated Replacement Costs			**$7,029,000**
											For MMH, RGH, WAT and 460			
											Total Depreciated Building Improvements			$30,388,700

Building Improvements - MMH and RGH Hospitals, WAT

MAJOR PROPERTIES - SUMMARY OF BUILDING IMPROVEMENT COSTS - Continued

Footnotes:

Building size, excludes porches and canopies.

MMH - Hospital - Hard Cost per Unit is from *Marshall Valuation Service* February 2016 edition, Section 15, pg 24. MMH -Class B Average; Section 14, pg 34 - Parking Structure - Class C Average. The base cost of $275.10 per square foot is adjusted by perimeter multiplier of .887. Extras account for porches, canopies and non-finished area accounting for the difference between the gross building area and the living area and basement, 17,677 square feet. The Cost per square foot is based on 1/4 of the base costs for living area.

RGH - Hospital - Hard Cost per Unit is from *Marshall Valuation Service* February 2016 edition, Section 15, pg 24. -Class B Average ($275.10 per square foot); and the wood frame original mansion is used for offices, Section 15, pg 17 - Class D Average ($103,31 per square foot). This is adjusted by a perimeter multiplier of 0.936. The Extras account for porches, canopies and non-finished area accounting for the difference between the gross building area and the living area, 11,297 square feet. The Cost per square foot is based on 1/4 of the base costs for living

460 Hartford - Hard Cost per Unit is from *Marshall Valuation Service* February 2016 edition, Section 15, pg 22. -Class C Average for ground floor, and Finished Basement costs for lower level housing sterilizing operation.

WAT - Hard Cost per Unit is from *Marshall Valuation Service* February 2016 edition, Section 15, pg 26. -Class C Average

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 Hartford, CT - the closest metro area.

Economic life from *MVS*, Section 97, pgs 10 & 13, and effective age is based on inspection, discussions with client, and overall age of the improvements in light of past maintenance and upgrades.

Current conditions indicate the hospital improvements are over 50% depreciated from brand new construction. However, other elements influence the various forms of depreciation. Functional obsolescence is considered in light of the current facility configuration and how it meets the demands of the marketplace. There are curable and incurable functional obsolescence. Curable functional obsolescence can be estimated based upon a schedule of immediate repairs to upgrade to desired function. he required upgrade to address identified function obsolescence is based on Facility Assessment by CharterCARE. The functional obsolescence is also based upon the change in the marketplace to command single occupancy/private rooms. The cost to cure the functional obsolescence and convert to adequate single rooms at MMH is $51 million. It must re recognized that in applying the cost to cure for functional obsolescence, this would mitigate the physical depreciation influence, as the repairing of the facility would extend the useful life to some extent. Therefore, the 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. 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. 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. The difference in actual occupancy of 34.5% versus standard occupancy of 60% indicates an external obsolescence of 43%

State of Connecticut, Office of Attorney General **Exhibit G-4**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
FINAL

Site Improvements - MMH and RGH Hospitals, WAT

										Depreciation					Depreciated
Manchester Memorial Hospital							Multipliers			Economic	Effective	RUL	Physical	Physical	Replacement
Item	Units	Cost/Unit	Hard Cost	Costs	Profit	Adj. Cost	Current	Local	Adj. Cost	Life (Yrs)	(Yrs)	(Yrs)	%	($)	Cost
Landscaping	54,624	$2.96	$161,688	$19,403	$0	$181,093	1.01	1.23	$224,972	20	5	15	25%	$56,243	$170,000
Surface Parking	536	$1,251	$670,670	$80,480	$0	$752,402	1.01	1.23	$934,709	8	4	4	50%	$467,354	$470,000
Canopies, retaining walls, curbs and sidewalks															$100,000
															$740,000
Rockville General Hospital															
Landscaping	34,630	$2.96	$102,505	$12,301	$0	$114,809	1.03	1.23	$145,452	20	10	10	50%	$72,726	$70,000
Parking	166	$1,251	$207,708	$24,925	$0	$233,884	1.03	1.23	$296,307	8	4	4	50%	$148,154	$150,000
Canopies, retaining walls, curbs and sidewalks															$100,000
															$320,000
460 Hartford															
Landscaping	14,331	$2.96	$42,420	$5,090	$0	$47,514	1.03	1.23	$60,195	20	10	10	50%	$30,098	$30,000
Parking	50	$1,251	$62,563	$7,508	$0	$71,321	1.03	1.23	$90,357	8	4	4	50%	$45,178	$50,000
Canopies, retaining walls, curbs and sidewalks															$100,000
															$180,000
Woodlake and Tolland															
Landscaping	27,835	$2.96	$82,391	$9,887	$0	$92,281	1.03	1.23	$116,911	20	10	10	50%	$58,455	$60,000
Parking	120	$1,251	$150,150	$18,018	$0	$169,419	1.03	1.23	$214,637	8	4	4	50%	$107,319	$110,000
Canopies, retaining walls, curbs and sidewalks															$100,000
															$270,000

