



## DESERT REGIONAL MEDICAL CENTER

### Fair Market Value Analysis Schedules

*Final Report*

*Distributed on Friday, May 19, 2023*

*Valuation Date: April 17, 2023*

# INTRODUCTION

VMG Holdings LLC d/b/a VMG Health ("VMG" or "we") has been engaged by Desert Healthcare District & Desert Healthcare Foundation ("Desert Healthcare") to estimate the Fair Market Value of the Business Enterprise of Desert Regional Medical Center (the "Hospital") as of a current date for Management planning purposes.

---

## STANDARD & PREMISE OF VALUE

The standard of value applicable in this engagement is Fair Market Value ("FMV"). For the purposes of this engagement, FMV is generally defined by the International Glossary of Business Valuation Terms as the price, expressed in terms of cash equivalents, at which a property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. In our opinion this premise of value represents the highest and best use of the subject business assets. The level of value assumed is a fully marketable, controlling ownership interest in the assets of the subject business.

## SCOPE OF THE ENGAGEMENT

This engagement is a Valuation Engagement as generally outlined below:

A "Valuation Engagement" is defined by the American Institute of Certified Public Accountants ("AICPA") Statement on Standards for Valuation Services ("SSVS") No. 1 in VS sec. 100, and establishes standards for the valuation of a business, business ownership interest, security, or intangible asset. This involves an estimate of value of a subject interest applying the valuation approaches and methods deemed appropriate in the circumstances. The Analysis expresses the valuation conclusion as either a single amount or a range.

## INTENDED USERS

Our report is intended for use solely by Management and only for the indicated purpose. Our analysis is to be used for no other purpose or distributed, in whole or in part, to third parties, other than the Internal Revenue Service, Office of Inspector General, or other regulatory authorities without the express written consent of VMG. Furthermore, the result of our analysis should not be construed as a fairness opinion or investment recommendation. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion.

## CERTIFYING & CONTRIBUTING APPRAISERS

Certifying Appraiser: Colin McDermott, CFA, CPA/ABV

Other Contributing Appraisers: Jordan Tussy and Rene Kinkade



# QUALIFYING ASSUMPTIONS

Amendment of any assumption qualified below could materially impact any conclusions of value presented herein.

- Desert Healthcare District (the "District" or "Lessor") is a political subdivision of the State of California. The District was established to own and operate an acute-care hospital located at 1150 N. Indian Canyon Dr. in Palm Springs, CA, which is now commonly known as Desert Regional Medical Center (the "Hospital"). The District entered into a Hospital Lease Agreement (the "Hospital Lease") on May 30, 1997 with a subsidiary of Tenet Healthcare, Inc. ("Tenet" or "Lessee") for a 30 year term whereby Tenet would lease from the District all real property and personal property ("Leased Premises") which were used in the operation of the Hospital and its related activities including outpatient centers, clinics, physician practices, and medical office buildings (collectively, the "Desert Business").
- Seismic renovation and retrofit activities in California hospitals are dictated by a broad legislative and regulatory framework, all of which originated with California SB 1953. This legislation established seismic safety goals for California hospitals and mandated compliance for hospital structural support systems by January 2030. The Hospital Lease term is set to expire in 2027, prior to the January 2030 compliance deadline established by California SB 1953. VMG understands the Hospital Lease dictates that the Lessee is only responsible for costs to comply with California SB 1953 during the term of the Hospital Lease, and if the Hospital Lease is terminated or allowed to expire, the District would be required to pay any remaining costs to comply with the law. The valuation herein assumes in the event of a transaction, the District would deliver a seismic compliant asset. Where appropriate, this report acknowledges the potential impact of Seismic Upgrade Cost and the uncertainty regarding the estimate indicated in the Seismic and PML Assessment, but VMG does not have an opinion as to the amount of Seismic Upgrade Costs.
- Tenet provided VMG with unaudited internal financial statements for the reporting entity "694 - Desert Regional Medical Center" including Income Statement and Balance Sheet data for the fiscal year ("FY") periods ended December 31, 2018, 2019, 2020, 2021, 2022, and Income Statement data for the trailing twelve months ("TTM") ended February 28, 2023. VMG relied upon data provided by Management or obtained from third parties, including accountants, counsel, published sources and commercial databases without audit or verification regarding the accuracy of such information. VMG has not independently audited or confirmed the accuracy of the data provided and we are relying on the data as materially true and correct. To the extent that the information provided to VMG is inaccurate, we reserve the right to amend our analysis accordingly.
- VMG understands the Hospital is currently operated by a large public company as a part of the Desert Care Network, which includes JFK Memorial Hospital and Hi-Desert Medical Center. The Hospital may benefit operationally and financially from this affiliation through network management, improved contracting strength or expense management. If the Hospital is not affiliated with Tenet or the Desert Care Network, the future impact, if any, to its financial performance is unknown.
- We understand the financial statements provided by Tenet do not include allocation of certain corporate overhead and management-related costs which would typically be incurred at the local level if the hospital was not operating as part of a larger corporate organization. The TTM 2023 income statement was adjusted in the Normalized Base Year ("NBY") to reflect a \$10.0 million corporate overhead charge based on Management representations.
- VMG understands that the Hospital financial statements do not include revenues and expenses associated with certain physician practice operations which contribute to the operations of the Hospital. These entities are captured under separate financial statements, which were provided by Hospital management for the most recent TTM 2023 period. The Normalized Base Year Income Statement was adjusted to include the TTM 2023 physician investment of approximately \$15.7 million. These adjustments are detailed further in this report.
- Business Enterprise Value ("BEV") reflects the value of the Hospital operations inclusive of a normalized level of cash-free working capital. Working capital includes accounts receivables and other current assets less non-interest bearing current liabilities that permit a business to conduct daily operations and maintain liquidity. Normalized net working capital is estimated at approximately 15.0% of net operating revenue based on the Hospital's actual working capital levels.

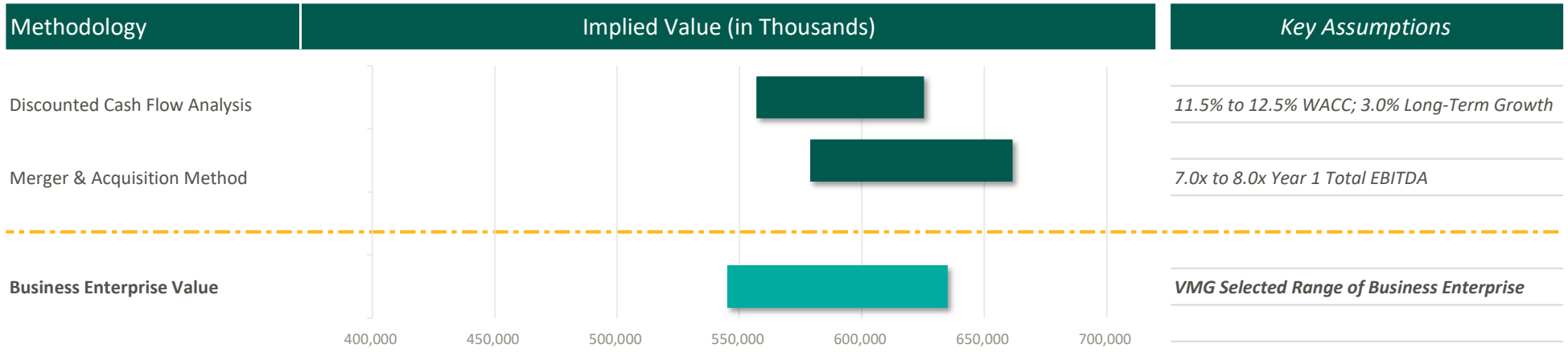




**DESERT REGIONAL MEDICAL CENTER**

**EXECUTIVE SUMMARY**

Executive Summary | Value Reconciliation



VMG Selected Range of Business Enterprise	Low	Mid-Point	High
Fair Market Value Indication, Business Enterprise Level	\$545,000,000	\$590,000,000	\$635,000,000

Implied Market Multiples		Low	Mid-Point	High
BEV / Normalized Base Year Total Net Operating Revenue	\$604,032,683	0.9x	1.0x	1.1x
BEV / Normalized Base Year EBITDA	\$86,277,718	6.3x	6.8x	7.4x
BEV / Year 1 Total Net Operating Revenue	\$625,052,599	0.9x	0.9x	1.0x
BEV / Year 1 EBITDA	\$82,690,257	6.6x	7.1x	7.7x



Conclusion of Value	Low	Mid-Point	High
Fair Market Value of the Business Enterprise, Rounded	\$545,000,000	\$590,000,000	\$635,000,000
<i>Less: Normalized Working Capital included in the Business Enterprise Calculation</i>	<i>(\$90,600,000)</i>	<i>(\$90,600,000)</i>	<i>(\$90,600,000)</i>
<b>Business Enterprise Value, Less Working Capital (Rounded)</b>	<b>\$454,400,000</b>	<b>\$499,400,000</b>	<b>\$544,400,000</b>

*\*\*Please note, the figures presented above do not adjust for any debt and debt-like items associated with the Hospital assets, including finance leases reported on the balance sheet.*

**Notes & Sources**

(1) Business Enterprise Value ("BEV") calculation presented on the prior page.





**DESERT REGIONAL MEDICAL CENTER**  
**HISTORICAL FINANCIALS & OPERATIONS**

**DESERT REGIONAL MEDICAL CENTER**  
**Historical Financials & Operations | Balance Sheet**

Footnotes	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Assets</b>										
<i>Current Assets</i>										
Cash & Equivalents	\$2,550	\$2,550	\$2,200	\$1,450	\$1,000	0.0%	0.0%	0.0%	0.0%	0.0%
Net Patient Receivables	121,452,988	113,975,750	109,327,288	109,828,256	117,174,704	36.5%	31.8%	31.6%	32.5%	34.2%
Inventory	6,909,019	6,586,304	7,194,817	7,144,351	7,162,324	2.1%	1.8%	2.1%	2.1%	2.1%
Prepaid Expenses	2,092,766	2,692,713	2,882,589	1,982,026	1,996,169	0.6%	0.8%	0.8%	0.6%	0.6%
DSH Receivable	67,317,429	78,907,994	90,368,127	90,315,762	97,385,550	20.3%	22.0%	26.2%	26.7%	28.4%
Physician / Group Guarantee Receivable	13,289,573	38,735,295	19,580,313	16,679,831	12,736,399	4.0%	10.8%	5.7%	4.9%	3.7%
Other Receivables	4,643,225	5,600,798	4,897,436	4,667,227	7,072,080	1.4%	1.6%	1.4%	1.4%	2.1%
	215,707,550	246,501,404	234,252,770	230,618,903	243,528,226	64.9%	68.8%	67.8%	68.2%	71.1%
<i>Fixed Assets</i>										
Land	3,075,825	3,075,825	3,075,825	3,075,825	3,075,825	0.9%	0.9%	0.9%	0.9%	0.9%
Land Improvements	63,600	189,516	175,110	242,933	370,759	0.0%	0.1%	0.1%	0.1%	0.1%
Buildings	13,644,767	12,499,224	12,486,391	15,229,422	13,756,633	4.1%	3.5%	3.6%	4.5%	4.0%
Leasehold Improvements	37,101,866	32,648,385	28,229,011	23,799,713	19,498,889	11.2%	9.1%	8.2%	7.0%	5.7%
Fixed Equipment	7,767,959	8,119,947	10,709,436	10,501,272	9,222,246	2.3%	2.3%	3.1%	3.1%	2.7%
Major Moveable Equipment	15,013,049	19,251,959	18,229,568	20,054,364	19,364,061	4.5%	5.4%	5.3%	5.9%	5.7%
Other Equipment	4,045,458	2,177,051	4,180,874	2,351,981	4,547,329	1.2%	0.6%	1.2%	0.7%	1.3%
Construction in Progress	3,115,208	4,346,262	5,843,686	5,117,070	3,591,574	0.9%	1.2%	1.7%	1.5%	1.0%
Finance Lease Asset	11,585,213	6,908,302	5,337,808	6,393,672	6,460,599	3.5%	1.9%	1.5%	1.9%	1.9%
	95,412,945	89,216,471	88,267,709	86,766,252	79,887,915	28.7%	24.9%	25.6%	25.6%	23.3%
<i>Other Assets</i>										
Noncurrent Deposits	74,447	74,447	74,447	57,287	57,287	0.0%	0.0%	0.0%	0.0%	0.0%
Long-Term Prepaid Assets	38,501	27,383	25,598	7,933	64,777	0.0%	0.0%	0.0%	0.0%	0.0%
Software	10,742,282	9,653,061	8,715,406	7,758,646	6,498,719	3.2%	2.7%	2.5%	2.3%	1.9%
Goodwill	10,429,611	10,429,611	10,429,611	10,429,611	10,429,611	3.1%	2.9%	3.0%	3.1%	3.0%
Right of Use - Operating Lease Asset	-	3,310,572	3,879,787	2,924,319	2,058,409	-	0.9%	1.1%	0.9%	0.6%
Deferred Rent	-	(839,013)	(201,599)	(176,643)	(143,150)	-	(0.2%)	(0.1%)	(0.1%)	(0.0%)
	21,284,841	22,656,061	22,923,250	21,001,153	18,965,653	6.4%	6.3%	6.6%	6.2%	5.5%
<b>Total Assets</b>	<b>\$332,405,336</b>	<b>\$358,373,936</b>	<b>\$345,443,729</b>	<b>\$338,386,308</b>	<b>\$342,381,794</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Growth</i>	<i>n/a</i>	<i>7.8%</i>	<i>(3.6%)</i>	<i>(2.0%)</i>	<i>1.2%</i>					

**Notes & Sources**

(1) Sources: We have utilized unaudited financials provided by Management for the time periods presented.





**DESERT REGIONAL MEDICAL CENTER**  
**Historical Financials & Operations | Balance Sheet**

Footnotes	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Liabilities &amp; Shareholders' Equity</b>										
<i>Current Liabilities</i>										
Net Accounts Payable	18,454,200	19,200,353	17,751,543	21,302,271	21,122,284	5.6%	5.4%	5.1%	6.3%	6.2%
Accrued Salaries and Benefits	15,081,985	15,722,533	14,468,879	12,442,118	14,382,881	4.5%	4.4%	4.2%	3.7%	4.2%
Medicaid Assessment Payable - Provider Fee	20,376,637	28,501,998	29,188,956	32,942,555	36,933,411	6.1%	8.0%	8.4%	9.7%	10.8%
Estimated Physician / Group Guarantee	16,580,771	41,272,415	19,580,313	16,679,831	12,736,399	5.0%	11.5%	5.7%	4.9%	3.7%
Temp Help Agency	933,708	641,595	436,647	3,818,282	3,869,744	0.3%	0.2%	0.1%	1.1%	1.1%
Accrued Interest Payable	-	(177)	(1,436)	7,533	9,380	-	(0.0%)	(0.0%)	0.0%	0.0%
Finance Lease - Current Portion	4,393,367	3,224,380	2,270,853	2,295,477	2,339,850	1.3%	0.9%	0.7%	0.7%	0.7%
Operating Lease - Current Portion	-	1,007,737	1,226,714	1,023,384	1,083,734	-	0.3%	0.4%	0.3%	0.3%
COVID-19 Accelerated Payments	-	-	42,446,155	22,230,610	-	-	-	12.3%	6.6%	-
COVID-19 Grant Fund Payable	-	-	24,820	3,700,531	-	-	-	0.0%	1.1%	-
Other Current Liabilities	768,619	400,127	459,573	711,546	603,958	0.2%	0.1%	0.1%	0.2%	0.2%
	76,589,287	109,970,961	127,853,017	117,154,138	93,081,641	23.0%	30.7%	37.0%	34.6%	27.2%
<i>Long-Term Liabilities</i>										
Asset Retirement Obligation	2,254,931	2,427,029	2,610,936	2,788,673	4,754,993	0.7%	0.7%	0.8%	0.8%	1.4%
Finance Lease Obligation	3,582,287	2,580,451	1,445,153	2,547,124	2,166,826	1.1%	0.7%	0.4%	0.8%	0.6%
Operating Lease Obligation	-	2,302,834	3,239,516	2,224,633	1,150,642	-	0.6%	0.9%	0.7%	0.3%
Deferred Income	684,116	62,330	306,667	176,507	283,820	0.2%	0.0%	0.1%	0.1%	0.1%
	6,521,334	7,372,644	7,602,272	7,736,937	8,356,281	2.0%	2.1%	2.2%	2.3%	2.4%
<i>Equity</i>										
Intercompany Accounts	(304,750,051)	(387,978,984)	(401,144,516)	(510,287,916)	(570,237,086)	(91.7%)	(108.3%)	(116.1%)	(150.8%)	(166.6%)
Retained Earnings	299,095,893	373,772,786	356,396,549	468,767,308	558,307,316	90.0%	104.3%	103.2%	138.5%	163.1%
Common Stock and Additional Paid-in Capital	254,948,874	255,236,527	254,736,406	255,015,844	252,873,644	76.7%	71.2%	73.7%	75.4%	73.9%
	249,294,716	241,030,329	209,988,439	213,495,236	240,943,874	75.0%	67.3%	60.8%	63.1%	70.4%
<b>Total Liabilities &amp; Equity</b>	<b>\$332,405,337</b>	<b>\$358,373,934</b>	<b>\$345,443,728</b>	<b>\$338,386,311</b>	<b>\$342,381,796</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Growth</i>	<i>n/a</i>	<i>7.8%</i>	<i>(3.6%)</i>	<i>(2.0%)</i>	<i>1.2%</i>					

**Notes & Sources**

(1) Sources: We have utilized unaudited financials provided by Management for the time periods presented.



