Financial Feasibility Report
Prepared by
HEALTH CAPITAL CONSULTANTS
Related To
New England Surgery Center, LLC
dated
February 11, 2020

Financial Feasibility Report

Related to

New England Surgery Center, LLC

February 11, 2020

Norma Bacon
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New England Surgery Center, LLC
900 Cummings Center, Suite 122U
Beverly, MA 01915

RE: Consulting Services Engagement Agreement #2257MA1019
Financial Feasibility and Reasonableness of Expenditures and Costs
New England Surgery Center, LLC

Norma:

Pursuant to your request and the engagement by **New England Surgery Center, LLC** (hereinafter referred to "NESC"), **HEALTH CAPITAL CONSULTANTS** (hereinafter referred to as "HCC") has developed and prepared a five-year pro forma (hereinafter referred to as "PROFORMA") related to the needed expansion of NESC (hereinafter referred to as "EXPANSION"), in support of NESC's completion of Factor 4: "Financial Feasibility and Reasonableness of Expenditures and Costs" of its application for a Determination of Need (hereinafter referred to as "DON") related to the EXPANSION, as of September 30, 2019 (hereinafter referred to as "PROFORMA DATE").

The PROFORMA is based on our research, findings, observations and analysis, and we have concluded, as further described herein and attached hereto that given the historical financial and economic trends of NESC, demographic trends within the market service area (as defined in Section I.E below), and the economic conditions as of the PROFORMA DATE, ***it is reasonable to conclude that the EXPANSION is likely to generate sufficient net economic benefit to offset the required initial investment by NESC without negative impacts or consequences to NESC's existing patient panel, and would, therefore, represent a sound business decision***.

HCC has proceeded with the preparation of this PROFORMA based on the data and information related to NESC that is currently available and has been provided to HCC. Further, HCC has accepted and relied upon the income statements, balance sheets, and other financial and operating information provided to HCC, as well as the representations of management of NESC, that they accurately, completely, and fairly reflect both the current and historical financial performance and economic operations of NESC, which acceptance and reliance by HCC is an underlying assumption of this analysis. Therefore, in accordance with the terms of the engagement, this information has been accepted by HCC without further verification and HCC has not provided assurance services within the scope of this engagement. It must also be noted that should further investigation be performed and significant differences in the information regarding the economic and financial operations or condition of NESC be disclosed or determined, adjustments or clarifications may be required, and the final opinion stated herein may be materially affected.

HCC hereby disclaims any implied or explicit representation of the future operations and financial performance related to NESC, or the EXPANSION, to any current or future member of NESC. It is an underlying assumption of this PROFORMA that the potential EXPANSION is legally permissible under applicable federal and state statutes and regulations. HCC does not practice law and has not rendered any legal opinions or determinations in this engagement. This PROFORMA, and the assumptions and projections contained herein, are subject to the contingent and limiting conditions contained herein and as set forth in Appendix C, which is attached hereto and incorporated herein as if more fully set out.

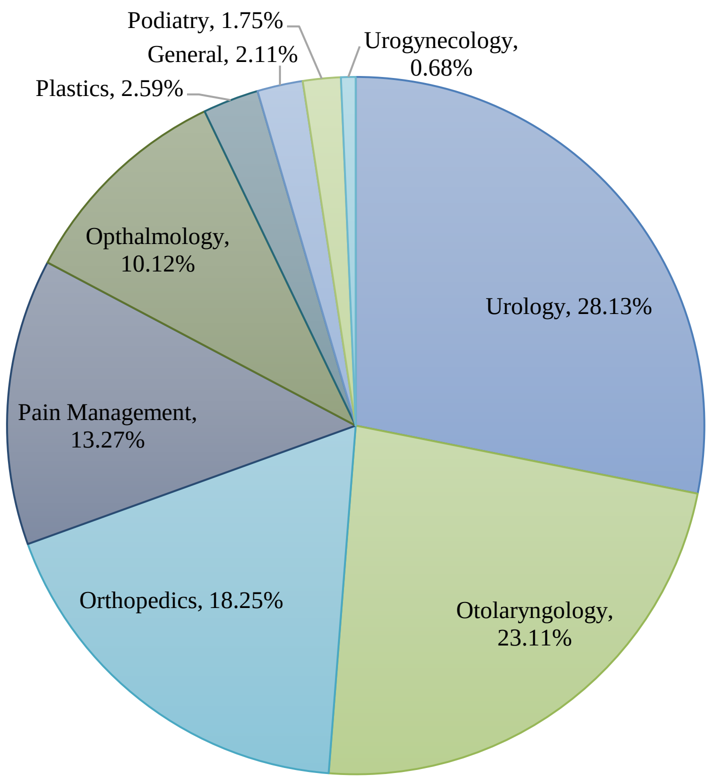
I. HISTORY, BACKGROUND AND DESCRIPTION OF NESC

As of the PROFORMA DATE, NESC operated as a multi-specialty ambulatory surgery center (ASC) in Beverly, Massachusetts, and was organized on May 10, 2007, as a Massachusetts Limited Liability Company.[1] NESC is located at 900 Cummings Center, Suite 122U, Beverly, MA 01915.[2] The NESC facility is comprised of 5,149 square feet,[3] which includes one (1) operating room and one (1) procedure room.[4]

I.A. NESC Services

As stated above, NESC is a multi-specialty ASC providing professional outpatient surgery services to their patients. Figure 1, below, sets forth the specialty mix for NESC during the trailing twelve month period (TTM) ending 9/30/2019, by procedure volume.

