

CITRUS MEMORIAL HEALTH FOUNDATION

VALUATION & COMPARISON REPORT

MARCH 19, 2013

STRICTLY PRIVATE & CONFIDENTIAL



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CITRUS MEMORIAL HEALTH FOUNDATION

EXECUTIVE SUMMARY

Project Overview

Value Management Group, LLC d/b/a VMG Health (“VMG”) has been engaged by Citrus County Hospital Board (“CCHB”) to provide an evaluation of Citrus Memorial Health Foundation, Inc. doing business as (“d/b/a”) Citrus Memorial Hospital (“CMH” or the “Hospital”), located in Citrus County, Florida in accordance with Florida Statute §155.40. Specifically, the purposes of this report are to provide a third party independent Fair Market Value (“FMV”) analysis, at the control level, of the Hospital, as well as provide an operational benchmarking, financial benchmarking, and community benefit analysis for the Hospital. It is our understanding that our report will be used by CCHB for planning and transaction purposes.

Our report is intended for use solely by the CCHB and only for the indicated purpose. Our analysis is to be used for no other purpose or distributed, in whole or in part, to third parties, other than the Internal Revenue Service, Office of Inspector General or other regulatory authorities, without the express written consent of VMG. Furthermore, the result of our analysis should not be construed as a fairness opinion or investment recommendation. The term FMV means the price at which property would change hands between a willing buyer and willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.

VMG has not taken any steps to audit the financials statements provided. We have relied upon the representation that the latest financial statements are accurate and represent the financial and operational assets of CMH in a reasonable manner. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion. In reaching our final conclusion with respect to the FMV, we considered the factors set forth in Revenue Ruling 59-60, 1959-1, C.b. 237, including:

- The nature of the business and the history of the enterprise from its inception;
- The economic outlook in general and the condition and outlook of the specific industry in particular;
- The earning capacity of the enterprise;
- The dividend-paying capacity of the enterprise;
- Whether or not the enterprise has goodwill or other intangible value;
- Prior sales of the stock and the size of the block of stock to be valued; and,
- The market price of stock of corporations engaged in the same or a similar line of business, having their stocks actively traded on an exchange or over-the-counter market.

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House Bill 711 Overview

The House Bill 711 (“HB 711”) requires any sale or lease of a public hospital or health care system that is owned by a county, district, or municipality to be approved by the Secretary of Health Care Administration (the “Secretary”), unless a majority vote of the registered voters within that county, district, or municipality is required by law.

The governing board of a public hospital or health care system must commence an evaluation of the possible benefits to an affected community from the sale or lease of the hospital facilities no later than December 31, 2012, unless exempted. The bill sets forth the considerations and procedures for the evaluation, including public notice and a public hearing. Within 160 days after initiation of the evaluation, the governing board must publish its findings related to the evaluation process.

The bill provides that prior to a sale or lease, the governing board of the public hospital or health care system must provide public notice of the proposed transaction, publish documents associated with the transaction, and publish the governing board’s findings regarding the proposed sale or lease. The bill provides the process of review of the sale or lease to be conducted by the Secretary prior to approval or rejection of the sale or lease. The bill also authorizes any interested party, which is defined as the governing board or any person submitting a proposal, to seek judicial review of the Secretary’s decision.

The bill allocates net proceeds received from any non-exempted sale or lease and allocates ad valorem tax revenue collected when a public hospital or health care system is sold or leased to a for-profit corporation or other business entity subject to local taxation. 50% is earmarked for health care economic development, including the promotion and support of health care business development or research, and 50% is earmarked for funding the delivery of indigent health care.

This bill exempts the sale or lease of any hospital’s or health care system’s physical property that generates less than 20% of the hospital’s net revenue from the evaluation, public disclosure and approval processes, and the allocation of net proceeds or tax revenue provisions in the bill. However, certain activities must be conducted publicly.

This bill defers hospitals and health care systems that are under lease at the time of the passage of this bill from these processes and allocations until termination of the lease under certain conditions. The bill also exempts hospitals and health care systems that have executed a letter of intent to sell or lease before December 31, 2011, or issued a request for proposals for sale or lease on or before February 1, 2012, from these processes and allocations, so long as the sale or lease of the hospital of health care system occurs by December 31, 2012.

If approved by the Governor, these provisions take effect upon becoming law. House Bill 711 became effective April 6, 2012.

Source: Florida Senate Bill Summaries (<http://flsenate.gov/Committees/BillSummaries/2012/html/212>)

House Bill 711 Overview

In the course of evaluating the benefits of the sale or lease, the board shall:

1. Conduct a public hearing to provide interested persons the opportunity to be heard on the matter;
2. Publish notice of the public hearing in one or more newspapers at least 15 days before the hearing is scheduled to occur;
3. Contract with a certified public accounting firm or other firm that has substantial expertise in the valuation of hospitals to render an independent valuation of the hospital's fair market value; and,
4. Consider an objective operating comparison between a hospital operated by the district and other similarly situated hospitals, both not-for-profit and for-profit, to determine whether there is a difference in the cost and quality of operation using publicly available data.
 - The comparison must determine whether it is more beneficial to taxpayers and the affected community for the hospital to be operated by a governmental entity, or whether the hospital can be operated by a not-for-profit or for-profit entity with similar or better cost-efficiencies or measurable outcomes.
 - The comparison must also determine whether there is a net benefit to the community to operate the hospital as a not-for-profit or for-profit entity and use the proceeds of the sale or lease for economic development and the provision of indigent care.

EXECUTIVE SUMMARY

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Valuation Overview & Conclusion

Based on and subject to the facts, limiting conditions, and assumptions presented in this report and attached exhibits, the FMV of the total invested capital (“TIC”) at the control level of the Hospital is reasonably represented in the range of \$106.6 million and \$117.8 million.

Fair Market Value Recommendation	Rounded (\$)		
	Low	Mid	High
Fair Market Value of the Hospital, Total Invested Capital Level	\$106,550,000	\$112,160,000	\$117,770,000

Reconciliation of Valuation Approaches	Value	Weight	Conclusion
Income Approach Value Indication	\$104,070,000	50.0%	\$52,040,000
Cost Approach Value Indication	\$93,570,000	-	-
Market Approach Value Indication	\$120,240,000	50.0%	\$60,120,000
<i>Fair Market Value Indication, Total Invested Capital Level</i>			<i>\$112,160,000</i>

Included within the above FMV indication are all operating assets of CMH including a normalized level of working capital, fixed assets, and intangible assets. Working capital is defined as current assets minus current liabilities. Working capital includes accounts receivable and other current assets less non-interest bearing debt that permit a business to conduct day-to-day operations and maintain liquidity. Our above value assumes that a reasonable level of working capital exists on the balance sheet of the business as of the transaction date. Based upon our analysis of the Hospital’s historical working capital requirements and observed working capital requirements for similar facilities, we have estimated a normalized level of cash-free working capital at 8.0% of net revenues.

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Estimated Net Proceeds Before Transaction Costs

Net proceeds were calculated from the total invest capital value indication by subtracting interest-bearing debt outstanding and the minimum pension liability and adding back cash, short-term investments, funded depreciation, assets limited as to use, and non-operating real estate assets .

Fair Market Value Recommendation	Rounded (\$)		
	Low	Mid	High
Fair Market Value of the Hospital, Total Invested Capital Level	\$106,550,000	\$112,160,000	\$117,770,000
Adjustments to Calculate Net Proceeds			
Less: Interest-Bearing Debt Outstanding as of January 31, 2013 ⁽¹⁾	(55,270,000)	(55,270,000)	(55,270,000)
Less: Additional Minimum Pension Liability ⁽²⁾	(30,560,000)	(30,560,000)	(30,560,000)
Plus: Cash & Cash Equivalents and Short-Term Investments ⁽³⁾	17,350,000	17,350,000	17,350,000
Plus: Funded Depreciation ⁽⁴⁾	386,000	386,000	386,000
Plus: Assets Limited As To Use ⁽⁵⁾	9,890,000	9,890,000	9,890,000
Plus: Non-Operating Real Estate Assets ⁽⁶⁾	2,450,000	2,450,000	2,450,000
Estimated Net Proceeds Before Transaction Costs	\$50,800,000	\$56,410,000	\$62,020,000
Estimated Net Proceeds Before Transaction Costs (+/- 5.0%) (Rounded):			
	Low	Mid	High
	\$53,590,000	\$56,410,000	\$59,230,000

Notes

(1) Interest-bearing debt is comprised of both third party debt obligations and estimated long-term professional liability of approximately \$53.2 million and \$2.0 million, respectively, as of the January 31, 2013 balance sheet.

(2) Additional minimum pension liability had a balance of approximately \$30.6 million as of the January 31, 2013 balance sheet.

(3) Cash & cash equivalents and short-term investments had balances of approximately \$10.3 million and \$7.0 million as of January 31, 2013 balance sheet

(4) Funded depreciation had a balance of approximately \$386,000 as of the January 31, 2013 balance sheet.

(5) Assets limited as to use are comprised of professional liability fund, development fund, and bond assets of approximately \$2.0 million, \$2.6 million, and \$5.2 million, respectively, as of the January 31, 2013 balance sheet.

(6) Non-operating real estate assets are largely comprised of the excess land held by the Hospital which has been estimated to be valued at approximately \$2.5 million. Please see location description listed under Parcel 7 and 8 in the real estate FMV report for further detail.

Situational Analysis

CMH is a not-for-profit corporation duly organized and validly existing under the laws of the State of Florida. The Hospital leases and operates all the land, buildings, improvements, equipment, and furniture from Citrus County Hospital Board (“CCHB”). CCHB is a special tax district located in Citrus County, Florida, duly organized and existing under the laws of the State pursuant to Chapter 99-442, Laws of Florida, as amended, and as particularly amended by Chapter 2001-308, Laws of Florida, for the purposes of planning, building, constructing, repairing, fixing, equipping, furnishing, supplying, operating and maintaining a hospital and related facilities. CCHB has the power to acquire real and personal property, to improve, lease, plan, build, construct, repair, fix, purchase, sell, mortgage, encumber, furnish, equip, supply, operate, manage, maintain and conduct a hospital and any facilities, buildings, schools and structures related to and customarily used, conducted or operated in conjunction with a hospital, to establish a medical staff, to employ personnel, and to issue bonds.

CMH began operations in 1957 as the area’s first healthcare institution for residents in Citrus and surrounding counties and is classified as a general short-term acute care hospital. Over the years, CMH has evolved into a comprehensive system and is currently comprised of a 198-bed inpatient facility, a 24-hour emergency room, a heart center, and provides laboratory management services, diagnostic imaging services, home health services, rehabilitation services, orthopaedic services, and walk-in clinical services. CMH is located at 502 W. Highland Blvd., in Inverness, Florida.

During the trailing twelve month period ended January 31, 2013 (“TTM 2013”), CMH generated net revenues of approximately \$153.0 million, down 0.9% compounded annually from net revenues in the fiscal year ended September 30, 2010 (“FYE 2010”) of approximately \$156.2 million. During TTM 2013, total adjusted admission volume was 18,451, up 1.0% compounded annually from 18,013 in FYE 2010. Over the same period, adjusted patient days increased 2.5% compounded annually from 73,516 in FYE 2010 to 77,935 in TTM 2013. During the fiscal year ended September 30, 2012 (“FYE 2012”), Medicare comprised 69.9% of gross revenue. CMH currently employs 1,259.1 full-time equivalent (“FTE”) employees. The average employee hourly salary paid by CMH is \$23.41 and the average employee benefits per hour paid by CMH is \$4.51.

As mentioned previously, CMH is located in Inverness, Florida which is located in Citrus County. Recent population estimates indicate the population of Citrus County increased 1.5% compounded annually from 118,639 residents in 2000 to approximately 141,236 residents in 2011. According to the United States Census Bureau, approximately 32.8% of the population of Citrus County is over the age of 65, compared to the Florida average of approximately 17.6%. Citrus County had 41,944 people enrolled in Medicare as of the latest information recorded in July 2010. CMH’s local competition comes from HMA owned Seven Rivers Regional Medical Center, as well as other health system providers located 25 to 30 miles away in Ocala (Munroe Regional Medical Center and two HCA facilities, Ocala Regional Medical Center and West Marion Community Hospital) and in Leesburg (Central Florida Health Alliance). Additionally, strong outpatient competition remains a going concern for CMH, which includes outpatient diagnostic centers and ambulatory surgery centers.

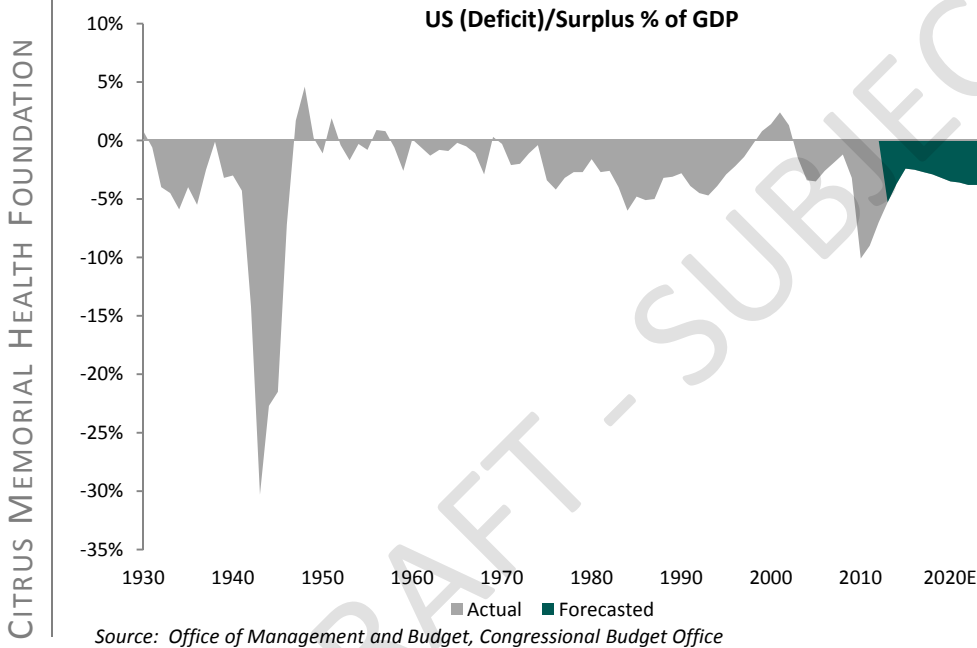
The engagement was conducted in accordance with generally accepted valuation methodologies. In the valuation of a privately-held business, three general approaches are considered in the determination of value: Cost Approach, Market Approach, and the Income Approach. The nature and characteristics of the business and the objective of the engagement indicate which approach, or approaches, are most applicable for valuation purposes. The Income and Market Approach were relied upon in this engagement, the applicability of which is discussed later in the report.

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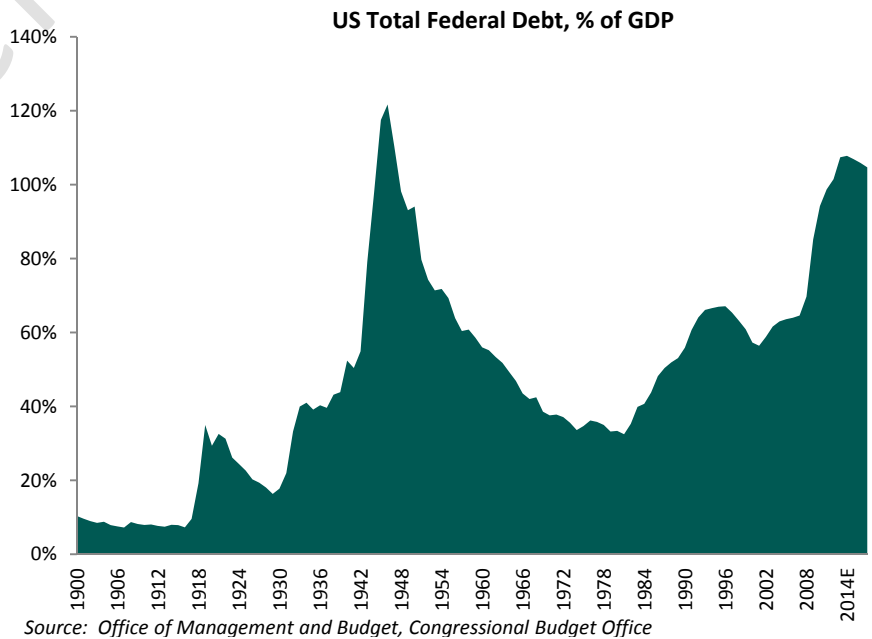
MARKET OVERVIEW

Economic Analysis

The federal budget deficit continues to be a lingering problem for law makers and the private sector. While the deficit has contracted over the past few years, the current level of U.S. debt remains at a near all-time high. The degree to which the deficit will contract in the future depends greatly on the presently challenging political environment and the economy's ability to grow. At approximately 100% of gross domestic product ("GDP"), the U.S. federal deficit lags slightly behind other countries with similar economic conditions and policy headwinds. While the process may be cumbersome and difficult, Congress is poised to reduce the federal deficit through austerity measures and revenue generation.



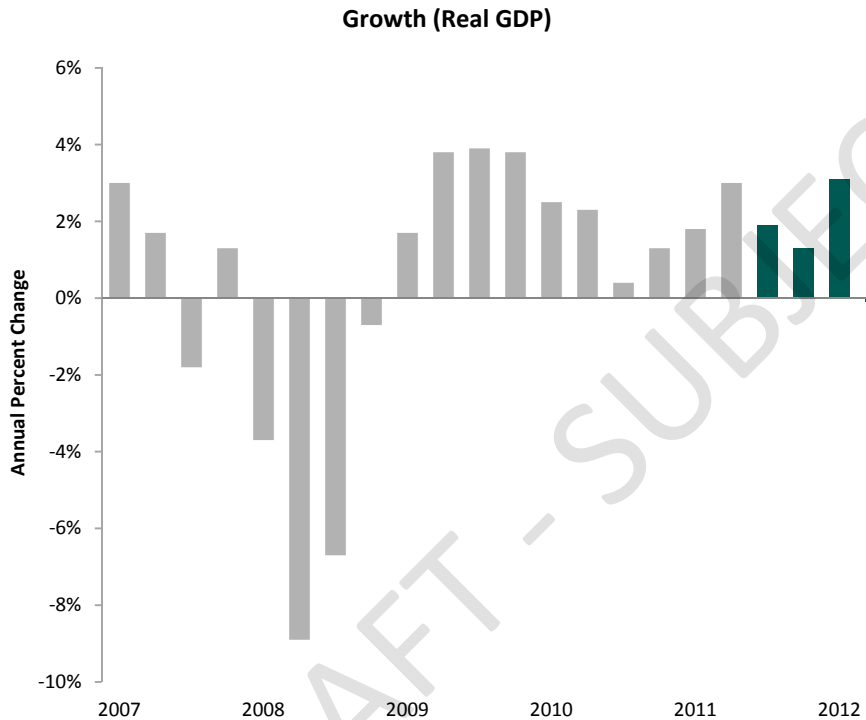
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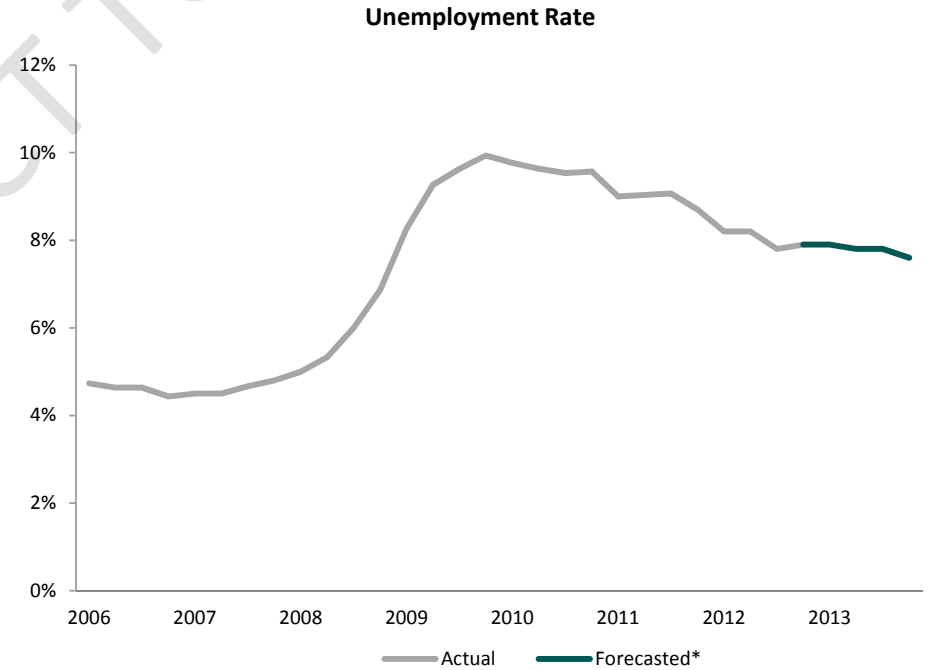
Economic Analysis

Amidst high unemployment and rising energy costs, real GDP has grown by only 2.0% annually since 2009. According to the Philadelphia Fed Survey of Professional Forecasters, GDP growth (quarterly) is expected to grow at approximately 2.0% in 2013.

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Source: U.S. Bureau of Economic Analysis



*Philadelphia Fed Survey of Professional Forecasters
Source: U.S. Bureau of Labor Statistics

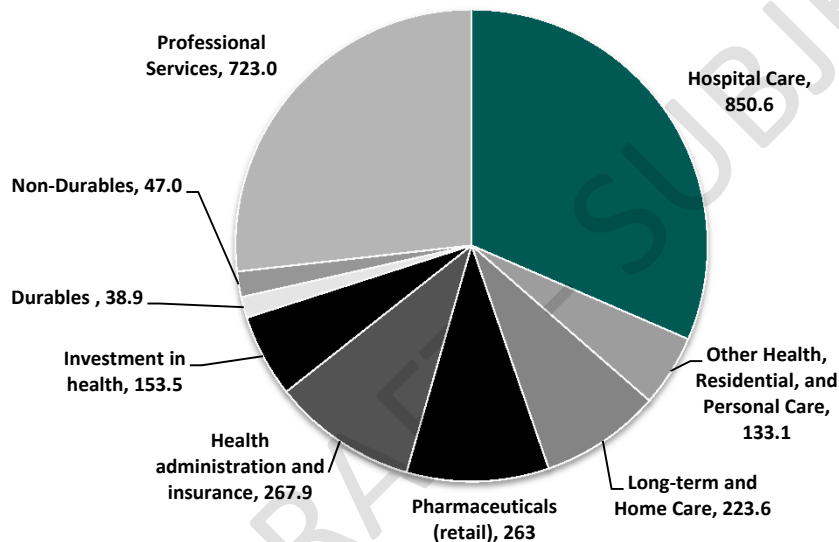
U.S. Healthcare System

Hospital care (31.5%) and professional services (26.8%) accounted for the majority of healthcare spending in 2011. Though hospital expenditures account for the largest portion of healthcare spending in the United States, the long-term and home care, and the other health, residential and personal care spending categories have increased at similar rates over the last five years. Recent spending trends and growth rates signify that burgeoning healthcare spending is slowing as a result of the transition of care from an inpatient setting to an outpatient setting. In 2011, year-over-year hospital spending growth declined to 4.9% over 2010. While hospital spending growth has slowed in recent years, hospital spending continues to be a significant driver in the rising cost of healthcare. On average, annual hospital spending growth has outpaced average annual healthcare spending growth in the United States over the last five years.

CITRUS MEMORIAL HEALTH FOUNDATION

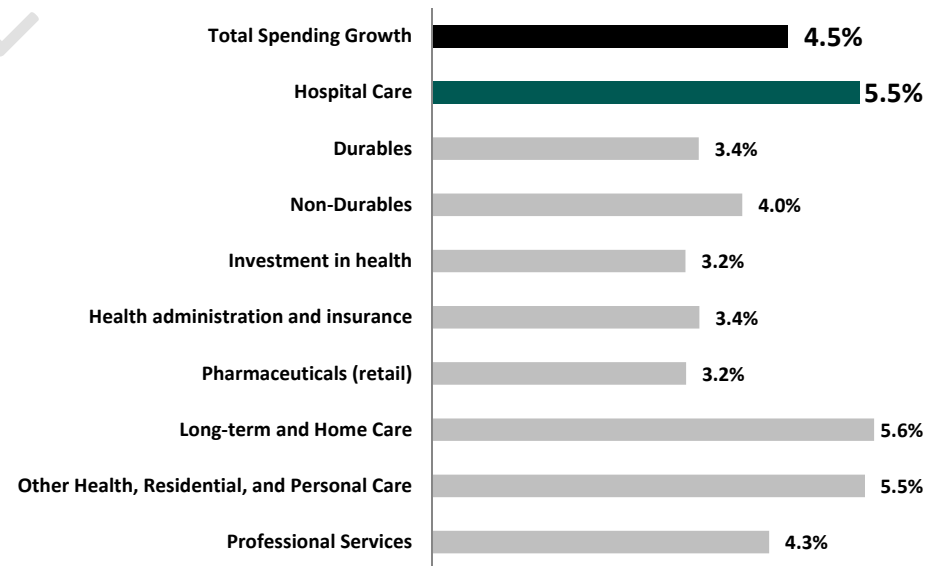
Total Healthcare Spending by Category, 2011 (in billions)

Total 2011 Spending: \$2.7 trillion



Source: Center for Medicare & Medicaid Services

**Yearly Growth Since 2006
Spending by Category: 2006-2011**

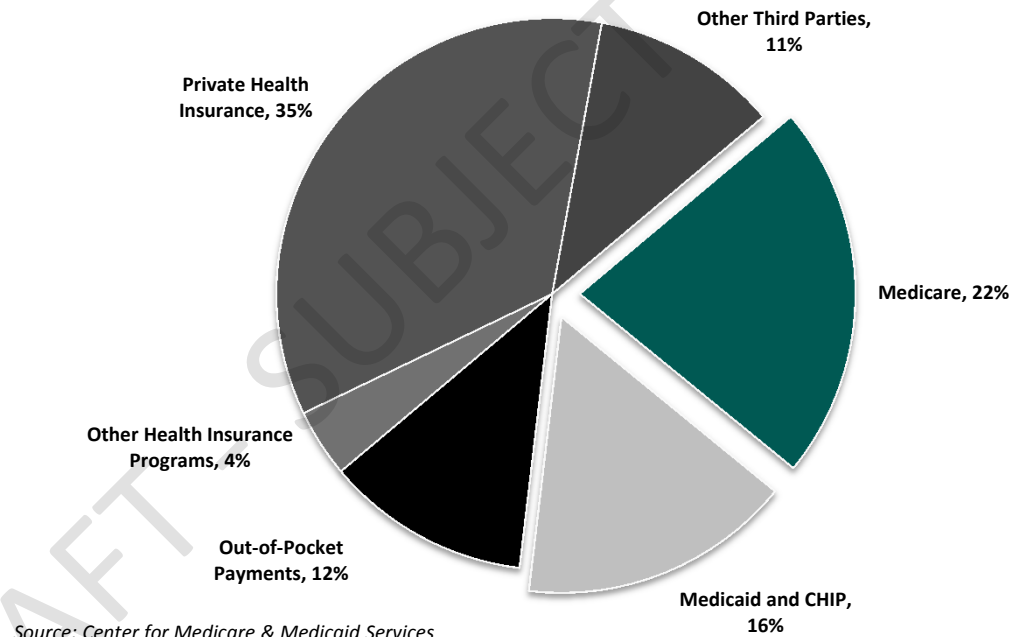


Source: Center for Medicare & Medicaid Services

U.S. Healthcare System

A combination of private and public sources finance health care in the United States. Most Americans under the age of 65 have private health insurance obtained through an employer. According to CMS estimates, in 2010, about 56% of the population (150 million people) will have employment-based coverage, and about 5% (13 million people) will have private coverage purchased directly from an insurer. In 2011 about 110 million people were covered by Medicare and Medicaid, the two main sources of public financing for health care. In the same year, federal spending for Medicare and Medicaid made up approximately 38% of national health expenditures.

National Health Expenditures in the U.S. by Source of Payment, 2011



U.S. Healthcare System

Government Funding

Medicare provides federal health insurance for 45 million people who are elderly or disabled (the elderly make up about 85% of enrollees) or who have end-stage renal disease or amyotrophic lateral sclerosis (also known as Lou Gehrig’s disease). Individuals become eligible for Medicare on the basis of age when they reach 65; disabled individuals become eligible for Medicare 24 months after they become eligible for benefits under Social Security’s Disability Insurance program.

Medicaid is a joint federal–state program that pays for health care services for a variety of low-income individuals. The program, created in 1965 by the same legislation that created Medicare, replaced an earlier program of federal grants to states to provide medical care to people who had low income. In fiscal year 2011, federal spending for Medicaid was approximately \$408 billion. The federal government’s share of Medicaid’s spending for benefits varies among the states but generally averages 57%. Medicare spending has grown by approximately 9.1% each year from \$37.4 billion in 1980 to \$554 billion in 2011. Prior to the recent reform measures, health care spending was projected to increase 25% by 2030, according to the Center for Disease Control (CDC).

Program	US Government Healthcare Expenditures, 1980-2011 (\$ in Billions)														CAGR		
	1980	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1980-2011	1990-2011	2000-2011
Medicare	37.4	110.2	224.8	247.7	265.4	282.7	311.2	339.8	403.7	433.6	468.2	500.4	522	554.3	9.1%	8.6%	8.4%
Medicaid	26.0	73.7	200.5	224.2	248.2	269.1	290.9	309.5	306.9	326.2	344.9	375.4	397.7	407.7	9.3%	8.5%	6.7%
Total	\$63.4	\$183.9	\$425.3	\$471.9	\$513.6	\$551.8	\$602.1	\$649.3	\$710.6	\$759.8	\$813.1	\$875.8	\$919.7	\$962.0	9.2%	8.2%	7.7%

Source: CMS

Healthcare Reform

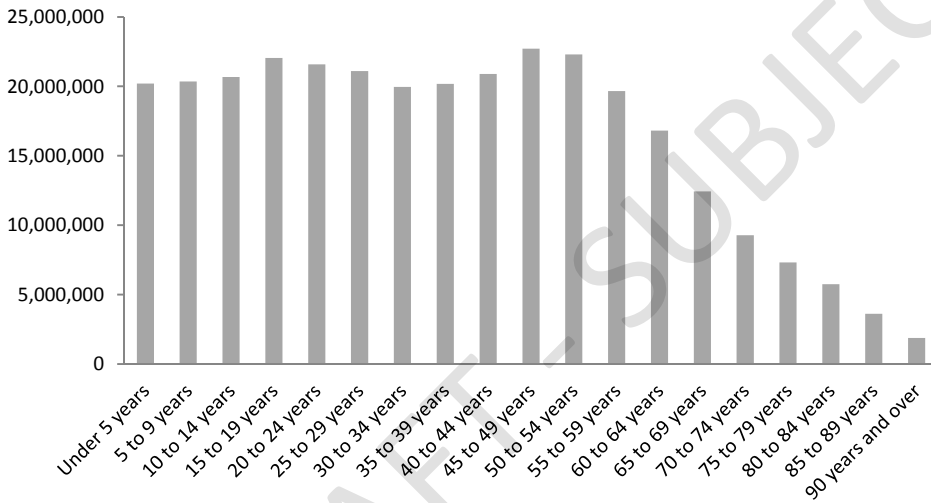
Because of the increasing cost of healthcare in March 2010, Congress passed and the President signed into law two pieces of legislation—the Patient Protection and Affordable Care Act (PPACA, Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152)—that make major changes regarding the provision of health insurance, subsidies for insurance coverage, payments for health care through federal programs, and tax revenues. Discussion of the new legislation has dominated the health care industry as industry participants attempt to determine how to adjust to new market conditions.

Demographic Analysis

Between 2010 and 2050, the United States is projected to experience rapid growth in its older population. In 2050, the number of Americans aged 65 and older is projected to be 88.5 million (20% of the population), more than double its population of 40.2 million in 2010 (13% of the population). The baby boomers are largely responsible for this increase in the older population, as they will begin crossing into this category in 2011. The aging of the population will have wide-ranging implications for the country and the healthcare system including but not limited to: increased demand for Medicare funding and increased demand for geriatric services.

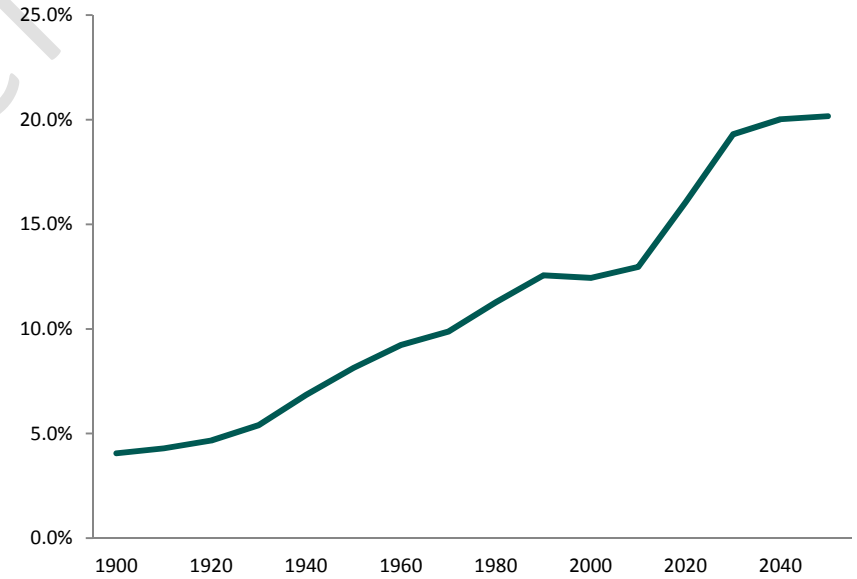
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Population (2010 Census)



Source: U.S. Census Bureau

Age 65 and older (% of U.S. Population)



Source: U.S. Census Bureau

Local Demographics

The Hospital is located in Inverness, Florida which is located in Citrus County. Recent population estimates indicate the population of Citrus County increased 1.5% compounded annually from 118,639 residents in 2000 to 140,031 in 2011. Approximately 32.8% of the population of Citrus County is over the age of 65, which is almost twice as much as the Florida State average of 17.6% (Source: United States Census Bureau). According to the United States Department of Labor, the December 2012 unemployment rate for Citrus County was 9.1%. Furthermore, according to the Centers for Medicare and Medicaid Services, Citrus County had 41,944 people enrolled in Medicare as of the latest information recorded in July 2010.

In addition, the 2011 median household income for Citrus County, Florida was \$38,189 which was 20.2% lower than the 2011 Florida state median of \$47,827.

Population Estimates

	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Citrus County	93,515	118,639	121,081	123,243	125,757	129,208	132,947	136,796	139,838	140,865	140,357	141,236	140,031
*CAGR since 1990	N/A	2.4%	2.4%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.3%	2.2%	2.1%	1.9%
*CAGR since 2000	N/A	N/A	2.1%	1.9%	2.0%	2.2%	2.3%	2.4%	2.4%	2.2%	1.9%	1.8%	1.5%

*CAGR = Compounded annual growth rate.

Source: U.S. Census Bureau Population Finder for Citrus County, FL

According to the United States Census Bureau, the top five industries in Citrus County, FL are listed below.

- Educational services, and health care and social assistance (24.9%);
- Retail trade (14.4%);
- Arts, entertainment, and recreation, and accommodation and food services (11.1%);
- Construction (9.1%); and,
- Professional, scientific, and management, and administrative and waste management services (8.30%).

