CVG81777.001

BUSINESS ENTERPRISE VALUATION

OF

COMMUNITY MEDICAL CENTER, INC.

as of

SEPTEMBER 30, 2014

PRIVILEGED AND CONFIDENTIAL

www.cbizvaluation.com *info@cbizvaluation.com*

CBIZ VALUATION GROUP, LLC
VALUATION, FINANCIAL ADVISORY & LITIGATION SUPPORT

Atlanta ♦ Boston ♦ Chicago ♦ Dallas ♦ Milwaukee
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CBIZ Valuation Group, LLC
625 Maryville Center Drive, Suite 200
St. Louis, MO 63141 • www.cbizvaluation.com
Ph: 314.692.2249 • F: 314.692.4222

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November 18, 2014

Ms. Kelley Hubbard
Montana Attorney General's Office
555 Fuller Ave.
Helena, MT 59620-0151

Re: ***Community Medical Center, Inc.***

Dear Ms. Hubbard:

We have completed our business enterprise valuation of Community Medical Center, Inc. ("CMC" or "the Hospital"). The purpose of our valuation is to assist the Montana Attorney General's Office ("MT AG") in its regulatory efforts. We were retained by MT AG and conducted our analysis on behalf of MT AG. Although we relied on information provided by CMC and RegionalCare Hospital Partners, Inc. ("RegionalCare"), we were and remained independent of CMC and RegionalCare in reaching our valuation conclusion. Our valuation opinion is as of September 30, 2014 (the "Valuation Date").

Fair market value in this study is defined 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 the relevant facts." This concept of value is supported by definitions set forth in the Internal Revenue Code and has been further established and elaborated upon in numerous court decisions dealing with fair market value.

Our scope included consideration of the following factors discussed in Revenue Ruling 59-60:

- The nature and history of the company.
- The general and specific industry economic conditions and outlook.
- The book value of the enterprise and its financial condition.
- The earnings capacity of the company.
- The company's dividend-paying capacity.
- Prior stock or partnership interest sales and the size of the interest being valued.
- The existence of goodwill or other intangible value within the company.
- The market price of corporations engaged in the same or a similar line(s) of business having their stock actively traded in a free and open market, either on an exchange or over-the-counter.

We considered all three basic approaches to value (cost, market and income) in the determination of the business enterprise value of CMC. We relied on the income and market approaches in the valuation. The concluded fair market value range is presented below as well as in Exhibit A and is discussed in the following narrative report. The fair market value range of the business enterprise of Community Medical Center, Inc. is:

SIXTY-SEVEN MILLION DOLLARS
($67,000,000)

to

SEVENTY-FIVE MILLION DOLLARS
($75,000,000)

Our value opinion is subject to the attached Assumptions and Limiting Conditions. A detailed report delineating our assumptions, methodologies and conclusions is contained herein.

Very truly yours,

CBIZ Valuation Group, LLC

CBIZ VALUATION GROUP, LLC

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OVERVIEW

CBIZ Valuation Group, LLC ("CBIZ") has been engaged to prepare a valuation of the business enterprise of Community Medical Center, Inc. ("CMC" or the "Hospital"). It is our understanding that the valuation will be used by the Montana Attorney General's Office ("MT AG") for regulatory efforts involving a sale of substantially all of CMC's assets to RCHP – Billings – Missoula, LLC("RCHP – Billings"). RCHP – Billings is a joint venture between RegionalCare Hospital Partners, Inc. ("RegionalCare") and Billings Clinic. CMC was advised throughout the transaction by Cain Brothers & Company LLC ("Cain Brothers"). We were retained by MT AG and conducted our analysis on behalf of MT AG. Although we relied on information provided by CMC and RegionalCare, we were and remained independent of CMC and RegionalCare in reaching our valuation conclusion.

Definition of Value. The standard of value utilized in our study is "fair market value". Fair market value in this study is defined 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 the relevant facts."[1] This concept of value is supported by definitions set forth in the Internal Revenue Code and has been further established and elaborated upon in numerous court decisions dealing with fair market value. We note that the subject valuation does not include benefits unique to a tax-exempt health system acquirer, but rather views fair market value from the perspective of a for-profit, taxable entity. Said differently, the valuation does not inflate the subject interest value because of attributes that would only be realized or would only transfer to another tax-exempt entity. Accordingly, we included federal, state and property taxes that would be paid by a taxable entity and not paid by a tax-exempt buyer. Further, we excluded the benefits of the 340(b) drug pricing program that would accrue to a not-for-profit entity, but not a taxable, for-profit entity.

Our scope included consideration of the following factors discussed in Revenue Ruling 59-60:

- The nature and history of the company.
- The general and specific industry economic conditions and outlook.
- The book value of the enterprise and its financial condition.
- The earnings capacity of the company.
- The company's dividend-paying capacity.
- Prior stock or partnership interest sales and the size of the interest being valued.

[1] Treasury Regulation 20.2031-1(b); Revenue Ruling 59-60, 1959-1 C.B. 237

- The existence of goodwill or other intangible value within the company.
- The market price of corporations engaged in the same or a similar line(s) of business having their stock actively traded in a free and open market, either on an exchange or over-the-counter.

For the purpose of this report, business enterprise value is defined as the total of all tangible and intangible assets plus debt-free working capital (current assets minus current liabilities plus current maturities of long-term debt) that comprise a going business concern. The value of the business enterprise is also equivalent to the value of the total invested capital of an entity, where invested capital is defined as the sum of long-term debt, including current portions, and equity. The concept of a debt-free business enterprise addresses the value of the entire enterprise before considering how the capital structure of a particular business is financed with some combination of long-term debt and equity.

Scope. The scope of our analysis included a review of the historical operating results of CMC, a review of analysis performed in connection with the transaction, a review of the industry and discussion with individuals familiar with the operations of CMC. In particular, we had discussions and corresponded with the following individuals:

- Steve Carlson, CEO, Community Medical Center, Inc.
- Stan Moser, Executive Vice President, Community Medical Center, Inc.
- Bob Philips, Board Member, Community Medical Center, Inc.
- Scott Hacker, Board Member, Community Medical Center, Inc.
- Marty Rash, CEO, RegionalCare Hospital Partners, Inc.
- Mike Browder, CFO, RegionalCare Hospital Partners, Inc.
- Carsten Beith, Managing Director, Cain Brothers
- Daniel Koob, Vice President, Cain Brothers
- Gary Chumrau, Partner, Garlington, Lohn, Robinson

In addition to the discussions referred to above, our analysis and conclusions relied upon the following:

1. Review of the Letter of Intent (“LOI”) and Term Sheet between CMC and RCHP – Billings dated May 21, 2014.

2. Review of CMC consolidated audited financial statements for the fiscal years ended June 30, 2009 through 2014.

3. Review of Earnings before Interest, Taxes, Depreciation and Amortization reconciliations provided by CMC and RCHP – Billings for the fiscal year ended June 30, 2014.

4. Review of the financial budget prepared by CMC for the fiscal year 2015.

5. Review of projections prepared by CMC for the fiscal years ending 2016 to 2017.

6. Various CMC Board of Directors presentations prepared in connection with the proposed transaction.

7. Analysis prepared by the Montana Department of Revenue estimating property tax impact of CMC.

8. Research and analysis of the financial performance of guideline public companies and industry transactions of companies providing similar services or operating in similar industries.

9. Review of various company, economic and industry data.

10. An investigation and analysis of all data compiled resulting in a value conclusion under the premise that the assets of the Hospital will continue to be used in the existing economic operation.

In arriving at our conclusions of value, we were provided with financial, management and operating information which we have accepted in accordance with our Assumptions and Limiting Conditions.

ECONOMIC OVERVIEW

GENERAL ECONOMIC OVERVIEW[2]

The following is a brief overview of the national economy for the second quarter of 2014. Many factors drive the national economy from quarter to quarter; however, the topics addressed in this section provide an informative and relevant picture of the economic environment for the period. In the event that information related to the second quarter was not available, information from the previous quarter was used.

Gross Domestic Product

According to advance estimates released by the Department of Commerce's Bureau of Economic Analysis, real gross domestic product ("GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 4.0% during the second quarter of 2014. The increase in real GDP during the second quarter was attributable to personal consumption expenditures, private inventory investment, exports, non-residential fixed investment, state and local government spending, and residential fixed investment. Imports, which are subtracted from the national income and product accounts used in the calculation of GDP, increased and partially offset the positive contributors.

The 4.0% increase in real GDP during the second quarter of 2014 was generally higher than economists' expectations and follows a decline of 2.1% in the first quarter of 2014 and an increase of 3.5% in the fourth quarter of 2013. Significantly, first quarter GDP was revised from the advance estimate of 0.1% growth to 2.1% decline. Additionally, revisions spanning the previous three years were also released in order to reconcile GDP and gross domestic income trends. Economists attribute the GDP growth in part to improving consumer spending, which was in turn driven by labor market improvement. Following last quarter's slower growth in durable goods purchases, this quarter's purchases of durable goods rose at the fastest rate since the recession's end. Economists generally anticipate GDP growth to continue, although it is expected to decelerate. A survey of economists conducted by *The Wall Street Journal* reflects a consensus forecast of 3.1% in the third quarter of 2014.

[2] Lee, Timothy R.; Stanton, Eden; and Albert, Samantha; *The National Economic Review;* Second Quarter 2014; Mercer Capital Management, Inc.

Economic Indicators

The Conference Board ("TCB") reported that the Leading Economic Index® ("LEI"), the government's primary forecasting gauge, increased 0.3% in June 2014 to 102.2, after increases of 0.3% and 0.7% in April and May, respectively. Traditionally, the index is thought to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The LEI has increased in each of the last five months.

TCB's economists view the LEI's performance positively and forecast accelerating economic growth in the second half of 2014. According to Ataman Ozyildirim, an economist at TCB, "Housing permits, the weakest indicator during this period, pose some risk to this improving outlook. But favorable financial conditions, generally positive trends in the labor markets, and the outlook for new orders in manufacturing have offset the housing market weakness over the past six months." Ken Goldstein, another TCB economist, added, "Stronger consumer demand driven by sustained job gains and improving confidence remains the main source of improvement for the US economy. In addition to a stronger housing market, increased business investment could also provide an upside to the overall economy."

Six of the LEI's ten leading economic indicators rose during June 2014. The positive contributors to the LEI (largest to smallest) included the interest rate spread, the Leading Credit Index™ (inverted), stock prices, the ISM® new orders index, manufacturers' new orders for non-defense capital goods excluding aircraft, and manufacturers' new orders for consumer goods and materials. Building permits, average weekly manufacturing hours, and average weekly initial claims for unemployment insurance (inverted) declined. Average consumer expectations for business conditions were flat. During the six-month span through June 2014, the LEI increased 2.7%, slower than the 3.5% growth in the previous six-month period. In June, the Coincident Economic Index® increased 0.2% and the Lagging Economic Index® increased 0.5%.

Consumer Spending and Inflation

The consumer price index ("CPI") increased 0.3% in June 2014 to 238.3. The seasonally adjusted annual rate ("SAAR") of inflation for the second quarter was 3.5%, compared with 1.5% and 1.8% in the fourth quarter of 2013 and the first quarter of 2014, respectively. Seasonally adjusted core inflation was 2.5% in the second quarter of 2014, following rates of 1.6% and 1.8% in the fourth quarter of 2013 and the first quarter of 2014, respectively. On an unadjusted basis, the CPI, core CPI, and final demand producer price index increased 2.1%, 1.9%, and 1.9% over the previous twelve months, respectively.

