

December 27, 2012

Citrus County Hospital Board of Trustees  
P.O. Box 103  
Inverness, FL 34451

**Proposal to Provide Valuation Services  
Citrus Memorial Hospital**

Dear Citrus County Hospital Board of Trustees:

We are pleased to provide this proposal for valuation services to the Citrus County Board of Trustees (“Board”). Based on the Request for Proposal (“RFP”), we understand that the Board is interested in obtaining information and credentials related to Value Management Group, LLC, d/b/a VMG Health’s (“VMG”) valuation services related to hospitals, health systems, and real estate. The purpose of this proposal is to provide a response to the RFP to assist the Board in contracting a certified public accounting firm or other firm that has substantial expertise in the valuation of hospitals to render an independent valuation of Citrus Memorial Hospital (“Hospital”) and its properties for the potential sale and/or leasing of hospital facilities owned by the board to a not-for-profit or for-profit entity.

Additionally, VMG understands the Board would like the certified public accounting firm or other firm to consider an objective operating comparison between a hospital or health care system operated by the Citrus County Hospital Board and other similarly situated hospitals, both not-for-profit and for-profit, which have similar service mix, in order to determine whether there is a difference in the cost of operations using publicly available data provided by the Agency for Health Care Administration and the quality metrics identified by the Centers for Medicare and Medicaid Services (“CMS”) Core Measures to determine whether it is more beneficial to taxpayers and the affected community for the hospital and properties to be operated by a governmental entity, or whether the hospital and properties can be operated by a not-for-profit or for-profit entity with similar or better cost efficiencies or measurable outcomes identified by CMS Core Measures [Florida Statute § 155.40 (5)(d)].

If engaged, we understand that all analyses will be used for management planning and regulatory compliance purposes. The results of any study provided should not be used, in whole or in part, for any other purpose or distributed to third parties, other than the Internal Revenue Service, the Office of Inspector General, the Securities and Exchange Commission or other regulatory authorities, without the express written consent of VMG. Our valuation analysis does not constitute a fairness opinion or investment advice in that we will not conduct all of the steps necessary to issue such an opinion.

Please note that 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.

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**MANAGEMENT SUMMARY**

General Bidder Information

**Company Name:** VMG Health  
**Address:** 2515 McKinney Ave, Suite 1500  
Dallas, TX 75201  
**Telephone Number:** 214.369.4888  
**Fax Number:** 214.369.0541  
**Contact Person:** Elliott Jeter, CFA, CPA/ABV  
**Position:** Partner  
**Email:** [elliottj@vmghealth.com](mailto:elliottj@vmghealth.com)

VMG Overview

VMG focuses solely on providing appraisal, valuation, and transaction advisory services related to healthcare services organizations throughout the United States and abroad. The firm was formed in 1995, and now employs approximately 70 professionals dedicated to providing healthcare valuation services. VMG performs approximately 1,200 valuations per year throughout the United States and abroad. VMG has performed valuations in every state of the US as well as the United Kingdom, Mexico, South Africa, Singapore and Hong Kong. The firm routinely provides transaction related valuation and appraisal services of hospitals, health systems, ambulatory surgery centers, urgent care centers, diagnostic imaging centers, radiation therapy/cancer centers, rehabilitation hospitals, physician organizations, health plans, dialysis facilities, catheterization labs and other ancillary healthcare services providers. In addition, the firm has a team dedicated to the valuation of professional service arrangements such as management, co-management development, physician services, intellectual property, and billing and collection agreements.

VMG continues to stay abreast of definitions and guidelines utilized in determining FMV for compliance purposes and will apply this knowledge in our valuation services. The Office of Inspector General, Centers for Medicare and Medicaid Services ("CMS"), Stark Law, and Anti-Kickback statute discuss guidelines for determining and documenting FMV and commercial reasonableness. Our efforts also include continual discussions with legal counsel, specialized in healthcare, as well as our attendance to all relevant conferences and educational seminars related to healthcare regulations and valuations in healthcare.

VMG draws on the expertise of our entire firm to provide clients with focused healthcare financial advisory services, including:

- Fair Market Value Opinions
- Facility Development Consulting
- Feasibility Analysis
- Transaction Representation
- Fairness Opinions
- Solvency Opinions
- Bankruptcies and Restructurings
- Litigation Support

VMG has worked with clients representing a broad spectrum of the healthcare services industry, including:

- Hospitals and Health Systems
- Ambulatory Surgery Centers
- Short Stay/Surgical Hospitals
- Diagnostic Imaging Centers
- Free-Standing Outpatient Providers
- Physical Therapy Clinics
- Cancer Treatment Centers
- Home Healthcare
- Medical Practice Organizations
- Long Term Care Facilities
- Rehabilitation Centers
- Outpatient Dialysis Centers
- Rehabilitation Hospitals
- Physician Practices

VMG Team

Between offices in Dallas and Nashville, the VMG Team includes over 70 professionals (eight partners) and eight administrative support personnel over offices in Dallas and Nashville that are dedicated to providing a level of healthcare expertise and service that is unmatched in the area of healthcare valuation services. Additionally, VMG Health employs a team of research associates whose sole responsibility is providing top down research related to the healthcare industry. Below is a list of our partners in the firm, their associated credentials, and areas of expertise:

Gregory S. Koonsman, CFA – Business Valuation, Transaction Advisory  
Elliott Jeter, CFA, CPA/ABV – Business Valuation, Financial Reporting  
Vincent M. Kickirillo, CFA, AVA – Business Valuation, Litigation Support  
Kevin McDonough, CFA – Business Valuation  
Todd J. Sorensen, AVA – Business Valuation  
Stephan Peron, AVA – Business Valuation  
Jennifer Johnson, CFA – Professional Service Arrangements  
Jim Rolfe – Transaction Advisory, Business Development