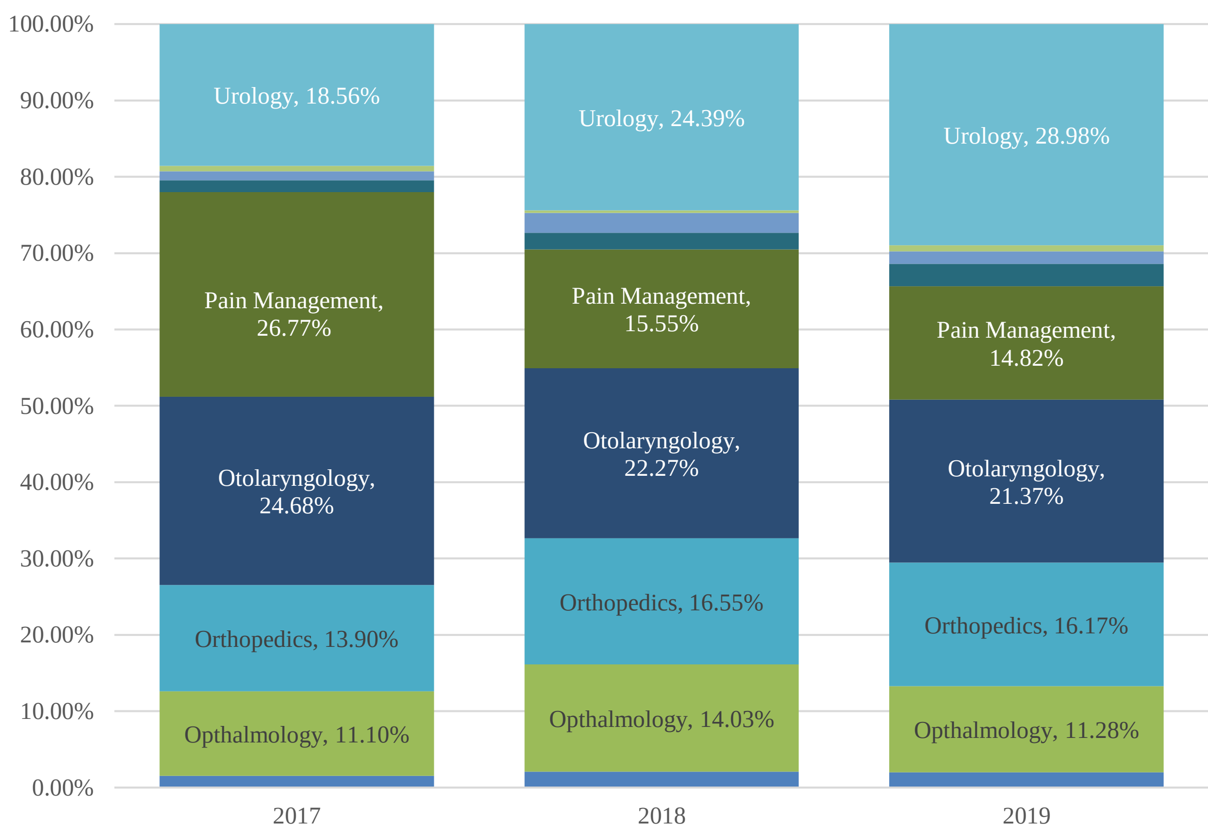
Figure 1: Specialty Mix by Procedure Volume - TTM 9/30/2019



1 "Business Entity Summary: New England Surgery Center" Secretary of the Commonwealth of Massachusetts, http://corp.sec.state.ma.us/CorpWeb/CorpSearch/CorpSummary.aspx?FEIN=208952199&SEARCH_TYPE=1 (Accessed 8/6/218).
2 "Home" New England Surgery Center, LLC, http://www.ne-surgerycenter.com/ (Accessed 8/6/18).
3 "NESC Floor Plan" received by HCC from Norma Bacon via Back Office on 4/20/2018. [Case Doc ID: TBD]
4 Management Interview with Norma Bacon on July 13, 2018.