Historical Financials & Operations | Reported Net Working Capital

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Current Assets</b>					
Cash & Equivalents	<i>Excluded from Cash-Free Working Capital</i>				
Net Patient Receivables	121,452,988	113,975,750	109,327,288	109,828,256	117,174,704
Inventory	6,909,019	6,586,304	7,194,817	7,144,351	7,162,324
Prepaid Expenses	2,092,766	2,692,713	2,882,589	1,982,026	1,996,169
DSH Receivable	67,317,429	78,907,994	90,368,127	90,315,762	97,385,550
Physician / Group Guarantee Receivable	<i>Excluded</i>				
Other Receivables	4,643,225	5,600,798	4,897,436	4,667,227	7,072,080
	<b>\$202,415,427</b>	<b>\$207,763,559</b>	<b>\$214,670,257</b>	<b>\$213,937,622</b>	<b>\$230,790,827</b>

**Current Liabilities**

Net Accounts Payable	\$18,454,200	\$19,200,353	\$17,751,543	\$21,302,271	\$21,122,284
Accrued Salaries and Benefits	15,081,985	15,722,533	14,468,879	12,442,118	14,382,881
Medicaid Assessment Payable - Provider Fee	20,376,637	28,501,998	29,188,956	32,942,555	36,933,411
Estimated Physician / Group Guarantee	<i>Excluded</i>				
Temp Help Agency	933,708	641,595	436,647	3,818,282	3,869,744
Accrued Interest Payable	<i>Excluded</i>				
Finance Lease - Current Portion	<i>Excluded</i>				
Operating Lease - Current Portion	<i>Excluded</i>				
COVID-19 Accelerated Payments	<i>Excluded</i>				
COVID-19 Grant Fund Payable	<i>Excluded</i>				
Other Current Liabilities	768,619	400,127	459,573	711,546	603,958
	<b>\$55,615,149</b>	<b>\$64,466,606</b>	<b>\$62,305,598</b>	<b>\$71,216,772</b>	<b>\$76,912,278</b>

<b>Reported Cash-Free Net Working Capital</b>	<b>\$146,800,278</b>	<b>\$143,296,953</b>	<b>\$152,364,659</b>	<b>\$142,720,850</b>	<b>\$153,878,549</b>
<b>Cash-Free Net Working Capital - Excluding Provider Fee</b>	<b>\$99,859,486</b>	<b>\$92,890,957</b>	<b>\$91,185,488</b>	<b>\$85,347,643</b>	<b>\$93,426,410</b>
Total Net Operating Revenue	\$558,075,994	\$582,252,377	\$588,166,270	\$635,777,757	\$600,333,559
Total Net Operating Revenue Less Supplemental Payments	\$506,789,083	\$530,321,989	\$531,209,037	\$578,819,166	\$551,404,743
<i>Reported Cash-Free Net Working Capital as a Percentage Total Net Operating Revenue</i>	<i>26.3%</i>	<i>24.6%</i>	<i>25.9%</i>	<i>22.4%</i>	<i>25.6%</i>
<i>Cash-Free Net Working Capital, Excluding Provider Fee, as a Percentage of Revenue Less Supplemental Payments</i>	<i>19.7%</i>	<i>17.5%</i>	<i>17.2%</i>	<i>14.7%</i>	<i>16.9%</i>

**Notes & Sources**

(1) Sources: We have utilized unaudited financials provided by Management for the time periods presented.



Historical Financials & Operations | Reported Net Working Capital

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Key Ratios</b>					
Days Sales Outstanding	87.61	78.53	78.04	72.19	77.80
Days Inventory on Hand	31.35	29.35	33.10	32.41	34.95
Days Payables Outstanding	n/a	85.23	82.30	96.56	103.08

Normalized Working Capital Calculation

NBY Net Operating Revenue	\$604,032,683
Times: Required Net Working Capital Level	15.0%
<b>Equals: Normalized Net Working Capital (Rounded)</b>	<b>\$90,600,000</b>

Guideline Public Company Cash-Free Net Working Capital

	FYE - 3	FYE - 2	FYE - 1	FYE	TTM
1. HCA Healthcare, Inc.	6.2%	4.5%	5.2%	5.8%	5.8%
2. Tenet Healthcare Corporation	5.1%	1.1%	(0.3%)	5.2%	5.2%
3. Universal Health Services, Inc.	3.8%	(0.3%)	2.2%	5.0%	5.0%
4. Community Health Systems, Inc.	8.2%	2.4%	6.4%	7.8%	7.8%
<i>Median</i>	5.6%	1.7%	3.7%	5.5%	5.5%
<i>Mean</i>	5.8%	1.9%	3.4%	5.9%	5.9%

**Days Sales Outstanding**

1. HCA Healthcare, Inc.	52.54	50.00	50.36	53.95	53.95
2. Tenet Healthcare Corporation	72.61	78.52	69.50	74.50	74.50
3. Universal Health Services, Inc.	50.07	54.60	50.43	54.96	54.96
4. Community Health Systems, Inc.	66.18	63.87	64.22	63.88	63.88
<i>Median</i>	59.36	59.23	57.32	59.42	59.42
<i>Mean</i>	60.35	61.75	58.63	61.82	61.82

**Days Inventory on Hand**

1. HCA Healthcare, Inc.	21.06	22.92	19.99	20.37	20.37
2. Tenet Healthcare Corporation	9.62	11.77	11.47	12.19	12.19
3. Universal Health Services, Inc.	8.53	10.07	9.95	9.68	9.68
4. Community Health Systems, Inc.	15.96	16.58	17.79	17.64	17.64
<i>Median</i>	12.79	14.18	14.63	14.91	14.91
<i>Mean</i>	13.79	15.34	14.80	14.97	14.97

**Days Payables Outstanding**

1. HCA Healthcare, Inc.	33.21	40.24	41.34	41.85	41.75
2. Tenet Healthcare Corporation	37.37	38.81	38.89	45.35	45.27
3. Universal Health Services, Inc.	23.89	30.31	31.75	28.25	28.21
4. Community Health Systems, Inc.	36.34	38.66	41.71	38.61	38.62
<i>Median</i>	34.78	38.73	40.11	40.23	40.19
<i>Mean</i>	32.70	37.00	38.42	38.52	38.46

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of April 17, 2023.



Historical Capital Expenditures	2019	2020	2021	YTD July 2022
Total Capital Expenditures	\$10,779,843	\$9,399,804	\$8,991,786	\$6,558,608
As a Percentage of Net Patient Revenue	2.0%	1.8%	1.6%	3.5%
As a Percentage of Net Operating Revenue	1.9%	1.6%	1.4%	3.2%
As a Percentage of EBITDA (Including Physician Practice)	10.4%	7.5%	5.8%	17.0%

### Management Capital Budget

<i>\$ Millions</i>				Capital			EBITDA		
Description	Planning Type	Start Date	Duration (Months)	2023	2024	2025	2023	2024	2025
Cath Lab and EP Lab Replacement	2. Business Initiative (Construction)	Q2	36.0	\$3.3	\$3.4	\$7.0	\$1.3	\$0.9	\$0.9
MRI Upgrade	1. Business Initiative (Equipment)	Q2	6.0	1.3	0.0	0.0	2.1	0.0	0.0
Elevator Refresh	4. Facility Maintenance (Infrastructure)	Q4	24.0	2.1	1.2	0.0	0.0	0.0	0.0
Clinical Information Systems Upgrades	5. Other (Not Funded by Corporate)	Q2	9.0	1.0	0.0	0.0	0.0	0.0	0.0
Hybrid OR	2. Business Initiative (Construction)	Q1	36.0	0.3	5.0	5.0	2.0	2.6	2.6
Surgical and NeuroSurgical Equipment	3. Replacement (Equipment / Furniture)	Q1	18.0	0.8	0.5	0.0	0.0	0.0	0.0
Cardiology Equipment	1. Business Initiative (Equipment)	Q1	3.0	0.1	0.0	0.0	0.0	0.0	0.0
Obstetrics Equipment	1. Business Initiative (Equipment)	Q1	9.0	0.5	0.0	0.0	0.4	0.0	0.0
Oncology Equipment	3. Replacement (Equipment / Furniture)	Q1	9.0	0.5	0.0	0.0	0.0	0.0	0.0
Trauma Equipment	1. Business Initiative (Equipment)	Q1	6.0	0.3	0.0	0.0	0.0	0.0	0.0
<b>Total (VMG Calculated)</b>				<b>\$10.2</b>	<b>\$10.1</b>	<b>\$12.0</b>	<b>\$5.8</b>	<b>\$3.5</b>	<b>\$3.5</b>
As a Percentage of Forecast 2023 Net Operating Revenue				1.6%					
As a Percentage of Forecast 2023 EBITDA				12.4%					
<b>Total (Given)</b>				<b>\$9.9</b>	<b>\$10.1</b>	<b>\$12.0</b>	<b>\$5.8</b>	<b>\$3.5</b>	<b>\$3.5</b>
<i>Delta</i>				<i>\$0.3</i>	-	-	-	-	-

#### Notes & Sources

(1) Sourced from management provided "7.4 Desert Regional\_2023\_Capital Projects".



# DESERT REGIONAL MEDICAL CENTER

## Historical Financials & Operations | Income Statement

								Common Size Historical Income Statement						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY
<b>Gross Revenues</b>														
Gross Inpatient Revenue	2,672,250,347	2,916,862,163	3,071,686,104	3,371,699,284	3,650,353,927	3,742,388,690	3,742,388,690	478.8%	501.0%	522.2%	530.3%	608.1%	617.4%	619.6%
Gross Outpatient Revenue	1,208,795,840	1,350,494,837	1,316,041,414	1,527,969,132	1,545,028,467	1,590,333,930	1,590,333,930	216.6%	231.9%	223.8%	240.3%	257.4%	262.4%	263.3%
	3,881,046,187	4,267,357,000	4,387,727,518	4,899,668,416	5,195,382,394	5,332,722,620	5,332,722,620	695.4%	732.9%	746.0%	770.7%	865.4%	879.8%	882.9%
<b>Adjustments &amp; Refunds</b>														
Inpatient Contractual	(2,317,061,582)	(2,542,947,176)	(2,708,251,965)	(2,976,859,150)	(3,260,091,376)	(3,340,500,902)	(3,343,174,400)	(415.2%)	(436.7%)	(460.5%)	(468.2%)	(543.0%)	(551.1%)	(553.5%)
Outpatient Contractual	(1,057,845,813)	(1,194,039,963)	(1,169,544,237)	(1,372,433,605)	(1,386,742,129)	(1,429,998,512)	(1,431,142,981)	(189.6%)	(205.1%)	(198.8%)	(215.9%)	(231.0%)	(235.9%)	(236.9%)
Bad Debt Expense	(122,109)	(642,597)	1,405,904	4,891,390	1,201,272	939,404	939,404	(0.0%)	(0.1%)	0.2%	0.8%	0.2%	0.2%	0.2%
	(3,375,029,504)	(3,737,629,736)	(3,876,390,298)	(4,344,401,365)	(4,645,632,233)	(4,769,560,010)	(4,773,377,977)	(604.8%)	(641.9%)	(659.1%)	(683.3%)	(773.8%)	(786.9%)	(790.3%)
<b>Net Patient Revenue</b>	<b>506,016,683</b>	<b>529,727,264</b>	<b>511,337,220</b>	<b>555,267,051</b>	<b>549,750,161</b>	<b>563,162,610</b>	<b>559,344,643</b>	<b>90.7%</b>	<b>91.0%</b>	<b>86.9%</b>	<b>87.3%</b>	<b>91.6%</b>	<b>92.9%</b>	<b>92.6%</b>
<i>Growth</i>	<i>n/a</i>	<i>4.7%</i>	<i>(3.5%)</i>	<i>8.6%</i>	<i>(1.0%)</i>	<i>2.4%</i>	<i>(0.7%)</i>							
<b>Other Operating Revenue</b>														
Supplemental Payments	51,286,911	51,930,388	56,957,233	56,958,591	48,928,816	41,328,972	43,235,883	9.2%	8.9%	9.7%	9.0%	8.2%	6.8%	7.2%
Other Operating Revenue	772,400	594,725	973,230	1,305,478	1,475,897	1,452,157	1,452,157	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
COVID-19 Grant Income	-	-	18,898,587	22,246,637	178,685	178,685	-	-	-	3.2%	3.5%	0.0%	0.0%	-
	52,059,311	52,525,113	76,829,050	80,510,706	50,583,398	42,959,814	44,688,040	9.3%	9.0%	13.1%	12.7%	8.4%	7.1%	7.4%
<b>Total Net Operating Revenue</b>	<b>558,075,994</b>	<b>582,252,377</b>	<b>588,166,270</b>	<b>635,777,757</b>	<b>600,333,559</b>	<b>606,122,424</b>	<b>604,032,683</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Growth</i>	<i>n/a</i>	<i>4.3%</i>	<i>1.0%</i>	<i>8.1%</i>	<i>(5.6%)</i>	<i>1.0%</i>	<i>(0.3%)</i>							
<b>Operating Expenses</b>														
<i>Employee Salaries &amp; Wages</i>														
Salaries & Wages	184,892,790	188,212,504	186,566,525	188,993,751	199,124,822	201,493,008	198,539,314	33.1%	32.3%	31.7%	29.7%	33.2%	33.2%	32.9%
Contract Labor	7,024,170	12,899,364	7,956,410	16,877,989	27,513,447	26,198,265	26,198,265	1.3%	2.2%	1.4%	2.7%	4.6%	4.3%	4.3%
	191,916,960	201,111,868	194,522,935	205,871,740	226,638,269	227,691,273	224,737,579	34.4%	34.5%	33.1%	32.4%	37.8%	37.6%	37.2%
<i>Employee Benefits</i>														
Payroll Taxes	13,959,337	14,440,491	13,635,148	14,476,440	14,685,225	14,792,450	14,792,450	2.5%	2.5%	2.3%	2.3%	2.4%	2.4%	2.4%
Employee Benefits	40,666,532	43,255,085	43,873,698	45,761,240	45,369,432	45,865,291	45,878,021	7.3%	7.4%	7.5%	7.2%	7.6%	7.6%	7.6%
	54,625,869	57,695,576	57,508,846	60,237,680	60,054,657	60,657,741	60,670,471	9.8%	9.9%	9.8%	9.5%	10.0%	10.0%	10.0%
<i>Occupancy Costs</i>														
Lease Expense	2,513,748	2,148,388	2,445,181	2,298,969	1,805,746	1,813,373	1,813,373	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
Utilities	4,881,355	4,646,033	4,255,256	5,672,426	5,870,080	6,213,004	6,213,004	0.9%	0.8%	0.7%	0.9%	1.0%	1.0%	1.0%
Property Taxes	1,214,548	1,333,548	1,385,065	1,407,026	1,464,862	1,496,545	1,496,545	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	8,609,651	8,127,969	8,085,502	9,378,421	9,140,688	9,522,922	9,522,922	1.5%	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%
<i>Drugs &amp; Medical Supplies</i>														
Medical Supplies	26,087,466	26,932,637	27,294,001	28,462,231	26,252,616	26,827,390	27,315,204	4.7%	4.6%	4.6%	4.5%	4.4%	4.4%	4.5%
Implants	17,230,868	17,009,589	14,987,467	14,760,733	14,578,506	14,652,146	14,652,146	3.1%	2.9%	2.5%	2.3%	2.4%	2.4%	2.4%
Drugs & Pharmaceuticals	31,283,690	32,116,216	30,853,755	30,280,637	27,707,021	27,846,259	27,846,259	5.6%	5.5%	5.2%	4.8%	4.6%	4.6%	4.6%
Other Supplies	4,974,006	4,949,431	4,995,573	4,899,953	4,930,075	5,027,051	5,027,051	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
Personal Protective Equipment	866,827	895,751	1,205,327	2,066,789	1,340,990	1,287,743	1,287,743	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%
	80,442,857	81,903,624	79,336,123	80,470,343	74,809,208	75,640,589	76,128,403	14.4%	14.1%	13.5%	12.7%	12.5%	12.5%	12.6%
<i>Corporate Services</i>														
Conifer Collection Fees	14,273,645	14,865,418	14,032,872	14,643,113	14,607,978	14,936,121	14,936,121	2.6%	2.6%	2.4%	2.3%	2.4%	2.5%	2.5%
Information Technology	14,175,286	16,668,777	16,589,987	16,332,151	11,919,612	12,380,122	12,380,122	2.5%	2.9%	2.8%	2.6%	2.0%	2.0%	2.0%
Advertising	1,392,113	1,619,686	1,373,303	1,375,676	1,380,627	1,380,626	1,380,626	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Global Business Center	366,962	151,543	324,338	884,219	968,805	940,199	940,199	0.1%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
	30,208,006	33,305,424	32,320,500	33,235,159	28,877,022	29,637,068	29,637,068	5.4%	5.7%	5.5%	5.2%	4.8%	4.9%	4.9%



# DESERT REGIONAL MEDICAL CENTER

## Historical Financials & Operations | Income Statement

								Common Size Historical Income Statement						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY
<i>Other Medical Costs</i>														
Medical Fees	34,493,070	36,295,972	34,645,437	34,071,377	39,031,571	40,541,707	40,541,707	6.2%	6.2%	5.9%	5.4%	6.5%	6.7%	6.7%
Physician Income Assist	1,961,867	1,408,081	1,012,918	1,118,096	912,295	897,005	897,005	0.4%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
	36,454,937	37,704,053	35,658,355	35,189,473	39,943,866	41,438,712	41,438,712	6.5%	6.5%	6.1%	5.5%	6.7%	6.8%	6.9%
<i>Insurance</i>														
Malpractice Insurance	6,498,997	8,549,370	6,311,593	7,676,561	9,603,087	9,490,514	9,490,514	1.2%	1.5%	1.1%	1.2%	1.6%	1.6%	1.6%
Other Insurance	805,318	967,757	1,532,402	1,826,054	2,312,962	2,378,561	2,378,561	0.1%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%
	7,304,315	9,517,127	7,843,995	9,502,615	11,916,049	11,869,075	11,869,075	1.3%	1.6%	1.3%	1.5%	2.0%	2.0%	2.0%
<i>General &amp; Administrative</i>														
Other Controllable Expenses	5,401,689	5,230,446	5,833,020	4,946,634	5,785,508	5,562,954	5,562,954	1.0%	0.9%	1.0%	0.8%	1.0%	0.9%	0.9%
Repairs & Maintenance	9,329,002	9,085,909	8,511,120	8,631,861	10,338,721	10,718,845	10,718,845	1.7%	1.6%	1.4%	1.4%	1.7%	1.8%	1.8%
Other Non-Medical Expenses	6,703,285	7,484,210	7,484,956	7,379,755	9,922,529	9,738,209	9,738,209	1.2%	1.3%	1.3%	1.2%	1.7%	1.6%	1.6%
Service Contracts	7,442,447	7,920,147	7,784,704	8,213,014	8,244,762	8,329,454	8,329,454	1.3%	1.4%	1.3%	1.3%	1.4%	1.4%	1.4%
Legal and Professional Fees	3,676,429	4,294,511	2,731,356	3,046,120	2,522,992	2,365,577	2,365,577	0.7%	0.7%	0.5%	0.5%	0.4%	0.4%	0.4%
License Fees	790,056	961,323	926,998	977,427	996,664	1,007,071	1,007,071	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Contributions	777,283	1,080,950	655,661	1,008,082	217,501	305,928	305,928	0.1%	0.2%	0.1%	0.2%	0.0%	0.1%	0.1%
Corporate Overhead	-	-	-	-	-	-	10,000,000	-	-	-	-	-	-	1.7%
Physician Investment	-	-	-	-	-	-	15,722,697	-	-	-	-	-	-	2.6%
	34,120,191	36,057,496	33,927,815	34,202,893	38,028,677	38,028,038	63,750,735	6.1%	6.2%	5.8%	5.4%	6.3%	6.3%	10.6%
<b>Total Operating Expenses</b>	<b>443,682,786</b>	<b>465,423,137</b>	<b>449,204,071</b>	<b>468,088,324</b>	<b>489,408,436</b>	<b>494,485,418</b>	<b>517,754,965</b>	<b>79.5%</b>	<b>79.9%</b>	<b>76.4%</b>	<b>73.6%</b>	<b>81.5%</b>	<b>81.6%</b>	<b>85.7%</b>
<b>EBITDA</b>	<b>\$114,393,208</b>	<b>\$116,829,240</b>	<b>\$138,962,199</b>	<b>\$167,689,433</b>	<b>\$110,925,123</b>	<b>\$111,637,006</b>	<b>\$86,277,718</b>	<b>20.5%</b>	<b>20.1%</b>	<b>23.6%</b>	<b>26.4%</b>	<b>18.5%</b>	<b>18.4%</b>	<b>14.3%</b>
Depreciation & Amortization Expense	15,427,239	16,412,508	16,571,163	16,965,423	17,487,388	17,626,177	17,626,177	2.8%	2.8%	2.8%	2.7%	2.9%	2.9%	2.9%
Interest Expense	478,698	408,966	256,456	241,975	364,313	401,908	-	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	-
<b>Earnings Before Non-Operating Items</b>	<b>98,487,271</b>	<b>100,007,766</b>	<b>122,134,580</b>	<b>150,482,035</b>	<b>93,073,422</b>	<b>93,608,921</b>	<b>68,651,541</b>	<b>17.6%</b>	<b>17.2%</b>	<b>20.8%</b>	<b>23.7%</b>	<b>15.5%</b>	<b>15.4%</b>	<b>11.4%</b>
Non-Operating Expense (Income)	10,446	241,153	167,208	286,297	174,064	177,243	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
<b>Earnings Before Income Taxes</b>	<b>98,476,825</b>	<b>99,766,613</b>	<b>121,967,372</b>	<b>150,195,738</b>	<b>92,899,358</b>	<b>93,431,678</b>	<b>68,651,541</b>	<b>17.6%</b>	<b>17.1%</b>	<b>20.7%</b>	<b>23.6%</b>	<b>15.5%</b>	<b>15.4%</b>	<b>11.4%</b>
Federal & State Income Tax Expense	-	-	-	-	-	-	19,211,173	-	-	-	-	-	-	3.2%
<b>Earnings After Income Taxes</b>	<b>\$98,476,825</b>	<b>\$99,766,613</b>	<b>\$121,967,372</b>	<b>\$150,195,738</b>	<b>\$92,899,358</b>	<b>\$93,431,678</b>	<b>\$49,440,368</b>	<b>17.6%</b>	<b>17.1%</b>	<b>20.7%</b>	<b>23.6%</b>	<b>15.5%</b>	<b>15.4%</b>	<b>8.2%</b>
<b>EBITDA Including Physician Investment</b>	<b>107,535,560</b>	<b>104,025,591</b>	<b>125,300,616</b>	<b>155,773,268</b>	<b>95,544,812</b>	<b>95,914,309</b>	<b>86,277,718</b>	<b>19.3%</b>	<b>17.9%</b>	<b>21.3%</b>	<b>24.5%</b>	<b>15.9%</b>	<b>15.8%</b>	<b>14.3%</b>

### Notes & Sources

(1) Sources: We have utilized unaudited financials provided by Management for the fiscal years ended ("FY") December 31, 2018 - 2022 and the trailing twelve months ended February 28, 2023 ("TTM 2023").