MARKET OVERVIEW

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Local Demographics

According to the United States Department of Labor, Bureau of Labor Statistics, the May 2011 Metropolitan Area Occupational Employment and Wage Estimate for the Tampa- St. Petersburg- Clearwater, Florida Metropolitan Area, the Healthcare Practitioner and Technical Occupations section outlined the following employment information which would be relevant for CMH:

Occupation Code	Occupation Title	Employment ⁽¹⁾	Median Hourly	Mean Hourly	Mean Annual ⁽²⁾	Mean RSE ⁽³⁾
29-1111	Registered Nurses	26,290	\$29.89	\$31.80	\$66,140	2.0%
29-2037	Radiologic Technologists and Technicians	2,290	24.93	25.05	52,100	2.0%
29-2061	Licensed Practical and Licensed Vocational Nurses	7,890	19.66	20.00	41,600	1.4%
29-2071	Medical Records and Health Information Technicians	2,020	14.74	16.40	34,100	4.6%
29-2799	Health Technologists and Technicians, All Other	680	19.18	20.16	41,930	3.2%
31-1012	Nursing Aides, Orderlies, and Attendants	15,570	11.23	11.52	23,950	1.4%
31-9092	Medical Assistants	6,270	13.29	13.58	28,250	1.8%
31-9093	Medical Equipment Preparers	850	13.27	13.37	27,810	1.8%
31-9094	Medical Transcriptionists	590	13.87	14.33	29,810	4.5%

(1) Estimates for detailed occupations do not sum to the totals because the totals include occupations not shown separately. Estimates do not include self-employed workers.

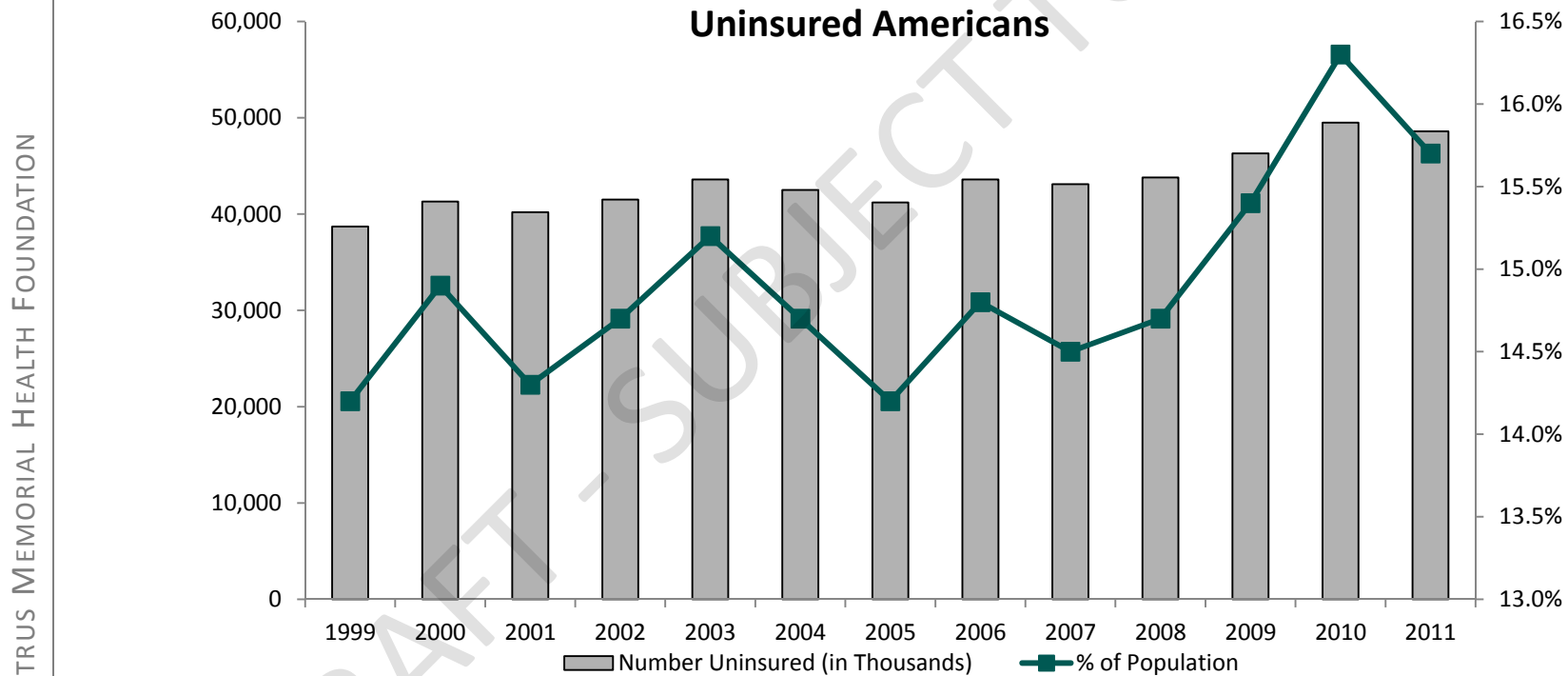
(2) Annual wages have been calculated by multiplying the hourly mean wage by a "year-round, full-time" hours figure of 2,080 hours; for those occupations where there is not an hourly mean wage published, the annual wage has been directly calculated from the reported survey data.

(3) The relative standard error (RSE) is a measure of the reliability of a survey statistic. The smaller the relative standard error, the more precise the estimate.

Industry Analysis

Uninsured Americans

As illustrated in the chart below, the number and percentage of Americans without health insurance steadily increased from 2007-2010. In 2011, the number of uninsured Americans decreased from 49.5 million in 2010 to 48.6 million in 2011. The percentage of Americans without health insurance has increased from 14.5% of the total population in 2007 to 15.7% of the total population in 2011. However, for the fifth consecutive year, the percentage of people covered by government health insurance increased – up to 32.2% from 31.2% in 2010.



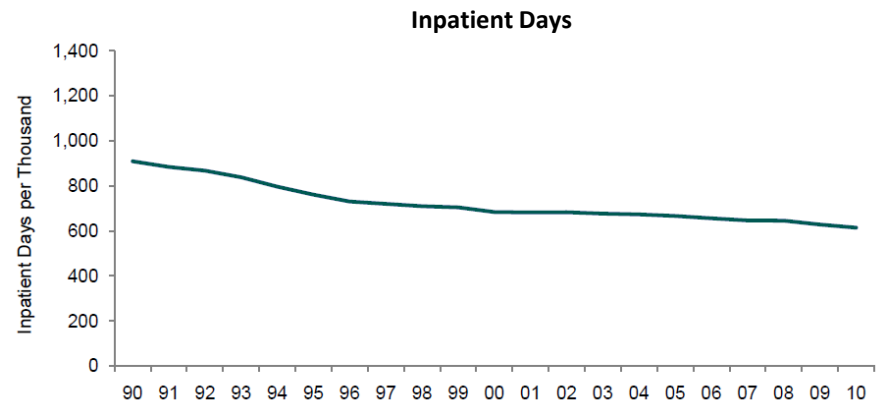
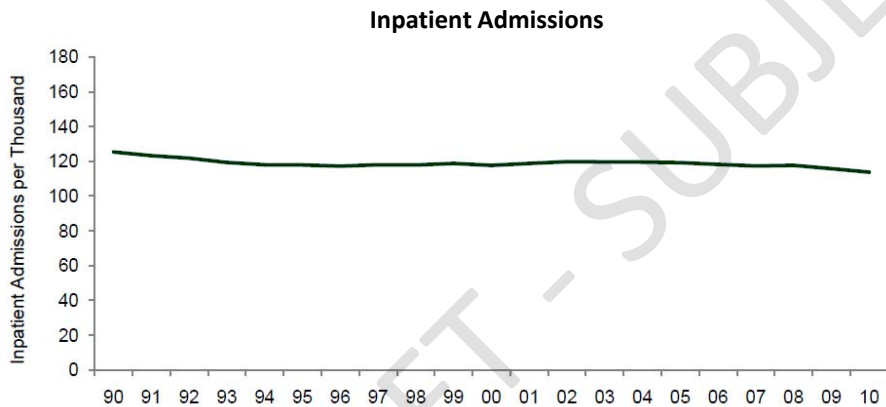
Sources: Center For Disease and Control, Estimate for 2010 Uninsured

Industry Analysis

Negative Utilization Trends

While current demographic trends suggest an increase in utilization of acute care hospitals, current utilization remains near all-time lows. According to the 2012 American Hospital Association (“AHA”) Chartbook, the number of inpatient admissions per 1,000 persons has decreased from 119.7 admissions in 2002 to 115.7 admissions in 2009. Since 1998, admissions have continued to trend downward. In addition to the declining growth of inpatient admissions, the number of inpatient days continues to decline. In 2009, inpatient days per 1,000 persons decreased 17.4 days per admission from 2008. As a result total inpatient days per 1,000 persons have fallen from 681.6 million in 2001 to 627.5 million in 2009. According to the AHA, the most significant factor driving this trend is the increase in the number of medical procedures performed in an outpatient setting. Other factors include the development of less invasive surgical techniques, advancements in drug therapies that reduce the severity & incidence of certain conditions, and increased pressure by government & managed care payors to reduce length of inpatient hospital stays.

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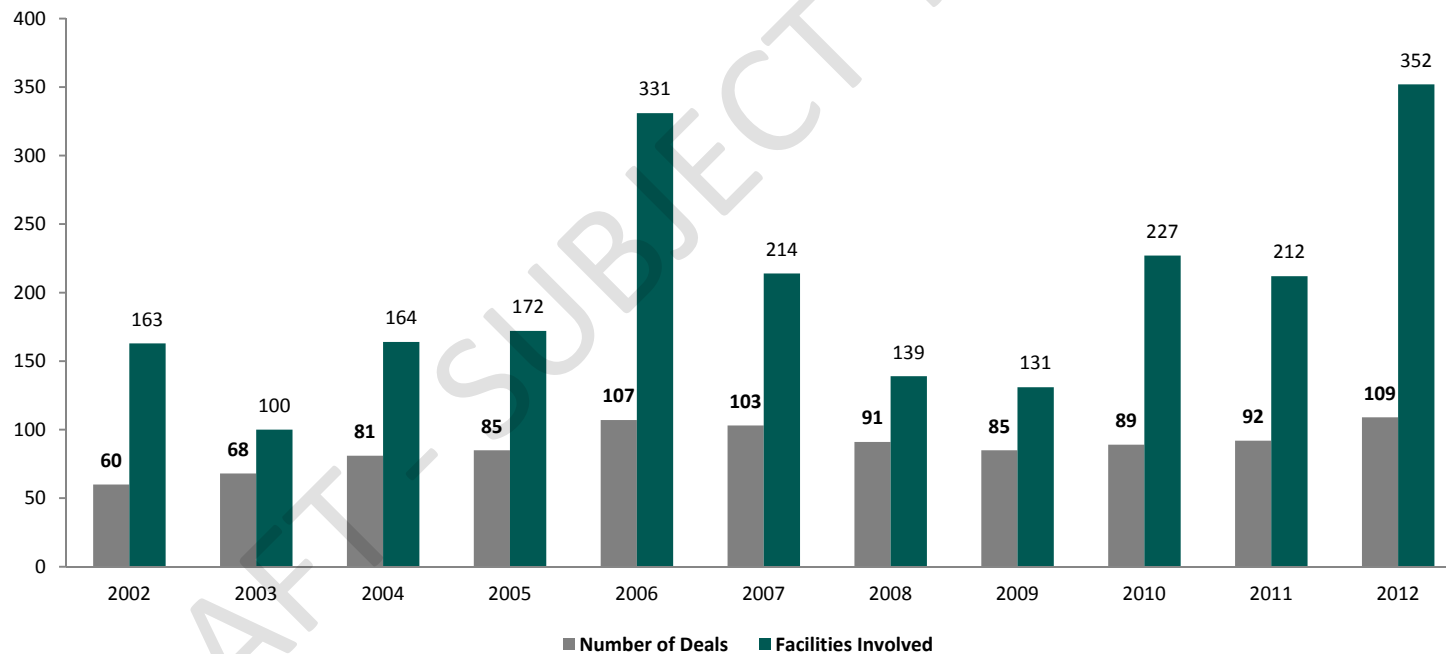
Sources: American Hospital Association & Avalere Health: Trend Watch Book

Industry Analysis

Hospital Acquisition Market

According to the latest data published by Modern Healthcare, the hospital merger and acquisition (“M&A”) environment remains strong and consistent with historical transaction trends. The steady level of hospital transactions over the last five years suggests that owning and operating hospitals remains an attractive investment. Since 2002, the total number of hospital deals has grown by approximately 6.2% each year. The hospital acquisition market peaked in 2012 with 109 transactions comprised of 352 total facilities. In terms of transaction volume, this is the first time that the hospital M&A market reached pre-recession levels. According to *Modern Healthcare*, the 2012 M&A market was marked by a higher number of for-profit, not-for-profit joint ventures. These trends and numbers point to further consolidation.

Hospital Merger and Acquisition Trends



Source: Modern Healthcare

Source: Modern Healthcare

Industry Analysis

Regulatory Update

The pace of healthcare reform in Washington D.C. has increased with the passage and signature of both the Patient Protection and Accountable Care Act (“PPACA”) and the Health Care and Education Reconciliation Act of 2010. Overall, PPACA will expand health insurance coverage by:

- Making more low-income families eligible for Medicaid;
- Offering subsidies to help moderate-income families purchase health insurance;
- Forbidding insurance companies from denying coverage of pre-existing conditions; and,
- Creating government regulated marketplaces called insurance exchanges where individuals and small businesses can go to purchase insurance coverage.

PPACA also includes provisions whereby nearly all individuals are required to obtain insurance coverage or face a penalty. Furthermore, under PPACA, businesses are required to provide coverage or contribute to its costs.

Although comprehensive health reform has been passed, new healthcare legislation continues to be enacted, include the following:

- **Medicare and Medicaid Extenders Act of 2010 (“MMEA”)** (*passed*)- MMEA holds Medicare payments for physicians under the physician fee schedule at 2010 rates and prevents the scheduled payment reduction in the FY 2011 CMS final ruling until December 2011.
- **Physician Payment and Therapy Relief Act (“PPTA”)** (*passed*)- provides temporary relief to physicians who were facing a 23.0% cut to Medicare rates beginning December 1, 2010. The PPTA will continue the existing 2.2% physician payment update that expired November 30, 2010 for one month.

Supreme Court Update

On June 28, 2012, the Supreme Court upheld the constitutionality of most provisions in PPACA, including the requirement for most Americans to have health insurance by 2014. Despite the Court’s ruling in *National Federation of Independent Business v. Sebelius*, opponents of the legislation continue to push new litigation to defeat PPACA.

Sources: Deutsche Bank, FMAP vote; Opencongress.org

Industry Analysis

Regulatory Update- PPACA

PPACA has a long timeframe of implementation and the majority of the provisions are gradually implemented. Below are a few major changes for 2012 & 2013:

Medicare

- Effective FY 2011 through FY 2015 : provide a 10.0% Medicare bonus payment to primary care physicians and to general surgeons practicing in health professional shortage areas.
- Effective for payments for discharges occurring on or after October 1, 2012: establishes a hospital value-based purchasing program in Medicare to pay hospitals based on performance on quality measures and requires plans to be developed to implement value-based purchasing programs for skilled nursing facilities, home health agencies, and ambulatory surgical centers
- Effective FY 2013: imposes an excise tax of 2.3% on the sale of any taxable medical device.
- Effective January 1, 2013: increases the Medicare Part A tax rate on wages by 0.9% to 2.35% on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples and imposes a 3.8% assessment on unearned income for higher-income taxpayers.
- Effective October 1, 2013: Medicare Disproportionate Share Hospital Payments: reduces Medicare Disproportionate Share Hospital (DSH) payments initially by 75% and subsequently increases payments based on the percent of the population uninsured and the amount of uncompensated care provided.
- Effect October 1, 2013: Medicaid Disproportionate Share Hospital Payments: reduces states' Medicaid Disproportionate Share Hospital (DSH) allotments and requires the Secretary to develop a methodology for distributing the DSH reductions.
- Effective FY 2013 through FY 2014: increases Medicaid payments for primary care services provided by primary care doctors to 100% of the Medicare payment rate for 2013 and 2014.

Medicaid

- Prohibit federal payments to states for Medicaid services related to health care acquired conditions.
- Create a new Medicaid state plan option to permit Medicaid enrollees with at least two chronic conditions, one condition & risk of developing another, or at least one serious & persistent mental health condition to designate a provider as a health home provider.

Sources: Kaiser Family Foundation

MARKET OVERVIEW

DRAFT REPORT

Industry Analysis

IPPS

On August 1, 2012, CMS released the FY 2013 IPPS payment update which issued a payment increase of 2.3%.

- Inflation Update – CMS updated the hospital market basket by 2.6%.
- Productivity Adjustment – Multifactor productivity adjustment for FY 2013 is (0.7%)
- PPACA Reduction – Required by healthcare reform, the FY 2013 final rule implements a 0.1% cut in the payment conversion factor.
- Coding Adjustment – Originally a proposed 1.9% cut, the coding adjustment was increased to a 1.0% gain due to the restoration of One-Time 2012 Recoupment Adjustment
- Readmission Adjustment – The FY 2013 rule finalizes a methodology to calculate the readmissions adjustment factor, which is the higher of a ratio of a hospital's aggregate dollars for excess readmissions to their aggregate dollars for all discharges

Increase of 2.3%

Inflation Update

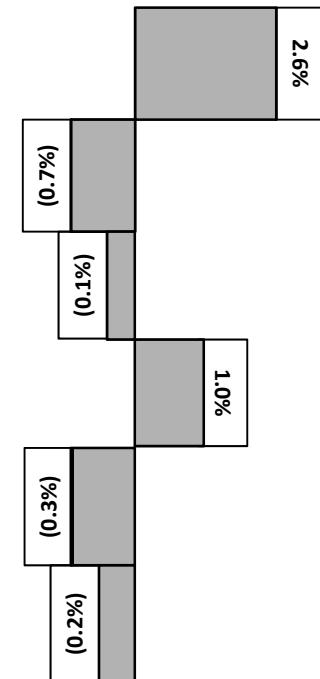
Productivity Adj.

PPACA Reduction

Coding Adj.

Readmission Adjustment Correction

Other Adjustments



Sources: CMS FY2013 Final Ruling Inpatient Prospective Payment System

MARKET OVERVIEW

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Industry Analysis

OPPS

On November 1, 2012, CMS released the FY 2013 OPPS final payment update which issued an increase of 1.8% for hospital outpatient departments (“HOPDs”).

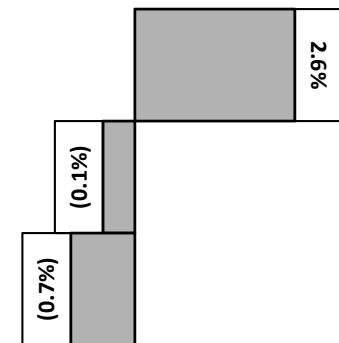
- Inflation Update – CMS issued a market basket update of 2.6%, compared to 3.0% in CY 2012.
- Productivity Adjustment – Multifactor productivity adjustment for CY 2013 is (0.7%).
- PPACA Reduction – Required by healthcare reform, the CY 2013 final rule implements a 0.1% cut in the payment conversion factor.

Increase of 1.8%

Inflation Update

PPACA Reduction

Productivity Adj.



Total payments to hospitals under the OPPS in CY 2013 will be approximately \$48.1 billion. The OPPS rule also contains a significant change from prior policy: as proposed, it bases relative payment weights on geometric mean costs rather than median costs. Basing the OPPS payments on mean costs better reflects average costs of services and aligns the metric used in rate-setting for the OPPS with the IPPS.

Sources: CMS FY2012 Final Ruling Inpatient Prospective Payment System

CITRUS MEMORIAL HEALTH FOUNDATION

HISTORICAL OPERATIONS ANALYSIS

HISTORICAL OPERATIONS ANALYSIS

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Selected Financial Data

Selected Financial Data	FYE 2010	FYE 2011	FYE 2012	TTM 2013
Fiscal Year Ended September 30				
Gross Inpatient Revenue	\$415,771,843	\$367,187,143	\$388,225,576	\$426,789,158
Gross Outpatient Revenue	291,284,814	326,037,777	295,579,681	308,140,373
Total Gross Revenue	707,056,657	693,224,920	683,805,257	734,929,531
Allowances & Adjustments	(522,459,800)	(505,430,579)	(499,862,018)	(546,979,623)
Net Patient Revenue	184,596,856	187,794,341	183,943,239	187,949,908
Other Operating Revenue	4,582,181	3,229,803	4,094,776	4,765,191
Total Net Operating Revenue	\$156,180,013	\$153,747,193	\$152,003,335	\$152,975,923
<i>Growth</i>	<i>n/a</i>	<i>(1.6%)</i>	<i>(1.1%)</i>	<i>0.6%</i>
Operating Expenses	\$153,069,379	\$147,453,878	\$146,459,956	\$145,958,640
EBITDA	5,475,102	9,880,115	5,826,201	7,220,790
Earnings before Taxes	(5,175,956)	(97,325)	(4,663,689)	(3,206,523)
% of Net Revenue:				
Operating Expenses	98.0%	95.9%	96.4%	95.4%
EBITDA	3.5%	6.4%	3.8%	4.7%
Earnings before Taxes	(3.3%)	(0.1%)	(3.1%)	(2.1%)

Note: Detailed financial statements can be found in the Appendix

The summary above presents the operating results for the fiscal years ended September 30, 2010, 2011, 2012, and the trailing twelve months ended January 31, 2013 ("TTM 2013"). From FYE 2010 to TTM 2013, CMH's net operating revenue decreased 0.9% compounded annually from approximately \$156.2 million to approximately \$153.0 million. Over the same period, CMH's total operating expenses decreased 2.0% compounded annually from approximately \$153.1 million to approximately \$146.0 million. As a result, CMH's earnings before interest, taxes, depreciation, and amortization ("EBITDA") as a percentage of net revenue increased from 3.5% in FYE 2010 to 4.7% in TTM 2013.

Note: Detail on CMH's financial statements can be found in the appendix.

Income Statement Analysis – FYE 2011 vs. TTM 2013

Net Operating Revenues

CMH's net operating revenues decreased 0.4% compounded annually from approximately \$153.7 million in FYE 2011 to approximately \$153.0 million in TTM 2013.

Operating Expenses

CMH's total operating expenses decreased 0.8% compounded annually from approximately \$147.5 million in FYE 2011 to approximately \$146.0 million in TTM 2013. As a percentage of net revenue, CMH's operating expenses were 95.4% in TTM 2013 and was comprised of the following accounts:

- Salaries & wages for TTM 2013 were 40.1% of net revenues (equal to in FYE 2011 levels);
- Benefits & payroll taxes for TTM 2013 were 7.7% of net revenues (below 11.5% in FYE 2011);
- Medical supplies & drugs for TTM 2013 were 24.9% of net revenues (above 24.4% in FYE 2011);
- Ancillary services & supplies for TTM 2013 were 3.1% of net revenues (above 2.7% in FYE 2011);
- Insurance expenses for TTM 2013 were 0.9% of net revenues (below 1.3% in FYE 2011); and
- General & administrative expenses for TTM 2013 were 18.7% of net revenues (above 15.8% in FYE 2011).

CMH's operating expenses as a percentage of net revenues decreased from 95.9% in FYE 2011 to 95.4% in TTM 2013. Therefore, CMH's operating margin as a percentage of net revenues increased from 4.1% in FYE 2011 to 4.6% TTM 2013.

HISTORICAL OPERATIONS ANALYSIS

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Utilization Analysis

<i>Utilization Analysis</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013
Licensed Beds	198	198	198	198
Admissions (excluding newborns)	10,592	10,148	10,575	10,715
<i>Growth</i>	<i>n/a</i>	<i>(4.2%)</i>	<i>4.2%</i>	<i>1.3%</i>
Adjusted Admissions (excluding newborns)	18,013	19,159	18,626	18,451
<i>Growth</i>	<i>n/a</i>	<i>6.4%</i>	<i>(2.8%)</i>	<i>(0.9%)</i>
Outpatient Visits	158,060	157,986	144,560	142,030
<i>Growth</i>	<i>n/a</i>	<i>(0.0%)</i>	<i>(8.5%)</i>	<i>(1.8%)</i>
Patient Days (excluding newborns)	43,230	40,948	43,070	45,235
<i>Growth</i>	<i>n/a</i>	<i>(5.3%)</i>	<i>5.2%</i>	<i>5.0%</i>
Adjusted Patient Days	73,516	77,307	75,862	77,935
<i>Growth</i>	<i>n/a</i>	<i>5.2%</i>	<i>(1.9%)</i>	<i>2.7%</i>
Census Data:				
Avg Daily Census ("ADC")	118.4	112.2	118.0	123.9
Avg Length of Stay ("ALOS")	4.1	4.0	4.1	4.2
<i>Growth</i>	<i>n/a</i>	<i>(1.1%)</i>	<i>0.9%</i>	<i>3.7%</i>
Percent of Occupancy	59.8%	56.7%	59.6%	62.6%

Note: Detailed utilization statistics can be found in the appendix

Illustrated above is CMH's utilization statistics for the FYE 2010, 2011, 2012, and the trailing twelve month period ended January 31, 2013 ("TTM 2013"). CMH's adjusted admissions increased 1.0% compounded annually from 18,013 adjusted admissions in FYE 2010 to 18,451 adjusted admissions in TTM 2013. More recently, CMH's adjusted admissions decreased 0.9% from 18,626 in FYE 2012 to 18,451 in TTM 2013.

In addition, CMH's adjusted patient days increased 2.5% compounded annually from 73,516 in FYE 2010 to 77,935 in TTM 2013. More recently, CMH's adjusted patient days increased 2.7% from 75,862 adjusted patient days in FYE 2012 to 77,935 in TTM 2013.

HISTORICAL OPERATIONS ANALYSIS

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Surgery Case Volume Analysis

<i>Surgery Case Volume Analysis</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013
Inpatient Surgery Cases	2,950	2,771	2,718	2,836
<i>% of Total</i>	47.7%	47.4%	46.5%	48.4%
Outpatient Surgery Cases	3,229	3,070	3,126	3,018
<i>% of Total</i>	52.3%	52.6%	53.5%	51.6%
Total Surgical Case Volume	6,179	5,841	5,844	5,854
Average Cases per Week	118.8	112.3	112.4	112.6
Average Cases per Day	16.9	16.0	16.0	16.0
Days Worked per Year	365	365	365	365

Note: Detailed volume statistics can be found in the appendix

Illustrated in the chart above is CMH's surgery case volume in terms of total inpatient and outpatient surgical cases for the FYE 2010, 2011, 2012, and TTM 2013. CMH's case volume decreased 2.3% compounded annually from 6,179 cases in FYE 2010 to 5,854 cases in TTM 2013. In addition, CMH's surgery case volume in TTM 2013 was comprised of 48.4% inpatient cases and 51.6% outpatient cases.

HISTORICAL OPERATIONS ANALYSIS

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Revenue Analysis

<i>Selected Revenue Data</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013
Gross Inpatient Revenue Per Patient Day	\$9,618	\$8,967	\$9,014	\$9,435
<i>Growth</i>	<i>n/a</i>	<i>(6.8%)</i>	<i>0.5%</i>	<i>4.7%</i>
Gross Outpatient Revenue Per Outpatient Visit	1,843	2,064	2,045	2,170
<i>Growth</i>	<i>n/a</i>	<i>12.0%</i>	<i>(0.9%)</i>	<i>6.1%</i>
Net Patient Revenue per Admission	14,312	14,832	13,987	13,832
<i>Growth</i>	<i>n/a</i>	<i>3.6%</i>	<i>(5.7%)</i>	<i>(1.1%)</i>
Net Patient Revenue per Adjusted Admission	8,416	7,856	7,941	8,033
<i>Growth</i>	<i>n/a</i>	<i>(6.7%)</i>	<i>1.1%</i>	<i>1.2%</i>
Net Patient Revenue per Patient Day	3,507	3,676	3,434	3,276
<i>Growth</i>	<i>n/a</i>	<i>4.8%</i>	<i>(6.6%)</i>	<i>(4.6%)</i>
Net Patient Revenue per Adjusted Patient Day	\$2,062	\$1,947	\$1,950	\$1,902
<i>Growth</i>	<i>n/a</i>	<i>(5.6%)</i>	<i>0.1%</i>	<i>(2.5%)</i>

Note: Detailed revenue statistics can be found in the appendix

Illustrated above are selected revenue statistics for FYE 2010, 2011, 2012, and TTM 2013. From FYE 2010 to TTM 2013, CMH's gross inpatient revenue per patient day decreased 0.8% compounded annually from \$9,618 in FYE 2010 to \$9,435 in TTM 2013 while gross outpatient revenue per outpatient visit increased 7.2% compounded annually from \$1,843 in FYE 2010 to \$2,170 in TTM 2013. Net patient revenue per adjusted admission decreased 2.0% compounded annually from \$8,416 in FYE 2010 to \$8,033 in TTM 2013, while net patient revenue per adjusted patient day decreased 3.4% compounded annually from \$2,062 in FYE 2010 to \$1,902 in TTM 2013.

HISTORICAL OPERATIONS ANALYSIS

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Historical Staffing Overview

<i>Historical Staffing Data</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013
FTE's Hospital Employed	1,327.1	1,314.7	1,305.7	1,259.1
Paid Hours	2,760,408	2,734,481	2,715,905	2,618,844
Annual Hours per FTE	2,080	2,080	2,080	2,080
Paid Hours Per Adj. Patient Day	37.5	35.4	35.8	33.6
<i>Growth</i>	<i>n/a</i>	<i>(5.8%)</i>	<i>1.2%</i>	<i>(6.1%)</i>
P/L Hourly Salary	\$21.85	\$22.52	\$22.68	\$23.41
P/L Benefits/Paid Hour	\$6.53	\$6.49	\$4.65	\$4.51

Source: Hospital's staffing report and internally generated financials as provided by management.

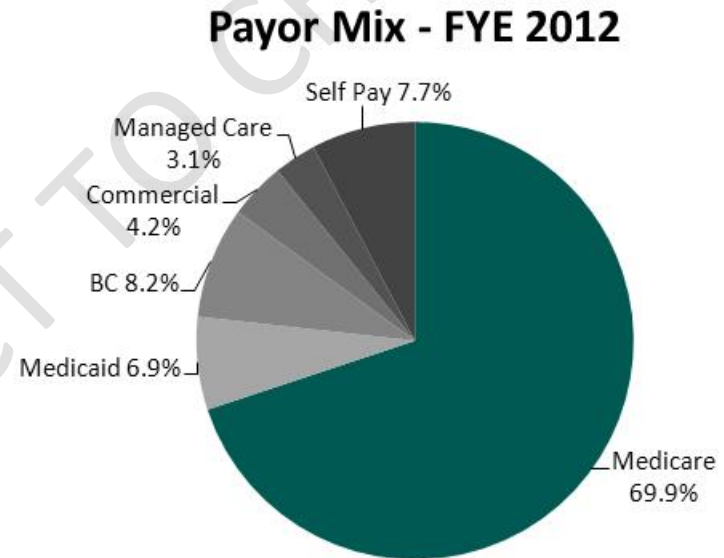
Presented above is a summary of CMH's staff as calculated from historical reports provided by management. As of the year to date period ending January 31, 2013 ("YTD 2013") CMH's staff consisted of approximately 1,259.1 FTE employees. At the YTD 2013 staffing levels and the normalized base year case volume, CMH averages approximately 33.6 staff hours/adjusted patient day.

HISTORICAL OPERATIONS ANALYSIS

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Payor Mix Analysis

Expressed as % of Gross Revenue	FYE 2010	FYE 2011	FYE 2012
Medicare	68.3%	68.8%	69.9%
Medicaid	5.4%	6.3%	6.9%
Blue Cross	10.1%	8.9%	8.2%
Commercial	4.7%	4.3%	4.2%
Managed Care	3.2%	3.5%	3.1%
Self Pay	7.9%	7.9%	7.7%
Other	0.3%	0.3%	-
Total	100.0%	100.0%	100.0%



Illustrated above is the Hospital payor mix based on gross charges for the fiscal year ended (“FYE”) September 30, 2010, 2011, 2012. During FYE 2012, the payor mix was comprised primarily of Medicare, which was responsible for 69.9% of the FYE 2012 gross charges. Other major payors include Blue Cross (8.2%), Self Pay (7.7%), Medicaid (6.9%), and Managed Care (3.1%).

HISTORICAL OPERATIONS ANALYSIS

DRAFT REPORT

Clinic Income Analysis

<i>Clinic Income Analysis</i>	FYE 2011	FYE 2012	TTM 2013
Primary Care Clinics & Inverness Surgical	(993,385)	(1,918,527)	(1,948,375)
Walk-In Clinics	(419,643)	(374,026)	(413,803)
Home Health	(139,093)	65,086	91,304
Wound Care	933,924	307,662	411,565
Rehab Clinics	1,888,067	2,630,990	2,548,708
Diagnostic Imaging Clinics	427,669	553,538	948,607
Total Net Income from Clinics	\$1,697,539	\$1,264,723	\$1,638,005

Sources: Management provided internally generated financials for the fiscal years ended September 30, 2011, 2012 and as of 1/31/2013.

The summary above presents the net income from Clinics for FYE 2011, FYE 2012, and TTM 2013. During TTM 2013 CMH earned \$1.6 million in income from its clinics, down slightly from \$1.7 million in FYE 2011. It should be noted that the Hospital lost approximately \$1.9 million on its employed physicians and earned approximately \$2.5 million from its outpatient rehabilitation clinics during TTM 2013.

CITRUS MEMORIAL HEALTH FOUNDATION

VALUATION OVERVIEW

Valuation Methodologies & Assumptions

IRS Revenue Ruling 59-60 is a landmark ruling by the IRS that provides general guidelines for the valuation of closely held companies. We define FMV as established by IRS Revenue Ruling 59-60 as “the amount at which property would change hands between a willing seller and a willing buyer when neither is acting under compulsion and when both have reasonable knowledge of all relevant facts and circumstances.” IRS Revenue Ruling 59-60 calls for examination of the following elements in connection with CMH:

- The nature and history of CMH from inception;
- The economic outlook in general and the outlook for the specific specialty area and market area of CMH;
- The financial condition of CMH;
- The earning capacity of CMH;
- The dividend paying capacity of CMH;
- The goodwill or other intangible value of CMH;
- Prior sales of the stock and the size of the block of stock to be valued; and,
- The market prices of hospitals in the same or similar specialty areas.

In light of the general guidelines set forth in IRS Revenue Ruling 59-60, VMG’s investigation and analysis includes the following:

- Interviews with management concerning past, present and prospective operating results of CMH;
- Analysis of the financial condition and historical operating and financial performance of CMH;
- Consideration of the economic outlook in general and the outlook for the specific specialty area and market area of CMH;
- With the assistance of CMH personnel, our analysis estimates the earning and dividend paying capacity of CMH; and,
- Consideration of the Cost, Market, and Income Approaches to value.

As discussed, we have considered the use of the Cost, Market and Income Approaches to value. The following briefly describes each approach:

- Cost Approach - estimates the cost to recreate a business;
- Market Approach - estimates value by examining the value of similar businesses in a free and open market; and,
- Income Approach - estimates value by projecting a future income stream attributable to a business and then discounts those earnings back to present value.

Each approach is suitable in different situations. The subsequent sections of this report provide the benefits and challenges of using the three approaches.

Selection of the Income Approach and Market Approach

We have considered the use of each approach to value the Hospital and have partially relied on the Market Approach and partially relied on the Income Approach to value the Hospital. The Market Approach was partially relied on to incorporate the transaction environment for controlling interests in acute-care hospitals. Unlike the Income Approach, the Market Approach incorporates the “going rate” based on recent hospital transactions. Unlike the Market Approach, the Income Approach also evaluates the future economic income stream that is specific to the Hospital. In determining the applicability of the Cost Approach, we considered the following difficulties.

- Cost Approach
 - The book value of the Hospital’s identified tangible assets may not reflect market value.
 - Does not consider the going-concern, goodwill, or other intangible value of the Hospital.

The following sections discuss in more detail the application of the Cost, Market, and Income Approaches to the subject Hospital.

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COST APPROACH

General Assumptions

The Cost Approach, also known as the asset or build-up approach, is a method that attempts to value a business by identifying and valuing each tangible and intangible asset. The valuation premise used in this method may be one of the following:

- Value in continued use as part of a going concern;
- Value in place as part of a mass assemblage of assets; or,
- Value in exchange as part of an orderly disposition or forced liquidation.

The Cost Approach can be considered to provide a “floor” or lowest minimum value related to a business. This method may be an appropriate method when the Market Approach and Income Approach produce a value lower than the Cost Approach. In determining the applicability of the Cost Approach, we must also consider the earnings generated by the business as indicated in its projected financial statements.

Under this approach, the identified tangible and intangible assets are valued based on the cost associated with “recreating” each asset. The asset components are examined and the related valuation assumptions for each are noted in the appendix.