Over the past three years leading up to the PROFORMA DATE, the specialty mix for NESC has been shifting and becoming more concentrated in urological procedures, as can been seen in Figure 2, below. Demand for urology services is likely to increase in the near future, primarily as a result of changing demographic trends in the U.S. population, most notably, the growth in the share of Americans over the age of 65 is expected to nearly double between 2012 and 2050, from 43.1 million individuals in 2012 to 83.7 million individuals in 2050.[5] This trend is less pronounced in Essex County, MA (wherein NESC is located), with the age 65+ cohort projected to increase from 17.91% in 2020 to 20.29 % in 2025.[6] This projected increase in the elderly population will increase demand for a variety of physician services, as the elderly spend disproportionately more on healthcare expenses than the rest of the population.[7] In particular, the aging population may increase demand for urology services, given that the elderly (ages 60 – 74) account for the majority of the rise in the prevalence of kidney stones, which can often lead to *chronic kidney disease* (CKD), which seriously diminishes proper kidney function.[8] Further, 80% of all diagnosed cancers are in persons 55 years or older,[9] leading to a situation where urologists are facing increasing demand in the midst of a potentially contracting supply of urologists.

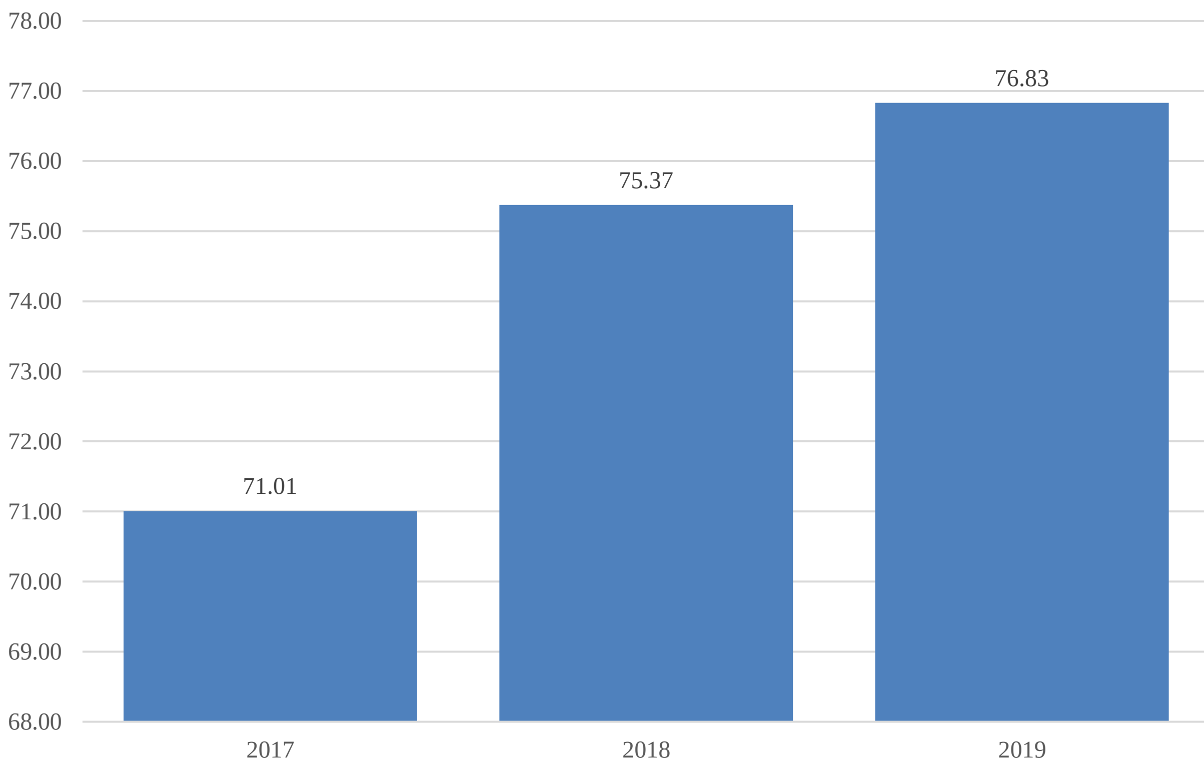
Figure 2: NESC Specialty Mix 2017 through 2019



5 "An Aging Nation: The Older Population in the United States" By Jennifer M. Ortman, et al., U.S. Census Bureau, May 2014, https://www.census.gov/prod/2014pubs/p25-1140.pdf (Accessed 5/22/17).
6 "PopFacts Demographics, By Age, Race, and Sex: Essex County, MA" Spotlight, Environics Analytics, 2020.
7 "US Health Spending Trends By Age And Gender: Selected Years 2002-10" By David Lassman et al., Health Affairs, Vol. 33, No. 5 (2014), p. 820.
8 "Evaluation and Management of Nephrolithiasis in the Aging Population With Chronic Kidney Disease" By Anna Zisman, et al., Aging Health, 2011, Vol. 7, No. 3, http://www.medscape.com/viewarticle/748582_3 (Accessed 7/20/16), p. 423-433.
9 "Cancer Facts & Figures 2019" American Cancer Society, 2009, https://www.cancer.org/content/dam/cancer-org/research/cancer-facts-and-statistics/annual-cancer-facts-and-figures/2019/cancer-facts-and-figures-2019.pdf (Accessed /30/20), p. 2.

