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# Financial Consulting Report related to the Proposed Joint Venture Between Greater Waterbury Health Network, Inc. and VHS Waterbury Management Company, LLC

## Presented to:


**November 5, 2014**

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November 5, 2014

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

Dear Mr. Jepsen:

Navigant Consulting, Inc. ("Navigant") has completed its analysis with respect to the scope of services requested by your office pursuant to §§ 19a-486a to 19a-486h of the Connecticut General Statutes ("Hospital Conversion Act") and in accordance with the contract with your office effective on June 13, 2013 and including subsequent amendments effective on June 15, 2014 and August 5, 2014 (the "Contract").

Navigant's analysis and conclusions contained in this report pertain to the proposed joint venture between Greater Waterbury Health Network, Inc. ("GWHN") and VHS of Connecticut, LLC, a wholly-owned subsidiary of Vanguard Health Systems, Inc. ("Vanguard") and Tenet Healthcare Corporation ("Tenet"). Our analysis was performed as of a current date (the "Analysis Date" or the "Valuation Date").

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

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

Very truly yours,
Navigant Consulting, Inc.

By: Jerry M. Chang, CFA
Director of Healthcare Valuation and Financial Advisory Services

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## I. Introduction

**Summary of Engagement**

Navigant was engaged by the OAG to provide financial consultation and expertise related to the OAG's review of a proposed joint venture between GWHN and VHS of Connecticut, LLC pursuant to Section §§ 19a-486a to 19a-486h of the Hospital Conversion Act, as of a current date.

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

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

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

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

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

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

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

**Summary of Proposed Transaction**

GWHN and Tenet, through its wholly-owned subsidiary, Vanguard, have proposed to form VHS Waterbury Health System, LLC, a joint venture ("JV") to own and operate Waterbury Hospital and certain affiliates (the "Proposed Transaction"). Certain assets of GWHN, including the assets of Waterbury Hospital and certain affiliates (defined herein as the "Hospital"), will be contributed to the JV in exchange for $45 million, a 20% ownership interest in the JV, and the commitment of the JV to expend no less than $55 million on capital items, physician recruitment, and the development and improvement of ambulatory services in the greater Waterbury community over seven (7) years.

The $45 million purchase price is subject to a potential working capital adjustment to the extent the net book value of the Hospital's net working capital is greater than or less than $6.8 million as of the closing date. As of August 31, 2014, the book value of the Hospital's net working capital is approximately $22 million.[1]

The Hospital's entities that will be contributed to the JV, include the following:

- Waterbury Hospital;
- Alliance Medical Group, Inc. (wholly-owned);
- Greater Waterbury Imaging Center, LP (64% owned);
- Access Rehab Centers, LLC (65% owned);
- Imaging Partners, LLC (85% owned);
- Valley Imaging Partners, LLC (49% owned);
- Cardiology Associates of Greater Waterbury, LLC (wholly-owned);
- VNA Health at Home, Inc. (wholly-owned); and
- Waterbury Gastroenterological Co-Management Company, LLC (Class H members)

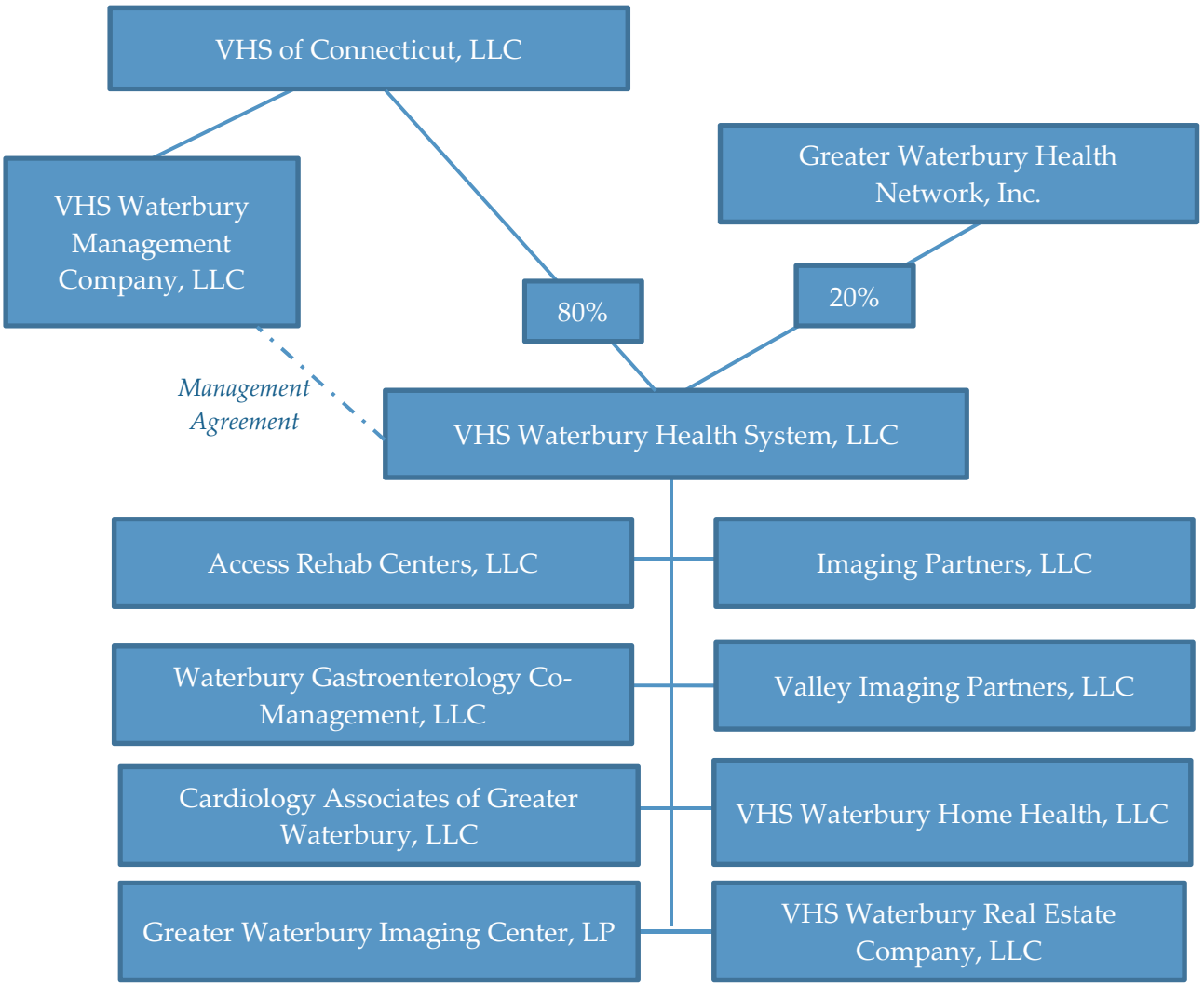
GWHN will <u>not</u> be contributing the following subsidiaries or affiliates to the JV:

- Harold Leever Regional Cancer Center;
- Heart Center of Greater Waterbury, Inc.;
- Children's Center of Greater Waterbury; and
- Healthcare Alliance Insurance Co., Ltd.

As part of the transaction, the JV will assume certain liabilities, including accounts payable, accrued expenses, pension liability, asbestos abatement liability, and capital lease debt. GWHN will also retain certain liabilities, including long-term debt, workers compensation, and medical malpractice.

[1] Based on pro forma balance sheet as of 8/31/2014 provided by Hospital management.

Based on our review of the proposed transaction structure, the JV will be structured so VHS of Connecticut, LLC will have an 80% ownership interest and GWHN will have a 20% interest. VHS of Connecticut has, however, indicated their intention to transfer its ownership interest in the JV post-closing to an 80%/20% joint venture of VHS of Connecticut, LLC and an affiliate of Yale New Haven Health Services Corporation ("YNHHSC"). A summary diagram of the ownership structure of the JV is presented below:



Based on our review of the Certificate of Need ("CON") application (the "Application") submitted by GWHN and Vanguard, the JV will operate in accordance with the "community benefit standard" required of tax-exempt hospitals as set forth in Internal Revenue Service Ruling 69-545, including without limitation, the (i) acceptance of all Medicare and Medicaid patients, (ii) acceptance of all emergency patients without regard to ability to pay, (iii) maintenance of an open medical staff, and (iv) promotion of public health, wellness and welfare in the community through the provision of health care at a reasonable cost. The JV will also follow charity care and uncompensated care policies at least as favorable to patients as those currently maintained by GWHN.

Following the closing, the JV will be governed by a board of directors (the "JV Board"). The JV Board will have oversight and ultimate authority over the affairs of the JV. The JV Board will be composed of twelve (12) Board members, six (6) of whom will be elected or appointed by GWHN and six (6) of whom will be elected or appointed by Tenet.

As part of the transaction, it is our understanding that the JV will enter into a management agreement (the "Management Agreement") with VHS Waterbury Management Company, LLC, pursuant to which VHS Waterbury Management Company, LLC will be responsible for managing the day-to-day operations of the JV and the Hospital. Under the Management Agreement, the VHS Waterbury Management Company, LLC will provide certain services to the JV and the Hospital, including, without limitation:

- Corporate oversight and operation support;
- Reimbursement services;
- Purchasing and supply chain services;
- Business planning;
- Development support;
- Quality and resource management support;
- Human resources support;
- Facility planning;
- Certain legal services;
- Risk management support;
- Compliance services;
- Real estate services; and
- Information services support.

We understand that the JV is planning to pay VHS Waterbury Management Company, LLC a management fee equal to 2% of the consolidated net revenues of the JV. The management fee does not include the costs of insurance, information services, and certain other third party expenses more specifically delineated in the Management Agreement, all of which will be billed directly to the JV at cost. The Management Agreement has an initial term of five years and will automatically renew for successive terms of five years each.

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 JV agreement, which may be further revised after the issuance of our final report.

**Description of Tenet Healthcare Corporation and Vanguard Health Systems, Inc.**

Tenet is an investor-owned company whose subsidiaries and affiliates operate regionally focused, integrated health care delivery networks with a significant presence in several large urban and suburban markets. As of June 26, 2014, Tenet through its various subsidiaries operated 79 hospitals and 189 outpatient centers.

Vanguard Health Systems, Inc. is a holding company that was previously the ultimate parent company of various Vanguard entities. Vanguard was acquired by Tenet Healthcare Corporation on October 1, 2013. Vanguard does not currently have any other material independent operations or assets other than holding the membership interests in Vanguard Health Holding Company I, LLC and other Tenet subsidiaries, directly or indirectly.

VHS of Connecticut, LLC has not yet been formed but it is anticipated that it will serve as a holding company for other entities that will own and operate hospital related assets and activities within the state of Connecticut. In addition, VHS Waterbury Management Company, LLC, has not yet been formed, but it is anticipated that it will be responsible for the day to day management of the Hospital.

## II. Overview and Background of GWHN

GWHN, located in Waterbury, Connecticut, is a Connecticut, 501(c)(3) corporation consisting of four (4) active wholly-owned subsidiaries, the largest of which is Waterbury Hospital. Waterbury Hospital, the first hospital in the City of Waterbury and fourth in the state of Connecticut, opened in 1890. The Hospital provides a comprehensive range of inpatient, outpatient and ancillary services for residents of Waterbury and the surrounding community. Waterbury Hospital is a 357-licensed bed (plus 36 bassinets) teaching hospital located at 64 Robbins Street in Waterbury, Connecticut.

GWHN's affiliates and subsidiaries include: Access Rehab Centers LLC, HAIC Indemnity Company, LLC, Imaging Partners, LLC, Greater Waterbury Imaging Center Limited Partnership, Harold Leever Regional Cancer Center, Inc., Heart Center of Greater Waterbury, Inc., Alliance Medical Group, Inc., Waterbury Gastroenterological Co-Management Company, LLC, Cardiology Associates of Greater Waterbury, LLC, Greater Waterbury Health Services,

Inc., VNA Health at Home, Inc., Greater Waterbury Management Resources, Inc. and Children's Center of Greater Waterbury Health Network, Inc.

The following table details the historical volume, payer mix, and FTEs at the Hospital:

| | FYE 9/30/2011 | FYE 9/30/2012 | FYE 9/30/2013 | TTM 8/31/2014 |
|---|---|---|---|---|
| *Inpatient Stats* | | | | |
| Discharges | 12,758 | 12,364 | 11,647 | 10,724 |
| Patient Days | 58,780 | 57,548 | 55,099 | 53,170 |
| ALOS | 4.61 | 4.65 | 4.65 | 4.96 |
| *Surgical Stats* | | | | |
| Inpatient Surgery | 2,873 | 2,544 | 2,191 | 1,941 |
| Outpatient Surgery | 4,644 | 4,920 | 4,831 | 4,416 |
| Total | 7,517 | 7,464 | 7,022 | 6,357 |
| *Outpatient/ER stats* | | | | |
| Outpatient cases | 176,222 | 184,631 | 179,395 | 159,083 |
| Emergency Visits Discharged | 48,776 | 47,972 | 45,618 | 40,021 |
| Emergency Visits/Admitted | 8,462 | 8,267 | 7,833 | 7,415 |
| Emergency Observation Cases | 578 | 491 | 1,426 | 1,607 |
| % ED Visits Admitted | 14.6% | 14.6% | 14.3% | 15.4% |
| Payor Mix | | | | |
| Medicare | 39.9% | 38.0% | 36.5% | 37.2% |
| Managed Medicare | 7.7% | 8.9% | 10.0% | 9.8% |
| Medicaid | 11.5% | 17.8% | 19.9% | 20.7% |
| Managed Medicaid | 7.3% | 1.7% | 0.1% | 0.1% |
| Commercial | 9.8% | 15.3% | 14.9% | 13.5% |
| Managed Care | 22.0% | 16.9% | 16.9% | 17.5% |
| Self pay | 1.8% | 1.4% | 1.7% | 1.2% |
| | 100.0% | 100.0% | 100.0% | 100.0% |
| FTEs | 1,512.7 | 1,299.9 | 1,209 | 1,147 |
| FTEs per Adjusted Occupied Bed | 5.18 | 4.11 | 5.04 | 4.02 |

*Source: Waterbury Hospital management*

## III. Economic Overview[2]

### Introduction

An overview of the trends in the economy and financial markets were considered in order to provide a perspective on the environment in which GWHN operated in the period leading up to the Valuation Date. The following is an overview of the United States ("U.S.") economy for the second quarter ended June 30, 2014. The purpose of this economic analysis is to assess the state of the economy and any impact of the current and future outlook on the GWHN's business and related assets.

### General Economic Conditions

*Gross Domestic Product*

The Bureau of Economic Analysis reported that the nation's economy, as indicated by GDP, grew at an annual rate of 4.0% in the second quarter of 2014. This was above forecasts, as a survey conducted by Bloomberg found that the median forecast of economists was a 3.0% rate. GDP is the total market value of goods and services produced in the U.S. economy and is generally considered the most comprehensive measure of economic growth.

The Bureau of Economic Analysis revised the first-quarter 2014 GDP rate to a 2.1% contraction. GDP grew 2.2% in 2013, a deceleration from 2.3% in 2012. Final sales of domestic product, also known as final demand, grew less quickly than overall GDP, at a rate of 2.3% in the second quarter. Second-quarter final sales reversed their trajectory from the first quarter when they fell at a rate of 1.0%. Final sales are GDP minus the influence of private inventory investment, which tends to be volatile from quarter to quarter. The Economic Policy Institute has stated that final demand is arguably a better indicator of underlying economic strength than GDP.

The Bureau of Economic Analysis reported that the increase in the second-quarter real GDP was the result of increases in private inventory investment and exports, an acceleration in personal consumption expenditures, an upturn in state and local government spending, an acceleration in nonresidential fixed investment, and an upturn in residential fixed investment. This was partly offset by an acceleration in imports, which are a subtraction in the calculation of GDP.

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[2] All of the contents of the general and U.S. economic outlook section of this valuation report are quoted from the Economic Outlook Update™ 2Q 2014 published by Business Valuation Resources, LLC, © 2014, 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.

*Consumer Spending*

Consumer spending grew at a rate of 2.5% during the second quarter of 2014.This was an acceleration from the prior quarter's rate of 1.2%.Consumer spending— also referred to as "personal consumption"—accounts for approximately 70% of the U.S.GDP.

The second quarter's growth in consumer spending contributed 1.69 percentage points to the second-quarter GDP, greater than its 0.83-percentage-point contribution in the first quarter.

Overall consumer spending increased 2.4% in 2013, after growing 1.8% in 2012.

*Government Spending*

Total government spending rose at a rate of 1.6% in the second quarter of 2014, compared with a declining rate of 0.8% in the first quarter. Total government spending has declined in 11 of the previous 15 quarters. This quarter's rise in government spending added 0.30 percentage point to the second-quarter GDP rate. Total government spending decreased by 2.0% in 2013 and 1.4% in 2012.

Federal government spending fell at a rate of 0.8% in the second quarter, marking seven consecutive quarters of declines. Federal government spending subtracted 0.05 percentage point from the second-quarter GDP rate. Spending by the federal government declined 5.7% in 2013 and 1.8% in 2012.

Federal national defense spending rose at a rate of 1.1% in the second quarter. This came after declining at a rate of 4.0% in the previous quarter. Defense spending has risen in six of the last 15 consecutive quarters. Defense spending declined 6.6% in 2013 and 3.3% in 2012.

Federal nondefense spending fell at a rate of 3.7% in the second quarter after growing at a rate of 6.6% in the prior quarter. Federal nondefense spending dropped 4.1% in 2013 after rising 1.0% in 2012.

State and local government spending grew at a rate of 3.1% in the second quarter, after decreasing at a rate of 1.3% in the prior quarter. The increase in state and local government spending made a positive 0.35-percentage-point contribution to the second-quarter GDP rate. State and local government spending rose 0.5% in 2013 after shrinking 1.2% in 2012.

***Consumer Price and Inflation Rates***

According to the Bureau of Economic Analysis, the price index for gross domestic purchases increased 1.9% in the second quarter of 2014, compared with an increase of 1.4% in the previous quarter. The price index for gross domestic purchases measures prices paid by U.S. residents. Excluding food and energy prices, the price index for gross domestic purchases rose 1.7% in the second quarter, compared with an increase of 1.3% in the previous quarter.

The U.S. Department of Labor reported that the Consumer Price Index (CPI) rose 0.3% in June, on a seasonally adjusted basis. CPI rose 0.3% in April and 0.4% in May. Over the last 12 months, CPI has risen 2.1%.CPI is a measure of a basket of products and services—including housing, electricity, food, and transportation—and is used as a measure of inflation.

***Energy Prices***

The Energy Information Administration (EIA) reported that the spot price for a barrel of West Texas Intermediate (WTI) crude oil was $106.07 at the end of the second quarter of 2014.This was up from $101.57 per barrel at the end of the previous quarter and up from one year ago when the price was $96.36 per barrel.

The regular retail gas price (conventional areas) was $3.64 per gallon at the end of the second quarter, above the price of $3.52 per gallon at the end of the previous quarter and up from one year ago when the price was $3.50 per gallon.

The Henry Hub natural gas spot price was $4.39 per million Btu ("MMBtu") at the end of the second quarter, down from $4.48 per MMBtu at the end of the previous quarter but up from $3.57 per MMBtu from one year ago.

***Unemployment and Personal Income***

The U.S. Department of Labor reported that the pace of job creation accelerated in June and exceeded economists' forecasts. There were 288,000 jobs created in June, well above the median forecast of 215,000 jobs in a Bloomberg survey of economists and greater than the 224,000 jobs created in May. The 1.39 million jobs created over the past six months were the biggest increase over a similar period since early 2006.The June employment report showed that job gains in both April and May were revised upward. With those revisions, employment gains in those two months were 29,000 greater than previously reported. The June figure brings the three-month employment growth average to 272,000 jobs per month, greater than May's prior three-month average of 244,000 jobs per month. Employment growth was widespread in June, with the largest gains occurring in professional and business services, retail trade, food services and drinking places, and healthcare.

The White House Council of Economic Advisers stated that the economy has now added private-sector jobs for 52 consecutive months, with private-sector employment increasing by more than 9.7 million over that period. The current 52-month streak of job gains has now surpassed the previous record of 51 consecutive months from February 1996 to April 2000, making it the longest streak in data going back to 1939.The White House Council of Economic

Advisers finds the steadiness of job gains to be a sign that the economic recovery has made progress.

Healthcare employment rose by 21,000 in June, similar to the industry's 12-month average gain of 18,000 jobs per month. Employment continued to trend up in ambulatory healthcare services (+13,000) and in nursing and residential care facilities (+6,000).

The unemployment rate (also known as the U3 unemployment rate) fell 0.2 percentage point in June to 6.1%, the lowest rate since September 2008.The unemployment rate has fallen 1.4 percentage points over the past year, the sharpest year-over-year decline in nearly three decades. The number of unemployed persons decreased by 325,500 in June to 9.5 million unemployed. The U3 unemployment rate is the official unemployment rate per the International Labour Organization definition and occurs when people who have actively looked for work within the past four weeks are still without jobs.

The labor-force participation rate was unchanged in June for the third consecutive month at 62.8%.The June labor-force participation rate matched the lowest level since March 1978.The employment-population ratio— the share of the working-age population with a job— edged up 0.1 percentage points in June to 59.0%.The employment-population ratio is up 0.3 percentage point over the year.

Average hourly earnings for all private-sector employees rose by 6 cents in June to $24.45.Over the last year, average hourly earnings for all private-sector employees have increased 47 cents, or 2.0%. Average hourly earnings for private-sector production and nonsupervisory employees rose by 4 cents in June to $20.58.Over the last 12 months, average hourly earnings for private-sector production and nonsupervisory employees have increased 46 cents, or 2.3%.

The average workweek for all private workers was unchanged in June for the fourth straight month at 34.5 hours. The average workweek for production and nonsupervisory employees on private payrolls was also unchanged for the fourth consecutive month at 33.7 hours. The manufacturing workweek was unchanged in June at 41.1 hours, while factory overtime was also unchanged at 3.5 hours. Aggregate hours worked by private-sector production and nonsupervisory employees rose at a 4.4% annual rate in the second quarter, the strongest quarterly growth since 2006.

***Consumer Confidence and Business Optimism***

The Conference Board's Consumer Confidence Index rose to 85.2 in June from a reading of 82.2 in May. The June reading, the index's third consecutive increase, put consumer confidence at its highest level since January 2008.The main driver in the June rise was improving current conditions, especially consumer's assessment of business conditions.

The Consumer Confidence Index is an indicator designed to measure the degree of optimism about the state of the economy that consumers are expressing through their savings and spending. A month-on-month decreasing trend in the Consumer Confidence Index suggests consumers have a negative outlook on their ability to secure and retain good jobs, whereas a rising trend in consumer confidence indicates improvements in consumer buying patterns. Opinions on current conditions make up 40% of the index (the Present Situation Index), while expectations of future conditions comprise the remaining 60% (the Expectations Index).

The Thomson Reuters/University of Michigan's Index of Consumer Sentiment rose to 82.5 in June from a reading of 81.9 in May. The Expectations Index moved down to 73.5 in June from 73.7 in May, while the Current Conditions Index rose to 96.6 from 94.5.

The report stated that the slight uptick in consumer sentiment was less meaningful than the fact that the index has remained largely unchanged over the past six months. This was noteworthy given the large decline in GDP during the first quarter. Thomson Reuters believes this is a sign that consumers believe that the first-quarter economic decline was due to harsh winter weather, rather than shaky underlying economic factors. Two such factors consumers identified in their optimism were strong job and financial growth.

The National Federation of Independent Business (NFIB) reported that the Small Business Optimism Index declined 1.6 points in June to 95.0, dropping from a near eight-year high in May. Only two of the index's 10 components rose in June, while six fell, and two remained unchanged.

The 2Q 2014 Wells Fargo/Gallup Small Business Index rose 2.0 points to a reading of 47.0, its best reading in six years. The Present Situation component fell 2.0 points to a reading of 14.0, while the Future Expectations component climbed 4.0 points to a reading of 33.0.The factors that contributed the most to the rise in the Wells Fargo/Gallup Small Business Index were business owners' abilities to obtain credit in the year ahead and owners' plans to make capital expenditures. Only 26% of businesses expect credit to be difficult to obtain in the next 12 months, the lowest percentage since the third quarter of 2008.

While the Wells Fargo/Gallup Small Business survey found the trend of increasing business owner confidence to be a positive sign, it noted that the level of improvement has been small and the index remains less than halfway between the lowest point in the survey's 10-year history and the highest levels reached in 2006.

**Economic Outlook**

Consensus Economics Inc., publisher of *Consensus Forecasts—USA*, reports that the consensus of U.S. forecasters is that real GDP will increase at a seasonally adjusted annual rate of 3.2% in the third quarter of 2014 and 3.1% in the fourth quarter. Every month, Consensus Economics surveys a panel of 30 prominent U.S. economic and financial 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 2.2% in 2014, 3.1% in 2015, and 3.0% in 2016.

They forecast personal consumption will increase at a rate of 2.8% in the third quarter of 2014 and 2.9% in the fourth quarter of 2014. They expect personal consumption to increase 2.8% in 2014 and 2.9% in 2015.

These forecasters believe unemployment will average 6.3% in the third quarter of 2014 and 6.1% in the fourth quarter. They believe unemployment will average 6.4% in 2014 and 5.9% in 2015.

The forecasters believe the three-month Treasury bill rate will be 0.1% at the end of the third quarter of 2014 and will remain at 0.1% through the end of 2014.They forecast the three-month Treasury bill rate will rise to 0.2% in the first quarter of 2015.They forecast the 10-year Treasury bond yield will be 3.0% at the end of the third quarter of 2014 and 3.2% at the end of the fourth quarter. They believe the 10-year Treasury bond yield will rise to 3.3% at the first quarter of 2015.

They also believe consumer prices will rise at a rate of 2.0% in the third quarter of 2014 and 1.8% in the fourth quarter. They expect consumer prices to increase 1.8% in 2014 and 2.3% in 2015.They expect producer prices to increase at a rate of 1.8% in the third quarter of 2014 and 1.0% in the fourth quarter. The forecasters anticipate producer prices will rise 2.0% in 2014 and 1.6% in 2015.

The forecasters in the survey believe real disposable personal income will rise at a rate of 2.5% in the third quarter of 2014 and 3.0% in the fourth. They believe real disposable personal income will increase 2.1% in 2014 and 3.0% in 2015.

The forecasters expect industrial production to increase at a rate of 3.5% in the third quarter of 2014 and 3.6% in the fourth quarter. They forecast industrial production will increase 3.7% in 2014 and 3.5% in 2015.

Nominal pretax corporate profits will be a negative 0.2% in 2014 and 6.5% in 2015, according to the forecasters. The forecasters project housing starts will be 1,060,000 in 2014 and 1,290,000 in 2015.

**Impact on Hospital Valuation**

The economy 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 Greater Waterbury market.

## IV. Industry Overview[3]

### Introduction

An analysis of the healthcare industry is essential to developing an understanding of the industry's impact on the future outlook of GWHN and the Hospital. Industry data was compiled from several sources, including the Hospitals in the US industry report published by IBISWorld. 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

As a primary provider of healthcare in the United States, hospitals are expected to generate $935.6 billion in revenue in 2014. Revenue is expected to increase 3.9% per year on average since 2009, including growth of 4.5% in 2014, as this traditionally fragmented industry has begun consolidating, largely due to the pressures of healthcare reform. Demand for industry services softened somewhat during the recession, as insurance coverage rates and disposable income decreased. However, the economic environment only slightly dampened industry revenue because hospitals provide essential services.

To maintain an advantaged position in this competitive industry, hospitals seek the most skilled and specialized healthcare professionals; therefore, labor costs are high. However, hospitals also face 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 2014. 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 3.8% to $1.1 trillion during the next five years. Average industry profit is estimated to rise over the same period from 6.6% to 7.9% 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.

[3] IBISWorld Industry Report, Hospitals in the US, October 2014.

Healthcare reform may also have the long-term effect of driving patients out of the industry 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.

**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 5.8% in 2010. 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 6.6% in 2014.

**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 of US hospitals is expected to

have declined at an average rate of 1.1% per year to 5,174 at the end of 2014. 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. Since 2009, the number of industry operators has declined at an average annual rate of 1.6%, falling to 2,982 in 2014.

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 2014, 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 3.1% to $428.1 billion in the five years to 2014, industry employment has grown just 0.6% per year on average to 5.3 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 2019. 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 0.8% per year to 2,867 in 2019. The total number of industry hospitals will decrease concurrently, albeit at the slower annualized rate of 0.4% to 5,075 in 2019.

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 4.0% in the next five years to $521.1 billion. The average wage in the industry will increase at the same time, as employment is expected to grow at the relatively slower average annual rate of 1.0%, to just less than 5.6 million workers in 2019.

**Impact on Hospital Valuation**

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

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

As an unaffiliated hospital, it has and will continue to be a very challenging environment in which to operate profitably and to compete against strong players in the Greater Waterbury market (e.g., Saint Mary's Hospital). Given the Hospital's current financial condition, the Hospital's projected performance will likely lag the industry and the Hospital will face a difficult environment to operate as a going concern without affiliating with a strategic capital partner.

## V. Local Market Overview

### Introduction

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

### Demographic Overview

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

According to the 2010 census, Waterbury has a population of 110,366, making it the tenth largest city in the New York Metropolitan Area, ninth largest city in New England and the fifth largest city in Connecticut. As of the 2010 census, the population of New Haven County was 862,477 making it the third-most populous county in Connecticut. The population density was 1,427 people per square mile. It is estimated that 79.4 percent of the population was non-Hispanic whites, 11.32 percent was African-American, 0.25 percent Native American, 2.33 percent Asian, 0.04 percent Pacific Islander, 4.51 percent from other races, and 2.16 percent from two or more races.

The median household income in New Haven County was $48,834, and the median family income was $60,549. The per capita income for the county was $24,439 and about 7.0 percent of families and 9.5 percent of the population were below the poverty line.

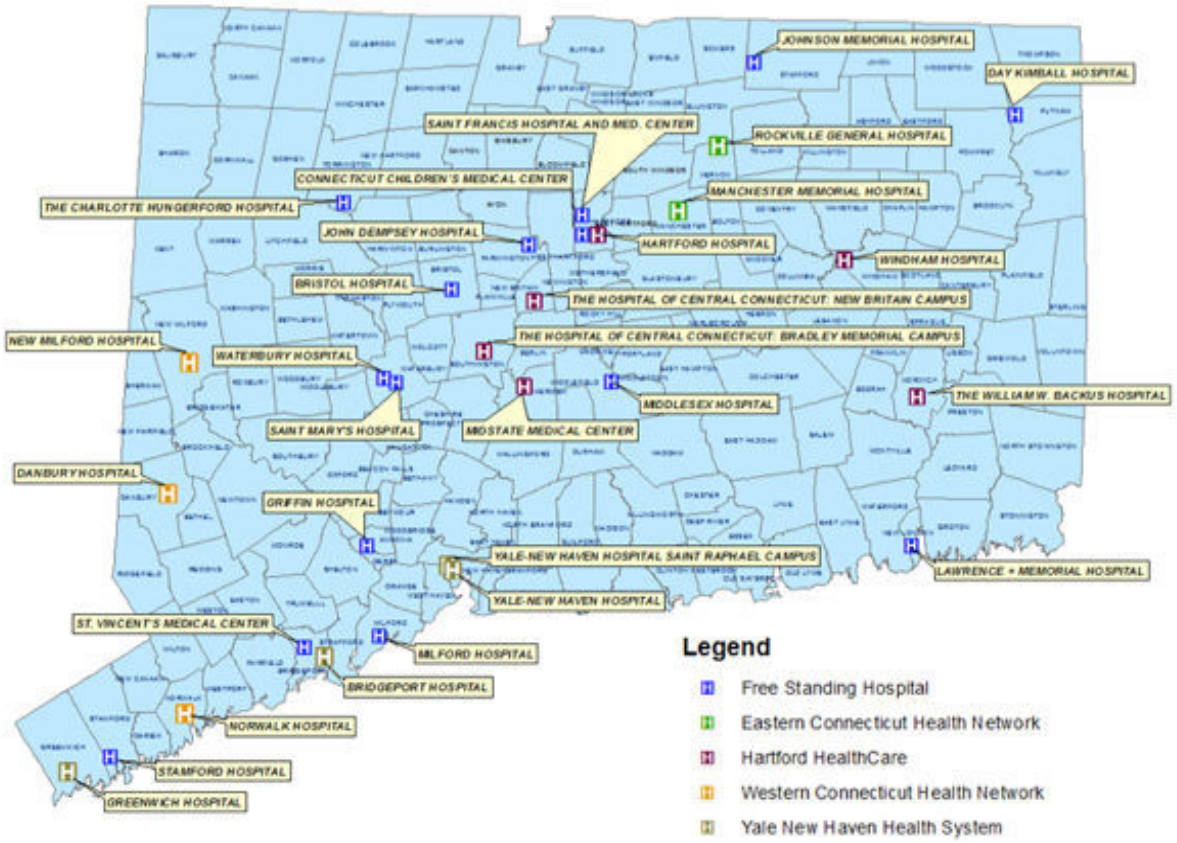
### Area Hospitals

Waterbury Hospital's primary service area is the greater Waterbury region; however, it also serves the greater Southern Connecticut two-county area including the cities of New Haven, Bridgeport, Danbury, Norwalk, Stamford, Greenwich, Meriden, Derby, Milford and West Haven. These areas are serviced by a number of acute care providers similar to that of

Waterbury Hospital, as well as local physicians' offices and outpatient medical centers. The following table and map identify the hospitals which lie in Waterbury Hospital's service area.

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

Source: HealthLeaders InterStudy-Southern Connecticut, June 2014




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

**Connecticut Hospital Industry Outlook**

During the state legislative session which convened in February 2014, Governor Daniel Malloy called for the General Assembly to improve access to healthcare for Connecticut residents. The Legislature passed Senate Bill 36 which expands advance practice registered nurses' (APRN) scope of practice and allows them to practice independently after working in collaboration with a physician for three years.

Smaller hospitals and physician groups in the region are seeking the financial, administrative and group purchasing stability which comes from joining larger health systems.

The Legislature passed Senate Bill 35, which removed the prohibition of for-profit hospital systems from owning medical foundations and essentially cleared the way for five not-for-profit hospitals to be acquired by for-profit Tenet. The bill adds state oversight to sales and acquisitions that involve physician practices under provisions of Public Act No. 14-168. In addition, medical practices with at least 30 physicians and medical groups owned by or

affiliated with for-profit hospitals are required to report annually to the OAG and Department of Public Health. These requirements could deter for-profit systems from acquiring nonprofit health systems in the future.