Firm Credentials

Our professionals maintain credibility via involvement and credentialing with the following well respected organizations:

- The CFA Institute: Chartered Financial Analyst (“CFA”) designation (6 CFA Charter holders; 3 Level III Candidates; 6 Level II Candidates);
- Texas State Board of Public Accountancy: Certified Public Accountant (“CPA”) (3 Professionals);
- Tennessee State Board of Accountancy: Certified Public Accountant (1 Professional);
- American Institute of Certified Public Accountants: Accredited in Business Valuation (“ABV”) designation (3 Professionals);
- American Society of Appraisers: Accredited Member (“AM”) (1 Professional);
- The National Association of Certified Valuation Analysts: Accredited Valuation Analyst (“AVA”) designation (6 Professionals); and
- Member, American Institute Real Estate Appraisers (“MAI”) Designation (3 professionals).

Sample of Client Base

Below is a representative sample of our top 20 health system clients:

- Adventist Health
- Barnabus Health
- Baylor Health Care System
- Bon Secours Health System
- Catholic Health Initiatives
- Centura Health
- CHRISTUS Health
- Community Health Systems (“CHS”)
- Dignity Health (formerly Catholic Healthcare West)
- Hospital Corporation of America (“HCA”)
- Health Management Associates (“HMA”)
- LHP Hospital Group

- Lifepoint Hospitals
- Memorial Hermann Healthcare System
- NorthShore University Health System
- Providence Health & Services
- Sutter Health
- Tenet Health
- Texas Health Resources
- Vanguard Health Systems

Additionally, please see the client reference list attached to this proposal.

#### The VMG Approach

The following are signature characteristics of the VMG approach:

**Senior Level Attention** – Our clients enjoy a relationship with senior experts who are able to deliver in-depth knowledge to our clients by relying on our expertise and vast experience in health care.

**Focus** – VMG believes that focus and insight in a market are the distinguishing characteristics of excellence. VMG is comprised over of 70 professionals who are completely dedicated to the health care provider services industry and are located in Dallas, Texas and Nashville, Tennessee. Our entire business is focused on understanding the complexities of health care and the everyday challenges our clients face. Experience has shown that most non-industry specific consulting firms do not have a staff capable of delivering a consistent level of expertise and quality results. As a result, their clients often suffer the consequences of inexperienced staff that are forced to address unfamiliar and complex health care issues.

**Value Proposition** – VMG is a national firm that is considered to be the pre-eminent facility valuation, consulting and development consulting firm in the United States. We deliver expertise in a timely manner on a cost effective basis to our clients throughout the country.

#### VMG Service Offerings

VMG is a full service health care transaction support service firm. We have dedicated and focused professional teams consisting of experts in specific areas to assist our clients with their health care related business transactions. Below is a summary of the specific areas of expertise which may be beyond the scope of performing this engagement, but are available to the extent the need arises. In addition to our business valuation services, VMG's focused areas of health care transaction expertise include the following:

**Business Valuation Services** – VMG was founded on providing fair market value business appraisals within healthcare. VMG performs over 1,200 business valuations per year servicing all sectors with the healthcare industry. VMG provides business valuations for transaction, development, and internal client purposes. *Fair market value* is defined 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.

**Professional Service Agreements** – VMG has a dedicated team focusing on professional services agreements within health care. Jen Johnson, CFA, leads the team and works closely with health law

professionals on all issues pertinent to provider agreements between health systems and physicians. Engagements include but are not limited to the analysis of physician employment agreements, co-management agreements, call coverage agreements, and administrative service agreements, among numerous other types of agreements.

**Capital Asset Appraisal** – As it relates specifically to capital asset or personal property appraisal, VMG has professionals dedicated to performing asset inventory and equipment/furniture valuations. We specialize in the inventory, tagging and valuation of major moveable equipment, medical equipment, furniture, etc. The team leader, Kevin Florenz, ASA, has over 20 years of experience in working with healthcare facilities, including almost all aspects of medical equipment.

**Real Estate Appraisals** – VMG has a team of MAI accredited real estate appraisal professionals focusing on the healthcare real estate market. Team leaders John Trabold, MAI and Frank Fehribach, MAI, have combined over 50 years of real estate appraisal experience and are licensed in almost every state.

**Transaction Advisory Services** – VMG has dedicated professionals to assist our clients with their pursuits in buying and/or selling targeted entities. The team leader, Jim Rolfe, came to VMG from the nation's second largest health system where he led business development efforts for healthcare sectors including, but not limited to acute care hospitals, imaging centers, surgery centers, specialty hospitals, physician practices, home health and senior housing.

**Valuation for Financial Report Purposes** – VMG has a team focused in this increasingly important area of financial reporting. Colin McDermott, CFA, CPA/ABV leads our accounting related valuation services team. Colin has assisted numerous non-profit and for-profit clients with valuation analysis related to ASC 805 Business Combinations (formerly SFAS 141R). Colin has performed over 50 related engagements and issued valuation opinions on the fair value of intellectual property and other intangible assets acquired as a result of the acquisition of acute care hospitals, ambulatory surgery centers, rehabilitation hospitals and multi-specialty physician groups. Additionally, Colin has assisted numerous health care clients with their annual impairment testing process as required by ASC 350 Intangible-Goodwill and Other (formerly SFAS 142).