Historical Financials & Operations | Financial Summary

							Year-Over-Year Growth Rates				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023
<b>Net Patient Revenue</b>	<b>\$506,016,683</b>	<b>\$529,727,264</b>	<b>\$511,337,220</b>	<b>\$555,267,051</b>	<b>\$549,750,161</b>	<b>\$563,162,610</b>	<b>4.7%</b>	<b>(3.5%)</b>	<b>8.6%</b>	<b>(1.0%)</b>	<b>2.4%</b>
<b>Other Operating Revenue</b>											
Supplemental Payments	51,286,911	51,930,388	56,957,233	56,958,591	48,928,816	41,328,972	1.3%	9.7%	0.0%	(14.1%)	(15.5%)
Other Operating Revenue	772,400	594,725	973,230	1,305,478	1,475,897	1,452,157	(23.0%)	63.6%	34.1%	13.1%	(1.6%)
COVID-19 Grants	-	-	18,898,587	22,246,637	178,685	178,685	n/a	n/a	17.7%	(99.2%)	-
<b>Total Net Operating Revenue</b>	<b>\$558,075,994</b>	<b>\$582,252,377</b>	<b>\$588,166,270</b>	<b>\$635,777,757</b>	<b>\$600,333,559</b>	<b>\$606,122,424</b>	<b>4.3%</b>	<b>1.0%</b>	<b>8.1%</b>	<b>(5.6%)</b>	<b>1.0%</b>
Operating Expenses	450,540,434	478,226,786	462,865,654	480,004,489	504,788,747	510,208,115	6.1%	(3.2%)	3.7%	5.2%	1.1%
<b>EBITDA</b>	<b>107,535,560</b>	<b>104,025,591</b>	<b>125,300,616</b>	<b>155,773,268</b>	<b>95,544,812</b>	<b>95,914,309</b>	<b>(3.3%)</b>	<b>20.5%</b>	<b>24.3%</b>	<b>(38.7%)</b>	<b>0.4%</b>
Earnings Before Income Taxes	91,619,177	86,962,964	108,305,789	138,279,573	77,519,047	77,708,981	(5.1%)	24.5%	27.7%	(43.9%)	0.2%

**Percentage of Net Revenue**

Operating Expenses	80.7%	82.1%	78.7%	75.5%	84.1%	84.2%
EBITDA	19.3%	17.9%	21.3%	24.5%	15.9%	15.8%
Earnings Before Income Taxes	16.4%	14.9%	18.4%	21.7%	12.9%	12.8%

**Notes & Sources**

(1) Sources: We have utilized unaudited financials provided by Management for the fiscal years ended ("FY") December 31, 2018 - 2022 and the trailing twelve months ended February 28, 2023 ("TTM 2023").



**Historical Financials & Operations | Non-Operating Expense (Income) Detail**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023
<b>Earnings Before Non-Operating Items</b>	<b>\$98,487,271</b>	<b>\$100,007,766</b>	<b>\$122,134,580</b>	<b>\$150,482,035</b>	<b>\$93,073,422</b>	<b>\$93,608,921</b>
<b>Non-Operating Expense (Income)</b>						
8490 Accretion Expense - Bldgs	159,024	174,804	192,156	286,727	306,788	312,180
8911 Loss/Gain - Fixed Assets	1,943	35,942	7,874	33,685	(95,102)	(95,102)
8962 Asset Impairment Expense	-	66,605	-	-	-	-
8912 System Implementation Cost - Other	17,044	-	-	-	-	-
8907 All Others	(167,565)	(36,198)	(32,822)	(34,115)	(37,622)	(39,835)
	10,446	241,153	167,208	286,297	174,064	177,243
<b>Earnings Before Income Taxes</b>	<b>\$98,476,825</b>	<b>\$99,766,613</b>	<b>\$121,967,372</b>	<b>\$150,195,738</b>	<b>\$92,899,358</b>	<b>\$93,431,678</b>

**Notes & Sources**

(1) Sources: We have utilized unaudited financials provided by Management for the fiscal years ended ("FY") December 31, 2018 - 2022 and the trailing twelve months ended February 28, 2023 ("TTM 2023").





# DESERT REGIONAL MEDICAL CENTER

## Historical Financials & Operations | Income Statement

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	2022 Adj.	Jan-23	Feb-23	TTM 2023
<b>Gross Revenues</b>														
Gross Inpatient Revenue	295,639,478	290,888,876	289,669,239	270,844,230	275,127,907	311,166,358	311,326,265	328,293,682	327,877,403	348,775,575	-	369,423,029	323,356,648	3,742,388,690
Gross Outpatient Revenue	138,042,710	125,431,441	125,997,402	133,536,757	124,273,015	135,216,695	130,018,837	133,942,555	131,653,875	138,699,990	-	136,134,728	137,385,925	1,590,333,930
	433,682,188	416,320,317	415,666,641	404,380,987	399,400,922	446,383,053	441,345,102	462,236,237	459,531,278	487,475,565	-	505,557,757	460,742,573	5,332,722,620
<b>Adjustments &amp; Refunds</b>														
Inpatient Contractual	(259,521,718)	(260,464,423)	(256,783,750)	(242,157,235)	(245,145,641)	(281,669,910)	(278,807,328)	(299,330,338)	(293,618,836)	(308,856,553)	-	(327,723,094)	(286,422,076)	(3,340,500,902)
Outpatient Contractual	(122,432,464)	(113,164,319)	(112,632,684)	(118,808,435)	(111,925,520)	(121,441,413)	(117,386,444)	(120,967,921)	(119,526,185)	(124,950,649)	-	(122,234,194)	(124,528,284)	(1,429,998,512)
Bad Debt Expense	172,566	491,091	11,097	25,346	60,366	74,142	8,031	7,467	17,957	59,195	-	(52,562)	64,713	939,404
	(381,781,616)	(373,137,651)	(369,405,337)	(360,940,324)	(357,010,795)	(403,037,181)	(396,185,741)	(420,290,792)	(413,127,064)	(433,748,007)	-	(450,009,855)	(410,885,647)	(4,769,560,010)
Net Patient Revenue	51,900,572	43,182,666	46,261,304	43,440,663	42,390,127	43,345,872	45,159,361	41,945,445	46,404,214	53,727,558	-	55,547,902	49,856,926	563,162,610
<b>Other Operating Revenue</b>														
Supplemental Payments	4,309,934	4,298,556	4,276,290	4,239,860	4,340,807	4,234,894	2,275,250	4,065,991	4,056,475	4,139,058	258,178	459,259	374,420	41,328,972
Other Operating Revenue	104,629	49,120	19,674	62,114	159,162	114,603	289,939	151,632	51,481	167,109	-	170,720	111,974	1,452,157
COVID-19 Grant Income	-	-	-	-	-	-	-	-	-	-	178,685	-	-	178,685
	4,414,563	4,347,676	4,295,964	4,301,974	4,499,969	4,349,497	2,565,189	4,217,623	4,107,956	4,306,167	436,863	629,979	486,394	42,959,814
<b>Total Net Operating Revenue</b>	<b>56,315,135</b>	<b>47,530,342</b>	<b>50,557,268</b>	<b>47,742,637</b>	<b>46,890,096</b>	<b>47,695,369</b>	<b>47,724,550</b>	<b>46,163,068</b>	<b>50,512,170</b>	<b>58,033,725</b>	<b>436,863</b>	<b>56,177,881</b>	<b>50,343,320</b>	<b>606,122,424</b>
<b>Operating Expenses</b>														
<i>Employee Salaries &amp; Wages</i>														
Salaries & Wages	16,218,167	15,532,429	14,857,554	15,198,411	15,677,828	20,848,336	16,195,158	18,435,646	16,855,748	17,885,486	(35,510)	17,511,417	16,312,338	201,493,008
Contract Labor	3,220,810	2,647,290	2,634,766	2,202,160	1,891,962	2,478,090	1,381,392	1,263,437	1,716,795	1,994,579	-	2,826,827	1,940,157	26,198,265
	19,438,977	18,179,719	17,492,320	17,400,571	17,569,790	23,326,426	17,576,550	19,699,083	18,572,543	19,880,065	(35,510)	20,338,244	18,252,495	227,691,273
<i>Employee Benefits</i>														
Payroll Taxes	1,242,593	1,187,343	1,207,505	1,183,489	1,260,161	1,205,633	1,203,331	1,117,747	1,064,414	1,098,491	(1,258)	1,778,808	1,244,193	14,792,450
Employee Benefits	3,343,289	3,995,088	3,944,010	3,796,289	3,905,228	3,835,552	4,050,459	4,103,868	3,955,607	3,990,627	(1,570,971)	4,111,437	4,404,808	45,865,291
	4,585,882	5,182,431	5,151,515	4,979,778	5,165,389	5,041,185	5,253,790	5,221,615	5,020,021	5,089,118	(1,572,229)	5,890,245	5,649,001	60,657,741
<i>Occupancy Costs</i>														
Lease Expense	199,979	167,630	180,040	180,908	128,750	140,629	144,826	84,637	122,333	109,107	-	135,861	218,673	1,813,373
Utilities	579,626	444,280	503,352	474,732	597,319	568,854	600,701	531,366	315,849	442,788	-	617,286	536,851	6,213,004
Property Taxes	117,347	117,347	117,347	117,348	93,846	108,244	121,505	179,522	174,491	83,171	-	130,164	136,213	1,496,545
	896,952	729,257	800,739	772,988	819,915	817,727	867,032	795,525	612,673	635,066	-	883,311	891,737	9,522,922
<i>Drugs &amp; Medical Supplies</i>														
Medical Supplies	2,127,936	2,263,402	2,166,348	2,282,645	1,549,719	2,524,633	2,518,195	2,109,765	2,422,518	2,009,935	-	2,738,990	2,113,304	26,827,390
Implants	1,422,497	1,233,195	1,252,663	1,163,750	1,149,779	1,087,615	1,012,370	1,220,482	1,044,432	1,345,911	-	1,619,132	1,100,320	14,652,146
Drugs & Pharmaceuticals	2,263,470	2,226,245	2,048,932	2,312,353	2,265,645	2,379,429	2,360,686	2,104,258	2,416,765	2,651,063	-	2,352,384	2,465,029	27,846,259
Other Supplies	417,305	355,648	424,974	315,681	400,546	390,033	438,684	446,870	401,099	449,539	-	567,382	449,290	5,027,051
Personal Protective Equipment	153,127	105,233	128,090	93,007	80,857	94,660	96,645	96,095	91,534	133,949	-	110,794	103,752	1,287,743
	6,384,335	6,183,723	6,021,007	6,167,436	5,446,546	6,476,370	6,426,580	5,977,470	6,376,348	6,560,397	-	7,388,682	6,231,695	75,640,589
<i>Corporate Services</i>														
Conifer Collection Fees	1,081,172	1,258,636	1,016,968	1,085,884	1,098,962	1,033,618	981,567	1,128,514	1,074,681	1,132,701	1,533,893	1,211,642	1,297,883	14,936,121
Information Technology	951,947	953,940	980,662	988,155	969,797	984,998	1,051,013	1,012,665	1,005,045	1,027,401	-	1,270,837	1,183,662	12,380,122
Advertising	(1)	(1)	1	-	-	-	-	-	-	-	1,380,627	-	-	1,380,626
Global Business Center	81,917	83,615	83,988	68,150	72,184	84,452	72,380	67,175	80,325	95,902	5,253	74,148	70,710	940,199
	2,115,035	2,296,190	2,081,619	2,142,189	2,140,943	2,103,068	2,104,960	2,208,354	2,160,051	2,256,004	2,919,773	2,556,627	2,552,255	29,637,068
<i>Other Medical Costs</i>														
Medical Fees	3,193,410	3,193,962	3,567,428	3,892,411	3,166,130	2,938,630	4,377,072	2,776,165	2,055,202	4,178,477	-	3,683,138	3,519,682	40,541,707
Physician Income Assist	111,549	114,178	119,278	123,973	110,894	9,130	51,778	(212,146)	99,164	125,460	-	125,082	118,673	897,005
	3,304,959	3,308,140	3,686,706	4,016,384	3,277,024	2,947,760	4,428,842	2,564,019	2,154,366	4,303,937	-	3,808,220	3,638,355	41,438,712
<i>Insurance</i>														
Malpractice Insurance	646,478	629,702	627,662	624,790	574,916	581,339	583,908	590,861	633,027	648,367	2,111,952	600,967	636,545	9,490,514
Other Insurance	141,335	141,365	141,106	140,976	148,029	144,372	141,235	141,236	140,976	140,976	609,015	173,970	173,970	2,378,561
	787,813	771,067	768,768	765,766	722,945	725,711	725,143	732,097	774,003	789,343	2,720,967	774,937	810,515	11,869,075
<i>General &amp; Administrative</i>														
Other Controllable Expenses	590,485	421,011	524,909	564,946	444,941	401,148	487,994	369,692	392,420	457,910	-	408,783	498,715	5,562,954
Repairs & Maintenance	704,006	938,050	747,212	875,739	853,596	827,701	993,138	1,038,080	981,505	804,629	-	888,052	1,067,137	10,718,845
Other Non-Medical Expenses	828,700	783,184	822,404	954,541	785,310	884,316	722,502	705,030	939,407	788,776	-	810,613	713,426	9,738,209
Service Contracts	582,954	685,638	689,265	749,024	731,257	713,627	645,917	627,964	691,145	644,384	-	730,214	763,065	8,329,454
Legal and Professional Fees	119,982	121,801	158,309	193,017	190,499	261,155	211,893	292,753	239,821	240,837	-	51,059	284,451	2,365,577
License Fees	80,719	77,524	77,742	73,002	76,563	74,392	85,839	80,757	123,390	101,515	-	70,415	85,213	1,007,071
Contributions	16,042	13,542	14,167	21,667	17,500	20,333	22,833	35,750	31,958	21,625	-	52,873	37,638	305,928
	2,922,888	3,040,750	3,034,008	3,431,936	3,099,666	3,182,672	3,170,116	3,225,026	3,399,646	3,059,676	-	3,012,009	3,449,645	38,028,038
<b>Total Operating Expenses</b>	<b>40,436,841</b>	<b>39,691,277</b>	<b>39,036,682</b>	<b>39,677,048</b>	<b>38,242,218</b>	<b>44,620,919</b>	<b>40,553,013</b>	<b>40,423,189</b>	<b>39,069,651</b>	<b>42,573,606</b>	<b>4,033,001</b>	<b>44,652,275</b>	<b>41,475,698</b>	<b>494,485,418</b>
<b>EBITDA</b>	<b>\$15,878,294</b>	<b>\$7,839,065</b>	<b>\$11,520,586</b>	<b>\$8,065,589</b>	<b>\$8,647,878</b>	<b>\$3,074,450</b>	<b>\$7,171,537</b>	<b>\$5,739,879</b>	<b>\$11,442,519</b>	<b>\$15,460,119</b>	<b>(\$3,596,138)</b>	<b>\$11,525,606</b>	<b>\$8,867,622</b>	<b>\$111,637,006</b>