The Southern Connecticut market includes 15 acute care hospitals with 4,884 acute-care beds. As of a study released in January 2014, there were 209,500 total estimated annual inpatient discharges with an average daily occupancy rate of 59 percent and an average stay of 6.2 days. The percentage of medicate acute-care discharges was 35 percent and medicate acute-care discharges were 19 percent excluding the VA Connecticut Healthcare System.

In June 2013, the state General Assembly approved a two-year budget. The budget was opposed by hospitals and the Connecticut Hospital Association because it cut state hospital funding by $550 million over two years. The impact on local hospitals will exceed $300 million. The budget also included reductions in disproportionate share hospital payments which provide funding for uncompensated care in anticipation of more patients receiving health insurance coverage under the Affordable Care Act. At the same time, the federal sequestration cuts reduced Medicare payments to hospitals by 2 percent.

**Impact on Hospital Valuation**

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

Based on information from Hospital management, the average age of physicians in the Greater Waterbury area is around 59 years. This coupled with the fact that area hospitals are facing challenges to recruit new physicians to the area could present a major challenge to the Hospital if capital is not available to help bolster the area's physician population.

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

- Due Diligence Analysis
- Conflict of Interest Analysis
- Fair Market Value of Assets Analysis
- Fair Market Value Manipulation Analysis;
- Financing Analysis; and
- Fair Market Value Management Fee Analysis

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

## VI. 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 its analysis, Navigant interviewed the following parties regarding the transaction process:

i) Mr. Carl Contadini, Chairman of GWHN Board of Directors ("GWHN Board"),
ii) Ms. Darlene Stromberg, CEO of Waterbury Hospital,
iii) Mr. James Cain, Chairman of Cain Brothers and financial advisor to GWHN, and
iv) Ms. Ann Zucker, partner with Carmody and Torrance/ General Counsel for GWHN

In addition, Navigant reviewed the following materials:

1) The GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013 (the "Application") and in particular response 4 (pp 16-23) that described the process undertaken by GWHN in pursuing a strategic partner and eventually the Proposed Transaction;
2) The supplemental responses to the Application dated June 6, 2013, June 11, 2013, July 1, 2013, September 24, 2013, November 28, 2013, February 5, 2014, June 6, 2014, June 27, 2014, and August 18, 2014;

3) Draft Contribution Agreement by and among Greater Waterbury Health Network, Inc., VHS Waterbury Health System LLC, VHS Waterbury Management Company, LLC and Vanguard Health Systems, Inc. dated April 19, 2013;
4) Draft Amended and Restated Operating Agreement dated April 17, 2013;
5) Draft Management Agreement by and between VHS Waterbury Health System LLC and VHS Waterbury Management Company, LLC and an affiliate of Vanguard dated December 28, 2012.
6) Materials used by Cain Brothers in their solicitation process including:
    a. List of parties contacted by Cain Brothers, GWHN's investment banker, in the fall of 2012;
    b. The September 2012 Confidential Information Memorandum prepared by Cain Brothers and circulated to parties executing a confidentiality agreement;
    c. The Preliminary Proposals received on October 12, 2012 from Vanguard and one other bidder (name redacted); and
    d. The Letter of Intent ("LOI") dated October 29, 2012 executed by GWHN and Vanguard.
7) Cain Brothers presentations to the GWHN Task Force on October 17, 2012 (redacted), February 22, 2013, April 23, 2013, and June 27, 2013
8) Minutes from the GWHN Task Force meetings on October 4, 2012, October 17, 2012, October 18, 2012, October 25, 2012, April 22, 2013, July 8, 2013, and March 27, 2014
9) Minutes from the GWHN Board meetings on October 25, 2012, February 14, 2013, March 14, 2013, April 11, 2013, and April 23, 2013, May 9, 2013, June 13, 2013, June 27, 2013, July 11, 2013, August 8, 2013, September 26, 2013, November 14, 2013, December 19, 2013, January 9, 2014, February 13, 2014, March 13, 2014 April 10, 2014, May 8, 2014 and May 28, 2014
10) The Financial Plan presentation by Kauffman Hall and Associates dated December 17, 2010
11) Price Waterhouse Coopers "Financial Analysis" dated December 2, 2010
12) The Fairness Opinion and related "Qualitative and Quantitative Considerations for Fairness Opinion" presentation delivered by Principle Valuation LLC dated May 1, 2013 and the updated Fairness Opinion delivered by Principle Valuation LLC dated June 26, 2014

**Findings and Conclusions**

Based on the conditions, limitations, and qualifications contained herein and the interviews and document reviews described above, it appears that the GWHN Board undertook an extensive and diligent process to explore strategic options and identify a strategic and capital alternative that would enable it to address its deteriorating financial position and continue its mission of providing quality healthcare to the Waterbury community. The process extends over a ten (10) year period from 2005 to 2014 and includes the retention of two experienced healthcare

investment banking firms in Kaufman Hall & Associates and Cain Brothers as well the retention of a nationally recognized healthcare consulting firm in PricewaterhouseCoopers ("PWC"). In connection with this process, the GWHN Board pursued discussions with multiple strategic partners, evaluated a range of transaction structures and explored multiple strategies to access capital.

*a. Exercise of due diligence in deciding to sell its assets*

The GWHN Board, over the past ten (10) years, undertook exploration of a broad range of strategic initiatives to address the hospital's operating losses, aging facilities and limited access to capital.[4] These initiatives included:

- In 2005, retaining Kaufman Hall to explore a merger with St. Mary's Health System. These discussions were eventually terminated in 2008 after it was determined a consolidated entity would still struggle financially and no capital partner or state funding could be secured to fund the estimated $130 million cost of the proposed merger.
- In 2009, after experiencing further financial difficulty and defaulting under its bond covenants, GWHN hired PWC to define operational and revenue cycle improvements and set physician initiatives.
- In 2010, GWHN retained Kaufman Hall to identify near-term capital needs. Kaufman Hall identified over $50 million in capital improvements necessary to keep the hospital operational. With difficulty, in late 2010, the Hospital was able to refinance its CHEFA debt in a private offering.
- In 2011, after PWC's initiatives were implemented with only partial success, GWHN realigned its executive team. While the new team reduced operating expenses by $6 million and made modest capital improvements, these were not enough to sustain the long term viability of GWHN.
- In 2011, given GWHN's continuing poor financial results and limited access to capital, GWHN's Board retained Cain Brothers to identify a capital partner. Cain contacted 14 strategic partners and four parties submitted proposals; however only one tax exempt entity submitted a proposal and subsequently dropped out meaning the only viable option was a for-profit conversion and sale or merger with a for-profit.
- In August 2011, the GWHN Board approved a LOI to convert to for-profit and pursue a 3-way joint venture with St. Mary's Hospital and LHP, a national operator of for-profit hospitals. Under the proposed transaction, St. Mary's and Waterbury would merge and a new consolidated hospital would be constructed.

[4] See Section 4 (pp 16-22) from GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013 describing such initiatives.

- In August 2012, after it became clear that significant obstacles related to merging a faith-based hospital with a secular hospital would not be overcome, GWHN authorized Cain Brothers to re-solicit strategic partners.
- In connection with the 2012 solicitation process, Cain Brothers contacted 11 parties and received two indications of interest regarding GWHN. The RFP requested that strategic partners make numerous strategic commitments including a commitment to maintaining and expanding clinical services, provide for local governance address deferred capital needs, and maintain charitable care policies.
- Cain received two written proposals, both from taxable systems. Both proposals indicate the partner was open to either an asset purchase or a joint venture whereby GWHN would continue as a minority owner in a for-profit Waterbury Hospital. After extensive review and analysis, the GWHN Board elected to pursue the JV structure with Vanguard as they believed it provided the greatest form for community engagement while also proving the highest valuation for the asset.

Based on these steps taken by the GWHN Board and executive management as summarized in the chronology above, GWHN sought a range of options including a merger with another local system, an operational restructuring and realignment, and a private placement in the bond market. After a decade of failed alternatives, the GWHN Board concluded that the only solution to provide long-term viability of the hospital was a sale or joint-venture with a for-profit operator.

**In conclusion, based on the conditions, limitations, and qualifications contained herein and the interviews and document reviews described above, it appears that the steps undertaken by the GWHN Board, as described above, indicate that the GWHN Board exercised due diligence in i) evaluating GWHN's financial and operating and strategic position and ii) deciding to approve the joint venture with Vanguard which entails a sale of the Hospital to the new JV, as the best alternative to preserve the long-term viability of the Hospital.**

*b. Exercise of due diligence in selecting the purchaser*

Beginning in 2011, the GWHN Board took a series of deliberate steps to identify, evaluate and select a capital partner which ultimately resulted in its decision to approve the Proposed Transaction. These steps[5] included:

- Forming a special Task Force of the GWHN Board to pursue a capital partner and formally explore strategic options.

[5] See Section 4 (pp 18-22) from GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013 describing such steps.

  - This Task Force met eleven (11) times between the March 2011 and July 2014 to receive updates from Cain Brothers on the solicitation process, discuss the terms of proposals, discuss business, regulatory and financial issues impacting the proposed transactions, provide feedback to GWHN's financial and legal advisors and develop recommendations for the GWHN Board.
  - The Task Force undertook a detailed review of the two proposals received by Cain Brothers in October 2012 in order to assess the positives and negatives of each proposal with respect to capital commitment, governance, commitment to providing clinical services and the experience and reputation of each prospective partner in operating hospitals as well as their experience in New England and knowledge of the Connecticut healthcare market.
  - In addition, the Task Force met in person with each party submitting a proposal in October 2012, received a presentation from each party on their proposal terms as well as strategy for operating Waterbury Hospital, and was given the opportunity to ask questions of each of these parties.
- Retaining Cain Brothers who, as previously noted, was an experienced investment bank with extensive experience advising non-profit hospitals on strategic alternatives as well as an in-depth knowledge of the Connecticut healthcare market, to undertake a formal solicitation process to identify a capital partner.
- Requesting that Cain Brothers conduct a formal solicitation process on two separate occasions within a three (3) year period:
  - The first solicitation in 2011 entailed contacting 14 prospective partners and resulted in four (4) written proposals and a LOI with LHP
  - Upon termination of the LHP LOI, Cain Brothers solicited 11 parties and received two (2) proposals
- Receiving a detailed presentation from Cain Brothers on its solicitation process at its October 26, 2012 GWHN Board meeting including a review of the parties contacted, the terms of the proposals received, a detailed overview and assessment of capabilities of the parties submitting proposals.
- Receiving the recommendation from the Task Force which included a lengthy discussion regarding the considerations of the positives and negatives of the joint venture structure.
- Receiving updates during the Vanguard due diligence process on the impact of the proposed state budget cuts on Waterbury Hospital and underfunded Connecticut Health Care Associates multiemployer pension plan on the proposed terms of the joint venture with Vanguard.
- Retaining Principal Valuation LLC, a national valuation firm specializing in the healthcare industry, to deliver a fairness opinion on May 1, 2013 and again on June 27, 2014 with

respect to the consideration being received by GWHN for contributing the assets of Waterbury Hospital to the joint-venture with Vanguard.

- Meeting with Cain Brothers and legal counsel, upon learning that Vanguard was being acquired by Tenet, to discuss the implications of the Tenet acquisition and receiving a report from Cain Brothers on Tenet and the proposed acquisition of Vanguard synthesized from public information that included a summary of certain regulatory issues that Tenet had publicly disclosed.
- Having the Waterbury CEO, Board Chair and VP of Medical Affairs visit Good Samaritan and Saint Mary's Hospitals in West Palm Beach, Florida and two Tenet hospitals of similar size to Waterbury, to better understand Tenet's approach to operating its hospitals. During this August 2013 visit, the Waterbury representatives met with their counterparts at these hospitals, met with physicians and board members of these hospitals as well as toured the facilities and met with Tenet executives.

**Based on the series of actions described in this subsection (b) and the conditions, limitations, and qualifications described herein, it appears that the GWHN Board exercised due diligence in selecting Vanguard, a wholly owned subsidiary of Tenet, as the majority owner of the proposed JV that will own and operate Waterbury Hospital.**

*c. Obtaining a fairness opinion from an independent person expert in such agreements*[6]

In September 2011, the GWHN Board sent a Request for Proposal to experienced valuation firms for the purpose of obtaining a fairness opinion for the LHP Joint Venture and received three proposals. After careful consideration and interviews with each of the parties submitting responses, the GWHN Board engaged Principle Valuation LLC ("Principle") to perform the fairness opinion. According to its RFP response, Principle is a national, full-service valuation firm specializing in the healthcare and senior housing industries. Principle's Hospital and Healthcare Related Services valuation practice is led by senior executives with extensive hospital valuation experience and focuses on valuations to meet the regulatory compliance needs of transactions including Stark Compliance, State Regulatory Compliance and Purchase Accounting. In their response to the GWHN Board's Request for Proposal, Principle identified over 300 hospital and health systems where their professionals had provided valuation services since 2000. More specifically, the team of professionals assigned to the Waterbury Fairness Opinion engagement, which included Patrick Simers, Tim Baker, John Leary and Mary Jo Duffy, each are identified by Principle as each having had more than 25 years of experience

[6] The description of the process undertaken by GWHN to obtain a fairness opinion as well as the actual fairness opinion and supporting analyses are provided Exhibits 10 and 11 (pp 624-769) from the GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013. An updated Fairness Opinion dated June 26, 2014 was provided in Exhibit 1 to the supplemental response to the Application dated June 27, 2013.

with healthcare valuation and Principle's team included professionals with the CFO, CPA and General Appraiser State Certification professional designations.

With respect to the Proposed Transaction, Principle delivered a fairness opinion to the GWHN Board on May 1, 2013 stating that the consideration set forth in the Proposed Transaction is fair from a financial point of view to the GWHN and delivered an updated Fairness opinion on June 27, 2014.

In connection with rendering its fairness opinion, Principle evaluated traditional valuation metrics of Cost Approach, Income Approach and the Guideline Company and Guideline Transaction approaches to value. Principle weighted each of the three approaches to derive its valuation. Principle concluded in both its May 1, 2013 fairness opinion, as well as in its June 27, 2014 fairness opinion that the Proposed Transaction is fair from a financial point of view to the GWHN and that the value of consideration proposed to be received by GWHN is greater than the value of the assets contributed and purchased in the Proposed Transaction. The Principle fairness opinions were based on the financial and operating assumptions provided by GWHN management, as well as the financial condition and terms of Proposed Transaction as disclosed at the point in time of the fairness opinions.

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

- In its response to the Request for Proposal and in its December 28, 2012 fairness opinion letter, Principle stated, "Neither Principle Valuation nor its staff members have any known conflicts of interest with the parties to this Transaction or the Transaction itself."
- On April 19, 2013 and October 3, 2014, Principle submitted a completed conflict of interest disclosure form signed by Patrick Simers indicating no conflicts of interest.

In its June 26, 2014 fairness opinion letter, Principle stated, "We are not acting as a financial advisor to any party in this arrangement. Our fees for this engagement are not at all dependent upon the opinion rendered. We have performed work for GWHN in the past in a similar role for a failed transaction. Several years ago we performed work for Vanguard Health Systems. GWHN has agreed to indemnify us for certain liabilities arising out of our engagement."

**Based solely on our review of the Principle fairness opinions and supporting analyses presented by Principle, Navigant confirms that the GWHN Board did receive a fairness opinion with respect to the fairness, from a financial point of view, of the consideration proposed to be received in the Proposed Transaction from an independent (based solely on the representations contained in Principle's Request for Proposal response, its fairness opinion letters and its Conflict of Interest disclosures) expert.**

**Based on Navigant's review of the Principle's fairness opinion, we make note of the following:**

- **Principle considered four valuation methods in its fairness opinion (adjusted book value, discounted cash flow, guideline company, and guideline transaction); however placed zero weight on its discounted cash flow method given that the Hospital did not reflect positive free cash flow throughout the projection period utilized by Principle. This would indicate that the Hospital is not a going concern under Principle's "stand-still" scenario which would be consistent with Navigant's conclusion.**
- **Principle's adjusted book value method was primarily based on depreciated cost of the Hospital's tangible assets (other than land which was based on market data). Depreciated cost can materially differ from the FMV of the Hospital's tangible assets, which include the FMV of the land, buildings, site improvements, furniture, fixtures, and equipment that will be contributed to the JV. Based on Navigant's total FMV estimate of the Hospital's real and personal property, it appears that the depreciated costs utilized in Principle's valuation of the Hospital's real and personal property was materially below FMV.**

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

As highlighted in subsection (b) above, the GWHN Board took a series of deliberate steps to identify, evaluate, negotiate with and finally select a capital partner. In particular, with respect to negotiation of the Proposed Transaction, the GWHN Board undertook the following steps:[7]

- Retained Cain Brothers, an experienced healthcare investment banking firm, to orchestrate a competitive solicitation process.
- Appointed the Task Force to work with Cain Brothers to evaluate proposals and instruct Cain Brothers on key elements of the proposals to negotiate with prospective partners
  - The Fall 2012 solicitation of eleven (11) parties resulted in two proposals
  - The GWHN Board extensively evaluated and compared the proposals with the assistance of Cain Brothers and legal counsel during meetings on August 17th 2012 (as further highlighted on page 20 and 21 of the May 3, 2013 application). Cain Brothers was then instructed by the GWHN Board to clarify certain provisions regarding capital calls and maintenance of community benefit standards

[7] See Section 4 (pp 18-22) from GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013.

  - The Task Force then met with each of the parties making a proposal on October 18th to further evaluate each of the parties and clarify positions on key issues

- Subsequent to the receiving the final LOI from Vanguard, the Task Force and Cain Brothers were instructed to negotiate revised terms to key elements of the LOI to address GWHN's deteriorating financial position
  - In order to provide GWHN with greater initial liquidity to deal with underfunding of the Connecticut Health Care Associates' multiemployer pension plan, Vanguard increased the cash purchase price from $25 million to $45 million while reducing the capital commitment from $75 million to $55 million and extending the capital commitment from five (5) to seven (7) years

**Based on the series of actions described in subsection (d) above and conditions, limitations, and qualifications contained herein, it appears that the GWHN Board exercised due diligence in negotiating the terms of the Proposed Transaction. Navigant notes that the Vanguard proposal selected by the GWHN Board has a substantially higher transaction value and capital commitment than the competing proposal received in October 2012.[8] Navigant would also note that GWHN had limited leverage for negotiations given its deteriorating financial condition but was able to negotiate a transaction that recapitalized Waterbury Hospital to stabilize current operations and provide a source of capital for long term growth.[9]**

[8] Based on the comparison of two proposals provided in Cain Brothers' presentations to the GWHN Task Force on October 17, 2012.

[9] As described in Section 4 (pp 18-22) from GWHN and Vanguard's Certificate of Need Application for a Joint Venture dated May 3, 2013.

## VII. Conflict of Interest Analysis

In this section, Navigant will address:

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

**Review Process**

In conducting its analysis, Navigant reviewed the following materials:

1) The Application from GWHN and Vanguard dated May 3, 2013 and in particular response 5 (pp 23) that described the process undertaken by the GWHN and Vanguard for identifying;
2) Exhibit 9 to the Application that contains i) the December 2012 Conflict of Interest disclosures from GWHN Board of Directors, senior executives and experts advising on the Proposed Transaction, and ii) the December 2012 Conflict of Interest disclosures from Vanguard's Board of Directors and senior management who have a direct involvement of the Proposed Transaction;
3) Exhibit 12 to the Supplemental Response dated June 27, 2014 that contains the June 2014 Conflict of Interest disclosures from GWHN Board of Directors, senior executives with managerial responsibilities and experts;
4) Supplemental Conflict of Interest forms provided on September 9, 2014 from senior management at Tenet who have a direct involvement in the Proposed Transaction;
5) Supplemental Conflict of Interest forms from Neil Petersen (GWHN Board) and Diane Woolley, VP of Human Resources; and
6) Supplemental Conflict of Interest forms from Ann Zucker and Kristin Connors of Carmody & Torrance LLP, Patrick Simers of Principle Valuation and James Cain and Chris McDonough of Cain Brothers.

In December 2012, both GWHN and Vanguard circulated a Conflict of Interest Disclosure Form to: (i) Board members, (ii) senior executives with managerial responsibilities who had direct involvement in the transaction and (iii) experts advising on the Proposed Transaction.

These Conflict of Interest Disclosures were updated by GWHN in April 2014 and by senior executives of Tenet in September 2014.

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 proposed joint venture with Vanguard or its parent Tenet or any entity associated with the Tenet.

**Findings and Conclusions**

We have reviewed the executed Conflict of Interest Forms and a summary of that review is included below.

**Based solely on a review of the executed Conflict of Interest forms for the individuals listed in the table below, it appears GWHN's Board requested and received signed Conflict of Interest disclosure statements from its Board members in December 2012, its executive management team members who had direct involvement in the Proposed Transaction in March 2013 and its experts in April 2013.** [10] **GWHN received updated signed Conflict of Interest Disclosures from its Board members and its executive management team members who had direct involvement in the Proposed Transaction in July and August 2014 and its experts in September and October 2014. Vanguard requested and received signed Conflict of Interest disclosure statements from its CEO and its Board members in December 2012. Tenet provided signed Conflict of Interest disclosures from its executive management team who had direct involvement in the Proposed Transaction in September 2014. Except as set forth in the table below, based solely upon our review of the Conflict of Interest Forms listed on such schedule, there were no conflicts of interest disclosed on the executed Conflict of Interest forms Navigant reviewed.**[11]

[10] Navigant relied on GWHN's and Tenet's identification of individuals requiring conflict disclosure

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

NAVIGANT CONSULTING

**Summary of Conflict of Interest Disclosure**

June 2014

**Greater Waterbury Health Network**

| Name | Title | Disclosure Received | Disclosures |
|---|---|---|---|
| Carl Contadini | Chairman | Yes | None |
| John Kelly | Vice Chairman | Yes | None |
| Andrew Skipp | Secretary | Yes | None |
| Darlene Stromstad | Treasurer | Yes | None |
| Ron D'Andrea | Director | Yes | None |
| Sundae M. Black | Director | Yes | None |
| Henry Borkowski | Director | Yes | None |
| James Gatling | Director | Yes | None |
| Patricia McKinley | Director | Yes | None |
| John Michaels | Director | Yes | Yes [1] |
| Neil Peterson | Director | Yes | None |
| David Pizzuto, MD | Director, VP, Medical Affairs | Yes | None |
| William Pizzuto | Director | Yes | None |
| Frank A. Sherer, Jr., Esq. | Director | Yes | None |
| Carl B Sherter, M.D. | Director | Yes | None |
| **Waterbury Management** | | | |
| Darlene Stromstad | President & CEO | Yes | None |
| Ed Romero | CFO | Yes | None |
| Michael J. Cemeno | CIO | Yes | None |
| Sandra A. Iadarola | CNO | Yes | None |
| Thomas Burke | VP Operations | Yes | None |
| John Camus | President of Alliance Medical Group, Inc. | Yes | None |
| Diane Woolley | Vice President, Human Resources | Yes | None |
| **Waterbury Advisors** | | | |
| **Cain Brothers** | | | |
| James Cain | Managing Director | Yes | Yes[2] |
| Chris McDonough | Senior Vice President | Yes | None |
| **Carmody & Torrance, LLP** | | | |
| Ann H Zucker | Partner | Yes | Yes[3] |
| Kristin Connors | Partner | Yes | None |
| **Principle Valuation, LLC** | | | |
| Patrick J. Simers | Executive Vice President | Yes | None |

[1] Mr. Michaels indicated his Annuity or IRA w/Northwestern Mutual may hold Tenet securities.
[2] Disclosed receiving payment or other financial benefit as a result of the proposed transaction (Cain Brothers is serving as GWHN's Investment Banker). Additionally disclosed that Cain Brothers also advised Bristol Hospital on a proposed sale to Tenet and that Cain Brothers is likely to be retained by Tenet in near future.
[3] Ms. Zucker indicated that, from time to time, she or a family member may own a mutual fund that may have invested in Tenet stock.

NAVIGANT CONSULTING

**Summary of Conflict of Interest Disclosure**

September 2014

**Tenet Healthcare Corp. (NYSE:THC)**

| Name | Title | Disclosure Received | Disclosures |
|---|---|---|---|
| Wilson Robinson | Associate, Acquisitions & Development | Yes | None |
| Erik Wexler | CEO, Northeast Region | Yes | None |
| Harold H. Pilgrim, III | SVP, Development | Yes | None |
| Keith Pitts | Vice Chairman | Yes | None |
| Jeffrey M. Peterson | Senior Counsel | Yes | Yes [1] |

[1] At closing, Mr. Peterson would be on the Board of Directors of the Tenet subsidiary that owns the Hospital.

NAVIGANT CONSULTING

**Summary of Conflict of Interest Disclosure**

December 2012 –April 2013[1]

| Greater Waterbury Health Network | | | |
|---|---|---|---|
| **Name** | **Title** | **Disclosure Received** | **Disclosures** |
| Carl Contadini | Chairman | Yes | None |
| John Kelly | Vice Chairman | Yes | None |
| Andrew Skipp | Secretary | Yes | None |
| Darlene Stromstad | Treasurer | Yes | None |
| O.J. Bizzozero | Director | Yes | None |
| Henry Borkowski | Director | Yes | None |
| Ron D'Andrea | Director | Yes | None |
| James Gatling | Director | Yes | None |
| Frederick Luedke | Director | Yes | None |
| Patricia McKinley | Director | Yes | None |
| John Michaels | Director | Yes | Yes [2] |
| David Pizzuto, MD | Director, VP, Medical Affairs | Yes | None |
| William Pizzuto | Director | Yes | None |
| A.J. Wasserstein. | Director | Yes | None |
| Carl B Sherter, M.D. | Director, Chief of Staff | Yes | None |
| **Waterbury Management** | | | |
| Darlene Stromstad | President & CEO | Yes | None |
| Jay Hoffman, Jr. | Interim CFO | Yes | None |
| Michael J. Cemeno | CIO | Yes | None |
| Sandra A. Iadarola | CNO | Yes | None |
| Diane Woolley | Vice President, Human Resources | Yes | None |
| **Waterbury Advisors** | | | |
| **Cain Brothers** | | | |
| James Cain | Managing Director | Yes | Yes [3] |
| Chris McDonough | Vice President | Yes | Yes [3] |
| **Blair Law** | | | |
| John Blair | Member | Yes | None |
| **Tannery Lane Partners, LLC** | | | |
| Mary M. Heffernan | Principal | Yes | None |
| **Carmody & Torrance, LLP** | | | |
| Ann H Zucker | Partner | Yes | None |
| **Principle Valuation, LLC** | | | |
| Patrick J. Simers | Executive Vice President | Yes | None |

[1] Disclosure statements were signed in December 2012 for Directors and management and in March-April 2013 for Advisors

[2] Annuity or IRA w/Northwestern Mutual may hold Tenet securities.

[3] Disclosed receiving payment or other financial benefit as a result of the proposed transaction (Cain Brothers is serving as GWHN's Investment Banker). Additionally, Cain Brothers disclosed that it had represented other hospitals that had been sold to Vanguard.

NAVIGANT CONSULTING

**Summary of Conflict of Interest Disclosure**

April 2013

**Vanguard Health Systems, Inc. (NYSE:VHS)**

| Name | Title | Disclosure Received | Disclosures |
|---|---|---|---|
| Phil Bredesen | Director | Yes | None |
| Carol Burt | Director | Yes | None |
| Michael Dal Bello | Director | Yes | None |
| Robert Gavin | Director | Yes | None |
| Fazle Husain | Director | Yes | None |
| Charles Martin | Chairman | Yes | None |
| Keith Pitts | Vice Chairman | Yes | None |
| Neil Simpkins | Director | Yes | None |

## VIII. Fair Market Valuation of Assets Analysis

In this section, Navigant will address:

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

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

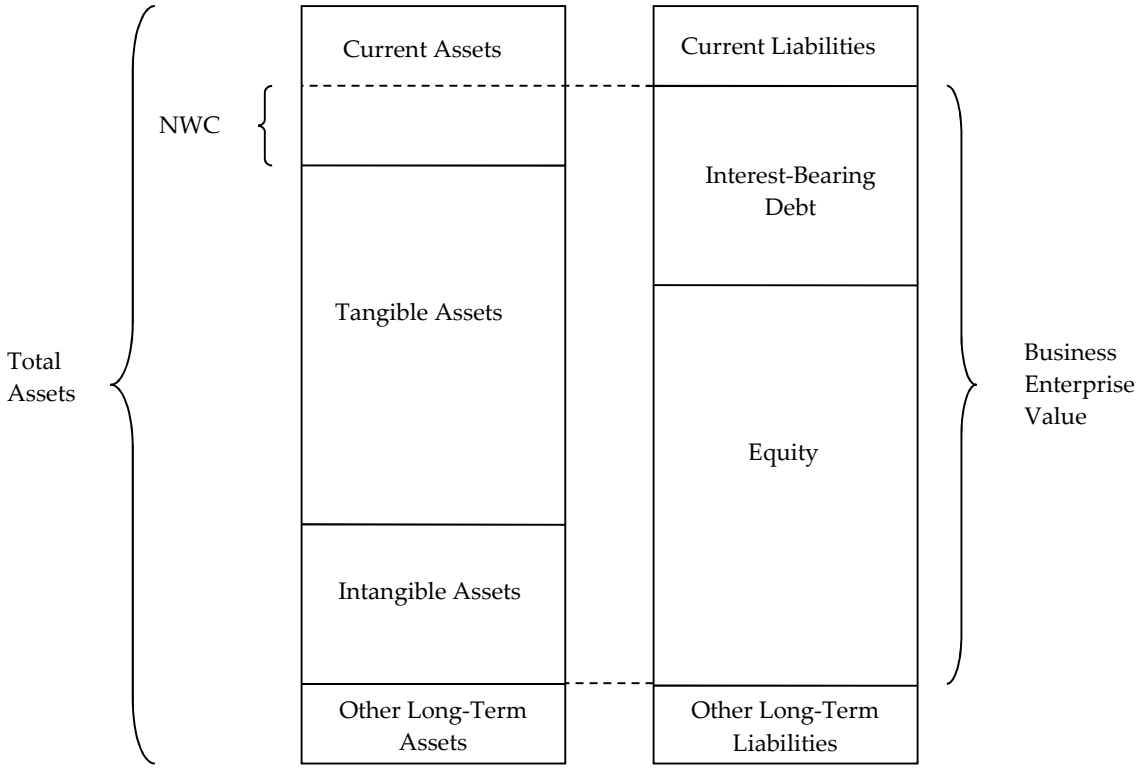
Hospital Conversion Act §§ 19a-486c:

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

IRS Revenue Ruling 59-60:

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

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




However, it is our understanding that the proposed JV between Tenet and GWHN that certain Hospital assets will not be contributed to the JV and including, but not limited to, the following:

- All cash, cash equivalents and securities;
- Any currents assets not included in net working capital as defined by the Contribution Agreement;
- Children's Center of Greater Waterbury Health Network, Inc;
- Health Alliance Insurance Company, Inc;
- Harold Leever Regional Cancer Center, Inc;
- Heart Center of Greater Waterbury, Inc; and
- The phrase "Waterbury Hospital Foundation" and similar designations and phrases.

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

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

- Discounted Cash Flow Method
- Similar Transactions Method
- Guideline Company Method
- Adjusted Net Assets Method

- Analysis of other facts and data considered pertinent to this valuation to arrive at our conclusions; and
- Preparation of this narrative report describing the procedures performed and key assumptions

**Valuation Approaches**

In performing our FMV analysis, we considered the three generally accepted approaches to value: income, market, and cost. The theory of these approaches is outlined 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 hospital is estimated by comparing the subject hospital to similar hospitals or "guideline" hospitals 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 hospital'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 for a hospital'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 may be perceived as providing a pricing "floor" in the absence of earnings.

**Standard of Value**

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

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

Hospital Conversion Act §§ 19a-486c:

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

IRS Revenue Ruling 59-60:

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

FMV should be distinguished from strategic (or investment) value for the purposes of this valuation. The strategic value of a hospital 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[12]:

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

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

a forced liquidation. This premise contemplates that all of the assets of the business enterprise will be sold individually and that they will experience less than normal exposure to their appropriate secondary market.

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

**Selected Methodology**

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

For service-oriented, income-producing entities, the income and market approaches are typically performed in order to estimate the FMV of a business on a going concern basis. However, for businesses that are not currently generating positive cash flow from current operations and are not projected to generate positive cash flow in the future, a going concern premise of value may not be possible. In such cases, the valuation exercise may focus on a FMV analysis under a Value-In-Place or Value in Exchange premise as described above utilizing a market and/or asset-based approach.

In order to fully assess whether the Hospital can operate into the future as a going concern, we held in-depth discussions with Waterbury management in August 2013 and again in July 2014. The Hospital has been discussed in several potential transactions since 2008. During that time, no viable turnaround plan has developed and the local market dynamics make it very difficult to execute one without a significant capital infusion and reorganization.

We understand and have observed that GWHN has experienced material cash flow and income losses since at least 2008. Therefore, we performed an analysis on the Hospital's historical performance and future operational and financial outlook. Our analysis included in-depth discussions with Waterbury management that included the future outlook related to the Hospital in the context of numerous factors, including geographic location, service lines, capital expenditure needs, supporting physicians, competition, payer mix, state support, healthcare reform, and current age and condition of the Hospital's fixed asset base. We also analyzed the local market and competitive landscape that the Hospital operated in.

Based on our analysis and discussions, we concluded that the Hospital and its assets should be valued under the premise of **Value-In-Place, as Part of a Mass Assemblage of Assets** ("Value-in-Place") and not a going concern premise of value. As summarized above, the premise of Value-in-Place assumes that the Hospital's assets are in place, but not in current use in the

production of income, and not as part of a going-concern business enterprise. Furthermore, this premise of value assumes that all assets will continue to be used in the manner for which it/they was/were originally intended which is consistent with the prospective buyer's stated intent to operate the Hospital as a general acute care hospital with similar levels and types of services.

In order to estimate the FMV of the Hospital's assets under a Value-in-Place premise, we utilized the adjusted asset method under the Cost Approach. In this method, all assets that will be contributed to the JV are adjusted to FMV. We also considered whether a market approach could be performed to value the Hospital as a whole; however, due to the absence of projected free cash flow for the Hospital and the challenges of finding comparable hospitals that have sold with comparable assets under a Value-in-Place premise, we determined that the market approach was not applicable. However, Navigant considered market factors in valuing the Hospital's real and personal property under the Cost Approach.