**Litigation Support Services** – VMG provides expert testimony, reports and dispute related consulting services to develop strategic recommendations tailored to needs specific to litigation matters. Clients in both initial and advanced phases of litigation have relied on VMG to provide its economic and financial expertise through use of its broad range of skills, reach and reputation for ethical and unbiased work. Our professionals provide valuation consulting services and expert testimony in connection with disputes, transactions and day-to-day corporate management. Vincent M. Kickirillo, CFA, AVA, VMG's lead partner in litigation support services has provided expert testimony and litigation support to multiple clients across the healthcare industry.

## **PROPOSED SOLUTION**

### **Business Valuation – Fair Market Value Analysis – Citrus Memorial Hospital**

*Fair market value* is defined 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.

To conduct this study and present our recommendation, we will follow the methodology outlined in IRS Revenue Ruling 59-60. This was a landmark ruling by the Internal Revenue Service that provides general guidelines for the valuation of closely held companies and calls for examination of the following elements (Please note that in valuing specific intangible assets of businesses, similar methodologies are employed):

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

Being cognizant of the general guidelines set forth in Revenue Ruling 59-60, our investigation and analysis will be conducted as follows:

1. **Investigation.** We will conduct interviews with key management concerning past, present, and prospective operating results of the Hospital and their impact on the value of the Hospital to a hypothetical third-party investor. Steps include:
  - Develop an understanding of the background of the Hospital
  - Evaluate historical financial results and statistics
2. **Analysis.** We will analyze the historical operating and financial data in order to gain an understanding of the operations of the Hospital. This will allow us to determine the underlying dynamic factors pertinent to the projected operation of the Hospital. Steps include:
  - Analyze historical operational results and statistics
    - Payor and service mix
    - Managed care relationships
  - Prepare prospective operational and financial analysis
    - Staffing
    - Cost projections
    - Capital expenditure requirements
    - Working capital requirements
    - Discount rate analysis, risk of cash flow projections
  - Evaluate service area
  - Evaluate competitive factors
  - Complete physical site visit and interviews with key personnel
3. **Valuation.** We will estimate the fair market value of the businesses fixed and intangible assets according to the appropriate valuation methodology: the cost approach, the market comparison approach, and/or the income approach. Briefly, the cost approach identifies the cost to recreate a business or asset, the market comparison approach computes value by examining the

purchase price of similar companies or assets in a free and open market, and the income approach projects a future income stream attributable to a business or asset and then discounts those earnings back to present value. We will consider all three valuation approaches in our analysis and will rely upon the most appropriate method or methods in forming our value estimate. Steps include:

- Estimate of value range based upon preliminary DCF, market approach, and cost approach
  - Review preliminary analysis with appropriate party
  - Determination of appropriate valuation methodology: cost, market or income approach
  - Final estimation of fair market value
4. **Documentation.** In addition to generating a full report that will outline our investigation and findings, we will accumulate and maintain in our files the requisite source data supporting our recommendation of a fair market value for the Hospital.

The business valuation proposed timeline is approximately 4 weeks from the receipt of all pertinent data.

Operational Analysis – Citrus Memorial Hospital

VMG will perform an operational analysis conformed to the standards found in Florida Statute § 155.40 (5)(d) using publicly available data, VMG's proprietary internal hospital database, data provided by the Agency for Health Care Administration and the quality metrics identified by the Centers for Medicare and Medicaid Services ("CMS") Core Measures to determine whether it is more beneficial to taxpayers and the affected community for the hospital and properties to be operated by a governmental entity, or whether the hospital and properties can be operated by a not-for-profit or for-profit entity with similar or better cost efficiencies or measurable outcomes identified by CMS Core.

- Through general investigation and analysis determine the operational cost/benefit effects on the subject hospital based as a governmental entity, not-for-profit entity, and for-profit entity
  - Benchmark analysis against Public companies
  - Benchmark analysis against VMG's vast proprietary internal database
- Documentation provided will highlight the findings of the analysis and contrast each separate operational model.

The operational analysis proposed timeline is approximately 4 weeks from the receipt of all pertinent data (to be delivered in conjunction with the business valuation).

Real Estate Appraisal – Fair Market Value Analysis – Citrus Memorial Hospital & Properties

The analyses will consider the physical aspects of the properties, which are apparent to an inspection, and an assessment of their competitive position in the local market. The assignments will be prepared in conformance with the requirements of the Code of Ethics and Uniform Standards of Professional Appraisal Practice of the Appraisal Institute ("AI"), and USPAP.

**Fair market value**, as previously mentioned, is defined 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. The term herein, is also used

interchangeably in this analysis with the term Market Value. Market Value means “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**Fair Market Rent** – The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). Implicit in this definition are the following conditions:

- Lessee and lessor are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
- The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

We will convey the results of our investigation in a Restricted Use Report and/or a Summary Report as defined in the Uniform Standards of Professional Appraisal Practice. The analyses will consider the physical aspects of the property which is apparent to an inspection and an assessment of its competitive position in the local and regional markets. The report will communicate the results of this investigation. Supporting data pertaining to the conclusion of value will be retained in our files.

To assist in the performance of the assignments, we respectfully request that the following information be made available for review:

1. Site plans, plot plans, or property surveys.
2. Plans and specifications, and engineering studies.
3. Legal descriptions.
4. A copy of any in-place leases and operating statements for the past three years.
5. A summary of the three-year history of the property.
6. A copy of a Title Policy on the properties and historical cost information.
7. Any historical cost information pertaining to the real estate, including tenant improvements.

The real estate analyses proposed timeline is approximately 4 weeks from the receipt of all pertinent data (to be delivered in conjunction with the business valuation).