Historical Financials & Operations | Medical Group Income Statement

Common Size Historical Income Statement

Footnotes	FYE 2019	FYE 2020	FYE 2021	FYE 2022	TTM 2023	FYE 2019	FYE 2020	FYE 2021	FYE 2022	TTM 2023	
<b>Net Patient Revenue</b>											
Net Patient Revenue	8,041,176	9,491,300	11,343,586	11,557,595	11,796,627	56.0%	54.1%	53.6%	55.1%	54.9%	
Growth	n/a	18.0%	19.5%	1.9%	2.1%						
<b>Other Operating Revenue</b>											
Capitation Revenue	1,654,317	2,141,533	2,334,320	2,641,449	2,847,217	11.5%	12.2%	11.0%	12.6%	13.3%	
Other Operating Revenue	68,450	40,204	379,522	332,332	177,238	0.5%	0.2%	1.8%	1.6%	0.8%	
Income from Related Entities	4,595,162	5,860,053	7,111,775	6,450,492	6,647,050	32.0%	33.4%	33.6%	30.7%	31.0%	
	6,317,929	8,041,790	9,825,616	9,424,273	9,671,505	44.0%	45.9%	46.4%	44.9%	45.1%	
<b>Total Net Operating Revenue</b>	<b>14,359,106</b>	<b>17,533,090</b>	<b>21,169,202</b>	<b>20,981,868</b>	<b>21,468,132</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
Growth	n/a	22.1%	20.7%	(0.9%)	2.3%						
<b>Operating Expenses</b>											
<i>Employee Salaries &amp; Wages</i>											
Salaries, Wages & Benefits	3,526,802	11,211	3,049	3,905	8,155	24.6%	0.1%	0.0%	0.0%	0.0%	
	3,526,802	11,211	3,049	3,905	8,155	24.6%	0.1%	0.0%	0.0%	0.0%	
<i>Occupancy Costs</i>											
Lease Expense	1,740,752	1,672,281	1,284,085	2,488,895	2,571,635	12.1%	9.5%	6.1%	11.9%	12.0%	
Utilities	314,060	332,791	482,883	478,571	527,254	2.2%	1.9%	2.3%	2.3%	2.5%	
Repairs & Maintenance	128,327	128,595	143,961	137,937	130,847	0.9%	0.7%	0.7%	0.7%	0.6%	
	2,183,140	2,133,666	1,910,929	3,105,403	3,229,736	15.2%	12.2%	9.0%	14.8%	15.0%	
<i>Drugs &amp; Medical Supplies</i>											
Supplies	777,749	410,220	495,909	476,294	478,407	5.4%	2.3%	2.3%	2.3%	2.2%	
	777,749	410,220	495,909	476,294	478,407	5.4%	2.3%	2.3%	2.3%	2.2%	
<i>Other Medical Costs</i>											
Medical Fees	15,003,925	23,032,248	25,141,330	26,120,731	26,640,868	104.5%	131.4%	118.8%	124.5%	124.1%	
	15,003,925	23,032,248	25,141,330	26,120,731	26,640,868	104.5%	131.4%	118.8%	124.5%	124.1%	
<i>General &amp; Administrative</i>											
Conifer Collection Fees	457,485	364,349	404,134	413,422	419,967	3.2%	2.1%	1.9%	2.0%	2.0%	
Other Controllable Expenses	440,070	232,584	179,888	399,450	396,219	3.1%	1.3%	0.8%	1.9%	1.8%	
Purchased Services	4,090,342	4,384,909	4,398,904	5,019,538	5,208,369	28.5%	25.0%	20.8%	23.9%	24.3%	
Other Non-Medical Expenses	204,929	45,816	71,961	90,325	47,493	1.4%	0.3%	0.3%	0.4%	0.2%	
Legal and Professional Fees	371,290	387,322	291,200	224,719	227,753	2.6%	2.2%	1.4%	1.1%	1.1%	
Liability Insurance	107,024	192,347	188,063	508,392	533,862	0.7%	1.1%	0.9%	2.4%	2.5%	
	5,671,140	5,607,328	5,534,150	6,655,846	6,833,663	39.5%	32.0%	26.1%	31.7%	31.8%	
<b>Total Operating Expenses</b>	<b>27,162,755</b>	<b>31,194,673</b>	<b>33,085,368</b>	<b>36,362,179</b>	<b>37,190,829</b>	<b>189.2%</b>	<b>177.9%</b>	<b>156.3%</b>	<b>173.3%</b>	<b>173.2%</b>	
<b>EBITDA</b>	<b>(12,803,649)</b>	<b>(13,661,583)</b>	<b>(11,916,165)</b>	<b>(15,380,311)</b>	<b>(15,722,697)</b>	<b>(89.2%)</b>	<b>(77.9%)</b>	<b>(56.3%)</b>	<b>(73.3%)</b>	<b>(73.2%)</b>	
Depreciation & Amortization Expense	794,012	(137,641)	(614,125)	5,436	4,791	5.5%	(0.8%)	(2.9%)	0.0%	0.0%	
Interest Expense	(24,326)	1,382	2,182	1,326	1,435	(0.2%)	0.0%	0.0%	0.0%	0.0%	
<b>Earnings Before Non-Operating Items</b>	<b>(\$13,573,336)</b>	<b>(\$13,525,324)</b>	<b>(\$11,304,223)</b>	<b>(\$15,387,073)</b>	<b>(\$15,728,923)</b>	<b>(94.5%)</b>	<b>(77.1%)</b>	<b>(53.4%)</b>	<b>(73.3%)</b>	<b>(73.3%)</b>	
Total Active Physicians						53.0					
Net Operating Loss per Physician						(\$296,655)					



Historical Financials & Operations | Statistics and Ratios

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	% Growth				
							FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023
<b>Utilization Statistics</b>											
Admissions	19,832	19,964	16,621	16,648	16,893	17,090	0.7%	(16.7%)	0.2%	1.5%	1.2%
Average Length of Stay ("ALOS")	4.8	4.8	5.3	5.6	5.9	5.0	0.3%	11.5%	4.2%	6.0%	(14.9%)
Patient Days	94,686	95,591	88,733	92,607	99,626	85,760	1.0%	(7.2%)	4.4%	7.6%	(13.9%)
Outpatient Visits	163,688	164,638	128,856	144,073	132,858	132,241	0.6%	(21.7%)	11.8%	(7.8%)	(0.5%)
Observation Cases	3,017	4,144	5,205	5,639	4,132	3,850	37.4%	25.6%	8.3%	(26.7%)	(6.8%)
Outpatient Equivalency Factor	1.45	1.46	1.43	1.45	1.42	1.42	0.7%	(2.4%)	1.7%	(2.1%)	0.1%
Adjusted Admissions	28,803	29,207	23,742	24,192	24,043	24,352	1.4%	(18.7%)	1.9%	(0.6%)	1.3%
Adjusted Patient Days	137,517	139,849	126,750	134,574	141,793	122,204	1.7%	(9.4%)	6.2%	5.4%	(13.8%)
<b>Census Data</b>											
Staffed Beds	389	389	389	389	389	389	-	-	-	-	-
Average Daily Census ("ADC")	259	262	242	254	273	235	1.0%	(7.4%)	4.7%	7.6%	(13.9%)
Percent Occupancy	66.7%	67.3%	62.3%	65.2%	70.2%	60.4%	1.0%	(7.4%)	4.7%	7.6%	(13.9%)
<b>Reimbursement Ratios</b>											
Gross Inpatient Revenue per Admission	134,744	146,106	184,808	202,529	216,087	218,981	8.4%	26.5%	9.6%	6.7%	1.3%
Gross Inpatient Revenue per Patient Day	28,222	30,514	34,617	36,409	36,641	43,638	8.1%	13.4%	5.2%	0.6%	19.1%
Gross Outpatient Revenue per Outpatient Visit	7,385	8,203	10,213	10,606	11,629	12,026	11.1%	24.5%	3.8%	9.7%	3.4%
Gross Patient Revenue per Adjusted Patient Day	28,222	30,514	34,617	36,409	36,641	43,638	8.1%	13.4%	5.2%	0.6%	19.1%
Adjustments & Refunds as a % of Gross Patient Revenue	(87.0%)	(87.6%)	(88.3%)	(88.7%)	(89.4%)	(89.4%)	0.7%	0.9%	0.4%	0.8%	0.0%
<b>Net Patient Revenue per Adjusted Patient Day</b>	<b>3,680</b>	<b>3,788</b>	<b>4,034</b>	<b>4,126</b>	<b>3,877</b>	<b>4,608</b>	<b>2.9%</b>	<b>6.5%</b>	<b>2.3%</b>	<b>(6.0%)</b>	<b>18.9%</b>
Total Net Operating Revenue per Adjusted Patient Day	4,058	4,163	4,640	4,724	4,234	4,960	2.6%	11.5%	1.8%	(10.4%)	17.1%
Total Operating Expenses per Adjusted Patient Day	3,226	3,328	3,544	3,478	3,452	4,046	3.2%	6.5%	(1.9%)	(0.8%)	17.2%
<b>Historical Staffing Ratios</b>											
Employed FTEs	1,962	2,009	1,873	1,839	1,848	1,855	2.4%	(6.8%)	(1.8%)	0.5%	0.4%
Paid Hours per Adjusted Patient Day	29.7	29.9	30.7	28.4	27.1	31.6	0.7%	2.8%	(7.5%)	(4.6%)	16.4%
Paid FTEs per Adjusted Occupied Bed	5.2	5.2	5.4	5.0	4.8	5.5	0.7%	3.1%	(7.8%)	(4.6%)	16.4%
Average Hourly Rate	\$47.02	\$48.12	\$49.94	\$53.81	\$58.95	\$59.01	2.3%	3.8%	7.8%	9.5%	0.1%
<b>Other Key Statistics</b>											
Case Mix Index	1.58	1.61	1.80	1.85	1.79	1.80	1.5%	12.3%	2.5%	(3.4%)	0.6%
Emergency Room Visits	78,201	78,758	60,945	65,420	68,492	60,940	0.7%	(22.6%)	7.3%	4.7%	(11.0%)
Emergency Room Admits	14,608	15,280	13,830	13,744	14,274	12,434	4.6%	(9.5%)	(0.6%)	3.9%	(12.9%)
<i>Admits as a % of Total Visits</i>	18.7%	19.4%	22.7%	21.0%	20.8%	20.4%					
<i>ER Admits as a % of Total Admissions</i>	73.7%	76.5%	83.2%	82.6%	84.5%	72.8%					
Inpatient Surgeries	5,427	5,490	4,824	4,958	4,747	4,040	1.2%	(12.1%)	2.8%	(4.3%)	(14.9%)
Outpatient Surgeries	3,012	2,603	2,167	2,350	1,995	2,015	(13.6%)	(16.7%)	8.4%	(15.1%)	1.0%
Total Surgeries	8,439	8,093	6,991	7,308	6,742	6,055	(4.1%)	(13.6%)	4.5%	(7.7%)	(10.2%)
Deliveries	3,018	2,768	2,552	2,274	1,896	1,414	(8.3%)	(7.8%)	(10.9%)	(16.6%)	(25.4%)



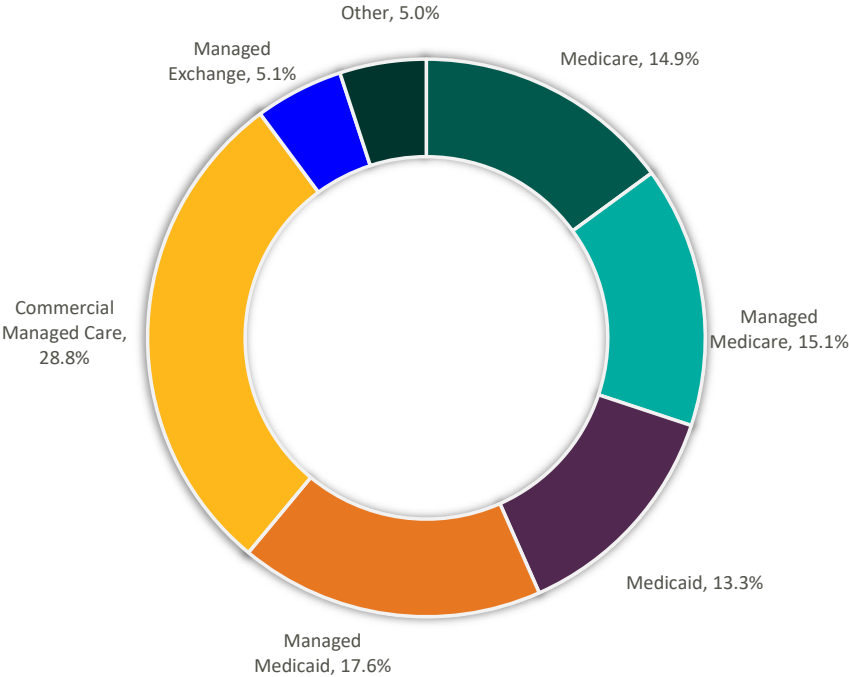
Historical Financials & Operations | Payor Mix Analysis

Net Inpatient Revenue by Payor

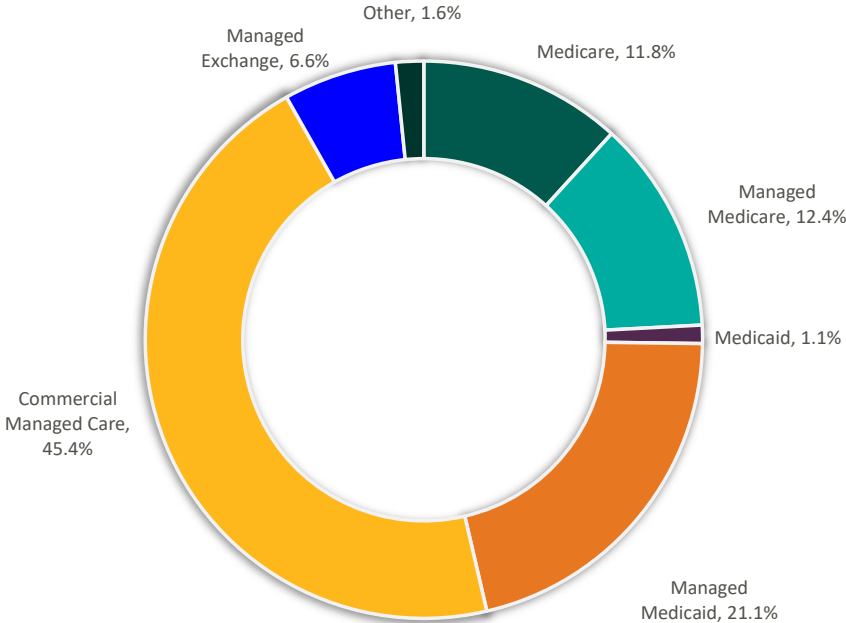
Net Outpatient Revenue by Payor

	FY 2020	FY 2021	FY 2022	TTM 2023	FY 2020	FY 2021	FY 2022	TTM 2023
1. Medicare	16.3%	15.7%	15.4%	14.9%	15.3%	13.9%	12.1%	11.8%
2. Managed Medicare	14.2%	15.7%	15.0%	15.1%	15.7%	13.2%	12.2%	12.4%
3. Medicaid	19.5%	18.1%	15.3%	13.3%	2.8%	2.0%	0.8%	1.1%
4. Managed Medicaid	11.9%	12.3%	17.6%	17.6%	17.5%	17.0%	21.0%	21.1%
5. Commercial Managed Care	28.0%	29.8%	27.8%	28.8%	42.1%	46.4%	46.2%	45.4%
6. Managed Exchange	5.5%	4.7%	4.9%	5.1%	6.0%	6.5%	6.2%	6.6%
7. Other	4.5%	3.7%	4.0%	5.0%	0.6%	0.9%	1.4%	1.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

NET INPATIENT REVENUE BY PAYOR: TTM 2023



NET OUTPATIENT REVENUE BY PAYOR: TTM 2023



Notes & Sources

(1) Sources: Management provided operating statistics for the time periods presented.





**DESERT REGIONAL MEDICAL CENTER**

**INCOME APPROACH**

Income Approach | Development of the Normalized Base Year

	Mgmt NBY Footnotes	Other Footnotes	TTM 2023	Management Adjustments	Other Adjustments	NBY	TTM 2023	NBY
<b>Gross Revenues</b>								
Gross Inpatient Revenue			\$3,742,388,690	-	-	3,742,388,690	617.4%	619.6%
Gross Outpatient Revenue			1,590,333,930	-	-	1,590,333,930	262.4%	263.3%
			5,332,722,620	-	-	5,332,722,620	879.8%	882.9%
<b>Adjustments &amp; Refunds</b>								
Inpatient Contractual	1		(3,340,500,902)	(2,673,498)	-	(3,343,174,400)	(551.1%)	(553.5%)
Outpatient Contractual	1		(1,429,998,512)	(1,144,469)	-	(1,431,142,981)	(235.9%)	(236.9%)
Bad Debt Expense			939,404	-	-	939,404	0.2%	0.2%
			(4,769,560,010)	(3,817,967)	-	(4,773,377,977)	(786.9%)	(790.3%)
<b>Net Patient Revenue</b>			<b>563,162,610</b>	<b>(3,817,967)</b>	<b>-</b>	<b>559,344,643</b>	<b>92.9%</b>	<b>92.6%</b>
<b>Other Operating Revenue</b>								
Supplemental Payments	2		41,328,972	1,906,911	-	43,235,883	6.8%	7.2%
Other Operating Revenue			1,452,157	-	-	1,452,157	0.2%	0.2%
COVID-19 Grant Income	3		178,685	(178,685)	-	-	0.0%	-
			42,959,814	1,728,226	-	44,688,040	7.1%	7.4%
<b>Total Net Operating Revenue</b>			<b>606,122,424</b>	<b>(2,089,741)</b>	<b>-</b>	<b>604,032,683</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating Expenses</b>								
<i>Employee Salaries &amp; Wages</i>								
Salaries & Wages	4		201,493,008	(2,953,694)	-	198,539,314	33.2%	32.9%
Contract Labor			26,198,265	-	-	26,198,265	4.3%	4.3%
			227,691,273	(2,953,694)	-	224,737,579	37.6%	37.2%
<i>Employee Benefits</i>								
Payroll Taxes			14,792,450	-	-	14,792,450	2.4%	2.4%
Employee Benefits	5		45,865,291	12,730	-	45,878,021	7.6%	7.6%
			60,657,741	12,730	-	60,670,471	10.0%	10.0%
<i>Occupancy Costs</i>								
Lease Expense			1,813,373	-	-	1,813,373	0.3%	0.3%
Utilities			6,213,004	-	-	6,213,004	1.0%	1.0%
Property Taxes			1,496,545	-	-	1,496,545	0.2%	0.2%
			9,522,922	-	-	9,522,922	1.6%	1.6%
<i>Drugs &amp; Medical Supplies</i>								
Medical Supplies	6		26,827,390	487,814	-	27,315,204	4.4%	4.5%
Implants			14,652,146	-	-	14,652,146	2.4%	2.4%
Drugs & Pharmaceuticals			27,846,259	-	-	27,846,259	4.6%	4.6%
Other Supplies			5,027,051	-	-	5,027,051	0.8%	0.8%
Personal Protective Equipment			1,287,743	-	-	1,287,743	0.2%	0.2%
			75,640,589	487,814	-	76,128,403	12.5%	12.6%



Income Approach | Development of the Normalized Base Year

	Mgmt NBY Footnotes	Other Footnotes	TTM 2023	Management Adjustments	Other Adjustments	NBY	TTM 2023	NBY
<i>Corporate Services</i>								
Conifer Collection Fees			14,936,121	-	-	14,936,121	2.5%	2.5%
Information Technology			12,380,122	-	-	12,380,122	2.0%	2.0%
Advertising			1,380,626	-	-	1,380,626	0.2%	0.2%
Global Business Center			940,199	-	-	940,199	0.2%	0.2%
			29,637,068	-	-	29,637,068	4.9%	4.9%
<i>Other Medical Costs</i>								
Medical Fees			40,541,707	-	-	40,541,707	6.7%	6.7%
Physician Income Assist			897,005	-	-	897,005	0.1%	0.1%
			41,438,712	-	-	41,438,712	6.8%	6.9%
<i>Insurance</i>								
Malpractice Insurance			9,490,514	-	-	9,490,514	1.6%	1.6%
Other Insurance			2,378,561	-	-	2,378,561	0.4%	0.4%
			11,869,075	-	-	11,869,075	2.0%	2.0%
<i>General &amp; Administrative</i>								
Other Controllable Expenses			5,562,954	-	-	5,562,954	0.9%	0.9%
Repairs & Maintenance			10,718,845	-	-	10,718,845	1.8%	1.8%
Other Non-Medical Expenses			9,738,209	-	-	9,738,209	1.6%	1.6%
Service Contracts			8,329,454	-	-	8,329,454	1.4%	1.4%
Legal and Professional Fees			2,365,577	-	-	2,365,577	0.4%	0.4%
License Fees			1,007,071	-	-	1,007,071	0.2%	0.2%
Contributions			305,928	-	-	305,928	0.1%	0.1%
Corporate Overhead		<i>i</i>	-	-	10,000,000	10,000,000	-	1.7%
Physician Investment		<i>ii</i>	-	-	15,722,697	15,722,697	-	2.6%
			38,028,038	-	25,722,697	63,750,735	6.3%	10.6%
<b>Total Operating Expenses</b>			494,485,418	(2,453,150)	25,722,697	517,754,965	81.6%	85.7%
<b>EBITDA</b>			111,637,006	363,409	(25,722,697)	86,277,718	18.4%	14.3%
Depreciation & Amortization Expense			17,626,177	-	-	17,626,177	2.9%	2.9%
Interest Expense		<i>iii</i>	401,908	-	(401,908)	-	0.1%	-
<b>Earnings Before Non-Operating Items</b>			93,608,921	363,409	(25,320,789)	68,651,541	15.4%	11.4%
Non-Operating Expense (Income)		<i>iv</i>	177,243	-	(177,243)	-	0.0%	-
<b>Earnings Before Income Taxes</b>			93,431,678	363,409	(25,143,546)	68,651,541	15.4%	11.4%
Federal & State Income Tax Expense		<i>v</i>	-	-	19,211,173	19,211,173	-	3.2%
<b>Earnings After Income Taxes</b>			<b>\$93,431,678</b>	<b>\$363,409</b>	<b>(\$44,354,719)</b>	<b>\$49,440,368</b>	<b>15.4%</b>	<b>8.2%</b>

Notes & Sources

(1) The Normalized Base Year (the "NBY") is based on the TTM 2023 income statement. The NBY eliminates any unusual or non-recurring items from revenue and expenses. Please refer to the following page for details related to each adjustment depicted above.