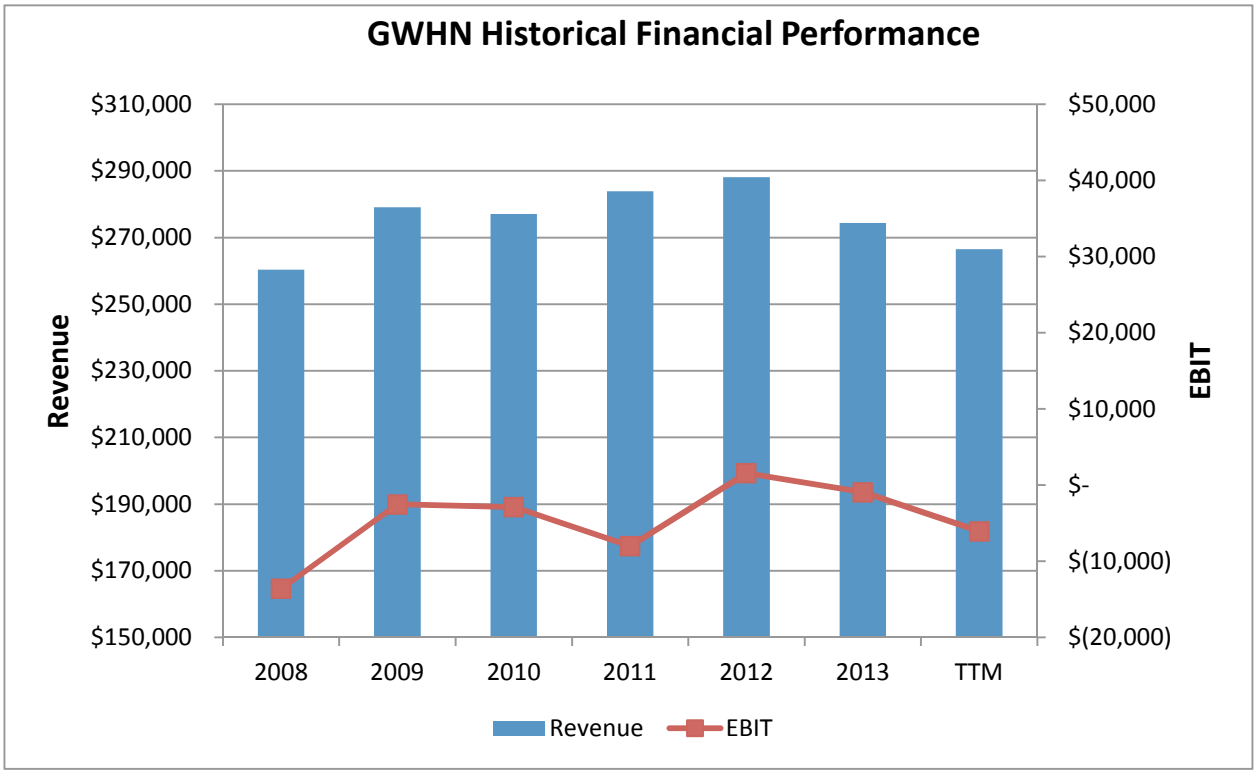
In our analysis summary below, we will explain the key factors that support our conclusion that the Hospital's assets should be valued under a Value-in-Place premise and not a going concern premise on a standalone basis.

**Fair Market Valuation Analysis**

As indicated above, we understand that GWHN has experienced material cash flow and income losses since at least 2008. Therefore, in order to fully assess the Hospital's going concern potential, we held in-depth discussions with Waterbury management and analyzed historical financial and operational data related to GWHN, as well as previous performance improvement initiatives. In addition, our analysis and discussions with Waterbury management included the future outlook related to the Hospital in the context of numerous factors, including geographic location, service lines, capital expenditure needs, supporting physicians, competition, payer mix, state support, and healthcare reform. Below, we explain the basis for our conclusion that the Hospital is not a going concern business on a standalone basis.

***Weak Historical Operational and Financial Performance***

GWHN's overall financial performance has shown net income losses since at least 2008. Since 2008, GWHN has cumulatively lost over $35 million since 2008. This has been driven primarily by the poor economic conditions in the Waterbury area and the subsequently population and job losses. This has resulted in excess hospital capacity in the Waterbury area. The TTM revenue and EBIT as of August 31, 2014 was $266 million and ($6.0) million, respectively. EBITDA margin for the facility has ranged from a high of 4.2% to a low of negative 2.3%. This compares to EBITDA of comparable publicly traded hospital systems ranging from 11% to 19%. The following chart illustrates the extent of the weak financial position of GWHN since 2008.




($ in 000's)

GWHN's combined operating losses have led to a rapidly declining cash position. To maintain financial viability, GWHN has undergone several rounds of decreases in staffing and discretionary expenses, most notably capital expenditures related to not only capital to build out service lines, but also routine capital expenditures to maintain the facility consistent with industry norms. Based on discussions with GWHN management, it appears that cost cutting options have essentially been exhausted. Capital expenditures at GWHN were 0.8% and 0.6% of net revenue for fiscal year ending September 30, 2013 and trailing twelve months as of April 30, 2014, respectively. Comparatively, publicly traded hospital systems have spent 4.2% to 6.7% of net revenues on capital expenditures.

During our July 2014 on-site visit with GWHN's executive team, we learned that the economic downturn has drastically impacted the volume of elective procedures performed at the Hospital. This has further challenged the Hospital's already eroding volumes. In addition, government reimbursement continues to erode and management is also expecting a material wage index increase soon.

Additionally, at the request of the OAG, we conducted a cash flow projection analysis of GWHN in August 2014. That analysis indicated continued challenges through the remainder of the calendar year and the possibility of triggering a material adverse condition (MAC) related to

the Hospital's bond covenants by the end of 2014. Please see Exhibit 3.0 for historical operating results.

***Stagnant and Aging Physician Network***

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

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

***Deteriorating Projected Operational and Financial Performance***

Waterbury management was not able to provide Navigant with a financial projection that reflected GWHN generating positive cash flow in the future on a standalone basis without a strategic capital partner. As part of their original CON application and supplemental responses, Waterbury Management projected future cash flows without the Proposed Transaction moving forward. These projections showed net income losses in future years with an EBITDA margin ranging from 4.0% in 2014 down to 2.2% by FY2016. This level of EBITDA does not allow for the capital expenditures necessary to maintain the asset base of GWHN, much less fund future growth needs. August 2014 financial results showed significantly lower revenue than originally projected and an EBITDA margin of negative 2.3%. Updated projections showed a negative EBITDA margin of approximately negative 1% in future years. Based on performance during the last 4 months, the projected EBITDA of negative 1% may not be achievable.

In our July 2014 discussions, Waterbury management emphasized that future sustainability of the organization was in doubt unless the Proposed Transaction was executed. Over the last year, Waterbury management stated that it had eliminated all staff that could be downsized (including clinical staff) and postponed all capital expenditures that were not absolutely necessary to maintain GWHN's financial viability in the short term. Any turnaround of performance would require a significant infusion of capital and a viable strategic turnaround plan to be successful. Please see Exhibit 3.5 for projected financial projections.

***Significant Capital Expenditure Needs***

GWHN management provided Navigant with Capital Planning Master List that detailed the capital expenditures that were needed at the Hospital. A summary of the needed capital is provided in the table below.

| | Total |
|---|---|
| Urgent Capital Under Review | $1,717,520 |
| Routine Capital | 19,745,797 |
| Renovation (Facility Plan) | 12,091,084 |
| IT Capital Projects | 4,183,343 |
| Strategic Capital Plan w/Tenet | 12,300,000 |
| **Total Capital Needs** | **$50,037,744** |

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

GWHN management indicated that the Hospital's projected cash flow cannot currently fund the required capital expenditure needs listed above and would have to pursue either operating/capital leases or find a strategic capital partner.

**Findings and Conclusions**

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

In order to estimate the FMV of the Hospital's assets under the premise of Value-in-Place, we performed an independent fair market valuation of the Hospital's real and personal property and added this to the Hospital's current net working capital balance as of August 31, 2014. Please refer to Appendix C and D for details of Navigant's real and personal property FMV analyses.

*Intangible Assets*

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

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

*Conclusion*

Based on our review of information provided to us, independent research and analysis, and our informed judgment, we estimate the FMV of the Hospital's assets as follows:

| Summary of Fair Market Value – Value-In-Place | | FMV |
|---|---|---|
| Real Property | | $20,500,000 |
| Personal Property | | 17,000,000 |
| Working Capital | (1) | 21,998,370 |
| **Total Assets Contributed** | | **$59,500,000** |

(1) Net Book Value of Working Capital per 8/31/2014 balance sheet provided by Waterbury Hospital management.

| Summary of Consideration | | As of 8/31/2014 |
|---|---|---|
| Purchase Price | (1) | $45,000,000 |
| Working Capital Adjustment | (1) | 15,198,370 |
| **Total Consideration** | | **$60,200,000** |

(1) Per Contribution Agreement. Working capital adjustment calculated as working capital contributed to JV less targeted working capital of $6.8M.

**As the purchase price of $45 million adjusted for the $15.2 million working capital adjustment exceeds the FMV of assets contributed to the JV, we find that GWHN will receive FMV for the Hospital assets, as of the Valuation Date.**

## IX. Fair Market Valuation Manipulation Analysis

In this section, Navigant will address:

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

**Findings and Conclusions**

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

## X. 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; and*

**Findings and Conclusions**

**The Proposed Transaction results in the retirement of the Hospital's outstanding municipal bond debt and does not require any additional debt financing at completion[13] so there is no financing that would place the Hospital's assets at unreasonable risk.**

[13] As described in Section 3 "The Transaction" (pp 11-16) from GWHN and Vanguard Certificate of Need Application for a Joint Venture dated May 3, 2013 and as updated in Supplemental Responses on June 6, 2013, June 11, 2013, July 1, 2013, September 24, 2013, November 28, 2013, February 5, 2014, June 6, 2014, June 27, 2014, and August 18, 2014.

## XI. Fair Market Valuation of Management Fee Analysis

In this section, Navigant will address:

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

**Overview**

As part of the Proposed Transaction, it is our understanding that the JV will enter into a Management Agreement with VHS Waterbury Management Company, LLC, pursuant to which VHS Waterbury Management Company, LLC will be responsible for managing the day-to-day operations of the JV and the Hospital. Under the Management Agreement, the VHS Waterbury Management Company, LLC will provide certain services to the JV and the Hospital, including, without limitation:

- Corporate oversight and operation support;
- Reimbursement services;
- Purchasing and supply chain services;
- Business planning;
- Development support;
- Quality and resource management support;
- Human resources support;
- Facility planning;
- Certain legal services;
- Risk management support;
- Compliance services;
- Real estate services; and
- Information services support.

We understand that the JV is planning to pay VHS Waterbury Management Company, LLC a management fee equal to 2% of the consolidated net revenues of the JV. The Management Fee does not include the costs of insurance, information services, and certain other third party expenses more specifically delineated in the Management Agreement, all of which will be billed directly to the JV at cost. The Management Agreement has an initial term of five years and will automatically renew for successive terms of five years each.

**Review Process**

Regional and national not-for-profit health systems are regularly engaged in hospital management. Centralized revenue cycle services, information systems, accounting, group purchasing, finance, human resources, and other administrative services have become the norm for many hospitals in health systems. As an example, Tenet provides management services, through its Conifer subsidiary, for 600 Tenet and non-Tenet hospitals.

We researched available market survey data related to healthcare management services. Healthcare Appraisers ("HAI") queried a database of Medicare disclosures[14] for the costs of services rendered to hospitals by related organizations. From this database, HAI identified 60 hospitals that pay affiliated entities for management services. The majority of these management arrangements are with reputable, national management companies that also have ownership interests in their managed hospitals. Of these, HAI identified 40 hospitals wherein the affiliated management company was not a 100% owner. While all of the comparable arrangements involve management companies with some ownership interests in the managed hospitals, HAI specifically excluded agreements for which the management companies own 100% of the managed hospitals.

The exclusions of wholly-owned hospitals from the data set were made for two reasons. First, it is likely that the presence of third-party investors, particularly physician investors, compels management companies to charge management fees that are comparatively more representative of FMV than when there are no third-party investors. Second, the incidence of net losses is much higher for the subset of hospitals with 100% management company ownership compared to all other hospitals. This trend may suggest that management fees charged to wholly-owned entities are highly influenced by (a) strategies by C-corporation parent companies to minimize double taxation by receiving earnings through management fees; and/or (b) accounting and tax strategies for offsetting gains and losses among affiliated organizations in various states with differing tax laws.

Based on these 40 cost reports, the median actual management fees are 2.8% of net revenue. The results of survey data are shown below.

We also reviewed the Healthcare Appraisers 2014 ASC Valuation and Management Survey. This survey queried specialty and surgical hospitals related to the typical hospital management fee. Eleven (11) management company respondents indicated their typical hospital management fees with seventy-three percent (73%) of the respondents indicating that hospital management fees ranging between 4.00% and 5.99% of hospital net revenues.

[14] Healthcare Appraisers, Inc. White Paper Management Services, Dated February 26, 2014

Below is a summary of survey data for hospital management fees.

**Hospital Management Fees – Survey Data**

| Fee Range | | | Specialty Hospitals | Medicare Cost Report Data |
|---|---|---|---|---|
| 0 | to | 0.99% | 0.0% | 5.0% |
| 1.00% | to | 1.99% | 0.0% | 30.0% |
| 2.00% | to | 2.99% | 9.0% | 17.5% |
| 3.00% | to | 3.99% | 18.0% | 12.5% |
| 4.00% | to | 4.99% | 27.0% | 27.5% |
| 5.00% | to | 5.99% | 46.0% | 2.5% |
| >6.00% | to | | 0.0% | 5.0% |

In addition, Waterbury Hospital and Tenet management indicated that the current arrangement was consistent with management fees Tenet and other large hospital systems charge for hospital management services. Navigant has provided reviews and FMV analyses of other hospital management agreements and has empirically observed rates of 2% to 4% of net revenues consistent with the survey data.

**Findings and Conclusions**

**Based on a review of the management services to be performed, the market survey data, and our observations in the market, Navigant concludes that the Management Fee is within a reasonable range of FMV although is likely on the lower end of the range.**

## Appendix A: Listing of Information Sources

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

- Selected audited and unaudited operational and financial data of GWHN;
- Selected transaction and regulatory documents, including letter of intent, asset purchase agreement, initial and supplemental completeness question responses; and Vanguard's Certificate of Need application;
- Interviews with GWHN/Waterbury Hospital management and Chairman of the Board
  - Darlene Stromstad (President and CEO)
  - Scott Bowman (Controller)
  - Ed Romero (CFO)
  - Thomas Burke (COO)
  - Carl Contadini (Chairman of the Board)
  - Ann Zucker (General Counsel)
- Interviews with individuals representing GWHN Board's financial advisors (Cain Brothers)
- Interviews with individual representing Principle Valuation (Patrick Simers)
- Principle Valuation Fairness Opinion dated May 1, 2013 and updated on June 27, 2014;
- "Selected Interest Rates," Federal Reserve Statistical Reserve;
- "Economic Outlook Update Q2, 2014" Business Valuation Resources;
- Bloomberg;
- Capital-IQ;
- U.S. Bureau of the Census;
- IBISWorld Industry Report, Hospitals in the US, October 2014;
- Healthcare Appraisers 2014 ASC Valuation and Management Survey;
- Healthcare Appraisers, Inc. White Paper Management Services, Dated February 26, 2014;
- Selected Internet sites; and
- Other sources, as noted.

## Appendix B: Assumptions and Limiting Conditions

1. **Report Distribution** – This report was prepared solely for the purpose stated 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 valuation of any financial instrument or business is a matter of informed judgment. The accompanying valuation has been prepared on the basis of information and assumptions set forth in the attached report, associated appendices, or underlying work papers, and these Conditions and Limitations.

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 Hospital's assets between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date where both the buyer and the seller have reasonable knowledge of the relevant facts. For various reasons, the price at which the Hospital's assets might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in our report.

4. **No Undisclosed Contingencies** – Our analysis: (i) is based on the past, present and expected financial condition of the Hospital and its assets as of the Valuation Date; and (iii) assumes that the Hospital 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 analyses.

5. **Lack of Verification of Information Provided by the Hospital** – With the exception of audited financial statements, we have relied on information supplied by the Hospital 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 Hospital 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** – Navigant assumes 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 the 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, and we made no independent on-site tests to identify the presence of any potential environmental risks. 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 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, it is understood that this 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.

12. **Verification of Hazardous Conditions** – We will not investigate the extent of any hazardous substances that may exist, as we are not qualified to test for such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation or other hazardous substances or environmental conditions may affect the value of the property, the value will be estimated predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility will be assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

13. **Condition of Property** – We assume no liability whatsoever with respect to the condition of the subject property or for hidden or unapparent conditions, if any, of the subject property, subsoil or structures, and further assume no liability or responsibility whatsoever with respect to the correction of any defects which may now exist or which may develop in the future. Equipment components considered, if any, were assumed to be adequate for the needs of the property's improvements, and in good working condition, unless otherwise reported.

14. **Zoning** – It was assumed that all public and private zoning and use restrictions and regulations had been complied with, unless non-conformity was stated, defined and considered in the report.

15. **The Americans with Disabilities Act (ADA)** – The ADA became effective January 26, 1992. The valuation professional will not make a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the valuation professional has no direct evidence relating to this issue, he will not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

## Appendix C: Real Property Valuation

### Nature of the Assignment

***Property Identification***

The subject of this real estate analysis is a general hospital with 357 licensed beds (plus 36 bassinets) identified as Waterbury Hospital and other on-campus and off-campus buildings. It is located in a stable area of New Haven County. The real estate includes a 505,568 square feet in multiple buildings including a 4- to 10-story hospital structure on 38.33 acres plus ancillary buildings/properties. The hospital property has average access and has been operating as a hospital in this location since 1911, the original date of construction.

Pertinent data about the subject properties is summarized on the following grid:

| Subject Real Estate | | | | | |
|---|---|---|---|---|---|
| Assessors Parcel Number | Address | Function | RUL | Land (acres) | Total(sq ft) |
| 0251-0528-0063 | 64 Robbins St | Main Campus | 5 yrs | 38.33 | 498,593 |
| 0231-0528-0631 | 140 Grandview Ave | MOB, ground | | 1.67 | |
| 0231-0529-0632 | 170 Grandview Ave | MOB, ground | | 1.00 | |
| 0250-0528-0051 | 134 Grandview Ave | MOB, ground | | 4.60 | |
| 0231-0530-0064 | 72 Hale St | Residence | 20 yrs | 0.65 | 3,709 |
| 0251-0026-0003 | 101 Robbins St | Residence | 15 yrs | 0.20 | 1,260 |
| 0271-0026-0010 | 36 Grandview Ave | Residence | 15 yrs | 0.14 | 2,006 |
| | | | | 46.59 | 505,568 |

The parcels are situated in Waterbury, New Haven County, Connecticut. Waterbury Hospital's physical address is 64 Robbins Street, Waterbury, Connecticut 06708.

***Purpose and Use of the Valuation***

The objective of the addendum report is to estimate the FMV of the real property assets as of June 30, 2014 in connection with the OAG's review of the proposed JV between GWHN and Vanguard. The intended user of this report is the OAG.

***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 in New Haven County, operating expenses, competitive landscape, and construction costs of new hospitals.

- 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 as presented in this summary appraisal report.

Our valuation is based on the data described above. 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 June 30, 2014. The appraisal is based upon market conditions observed at that time.

***Property History***

Waterbury Hospital is currently operated as an acute care hospital. The hospital facility has not reportedly changed ownership within the past three years. The Proposed Transaction involves a JV between GWHN and Vanguard. 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."* [15]

In addition, property rights appraised for the small ground lease portion of the property under the MOBs and day care center are the leased fee estate. The leased fee estate is defined as, "*The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires*"[16]

***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 property would have been 18 to 24 months.

[15] The Dictionary of Real Estate Appraisal, Fifth Edition, Page 113.

[16] The Appraisal of Real Estate, 14th Edition, The Appraisal Institute, page 72.

**Waterbury Area Description – Real Estate**

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

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

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

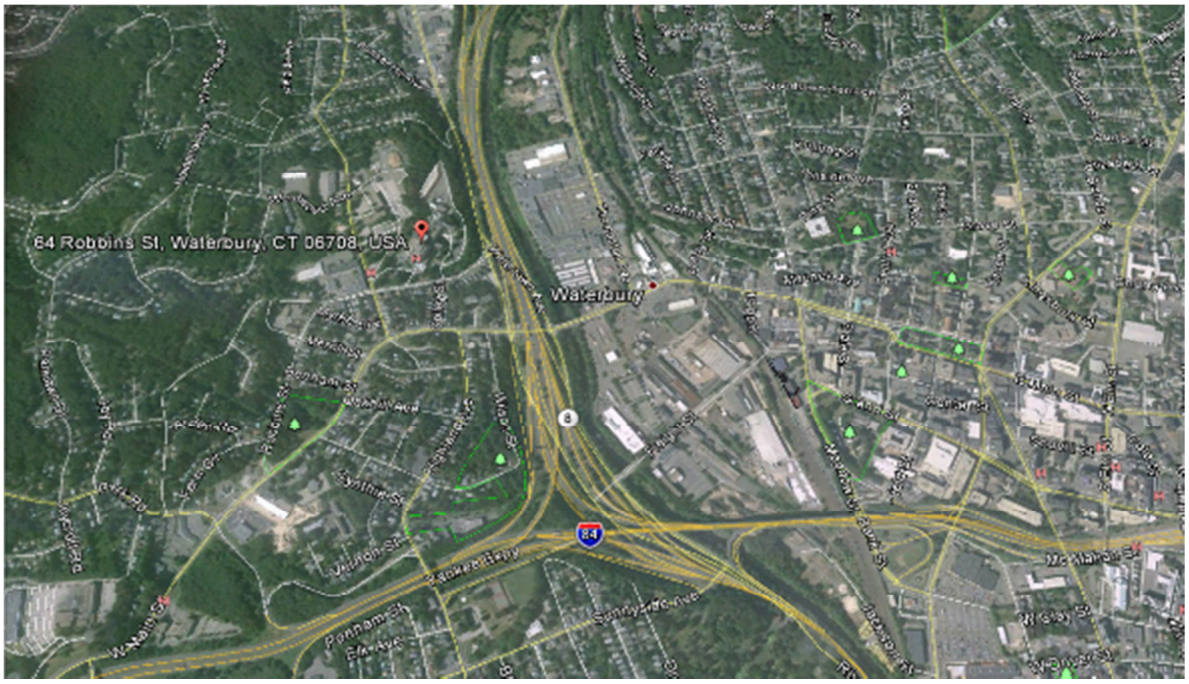
As of the 2013, Waterbury had a population of 109,276 and 47,846 housing units; population has declined 1% since 2010. The city population is anticipated to decline another 0.13% between 2013 and 2018. Median household income in Waterbury in 2013 was $37,484, far below the New Haven County median household income of $57,071 and the State median household income of $64,279. The 2013 median housing value within Waterbury was $138,619, below the New Haven County median price of $217,673. The median household income is anticipated to increase by 18% from 2013 to 2018 for both the State and New Haven County, while increasing just over 13% during that time for Waterbury.

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

Most of the commercial development in Waterbury is somewhat dated with little new construction occurring in the past decade. Newer retail construction, such as Wal-Mart has taken place in eastern part of the city. However, few vacant land sales have occurred in the past five years and there is only one active listing of large commercial site. Reportedly, the active listing

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

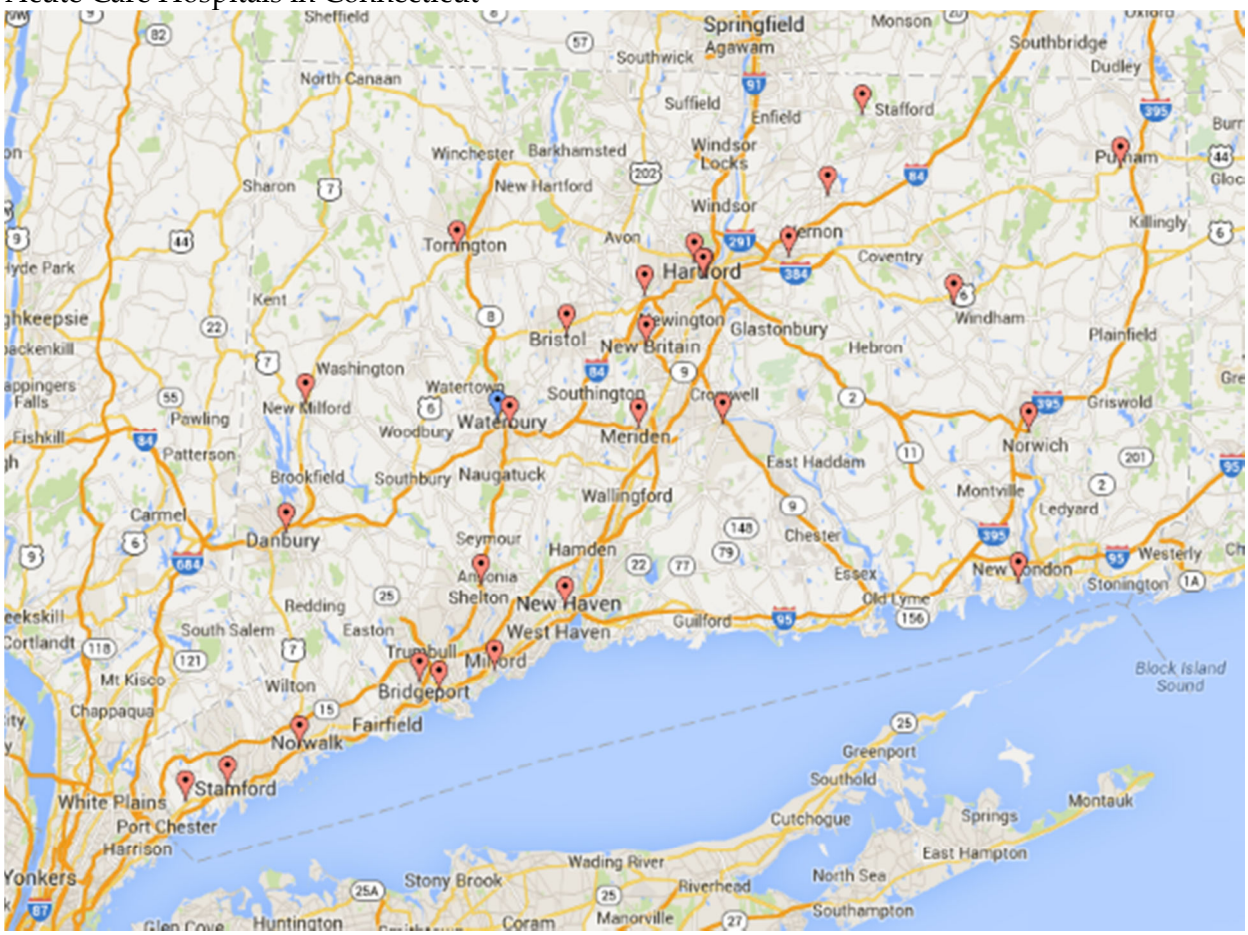
has been on the market for over a year. This lack of sales and listing activity indicates minimal demand for new development in the near-term. A map including the Waterbury Hospital and the surrounding neighborhood follows.




A review of other acute care hospitals in Connecticut shows a concentration of hospitals along the coast and along I-91 through Hartford in the central portion of the state. The New Haven – Milford MSA includes the area from the coast at New Haven to the inland area of Waterbury. A total of six hospitals are within the MSA and make up approximately 23% of all the hospitals in Connecticut. Waterbury Hospital and St Mary's Hospital make up 5.8% of the beds in the state, according to American Hospital Directory figures.

The following map shows the locations of the acute care hospitals in Connecticut.

Acute Care Hospitals in Connecticut




The following chart provides names, locations and beds, a published by the American Hospital Directory.

NAVIGANT CONSULTING

| CONNECTICUT ACUTE CARE HOSPITALS | | | | |
|---|---|---|---|---|
| Name | City | County | Beds | % State Total |
| (William W.) Backus Hospital | Norwich | New London | 183 | 2.45% |
| Bridgeport Hospital - Trauma Ctr | Bridgeport | Fairfield | 338 | 4.53% |
| Bristol Hospital | Bristol | Hartford | 124 | 1.66% |
| Central CT at New Britain General Hospit | New Britain | Hartford | 361 | 4.84% |
| Charlotte Hungerford Hospital | Torrington | Litchfield | 108 | 1.45% |
| Conn. Children's Medical Center | Hartfort | Hartford | 187 | 2.51% |
| Danbury Hospital | Danbury | Fairfield | 336 | 4.50% |
| Day Kimball Hospital | Putnam | Windham | 104 | 1.39% |
| John Demsey Hospital/University of Conn | Farmington | Hartford | 174 | 2.33% |
| Greenwich Hospital | Greenwich | Fairfield | 184 | 2.47% |
| Griffin Hospital | Derby | New Haven | 119 | 1.59% |
| Hartford Hospital - Trauma Ctr | Hartford | Hartford | 864 | 11.58% |
| Johnson Memorial Hospital | Stafford Springs | Tolland | 101 | 1.35% |
| Lawrence & Memorial Hospital | New London | New London | 235 | 3.15% |
| Manchester Memorial Hospital | Manchester | Hartford | 163 | 2.18% |
| Middlesex Hospital | Middletown | Middlesex | 229 | 3.07% |
| Midstate Medical Center | Meriden | New Haven | 144 | 1.93% |
| Milford Hospital | Milford | New Haven | 106 | 1.42% |
| New Milford Hospital | New Milford | Lichfield | 85 | 1.14% |
| Norwalk Hospital | Norwalk | Fairfield | 306 | 4.10% |
| Rockville General Hospital | Vernon | Tolland | 232 | 3.11% |
| Stamford Health System | Stamford | Fairfield | 300 | 4.02% |
| St Francis Hopsital and Medical Center | Hartford | Hartford | 612 | 8.20% |
| St Mary's Hospital | Waterbury | New Haven | 182 | 2.44% |
| St Vincent Medical Center | Bridgeport | Fairfield | 433 | 5.80% |
| Waterbury Hospital Health Center | Waterbury | New Haven | 255 | 3.42% |
| Windham Community Memorial Hospita | Windham | Windham | 79 | 1.06% |
| Yale-New Haven Hospital | New Haven | New Haven | 918 | 12.30% |
| Total Acute Care Hospitals | | | 7,462 | 100.00% |
| Total Hospitals in New Haven County | | | 1,724 | 23.10% |

**Site Description**

| | |
|---|---|
| Site Area | 38.33 acres – 64 Robbins Street – main hospital site<br>7.27 acres - 140, 170 and 134 Grandview – ground leased fee sites<br>0.99 acres - 72 Hale, 101 Robbins and 36 Grandview – Residence |
| Shape | Irregular commercial sites and rectangular small residential sites |
| Utilities | Available to sites |
| Slope | Sloping |
| Soil Conditions | Unknown, assumed adequate for development |
| Environmental Factors | Value assumes adverse conditions do not exist |
| Streets & Access | Adequate vehicular access from Robbins Street and Grandview Avenue |
| Visibility & Exposure | Average for medical and residential use |
| Zoning | Commercial Office District (CO). Hospital use is permitted by Special Exception Approval. CO zoning allows office use, medical office use, inpatient clinic use with a special permit, various commercial uses and mixed-use planned development with special use permit. Multi-family residential is not allowed. |
| Parcel ID | Block 21, Lot 6, Hudson County |
| Flood Zone Area | Zone X (defined as area outside the hazardous floodplain) FEMA Community Panel Numbers 09009C0116H dated 12/17/2010 |
| Easements | The property includes typical drainage and sanitary sewer easements around the perimeter of the site. |
| Assessed Value 2014 | $209,195,780 – according to the Waterbury Assessor, the assessor's value of has been the same since a countywide reassessment in 2012; and the value has remained at this level for a many years. The hospital is exempt from real estate taxes and the value is based on reproduction costs that have occurred over the years. No significant physical or functional depreciation or comparable sales are considered in the Assessor's valuation. |

| 2014 Assessment and Taxes | | | | | |
|---|---|---|---|---|---|
| Assessors Parcel Number | Address | Land ($) | Improvements ($) | Total ($) | |
| 0251-0528-0063 | 64 Robbins St | $ 5,128,925 | $ 195,845,542 | $ 201,195,780 | |
| 0231-0528-0631 | 140 Grandview Ave | $ 469,688 | $ 3,539,290 | $ 4,008,978 | |
| 0231-0529-0632 | 170 Grandview Ave | $ 281,250 | $ 717,351 | $ 998,601 | |
| 0250-0528-0051 | 134 Grandview Ave | $ 1,159,200 | $ 2,093,453 | $ 3,252,653 | |
| 0231-0530-0064 | 72 Hale St | $ 44,027 | $ 183,781 | $ 227,808 | |
| 0251-0026-0003 | 101 Robbins St | $ 23,076 | $ 64,453 | $ 87,529 | |
| 0271-0026-0010 | 36 Grandview Ave | $ 22,500 | $ 95,347 | $ 117,847 | |

Waterbury Hospital is situated on approximately a 38.33-acre tract on the northeast corner of Robbins Street and Grandview Avenue. There are three non-contiguous residential properties on Hale Street, Robbins Street and Grandview Avenue, totaling 0.99 acre. The main campus site has an irregular topography and is irregularly shaped as shown in the aerial photographs in the addenda. It has average access from the frontage streets. All public utilities are available to the subject site.

In addition there are three properties improved with office buildings ground leased from Waterbury Hospital as the lessor. These three sites, 134, 140 and 170 Grandview Avenue total 7.27 acres. Ground lease agreements were not available to review. Information was provided on ground lease payments, however, the actual area of 134 Grandview Avenue under ground lease is something larger than 2.29 acres, indicating the annual rent per acre is less than the $13,771.

| Ground leased fee sites | | | | | |
|---|---|---|---|---|---|
| Assessors Parcel | Address | Function | Size (Acres) | Annual Rent | per acre |
| 0231-0528-0631 | 140 Grandview Ave | ground leased | 1.67 | $ 29,004 | $ 17,368 |
| 0231-0529-0632 | 170 Grandview Ave | ground leased | 1.00 | $ 10,956 | $ 10,956 |
| 0250-0528-0051 | 134 Grandview Ave | ground leased* | 2.29 | $ 31,536 | $ 13,771 |

*per indenture, size is 99,695 square feet or 2.29 acres, plus an additional area

These payments fall within the normal range of land rents based on the concluded fee simple interest in the underlying land within this market cycle. Therefore, the leased fee interest is considered similar to the fee simple interest and all of the underlying land will be valued as a whole.