MMH, RGH, 460 and WAT
Total Depreciated Site Improvements (rounded) $1,330,000

Footnotes:
Hard Cost per Unit is from *MVS*, February 2016 edition, Section 66, pg. 3; multipliers from Site Improvements section.
Parking based on per space cost and spaces from Google Earth, Landscaping based on cost per sq. ft. applied to an estimated 1/10 of the site area.
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.

Cost Approach Summary - MMH and RGH Hospitals, WAT

MAJOR PROPERTIES - SUMMARY OF COST VALUATION CONCLUSIONS

Address	City	Property Type	Size	Land Value (1)	Site Imps (2)	Bldg Imps (3)	Fair Market Value
71-80 Haynes Street (MMH)	Manchester	Hospital	527,224	$ 1,800,000	$ 740,000	$ 18,023,900	$ 20,563,900
						Rounded	$ 20,600,000
31 Union St (RGH)	Vernon	Hospital	177,348	$ 1,200,000	$ 320,000	$ 2,275,800	$ 3,795,800
						Rounded	$ 3,800,000
460 Hartford Turnpike	Vernon	Medical/Dialysis/Sterilizi	36,000	$ 500,000	$ 180,000	$ 3,060,000	$ 3,740,000
						Rounded	$ 3,700,000
26 Shenipsit Lake Road (WAT)	Tolland	Elder Care/ Skilled Nurs	65,721	$ 800,000	$ 270,000	$ 7,029,000	$ 8,099,000
						Rounded	$ 8,100,000

Improved Hospital Sales - Occupied - Hospital

SUMMARY OF OCCUPIED HOSPITAL

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Licensed Bed	Land Acres	Sale Price	$/SF	Per lic Bed	Uses
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
2	8/28/2014	116 Eddie Dowling Hwy	North Smithfield	RI	1970	92,944	82	4.30	10,056,200	$ 108	$122,637	Rehabilitation Hospital of Rhode Island to Carter Validus Mission
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
4	1/1/2016	1135 Carthage St	Sanford	NC	1981	176,528	137	17.53	14,500,000	$ 82	$105,839	Central Carolina Hospital
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
6	1/3/2013	800 Washington St	Norwood	MA	1920	147,121	292	9.33	2,169,595	$ 15	$ 7,430	Norwood Hospital
	MMH					527,224	283	15.40				
	RGH					177,348	118	7.95				
		Range of Operational Hospitals							Low	$ 9	$ 7,430	
									Median	$ 51	$ 66,475	
									High	$ 108	$122,637	

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 reflect a similar highest and best use. The MMH facilities is one of the largest hospital facilities, larger than the comparables sales. 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 $9, $30 and $64. RGH represents a more typical size for a hospital facility; however the mansion area of the building area is not considered to have significant value due to it age and deteriorating condition. Overall, the configuration and location of this facility reduce the marketability. The blended rate per square foot for the modern hospital and mansion building would be at the lowest end of the range.

The concluded cost approach for MMH, at $20 million indicates $39 per square foot, $73,000 per licensed be and $120,000 per staffed bed. For RGH the cost approach conclusion of $3.8 million indicates just over $21 per square foot, $32,000 per licensed bed and $81,000 per staffed bed. Due to the larger size of MMH, while the price per square foot is at the lower end the price per bed is over the median for the sales above. RGH is at the lower end for both price per square foot and price per licensed bed, but is supported by the lower sales.

Indicated Values		Indicated Range		Low/ High
MMH	527,224	Low:	$30	$15,800,000
		High:	$52	$27,400,000
RGH	177,348	Low:	$9	$1,600,000
		High:	$30	$5,300,000