In addition to the changing pattern of the specialty mix providing services at NESC, there has also been an increasing trend in the complexity of the procedures being performed, which increasing trend is reflected in the increasing average time required to complete procedures at NESC. Figure 3, below, sets forth the average procedure times for the aggregate procedures performed at NESC during the last three years:

Figure 3: Historical Average Total Operative Time per Procedure – NESC (Minutes)



See the attached Appendix D for a description of the top 80.0% of procedures performed at the existing NESC facility during the twelve month period ending on the PROFORMA DATE.

I.B. Medical Staff

Table 1, below, sets forth the names and specialties of the physicians providing professional medical services at NESC as of the PROFORMA DATE.

Table 1: NESC Medical Staff[10]

	Physician	Specialty
1	Michael J. Zachareas M.D.	Urology
2	Peter Gill, M.D.	General Surgery
3	Amalanshu Jha, M.D.	General Surgery
4	Tamar Lipof, M.D.	General Surgery
5	David Smail, M.D.	General Surgery
6	Anthony LoManaco, D.O.	Pain/Anesthesia
7	Arti Ori, M.D.	Pain/Anesthesia
8	Nirav Shah, M.D.	Pain/Anesthesia
9	Andrew Ayers, M.D.	Orthopedics
10	Steven Hollis, M.D.	Orthopedics
11	Robert Waugh, M.D.	Orthopedics
12	Ashley Mastrangelo, D.P.M.	Podiatry
13	Susan Persell, M.D.	Urology
14	Anna Petropoulos, M.D.	Plastics
15	Emilia Phillips, M.D.	Urology
16	Lawrence McGinnis, D.P.M.	Podiatry
17	Timothy Tobin, D.P.M.	Podiatry
18	Ioannis Glavas, M.D.	Opthalmology/Plastics
19	Neil Gross, M.D.	Ophthalmology
20	Robert McLauglin, M.D.	Orthopedics
21	Verdugo Gonzalo, M.D.	Ear, Nose & Throat
22	David Chrzanowki, M.D.	Ear, Nose & Throat
23	Richard Mugge, M.D.	Ear, Nose & Throat
24	James Demetroulakos, M.D.	Ear, Nose & Throat
25	Minesh Patels, M.D.	Pain/Anesthesia

I.C. Clinical and Non-Clinical Staff

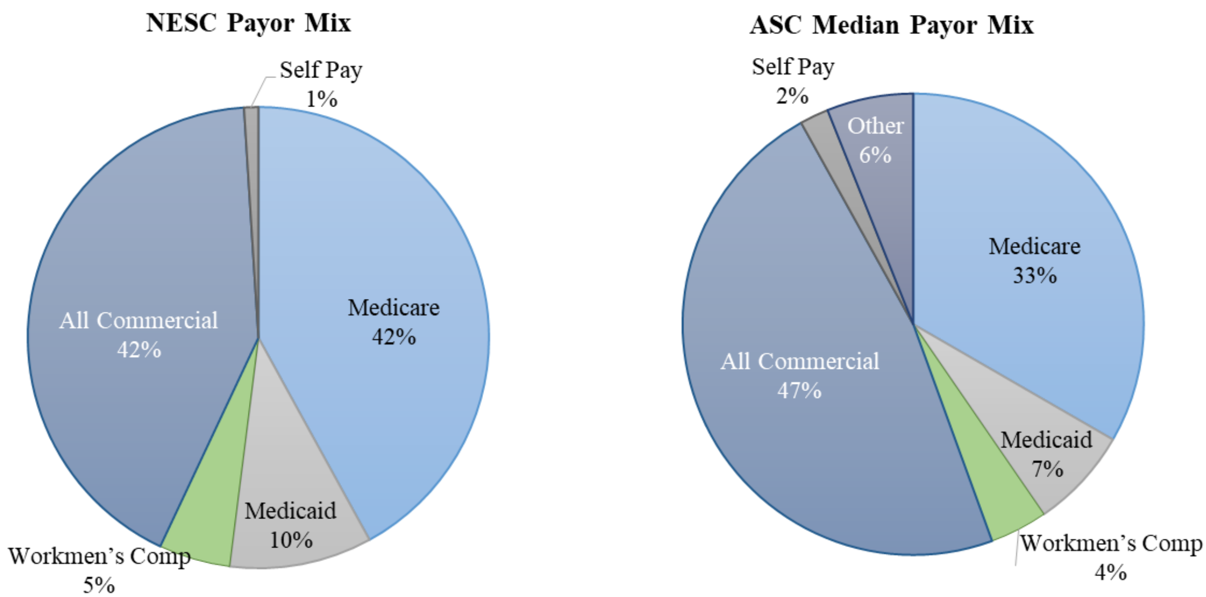
The NESC clinical staff is comprised of twelve registered nurses, one licensed practical nurse, one radiologist technologist, one clinical coordinator, three surgical technicians, two patient coordinators, and one materials manager.[11] The NESC non-clinical staff is comprised of one administrator and one billing staff.[12]