**Improvement Description**

| | |
|---|---|
| Property Name | Waterbury Hospital |
| Property Address | 64 Robbins Street, Waterbury, CT |
| Property Type | Acute Care Hospital |
| Years Built | 1911; 1920; 1926; 1942; 1950; 1952; 1955; 1960; 1972; 1974; 1978; 1988; 2001 |
| No. of Buildings | 10 |
| No. of Stories | 4-10 (hospital building), 2-story MOBs and residential |
| Ceiling Height | 13 feet |
| Property Description | Waterbury Hospital is licensed for 367 acute-care beds. Construction is painted stucco finish on masonry exterior walls. The roof is built-up cover on a flat deck. The hospital contains 452,516 square feet of improved space on the first through tenth floors plus a 71,064 square foot basement.<br><br>Included in the hospital campus are other related MOB and garage and warehouse structures. These include General Hospital – Grandview/Merriman, a 29,356 square foot MOB structure with a 7,339 square foot basement. In addition there are three small MOBs built in the 1920's and 1950's totaling 9,330 square feet. An older warehouse and service garage totaling 7,391 square feet is considered at the end of its economic life. |
| Construction Class & Quality | Class B – Fair to Average and Class D – Fair to Average |
| Parking | Approximately 1/3 of the site |
| ADA Compliant: | Yes |
| HVAC | Chilled water, gas-fired |
| Interior Finishes | The level of finish is typical for the age of the improvements. The flooring is carpet, vinyl, and tile. Walls are painted drywall and ceilings are acoustic drop ceilings. The buildings are equipped with smoke detectors. |
| Sprinklers | Building is fully-sprinklered |

| Parcel Number (MBL) | Location | Description of Parcel | Year Built | Building area | Land Size |
|---|---|---|---|---|---|
| 0231-0528-0631 | 140 Grandview Ave | MOB, ground only | 1978 | | 1.67 |
| 0231-0529-0632 | 170 Grandview Ave | MOB, ground only | 1988 | | 1.00 |
| 0250-0528-0051 | 134 Grandview Ave | MOB, ground only | 1974 | | 4.60 |
| 0231-0530-0064 | 72 Hale St | Residence | 1926 | 3,709 | 0.65 |
| 0251-0026-0003 | 101 Robbins St | Residence | 1952 | 1,260 | 0.20 |
| 0251-0528-0063 | 64 Robbins St | Main Campus* | various, see below | 498,593 | 38.33 |
| 0271-0026-0010 | 36 Grandview Ave | Residence | 1921 | 2,006 | 0.14 |
| | | | | 505,568 | 46.59 |
| Waterbury Hospital buildings | | | | | |
| | Buildings | Hospital prop | | | |
| | General Hospital | bldg 1 | 1911 | 452,516 | |
| | General Hospital | bldg 2 | 1972 | 29,356 | |
| | Medical Office | bldg 3 | 1920 | 1,050 | |
| | Medical Office | bldg 4 | 1955 | 4,140 | |
| | Medical Office | bldg 5 | 1950 | 4,140 | |
| | Service Garage | bldg 6 | 1960 | 1,728 | |
| | Warehouse | bldg 7 | 1942 | 5,663 | |
| | child care | bldg 8 | 1988 | | |
| | child care | bldg 9 | 2001 | | |
| 0251-0528-0063 | 64 Robbins St | Main Campus* | | 498,593 | |

Denotes ground lease properties

The main hospital is made up of nine building segments. The initial segment is 452,516 square feet, constructed in 1911, Phase II of the general hospital was constructed in 1972 and includes 29,356 square feet. This does not include the basement level. There are three medical office structures built in 1920, 1950 and 1955. In addition there is a service garage, 1,728 square feet and built in 1960, along with a warehouse building of 5,663 square feet built in 1942. While the site has two buildings housing a childcare operation, built in 1988 and 2001, these buildings were constructed by the ground lessee and are specifically excluded from this valuation. The one- and two-story medical buildings on ground leases are also excluded.

There are three older residential properties. 72 Hale Street is a 3,709 square foot two-story building constructed in 1926. It is situated on 0.65 acres site near the northwest end of the hospital property. 101 Robbins Street is a 1,260 square foot two-story building on 0.20 acre and constructed in 1952. This house is along the elevated section of Robbins Street along the south side of the hospital property. 36 Grandview Avenue is a 2,006 square foot, two-story house built in 1921 on a 0.14 acre lot. This is toward the southwest of the hospital property.

Site improvements include paved parking, curbs, and landscaped buffers around the site perimeter. There is an automatic irrigation system fed from a well on the east side of the property.

**Highest and Best Use Analysis**

Highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, and financially feasible and that results in the highest value.

***Highest and Best Use of Land As Though Vacant***

***Physically Possible***

The size, shape, and availability of utilities impose no physical constraints upon the uses possible for the subject property. The subject site consists of 38.33 acres, and 7.27 acres along with three residential site totaling 0.99 acres. The acreage does not have any apparent physical aspects that would impede development and the sites are not in a flood zone. Access and visibility are average given the topography and the site's location along Robbins Street and Grandview Avenue and exposure to CT Route 8 to the east. The property is slightly irregular in shape, has average access and frontage. In all a wide variety of possible uses are physically possible.

***Legally Permissible***

According to Commercial Office District ("CO") zoning requirements, a variety of commercial uses are permitted including office use, medical office, use, inpatient clinic use with special permit, various commercial uses and mixed-use planned development with special use permit. Multi-family is not allowed. Accordingly, multiple commercial uses are considered legally permissible.

***Financially Feasible and Maximally Productive***

The subject is located in the city of Waterbury along CT Route 8. The subject site offers good visibility and has two points of access. A mid-rise commercial office or medical development would be a likely use of the site and thus, the most productive use. However, given the current economic and medical market conditions, it is unlikely that redevelopment will occur in the near-term. This is illustrated by a lack of volume in comparable vacant land sales (within the past three years) and active listings within a ten mile radius of the Waterbury Hospital. .

***Highest and Best Use of Land as Though Vacant Conclusion***

In consideration of the foregoing factors, it is Navigant's opinion that the highest and best use of the land as if vacant is to hold for future commercial or medical related use until market conditions warrant development.

***Highest and Best Use of Property As Improved***

***Physically Possible***
The subject is currently improved with a 10-story hospital building and additional buildings that are in average condition. The property was originally constructed in 1911 and was expanded and renovated through 1972. Capital improvements have been made over recent years and the property was observed to be in average physical condition. Given the age and phased construction, the improvements do suffer from physical obsolescence as discussed later in this report.

***Legally Permissible***
The existing improvements are a legal, permissible use of the site according to the Waterbury zoning administrator

***Financially Feasible and Maximally Productive***
The subject is a part of Greater Waterbury Health System.

The property is considered to be nearing the end of its economic life without substantial up grading, which may or may not be financially feasible.

Changes in the healthcare industry, consolidation of healthcare companies, and changing inpatient standards have had a profound impact on the viability of the real estate that houses general hospitals. Conversely, the Certificate of Need program limits competition to existing facilities and provides for continued adequate market capture.

Given the current medical market and economic conditions in the Waterbury area, the financially feasible and maximally productive use as improved is to continue to operate the property as a hospital facility. As can be seen in the valuation that follows, the improvements do still have contributory value. Therefore, demolition of the improvements is not imminent

***Highest and Best Use of Property As Improved Conclusion***
In consideration of the foregoing factors, it is Navigant's opinion that the highest and best use of the subject as improved is concluded to be continued hospital use for the near term. As the property nears the end of its economic life; however, major renovation or alternative use scenarios will take the forefront.

**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***

Based upon the highest and best use conclusions and due to the special purpose nature of the improvements, we have developed the cost approach including a depreciated replacement cost analysis for the buildings and site improvements. We have relied on the sales comparison approach to value the land as though vacant to be used in the cost approach. The analysis of hospital sales, in particular older facilities excluding recently constructed facilities, is used as a check of reasonableness to the cost approach.

**Land**

The subject property is a campus setting with various building on multiple parcels. The main campus is 38.33 acres. Three parcels, 134 Grandview, 140 Grandview and 170 Grandview are ground leased to third parties and are valued as land only, excluding the improvements. The Day Care Center is also ground leased but that land is not delineated and is part of the 38.33 acres of the main campus and, therefore, that land is already accounted for in the valuation of the main campus land.

Treatment of small ground lease parcels – no copies of the ground leases, nor abstracts of the ground leases were available from Waterbury Hospital. Statements as to the ground lease payments and site sizes were provided. Based upon this information, and the concluded fee simple interest in the land, it is reasonable for the purposes of this valuation to consider the leased fee value of the ground lease land similar to the fee simple interest in the land. This will be discussed further at the conclusion of the fee simple interest analysis.

In addition, there are three residential properties, 72 Hale, 101 Robbins, and 36 Grandview. These three small residential lots are valued at their assessed land values.

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 utilities. 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 and other sources. The comparable data was selectively verified with parties to the transactions and discussed with real estate brokers knowledgeable about vacant land in Connecticut.

The comparables included land tracts of similar size proposed for commercial and/or zoned to permit such use. The data selected for direct comparisons are summarized in in the following tables.

Due to the small size of the three residential properties, and limited residential lot sales, the assessed values are used in this analysis, indicating in a similar price per acre value.

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## SUMMARY OF COMPARABLE VACANT LAND SALES

| No. | Date | Address | Land (Acres) | Land (SF) | Price | Price/Acre | Price/SF | Zoning | Proposed Use |
|---|---|---|---|---|---|---|---|---|---|
| L-1 | 3/26/2013 | 1 Huntley Road<br>Old Lyme, CT | 6.20 | 270,072 | $700,000 | $112,903 | $2.59 | C | Medical Office |
| L-2 | pending | 1359 Thomaston Ave<br>Waterbury, CT | 4.96 | 216,058 | $750,000 | $151,210 | $3.47 | IL | Commercial |
| L-3 | Listing | 1405 Hamilton Ave<br>Waterbury, CT | 13.35 | 581,526 | $1,750,000 | $131,086 | $3.01 | RM | Multi residential |
| L-4 | Listing | Seemar Rd & Park Rd<br>Watertown, CT | 24.90 | 1,084,644 | $1,867,500 | $75,000 | $1.72 | IR-200 | Commercial |
| L-5 | 7/30/2012 | 1096 West St<br>Southington, CT | 5.70 | 248,292 | $1,200,000 | $210,526 | $4.83 | I-2 | Commercial |
| L-6 | Listing | 280 Wolcott Rd<br>Wolcott, CT | 28.34 | 1,234,490 | $3,100,000 | $109,386 | $2.51 | GC | Commercial |
| Subject | | 64 Robbins Street | 38.33 | 1,669,655 | | | | CO | |
| | | 134 Grandview Ave | 4.60 | 200,376 | | | | CO | |
| | | 140 Grandview Ave | 1.67 | 72,745 | | | | CO | |
| | | 170 Grandview Ave<br>Waterbury, CT | 1.00 | 43,560 | | | | CO | |

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: Proposed 34 lot subdivision; however, broker believes more realistic approvals will be for 20-25 lots.

L-4: Located at the northern end of Waterbury, in an area of similar commercial development and rural residential.

L-5: Rectangular tract, corner location in homogeneous commercial area of Southington. Close to freeway access.

L-6: Located in Wolcott, community to the northeast. 6.3 acres are along the highway with rear portion zoned EDD1, restricted commercial.

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## LAND SALES ADJUSTMENT GRID

| DESCRIPTION | Subject | Comparable L-1 | Comparable L-2 | Comparable L-3 | Comparable L-4 | Comparable L-5 | Comparable L-6 |
|---|---|---|---|---|---|---|---|
| LOCATION: | 64 Robbins<br>Waterbury, CT | 1 Huntley Road<br>Old Lyme, CT | 1359 Thomaston Ave<br>Waterbury, CT | 1405 Hamilton Ave<br>Waterbury, CT | Seemar Rd & Park Rd<br>Watertown, CT | 1096 West St<br>Southington, CT | 280 Wolcott Rd<br>Wolcott, CT |
| LAND AREA - ACRES | 38.67<br>1,684,465 | 6.20<br>270,072 | 4.96<br>216,058 | 13.35<br>581,526 | 24.90<br>1,084,644 | 5.70<br>248,292 | 28.34<br>1,234,490 |
| SHAPE/TOPOGRAPHY: | Level / Irregular | Level / Irregular | Level / Rectangular | Level / Rectangular | Level / Irregular | Level / Irregular | Level / Irregular |
| ZONING: | | C | IL | RM | IR-200 | I-2 | GC |
| SOURCE: | Assessor | CoStar | Broker | CoStar | CoStar | Costar | Broker |
| DATE OF SALE: | | Mar-2013 | pending | Listing | Listing | Jul-2012 | Listing |
| SALE PRICE: | | $700,000 | $750,000 | $1,750,000 | $1,867,500 | $1,200,000 | $3,100,000 |
| PRICE PER ACRE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| **ADJUSTMENTS:** | | | | | | | |
| UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| PROPERTY RIGHTS CONVEYED: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| FINANCIAL CONSIDERATIONS: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| CONDITIONS OF SALE: | | 0.00% | -10.00% | -10.00% | -10.00% | 0.00% | -10.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $136,089 | $117,978 | $67,500 | $210,526 | $98,447 |
| MARKET CONDITIONS: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TIME ADJUSTED UNIT SALE PRICE: | | $112,903 | $136,089 | $117,978 | $67,500 | $210,526 | $98,447 |
| **PHYSICAL ADJUSTMENTS:** | | | | | | | |
| LOCATION: | | 10.00% | 0.00% | 0.00% | 10.00% | -10.00% | 0.00% |
| SIZE: | | -20.00% | -20.00% | 0.00% | 0.00% | -20.00% | 0.00% |
| SHAPE/TOPOGRAPHY: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CORNER: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ZONING/PROPOSED USE: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TOTAL PHYSICAL ADJUSTMENTS: | | -10.00% | -20.00% | 0.00% | 10.00% | -30.00% | 0.00% |
| ADJUSTED UNIT PRICE | | $101,613 | $108,871 | $117,978 | $74,250 | $147,368 | $98,447 |

| | | | | | |
|---|---|---|---|---|---|
| RANGE OF VALUE PER ACRE/AVERAGE | | | $74,250 | to | $147,368 |
| INDICATED PRICE PER ACRE | | | | | $103,000 |
| LAND AREA: | 64 Robbins Street | | | | 38.33 |
| | | CONCLUDED VALUE | 3,947,990 | Rounded: | $3,900,000 |
| LAND AREA: | 140, 170 and 134 Grandview | | | | 7.27 |
| | | CONCLUDED VALUE | 748,810 | Rounded: | $700,000 |
| LAND AREA: | Residential properties (Hale, Grandview and Robbins) at Assessed values | | | | 0.99 |
| | | CONCLUDED VALUE | 89,603 | Rounded: | $100,000 |

***Adjustments***

Conditions of Sale – The listings and pending sale are adjusted downward to probable contract closing prices. Typically, we see actual contract prices closing approximately 10% below the listing price.

Location – L-1 and L-4 are considered inferior in location, more remote with inferior infrastructure. L-5 is a superior commercial location, anticipated to command a premium over the subject, and it is adjusted downward for location.

Size – L-1, L-2 and L-5 are smaller sites. We see a diminution is price per acre for larger size parcels, due to diminishing marginal return. These sale prices per acre are adjusted downward for superior smaller size.

Zoning – All of the zoning and proposed uses are considered comparable with quantitative distinction in this market.

The unadjusted land sales range from $75,000 to $210,526 per acre. After appropriate adjustments for conditions of sale, location and size, the adjusted land sales indicate a range of $74,250 to $147,368. Greater weight is placed on the most recent sale, L-1, pending sale L-2 and the largest and most similar tract size listed, L-5. These bracket a concluded fair market land value of $103,000 per acre.

Residential sites - The three small residential sites have the following assessed values. Due to the small size and the limited land sales, these site will be valued at their assessed values, totaled and rounded to $100,000.

| Residential sites | | | | | | |
|---|---|---|---|---|---|---|
| Assessors Parcel Number | Address | Land Size (acres) | | Assessed Land Value | | Per acre |
| 0231-0530-0064 | 72 Hale St | 0.65 | $ | 44,027 | $ | 67,734 |
| 0251-0026-0003 | 101 Robbins St | 0.20 | $ | 23,076 | $ | 115,380 |
| 0271-0026-0010 | 36 Grandview Ave | 0.14 | $ | 22,500 | $ | 160,714 |
| | | 0.99 | $ | 89,603 | $ | 90,508 |
| | Rounded to | | $ | 100,000 | | |

Ground lease sites – The three ground leased MOB sites have limited information on the ground leases. The following table shows the reported contract rents. It is noted that the indenture for 134 Grandview Avenue, a 4.60 acre parcel, indicates that the ground lease space was originally 99,695 square feet and it had been increased with some additional area. Given this limited information, we are taking the additional area to be the entire parcel, including parking area.

Typically we see land capitalization rates in the range of 6% to 12% depending on size, use, and location. Given the location near like medical uses, a land capitalization rate of 10% is reasonable.

| Ground leased fee sites | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Assessors Parcel | Address | Function | Size (Acres) | Annual Rent | per acre | Land Cap Rate | Indicated Value per acre | Indicated Value |
| 0231-0528-0631 | 140 Grandview Ave | ground leased | 1.67 | $ 29,004 | $ 17,368 | 10% | $ 173,677 | $ 290,040 |
| 0231-0529-0632 | 170 Grandview Ave | ground leased | 1.00 | $ 10,956 | $ 10,956 | 10% | $ 109,560 | $ 109,560 |
| 0250-0528-0051 | 134 Grandview Ave | ground leased* | 4.60 | $ 31,536 | $ 6,856 | 10% | $ 68,557 | $ 315,360 |
| *per indenture, size is 99,695 square feet or 2.29 acres, plus an additional area, parcel is 4.60 acres | | | | | | | | $ 714,960 |
| | | | | | | | Rounded | $ 700,000 |

This analysis supports the overall value for the leased fee MOB ground leased sites as being equivalent to the overall value of the underlying land on a fee simple basis.

***Conclusion***

The main campus site (38.33 acres) and 140, 170 and 134 Grandview sites (7.27 acres) are valued at $3,900,000 and $700,000 respectively. The residential sites are given a value based on their assessed values, rounded to $100,000.

**Cost Approach**

Hospitals are frequently valued using a cost approach as they are designed for a specific use and often expand and are renovated over time.

***Building Improvements***

For the cost new of the buildings, we have relied on Marshall Valuation Service ("MVS") and on a review of photographs of the property, floor and site plans (if available), and other information provided by Management. Replacement cost new was estimated by building type. Refinements such as heating/cooling and sprinklers were then added. Perimeter and story height, as well as current and local multipliers, were then applied to the base costs to arrive at a replacement cost new. The hard costs were estimated based on the estimated building areas. Lump sum costs were added when appropriate. While MVS includes some soft costs, additional soft or indirect costs are realized in the market. The soft costs are calculated based on a typical 12% of hard costs.

Due to the changes in the marketplace and consolidations evidenced by recent sales of closed hospital facilities, in this market entrepreneurial profit is not apparent at this time so no entrepreneurial profit is included in the hospital improvements of the cost approach. However, the residential properties are within a separate market place and would recognized a typical

entrepreneurial profit of 10%. Current and local multipliers were applied to arrive at the adjusted building improvement costs new for this Waterbury location and current time period.

In opining on physical depreciation, effective ages were based on our understanding of the condition of the properties, observations during the site inspection, reporting of recent improvements, original construction dates, and information from published data. It is recognized that with a development such as the subject property, in which 91% of the main structure was first developed in 1911, albeit upgraded from time to time, intermingled in the consideration of the physical age of the improvements is consideration of the functional obsolescence created by virtue of the age and changing physical facility requirements in the healthcare field. For example, new hospital codes require new systems in place and improved configurations, such as single rooms rather than multiple bed rooms. Advances in IT requirements, mandate an update in the wiring and utilities within a facility. Not uncommon with older facilities, HVAC requirements fall behind the curve and the cost for reconfiguring that infrastructure is costly. Therefore, functional obsolescence play a heavy role in consideration of the physical depreciation.

This point can be proven from market evidence. The older hospital facilities sold as vacant, typically unable to meet the reconfiguration requirements met in modern facilities, indicate sale prices averaging near $20 per square foot. In comparison, sales within the past year of recently constructed facilitates provided by Costar indicate a price per square range of $391 to $874 per square foot with five of the eight hospitals selling in the $400 to $490 per square foot range.

Based on conversations with management during the inspection, without major renovation, the remaining economic life of the facility is considered to be five years in its current condition.

The other minor residential buildings have 15 to 20 years of remaining economic life. Details of the building improvements analysis are presented on the following page.

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Building Improvements - Hospital Campus

*Valuation as of June 30, 2014*

*(Actual Dollars)*

**APN 0251-0528-0063**

| Cost/Unit | Hard Cost | Extras | Soft Costs | Profit | Adj. Cost | Multipliers Current | Multipliers Local | Adj. Cost | Depreciation Economic Life (Yrs) | Depreciation Effective Age (Yrs) | Depreciation RUL (Yrs) | Depreciation Depr (%) | Depr ($) | Depreciated Replacement Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Hospital - Main | | 452,516 | | | | | | | | | | | | |
| $207.82 | $94,041,875 | $0 | $11,285,025 | $0 | $105,326,900 | 1.01 | 1.13 | $120,209,591 | 45 | 40 | 5 | 89% | $106,852,970 | $13,360,000 |
| | basement | 71,064 | | | | | | | | | | | | |
| $54.58 | $3,878,673 | $0 | $465,441 | $0 | $4,344,114 | 1.01 | 1.13 | $4,957,937 | 45 | 40 | 5 | 89% | $4,407,055 | $550,000 |
| General Hospital - Grandview/Me: | | 29,356 | | | | | | | | | | | | |
| $102.71 | $3,015,155 | $0 | $361,819 | $0 | $3,376,973 | 1.05 | 1.11 | $3,935,862 | 45 | 40 | 5 | 89% | $3,498,544 | $440,000 |
| | basement | 7,339 | | | | | | | | | | | | |
| $77.63 | $569,756 | $0 | $68,371 | $0 | $638,127 | 1.05 | 1.11 | $743,737 | 45 | 40 | 5 | 89% | $661,099 | $80,000 |
| Medical Office - bldg 3 (1920) | | 1,050 | | | | | | | | | | | | |
| $127.08 | $133,434 | $0 | $16,012 | $0 | $149,446 | 1.03 | 1.11 | $170,862 | 40 | 35 | 5 | 88% | $149,504 | $20,000 |
| MOB - bldg 4 (1955) and 5 (1950) | | 8,280 | | | | | | | | | | | | |
| $124.16 | $1,028,021 | $0 | $123,363 | $0 | $1,151,384 | 1.03 | 1.11 | $1,316,377 | 40 | 35 | 5 | 88% | $1,151,830 | $160,000 |
| Warehouse/service garage | | 7,391 | | | | | | | | | | | | |
| $48.55 | $358,833 | $0 | $43,060 | $0 | $401,893 | 1.03 | 1.11 | $459,484 | 35 | 35 | 0 | 100% | $459,484 | $0 |

Subtotal Depreciated Building Improvements $14,610,000

Total Depreciated Building Improvements $14,910,000

Footnotes:

Hospital - Hard Cost per Unit is from *Marshall Valuation Service* (*MVS*), July 2014 edition, Section 15, pg 24. Bldg 1 -Class B Average; Bldg 2 - Class C Average

Base costs per square foot are augmented for additional attributes, i.e. sprinkler, building height, etc.

Grandview/Merriman - Hard Cost per Unit is from *Marshall Valuation Service* (*MVS*), July 2014 edition, Section 15, pg 22, Class D Average

Service garage and small warehouse building - Hard Cost per Unit is from *Marshall Valuation Service (MVS)*, July 2014 edition, Section 14, pg 13, Class C Average

Child Care buildings on hospital parcel are not included, as the child care is ground leased and the improvements belong with the leasehold.

Soft costs at 12% and profit is not considered realizable in this market.

Multipliers from *MVS*, Section 99, p.745 for Current and p.749 Waterbury CT.

Economic life from *MVS*, Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements

Current conditions indicate the remaining economic life is 5 years without capital improvements.

Although some section are newer like Reed building(built 2002) it is a minor portion of the whole, the weighted average age of the combined buildings sections is 98 years old.

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Building Improvements - Off-Campus

*Valuation as of June 30, 2014*

*(Actual Dollars)*

| APN 0251-0528-0063 | | | | | | | | | | Depreciation | | | | Depreciated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Multipliers | | | Economic | Effective | RUL | Depr | Depr | Replacement |
| Cost/Unit | Hard Cost | Extras | Soft Costs | Profit | Adj. Cost | Current | Local | Adj. Cost | Life (Yrs) | Age (Yrs) | (Yrs) | (%) | ($) | Cost |
| APN 0251-0026-0003 | | | | | | | | | | | | | | |
| 101 Robbins - Residence (1952) | | 1260 | | | | | | | | | | | | |
| $75.92 | $95,659 | $26,182 | $14,621 | $13,646 | $150,108 | 1.10 | 1.11 | $183,282 | 55 | 40 | 15 | 73% | $133,296 | $50,000 |
| APN 0271-0026-0010 | | | | | | | | | | | | | | |
| 36 Grandview - Residence (1921) | | 2006 | | | | | | | | | | | | |
| $71.82 | $144,067 | $22,199 | $19,952 | $18,622 | $204,839 | 1.10 | 1.11 | $250,109 | 55 | 40 | 15 | 73% | $181,897 | $70,000 |
| APN 0231-0530-0064 | | | | | | | | | | | | | | |
| 72 Hale - Residence/office (1926) | | 3709 | | | | | | | | | | | | |
| $80.94 | $300,223 | $24,719 | $38,993 | $36,394 | $400,329 | 1.10 | 1.11 | $488,801 | 55 | 35 | 20 | 64% | $311,055 | $180,000 |
| | | | | | | | | | | | | Subtotal Depreciated Building Improvements | | $300,000 |

Footnotes:

Residential, Single Family - Hard Cost per Unit is from Marshall Valuation Service (MVS), July 2014 edition, Section 12, pg 25, Class D Average or Good

Residential, Multi Family - Hard Cost per Unit is from Marshall Valuation Service (MVS), july 2014 edition, Section 12, pg 25, Class D Average or Good

Soft costs at 12% and profit is 10%

Multipliers from *MVS*, Section 99, p.745 for Current and p.749 Waterbury CT.

Economic life from *MVS*, Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements

***Site Improvements***

The cost new of the site improvements was estimated based on MVS, specifically Section 66 of the July 2014 edition. The process is similar to the building improvements analysis. The estimates include site costs, where applicable, such as asphalt paving, sidewalks, and landscaping.

Depreciation was based on the age/life method; both economic life and effective age were estimated based on discussions with Management, inspection of some of the properties, aerial photographs, and other data provided or researched by Navigant. Substantial perennial plantings and hardscape have an economic life of 20 year and at any one time it is reasonable to estimate 50% depreciation. The paved parking areas have a typical life of eight years and based upon notes from the inspection, repaving will be required in the short term indicating a short remaining useful life. The resulting depreciation is then applied to the replacement cost new estimate to arrive at the depreciated replacement cost.

A summary of the site improvements analyses are presented on the following page.

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Site Improvements - Waterbury Hospital

*Valuation as of June 30, 2014*

*(Actual Dollars)*

| | | | | | | | Multipliers | | | Depreciation | | | | | Depreciated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Units | Cost/Unit | Hard Cost | Soft Costs | Profit | Adj. Cost | Current | Local | Adj. Cost | Economic Life (Yrs) | Effective Age (Yrs) | RUL (Yrs) | Physical % | Physical ($) | Replacement Cost |
| Landscaping | 168,447 | $2.87 | $483,442 | $58,013 | $0 | $541,454 | 1.02 | 1.11 | $613,035 | 20 | 10 | 10 | 50% | $306,517 | $310,000 |
| Parking | 1,181 | $1,332 | $1,573,092 | $188,771 | $0 | $1,761,863 | 1.02 | 1.11 | $1,994,781 | 8 | 6 | 2 | 75% | $1,496,086 | $500,000 |
| Canopies, retaining walls, curbs and sidewalks | | | | | | | | | | | | | | | $100,000 |
| | | | | | | | | | | | | | | Total Depreciated Site Improvements (rounded) | $900,000 |

Footnotes:

Hard Cost per Unit is from *MVS*, July 2014 edition, Section 66, multipliers from Site Improvements section.

Parking area estimated as 1/3 of the site, landscaping estimated as 1/10 of the site

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.

Based on the analysis described above, the FMV of the real property assets via the Cost Approach, as of June 30, 2014, summarized as follows:

| Conclusion of Cost Approach | |
|---|---|
| **Replacement Cost New - Building** | **$103,638,796** |
| Soft Costs (12% of Total Hard Cost) | $12,436,656 |
| **Estimated Replacement Costs New (Hard & Soft Costs)** | **$116,075,451** |
| Entrepreneurial Profit (10% of Hard & Soft Costs of residential only) | $68,661 |
| | **$116,144,113** |
| Local and Current Multipliers aggregate factor | 1.142684 |
| **Estimated Replacement Costs - New Building** | **$132,716,042** |
| Depreciation - Age/Life Method | |
| Less Physical Deterioration/functional obsolescence | $117,806,735 |
| **Depreciated Building Value (Building As If Vacant) (Rounded)** | **$14,900,000** |
| **Plus Land Value** | **$4,700,000** |
| **Plus Depreciated Site Improvements** | **$900,000** |
| **Estimated Fair Market Value via Cost Approach (Rounded)** | **$20,500,000** |

## Sales Comparison Approach

Sales of general hospitals across the country fall into three distinct categories. The lower end of the sales prices range is represented by those hospitals that are vacant and in need of major renovation or repurposing. The highest priced sales were represented by the newly constructed state-of-the-art facilities being developed in major metropolitan areas throughout the county. The third category includes older yet operational facilities nearing the end of the acute care hospital function and/or being adapted for alternative use, such as drug rehab or behavioral center.

The following is a chart of sales throughout the country of older facilities uses to show the marketplace for hospital properties. Both the chart of sales of closed hospitals and the chart of operational older facilities are presented to show the range found in the marketplace. These sales are used to support the reasonableness of the concluded cost approach valuation in relation to the sales market.

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| SUMMARY OF VACANT HOSPITAL SALES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Sale Date | Address | City | State | Year Built | Size (SF) | Sale Price | $/SF | Land Acres |
| V-1 | 2/20/2014 | 170 Buffalo Ave | Brooklyn | NY | 1979 | 304,763 | $ 19,500,000 | $ 63.98 | 0.85 |
| V-2 | 12/26/2013 | 806-842 Chancellor Ave | Irvington | NJ | N/A | 152,854 | $ 1,000,000 | $ 6.54 | 4.65 |
| V-3 | 9/30/2013 | 8850 Long Point Rd | Houston | TX | 1958 | 293,998 | $ 5,000,000 | $ 17.01 | 17.43 |
| V-4 | 9/9/2013 | 520 Belleville Ave | Belleville | NJ | N/A | 348,621 | $ 3,700,000 | $ 10.61 | 4.13 |
| V-5 | 9/9/2013 | 801 Goodyear Blvd | Picayune | MS | 1953 | 62,778 | $ 200,000 | $ 3.19 | 11.00 |
| V-6 | 9/6/2013 | 660 Shoshone St E | Twin Falls | ID | N/A | 86,218 | $ 2,185,000 | $ 25.34 | N/A |
| V-7 | 7/24/2013 | 450 W Adamsville Rd | Florence | AZ | 1976 | 91,315 | $ 3,000,000 | $ 32.85 | 8.97 |
| V-8 | 7/12/2013 | 9050 Airline Hwy | Baton Rouge | LA | N/A | 484,313 | $ 10,000,000 | $ 20.65 | 24.00 |
| V-9 | 6/29/2013 | 906 Southmore Ave | Pasadena | TX | N/A | 198,224 | $ 1,250,000 | $ 6.31 | 8.01 |
| V-10 | 6/13/2013 | 15 Cavender St | Newnan | GA | 1970 | 44,000 | $ 750,000 | $ 17.05 | 5.77 |
| V-11 | 5/8/2013 | 5115 Rockaway Beach Blvd | Far Rockaway | NY | 1962 | 124,800 | $ 7,250,000 | $ 58.09 | 7.04 |
| V-12 | 4/19/2013 | 130 Lebanon Hwy | Carthage | TN | 1994 | 41,788 | $ 650,000 | $ 15.55 | 13.05 |
| V-13 | 4/3/2013 | 611 S Charles St | Baltimore | MD | 1988 | 201,616 | $ 4,980,000 | $ 24.70 | 2.28 |
| V-14 | 3/12/2013 | 200 S Barfield Hwy | Pahokee | FL | 1965 | 65,000 | $ 100,000 | $ 1.54 | 5.50 |
| V-15 | 1/23/2013 | 1101 Decker Dr | Baytown | TX | 1948 | 225,000 | $ 510,000 | $ 2.27 | 10.49 |
| V-16 | 1/15/2013 | 4001 W 16th Ave | Denver | CO | 1973 | 629,785 | $ 9,500,000 | $ 15.08 | 14.21 |
| V-17 | Listing | 1 Medical Center Dr SW | Supply | NC | 1977 | 82,000 | $ 2,250,080 | $ 27.44 | 32.31 |
| | | | | | | | Average $/SF | $ 20.48 | |
| | | | | | | | Median $/SF | $ 17.01 | |

Vacant hospital building range from $1.54 per square foot to $63.98 per square foot of building area. New York is home to the two highest price vacant hospital building sales, while Florida, Texas and Mississippi are the locations of the lowest price vacant hospital sales. While the users of the subject property may be looking at possible future paths that could include vacating the buildings if losses continue, the hospital is not yet vacant. There is some benefit to having a building operational, so non-use deterioration does not set in.