Improved Nursing Facilities Sales - WAT

SUMMARY OF SKILLED NURSING SALES

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Beds	Land Acres	Sale Price	$/SF	$/Bed	Uses
1	7/1/2015	7 Loring Hills Ave	Salem	MA	1993	52,444	123	2.00	$ 10,080,000	$ 192	$ 81,951	Grosvener Park Nursing home
2	5/21/2014	2041 NC 210 N	Lillington	NC	1992	35,878	105	4.00	8,208,293	229	78,174	Green Leaf Care Center, Skilled Nursing
3	9/9/2013	111 Huntoon Memorial Hwy	Rochdale	MA	1994	57,195	179	4.38	5,856,375	102	32,717	Rehab/Skilled Nursing, Kindred to Wellflower
4	12/29/2014	3015 W 29th St	Brooklyn	NY	1992	174,788	360	1.43	32,000,000	183	88,889	Seagate Rehab and Nursing Center
5	5/24/2013	45 N Scott St	Carbondale	PA	1995	32,700	81	3.79	5,600,000	171	69,136	Osprey Ridge Rehab and Skilled Nursing
6	11/25/2013	20 N Woodbury Turnersville F	Blackwood	NJ	1996	226,000	450	25.00	37,070,000	164	82,378	Skilled and Psychiatric/Auction by Marcus & Millichap
6	Listing	46 Maple Street	Kent	CT	1993	60,000	90	11.50	6,000,000	100	66,667	The Kent skilled nursing facility
7	3/18/2015	90 West St	Wilmington	MA	1993	58,574	142	15.64	4,500,000	77	31,690	Woodbriar of Wilmington, Rehab, Skilled Nursing

Range of Skilled Nursing Facilities		$/SF	$/Bed
	Low	$ 77	$ 31,690
	Average	$ 152	$ 66,450
	High	$ 229	$ 88,889

The sales noted above are from a search of sales of occupied, established skilled nursing property. These sales are reported to represent only transactions of real estate. Personal property and business value are not included. Considering the attributes of each and those of the subject property, it is reasonable to conclude a range of value within the lower mid range, the quadrant below the average.

Indicated Values	Built	Size (SF)	Beds	Indicated Range	$/SF	$/Bed	
Woodlake at Tolland	1992	65,721	130	Low	$ 115	$ 50,000	$ 7,600,000
				High	$ 150	$ 66,000	$ 9,900,000

State of Connecticut, Office of Attorney General **Exhibit G-8**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
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Improved MOB Sales - Dialysis buildings

SUMMARY OF DIALYSIS and MOB SALES

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Land Acres	Sale Price	$/SF	Uses
1	3/25/2014	4802 Broadway	Gary	IN	1992	13,540	0.30	$ 2,550,000	$188.33	Dialysis
2	12/19/2013	109 Overland Dr	Greenwood	SC	1998	12,069	2.01	2,470,000	204.66	Dialysis
3	11/7/2014	3310 Dustin Rd	Oregon	OH	1994	8,400	2.31	1,998,000	237.86	Dialysis
4	9/8/2014	6757 Main St	Cass City	MI	1999	7,822	1.20	1,237,425	158.20	Dialysis
5	1/21/2016	175 Dwight Rd	Longmeadow	MA	1989	28,715	1.83	4,045,000	140.87	Office
6	5/19/2015	999 Silver Ln	Trumbull	CT	2002	27,980	2.03	4,534,750	162.07	MOB
7	12/27/2012	1075 Tolland Tpke	Manchester	CT	1965	9,753	1.11	700,000	71.77	MOB

Similar MOB dialysis centers with DaVita

Low	$ 71.77
Average	$166.25
High	$237.86

The subject property at 460 Hartford Turnpike, Vernon includes a DaVita Dialysis center on the top ground floor; and in addition, the lower portion of the building is operating a sterilization plant. The lower floor is more service commercial oriented, below street grade with no street frontage. In determining a FMV for the whole, a blended rate of medical and service uses is considered appropriate. Therefore the lower half of the range would be appropriate as an indication of fair market value

Indicated Values

Indicated Range

			SF			
460 Hartford Turnpike	Vernon	Renov 1999	36,000	Low	$100	$3,600,000
				High	$125	$4,500,000