Identified Tangible Assets:

- **Cash & Cash Equivalents** – The value of CMH’s cash & cash equivalents is excluded from the total invested capital (“TIC”) calculation to provide comparability to the TIC in the Income Approach.
- **Short-Term Investments** – The value of CMH’s short-term investments is excluded from the TIC calculation to provide comparability to the TIC in the Income Approach.
- **Net Patient Receivables** – The value of CMH’s net patient receivables was determined based on the January 31, 2013, balance sheet value of approximately \$22.3 million
- **Supply Inventory** – The value of CMH’s supply inventory was determined based on the January 31, 2013, balance sheet value of approximately \$3.5 million.
- **Prepaid Expenses** – The value of CMH’s prepaid expenses was determined based on the January 31, 2013, balance sheet value of approximately \$2.1 million.
- **Other Receivables** – The value of CMH’s other receivables was determined based on the January 31, 2013, balance sheet value of approximately \$2.8 million.
- **Funded Depreciation** – The value of CMH’s funded depreciation was eliminated from the Cost Approach to provide comparability to the TIC in the Income Approach.

*General Assumptions***Identified Tangible Assets (Continued):**

- **Professional Liability Fund** – The value of CMH’s professional liability fund was eliminated from the Cost Approach to provide comparability to the TIC in the Income Approach.
- **Development Fund** – The value of CMH’s development fund was eliminated from the Cost Approach to provide comparability to the TIC in the Income Approach.
- **Bond Assets** – The value of CMH’s bond assets was eliminated from the Cost Approach to provide comparability to the TIC in the Income Approach.
- **Net Property & Equipment** – The value of CMH’s net property & equipment was adjusted to discretely include personal and real property.
- **Personal Property** – The value of CMH’s personal property was determined based on the February 28, 2013, fixed asset detail ledger provided by management, of approximately \$12.8 million.
- **Real Property** – The value of CMH’s real property was determined based on the FMV estimate of each location owned by CMH. Non-operating real estate assets were excluded to provided comparability to the TIC in the income approach. Therefore, the estimated value of the real property, less non-operating real estate assets, is approximately \$73.4 million.
- **Other Assets** – The value of CMH’s other assets was eliminated from the Cost Approach analysis, as the balance sheet is largely comprised of goodwill.

Identified Liabilities (Excluding Debt):

- **Accounts Payable** – The value of CMH’s accounts payable was determined based on the January 31, 2013, balance sheet value of approximately \$11.6 million.
- **Accrued Expenses** – The value of CMH’s accrued expenses was determined based on the January 31, 2013, balance sheet value of approximately \$11.3 million.
- **Other Payables** – The value of CMH’s other payables was determined based on the January 31, 2013, balance sheet value of approximately \$728,000.
- **Current Portion of Long-Term Debt** – The value of CMH’s current portion of long-term debt is excluded from the TIC calculation.

COST APPROACH

DRAFT REPORT

General Assumptions

As indicated below, the total invested capital valuation indication produced by the Cost Approach, as of the valuation date, is approximately **\$92.5 million**. We have not relied on the value indication produced by the Cost Approach as the book value of the balance sheet of CMH's identified tangible assets does not consider the going-concern, goodwill, or other intangible value of CMH.

(S\$)		Book Value January 31, 2013	Adjustments	Estimated Value	% of TIC
IDENTIFIED TANGIBLE ASSETS					
Current Assets					
Cash & Cash Equivalents	<i>Excluded from TIC calculation</i>	\$10,306,647	(\$10,306,647)	-	-
Short-Term Investments	<i>Excluded from TIC calculation</i>	7,039,102	(7,039,102)	-	-
Net Patient Receivables	<i>Estimated value based on January 31, 2013 balance sheet</i>	22,273,490	-	22,273,490	24.1%
Supply Inventory	<i>Estimated value based on January 31, 2013 balance sheet</i>	3,464,469	-	3,464,469	3.7%
Prepaid Expenses	<i>Estimated value based on January 31, 2013 balance sheet</i>	2,106,546	-	2,106,546	2.3%
Other Receivables	<i>Estimated value based on January 31, 2013 balance sheet</i>	2,769,247	-	2,769,247	3.0%
Total Current Assets		47,959,501	(17,345,749)	30,613,752	33.1%
Funded Depreciation:					
Funded Depreciation	<i>Eliminated / Non-Operating Asset</i>	385,958	(385,958)	-	-
Total Funded Depreciation:		385,958	(385,958)	-	-
Assets Limited As To Use:					
Professional Liability Fund	<i>Eliminated / Non-Operating Asset</i>	2,072,246	(2,072,246)	-	-
Development Fund	<i>Eliminated / Non-Operating Asset</i>	2,583,438	(2,583,438)	-	-
Bond Assets	<i>Eliminated / Non-Operating Asset</i>	5,238,643	(5,238,643)	-	-
Total Assets Limited As To Use:		9,894,327	(9,894,327)	-	-
Fixed Assets:					
Net Property & Equipment	<i>Eliminated to discretely include personal and real property</i>	64,759,483	(64,759,483)	-	-
Personal Property	<i>Net book value as of February 28, 2013 fixed asset detail ledger</i>	-	12,828,505	12,828,505	13.9%
Real Property ⁽¹⁾	<i>VMG estimated Fair Market Value</i>	-	72,760,000	72,760,000	78.6%
Total Fixed Assets		64,759,483	20,829,022	85,588,505	92.5%
Other Assets					
Other Assets	<i>Non-Transferable Asset / Comprised of Goodwill</i>	7,617,277	(7,617,277)	-	-
Total Fixed Assets		7,617,277	(7,617,277)	-	-
Fair Market Value of the Hospital's Identified Tangible Assets		130,616,546	(14,414,290)	116,202,257	125.6%
IDENTIFIED LIABILITIES (EXCLUDING DEBT)					
Current Liabilities					
Accounts Payable	<i>Estimated value based on January 31, 2013 balance sheet</i>	11,644,042	-	11,644,042	12.6%
Accrued Expenses	<i>Estimated value based on January 31, 2013 balance sheet</i>	11,291,906	-	11,291,906	12.2%
Other Payables	<i>Estimated value based on January 31, 2013 balance sheet</i>	728,452	-	728,452	0.8%
Current Portion of Long-Term Debt	<i>Excluded from TIC calculation</i>	2,019,407	(2,019,407)	-	-
Total Current Liabilities		25,683,806	(2,019,407)	23,664,399	25.6%
Fair Market Value of the Hospital, Total Invested Capital Level		\$104,932,740	(12,394,883)	\$92,537,857	100.0%

Notes:

(1) Real Property excludes non-operating real estate assets and is comprised of the excess land held by the Hospital which has been estimated to be valued at approximately \$2.5 million. Please see location description listed under Parcel 7 and 8 in the real estate FMV report for further detail.

CITRUS MEMORIAL HEALTH FOUNDATION

MARKET APPROACH

General Assumptions

The Market Approach estimates value by comparing the value of similar assets, securities or services (collectively referred to as “the guidelines”) traded in a free and open market to the subject asset, security or service. The underlying premise of the Market Approach to valuation is the economic principle of substitution – assets of similar utility should have similar value. The Market Approach relies on observable market data to estimate indications of value. Appropriate market comparisons can provide some evidence of the value of a business or a business interest. The Market Approach uses relative value measures such as “multiples”, which are factors by which some fundamental financial variable is multiplied to derive a value indication.

In our application of the Market Approach, we considered three distinct market approach methods which include the guideline company method and the merger and acquisition method. These methods are discussed in greater detail on the following pages. The paragraphs below provide a brief summary of each method used:

- **Guideline Company Method:** This method entails a comparison of the subject company to similar publicly traded companies. The comparison is generally based on published data regarding the public companies’ stock price and earnings, sales, or revenues, which is expressed as a fraction known as a “multiple”. The public companies identified for comparison purposes should be similar to the subject business in terms of industry, product, market, growth, and risk.
- **Merger & Acquisition Method:** This method reviews published data regarding actual transactions involving either minority or controlling interests in either publicly traded or closely held companies. In judging whether a reasonable basis for comparison exists, consideration must be given to such factors as the similarity of investment and investor characteristics, the extent to which reliable data is known about the considered transactions, and whether or not the price paid for the guideline companies was in an arms-length transaction, or a forced or distressed sale.

Source: *The Market Approach to Valuing a Business – Second Edition* by Shannon Pratt

Guideline Company Method

The guideline company method estimates the value of a subject business by examining the value of similar businesses in a free and open market. The theory behind this approach is that companies with similar operating and financial characteristics should be priced similarly. These similar companies are referred to as “guideline” companies. In order to utilize this approach, similar businesses must be identified that have publicly available data. In determining comparable companies, several factors are considered, including but not limited to the following:

- Similarity of goods and services offered by the company;
- Size of the company, in terms of sales, assets, number of operating locations, etc.;
- Location of the company’s operations (i.e. geographically dispersed concentration within a geographic area, etc.);
- Historical growth rates of the company; and,
- Capital structure of the company.

Once appropriate guideline companies are identified, their “value measures” are compiled and examined to determine how they may apply to the subject company. These “value measures” are usually a multiple computed by dividing the price of the guideline company’s stock or the market value of the company’s TIC as of the valuation date by some relevant economic variable such as revenues; earnings before interest, taxes, depreciation, and amortization (EBITDA); or earnings after tax. As an example, a commonly referred to value measure is a company’s “PE ratio”, which represents the company’s market price per share divided by its most recent earnings per share. If a guideline company’s PE ratio is 10 and the subject company’s earnings per share is \$5, then the subject company’s per share price may be computed, in concept, as $\$5 \times 10 = \50 per share. Several challenges are encountered when attempting to identify guideline companies to compare to the subject company, including the following:

- Identifying other healthcare companies that focus on providing the same services as those of the subject company.
- Identifying similar guideline companies of a comparable size. A company’s size may give it a competitive advantage (or conversely, limit its ability to compete) in several key areas, such as its access to the capital markets, its ability to create economies of scale and purchasing power, and its diversification in geographic markets and in its product line offerings.

Valuation multiples are also important because they have become a convention within the industry and are commonly used by active buyers and sellers to arrive at prices for health care enterprises.

MARKET APPROACH

DRAFT REPORT

Guideline Company Method

The table below summarizes the key valuation multiples for the publicly traded hospital operator companies. The average trailing twelve month EBITDA multiple (less minority interest) of the guideline companies is 7.0x. The average trailing twelve month total revenue multiple is 1.1x. This data was sourced on March 5, 2013, and the trailing twelve months is as of the companies last reported quarter.

Acute Care Hospitals		Capitalization Data (in \$1000s)			Operating Data (in \$1000s)			Valuation Multiples	
Company Name	Ticker	Market Capitalization	Total Debt	Total Invested Capital	TTM Revenue	EBITDA Margin	TTM EBITDA	TIC / Revenue	TIC / EBITDA
Community Health Systems, Inc.	CYH	\$3,797,656	\$9,722,905	\$13,132,748	\$13,028,985	14.2%	\$1,844,882	1.0 x	7.1 x
Health Management Associates Inc.	HMA	2,883,660	3,652,369	6,355,750	5,878,238	16.5%	972,198	1.1 x	6.5 x
Lifepoint Hospitals Inc.	LPNT	2,090,125	1,725,600	3,730,725	3,391,800	15.8%	537,000	1.1 x	6.9 x
Tenet Healthcare Corp.	THC	4,196,469	5,252,000	9,084,469	9,119,000	13.2%	1,200,000	1.0 x	7.6 x
Universal Health Services Inc.	UHS	5,708,197	3,771,020	9,455,746	6,961,400	18.5%	1,286,157	1.4 x	7.4 x
Vanguard Health Systems Inc.	VHS	1,152,455	2,703,200	3,497,855	6,624,100	8.4%	554,700	0.5 x	6.3 x
HCA Holdings, Inc.	HCA	16,386,946	29,359,000	44,985,946	33,013,000	19.7%	6,492,000	1.4 x	6.9 x
<i>Mean:</i>								1.1 x	7.0 x
<i>Median:</i>								1.1 x	6.9 x

Source: Capital IQ as of 03/05/2013

Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

Although the concept of using publicly traded guideline companies as surrogates is intended to be based on comparability, rarely are two companies so similar as to make perfect comparables. There are also many key differences between small to mid-size privately held companies and publicly traded companies such as size, depth of management, capital structure, access to capital, product diversification, geographic diversification, and risk.

Please note the valuation determined through comparable companies analysis does not reflect the control premium a buyer typically pays in an M&A transaction. Furthermore, external microeconomic and macroeconomic events cause fluctuations in the price of public stock prices that can distort multiples.

With consideration to the previously mentioned disadvantages of the guideline company method, we believe that many of the key differences identified above are applicable to the Hospital when compared to the identified public guideline companies. Therefore, it is our opinion that the public guideline companies do not reflect appropriate comparable market multiples for the Hospital. Therefore, we **have not relied** upon the pricing multiples and subsequent value indications generated by the guideline company method to value the Hospital.

Merger & Acquisition Method

The M&A method applies transaction data in a manner similar to that in the guideline public company method. Instead of selecting individual guideline companies based on the universe of public companies, actual transactions involving companies similar to the subject company are used to determine the pricing multiples. Although the data has challenges, we have utilized the *Irving Levin Associates' Database* and VMG has, when possible, researched many of these transactions and supplemented *Irving Levin Associates'* to the extent appropriate in our attempt to obtain transaction multiples for acute-care hospitals.

Merged & Acquired Acquisition Multiples: All Hospital Transactions

	Total Invested Capital/ Revenue	Total Invested Capital/ EBITDA
Median	0.76 x	7.58 x
Mean	0.76 x	7.99 x
25th Percentile	0.48 x	5.93 x
75th Percentile	0.97 x	9.92 x
High	1.81 x	13.55 x
Low	0.16 x	2.00 x
Number of Observations	81	40

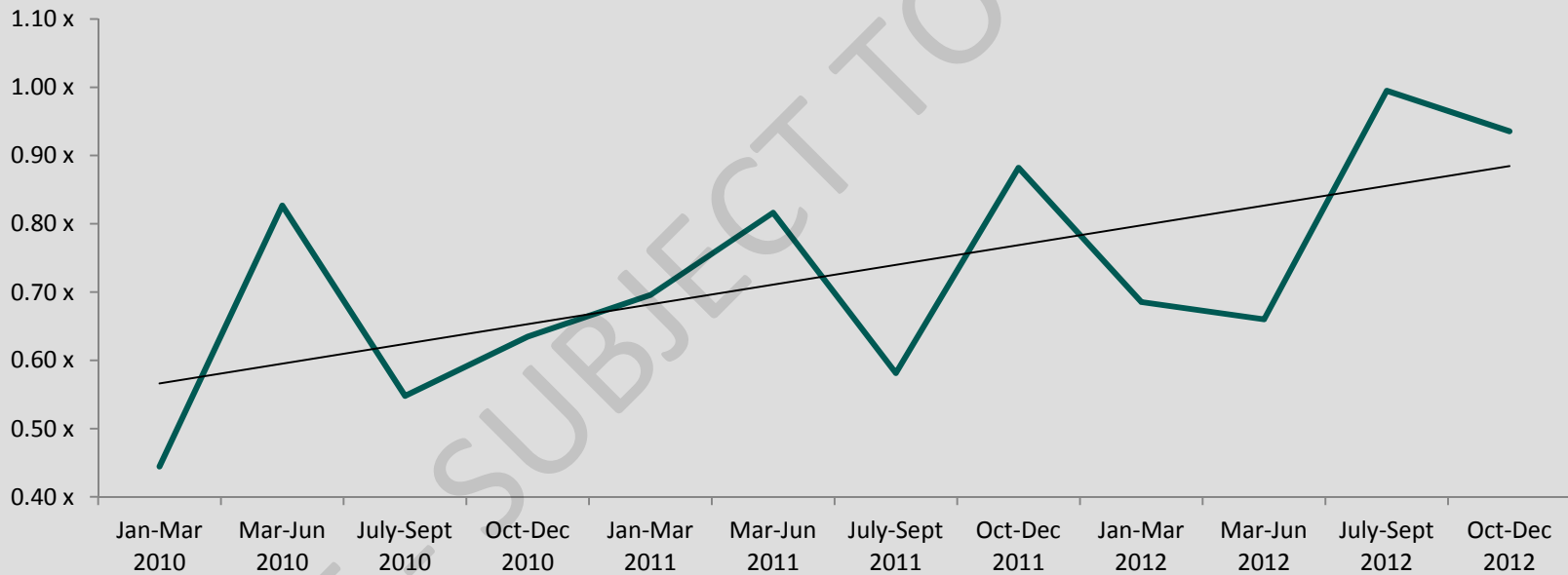
Data set includes transactions that occurred from 1/1/2010 through 12/31/2012.

It should be noted that multiples of revenue are often used to value hospital businesses as reported financial data is historical and hospital revenue tends to fluctuate less than EBITDA from year to year. Additionally, many buyers price acquisitions based on a measure of pro forma EBITDA and not historical EBITDA creating a historical multiple that is less meaningful. Based on the entire database of available transactions which occurred between January 2010 and December 2012, the total invested capital (“TIC”) to revenue multiples for our selected transactions ranged from a low of approximately 0.16x to a high of 2.00x. The mean and median TIC to revenue multiples for this group were both 0.76x. Lastly, the TIC to revenue multiples in the 25th and 75th percentile were 0.48x and 0.97x, respectively.

Merger & Acquisition Method

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Public Company Transaction Price Multiples
TIC / Revenue
 (January 2010 - December 2012)



Sample Size: 81 Transactions

As the chart illustrates, there has been an upward trend in TIC / Revenue transaction multiples for public company buyers over the past few years.

MARKET APPROACH

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Merger & Acquisition Method – Florida Transaction Analysis

Florida Hospital Transactions

Date	Target	Location	Acquirer	Beds	Total Invested Capital ("TIC")	Revenue	EBITDA	Margin	TIC / Revenue	TIC / EBITDA
7/12/2010	Shands HealthCare	Lake City	Health Management Associates, Inc	139	\$36,700,000	\$110,000,000	nmf	nmf	0.33 x	nfm
7/20/2010	All Children's Hospital & Health System	St. Petersburg	Johns Hopkins Health System Corp.	259	<i>Integration</i>	274,800,000	n/a	n/a	n/a	n/a
9/1/2010	University Community Health	Tampa Bay	Adventist Health Systems, Inc.	1,003	355,000,000	502,500,000	\$7,800,000	1.6%	0.71 x	nfm
10/27/2010	Wuesthoff Health System	Rockledge	Health Management Associates, Inc	406	151,500,000	290,000,000	7,998,387	2.8%	0.52 x	nfm
5/24/2011	Mercy Hospital	Miami	HCA, Inc.	473	136,000,000	280,000,000	12,732,972	4.5%	0.49 x	10.68 x
4/1/2012	Health Central	Ocoee	Orlando Health	171	181,300,000	142,441,920	16,607,317	11.7%	1.27 x	10.92 x
4/3/2012	Bay Medical Center	Panama City	Sacred Heart Health System, Inc.	323	154,000,000	280,543,416	7,035,229	2.5%	0.55 x	nfm
10/25/2012	Bayfront Medical Center	St. Petersburg	Health Management Associates, Inc.	397	202,500,000	314,789,542	25,829,645	8.2%	0.64 x	7.84 x
TBD	Winter Haven Hospital	Tampa Bay	BayCare Health System	527	n/a	262,920,550	22,891,207	8.7%	n/a	n/a

Notes:

- (1) Revenue does not include bad debt expense for all multiples above.
- (2) Currently, BayCare is considering the acquisition of Winter Haven in the Tampa market.

Measure	TIC / Revenue	TIC / EBITDA
Mean	0.64x	9.81x
Median	0.55x	10.68x
25th Percentile	0.50x	9.26x
75th Percentile	0.67x	10.80x
High	1.27x	10.92x
Low	0.33x	7.84x
Number of Observations	7	3

Further, VMG considered transactions that took place during the same period previously mentioned to cover strictly hospitals that legally reside in the state of Florida. We selected seven transactions with known TIC to revenue multiples and four transactions with known TIC to EBITDA multiples. Based on this data, the TIC to revenue multiples for our selected transactions ranged from a low of approximately 0.33x to a high of 1.27x. The mean and median TIC to revenue multiples for this group were 0.64x and 0.55x, respectively. Lastly, the TIC to revenue multiples in the 25th and 75th percentile were 0.50x and 0.67x, respectively. The transaction multiples have been summarized in the exhibit presented above.

MARKET APPROACH

DRAFT REPORT

Market Approach Conclusion

MERGER & ACQUISITION METHOD

Multiple	Selected Transaction Multiple	NBY	Value Indication
TIC/Revenue	0.8x	150,292,590	120,234,072
Total Invested Capital / Revenue (Rounded)			\$120,230,000

PUBLIC GUIDELINE COMPANY METHOD

Multiple	Mean Transaction Multiple	NBY	Value Indication
TIC/Revenue	1.1x	150,292,590	159,618,685
Total Invested Capital / Revenue (Rounded)			\$159,620,000

- VMG has considered all of the transaction data and has given significant consideration to the following:
 - Recent upward trend in M&A pricing multiples;
 - Transactions involving single hospitals; and,
 - Hospitals similar in size to CMH.
- Since acquisitions of private companies represent a controlling interest in effectively illiquid investments, adjustments related to control premiums or lack of liquidity are unnecessary.
- VMG **has partially relied upon** the value indication produced through the application of the Merger & Acquisition Method.

- It should be noted that the Public Guideline Company Method creates several challenges when attempting to identify guideline companies to compare to the subject company, including the following:
 - Size of the Public Companies;
 - Geographic diversification; and,
 - Access to Capital.
- VMG **has not relied upon** the value indication produced by the Public Guideline Company Method

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INCOME APPROACH

General Assumptions

The Income Approach provides for two general methods for determining value: the capitalization of a single period's net cash flow or the discounting of several future periods' net cash flow. We have employed the multi-period method (the discounted cash flow method) which allows for the forecasting of a finite period of annual net cash flows. An important assumption of any method of the Income Approach is that the business or asset being valued remains a going concern.

The first step of the discounted cash flow methodology is to estimate the net cash flows available to the firm (total invested capital level). For purposes of the discounted cash flow methodology employed in our analysis, we have defined net cash flow as follows:

- Earnings before interest, taxes, depreciation, and amortization ("EBITDA")
- Less: depreciation, amortization, and other applicable non-cash expenses
- Less: applicable federal and state income taxes payable
- Plus: depreciation, amortization, and other applicable non-cash expenses
- Less: incremental capital expenditure requirements
- Less: incremental working capital requirement
- Equals: net cash flow to invested capital

Because we are calculating net cash flow to invested capital (cash available to both debt & equity holders), we have eliminated interest expense in the projection period. Estimated net cash flows are projected for five years and then into perpetuity. The projected or future net cash flows are then discounted to arrive at a present value. The discount rate (also known as the required rate of return, cost of capital, or hurdle rate) incorporates the estimated time value of money, inflation, and the risks associated with the business entity. As mentioned before, this approach is based on the fundamental valuation principle that the value of a business is equal to the present value (or worth) of the future benefits of ownership.

It should be noted that the projections are based on management's representations. Please see the following pages for more detail on the application of the Income Approach.

INCOME APPROACH

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General Assumptions

Discount rate	11.0%
Terminal growth rate	3.0%
Tax rate	38.6%
Inflation rate ("CPI")	3.0%
Incremental Working Capital requirements	8.0%

- **Discount rate:** The discount above refers to the estimated weighted cost of capital ("WACC"). This discount rate is described in detail, along with the WACC calculations, on the following pages.
- **Terminal growth rate:** The rate that operating revenue and expenses are expected to grow beyond Year 5 of our projections and into perpetuity.
- **Tax rate:** The blended state and federal income tax rate applicable to businesses operating in Florida.
- **Inflation rate ("CPI"):** The estimated rate of inflation, as reflected by the Consumer Price Index.
- **Incremental working capital requirements:** Working capital is current assets (accounts receivable, inventory, etc.) less current liabilities (accounts payable and other accrued expenses) and is required to conduct day-to-day operations, maintain liquidity, and to recognize revenue and expenses on an accrual accounting basis. Although these items are not reported on the Income Statement, an increase in working capital should be considered as a use of cash. We are projecting incremental working capital to be 8.0% of incremental revenue. In other words, for every \$1 increase in revenue, working capital will increase by \$0.08.

The income statement used to formulate the normalized base year is the income statement for the trailing twelve month period ended January 31, 2013. Non-recurring and non-operational items are adjusted out of the normalized income statement to give a clearer picture of the entity's operations. In addition, the normalized income statement applies state and federal income taxes and eliminates interest expense. All these adjustments are made to make the normalized base year income statement a more accurate base from which to project the income statement in Year 1.

INCOME APPROACH

DRAFT REPORT

Revenue Assumptions

The following factors were considered in projecting volume and revenue:

- **Hospital Age** – CMH is considered mature and has sufficient capacity for the projected growth.
- **Demographics** – As mentioned previously, CMH is located in Inverness, Florida which is located in Citrus County. Recent population estimates indicate the population of Citrus County increased 1.5% compounded annually from 118,639 residents in 2000 to 140,031 in 2011.
- **Competitive Environment** – CMH does have direct hospital competitors in their local market. The nearest competitors are Seven Rivers Regional Medical Center, Ocala Regional Medical Center, Munroe Regional Medical Center, and West Marion Community Hospital. The Hospital does face strong local outpatient competition with diagnostic imaging centers and ambulatory surgery centers.

Based on management’s representations, volume growth is projected as follows:

ANNUAL VOLUME GROWTH ASSUMPTIONS:	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Admissions (excluding newborns)	10,715	10,929	11,148	11,371	11,598	11,830
<i>Growth</i>	<i>n/a</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Outpatient Visits	142,030	144,871	147,768	150,723	153,738	156,813
<i>Growth</i>	<i>n/a</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Adjusted Admissions (excluding newborns)	18,451	18,820	19,197	19,581	19,972	20,372
<i>Growth</i>	<i>n/a</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Patient Days (excluding newborns)	45,235	46,140	47,062	48,004	48,964	49,943
<i>Growth</i>	<i>n/a</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Adjusted Patient Days	77,895	79,452	81,041	82,662	84,316	86,002
<i>Growth</i>	<i>n/a</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>

In projecting volume growth, we relied on discussions with management, analysis of historical volume trends, and current market trends. Inpatient admissions (excluding newborns) volume is projected to increase from 10,715 in the normalized base year to 11,830 in Year 5 of the projection period, representing an increase of 2.0% compounded annually. Outpatient visits are projected to increase from 142,030 in the normalized base year to 156,813 in Year 5 of the projection period, representing an increase of 2.0% compounded annually. Therefore, adjusted patient days are projected to increase from 77,895 in the normalized base year to 86,002 in Year 5, or 2.0% compounded annually.

INCOME APPROACH

DRAFT REPORT

Revenue Assumptions

In projecting reimbursement growth, we relied on discussions with management, analysis of historical payor mix trends, and management provided budgets. Net revenue per adjusted patient day is equal to \$1,902 in the normalized base year. Net revenue per adjusted patient day is projected to increase 2.5% annually throughout the projection period. Many factors were considered in developing the reimbursement growth assumptions, which include:

- The Hospital's Medicare population and changes in Medicare reimbursement due to market basket changes and sequestration (among others).
- The Hospital does not currently qualify for Medicare DSH payments. Although Florida has not agreed to expand Medicaid, it is possible with future expansion of Medicaid that the Hospital **could** qualify as it is currently close to meeting the patient day requirements.
- Support provided by the CCHB for charity care (which has been eliminated in the NBY period) is for a patient population that may be covered by Medicaid expansion or another equivalent program.
- Management believes commercial reimbursement is at below market rates.

Based on these assumptions, net revenue per adjusted patient day is projected to increase from \$1,902 in the normalized base year to \$2,152 in Year 5 of the projection period. In addition, other operating revenues are projected to increase at an annual rate of 3.0% throughout the projection period.

Based on the aforementioned volume growth and revenue growth assumptions, CMH's overall net operating revenues are projected to increase from approximately \$150.3 million in the normalized base year to approximately \$187.5 million in Year 5 of the projection period, representing a compounded annual growth rate of approximately 4.5%.

ANNUAL REVENUE GROWTH ASSUMPTIONS:	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Total Net Operating Revenues	\$150,292,590	\$157,097,343	\$164,210,704	\$171,646,687	\$179,419,939	\$187,545,774
<i>Growth</i>	<i>n/a</i>	<i>4.5%</i>	<i>4.5%</i>	<i>4.5%</i>	<i>4.5%</i>	<i>4.5%</i>

See appendix for more detail

INCOME APPROACH

DRAFT REPORT

Expense Assumptions

Expenses were projected based on discussions with management, as well as management provided budget projections, and are summarized in the chart below:

EXPENSE ASSUMPTIONS:			Normalized Base Year	Projections				
				Year 1	Year 2	Year 3	Year 4	Year 5
	<u>Assumptions:</u>	<u>NBY Stats</u>						
Employee Salaries & Wages								
Employee Salaries & Wages	<i>See Below</i>		\$60,807,693	\$62,302,954	\$64,486,361	\$66,746,286	\$69,783,242	\$72,958,379
Benefits & Payroll Taxes								
Payroll Taxes	<i>See Below</i>		4,651,789	4,766,176	4,933,207	5,106,091	5,338,418	5,581,316
Employee Benefits	<i>See Below</i>		5,761,138	5,902,804	6,109,668	6,323,781	6,611,513	6,912,337
Medical Supplies & Drugs								
Medical Supplies	<i>See Below</i>		30,237,050	29,299,702	30,184,553	31,096,126	32,035,229	33,002,693
Drugs	<i>See Below</i>		4,276,630	4,493,028	4,720,375	4,959,226	5,210,163	5,473,797
Ancillary Services & Supplies								
Physician Professional Fees	<i>% of Revenue</i>	2.9%	4,405,659	4,605,133	4,813,653	5,031,630	5,259,495	5,497,694
Insurance								
General Business	<i>Increase at CPI</i>		1,420,394	1,463,006	1,506,896	1,552,103	1,598,666	1,646,626
General & Administrative								
Repairs & Maintenance	<i>Increase at CPI</i>		6,618,360	6,816,911	7,021,419	7,232,061	7,449,023	7,672,494
Other Operating Expenses	<i>Increase at CPI</i>		8,610,819	8,869,143	9,135,218	9,409,274	9,691,552	9,982,299
Purchased Services	<i>% of Revenue</i>	5.6%	8,409,502	8,790,257	9,188,279	9,604,353	10,039,300	10,493,974
Professional Fees	<i>% of Revenue</i>	1.2%	1,729,525	1,807,832	1,889,690	1,975,262	2,064,714	2,158,224
Legal Fees	<i>Increase at CPI</i>		454,847	468,492	482,547	497,024	511,934	527,292
General Supplies	<i>Increase at CPI</i>		2,617,728	2,696,260	2,777,148	2,860,462	2,946,276	3,034,664
Total Operating Expenses			\$140,001,134	\$142,281,698	\$147,249,013	\$152,393,680	\$158,539,525	\$164,941,790
<i>Annual Growth %</i>				1.6%	3.5%	3.5%	4.0%	4.0%

CITRUS MEMORIAL HEALTH FOUNDATION

INCOME APPROACH

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Expense Assumptions

Employee salaries & wages, benefits & payroll taxes, and medical supplies & drugs were projected based on discussions with management, and are summarized in the chart below:

EMPLOYEE SALARIES & WAGES AND BENEFITS & PAYROLL TAXES ASSUMPTIONS	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Paid Hours Per Adj. Patient Day	33.6	32.9	32.6	32.3	32.3	32.3
<i>Annual Growth %</i>		(2.0%)	(1.0%)	(1.0%)	-	-
FTE's Hospital Employed	1,259	1,259	1,271	1,283	1,309	1,335
Annual Hours per FTE	2,080	2,080	2,080	2,080	2,080	2,080
Paid Hours	2,618,844	2,617,797	2,643,451	2,669,357	2,722,744	2,777,199
P/L Hourly Salary	\$23.22	\$23.80	\$24.39	\$25.00	\$25.63	\$26.27
<i>Annual Growth %</i>	n/a	2.5%	2.5%	2.5%	2.5%	2.5%
Total Employee Salaries & Wages	60,807,693	62,302,954	64,486,361	66,746,286	69,783,242	72,958,379
<i>% of Revenue</i>	40.5%	39.7%	39.3%	38.9%	38.9%	38.9%
Total Payroll Taxes	4,651,789	4,766,176	4,933,206.64	5,106,091	5,338,418	5,581,316
<i>Payroll Taxes as % of Employee Salaries & Wages</i>	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Total Employee Benefits	5,761,138	5,902,804	6,109,668	6,323,781	6,611,513	6,912,337
<i>Employee Benefits as % of Employee Salaries & Wages</i>	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Total Employee Salaries, Wages & Benefits	\$71,220,619	\$72,971,934	\$75,529,236	\$78,176,158	\$81,733,173	\$85,452,032
<i>% of Revenue</i>	47.4%	46.5%	46.0%	45.5%	45.6%	45.6%
MEDICAL SUPPLIES & DRUGS EXPENSE ASSUMPTIONS:	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Medical Supplies Per Adj. Patient Day	\$388.18	\$368.77	\$372.46	\$376.18	\$379.94	\$383.74
<i>Annual Growth %</i>		(5.0%)	1.0%	1.0%	1.0%	1.0%
Total Medical Supplies Expense	\$30,237,050	\$29,299,702	\$30,184,553	\$31,096,126	\$32,035,229	\$33,002,693
<i>% of Revenue</i>	20.1%	18.7%	18.4%	18.1%	17.9%	17.6%
Drugs Per Adj. Admission	\$231.78	\$238.73	\$245.90	\$253.27	\$260.87	\$268.70
<i>Annual Growth %</i>		3.0%	3.0%	3.0%	3.0%	3.0%
Total Drugs Expense	\$4,276,630	\$4,493,028	\$4,720,375	\$4,959,226	\$5,210,163	\$5,473,797
<i>% of Revenue</i>	2.8%	2.9%	2.9%	2.9%	2.9%	2.9%

INCOME APPROACH

DRAFT REPORT

Expense Assumptions

Presented in the chart below is the Hospital's operating expense profile for the normalized base year and the five year projection period stated as a percentage of net operating revenue. The Hospital's total operating expenses are projected to decrease from 93.3% in the normalized base year to 87.9% of net revenues by Year 5. Employee salaries & wages, medical supplies & drugs, and general and administrative expenses comprise the majority of the operating expense over the projection period.

Operating Expenses:	Normalized Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
% of Net Revenue						
Employee Salaries & Wages	40.5%	39.7%	39.3%	38.9%	38.9%	38.9%
Benefits & Payroll Taxes	6.9%	6.8%	6.7%	6.7%	6.7%	6.7%
Medical Supplies & Drugs	23.0%	21.5%	21.3%	21.0%	20.8%	20.5%
Ancillary Services & Supplies	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Insurance	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
General & Administrative	18.9%	18.7%	18.6%	18.4%	18.2%	18.1%
Total Operating Expenses:	93.2%	90.6%	89.7%	88.8%	88.4%	87.9%

Capital Expenditures

Capital expenditures are investments in equipment and other long-term tangible assets that are necessary for the operation of CMH. These items are usually recorded on the balance sheet but must be recognized as cash consumption for the purposes of the Income Approach. Based upon our experience in valuing similar facilities and discussions with management, CMH's capital expenditures will be approximately \$3.9 million in Year 1, \$4.7 million in Year 2, \$5.6 million in Year 3, and \$6.5 million in Year 4, as well as, in Year 5 of the projection period. Terminal year capital expenditures are projected to be \$6.5 million.

Discount Rate Assumptions

The selection of an appropriate discount rate is an integral part of the valuation process. Two factors must be considered in estimating the present value of any projected cash flow stream:

- **Financial Risk:** The risk inherent in an entity's financial structure (i.e., the utilization of debt vs. equity financing).
- **Business Risk:** The uncertainty associated with the economy and the inherent nature and risk profile.

The Weighted Average Cost of Capital ("WACC") is a discount rate that takes into account the required rate of return necessary to justify investment based on the capital structure, prevailing economic risk, market risk, and the specific industry risk, as of the date of the valuation.