**PROJECT MANAGEMENT**

Staffing

Greg Koonsman, Elliott Jeter, John Trabold and Colin McDermott will lead and direct this engagement and will be your primary interface. They will be supported by a team of professionals from our Dallas office. In addition to the personnel listed below, VMG would dedicate additional staff as needed.

Business Valuation, Real Estate, and Support Team:

- Gregory S. Koonsman, CFA Senior Partner (Valuation)
- Elliott Jeter, CFA, CPA/ABV Partner (Valuation)
- John S. Trabold III, MAI Managing Director (Real Estate)
- Colin McDermott, CFA, CPA/ABV Senior Manager (Valuation)
- Corey Palasota, CFA Senior Analyst (Valuation)
- Charles Nolen, MAI Manager (Real Estate)

Team Lead Bios

**Gregory S. Koonsman, CFA | Senior Partner**



Greg Koonsman is a Senior Partner and Founder of VMG Health. Mr. Koonsman specializes in providing valuation, transaction advisory, feasibility and operational consulting services to the firm’s healthcare clients. He has acted as financial advisor in transactions with acute care hospitals and health systems, ambulatory surgery centers, cancer treatment diagnostic imaging centers, dialysis centers, home health agencies, insurance organizations, physicians groups, physical and occupational therapy centers, long term care facilities and numerous other ancillary healthcare service businesses. Mr. Koonsman has acted as an advisor in over 250 hospitals, 1,000 surgery centers, 30 HMOs, 1,500 physician organization transactions, and a variety of other healthcare entities in the United States. Mr. Koonsman has worked with clients internationally in markets such as England, Mexico, South Africa, Singapore, and Costa Rica.

Mr. Koonsman was a Founder and Director of Practice Performance, Inc.; a physician management organization providing outsourced business management services to over 100 physicians in Texas, Colorado, and South Carolina. Practice Performance was sold in 2006 to MedSynergies, Inc.

Mr. Koonsman was a co-author of the valuation text “Financial Valuation, Applications and Models” with responsibility for authoring the Chapter 18 Valuation of Healthcare Services Businesses. He has served on the board of directors of IntraOp Medical Corporation since 2007.

Prior to co-founding VMG Health, Mr. Koonsman was with the financial advisory group of Ernst & Young where he specialized in healthcare valuation and transactions. He has spoken to numerous healthcare groups on the topic of healthcare transactions and valuation. Mr. Koonsman holds an M.B.A., B.S. in aerospace engineering and is a chartered financial analyst (CFA).

Mr. Koonsman is a member of the following organizations:

- Association of Investment Management and Research (AIMR)
- American Society of Appraisers
- Healthcare Financial Management Association (HFMA)

**Elliott Jeter, CFA, CPA/ABV | Partner**



Elliott Jeter is a Partner of the company. He specializes in providing valuation, transaction advisory, strategic and operational consulting services to the firm's healthcare clients. He has extensive experience working closely with ambulatory surgery centers, hospital systems, physician groups and other healthcare providers.

Mr. Jeter leads our accounting related valuation services team. Mr. Jeter has assisted numerous non-profit and for-profit clients with valuation analysis related to ASC 805 Business Combinations (formerly SFAS 141R) and has issued valuation opinions on the fair value of intellectual property and other intangible assets acquired as a result of the acquisition of acute care hospitals, ambulatory surgery centers, rehabilitation hospitals and multi-specialty physician groups. Additionally, Mr. Jeter has assisted numerous health care clients with their annual impairment testing process as required by ASC 350 Intangible-Goodwill and Other (formerly SFAS 142).

Prior to joining VMG Health, Mr. Jeter worked as the Director of Development for MedSynergies, Inc., a \$50 million Ophthalmic Physician Practice Management Company. Mr. Jeter was responsible for in-market development efforts and oversaw many physician practice acquisitions. In addition to his development duties, Mr. Jeter supervised the centralized billing and collection department for the company on an interim basis.

Mr. Jeter also worked for the financial advisory services group of Ernst and Young. At Ernst and Young, Mr. Jeter worked on a wide range of healthcare clients, including hospital systems, physician practice management companies and other healthcare entities.

Mr. Jeter is a graduate of Texas A&M University and also earned a Masters of Business Administration from the University of Texas at Austin. Mr. Jeter is a Certified Public Accountant (CPA) and a Chartered Financial Analyst (CFA). Mr. Jeter is a frequent speaker at healthcare trade association meetings and has written numerous articles on healthcare valuation issues that have been published in industry magazines and journals. Mr. Jeter was named Who's Who in the Ambulatory Surgery Industry in 2007. Mr. Jeter is a member of the following organizations:

- Healthcare Financial Management Association (HFMA)
- Federated Ambulatory Surgery Association (FASA)
- American Bar Association Health Law Section (ABA)
- American Institute of Certified Public Accountants (AICPA)
- CFA Society of Dallas-Fort Worth
- CFA Institute

**John S. Trabold III, MAI | Director of Real Estate Services**



Mr. Trabold has experience in the valuation of commercial, industrial and investment grade properties to estimate Market Value for ad valorem purposes, allocation of purchase price, financing and investment decisions. Industries served include medical, banking, hospitality, manufacturing and financial services.

Typical properties appraised have included vacant land, shopping centers, regional shopping malls, hotels, office buildings, corporate headquarters, light and heavy manufacturing, warehousing and special purpose properties. During the past several years, Mr. Trabold has specialized in the valuation of high-tech industrial manufacturing assembly plants. Clients include Intel, Texas Instruments, Sony, Agere, Hitachi, AT&T, as well as taxing jurisdictions. Mr. Trabold has also provided expert testimony in causes revolving around corporate headquarters during the past several years. Mr. Trabold also has extensive experience in the valuation of complex healthcare properties, including hospitals, medical office buildings, surgery centers, imaging centers and long-term acute hospitals.