Advance estimates of US retail and food-service sales for June 2014 were up 0.2% from the previous month and 4.3% above June 2013, the fifth straight month of increases. Core retail and food-service sales (which exclude motor vehicles and parts) were up 0.4% relative to May 2014 and 3.7% relative to June 2013. In the second quarter of 2014, core retail and food-service sales increased 1.8% relative to the first quarter of 2014 and were 3.5% above the level observed in the second quarter of 2013. Real personal consumption spending increased 2.5% in the second quarter of 2014, following increases of 3.7% in the fourth quarter of 2013 and 1.2% in the first quarter of 2014. Durable goods purchases increased 14.0% in the second quarter of 2014, following increases of 5.7% in the fourth quarter of 2013 and 3.2% in the first quarter of 2014.

Business and Manufacturing Productivity

Non-farm business productivity increased at an annual rate of 2.5% in the second quarter of 2014. The productivity increase was larger than economists expected, and it followed a revised 4.5% decrease in productivity during the first quarter of 2014, which represented the largest decrease since 1981. Annual average productivity increased 1.2% from the second quarter of 2013 to the second quarter of 2014. Productivity increased 2.0% for the business sector (which includes farming) in the second quarter of 2014.

Industrial Production and Capacity Utilization

Seasonally adjusted industrial production rose 0.2% in June 2014, after no change in April and an increase of 0.5% in May. Manufacturing output increased 0.1%, and mining output increased 0.8%. Second quarter production increased at an annual rate of 5.5%, following increases of 4.9% and 3.9% in the fourth quarter of 2013 and the first quarter of 2014, respectively.

Seasonally adjusted capacity utilization was 79.1% in June 2014, after measures of 79.0% and 79.1% in April and May, respectively. Capacity utilization for the second quarter measured 79.1%. Continuing increases in utilization suggest the potential for a renewal of business investment in the foreseeable future.

Financial Markets

Broad equity market indices exhibited generally upward performance in the second quarter of 2014. The S&P 500 and the NASDAQ both posted six consecutive quarters of gains, a trend not seen since 2000. The Dow Jones has recorded gains five out of the last six quarters. Yields on two-, three-, and five-year US Treasury securities rose during the second quarter.

- The Dow Jones Industrial Average ended the second quarter of 2014 at 16,826.60, up 2.2% for the quarter, following a gain of 9.6% in the fourth quarter of 2013 and a loss of 0.7% in the first quarter of 2014. The Dow was up 26.5% for all of 2013.
- The S&P 500 Index increased 4.7% during the first quarter to close at 1,960.23, following a 9.9% increase in the fourth quarter of 2013 and a 1.3% increase in the first quarter of 2014. The S&P 500 was up 29.6% in 2013.
- The NASDAQ Composite Index rose 5.5% during the first quarter to close at 4,408.18, following gains of 10.7% in the fourth quarter of 2013 and 0.5% in the first quarter of 2014. The NASDAQ was up 38.3% for all of 2013.
- The broad-market Wilshire 5000 Index closed at 20,862.74, up 4.3% for the quarter, following gains of 9.6% in the fourth quarter of 2013 and 1.5% in the first quarter of 2014. The Wilshire 5000 was up 31.4% in 2013.

Housing Market

New privately owned housing starts were at a SAAR of 893,000 units in June 2014, 9.3% below the revised May rate of 985,000 units, but 7.5% above the June 2013 level. Building permits for private housing units were at a SAAR of 963,000 units in June 2014, 4.2% below the revised May estimate of 1,005,000, but 2.7% above the June 2013 level.

Existing home sales totaled 5.04 million (annualized) in June 2014, 2.6% above the May level, but 2.3% below the June 2013 level. Housing inventory stood at 2.30 million existing homes, representing approximately 5.5 months of supply at the current sales pace. The national median existing-home price increased 4.3% relative to June 2013.

Unemployment and Payroll Jobs

The unemployment rate was 6.1% in June 2014, down slightly from 6.3% in both April and May. Economists surveyed by *The Wall Street Journal* anticipate a continued decline to 5.9% by year-end 2014. The number of non-farm payroll jobs increased by 288,000 in June

2014. Economists surveyed by *The Wall Street Journal* anticipate payroll gains of approximately 212,000 per month over the next year.

Interest Rates

In the second quarter of 2014, the Federal Open Market Committee ("FOMC") continued tapering its asset-buying activities, reducing its bond purchases over the quarter to $35 billion by the end of June 2014. In its most recent press release, the FOMC noted that the federal funds rate may remain lower "than normal in the long run" even after inflation and employment approach mandated levels, based on the then-prevailing economic conditions. The FOMC stopped referencing a 6.5% unemployment rate in its guidance concerning raising rates, noting that the committee will consider broader representations of the labor market.

For April, May, and June, the monthly average yields to maturity on 20-year Treasury bonds were 3.27%, 3.12%, and 3.15%, respectively, and those on corporate bonds rated Baa by Moody's were 4.90%, 4.76%, and 4.80%, respectively.

Summary and Outlook

While the aptly named Great Recession reached its official end in mid-2009, economic growth remains somewhat subdued. The housing market has strengthened, but unemployment remains elevated and labor-force participation remains low. Economic growth is expected to remain positive, although government spending cuts, political uncertainty, and rising interest rates are causes for concern. GDP growth expectations from private economists surveyed by *The Wall Street Journal* are on the order of 3.1% for the third quarter of 2014 and 1.6% for all of 2014. This compares to GDP growth of 1.8%, 2.8%, and 1.9% in 2011, 2012, and 2013, respectively. Although the Federal Reserve has begun tapering the rate of asset purchases, a significant tightening of monetary policy (through an increase in the target federal funds rate) is unlikely in the short run until unemployment declines and inflation rises. Participants in the *Livingston Survey*[3] predict that inflation (as measured by the CPI) will grow 2.35% annually over the next 10 years, which is unchanged from the survey of six months before.

[3] Federal Reserve Bank of Philadelphia, *Livingston Survey*, June 2014.

INDUSTRY OVERVIEW

INDUSTRY OVERVIEW – HOSPITALS IN THE U.S.[4]

This industry includes operators licensed as general medical and surgical hospitals that provide surgical and nonsurgical diagnostic and medical treatment to inpatients with medical conditions. Hospitals maintain inpatient beds and usually provide other services such as outpatient services, operating room services and pharmacy services.

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

To maintain an advantaged position in this competitive industry, hospitals seek the most skilled and specialized healthcare professionals; therefore, labor costs are high. However, hospitals also face nurse and physician shortages and have struggled to recruit qualified personnel. As a result, wages' share of industry revenue has fallen during the five years to 2014. However, wages are expected to rise as a proportion of revenue during the next five years, as hospitals increase salaries and provide other employment incentives.

Industry profitability has generally risen over the past five years due to increases in service prices. As the 2010 Patient Protection and Affordable Care Act (PPACA) results in more people with insurance, demand for service will likely continue to increase, and the number of uninsured patients that hospitals treat will drop. As a result, IBISWorld expects industry revenue to rise at an average annual rate of 3.8% to $1.1 trillion during the next five years. Average industry profit is estimated to rise over the same period from 6.6% to 7.9% of revenue, buoyed by cost-cutting efforts and the Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs. Still, reimbursement from Medicaid and Medicare will be strained while the federal government seeks to finance healthcare reform and individual states deal with budget deficits.

Despite the recent recession, demand has remained strong over the last five years, and hospitals have been challenged to provide quality care while dealing with rising costs and

[4] Hospitals in the U.S. IBISWorld Industry Report 62211. October 2014.

increased competition for patients. In 2014, moderate improvements in the economy and further implementation of the PPACA are expected to help boost revenue 4.5% to $935.6 billion. However, hospitals continue to face challenges from changes in reimbursement rates and a shortage of qualified personnel.

The enactment of the PPACA has driven major changes in the industry. At its core, healthcare reform promises health insurance coverage for a large portion of the otherwise uninsured population; as a result, it will likely increase the number of patients that hospitals serve. In addition to expanding healthcare coverage, the PPACA prohibits insurance companies from denying coverage to children because of their health status, and allows them coverage under their parents' plans up to age 26. The law also provides that adults cannot lose their coverage when they get sick. These measures have already begun to reduce the number of patients who are unable to pay their healthcare bills.

Medicaid expansion and the individual mandate to purchase insurance began to take effect in 2014. Coverage purchased in the health insurance exchanges must meet minimum benefit standards, and this requirement is expected to improve the industry's financial situation. However, many states have chosen not to expand Medicaid coverage, and widespread technical and bureaucratic issues plaguing the introduction of state exchanges has limited the expansion of private coverage. Cuts to Disproportionate Share Hospital payments, which provide additional compensation to care providers to offset the burden of treating an outsize number of uninsured patients, have further limited growth for hospitals in some states.

In the midst of a tightened reimbursement environment, hospitals are consolidating to reduce costs by gaining better negotiating power with suppliers and payers. Operators are also closing underperforming hospitals. In the last five years, the total number of US hospitals is expected to decline at an average rate of 1.1% per year, to 5,174 in 2014. Reimbursement from government programs has grown at a slow pace, so hospitals have increasingly sought favorable contracts with nongovernment payers, including health maintenance organizations, preferred provider organizations and other managed-care plans. Revenue derived from these entities and other insurers is estimated to account for about 60.0% of patient revenue. Small hospitals are less able to compete for these lucrative contracts, while consolidated hospital companies can rely on economies of scale to offer a wider portfolio of providers and specialties. Since 2009, the number of industry operators has declined at an average annual rate of 1.6%, falling to 2,982 in 2014.

Hospitals are also consolidating to combat competition from other providers. Historically, the Hospitals industry has faced low competition because most communities are home to only a few hospitals. However, during the five years to 2014, the number of new facilities that deliver healthcare services, such as physician-run outpatient surgery centers, specialty hospitals and diagnostic centers, has grown rapidly. Independent competitors often have lower costs because of their smaller size and simpler infrastructure. Because hospitals use the income from high-margin operations to finance certain unprofitable services and procedures, increased competition has forced hospitals to use other strategies to decrease costs.

In the five years to 2019, hospitals will face a wide variety of issues, including healthcare reform, reimbursement trends, electronic records and continued personnel shortages. Healthcare reform will likely continue to increase the number of insured patients, which will boost revenue. Other factors, such as the aging population, will also support revenue growth. As a result, IBISWorld expects industry revenue to increase at an average annual rate of 3.8% to $1.1 trillion during the five years to 2019. In 2015 alone, revenue is forecast to grow 3.6%. Rising labor costs will continue to pressure industry profitability. However, the increasing number of people with health insurance will help offset these effects.

COMPANY OVERVIEW

COMMUNITY MEDICAL CENTER, INC.