Most business entities have a capital structure consisting of both debt and equity. The party lending debt capital to a business requires a return on the debt, which comes out of the business in the form of interest payments. Lenders have a higher claim against assets of a business and therefore, are exposed to less risk than are the equity investors. Because of the lower risk level the cost of debt is less than the cost of equity. Also, the interest payments are tax deductible to the business entity which further lowers the cost of debt.

Equity investors require a higher rate of return on their investment than do debt holders because their claim on a facility's assets are secondary to that of the debt holder. In addition, a business entity is not required to pay dividends, whereas interest payments are usually fixed over the term of the debt.

The WACC incorporates the claims of both the debt holder and equity holders in proportion to their relative capital contribution. To estimate an enterprise's WACC, the prevailing industry capital structures are examined as of the valuation date. The industry average, rather than the individual enterprise's capital structure, is used to estimate the WACC, because in estimating the FMV a prudent investor will look to the future and use prevailing market indications to try to ascertain what type of capital structure would be encountered.

Discount Rate Assumptions

In estimating the WACC for this valuation, we relied on the capital asset pricing model (“CAPM”). The basic formula for computing the after-tax WACC is as follows:

$$WACC = (K_e * W_e) + (K_d * [1 - t] * W_d)$$

- WACC = Weighted average cost of capital
- K_e = Hospital’s cost of common equity capital
- K_d = Hospital’s cost of debt capital
- W_e = Percentage of equity capital in the capital structure
- W_d = Percentage of debt capital in the capital structure
- t = Hospital’s blended federal and state corporate income tax rate

The equity portion of the WACC was calculated by using the CAPM. The basic formula for computing the equity portion is as follows:

$$K_e = R_f + R_m * B_i + R_s + R_u$$

- K_e = Expected rate of return on the subject security
- R_f = Rate of return on a risk free security
- R_m = Risk premium associated with the market
- B_i = Average Beta for related companies in the industry
- R_s = Risk premium associated with a small company
- R_u = Risk premium associated with the specific company

Please see the following pages for more detail on each component utilized in the capital asset pricing model and the WACC for the Hospital.

*Discount Rate Assumptions***CAPM - Risk Free Rate (“ R_f ”)**

The “risk-free rate” is a proxy for the return available on a security that the market generally regards as free of default risk. The rate of return on a risk-free security was found by looking at the yields of United States Treasury securities. Ideally, the duration of the security used as an indication of the risk-free rate should match the horizon of the projected cash flows, which are being discounted (which is into perpetuity in the present case). We used a 30-year Treasury rate, which was equal to 3.1% as of January 31, 2013.

CAPM – Equity Risk Premium (“ R_m ”)

The equity risk premium is the additional return an investor expects to receive to compensate for the risk associated with investing in equities as opposed to investing in riskless assets. The market risk premium utilized was based upon figures provided in the *Ibbotson® SBI® 2011 Valuation Yearbook – Market Results for Stocks, Bonds, Bills, and Inflation 1926-2010 (“2012 Valuation Yearbook”)* published by Morningstar, Inc. Per the *2012 Valuation Yearbook*, the market risk premium utilized for the subject Hospital was 6.6%.

CAPM - Beta (“ B_i ”)

The beta is a measure of statistical volatility, or systemic risk, of an industry in comparison to the market as a whole. Beta is used to measure the price sensitivity of a company, or in this case an industry, in relation to changes in overall market prices. The beta utilized was 1.09 based on the average beta as reported by Capital IQ for Health Management Associates Inc. (ticker: HMA), Lifepoint Hospitals Inc. (ticker: LPNT), Tenet Healthcare Corp. (ticker: THC), Universal Health Services Inc. (ticker: UHS), Vanguard Health Systems Inc. (ticker: VHS), HCA Holdings, Inc. (ticker: HCA), and Community Health Systems, Inc. (ticket: CYH).

CAPM – Small Company Premium (“ R_s ”)

The small company or small size premium is the additional return an investor expects to receive to compensate for the additional risk associated with investing in a small and inherently more risky company. The small size risk premium utilized was the risk premium calculated for companies included in the 10th decile (smallest companies) of the stock exchanges analyzed in the *2012 Valuation Yearbook*. Per the *2012 Valuation Yearbook*, the small company risk premium utilized for the Hospital was 6.1%.

Source: *Cost of Capital – Estimation and Applications 2nd Edition* by Shannon P. Pratt.

Discount Rate Assumptions

CAPM – Specific Company Risk Premium (“R_u”)

The final common component of the cost of equity build-up model is the specific company risk premium. The specific company risk quantifies the risk associated with the specific operations of the company or the “unsystematic” risk of the company. The Hospital operates in the acute care hospital sub-industry. In determining the specific company risk premium for the Hospital, we considered the following factors:

Specific Company Risk Factors	
= No net effect (Neutral) + Decreases Risk (Favorable) - Increases Risk (Unfavorable)	
Effect	
+	Excellent reputation in the local community
+	Established physician base utilizing the facility
+	Potential additional insured patients due to Healthcare reform
+	Potential access to supplemental payment programs
+	Recent positive adjustments from commercial payors
=	Moderate general population growth in the local marketplace
-	Forecast risks associated with the Hospital's ability to meet projected volume, net revenue, and operating expense levels
-	Competition in the surrounding communities
-	Unknown impacts to the future payor environment due to Healthcare reform
-	Ability to operate with lower FTE count after the reduction in force.

We have determined that an additional risk premium of 1.5% was appropriate for the Hospital. Our selection of a company specific risk premium adjusts for the additional risks inherent in the operations of the Hospital, but also accounts for the mitigating factors present in the operations of the Hospital, which are also listed above. These risks are relative to the public markets from which the market equity risk premium and small company risk premium were derived.

CAPM – Cost of Equity Conclusion (“K_e”)

Based on the aforementioned factors listed in the previous pages, the cost of equity through the build-up method is estimated to be approximately 17.9%. Please refer to page the next page for more detail on the calculation of the cost of debt.

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*Discount Rate Assumptions***WACC – Federal & State Corporate Income Tax Rate (“t”)**

To calculate the after-tax cost of debt component in the WACC formula, we utilized a blended federal and state corporate income tax rate applicable to businesses operating in Florida. This tax rate has been calculated at 38.6%.

WACC – Cost of Debt (“K_d”)

The cost of debt utilized in the calculation of WACC based on the debt yields for the selected guideline comparable public companies, which included: Health Management Associates Inc. (ticker: HMA), Lifepoint Hospitals Inc. (ticker: LPNT), Tenet Healthcare Corp. (ticker: THC), Universal Health Services Inc. (ticker: UHS), Vanguard Health Systems Inc. (ticker: VHS), HCA Holdings, Inc. (ticker: HCA), and Community Health Systems, Inc. (ticket: CYH). Based on a review of this data, a cost of debt of 6.5% was utilized.

WACC – Capital Structure (“W_e” and “W_d”)

We utilized a capital structure consisting of 50.0% debt and 50.0% equity. The capital structure used in the WACC calculation is derived from VMG’s knowledge of other industry participants capital structure, and through the review of proprietary data from other similar healthcare facility businesses.

INCOME APPROACH

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Discount Rate Assumptions

WACC Conclusion

Based on the aforementioned equity risk premium factors and WACC factors, we have calculated a WACC for the subject Hospital at approximately **11.0%**, which we believe to be an appropriate discount rate for this type of entity in the healthcare industry. Please see below for more detail on the WACC calculation.

ASSUMPTIONS

Tax Rate ⁽¹⁾	FL	38.6%
Risk-Free Rate of Return (Rf) ⁽²⁾		3.1%
Market Risk Premium (Rm - Rf) ⁽³⁾		6.6%
Size Premium ⁽⁴⁾		6.1%
D/(D+P+E)		50.0%
D/E		100.0%
Cost of Debt (Rd) ⁽⁵⁾		6.5%
Tax Rate		38.6%

(1) Blended federal and state income tax rate for Florida businesses.

(2) Interest on U.S. Treasury - 30 years

(3) Long-Horizon Equity Risk Premium: SBBI, Ibbotson Associates, 2012 Valuation Yearbook

(4) Market Cap - 10th Decile: SBBI, Ibbotson Associates, 2012 Valuation Yearbook

(5) Comparable debt yields for selected guideline public companies.

Weighted Average Cost of Capital (WACC) - Analysis

Market Risk Premium (Rm - Rf)	6.6%
Multiplied by: Levered Beta	1.090
Adjusted Market Risk Premium	7.2%
Add: Risk-Free Rate of Return (Rf)	3.1%
Add: Size Premium	6.1%
Add: Specific Company Risk	1.5%
Cost of Equity	17.9%
Multiplied by: E/(D+P+E)	50.0%
Cost of Equity Portion	9.0%
Cost of Debt (Rd)	6.5%
Tax Rate	38.6%
After-Tax Cost of Debt	4.0%
Multiplied by: D/(D+P+E)	50.0%
Cost of Debt Portion	2.0%
WACC	11.0%

Valuation Conclusion

In utilizing the assumptions for volume, revenue, expenses, incremental working capital, and capital expenditures, we have estimated cash flows of the business entity for the next five years. We have also assumed that the business entity remains a going concern. An assumed discount rate of **11.0%** was applied to the estimated cash flows to arrive at a present value.

Based upon our analysis under the Income Approach, the FMV indication of the total invested capital of CMH is **\$104.1 million**. **We have partially relied** on the value indication derived from the Income Approach.

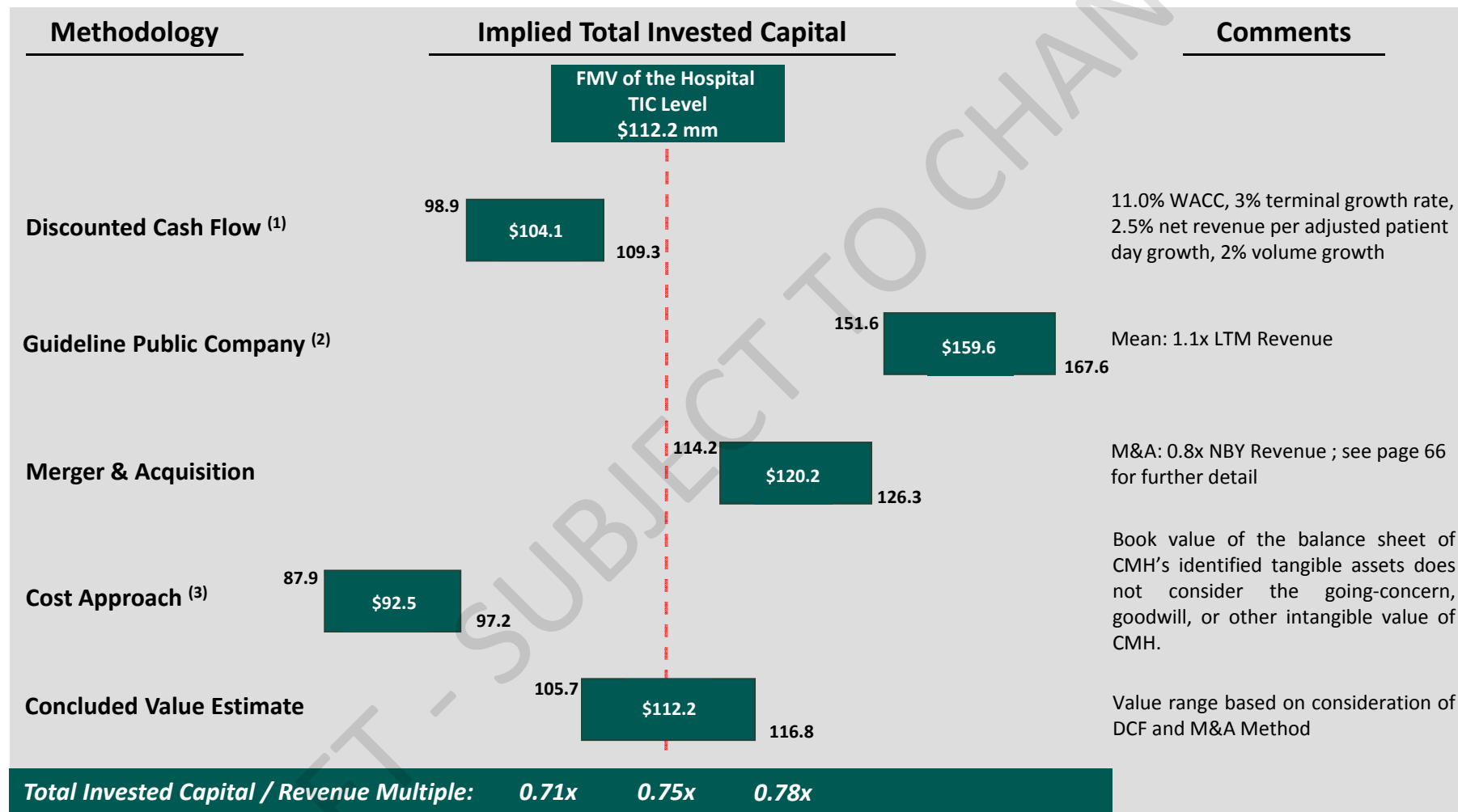
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VALUATION RECONCILIATION & SUMMARY

VALUATION RECONCILIATION & SUMMARY

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Valuation Reconciliation



(1) Please note that specific buyer synergies and efficiencies have not been included in our discounted cash flow analysis.

(2) No reliance was placed on Guideline Public Company Method

(3) No reliance was placed on the Cost Approach as it does not attribute adequate value to the going concern cash flow generating capacity of the entity.

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HOSPITAL OPERATING COST & QUALITY COMPARISON

HOSPITAL OPERATING COST & QUALITY COMPARISON

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Hospital Peer Group Selection

The initial comparable hospitals were identified by the Florida Agency for Health Care Administration (“AHCA”). AHCA classifies Citrus Memorial Hospital (“CMH”) as a medium suburban acute care hospital. Listed below are 15 other acute care hospitals that AHCA classifies as medium suburban acute care hospitals

AHCA: Medium Suburban Hospital Group (Tertiary)	
2013 Acute Care Hospital Groups Group 5, 2010 Actual Data	
Hospital Name	County
Citrus Memorial Hospital	Citrus
Bert Fish Medical Center	Volusia
Sacred Heart Hospital	Escambia
Bay Medical Center Sacred Heart Health System	Bay
Charlotte Regional Medical Center	Charlotte
Munroe Regional Medical Center	Marion
Florida Hospital Oceanside	Volusia
Leesburg Regional Medical Center	Lake
Baptist Hospital	Escambia
Indian River Medical Center	Indian River
North Florida Regional Medical Center	Alachua
Ocala Regional Medical Center	Marion
Fort Walton Beach Medical Center	Okaloosa
West Florida Hospital	Escambia
Regional Medical Center Bayonet Point	Pasco
Oak Hill Hospital	Hernando

Source: AHCA "2010 Florida Hospital Financial Data"

Hospital Peer Group Selection

VMG compiled a list of each hospital's general information, description, and high level operating statistics in order to further narrow down an appropriate comparable set for CMH. Below is the list of information utilizing data provided from AHCA.

- Description
 - Facility name
 - County
 - Profit status
 - Type of control
 - Baker Act Receiving facility (grants for child psychiatric services)
- Operating Statistics
 - Case mix index ("CMI")
 - Revenues
 - Admissions
 - Open heart cases
 - Bed count
- Bed types
 - Acute bed count
 - Adult psychiatric bed count
 - Child psychiatric bed count
 - Neonatal ICU bed count: level II
 - Neonatal ICU bed count: level III
 - Comprehensive medical rehab bed count
- Programs
 - Level I adult cardiovascular services
 - Level II adult cardiovascular services
 - Inpatient diagnostic catheterization
 - Primary stroke center
- Special Services
 - Adult open heart surgery
- Additional emergency department types

Details of this comparable set may be found in the appendix

HOSPITAL OPERATING COST & QUALITY COMPARISON

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Hospital Peer Group Selection

After analyzing our compiled data set and conducting discussions with management concerning other regional hospital competition not listed in AHCA's 2010 Florida Hospital Financial Data report, we selected the following hospitals to benchmark against CMH. Hospitals were excluded for lack of comparability based on size, programs, special services, and other data issues.

Citrus Memorial Hospital Selected Peer Group			
Facility Name	County	Profit Status	Type of Control
Citrus Memorial Hospital	Citrus	Not-For-Profit	Other
Citrus Memorial Comparable Hospital List			
Florida Hospital Oceanside	Volusia	Not-For-Profit	Religious
Seven Rivers Regional Medical Center*	Citrus	For-Profit	Corporation
Charlotte Regional Medical Center	Charlotte	For-Profit	Corporation
Fort Walton Beach Medical Center	Okaloosa	For-Profit	Corporation
Ocala Regional Medical Center	Marion	For-Profit	Corporation
Parrish Medical Center*	Brevard	Not-For-Profit	Hospital District
Oak Hill Hospital	Hernando	For-Profit	Corporation
Manatee Memorial Hospital*	Manatee	For-Profit	Partnership
Regional Medical Center Bayonet Point	Pasco	For-Profit	Corporation
Leesburg Regional Medical Center	Lake	Not-For-Profit	Other
Indian River Medical Center	Indian River	Not-For-Profit	Other
Bay Medical Center Sacred Heart Health System	Bay	Not-For-Profit	Hospital District
West Florida Hospital	Escambia	For-Profit	Corporation
Munroe Regional Medical Center	Marion	Not-For-Profit	Hospital District
Excluded from Comparable Hospital List			
Bert Fish Medical Center	Volusia	Not-For-Profit	Religious
North Florida Regional Medical Center	Alachua	For-Profit	Corporation
Sacred Heart Hospital	Escambia	Not-For-Profit	Religious
Baptist Hospital Inc	Escambia	Not-For-Profit	Other

* Comparable Hospital were added to the list based on discussions with management

CITRUS MEMORIAL HEALTH FOUNDATION

HOSPITAL OPERATING COST COMPARISON

Overview

To compare if there is a difference in operating costs between CMH and its selected peers, the following cost metrics were selected :

- Operating Cost per Case Mix Adjusted Admission (Excluding Bad Debt, Depreciation, and Interest)
- Operating Cost per Case Mix Adjusted Patient Day (Excluding Bad Debt, Depreciation, and Interest)
- Average Length of Stay (“ALOS”)

VMG utilized total operating expense excluding bad debt. While no two hospitals are exactly comparable, VMG selected peers that have a reasonable degree of comparability to CMH based on certain factors (including size and service line). To further increase the comparability of the results the following adjustments were made:

- The operating expenses were adjusted for differences in case mix index (“CMI”). CMI is a measure of resource utilization, a higher case mix equates to a greater amount of resources consumed.
- VMG utilized adjusted patient days and adjusted admissions. The adjustment factor is utilized to account for the outpatient component of each hospital's patient mix.

Another consideration which impacts a hospital's cost structure is the average length of stay (“ALOS”) for its patient base. Therefore, VMG considered costs per adjusted admission and adjusted patient day.

Summary of Findings: The CMH cost structure is generally below its peers when compared on a per adjusted admission basis and in-line with its peers when compared on an adjusted patient day basis. In totality, the metrics do not yield any material differences between CMH and its peer group.

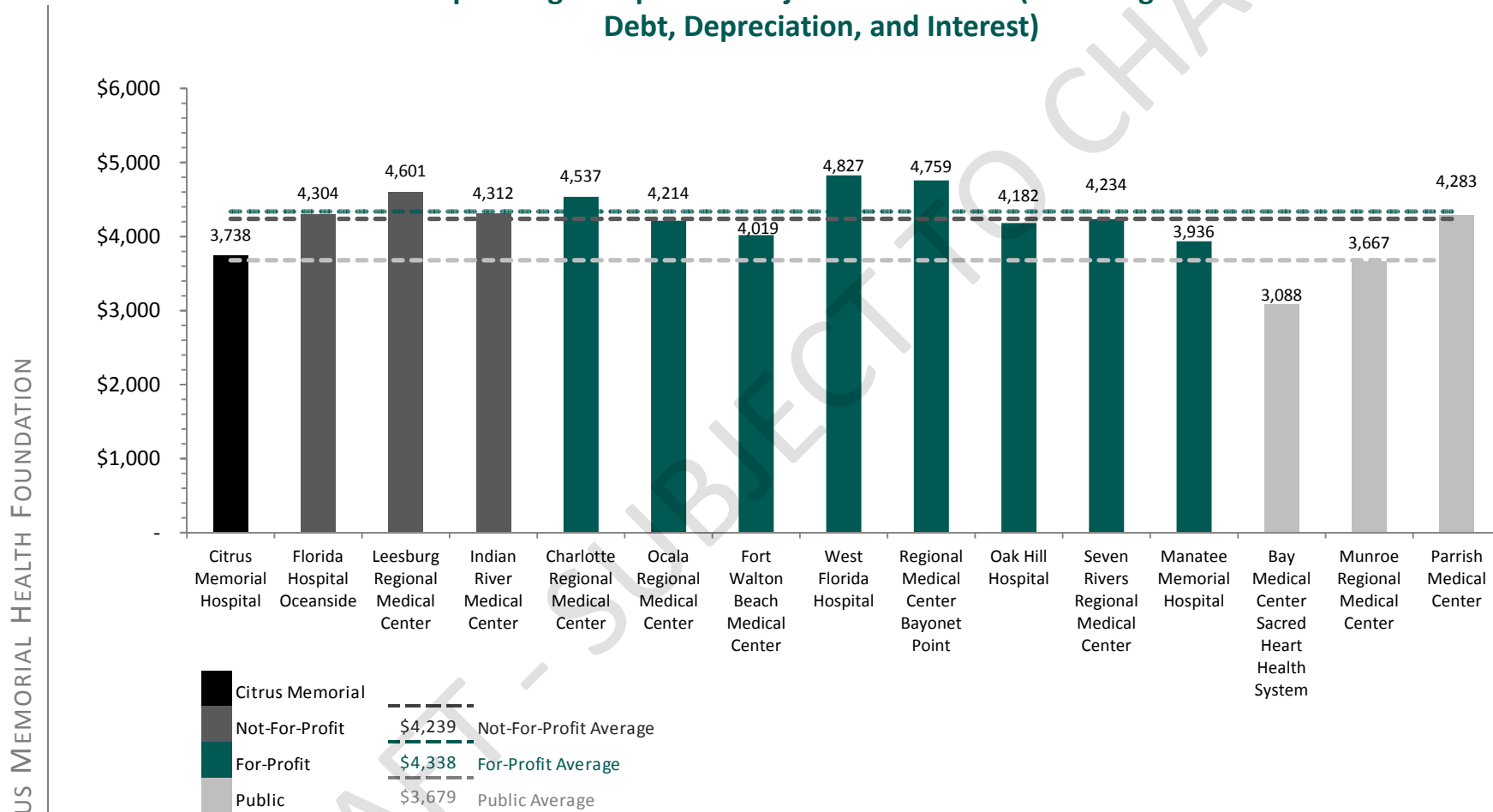
Please see the following pages for detail on metrics listed above

HOSPITAL OPERATING COST COMPARISON

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Operating Cost Comparison

Operating Cost per CMI Adjusted Admission (Excluding Bad Debt, Depreciation, and Interest)



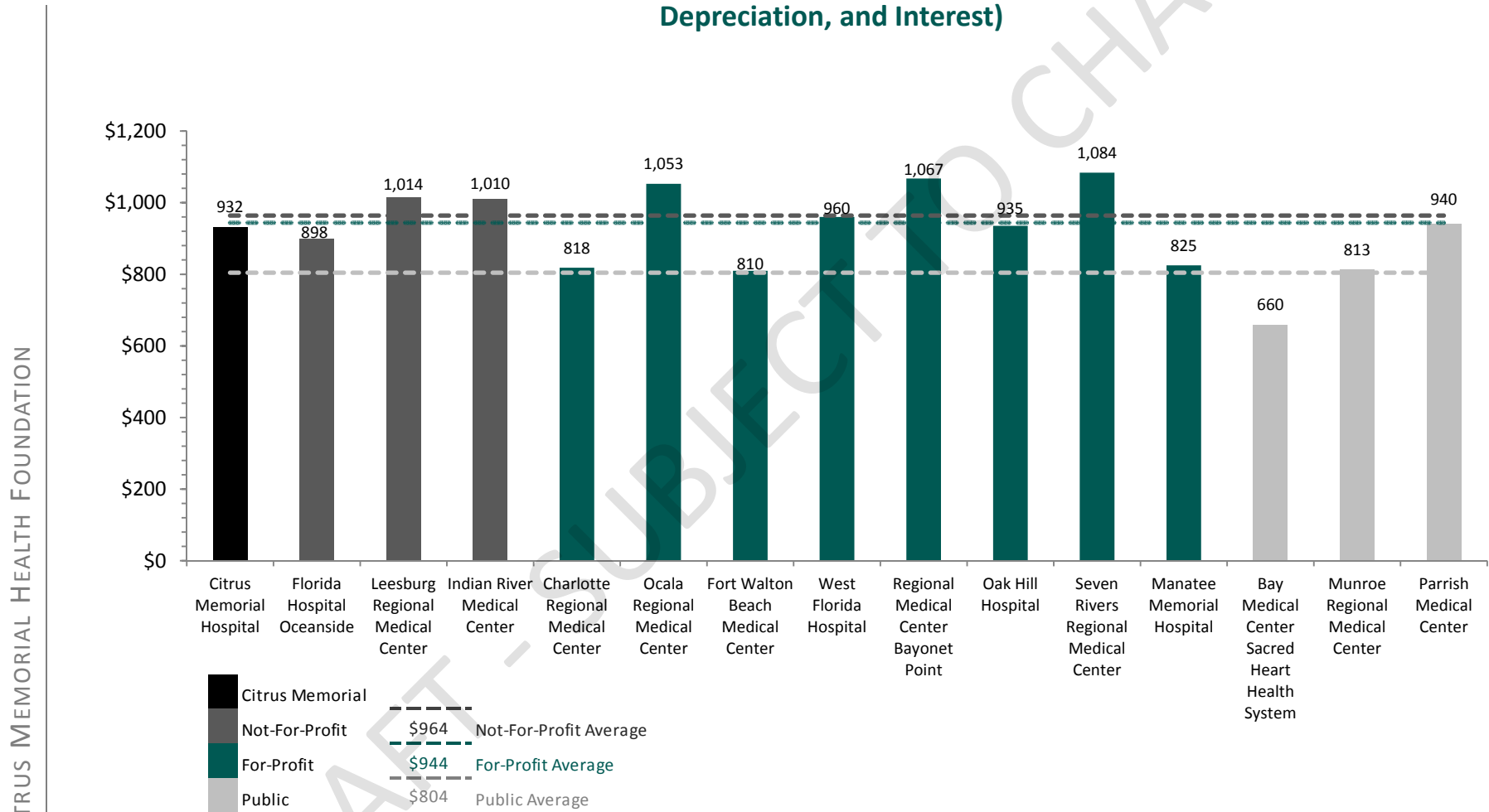
Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: AHCA FY 2011 Financial Data; Prepared by Florida Hospital Association (Case Mix Index sourced from FY 2010 data)

HOSPITAL OPERATING COST COMPARISON

DRAFT REPORT

Operating Cost Comparison

Operating Cost per CMI Adjusted Patient Day (Excluding Bad Debt, Depreciation, and Interest)



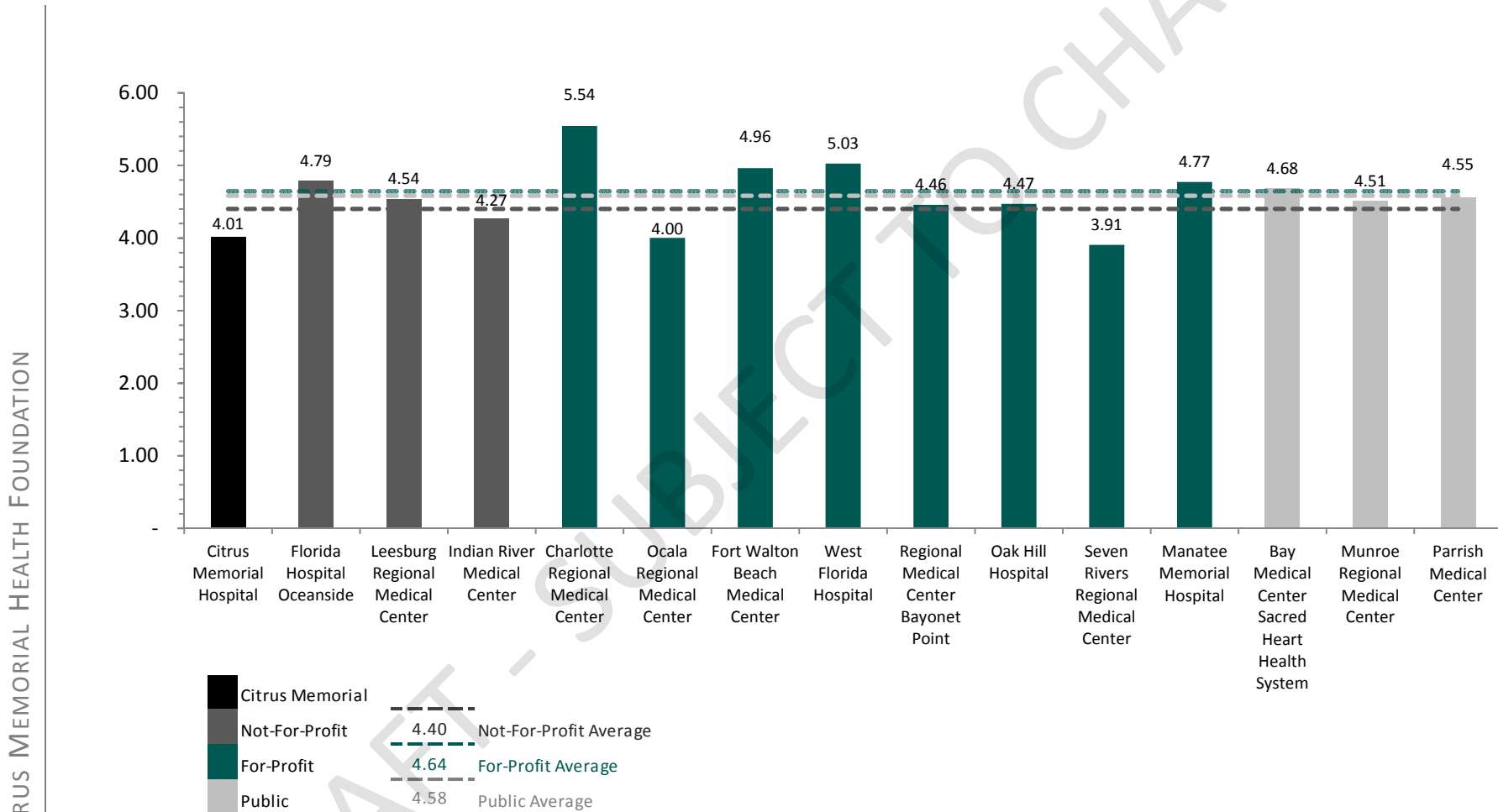
Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: AHCA FY 2011 Financial Data; Prepared by Florida Hospital Association (Case Mix Index sourced from FY 2010 data)

HOSPITAL OPERATING COST COMPARISON

DRAFT REPORT

Operating Cost Comparison

Average Length of Stay ("ALOS")



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: AHCA FY 2011 Financial Data; Prepared by Florida Hospital Association (Case Mix Index sourced from FY 2010 data)

CITRUS MEMORIAL HEALTH FOUNDATION

HOSPITAL QUALITY COMPARISON

Overview

The following industry standard Centers for Medicare and Medicaid Services (“CMS”) quality and outcomes metrics were used to compare CMH with its selected peer group:

- Process of Care Aggregate Scores:
 - Heart Attack or Chest Pain
 - Heart Failure
 - Pneumonia
 - Surgical Care Improvement
- Outcomes for Heart Attack, Heart Failure and Pneumonia patients:
 - 30-day Mortality Rates
 - 30-day Readmission Rates
- Hospital Consumer Assessment of Healthcare Providers & Systems (“HCAHPS”) for key communication and overall satisfaction measures.

Summary of Findings: CMH is generally below the national and state averages along with its selected peer group across all Process of Care Aggregate Scores with the exception of Surgical Care Improvement. CMH is generally in-line with the national and state averages along with its peers for its mortality and readmission rates. Finally, CMH is generally below the national and state averages but in-line with its peers for the reviewed HCAHPS measures.

When metrics are viewed in aggregate across the CMS metrics, there is no conclusive evidence that the selected peer group hospitals deliver higher quality of care.

These metrics are further explained on the following page.

Overview of Quality Metrics

Process of Care

The measures of timely and effective care (also known as “process of care” measures) show (1) the percentage of hospital patients who receive treatments known to get the best results for certain common, serious medical conditions or surgical procedures, and (2) how quickly hospitals treat patients who come to the hospital with certain medical emergencies. The measures only apply to patients for whom the recommended treatment would be appropriate. By law, any measures reported on the Hospital Compare website must reflect accepted standards of care, based on current scientific evidence. The measures are regularly reviewed and revised to ensure that they are up-to-date, and new measures and types of conditions and treatments will be added over time.

30-day Mortality Rates

The 30-day death (mortality) measures are estimates of deaths from any cause within 30 days of a hospital admission, for patients hospitalized with one of several primary diagnoses (heart attack, heart failure, and pneumonia), regardless of whether the patient dies while still in the hospital or after discharge. CMS chose to measure death within 30 days instead of inpatient deaths to use a more consistent measurement time window because length of hospital stay varies across patients and hospitals. Also, mortality over longer time periods (such as 90 days) may have less to do with the care received in the hospital and more to do with other complicating illnesses, patients’ own behavior, or care provided to patients after hospital discharge.

30-day Readmission Rates

The 30-day readmission measures are estimates of readmission for any cause to any acute care hospital within 30 days of discharge. These measures include patients who were initially hospitalized with one of several primary diagnoses (heart attack, heart failure, and pneumonia), regardless of whether patients are readmitted to the same or to a different hospital. Patients who are discharged to a nursing home are not excluded from these measures. Patients who transferred to another hospital or who left the hospital against medical advice are not included. CMS chose to measure readmission within 30 days over longer time periods (such as 90 days), because readmissions over longer periods may be impacted by factors outside hospitals’ control such as other complicating illnesses, patients’ own behavior, or care provided to patients after discharge.