Mr. Trabold has served clients in 40 of the United States and Puerto Rico.

Since 1986, Mr. Trabold has specialized in the appraisal of investment grade income real estate. Mr. Trabold has also been extensively involved in the appraisal of "Triple-Net" assets including drug stores, grocery stores and convenience stores.

**COURT EXPERIENCE**

Mr. Trabold has testified as an expert witness in Austin, Fort Worth, Dallas, Denton, Houston and Nashville regarding valuations for ad valorem tax purposes. Mr. Trabold is also qualified as an expert witness in federal bankruptcy court. Mr. Trabold also has extensive experience in the valuation of complex healthcare properties, including hospitals, medical office buildings, surgery centers, imaging centers and long-term acute care hospitals.

**PROFESSIONAL AFFILIATIONS/ASSOCIATION MEMBERSHIPS**

MAI Designation, Appraisal Institute

Member of Forensic Expert Witness Association

Citrus County Hospital Board of Trustees

VMG Health's Response – Request For Proposal – Citrus Memorial Hospital FMV

Member of the International Association of Assessing Officers

State Certified General Real Estate Appraiser – California, Texas, Tennessee, Oklahoma, Illinois, Washington, Louisiana, Indiana and South Carolina

**Colin McDermott, CFA, CPA/ABV | Senior Manager of Business Valuation Services**



Colin McDermott, CFA, CPA/ABV is a Senior Manager with VMG Health and is based in the Dallas office. He specializes in providing financial, valuation and transaction advisory services to clients in the health care industry. His clients have included hospitals, hospital systems, ambulatory surgery centers, imaging centers, laboratories, physician groups and other healthcare entities.

Mr. McDermott leads our accounting related valuation services team. Mr. McDermott has assisted numerous non-profit and for-profit clients with valuation analysis related to ASC 805 Business Combinations (formerly SFAS 141R) and has issued valuation opinions on the fair value of intellectual property and other intangible assets acquired as a result of the acquisition of acute care hospitals, ambulatory surgery centers, rehabilitation hospitals and multi-specialty physician groups. Additionally, Mr. McDermott has assisted numerous health care clients with their annual impairment testing process as required by ASC 350 Intangible-Goodwill and Other (formerly SFAS 142).

Prior to joining VMG Health, Mr. McDermott was a Director in the Forensic and Litigation Consulting Group of FTI Consulting, Inc. Prior to FTI Consulting, Inc., Mr. McDermott was an Associate in KPMG's Forensic and Litigation Consulting Group. In those roles, Mr. McDermott provided valuation and advisory services to firms in various industries, including health care, manufacturing, energy and telecommunications.

Mr. McDermott received a Bachelor of Business Administration in Accounting and a Master of Science in Finance from Texas A&M University. Mr. McDermott is a licensed Certified Public Accountant (CPA) in the state of Texas and holds the Chartered Financial Analyst (CFA) designation. Mr. McDermott is currently a member of the following organizations:

CFA Institute

CFA Society of Dallas-Fort Worth

The American Health Lawyers Association

American Institute of Certified Public Accountants

**COSTS**

Professional Fees

VMG is able to provide all proposed services without the use of sub-contractors. The applicable professional fees for the services described herein will not exceed \$98,000 and are presented below. If it is determined that any proposed services are not required by the Board, VMG will adjust the professional fees as needed. Additionally, the site visit and presentation expense estimate is inclusive of all expected expenses. The quote presented below shall be valid for 120 days.

<b>Citrus Memorial Hospital and Properties</b>	<b>FMV Standard</b>	<b>FMV Bulk Discount</b>
<u>Valuation Analysis of Citrus Memorial Hospital</u>		
<i>Business Valuation and Operational Analysis</i>		
1. Citrus Memorial Hospital - Business FMV Opinion	\$ 35,000	\$ 30,000
2. Citrus Memorial Hospital - Comparative Business Analysis	\$ 10,000	\$ 5,000
<b>Business Valuation and Operational Analysis - Sub-total</b>	<b>\$ 45,000</b>	<b>\$ 35,000</b>
<i>Real Estate Appraisal - Summary Report</i>		
1. Hospital & Historical School	\$ 30,000	\$ 25,000
2. Allen Ridge Medical Complex	\$ 10,000	\$ 8,000
3. Sugarmill Woods/2 Buildings	\$ 7,500	\$ 5,000
4. Vacant Governmental - Pine Ave.	\$ 7,500	\$ 5,000
5. Vacant Governmental - W. Gulf to Lake Hwy.	\$ 10,000	\$ 8,000
<b>Real Estate Appraisal - Summary Report - Sub-total</b>	<b>\$ 65,000</b>	<b>\$ 51,000</b>
<i>Real Estate Appraisal - Restricted Report</i>		
1. Professional Services Building - Citrus Spring Blvd.	\$ 5,000	\$ 3,500
2. Professional Medical Building - S. Florida Ave.	\$ 5,000	\$ 3,500
<b>Real Estate Appraisal - Restricted Report - Sub-total</b>	<b>\$ 10,000</b>	<b>\$ 7,000</b>
<b>Total Project Professional Fee</b>	<b>\$ 120,000</b>	<b>\$ 93,000</b>
	<i>Discount</i>	<i>-22.5%</i>
<b>Site Visit/Presentation Expense (all services, all expenses)</b>		<b>\$ 5,000</b>
<b>Total Project Fees</b>		<b>\$ 98,000</b>

Payment is due upon receipt of our invoice. Our invoice will be issued upon our sending of the preliminary draft of our opinion. Once all balances are paid in full, the final opinion will be distributed. Our fee for this assignment will include the fee quote plus reasonable out-of-pocket expenses. Out-of-pocket expenses will include travel expenses for the site visit and a \$300 administrative fee for reports and documentation archival. This fee range is contingent upon our receiving all data and information in a timely manner.