Minor Properties - Assessor's Values/Recent Purchases

MINOR PROPERTIES - SUMMARY OF VALUATION CONCLUSIONS

Address	City	Property Type	Size	Assessors FMV	Per SF	Recent Appraisal	Date	Recent Purchase	Date	Indicated Value
										Rounded
18 Haynes Street	Manchester	Office Building/Commercial	6,061	$ 767,500	$ 127	$ 725,000	2012			$ 770,000
26 Haynes Street	Manchester	Office Building/Commercial	4,256	$ 498,300	$ 117					$ 500,000
36 Haynes Street	Manchester	Office Building/Commercial	7,068	$ 762,800	$ 108			$ 775,000	2013	$ 780,000
44 Haynes Street	Manchester	Office Building/Commercial	1,523	$ 162,000	$ 106			$ 220,000	2006	$ 160,000
310-312 Main Street	Manchester	Office Building/Commercial	3,954	$ 316,000	$ 80			$ 299,990	2005	$ 320,000
320 Main Street	Manchester	Office Building/Commercial	10,640	$ 767,200	$ 72					$ 770,000
353 Main Street	Manchester	Office Building/Commercial	5,348	$ 719,500	$ 135			$ 695,000	2014	$ 700,000
150 North Main Street	Manchester	Medical Office Building	20,656	$ 1,890,900	$ 92			$ 982,500	2005	$ 1,890,000
945 Main St (2 condos)	Manchester	Office Building/Condos	2,330	$ 179,429	$ 77	$ 174,000	2015			$ 180,000
319 Broad Street	Manchester	Thrift/retail store	6,236	$ 617,857	$ 99					$ 620,000
W Middle Tpke; Russell;	Manchester	12 SFR residentials (1)	15,233	$ 1,648,800	$ 108					$ 1,320,000
Hemlock; Hawthorne; Al	Manchester	5 Vacant Residential parcels	1.57 acres total	$ 553,400						$ 440,000
56 Haynes Street	Manchester	Vacant commercial parcel	0.31 acres	$ 43,700						$ 40,000
Ward, Village, W Main	Vernon	8 Vacant Res/comls parcel	1.37 acres	$ 512,680						$ 410,000
Aggregate of minor real estate										$ 8,900,000

There are 37 ancillary residential buildings, vacant residential land and small commercial building. These would likely be considered removed from the function of housing operation of the hospitals. This is a time when hospitals are needing less space, as many functions more away from hospital settings and into ambulatory out-patient facilities. a likely buyer would focus on the larger parcels and sell of the smaller non-related properties. For the purpose of valuing the assets of the ECHN business, there smaller properties should be valued in light of their potential sell off.

Sell off Discounted Cash flow

Year	1	2	3
Gross sales	2,966,667	2,966,667	2,966,667
Less: Cost of Sales (8%)	(237,333)	(237,333)	(237,333)
Net Proceeds	2,729,333	2,729,333	2,729,333
Present value of each period	2,319,933	1,971,943	1,676,152
Total present value:	5,968,029		

Concluded FMV - Net Proceeds from Nonessential Properties Rounded **$ 5,970,000**

Inputs:

Number of properties	37 properties	
Sell off period	3 years	1 per month.
Discount rate	15% Includes profit incentive	

Cost of sales include brokers' commissions and closing costs

Improved MOB Sales - MOB

SUMMARY OF SMALLER MOB SALES

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Land Acres	Sale Price	$/SF	Uses
1	3/4/2016	419 Middle Tpke W	Manchester	CT	1985	2,700	0.32	$ 309,000	$ 114	MOB
2	3/20/2015	450 Woodbridge St	Manchester	CT	1952	2,652	0.32	125,000	47	MOB
3	7/11/2014	431 Main St	Manchester	CT	1952	1,588	0.08	130,000	82	MOB
4	5/9/2014	353 Main St	Manchester	CT	1977	5,348	0.47	695,000	130	MOB
5	6/21/2013	73 W Center St	Manchester	CT	1950	2,200	0.23	215,000	98	MOB
6	4/12/2013	16 Main St	Ellington	CT	1990	3,857	0.92	310,000	80	MOB
7	4/10/2013	36 Haynes St	Manchester	CT	1954	7,068	0.46	775,000	110	MOB
8	12/27/2012	1075 Tolland Tpke	Manchester	CT	1965	9,753	1.11	700,000	72	MOB

Medical office buildings

Low	$ 47
Average	$ 92
High	$ 130

The sales of small medical office building within the immediate area , show a range from $47 to $130 per square foot, with a average of $92 per square foot.

The MOB properties along Haynes Street, 18, 26, 38, 44 Haynes Street, and 353 Main Street would be expected to fall to the upper end of the range $100 to $129 per square foot. 150 main Street is considered a similar quality MOB; however, due to its much larger size, it would be anticipated to command a price in the $90 to $110 price range. The lower quality commercial buildings would fall to the lower end of the range of $70 to $90 per square foot.