In addition, we have compiled recent closed sales of older operational hospitals as well as previous hospitals converted to alternative uses.

| SUMMARY OF OCCUPIED HOSPITAL and ALTERNATIVE USE SALES | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | Sale Date | Address | City | State | Year Built | Size (SF) | Sale Price | $/SF | Land Acres | Uses |
| 1 | 7/2/2012 | 1 Hospital Dr | Lowell | MA | 1920+ | 355,627 | $ 35,269,697 | $ 99.18 | 7.42 | Medical Center |
| 2 | 1/31/2013 | 3000 Getwell Rd | Memphis | TN | 1972 | 151,657 | $ 23,000,000 | $ 151.66 | 4.56 | Acute in patient psychiatric care |
| 3 | 7/12/2013 | 14850 Roscoe Blvd | Panorama City | CA | 1964+ | 303,323 | $ 21,864,000 | $ 72.08 | 6.23 | Hospital |
| 4 | 3/22/2013 | 2475 Saint Raymonds Ave | Bronx | NY | 1929 | 149,911 | $ 15,300,000 | $ 102.06 | 1.41 | Ambulatory surgery center. |
| 5 | 1/3/2013 | 800 Washington St | Norwood | MA | 1920 | 147,121 | $ 2,169,595 | $ 14.75 | 9.33 | Norwood Hospital |
| 6 | 7/19/2013 | 5600 Girby Rd | Mobile | AL | 1981 | 174,613 | $ 19,000,000 | $ 108.81 | N/A | Infirmary Health System |
| 7 | Listing | 10141 US 59 Hwy | Wharton | TX | 1960+ | 172,266 | $ 8,000,033 | $ 46.44 | 25.65 | Gulf Coast Medical Center |
| Former Hospitals - Alternative Uses | | | | | | | | | | |
| 8 | 9/30/2013 | 1601 E Las Olas Blvd | Fort Lauderdale | FL | 1971 | 46,400 | $ 5,550,000 | $ 119.61 | 0.80 | Occupied/Leased to Drug rehab |
| 9 | 2/7/2013 | 8301 Detroit Ave | Cleveland | OH | 1930 | 40,290 | $ 150,000 | $ 3.72 | 2.74 | Short sale, occupied Treatment Center |
| 10 | 1/28/2013 | 1715 Sharon Rd W | Charlotte | NC | 1966 | 31,038 | $ 2,500,000 | $ 80.55 | 7.17 | Occupied Behavior center |
| 11 | 8/14/2013 | 156 West Ave | Brockwood | NY | 1970 | 279,140 | $ 2,500,000 | $ 8.96 | 18.90 | Distress Sale, closing hospital; buyer converted to Urgent care |
| | | | | | | | Hospitals Average $/SF | $ 85.00 | | |
| | | | | | | | Alternative Average $/SF | $ 53.21 | | |

Due to the age and economic conditions of the facility, a potential buyer of the hospital would be looking at significant capital expenditures similar to purchasing a vacant hospital. In addition, the subject property is a large facility of over 500,000 square feet. Larger facilities typically sell for a lower price per square foot due to economies of scale and diminishing marginal returns. The two largest facility sales, V8 and V16, at the price points of $20.65 and $15.08 per square foot respectively, reflect the size consideration. The vacant hospital sales averaged just over $20.00 per square foot. Giving some recognition to the occupied status of the subject property, a value in the range of above $20, but below $85 per square foot is reasonable. The subject would be anticipated to fall to the lower end of the range due to its above average size. A range $35.00 per square foot to $50.00 per square foot, or a FMV of $17,700,000 to $25,300,000 is reasonable and supported by the data. Based on our analysis, we conclude that the value of the fee simple interest via the sales comparison approach as of June 30, 2014 was $21,000,000.

**Reconciliation and Conclusion**

All three traditional valuation approaches were considered, but two were utilized with the following conclusions:

| | |
|---|---|
| Cost Approach: | $20,500.000 |
| Income Approach: | N/A |
| Sales Comparison Approach: | $21,000,000 |

The cost approach is considered the most reliable approach due to the special use property type. Intermingled in the consideration of the physical age of the improvements is consideration of the functional obsolescence created by virtue of the age and changing physical facility requirements in the healthcare field. Therefore, economic factors influenced by functional obsolescence play a heavy role in consideration of the physical depreciation. Without major renovation, the remaining economic life of the facility is considered to be five years in its current condition.

The sales comparison approach was developed to test the reasonableness of the cost approach conclusion. Transactions of medical facilities were compared to the subject to develop a FMV via this approach.

Based on the investigation and analyses contained herein, it is our opinion that as of June 30, 2014, the FMV of the fee simple interest in the real property appraised, as if available on the open market, is $20,500,000.

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

## Certification

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.
- The property was inspected by Alan Kaplan, MAI (CT temporary Certified General Real Estate Appraiser – #RTG.0002490) on August 5, 2013. I have not made a personal inspection of the designated owned real estate.
- 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
Associate Director
Connecticut Temporary Certified General Real Estate Appraiser –RTG.0002627

## Subject Photos

Waterbury Hospital – main building

Exterior of Hospital

**Subject Photographs (continued)**

Hospital Exterior – Pomeroy Section

Merriman Hall

**Subject Photographs (continued)**

Exterior – Robbins Street house

Exterior – Home on Grandview

**Subject Photographs (continued)**

Exterior – Apartments


Interior – Surgical ICU

**Subject Photographs (continued)**

Interior – Typical hallway, 6th floor

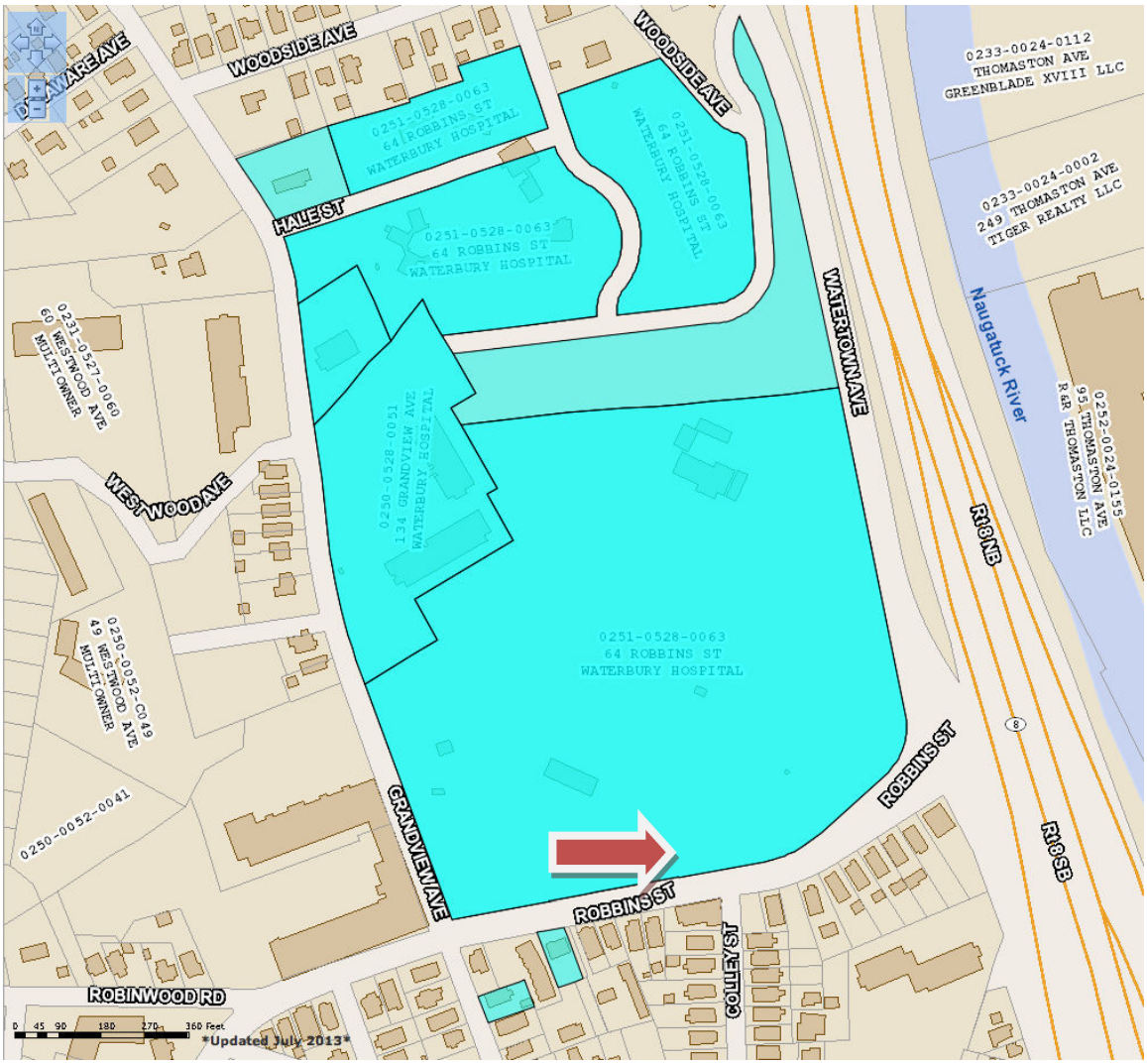
Interior – Surgery Area

**Subject Photographs (continued)**

Interior – Kitchen Area

Interior – IT/ Server Area

## Tax Map


WOODSIDE AVE
HALE ST
WATERTOWN AVE
0233-0024-0112
THOMASTON AVE
GREENBLADE XVIII LLC
0233-0024-0002
249 THOMASTON AVE
TIGER REALTY LLC
Naugatuck River
0252-0024-0155
99 THOMASTON AVE
R & R THOMASTON LLC
0251-0528-0063
64 ROBBINS ST
WATERBURY HOSPITAL
0250-0528-0091
134 GRANDVIEW AVE
WATERBURY HOSPITAL
0231-0527-0060
60 WESTWOOD AVE
MULTI OWNER
WEST WOOD AVE
0250-0052-0049
49 WESTWOOD AVE
MULTI OWNER
0250-0052-0041
GRANDVIEW AVE
ROBBINS ST
ROBINWOOD RD
COLLEY ST
RT 8 NB
RT 8 SB
0 45 90 180 270 360 Feet
*Updated July 2013*

## Appendix D: Personal Property Valuation

The personal property assets valued ('Subject Assets") are located at Waterbury Hospital and various subsidiaries and affiliate locations in Waterbury, CT and can be categorized within the following general asset classifications:

- **Computer Equipment** – includes, but not limited to, servers, desktops, laptops, monitors, printers, network equipment, etc.;

- **Computer Software** - includes, but not limited to, electronic health records software, imaging software, business management software, and other 3rd party desktop software;

- **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.;

- **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. ;

- **Misc. Equipment**– includes, but not limited to, televisions, security cameras, exercise equipment, floor scrubbers, snow blowers, humidifiers, time clocks, etc. It also includes, but is not limited to, hand drills, grinders, planers, routers, sanders, hoists, jig saws, knife sharpeners, nail guns, saws, tool boxes, welders, etc.; and

- **Office Equipment** – includes, but not limited to, copiers, faxes, telephones, etc.

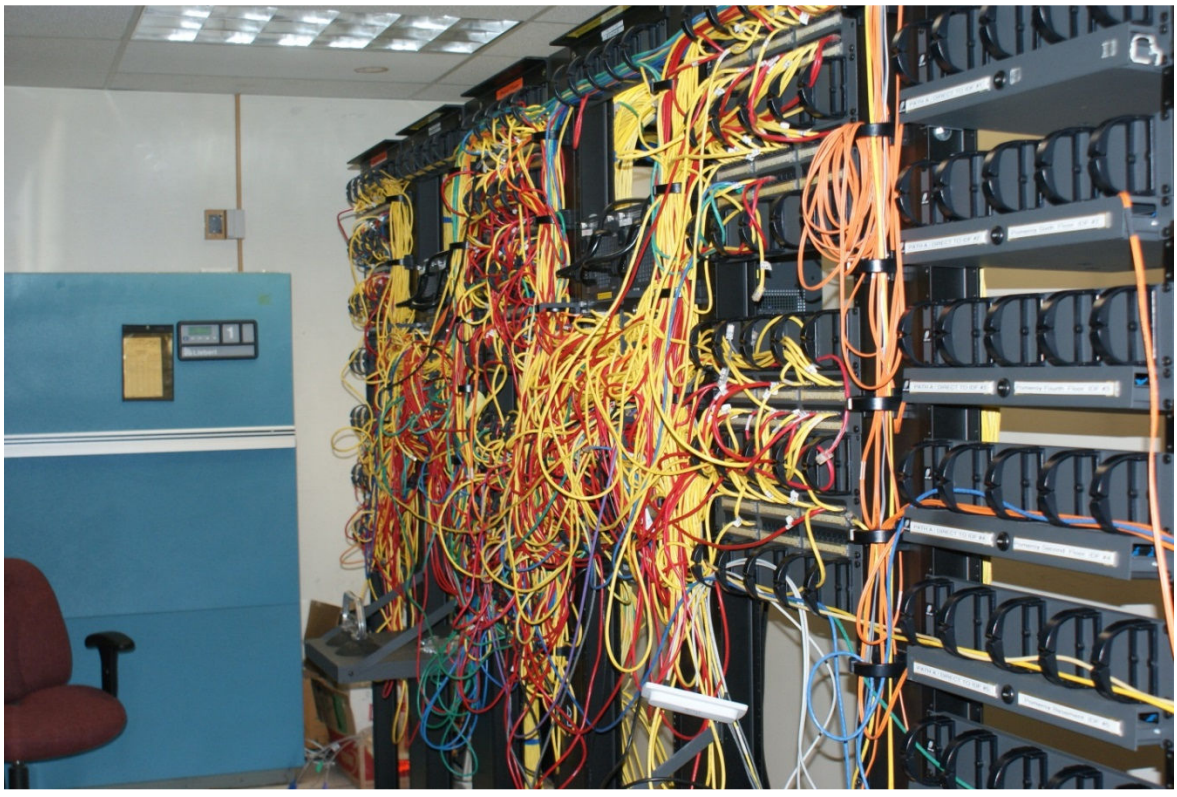
**Scope of Services**

In our valuation of the Hospital's personal property, 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 listing of the Hospital, and other documentation for the equipment and contents;
- Estimated the current cost of and the cost to install the personal property;
- Conducted industry research of personal property to estimate the replacement cost, obsolescence, and remaining useful life based on asset type, utility, quality and age;
- Held discussions with equipment vendors and distributors of similar pre-owned, refurbished and/or new personal property to determine the market value of assets and compare research results with data from published sources to determine reasonableness; and
- Analyzed all the facts and data compiled resulting in a conclusion of value.

Tim Lubbe, an associate director experienced with healthcare personal property valuation, inspected key Subject Assets at Waterbury Hospital on Tuesday, August 5-6, 2013. The Subject Assets were observed to be in fair condition and of fair quality. Based on discussions with Waterbury Hospital management on July 30, 2014, there were no material additions or disposals related to the Subject Assets inspected in August 2013. The following photographs of certain Subject Assets were gathered as a part of the site inspection.

**Data Center Equipment**



**Medical Pharmacy Equipment**


**Nurse's Station/Patient Stretcher**

**Patient Room/Furniture**

**Administrator Office Furniture**

**Surgical ICU Equipment**

**Cafeteria Furniture and Kitchen Equipment**


**Walk-In Refrigerator**


**Definition of Value**

The standard of value used in the valuation of the personal property is FMV. FMV 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" and is considered consistent with the Hospital Conversion Act definition of FMV.

**Fair Market Value In-Use (or In-Place)**

FMV In-Use 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 FMV In-Use, 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 FMV of an asset providing all elements of depreciation are addressed. The factors of depreciation are defined in the following paragraphs:

> *Physical Depreciation* as a result of age and wear can be divided into curable and incurable. Curable physical deterioration is a loss in value which can be recovered or offset by repairing or replacing defective items causing the loss, provided that the resulting value increase equals or exceeds the cost of work. Incurable physical deterioration is a loss in value which cannot be offset or which would involve a cost to correct greater than the resulting increase in value.
>
> *Functional Obsolescence* is any loss in value resulting from inappropriate design, inefficient process flow, poor construction or layout for the intended use, and changes in the technical state-of-the-art. Functional obsolescence may be either curable or incurable.
>
> *Economic/External Obsolescence* relates to the loss in value that occurs from factors external to the assets.

**Market Approach:** The Market (Sales Comparison) Approach estimates value based on what other purchasers and sellers in the market have agreed to as prices for comparable assets. This approach is based on the principle of substitution which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the Market Approach for the valuation of the personal property, we gather data on reasonably substitutable assets and make adjustments for such

factors as market conditions, location, conditions of sale, income characteristics, etc. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the asset.

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

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

**Income Approach:** The Income Approach is a valuation technique by which FMV 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 Subject Assets included the following:

- Equipment inventory of the Subject Assets with information such as Location, Department, Room, Asset Description, Manufacturer, Model No.;
- Fixed asset record ("FAR") provided by Management with historical cost and acquisition date information;
- Historical invoices of major personal property assets;

- Company Contracts such as Software Maintenance Agreements, Equipment Warranty Agreements;
- And Service Contracts;
- Hospital 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; and
- Discussions with Management to obtain an explanation and clarification of the data provided and to obtain additional data and descriptions of the history and future operations of the Subject Assets.

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.

**Valuation Procedures**

Our valuation analysis involved a market value study of the assets. We investigated the market from both a replacement cost and sales comparable standpoint. Our final conclusions take into account that the Personal Property was (with the exception of items identified by the client as idle or disposed) fully functional and operable and was utilized in its highest and best use in an efficient manner to be expected for the type of equipment (unless noted otherwise by the Client).

We reconciled the various approaches to conclude on one estimate of value for each of the assets and made adjustments to arrive at an indication of value under the presumption of installed and in-place.

In valuing the Subject Assets, for items in which there was an active secondary market and recent sales comparables exist, the sales comparison approach was utilized. In instances where market data was available, but deemed too incomplete to apply the sales comparison

approach, we used the market relationship data available to support the cost approach analysis.

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

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

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

After replacement cost new for the assets has been developed, depreciation estimates were made based on the relationship of age, as indicated from fixed asset records, condition, functional and economic obsolescence. Our analysis is limited only to the Subject Assets described above.

We express no opinion or other form of assurance regarding the inventory data accuracy, completeness, or fairness of representation.

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**Valuation Conclusion**

Navigant's valuation of the Hospital's personal property considers a value-in-use concept. Based on the analysis described in this report, we estimated the FMV In-Use of the Personal Property to be $17.0 million as of the Valuation Date. See below for a summary of the value by asset category for Waterbury Hospital and by affiliate/subsidiary.

| Asset Category | Fair Market Value (In Use) |
|---|---|
| **Waterbury Hospital** | |
| Computer Equipment | $1,382,000 |
| Computer Software | 2,761,000 |
| Furniture & Fixtures | 474,000 |
| Kitchen Equipment | 196,000 |
| Lab Equipment | 184,000 |
| Medical Equipment | 9,039,000 |
| Misc. Equipment | 146,000 |
| Office Equipment | 516,000 |
| **Waterbury Hospital Total** | **14,698,000** |
| **Waterbury Hospital Affiliates and Subsidiaries** | |
| Alliance Medical Group, Inc. Total | 623,000 |
| Access Rehab Centers, LLC Total | 182,000 |
| Cardiology Associates of Greater Waterbury, LLC Total | 147,000 |
| Greater Waterbury Imaging Center, LP Total | 1,014,000 |
| Imaging Partners, LLC Total | 222,000 |
| VNA Health At Home, Inc. Total | 89,000 |
| | **2,277,000** |
| **Total Estimated FMV of Personal Property (Rounded)** | **$ 17,000,000** |

**State of Connecticut Office of the Attorney General** Exhibit 1.0

Fair Market Value of Greater Waterbury Health Network, Inc.

Cost Approach Summary - Waterbury Hospital

Valuation Analysis as of August 31, 2014 **FINAL**

| | Notes | |
|---|---|---|
| FMV of Personal Property | (1) | $17,000,000 |
| FMV of Real Property | (2) | 20,500,000 |
| FMV of Net Working Capital | (3) | 21,998,370 |
| **FMV of GWHN Business Enterprise** | (4) | **$59,500,000** |
| | | |
| Purchase Price for 100% of GWHN Business Enterprise | | $45,000,000 |
| Net Working Capital Adjustment | (5) | 15,198,370 |
| **Adjusted Purchase Price (including net working capital adjustment)** | | **$60,200,000** |
| | | |
| **Amount Purchase Price Exceeds Navigant's Estimated Total FMV of Business Enterprise** | | **$700,000** |

*Notes:*

(1) Based on Navigant Valuation. See Exhibit 2.0, Personal Property Valuation Summary.

(2) Based on Navigant Valuation. See Exhibit 2.1, Real Property Valuation Summary.

(3) Based on 8/31/2014 balance sheet provided by GWHN management. See Exhibit 3.2.

(4) Based on Navigant's analysis, it was determined that any intangible asset value would be negligible given the financial condition of the Hospital The Hospital's license is not transferable and is assumed to be inseparable from the Hospital's real property value under the value-in-place premise of valu

(5) Per the Contribution Agreement by and among GWHN, VHS Waterbury Health System, VHS Waterbury Management Company and VHS, the aggregate purchase price is to be adjusted for the amount by which the net book value of net working capital of GWHN is greater or less than $6.8M. As of 8/31/2014, total working capital totaled approximately $22M; therefore, the current adjustment amount would be approximately $15.2M.

**State of Connecticut Office of the Attorney General** Exhibit 2.0

Fair Market Value of Greater Waterbury Health Network, Inc.

Personal Property Valuation Summary

Valuation Analysis as of August 31, 2014 **FINAL**

| **Summary of Personal Property Fair Market Values**<br>*USD $ (Actuals)* | | Estimated Fair Market Value |
|---|---|---|
| **Waterbury Hospital** | Computer Equipment | $ 1,382,000 |
| | Computer Software | 2,761,000 |
| | Furniture & Fixtures | 474,000 |
| | Kitchen Equipment | 196,000 |
| | Lab Equipment | 184,000 |
| | Medical Equipment | 9,039,000 |
| | Misc Equipment | 146,000 |
| | Office Equipment | 516,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 14,698,000** |
| **Waterbury Hospital Affiliates and Subsidiaries** | | |
| **Alliance Medical Group, Inc.** | Furniture, Fixtures | 623,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 623,000** |
| **Access Rehab Centers, LLC** | Computer Equipment | 12,000 |
| | Computer Software | 3,000 |
| | Furniture & Fixtures | 6,000 |
| | Medical Equipment | 50,000 |
| | Office Equipment | 7,000 |
| | Leasehold Improvments | 104,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 182,000** |
| **Cardiology Associates of Greater Waterbury, L** | Computer Equipment | 46,000 |
| | Computer Software | 11,000 |
| | Furniture & Fixtures | 7,000 |
| | Medical Equipment | 19,000 |
| | Office Equipment | 15,000 |
| | Leasehold Improvments | 49,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 147,000** |
| **Greater Waterbury Imaging Center, LP** | Furniture, Fixtures, and Equipment | 13,000 |
| | Medical Equipment | 772,000 |
| | Leasehold Improvments | 229,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 1,014,000** |
| **Imaging Partners, LLC** | Medical Equipment | 216,000 |
| | Office Equipment | 6,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 222,000** |
| **VNA Health at Home, Inc.** | Computer Equipment | 42,000 |
| | Furniture & Fixtures | 20,000 |
| | Medical Equipment | 10,000 |
| | Office Equipment | 17,000 |
| **Personal Property Sub-Total (Rounded)** | | **$ 89,000** |
| **Grand Total (Rounded)** | | **$ 17,000,000** |

**State of Connecticut Office of the Attorney General** Exhibit 2.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Real Property Valuation Summary

Valuation Analysis as of August 31, 2014 **FINAL**

*USD $ (Actuals)*

| | *Notes:* | **Estimated Fair Market Value** |
|---|---|---|
| Land | (1) | $4,700,000 |
| Buildings | (2) | 14,910,000 |
| Site Improvements | (3) | 900,000 |
| **Total Estimated Fair Market Value (rounded)** | | $20,500,000 |

*Notes:*

(1) See Exhibits 2.2 & 2.3.

(2) See Exhibit 2.5.

(3) SeeExhibit 2.7.

**State of Connecticut Office of the Attorney General** Exhibit 2.2

Fair Market Value of Greater Waterbury Health Network, Inc.

Land Sales - Waterbury Hospital

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

## SUMMARY OF COMPARABLE VACANT LAND SALES

| No. | Date | Address | Land (Acres) | Land (SF) | Price | Price/Acre | Price/SF | Zoning | Proposed Use |
|---|---|---|---|---|---|---|---|---|---|
| L-1 | 3/26/2013 | 1 Huntley Road<br>Old Lyme, CT | 6.20 | 270,072 | $700,000 | $112,903 | $2.59 | C | Medical Office |
| L-2 | pending | 1359 Thomaston Ave<br>Waterbury, CT | 4.96 | 216,058 | $750,000 | $151,210 | $3.47 | IL | Commercial |
| L-3 | Listing | 1405 Hamilton Ave<br>Waterbury, CT | 13.35 | 581,526 | $1,750,000 | $131,086 | $3.01 | RM | Multi residential |
| L-4 | Listing | Seemar Rd & Park Rd<br>Watertown, CT | 24.90 | 1,084,644 | $1,867,500 | $75,000 | $1.72 | IR-200 | Commercial |
| L-5 | 7/30/2012 | 1096 West St<br>Southington, CT | 5.70 | 248,292 | $1,200,000 | $210,526 | $4.83 | I-2 | Commercial |
| L-6 | Listing | 280 Wolcott Rd<br>Wolcott, CT | 28.34 | 1,234,490 | $3,100,000 | $109,386 | $2.51 | GC | Commercial |
| Subject | | 64 Robbins Street | 38.67 | 1,684,465 | | | | CO | |
| | | 134 Grandview Ave | 4.60 | 200,376 | | | | CO | |
| | | 140 Grandview Ave | 1.67 | 72,745 | | | | CO | |
| | | 170 Grandview Ave<br>Waterbury, CT | 1.00 | 43,560 | | | | CO | |

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: Proposed 34 lot subdivision; however, broker believes more realistic approvals will be for 20-25 lots.

L-4: Located at the northern end of Waterbury, in an area of similar commercial development and rural residential.

L-5: Rectangular tract, corner location in homogeneous commercial area of Southington. Close to freeway access.

L-6: Located in Wolcott, community to the northeast. 6.3 acres are along the highway with rear portion zoned EDD1, restricted commercial.

**State of Connecticut Office of the Attorney General** Exhibit 2.3

Fair Market Value of Greater Waterbury Health Network, Inc.

Land Sales Adjustment - Waterbury Hospital

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

## LAND SALES ADJUSTMENT GRID

| DESCRIPTION | Subject | Comparable L-1 | Comparable L-2 | Comparable L-3 | Comparable L-4 | Comparable L-5 | Comparable L-6 |
|---|---|---|---|---|---|---|---|
| LOCATION: | 64 Robbins Waterbury, CT | 1 Huntley Road Old Lyme, CT | 1359 Thomaston Ave Waterbury, CT | 1405 Hamilton Ave Waterbury, CT | Seemar Rd & Park Rd Watertown, CT | 1096 West St Southington, CT | 280 Wolcott Rd Wolcott, CT |
| LAND AREA - ACRES | 38.67 | 6.20 | 4.96 | 13.35 | 24.90 | 5.70 | 28.34 |
| | 1,684,465 | 270,072 | 216,058 | 581,526 | 1,084,644 | 248,292 | 1,234,490 |
| SHAPE/TOPOGRAPH | Level / Irregular | Level / Irregular | Level / Rectangular | Level / Rectangular | Level / Irregular | Level / Irregular | Level / Irregular |
| ZONING: | | C | IL | RM | IR-200 | I-2 | GC |
| SOURCE: | Assessor | CoStar | Broker | CoStar | CoStar | Costar | Broker |
| DATE OF SALE: | | 41359 | pending | Listing | Listing | 41120 | Listing |
| SALE PRICE: | | $700,000 | $750,000 | $1,750,000 | $1,867,500 | $1,200,000 | $3,100,000 |
| PRICE PER ACRE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| **ADJUSTMENTS:** | | | | | | | |
| UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| PROPERTY RIGHTS CONVEYED: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| FINANCIAL CONSIDERATIONS: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $131,086 | $75,000 | $210,526 | $109,386 |
| CONDITIONS OF SALE: | | 0.00% | 0.00% | -10.00% | -10.00% | 0.00% | -10.00% |
| ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $117,978 | $67,500 | $210,526 | $98,447 |
| MARKET CONDITIONS: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TIME ADJUSTED UNIT SALE PRICE: | | $112,903 | $151,210 | $117,978 | $67,500 | $210,526 | $98,447 |
| **PHYSICAL ADJUSTMENTS:** | | | | | | | |
| LOCATION: | | 10.00% | 0.00% | 0.00% | 10.00% | -10.00% | 0.00% |
| SIZE: | | -20.00% | -20.00% | 0.00% | 0.00% | -20.00% | 0.00% |
| SHAPE/TOPOGRAPHY: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CORNER: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ZONING/PROPOSED USE: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TOTAL PHYSICAL ADJUSTMENTS: | | -10.00% | -20.00% | 0.00% | 10.00% | -30.00% | 0.00% |
| ADJUSTED UNIT PRICE | | $101,613 | $120,968 | $117,978 | $74,250 | $147,368 | $98,447 |

| | | | | | |
|---|---|---|---|---|---|
| RANGE OF VALUE PER ACRE/AVERAGE | | | $74,250 | to | $147,368 | $110,104 |
| INDICATED PRICE PER ACRE | | | | | | $100,000 |
| LAND AREA: | 64 Robbins Street | | | | | 38.67 |
| | | CONCLUDED VALU | 3,867,000 | | Rounded: | $3,900,000 |
| LAND AREA: | 140, 170 and 134 Grandview | | | | | 7.27 |
| | | CONCLUDED VALU | 727,000 | | Rounded: | $700,000 |
| LAND AREA: | Residential properties (Hale, Grandview and Robbins) at Assessed values | | | | | 0.99 |
| | | CONCLUDED VALU | 89,603 | | Rounded: | $100,000 |

Notes:

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

Location: L-1 and L-4 are considered inferior locations, more removed locations. L-5 is in a superior commercial location and adjusted downward.

Size: L-1, L-2 and L-5 are smaller sites. We see a diminution is price per acre for larger size parcels, due to diminishing marginal return. These sales are adjusted downward.

Zoning: All of the zoning and proposed uses are considered comparable with no quantitative distinction in this market.

**State of Connecticut Office of the Attorney General** Exhibit 2.4
Fair Market Value of Greater Waterbury Health Network, Inc.
Building Cost Approach Summary
*Valuation Analysis as of August 31, 2014*
*(Actual Dollars)* **FINAL**

| Conclusion of Cost Approach | |
|---|---|
| **Replacement Cost New - Building** | **$103,638,796** |
| Soft Costs (12% of Total Hard Cost) | $12,436,656 |
| **Estimated Replacement Costs New (Hard & Soft Costs)** | **$116,075,451** |
| Entrepreneurial Profit (10% of Hard & Soft Costs of residential only) | $68,661 |
| | **$116,144,113** |
| Local and Current Multipliers aggregate factor | 1.142684 |
| **Estimated Replacement Costs - New Building** | **$132,716,042** |
| Depreciation - Age/Life Method | |
| Less Physical Deterioration/functional obsolescence | $117,806,735 |
| **Depreciated Building Value (Building As If Vacant) (Rounded)** | **$14,900,000** |
| **Plus Land Value** | **$4,700,000** |
| **Plus Depreciated Site Improvements** | **$900,000** |
| **Estimated Fair Market Value via Cost Approach (Rounded)** | **$20,500,000** |

**State of Connecticut Office of the Attorney General** Exhibit 2.5

Fair Market Value of Greater Waterbury Health Network, Inc.

Building Improvements - Hospital Campus

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

**APN 0251-0528-0063**

| Cost/Unit | Hard Cost | Extras | Soft Costs | Profit | Adj. Cost | Multipliers Current | Multipliers Local | Adj. Cost | Economic Life (Yrs) | Effective Age (Yrs) | Depreciation RUL (Yrs) | Depreciation Depr (%) | Depr ($) | Depreciated Replacement Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Hospital - Main | | 452,516 | | | | | | | | | | | | |
| $207.82 | $94,041,875 | $0 | $11,285,025 | $0 | $105,326,900 | 1.01 | 1.13 | $120,209,591 | 45 | 40 | 5 | 89% | $106,852,970 | $13,360,000 |
| | basement | 71,064 | | | | | | | | | | | | |
| $54.58 | $3,878,673 | $0 | $465,441 | $0 | $4,344,114 | 1.01 | 1.13 | $4,957,937 | 45 | 40 | 5 | 89% | $4,407,055 | $550,000 |
| General Hospital - Grandview/M | | 29,356 | | | | | | | | | | | | |
| $102.71 | $3,015,155 | $0 | $361,819 | $0 | $3,376,973 | 1.05 | 1.11 | $3,935,862 | 45 | 40 | 5 | 89% | $3,498,544 | $440,000 |
| | basement | 7,339 | | | | | | | | | | | | |
| $77.63 | $569,756 | $0 | $68,371 | $0 | $638,127 | 1.05 | 1.11 | $743,737 | 45 | 40 | 5 | 89% | $661,099 | $80,000 |
| Medical Office - bldg 3 (1920) | | 1,050 | | | | | | | | | | | | |
| $127.08 | $133,434 | $0 | $16,012 | $0 | $149,446 | 1.03 | 1.11 | $170,862 | 40 | 35 | 5 | 88% | $149,504 | $20,000 |
| MOB - bldg 4 (1955) and 5 (1950) | | 8,280 | | | | | | | | | | | | |
| $124.16 | $1,028,021 | $0 | $123,363 | $0 | $1,151,384 | 1.03 | 1.11 | $1,316,377 | 40 | 35 | 5 | 88% | $1,151,830 | $160,000 |
| Warehouse/service garage | | 7,391 | | | | | | | | | | | | |
| $48.55 | $358,833 | $0 | $43,060 | $0 | $401,893 | 1.03 | 1.11 | $459,484 | 35 | 35 | 0 | 100% | $459,484 | $0 |

Subtotal Depreciated Building Improvements $14,610,000

Total Depreciated Building Improvements $14,910,000

Footnotes:

Child Care buildings on hospital parcel are not included, as the child care is ground leased and the improvements belong with the leasehold.

Hospital - Hard Cost per Unit is from *Marshall Valuation Service* (*MVS* ), July 2014 edition, Section 15, pg 24. Bldg 1 -Class B Average; Bldg 2 - Class C Average

Grandview/Merriman - Hard Cost per Unit is from *Marshall Valuation Service* (*MVS* ), July 2014 edition, Section 15, pg 22, Class D Average

Service garage and small warehouse building - Hard Cost per Unit is from *Marshall Valuation Service (MVS)* , July 2014 edition, Section 14, pg 13, 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 Waterbury CT.

Economic life from *MVS* , Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements

Current conditions indicate the remaining economic life is 5 years without capital improvements.

Although some section are newer like Reed building(built 2002) it is a minor portion of the whole, the weighted average age of the combined buildings sections is 98 years old.

**State of Connecticut Office of the Attorney General** Exhibit 2.6

Fair Market Value of Greater Waterbury Health Network, Inc.