Hospital Consumer Assessment of Healthcare Providers and Systems

CMS, along with the Agency for Healthcare Research and Quality, developed the Hospital Consumer Assessment of Healthcare Providers and Systems Survey, also known as (“HCAHPS”), to provide a standardized survey instrument and data collection methodology for measuring patients' perspectives on hospital care. The HCAHPS Survey is administered to a random sample of patients continuously throughout the year. CMS cleans, adjusts and analyzes the data, then publicly reports HCAHPS results. The HCAHPS survey is 27 questions in length—18 substantive items that encompass critical aspects of the hospital experience; four screening questions to skip patients to appropriate questions; and five demographic items, which are used for adjusting the mix of patients across hospitals and for analytical purposes. Hospital Compare reports results for 6 composite topics and the 4 individual topics, including the 2 overall rating questions, as follows:

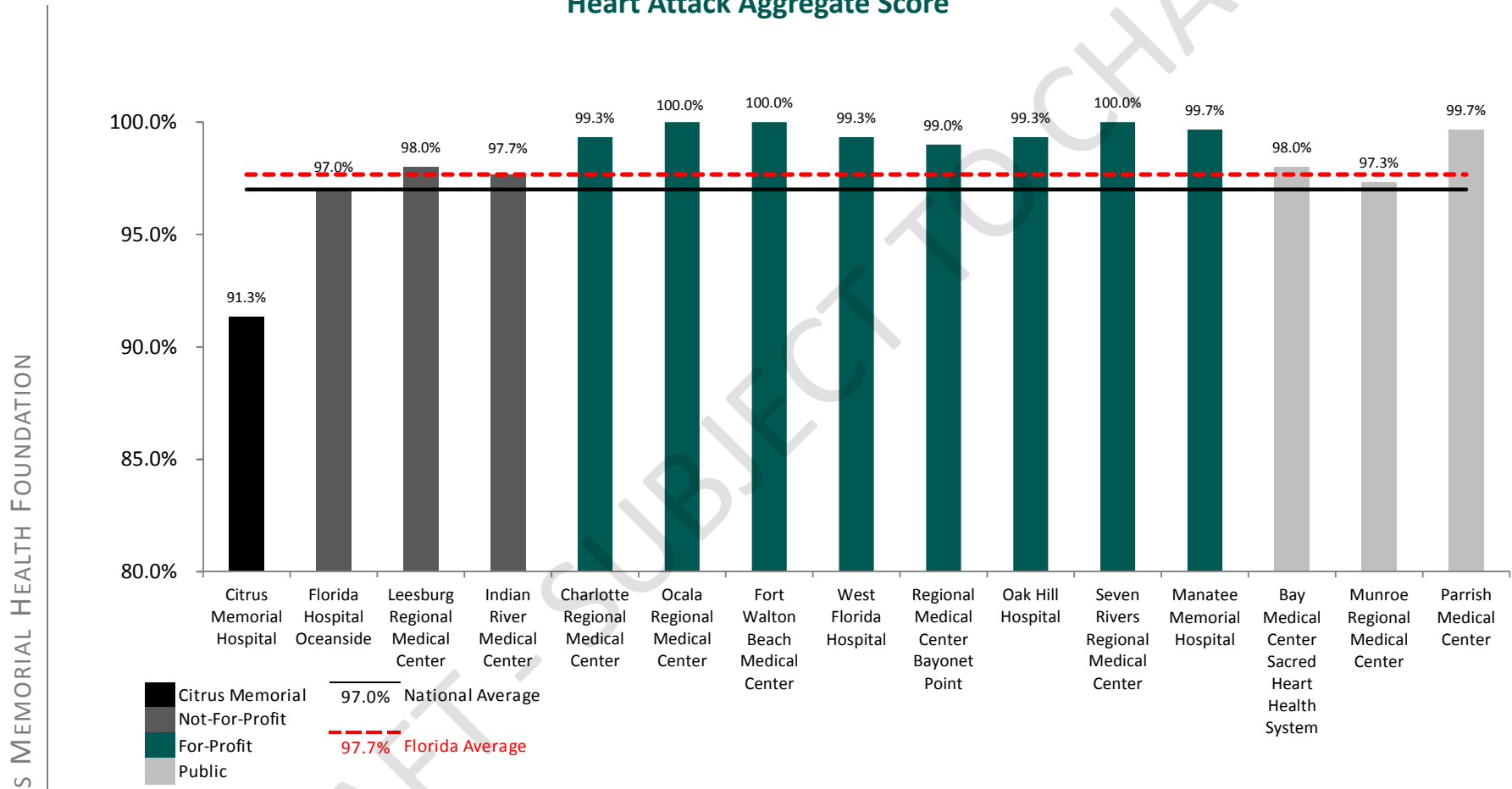
Source: Hospital Compare: About the Data; www.medicare.gov

HOSPITAL QUALITY COMPARISON

DRAFT REPORT

CMS Core Measures

Process of Care Measures: Heart Attack Aggregate Score



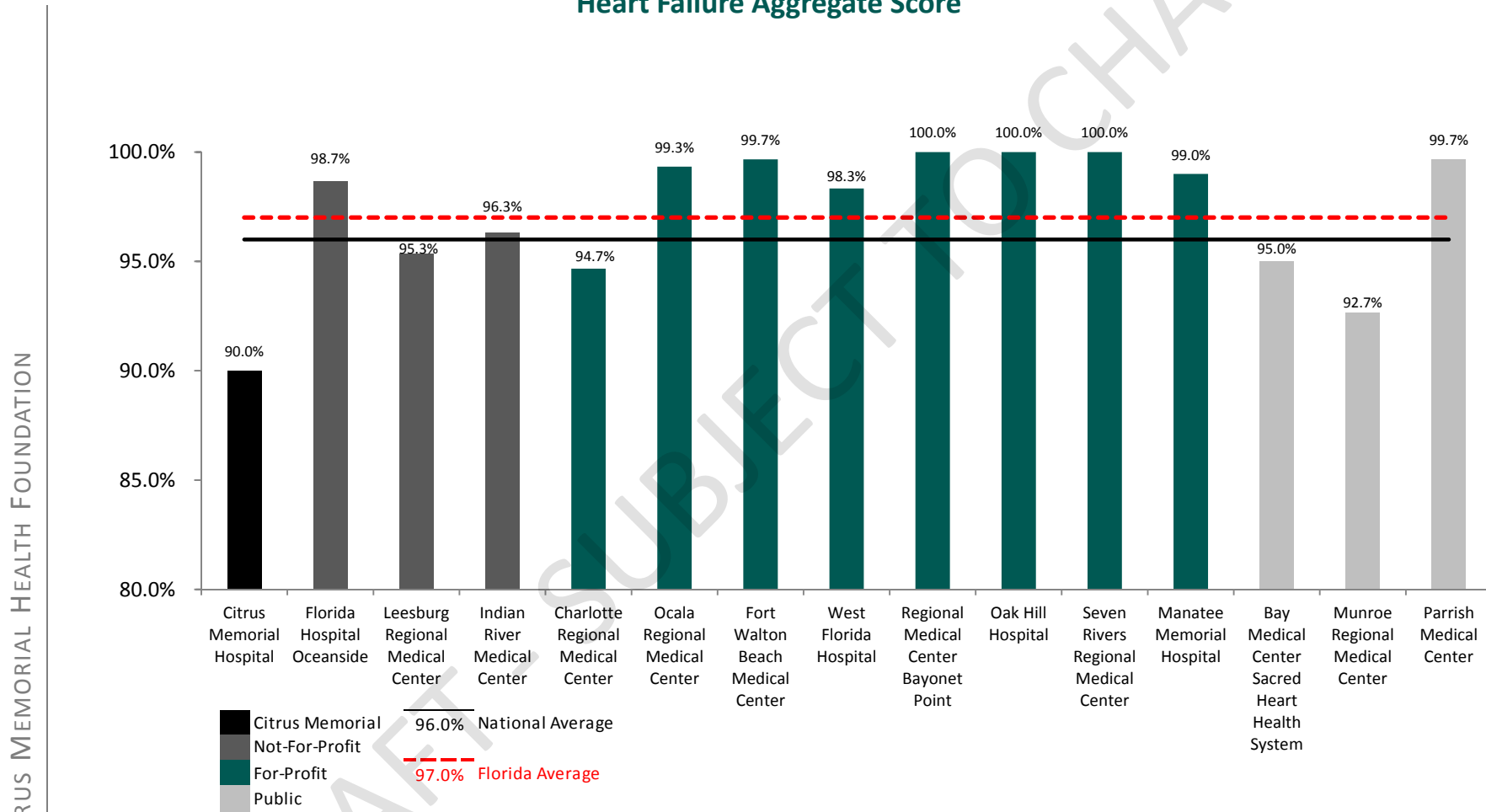
Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

DRAFT REPORT

CMS Core Measures

Process of Care Measures: Heart Failure Aggregate Score



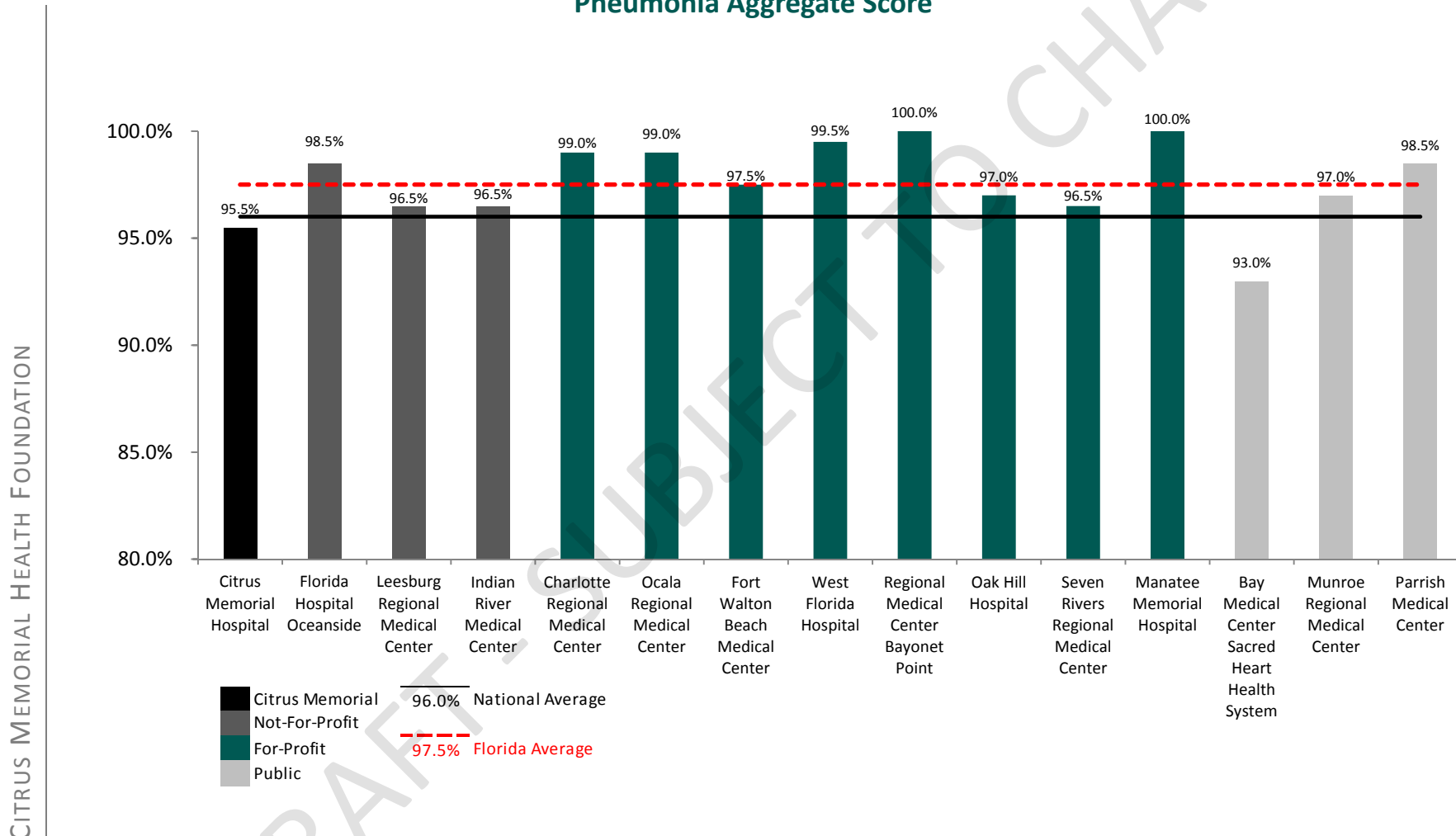
Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

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CMS Core Measures

Process of Care Measures: Pneumonia Aggregate Score



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital

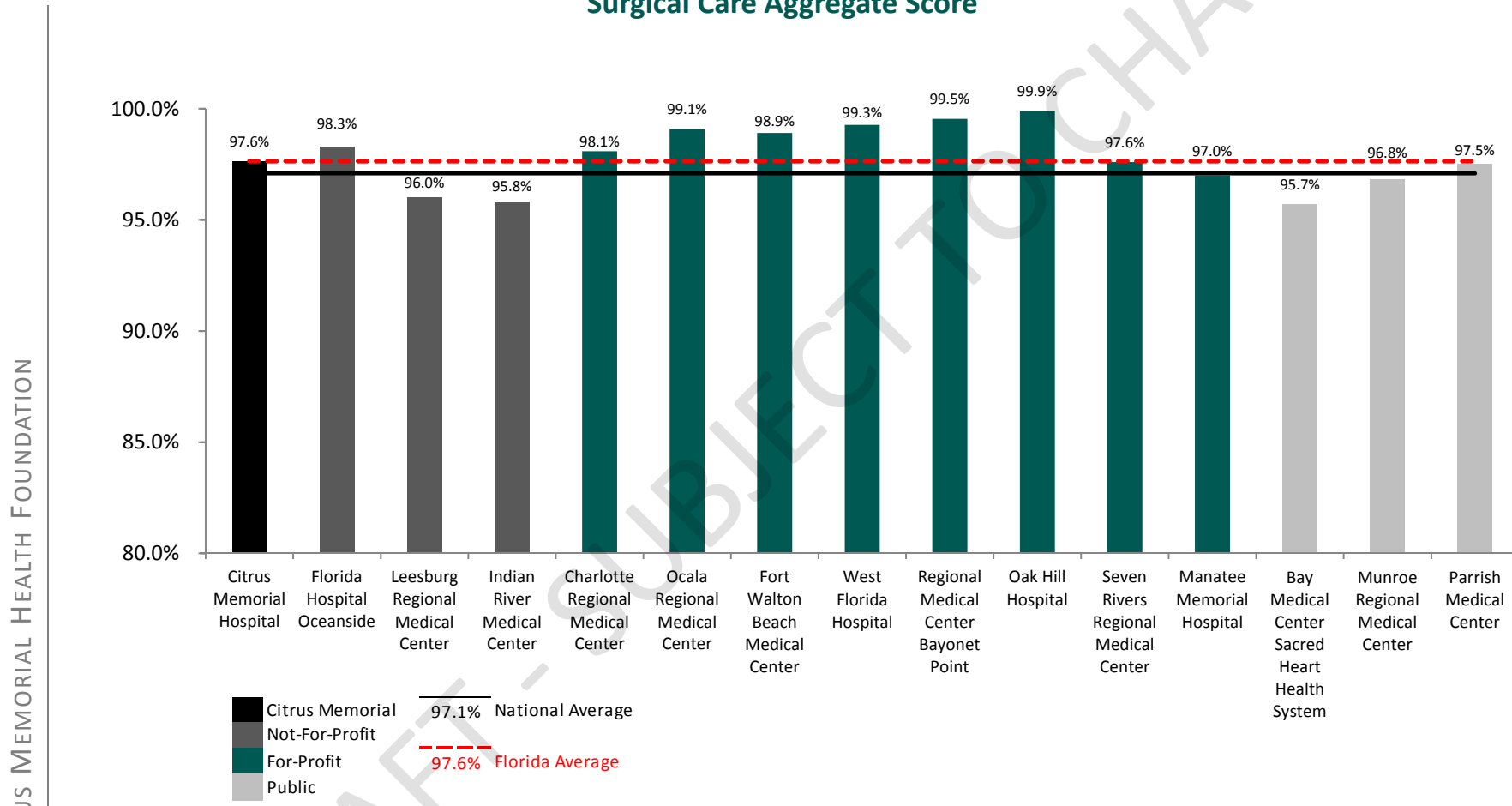
Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

DRAFT REPORT

CMS Core Measures

Process of Care Measures: Surgical Care Aggregate Score

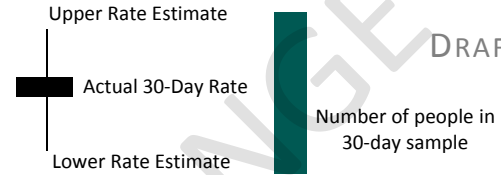


Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

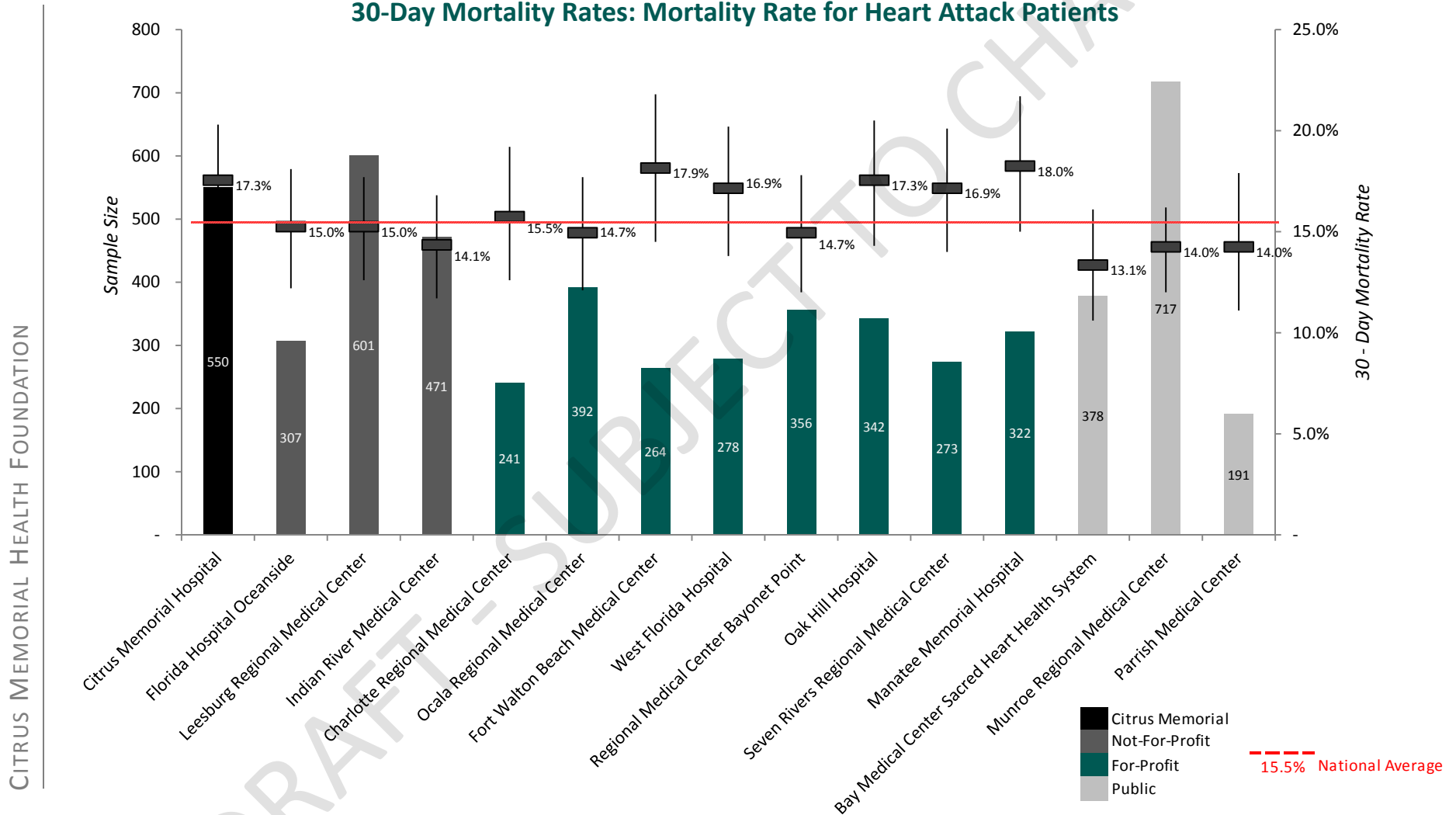
Mortality Rates

KEY



DRAFT REPORT

30-Day Mortality Rates: Mortality Rate for Heart Attack Patients



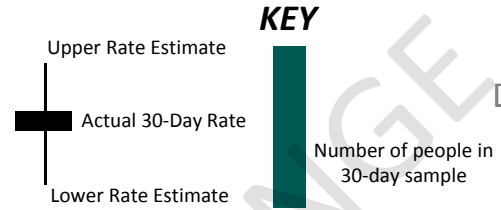
CITRUS MEMORIAL HEALTH FOUNDATION

Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

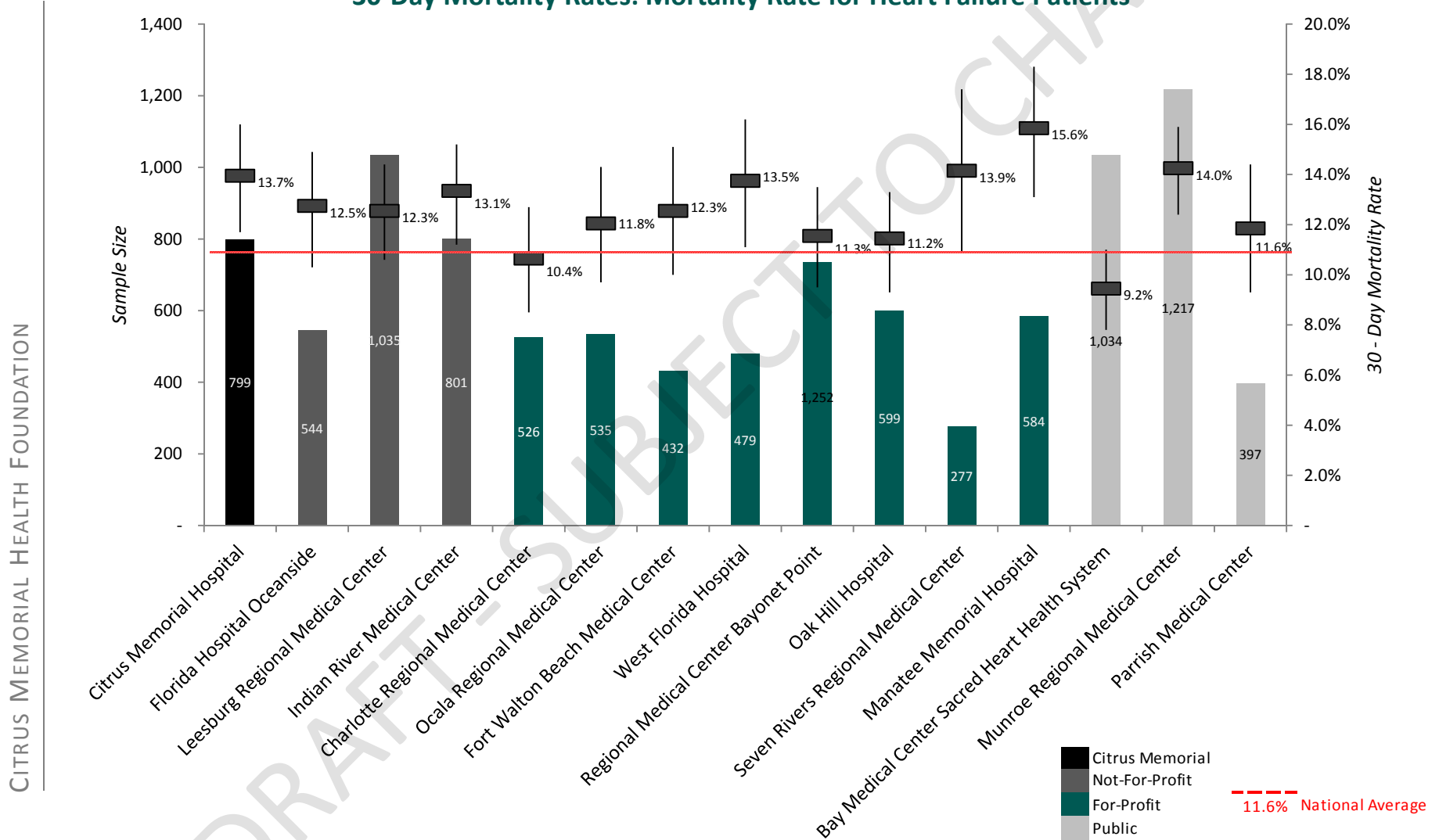
HOSPITAL QUALITY COMPARISON

Mortality Rates

DRAFT REPORT



30-Day Mortality Rates: Mortality Rate for Heart Failure Patients

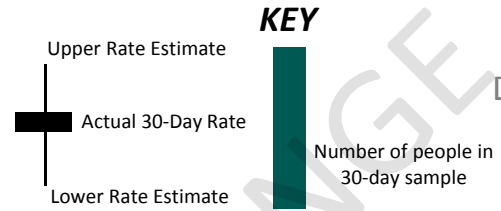


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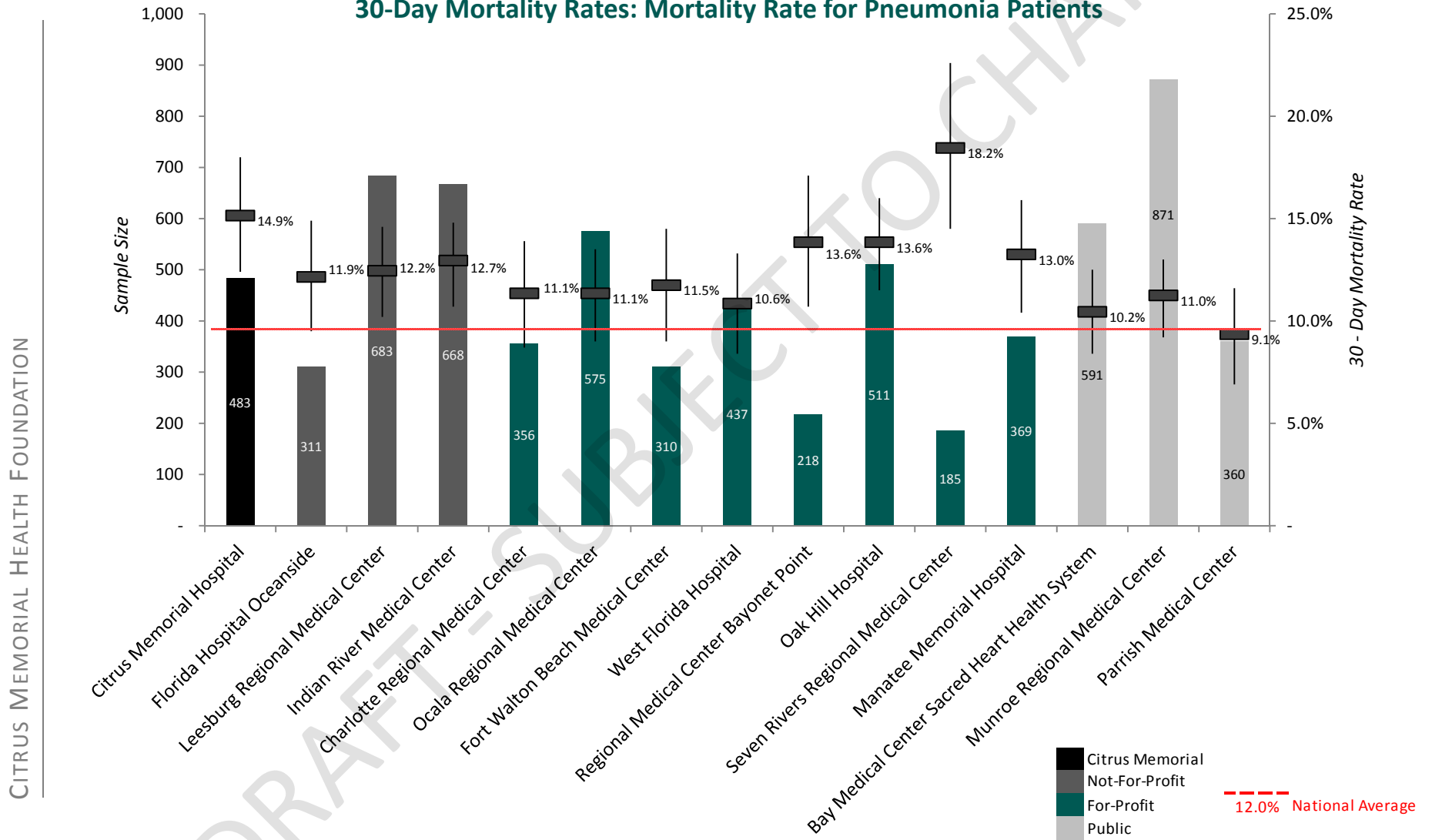
HOSPITAL QUALITY COMPARISON

Mortality Rates

DRAFT REPORT



30-Day Mortality Rates: Mortality Rate for Pneumonia Patients

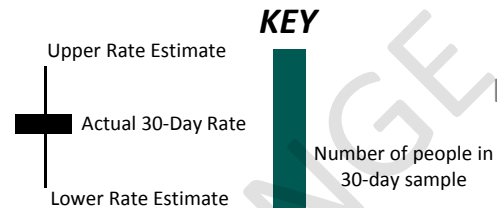


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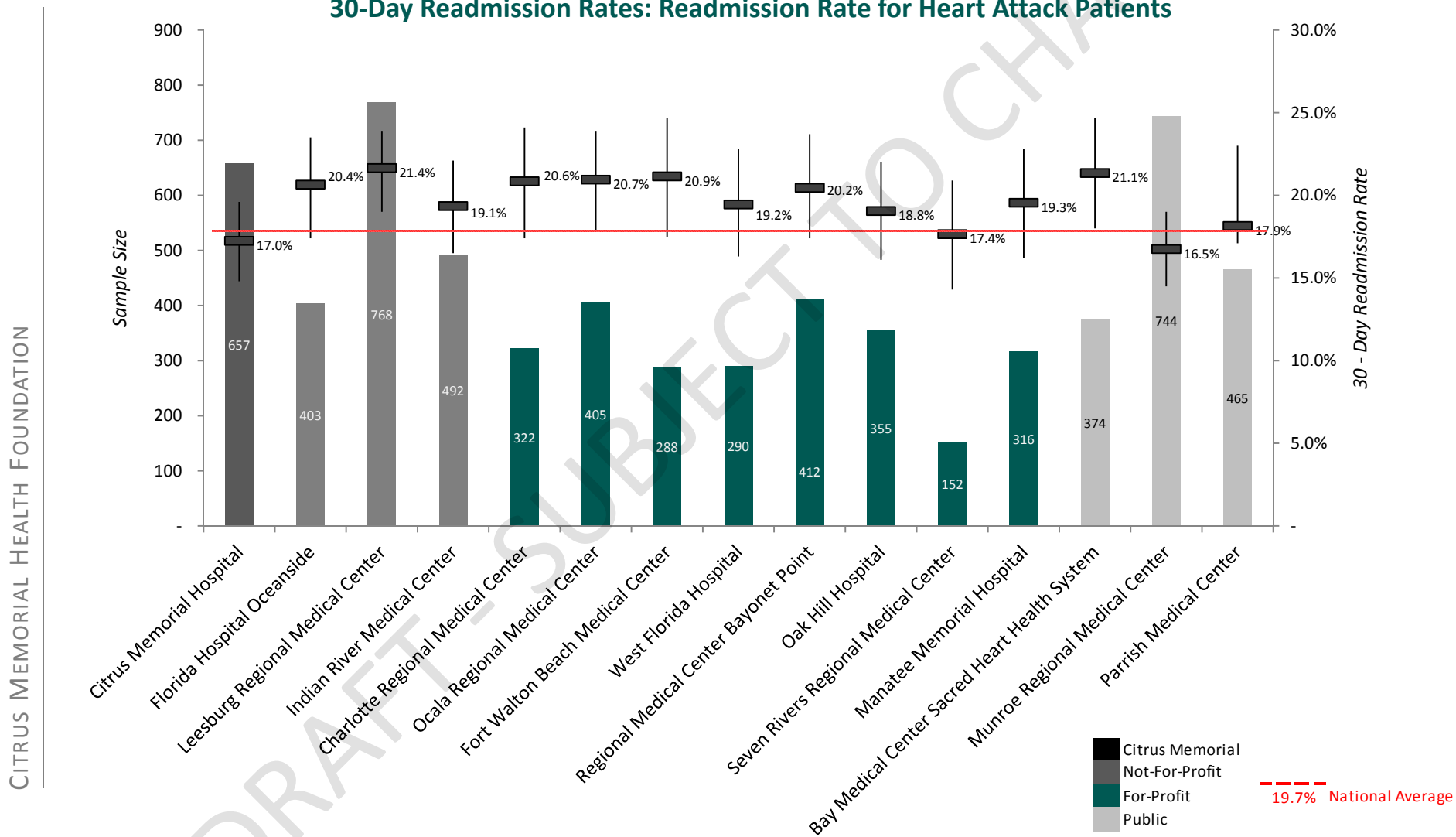
HOSPITAL QUALITY COMPARISON