**Management Identified Normalized Base Year Adjustments**

<b>1. Net Patient Revenue Adjustments</b>	<b>Net Adjustment</b>	
Government Programs (Out of Period)	1,915,275	True-ups for Prior Period Cost Reports and Medicaid Adjustments
Managed Care Pricing (One-Time)	(2,131,478)	Adjustments for One-Time Managed Care Pricing
Litigation Settlements (One-Time)	(3,601,764)	Adjustments for Litigation Related Settlements
<b>Total Adjustment</b>	<b>(3,817,967)</b>	This adjustment was allocated pro rata to inpatient and outpatient contractuals
<b>2. Supplemental Payment Adjustment</b>	<b>Net Adjustment</b>	
<b>CA Provider Fee (Out of Period)</b>	<b>1,906,911</b>	True-ups for Prior Period CA HQAF Funding
<b>3. COVID-19 related grant revenue of \$178,685 was removed to only reflect recurring net operating revenues.</b>		
<b>4. Net Salaries &amp; Wages Adjustment</b>	<b>Net Adjustment</b>	
<b>Staffing &amp; Training (One-Time)</b>	<b>(2,953,694)</b>	Adjustments for staffing and training expenses
<b>5. Net Employee Benefits Adjustment</b>	<b>Net Adjustment</b>	
<b>SWB Allocation (One-Time)</b>	<b>12,730</b>	Add-Back for Corporate GME and Benefits Allocation
<b>6. Net Medical Supplies Adjustment</b>	<b>Net Adjustment</b>	
<b>Supplies (One-Time)</b>	<b>487,814</b>	Adjustments for one-time supply rebates

**Other Adjustments**

- i. **Corporate Overhead Adjustment** We understand the financial statements provided by Tenet do not include allocation of certain corporate overhead and management-related costs which would typically be incurred at the local level if the hospital was not operating as part of a larger corporate organization. The NBY has been adjusted to reflect a \$10.0 million corporate overhead charge based on Management representations.
- ii. **Physician Practice Investment Adjustment** VMG understands that the Hospital financial statements historically have not included revenues and expenses associated with certain physician practice operations which contribute to the operations of the Hospital. These entities are captured under separate financial statements which were provided to VMG for the most recent TTM 2023 period. The NBY was adjusted to include the TTM 2023 investment of approximately \$15.7 million.

	2019	2020	2021	2022	TTM 2023
Net Operating Revenue	14,359,106	17,533,090	21,169,202	20,981,868	21,468,132
EBITDA	(12,803,649)	(13,661,583)	(11,916,165)	(15,380,311)	(15,722,697)
<b>Total Adjustment</b>					<b>(15,722,697)</b>

Please refer to the 'Medical Group Income Statement' schedule for additional income statement detail

- iii. Interest Expense has been eliminated to derive debt-free operations.
- iv. Non-Operating Expense (Income) has been eliminated to project only recurring patient-service revenues.
- v. A corporate income tax of 27.98% was utilized in the analysis, which we have calculated to be reflective of a blended federal and state rate of United States income earned in California. Discount rates used in the valuation are market-based and derived, in part, from publicly traded companies. These for-profit companies result in a market-based discount rate after-tax. Therefore, Normalized Base Year earnings of the subject entity are tax-affected using the tax rate in order to match the expected future cash flows with the cash flow stream being discounted.





Income Approach | Revenue Assumptions

	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions
						Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Inpatient</b>											
<b>Volume</b>											
Estimated Admissions per Year	16,621	16,648	16,893	17,090	17,090	17,175	17,261	17,348	17,434	17,522	
<i>Growth</i>	<i>n/a</i>	0.2%	1.5%	1.2%	-	0.5%	0.5%	0.5%	0.5%	0.5%	
Average Length of Stay ("ALOS")	5.3	5.6	5.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
Patient Days	88,733	92,607	99,626	85,760	85,760	86,189	86,620	87,053	87,488	87,926	
<i>Growth</i>	<i>n/a</i>	4.4%	7.6%	(13.9%)	-	0.5%	0.5%	0.5%	0.5%	0.5%	
Working Days in Year	365	365	365	365	365	365	365	365	365	365	
Average Daily Census ("ADC")	243.1	253.7	272.9	235.0	235.0	236.1	237.3	238.5	239.7	240.9	
Staffed Beds	389	389	389	389	389	389	389	389	389	389	
Percent Occupancy	62.5%	65.2%	70.2%	60.4%	60.4%	60.7%	61.0%	61.3%	61.6%	61.9%	
<b>Weighted Payer Mix Analysis</b>											
<i>Payor Mix - % of Revenue</i>						<i>Reimbursement Growth Rate</i>					
Medicare	30.6%	31.4%	30.4%	30.1%	30.1%	4.3%	2.5%	2.5%	2.5%	2.5%	
Medicaid	31.4%	30.5%	32.9%	30.9%	30.9%	1.0%	1.0%	1.0%	1.0%	1.0%	
Commercial	33.6%	34.4%	32.7%	34.0%	34.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Other	4.5%	3.7%	4.0%	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
<b>Inpatient Reimbursement Growth Rate</b>						<b>2.7%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>	
Gross Charge per Admission	\$184,808	\$202,529	\$216,087	\$218,981	\$218,981	\$224,833	\$229,623	\$234,515	\$239,512	\$244,615	
Less: Estimated Discounts & Allowances	(162,881)	(178,601)	(192,934)	(195,426)	(195,586)	(200,813)	(205,091)	(209,461)	(213,923)	(218,481)	
<i>As a percentage of Gross Charges</i>	<i>(88.1%)</i>	<i>(88.2%)</i>	<i>(89.3%)</i>	<i>(89.2%)</i>	<i>(89.3%)</i>	<i>(89.3%)</i>	<i>(89.3%)</i>	<i>(89.3%)</i>	<i>(89.3%)</i>	<i>(89.3%)</i>	
Average Net Charge per Admission	\$21,926	\$23,928	\$23,153	\$23,555	\$23,395	\$24,020	\$24,532	\$25,055	\$25,588	\$26,134	
<i>Growth</i>	<i>n/a</i>	9.1%	(3.2%)	1.7%	(0.7%)	2.7%	2.1%	2.1%	2.1%	2.1%	
Inpatient Gross Charges	3,071,686,104	3,371,699,284	3,650,353,927	3,742,388,690	3,742,388,690	3,861,603,848	3,963,596,968	4,068,283,942	4,175,735,920	4,286,025,933	
Less: Estimated Inpatient Contractual Adjustments	(2,707,249,960)	(2,973,350,061)	(3,259,236,737)	(3,339,837,395)	(3,342,566,495)	(3,449,045,171)	(3,540,141,744)	(3,633,644,371)	(3,729,616,600)	(3,828,123,658)	
<b>Inpatient Net FFS Revenue</b>	<b>364,436,144</b>	<b>398,349,223</b>	<b>391,117,190</b>	<b>402,551,295</b>	<b>399,822,195</b>	<b>412,558,677</b>	<b>423,455,223</b>	<b>434,639,571</b>	<b>446,119,321</b>	<b>457,902,275</b>	
<i>Growth</i>	<i>n/a</i>	9.3%	(1.8%)	2.9%	(0.7%)	3.2%	2.6%	2.6%	2.6%	2.6%	



# DESERT REGIONAL MEDICAL CENTER

## Income Approach | Revenue Assumptions

	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions
						Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Outpatient</b>											
<b>Volume</b>											
Estimated Outpatient Visits per Year	128,856	144,073	132,858	132,241	132,241	134,886	137,584	140,335	143,142	146,005	
Growth	n/a	11.8%	(7.8%)	(0.5%)	-	2.0%	2.0%	2.0%	2.0%	2.0%	
<b>Weighted Payor Mix Analysis</b>											
Payor Mix - % of Revenue	% of Outpatient Net Collections					Reimbursement Growth Rate					
Medicare	31.0%	27.1%	24.3%	24.2%	24.2%	4.3%	2.5%	2.5%	2.5%	2.5%	
Medicaid	20.3%	19.0%	21.8%	22.2%	22.2%	1.0%	1.0%	1.0%	1.0%	1.0%	
Commercial	48.1%	52.9%	52.4%	52.0%	52.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Other	0.6%	0.9%	1.4%	1.6%	1.6%	1.0%	1.0%	1.0%	1.0%	1.0%	
<b>Outpatient Reimbursement Growth Rate</b>						<b>2.8%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	
Gross Charge per Outpatient Visit	\$10,213	\$10,606	\$11,629	\$12,026	\$12,026	\$12,367	\$12,664	\$12,969	\$13,280	\$13,599	
Less: Estimated Discounts & Allowances	(9,073)	(9,516)	(10,435)	(10,811)	(10,820)	(11,127)	(11,394)	(11,668)	(11,948)	(12,235)	
As a percentage of Gross Charges	(88.8%)	(89.7%)	(89.7%)	(89.9%)	(90.0%)	(90.0%)	(90.0%)	(90.0%)	(90.0%)	(90.0%)	
Average Net Charge per Outpatient Visit	\$1,140	\$1,089	\$1,194	\$1,215	\$1,206	\$1,241	\$1,270	\$1,301	\$1,332	\$1,364	
Growth	n/a	(4.5%)	9.6%	1.7%	(0.7%)	2.8%	2.4%	2.4%	2.4%	2.4%	
Outpatient Gross Charges	1,316,041,414	1,527,969,132	1,545,028,467	1,590,333,930	1,590,333,930	1,668,169,680	1,742,412,373	1,819,959,272	1,900,957,434	1,985,560,458	
Less: Estimated Outpatient Contractual Adjustments	(1,169,140,338)	(1,371,051,304)	(1,386,395,496)	(1,429,722,615)	(1,430,811,482)	(1,500,839,720)	(1,567,635,313)	(1,637,403,676)	(1,710,277,113)	(1,786,393,818)	
<b>Outpatient Net FFS Revenue</b>	<b>146,901,076</b>	<b>156,917,828</b>	<b>158,632,971</b>	<b>160,611,315</b>	<b>159,522,448</b>	<b>167,329,959</b>	<b>174,777,059</b>	<b>182,555,596</b>	<b>190,680,321</b>	<b>199,166,640</b>	
Growth	n/a	6.8%	1.1%	1.2%	(0.7%)	4.9%	4.5%	4.5%	4.5%	4.5%	
<b>Other Operating Revenue</b>											
Supplemental Payments	56,957,233	56,958,591	48,928,816	41,328,972	43,235,883	43,668,242	44,104,924	44,545,973	44,991,433	45,441,348	
Growth	n/a	0.0%	(14.1%)	(15.5%)	4.6%	1.0%	1.0%	1.0%	1.0%	1.0%	Increase 1.0% Annually
Other Operating Revenue	973,230	1,305,478	1,475,897	1,452,157	1,452,157	1,495,722	1,540,593	1,586,811	1,634,415	1,683,448	
Growth	n/a	34.1%	13.1%	(1.6%)	-	3.0%	3.0%	3.0%	3.0%	3.0%	Increase with Inflation
COVID-19 Grant Income	18,898,587	22,246,637	178,685	178,685	-	-	-	-	-	-	
Growth	n/a	17.7%	(99.2%)	-	(100.0%)	-	-	-	-	-	n/a
<b>Total Other Operating Revenue</b>	<b>76,829,050</b>	<b>80,510,706</b>	<b>50,583,398</b>	<b>42,959,814</b>	<b>44,688,040</b>	<b>45,163,964</b>	<b>45,645,518</b>	<b>46,132,785</b>	<b>46,625,849</b>	<b>47,124,796</b>	
Growth	n/a	4.8%	(37.2%)	(15.1%)	4.0%	1.1%	1.1%	1.1%	1.1%	1.1%	



	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions
						Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Total Net Operating Revenue</b>											
<b>Gross Revenues</b>											
Gross Inpatient Revenue	3,071,686,104	3,371,699,284	3,650,353,927	3,742,388,690	3,742,388,690	3,861,603,848	3,963,596,968	4,068,283,942	4,175,735,920	4,286,025,933	
Gross Outpatient Revenue	1,316,041,414	1,527,969,132	1,545,028,467	1,590,333,930	1,590,333,930	1,668,169,680	1,742,412,373	1,819,959,272	1,900,957,434	1,985,560,458	
	4,387,727,518	4,899,668,416	5,195,382,394	5,332,722,620	5,332,722,620	5,529,773,527	5,706,009,341	5,888,243,214	6,076,693,355	6,271,586,391	
<b>Adjustments &amp; Refunds</b>											
	<i>% of Total</i>										
Inpatient Contractual	70.0%	(2,708,251,965)	(2,976,859,150)	(3,260,091,376)	(3,340,500,902)	(3,343,174,400)	(3,466,796,163)	(3,577,380,544)	(3,691,732,140)	(3,809,988,123)	(3,932,290,966)
Outpatient Contractual	30.0%	(1,169,544,237)	(1,372,433,605)	(1,386,742,129)	(1,429,998,512)	(1,431,142,981)	(1,484,062,869)	(1,531,401,728)	(1,580,353,253)	(1,630,976,164)	(1,683,331,451)
Bad Debt Expense	(0.0%)	1,405,904	4,891,390	1,201,272	939,404	939,404	974,141	1,005,214	1,037,346	1,070,575	1,104,941
		(3,876,390,298)	(4,344,401,365)	(4,645,632,233)	(4,769,560,010)	(4,773,377,977)	(4,949,884,891)	(5,107,777,058)	(5,271,048,047)	(5,439,893,713)	(5,614,517,475)
Net Patient Revenue	511,337,220	555,267,051	549,750,161	563,162,610	559,344,643	579,888,636	598,232,283	617,195,167	636,799,642	657,068,915	
Growth	n/a	8.6%	(1.0%)	2.4%	(0.7%)	3.7%	3.2%	3.2%	3.2%	3.2%	
<b>Other Operating Revenue</b>											
Supplemental Payments	56,957,233	56,958,591	48,928,816	41,328,972	43,235,883	43,668,242	44,104,924	44,545,973	44,991,433	45,441,348	
Other Operating Revenue	973,230	1,305,478	1,475,897	1,452,157	1,452,157	1,495,722	1,540,593	1,586,811	1,634,415	1,683,448	
COVID-19 Grant Income	18,898,587	22,246,637	178,685	178,685	-	-	-	-	-	-	
	76,829,050	80,510,706	50,583,398	42,959,814	44,688,040	45,163,964	45,645,518	46,132,785	46,625,849	47,124,796	
<b>Total Net Operating Revenue</b>	<b>588,166,270</b>	<b>635,777,757</b>	<b>600,333,559</b>	<b>606,122,424</b>	<b>604,032,683</b>	<b>625,052,599</b>	<b>643,877,800</b>	<b>663,327,952</b>	<b>683,425,490</b>	<b>704,193,711</b>	
Growth	n/a	8.1%	(5.6%)	1.0%	(0.3%)	3.5%	3.0%	3.0%	3.0%	3.0%	
<b>Key Statistics</b>											
Outpatient Equivalency Factor	1.43	1.45	1.42	1.42	1.42	1.43	1.44	1.45	1.46	1.46	
Adjusted Admissions	23,742	24,192	24,043	24,352	24,352	24,595	24,849	25,108	25,371	25,639	
Growth	n/a	1.9%	(0.6%)	1.3%	-	1.0%	1.0%	1.0%	1.0%	1.1%	
Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Growth	n/a	6.2%	5.4%	(13.8%)	-	1.0%	1.0%	1.0%	1.0%	1.1%	