Building Improvements - Off-Campus

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

**APN 0251-0528-0063**

| Cost/Unit | Hard Cost | Extras | Soft Costs | Profit | Adj. Cost | Multipliers Current | Multipliers Local | Multipliers Adj. Cost | Depreciation Economic Life (Yrs) | Depreciation Effective Age (Yrs) | Depreciation RUL (Yrs) | Depreciation Depr (%) | Depreciation Depr ($) | Depreciated Replacement Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APN 0251-0026-0003 | | | | | | | | | | | | | | |
| 101 Robbins - Residence (1952) | | 1260 | | | | | | | | | | | | |
| $75.92 | $95,659 | $26,182 | $14,621 | $13,646 | $150,108 | 1.10 | 1.11 | $183,282 | 55 | 40 | 15 | 73% | $133,296 | $50,000 |
| APN 0271-0026-0010 | | | | | | | | | | | | | | |
| 36 Grandview - Residence (1921 | | 2006 | | | | | | | | | | | | |
| $71.82 | $144,067 | $22,199 | $19,952 | $18,622 | $204,839 | 1.10 | 1.11 | $250,109 | 55 | 40 | 15 | 73% | $181,897 | $70,000 |
| APN 0231-0530-0064 | | | | | | | | | | | | | | |
| 72 Hale - Residence/office (1926 | | 3709 | | | | | | | | | | | | |
| $80.94 | $300,223 | $24,719 | $38,993 | $36,394 | $400,329 | 1.10 | 1.11 | $488,801 | 55 | 35 | 20 | 64% | $311,055 | $180,000 |
| | | | | | | | | | | | | Subtotal Depreciated Building Improvements | | $300,000 |

Footnotes:

Residential, Single Family - Hard Cost per Unit is from Marshall Valuation Service (MVS), July 2014 edition, Section 12, pg 25, Class D Average or Good

Residential, Multi Family - Hard Cost per Unit is from Marshall Valuation Service (MVS), july 2014 edition, Section 12, pg 25, Class D Average or Good

Soft costs at 12% and profit is 10%

Multipliers from *MVS* , Section 99, p.745 for Current and p.749 Waterbury CT.

Economic life from *MVS* , Section 97, pgs 10 & 13, and effective age is based inspection, discussions with client, and needed capital improvements

**State of Connecticut Office of the Attorney General** Exhibit 2.7

Fair Market Value of Greater Waterbury Health Network, Inc.

Site Improvements - Waterbury Hospital

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

| | | | | | | | Multipliers | | | Depreciation | | | | | Depreciated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Units | Cost/Unit | Hard Cost | Soft | Profit | Adj. Cost | Current | Local | Adj. Cost | Economic Life (Yrs) | Effective Age | RUL (Yrs) | Physical % | Physical ($) | Replacement Cost |
| Landscaping | 168,447 | $2.87 | $483,442 | $58,013 | $0 | $541,454 | 1.02 | 1.11 | $613,035 | 20 | 10 | 10 | 50% | $306,517 | $310,000 |
| Parking | 1,181 | $1,332 | $1,573,092 | $188,771 | $0 | $1,761,863 | 1.02 | 1.11 | $1,994,781 | 8 | 6 | 2 | 75% | $1,496,086 | $500,000 |
| Canopies, pillars, retaining walls, sheds, fencing, railings, signs | | | | | | | | | | | | | | | $100,000 |

Total Depreciated Site Improvements (rounded) $900,000

Footnotes:

Hard Cost per Unit is from *MVS* , July 2014 edition, Section 66, multipliers from Site Improvements section.

Parking area estimated as 1/3 of the site, landscaping estimated as 1/10 of the site

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.

Parking area estimated as 1/3 of the site, landscaping estimated as 1/10 of the site

**State of Connecticut Office of the Attorney General** Exhibit 2.8

Fair Market Value of Greater Waterbury Health Network, Inc.

Improved Sales - Vacant - Waterbury Hospital

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

## SUMMARY OF VACANT HOSPITAL SALES

| No. | Sale Date | Address | City | State | Year Built | Size (SF) | Sale Price | $/SF | Land Acres |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2/20/2014 | 170 Buffalo Ave | Brooklyn | NY | 1979 | 304,763 | $ 19,500,000 | $ 63.98 | 0.85 |
| 2 | 1/2/2014 | 9002 Queens Blvd (2 Properti | Elmhurst | NY | 1960+ | 352,722 | $ 47,000,000 | $ 133.25 | 1.24 |
| 3 | 12/26/2013 | 806-842 Chancellor Ave | Irvington | NJ | N/A | 152,854 | $ 1,000,000 | $ 6.54 | 4.65 |
| 4 | 9/30/2013 | 8850 Long Point Rd | Houston | TX | 1958 | 293,998 | $ 5,000,000 | $ 17.01 | 17.43 |
| 5 | 9/9/2013 | 520 Belleville Ave | Belleville | NJ | N/A | 348,621 | $ 3,700,000 | $ 10.61 | 4.13 |
| 6 | 9/9/2013 | 801 Goodyear Blvd | Picayune | MS | 1953 | 62,778 | $ 200,000 | $ 3.19 | 11.00 |
| 7 | 9/6/2013 | 660 Shoshone St E | Twin Falls | ID | N/A | 86,218 | $ 2,185,000 | $ 25.34 | N/A |
| 8 | 7/24/2013 | 450 W Adamsville Rd | Florence | AZ | 1976 | 91,315 | $ 3,000,000 | $ 32.85 | 8.97 |
| 9 | 7/12/2013 | 9050 Airline Hwy | Baton Rouge | LA | N/A | 484,313 | $ 10,000,000 | $ 20.65 | 24.00 |
| 10 | 6/29/2013 | 906 Southmore Ave | Pasadena | TX | N/A | 198,224 | $ 1,250,000 | $ 6.31 | 8.01 |
| 11 | 6/13/2013 | 15 Cavender St | Newnan | GA | 1970 | 44,000 | $ 750,000 | $ 17.05 | 5.77 |
| 12 | 5/8/2013 | 5115 Rockaway Beach Blvd | Far Rockaway | NY | 1962 | 124,800 | $ 7,250,000 | $ 58.09 | 7.04 |
| 13 | 4/19/2013 | 130 Lebanon Hwy | Carthage | TN | 1994 | 41,788 | $ 650,000 | $ 15.55 | 13.05 |
| 14 | 4/3/2013 | 611 S Charles St | Baltimore | MD | 1988 | 201,616 | $ 4,980,000 | $ 24.70 | 2.28 |
| 15 | 3/12/2013 | 200 S Barfield Hwy | Pahokee | FL | 1965 | 65,000 | $ 100,000 | $ 1.54 | 5.50 |
| 16 | 1/23/2013 | 1101 Decker Dr | Baytown | TX | 1948 | 225,000 | $ 510,000 | $ 2.27 | 10.49 |
| 17 | 1/15/2013 | 4001 W 16th Ave | Denver | CO | 1973 | 629,785 | $ 9,500,000 | $ 15.08 | 14.21 |
| 18 | Listing | 1 Medical Center Dr SW | Supply | NC | 1977 | 82,000 | $ 2,250,080 | $ 27.44 | 32.31 |
| | | | | | | | Average $/SF | $ 26.75 | |
| | | | | | | | Median $/SF | $ 17.03 | |

**State of Connecticut Office of the Attorney General** Exhibit 2.9

Fair Market Value of Greater Waterbury Health Network, Inc.

Improved Sales - Occupied - Waterbury Hospital

*Valuation Analysis as of August 31, 2014*

*(Actual Dollars)* **FINAL**

SUMMARY OF OCCUPIED HOSPITAL and ALTERNATIVE USE SALES

| No. | Sale Date | Address | City | State | Year Built | Size (SF) | Sale Price | $/SF | Land Acres | Uses |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 7/2/2012 | 1 Hospital Dr | Lowell | MA | 1920+ | 355,627 | $ 35,269,697 | $ 99.18 | 7.42 | Medical Center |
| 2 | 1/31/2013 | 3000 Getwell Rd | Memphis | TN | 1972 | 151,657 | $ 23,000,000 | $ 151.66 | 4.56 | Acute in patient psychiatric care |
| 3 | 7/12/2013 | 14850 Roscoe Blvd | Panorama City | CA | 1964+ | 303,323 | $ 21,864,000 | $ 72.08 | 6.23 | Hospital |
| 4 | 3/22/2013 | 2475 Saint Raymonds Ave | Bronx | NY | 1929 | 149,911 | $ 15,300,000 | $ 102.06 | 1.41 | Ambulatory surgery center. |
| 5 | 1/3/2013 | 800 Washington St | Norwood | MA | 1920 | 147,121 | $ 2,169,595 | $ 14.75 | 9.33 | Norwood Hospital |
| 6 | 7/19/2013 | 5600 Girby Rd | Mobile | AL | 1981 | 174,613 | $ 19,000,000 | $ 108.81 | N/A | Infirmary Health System |
| 7 | Listing | 10141 US 59 Hwy | Wharton | TX | 1960+ | 172,266 | $ 8,000,033 | $ 46.44 | 25.65 | Gulf Coast Medical Center |
| Former Hospitals - Alternative Uses | | | | | | | | | | |
| 8 | 9/30/2013 | 1601 E Las Olas Blvd | Fort Lauderdale | FL | 1971 | 46,400 | $ 5,550,000 | $ 119.61 | 0.80 | Occupied/Leased to Drug rehab |
| 9 | 2/7/2013 | 8301 Detroit Ave | Cleveland | OH | 1930 | 40,290 | $ 150,000 | $ 3.72 | 2.74 | Short sale, occupied Treatment Center |
| 10 | 1/28/2013 | 1715 Sharon Rd W | Charlotte | NC | 1966 | 31,038 | $ 2,500,000 | $ 80.55 | 7.17 | Occupied Behavior center |
| 11 | 8/14/2013 | 156 West Ave | Brockwood | NY | 1970 | 279,140 | $ 2,500,000 | $ 8.96 | 18.90 | Distress Sale, closing hospital; buyer converted to Urgent care |
| | | | | | | Hospitals | Average $/SF | $ 73.44 | | |

**State of Connecticut Office of the Attorney General** Exhibit 3.0

Fair Market Value of Greater Waterbury Health Network, Inc.

Historical And Common-Size Income Statement

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | FYE September 30, | | | | | | TTM |
|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 8/31/2014 |
| Net Patient Service Revenue | $ 239,986 | $ 258,121 | $ 259,812 | $ 270,732 | $ 273,484 | $ 259,397 | n.a. |
| Investment Related Income | 1,264 | 2,669 | 1,308 | 1,535 | 1,245 | 2,337 | |
| Other Operating Revenues | 5,031 | 3,480 | 6,755 | 3,791 | 5,905 | 5,333 | |
| Services, Sales And Rental Income | 9,196 | 9,210 | 3,595 | 1,597 | 1,713 | 1,670 | |
| Unrestricted Gifts And Bequests | 162 | 465 | 199 | 312 | 124 | 232 | |
| Net Assets Released From Restrictions | 4,742 | 5,108 | 5,405 | 5,920 | 5,609 | 5,420 | |
| Total Revenue | **$ 260,382** | **$ 279,053** | **$ 277,075** | **$ 283,887** | **$ 288,081** | **$ 274,389** | **$ 266,495** |
| *Growth Rate %* | *N/A* | *7.2%* | *(0.7%)* | *2.5%* | *1.5%* | *(4.8%)* | *n.a.* |
| Operating Expenses | | | | | | | |
| Salaries, Wages And Benefits | 154,419 | 152,082 | 158,857 | 174,319 | 164,635 | 152,117 | 150,810 |
| Supplies, Utilites And Other | 89,296 | 90,618 | 90,948 | 92,609 | 100,249 | 101,698 | 105,894 |
| Bad Debt Expense | 17,897 | 14,441 | 15,713 | 13,882 | 10,967 | 11,369 | 6,593 |
| Operations Improvement | 1,720 | 12,908 | 2,695 | 286 | - | - | - |
| Total Operating Expenses | 263,332 | 270,050 | 268,214 | 281,097 | 275,850 | 265,184 | 263,297 |
| **EBITDA** | **$ (2,950)** | **$ 9,003** | **$ 8,861** | **$ 2,790** | **$ 12,231** | **$ 9,206** | **$ 3,199** |
| Depreciation | 10,474 | 9,920 | 9,815 | 9,490 | 9,422 | 8,997 | 8,117 |
| Interest And Amortization | 167 | 1,608 | 1,916 | 1,304 | 1,238 | 1,126 | 1,130 |
| **Operating Income (EBIT)** | **$ (13,591)** | **$ (2,524)** | **$ (2,870)** | **$ (8,004)** | **$ 1,571** | **$ (916)** | **$ (6,049)** |
| Other Expenses | - | - | - | - | - | - | 1,209 |
| Loss On Extinguishment Of Debt | - | - | - | (1,149) | - | - | - |
| Changes In Net Unrealized (Losses) Gains On Investments | (3,135) | 538 | 1,419 | (1,721) | 1,716 | 194 | 118 |
| Noncontrolling Interests | (1,101) | (1,317) | (1,030) | (1,111) | (997) | (875) | (868) |
| Total Other (Expense)/Income | (4,236) | (780) | 389 | (3,981) | 718 | (680) | 458 |
| Excess (deficiency) of revenue over expenses attributable to controlling interest | (17,827) | (3,304) | (2,481) | (11,985) | 2,290 | (1,597) | (5,591) |

*Notes:*

FYE = Fiscal Year End and TTM = Trailing Twelve Months

**State of Connecticut Office of the Attorney General** Exhibit 3.0

Fair Market Value of Greater Waterbury Health Network, Inc.

Historical And Common-Size Income Statement

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | FYE September 30, | | | | | | TTM |
|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 8/31/2014 |
| Net Patient Service Revenue | 92.2% | 92.5% | 93.8% | 95.4% | 94.9% | 94.5% | n.a. |
| Investment Related Income | 0.5% | 1.0% | 0.5% | 0.5% | 0.4% | 0.9% | |
| Other Operating Revenues | 1.9% | 1.2% | 2.4% | 1.3% | 2.0% | 1.9% | |
| Services, Sales And Rental Income | 3.5% | 3.3% | 1.3% | 0.6% | 0.6% | 0.6% | |
| Unrestricted Gifts And Bequests | 0.1% | 0.2% | 0.1% | 0.1% | 0.0% | 0.1% | |
| Net Assets Released From Restrictions | 1.8% | 1.8% | 2.0% | 2.1% | 1.9% | 2.0% | |
| Total Revenue | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| *Growth Rate %* | | | | | | | |
| Operating Expenses | | | | | | | |
| Salaries, Wages And Benefits | 59.3% | 54.5% | 57.3% | 61.4% | 57.1% | 55.4% | 56.6% |
| Supplies, Utilites And Other | 34.3% | 32.5% | 32.8% | 32.6% | 34.8% | 37.1% | 39.7% |
| Bad Debt Expense | 6.9% | 5.2% | 5.7% | 4.9% | 3.8% | 4.1% | 2.5% |
| Operations Improvement | 0.7% | 4.6% | 1.0% | 0.1% | 0.0% | 0.0% | 0.0% |
| Total Operating Expenses | 101.1% | 96.8% | 96.8% | 99.0% | 95.8% | 96.6% | 98.8% |
| **EBITDA** | **(1.1%)** | **3.2%** | **3.2%** | **1.0%** | **4.2%** | **3.4%** | **1.2%** |
| Depreciation | 4.0% | 3.6% | 3.5% | 3.3% | 3.3% | 3.3% | 3.0% |
| Interest And Amortization | 0.1% | 0.6% | 0.7% | 0.5% | 0.4% | 0.4% | 0.4% |
| **Operating Income (EBIT)** | **(5.2%)** | **(0.9%)** | **(1.0%)** | **(2.8%)** | **0.5%** | **(0.3%)** | **(2.3%)** |
| Other Expenses | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.5% |
| Loss On Extinguishment Of Debt | 0.0% | 0.0% | 0.0% | (0.4%) | 0.0% | 0.0% | 0.0% |
| Changes In Net Unrealized (Losses) Gains On Investments | (1.2%) | 0.2% | 0.5% | (0.6%) | 0.6% | 0.1% | 0.0% |
| Noncontrolling Interests | (0.4%) | (0.5%) | (0.4%) | (0.4%) | (0.3%) | (0.3%) | (0.3%) |
| Total Other (Expense)/Income | (1.6%) | (0.3%) | 0.1% | (1.4%) | 0.2% | (0.2%) | 0.2% |
| Excess (deficiency) of revenue over expenses attributable to controlling interest | (6.8%) | (1.2%) | (0.9%) | (4.2%) | 0.8% | (0.6%) | (2.1%) |

*Notes:*

FYE = Fiscal Year End and TTM = Trailing Twelve Months

**State of Connecticut Office of the Attorney General** Exhibit 3.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Historical And Common-Size Balance Sheet

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | As of September 30, | | | | | | As of | As of September 30, | | | | | | As of |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 8/31/2014 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 8/31/2014 |
| Current Assets | | | | | | | | | | | | | | |
| Cash And Cash Equivalents | $ 14,508 | $ 19,344 | $ 22,270 | $ 16,662 | $ 29,268 | $ 30,232 | $ 22,012 | 7.3% | 10.6% | 12.1% | 8.9% | 15.1% | 15.8% | 11.8% |
| Short-Term Investments | 878 | 820 | 920 | 1,035 | 1,089 | 1,204 | 1,450 | 0.4% | 0.4% | 0.5% | 0.6% | 0.6% | 0.6% | 0.8% |
| Other Assets Required For Current Liabilities | 2,737 | 574 | 583 | - | - | - | - | 1.4% | 0.3% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% |
| Accounts Receivable, Net | 36,882 | 33,031 | 32,605 | 29,585 | 32,367 | 29,958 | 33,667 | 18.7% | 18.0% | 17.7% | 15.8% | 16.7% | 15.7% | 18.1% |
| Grants And Other | 1,092 | 1,102 | 1,728 | 4,228 | 2,978 | 3,703 | 3,204 | 0.6% | 0.6% | 0.9% | 2.3% | 1.5% | 1.9% | 1.7% |
| Inventory | 608 | 584 | 812 | 3,259 | 3,305 | 3,587 | 3,674 | 0.3% | 0.3% | 0.4% | 1.7% | 1.7% | 1.9% | 2.0% |
| Prepaid Insrance And Other Expenses | 1,793 | 1,405 | 1,424 | 1,784 | 1,526 | 1,603 | 2,799 | 0.9% | 0.8% | 0.8% | 1.0% | 0.8% | 0.8% | 1.5% |
| Due From Third-Party Reimbursement Agencies | 575 | 1,532 | - | 2,634 | - | - | - | 0.3% | 0.8% | 0.0% | 1.4% | 0.0% | 0.0% | 0.0% |
| Due From Affiliates | 2,560 | 145 | 198 | 205 | 196 | 189 | 122 | 1.3% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Total Current Assets | 61,632 | 58,536 | 60,539 | 59,393 | 70,729 | 70,475 | 66,927 | 31.2% | 31.9% | 32.8% | 31.8% | 36.4% | 36.9% | 36.0% |
| Non-Current Assets | | | | | | | | | | | | | | |
| Property, Plant & Equipment | 57,448 | 50,097 | 45,838 | 52,009 | 51,472 | 44,631 | 37,791 | 29.1% | 27.3% | 24.9% | 27.8% | 26.5% | 23.3% | 20.3% |
| Funds Held in Trust | 38,549 | 37,865 | 39,561 | 37,339 | 42,218 | 44,960 | 47,433 | 19.5% | 20.7% | 21.4% | 20.0% | 21.8% | 23.5% | 25.5% |
| Goodwill | - | - | - | 1,814 | 1,814 | 1,814 | 1,814 | 0.0% | 0.0% | 0.0% | 1.0% | 0.9% | 0.9% | 1.0% |
| CHEFA Obligations Isue Expense, Less Amortization | 746 | 710 | 674 | 361 | 322 | 283 | 278 | 0.4% | 0.4% | 0.4% | 0.2% | 0.2% | 0.1% | 0.1% |
| Long-Term Investments | 33,162 | 30,168 | 32,295 | 29,021 | 23,281 | 25,296 | 28,082 | 16.8% | 16.5% | 17.5% | 15.5% | 12.0% | 13.2% | 15.1% |
| Board-Designated Endowment Funds | 135 | 2,673 | 2,788 | 2,615 | 2,975 | 3,194 | 3,263 | 0.1% | 1.5% | 1.5% | 1.4% | 1.5% | 1.7% | 1.8% |
| Other Investments | - | 207 | 278 | 55 | 55 | 80 | - | 0.0% | 0.1% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% |
| Loans And Other Receivables | 1,137 | 943 | 363 | 230 | 522 | 359 | 314 | 0.6% | 0.5% | 0.2% | 0.1% | 0.3% | 0.2% | 0.2% |
| Accrued Interest And Dividends Receivable | 61 | 54 | 54 | 30 | 22 | 14 | - | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Non-Current Assets | 131,237 | 122,717 | 121,852 | 123,473 | 122,680 | 120,630 | 118,975 | 66.4% | 66.9% | 66.1% | 66.1% | 63.2% | 63.1% | 64.0% |
| Other Assets | | | | | | | | | | | | | | |
| Assets Under Bond Indenture Agreements | 2,594 | 2,613 | 2,634 | 29 | 30 | 34 | n.a. | 1.3% | 1.4% | 1.4% | 0.0% | 0.0% | 0.0% | n.a. |
| Assets For Construction Fund | - | - | - | 3,958 | 661 | - | | 0.0% | 0.0% | 0.0% | 2.1% | 0.3% | 0.0% | 0.0% |
| U.S. Government Obligations And Other Bonds | 3,385 | 15 | - | - | - | - | | 1.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| CDs And Money Market Funds | 1,425 | 2 | - | - | - | - | | 0.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Less: Assets Required For Current Liabilities | (2,737) | (574) | (583) | - | - | - | | (1.4%) | (0.3%) | (0.3%) | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Other Assets | 4,666 | 2,056 | 2,051 | 3,988 | 691 | 34 | - | 2.4% | 1.1% | 1.1% | 2.1% | 0.4% | 0.0% | 0.0% |
| **Total Assets** | **$ 197,536** | **$ 183,310** | **$ 184,442** | **$ 186,853** | **$ 194,100** | **$ 191,140** | **$ 185,902** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| Current Liabilities | | | | | | | | | | | | | | |
| Accounts Payable and Accrued Expenses | 30,852 | 25,053 | 28,749 | 40,605 | 37,245 | 29,396 | 24,596 | 15.6% | 13.7% | 15.6% | 21.7% | 19.2% | 15.4% | 13.2% |
| Current Portion of CHEFA obligations | - | 865 | 910 | 489 | 506 | 532 | - | 0.0% | 0.5% | 0.5% | 0.3% | 0.3% | 0.3% | 0.0% |
| Current Portion of Notes Payable | 835 | 442 | 503 | 584 | 666 | 695 | 946 | 0.4% | 0.2% | 0.3% | 0.3% | 0.3% | 0.4% | 0.5% |
| Due to Third-Party Reimbursement Agencies | 5,010 | 1,195 | 415 | - | 771 | 3,143 | 4,332 | 2.5% | 0.7% | 0.2% | 0.0% | 0.4% | 1.6% | 2.3% |
| Due to Affiliates | 416 | - | 10 | 10 | - | - | - | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Current Liabilities | 37,113 | 27,555 | 30,587 | 41,688 | 39,189 | 33,766 | 29,874 | 18.8% | 15.0% | 16.6% | 22.3% | 20.2% | 17.7% | 16.1% |
| Non-Current Liabilities | | | | | | | | | | | | | | |
| CHEFA Obligations | 21,387 | 20,547 | 19,662 | 26,647 | 26,141 | 25,609 | 25,829 | 10.8% | 11.2% | 10.7% | 14.3% | 13.5% | 13.4% | 13.9% |
| Workers Compensation | - | - | - | - | - | - | 12,125 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 6.5% |
| Accrued Pension | - | - | - | - | - | - | 5,598 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 3.0% |
| Malpractice | - | - | - | - | - | - | 2,200 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.2% |
| Abestos Abatement | - | - | - | - | - | - | 2,685 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% |
| Notes Payable | 566 | 635 | 737 | 1,499 | 1,426 | 853 | - | 0.3% | 0.3% | 0.4% | 0.8% | 0.7% | 0.4% | 0.0% |
| Other Non-Current Liabilities | 7,826 | 14,365 | 14,667 | 19,807 | 21,853 | 21,814 | 2,369 | 4.0% | 7.8% | 8.0% | 10.6% | 11.3% | 11.4% | 1.3% |
| Total Non-Current Liabilities | 29,779 | 35,547 | 35,066 | 47,953 | 49,420 | 48,275 | 50,805 | 15.1% | 19.4% | 19.0% | 25.7% | 25.5% | 25.3% | 27.3% |
| **Total Liabilities** | **66,892** | **63,102** | **65,653** | **89,641** | **88,609** | **82,040** | **80,678** | **33.9%** | **34.4%** | **35.6%** | **48.0%** | **45.7%** | **42.9%** | **43.4%** |
| Unrestricted Net Assets | 76,183 | 69,255 | 65,190 | 47,422 | 49,687 | 50,223 | n.a. | 38.6% | 37.8% | 35.3% | 25.4% | 25.6% | 26.3% | 0.0% |
| Temporarily Restricted Net Assets | 10,703 | 7,765 | 8,316 | 6,477 | 7,645 | 8,410 | | 5.4% | 4.2% | 4.5% | 3.5% | 3.9% | 4.4% | 0.0% |
| Permanently Restricted Net Assets | 41,340 | 40,657 | 42,353 | 40,131 | 45,010 | 47,752 | | 20.9% | 22.2% | 23.0% | 21.5% | 23.2% | 25.0% | 0.0% |
| Non Controlling Interests | 2,417 | 2,530 | 2,930 | 3,182 | 3,148 | 2,715 | | 1.2% | 1.4% | 1.6% | 1.7% | 1.6% | 1.4% | 0.0% |
| Shareholders Equity | 130,643 | 120,208 | 118,789 | 97,213 | 105,491 | 109,099 | 105,224 | 66.1% | 65.6% | 64.4% | 52.0% | 54.3% | 57.1% | 56.6% |
| **Total Liabilities and Shareholders Equity** | **$ 197,536** | **$ 183,310** | **$ 184,442** | **$ 186,853** | **$ 194,100** | **$ 191,140** | **$ 185,902** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

*Notes:*

**State of Connecticut Office of the Attorney General** Exhibit 3.2

Fair Market Value of Greater Waterbury Health Network, Inc.

8/31/2014 Proforma Balance Sheet

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | Pro Forma Balance Sheet | | | Common Size | | |
|---|---|---|---|---|---|---|
| | As of 8/31/2014 | Retained By Surviving Entity | Purchased / By JV | As of 8/31/2014 | Retained By Surviving Entity | Purchased / By JV |
| Current Assets | | | | | | |
| Cash And Cash Equivalents | $ 22,011,793 | $ 22,011,793 | $ - | 11.8% | 20.3% | 0.0% |
| Short-Term Investments | 1,450,080 | 1,450,080 | - | 0.8% | 1.3% | 0.0% |
| Other Assets Required For Current Liabilities | - | - | - | 0.0% | 0.0% | 0.0% |
| Accounts Receivable, Net | 33,666,963 | 166,006 | 33,500,957 | 18.1% | 0.2% | 43.2% |
| Grants And Other | 3,204,203 | 2,557,893 | 646,309 | 1.7% | 2.4% | 0.8% |
| Inventory | 3,674,222 | - | 3,674,222 | 2.0% | 0.0% | 4.7% |
| Prepaid Insrance And Other Expenses | 2,798,564 | 625,200 | 2,173,364 | 1.5% | 0.6% | 2.8% |
| Due From Third-Party Reimbursement Agencies | - | - | - | 0.0% | 0.0% | 0.0% |
| Due From Affiliates | 121,553 | 121,553 | - | 0.1% | 0.1% | 0.0% |
| Total Current Assets | 66,927,378 | 26,932,525 | 39,994,852 | 36.0% | 24.8% | 51.6% |
| Non-Current Assets | | | | | | |
| Property, Plant & Equipment | 37,790,780 | 2,082,529 | 35,708,251 | 20.3% | 1.9% | 46.1% |
| Funds Held in Trust | 47,432,784 | 47,432,784 | - | 25.5% | 43.8% | 0.0% |
| Goodwill | 1,813,567 | - | 1,813,567 | 1.0% | 0.0% | 2.3% |
| CHEFA Obligations Isue Expense, Less Amortization | 277,972 | 277,972 | - | 0.1% | 0.3% | 0.0% |
| Long-Term Investments | 28,082,332 | 28,082,332 | - | 15.1% | 25.9% | 0.0% |
| Board-Designated Endowment Funds | 3,262,933 | 3,262,933 | - | 1.8% | 3.0% | 0.0% |
| Other Investments | - | - | - | 0.0% | 0.0% | 0.0% |
| Loans And Other Receivables | 314,184 | 314,184 | - | 0.2% | 0.3% | 0.0% |
| Accrued Interest And Dividends Receivable | - | - | - | 0.0% | 0.0% | 0.0% |
| Total Non-Current Assets | 118,974,552 | 81,452,734 | 37,521,818 | 64.0% | 75.2% | 48.4% |
| Other Assets | | | | | | |
| Assets Under Bond Indenture Agreements | n.a. | | | n.a. | 0.0% | 0.0% |
| Assets For Construction Fund | | | | 0.0% | 0.0% | 0.0% |
| U.S. Government Obligations And Other Bonds | | | | 0.0% | 0.0% | 0.0% |
| CDs And Money Market Funds | | | | 0.0% | 0.0% | 0.0% |
| Less: Assets Required For Current Liabilities | | | | 0.0% | 0.0% | 0.0% |
| Total Other Assets | - | - | - | 0.0% | 0.0% | 0.0% |
| **Total Assets** | **$ 185,901,930** | **$ 108,385,259** | **$ 77,516,670** | **100.0%** | **100.0%** | **100.0%** |
| Current Liabilities | | | | | | |
| Accounts Payable and Accrued Expenses | 24,596,119 | 2,875,342 | 21,720,777 | 13.2% | 2.7% | 28.0% |
| Current Portion of CHEFA obligations | - | - | - | 0.0% | 0.0% | 0.0% |
| Current Portion of Notes Payable | 946,032 | 592,330 | 353,702 | 0.5% | 0.5% | 0.5% |
| Due to Third-Party Reimbursement Agencies | 4,331,569 | 4,331,569 | - | 2.3% | 4.0% | 0.0% |
| Due to Affiliates | - | - | - | 0.0% | 0.0% | 0.0% |
| Total Current Liabilities | 29,873,720 | 7,799,241 | 22,074,479 | 16.1% | 7.2% | 28.5% |
| Non-Current Liabilities | | | | | | |
| CHEFA Obligations | 25,828,595 | 25,327,695 | 500,900 | 13.9% | 23.4% | 0.6% |
| Workers Compensation | 12,124,718 | 12,124,718 | - | 6.5% | 11.2% | 0.0% |
| Accrued Pension | 5,598,175 | - | 5,598,175 | 3.0% | 0.0% | 7.2% |
| Malpractice | 2,199,839 | 2,199,839 | - | 1.2% | 2.0% | 0.0% |
| Abestos Abatement | 2,684,704 | - | 2,684,704 | 1.4% | 0.0% | 3.5% |
| Notes Payable | - | - | - | 0.0% | 0.0% | 0.0% |
| Other Non-Current Liabilities | 2,368,577 | 2,368,577 | - | 1.3% | 2.2% | 0.0% |
| Total Non-Current Liabilities | 50,804,608 | 42,020,829 | 8,783,779 | 27.3% | 38.8% | 11.3% |
| **Total Liabilities** | **80,678,328** | **49,820,070** | **30,858,258** | **43.4%** | **46.0%** | **39.8%** |
| Unrestricted Net Assets | n.a. | | | 0.0% | 0.0% | 0.0% |
| Temporarily Restricted Net Assets | | | | 0.0% | 0.0% | 0.0% |
| Permanently Restricted Net Assets | | | | 0.0% | 0.0% | 0.0% |
| Non Controlling Interests | | | | 0.0% | 0.0% | 0.0% |
| Shareholders Equity | 105,223,600 | 58,565,188 | 46,658,412 | 56.6% | 54.0% | 60.2% |
| **Total Liabilities and Shareholders Equity** | **$ 185,901,928** | **$ 108,385,258** | **$ 77,516,670** | **100.0%** | **100.0%** | **100.0%** |
| **Debt-free Working Capital** | | | **21,998,370 (1)** | | | |

*Notes:*

Source: Based on pro forma net proceeds analysis as of 8/31/2014 provided by GWHN Management. Totals may not reconcile due to rounding.

(1) Based on GWHN working capital adjustment calculation. Current assets exclude intangible assets while current liabilities excludes $3.99M in accrued pension obligations.

**State of Connecticut Office of the Attorney General** Exhibit 3.3

Fair Market Value of Greater Waterbury Health Network, Inc.