Readmission Rates

DRAFT REPORT



30-Day Readmission Rates: Readmission Rate for Heart Attack Patients

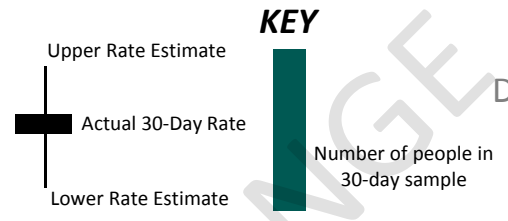


CITRUS MEMORIAL HEALTH FOUNDATION

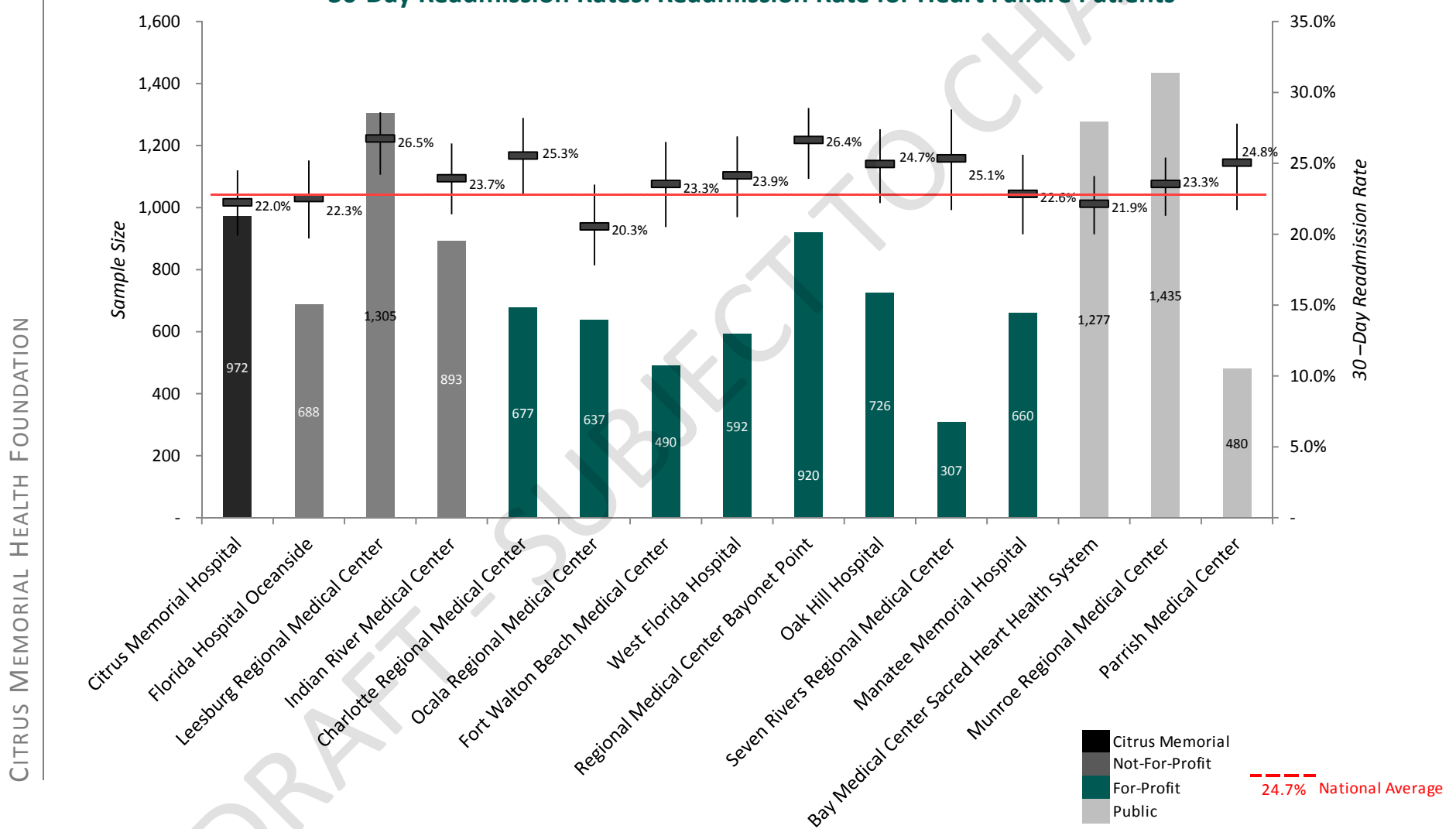
HOSPITAL QUALITY COMPARISON

Readmission Rates

DRAFT REPORT



30-Day Readmission Rates: Readmission Rate for Heart Failure Patients



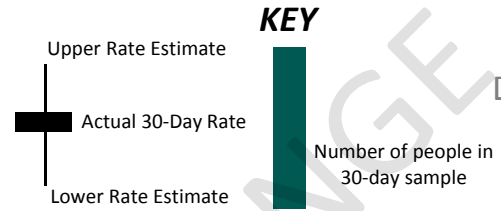
CITRUS MEMORIAL HEALTH FOUNDATION

Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

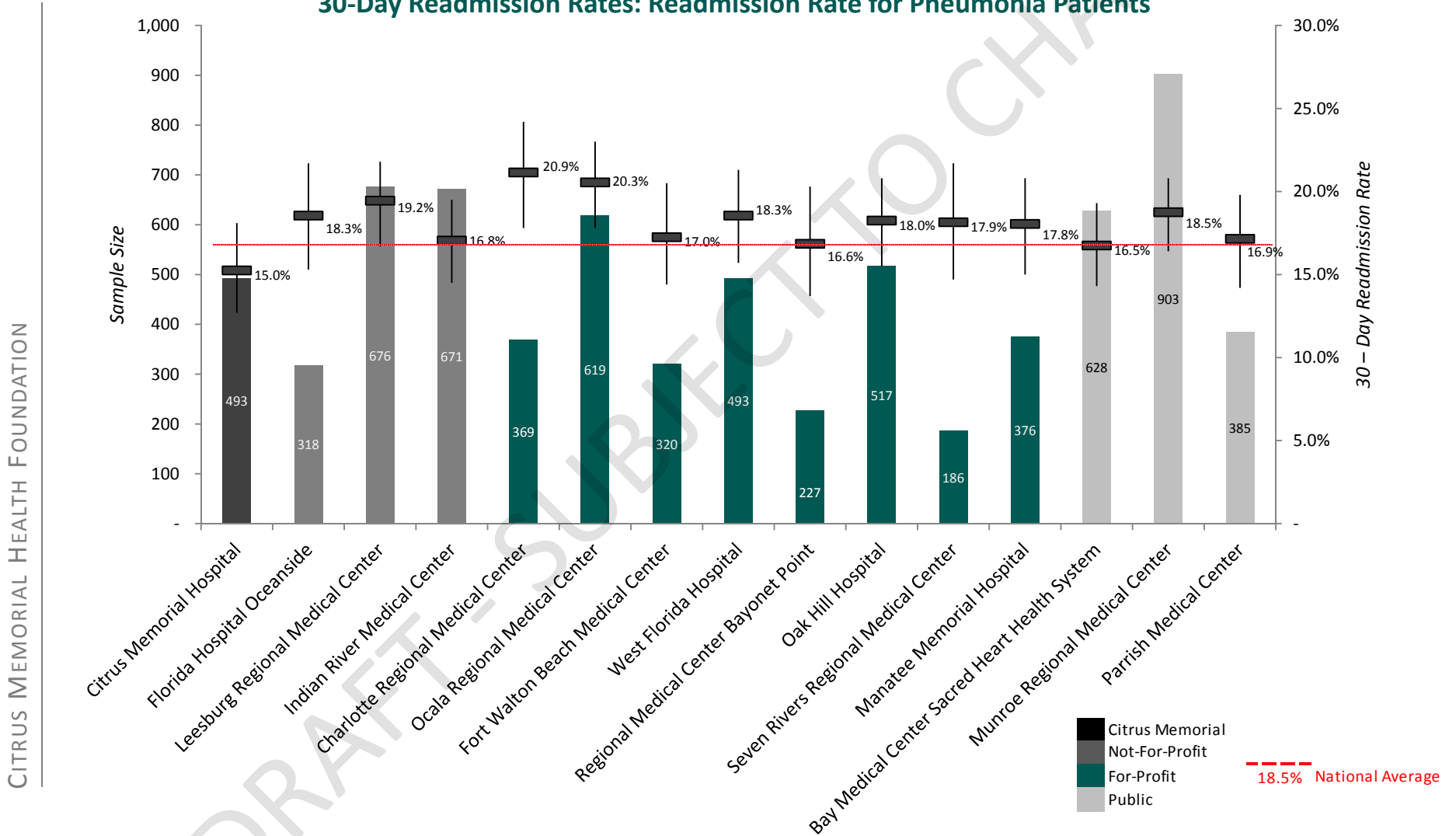
HOSPITAL QUALITY COMPARISON

Readmission Rates

DRAFT REPORT



30-Day Readmission Rates: Readmission Rate for Pneumonia Patients



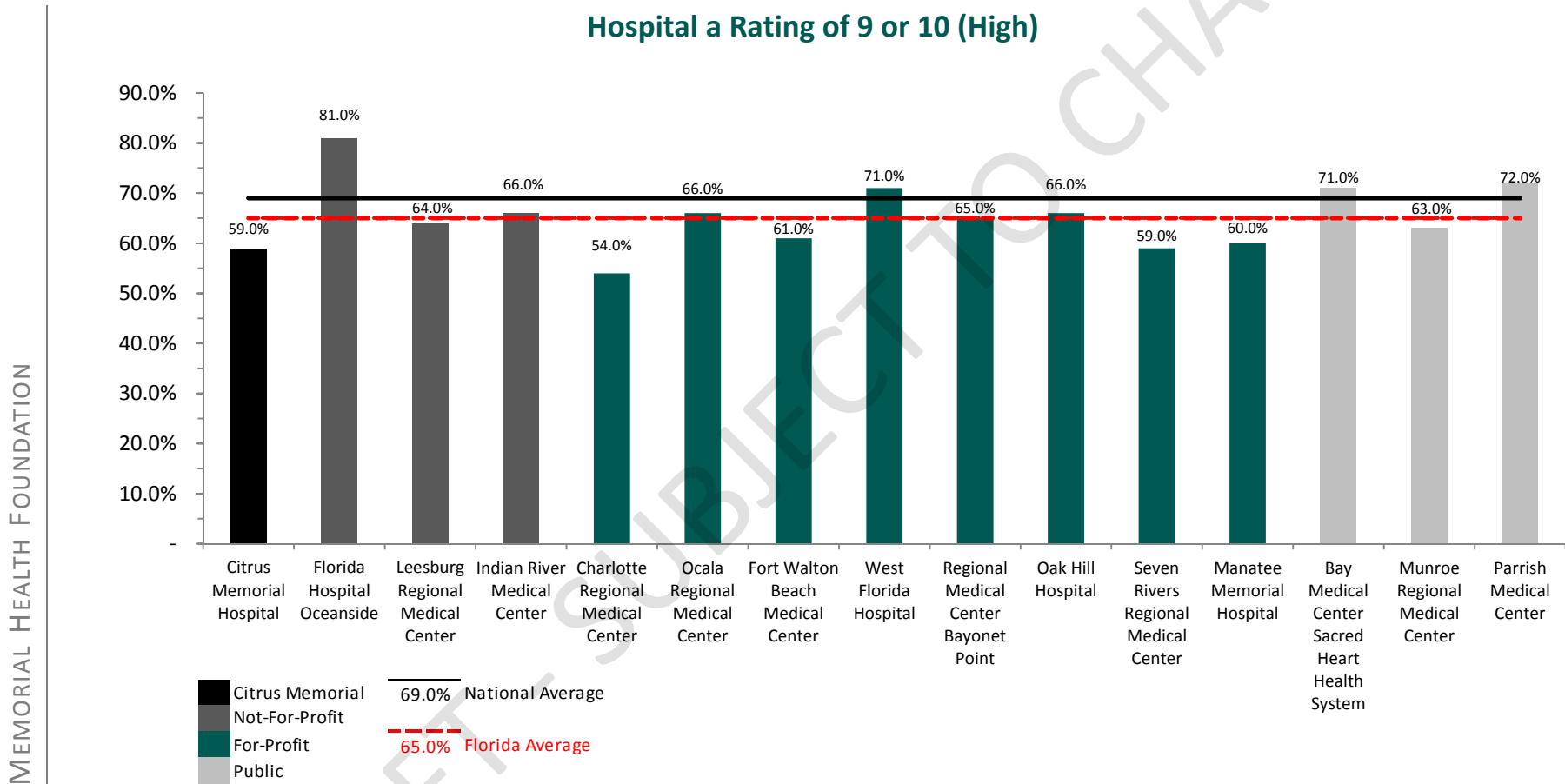
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HOSPITAL QUALITY COMPARISON

DRAFT REPORT

HCAHPS

HCAHPS: Patients That Gave The Hospital a Rating of 9 or 10 (High)



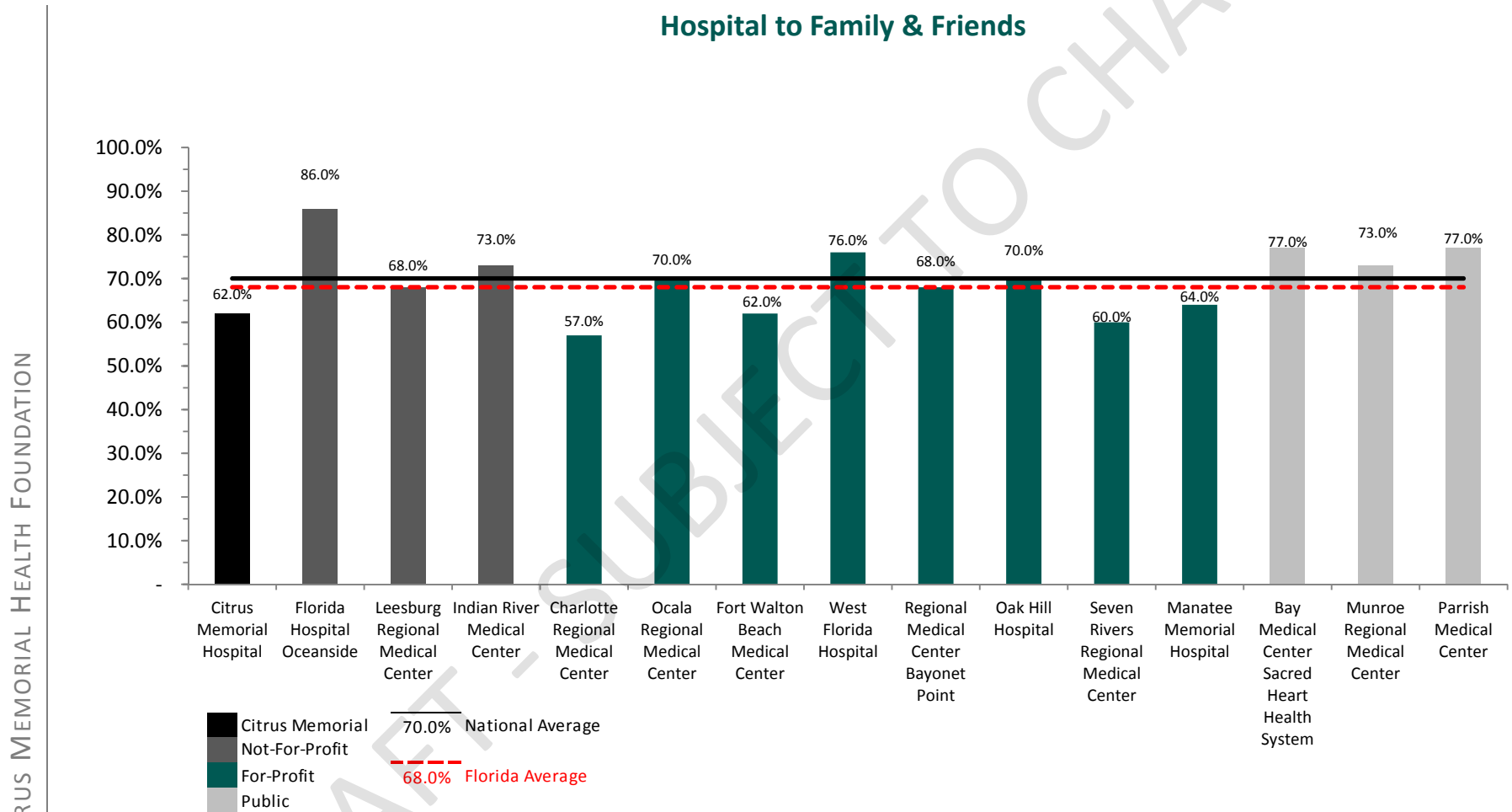
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 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

DRAFT REPORT

HCAHPS

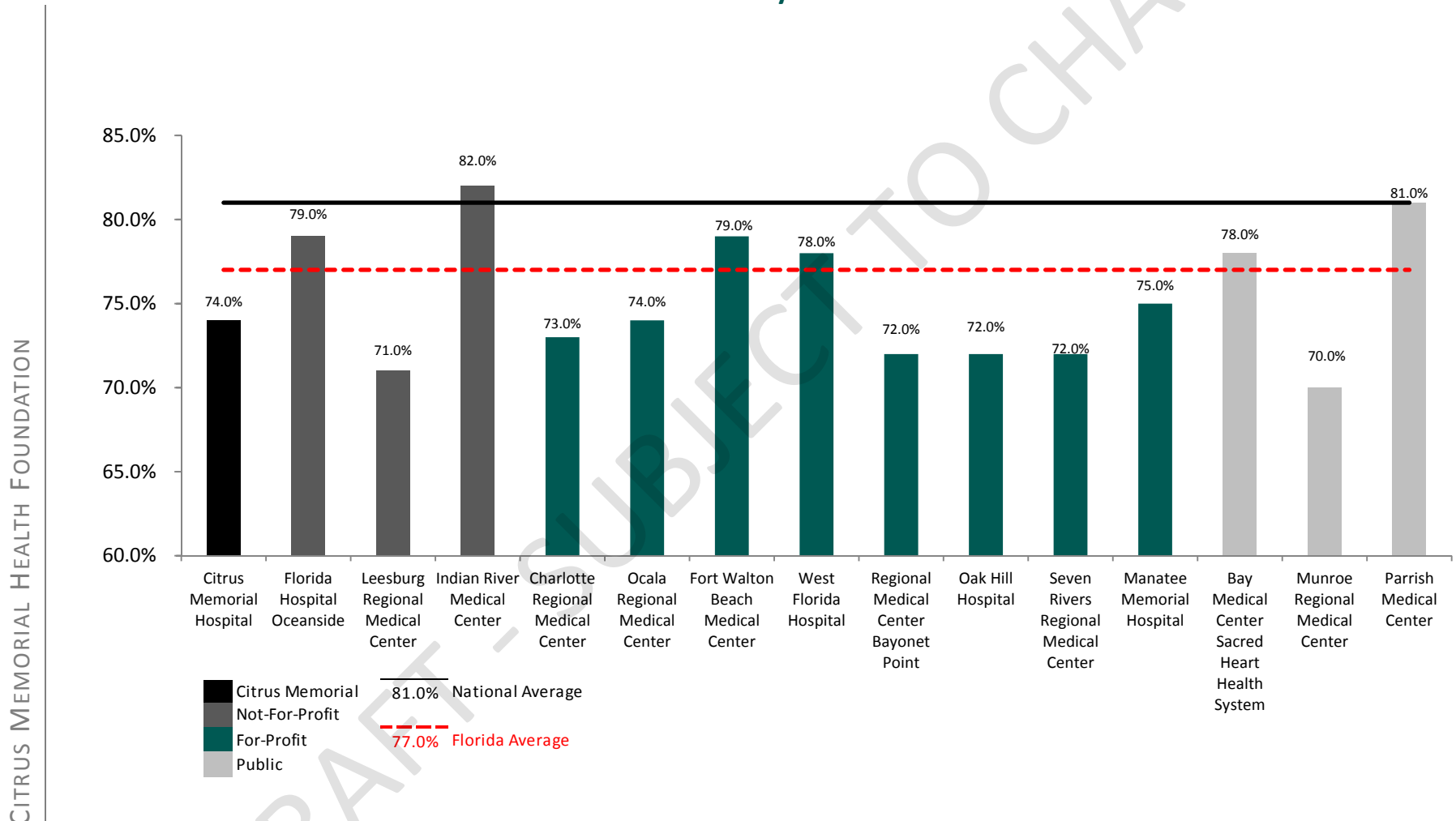
HCAHPS: Patients That Would Recommend Hospital to Family & Friends



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

HCAHPS: Doctors Always Communicated Well

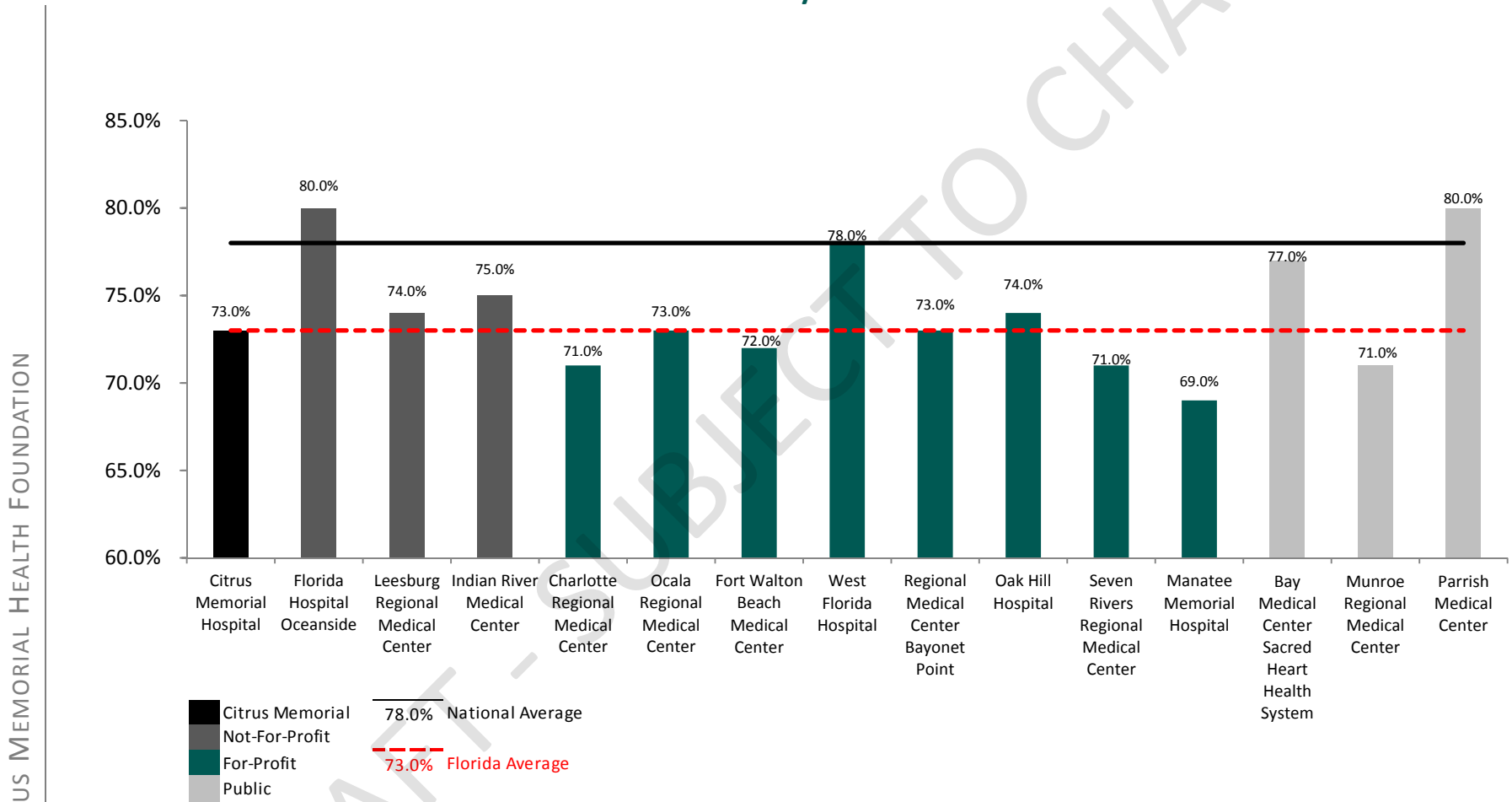


Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital

Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

HCAHPS: Nurses Always Communicated Well



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

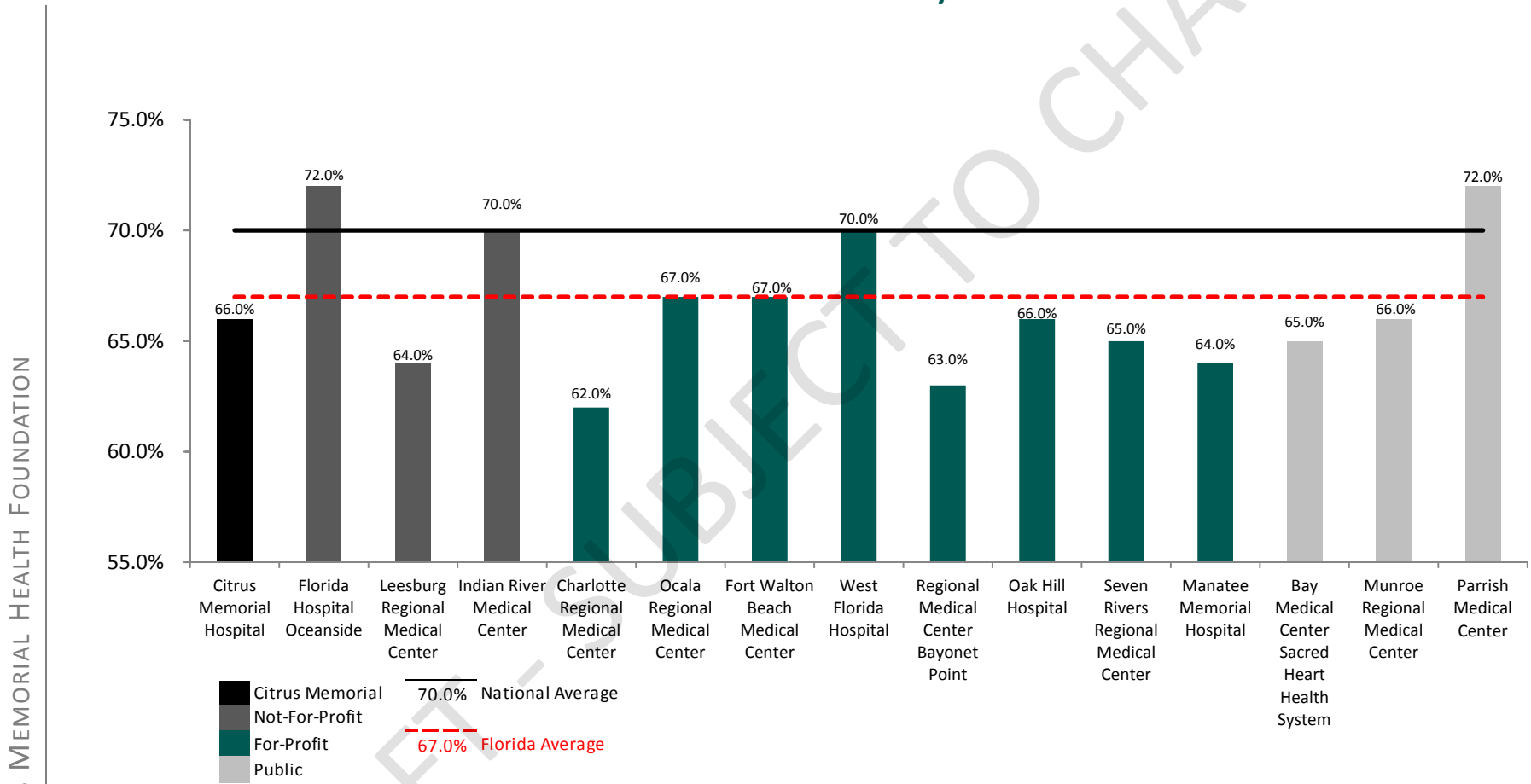
HCAHPS: Patients Always Received Help as Soon as They Wanted



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

HCAHPS: Patients Pain was Always Well Controlled



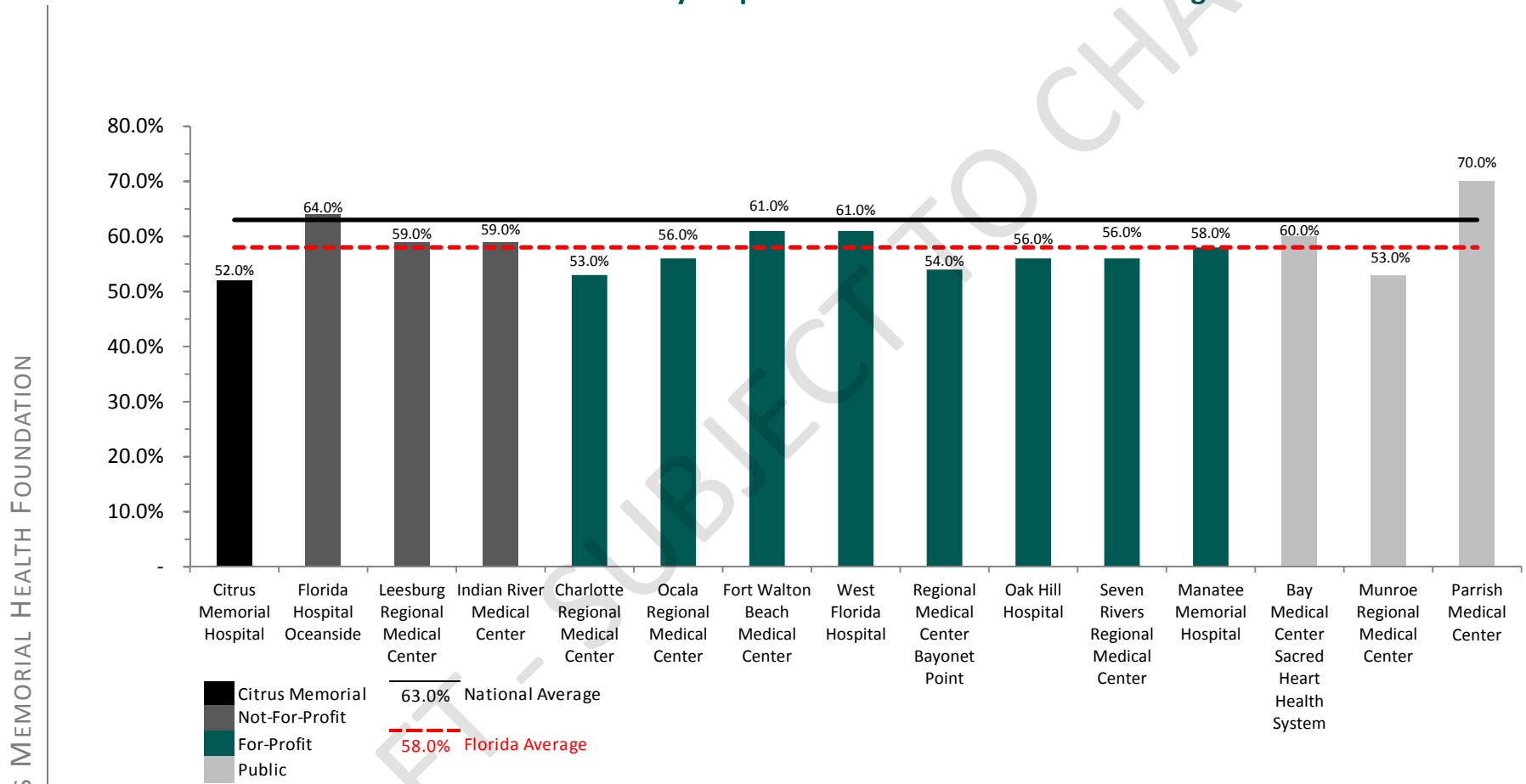
Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HOSPITAL QUALITY COMPARISON

DRAFT REPORT

HCAHPS

HCAHPS: Staff Always Explained Medicines Before Receiving Them

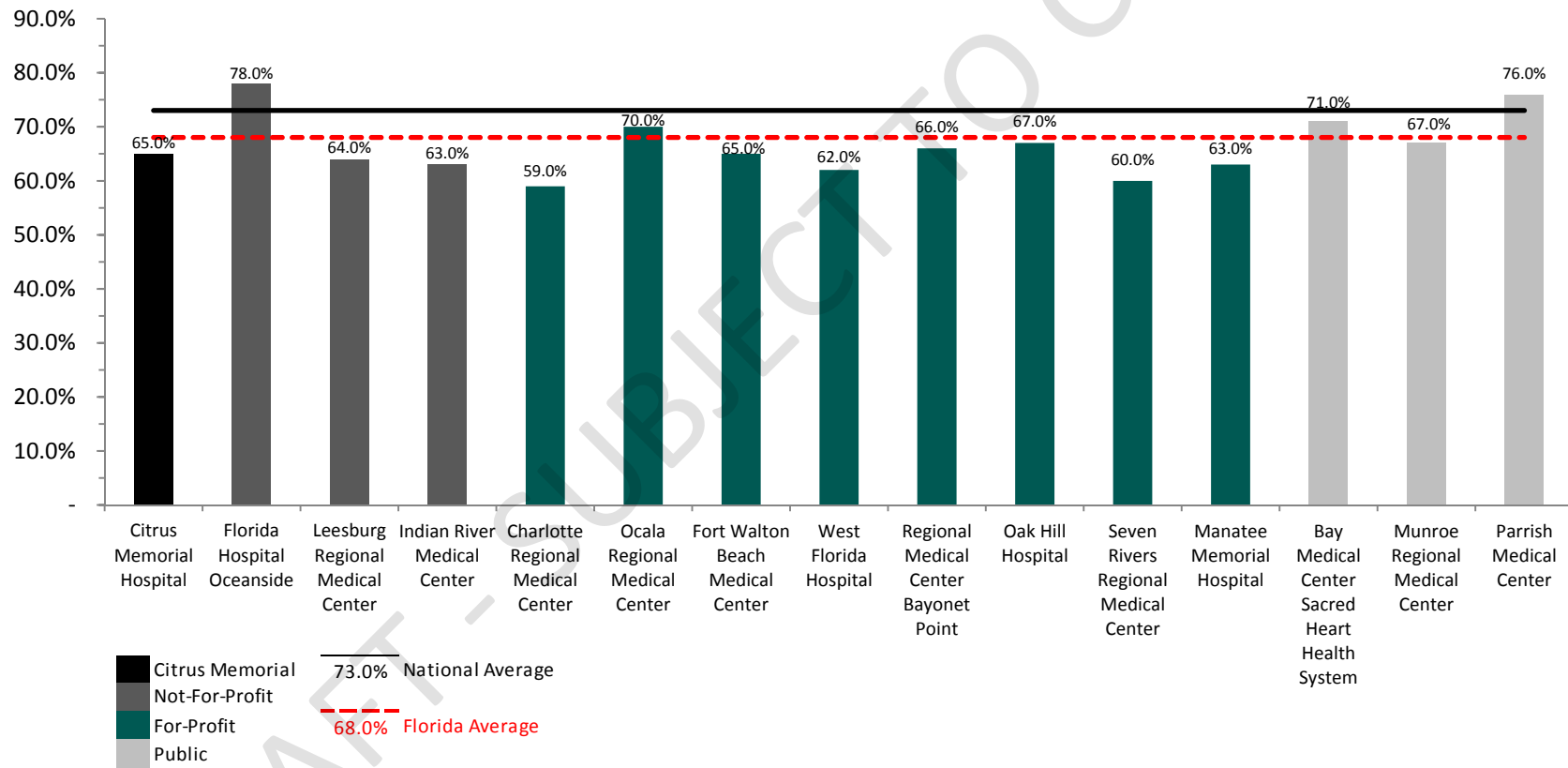


Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

HCAHPS: Patient Bathroom Always Kept Clean

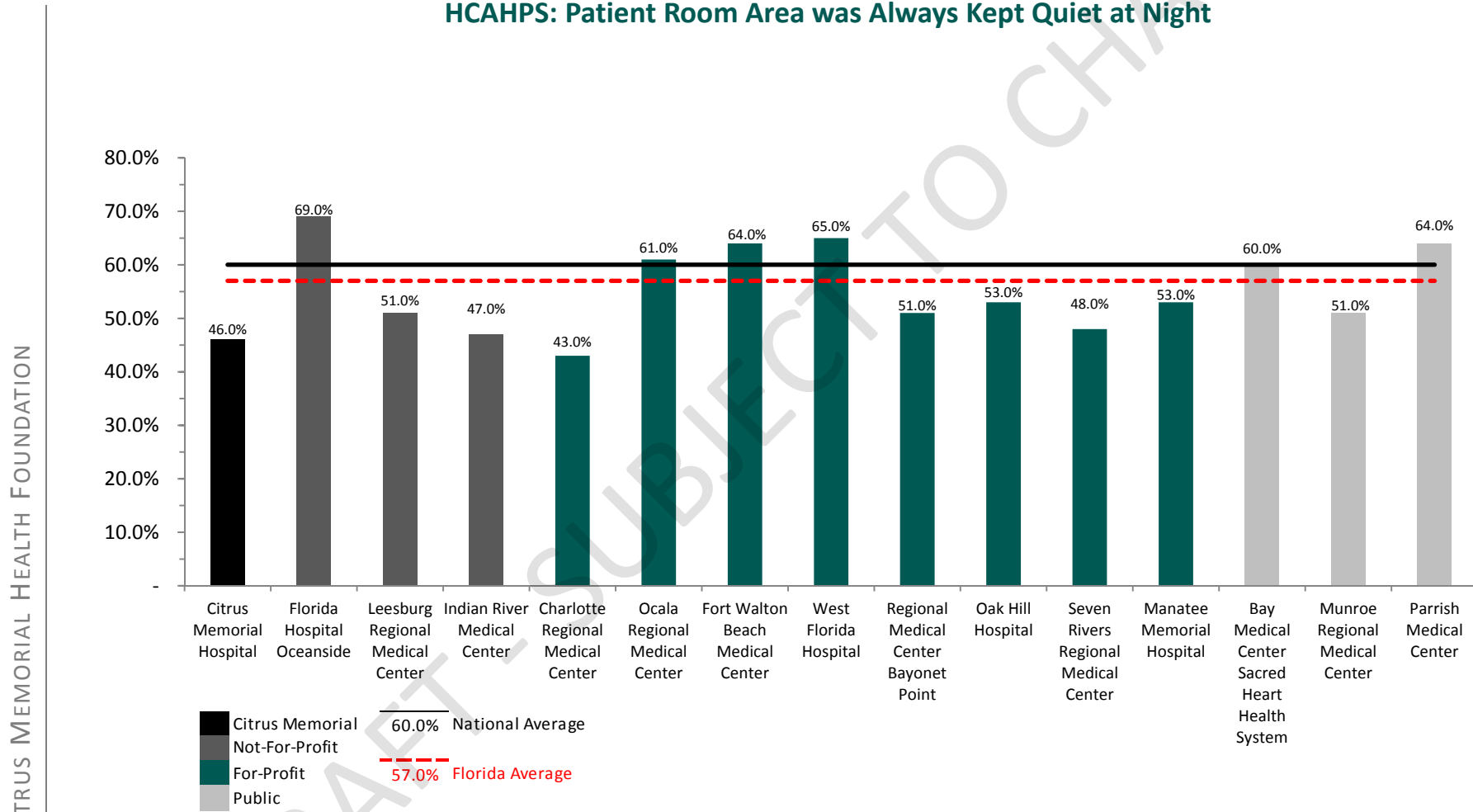
CITRUS MEMORIAL HEALTH FOUNDATION



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

HCAHPS

HCAHPS: Patient Room Area was Always Kept Quiet at Night



Note: As of the reported AHCA data date, FY 2011, Bay Medical Center Sacred Heart Health System was classified as a public hospital
 Source: CMS Hospital Compare Data; data.medicare.gov, accessed February 2013

CITRUS MEMORIAL HEALTH FOUNDATION

COMMUNITY BENEFIT ANALYSIS

COMMUNITY BENEFIT ANALYSIS

DRAFT REPORT

Summary

Community Benefit Analysis		TTM 2013
Uncompensated Care Cost		Rounded (\$)
1.	Cost of Charity	14,670,000
	Cost of Bad Debt	25,070,000
	Total Cost of Bad Debt & Charity	\$39,740,000
2.	Support Provided by the County Board	\$2,600,000
3.	Estimated Property Taxes Paid under Hypothetical For-Profit Buyer	\$1,510,000
4.	Estimated Proceeds from Sale of Hospital	\$56,410,000

A net benefit to the community would be achieved assuming the following:

1. Hypothetical buyer maintains Hospital's current charity and bad debt levels currently represented at \$14.7 million and \$25.1 million, respectively, annually (based on gross charges).
2. The support provided by the Hospital Board could be used for other purposes within the county.
3. A for-profit buyer would pay property taxes estimated at approximately \$1.5 million annually on the Hospital's current real estate base.
4. The estimated proceeds from the sale (a one-time event) would be used to create an indigent care fund and health care economic fund from the proceeds from the sale of the Hospital.