These sales provide support for the Assessor's market value estimate for the initial retail price of the small nonessential

Valuation By Cost - JV MOB

JV REAL ESTATE PROPERTIES - SUMMARY OF VALUATION CONCLUSIONS

Address	City	Property Type	Size	Original Costs	Year	Appreciation (1)	Depreciation (2)	JV %	Fair Market Value - RE
									Rounded
100 Haynes Street	Manchester	Cancer Center Medical Building	30,443	$ 8,700,000	2010	16.30%	15.00%	15.0%	$ 1,321,965
29 Haynes Street	Manchester	Medical office building	11,241	$ 2,300,000	2007	19.80%	22.50%	22.9%	$ 512,479
2800 Tamarack Avenue	South Windsor	Medical office building	40,000	$ 5,700,000	2006	29.10%	25.00%	20.0%	$ 1,186,740
2400 + 2600 Tamarack Avenue	South Windsor	Medical office building	52,615	$ 12,800,000	2009-11	16.30%	15.00%	20.0%	$ 2,593,280
									$ 5,614,464

Notes:
(1) MVS has cost appreciate rates for Eastern US in Section 98 page 5.
(2) MVS, Section 97, has Economic life of average Class C medical office as 40 years.

State of Connecticut, Office of Attorney General **Exhibit G-12**
Fair Market Value of
Eastern Connecticut Health Network, Inc.
Valuation Analysis as of March 31, 2016
(Actual Dollars)

NAVIGANT
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Improved Newer MOB Sales - JV

SUMMARY OF LARGE NEWER MEDICAL OFFICE

No.	Sale Date	Address	City	State	Year Built	Size (SF)	Land Acres	Sale Price	$/SF	Uses
1	5/19/2015	999 Silver Ln	Trumbull	CT	2002	27,980	2.03	$ 4,534,750	$ 162	Medical
2	2/4/2013	350 Goose Ln	Guilford	CT	2000	13,200	16.00	2,209,000	167	Medical
3	6/9/2014	5 Pequot Park Rd	Westbrook	CT	2007	24,600	4.48	5,900,000	240	Medical
4	11/14/2013	1660 Route 112	Port Jefferson Station	NY	2010	16,302	3.26	3,150,000	193	Medical and general
5	5/28/2013	31 Roche Brothers Way	Easton	MA	2009	42,000	3.00	12,600,000	300	Medical
6	11/9/2015	101 Industrial Park Rd, 102	Taunton	MA	2012	9,720	6.87	2,565,000	264	Medical and general
7	1/7/2015	3199 W Ridge Rd	Rochester	NY	2007	10,720	1.42	1,350,000	126	Medical and general
8	1/9/2015	333 Aviation Rd	Queensbury	NY	2005	7,428	1.69	1,224,000	165	Medical

Range of New Medical Office	Low	$ 126
	Median	$ 202
	High	$ 300

The sales of more recently built medical office buildings in the Northeast, show a range from $162 to $300 per square foot, with a average of $221 per square foot. The three recent sales in Connecticut are at the lower end of the range. The sales of similar medical office buildings support the cost valuation of the JV medical office buildings at 2400, 2600 and 2800 Tamarack Avenue, as well as 29 Haynes Street.

Indicated Values					Indicated Ranges			
				SF	Low	High	Low	High
	29 Haynes Street	Manchester	2007	11,241	$180	$205	$ 2,020,000	$ 2,300,000
	2800 Tamarack Avenue	South Windsor	2006	40,000	$150	$200	$ 6,000,000	$ 8,000,000
2 properties	2400 + 2600 Tamarack Avenu	South Windsor	2008-12	52,615	$220	$260	$ 11,580,000	$ 13,680,000

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	12/31/2012	5340 Holy Cross Pky	Mishawaka	IN	2009	49,410	7.16	$ 21,740,000	$ 440	Michiana Cancer Center
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	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
4	2/26/2015	1924-1934 Alcoa Hwy	Knoxville	TN	2012	100,104		33,660,000	336	Cancer Institute building, MOB adj Hospital
5	4/10/2014	2473 McFarland Rd	Rockford	IL	2002	10,000	1.39	2,576,650	258	MOB, former cancer and chemotherapy center
6	12/31/2012	10700 Charter Dr	Columbia	MD	2002	56,212	4.25	20,600,000	366	Multi-tenants, an MRI suite
7	6/26/2015	9020-9024 5th Ave	Brooklyn	NY	1994	24,829	0.18	7,500,000	302	Multi- tenant, includes MRI suite
8	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

			Excluding extremes
Range of Cancer Centers and imaging	Low	$ 182	$ 258
	Average	322	325
	High	440	381

The sales above range from $182 per square foot to $439 per square foot, but the two extremes are outliers. Excluding the extremes the market is reflecting a range of $258 to $381 per square foot with a average of $325 per square foot. Less weight is given to those with higher ambulatory surgery uses. The sales of similar cancer center or imaging facilities support the cost valuation of 100 Haynes Street.

Indicated Values				Indicated Ranges			
			SF	Low	High	Low	High
100 Haynes Street	Manchester	2009	30,443	$290	$320	$8,800,000	$9,700,000