Any additional valuation or advisory services related to the Board or Hospital are considered beyond the scope of this proposal. Other services include but are not limited to real estate appraisals, alternative investment scenarios and the actual transaction process. These services will be provided under separate engagement letters if desired.

Citrus County Hospital Board of Trustees

VMG Health's Response – Request For Proposal – Citrus Memorial Hospital FMV

The results of our studies should not be used, in whole or in part, for any other purpose or distributed to third parties without the express written consent of VMG. The use or distribution of the results to any third party other than the Citrus County Board of Trustees prohibited without the written consent of VMG. 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.

If the engagement as described in this proposal letter conforms to your understanding and desires, please indicate your acceptance of our services by returning an executed copy of this document to Elliott Jeter at the following address:

VMG Health, LLC  
Chateau Plaza  
2515 McKinney Ave., Suite 1500  
Dallas, Texas 75201

Should you have any questions about this valuation assignment, please feel free to call my office at 214-369-4888 or via e-mail at [elliottj@vmghealth.com](mailto:elliottj@vmghealth.com).

Respectfully submitted,



Elliott Jeter, CFA, CPA/ABV  
Partner  
VMG Health, LLC

APPROVED and ACCEPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2012

By: \_\_\_\_\_

**VMG Reference List**

<b>VMG HEALTH'S REFERRAL LIST</b>				
<b>Hospital</b>	<b>Primary Contact</b>	<b>Title</b>	<b>Corporate Office</b>	<b>Phone Number</b>
Ascension Health	Charles Barnett	President - TX / MO region	Austin, TX	512.324.9000
Ascension Health	Michael Shatzlein	President TN/AL Region	Nashville, TN	615.222.2112
Baylor Health Care System	Fred Savelsbergh	Chief Financial Officer	Dallas, TX	214.820.3216
Baylor Health Care System	Gary Brock	Chief Operating Officer	Dallas, TX	214.820.3217
Catholic Health Initiatives	Paul Edgett III	SVP, National Business Lines	Denver, CO	303.290.9100
Catholic Health Initiatives	Mark Parrington	Vice President of Strategic Transactions	Denver, CO	303.290.9101
CHS	Wayne Smith	President and CEO	Franklin, TN	615.465.6999
CHS	Ken Hawkins	Sr. Vice President of Development	Franklin, TN	615.465.7000
Dignity Health (formerly Catholic Healthcare West)	Scott Nordlund	SVP - Development	San Francisco, CA	415.438.5500
Dignity Health (formerly Catholic Healthcare West)	John Dickenson	Vice President - Development	San Francisco, CA	415.438.5501
HCA	Sam Hazen	President of Operations	Nashville, TN	615.344.9550
HCA	Jeff Stone	Vice President of Development	Nashville, TN	615.344.9551
HMA	Gary Newsome	President and CEO	Naples, FL	239.598.3131
HMA	Pete Lawson	Chief Development Officer	Naples, FL	239.598.3132
Lifepoint Hospitals	Bill Carpenter	President and CEO	Brentwood, TN	615.372.8500
Lifepoint Hospitals	Sam Hutcheson	Vice President - Development	Brentwood, TN	615.372.8501
Memorial Hermann Health System	Dennis McVeigh	Chief Operating Officer	Houston, TX	713.222.2273
Memorial Hermann Health System	Glen Burnett	Director of Finance	Houston, TX	713.222.2274
Presbyterian Healthcare Services	Jim Hinton	President, CEO	Albuquerque, NM	505.841.1234
Providence Health & Services	David Brown	System director, Business Development	Renton, WA	425.525.3355
St. Joseph Health System	Richard Parks	Regional EVP, West Texas	Orange, CA	714.347.7500
Tenet Health	Britt Reynolds	President of Operations	Dallas, TX	469.893.2000
Tenet Health	Gary Ruff	General Counsel	Dallas, TX	469.893.2001
Texas Health Resources	Jonathan Scholl	Chief Strategy Officer	Arlington, TX	877.847.9355
Vanguard Health System	Charles Martin	Chairman and Chief Executive Officer	Brentwood, TN	615.665.6000
Vanguard Health System	Kent Wallace	President and Chief Operating Officer	Brentwood, TN	615.665.6001

Key Personnel Bios

**Gregory S. Koonsman, CFA | Senior Partner**



Greg Koonsman is a Senior Partner and Founder of VMG Health. Mr. Koonsman specializes in providing valuation, transaction advisory, feasibility and operational consulting services to the firm's healthcare clients. He has acted as financial advisor in transactions with acute care hospitals and health systems, ambulatory surgery centers, cancer treatment diagnostic imaging centers, dialysis centers, home health agencies, insurance organizations, physicians groups, physical and occupational therapy centers, long term care facilities and numerous other ancillary healthcare service businesses. Mr. Koonsman has acted as an advisor in over 250 hospitals, 1,000 surgery centers, 30 HMOs, 1,500 physician organization transactions, and a variety of other healthcare entities in the United States. Mr. Koonsman has worked with clients internationally in markets such as England, Mexico, South Africa, Singapore, and Costa Rica.