CMC is a public benefit, not-for-profit corporation that is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986. The Hospital was founded in 1947 to provide Missoula with a local hospital that would provide high quality, accessible and affordable health care to its residents. As of the Valuation Date, CMC owns and operates a 151 bed acute care hospital serving residents in western Montana. The Hospital provides a full suite of services and is currently the only facility offering obstetrical ("OB") and neonatal intensive care unit ("NICU") in Missoula County, though competition in this service line is anticipated within the next year. CMC has over 900 full-time-equivalent employees and approximately 349 physicians on staff including 54 employed physicians and midlevel providers. In 2014, CMC had 5,080 discharges and 139,766 outpatient visits. 65% of all inpatients come from Missoula County, with another 21% from neighboring Ravalli County (to the south) and Lake County (to the north). Another 11% originate from other western Montana counties, with 1% from the rest of Montana and 2% from out of state.

In 1922, Dr. Will Thornton and Dr. Charles Thornton established the 42-bed Thornton Hospital. A community non-profit corporation was formed in 1947 to own Memorial Hospital. The name was changed to Missoula Community Hospital in 1960 and to Community Medical Center in 1988. The new hospital facility was opened in April 1972. Physician office centers were built in 1978, 1983 and 1995. A 32-bed addition for inpatient comprehensive medical rehabilitation was added in 1990. An outpatient surgery center opened in 1999. Community Physician Group Walk-In Clinic located at Northgate Plaza provides care on a walk-in basis for minor illness and injury.

CMC's newly renovated Women's and Newborn Care Center is the only facility currently providing obstetrical and newborn care in Missoula County. The recent $17.8 million capital investment included over 36,000 square feet of new construction and 15,000 square feet of remodeled space. The project provided CMC with a new NICU with 26 bassinets (10 private and 16 clustered) as well as a new labor and delivery suite with C-section room, operating room and post/ante partum rooms.

In July of 2014, CMC opened a new $8.5 million radiation oncology service line in partnership with Billings Clinic. The new cancer center provides 10,000 sq. ft. adjacent to the oncology center opened in the Fall of 2013. The facility includes a linear accelerator, computed tomography simulation, high dose radiation and dosimetry.

TRANSACTION OVERVIEW

The proposed transaction involves the sale of substantially all of CMC's assets to RCHP – Billings. The bid submitted by RCHP – Billings states that the purchase price of CMC will be $67.4 million. Additional consideration includes RCHP – Billings contributing $500,000 in cash to the University of Montana Foundation, adjustment associated with the recently developed radiation oncology service line and adjustment for net working capital in excess of the contractual threshold.

Assets considered in the transaction include inventories, accounts receivable, prepaid expenses, owned and leased real property, equipment, all other property held for use in the operations of CMC, all records of the business, rights of CMC under operating contracts and leases, interests in joint ventures related to the operation of CMC and any other interests arising in the general operation of CMC prior to the completion of the transaction.

Conversely, assets excluded from consideration include all cash and short term investments (restricted and otherwise) or any other long term investments not utilized in the operation of CMC. CMC's Foundation assets and operation were not included in the transaction.

In total, the estimated purchase price for the assets noted above is $74.79 million. Total consideration is detailed in Exhibit A.

FINANCIAL REVIEW – CONSOLIDATED FINANCIAL STATEMENTS

In arriving at our conclusion of value, we reviewed consolidated audited financial statements for CMC for the fiscal years ended June 30, 2009 through 2014. These financial statements reflect historical operations of CMC for the past six years. Exhibits B and C present CMC's consolidated income statements and balance sheets, respectively.

HISTORICAL INCOME STATEMENTS – EXHIBIT B

Total operating revenue increased from $124.5 million in 2009 to $164.8 million in 2014, growing at a cumulative average growth rate ('CAGR") of 5.8% over the past five years.
Total operating expenses increased over the past six years from $121.6 million in 2009 to $158.4 million in 2014; however, as a percentage of revenue they fluctuated from 97.6% in 2009 to 95.8% in 2010 and 2011 before increasing to 99.2% in 2013 and 96.1% in 2014.

Net income declined from $11.0 million in 2009 to $7.9 and $6.8 million in 2010 and 2012 respectively, dropped further to $5.0 million in 2013 before increasing to $10.8 million in 2014. Management attributed the increase in 2014 to several one-time accounting adjustments. A pro forma 2014 income statement is presented on Page 1 of Exhibit E. The details of the adjustments are presented on pages 2 and 3 of Exhibit E. Net income decreased at a CAGR 0.5% over the past five years. As a percent of revenue, net income decreased from 8.9% in 2009 to approximately 3.3% in 2013, then increased to 6.5% in 2014.

Historical earnings before interest, taxes, depreciation and amortization ("EBITDA") increased from $10.6 million in 2009 to $16.0 million in 2012 before dropping to $14.5 million in 2013, representing a CAGR of 8.2% growth from 2009 through 2013. 2014 pro forma EBITDA is $12.5 million.

HISTORICAL BALANCE SHEETS – EXHIBIT C

CMC's assets grew over the past five years, peaking in 2014 at $170.8 million. Net property, buildings and equipment increased from $33.6 million in 2009 to $72.9 million in 2014, reflecting CMC's investment in the OB/GYN and radiation oncology service lines.

CMC's net working capital ("NWC"), excluding cash and investments, has fluctuated as a percent of revenue. In 2009, NWC excluding cash and investments was negative 0.4% of revenue. The ratio increased in 2010 to 1.6%, decreased to negative 3.9% in 2011 before rebounding to 3.7% in 2013 and 7.2% in 2014.

FINANCIAL VALUATION THEORY

In the valuation of the business enterprise of the Hospital, the three conventional approaches to value were considered; specifically, the income approach, the cost approach and the market approach. The three principal approaches are summarized below. The approach or approaches deemed most appropriate were selected for use. We relied on the income and market approaches in determining the fair market value of the business enterprise of CMC.

COST APPROACH

The cost approach determines the value of a business, business ownership interest, security or asset using one or more methods based on the discrete cost of reproducing specific assets and liabilities. The cost approach is based on the assumption that a prudent investor would pay no more for a security or asset than the amount at which it could be replaced or reproduced.

The cost approach is most applicable to the valuation of companies that can be characterized as investment or real estate holding companies. This approach may also be appropriate when the values of the assets of a company are greater in liquidation than as components of a going concern or when it is expected that the company will be liquidated.

The Hospital is not an investment or real estate holding company. Additionally, because the Hospital is not expected to liquidate, this approach is not appropriate and therefore was not utilized.

MARKET APPROACH

The market approach determines the value of a business, business ownership interest, security or asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities or assets that have been sold. The market approach is based on the principle of substitution, which reflects the premise that an informed investor would pay no more for a security or asset than he/she could pay for another security or asset of equal utility. Market approach methods considered in our analysis are discussed below.

Prior Transaction Method

Prior transactions involving a company's stock can be used to estimate a company's business enterprise value. We understand that no recent prior transactions involving the Hospital have occurred.

Guideline Company Method

In the guideline company method, the value of the business enterprise is determined by comparing the subject company to comparable firms that are publicly traded on organized capital markets. An appropriate sample of comparable firms is selected based on reasonable comparability criteria. Ideal guideline companies are in the same industry as the subject company. However, if there is insufficient evidence available in the same industry, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics, such as markets, products, growth, cyclical variability and other salient factors.

Private Transactions Method

A private transactions analysis consists of conducting a search for transactions of comparable companies in the industry. An analysis similar to that conducted in the guideline company method is performed to select comparable transactions and calculate pricing multiples. The multiples are then applied to the appropriate financial data of the company, resulting in a preliminary estimate of the value of the company's invested capital.

We relied upon the guideline public company method and the private transactions method to calculate indications of fair market value for the business enterprise value of CMC.

INCOME APPROACH

The income approach explicitly recognizes that the current value of an investment or asset is premised upon the expected receipt of future economic benefits. These benefits can include earnings, cost savings, tax deductions and the proceeds from disposition. When applied to a business ownership interest, value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of the funds, the expected rate of inflation, and the risk associated with the particular investment. The discount rate selected is generally based on the rates of return available from alternative investments of similar type and quality as of the valuation date.

The income approach was used to calculate indications of value for the business enterprise of CMC.

DISCOUNT RATE

When applying the income approach in valuing an asset, a discount rate is employed to convert future cash flow to present value. The discount rate is the rate of return expected by an investor and is related to the perceived risk of the investment. At zero risk (complete certainty) a small return is offered and expected. In financial terms, this is called the risk-free rate and is usually considered to be the return on U.S. government securities. As the level of risk increases, so must the expected return to attract investors. The total return expected from an investment is the risk-free rate plus a firm-specific risk premium.

Although risk is a term applied to a wide range of business situations, it can best be analyzed in three frameworks: the financial structure of the firm, the industry environment the company operates within and the economic environment. Risk is thus characterized as financial risk, business risk and market risk. In order to determine the cost of equity for the Hospital, the Capital Asset Pricing Model ("CAPM") was used. As defined by Eugene Brigham in *Financial Management: Theory and Practice* (Dryden Press, 1981), CAPM is a *"model based on the proposition that any stock's required rate of return is equal to the riskless rate of return, plus its premium."* CAPM was used to calculate the equity portion of the discount rate as shown below.

$$E = I + B\,(M - I) + S + C$$

Where:

E	= Return for a specific investment
I	= Risk-free rate
M	= Return for the equity market as a whole
(M - I)	= Market risk premium
B	= Regression coefficient for a specific investment (Beta)
S	= Small company premium
C	= Company-specific premium

The risk-free rate is represented by the 20-year Treasury rate of 2.98%. The return for the equity market as a whole, 7.98%, was derived by summing the risk-free rate (2.98%) and the market risk premium (5.00%). The market risk premium was calculated based on the premium the market has returned over long term government bonds. We reviewed several market risk premium studies which indicated a range of 2.5% to 7.1%. Based on the studies, we utilized a premium of 5.00% in our analysis to adjust for market risk.

The beta coefficient is a measure of how a company's stock price moves relative to overall market price movements. Beta, therefore, measures market risk (how much more or less volatile the subject company is compared to the overall market). We examined beta coefficients of publicly traded health systems in estimating the market risk of CMC's operations. The selected comparable companies and their calculated betas are presented in the following table.

Company	Ticker	$Beta_L$
HCA Holdings, Inc.	HCA	1.58
Tenet Healthcare Corp.	THC	1.90
Lifepoint Hospitals Inc.	LPNT	0.97
Community Health Systems, Inc.	CYH	1.61
HEALTHSOUTH Corp.	HLS	1.76
Universal Health Services Inc.	UHS	1.37
Median Beta		1.60

As a result of this analysis, we determined a relevered beta of 1.50 from the above public companies, using the median unlevered beta of 0.91 and a debt-to-total capital ratio of 50.0%.

Since there are other risk factors that should be considered other than market risk, we must also consider unsystematic (not related to market) risk factors as reflected by a size premium and a company-specific premium, respectively.

The cost of equity was adjusted for the small financial size of CMC based on the data presented in 2014 Valuation Handbook – Guide to Cost of Capital (Duff and Phelps, 2014). Duff and Phelps categorizes companies into ten deciles based upon market capitalization and calculates the arithmetic average of the arithmetic difference between the group returns and the returns of large companies in the S&P 500 over the period 1926 to 2013. The market capitalization of the largest company in the first decile is $428,699,798,000 and the market capitalization of the largest company in the tenth decile is $338,829,000. The small company premium increases as the size of the firm decreases as shown in the increase of the small company premium from negative 0.37% for the first group to 5.99% for the tenth decile. We utilized a tenth decile, 5.99% premium for CMC.