10 "Our Doctors" New England Surgery Center, http://www.ne-surgerycenter.org/our-doctors.html (Accessed 1/30/20).
11 "Employee_list" received by HCC from Norma Bacon via Back Office on 6/7/2018. [Case Doc ID: 24717]
12 "Employee_list" received by HCC from Norma Bacon via Back Office on 6/7/2018. [Case Doc ID: 24717]

I.D. Payor Mix

NESC accepts Medicare, Medicaid, and several commercial insurance providers. Notably, NESC's payor mix is more heavily slanted toward Medicare and Medicaid, compared with the industry median, as set forth in Figure 4, below. While commercial insurance typically pays higher than public insurance (sometimes up to two times more[13]), the U.S. government has a strong influence on healthcare reimbursement by virtue of being the largest payor of medical costs. The prevalence of these public payors in the healthcare marketplace often results in their acting as a price setter and being used as a benchmark for private reimbursement rates.[14]

Figure 4: Payor Mix by Cases - 2018[15]



I.E. MARKET SERVICE AREA and Competitive Environment of NESC

The MARKET SERVICE AREA is defined by the following 16 zip codes: 01915, 01930, 01960, 01901, 01923, 01970, 01938, 01966, 01945, 01982, 01907, 01949, 01944, 01833, 01921, and 01929, which comprise 80.0% of the 2018 patient volume for NESC.[16] HCC identified the potential sources of competition in the MARKET SERVICE AREA, as set forth in Table 1, below:

Table 1: Potential NESC Competitors in the MARKET SERVICE AREA

	Name	Address	City	State	Zip Code	Source
1	New England Pain Care, Inc.	10 Centennial Dr.	Peabody	MA	01960	(2)
2	Orthopedic Surgery Center of the North Shore	1 Orthopedics Dr.	Peabody	MA	01960	(2)
3	Peabody Surgery Center, LLC	7 First Ave.	Peabody	MA	01960	(2)

13 "National Comparisons of Commerical and Medicare Fee0For-Service Payments to Hospitals" America's Health Insurance Plans, February 2016, https://www.ahip.org/wp-content/uploads/2016/02/HospitalPriceComparison_2.10.16.pdf (Accessed 1/30/20), p. 3.

14 "Medicare's Role in Determining Prices throughout the Health Care System" By Roger Feldman, Bryan Dowd, and Robert Coulam, Mercatus Center, George Mason University, October 2015, https://www.mercatus.org/system/files/Feldman-Medicare-Role-Prices-oct.pdf (Accessed 10/14/19).

15 "2018 Multi-Specialty ASC Benchmarking Study" VMG Health, https://intellimarker.com/content/intellimarker/Payor_Mix_-_Cases/ (Accessed 1/30/20); "Patient Panel Summary" received on 11/14/2019. [Case Doc ID: 24350]

16 "Patient Panel Data NESC Factor 1.xlsx" recieved on 11/14/2019. [Case Doc ID: 24349].

	Name	Address	City	State	Zip Code	Source
4	Mass General/North Shore Center for Outpatient Care	102-104 Endicott St.	Danvers	MA	01923	(3) (4)
5	Lahey Medical Center Peabody	1 Essex Center Dr.	Peabody	MA	01960	(3) (5)
6	Lahey Outpatient Center, Danvers	480 Maple Street	Danvers	MA	01923	(6)

Notes:

(1) "Contact Details" New England Surgery Center, LLC, 2018, http://www.ne-surgerycenter.com/contact/ (Accessed 7/25/18).
(2) "Find an ASC" Advancing Surgical Care, Ambulatory Surgery Center Association, 2018, https://www.advancingsurgicalcare.com/advancingsurgicalcare/asc/findanasc (Accessed 7/25/18).
(3) "Table of Search Results" American Hospital Directory, 2018, https://www.ahd.com/list_cms.php?mzip=019&listing=1&viewmap=0 (Accessed 7/25/18).
(4) "About Us" Mass General/North Shore Center for Outpatient Care, 2018, https://www.massgeneral.org/northshore/ (Accessed 7/25/18).
(5) "Ambulatory Surgery & Endoscopy" Lahey Hospital & Medical Center, 2018, http://www.lahey.org/peabody/ambulatory-surgery/ (Accessed 7/25/18).
(6) "Lahey Outpatient Center, Danvers" Beverly Hospital, 2018, https://www.beverlyhospital.org/locations--services/locations/lahey-outpatient-center-danvers (Accessed 7/25/18).