CITRUS MEMORIAL HEALTH FOUNDATION

STATEMENT OF LIMITING CONDITIONS & APPRAISERS' CERTIFICATION

STATEMENT OF LIMITING CONDITIONS

DRAFT REPORT

Statement of Limiting Conditions

The value recommendations contained in this report are qualified as follows:

- The facts described in this report were provided by management. We have accepted this information without further verification. Our value recommendations assume this information is materially true and correct.
- The value recommendations assume competent management in the context of a going concern.
- Neither our employment nor the fee for this assignment is contingent upon the reported value(s). No professional involved in this assignment has any financial interest in the property appraised.
- Certain matters are outside the purview of our expertise. As a result, our value recommendations assume: (1) The company complies fully with all federal, state, and local laws and ordinances; (2) Funding for pensions and health care liabilities, if any, is adequate; and (3) There are no undisclosed factors that might render the company materially more or less valuable. Any statements in this report about the above issues are based on management representations. The user is responsible for independent investigation of these matters, and his own determination of their impact on the recommended value(s).
- Nothing contained in the report should be construed as either investment, legal, or tax advice. This valuation is intended only for the use of the addressee and only for the purpose described. All other uses of this report are unauthorized and prohibited. The report may not be distributed, either in whole or part, to any third party, and mere possession of the report does not convey a right of reliance.
- VMG Health has not, as part of this assignment, examined either the historical, interim, or prospective financial statements according to generally accepted auditing standards, and so expresses no opinion thereon in this valuation report.
- Any estimates of future performance described in this report (or the exhibits hereto), pertain to a specific valuation method. This method matches performance scenarios with their associated risk rates as a means of quantifying the value parameters. Use of either the future performance scenarios or the discount rate separately or outside the valuation context is unauthorized and prohibited. Actual operating results may vary materially from those described.
- The fee for this assignment is provided only for the preparation of this report for the specific valuation date. All other services including updates of value for any other date; preparation and testimony in court or before governmental agencies; or meetings about the valuation report after its delivery will be provided at additional cost for fees and expenses.

APPRAISERS' CERTIFICATION

DRAFT REPORT

Appraisers' Certification

- Neither VMG Health nor any individuals signing or associated with this report have any present or future contemplated interest in the assets being appraised.
- Neither our employment nor our compensation in connection with this report is in any way contingent upon the conclusions reached or values estimated.
- The report analysis, opinions, and conclusions are limited by the reported assumptions and limiting conditions and represent our unbiased professional analysis, opinions, and conclusions.
- We have made a personal inspection of the property that is the subject of this report and have extensively discussed the operations of the business with management.
- No persons other than the undersigned or those acknowledged in this report prepared analysis, values, and conclusions set forth in this report.
- To the best of our knowledge and belief, the statements of fact contained in this report are true and correct.

C. Elliot Jeter, CFA, CPA/ABV

Contributing Appraisers: Colin M. McDermott, CFA, CPA/ABV and Brett C. Spencer

RESTATED FINANCIALS & OPERATIONS
A - EXHIBITS

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED BALANCE SHEET

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<u>Fiscal Year End September 30</u>	FYE 2010	FYE 2011	FYE 2012	Jan 31 2013	FYE 2010	FYE 2011	FYE 2012	Jan 31 2013
ASSETS:								
<i>Current Assets:</i>								
Cash & Cash Equivalents	\$18,395,865	\$15,905,063	\$21,192,943	\$10,306,647	12.8%	11.2%	15.2%	7.9%
Short-Term Investments	9,806,237	5,579,258	5,591,316	7,039,102	6.8%	3.9%	4.0%	5.4%
Net Patient Receivables	14,295,272	16,499,516	21,099,245	22,273,490	10.0%	11.6%	15.2%	17.1%
Supply Inventory	3,455,880	3,793,534	3,469,244	3,464,469	2.4%	2.7%	2.5%	2.7%
Prepaid Expenses	2,241,429	2,635,009	2,576,207	2,106,546	1.6%	1.9%	1.9%	1.6%
Other Receivables	1,869,374	2,148,503	2,622,272	2,769,247	1.3%	1.5%	1.9%	2.1%
Total Current Assets	50,064,058	46,560,882	56,551,226	47,959,501	34.9%	32.8%	40.6%	36.7%
<i>Funded Depreciation:</i>								
Funded Depreciation	14,973,968	12,869,342	385,850	385,958	10.4%	9.1%	0.3%	0.3%
Total Funded Depreciation	14,973,968	12,869,342	385,850	385,958	10.4%	9.1%	0.3%	0.3%
<i>Assets Limited As To Use:</i>								
Professional Liability Fund	3,626,922	3,600,825	2,103,004	2,072,246	2.5%	2.5%	1.5%	1.6%
Development Fund	1,680,644	1,884,710	2,506,324	2,583,438	1.2%	1.3%	1.8%	2.0%
Bond Assets	4,186,745	4,125,127	4,312,328	5,238,643	2.9%	2.9%	3.1%	4.0%
Total Assets Limited As To Use	9,494,312	9,610,662	8,921,656	9,894,327	6.6%	6.8%	6.4%	7.6%
<i>Fixed Assets:</i>								
Net Property & Equipment	65,532,319	66,153,497	65,708,712	64,759,483	45.6%	46.6%	47.2%	49.6%
Net Fixed Assets	65,532,319	66,153,497	65,708,712	64,759,483	45.6%	46.6%	47.2%	49.6%
<i>Other Assets:</i>								
Other Assets	3,500,237	6,720,801	7,648,748	7,617,277	2.4%	4.7%	5.5%	5.8%
Total Other Assets	3,500,237	6,720,801	7,648,748	7,617,277	2.4%	4.7%	5.5%	5.8%
Total Assets	143,564,895	141,915,184	139,216,192	130,616,546	100.0%	100.0%	100.0%	100.0%
LIABILITIES:								
<i>Current Liabilities:</i>								
Accounts Payable	9,420,128	12,589,399	12,693,120	11,644,042	6.6%	8.9%	9.1%	8.9%
Accrued Expenses	10,637,226	12,057,577	12,135,590	11,291,906	7.4%	8.5%	8.7%	8.6%
Other Payables	1,527,715	1,313,619	703,792	728,452	1.1%	0.9%	0.5%	0.6%
Current Portion of Long-Term Debt	1,938,816	2,002,303	2,019,407	2,019,407	1.4%	1.4%	1.5%	1.5%
Total Current Liabilities	23,523,884	27,962,898	27,551,909	25,683,806	16.4%	19.7%	19.8%	19.7%
<i>Long-Term Liabilities:</i>								
Long-term Debt	56,254,256	54,692,148	54,658,501	51,212,199	39.2%	38.5%	39.3%	39.2%
Additional Minimum Pension Liability	12,270,068	23,228,950	23,228,950	30,563,783	8.5%	16.4%	16.7%	23.4%
Estimated Long-Term Professional Liability	2,706,005	2,600,449	2,007,976	2,038,724	1.9%	1.8%	1.4%	1.6%
Total Long-Term Liabilities	71,230,329	80,521,548	79,895,427	83,814,705	49.6%	56.7%	57.4%	64.2%
Total Liabilities	94,754,213	108,484,445	107,447,336	109,498,512	66.0%	76.4%	77.2%	83.8%
SHAREHOLDERS' EQUITY:								
Equity	48,810,681	33,430,739	31,768,856	21,118,034	34.0%	23.6%	22.8%	16.2%
Total Shareholders' Equity	48,810,681	33,430,739	31,768,856	21,118,034	34.0%	23.6%	22.8%	16.2%
Total Liabilities & Shareholders' Equity	\$143,564,895	\$141,915,184	\$139,216,192	\$130,616,546	100.0%	100.0%	100.0%	100.0%

Sources: Management provided internally generated financials for the fiscal years ended September 30, 2010, 2011, 2012 and as of 1/31/2013.

Note: Source documents used do not amount to the same totals as client audited financials.

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL WORKING CAPITAL

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Fiscal Year End September 30

	FYE 2010	FYE 2011	FYE 2012	Jan 31 2012
Current Assets:				
Cash & Cash Equivalents	\$18,395,865	\$15,905,063	\$21,192,943	\$10,306,647
Short-Term Investments	9,806,237	5,579,258	5,591,316	7,039,102
Net Patient Receivables	14,295,272	16,499,516	21,099,245	22,273,490
Supply Inventory	3,455,880	3,793,534	3,469,244	3,464,469
Prepaid Expenses	2,241,429	2,635,009	2,576,207	2,106,546
Other Receivables	1,869,374	2,148,503	2,622,272	2,769,247
Total Current Assets	50,064,058	46,560,882	56,551,226	47,959,501
Total Current Assets less Cash & Short-Term Investments	21,861,955	25,076,561	29,766,968	30,613,752
Current Liabilities: (Excluding Current Portion of Long-Term Debt)				
Accounts Payable	9,420,128	12,589,399	12,693,120	11,644,042
Accrued Expenses	10,637,226	12,057,577	12,135,590	11,291,906
Other Payables	1,527,715	1,313,619	703,792	728,452
Total Current Liabilities	21,585,069	25,960,595	25,532,502	23,664,399
Total Net Working Capital	\$28,478,989	\$20,600,287	\$31,018,724	\$24,295,102
As a % of Net Revenue	18.2%	13.4%	20.4%	15.9%
Total Working Capital less Cash & Short-Term Investments	\$276,886	(\$884,033)	\$4,234,466	\$6,949,353
As a % of Net Revenue	0.2%	(0.6%)	2.8%	4.5%

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED INCOME STATEMENT

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Fiscal Year End September 30

	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Hospital Operating Revenue:										
<i>Gross Patient Revenue</i>										
Gross Inpatient Revenue	\$415,771,843	\$367,187,143	\$388,225,576	\$426,789,158	\$427,669,919	266.2%	238.8%	255.4%	279.0%	284.6%
Gross Outpatient Revenue	291,284,814	326,037,777	295,579,681	308,140,373	308,776,279	186.5%	212.1%	194.5%	201.4%	205.5%
Total	707,056,657	693,224,920	683,805,257	734,929,531	736,446,197	452.7%	450.9%	449.9%	480.4%	490.0%
<i>Allowances & Adjustments</i>										
Allowances & Adjustments	(522,459,800)	(505,430,579)	(499,862,018)	(546,979,623)	(548,579,623)	(334.5%)	(328.7%)	(328.8%)	(357.6%)	(365.0%)
Bad Debt Write Off	(16,193,045)	(23,640,104)	(23,700,946)	(25,067,820)	(25,067,820)	(10.4%)	(15.4%)	(15.6%)	(16.4%)	(16.7%)
Charity Write Off	(16,805,980)	(13,636,847)	(12,333,735)	(14,671,355)	(14,671,355)	(10.8%)	(8.9%)	(8.1%)	(9.6%)	(9.8%)
Total	(555,458,824)	(542,707,530)	(535,896,699)	(586,718,798)	(588,318,798)	(355.7%)	(353.0%)	(352.6%)	(383.5%)	(391.4%)
<i>Other Operating Revenue</i>										
Other Operating Revenue	4,582,181	3,229,803	4,094,776	4,765,191	2,165,191	2.9%	2.1%	2.7%	3.1%	1.4%
Total	4,582,181	3,229,803	4,094,776	4,765,191	2,165,191	2.9%	2.1%	2.7%	3.1%	1.4%
Total Net Operating Revenue	156,180,013	153,747,193	152,003,335	152,975,923	150,292,590	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:										
<i>Employee Salaries & Wages</i>										
Employee Salaries & Wages	60,324,012	61,592,565	61,609,607	61,308,693	60,807,693	38.6%	40.1%	40.5%	40.1%	40.5%
Total	60,324,012	61,592,565	61,609,607	61,308,693	60,807,693	38.6%	40.1%	40.5%	40.1%	40.5%
<i>Benefits & Payroll Taxes</i>										
Payroll Taxes	-	-	-	-	4,651,789	-	-	-	-	3.1%
Employee Benefits	18,031,339	17,751,582	12,635,496	11,799,432	5,761,138	11.5%	11.5%	8.3%	7.7%	3.8%
Total	18,031,339	17,751,582	12,635,496	11,799,432	10,412,926	11.5%	11.5%	8.3%	7.7%	6.9%
<i>Medical Supplies & Drugs</i>										
Medical Supplies	43,066,744	37,573,352	37,739,068	38,131,409	30,237,050	27.6%	24.4%	24.8%	24.9%	20.1%
Drugs	-	-	-	-	4,276,630	-	-	-	-	2.8%
Total	43,066,744	37,573,352	37,739,068	38,131,409	34,513,680	27.6%	24.4%	24.8%	24.9%	23.0%
<i>Ancillary Services & Supplies</i>										
Physician Professional Fees	-	4,153,232	4,866,795	4,705,659	4,405,659	-	2.7%	3.2%	3.1%	2.9%
Total	-	4,153,232	4,866,795	4,705,659	4,405,659	-	2.7%	3.2%	3.1%	2.9%
<i>Insurance</i>										
General Business	2,409,002	2,039,386	1,469,456	1,420,394	1,420,394	1.5%	1.3%	1.0%	0.9%	0.9%
Total	2,409,002	2,039,386	1,469,456	1,420,394	1,420,394	1.5%	1.3%	1.0%	0.9%	0.9%
<i>General & Administrative</i>										
Repairs & Maintenance	6,063,005	6,414,626	6,633,852	6,618,360	6,618,360	3.9%	4.2%	4.4%	4.3%	4.4%
Other Operating Expenses	9,647,926	8,658,660	9,817,315	8,610,819	8,610,819	6.2%	5.6%	6.5%	5.6%	5.7%
Purchased Services	5,892,227	5,515,465	7,900,011	10,009,502	8,409,502	3.8%	3.6%	5.2%	6.5%	5.6%
Professional Fees	7,635,124	1,500,043	1,771,164	1,729,525	1,729,525	4.9%	1.0%	1.2%	1.1%	1.2%
Legal Fees	-	2,254,968	2,017,192	1,624,847	454,847	-	1.5%	1.3%	1.1%	0.3%
General Supplies	-	-	-	-	2,617,728	-	-	-	-	1.7%
Total	29,238,282	24,343,761	28,139,534	28,593,053	28,440,781	18.7%	15.8%	18.5%	18.7%	18.9%
Total Operating Expenses	153,069,379	147,453,878	146,459,956	145,958,640	140,001,134	98.0%	95.9%	96.4%	95.4%	93.2%
Operating Margin	3,110,634	6,293,315	5,543,379	7,017,283	10,291,456	2.0%	4.1%	3.6%	4.6%	6.8%
Other Income (Expense)	2,364,468	3,586,800	282,822	203,506	-	1.5%	2.3%	0.2%	0.1%	-
EBITDA	5,475,102	9,880,115	5,826,201	7,220,790	10,291,456	3.5%	6.4%	3.8%	4.7%	6.8%
Depreciation & Amortization Expense	7,736,460	7,146,925	7,757,360	7,695,744	7,695,744	5.0%	4.6%	5.1%	5.0%	5.1%
Interest Expense	2,914,598	2,830,515	2,732,531	2,731,568	-	1.9%	1.8%	1.8%	1.8%	-
Earnings Before Income Taxes	(5,175,956)	(97,325)	(4,663,689)	(3,206,523)	2,595,712	(3.3%)	(0.1%)	(3.1%)	(2.1%)	1.7%
Federal & State Income Tax Expense	-	-	-	-	1,001,296	-	-	-	-	0.7%
Earnings After Income Taxes	(\$5,175,956)	(\$97,325)	(\$4,663,689)	(\$3,206,523)	\$1,594,416	(3.3%)	(0.1%)	(3.1%)	(2.1%)	1.1%

Sources: Management provided internally generated financials for the fiscal years ended September 30, 2010, 2011, 2012 and as of 1/31/2013.
Note: Source documents used do not amount to the same totals as client audited financials.

CITRUS MEMORIAL HEALTH FOUNDATION
NET INCOME DETAIL BY SERVICE TYPE & LOCATION

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Fiscal Year End September 30

	FYE 2011	FYE 2012	TTM 2013
Citrus Memorial Hospital	(\$1,794,862)	(\$5,928,415)	(\$4,844,531)
Primary Care Clinics & Inverness Surgical	(993,385)	(1,918,527)	(1,948,375)
Walk-In Clinics	(419,643)	(374,026)	(413,803)
Home Health	(139,093)	65,086	91,304
Wound Care	933,924	307,662	411,565
<i>Rehab Facilities:</i>			
Gulf Coast Inverness	522,869	658,349	540,342
Gulf Coast Crystal River	218,867	205,217	195,651
Sugar Mill Woods	231,053	372,590	360,940
Beverly Hills	129,674	148,492	156,624
Citrus Springs	792	211,393	210,143
Citrus Orthopaedic & Joint Institute	615,997	890,489	895,485
Cardiopulmonary Rehab	168,815	144,460	189,522
Total Rehab	<u>1,888,067</u>	<u>2,630,990</u>	<u>2,548,708</u>
<i>Diagnostic Imaging Facilities</i>			
DI MOB X-Ray	755,236	546,757	733,492
DI MOB Ultrasound	31,480	(13,577)	9,317
DI MOB CT Scan	338,523	185,233	265,407
DI Allen Ridge	144,406	70,917	138,085
DI Sugar Mill Woods	14,626	(227,566)	(195,901)
DI West Florida	(856,602)	(8,226)	(1,793)
Total Diagnostic Imaging	<u>427,669</u>	<u>553,538</u>	<u>948,607</u>
Total Income	<u>(\$97,325)</u>	<u>(\$4,663,692)</u>	<u>(\$3,206,525)</u>

Sources: Management provided internally generated financials for the fiscal years ended September 30, 2011, 2012 and as of 1/31/2013.

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED OPERATIONAL STATISTICS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Fiscal Year End September 30

Utilization Statistics:

Licensed Beds

Inpatient Admissions
Newborn Admissions

Admissions (excluding newborns)

Growth

Adjusted Admissions (excluding newborns)

Growth

Outpatient Visits

Growth

Inpatient Days
Newborn Days

Patient Days (excluding newborns)

Growth

Outpatient Visit Equivalent Patient Day Factor

Adjusted Patient Days

Growth

Census Data:

Avg Daily Census ("ADC")
Avg Length of Stay ("ALOS")

Growth

Percent of Occupancy
Percent Adjusted Occupancy (includes OP)

Medicare Case Mix Index

	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Licensed Beds	198	198	198	198	198
Inpatient Admissions	10,592	10,148	10,575	10,715	10,715
Newborn Admissions	564	573	577	591	591
Admissions (excluding newborns)	10,592	10,148	10,575	10,715	10,715
<i>Growth</i>	<i>n/a</i>	<i>(4.2%)</i>	<i>4.2%</i>	<i>1.3%</i>	
Adjusted Admissions (excluding newborns)	18,013	19,159	18,626	18,451	18,451
<i>Growth</i>	<i>n/a</i>	<i>6.4%</i>	<i>(2.8%)</i>	<i>(0.9%)</i>	
Outpatient Visits	158,060	157,986	144,560	142,030	142,030
<i>Growth</i>	<i>n/a</i>	<i>(0.0%)</i>	<i>(8.5%)</i>	<i>(1.8%)</i>	
Inpatient Days	43,230	40,948	43,070	45,235	45,235
Newborn Days	1,109	1,019	1,019	1,099	1,099
Patient Days (excluding newborns)	43,230	40,948	43,070	45,235	45,235
<i>Growth</i>	<i>n/a</i>	<i>(5.3%)</i>	<i>5.2%</i>	<i>5.0%</i>	
Outpatient Visit Equivalent Patient Day Factor	0.2	0.2	0.2	0.2	0.2
Adjusted Patient Days	73,516	77,307	75,862	77,935	77,895
<i>Growth</i>	<i>n/a</i>	<i>5.2%</i>	<i>(1.9%)</i>	<i>2.7%</i>	
Census Data:					
Avg Daily Census ("ADC")	118.4	112.2	118.0	123.9	123.9
Avg Length of Stay ("ALOS")	4.1	4.0	4.1	4.2	4.2
<i>Growth</i>	<i>n/a</i>	<i>(1.1%)</i>	<i>0.9%</i>	<i>3.7%</i>	
Percent of Occupancy	59.8%	56.7%	59.6%	62.6%	62.6%
Percent Adjusted Occupancy (includes OP)	101.7%	107.0%	105.0%	107.8%	107.8%
Medicare Case Mix Index	1.67	1.62	1.61	1.61	1.61

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED OPERATIONAL STATISTICS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<i>Utilization Statistics (continued):</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Births	564	573	577	591	591
<i>Growth</i>	<i>n/a</i>	1.6%	0.7%	2.4%	
Inpatient Surgery	2,950	2,771	2,718	2,836	2,836
<i>Growth</i>	<i>n/a</i>	(6.1%)	(1.9%)	4.3%	
Outpatient Surgery	3,229	3,070	3,126	3,018	3,018
<i>Growth</i>	<i>n/a</i>	(4.9%)	1.8%	(3.5%)	
Cardiovascular Surgery	256	221	191	197	197
<i>Growth</i>	<i>n/a</i>	(13.7%)	(13.6%)	3.1%	
Inpatients	1,301	1,073	1,182	1,204	1,204
Outpatients	2,013	1,911	1,563	1,544	1,544
Catheterization Lab	3,314	2,984	2,745	2,748	2,748
<i>Growth</i>	<i>n/a</i>	(10.0%)	(8.0%)	0.1%	
Inpatients	46,832	43,296	38,084	40,361	40,361
Outpatients (Includes SMW)	83,729	91,434	86,181	87,758	87,758
Diagnostic Imaging	130,561	134,730	124,265	128,119	128,119
<i>Growth</i>	<i>n/a</i>	3.2%	(7.8%)	3.1%	
External Services					
Home Health Episodes	1,509	1,564	1,421	1,335	1,335
Hospital Admissions From FC & CPC	2,077	1,637	1,393	1,385	1,385
<i>Percentage of Admissions</i>	19.6%	16.1%	13.2%	12.9%	12.9%
Observation Patients	3,694	4,491	3,907	4,095	4,095
<i>Growth</i>	<i>n/a</i>	21.6%	(13.0%)	4.8%	
Emergency Room:					
Emergency Room Visits	36,591	38,966	41,681	42,134	42,134
<i>Growth</i>	<i>n/a</i>	6.5%	7.0%	1.1%	
Admissions thru ES	8,261	8,739	10,290	10,764	10,764

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED OPERATIONAL STATISTICS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Revenue & Expense Ratios	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Gross Revenue Ratios					
Gross Inpatient Revenue Per Patient Day	\$9,618	\$8,967	\$9,014	\$9,435	\$9,454
<i>Growth</i>	<i>n/a</i>	<i>(6.8%)</i>	<i>0.5%</i>	<i>4.7%</i>	
Gross Outpatient Revenue Per Outpatient Visit	1,843	2,064	2,045	2,170	2,174
<i>Growth</i>	<i>n/a</i>	<i>12.0%</i>	<i>(0.9%)</i>	<i>6.1%</i>	
Allowances & Adjustments	(73.9%)	(72.9%)	(73.1%)	(74.4%)	(79.9%)
<i>Growth</i>	<i>n/a</i>	<i>(1.3%)</i>	<i>0.3%</i>	<i>1.8%</i>	
Net Revenue Ratios					
Net Patient Revenue per Admission	14,312	14,832	13,987	13,832	13,824
<i>Growth</i>	<i>n/a</i>	<i>3.6%</i>	<i>(5.7%)</i>	<i>(1.1%)</i>	
Net Patient Revenue per Adjusted Admission	8,416	7,856	7,941	8,033	8,028
<i>Growth</i>	<i>n/a</i>	<i>(6.7%)</i>	<i>1.1%</i>	<i>1.2%</i>	
Net Patient Revenue per Patient Day	3,507	3,676	3,434	3,276	3,275
<i>Growth</i>	<i>n/a</i>	<i>4.8%</i>	<i>(6.6%)</i>	<i>(4.6%)</i>	
Net Patient Revenue per Adjusted Patient Day	2,062	1,947	1,950	1,902	1,902
<i>Growth</i>	<i>n/a</i>	<i>(5.6%)</i>	<i>0.1%</i>	<i>(2.5%)</i>	
Expense Ratios					
Operating Exp. Per Patient Day	3,541	3,601	3,401	3,227	3,095
<i>Growth</i>	<i>n/a</i>	<i>1.7%</i>	<i>(5.6%)</i>	<i>(5.1%)</i>	
Operating Exp. per Adjusted Patient Day	2,082	1,907	1,931	1,873	1,797
<i>Growth</i>	<i>n/a</i>	<i>(8.4%)</i>	<i>1.2%</i>	<i>(3.0%)</i>	

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED OPERATIONAL STATISTICS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<i>Historical Expense Analysis</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Historical Staffing Data					
FTE's Hospital Employed	1,327	1,315	1,306	1,259	1,259
Paid Hours	2,760,408	2,734,481	2,715,905	2,618,844	2,618,844
Annual Hours per FTE	2,080	2,080	2,080	2,080	2,080
Paid Hours Per Adj. Patient Day	37.5	35.4	35.8	33.6	33.6
<i>Growth</i>	<i>n/a</i>	<i>(5.8%)</i>	<i>1.2%</i>	<i>(6.1%)</i>	
P/L Hourly Salary	\$21.85	\$22.52	\$22.68	\$23.41	\$23.22
P/L Benefits/Paid Hour	\$6.53	\$6.49	\$4.65	\$4.51	\$3.98
Employee Salaries & Wages					
Employee Salaries & Wages	\$60,324,012	\$61,592,565	\$61,609,607	\$61,308,693	\$60,807,693
Employee Salaries & Wages as a % of Revenue	38.6%	40.1%	40.5%	40.1%	40.5%
<i>Growth</i>	<i>n/a</i>	<i>2.1%</i>	<i>0.0%</i>	<i>(0.5%)</i>	
Benefits & Payroll Taxes					
Payroll Taxes	-	-	-	-	4,651,789
Payroll Taxes as % of Employee Salaries & Wages	-	-	-	-	7.7%
Employee Benefits	18,031,339	17,751,582	12,635,496	11,799,432	5,761,138
Employee Benefits as % of Employee Salaries & Wages	29.9%	28.8%	20.5%	19.2%	9.5%
<i>Growth</i>	<i>n/a</i>	<i>(1.6%)</i>	<i>(28.8%)</i>	<i>(6.6%)</i>	

CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL RESTATED OPERATIONAL STATISTICS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<i>Historical Expense Analysis (continued)</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year
Medical Supplies & Drugs					
Medical Supplies	\$43,066,744	\$37,573,352	\$37,739,068	\$38,131,409	\$30,237,050
Medical Supplies Per Adj. Patient Day	\$2,390.92	\$1,961.16	\$2,026.11	\$2,066.61	\$1,638.76
<i>Growth</i>	<i>n/a</i>	<i>(12.8%)</i>	<i>0.4%</i>	<i>1.0%</i>	
Ancillary Services & Supplies					
Physician Professional Fees	-	4,153,232	4,866,795	4,705,659	4,405,659
Physician Professional Fees as a % of Revenue	-	2.7%	3.2%	3.1%	2.9%
<i>Growth</i>	<i>n/a</i>	<i>n/a</i>	<i>17.2%</i>	<i>(3.3%)</i>	
Insurance					
General Business	2,409,002	2,039,386	1,469,456	1,420,394	1,420,394
General Business as a % of Revenue	1.5%	1.3%	1.0%	0.9%	0.9%
<i>Growth</i>	<i>n/a</i>	<i>(15.3%)</i>	<i>(27.9%)</i>	<i>(3.3%)</i>	
General & Administrative					
Repairs & Maintenance	6,063,005	6,414,626	6,633,852	6,618,360	6,618,360
Repairs & Maintenance as a % of Revenue	3.9%	4.2%	4.4%	4.3%	4.4%
<i>Growth</i>	<i>n/a</i>	<i>5.8%</i>	<i>3.4%</i>	<i>(0.2%)</i>	
Other Operating Expenses	9,647,926	8,658,660	9,817,315	8,610,819	8,610,819
Other Operating Expenses as a % of Revenue	6.2%	5.6%	6.5%	5.6%	5.7%
<i>Growth</i>	<i>n/a</i>	<i>(10.3%)</i>	<i>13.4%</i>	<i>(12.3%)</i>	
Purchased Services	5,892,227	5,515,465	7,900,011	10,009,502	8,409,502
Purchased Services as a % of Revenue	3.8%	3.6%	5.2%	6.5%	5.6%
<i>Growth</i>	<i>n/a</i>	<i>(6.4%)</i>	<i>43.2%</i>	<i>26.7%</i>	
Professional Fees	7,635,124	1,500,043	1,771,164	1,729,525	1,729,525
Professional Fees as a % of Revenue	4.9%	1.0%	1.2%	1.1%	1.2%
<i>Growth</i>	<i>n/a</i>	<i>(80.4%)</i>	<i>18.1%</i>	<i>(2.4%)</i>	
Legal Fees	-	2,254,968	2,017,192	1,624,847	454,847
Legal Fees as a % of Revenue	-	1.5%	1.3%	1.1%	0.3%
<i>Growth</i>	<i>n/a</i>	<i>n/a</i>	<i>(10.5%)</i>	<i>(19.5%)</i>	
Operating Margin	\$3,110,634	\$6,293,315	\$5,543,379	\$7,017,283	\$10,291,456
Operating Margin %	2.0%	4.1%	3.6%	4.6%	6.8%
<i>Growth</i>	<i>n/a</i>	<i>102.3%</i>	<i>(11.9%)</i>	<i>26.6%</i>	

CITRUS MEMORIAL HEALTH FOUNDATION
STAFFING OVERVIEW

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<i>Historical Staffing Data</i>	FYE 2010	FYE 2011	FYE 2012	TTM 2013
FTE's Hospital Employed	1,327.1	1,314.7	1,305.7	1,259.1
Paid Hours	2,760,408	2,734,481	2,715,905	2,618,844
Annual Hours per FTE	2,080	2,080	2,080	2,080
Paid Hours Per Adj. Patient Day	37.5	35.4	35.8	33.6
<i>Growth</i>	<i>n/a</i>	<i>(5.8%)</i>	<i>1.2%</i>	<i>(6.1%)</i>
P/L Hourly Salary	\$21.85	\$22.52	\$22.68	\$23.41
P/L Benefits/Paid Hour	\$6.53	\$6.49	\$4.65	\$4.51

Source: Hospital's staffing report and internally generated financials as provided by management.

CITRUS MEMORIAL HEALTH FOUNDATION
REDUCTION IN FORCE SUMMARY

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Term Date	Position	Annual Salary	Severance Pay 4 Weeks	Additional up to 8 Weeks	Total Severance Pay	Salary in the Normalized Base Year
November-12	Nurs. Res. Staff Supvrs	\$60,099	\$4,623	\$9,246	\$13,869	\$50,083
October-12	Scheduling Coordinator	12,137	467	-	467	9,103
October-12	Clerical Float	23,254	1,789	3,578	5,366	17,441
October-12	Scheduling Coordinator	12,137	467	-	467	9,103
October-12	Billing/Collections	26,467	2,036	509	2,545	19,851
October-12	Billing/Collections	23,871	1,836	459	2,295	17,903
October-12	HIM Tech	29,120	2,240	1,120	3,360	21,840
October-12	Patient Access Supervisor	36,244	2,788	2,788	5,576	27,183
October-12	Patient Access Spec	21,477	1,652	413	2,065	16,107
October-12	Store Room Clerk	10,140	780	-	780	7,605
September-12	Sr Decsn Suppt	52,000	4,000	6,000	10,000	34,667
September-12	DI Clerk	20,287	1,561	2,341	3,901	13,525
September-12	EVS Tech	9,038	174	-	174	6,025
September-12	Restor Care Tech	19,768	1,521	760	2,281	13,179
September-12	Restor Care Tech	19,530	1,502	-	1,502	13,020
September-12	DI Clerk	18,870	1,452	1,089	2,540	12,580
September-12	Clinical Lab Scientist	29,952	1,152	-	1,152	19,968
September-12	Restor Care Tech	20,704	1,593	1,593	3,185	13,803
September-12	Acctng. Manager	72,828	5,602	11,204	16,806	48,552
September-12	EVS Tech	10,013	193	-	193	6,675
September-12	Physician Liaison	55,080	4,237	3,178	7,415	36,720
Total Salary		\$583,017	Total Severance Pay & NBY Salary		\$85,940	\$414,932

Normalized Base Year Adjustment for Reduction in Force

TTM 2013 Employee Salaries & Wages Expense	\$61,308,693
NBY Adjustment for Reduction in Force (Rounded)	(415,000)
Total Severance Pay (Rounded)	(86,000)

Normalized Base Year Employee Salaries & Wages Expense	\$60,807,693
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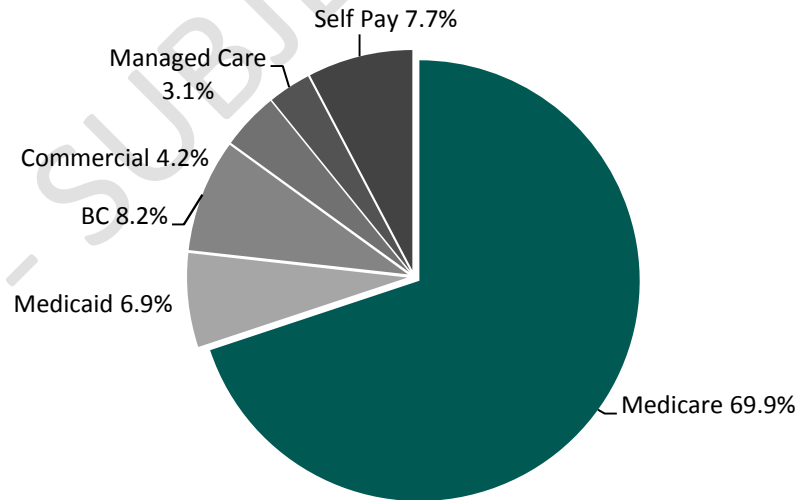
**CITRUS MEMORIAL HEALTH FOUNDATION
HISTORICAL PAYOR MIX**

PRELIMINARY DRAFT - SUBJECT TO CHANGE

<i>Expressed as % of Gross Revenue</i>	FYE 2010	FYE 2011	FYE 2012
Medicare	68.3%	68.8%	69.9%
Medicaid	5.4%	6.3%	6.9%
Blue Cross	10.1%	8.9%	8.2%
Commercial	4.7%	4.3%	4.2%
Managed Care	3.2%	3.5%	3.1%
Self Pay	7.9%	7.9%	7.7%
Other	0.3%	0.3%	-
Total	100.0%	100.0%	100.0%

Source: Hospital's payor mix report which is reported in terms of gross revenue.