The company-specific risk premium reflects additional risk factors not already captured by the size premium. As discussed in Shannon Pratt's *Cost of Capital* (Wiley 1998), examples of company-specific risk factors include the following:

1. Concentration of customer base
2. Key person dependence
3. Key supplier dependence
4. Abnormal present or pending competition
5. Pending regulatory changes
6. Pending lawsuits
7. Other relevant factors, if appropriate.

Based on review of management's projections, recent financial performance, geographic concentration and other factors specific to CMC, we applied an additional company-specific risk premium of 3.0%.

The cost of equity capital is calculated by CAPM as follows:

E = 2.98% + 1.50 (7.98% - 2.98%) + 5.99% + 3.00% = 19.47%.

The equity cost of capital is blended with the debt cost of capital to derive an appropriate return to apply to debt-free cash flow. To determine the appropriate debt and equity return weighting, we developed a median capital structure for the hospital industry of 50.0% debt and 50.0% equity. The cost of debt, based on the bond yield average of Baa rated corporate bonds, equals 4.81% and is then tax-effected at 38.5%.

Based upon the analysis and assumptions previously discussed, we calculated the weighted average cost of capital ("WACC") for CMC of 11.20% as presented below and in Exhibit D.

WACC = (Rate of Return on Debt Capital) x (1-Tax Rate) x (Proportion of Debt Capital to Total Capital)

plus

(Rate of Return on Equity Capital) x (Proportion of Equity Capital to Total Capital)

WACC = (4.81%) x (1-38.5%) x (50.0%)

plus

(19.47%) x (50.0%)

= <u>11.20%</u> (Rounded)

VALUATION – BUSINESS ENTERPRISE OF CMC

We determined the fair market value of the business enterprise of CMC for regulatory compliance. The income and market approaches were used to value the business enterprise.

INCOME APPROACH – DISCOUNTED CASH FLOW METHOD

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits. In the valuation of a business enterprise, indications of value are developed by discounting future debt-free cash flows available for distribution to their present worth at an interest rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

Discounted Cash Flow Analysis - Background

The discrete period projections are based on management's budget for CMC for the fiscal years 2015 through 2017. We adjusted projected revenues and expenses to remove the 340(b) drug pricing program benefits discussed on Page 3 of Exhibit E, which are not available to for-profit entities.

We also adjusted projected expenses to reflect property tax expenses. RegionalCare estimated property taxes of $1.2 million. Our research produced an estimated annual property tax expense ranging from $0.4 million to $0.8 million, based on the taxes paid by other large properties in Missoula. CMC management contacted the Montana Department of Revenue and received an annual property tax estimate of $0.75 million. Given our research and the Montana Department of Revenue estimate, we restated the annual property tax expense to $0.75 million in the pro forma and the projections. Again, such adjustment was made because the benefit applies only to tax exempt entities.

Additional adjustments are outlined on pages 2 and 3 of Exhibit E. The 2014 pro forma on Page 1 of Exhibit E reflects these adjustments and is presented for purposes of comparison to the projections (and is used later in the market approach). Elements of the analysis include such items as revenue, operating expenses, capital expenditures, working capital, taxes and discount rate.

When applying the income approach to value an enterprise value, a discount rate is utilized to convert future debt-free cash flows available to the debt and equity investors to their present value equivalent. Algebraically, available debt-free cash flow is defined as follows:

Calculation of Available Debt-Free Cash Flow
Debt-Free Net Income
Plus (+)
Depreciation and/or Amortization
Minus (-)
Increases in Net Working Capital
Minus (-)
Capital Expenditures (Net of Asset Sales)
Equals (=)
Available Debt-Free Cash Flow

The discounted cash flow analysis for CMC is presented in Exhibit E and discussed in the following paragraphs.

Discounted Cash Flow Analysis – (Exhibit E)

Revenue. Management projected total operating revenue of $162.4 million for the fiscal year 2015. Management anticipates a 4.3% increase in revenue in 2016 to $169.4 million, continuing at a rate of 5.5% in 2017 to $178.6 million. This growth represents a CAGR of 4.2% from the pro forma 2014 revenue.

Management indicated the projected revenue reflects the radiation oncology service line that began operations in July of 2014, but does not reflect the expected loss of business associated with the competing hospital in Missoula, St. Patrick Hospital, constructing a new obstetrics and newborn care facility that will serve western Montana starting in 2015. While management indicated that the new radiation oncology joint venture is exceeding expectations since recently opening, the anticipated loss of OB and NICU business was viewed as offsetting any increase in radiation oncology revenue (and profit) over budget.

Expenses. Total operating expenses are projected at $162.6 to $179.6 million over the three year period, an increase from $158.4 million in pro forma 2014. Management projected operating expenses to grow at a CAGR of 4.3% from pro forma 2014 levels. As a percent of revenue, total operating expenses are projected to range from 100.1% to 100.7% compared to a range of 98.2% to 100.3% (excluding interest in 2013 and pro forma 2014 as presented on Page 5 of Exhibit E). Salaries and wages are projected to initially decrease from $64.1 million in 2014 to $62.4 million in 2015 before increasing to $65.9 and $70.2 million in 2016 and 2017, respectively. As a percent of revenue, salaries and wages are projected at 38.4% to 39.3% compared to 40.6% to 41.3% in pro forma 2014 and 2013, respectively. Non-salary expense is projected to grow from $75.4 million in 2015 to $82.5 million in 2017. This represents a range of 46.2% to 46.6% of revenue for the projection period, slightly higher than the recent historical levels of 41.6% to 44.7%.

Depreciation expense is projected based on the book value of CMC's real and personal property as of the Valuation Date as well as projected capital expenditures. Interest expense was excluded from the projected income statement as the cash flows are on a debt-free basis.

EBITDA. Based on the revenue and expense forecasts, EBITDA is projected at $12.8 million in 2015 decreasing to $12.0 million in 2016 before increasing to $12.4 million by 2017. EBITDA margins are projected to decline from 7.9% in 2015 to 7.1% and 6.9% in 2016 and 2017, respectively. Historically, adjusted EBITDA margins were 6.1% in 2013 and 7.9% in pro forma 2014. The projected profit margins are in line with historical levels and below industry standards. The public comparable companies discussed later in this study have a median EBITDA margin of 13.1%.

Non-Operating Income. Non-operating income is derived from projected income from minority interests held by CMC in various joint ventures.

Income Tax. CMC has historically paid no federal or state income tax given its not-for-profit, tax exempt status. Such benefit does not accrue to potential buyers that are for-profit, taxable entities. As discussed earlier, from a fair market value perspective, the value is not inflated because of a hypothetical buyer's tax exempt status. Accordingly, earnings are taxed at a blended corporate tax rate of 38.5%, which reflects federal and state taxes.

Net Income. Net income is projected to be flat from $1.8 million in pro forma 2014 to $1.8 million in 2015 and decrease to $1.2 million in 2016 before increasing to $1.4 million in 2017. As percent of total revenue, net income is projected to decrease from 1.2% in pro forma 2014 to 1.1% in 2015, 0.7% in 2016 and 0.8% in 2017.

Cash Flow Statement and Value Conclusion

Page 3 of Exhibit E presents the projected cash flow statement. The addition of non-cash items (i.e., depreciation), changes in working capital and capital expenditures to net income produce net cash flow.

Working Capital. The discounted cash flow method to valuation explicitly reflects increases in net working capital as negative cash flows (i.e., cash expenditures) and decreases in net working capital as positive cash flows (i.e., cash receipts). Existing working capital was normalized based on the industry median working capital of 9.0%. The excess or insufficient working capital is added when concluding the enterprise value. Working capital is projected to approximate 9.0% of revenue throughout the projection period.

Depreciation and Capital Expenditures. Depreciation is projected based upon the existing assets of CMC as well as projected capital expenditures. 2015 capital expenditures are projected to be $5.2 million. This figure is grown annually throughout the projection period at 2.5%, an inflationary long term growth rate.

Discounted Cash Flow Method. The bottom section of page 3 of Exhibit E presents the discounted cash flow method. The present value of the residual cash flows is added to the sum of the present value of the projected years' cash flows to arrive at an indication of value from operations for the subject business enterprise. This residual represents the present worth of expected cash flow streams beyond the period projected. In calculating residual value, depreciation and capital expenditures are projected to be equal ("normalized"). The next step is to multiply the present value of the final year's "normalized" cash flow by a capitalization factor. The capitalization factor assumes a discount rate of 11.2% ("k") and a growth rate of 2.5% ("g"). The capitalization factor is calculated as follows:

$$(1 + g) / (k - g) = (1 + 0.025) / (0.112 - 0.025) = 11.78.$$

The business enterprise value of CMC is adjusted for industry normalized working capital. We concluded a fair market range of the business enterprise of CMC based on the discounted cash flow method as follows:

Business Enterprise Value	Discounted Cash Flow Method
Upper Quartile	$50,190,000
Lower Quartile	$43,170,000
Median	$46,470,000

MARKET APPROACH – PRIVATE TRANSACTION MULTIPLES METHOD

The private transactions multiples method is a form of the market approach which produces a business enterprise value ("BEV") through analysis of recent sales of comparable companies. We relied on the private transaction multiples method as an indication of value for CMC. We reviewed the quarterly publications of *The Health Care M&A Report*, published by Irving Levin Associates, Inc. as well as publicly disclosed press releases and SEC filings involving companies in the hospital industry. A summary of our searches is presented in Exhibit F.

We reviewed hospital transaction data from the beginning of 2010 through the second quarter of 2014. As presented on Page 1 of Exhibit F, we summarized the implied BEV/EBITDA multiples for three sets of transaction data.

1. All 80 hospital transactions reporting acquisition price in the time frame analyzed.
2. Of those 80 transactions, the 30 transactions involving hospitals with EBITDA margins greater than 6.5%.
3. Of those 30 transactions, the 15 transactions involving hospitals with revenue between $75 and $200 million.

We viewed the third set of transactions as most comparable to CMC given the profitability and size parameters utilized. The 15 private transactions produced a median BEV/EBITDA multiple of 7.37x. A 2014 pro forma EBITDA multiple range of 6.5x to 7.5x and a 2015 projected EBITDA multiple range of 5.5x to 6.5x were selected considering the similarities between CMC and the companies included in the private transaction method. The 2014 pro forma EBITDA and 2015 projected EBITDA calculated in the income approach were used to calculate the BEV using the private transaction approach. The excess or insufficient working capital as calculated in the income approach is added when concluding the enterprise value.

As presented on page 2 of Exhibit F, given the range of values indicated by the pro forma 2014 and projected 2015 BEV/EBITDA multiples selected, we determined an indicated business enterprise value range based on the private transaction method as presented below:

Business Enterprise Value	Private Transactions Method
Upper Quartile	$83,950,000
Lower Quartile	$75,700,000
Median	$79,900,000

MARKET APPROACH – GUIDELINE PUBLIC COMPANY METHOD

In addition to the private transaction method, we also utilized the guideline public company method to produce indications of business enterprise value for CMC. The guideline public company method to valuing a company or business enterprise makes use of the market price of stocks of corporations engaged in the same or a similar line of business as the subject company. Stocks of these corporations are actively traded on a free and open market, either on an exchange or over-the-counter. Although it is clear no two companies are entirely alike, the only restrictive requirement imposed by this approach is that the corporations selected as guideline companies be engaged in the same or similar line of business. However, other factors are considered to make the most valid comparison.