Mr. Koonsman was a Founder and Director of Practice Performance, Inc.; a physician management organization providing outsourced business management services to over 100 physicians in Texas, Colorado, and South Carolina. Practice Performance was sold in 2006 to MedSynergies, Inc.

Mr. Koonsman was a co-author of the valuation text "Financial Valuation, Applications and Models" with responsibility for authoring the Chapter 18 Valuation of Healthcare Services Businesses. He has served on the board of directors of IntraOp Medical Corporation since 2007.

Prior to co-founding VMG Health, Mr. Koonsman was with the financial advisory group of Ernst & Young where he specialized in healthcare valuation and transactions. He has spoken to numerous healthcare groups on the topic of healthcare transactions and valuation. Mr. Koonsman holds an M.B.A., B.S. in aerospace engineering and is a chartered financial analyst (CFA).

Mr. Koonsman is a member of the following organizations:

- Association of Investment Management and Research (AIMR)
- American Society of Appraisers
- Healthcare Financial Management Association (HFMA)

**Elliott Jeter, CFA, CPA/ABV | Partner**



Elliott Jeter is a Partner of the company. He specializes in providing valuation, transaction advisory, strategic and operational consulting services to the firm's healthcare clients. He has extensive experience working closely with ambulatory surgery centers, hospital systems, physician groups and other healthcare providers.

Mr. Jeter leads our accounting related valuation services team. Mr. Jeter has assisted numerous non-profit and for-profit clients with valuation analysis related to ASC 805 Business Combinations (formerly SFAS 141R) and has issued valuation opinions on the fair value of intellectual property and other intangible assets acquired as a result of the acquisition of acute care hospitals, ambulatory surgery centers, rehabilitation hospitals and multi-specialty physician groups. Additionally, Mr. Jeter has assisted numerous health care clients with their annual impairment testing process as required by ASC 350 Intangible-Goodwill and Other (formerly SFAS 142).

Prior to joining VMG Health, Mr. Jeter worked as the Director of Development for MedSynergies, Inc., a \$50 million Ophthalmic Physician Practice Management Company. Mr. Jeter was responsible for in-market development efforts and oversaw many physician practice acquisitions. In addition to his development duties, Mr. Jeter supervised the centralized billing and collection department for the company on an interim basis.

Mr. Jeter also worked for the financial advisory services group of Ernst and Young. At Ernst and Young, Mr. Jeter worked on a wide range of healthcare clients, including hospital systems, physician practice management companies and other healthcare entities.

Mr. Jeter is a graduate of Texas A&M University and also earned a Masters of Business Administration from the University of Texas at Austin. Mr. Jeter is a Certified Public Accountant (CPA) and a Chartered Financial Analyst (CFA). Mr. Jeter is a frequent speaker at healthcare trade association meetings and has written numerous articles on healthcare valuation issues that have been published in industry magazines and journals. Mr. Jeter was named Who's Who in the Ambulatory Surgery Industry in 2007. Mr. Jeter is a member of the following organizations:

- Healthcare Financial Management Association (HFMA)
- Federated Ambulatory Surgery Association (FASA)
- American Bar Association Health Law Section (ABA)
- American Institute of Certified Public Accountants (AICPA)
- CFA Society of Dallas-Fort Worth
- CFA Institute

**Stephan Peron, AVA | Partner**



Stephan Peron is a Partner with the firm. He has extensive experience with assisting healthcare providers work through complex transactions. He specializes in providing financial, valuation and transaction advisory services. His clients include hospital systems, hospitals, diagnostic imaging centers, ambulatory surgery centers, cath labs, rehabilitation facilities, physician practices and other healthcare entities. He has an unparalleled focus on a few industries including cath labs, inpatient rehabilitation and hospital/physician joint ventures.

Prior to joining VMG Health, Mr. Peron worked for Accenture, Inc. in the Corporate Transaction Services group. The group supported Accenture in all major financial transactions including equity investments, outsourcing contracts and offshore transactions. He worked with clients in multiple industries across the United States and globally including working on engagements in France, England and Canada. He also analyzed business plans and performed valuations on both public and private companies. Prior to Accenture, Mr. Peron worked for Signature Home Health Co. as a staff accountant and supported the western division based out of Arizona. His work included internal compliance audits and financial analysis. While attending school he interned at Barton Creek Home Health as an accountant.

Mr. Peron graduated from The University of Texas at Austin and holds a BBS in Accounting from the McCombs School of Business. He is an Accredited Valuation Analyst (AVA).

**Vincent M. Kickirillo, CFA, AVA | Partner**



Vincent M. Kickirillo is a Partner at VMG Health and is based in the Dallas office. He specializes in providing financial, valuation and transaction advisory services to clients in the health care industry. His clients have included hospitals, health systems, ambulatory surgery centers, imaging centers, cath labs, radiation therapy centers and other healthcare entities. He has also provided litigation support and expert testimony related to the value of companies in the healthcare industry.

Prior to joining VMG Health, Mr. Kickirillo worked as a Director for FTI Consulting, Inc., a Director in KPMG's Valuation and Litigation practices and as a staff and senior analyst in the Financial Advisory Services practice at Ernst & Young. In those roles, Mr. Kickirillo has provided advisory services to firms in various industries, including health care, manufacturing, retailing, distribution, technology, telecommunications, financial, internet and professional services.

He has provided professional services for the purposes of merger, acquisition, divestiture, management planning, tax planning, litigation and bankruptcy. Mr. Kickirillo has provided testimony regarding valuation and other financial issues. He has extensive experience in valuation of businesses; financial securities, such as common stock and derivatives; intellectual property, such as patents, trademarks and trade names; and other specific assets.