II. Description of the EXPANSION

NESC is a free standing ASC located in Beverly, Massachusetts and was licensed as a clinic by the Department of Public Health prior to January 1, 2017. The ASC is specially designed to perform same day operative procedures – those that require more care than can be offered in a doctor's office and that do not require an overnight hospital stay. NESC currently has one operating room equipped for general anesthesia and one procedure room. In the past 4 years, the ASC has acquired available space adjacent to the center to accommodate for needed storage and administrative space. The proposed project, i.e., the EXPANSION, will result in the addition of one (1) operating room (OR) equipped for general anesthesia, new enlarged central sterile capacity, two (2) additional post-op beds and one (1) enclosed quiet recovery bay, enlarged supply storage, and administrative offices.[17]

III. PROFORMA Financials

Financial statements, as set forth in Appendix B, attached hereto, relating to the historical financial performance and condition of NESC, were reviewed and analyzed by HCC. Forecasted income statements and statements of cash flow for NESC were developed utilizing, in part, information gained by HCC from interviews with NESC management; review of industry trends; and, consideration of historical performance and projected events, with appropriate adjustments by HCC. Schedule 6 (attached) provides the five year forecasted economic income statements related to the EXPANSION, which reflects the anticipated, incremental increase in revenue and expenses for NESC arising solely from the EXPANSION.

III.A. Summary of Incremental Revenue Projections for the EXPANSION

The HCC projected net revenue related to the outpatient services of NESC for the first five (discrete) years of the forecast (i.e., Year 1 – Year 5), utilizing two main variables in the projection: (1) changes in utilization demand and market share, and (2) assumption of changes in reimbursement yield (see Schedule 4, attached).

17 "Patient Panel Summary" received on 11/14/2019. [Case Doc ID: 24350]

For the change in Utilization Demand/Market Share for the outpatient procedures, HCC took into consideration the projected growth in population in the MARKET SERVICE AREA, which was projected to increase, at a compound annual growth rate of 1.12%, based upon population projections by age group for Essex County, Massachusetts and the historical patient age demographics for NESC during 2018 (see Schedule 3, attached). It should be noted that other factors beyond population growth rate may also affect the growth rate in utilization demand/market share for the EXPANSION, including changes in the procedure mix performed in the EXPANSION, growth in the incidence and prevalence of diseases treated by the physicians utilizing the EXPANSION, and, changes to the competitive marketplace within which the EXPANSION will provide services. Accordingly, the sole use of the expected changes in population for the MARKET SERVICE AREA of the EXPANSION reflects a conservative estimate of the potential growth rate in demand utilization/market share for the EXPANSION. This growth rate was selected because the results derived from the utilization of the conservative growth estimates would provide a lower bound on the potential of the EXPANSION and, if under these restrictive assumptions, the EXPANSION is capable of achieving a reasonable expectation of self-sufficiency to support the financial feasibility of the EXPANSION, then there would exist a significantly greater upside potential, in comparison to the now minimized downside risk, for the EXPANSION, i.e., there is a greater potential for the EXPANSION to exceed the projected financial results than to fail to meet those levels.

Reimbursement for the EXPANSION was estimated based upon the historical patient revenue per procedure for NESC during the twelve month period ending on the PROFORMA DATE of $1,975.89 per procedure (see Schedule 5, Column F, Line 6). HCC selected this amount to reflect the expectation that the procedure, payor, and patient mix for the EXPANSION would be similar to the current operation of NESC. This amount forms the basis of the projection of reimbursement yield per procedure for Years 1-5.

The change in reimbursement yield in Year 1 was projected as the weighted average percentage change from 2019 to the proposed 2020 payment (2.45%) in Medicare reimbursement for the set of CPT coded procedures performed by NESC during the twelve month period ending on the PROFORMA DATE.

The change in reimbursement yield in Years 2-5 was projected to approach the projected long term inflation rate for NESC (2.36%) at Year 5 in a linear fashion, i.e., the long term change in reimbursement was selected so as to conform the growth in reimbursement with the expected long term inflation rate faced by NESC (see Schedule 7, Table 1: Expected Inflation Calculation).

III.B. Summary of Incremental Expense Projections for the EXPANSION

Similar to the projection of revenue, HCC projected the expenses for the EXPANSION based upon the per procedure amounts historically reported for NESC during the twelve month period ending on the PROFORMA DATE (see Schedule 5, Column F, Lines 9 through 59). Each expense line item was then projected based upon the projected procedure volume discussed in Section III.A. above, and the expected inflation rate to be faced by NESC and the EXPANSION.

NESC's operating expenses are comprised of both fixed and variable expenses. HCC differentiated and assigned percentages to these expenses based on the nature of the expense and the historical correlation coefficient calculated between the annual expense line item amount and the procedure volume for each annual period from 2015 through the PROFORMA DATE.

The operating expenses of NESC were projected for the five year projection period by multiplying the projected procedure volume (see Schedule 6, Line 3, attached) times the expense line item per procedure (see Schedule 6, Column B, attached) and increased by an amount equal to the expected inflation rate to be faced by NESC (2.36% – see Schedule 7, Table 1: Calculation of Inflation Rate).

The projected income statements for the EXPANSION reflect only the incremental increase in expenses related to the addition of the EXPANSION by NESC. Accordingly, certain expenses were not expected to increase as a result of the addition of the EXPANSION, including:

(1) Amortization Expenses;
(2) Office Supply Expenses;
(3) Interest Expense;
(4) Real Estate Taxes; and,
(5) Rent Expense.