In order to generate a list of potential companies for the guideline market multiples method, we conducted research of publicly traded companies within the hospital industry. We narrowed the list to the following guideline companies:

Company	Ticker
HCA Holdings, Inc.	HCA
Tenet Healthcare Corp.	THC
Lifepoint Hospitals Inc.	LPNT
Community Health Systems, Inc.	CYH
HEALTHSOUTH Corp.	HLS
Universal Health Services Inc.	UHS

The above companies were selected as comparable since their characteristics are similar to those of CMC and their performance is subject to similar economic, industry and political factors. While differences may exist between CMC and the guideline companies, an investor in these industries could consider these companies as alternative investment opportunities.

The guideline public company method is presented in Exhibit G. Page 1 presents the trailing twelve month (TTM) income statement for the guideline public companies as well as CMC. Page 2 presents the balance sheet figures for the guideline companies.

In calculating the public companies' business enterprise value on Page 3 of Exhibit G, each company's equity value was first calculated by multiplying the number of shares outstanding for the guideline company times the company's stock price as of the Valuation Date. The value of interest-bearing debt (net of cash) was added to the value of equity to determine the invested capital on a minority, marketable basis.

Implied multiples of EBTIDA are calculated and presented on Page 4 of Exhibit G. As shown on Page 5 of Exhibit G, we applied BEV/EBITDA multiples to CMC's 2014 pro forma and 2015 projected EBITDA. We selected a range of 2014 pro forma EBITDA multiples of 6.0x to 7.0x and a range of 2015 projected EBITDA multiples of 5.0x to 6.0x.

The 2014 pro forma EBITDA multiple range of 6.0x to 7.0x and 2015 projected EBITDA multiple range of 5.0x to 6.0x were selected considering the significant size differential and risk profile of CMC compared to the comparable public companies. The larger public companies are viewed as more diversified geographically and from a services offering perspective; thus, they carry lower risk and warrant higher multiples than CMC. The 2014 pro forma EBITDA and 2015 projected EBITDA calculated in the income approach were used to calculate the BEV using the guideline public company approach. The excess or insufficient working capital as calculated in the income approach is added when concluding the enterprise value.

As presented on page 5 of Exhibit G, given the range of values indicated by the pro forma 2014 and projected 2015 BEV/EBITDA multiples selected, we determined an indicated business enterprise value range based on the guideline public company method as presented below:

Business Enterprise Value	Guideline Public Company Method
Upper Quartile	$77,700,000
Lower Quartile	$69,325,000
Median	$73,550,000

CONCLUSION OF VALUE

In determining a range of values for the business enterprise of CMC, we considered all three approaches. We performed our analysis using the discounted cash flow, private transaction multiple and guideline public company methods. Our range of value for the business enterprise of CMC is concluded on the following page and presented in Exhibit A.

SUMMARY AND CONCLUSION

We determined the fair market value of the business enterprise of the Hospital as of September 30, 2014. The purpose of the valuation is to assist in regulatory proceedings surrounding the sale of Community Medical Center, Inc. We have determined that the fair market value range of the business enterprise of CMC is:

SIXTY-SEVEN MILLION DOLLARS
($67,000,000)

to

SEVENTY-FIVE MILLION DOLLARS
($75,000,000)

Our value conclusions are presented in Exhibit A and are subject to the attached Assumptions and Limiting Conditions.

ASSUMPTIONS AND LIMITING CONDITIONS

This valuation by CBIZ Valuation Group, LLC ("CBIZ") is subject to and governed by the following Assumptions and Limiting Conditions and other terms, assumptions and conditions contained in the engagement letter.

LIMITATION ON DISTRIBUTION AND USE

The report, the final estimate of value, and the prospective financial analyses (collectively, as used in this paragraph, the "CBIZ Work Product") included therein are intended solely for the information of the person or persons to whom they are addressed and solely for the purposes stated; they should not be relied upon for any other purpose, and no party other than the Montana Attorney General's Office and the Board of Directors of Community Medical Center Inc. ("CMC") may rely on them for any purpose whatsoever. Neither the valuation report, its contents nor any reference to the appraiser or CBIZ may be referred to or quoted in any registration statement, prospectus, offering memorandum, sales brochure, other appraisal, loan or other agreement or document given to third parties. In addition, except as set forth in the report, our analysis and report are not intended for general circulation or publication, nor are they to be reproduced or distributed to third parties. Notwithstanding the foregoing, CMC shall be entitled to share the CBIZ Work Product with its prospective purchaser (RCHP – Billings – Missoula, LLC) and otherwise use it in connection with its regulatory filing with the Montana Attorney General's Office, and CBIZ hereby further acknowledges and agrees that the CBIZ Work Product will be subject to the Montana public records law once it has been delivered to the Montana Attorney General's Office which is an agency/department of the State of Montana.

Notwithstanding the foregoing, if CMC desires to distribute or use the CBIZ Work Product in any way not expressly contemplated above by these Terms and Conditions or the Agreement, CBIZ, at our sole discretion, may permit CMC to do so for a fee commensurate to the additional risk associated with such distribution or use.

As required by new U.S. Treasury rules, we inform CMC that, unless expressly stated otherwise, any U.S. federal tax advice contained in this letter, including attachments, is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed by the Internal Revenue Service.

NOT A FAIRNESS OPINION

Neither our opinion nor our report are to be construed as an opinion of the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, are the expression of our determination of the fair market value between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date where both the buyer and the seller have reasonable knowledge of the relevant facts.

OPERATIONAL ASSUMPTIONS

Unless stated otherwise, our analysis (i) assumes that, as of the valuation date, CMC and its assets will continue to operate as configured as a going concern, (ii) is based on the past, present and future projected financial condition of CMC and its assets as of the valuation date, and (iii) assumes that CMC has no undisclosed real or contingent assets or liabilities, other than in the ordinary course of business, that would have a material effect on our analysis.

COMPETENT MANAGEMENT ASSUMED

It should be specifically noted that the valuation assumes the property will be competently managed and maintained over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.

NO OBLIGATION TO PROVIDE SERVICES AFTER COMPLETION

Valuation assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. If the need for subsequent services related to a valuation assignment occurs, including updates, conferences, testimony, preparation for testimony, document production, interrogatory response preparation, or reprint and copy services whether by request of the Montana Attorney General's Office or by subpoena or other legal process initiated by a party other than Montana Attorney General's Office, Montana Attorney General's Office agrees to compensate CBIZ for its time at its standard hourly rates then in effect plus all expenses incurred in the performance of said services. CBIZ reserves the right to make adjustments to the analysis, opinion and conclusion set forth in the report as we deem necessary by consideration of additional or more reliable data that may become available.

NO OPINION IS RENDERED AS TO LEGAL FEE OR PROPERTY TITLE

No opinion is rendered as to legal fee or property title. No opinion is intended in matters that require legal, engineering or other professional advice that has been or will be obtained from professional sources.

LIENS AND ENCUMBRANCES

We gave no consideration to liens or encumbrances except as specifically stated. We assumed that all required licenses and permits are in full force and effect, and we made no independent on-site tests to identify the presence of any potential environmental risks. We assume no responsibility for the acceptability of the valuation approaches used in our report as legal evidence in any particular court or jurisdiction.

INFORMATION PROVIDED BY OTHERS

Information furnished by others is presumed to be reliable; no responsibility, whether legal or otherwise, is assumed for its accuracy and cannot be guaranteed as being certain. All financial data, operating histories and other data relating to income and expenses attributed to the business have been provided by management or its representatives and have been accepted without further verification except as specifically stated in the report.

PROSPECTIVE FINANCIAL INFORMATION

Valuation reports may contain prospective financial information, estimates or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as forecasts, prospective financial statements or opinions, predictions or as assurances that a particular level of income or profit will be achieved, that events will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis will vary from those described in our report, and the variations may be material.

Any use of management’s projections or forecasts in our analysis will not constitute an examination, review or compilation of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). We will not express an opinion or any other form of assurance on the reasonableness of the underlying assumptions or whether any of the prospective financial statements, if used, are presented in conformity with AICPA presentation guidelines.

EXHIBITS

Community Medical Center, Inc.
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Exhibit A

Community Medical Center, Inc.
Fair Market Value of Business Enterprise
As of September 30, 2014

Business Enterprise Value	Discounted Cash Flow Method	Guideline Public Company Method	Private Transactions Method	**Concluded Range**
Upper Quartile	$50,190,000	$77,700,000	$83,950,000	$67,000,000
Lower Quartile	$43,170,000	$69,325,000	$75,700,000	to
Median	$46,470,000	$73,550,000	$79,900,000	$75,000,000

	Purchase Price
Contractual Price	$67,400,000
Donation to Foundation	500,000
Radiation Oncology True-Up	3,500,000
Assumption of Unaccrued Long Term Illness Benefits due to CMC Employees	2,114,000
Net Working Capital Adjustment	1,276,000
Adjusted Business Enterprise Value (Rounded)	**$74,790,000**

Community Medical Center, Inc.
Historical Income Statements
For the Year Ended June 30,