Mr. Kickirillo received a Bachelor of Business Administration from The University of Texas at Austin, and a Master of Business Administration from Southern Methodist University. He holds the Chartered Financial Analyst (CFA) designation, and is an Accredited Valuation Analyst (AVA). Mr. Kickirillo is currently a member of the following organizations:

- CFA Institute
- CFA Society of Dallas/Ft. Worth
- National Association of Certified Valuation Analysts (NACVA)
- American Bar Association (ABA)

**Todd J. Sorensen, AVA | Partner**



Todd Sorensen is a Partner of the company. He specializes in providing valuation and transaction advisory services to the firm's healthcare clients. He has acted as financial advisor in transactions with physician groups, acute care hospitals, health maintenance organizations, preferred provider organizations, diagnostic centers, ambulatory surgery centers, home health agencies, physical and operational therapy centers, institutional pharmacies, retail pharmacies and rural health clinics.

Mr. Sorensen has also assisted buyers and sellers with purchase price allocations, including intangible asset valuations, for tax planning strategies and deferred taxation mechanisms.

Prior to joining VMG Health, Mr. Sorensen was with the financial advisory group of Ernst & Young. Mr. Sorensen played an integral role in the development of healthcare valuation services. Mr. Sorensen has assisted in the development of financial tools that allow clients to make better decisions concerning efficient deployment of capital. In addition, Mr. Sorensen has assisted clients in the development of innovative performance techniques that lead to increasing shareholder value. Mr. Sorensen holds an MBA degree and is a chartered financial analyst (CFA) candidate.

**Jennifer Johnson, CFA | Partner**



Jen Johnson is a Partner with VMG Health and oversees the Professional Service Agreements division. Her expertise is related to the in-depth knowledge required to understand the Fair Market Value challenges, market data and regulatory guidelines associated with valuing professional service arrangements associated with both healthcare systems and life sciences companies.

Mrs. Johnson has experience with valuing a multitude of professional services including call coverage, medical directorships, subsidies, clinical coverage, physician consulting, co-management and management, billing, development, intellectual property and quality initiatives. In addition, she has been published and presented numerous times on Fair Market Value and physician compensation. These publications and organizations include Compliance Today, American Bar Association, American Health Lawyers Association and Healthcare Financial Management.

Mrs. Johnson began her valuation career with KPMG, LLP in their Forensic and litigation Services department in 1998, where she worked directly under experts in the field of finance, accounting and economics. She also worked at the University of North Texas as a finance professor. Prior to that, she earned her BBA and MBA in Finance as well as the Chartered Financial Analyst designation, while working for several companies in a consulting capacity. Her consulting work included business valuation, financial projections and operational systematizations.

Mrs. Johnson is a member of the following organizations:

American Health Lawyers Association

Radiology Business Management Association

Chartered Financial Analyst Institute

**Kevin McDonough, CFA | Partner**



Kevin McDonough is a Partner at VMG Health and is based out of the Dallas office. During his tenure at VMG, Mr. McDonough has provided valuation, transaction advisory, feasibility, and operational consulting services to the firm's healthcare clients. His clients include acute care hospitals and health systems, ambulatory surgery centers, surgical hospitals, oncology centers, diagnostic imaging centers, dialysis centers, home health agencies, physicians groups, physical and occupational therapy centers, long term care facilities, and numerous other ancillary healthcare service businesses. In addition, Mr. McDonough has served as a consultant in the formation and development of numerous physician-hospital joint venture initiatives.

Prior to joining VMG Health, Mr. McDonough worked at TXU Energy and was an integral member of a substantial revenue recovery project. He lead a small team whose efforts were fundamental in exposing the need for a more comprehensive system of accountability.

Mr. McDonough graduated cum laude and holds a degree in Finance from the McCombs School of Business at the University of Texas at Austin. Additionally, Mr. McDonough is a Chartered Financial Analyst (CFA).

Mr. McDonough is a member of the following organizations:

CFA Institute

CFA Society of Dallas-Fort Worth

Ambulatory Surgery Center Association

American Society of Appraisers (ASA)

Physician Hospitals of America (PHA)

**Jim Rolfe | Partner**



Jim Rolfe is a Partner of VMG's Transactional Services Division. He specializes in providing transactional advisory services, specifically mergers and acquisitions/divestitures and joint ventures exclusively in the healthcare sectors. Mr. Rolfe has performed extensive engagements in over 45 transactions consisting of mergers and acquisition/divestitures and joint ventures of acute care hospitals, behavioral and rehab hospitals, ambulatory surgery centers, imaging and dialysis centers, large physician practices, assistant living centers and home health agencies totaling \$2.2 billion.

Prior to joining VMG Health, Mr. Rolfe was a Vice President of Acquisitions and Development for Community Health Systems ("CHS"), the nation's largest publicly traded healthcare system with 129 acute care hospitals in 28 states. At CHS, he focused on the acquisition/divestiture of acute care hospitals, outpatient facilities and physician practices as well as physician joint ventures in hospitals and outpatient facilities. Mr. Rolfe orchestrated and managed one of the nation's largest whole hospital syndications with a raise of \$50 million from over 250 physicians.

Mr. Rolfe holds a BBA from the University of Mississippi and a MS in Accountancy from the University of Memphis.

Mr. Rolfe is a member of the following organizations:

Nashville Healthcare Counsel

Price Waterhouse Transaction Advisory Panel

In 2009, Nightingale's Healthcare News recognized Jim Rolfe for outstanding achievement. He is identified as one of the top people to watch in Healthcare Transactions in the Southwest.