# DESERT REGIONAL MEDICAL CENTER

## Income Approach | Operating Expense Assumptions

	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions	
						Year 1	Year 2	Year 3	Year 4	Year 5		
<b>Employee Salaries &amp; Wages</b>												
<b>Registered Nurse Staff</b>												
Hours per Adjusted Patient Day				11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	
Full-Time Equivalents				647.4	647.4	653.9	660.6	667.5	674.5	681.6		
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.1%		Increase with Adjusted Patient Days
Average Salary per Full-Time Equivalent				\$132,218	\$130,280	\$134,188	\$138,214	\$142,360	\$146,631	\$151,030		
Growth				n/a	(1.5%)	3.0%	3.0%	3.0%	3.0%	3.0%		3.0% Annual Growth
				<b>\$85,600,178</b>	<b>\$84,345,361</b>	<b>\$87,741,290</b>	<b>\$91,308,386</b>	<b>\$95,026,655</b>	<b>\$98,902,790</b>	<b>\$102,943,789</b>		
<b>Food Service, Housekeeping and Security Staff</b>												
Hours per Adjusted Patient Day				5.3	5.3	5.2	5.2	5.1	5.1	5.0		
Full-Time Equivalents				310.1	310.1	310.1	310.1	310.1	310.1	310.1		
Growth				n/a	-	-	-	-	-	-		Projected to Remain Flat
Average Salary per Full-Time Equivalent				\$32,203	\$31,731	\$32,842	\$33,991	\$35,011	\$36,061	\$37,143		
Growth				n/a	(1.5%)	3.5%	3.5%	3.0%	3.0%	3.0%		Years 1-2 per Mgmt; then 3.0% Growth
				<b>\$9,985,650</b>	<b>\$9,839,270</b>	<b>\$10,183,645</b>	<b>\$10,540,072</b>	<b>\$10,856,275</b>	<b>\$11,181,963</b>	<b>\$11,517,422</b>		
<b>Other Hospital Staff</b>												
Hours per Adjusted Patient Day				8.9	8.9	8.9	8.9	8.9	8.9	8.9		
Full-Time Equivalents				524.4	524.4	529.6	535.1	540.7	546.3	552.1		
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.1%		Increase with Adjusted Patient Days
Average Salary per Full-Time Equivalent				\$77,016	\$75,887	\$78,543	\$81,292	\$83,731	\$86,243	\$88,830		
Growth				n/a	(1.5%)	3.5%	3.5%	3.0%	3.0%	3.0%		Years 1-2 per Mgmt; then 3.0% Growth
				<b>\$40,387,602</b>	<b>\$39,795,558</b>	<b>\$41,598,774</b>	<b>\$43,500,106</b>	<b>\$45,271,522</b>	<b>\$47,118,146</b>	<b>\$49,043,312</b>		
<b>Other Staff</b>												
Hours per Adjusted Patient Day				6	6	6	6	6	6	6		
Full-Time Equivalents				373.1	373.1	373.1	373.1	373.1	373.1	373.1		
Growth				n/a	-	-	-	-	-	-		Projected to Remain Flat
Average Salary per Full-Time Equivalent				\$175,631	\$173,056	\$178,248	\$183,596	\$189,103	\$194,777	\$200,620		
Growth				n/a	(1.5%)	3.0%	3.0%	3.0%	3.0%	3.0%		3.0% Annual Growth
				<b>\$65,519,578</b>	<b>\$64,559,124</b>	<b>\$66,495,898</b>	<b>\$68,490,775</b>	<b>\$70,545,498</b>	<b>\$72,661,863</b>	<b>\$74,841,719</b>		
<b>Employee Salaries &amp; Wages Summary</b>												
Full-Time Equivalent Hours per Adjusted Patient Day				31.6	31.6	31.5	31.3	31.2	31.1	31.0		
Full-Time Equivalent Employees				1,855.0	1,855.0	1,866.6	1,878.9	1,891.3	1,904.0	1,916.9		
Average Salary per Full-Time Equivalent				\$108,624	\$107,032	\$110,370	\$113,812	\$117,219	\$120,729	\$124,343		
Growth				n/a	(1.5%)	3.1%	3.1%	3.0%	3.0%	3.0%		
<b>Total Salaries &amp; Wages</b>	<b>\$186,566,525</b>	<b>\$188,993,751</b>	<b>\$199,124,822</b>	<b>\$201,493,008</b>	<b>\$198,539,314</b>	<b>\$206,019,607</b>	<b>\$213,839,339</b>	<b>\$221,699,950</b>	<b>\$229,864,762</b>	<b>\$238,346,242</b>		
Growth	n/a	1.3%	5.4%	1.2%	(1.5%)	3.8%	3.8%	3.7%	3.7%	3.7%		
<b>Employee Benefits</b>												
Payroll Taxes	\$13,635,148	\$14,476,440	\$14,685,225	\$14,792,450	\$14,792,450	\$15,349,780	\$15,932,400	\$16,518,066	\$17,126,396	\$17,758,321		Remains at 7.5% of Salaries & Wages
As a Percentage of Salaries & Wages	7.3%	7.7%	7.4%	7.3%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		
Employee Benefits	\$43,873,698	\$45,761,240	\$45,369,432	\$45,865,291	\$45,878,021	\$47,606,550	\$49,413,516	\$51,229,929	\$53,116,635	\$55,076,517		Remains at 23.1% of Salaries & Wages
As a Percentage of Salaries & Wages	23.5%	24.2%	22.8%	22.8%	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%		
<b>Total Employee Benefits</b>	<b>\$57,508,846</b>	<b>\$60,237,680</b>	<b>\$60,054,657</b>	<b>\$60,657,741</b>	<b>\$60,670,471</b>	<b>\$62,956,330</b>	<b>\$65,345,916</b>	<b>\$67,747,995</b>	<b>\$70,243,032</b>	<b>\$72,834,838</b>		
Growth	n/a	4.7%	(0.3%)	1.0%	0.0%	3.8%	3.8%	3.7%	3.7%	3.7%		
As a Percentage of Salaries & Wages	30.8%	31.9%	30.2%	30.1%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%		



# DESERT REGIONAL MEDICAL CENTER

## Income Approach | Operating Expense Assumptions

	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions
						Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Drugs &amp; Medical Supplies</b>											
<i>Medical Supplies</i>											
Total Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Medical Supplies per Adjusted Patient Day	\$215.34	\$211.50	\$185.15	\$219.53	\$223.52	\$230.23	\$237.13	\$244.25	\$251.58	\$259.12	Increase with Inflation
Growth	n/a	(1.8%)	(12.5%)	18.6%	1.8%	3.0%	3.0%	3.0%	3.0%	3.0%	
Total Medical Supplies	\$27,294,001	\$28,462,231	\$26,252,616	\$26,827,390	\$27,315,204	\$28,414,974	\$29,570,176	\$30,774,336	\$32,029,620	\$33,338,296	
<i>Implants</i>											
Total Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Implants per Adjusted Patient Day	\$118.24	\$109.68	\$102.82	\$119.90	\$119.90	\$123.50	\$127.20	\$131.02	\$134.95	\$139.00	Increase with Inflation
Growth	n/a	(7.2%)	(6.3%)	16.6%	-	3.0%	3.0%	3.0%	3.0%	3.0%	
Total Implants	\$14,987,467	\$14,760,733	\$14,578,506	\$14,652,146	\$14,652,146	\$15,242,073	\$15,861,735	\$16,507,659	\$17,181,005	\$17,882,992	
<i>Drugs &amp; Pharmaceuticals</i>											
Total Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Drugs & Pharmaceuticals per Adjusted Patient Day	\$243.42	\$225.01	\$195.40	\$227.87	\$227.87	\$236.98	\$246.46	\$256.32	\$266.57	\$277.24	Increase 4.0% Annually
Growth	n/a	(7.6%)	(13.2%)	16.6%	-	4.0%	4.0%	4.0%	4.0%	4.0%	
Total Drugs & Pharmaceuticals	\$30,853,755	\$30,280,637	\$27,707,021	\$27,846,259	\$27,846,259	\$29,248,647	\$30,733,254	\$32,295,309	\$33,938,970	\$35,668,626	
<i>Other Supplies</i>											
Total Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Other Supplies per Adjusted Patient Day	\$39.41	\$36.41	\$34.77	\$41.14	\$41.14	\$41.96	\$42.80	\$43.65	\$44.53	\$45.42	Increase at 2.0% Annually
Growth	n/a	(7.6%)	(4.5%)	18.3%	-	2.0%	2.0%	2.0%	2.0%	2.0%	
Total Other Supplies	\$4,995,573	\$4,899,953	\$4,930,075	\$5,027,051	\$5,027,051	\$5,178,680	\$5,336,895	\$5,500,300	\$5,669,078	\$5,843,418	
<i>Personal Protective Equipment</i>											
Total Adjusted Patient Days	126,750	134,574	141,793	122,204	122,204	123,421	124,698	125,996	127,316	128,658	
Personal Protective Equipment per Adjusted Patient Day	\$9.51	\$15.36	\$9.46	\$10.54	\$10.54	\$10.85	\$11.18	\$11.51	\$11.86	\$12.22	Increase with Inflation
Growth	n/a	61.5%	(38.4%)	11.4%	-	3.0%	3.0%	3.0%	3.0%	3.0%	
Total Personal Protective Equipment	\$1,205,327	\$2,066,789	\$1,340,990	\$1,287,743	\$1,287,743	\$1,339,590	\$1,394,051	\$1,450,820	\$1,509,999	\$1,571,695	
<b>Total Drugs &amp; Medical Supplies</b>	<b>\$79,336,123</b>	<b>\$80,470,343</b>	<b>\$74,809,208</b>	<b>\$75,640,589</b>	<b>\$76,128,403</b>	<b>\$79,423,964</b>	<b>\$82,896,111</b>	<b>\$86,528,423</b>	<b>\$90,328,672</b>	<b>\$94,305,026</b>	
Growth	n/a	1.4%	(7.0%)	1.1%	0.6%	4.3%	4.4%	4.4%	4.4%	4.4%	



# DESERT REGIONAL MEDICAL CENTER

## Income Approach | Operating Expense Assumptions

	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					Key Assumptions
						Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Operating Expenses</b>											
<i>Employee Salaries &amp; Wages</i>											
Salaries & Wages	\$186,566,525	\$188,993,751	\$199,124,822	\$201,493,008	\$198,539,314	\$206,019,607	\$213,839,339	\$221,699,950	\$229,864,762	\$238,346,242	See Salary & Wage Assumptions
Contract Labor	7,956,410	16,877,989	27,513,447	26,198,265	26,198,265	26,198,265	24,198,265	21,698,265	19,198,265	16,698,265	Remain Flat in Year 1 then Begin to Trend Down
<i>Employee Benefits</i>											
Payroll Taxes	13,635,148	14,476,440	14,685,225	14,792,450	14,792,450	15,349,780	15,932,400	16,518,066	17,126,396	17,758,321	See Benefit Assumptions
Employee Benefits	43,873,698	45,761,240	45,369,432	45,865,291	45,878,021	47,606,550	49,413,516	51,229,929	53,116,635	55,076,517	See Benefit Assumptions
<i>Occupancy Costs</i>											
Lease Expense	2,445,181	2,298,969	1,805,746	1,813,373	1,813,373	1,867,774	1,923,807	1,981,522	2,040,967	2,102,196	See Occupancy Cost Assumptions
Utilities	4,255,256	5,672,426	5,870,080	6,213,004	6,213,004	6,399,394	6,591,376	6,789,117	6,992,791	7,202,574	See Occupancy Cost Assumptions
Property Taxes	1,385,065	1,407,026	1,464,862	1,496,545	1,496,545	1,541,441	1,587,685	1,635,315	1,684,375	1,734,906	See Occupancy Cost Assumptions
<i>Drugs &amp; Medical Supplies</i>											
Medical Supplies	27,294,001	28,462,231	26,252,616	26,827,390	27,315,204	28,414,974	29,570,176	30,774,336	32,029,620	33,338,296	See Medical Supplies Assumptions
Implants	14,987,467	14,760,733	14,578,506	14,652,146	14,652,146	15,242,073	15,861,735	16,507,659	17,181,005	17,882,992	See Medical Supplies Assumptions
Drugs & Pharmaceuticals	30,853,755	30,280,637	27,707,021	27,846,259	27,846,259	29,248,647	30,733,254	32,295,309	33,938,970	35,668,626	See Medical Supplies Assumptions
Other Supplies	4,995,573	4,899,953	4,930,075	5,027,051	5,027,051	5,178,680	5,336,895	5,500,300	5,669,078	5,843,418	See Medical Supplies Assumptions
Personal Protective Equipment	1,205,327	2,066,789	1,340,990	1,287,743	1,287,743	1,339,590	1,394,051	1,450,820	1,509,999	1,571,695	See Medical Supplies Assumptions
<i>Corporate Services</i>											
Conifer Collection Fees	14,032,872	14,643,113	14,607,978	14,936,121	14,936,121	15,484,705	15,974,534	16,480,897	17,004,394	17,545,642	Percentage of Net Patient Revenue
Information Technology	16,589,987	16,332,151	11,919,612	12,380,122	12,380,122	12,810,942	13,196,779	13,595,425	14,007,340	14,433,001	Percentage of Net Operating Revenue
Advertising	1,373,303	1,375,676	1,380,627	1,380,626	1,380,626	1,428,671	1,471,699	1,516,156	1,562,093	1,609,562	Percentage of Net Operating Revenue
Global Business Center	324,338	884,219	968,805	940,199	940,199	972,917	1,002,219	1,032,494	1,063,777	1,096,103	Percentage of Net Operating Revenue
<i>Other Medical Costs</i>											
Medical Fees	34,645,437	34,071,377	39,031,571	40,541,707	40,541,707	48,441,707	49,900,664	51,408,055	52,965,618	54,575,160	Year 1 per Mgmt; then Percentage of Revenue
Physician Income Assist	1,012,918	1,118,096	912,295	897,005	897,005	928,220	956,176	985,060	1,014,905	1,045,747	Percentage of Net Operating Revenue
<i>Insurance</i>											
Malpractice Insurance	6,311,593	7,676,561	9,603,087	9,490,514	9,490,514	9,775,229	10,068,486	10,370,541	10,681,657	11,002,107	Increase with Inflation
Other Insurance	1,532,402	1,826,054	2,312,962	2,378,561	2,378,561	2,449,918	2,523,415	2,599,118	2,677,091	2,757,404	Increase with Inflation
<i>General &amp; Administrative</i>											
Other Controllable Expenses	5,833,020	4,946,634	5,785,508	5,562,954	5,562,954	5,729,843	5,901,738	6,078,790	6,261,154	6,448,988	Increase with Inflation
Repairs & Maintenance	8,511,120	8,631,861	10,338,721	10,718,845	10,718,845	11,040,410	11,371,623	11,712,771	12,064,154	12,426,079	Increase with Inflation
Other Non-Medical Expenses	7,484,956	7,379,755	9,922,529	9,738,209	9,738,209	10,030,355	10,331,266	10,641,204	10,960,440	11,289,253	Increase with Inflation
Service Contracts	7,784,704	8,213,014	8,244,762	8,329,454	8,329,454	8,579,338	8,836,718	9,101,819	9,374,874	9,656,120	Increase with Inflation
Legal and Professional Fees	2,731,356	3,046,120	2,522,992	2,365,577	2,365,577	2,436,544	2,509,641	2,584,930	2,662,478	2,742,352	Increase with Inflation
License Fees	926,998	977,427	996,664	1,007,071	1,007,071	1,037,283	1,068,402	1,100,454	1,133,467	1,167,471	Increase with Inflation
Contributions	655,661	1,008,082	217,501	305,928	305,928	315,106	324,559	334,296	344,325	354,654	Increase with Inflation
Corporate Overhead					10,000,000	10,300,000	10,609,000	10,927,270	11,255,088	11,592,741	Increase with Inflation
Physician Investment					15,722,697	16,194,378	16,680,209	17,180,616	17,696,034	18,226,915	Increase with Inflation
<b>Total Operating Expenses</b>	<b>\$449,204,071</b>	<b>\$468,088,324</b>	<b>\$489,408,436</b>	<b>\$494,485,418</b>	<b>\$517,754,965</b>	<b>\$542,362,342</b>	<b>\$559,109,627</b>	<b>\$575,730,482</b>	<b>\$593,081,752</b>	<b>\$611,193,347</b>	
<i>Growth</i>	<i>n/a</i>	<i>4.2%</i>	<i>4.6%</i>	<i>1.0%</i>	<i>4.7%</i>	<i>4.8%</i>	<i>3.1%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.1%</i>	
<b>Total Operating Expenses per Adjusted Patient Day</b>	<b>\$3,544</b>	<b>\$3,478</b>	<b>\$3,452</b>	<b>\$4,046</b>	<b>\$4,237</b>	<b>\$4,394</b>	<b>\$4,484</b>	<b>\$4,569</b>	<b>\$4,658</b>	<b>\$4,751</b>	
<i>Growth</i>	<i>n/a</i>	<i>(1.9%)</i>	<i>(0.8%)</i>	<i>17.2%</i>	<i>4.7%</i>	<i>3.7%</i>	<i>2.0%</i>	<i>1.9%</i>	<i>1.9%</i>	<i>2.0%</i>	



Income Approach | Discounted Cash Flow Assumptions

Discounted Cash Flow Analysis Assumptions

▪ Discount Rate	12.0%
▪ Normalized Net Working Capital	\$90,600,000
▪ Normalized Net Working Capital as a Percentage of Total Net Operating Revenue	15.0%
▪ Selected Incremental Net Working Capital Requirements as a Percentage of Total Net Operating Revenue	15.0%
▪ Inflation Rate	3.0%
▪ Terminal Growth Rate	3.0%
▪ Tax Rate	28.0%

Depreciation Assumptions

▪ Net Initial Depreciable Basis of Furniture, Fixtures, Equipment & Leasehold Improvements	\$52,632,525
▪ Estimated Useful Life of Initial Furniture, Fixtures, Equipment & Leasehold Improvements	10.0
▪ Net Initial Depreciable Basis of Real Estate	\$14,127,392
▪ Estimated Useful Life of Initial Real Estate	20.0
▪ Estimated Useful Life of Projected Furniture, Fixtures, Equipment & Leasehold Improvement Expenditures	10.0

Projected Capital Expenditures & Depreciation Expense <sup>(1)</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Total Net Operating Revenues	\$625,052,599	\$643,877,800	\$663,327,952	\$683,425,490	\$704,193,711	\$725,319,522
EBITDA	82,690,257	84,768,173	87,597,470	90,343,739	93,000,364	95,790,375
<b>Capital Expenditures &amp; Improvements</b>						
Furniture, Fixtures, Equipment & Leasehold Improvements	\$15,626,000	\$16,097,000	\$16,583,000	\$17,086,000	\$17,605,000	\$18,133,000
<b>Total Capital Expenditures</b>	<b>\$15,626,000</b>	<b>\$16,097,000</b>	<b>\$16,583,000</b>	<b>\$17,086,000</b>	<b>\$17,605,000</b>	<b>\$18,133,000</b>
As a Percentage of Total Net Operating Revenue	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
As a Percentage of EBITDA	18.9%	19.0%	18.9%	18.9%	18.9%	18.9%
<b>Depreciation Schedule</b>						
Depreciation of Initial Net Fixed Assets	\$53,338,895	\$706,370	\$706,370	\$706,370	\$706,370	
Calculated Depreciation of Capital Expenditures	11,789,091	9,495,824	7,356,932	5,390,425	4,578,927	
<b>Total Depreciation</b>	<b>\$65,127,986</b>	<b>\$10,202,193</b>	<b>\$8,063,302</b>	<b>\$6,096,795</b>	<b>\$5,285,297</b>	<b>\$18,133,000</b>

Notes & Sources

(1) Projected Depreciation & Amortization expense was based on the Tax Cut and Jobs Act signed into law on December 22, 2017. Depreciation was modeled assuming a hypothetical control transaction using an asset deal structure. A hypothetical buyers is assumed to take full advantage of this new law and, therefore, depreciation expense in Year One includes the full expensing of acquired net fixed assets plus the full expensing of any capital expenditures. Depreciation in Year 2 through Year 5 assumes full expensing for all assets with tax lives of 15.0 years or less, including qualified leasehold improvements. Please note, this bonus depreciation is subject to phase-out in the future.