Exhibit B

	Historical						Common Size					
Revenue	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Net Patient Service Revenue	$129,135,286	$137,277,154	$144,948,119	$146,216,647	$153,587,000	$165,654,406	103.7%	103.2%	102.9%	102.5%	100.2%	100.5%
Provision for Uncollectable	(6,548,262)	(6,590,813)	(6,894,654)	(7,230,227)	(8,906,527)	(9,987,987)	-5.3%	-5.0%	-4.9%	-5.1%	-5.8%	-6.1%
Net Hospital Revenue	122,587,024	130,686,341	138,053,465	138,986,420	144,680,473	155,666,419	98.4%	98.2%	98.0%	97.4%	94.4%	94.4%
Other revenue	1,949,106	2,380,007	2,753,032	3,672,260	8,589,348	9,183,041	1.6%	1.8%	2.0%	2.6%	5.6%	5.6%
Total Operating Revenue	124,536,130	133,066,348	140,806,497	142,658,680	153,269,821	164,849,460	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses												
Salaries and wages	54,533,679	53,618,529	56,766,370	58,498,131	63,260,700	64,063,348	43.8%	40.3%	40.3%	41.0%	41.3%	38.9%
Employee benefits	13,085,155	13,124,334	14,036,787	13,551,734	14,678,181	13,595,014	10.5%	9.9%	10.0%	9.5%	9.6%	8.2%
Fees- Physician	6,002,601	7,869,916	8,004,398	7,955,208	7,706,462	10,335,110	4.8%	5.9%	5.7%	5.6%	5.0%	6.3%
Purchased Services	11,276,667	11,935,763	13,976,567	15,833,994	21,740,570	20,392,934	9.1%	9.0%	9.9%	11.1%	14.2%	12.4%
Medical Supplies	18,288,314	21,921,129	22,923,459	22,255,169	23,050,643	26,775,338	14.7%	16.5%	16.3%	15.6%	15.0%	16.2%
Non-Medical Supplies	2,897,124	3,213,087	3,457,678	3,360,900	2,963,942	2,902,001	2.3%	2.4%	2.5%	2.4%	1.9%	1.8%
Utilities	1,666,030	1,614,621	1,702,529	1,693,933	1,833,988	1,812,378	1.3%	1.2%	1.2%	1.2%	1.2%	1.1%
Depreciation and amortization	5,344,427	5,667,420	6,455,998	7,129,678	8,725,287	9,465,423	4.3%	4.3%	4.6%	5.0%	5.7%	5.7%
Interest Expense	1,477,169	1,418,713	739,685	853,301	1,511,146	1,733,913	1.2%	1.1%	0.5%	0.6%	1.0%	1.1%
Leases & Rents	1,911,919	2,075,508	2,187,867	2,021,097	2,092,925	2,147,118	1.5%	1.6%	1.6%	1.4%	1.4%	1.3%
Education & Travel	769,183	756,739	999,416	775,544	745,366	842,460	0.6%	0.6%	0.7%	0.5%	0.5%	0.5%
Other Direct Expenses	4,326,273	4,219,554	3,658,449	3,664,704	3,684,517	4,302,888	3.5%	3.2%	2.6%	2.6%	2.4%	2.6%
Total Operating Expenses	121,578,541	127,435,313	134,909,203	137,593,393	151,993,727	158,367,925	97.6%	95.8%	95.8%	96.4%	99.2%	96.1%
Operating Income	2,957,589	5,631,035	5,897,294	5,065,287	1,276,094	6,481,535	2.4%	4.2%	4.2%	3.6%	0.8%	3.9%
Non-Operating Income(Expenses)												
Total JV Income	827,277	2,292,067	2,098,769	2,909,480	2,999,107	3,487,488	0.7%	1.7%	1.5%	2.0%	2.0%	2.1%
Gain on Partners of Home Care	-	-	-	-	397,555	615,116						
Interest Income	2,574,334	533,283	395,558	510,443	435,925	345,551	2.1%	0.4%	0.3%	0.4%	0.3%	0.2%
Other Non-Operating Items	4,677,705	(588,832)	(174,248)	(1,664,508)	(86,932)	(172,730)	3.8%	-0.4%	-0.1%	-1.2%	-0.1%	-0.1%
Net Income	$11,036,905	$7,867,553	$8,217,373	$6,820,702	$5,021,749	$10,756,960	8.9%	5.9%	5.8%	4.8%	3.3%	6.5%
EBITDA	$10,606,462	$15,009,235	$15,191,746	$15,957,746	$14,511,634	$21,168,359	8.5%	11.3%	10.8%	11.2%	9.5%	12.8%

Source: 2009-2014 CMC Audited Financial Statements

Community Medical Center, Inc.
Historical Balance Sheets
Fiscal Year Ended June 30,

Exhibit C

	Historical						Common Size					
Current Assets	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Cash & cash Equivalents	$17,203,889	$12,356,323	$22,199,290	$17,023,272	$14,673,609	$21,739,322	16.0%	11.1%	14.8%	11.4%	9.6%	12.7%
Restricted Cash	-	-	51,324	61,711	95,106	97,428	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Current portion of Assets limited as to Use	334,203	119,292	806,096	1,186,962	1,384,608	2,569,475	0.3%	0.1%	0.5%	0.8%	0.9%	1.5%
Short Term Investments	8,077,695	18,710,398	13,326,509	10,179,452	5,282,804	6,717,364	7.5%	16.8%	8.9%	6.8%	3.4%	3.9%
Patient Receivables, net	16,543,328	18,583,191	17,893,802	19,570,045	23,863,558	28,604,548	15.4%	16.7%	11.9%	13.1%	15.6%	16.7%
Other Receivables	2,187,429	2,161,811	2,479,023	1,622,647	2,422,556	3,790,231	2.0%	1.9%	1.6%	1.1%	1.6%	2.2%
Inventory	3,338,797	3,145,847	3,336,757	3,097,534	3,414,285	3,703,276	3.1%	2.8%	2.2%	2.1%	2.2%	2.2%
Prepaid and other Current Assets	768,978	974,189	776,978	1,114,186	1,084,495	1,011,224	0.7%	0.9%	0.5%	0.7%	0.7%	0.6%
Total Current Assets	48,454,319	56,051,051	60,869,779	53,855,809	52,221,021	68,232,868	45.2%	50.4%	40.5%	36.1%	34.0%	39.9%
Long Term Investments	8,188,661	4,467,040	7,127,504	10,026,066	15,101,689	13,891,761	7.6%	4.0%	4.7%	6.7%	9.8%	8.1%
Assets Limited as to Use	2,875,892	1,621,182	18,934,100	10,315,151	4,269,687	2,165,672	2.7%	1.5%	12.6%	6.9%	2.8%	1.3%
Interest in CMC Foundation	5,545,963	4,877,513	5,732,745	4,522,521	4,129,954	4,838,979	5.2%	4.4%	3.8%	3.0%	2.7%	2.8%
Property, buildings and equipment, net	33,567,597	35,646,148	48,105,479	62,307,258	69,200,136	72,945,150	31.3%	32.0%	32.0%	41.8%	45.1%	42.7%
Investment in JV and Majority Owned Subsidiary	2,946,902	3,267,488	3,474,241	3,423,001	3,773,064	4,047,412	2.7%	2.9%	2.3%	2.3%	2.5%	2.4%
Other Assets	5,624,587	5,356,412	6,107,163	4,744,949	4,704,150	4,702,845	5.2%	4.8%	4.1%	3.2%	3.1%	2.8%
Total Assets	$107,203,921	$111,286,834	$150,351,011	$149,194,755	$153,399,701	$170,824,687	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities and Net Deficit												
Current Liabilities												
Current Notes Payable & Lease Obligations	2,656,939	2,532,451	2,398,254	2,344,191	2,025,371	3,229,968	2.5%	2.3%	1.6%	1.6%	1.3%	1.9%
Accounts Payable	8,495,319	7,628,102	6,821,772	7,297,271	9,435,994	11,846,221	7.9%	6.9%	4.5%	4.9%	6.2%	6.9%
Construction/Equipment Payable	-	-	4,238,113	1,328,269	1,455,104	395,297	0.0%	0.0%	2.8%	0.9%	0.9%	0.2%
Estimated Third Party Payor Settlements	5,328,900	5,875,000	8,848,125	7,095,680	4,634,233	3,377,277	5.0%	5.3%	5.9%	4.8%	3.0%	2.0%
Accrued Salaries and Related Liabilities	9,500,691	9,285,637	10,017,900	8,597,904	9,558,775	9,614,236	8.9%	8.3%	6.7%	5.8%	6.2%	5.6%
Accrued Interest Payable	98,637	-	160,748	156,946	152,272	145,292	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Total Current Liabilities	26,080,486	25,321,190	32,484,912	26,820,261	27,261,749	28,608,291	24.3%	22.8%	21.6%	18.0%	17.8%	16.7%
Long Term Obligations, Less Current Maturities												
Obligations under Bond Indenture	13,530,000	-	24,409,555	24,428,532	24,447,509	24,466,486	12.6%	0.0%	16.2%	16.4%	15.9%	14.3%
Noted Payable and Capital Lease Obligations	6,210,414	15,208,446	12,808,908	10,460,120	8,651,485	12,872,910	5.8%	13.7%	8.5%	7.0%	5.6%	7.5%
Total LT Obligations, Less Current Maturities	19,740,414	15,208,446	37,218,463	34,888,652	33,098,994	37,339,396	18.4%	13.7%	24.8%	23.4%	21.6%	21.9%
Total Liabilities	45,820,900	40,529,636	69,703,375	61,708,913	60,360,743	65,947,687	42.7%	36.4%	46.4%	41.4%	39.3%	38.6%
Minority Interest in Subsidiary	128,392	-	-	-	-	-	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Assets												
Unrestricted Net Assets	55,707,638	64,221,118	74,863,568	82,901,610	88,813,900	99,940,596	52.0%	57.7%	49.8%	55.6%	57.9%	58.5%
Temporarily Restricted Net Assets	2,582,291	3,532,702	2,731,191	1,490,082	1,125,361	1,812,037	2.4%	3.2%	1.8%	1.0%	0.7%	1.1%
Restricted Net Assets, Foundation	2,964,700	3,003,378	3,052,877	3,094,150	3,099,697	3,124,367	2.8%	2.7%	2.0%	2.1%	2.0%	1.8%
Total Net Assets	61,254,629	70,757,198	80,647,636	87,485,842	93,038,958	104,877,000	57.1%	63.6%	53.6%	58.6%	60.7%	61.4%
Total Liabilities and Net Assets	$107,203,921	$111,286,834	$150,351,011	$149,194,755	$153,399,701	$170,824,687	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2009-2014 CMC Audited Financial Statements

Community Medical Center, Inc. **Exhibit D**

Discount Rate Analysis

September 30, 2014

Re = Rf + B(Rm-Rf) + S + C

Rf = Risk free rate =	2.98%	*20-Yr. Treasury constant maturity rate*
B = Beta =	1.50	*relevered beta as calculated below*
Rm = Return on market =	7.98%	*calculated*
(Rm-Rf) = Risk premium =	5.00%	*based on various industry studies*
S = Small company premium =	5.99%	*Duff & Phelps - 2014 Valuation Handbook (10th decile)*
C = Additional company premium =	3.00%	*projection risk*
Re = Cost of Equity =	19.47%	

Company	Ticker	$Beta_L$	$Beta_U$
HCA Holdings, Inc.	HCA	1.58	0.96
Tenet Healthcare Corp.	THC	1.90	0.85
Lifepoint Hospitals Inc.	LPNT	0.97	0.67
Community Health Systems, Inc.	CYH	1.61	0.56
HEALTHSOUTH Corp.	HLS	1.76	1.18
Universal Health Services Inc.	UHS	1.37	1.13
Median Beta		1.60	0.91
Relevered Beta		1.50	

Weighted Average Cost Capital = WACC = (Rd)(1-T)X + (Re)Y

Rd = Cost of debt =	4.81%	*Moody's Baa Corporate Bond Yield*
T = Tax rate =	38.5%	*blended federal and state rate*
X = Percent debt =	50.0%	*selected*
Y = Percent equity =	50.0%	*selected*
Re = Cost of equity =	19.47%	*calculated above*
WACC =	**11.20%**	**Rounded**

Company	Ticker	Debt	Debt % of Total	Price per Share	Shares Outstanding	Equity	Equity % of Total	Total	Tax Rate
HCA Holdings, Inc.	HCA	$28,687.0	48.5%	$70.5	432.4	$30,491.8	51.5%	$59,178.8	31.0%
Tenet Healthcare Corp.	THC	11,553.0	66.5%	59.4	97.9	5,815.2	33.5%	17,368.2	37.3%
Lifepoint Hospitals Inc.	LPNT	2,222.1	41.6%	69.2	45.1	3,123.3	58.4%	5,345.4	36.2%
Community Health Systems, Inc.	CYH	17,069.0	73.0%	54.8	115.5	6,329.1	27.0%	23,398.1	30.2%
HEALTHSOUTH Corp.	HLS	1,743.1	35.0%	36.9	87.7	3,237.1	65.0%	4,980.2	9.2%
Universal Health Services Inc.	UHS	3,465.8	25.1%	104.5	99.2	10,362.2	74.9%	13,828.1	35.7%
Aggregate:		$64,740.0	52.2%			$59,358.8	47.8%	$124,098.8	
Median:			45.0%				55.0%		