Amortization expenses were projected as zero dollars for the EXPANSION as it is not expected that the EXPANSION will create any additional intangible assets that will be amortized by NESC.

Office supply expenses were projected to not increase as the EXPANSION is not expected to add any additional administrative staff requiring additional office supplies.

Interest expense was projected at zero dollars because the goal of this analysis is determine the free cash flows to all investors, both debt and equity, of the EXPANSION for the purposes of determining whether the EXPANSION is feasible from a financial perspective. As interest payments reflect the cash flows to debt holders, they were excluded from the projected expense structure of the EXPANSION, i.e., the projected net income (see Schedule 6, Line 52) represents net income available for debt and equity payments.

The real estate taxes and rent expenses were projected at zero dollars due to HCC's understanding that the space to be utilized for the EXPANSION is already in the possession of NESC and will not lead to an incremental increase in either expense line item.

For the terminal period, i.e., the period from the end of the Year 5, HCC, projected all expenses to remain at their Year 5 portion of net revenues.

III.C. Projected Incremental Accounting Profit

Subtracting the incremental revenue attributable to the EXPANSION (see Section III.A. above) from the incremental expenses attributable to the EXPANSION (see Section III.B. above) results in the net profit expected to be generated by the EXPANSION on an accounting basis. As set forth in Schedule 6, Line 52, attached, the EXPANSION during the five year projection period is expected to generate an accounting profit of $15,869 in Year 1, increasing to $149,721 by Year 5.

III.D. Projected Economic Statements of Net Cash Flow

The statement of net cash flow reports an entity's sources and uses of cash for a specific period of time. HCC derived from the forecasted income statements of the EXPANSION (see Schedule 6, attached) a projected statement of net cash flows, on an economic basis, for the EXPANSION (see Schedule 11, attached).

HCC converted the net income after taxes of the EXPANSION to a debt-free level of net cash flow, by performing the following steps:

(1) Adding non-cash expenses, such as depreciation and amortization expense (see Schedule 11, Line 8, attached);
(2) Subtracting increases in required working capital (see Schedule 11, Line 9 and Footnote 6, attached). HCC forecasted working capital to equal 2 months to total expenses for the EXPANSION; and,
(3) Subtracting projected capital expenditures (see Schedule 11, Line 10, attached).

Because HCC applied the debt-free technique, as described earlier, when seeking the value of the business enterprise's assets, HCC did not add or subtract any increases or decreases, respectively, of any cash flow related to interest-bearing debt.

IV. Financial Feasibility Analysis of the EXPANSION

The Code of Massachusetts Regulations (CMR) Title 105, Section 100.21(4) defines documentation necessary to support the financial feasibility and reasonableness of expenditures and costs related to a DON. According to the regulation:

> "*The Department, in consultation with CHIA, has determined that the Applicant has provided sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's existing Patient Panel.*"

In meeting these standards, HCC has undertaken a projection of the net economic cash flows expected to be generated by the EXPANSION (see Schedule 11, attached). In furtherance of the goal of determining whether the net economic benefit generated by the EXPANSION is sufficient to offset the initial capital invested in the EXPANSION, HCC has also undertaken a Net Present Value Analysis.

IV.A. Net Present Value Method

A useful metric for evaluating a projected likelihood of success, defined as a project which increases the overall enterprise's value, is the Net Present Value (NPV). The NPV of an investment project is the discounted value of the differences over time between monetary costs and benefits in each period of the project. For healthcare enterprises seeking to determine whether to invest in a project or not, the NPV analysis provides a financial investment basis for determining whether to accept the decision to invest in a project or reject it. Healthcare enterprises may employ a NPV analysis to evaluate an investment's potential impact on the enterprise's financial profile, as well as on its needs for total available capital and allocation decisions related to utilization of existing capital. These healthcare enterprises should seek to determine whether the additions to net cash flow generated from the proposed investment over the lifetime of the investment, will be greater than the initial start-up and on-going expenses of the project after consideration of the enterprise's cost of capital, as well as, the probability of obtaining both a return on and a return of the investment capital. Any positive NPV would suggest that the investment in the proposed projects will add to the enterprise value of the firm investing in the project, i.e., there will be an incremental increase in the perceived value of the investing enterprise.

The foregoing suggests that a NPV analysis is suitable for meeting the DON regulation requirements for the applicant to have "*provided sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project.*"

The NPV analysis calculates the present value, discounted at the appropriate required rate of return for an equally risky investment, of all future net economic benefits, i.e., benefits in excess of the expected costs, including capital and operating costs, for a project. The expected initial investment required to undertake the project is then deducted from the calculated present value of the net economic benefits to determine the net present value, which represents the additional value created by the project beyond the return on and return of investment paid to the investors, both debt and equity, in the project.

Several inputs are required for the calculation of the NPV of a project, including:

(1) Cost of Equity;
(2) Weighted Average Cost of Capital; and,
(3) The Terminal Period Value of the project.