Hospital Financial Ratios

*Valuation Analysis as of August 31, 2014* **FINAL**

| | FYE September 30, | | | | | | TTM | Industry Median | Range of Ratios for State of Connecticut Office of the Attorney General | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 08/31/2014 (1) | | High | Low | Median | Average |
| **Liquidity Ratios** | | | | | | | | | | | | |
| Cash & Equivalents / Total Assets | 7.3% | 10.6% | 12.1% | 8.9% | 15.1% | 15.8% | 11.8% | 2.4% | 15.8% | 7.3% | 11.8% | 11.7% |
| Current Ratio | 1.7 | 2.1 | 2.0 | 1.4 | 1.8 | 2.1 | 2.2 | 1.5 | 2.2 | 1.4 | 2.0 | 1.9 |
| Quick Ratio | 1.6 | 2.1 | 2.0 | 1.3 | 1.7 | 2.0 | 2.1 | 1.3 | 2.1 | 1.3 | 2.0 | 1.8 |
| Days Cash on Hand | 20.1 | 26.1 | 30.3 | 21.6 | 38.7 | 41.6 | 30.5 | 10.5 | 41.6 | 20.1 | 30.3 | 29.9 |
| **Working Capital Ratios** | | | | | | | | | | | | |
| Working Capital % of Sales | 9.4% | 11.1% | 10.8% | 6.2% | 10.9% | 13.4% | 13.9% | 8.1% | 13.9% | 6.2% | 10.9% | 10.8% |
| Debt-Free Working Capital % of Sales | 9.7% | 11.6% | 11.3% | 6.6% | 11.4% | 13.8% | 14.3% | 11.1% | 14.3% | 6.6% | 11.4% | 11.2% |
| Cash-Free Debt-Free Working Capital % of Sales | 3.8% | 4.3% | 3.0% | 0.4% | 0.8% | 2.4% | 5.5% | 9.0% | 5.5% | 0.4% | 3.0% | 2.9% |
| **Efficiency Ratios** | | | | | | | | | | | | |
| Accounts Receivable Turnover | 7.1 | 8.4 | 8.5 | 9.6 | 8.9 | 9.2 | 7.9 | 6.4 | 9.6 | 7.1 | 8.5 | 8.5 |
| Days' Receivable | 51.7 | 43.2 | 43.0 | 38.0 | 41.0 | 39.9 | 46.1 | 57.3 | 51.7 | 38.0 | 43.0 | 43.3 |
| Inventory Turnover | 428.1 | 477.6 | 341.1 | 87.1 | 87.2 | 76.5 | 72.5 | 23.8 | 477.6 | 72.5 | 87.2 | 224.3 |
| Days' Inventory | 0.9 | 0.8 | 1.1 | 4.2 | 4.2 | 4.8 | 5.0 | 15.3 | 5.0 | 0.8 | 4.2 | 3.0 |
| Net PP&E Turnover | 4.5 | 5.6 | 6.0 | 5.5 | 5.6 | 6.1 | 7.1 | 1.8 | 7.1 | 4.5 | 5.6 | 5.8 |
| Asset Turnover | 1.3 | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 0.8 | 1.5 | 1.3 | 1.5 | 1.5 |
| Cash Conversion Cycle | 9.3 | 11.2 | 6.1 | (10.0) | (2.0) | 5.5 | 17.5 | 48.1 | 17.5 | (10.0) | 6.1 | 5.4 |
| **Leverage Ratios** | | | | | | | | | | | | |
| Debt / Book Capital | 0.17 | 0.19 | 0.18 | 0.30 | 0.27 | 0.25 | 0.47 | 0.79 | 0.47 | 0.17 | 0.25 | 0.26 |
| Debt / Assets | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.6 | 0.2 | 0.1 | 0.1 | 0.1 |
| Assets / Equity | 1.5 | 1.5 | 1.6 | 1.9 | 1.8 | 1.8 | 1.8 | 2.4 | 1.9 | 1.5 | 1.8 | 1.7 |
| Net Fixed Assets / Total Capital | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Long-Term Debt / Equity | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 1.0 | 0.3 | 0.2 | 0.2 | 0.2 |
| **Profitability Ratios** | | | | | | | | | | | | |
| EBITDA Margin | (1.1%) | 3.2% | 3.2% | 1.0% | 4.2% | 3.4% | 1.2% | 13.3% | 4.2% | (1.1%) | 3.2% | 2.2% |
| EBIT Margin | (5.2%) | (0.9%) | (1.0%) | (2.8%) | 0.5% | (0.3%) | (2.3%) | 7.8% | 0.5% | (5.2%) | (1.0%) | (1.7%) |
| Net Income Margin | (6.8%) | (1.2%) | (0.9%) | (4.2%) | 0.8% | (0.6%) | (2.1%) | 2.5% | 0.8% | (6.8%) | (1.2%) | (2.1%) |
| **DuPont Return on Equity** | | | | | | | | | | | | |
| Net Income Margin | (6.8%) | (1.2%) | (0.9%) | (4.2%) | 0.8% | (0.6%) | (2.1%) | 2.5% | 0.8% | (6.8%) | (1.2%) | (2.1%) |
| Asset Turnover | 1.3 | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 0.8 | 1.5 | 1.3 | 1.5 | 1.5 |
| Return on Assets | (9.0%) | (1.8%) | (1.3%) | (6.4%) | 1.2% | (0.8%) | (3.0%) | 1.7% | 1.2% | (9.0%) | (1.8%) | (3.0%) |
| Assets / Equity | 1.5 | 1.5 | 1.6 | 1.9 | 1.8 | 1.8 | 1.8 | 2.4 | 1.9 | 1.5 | 1.8 | 1.7 |
| Return on Equity | (13.6%) | (2.7%) | (2.1%) | (12.3%) | 2.2% | (1.5%) | (5.3%) | 8.4% | 2.2% | (13.6%) | (2.7%) | (5.1%) |
| **Capital Expenditures / Revenue** | n.a. | n.a. | 2.0% | 5.5% | 3.0% | 0.8% | 0.5% | 5.5% | 5.5% | 0.5% | 2.0% | 2.4% |

*Notes:*

FYE = Fiscal Year End and TTM = Trailing Twelve Months

(1) Balance sheet items are calculated with data from 8/30/2014.

**State of Connecticut Office of the Attorney General** Exhibit 3.4

Fair Market Value of Greater Waterbury Health Network, Inc.

Forecast Assumptions and Considerations

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | FYE September 30, | | | | | | TTM | Projection Period | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 8/31/2014 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| **Revenue and Expense Assumptions** | | | | | | | | | | | | |
| Total Revenue | $260,382 | $279,053 | $277,075 | $283,887 | $288,081 | $274,389 | $266,495 | $261,474 | $260,208 | $265,990 | $271,934 | $278,046 |
| Growth % | N/A | 7.2% | -0.7% | 2.5% | 1.5% | -4.8% | N/A | (4.7%) | -0.5% | 2.2% | 2.2% | 2.2% |
| Salaries, Wages And Benefits | 154,419 | 152,082 | 158,857 | 174,319 | 164,635 | 152,117 | 150,810 | 148,923 | 151,380 | 153,881 | 157,320 | 160,856 |
| Growth % | N/A | -1.5% | 4.5% | 9.7% | -5.6% | -7.6% | N/A | (2.1%) | 1.7% | 1.7% | 2.2% | 2.2% |
| % of Net Revenue | 59.3% | 54.5% | 57.3% | 61.4% | 57.1% | 55.4% | 56.6% | 57.0% | 58.2% | 57.9% | 57.9% | 57.9% |
| Bad Debt Expense | 17,897 | 14,441 | 15,713 | 13,882 | 10,967 | 11,369 | 6,593 | 8,339 | 8,512 | 8,689 | 8,884 | 9,083 |
| Growth % | N/A | -19.3% | 8.8% | -11.7% | -21.0% | 3.7% | N/A | (26.7%) | 2.1% | 2.1% | 2.2% | 2.2% |
| % of Net Revenue | 6.9% | 5.2% | 5.7% | 4.9% | 3.8% | 4.1% | 2.5% | 3.2% | 3.3% | 3.3% | 3.3% | 3.3% |
| Total Operating Expenses | 263,332 | 270,050 | 268,214 | 281,097 | 275,850 | 265,184 | 263,297 | 258,371 | 263,568 | 268,878 | 274,917 | 281,126 |
| Growth % | N/A | 2.6% | -0.7% | 4.8% | -1.9% | -3.9% | N/A | (2.6%) | 2.0% | 2.0% | 2.2% | 2.3% |
| % of Net Revenue | 101.1% | 96.8% | 96.8% | 99.0% | 95.8% | 96.6% | 98.8% | 98.8% | 101.3% | 101.1% | 101.1% | 101.1% |
| Property, Plant & Equipment | 57,448 | 50,097 | 45,838 | 52,009 | 51,472 | 44,631 | 37,791 | | | | | |
| **Capital Expenditures** | n.a. | n.a. | 5,488 | 15,640 | 8,759 | 2,123 | 1,437 | | | | | |
| % of Net Revenue | n.a. | n.a. | 2.0% | 5.5% | 3.0% | 0.8% | 0.5% | | | | | |

*Notes:*

FYE = Fiscal Year End and TTM = Trailing Twelve Months

**State of Connecticut Office of the Attorney General** Exhibit 3.5

Fair Market Value of Greater Waterbury Health Network, Inc.

Financial Projections

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| | FYE | Projection Period (1) | | | | | Projection Period (1) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| **Net Patient Revenue:** | | | | | | | | | | | |
| Non-Government | n.a. | $118,893 | $118,731 | $121,403 | $124,100 | $126,873 | 45.5% | 45.6% | 45.6% | 45.6% | 45.6% |
| Medicare | | 93,499 | 93,372 | 95,472 | 97,594 | 99,775 | 35.8% | 35.9% | 35.9% | 35.9% | 35.9% |
| Medicaid and Other Medical Assistance | | 41,327 | 41,270 | 42,199 | 43,137 | 44,101 | 15.8% | 15.9% | 15.9% | 15.9% | 15.9% |
| Other Government | | - | - | - | - | - | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Net Patient Revenue | | 253,719 | 253,373 | 259,074 | 264,831 | 270,749 | 97.0% | 97.4% | 97.4% | 97.4% | 97.4% |
| Other Operating Revenue | | 9,525 | 8,610 | 8,696 | 8,889 | 9,088 | 3.6% | 3.3% | 3.3% | 3.3% | 3.3% |
| Less: Revenue Attributable to CCGWHN (2) | | (1,770) | (1,775) | (1,780) | (1,786) | (1,791) | (0.7%) | (0.7%) | (0.7%) | (0.7%) | (0.6%) |
| Total Revenue from Operations | **$ 272,625** | **$ 261,474** | **$ 260,208** | **$ 265,990** | **$ 271,934** | **$ 278,046** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| *Growth Rate* | *n.a.* | *(4.1%)* | *(0.5%)* | *2.2%* | *2.2%* | *2.2%* | | | | | |
| Salaries and Fringe Benefits | n.a. | 148,923 | 151,380 | 153,881 | 157,320 | 160,856 | 57.0% | 58.2% | 57.9% | 57.9% | 57.9% |
| Professional / Contracted Services | | 45,681 | 46,594 | 47,526 | 48,588 | 49,680 | 17.5% | 17.9% | 17.9% | 17.9% | 17.9% |
| Supplies and Drugs | | 38,299 | 39,582 | 40,906 | 41,820 | 42,760 | 14.6% | 15.2% | 15.4% | 15.4% | 15.4% |
| Bad Debt Expense | | 8,339 | 8,512 | 8,689 | 8,884 | 9,083 | 3.2% | 3.3% | 3.3% | 3.3% | 3.3% |
| Lease Expense | | 2,784 | 2,840 | 2,897 | 2,961 | 3,028 | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% |
| Other Operating Expenses | | 15,901 | 16,219 | 16,543 | 16,913 | 17,293 | 6.1% | 6.2% | 6.2% | 6.2% | 6.2% |
| Less: Expenses Attributable to CCGWHN (2) | | (1,555) | (1,560) | (1,565) | (1,570) | (1,574) | (0.6%) | (0.6%) | (0.6%) | (0.6%) | (0.6%) |
| Total Operating Expenses | 263,612 | 258,371 | 263,568 | 268,878 | 274,917 | 281,126 | 98.8% | 101.3% | 101.1% | 101.1% | 101.1% |
| **EBITDA** | **$ 9,013** | **$ 3,104** | **$ (3,360)** | **$ (2,888)** | **$ (2,983)** | **$ (3,080)** | **1.2%** | **(1.3%)** | **(1.1%)** | **(1.1%)** | **(1.1%)** |
| Depreciation | 8,997 | 12,769 | 13,511 | 15,215 | 16,314 | 17,452 | 4.9% | 5.2% | 5.7% | 6.0% | 6.3% |
| **Operating Income (EBIT)** | **$ 16** | **$ (9,666)** | **$ (16,871)** | **$ (18,103)** | **$ (19,297)** | **$ (20,532)** | **(3.7%)** | **(6.5%)** | **(6.8%)** | **(7.1%)** | **(7.4%)** |

*Notes:*

(1) Projections provided by Management.

(2) Projections were developed on a consolidated basis. Entities excluded from transaction needed to be removed from client projections. Children's Center of Greater Waterbury Health Network, Inc. is only excluded entity that affected financial results.

| Name | Stock Symbol | Description |
|---|---|---|
| Community Health Systems, Inc. | CYH | Community Health Systems, Inc., together with its subsidiaries, provides general and specialized hospital healthcare services to patients in the United States. Its general care hospitals offer a range of inpatient and outpatient medical and surgical services, such as general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic, psychiatric, and rehabilitation services; and skilled nursing and home care services based on individual community needs. 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 December 31, 2012, the company owned or leased 135 hospitals, including 4 stand-alone rehabilitation or psychiatric hospitals with an aggregate |
| Universal Health Services Inc. | UHS | Universal Health Services, Inc., through its subsidiaries, owns and operates acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers, and radiation oncology centers. The company's hospitals offer various services, including general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services, pharmacy services, and/or behavioral health services. It has operations in the United States, 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 Hospitals Inc. | LPNT | LifePoint Hospitals, Inc., through its subsidiaries, operates general acute care hospitals in non-urban communities in the United States. The company's hospitals provide various medical and surgical services, including general surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, rehabilitation services, and pediatric services, as well as specialized services comprising open-heart surgery, skilled nursing, psychiatric care, and neuro-surgery. Its hospitals also offer various outpatient services, such as same-day surgery, laboratory, X-ray, respiratory therapy, imaging, sports medicine, and lithotripsy. In addition, the company owns and operates a school of health professions with a nursing program and a radiologic technology program. As of August 6, 2013, it operated 57 hospitals campuses in 20 states. LifePoint Hospitals, Inc. was founded in 1997 and is based in Brentwood, Tennessee. |
| Tenet Healthcare Corp. | THC | Tenet Healthcare Corporation, an investor-owned health care services company, owns and operates acute care hospitals, ambulatory surgery centers, diagnostic imaging centers, urgent care centers, and related health care facilities in the United States. The company's general hospitals offer acute care services, operating and recovery rooms, radiology services, respiratory therapy services, clinical laboratories, and pharmacies. It also provides intensive care, critical care and/or coronary care units, physical therapy; and orthopedic, oncology, and outpatient services; tertiary care services, such as open-heart surgery, neonatal intensive care, and neuroscience; quaternary care in areas, including heart, liver, kidney, and bone marrow transplants, as well as burn services; gamma-knife brain surgery; and cyberknife radiation therapy for tumors and lesions in the brain, lung, neck, and spine. In addition, the company offers operational management for patient access, health information management, revenue integrity, and patient financial services; customized patient communications solutions to optimize the relationship between providers and patients; and management services, such as clinical integration, financial risk management, and population health management. As of December 31, 2012, it operated 49 hospitals, including 3 academic medical centers, a children's hospital, and a critical access hospital, with a total of 13,216 licensed beds, serving primarily urban and suburban communities in 10 states of the United States; a long-term acute care hospital; and 117 free-standing and provider-based outpatient centers in 11 states, including diagnostic imaging centers, ambulatory surgery centers, and urgent care centers. Tenet Healthcare Corporation was founded in 1967 and is headquartered in Dallas, Texas. |
| HCA Holdings, Inc. | HCA | HCA Holdings, Inc., through its subsidiaries, provides health care services in the United States. The company owns, manages, or operates hospitals, freestanding surgery centers, diagnostic and imaging centers, radiation and oncology therapy centers, rehabilitation and physical therapy centers, and various other facilities. Its general acute care hospitals provide medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic services, and emergency services, as well as outpatient services comprising outpatient surgery, laboratory, radiology, respiratory therapy, cardiology, and physical therapy; and psychiatric hospitals offer therapeutic programs, such as child, adolescent, and adult psychiatric care, as well as adult and adolescent alcohol and drug abuse treatment and counseling. The company's general, acute care hospitals provide a range of services to accommodate medical specialties, such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, and obstetrics. As of December 31, 2012, the company operated 162 hospitals comprising 156 general, acute care hospitals, 5 psychiatric hospitals, and 1 rehabilitation hospital, as wells 112 freestanding surgery centers in 20 states and England. HCA Holdings, Inc. was founded in 1968 and is headquartered in |

*Source: Capital IQ*

**State of Connecticut Office of the Attorney General** Exhibit 4.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Operating Statistics

*Valuation Analysis as of August 31, 2014*

*($000s)* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. | Range for Guideline Companies | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | | | | | |
| Fiscal Year Ending: | 12/31/2013 | 12/31/2013 | 12/31/2013 | 12/31/2013 | 12/31/2013 | 8/31/2014 | High | Low | Median | Average |
| **Operating Statistics (LFY)** | | | | | | | | | | |
| Number of Hospitals | 135 | 70 | 56 | 49 | 162 | | 162 | 49 | 70 | 94 |
| FTEs | 84,000 | 36,000 | 28,000 | 52,065 | 178,500 | 1,147 | 178,500 | 28,000 | 52,065 | 75,713 |
| Beds | 20,334 | 10,562 | 6,581 | 13,216 | 41,804 | 214 | 41,804 | 6,581 | 13,216 | 18,499 |
| Admissions | 701,837 | 322,053 | 199,814 | 506,485 | 1,740,700 | 10,724 | 1,740,700 | 199,814 | 506,485 | 694,178 |
| Adjusted Admissions | 1,418,472 | 631,129 | 452,779 | 796,874 | 2,832,100 | | 2,832,100 | 452,779 | 796,874 | 1,226,271 |
| Patient Days | 3,058,931 | 1,359,578 | n/a | 2,368,916 | n/a | 53,170 | 3,058,931 | 1,359,578 | 2,368,916 | 2,262,475 |
| Adjusted Patient Days | 6,182,359 | 2,664,372 | n/a | 3,727,114 | n/a | | 6,182,359 | 2,664,372 | 3,727,114 | 4,191,282 |
| Total Surgeries | NMF | 349,477 | 224,942 | 380,955 | 1,380,100 | | 1,380,100 | 224,942 | 365,216 | 583,869 |
| Average Age of PPE (Yrs) | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| % Inpatient Revenue | 44.7% | 45.1% | n/a | 68.0% | 62.0% | n/a | 68.0% | 44.7% | 53.6% | 54.9% |
| % Outpatient Revenue | 53.4% | 54.8% | n/a | 32.1% | 38.0% | n/a | 54.8% | 32.1% | 45.7% | 44.6% |
| Rent | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Operating Ratios** | | | | | | | | | | |
| Net Revenue / Bed | 641.47 | 556.329 | 527.564 | 696.429 | 790.546 | 1,115.96 | 790.5 | 527.6 | 641.5 | 642.5 |
| Net Revenue / Admission | 18.59 | 18.245 | 17.376 | 18.172 | 18.985 | 22.27 | 19.0 | 17.4 | 18.2 | 18.3 |
| Net Revenue / Adjusted Admission | 9.20 | 9.310 | 7.668 | 11.550 | 11.669 | n/a | 11.7 | 7.7 | 9.3 | 9.9 |
| Net Revenue / Patient Day | 4.26 | 4.322 | n/a | 3.885 | n/a | 4.49 | 4.3 | 3.9 | 4.3 | 4.2 |
| Net Revenue / Adjusted Patient Day | 2.11 | 2.205 | n/a | 2.469 | n/a | n/a | 2.5 | 2.1 | 2.2 | 2.3 |
| EBITDA / Bed | 87.79 | 88.25 | 76.69 | 88.08 | 149.63 | 6.56 | 149.6 | 76.7 | 88.1 | 98.1 |
| EBITDA / Admission | 2.54 | 2.89 | 2.53 | 2.30 | 3.59 | 0.13 | 3.6 | 2.3 | 2.5 | 2.8 |
| EBITDA / Adjusted Admission | 1.26 | 1.48 | 1.11 | 1.46 | 2.21 | n/a | 2.2 | 1.1 | 1.5 | 1.5 |
| EBITDA / Patient Day | 0.58 | 0.69 | n/a | 0.49 | n/a | 0.03 | 0.7 | 0.5 | 0.6 | 0.6 |
| EBITDA / Adjusted Patient Day | 0.29 | 0.35 | n/a | 0.31 | n/a | n/a | 0.3 | 0.3 | 0.3 | 0.3 |
| FTEs / Bed | 4.1 | 3.4 | 4.3 | 3.9 | 4.3 | 5.4 | 4.3 | 3.4 | 4.1 | 4.0 |
| Average Length of Stay (Days) | 4.4 | 4.2 | 4.4 | 4.7 | 4.7 | 4.9 | 4.7 | 4.2 | 4.4 | 4.5 |
| Occupancy Rate | 48.6% | 37.6% | n/a | 49.1% | 54.0% | n/a | 54.0% | 37.6% | 48.9% | 47.3% |
| Avg. Daily Census | 8,381 | 3,725 | n/a | 6,490 | 22,521 | n/a | 22,521 | 3,725 | 7,435 | 10,279 |

*Notes:*

Source: FY 2013 - 10 K for CYH, HMA, LPNT, THC, HCA, and VHS.

**State of Connecticut Office of the Attorney General** Exhibit 4.2

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Multiples

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions), except stock price and multiples* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. |
|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | |
| As Of: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 12/31/2013 |
| Stock Price As of: 06/28/13 | $46.88 | $102.10 | $69.81 | $56.82 | $71.28 | |
| Shares Outstanding | 113.5 | 100.2 | 46.5 | 97.7 | 453.0 | |
| Market Value of Equity | 5,319.7 | 10,234.0 | 3,245.9 | 5,550.0 | 32,290.5 | |
| Interest Bearing Debt | 17,005.0 | 3,164.0 | 2,215.4 | 11,564.0 | 29,247.0 | |
| Preferred Stock | - | - | - | - | - | |
| Minority Interest | 779.0 | 284.7 | 104.8 | 427.0 | 1,402.0 | |
| Market Value of Invested Capital (MVIC | 23,103.7 | 13,682.7 | 5,566.1 | 17,541.0 | 62,939.5 | |
| Less: Cash and Cash Equivalents | 389.0 | 14.7 | 342.0 | 406.0 | 727.0 | |
| Enterprise Value (EV) | 22,714.7 | 13,668.0 | 5,224.1 | 17,135.0 | 62,212.5 | |
| **Last Fiscal Year (LFY)** | | | | | | |
| Revenue | 12,997.7 | 7,283.8 | 3,678.3 | 11,102.0 | 34,182.0 | 274.4 |
| EBITDA | 1,663.9 | 1,352.8 | 490.1 | 1,342.0 | 6,532.0 | 9.2 |
| EBITDA % | 12.8% | 18.6% | 13.3% | 12.1% | 19.1% | 3.4% |
| EBIT | 1,021.9 | 1,015.5 | 244.7 | 797.0 | 4,779.0 | (0.9) |
| EBIT % | 7.9% | 13.9% | 6.7% | 7.2% | 14.0% | -0.3% |
| LFY Multiples | | | | | | |
| Revenue | 1.75x | 1.88x | 1.42x | 1.54x | 1.82x | |
| EBITDA | 13.65x | 10.10x | 10.66x | 12.77x | 9.52x | |
| EBIT | 22.23x | 13.46x | 21.35x | 21.50x | 13.02x | |
| **Trailing Twelve Months (TTM)** | | | | | | |
| Revenue | 15,508.7 | 7,557.2 | 3,906.5 | 14,261.0 | 35,354.0 | 266.5 |
| EBITDA | 1,987.9 | 1,391.6 | 520.9 | 1,579.0 | 6,921.0 | 3.2 |
| EBITDA % | 12.8% | 18.4% | 13.3% | 11.1% | 19.6% | 1.2% |
| EBIT | 1,211.9 | 1,031.9 | 266.5 | 867.0 | 5,116.0 | (6.0) |
| EBIT % | 7.8% | 13.7% | 6.8% | 6.1% | 14.5% | -2.3% |
| TTM Multiples | | | | | | |
| Revenue | 1.46x | 1.81x | 1.34x | 1.20x | 1.76x | |
| EBITDA | 11.43x | 9.82x | 10.03x | 10.85x | 8.99x | |
| EBIT | 18.74x | 13.25x | 19.60x | 19.76x | 12.16x | |
| **Next Twelve Months (NTM)** | | | | | | |
| Revenue | 19,033.2 | 8,746.1 | 4,294.3 | 17,459.0 | 36,403.1 | 261.5 |
| EBITDA | 2,828.9 | 1,475.2 | 614.6 | 1,912.4 | 7,137.5 | 3.1 |
| EBITDA % | 14.9% | 16.9% | 14.3% | 11.0% | 19.6% | 1.2% |
| FY1 Multiples | | | | | | |
| Revenue | 1.19x | 1.56x | 1.22x | 0.98x | 1.71x | |
| EBITDA | 8.03x | 9.27x | 8.50x | 8.96x | 8.72x | |

| | BEV/ LFY Revenue | BEV/ LFY EBITDA | BEV/ TTM Revenue | BEV/ TTM EBITDA | BEV/ NTM Revenue | BEV/ NTM EBITDA |
|---|---|---|---|---|---|---|
| Community Health Systems, Inc. | 1.75x | 13.65x | 1.46x | 11.43x | 1.19x | 8.03x |
| Universal Health Services Inc. | 1.88x | 10.10x | 1.81x | 9.82x | 1.56x | 9.27x |
| Lifepoint Hospitals Inc. | 1.42x | 10.66x | 1.34x | 10.03x | 1.22x | 8.50x |
| Tenet Healthcare Corp. | 1.54x | 12.77x | 1.20x | 10.85x | 0.98x | 8.96x |
| HCA Holdings, Inc. | 1.82x | 9.52x | 1.76x | 8.99x | 1.71x | 8.72x |
| **Low** | 1.42x | 9.52x | 1.20x | 8.99x | 0.98x | 8.03x |
| **25th Percentile** | 1.54x | 10.10x | 1.34x | 9.82x | 1.19x | 8.50x |
| **Median** | 1.75x | 10.66x | 1.46x | 10.03x | 1.22x | 8.72x |
| **75th Percentile** | 1.82x | 12.77x | 1.76x | 10.85x | 1.56x | 8.96x |
| **High** | 1.88x | 13.65x | 1.81x | 11.43x | 1.71x | 9.27x |

*Notes:*

*Source: Capital IQ*

**State of Connecticut Office of the Attorney General** Exhibit 4.3

Fair Market Value of Greater Waterbury Health Network, Inc.

Ratio Analysis

*Valuation Analysis as of August 31, 2014* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | | Greater Waterbury Health Network, Inc. | Range of Ratios for Guideline Companies | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | | | | | | |
| Trailing Twelve Months Ending: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | | 12/31/2013 | High | Low | Median | Average |
| **Liquidity Ratios** | | | | | | | | | | | |
| Cash & Equivalents / Total Assets | 1.4% | 0.2% | 6.4% | 2.4% | 2.4% | | 16.4% | 6.4% | 0.2% | 2.4% | 2.6% |
| Current Ratio | 1.7 | 1.4 | 2.8 | 1.2 | 1.5 | | 2.1 | 2.8 | 1.2 | 1.5 | 1.7 |
| Quick Ratio | 1.5 | 1.3 | 2.6 | 1.2 | 1.3 | | 2.0 | 2.6 | 1.2 | 1.3 | 1.6 |
| Days Cash on Hand | 10.5 | 0.9 | 36.9 | 11.7 | 9.3 | | 43.3 | 36.9 | 0.9 | 10.5 | 13.9 |
| **Working Capital Ratios** | | | | | | | | | | | |
| Working Capital % of Sales | 14.4% | 5.5% | 22.5% | 5.8% | 8.1% | | 13.4% | 22.5% | 5.5% | 8.1% | 11.2% |
| Debt-Free Working Capital % of Sales | 15.7% | 6.7% | 22.8% | 10.1% | 11.1% | | 13.8% | 22.8% | 6.7% | 11.1% | 13.3% |
| Cash-Free Debt-Free Working Capital % of Sales | 13.2% | 6.5% | 14.0% | 7.3% | 9.0% | | 2.4% | 14.0% | 6.5% | 9.0% | 10.0% |
| **Efficiency Ratios** | | | | | | | | | | | |
| Accounts Receivable Turnover | 5.0 | 6.4 | 6.0 | 6.5 | 6.5 | | 9.2 | 6.5 | 5.0 | 6.4 | 6.1 |
| Days' Receivable | 73.5 | 57.3 | 60.4 | 56.4 | 56.5 | | 39.9 | 73.5 | 56.4 | 57.3 | 60.8 |
| Accounts Payable Turnover | 9.4 | 4.5 | 17.2 | 9.1 | 12.9 | | NMF | 17.2 | 4.5 | 9.4 | 10.6 |
| Days' Payable | 39.0 | 81.9 | 21.2 | 40.2 | 28.3 | | NMF | 81.9 | 21.2 | 39.0 | 42.1 |
| Inventory Turnover | 17.0 | 43.7 | 23.8 | 34.9 | 18.3 | | NMF | 43.7 | 17.0 | 23.8 | 27.5 |
| Days' Inventory | 21.4 | 8.4 | 15.3 | 10.5 | 20.0 | | NMF | 21.4 | 8.4 | 15.3 | 15.1 |
| Net PP&E Turnover | 1.4 | 2.2 | 1.8 | 1.8 | 2.6 | | 6.1 | 2.6 | 1.4 | 1.8 | 2.0 |
| Asset Turnover | 0.6 | 0.9 | 0.7 | 0.8 | 1.2 | | 1.4 | 1.2 | 0.6 | 0.8 | 0.8 |
| Cash Conversion Cycle | 55.9 | (16.3) | 54.5 | 26.6 | 48.1 | | NMF | 55.9 | (16.3) | 48.1 | 33.8 |
| **Leverage Ratios** | | | | | | | | | | | |
| Interest Coverage | 1.5 | 7.5 | 2.3 | 1.3 | 2.8 | | NA | 7.5 | 1.3 | 2.3 | 3.1 |
| Debt / Book Capital | 78.9% | 45.2% | 49.6% | 91.0% | 129.1% | | 20.2% | 129.1% | 45.2% | 78.9% | 78.7% |
| Debt / Assets | 62.4% | 37.0% | 41.3% | 68.4% | 98.1% | | 14.5% | 98.1% | 37.0% | 62.4% | 61.4% |
| Assets / Equity | 6.0 | 2.2 | 2.4 | 14.7 | (4.5) | | 1.8 | 14.7 | (4.5) | 2.4 | 4.2 |
| Net Fixed Assets / Total Capital | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | | 0.3 | 0.6 | 0.5 | 0.5 | 0.5 |
| Long-Term Debt / Equity | 3.7 | 0.8 | 1.0 | 9.5 | (4.3) | | 0.2 | 9.5 | (4.3) | 1.0 | 2.1 |
| **Profitability Ratios** | | | | | | | | | | | |
| EBITDA Margin | 12.8% | 18.4% | 13.3% | 11.1% | 19.6% | | 3.4% | 19.6% | 11.1% | 13.3% | 15.0% |
| EBIT Margin | 7.8% | 13.7% | 6.8% | 6.1% | 14.5% | | (0.3%) | 14.5% | 6.1% | 7.8% | 9.8% |
| Net Income Margin | 2.5% | 7.0% | 2.3% | 0.7% | 5.0% | | (0.7%) | 7.0% | 0.7% | 2.5% | 3.5% |
| **DuPont Return on Equity** | | | | | | | | | | | |
| Net Income Margin | 2.5% | 7.0% | 2.3% | 0.7% | 5.0% | | (0.7%) | 7.0% | 0.7% | 2.5% | 3.5% |
| Asset Turnover | 0.6 | 0.9 | 0.7 | 0.8 | 1.2 | 0.0 | 1.4 | 1.2 | 0.0 | 0.8 | 0.7 |
| Return on Assets | 1.4% | 6.2% | 1.7% | 0.6% | 6.0% | | (0.9%) | 6.2% | 0.6% | 1.7% | 3.2% |
| Assets / Equity | 6.0 | 2.2 | 2.4 | 14.7 | (4.5) | | 1.8 | 14.7 | (4.5) | 2.4 | 4.2 |
| Return on Equity | 8.4% | 13.8% | 4.1% | 8.5% | (27.0%) | | (1.6%) | 13.8% | (27.0%) | 8.4% | 1.6% |
| **Capital Expenditures / Revenue** | 4.4% | 5.8% | 4.2% | 6.7% | 5.5% | | 773.7% | 6.7% | 4.2% | 5.5% | 5.3% |
| **Price/Earnings (P/E)** | -268.7x | 19.4x | 22.4x | -264.3x | 19.9x | | | 22.4x | -268.7x | 19.4x | -94.3x |

*Notes:*

Source: Capital IQ

**State of Connecticut Office of the Attorney General** Exhibit 4.4

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Income Statement

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. |
|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | |
| Latest Twelve Months Ending: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 12/31/2013 |
| Total Revenues | $15,508.7 | $7,557.2 | $3,906.5 | $14,261.0 | $35,354.0 | $274.4 |
| (1) Cost of Goods Sold | 9,360.9 | 4,556.0 | 2,548.6 | 9,211.0 | 22,114.0 | n.a. |
| **Gross Profit** | **6,147.8** | **3,001.3** | **1,357.9** | **5,050.0** | **13,240.0** | **274.4** |
| Selling, General & Admin. Exp. | 743.4 | 95.8 | 37.4 | 181.0 | - | n.a. |
| Provision for Bad Debts | - | - | - | - | - | n.a. |
| Other Operating Expenses | 3,416.5 | 1,513.8 | 799.6 | 3,290.0 | 6,319.0 | n.a. |
| **EBITDA** | **1,987.9** | **1,391.6** | **520.9** | **1,579.0** | **6,921.0** | **9.2** |
| Depreciation & Amortization Expense | 776.1 | 359.7 | 254.4 | 712.0 | 1,805.0 | 10.1 |
| **EBIT** | **1,211.9** | **1,031.9** | **266.5** | **867.0** | **5,116.0** | **(0.9)** |
| Net Interest Income (Expense) | (783.1) | (138.2) | (115.7) | (645.0) | (1,801.0) | - |
| Non-Operating Income | 40.6 | - | 82.3 | - | 40.0 | 0.2 |
| Non-Recurring Income | (409.5) | - | (1.5) | (175.0) | (270.0) | - |
| **Pretax Income** | **59.9** | **893.7** | **231.6** | **47.0** | **3,085.0** | **(0.7)** |
| Total Income Taxes | (5.4) | 318.9 | 80.1 | 15.0 | 978.0 | - |
| Minority Interest Expense | 85.1 | 45.9 | 6.9 | 53.0 | 488.0 | (0.9) |
| **Net Income Before Extraordinaries** | **(19.8)** | **528.9** | **144.6** | **(21.0)** | **1,619.0** | **(1.6)** |
| Extraordinary Items | - | - | - | - | - | - |
| Discontinued Operations | (18.0) | - | - | (33.0) | - | - |
| **Net Income** | **($37.8)** | **$528.9** | **$144.6** | **($54.0)** | **$1,619.0** | **($1.6)** |
| Extraordinary Items | - | - | - | - | - | - |
| Discontinued Operations | (18.0) | - | - | (33.0) | - | - |
| Non-Operating Income | 40.6 | - | 82.3 | - | 40.0 | 0.2 |
| Non-Recurring Income | (409.5) | - | (1.5) | (175.0) | (270.0) | - |
| Preference Dividend | - | 0.3 | - | - | - | - |
| Effective Tax Rate | *-9.0%* | *35.7%* | *34.6%* | *31.9%* | *31.7%* | *0.0%* |
| Related Tax Expense | 33.3 | - | 27.9 | (55.9) | (72.9) | - |
| (2) **Net Income (Adj.)** | **$382.4** | **$528.6** | **$91.7** | **$98.1** | **$1,776.1** | **($1.8)** |
| Capital Expenditures | 680.0 | 439.0 | 163.1 | 958.0 | 1,960.0 | 2,122.9 |