Community Medical Center, Inc.
Historical and Projected Income Statements

		Historical				Projected		
		2013	2014	Adjustments	Pro Forma	2015	2016	2017
Net Hospital Revenue		$144,680,473	$155,666,419	$0	$155,666,419	$156,008,350	$164,350,853	$173,934,974
Other revenue		8,589,348	9,183,041	(6,900,987)	2,282,054	6,391,013	5,007,496	4,686,708
Total Operating Revenue		153,269,821	164,849,460	(6,900,987)	157,948,473	162,399,363	169,358,349	178,621,683
Growth						2.8%	4.3%	5.5%
Operating Expenses								
Salaries and wages		63,260,700	64,063,348	-	64,063,348	62,353,672	65,882,890	70,165,278
Employee benefits		14,678,181	13,595,014	666,000	14,261,014	14,823,000	15,661,982	16,820,341
Non-Salary Expense		63,818,413	69,510,227	1,138,827	70,649,054	75,446,505	78,929,712	82,482,354
Interest Expense		1,511,146	1,733,913	-	-	-	-	-
Depreciation and amortization		8,725,287	9,465,423	-	9,465,423	9,987,203	10,048,755	10,147,342
Total Operating Expenses		151,993,727	158,367,925	1,804,827	158,438,839	162,610,379	170,523,339	179,615,316
Operating Income		1,276,094	6,481,535	(8,705,814)	(490,366)	(211,016)	(1,164,990)	(993,633)
Non-Operating Income(Expenses)								
Total JV Income		2,999,107	3,487,488	-	3,487,488	3,060,709	3,091,316	3,197,428
Gain on Partners of Home Care		397,555	615,116	-	-	-	-	-
Interest Income		435,925	345,551	-	-	-	-	-
Other Non-Operating Items		(86,932)	(172,730)	-	-	-	-	-
Total Non Operating Income		3,745,655	4,275,425		3,487,488	3,060,709	3,091,316	3,197,428
Income Before Taxes		5,021,749	10,756,960		2,997,122	2,849,693	1,926,326	2,203,795
Taxes	38.5%				1,153,892	1,097,132	741,636	848,461
Net Income		$5,021,749	$10,756,960		$1,843,230	$1,752,561	$1,184,691	$1,355,334
Adjusted EBITDA		$9,311,820	n/a		$12,462,545	$12,836,895	$11,975,081	$12,351,137
EBITDA Margin		*6.1%*	*n/a*		*7.9%*	*7.9%*	*7.1%*	*6.9%*

*2013 Adjusted EBITDA reflects the estimated loss of 340 (b) benefits and payment of property taxes.
*2014 Pro Forma EBITDA is based on one time adjustments provided by management shown on Page 2 of Exhibit E.
*Projections per CMC Management. Reflect no loss of OB business, loss of 340 (b) benefit and added property tax expense.

Community Medical Center, Inc.
Pro Forma Adjustments

	Adjustments
Revenue Adjustments	
Other Revenue	
Prior Year Cost Reserves	($1,325,000)
Two Prior Year Cost Reports	(134,000)
RAC Accrual - Adjustment from Prior Year	(1,511,000)
340 (b) Adjustment	(3,083,987)
BCBS Employee Health Subsidies	(686,000)
Billings Clinic Settlement	(161,000)
Total Revenue Adjustments	($6,900,987)
Expense Adjustments	
Employee Benefits Adjustments	
Net Employee Health	$416,000
Severance	(56,000)
Revised IBNR Employee Health	306,000
Total Employee Benefit Adjustments	$666,000
Non-Salary Expense Adjustments	
Elimination of Foundation	($108,000)
Advanced Imaging Expenses	12,000
CMS Expense Accrual	(500,000)
ICD-10 Adjustment Expenses	519,000
Transaction-Related Costs	(900,000)
Property Taxes Payable	750,000
340 (b) Expenses	1,365,827
Total Non-Salary Expense Adjustments	$1,138,827
Total Adjustments to EBITDA	($8,705,814)

Revenue Adjustments

Prior Year Cost Reserves. The Company is subject to annual cost report settlements with Medicare and Medicaid (MT & ID). These adjustments eliminate out of period impacts by applying a hindsight analysis and utilizing hospital management's judgment for each open cost report not finally settled.

RAC Accrual. Hospital management historically recorded RAC reserves in connection with estimates of RAC exposures. This adjustment reverses EBITDA/Revenue pickups in the 12 month period ended 6/30/14 ("current period") from the reversals of previous period general RAC accruals.

340(b) Adjustment. Currently, as a non-profit Hospital CMC participates in HRSA 340(b) in which the Hospital has a contract RX program at local pharmacies which generates revenue to CMC. The benefits of the program are not available to for-profit entities.

BCBS Employee Health Subsidies. In connection with the Hospital's withdrawal from New West the hospital is to receive approx. $3.6mm in proceeds from BCBS intended to off-set CMC's health claims. This agreement and these subsidies will not accrue to the benefit of the new owners of CMC and thus the expense offset is removed from reported results.

Billings Settlement. The Hospital received monies in the current period, settling a dispute with Billings Clinic over lack of invoice support for services rendered in prior periods. This non-recurring out-of-period settlement was reversed from current period earnings.

Expense Adjustments

Employee Health and Revised IBNR Employee Health. In prior periods the Hospital established self-insured employee health reserves in excess of the amount quantified by a 3rd-party actuary. These adjustments reverse current period EBITDA created by changing the policy to match the actuarial figure and eliminating prior period general reserves.

Severance. This adjustment removes the impact of a Reduction in Force reflected in the current period EBITDA and the associated nonrecurring severance expense.

Elimination of Foundation. The Foundation is not a party to the proposed transaction and is eliminated from consolidated results with this adjustment.

Advanced Imaging Expenses. The Hospital owns a controlling interest in Advanced Imaging. This adjustment is to normalize for significant non-recurring expenses incurred to address billing processes. Management's initial projections estimated an expense increase of $640,000. However, after completing the audit process, management adjusted the expense increase to $12,000.

CMS Expense Accrual. The Hospital established an accrual during the period for amounts anticipated to be refunded to CMS arising from a review of documentation issues in prior periods. This adjustment normalizes the current period by adding back this out-of-period expense.

ICD-10 Adjustment Expenses. This adjustment is calculated by hospital management to normalize for current period expense impacts of historical period excess conservatism in its accrual/estimating processes related to supply expense and ICD-10 expense.

Transaction Related Costs. This adjustment is to remove hospital management's calculated aggregate amount of banker, legal, etc. expenses incurred during the period related to the proposed sale.

Property Taxes Payable. As a non-profit provider, the Hospital is exempt from property taxes. Initial property tax projections estimated $1,200,000 for annual property taxes. Analysis prepared by the Montana Department of Revenue calculated a property tax impact of $750,000.

340(b) Expenses. As a non-profit Hospital CMC participates in HRSA 340(b) drug pricing program which provides eligible healthcare organizations with pharmaceuticals at substantially reduced pricing. The benefits of the program are not available to for-profit entities.

Community Medical Center, Inc.
Projected Cash Flow

	Projected 2015	Projected 2016	Projected 2017
Net Income	$1,752,561	$1,184,691	$1,355,334
Add: Depreciation	9,987,203	10,048,755	10,147,342
Cash Flow From Operations (CFFO)	11,739,764	11,233,446	11,502,676
Total Change in Working Capital	(400,580)	(626,309)	(833,700)
Operating Cash Flow	11,339,184	10,607,137	10,668,976
Less: Capital Expenditures	(5,217,795)	(5,348,240)	(5,481,946)
Net Cash Flow	$6,121,388	$5,258,897	$5,187,030

Discounted Cash Flow Method

			Projected 2015	Projected 2016	Projected 2017
Net Cash Flow			$6,121,388	$5,258,897	$5,187,030
Midpoint Present Value Factor @	11.20%		0.9483	0.8528	0.7669
Present Value Net Cash Flow			$5,804,912	$4,484,787	$3,977,933
Sum of Present Value Cash Flow (2015-2018)			$14,267,633		
Residual Value Calculation:					
Normalized Cash Flow	$3,822,654				
Capitalization Multiple*	11.78				
Present Value of Net Cash Flow	45,037,014				
Present Value Factor	0.7669				
Residual Value	$34,538,886		$34,538,886		
Fair Market Value of Business Enterprise (before adjustments)			$48,806,519		
Working Capital Adjustment			(2,339,115)		
Fair Market Value of Business Enterprise		**Rounded**	**$46,470,000**		

Cap Multiple* = (1+g)/(k-g) =	11.78
Discount Rate = k=	11.2%
Residual Growth Rate = g=	2.5%

Sensitivity Analysis - Fair Market Value of Business Enterprise

		Discount Rate 10.2%	*Discount Rate* 11.2%	*Discount Rate* 12.2%
Residual	2.0%	**50,190,000**	45,110,000	41,020,000
Growth	2.5%	52,020,000	**46,470,000**	42,050,000
Rate	3.0%	54,100,000	47,980,000	**43,170,000**

Community Medical Center, Inc.
Common Size Income Statement

	Historical			Projected		
	2013	2014	Pro Forma	2015	2016	2017
Net Hospital Revenue	94.4%	94.4%	98.6%	96.1%	97.0%	97.4%
Other revenue	5.6%	5.6%	1.4%	3.9%	3.0%	2.6%
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses						
Salaries and wages	41.3%	38.9%	40.6%	38.4%	38.9%	39.3%
Employee benefits	9.6%	8.2%	9.0%	9.1%	9.2%	9.4%
Non-Salary Expense	41.6%	42.2%	44.7%	46.5%	46.6%	46.2%
Interest Expense	1.0%	1.1%	0.0%	0.0%	0.0%	0.0%
Depreciation and amortization	5.7%	5.7%	6.0%	6.1%	5.9%	5.7%
Total Operating Expenses	99.2%	96.1%	100.3%	100.1%	100.7%	100.6%
Operating Income	0.8%	3.9%	-0.3%	-0.1%	-0.7%	-0.6%
Non-Operating Income(Expenses)						
Total JV Income	2.0%	2.1%	2.2%	1.9%	1.8%	1.8%
Gain on Partners of Home Care	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%
Interest Income	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%
Other Non-Operating Items	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%
Total Non Operating Income	2.4%	2.6%	2.2%	1.9%	1.8%	1.8%
Income Before Taxes	3.3%	6.5%	1.9%	1.8%	1.1%	1.2%
Taxes	0.0%	0.0%	0.7%	0.7%	0.4%	0.5%
Net Income	3.3%	6.5%	1.2%	1.1%	0.7%	0.8%
Adjusted EBITDA	6.1%	n/a	7.9%	7.9%	7.1%	6.9%

Community Medical Center, Inc.
Private Transaction Method
(Target Period: 1/1/10 - 6/30/14)