Payor Mix - FYE 2012



INCOME APPROACH ANALYSIS
B - EXHIBITS

CITRUS MEMORIAL HEALTH FOUNDATION
NORMALIZED INCOME STATEMENT

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Footnotes	TTM 2013	Adjustments	Normalized Base Year	TTM 2013	Normalized Base Year
Hospital Operating Revenue:						
<i>Gross Patient Revenue</i>						
Gross Inpatient Revenue	1,2	\$426,789,158	\$880,760	\$427,669,919	279.0%	284.6%
Gross Outpatient Revenue	1,2	308,140,373	635,906	308,776,279	201.4%	205.5%
Total		734,929,531	1,516,667	736,446,197	480.4%	490.0%
<i>Allowances & Adjustments</i>						
Allowances & Adjustments	3	(546,979,623)	(1,600,000)	(548,579,623)	(357.6%)	(365.0%)
Bad Debt Write Off		(25,067,820)	-	(25,067,820)	(16.4%)	(16.7%)
Charity Write Off		(14,671,355)	-	(14,671,355)	(9.6%)	(9.8%)
Total		(586,718,798)	(1,600,000)	(588,318,798)	(383.5%)	(391.4%)
<i>Other Operating Revenue</i>						
Other Operating Revenue	4	4,765,191	(2,600,000)	2,165,191	3.1%	1.4%
Total		4,765,191	(2,600,000)	2,165,191	3.1%	1.4%
Total Net Operating Revenue		152,975,923	(2,683,333)	150,292,590	100.0%	100.0%
Operating Expenses:						
<i>Employee Salaries & Wages</i>						
Employee Salaries & Wages	5	61,308,693	(501,000)	60,807,693	40.1%	40.5%
Total		61,308,693	(501,000)	60,807,693	40.1%	40.5%
<i>Benefits & Payroll Taxes</i>						
Payroll Taxes	6	-	4,651,789	4,651,789	-	3.1%
Employee Benefits	7	11,799,432	(6,038,295)	5,761,138	7.7%	3.8%
Total		11,799,432	(1,386,506)	10,412,926	7.7%	6.9%
<i>Medical Supplies & Drugs</i>						
Medical Supplies	8,9	38,131,409	(7,894,358)	30,237,050	24.9%	20.1%
Drugs	8	-	4,276,630	4,276,630	-	2.8%
Total		38,131,409	(3,617,728)	34,513,680	24.9%	23.0%
<i>Ancillary Services & Supplies</i>						
Physician Professional Fees	10	4,705,659	(300,000)	4,405,659	3.1%	2.9%
Total		4,705,659	(300,000)	4,405,659	3.1%	2.9%
<i>Insurance</i>						
General Business		1,420,394	-	1,420,394	0.9%	0.9%
Total		1,420,394	-	1,420,394	0.9%	0.9%
<i>General & Administrative</i>						
Repairs & Maintenance		6,618,360	-	6,618,360	4.3%	4.4%
Other Operating Expenses		8,610,819	-	8,610,819	5.6%	5.7%
Purchased Services	11	10,009,502	(1,600,000)	8,409,502	6.5%	5.6%
Professional Fees		1,729,525	-	1,729,525	1.1%	1.2%
Legal Fees	12	1,624,847	(1,170,000)	454,847	1.1%	0.3%
General Supplies	8	-	2,617,728	2,617,728	-	1.7%
Total		28,593,053	(152,272)	28,440,781	18.7%	18.9%
Total Operating Expenses		145,958,640	(5,957,506)	140,001,134	95.4%	93.2%
Operating Margin		7,017,283	3,274,173	10,291,456	4.6%	6.8%
Other Income (Expense)	13	203,506	(203,506)	-	0.1%	-
EBITDA		7,220,790	3,070,666	10,291,456	4.7%	6.8%
Depreciation & Amortization Expense		7,695,744	-	7,695,744	5.0%	5.1%
Interest Expense	14	2,731,568	(2,731,568)	-	1.8%	-
Earnings Before Income Taxes		(3,206,523)	5,802,235	2,595,712	(2.1%)	1.7%
Federal & State Income Tax Expense	15	-	1,001,296	1,001,296	-	0.7%
Earnings After Income Taxes		(\$3,206,523)	\$4,800,939	\$1,594,416	(2.1%)	1.1%

Sources: Management provided internally generated financials for the fiscal years ended September 30, 2010, 2011, 2012 and as of 1/31/2013.
Normalized base year based on the trailing twelve month period ended 1/31/2013. Normalized Base Year eliminates any unusual or nonrecurring items from revenues an

CITRUS MEMORIAL HEALTH FOUNDATION
FOOTNOTES TO NORMALIZED BASE YEAR INCOME STATEMENT

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Footnotes to Normalized Base Year Income Statement

Footnote	Description
1	Gross revenue was adjusted to reflect a full year impact due of the new contract rates with United. Hospital management estimated the annual impact at \$700,000. The new contract went into effect during July 2012; therefore, VMG assumed that the trailing twelve month results included approximately six months of the new rates.
2	Gross revenue was adjusted to reflect a full year impact due of the new contract rates with Blue Cross Blue Shield. Hospital management estimated the annual impact at \$1.4 million. The new contract went into effect during December 2012; therefore, VMG assumed that the trailing twelve month results included approximately two months of the new rates.
3	Hospital management indicated that fiscal year ended September 30, 2012 included non-recurring revenue related to the Rural Floor budget neutrality settlement. VMG estimated that approximately eight months of this settlement was included in the trailing twelve month figures.
4	Other Operating Revenue was adjusted to eliminate tax funds received from the Citrus County Hospital Board as these funds would not be a source of revenue to a hypothetical buyer.
5	Employee salaries & wages was adjusted to eliminate severance pay and normalize salary expense due to the reduction in force incurred in the months of September, October, and November 2012. Please see "Reduction in Force Summary" page for more detail.
6	Payroll taxes were reclassified from employee benefits as 7.65% of employee salaries & wages based on industry norms.
7	Benefit expense was reduced by \$1.3 million to reflect the fact that the Hospital will eliminate the 403(b) contributions.
8	Medical Supplies Expense was allocated into medical supplies, drugs, and general supplies in order to accurately forecast the discrete line items individually.
9	Hospital management indicated that its new group purchasing organization will provide annual savings of approximately \$1.0 million on medical supply costs as compared to the trailing twelve month results.
10	Hospital management indicated that an agreed reduction in the radiology and CV subsidies will reduce physician professional fees by approximately \$300,000 as compared to the trailing twelve month results.
11	Purchased services were adjusted to eliminate support costs currently paid to McKesson for the Paragon medical records system. The Hospital has contract with Cerner to provide these services moving forward.
12	Hospital management indicated that recent high legal fees are attributed to disagreements between the Citrus Hospital County Board and the Citrus Memorial Health Foundation. Legal fees have been reduced by \$1.2 million as these legal fees are non-recurring.
13	Other Income (expense) has been eliminated to project only recurring hospital revenue.
14	Eliminated interest expense to derive debt-free operations.
15	Calculated a blended federal and state income tax rate for Florida businesses to be applied to the earnings before taxes.

CITRUS MEMORIAL HEALTH FOUNDATION
DISCOUNTED CASH FLOW ASSUMPTIONS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Discounted Cash Flow - Assumptions

Discount Rate	11.0%	
Effective Tax Rate	38.6%	FL
Terminal Growth Rate	3.0%	
Working Capital	8.0%	\$12,020,000
Consumer Price Index (CPI)	3.0%	

ANNUAL VOLUME & REVENUE GROWTH ASSUMPTIONS:	Projections				
	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Inpatient Revenue Per Patient Day Growth Rate	2.5%	2.5%	2.5%	2.5%	2.5%
Gross Outpatient Revenue Per Outpatient Visit Growth Rate	2.5%	2.5%	2.5%	2.5%	2.5%
Admissions (excluding newborns) Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Outpatient Visits Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Other Operating Revenue Growth Rate	3.0%	3.0%	3.0%	3.0%	3.0%

REVENUE & UTILIZATION STATISTIC FORECAST:	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Occupancy Statistics:						
Beds in Service	198	198	198	198	198	198
Avg Daily Census ("ADC")	123.9	126.4	128.9	131.5	134.1	136.8
Gross Inpatient Revenue Forecast:						
Admissions (excluding newborns)	10,715	10,929	11,148	11,371	11,598	11,830
Annual Growth %		2.0%	2.0%	2.0%	2.0%	2.0%
Avg Length of Stay ("ALOS")	4.2	4.2	4.2	4.2	4.2	4.2
Patient Days (excluding newborns)	45,235	46,140	47,062	48,004	48,964	49,943
Gross Inpatient Revenue Per Patient Day	\$9,454	\$9,691	\$9,933	\$10,181	\$10,436	\$10,697
Gross Inpatient Revenue	\$427,669,919	\$447,128,900	\$467,473,265	\$488,743,298	\$510,981,118	\$534,230,759
Gross Outpatient Revenue Forecast:						
Outpatient Visits	142,030	144,871	147,768	150,723	153,738	156,813
Annual Growth %		2.0%	2.0%	2.0%	2.0%	2.0%
Gross Outpatient Revenue Per Outpatient Visit	\$2,174	\$2,228	\$2,284	\$2,341	\$2,400	\$2,460
Gross Outpatient Revenue	\$308,776,279	\$322,825,600	\$337,514,164	\$352,871,059	\$368,926,692	\$385,712,856
Total Gross Patient Revenue	\$736,446,197	\$769,954,499	\$804,987,429	\$841,614,357	\$879,907,810	\$919,943,616

CITRUS MEMORIAL HEALTH FOUNDATION
DISCOUNTED CASH FLOW ASSUMPTIONS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

REVENUE & UTILIZATION STATISTIC FORECAST CONTINUED:

	Normalized Base Year	Projections				
		Year 1	Year 2	Year 3	Year 4	Year 5
Net Revenue Forecast:						
Allowances & Adjustments	(\$588,318,798)	(\$615,087,303)	(\$643,073,776)	(\$672,333,632)	(\$702,924,813)	(\$734,907,892)
% of Gross Charges	(79.9%)	(79.9%)	(79.9%)	(79.9%)	(79.9%)	(79.9%)
Total Net Patient Revenue:	\$148,127,399	\$154,867,196	\$161,913,654	\$169,280,725	\$176,982,998	\$185,035,724
Annual Growth %		4.5%	4.5%	4.6%	4.5%	4.5%
Adjusted Admissions (excluding newborns)	18,451	18,820	19,197	19,581	19,972	20,372
Annual Growth %		2.0%	2.0%	2.0%	2.0%	2.0%
Adjusted Patient Days	77,895	79,452	81,041	82,662	84,316	86,002
Annual Growth %		2.0%	2.0%	2.0%	2.0%	2.0%
Net Revenue Per Adjusted Patient Day	\$1,902	\$1,949	\$1,998	\$2,048	\$2,099	\$2,152
Annual Growth %		2.5%	2.5%	2.5%	2.5%	2.5%
Other Operating Revenue	\$2,165,191	\$2,230,146	\$2,297,051	\$2,365,962	\$2,436,941	\$2,510,049
Annual Growth %		3.0%	3.0%	3.0%	3.0%	3.0%
Total Net Operating Revenues	\$150,292,590	\$157,097,343	\$164,210,704	\$171,646,687	\$179,419,939	\$187,545,774
Annual Growth %		4.5%	4.5%	4.5%	4.5%	4.5%

EXPENSE ASSUMPTIONS:

	Assumptions:	NBY Stats	Normalized Base Year	Projections				
				Year 1	Year 2	Year 3	Year 4	Year 5
Employee Salaries & Wages								
Employee Salaries & Wages	See Below		\$60,807,693	\$62,302,954	\$64,486,361	\$66,746,286	\$69,783,242	\$72,958,379
Benefits & Payroll Taxes								
Payroll Taxes	See Below		4,651,789	4,766,176	4,933,207	5,106,091	5,338,418	5,581,316
Employee Benefits	See Below		5,761,138	5,902,804	6,109,668	6,323,781	6,611,513	6,912,337
Medical Supplies & Drugs								
Medical Supplies	See Below		30,237,050	29,299,702	30,184,553	31,096,126	32,035,229	33,002,693
Drugs	See Below		4,276,630	4,493,028	4,720,375	4,959,226	5,210,163	5,473,797
Ancillary Services & Supplies								
Physician Professional Fees	% of Revenue	2.9%	4,405,659	4,605,133	4,813,653	5,031,630	5,259,495	5,497,694
Insurance								
General Business	Increase at CPI		1,420,394	1,463,006	1,506,896	1,552,103	1,598,666	1,646,626
General & Administrative								
Repairs & Maintenance	Increase at CPI		6,618,360	6,816,911	7,021,419	7,232,061	7,449,023	7,672,494
Other Operating Expenses	Increase at CPI		8,610,819	8,869,143	9,135,218	9,409,274	9,691,552	9,982,299
Purchased Services	% of Revenue	5.6%	8,409,502	8,790,257	9,188,279	9,604,353	10,039,300	10,493,974
Professional Fees	% of Revenue	1.2%	1,729,525	1,807,832	1,889,690	1,975,262	2,064,714	2,158,224
Legal Fees	Increase at CPI		454,847	468,492	482,547	497,024	511,934	527,292
General Supplies	Increase at CPI		2,617,728	2,696,260	2,777,148	2,860,462	2,946,276	3,034,664
Total Operating Expenses			\$140,001,134	\$142,281,698	\$147,249,013	\$152,393,680	\$158,539,525	\$164,941,790
Annual Growth %				1.6%	3.5%	3.5%	4.0%	4.0%

CITRUS MEMORIAL HEALTH FOUNDATION
DISCOUNTED CASH FLOW ASSUMPTIONS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

EMPLOYEE SALARIES & WAGES AND BENEFITS & PAYROLL TAXES ASSUMPTIONS:		Normalized Base Year	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
Paid Hours Per Adj. Patient Day		33.6	32.9	32.6	32.3	32.3	32.3
Annual Growth %			(2.0%)	(1.0%)	(1.0%)	-	-
FTE's Hospital Employed		1,259	1,259	1,271	1,283	1,309	1,335
Annual Hours per FTE		2,080	2,080	2,080	2,080	2,080	2,080
Paid Hours		2,618,844	2,617,797	2,643,451	2,669,357	2,722,744	2,777,199
P/L Hourly Salary		\$23.22	\$23.80	\$24.39	\$25.00	\$25.63	\$26.27
Annual Growth %		n/a	2.5%	2.5%	2.5%	2.5%	2.5%
Total Employee Salaries & Wages		60,807,693	62,302,954	64,486,361	66,746,286	69,783,242	72,958,379
% of Revenue		40.5%	39.7%	39.3%	38.9%	38.9%	38.9%
Total Payroll Taxes		4,651,789	4,766,176	4,933,206.64	5,106,091	5,338,418	5,581,316
Payroll Taxes as % of Employee Salaries & Wages		7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Total Employee Benefits		5,761,138	5,902,804	6,109,668	6,323,781	6,611,513	6,912,337
Employee Benefits as % of Employee Salaries & Wages		9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Total Employee Salaries, Wages & Benefits		\$71,220,619	\$72,971,934	\$75,529,236	\$78,176,158	\$81,733,173	\$85,452,032
% of Revenue		47.4%	46.5%	46.0%	45.5%	45.6%	45.6%

MEDICAL SUPPLIES & DRUGS EXPENSE ASSUMPTIONS:		Normalized Base Year	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
Medical Supplies Per Adj. Patient Day		\$388.18	\$368.77	\$372.46	\$376.18	\$379.94	\$383.74
Annual Growth %			(5.0%)	1.0%	1.0%	1.0%	1.0%
Total Medical Supplies Expense		\$30,237,050	\$29,299,702	\$30,184,553	\$31,096,126	\$32,035,229	\$33,002,693
% of Revenue		20.1%	18.7%	18.4%	18.1%	17.9%	17.6%
Drugs Per Adj. Admission		\$231.78	\$238.73	\$245.90	\$253.27	\$260.87	\$268.70
Annual Growth %			3.0%	3.0%	3.0%	3.0%	3.0%
Total Drugs Expense		\$4,276,630	\$4,493,028	\$4,720,375	\$4,959,226	\$5,210,163	\$5,473,797
% of Revenue		2.8%	2.9%	2.9%	2.9%	2.9%	2.9%

DEPRECIATION & CAPITAL EXPENDITURES ASSUMPTIONS:			Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
Net Initial Fixed Assets (Book Value)		\$64,759,483					
Depreciation of Initial Net Fixed Assets		20.0	\$3,237,974	\$3,237,974	\$3,237,974	\$3,237,974	\$3,237,974
Routine / Maintenance Capital	Est. Useful Life:	20.0	3,900,000	4,700,000	5,600,000	6,500,000	6,500,000
Total Capital Expenditures			3,900,000	4,700,000	5,600,000	6,500,000	6,500,000
CapEx as a % of Revenue			2.5%	2.9%	3.3%	3.6%	3.5%
			97,500	195,000	195,000	195,000	195,000
				117,500	235,000	235,000	235,000
					140,000	280,000	280,000
Terminal Value Capital Expenditure		6,500,000				162,500	325,000
							162,500
Total Depreciation			\$3,335,474	\$3,550,474	\$3,807,974	\$4,110,474	\$4,435,474

CITRUS MEMORIAL HEALTH FOUNDATION
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year	Projection Period					Terminal Year
						Year 1	Year 2	Year 3	Year 4	Year 5	
Revenue:											
Gross Patient Revenue	\$707,056,657	\$693,224,920	\$683,805,257	\$734,929,531	\$736,446,197	\$769,954,499	\$804,987,429	\$841,614,357	\$879,907,810	\$919,943,616	
Allowances & Adjustments	(555,458,824)	(542,707,530)	(535,896,699)	(586,718,798)	(588,318,798)	(\$615,087,303)	(643,073,776)	(672,333,632)	(702,924,813)	(734,907,892)	
Other Operating Revenue	4,582,181	3,229,803	4,094,776	4,765,191	2,165,191	2,230,146	2,297,051	2,365,962	2,436,941	2,510,049	
Total Net Operating Revenue	156,180,013	153,747,193	152,003,335	152,975,923	150,292,590	157,097,343	164,210,704	171,646,687	179,419,939	187,545,774	193,172,147
Operating Expenses:											
Employee Salaries & Wages	60,324,012	61,592,565	61,609,607	61,308,693	60,807,693	62,302,954	64,486,361	66,746,286	69,783,242	72,958,379	
Benefits & Payroll Taxes	18,031,339	17,751,582	12,635,496	11,799,432	10,412,926	10,668,980	11,042,874	11,429,872	11,949,931	12,493,653	
Occupancy Costs	-	-	-	-	-	-	-	-	-	-	
Medical Supplies & Drugs	43,066,744	37,573,352	37,739,068	38,131,409	34,513,680	33,792,729	34,904,927	36,055,352	37,245,392	38,476,490	
Ancillary Services & Supplies	-	4,153,232	4,866,795	4,705,659	4,405,659	4,605,133	4,813,653	5,031,630	5,259,495	5,497,694	
Other Medical Costs	-	-	-	-	-	-	-	-	-	-	
Insurance	2,409,002	2,039,386	1,469,456	1,420,394	1,420,394	1,463,006	1,506,896	1,552,103	1,598,666	1,646,626	
General & Administrative	29,238,282	24,343,761	28,139,534	28,593,053	28,440,781	29,448,895	30,494,301	31,578,436	32,702,800	33,868,947	
Total Operating Expenses	153,069,379	147,453,878	146,459,956	145,958,640	140,001,134	142,281,698	147,249,013	152,393,680	158,539,525	164,941,790	
Operating Margin	3,110,634	6,293,315	5,543,379	7,017,283	10,291,456	14,815,645	16,961,691	19,253,007	20,880,414	22,603,983	
Other Income (Expense)	2,364,468	3,586,800	282,822	203,506	-	-	-	-	-	-	
EBITDA	5,475,102	9,880,115	5,826,201	7,220,790	10,291,456	14,815,645	16,961,691	19,253,007	20,880,414	22,603,983	23,282,103
Depreciation & Amortization Expense	7,736,460	7,146,925	7,757,360	7,695,744	7,695,744	3,335,474	3,550,474	3,807,974	4,110,474	4,435,474	6,500,000
Interest Expense	2,914,598	2,830,515	2,732,531	2,731,568	-	-	-	-	-	-	-
Earnings Before Income Taxes	(5,175,956)	(97,325)	(4,663,689)	(3,206,523)	2,595,712	11,480,170	13,411,217	15,445,033	16,769,940	18,168,509	16,782,103
Federal & State Income Tax Expense @ 38.6%	-	-	-	-	1,001,296	4,428,476	5,173,377	5,957,922	6,469,004	7,008,502	6,473,696
Earnings After Income Taxes	(5,175,956)	(97,325)	(4,663,689)	(3,206,523)	1,594,416	7,051,695	8,237,840	9,487,112	10,300,935	11,160,007	10,308,407
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						3,335,474	3,550,474	3,807,974	4,110,474	4,435,474	6,500,000
Less: Required Annual Capital Expenditures						(3,900,000)	(4,700,000)	(5,600,000)	(6,500,000)	(6,500,000)	(6,500,000)
Less: Incremental Working Capital Requirements						(544,380)	(569,069)	(594,879)	(621,860)	(650,067)	(450,110)
Net Discretionary Cash Flow						5,942,789	6,519,245	7,100,207	7,289,549	8,445,414	9,858,297
Terminal Value											123,228,709
Present Value Factor (mid-point convention)		Discount Rate	11.0%			0.5	1.5	2.5	3.5	4.5	4.5
						0.9492	0.8551	0.7704	0.6940	0.6252	0.6252
Present Value of Cash Flows						5,640,645	5,574,589	5,469,701	5,059,065	5,280,409	77,047,490
Sum of Present Values (Year 1 to Year 5)		27,024,409	26.0%								
Present Value of Terminal		77,047,490	74.0%								
Fair Market Value Indication (Total Invested Capital Level)		\$104,071,898	100.0%								

Terminal Growth Rate	Discount Rate					
		10.5%	11.0%	11.5%	12.0%	12.5%
	2.5%	105,999,501	99,580,855	93,882,039	88,789,224	84,211,348
	3.0%	111,196,789	104,071,898	97,791,910	92,215,833	87,232,361
3.5%	117,136,547	109,161,748	102,190,515	96,045,572	90,589,043	

CITRUS MEMORIAL HEALTH FOUNDATION
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	FYE 2010	FYE 2011	FYE 2012	TTM 2013	Normalized Base Year	Projection Period					Terminal Year
						Year 1	Year 2	Year 3	Year 4	Year 5	
Revenue:											
Gross Patient Revenue	452.7%	450.9%	449.9%	480.4%	490.0%	490.1%	490.2%	490.3%	490.4%	490.5%	
Allowances & Adjustments	(355.7%)	(353.0%)	(352.6%)	(383.5%)	(391.4%)	(391.5%)	(391.6%)	(391.7%)	(391.8%)	(391.9%)	
Other Operating Revenue	2.9%	2.1%	2.7%	3.1%	1.4%	1.4%	1.4%	1.4%	1.4%	1.3%	
Total Net Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Operating Expenses:											
Employee Salaries & Wages	38.6%	40.1%	40.5%	40.1%	40.5%	39.7%	39.3%	38.9%	38.9%	38.9%	
Benefits & Payroll Taxes	11.5%	11.5%	8.3%	7.7%	6.9%	6.8%	6.7%	6.7%	6.7%	6.7%	
Medical Supplies & Drugs	27.6%	24.4%	24.8%	24.9%	23.0%	21.5%	21.3%	21.0%	20.8%	20.5%	
Ancillary Services & Supplies	-	2.7%	3.2%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Insurance	1.5%	1.3%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	
General & Administrative	18.7%	15.8%	18.5%	18.7%	18.9%	18.7%	18.6%	18.4%	18.2%	18.1%	
Total Operating Expenses	98.0%	95.9%	96.4%	95.4%	93.2%	90.6%	89.7%	88.8%	88.4%	87.9%	
Operating Margin	2.0%	4.1%	3.6%	4.6%	6.8%	9.4%	10.3%	11.2%	11.6%	12.1%	
Other Income (Expense)	1.5%	2.3%	0.2%	0.1%	-	-	-	-	-	-	
EBITDA	3.5%	6.4%	3.8%	4.7%	6.8%	9.4%	10.3%	11.2%	11.6%	12.1%	12.1%
Depreciation & Amortization Expense	5.0%	4.6%	5.1%	5.0%	5.1%	2.1%	2.2%	2.2%	2.3%	2.4%	3.4%
Interest Expense	1.9%	1.8%	1.8%	1.8%	-	-	-	-	-	-	-
Earnings Before Income Taxes	(3.3%)	(0.1%)	(3.1%)	(2.1%)	1.7%	7.3%	8.2%	9.0%	9.3%	9.7%	8.7%
Federal & State Income Tax Expense @ 38.6%	-	-	-	-	0.7%	2.8%	3.2%	3.5%	3.6%	3.7%	3.4%
Earnings After Income Taxes	(3.3%)	(0.1%)	(3.1%)	(2.1%)	1.1%	4.5%	5.0%	5.5%	5.7%	6.0%	5.3%
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						2.1%	2.2%	2.2%	2.3%	2.4%	3.4%
Less: Capital Expenditures						(2.5%)	(2.9%)	(3.3%)	(3.6%)	(3.5%)	(3.4%)
Less: Working Capital Requirements						(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.2%)
Net Discretionary Cash Flow						3.8%	4.0%	4.1%	4.1%	4.5%	5.1%

DRAFT - SUBJECT TO CHANGE

COST APPROACH ANALYSIS
C - EXHIBITS

CITRUS MEMORIAL HEALTH FOUNDATION
COST APPROACH ANALYSIS

PRELIMINARY DRAFT - SUBJECT TO CHANGE

(\$\$)

IDENTIFIED TANGIBLE ASSETS

Current Assets

		Book Value January 31, 2013	Adjustments	Estimated Value	% of TIC
Cash & Cash Equivalents	<i>Excluded from TIC calculation</i>	\$10,306,647	(\$10,306,647)	-	-
Short-Term Investments	<i>Excluded from TIC calculation</i>	7,039,102	(7,039,102)	-	-
Net Patient Receivables	<i>Estimated value based on January 31, 2013 balance sheet</i>	22,273,490	-	22,273,490	24.1%
Supply Inventory	<i>Estimated value based on January 31, 2013 balance sheet</i>	3,464,469	-	3,464,469	3.7%
Prepaid Expenses	<i>Estimated value based on January 31, 2013 balance sheet</i>	2,106,546	-	2,106,546	2.3%
Other Receivables	<i>Estimated value based on January 31, 2013 balance sheet</i>	2,769,247	-	2,769,247	3.0%
Total Current Assets		47,959,501	(17,345,749)	30,613,752	33.1%

Funded Depreciation:

Funded Depreciation	<i>Eliminated / Non-Operating Asset</i>	385,958	(385,958)	-	-
Total Funded Depreciation:		385,958	(385,958)	-	-

Assets Limited As To Use:

Professional Liability Fund	<i>Eliminated / Non-Operating Asset</i>	2,072,246	(2,072,246)	-	-
Development Fund	<i>Eliminated / Non-Operating Asset</i>	2,583,438	(2,583,438)	-	-
Bond Assets	<i>Eliminated / Non-Operating Asset</i>	5,238,643	(5,238,643)	-	-
Total Assets Limited As To Use:		9,894,327	(9,894,327)	-	-

Fixed Assets:

Net Property & Equipment	<i>Eliminated to discretely include personal and real property</i>	64,759,483	(64,759,483)	-	-
Personal Property	<i>Net book value as of February 28, 2013 fixed asset detail ledger</i>	-	12,828,505	12,828,505	13.9%
Real Property ⁽¹⁾	<i>VMG estimated Fair Market Value</i>	-	72,760,000	72,760,000	78.6%
Total Fixed Assets		64,759,483	20,829,022	85,588,505	92.5%

Other Assets

Other Assets	<i>Non-Transferable Asset / Comprised of Goodwill</i>	7,617,277	(7,617,277)	-	-
Total Fixed Assets		7,617,277	(7,617,277)	-	-

Fair Market Value of the Hospital's Identified Tangible Assets		130,616,546	(14,414,290)	116,202,257	125.6%
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IDENTIFIED LIABILITIES (EXCLUDING DEBT)

Current Liabilities

Accounts Payable	<i>Estimated value based on January 31, 2013 balance sheet</i>	11,644,042	-	11,644,042	12.6%
Accrued Expenses	<i>Estimated value based on January 31, 2013 balance sheet</i>	11,291,906	-	11,291,906	12.2%
Other Payables	<i>Estimated value based on January 31, 2013 balance sheet</i>	728,452	-	728,452	0.8%
Current Portion of Long-Term Debt	<i>Excluded from TIC calculation</i>	2,019,407	(2,019,407)	-	-
Total Current Liabilities		25,683,806	(2,019,407)	23,664,399	25.6%

Fair Market Value of the Hospital, Total Invested Capital Level		\$104,932,740	(12,394,883)	\$92,537,857	100.0%
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Notes:

(1) Real Property excludes non-operating real estate assets and is comprised of the excess land held by the Hospital which has been estimated to be valued at approximately \$2.5 million. Please see location description listed under Parcel 7 and 8 in the real estate FMV report for further detail.

MARKET APPROACH ANALYSIS

D - EXHIBITS

DRAFT - SUBJECT TO CHANGE

CITRUS MEMORIAL HEALTH FOUNDATION
PUBLIC GUIDELINE COMPANY COMPARABLES

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Acute Care Hospitals		Capitalization Data (in \$1000s)			Operating Data (in \$1000s)		Valuation Multiples		
Company Name	Ticker	Market Capitalization	Total Debt	Total Invested Capital	TTM Revenue	EBITDA Margin	TTM EBITDA	TIC / Revenue	TIC / EBITDA
Community Health Systems, Inc.	CYH	\$3,797,656	\$9,722,905	\$13,132,748	\$13,028,985	14.2%	\$1,844,882	1.0 x	7.1 x
Health Management Associates Inc.	HMA	2,883,660	3,652,369	6,355,750	5,878,238	16.5%	972,198	1.1 x	6.5 x
Lifepoint Hospitals Inc.	LPNT	2,090,125	1,725,600	3,730,725	3,391,800	15.8%	537,000	1.1 x	6.9 x
Tenet Healthcare Corp.	THC	4,196,469	5,252,000	9,084,469	9,119,000	13.2%	1,200,000	1.0 x	7.6 x
Universal Health Services Inc.	UHS	5,708,197	3,771,020	9,455,746	6,961,400	18.5%	1,286,157	1.4 x	7.4 x
Vanguard Health Systems Inc.	VHS	1,152,455	2,703,200	3,497,855	6,624,100	8.4%	554,700	0.5 x	6.3 x
HCA Holdings, Inc.	HCA	16,386,946	29,359,000	44,985,946	33,013,000	19.7%	6,492,000	1.4 x	6.9 x
<i>Mean:</i>								1.1 x	7.0 x
<i>Median:</i>								1.1 x	6.9 x

Source: Capital IQ as of 03/05/2013

Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

CITRUS MEMORIAL HEALTH FOUNDATION
ALL TRANSACTIONS SUMMARY

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Merged & Acquired Acquisition Multiples: All Hospital Transactions

	Total Invested Capital/ Revenue	Total Invested Capital/ EBITDA
Median	0.76 x	7.58 x
Mean	0.76 x	7.99 x
25th Percentile	0.48 x	5.93 x
75th Percentile	0.97 x	9.92 x
High	1.81 x	13.55 x
Low	0.16 x	2.00 x
Number of Observations	81	40

Data set includes transactions that occurred from 1/1/2010 through 12/31/2012.

CITRUS MEMORIAL HEALTH FOUNDATION
FLORIDA TRANSACTION DETAIL

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Florida Hospital Transactions

Date	Target	Location	Acquirer	Beds	Total Invested Capital ("TIC")	Revenue	EBITDA	Margin	TIC / Revenue	TIC / EBITDA
7/12/2010	Shands HealthCare	Lake City	Health Management Associates, Inc	139	\$36,700,000	\$110,000,000		nmf	0.33 x	nmf
7/20/2010	All Children's Hospital & Health System	St. Petersburg	Johns Hopkins Health System Corp.	259	<i>Integration</i>	274,800,000		n/a	n/a	n/a
9/1/2010	University Community Health	Tampa Bay	Adventist Health Systems, Inc.	1,003	355,000,000	502,500,000	\$7,800,000	1.6%	0.71 x	nmf
10/27/2010	Wuesthoff Health System	Rockledge	Health Management Associates, Inc	406	151,500,000	290,000,000	7,998,387	2.8%	0.52 x	nmf
5/24/2011	Mercy Hospital	Miami	HCA, Inc.	473	136,000,000	280,000,000	12,732,972	4.5%	0.49 x	10.68 x
4/1/2012	Health Central	Ocoee	Orlando Health	171	181,300,000	142,441,920	16,607,317	11.7%	1.27 x	10.92 x
4/3/2012	Bay Medical Center	Panama City	Sacred Heart Health System, Inc.	323	154,000,000	280,543,416	7,035,229	2.5%	0.55 x	21.89 x
10/25/2012	Bayfront Medical Center	St. Petersburg	Health Management Associates, Inc.	397	202,500,000	314,789,542	25,829,645	8.2%	0.64 x	7.84 x
TBD	Winter Haven Hospital	Tampa Bay	BayCare Health System	527	n/a	262,920,550	22,891,207	8.7%	n/a	n/a

Notes:

(1) Revenue does not include bad debt expense for all multiples above.

(2) Currently, BayCare is considering the acquisition of Winter Haven in the Tampa market.

Measure	TIC / Revenue	TIC / EBITDA
Mean	0.64x	12.83x
Median	0.55x	10.80x
25th Percentile	0.50x	9.97x
75th Percentile	0.67x	13.66x
High	1.27x	21.89x
Low	0.33x	7.84x
Number of Observations	7	4

DRAFT - SUBJECT TO CHANGE

OTHER SUPPORT
F - EXHIBITS

CITRUS MEMORIAL HEALTH FOUNDATION
PUBLIC GUIDELINE COMPANY COMPARABLES

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Revenue Growth

	CITRUS NBY*	CITRUS Year 5 (CAGR)	TTM 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
CYH			9.4%	8.1%	8.3%	4.8%	11.2%
HMA			15.5%	30.9%	(9.5%)	8.3%	3.8%
LPNT			12.1%	23.6%	(15.9%)	9.2%	8.3%
THC			5.4%	13.9%	(12.2%)	2.6%	6.3%
UHS			3.0%	14.2%	25.6%	2.9%	3.8%
VHS			7.0%	18.7%	59.4%	5.6%	15.4%
HCA			11.2%	11.3%	4.6%	5.9%	6.8%
Median	(1.1%)	4.5%	9.4%	14.2%	4.6%	5.6%	6.8%

*Represents growth over Citrus Memorial FYE 2012 Net Operating Revenue.

Note: Public company revenue growth includes growth due to acquisitions

EBITDA Margin

	CITRUS NBY	CITRUS Year 5	TTM 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
CYH			14.2%	14.9%	14.8%	15.5%	15.2%
HMA			16.5%	16.2%	17.9%	14.8%	14.7%
LPNT			15.8%	16.4%	20.1%	16.2%	16.2%
THC			13.2%	12.9%	13.8%	10.8%	10.8%
UHS			18.5%	15.9%	17.3%	13.4%	13.5%
VHS			8.4%	8.5%	8.1%	9.4%	9.3%
HCA			19.7%	20.2%	19.2%	19.8%	19.6%
Median	6.8%	12.1%	15.8%	15.9%	17.3%	14.8%	14.7%

Capex (% of Revenue)

	CITRUS NBY	CITRUS Year 5	TTM 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
CYH			5.9%	6.3%	6.1%	6.1%	7.6%
HMA			6.6%	6.6%	6.0%	3.8%	4.7%
LPNT			6.5%	6.8%	7.6%	5.4%	5.7%
THC			5.5%	5.9%	6.1%	5.0%	4.4%
UHS			5.6%	5.5%	4.0%	5.5%	8.1%
VHS			5.2%	4.8%	4.1%	4.8%	4.5%
HCA			5.6%	5.5%	5.6%	4.5%	5.3%
Median	n/a	3.5%	5.6%	5.9%	6.0%	5.0%	5.3%

CITRUS MEMORIAL HEALTH FOUNDATION
PUBLIC GUIDELINE COMPANY COMPARABLES

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Net Working Capital (% of Revenue)

	CITRUS NBY	CITRUS Year 5	TTM 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
CYH			7.5%	8.5%	7.9%	8.2%	8.3%
HMA			9.0%	9.0%	11.5%	9.2%	11.5%
LPNT			12.0%	12.8%	11.0%	10.0%	10.6%
THC			7.1%	8.9%	7.8%	3.8%	0.2%
UHS			7.1%	8.2%	7.5%	8.6%	3.0%
VHS			2.2%	4.0%	2.3%	(5.1%)	(3.5%)
HCA			6.9%	8.1%	9.3%	8.7%	9.1%
Median	8.0%	8.0%	7.1%	8.5%	7.9%	8.6%	8.3%

Note: Net working capital excludes cash & cash equivalents and short-term investments

Additional Comparable Data (as % of TTM 2013 Revenue)

	Salaries, Wages, & Benefits			Supplies		
	CITRUS NBY	CITRUS Year 5	Salaries, Wages & Benefits	CITRUS NBY	CITRUS Year 5	Supply Costs
CYH			46.8%			15.1%
HMA			44.6%			15.4%
LPNT			45.8%			15.5%
THC			46.7%			17.0%
UHS			45.1%			18.1%
VHS			51.2%			17.5%
HCA			45.7%			17.3%
Median	47.4%	45.6%	45.8%	23.0%	20.5%	17.0%

Source: Capital IQ as of 01/31/2013
TTM as of January 31, 2013