*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 In

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization

EBIT = Earnings Before Interest and Tax

Source: Capital IQ

**State of Connecticut Office of the Attorney General** Exhibit 4.5

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Income Statement - Common-Size

*Valuation Analysis as of August 31, 2014* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. | Range for Guideline Companies | |
|---|---|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | | | |
| Latest Twelve Months Ending: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 12/31/2013 | **Median** | **Average** |
| Total Revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Goods Sold | 60.4% | 60.3% | 65.2% | 64.6% | 62.6% | n.a. | 62.6% | 62.6% |
| **Gross Profit** | **39.6%** | **39.7%** | **34.8%** | **35.4%** | **37.4%** | **100.0%** | **37.4%** | **37.4%** |
| Selling, General & Admin. Exp. | 4.8% | 1.3% | 1.0% | 1.3% | 0.0% | n.a. | 1.3% | 1.7% |
| Provision for Bad Debts | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | n.a. | 0.0% | 0.0% |
| Other Operating Expenses | 22.0% | 20.0% | 20.5% | 23.1% | 17.9% | n.a. | 20.5% | 20.7% |
| **EBITDA** | **12.8%** | **18.4%** | **13.3%** | **11.1%** | **19.6%** | **3.4%** | **13.3%** | **15.0%** |
| Depreciation & Amortization Expense | 5.0% | 4.8% | 6.5% | 5.0% | 5.1% | 3.7% | 5.0% | 5.3% |
| **EBIT** | **7.8%** | **13.7%** | **6.8%** | **6.1%** | **14.5%** | **(0.3%)** | **7.8%** | **9.8%** |
| Net Interest Income (Expense) | (5.0%) | (1.8%) | (3.0%) | (4.5%) | (5.1%) | 0.0% | (4.5%) | (3.9%) |
| Non-Operating Income | 0.3% | 0.0% | 2.1% | 0.0% | 0.1% | 0.1% | 0.1% | 0.5% |
| Non-Recurring Income | (2.6%) | 0.0% | (0.0%) | (1.2%) | (0.8%) | 0.0% | (0.8%) | (0.9%) |
| **Pretax Income** | **0.4%** | **11.8%** | **5.9%** | **0.3%** | **8.7%** | **(0.3%)** | **5.9%** | **5.4%** |
| Total Income Taxes | (0.0%) | 4.2% | 2.1% | 0.1% | 2.8% | 0.0% | 2.1% | 1.8% |
| Minority Interest | 0.5% | 0.6% | 0.2% | 0.4% | 1.4% | (0.3%) | 0.5% | 0.6% |
| **Net Income before Extraordinaries** | **(0.1%)** | **7.0%** | **3.7%** | **(0.1%)** | **4.6%** | **(0.6%)** | **3.7%** | **3.0%** |
| Extraordinary Items | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Discontinued Operations | (0.1%) | 0.0% | 0.0% | (0.2%) | 0.0% | 0.0% | 0.0% | (0.1%) |
| **Net Income** | **(0.2%)** | **7.0%** | **3.7%** | **(0.4%)** | **4.6%** | **(0.6%)** | **3.7%** | **2.9%** |
| Extraordinary Items | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Discontinued Operations | (0.1%) | 0.0% | 0.0% | (0.2%) | 0.0% | 0.0% | 0.0% | (0.1%) |
| Non-Operating Income | 0.3% | 0.0% | 2.1% | 0.0% | 0.1% | 0.1% | 0.1% | 0.5% |
| Non-Recurring Income | (2.6%) | 0.0% | (0.0%) | (1.2%) | (0.8%) | 0.0% | (0.8%) | (0.9%) |
| Preference Dividend | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Related Tax Expense | 0.2% | 0.0% | 0.7% | (0.4%) | (0.2%) | 0.0% | 0.0% | 0.1% |
| **Net Income (Adj.)** | **2.5%** | **7.0%** | **2.3%** | **0.7%** | **5.0%** | **(0.7%)** | **2.5%** | **3.5%** |
| Capital Expenditures | 4.4% | 5.8% | 4.2% | 6.7% | 5.5% | 773.7% | 5.5% | 5.3% |

*Notes:*

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization

EBIT = Earnings Before Interest and Tax

**State of Connecticut Office of the Attorney General** Exhibit 4.6

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Balance Sheet

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. |
|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | |
| As of: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 12/31/2013 |
| **Assets** | | | | | | |
| Cash & Short-Term Investment | $389.0 | $14.7 | $342.0 | $406.0 | $727.0 | $31.4 |
| Accounts Receivable | 3,121.0 | 1,186.0 | 646.4 | 2,202.0 | 5,472.0 | 30.0 |
| Inventory | 550.0 | 104.3 | 106.9 | 264.0 | 1,211.0 | 3.6 |
| Prepaid Expenses | 203.0 | - | 38.7 | - | - | 1.6 |
| Deferred Tax Asset, Curr. | 317.0 | 107.4 | 130.1 | 633.0 | 500.0 | - |
| Other Current Assets | 817.0 | 117.5 | 106.5 | 703.0 | 862.0 | 3.9 |
| Total Current Assets | 5,397.0 | 1,529.9 | 1,370.6 | 4,208.0 | 8,772.0 | 70.5 |
| Net Property, Plant & Equipment | 10,817.0 | 3,514.7 | 2,217.4 | 7,771.0 | 13,721.0 | 44.6 |
| Long-Term Investments | 441.0 | 8.0 | - | 362.0 | 576.0 | 25.3 |
| Goodwill | 8,519.0 | 3,089.2 | 1,630.1 | 3,200.0 | - | 1.8 |
| Other Intangibles | 160.0 | - | 71.4 | 1,038.0 | 5,909.0 | - |
| Deferred Charges, Long-Term | - | 49.0 | 33.5 | 203.0 | 230.0 | - |
| Deferred Tax Asset, Long-Term | - | - | - | 125.0 | - | - |
| Other Long-Term Assets | 1,936.0 | 357.4 | 38.5 | - | 614.0 | 48.9 |
| Total Long-Term Assets | 21,873.0 | 7,018.2 | 3,990.9 | 12,699.0 | 21,050.0 | 120.7 |
| **Total Assets** | **$27,270.0** | **$8,548.1** | **$5,361.5** | **$16,907.0** | **$29,822.0** | **$191.1** |
| **Liabilities & Shareholder's Equity** | | | | | | |
| Accounts Payable | 1,000.0 | 1,022.2 | 148.1 | 1,015.0 | 1,717.0 | 29.4 |
| Accrued Expenses | 1,881.0 | - | 146.6 | 1,038.0 | 3,132.0 | 0.0 |
| Current Portion of L-T Debt | 209.0 | 93.7 | 12.9 | 622.0 | 1,046.0 | 1.2 |
| Current Income Taxes Payable | - | - | - | - | - | - |
| Unearned Revenue, Curr. | - | - | - | - | - | - |
| Deferred Tax Liability, Curr. | - | - | - | - | - | - |
| Other Current Liabilities | 79.0 | - | 185.4 | 709.0 | - | 3.1 |
| Total Current Liabilities | 3,169.0 | 1,115.9 | 493.0 | 3,384.0 | 5,895.0 | 33.8 |
| Long-Term Debt | 16,796.0 | 3,070.3 | 2,202.5 | 10,942.0 | 28,201.0 | 26.5 |
| Capital Leases | - | - | - | - | - | - |
| Unearned Revenue, Non-Curr. | - | - | - | - | - | - |
| Pension & Other Post-Retirement Benefits | - | - | - | 380.0 | - | - |
| Deferred Tax Liability, Non-Curr. | 1,043.0 | 254.6 | 203.8 | - | - | - |
| Other Non-Current Liabilities | 1,708.0 | 276.5 | 209.1 | 1,051.0 | 2,314.0 | 21.8 |
| Total Long-Term Liabilities | 19,547.0 | 3,601.3 | 2,615.4 | 12,373.0 | 30,515.0 | 48.3 |
| **Total Liabilities** | **22,716.0** | **4,717.2** | **3,108.4** | **15,757.0** | **36,410.0** | **82.0** |
| Minority Interest | 779.0 | 284.7 | 104.8 | 427.0 | 1,402.0 | 2.7 |
| Preferred Stock (Carrying Value) | - | - | - | - | - | - |
| Common Equity | 3,775.0 | 3,546.1 | 2,148.3 | 723.0 | (7,990.0) | 106.4 |
| Total Shareholder's Equity | 4,554.0 | 3,830.9 | 2,253.1 | 1,150.0 | (6,588.0) | 109.1 |
| **Total Liabilities & Shareholder's Equity** | **$27,270.0** | **$8,548.1** | **$5,361.5** | **$16,907.0** | **$29,822.0** | **$191.1** |

*Notes:*

Source: Capital IQ

**State of Connecticut Office of the Attorney General** Exhibit 4.7

Fair Market Value of Greater Waterbury Health Network, Inc.

Guideline Company Balance Sheet - Common-Size

*Valuation Analysis as of August 31, 2014* **FINAL**

| Company Name: | Community Health Systems, Inc. | Universal Health Services Inc. | Lifepoint Hospitals Inc. | Tenet Healthcare Corp. | HCA Holdings, Inc. | Greater Waterbury Health Network, Inc. | Range for Guideline Companies | |
|---|---|---|---|---|---|---|---|---|
| | CYH | UHS | LPNT | THC | HCA | | | |
| As of: | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 6/30/2014 | 12/31/2013 | Median | Average |
| **Assets** | | | | | | | | |
| Cash & Short-Term Investment | 1.4% | 0.2% | 6.4% | 2.4% | 2.4% | 16.4% | 2.4% | 2.6% |
| Accounts Receivable | 11.4% | 13.9% | 12.1% | 13.0% | 18.3% | 15.7% | 13.0% | 13.7% |
| Inventory | 2.0% | 1.2% | 2.0% | 1.6% | 4.1% | 1.9% | 2.0% | 2.2% |
| Prepaid Expenses | 0.7% | 0.0% | 0.7% | 0.0% | 0.0% | 0.8% | 0.0% | 0.3% |
| Deferred Tax Asset, Curr. | 1.2% | 1.3% | 2.4% | 3.7% | 1.7% | 0.0% | 1.7% | 2.1% |
| Other Current Assets | 3.0% | 1.4% | 2.0% | 4.2% | 2.9% | 2.0% | 2.9% | 2.7% |
| Total Current Assets | 19.8% | 17.9% | 25.6% | 24.9% | 29.4% | 36.9% | 24.9% | 23.5% |
| Net Property, Plant & Equipment | 39.7% | 41.1% | 41.4% | 46.0% | 46.0% | 23.3% | 41.4% | 42.8% |
| Long-Term Investments | 1.6% | 0.1% | 0.0% | 2.1% | 1.9% | 13.2% | 1.6% | 1.2% |
| Goodwill | 31.2% | 36.1% | 30.4% | 18.9% | 0.0% | 0.9% | 30.4% | 23.3% |
| Other Intangibles | 0.6% | 0.0% | 1.3% | 6.1% | 19.8% | 0.0% | 1.3% | 5.6% |
| Deferred Charges, Long-Term | 0.0% | 0.6% | 0.6% | 1.2% | 0.8% | 0.0% | 0.6% | 0.6% |
| Deferred Tax Asset, Long-Term | 0.0% | 0.0% | 0.0% | 0.7% | 0.0% | 0.0% | 0.0% | 0.1% |
| Other Long-Term Assets | 7.1% | 4.2% | 0.7% | 0.0% | 2.1% | 25.6% | 2.1% | 2.8% |
| Total Long-Term Assets | 80.2% | 82.1% | 74.4% | 75.1% | 70.6% | 63.1% | 75.1% | 76.5% |
| **Total Assets** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| **Liabilities & Shareholder's Equity** | | | | | | | | |
| Accounts Payable | 3.7% | 12.0% | 2.8% | 6.0% | 5.8% | 15.4% | 5.8% | 6.0% |
| Accrued Expenses | 6.9% | 0.0% | 2.7% | 6.1% | 10.5% | 0.0% | 6.1% | 5.3% |
| Current Portion of L-T Debt | 0.8% | 1.1% | 0.2% | 3.7% | 3.5% | 0.6% | 1.1% | 1.9% |
| Current Income Taxes Payable | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Unearned Revenue, Curr. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Deferred Tax Liability, Curr. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Other Current Liabilities | 0.3% | 0.0% | 3.5% | 4.2% | 0.0% | 1.6% | 0.3% | 1.6% |
| Total Current Liabilities | 11.6% | 13.1% | 9.2% | 20.0% | 19.8% | 17.7% | 13.1% | 14.7% |
| Long-Term Debt | 61.6% | 35.9% | 41.1% | 64.7% | 94.6% | 13.8% | 61.6% | 59.6% |
| 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 | 0.0% | 0.0% | 0.0% | 2.2% | 0.0% | 0.0% | 0.0% | 0.4% |
| Deferred Tax Liability, Non-Curr. | 3.8% | 3.0% | 3.8% | 0.0% | 0.0% | 0.0% | 3.0% | 2.1% |
| Other Non-Current Liabilities | 6.3% | 3.2% | 3.9% | 6.2% | 7.8% | 11.4% | 6.2% | 5.5% |
| Total Long-Term Liabilities | 71.7% | 42.1% | 48.8% | 73.2% | 102.3% | 25.3% | 71.7% | 67.6% |
| **Total Liabilities** | **83.3%** | **55.2%** | 58.0% | **93.2%** | **122.1%** | **42.9%** | **83.3%** | **82.4%** |
| Minority Interest | 2.9% | 3.3% | 2.0% | 2.5% | 4.7% | 1.4% | 2.9% | 3.1% |
| Preferred Stock (Carrying Value) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Common Equity | 13.8% | 41.5% | 40.1% | 4.3% | (26.8%) | 55.7% | 13.8% | 14.6% |
| Total Shareholder's Equity | 16.7% | 44.8% | 42.0% | 6.8% | (22.1%) | 57.1% | 16.7% | 17.6% |
| **Total Liabilities & Shareholder's Equity** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

**State of Connecticut Office of the Attorney General** Exhibit 5.0

Fair Market Value of Greater Waterbury Health Network, Inc.

Similar Transaction Multiples

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| | Number | Median Revenue | Median EBITDA | Median EBITDA Margin | Median Revenue Multiple | Median EBITDA Multiple |
|---|---|---|---|---|---|---|
| *All* | | | | | | |
| 2014 | 8 | $123.5 | $12.9 | 9.3% | 0.70x | 9.00x |
| 2013 - 2014 | 29 | $118.0 | $12.9 | 8.1% | 0.56x | 6.98x |
| 2012 - 2014 | 60 | $119.3 | $9.5 | 6.1% | 0.55x | 6.34x |
| 2011 - 2014 | 108 | $116.4 | $12.9 | 6.4% | 0.61x | 9.09x |
| 2010 - 2014 | 129 | $105.5 | $11.9 | 6.4% | 0.61x | 9.00x |
| Transactions with EBITDA > 10% | 83 | $97.8 | $17.6 | 13.3% | 0.67x | 5.45x |
| Transactions with EBITDA > 5% and < 10% | 20 | $120.4 | $8.4 | 6.4% | 0.63x | 11.25x |
| Transactions with EBITDA > 5% | 26 | $139.0 | $2.8 | 2.1% | 0.38x | 15.64x |
| **Low** | | | | -16.1% | 0.00x | -164.72x |
| **25th Percentile** | | | | 3.4% | 0.35x | 4.40x |
| **Median** | | | | 6.4% | 0.61x | 9.00x |
| **75th Percentile** | | | | 11.7% | 0.88x | 13.46x |
| **High** | | | | 37.5% | 9.01x | 52.67x |

*Notes:*

BEV = Business Enterprise Value

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

**State of Connecticut Office of the Attorney General** Exhibit 5.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Similar Transactions

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| Date Announced | Buyer | Target | Target State | Target Status | Transaction Value | Target Revenue | Target EBIDA | Target Beds | Transaction Value[2] / Revenue | Transaction Value[2] / EBITDA | Transaction Value[2] / EBIDA % | Transaction Value[2] / Beds |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10/6/2014 | University of Virginia Medical Center | Culpeper Regional Hospital | Virginia | For-profit | 50.0 | 69.3 | 4.0 | 70.0 | 0.7x | 12.5x | 5.8% | 0.7x |
| 8/21/2014 | Duke LifePoint Healthcare | Conemaugh Health System | Pennsylvania | Non-profit | 500.0 | 516.0 | - | 600.0 | 1.0x | | | 0.8x |
| 8/1/2014 | Duke LifePoint Healthcare | MedWest Haywood | North Carolina | Non-profit | 36.0 | 105.5 | 4.0 | 138.0 | 0.3x | 9.0x | 3.8% | 0.3x |
| 7/1/2014 | CNL Healthcare Properties, Inc. | Houston Orthopedic & Spine Hospital campus | Texas | For-profit | 76.0 | - | - | 64.0 | | | | 1.2x |
| 2/28/2014 | Via Christi Health | Mercy Regional Health Center | Kansas | Non-profit | 7.0 | 92.3 | 12.9 | 111.0 | 0.1x | 0.5x | 14.0% | 0.1x |
| 2/20/2014 | Physicians Realty Trust | Foundation Surgical Hospital | Texas | For-profit | 18.9 | - | - | | | | | |
| 2/17/2014 | Buyer Consortium | Chindex International, Inc. | Maryland | For-profit | 461.0 | 170.0 | 15.8 | | 2.7x | 29.2x | 9.3% | |
| 1/8/2014 | Duke LifePoint Healthcare, LLC | Wilson Medical Center | North Carolina | Non-profit | 96.0 | 141.4 | 25.1 | 274.0 | 0.7x | 3.8x | 17.8% | 0.4x |
| 10/31/2013 | Duke LifePoint Healthcare, LLC | WestCare | North Carolina | Non-profit | 43.0 | 96.0 | - | 110.0 | 0.4x | | | 0.4x |
| 10/25/2013 | Rush University Medical Center | Oak Park Hospital | Illinois | Non-profit | 21.1 | 107.5 | 2.3 | 237.0 | 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 | - | 54.0 | 9.0x | | | 2.2x |
| 8/14/2013 | Medical Properties Trust, Inc. | 3 IASIS Healthcare hospitals | Louisiana | For-profit | 283.3 | - | - | 670.0 | | | | 0.4x |
| 8/6/2013 | LifePoint Hospitals, Inc. | Portage Health | Michigan | Non-profit | 40.0 | 82.5 | 9.1 | 96.0 | 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 | 11,000.0 | 1.3x | 10.8x | 12.0% | 0.7x |
| 7/25/2013 | Graymark Healthcare Inc. | Foundation Surgical Hospital Affiliates LLC | Oklahoma | For-profit | 51.2 | - | - | | | | | |
| 7/18/2013 | HCA West Florida | 3 IASIS Healthcare Hospitals | Tennessee | For-profit | 146.0 | 231.3 | 15.8 | 691.0 | 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 | - | 40.0 | 1.4x | | | 1.0x |
| 7/16/2013 | University of Southern California | Verdugo Hills Hospital | California | Non-profit | 30.0 | 92.4 | 8.6 | 158.0 | 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 | 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 | 0.2x | 15.1x | 1.6% | 1.1x |
| 6/24/2013 | Tenet Healthcare Corporation | Vanguard Health Systems, Inc. | Tennessee | For-Profit | 4,300.0 | N/A | N/A | N/A | | | | |
| 6/23/2013 | UPMC Health System | Altoona Regional Health System | Pennsylvania | Non-Profit | 10.0 | 372.7 | 61.0 | 402.0 | 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 | 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 | 0.3x | -6.2x | -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 | 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 | 0.0x | 0.4x | 6.1% | 0.0x |
| 2/3/2013 | American Realty Capital Healthcare Trust | Cancer Center at Metro Health Village | Michigan | For-Profit | 6.2 | N/A | N/A | 208.0 | | | | 0.0x |
| 1/3/2013 | Ventas | Rex Knightdale property | North Carolina | For-Profit | 24.8 | N/A | N/A | N/A | | | | |
| 1/2/2013 | Prime Healthcare Foundation | Knapp Medical Center | Texas | Non-Profit | 110.0 | 128.6 | 8.2 | 209.0 | 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 | 0.2x | -5.9x | -3.1% | 0.1x |
| 12/10/2012 | Licking Memorial Health Systems | Medical Center of Newark | Ohio | Non-Profit | 26.0 | 18.2 | (0.2) | 20.0 | 1.4x | -164.7x | -0.9% | 1.3x |
| 12/5/2012 | University General Health System, Inc. | South Hampton Community Hospital | Texas | For-Profit | 30.0 | 40.0 | 15.0 | 111.0 | 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 | 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 | 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 | 345.0 | 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 | 110.0 | | | | 0.4x |
| 11/5/2012 | Wise Regional Health System | North Texas Community Hospital | Texas | Non-Profit | 20.0 | N/A | N/A | 21.0 | | | | 1.0x |
| 11/2/2012 | Carter Validus Mission Critical REIT, Inc. | Vibra New Bedford Hospital Property | Massachusetts | For-Profit | 26.1 | N/A | N/A | N/A | | | | |
| 10/29/2012 | Southeast Health Center of Stoddard County, LLC | Assets of Dexter Hospital, LLC | Missouri | For-Profit | 9.8 | N/A | N/A | N/A | | | | |
| 10/25/2012 | Health Management Associates, Inc. | Bayfront Medical Center | Florida | Non-Profit | 162.0 | 257.7 | 13.7 | 397.0 | 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 | 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 | 0.3x | -14.8x | -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 | 102.0 | | | | 0.7x |
| 7/2/2012 | Cardiovascular Care Group | Bakersfield Heart Hospital | California | For-Profit | 38.1 | N/A | N/A | 47.0 | | | | 0.8x |
| 7/1/2012 | Temple University Health System | Fox Chase Cancer Center | Pennsylvania | Non-Profit | 83.8 | 236.6 | 36.5 | 100.0 | 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 | 376.0 | 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 | 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 | 0.1x | -0.7x | -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 | 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 | 0.5x | | | 0.2x |
| 4/3/2012 | Sacred Heart Health System, Inc. | Bay Medical Center | Florida | Non-Profit | 154.0 | 258.4 | 9.5 | 323.0 | 0.6x | 16.2x | 3.7% | 0.5x |

**State of Connecticut Office of the Attorney General** Exhibit 5.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Similar Transactions

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| Date Announced | Buyer | Target | Target State | Target Status | Transaction Value | Target Revenue | Target EBIDA | Target Beds | Transaction Value[2] / Revenue | Transaction Value[2] / EBITDA | Transaction Value[2] / EBIDA % | Transaction Value[2] / Beds |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3/27/2012 | Hudson Hospital Holdco, Inc. | Christ Hospital | New Jersey | Non-Profit | 43.5 | 125.1 | 1.4 | 227.0 | 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 | 0.0x | | | 0.0x |
| 3/9/2012 | Tift Regional Medical Center | Memorial Hospital and Convalescent Center | Georgia | For-Profit | 8.3 | N/A | N/A | 155.0 | | | | 0.1x |
| 3/6/2012 | Duke LifePoint Healthcare, LLC | Marquette General Health System | Michigan | Non-Profit | 147.0 | 244.2 | 15.6 | 307.0 | 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 | 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 | 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 | 0.6x | | | 0.2x |
| 2/3/2012 | Health Management Associates, Inc. | Integris Health joint venture | Oklahoma | Non-Profit | 60.0 | 96.5 | 1.8 | 226.0 | 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 | 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 | 0.8x | | | 0.3x |
| 12/15/2011 | Cone Health | Alamance Regional Medical Center | North Carolina | Non-Profit | 200.0 | 213.9 | 23.6 | 218.0 | 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 | 0.5x | | | 0.3x |
| 12/7/2011 | Essentia Health | Virginia Regional Medical Center | Minnesota | Non-Profit | 27.0 | 50.7 | N/A | 164.0 | 0.5x | | | 0.2x |
| 11/30/2011 | Prime Healthcare Services | Harlingen Medical Center | North Carolina | For-Profit | 9.0 | N/A | N/A | 112.0 | | | | 0.1x |
| 11/29/2011 | Orlando Health | Health Central | Florida | For-Profit | 177.0 | 131.0 | 15.5 | 177.0 | 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 | 0.3x | | | 0.1x |
| 11/1/2011 | Baptist Health System | Leake Memorial Hospital | Mississippi | Non-Profit | 2.8 | 11.7 | N/A | 25.0 | 0.2x | | | 0.1x |
| 10/27/2011 | Duke LifePoint Healthcare, LLC | Twin County Regional Hospital | Virginia | Non-Profit | 30.0 | 44.0 | N/A | 86.0 | 0.7x | | | 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 | 0.0x | | | 0.0x |
| 10/3/2011 | Cardiovascular Care Group | Louisiana Medical Center and Heart Hospital, LL | Louisiana | For-Profit | 23.0 | 50.4 | N/A | 137.0 | 0.5x | | | 0.2x |
| 9/29/2011 | LHP Hospital Group, Inc. | Bay Medical Center | Florida | Non-Profit | 155.0 | 258.4 | 9.5 | 323.0 | 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 | 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 | 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 | 70.0 | | | | 0.6x |
| 7/28/2011 | Community Health Systems, Inc. | Tomball Regional Medical Center | Texas | Non-Profit | 225.4 | 151.0 | 17.6 | 358.0 | 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 | 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 | 242.0 | 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 | 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 | 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 | 196.0 | 1.0x | 52.7x | 1.9% | 0.4x |
| 6/25/2011 | Highmark, Inc. | West Penn Allegheny Health System | Pennsylvania | Non-Profit | 1,475.0 | 1,600.0 | 33.3 | 2,000.0 | 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 | 112.0 | | | | 0.2x |
| 6/15/2011 | HCA, Inc. | Remaining interest in HealthONE | Colorado | For-Profit | 1,450.0 | N/A | 193.0 | 1,500.0 | | 7.5x | | 1.0x |
| 6/7/2011 | Steward Health Care System | Landmark Medical Center | Rhode Island | Non-Profit | 76.6 | N/A | N/A | 203.0 | | | | 0.4x |
| 6/3/2011 | Duke LifePoint Healthcare, LLC | Person Memorial Hospital | North Carolina | For-Profit | 22.7 | 41.6 | 2.1 | 102.0 | 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 | 0.2x | | | 0.1x |
| 5/18/2011 | LifeCare Holdings, Inc. | Five long-term acute care hospitals | Alabama | For-Profit | 117.5 | 121.7 | 17.5 | 355.0 | 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 | 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 | 0.3x | | | 0.2x |
| 5/9/2011 | Ardent Health Services | Heart Hospital of New Mexico | New Mexico | For-Profit | 119.0 | 80.8 | 15.4 | 55.0 | 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 | 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 | 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 | 0.8x | | | 0.4x |
| 4/20/2011 | Health Management Associates, Inc. | Tri-Lakes Medical Center | Mississippi | For-Profit | 38.8 | 30.3 | N/A | 112.0 | 1.3x | | | 0.3x |
| 4/18/2011 | Adventist Health | Sierra Kings District Hospital | California | Non-Profit | 24.8 | 22.1 | N/A | 44.0 | 1.1x | | | 0.6x |
| 4/1/2011 | One Cura Wellness, Inc. | Two Oklahoma hospitals | Oklahoma | For-Profit | 12.0 | 12.8 | N/A | 50.0 | 0.9x | | | 0.2x |
| 3/31/2011 | Steward Health Care System | Morton Hospital and Medical Center | Massachusetts | Non-Profit | 178.5 | 127.3 | 8.6 | 153.0 | 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 | 70.0 | | | | 0.9x |
| 3/25/2011 | Yale-New Haven Hospital | Hospital of Saint Raphael | Connecticut | Non-Profit | 160.0 | 450.3 | 15.4 | 511.0 | 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 | 175.0 | 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 | 0.6x | | | 0.2x |
| 3/11/2011 | Carle Foundation Hospital | Hoopeston Regional Health Center | Illinois | For-Profit | 12.4 | 20.4 | 1.4 | 25.0 | 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 | 0.4x | | | 0.6x |

**State of Connecticut Office of the Attorney General** Exhibit 5.1

Fair Market Value of Greater Waterbury Health Network, Inc.

Similar Transactions

*Valuation Analysis as of August 31, 2014*

*(Dollars in Millions)* **FINAL**

| Date Announced | Buyer | Target | Target State | Target Status | Transaction Value | Target Revenue | Target EBIDA | Target Beds | Transaction Value[2] / Revenue | Transaction Value[2] / EBITDA | Transaction Value[2] / EBIDA % | Transaction Value[2] / Beds |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2/16/2011 | Vanguard Health Systems, Inc. | Valley Baptist Health System | Texas | Non-Profit | 201.4 | 527.0 | N/A | 866.0 | 0.4x | | | 0.2x |
| 2/10/2011 | Community Health Systems, Inc. | Mercy Health Partners | Pennsylvania | Non-Profit | 161.0 | 183.9 | N/A | 313.0 | 0.9x | | | 0.5x |
| 2/1/2011 | UPMC Health System | Hamot Medical Center | Pennsylvania | Non-Profit | 300.0 | 315.2 | 33.0 | 351.0 | 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 | 0.5x | | | 0.1x |
| 12/28/2010 | Anderson Regional Medical Center | Riley Hospital | Mississippi | For-Profit | 24.0 | 57.6 | 1.2 | 140.0 | 0.4x | 20.0x | 2.1% | 0.2x |
| 12/21/2010 | Hospital Authority of Albany-Dougherty County | Palmyra Medical Center | Georgia | For-Profit | 198.0 | 166.5 | N/A | 248.0 | 1.2x | | | 0.8x |
| 12/20/2010 | Healthcare Trust of America, Inc. | Multi-state portfolio | Texas | For-Profit | 102.0 | N/A | N/A | 209.0 | | | | 0.5x |
| 12/9/2010 | Steward Health Care System, LLC | Two Essent hospitals | Massachusetts | For-Profit | 40.0 | 98.1 | 4.8 | 179.0 | 0.4x | 8.3x | 4.9% | 0.2x |
| 12/9/2010 | Avita Health System | Bucyrus Community Hospital | Ohio | Non-Profit | 11.3 | 35.1 | 4.6 | 25.0 | 0.3x | 2.5x | 13.1% | 0.5x |
| 11/19/2010 | Victor Valley Hospital Acquisition, Inc. | Victor Valley Community Hospital | California | Non-Profit | 37.0 | 55.8 | 3.1 | 115.0 | 0.7x | 11.9x | 5.6% | 0.3x |
| 11/18/2010 | Sanford Health | North Country Health Services | Minnesota | Non-Profit | 75.0 | 93.5 | 3.2 | 118.0 | 0.8x | 23.4x | 3.4% | 0.6x |
| 11/8/2010 | Methodist Healthcare System | TexSan Heart Hospital | Texas | For-Profit | 76.3 | 94.7 | 14.0 | 120.0 | 0.8x | 5.4x | 14.8% | 0.6x |
| 10/26/2010 | Vibra Healthcare, LLC | Two Ohio Long-Term Acute Care Hospitals | Ohio | For-Profit | 21.0 | N/A | N/A | 59.0 | | | | 0.4x |
| 10/26/2010 | Vibra Healthcare, LLC | Two Indiana Long-Term Acute Care Hospitals | Indiana | For-Profit | 21.0 | N/A | N/A | 59.0 | | | | 0.4x |
| 10/12/2010 | ThedaCare | Shawano Medical Center | Wisconsin | Non-Profit | 4.3 | 39.7 | N/A | 25.0 | 0.1x | | | 0.2x |
| 10/11/2010 | SUNY Downstate Medical Center | Long Island College Hospital | New York | For-Profit | 62.0 | 388.7 | N/A | 506.0 | 0.2x | | | 0.1x |
| 10/1/2010 | New Directions Health Systems, LLC | Pike County Memorial Hospital | Arkansas | Non-Profit | 2.0 | 3.5 | 0.2 | 32.0 | 0.6x | 8.1x | 7.1% | 0.1x |
| 9/16/2010 | West Virginia United Health System | St. Joseph's Hospital | West Virginia | For-Profit | 100.0 | 104.0 | N/A | 194.0 | 1.0x | | | 0.5x |
| 9/10/2010 | Iasis Healthcare, LLC | Brim Holdings | Tennessee | For-Profit | 95.0 | N/A | N/A | 165.0 | | | | 0.6x |
| 9/1/2010 | Adventist Health Systems, Inc. | University Community Health | Florida | Non-Profit | 355.0 | 502.5 | 7.8 | N/A | 0.7x | 45.5x | 1.6% | |
| 8/30/2010 | Avera McKennan | Avera Heart Hospital | South Dakota | For-Profit | 36.0 | 66.6 | N/A | 55.0 | 0.5x | | | 0.7x |
| 8/24/2010 | Kindred Healthcare Services, Inc. | Five long term acute care hospitals | California | For-Profit | 179.0 | 150.0 | 27.0 | 250.0 | 1.2x | 6.6x | 18.0% | 0.7x |
| 8/16/2010 | Management buyout | Prospect Medical Holdings, Inc. | California | For-Profit | 363.0 | 468.0 | 54.0 | 759.0 | 0.8x | 6.7x | 11.5% | 0.5x |
| 8/9/2010 | Vanguard Health Systems, Inc. | Arizona Heart Hospital | Arizona | For-Profit | 39.0 | 79.8 | N/A | 59.0 | 0.5x | | | 0.7x |
| 8/6/2010 | MHA, LLC | Meadowlands Hospital | New Jersey | Non-Profit | 17.6 | 61.6 | N/A | 230.0 | 0.3x | | | 0.1x |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Max** | **5,846.80** | **702.60** | **11,000.00** | **9.01x** | **52.67x** | **37.5%** | **2.22x** |
| **Mean** | **239.60** | **25.50** | **335.04** | **0.73x** | **9.34x** | **7.66%** | **0.49x** |
| **75th %tile** | **211.22** | **17.40** | **279.00** | **0.88x** | **13.46x** | **11.70%** | **0.68x** |
| **Median** | **105.50** | **11.90** | **159.00** | **0.61x** | **9.00x** | **6.38%** | **0.40x** |
| **25th %tile** | **57.30** | **3.20** | **91.00** | **0.35x** | **4.40x** | **3.42%** | **0.20x** |
| **Min** | **3.10** | **(8.78)** | **20.00** | **0.00x** | **-164.72x** | **-16.08%** | **0.00x** |

*Notes:*

Source: Irving Levin Associates, Inc., CapitalIQ.