All Transactions

	Acquisition Price	Revenue	EBITDA	EBITDA Margin	BEV/ EBITDA
Count	80	79	52	49	50
Lower Quartile	$29,250,000	$58,400,000	$5,867,500	3.8%	6.56
Mean	$395,958,669	$479,597,774	$57,945,862	9.4%	15.74
Median	**$84,574,253**	**$115,300,000**	**$10,664,591**	**9.0%**	**9.27**
Upper Quartile	$178,125,000	$205,550,000	$19,450,000	13.4%	16.63

Transactions with EBITDA margins above 6.5%

	Acquisition Price	Revenue	EBITDA	EBITDA Margin	BEV/ EBITDA
Count	30	30	30	30	30
Lower Quartile	$71,562,500	$86,383,448	$10,782,500	9.6%	5.85
Mean	$753,753,617	$828,517,494	$95,474,254	13.2%	7.92
Median	**$100,500,000**	**$124,550,000**	**$17,200,000**	**12.2%**	**7.40**
Upper Quartile	$205,175,000	$205,975,000	$26,527,492	14.8%	9.86

Transactions between $75 and $200 million in revenue and above 6.5% EBITDA margin

	Acquisition Price	Revenue	EBITDA	EBITDA Margin	BEV/ EBITDA
Count	15	15	15	15	15
Lower Quartile	$83,674,253	$96,250,000	$12,389,956	10.5%	5.36
Mean	$114,483,234	$119,922,452	$15,660,560	13.2%	8.08
Median	**$98,000,000**	**$117,500,000**	**$15,400,000**	**13.4%**	**7.37**
Upper Quartile	$148,500,000	$138,292,926	$17,550,000	14.8%	10.65

Community Medical Center, Inc.
Private Transaction Multiples Method

Multiples	Selected Multiple	x	Subject Company Operating Data	+	Working Capital Adjustment	=	Fair Market Value (Rounded)
2014 Pro Forma EBITDA	6.5		$12,462,545		(2,339,115)		$78,700,000
	7.0		12,462,545		(2,339,115)		84,900,000
	7.5		12,462,545		(2,339,115)		91,100,000
2015 EBITDA	5.5		$12,836,895		(2,339,115)		$68,300,000
	6.0		12,836,895		(2,339,115)		74,700,000
	6.5		12,836,895		(2,339,115)		81,100,000

*EBITDA is derived from Management provided reconciliation

	Concluded Value
Upper Quartile	$83,950,000
Lower Quartile	$75,700,000
Median	$79,900,000

Community Medical Center, Inc.
Guideline Public Company Method
Historical Income Statements

Latest 12 months ended:	HCA Holdings, Inc. Sep14	Tenet Healthcare Corp. Sep14	Lifepoint Hospitals Inc. Sep14	Community Health Systems, Inc. Sep14	HEALTHSOUTH Corp. Sep14	Universal Health Services Inc. Sep14	Community Medical Center Pro Forma 2014
$ Millions							
Sales	$36,118.0	$16,032.0	$4,172.8	$17,128.7	$2,336.0	$7,758.6	$157.9
Cost of sales	22,491.0	10,345.0	2,732.6	10,037.9	1,289.5	4,622.0	n/a
Gross profit	13,627.0	5,687.0	1,440.2	7,090.8	1,046.5	3,136.6	157.9
Operating expenses	6,486.0	3,937.0	893.1	4,849.9	462.2	1,750.6	149.0
Depreciation expense	1,822.0	800.0	265.2	847.1	105.4	366.2	9.5
Operating Profit	5,319.0	950.0	281.9	1,393.9	478.9	1,019.8	(0.5)
Total other income	45.0	-	76.9	44.6	15.1	1.5	3.5
Pretax income	3,594.0	210.0	238.5	556.4	384.0	881.7	3.0
Income taxes	1,152.1	443.3	83.7	94.3	114.9	310.6	1.2
Net Income	$2,441.9	($233.3)	$154.8	$462.0	$269.1	$571.1	$1.8
EBIT	5,319.0	950.0	281.9	1,393.9	478.9	1,019.8	3.0
EBIT margin	14.7%	5.9%	6.8%	8.1%	20.5%	13.1%	1.9%
EBITDA	7,141.0	1,750.0	547.1	2,240.9	584.3	1,386.0	12.5
EBITDA margin	19.8%	10.9%	13.1%	13.1%	25.0%	17.9%	7.9%
Analysts' Estimates - per Capital IQ							
CY2015 Projected Sales	38,237.0	18,033.7	4,759.2	20,655.5	2,534.1	8,893.8	162.4
% growth 2015 / TTM	5.9%	12.5%	14.1%	20.6%	8.5%	14.6%	2.8%
CY2015 Projected EBITDA	7,532.3	2,173.5	678.8	3,162.2	627.7	1,593.7	12.8
projected margin	19.7%	12.1%	14.3%	15.3%	24.8%	17.9%	7.9%
% growth 2015 / TTM	5.5%	24.2%	24.1%	41.1%	7.4%	15.0%	3.0%
CY2016 Projected Sales	39,960.9	18,841.7	5,033.3	21,682.8	2,659.8	9,250.7	169.4
% growth 2016 / 2015	4.5%	4.5%	5.8%	5.0%	5.0%	4.0%	4.3%
CY2016 Projected EBITDA	8,001.1	2,346.5	725.2	3,327.5	659.4	1,694.1	12.0
projected margin	20.0%	12.5%	14.4%	15.3%	24.8%	18.3%	7.1%
% growth 2016 / 2015	6.2%	8.0%	6.8%	5.2%	5.1%	6.3%	-6.7%

This schedule was compiled from outside sources.
CBIZ Valuation Group, LLC assumes no responsibility for the accuracy or completeness of such information.

Community Medical Center, Inc.
Guideline Public Company Method
Historical Balance Sheets

	HCA Holdings, Inc.	Tenet Healthcare Corp.	Lifepoint Hospitals Inc.	Community Health Systems, Inc.	HEALTHSOUTH Corp.	Universal Health Services Inc.	Community Medical Center
As of:	Sep14	Sep14	Sep14	Sep14	Sep14	Sep14	Jun14
Assets							
Cash & marketable securities	$581.0	$200.0	$263.0	$221.0	$272.3	$39.7	$31.9
Receivables	5,524.0	2,236.0	741.0	3,266.0	261.6	1,239.5	32.3
Inventory	1,258.0	270.0	115.1	553.0	-	104.4	3.2
Other current assets	1,164.0	1,495.0	297.6	1,332.0	249.1	238.5	1.0
Total current assets	8,527.0	4,201.0	1,416.7	5,372.0	783.0	1,622.1	68.4
Gross plant, property & equipment	32,301.0	12,096.0	3,966.6	14,221.0	-	6,105.1	-
Accumulated depreciation	18,423.0	4,347.0	1,615.4	3,923.0	-	2,456.1	-
Net plant, property & equipment	13,878.0	7,749.0	2,351.2	10,298.0	994.6	3,649.0	72.5
Intangible assets	5,899.0	4,693.0	1,706.7	9,098.0	591.6	3,296.4	-
Other assets	1,521.0	669.0	75.8	2,456.0	424.8	394.2	29.7
Total Assets	$29,825.0	$17,312.0	$5,550.4	$27,224.0	$2,794.0	$8,961.6	$170.6
Liabilities & Equity							
Debt In current liabilities	$1,044.0	$98.0	$16.3	$219.0	$208.5	$92.5	$3.1
Accounts payable	1,787.0	1,068.0	164.8	1,060.0	54.8	1,073.0	14.3
Accrued expenses	2,801.0	1,175.0	193.7	1,825.0	232.7	-	10.0
Other current liabilities	-	804.0	224.4	76.0	18.7	-	2.0
Total current liabilities	5,632.0	3,145.0	599.2	3,180.0	514.7	1,165.5	29.4
Long-term debt	27,643.0	11,455.0	2,205.8	16,850.0	1,441.4	3,373.3	37.3
Deferred taxes	-	-	218.4	877.0	-	253.2	-
Other long-term liabilities	2,568.0	1,450.0	233.8	1,652.0	139.7	280.8	-
Total long-term liabilities	30,211.0	12,905.0	2,658.0	19,379.0	1,581.1	3,907.3	37.3
Total Liabilities	35,843.0	16,050.0	3,257.2	22,559.0	2,095.8	5,072.8	66.7
Total Equity	(6,018.0)	1,262.0	2,293.2	4,665.0	698.2	3,888.8	103.9
Total Liab. & Stockholders Equity	$29,825.0	$17,312.0	$5,550.4	$27,224.0	$2,794.0	$8,961.6	$170.6

This schedule was compiled from outside sources.
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Community Medical Center, Inc.
Guideline Public Company Method
Business Enterprise Value Calculations

	HCA Holdings, Inc.	Tenet Healthcare Corp.	Lifepoint Hospitals Inc.	Community Health Systems, Inc.	HEALTHSOUTH Corp.	Universal Health Services Inc.
Closing price on:	30Sep14	30Sep14	30Sep14	30Sep14	30Sep14	30Sep14
Closing price per share	$70.52	$59.39	$69.19	$54.79	$36.90	$104.50
Common shares outstanding	432.4	97.9	45.1	115.5	87.7	99.2
Market value of equity	30,491.8	5,815.2	3,123.3	6,329.1	3,237.1	10,362.2
Less: cash	(581.0)	(200.0)	(263.0)	(221.0)	(272.3)	(39.7)
Plus: preferred stock	-	-	-	-	93.2	-
Plus: minority interest	1,366.0	527.0	110.8	783.0	155.4	285.6
Plus: interest bearing debt	28,687.0	11,553.0	2,222.1	17,069.0	1,649.9	3,465.8
BUSINESS ENTERPRISE VALUE **(BEV)**	$59,963.8	$17,695.2	$5,193.2	$23,960.1	$4,863.3	$14,073.9

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Community Medical Center, Inc.
Guideline Public Company Method
Business Enterprise Multiples

Valuation Date:	HCA Holdings, Inc.	Tenet Healthcare Corp.	Lifepoint Hospitals Inc.	Community Health Systems,	HEALTHSOUTH Corp.	Universal Health Services	LQ	Median	UQ
	30Sep14	30Sep14	30Sep14	30Sep14	30Sep14	30Sep14			
BEV to:									
TTM EBITDA	8.4	10.1	9.5	10.7	8.3	10.2	8.7	9.8	10.1
CY 2015 EBITDA	8.0	8.1	7.7	7.6	7.7	8.8	7.7	7.9	8.1

This schedule was compiled from outside sources.
CBIZ Valuation Group, LLC assumes no responsibility for the accuracy or completeness of such information.

NMF = not meaningful

Multiple	Selected Multiples	x	Subject Company Operating Data	+	Working Capital Adjustment	=	Fair Market Value (Rounded)
BEV to:							
2014 Pro Forma EBITDA	6.0		$12,462,545		(2,339,115)		$72,400,000
	6.5		12,462,545		(2,339,115)		78,700,000
	7.0		12,462,545		(2,339,115)		84,900,000
2015 EBITDA	5.0		$12,836,895		(2,339,115)		$61,800,000
	5.5		12,836,895		(2,339,115)		68,300,000
	6.0		12,836,895		(2,339,115)		74,700,000

*EBITDA is derived from Management provided reconciliation

	Concluded Value
Upper Quartile	$77,700,000
Lower Quartile	$69,325,000
Median	$73,550,000