Income Approach | Cash Flow Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Projection Period					
								Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
<b>Revenues</b>													
Gross Revenues	3,881,046,187	4,267,357,000	4,387,727,518	4,899,668,416	5,195,382,394	5,332,722,620	5,332,722,620	5,529,773,527	5,706,009,341	5,888,243,214	6,076,693,355	6,271,586,391	
Adjustments & Refunds	(3,375,029,504)	(3,737,629,736)	(3,876,390,298)	(4,344,401,365)	(4,645,632,233)	(4,769,560,010)	(4,773,377,977)	(4,949,884,891)	(5,107,777,058)	(5,271,048,047)	(5,439,893,713)	(5,614,517,475)	
Other Operating Revenue	52,059,311	52,525,113	76,829,050	80,510,706	50,583,398	42,959,814	44,688,040	45,163,964	45,645,518	46,132,785	46,625,849	47,124,796	
<b>Total Net Operating Revenue</b>	<b>558,075,994</b>	<b>582,252,377</b>	<b>588,166,270</b>	<b>635,777,757</b>	<b>600,333,559</b>	<b>606,122,424</b>	<b>604,032,683</b>	<b>625,052,599</b>	<b>643,877,800</b>	<b>663,327,952</b>	<b>683,425,490</b>	<b>704,193,711</b>	<b>725,319,522</b>
<i>Growth</i>	<i>n/a</i>	<i>4.3%</i>	<i>1.0%</i>	<i>8.1%</i>	<i>(5.6%)</i>	<i>1.0%</i>	<i>(0.3%)</i>	<i>3.5%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
<b>Operating Expenses</b>													
Employee Salaries & Wages	191,916,960	201,111,868	194,522,935	205,871,740	226,638,269	227,691,273	224,737,579	232,217,872	238,037,604	243,398,215	249,063,027	255,044,507	
Employee Benefits	54,625,869	57,695,576	57,508,846	60,237,680	60,054,657	60,657,741	60,670,471	62,956,330	65,345,916	67,747,995	70,243,032	72,834,838	
Occupancy Costs	8,609,651	8,127,969	8,085,502	9,378,421	9,140,688	9,522,922	9,522,922	9,808,610	10,102,868	10,405,954	10,718,133	11,039,677	
Drugs & Medical Supplies	80,442,857	81,903,624	79,336,123	80,470,343	74,809,208	75,640,589	76,128,403	79,423,964	82,896,111	86,528,423	90,328,672	94,305,026	
Corporate Services	30,208,006	33,305,424	32,320,500	33,235,159	28,877,022	29,637,068	29,637,068	30,697,235	31,645,231	32,624,973	33,637,603	34,684,308	
Other Medical Costs	36,454,937	37,704,053	35,658,355	35,189,473	39,943,866	41,438,712	41,438,712	49,369,927	50,856,840	52,393,115	53,980,524	55,620,907	
Insurance	7,304,315	9,517,127	7,843,995	9,502,615	11,916,049	11,869,075	11,869,075	12,225,147	12,591,902	12,969,659	13,358,748	13,759,511	
General & Administrative	34,120,191	36,057,496	33,927,815	34,202,893	38,028,677	38,028,038	63,750,735	65,663,257	67,633,155	69,662,149	71,752,014	73,904,574	
<b>Total Operating Expenses</b>	<b>443,682,786</b>	<b>465,423,137</b>	<b>449,204,071</b>	<b>468,088,324</b>	<b>489,408,436</b>	<b>494,485,418</b>	<b>517,754,965</b>	<b>542,362,342</b>	<b>559,109,627</b>	<b>575,730,482</b>	<b>593,081,752</b>	<b>611,193,347</b>	
<i>Growth</i>	<i>n/a</i>	<i>4.9%</i>	<i>(3.5%)</i>	<i>4.2%</i>	<i>4.6%</i>	<i>1.0%</i>	<i>4.7%</i>	<i>4.8%</i>	<i>3.1%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.1%</i>	
<b>Reported Historical EBITDA</b>	<b>114,393,208</b>	<b>116,829,240</b>	<b>138,962,199</b>	<b>167,689,433</b>	<b>110,925,123</b>	<b>111,637,006</b>							
Less: COVID-19 Grant Income	-	-	(18,898,587)	(22,246,637)	(178,685)	(178,685)							
Less: Physician Investment	(6,857,648)	(12,803,649)	(13,661,583)	(11,916,165)	(15,380,311)	(15,722,697)							
Less: Corporate Overhead	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)							
<b>EBITDA</b>	<b>97,535,560</b>	<b>94,025,591</b>	<b>96,402,029</b>	<b>123,526,631</b>	<b>85,366,127</b>	<b>85,735,624</b>	<b>86,277,718</b>	<b>82,690,257</b>	<b>84,768,173</b>	<b>87,597,470</b>	<b>90,343,739</b>	<b>93,000,364</b>	<b>95,790,375</b>
<i>Growth</i>	<i>n/a</i>	<i>(3.6%)</i>	<i>2.5%</i>	<i>28.1%</i>	<i>(30.9%)</i>	<i>0.4%</i>	<i>0.6%</i>	<i>(4.2%)</i>	<i>2.5%</i>	<i>3.3%</i>	<i>3.1%</i>	<i>2.9%</i>	<i>3.0%</i>
Depreciation & Amortization Expense	15,427,239	16,412,508	16,571,163	16,965,423	17,487,388	17,626,177	17,626,177	65,127,986	10,202,193	8,063,302	6,096,795	5,285,297	18,133,000
Interest Expense	478,698	408,966	256,456	241,975	364,313	401,908	-	-	-	-	-	-	-
<b>Earnings Before Non-Operating Items</b>	<b>81,629,623</b>	<b>77,204,117</b>	<b>79,574,410</b>	<b>106,319,233</b>	<b>67,514,426</b>	<b>67,707,539</b>	<b>68,651,541</b>	<b>17,562,271</b>	<b>74,565,980</b>	<b>79,534,168</b>	<b>84,246,944</b>	<b>87,715,067</b>	<b>77,657,375</b>
Non-Operating Expense (Income)	10,446	241,153	167,208	286,297	174,064	177,243	-	-	-	-	-	-	-
<b>Earnings Before Income Taxes</b>	<b>81,619,177</b>	<b>76,962,964</b>	<b>79,407,202</b>	<b>106,032,936</b>	<b>67,340,362</b>	<b>67,530,296</b>	<b>68,651,541</b>	<b>17,562,271</b>	<b>74,565,980</b>	<b>79,534,168</b>	<b>84,246,944</b>	<b>87,715,067</b>	<b>77,657,375</b>
Federal & State Income Tax Expense	-	-	-	-	-	-	19,211,173	4,914,556	20,866,246	22,256,524	23,575,328	24,545,834	21,731,329
<b>Earnings After Income Taxes</b>	<b>\$81,619,177</b>	<b>\$76,962,964</b>	<b>\$79,407,202</b>	<b>\$106,032,936</b>	<b>\$67,340,362</b>	<b>\$67,530,296</b>	<b>\$49,440,368</b>	<b>\$12,647,715</b>	<b>\$53,699,735</b>	<b>\$57,277,645</b>	<b>\$60,671,616</b>	<b>\$63,169,234</b>	<b>\$55,926,045</b>





**DESERT REGIONAL MEDICAL CENTER**  
**Income Approach | Cash Flow Projections**

								Projection Period					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TTM 2023	NBY	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
<b>Revenues</b>													
Gross Revenues	695.4%	732.9%	746.0%	770.7%	865.4%	879.8%	882.9%	884.7%	886.2%	887.7%	889.2%	890.6%	
Adjustments & Refunds	(604.8%)	(641.9%)	(659.1%)	(683.3%)	(773.8%)	(786.9%)	(790.3%)	(791.9%)	(793.3%)	(794.6%)	(796.0%)	(797.3%)	
Other Operating Revenue	9.3%	9.0%	13.1%	12.7%	8.4%	7.1%	7.4%	7.2%	7.1%	7.0%	6.8%	6.7%	
<b>Total Net Operating Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating Expenses</b>													
Employee Salaries & Wages	34.4%	34.5%	33.1%	32.4%	37.8%	37.6%	37.2%	37.2%	37.0%	36.7%	36.4%	36.2%	
Employee Benefits	9.8%	9.9%	9.8%	9.5%	10.0%	10.0%	10.0%	10.1%	10.1%	10.2%	10.3%	10.3%	
Occupancy Costs	1.5%	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	
Drugs & Medical Supplies	14.4%	14.1%	13.5%	12.7%	12.5%	12.5%	12.6%	12.7%	12.9%	13.0%	13.2%	13.4%	
Corporate Services	5.4%	5.7%	5.5%	5.2%	4.8%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	
Other Medical Costs	6.5%	6.5%	6.1%	5.5%	6.7%	6.8%	6.9%	7.9%	7.9%	7.9%	7.9%	7.9%	
Insurance	1.3%	1.6%	1.3%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
General & Administrative	6.1%	6.2%	5.8%	5.4%	6.3%	6.3%	10.6%	10.5%	10.5%	10.5%	10.5%	10.5%	
<b>Total Operating Expenses</b>	<b>79.5%</b>	<b>79.9%</b>	<b>76.4%</b>	<b>73.6%</b>	<b>81.5%</b>	<b>81.6%</b>	<b>85.7%</b>	<b>86.8%</b>	<b>86.8%</b>	<b>86.8%</b>	<b>86.8%</b>	<b>86.8%</b>	
<b>Reported Historical EBITDA</b>	<b>20.5%</b>	<b>20.1%</b>	<b>23.6%</b>	<b>26.4%</b>	<b>18.5%</b>	<b>18.4%</b>							
Less: COVID-19 Grant Income	-	-	(3.2%)	(3.5%)	(0.0%)	(0.0%)							
Less: Physician Investment	(1.2%)	(2.2%)	(2.3%)	(1.9%)	(2.6%)	(2.6%)							
Less: Corporate Overhead	(1.8%)	(1.7%)	(1.7%)	(1.6%)	(1.7%)	(1.6%)							
<b>EBITDA</b>	<b>17.5%</b>	<b>16.1%</b>	<b>16.4%</b>	<b>19.4%</b>	<b>14.2%</b>	<b>14.1%</b>	<b>14.3%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>
Depreciation & Amortization Expense	2.8%	2.8%	2.8%	2.7%	2.9%	2.9%	2.9%	10.4%	1.6%	1.2%	0.9%	0.8%	2.5%
Interest Expense	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	-	-	-	-	-	-	-
<b>Earnings Before Non-Operating Items</b>	<b>14.6%</b>	<b>13.3%</b>	<b>13.5%</b>	<b>16.7%</b>	<b>11.2%</b>	<b>11.2%</b>	<b>11.4%</b>	<b>2.8%</b>	<b>11.6%</b>	<b>12.0%</b>	<b>12.3%</b>	<b>12.5%</b>	<b>10.7%</b>
Non-Operating Expense (Income)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
<b>Earnings Before Income Taxes</b>	<b>14.6%</b>	<b>13.2%</b>	<b>13.5%</b>	<b>16.7%</b>	<b>11.2%</b>	<b>11.1%</b>	<b>11.4%</b>	<b>2.8%</b>	<b>11.6%</b>	<b>12.0%</b>	<b>12.3%</b>	<b>12.5%</b>	<b>10.7%</b>
Federal & State Income Tax Expense	-	-	-	-	-	-	3.2%	0.8%	3.2%	3.4%	3.4%	3.5%	3.0%
<b>Earnings After Income Taxes</b>	<b>14.6%</b>	<b>13.2%</b>	<b>13.5%</b>	<b>16.7%</b>	<b>11.2%</b>	<b>11.1%</b>	<b>8.2%</b>	<b>2.0%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>7.7%</b>



	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year	Key Assumptions
<b>Net Operating Revenue</b>	625,052,599	643,877,800	663,327,952	683,425,490	704,193,711	725,319,522	
<b>EBITDA</b>	82,690,257	84,768,173	87,597,470	90,343,739	93,000,364	95,790,375	
Depreciation & Amortization Expense	65,127,986	10,202,193	8,063,302	6,096,795	5,285,297	18,133,000	
Earnings Before Income Taxes	17,562,271	74,565,980	79,534,168	84,246,944	87,715,067	77,657,375	
Federal & State Income Tax Expense	4,914,556	20,866,246	22,256,524	23,575,328	24,545,834	21,731,329	28.0% Blended Federal & State Tax Rate
Earnings After Income Taxes	12,647,715	53,699,735	57,277,645	60,671,616	63,169,234	55,926,045	
Plus: Depreciation & Amortization	65,127,986	10,202,193	8,063,302	6,096,795	5,285,297	18,133,000	
Less: Required Annual Capital Expenditures	(15,626,000)	(16,097,000)	(16,583,000)	(17,086,000)	(17,605,000)	(18,133,000)	
Less: Incremental Working Capital Requirements	(3,152,987)	(2,823,780)	(2,917,523)	(3,014,631)	(3,115,233)	(3,168,872)	15.0% of Total Net Operating Revenues
Net Discretionary Cash Flow	58,996,714	44,981,148	45,840,424	46,667,780	47,734,297	52,757,174	
						Indicated Residual Value:	586,190,820
							3.0% Long-Term Growth Rate
Partial Year Adjustment	1.00	1.00	1.00	1.00	1.00	1.00	
Present Value Period (Mid-Year Convention)	0.50	1.50	2.50	3.50	4.50	4.50	
Present Value Factor	0.9449	0.8437	0.7533	0.6726	0.6005	0.6005	12.0% Weighted Average Cost of Capital
<b>Discounted Net Discretionary Cash Flows</b>	<b>\$55,746,655</b>	<b>\$37,949,276</b>	<b>\$34,530,556</b>	<b>\$31,387,308</b>	<b>\$28,664,834</b>	<b>\$352,012,358</b>	
Sum of the Present Value of the Years One through Five Projected Cash Flows					\$188,278,628	35.3%	
Present Value of the Terminal Year					352,012,358	66.1%	
Present Value of the Depreciation Tax Shield					(7,431,218)	(1.4%)	
Total Sum of the Present Value of the Cash Flows					532,859,768	100.0%	
Net Fixed Assets					\$79,887,915	13.6%	
Normalized Net Working Capital					\$90,600,000	15.4%	
Intangible Asset Value Indicated by the Income Approach					\$362,371,853	61.5%	
Tax Amortization Benefit					\$56,298,344	9.6%	
<b>Fair Market Value Indication with Tax Amortization Benefit</b>					<b>\$589,158,112</b>	<b>100.0%</b>	

**Implied Market Multiples**

NBY	Year 1	Implied Exit
-----	--------	--------------

**Fair Market Value Indication with Tax Amortization Benefit**

Implied BEV / Revenue Multiples	1.0x	0.9x	
Implied BEV / EBITDA Multiples	6.8x	7.1x	6.1x

**Sensitivity Analysis: Fair Market Value Indication with Tax Amortization Benefit**

Row Input: Weighted Average Cost of Capital

Column Input: Estimated Long-Term Growth Rate

	11.0%	11.5%	12.0%	12.5%	13.0%
2.5%	\$641,000,000	\$603,600,000	\$570,300,000	\$540,500,000	\$513,600,000
3.0%	\$666,300,000	\$625,400,000	\$589,200,000	\$556,900,000	\$528,100,000
3.5%	\$695,000,000	\$649,900,000	\$610,300,000	\$575,300,000	\$544,100,000





**DESERT REGIONAL MEDICAL CENTER**

**COST OF CAPITAL**

	Footnotes	
<b>Cost of Equity</b>		
Market Risk Premium ( $R_M$ )	1	6.35%
x Subject Company Re-levered Beta ( $B_i$ )	2	1.4551
Adjusted Market Risk Premium		9.24%
+ Size Premium ( $R_s$ )	3	1.18%
+ Company-Specific Risk Premium ( $R_u$ )	4	3.00%
Total Estimated Equity Risk Premium		13.42%
+ Risk-Free Rate of Return ( $R_f$ )	5	3.92%
Total Cost of Equity ( $K_e$ )		17.34%
x Equity as a Percentage of Total Capital ( $W_e$ )	6	60.00%
Pro-Rata Cost of Equity		10.40%

**Cost of Debt**

Pre-Tax Cost of Debt ( $K_d$ )	7	5.52%
x Tax Rate ( $t$ )	8	27.98%
After-Tax Cost of Debt		3.98%
x Debt as a Percentage of Total Capital ( $W_d$ )	6	40.00%
Pro-Rata Cost of Debt		1.59%

**Weighted Average Cost of Capital**

Pro-Rata Cost of Equity	10.40%
Pro-Rata Cost of Debt	1.59%
<b>Weighted Average Cost of Capital (Unrounded)</b>	<b>11.99%</b>
<b>Weighted Average Cost of Capital (Selected)</b>	<b>12.00%</b>

**Key Assumptions**

$$K_e = R_f + [R_m \times B_i] + R_s + R_u$$

*Kroll Supply-Side Long-Term Equity Risk Premium as of March 31, 2023.*

*Please refer to the Beta Calculation page for more detail.*

*Kroll Market Capitalization of companies in the 8th Decile as of March 31, 2023.*

*Yield of 20 Year Treasury securities as of April 17, 2023, as published by the Federal Reserve.*

*Moody's yield on corporate bonds, rating Baa, as of April 17, 2023, as published by the Federal Reserve.*

*Blended state and federal tax rate for businesses operating in the state of California.*

*After-Tax Cost of Debt = Pre-Tax Cost of Debt \* (1-Tax Rate)*

*The selected debt weighting is based on the Industry Norm.*

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



**Notes & Sources**

---

- (1) *The equity risk premium is the additional return an investor expects to receive to compensate for the risk associated with investing in equities as opposed to investing in riskless assets. The equity risk premium applied represents the Kroll Supply-Side Long-Term Equity Risk Premium as of April 17, 2023. The selected equity risk premium was considered to reasonably represent a consensus viewpoint of the market equity risk premium.*
- (2) *The beta is a measure of statistical volatility, or systemic risk, of an industry relative to the market as a whole. Beta is used to measure the price sensitivity of a company, or in this case an industry, in relation to changes in overall market prices. Public guideline company betas are unlevered in order to remove any positive effects they might receive by adding debt to their capital structures. These unlevered betas are then re-levered using the selected capital structure for the entity under question. Please refer to the following page for the publicly-traded guideline companies utilized and our calculation of beta.*
- (3) *The size (or small company) premium is the additional return an investor expects to receive to compensate for the additional risk associated with investing in a small, and inherently more risky, company. The size premium utilized was the risk premium calculated for companies included in the 8th decile of the stock exchanges analyzed by Kroll as of April 17, 2023. The size premium was based on equity value before consideration of non-operating assets.*
- (4) *The final common component of the CAPM model is the company-specific risk premium. The company-specific risk quantifies the risk associated with the specific operations of the company or the “unsystematic” risk of the company. Our selection of a company-specific risk premium adjusts not only for the additional risks inherent in the operations, but also accounts for the mitigating factors present in the operations. These risks are relative to the public markets from which the market equity risk premium, industry risk premium and small company risk premium were derived.*
- (5) *The risk-free rate is a proxy for the return available on a security that the market generally regards as free of default risk. The rate of return on a risk-free security was found by looking at the yields of United States Treasury securities. Ideally, the duration of the security used as an indication of the risk-free rate should match the horizon of the projected cash flows being discounted (which is into perpetuity in the present case). We used the available 20 Year Treasury rate as published by the Federal Reserve and sourced from Standard & Poor’s Capital IQ as of April 17, 2023.*
- (6) *We reviewed capital structures for public companies operating in the industry, the current capital structure of the subject entity, and our experience with similar businesses in selecting the capital structure utilized in the WACC analysis.*
- (7) *The cost of debt utilized in the calculation of the WACC was based upon the available Moody’s yield on seasoned corporate bonds, rating Baa, as published by the Federal Reserve and sourced from Standard & Poor’s Capital IQ as of April 17, 2023.*
- (8) *To calculate the after-tax cost of debt component in the WACC formula, we utilized the blended state and federal income tax rate applicable to the state of California.*



Cost of Capital | Beta Calculation

\$USD in thousands

	Ticker	S&P Credit Rating	Market Capitalization	Total Debt	Minority Interest	Preferred Equity	Debt / TIC <sup>(3)</sup>	Debt / Equity	Effective Tax Rate <sup>(4)</sup>	Levered Beta <sup>(2)</sup>	Unlevered Beta <sup>(5)</sup>	
1.	HCA Healthcare, Inc.	HCA	BBB-	\$75,163,720	\$38,084,000	\$2,694,000	-	32.8%	48.9%	20.2%	1.434	1.031
2.	Tenet Healthcare Corporation	THC	B+	6,746,770	15,079,000	3,466,000	-	59.6%	147.6%	20.4%	2.274	1.046
3.	Universal Health Services, Inc.	UHS	BB+	9,542,567	4,807,980	49,463	-	33.4%	50.1%	23.4%	1.294	0.935
4.	Community Health Systems, Inc.	CYH	CCC+	667,793	11,635,000	633,000	-	89.9%	894.5%	212.0%	2.078	(0.230)

	4	4	4	4	4
Number of Observations					
Low	32.8%	48.9%	20.2%	1.294	(0.230)
25th Percentile	33.3%	49.8%	20.4%	1.399	0.644
Median	46.5%	98.9%	21.9%	1.756	0.983
Mean	54.0%	285.3%	69.0%	1.770	0.695
75th Percentile	67.2%	334.3%	70.5%	2.127	1.035
High	89.9%	894.5%	212.0%	2.274	1.046

Re-Levered Beta Calculation

Median Public Comparable Unlevered Beta	Median of the Guideline Public Company Unlevered Betas:	0.983
Target Company Debt / Equity	Based on the Industry Norm:	66.7%
Blended Federal & State Income Tax Expense	Hospital's Marginal Tax Rate:	28.0%
<b>Re-Levered Beta, Subject Company <sup>(6)</sup></b>		<b>1.455</b>

Notes & Sources

- (1) Source: Standard & Poor's Capital IQ as of April 17, 2023. Please note that United States dollars are presented in thousands.
- (2) The 5 Year levered beta was sourced from Standard & Poor's Capital IQ, and computed by taking the slope of a weekly regression line of the percentage change of the stock relative to the percentage price change in the S&P 500 as of April 17, 2023.
- (3) The Debt / TIC ratio was sourced from Standard & Poor's Capital IQ, and represents the median of the public companies' debt structure as of April 17, 2023. Please note, the debt figures exclude Right-of-Use ("ROU") liabilities.
- (4) A 5 Year effective tax rate was calculated to match the beta calculation period and adjust for single-period inconsistencies. A marginal tax rate was selected for the following companies (tickers) due to the calculation of a negative effective tax rate:
- (5)  $Unlevered\ Beta = Levered\ Beta / (1 + (D/E) * (1 - T))$
- (6)  $Re-levered\ Beta = Unlevered\ Beta * (1 + (D/E) * (1 - T))$



Cost of Capital | Kroll Data

Historical Size Premiums <sup>(1)</sup>	2015	2016	2017	2018	2019	2020	2021	2022
1st	(0.4%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)	(0.2%)	(0.2%)	(0.3%)
2nd	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.5%
3rd	0.9%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.6%
4th	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%	0.5%	0.6%
5th	1.6%	1.5%	1.4%	1.3%	1.1%	1.1%	0.9%	0.9%
6th	1.7%	1.6%	1.6%	1.5%	1.3%	1.4%	1.2%	1.2%
7th	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%	1.3%	1.4%
8th	2.2%	2.0%	1.9%	1.8%	1.6%	1.5%	1.2%	1.2%
9th	2.7%	2.5%	2.5%	2.5%	2.2%	2.3%	2.1%	2.2%
10th	5.8%	5.6%	5.4%	5.2%	5.0%	5.0%	4.8%	4.8%
<b>Size Premium: 8th Decile</b>	<b>2.2%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.2%</b>	<b>1.2%</b>

Market Capitalization of Smallest Companies in Decile:	n/a	n/a	n/a	\$730,047	\$515,621	\$451,955	\$629,118	\$377,076
Market Capitalization of Largest Companies in Decile:	n/a	n/a	n/a	\$1,292,224	\$993,847	\$911,103	\$1,306,038	\$782,383

Market Capitalization <sup>(2)</sup>	2018		2019		2020		2021		2022	
	Smallest	Largest	Smallest	Largest	Smallest	Largest	Smallest	Largest	Smallest	Largest
1st	29,428,909	1,073,390,566	31,090,379	1,061,355,011	29,025,803	1,966,078,882	36,160,584	2,324,390,219	31,549,077	2,203,381,286
2nd	13,512,960	29,022,867	13,142,606	30,542,936	13,178,743	28,808,073	16,759,390	36,099,221	12,372,885	31,316,513
3rd	7,275,967	13,455,802	6,618,604	13,100,225	6,743,361	13,177,828	8,216,356	16,738,364	5,918,981	12,323,854
4th	4,504,066	7,254,230	4,312,546	6,614,962	3,861,858	6,710,676	5,019,883	8,212,638	3,770,176	5,916,017
5th	2,996,003	4,503,549	2,688,889	4,311,252	2,445,693	3,836,536	3,281,009	5,003,747	2,365,425	3,769,877
6th	1,961,831	2,992,251	1,669,856	2,685,865	1,591,865	2,444,745	2,170,315	3,276,553	1,389,851	2,365,076
7th	1,292,791	1,960,201	993,855	1,668,282	911,586	1,591,765	1,306,402	2,164,524	789,019	1,389,118
8th	730,047	1,292,224	515,621	993,847	451,955	911,103	629,118	1,306,038	377,076	782,383
9th	325,360	727,843	230,024	515,602	190,019	451,800	290,002	627,803	218,389	373,879
10th	2,455	321,578	1,973	229,748	2,194	189,831	10,588	289,007	2,015	218,227
<b>Market Capitalization: 8th Decile</b>	<b>\$730,047</b>	<b>\$1,292,224</b>	<b>\$515,621</b>	<b>\$993,847</b>	<b>\$451,955</b>	<b>\$911,103</b>	<b>\$629,118</b>	<b>\$1,306,038</b>	<b>\$377,076</b>	<b>\$782,383</b>

Notes & Sources

Source: Kroll Cost of Capital Navigator

(1) Return in excess of CAPM.

(2) Represents the market capitalization of the smallest and largest companies within each decile; amounts are presented in thousands.





**DESERT REGIONAL MEDICAL CENTER**

**MARKET APPROACH**



Low	Mid-Point	High
-----	-----------	------

**Business Enterprise / EBITDA**

Financial Metric	<i>Year 1 Total EBITDA</i>	\$82,690,257	\$82,690,257	\$82,690,257
Range of Selected Multiples		7.0x	7.5x	8.0x
<b>Business Enterprise / EBITDA</b>		<b>\$578,831,799</b>	<b>\$620,176,928</b>	<b>\$661,522,056</b>

<b>Business Enterprise / EBITDA</b>		<b>\$578,831,799</b>	<b>\$620,176,928</b>	<b>\$661,522,056</b>
-------------------------------------	--	----------------------	----------------------	----------------------

<b>Mid-Point Merger &amp; Acquisition Approach Value Indication, Rounded</b>				<b>\$620,000,000</b>
--	--	--	--	----------------------



Market Approach | Guideline Public Company Method

Capitalization Data		Ticker	Market Capitalization	Total Debt	Minority Interest	Preferred Equity	Cash & Short-Term Investments	Business Enterprise
1.	HCA Healthcare, Inc.	HCA	\$75,163,720	\$38,084,000	\$2,694,000	-	\$1,000,000	\$114,941,720
2.	Tenet Healthcare Corporation	THC	6,746,770	15,079,000	3,466,000	-	858,000	24,433,770
3.	Universal Health Services, Inc.	UHS	9,542,567	4,807,980	49,463	-	102,818	14,297,192
4.	Community Health Systems, Inc.	CYH	667,793	11,635,000	633,000	-	118,000	12,817,793

Financial Performance		Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
1.	HCA Healthcare, Inc.	HCA	\$60,233,000	\$62,605,026	\$66,159,400	\$12,067,000	\$12,194,348	\$12,945,131
2.	Tenet Healthcare Corporation	THC	19,390,000	20,059,039	21,058,026	3,542,000	3,278,892	3,481,582
3.	Universal Health Services, Inc.	UHS	13,399,370	14,109,450	14,811,360	1,644,166	1,713,084	1,811,402
4.	Community Health Systems, Inc.	CYH	12,211,000	12,396,155	12,946,487	1,182,000	1,529,113	1,663,400

Valuation Multiples		Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
1.	HCA Healthcare, Inc.	HCA	1.9x	1.8x	1.7x	9.5x	9.4x	8.9x
2.	Tenet Healthcare Corporation	THC	1.3x	1.2x	1.2x	6.9x	7.5x	7.0x
3.	Universal Health Services, Inc.	UHS	1.1x	1.0x	1.0x	8.7x	8.3x	7.9x
4.	Community Health Systems, Inc.	CYH	1.0x	1.0x	1.0x	10.8x	8.4x	7.7x

Number of Observations	4	4	4	4	4	4
Low	1.0x	1.0x	1.0x	6.9x	7.5x	7.0x
25th Percentile	1.1x	1.0x	1.0x	8.2x	8.1x	7.5x
Median	1.2x	1.1x	1.1x	9.1x	8.4x	7.8x
Mean	1.3x	1.3x	1.2x	9.0x	8.4x	7.9x
75th Percentile	1.4x	1.4x	1.3x	9.9x	8.6x	8.1x
High	1.9x	1.8x	1.7x	10.8x	9.4x	8.9x

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of April 17, 2023.

(2) Business Enterprise Value ("BEV") is defined as Market Value of Equity plus Interest-bearing Debt and minority interest less Cash and Cash Equivalents.

(3) Please note, the debt figures exclude Right-of-Use ("ROU") liabilities.



Market Approach | Guideline Public Company Analysis

Revenue Growth	HCA	THC	UHS	CYH	Mean	Median	EBITDA Growth	HCA	THC	UHS	CYH	Mean	Median
FYE - 2	0.4%	(3.6%)	1.6%	(10.8%)	(3.1%)	(1.6%)	FYE - 2	1.7%	(10.5%)	3.7%	(27.4%)	(8.1%)	(4.4%)
FYE - 1	14.0%	10.6%	9.4%	4.9%	9.7%	10.0%	FYE - 1	25.5%	40.1%	3.1%	69.6%	34.6%	32.8%
FYE	2.5%	(1.6%)	6.0%	(1.3%)	1.4%	0.6%	FYE	(4.1%)	(2.6%)	(14.8%)	(31.7%)	(13.3%)	(9.4%)
TTM	-	-	-	-	-	-	TTM	-	-	-	-	-	-
Year 1	3.9%	3.5%	5.3%	1.5%	3.6%	3.7%	Year 1	1.4%	(7.4%)	4.3%	30.9%	7.3%	2.9%
Year 2	5.7%	5.0%	5.0%	4.4%	5.0%	5.0%	Year 2	6.2%	6.2%	5.7%	8.8%	6.7%	6.2%
Year 3	6.1%	5.0%	4.7%	4.9%	5.2%	5.0%	Year 3	7.4%	8.4%	6.5%	7.9%	7.5%	7.6%

EBITDA Margin	HCA	THC	UHS	CYH	Mean	Median	Capital Expenditures	HCA	THC	UHS	CYH	Mean	Median
FYE - 2	19.4%	14.6%	16.2%	8.6%	14.7%	15.4%	FYE - 3	8.1%	3.6%	5.6%	3.3%	5.2%	4.6%
FYE - 1	21.3%	18.4%	15.2%	13.8%	17.2%	16.8%	FYE - 2	5.5%	3.0%	6.3%	3.7%	4.6%	4.6%
FYE	20.0%	18.3%	12.3%	9.6%	15.0%	15.3%	FYE - 1	6.1%	3.3%	6.8%	3.8%	5.0%	4.9%
TTM	20.0%	18.3%	12.3%	9.6%	15.0%	15.3%	FYE	7.3%	3.9%	5.5%	3.4%	5.0%	4.7%
Year 1	19.5%	16.3%	12.1%	12.3%	15.1%	14.3%	TTM	7.3%	3.9%	5.5%	3.4%	5.0%	4.7%
Year 2	19.6%	16.5%	12.2%	12.8%	15.3%	14.7%							
Year 3	19.8%	17.1%	12.4%	13.2%	15.6%	15.1%							

Net Working Capital	HCA	THC	UHS	CYH	Mean	Median	Cash-Free NWC	HCA	THC	UHS	CYH	Mean	Median
FYE - 3	7.7%	6.5%	4.4%	9.8%	7.1%	7.1%	FYE - 3	6.2%	5.1%	3.8%	8.2%	5.8%	5.6%
FYE - 2	8.2%	14.8%	10.3%	16.6%	12.5%	12.6%	FYE - 2	4.5%	1.1%	(0.3%)	2.4%	1.9%	1.7%
FYE - 1	7.8%	11.7%	3.1%	10.5%	8.3%	9.1%	FYE - 1	5.2%	(0.3%)	2.2%	6.4%	3.4%	3.7%
FYE	7.4%	9.6%	5.8%	8.7%	7.9%	8.1%	FYE	5.8%	5.2%	5.0%	7.8%	5.9%	5.5%
TTM	7.4%	9.6%	5.8%	8.7%	7.9%	8.1%	TTM	5.8%	5.2%	5.0%	7.8%	5.9%	5.5%

Capital Structure	HCA	THC	UHS	CYH	Mean	Median	Additional Data	HCA	THC	UHS	CYH	Mean	Median
FYE - 3	45.1%	77.2%	24.6%	93.4%	60.1%	61.2%	SW&B	46.0%	45.6%	50.5%	43.6%	46.4%	45.8%
FYE - 2	42.7%	75.6%	31.4%	92.4%	60.5%	59.2%	Supplies	n/a	16.9%	11.0%	16.2%	14.7%	16.2%
FYE - 1	31.4%	61.9%	28.2%	86.2%	51.9%	46.6%	COGS	61.5%	62.5%	61.5%	59.8%	61.3%	61.5%
FYE	42.0%	64.4%	44.8%	93.2%	61.1%	54.6%	SG&A	1.6%	2.1%	1.0%	2.6%	1.8%	1.9%
TTM	34.1%	61.5%	35.5%	90.5%	55.4%	48.5%	D&A	4.9%	4.3%	4.3%	4.4%	4.5%	4.4%

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of April 17, 2023.



Market Approach | M&A Multiples

VMG Complete Database	BEV / Revenue	BEV / EBITDA	EBITDA Margin Greater than 10.0%	BEV / Revenue	BEV / EBITDA
25th Percentile	0.31x	5.9x	25th Percentile	0.87x	6.1x
Median	<b>0.58x</b>	<b>8.6x</b>	Median	<b>1.11x</b>	<b>8.0x</b>
Mean	<b>0.66x</b>	<b>8.8x</b>	Mean	<b>1.14x</b>	<b>7.5x</b>
75th Percentile	0.93x	9.9x	75th Percentile	1.34x	9.0x

**Notes & Sources**

(1) VMG's Complete and Refined Databases include transactions sourced from Scope Research, Irving Levin Associates' Database, Capital IQ, and proprietary information.





HCA Healthcare, Inc., through its subsidiaries, provides health care services in the United States. It operates general and acute care hospitals that offers medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic, and emergency services; and outpatient services, such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology, and physical therapy. The company also operates outpatient health care facilities consisting of freestanding ambulatory surgery centers, freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic and imaging centers, rehabilitation and physical therapy centers, radiation and oncology therapy centers, physician practices, and various other facilities. In addition, it operates psychiatric hospitals, which provide therapeutic programs comprising child, adolescent and adult psychiatric care, adolescent and adult alcohol, drug abuse treatment, and counseling services. The company was formerly known as HCA Holdings, Inc. HCA Healthcare, Inc. was founded in 1968 and is headquartered in Nashville, Tennessee.



Tenet Healthcare Corporation operates as a diversified healthcare services company. The company operates through three segments: Hospital Operations, Ambulatory Care, and Conifer. Its general hospitals offer acute care services, operating and recovery rooms, radiology and respiratory therapy services, clinical laboratories, and pharmacies. The company also provides intensive and critical care, and/or coronary care units; cardiovascular, digestive disease, neurosciences, musculoskeletal, and obstetrics services; outpatient services, including physical therapy; cardiothoracic surgery, complex spinal surgery, neonatal intensive care, and neurosurgery services; quaternary care services in heart and kidney transplants; and limb-salvaging vascular procedure, acute level 1 trauma, intravascular stroke care, minimally invasive cardiac valve replacement, imaging, and telemedicine access services. In addition, it operates ambulatory surgery centers, imaging centers, surgical hospitals, off-campus emergency departments, and micro-hospitals. Further, the company offers end-to-end and focused-point business process services in the areas of hospital and physician revenue cycle management, patient communications and engagement support, and value-based care solutions to hospitals, health systems, physician practices, employers, and other customers. Tenet Healthcare Corporation was founded in 1967 and is headquartered in Dallas, Texas.



Universal Health Services, Inc., through its subsidiaries, owns and operates acute care hospitals, and outpatient and behavioral health care facilities. The company operates through Acute Care Hospital Services and Behavioral Health Care Services segments. Its hospitals offer general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic and coronary care, pediatric services, pharmacy services, and/or behavioral health services. The company also provides commercial health insurance services; and various management services, which include central purchasing, information, finance and control systems, facilities planning, physician recruitment, administrative personnel management, marketing, and public relations services. Universal Health Services, Inc. founded in 1978 and is headquartered in King of Prussia, Pennsylvania.



Community Health Systems, Inc. owns, leases, and operates general acute care hospitals in the United States. It offers general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic, psychiatric, and rehabilitation services, as well as skilled nursing and home care services. The company also provides outpatient services at primary care practices, urgent care centers, free-standing emergency departments, ambulatory surgery centers, imaging and diagnostic centers, and direct-to-consumer virtual health visits. As of December 31, 2021, it owned or leased 80 affiliated hospitals with an aggregate of 12,832 licensed beds. The company was founded in 1985 and is headquartered in Franklin, Tennessee.

**Notes & Sources**

(1) Sources: Standard & Poor's Capital IQ as of April 17, 2023.






---

# WE VALUE HEALTHCARE

## Contact Us:

-  (214) 369-4888
-  [info@vmghealth.com](mailto:info@vmghealth.com)

## Locations:

-  2515 McKinney Avenue, Suite 1500, Dallas, TX 75201
-  200 Columbine Street, Suite 350, Denver, CO 80206
-  150 3rd Avenue South, Suite 2120, Nashville, TN 37201