IV.A.1. Cost of Equity

The Cost of Equity, at which the measured expected future stream of economic benefit of ownership is discounted to present value, was selected by HCC to represent the rate of return a typical investor in NESC would require in discounting the expected stream of the economic benefits of equity ownership of NESC, given the systematic risk of the market, as well as the unsystematic risk of investment in NESC. In contrast, the capitalization rate is the rate by which a single estimate of benefit is divided to determine value. Inherent in this "single period 'capitalization' formula" is the assumption of continuity of the benefit stream in perpetuity. Typically, the capitalization rate is calculated by deducting the projected annual long-term growth rate of NESC from the selected discount rate:

Discount Rate
<less growth>
= Capitalization (CAP) Rate

As mentioned above, the discount rate is a measure of return required of an equity investor, and thus, in effect, is the cost of equity of a specific business enterprise. The cost of equity, combined with the cost of debt, comprise the weighted average cost of capital (WACC) of a specific business enterprise, which is utilized when estimating the return on investment of total invested capital (both equity and debt). In developing the cost of equity, specific to NESC, to be applied in the WACC in Section IV.B of this PROFORMA, the following assumptions were made:

(1) Investors in ASCs similar to NESC have alternative investments available to them. Therefore, the justification for an investment in a multi-specialty ASC must be considered in comparison to rates of return available from other types of investments;
(2) Elements which increase risk decrease the value of NESC, and conversely, elements which decrease risk, increase value; and,
(3) High risk factors have a greater than average chance of negatively affecting NESC's earning power, while low risk factors are considered unlikely to reduce NESC's ability to generate profits and cash flow.

Knowledgeable investors in enterprises similar to NESC and the EXPANSION should rationally require a greater return on investment to compensate for the greater risk than the investment market as a whole. There will be differences of opinion as to how much risk is represented by any single characteristic present in the operations of NESC and the EXPANSION, and the risk tolerance of each individual investor is, to a large extent, dependent upon the return on investment required to compensate for that individual's perceived level of risk. However, it is useful to estimate the relationship between risk and return for an investment which is characteristic of the market at any point in time. It should be kept in mind that elements of this estimate are, to some extent, necessarily based on the informed, but subjective judgment of HCC.

The technique utilized in the determination of the discount rate for this engagement is a type of "*build-up*" method. It is based on several risk and return conditions, that when totaled, result in an estimate of the rate of return that an equity investor would most likely require to invest in NESC and the EXPANSION. The build-up technique is commonly utilized in the assessment of small, closely-held companies. This technique is an additive model in which the return of an asset is estimated by summing a risk-free rate of return and one or more risk premiums, whereby each risk premium represents the risk, and related reward, a typical equity investor would receive by investing in a specific asset, or in this case, the EXPANSION.

The cost of equity selected by HCC for this financial feasibility analysis has been developed by "*building up*" the aggregate elements of several rates and risk adjustments as illustrated by the Table 2, below:

Table 2: Determination of the Cost of Equity

	Discount Rate/Cost of Equity Components	**Rate**
1	Risk Free Rate	1.94%
2	Investment Alternative (Equity Risk Premium)	5.80%
3	Industry Risk Premium Adjustment – Healthcare Industry	-0.35%
4	Size Premium	7.74%
5	Company Specific Risk Premium	3.00%
6	TOTAL DISCOUNT RATE/COST OF EQUITY	18.13%

<u>Risk Free Rate</u>

The starting point for developing an appropriate discount rate is the alternative investment opportunities in risk free or relatively risk free investments. The interest paid by U.S. government securities are the closest substitute or proxy available for a risk-free rate. Since it is believed that most investors consider the investment in healthcare entities similar to NESC to have a longer-term investment horizon, the rate of return of a 20-year government security was selected. As of the PROFORMA DATE, the interest rate on the 20-year government bond was 1.94%, as reported by the Federal Reserve Board (see Schedule 8, Line 1).

<u>Investment Alternative (Equity Risk Premium)</u>

This adjustment reflects the extra return, or premium, that is expected by the typical equity investor in large company stocks in excess of the return on a riskless asset. Duff & Phelps has studied and estimated the historical (since 1928) realized Equity Risk Premium (ERP) associated with the risk of investment in common stock in excess of the 20-year government bond to have been 5.80% (see Schedule 8, Line 2).

<u>Healthcare Industry Risk Premium</u>

This adjustment measures the risk of NESC's industry (Healthcare Industry) against the market index as a whole by applying an industry risk premium to the "*build-up*" method.

Duff & Phelps has developed an industry premium methodology from tracking the returns and related betas, which are measurements of relative volatility, of companies in a number of industries, and estimated the industry risk premium for Healthcare Industry to be -0.35% (see Schedule 8, Line 3).

Small Public Company Risk Premium

The combination of the risk-free rate and the equity risk premium estimates the return required by the investor in large company stocks. Duff & Phelps measures the additional return of small company stocks over the market as a whole. The small company premium selected was 7.74%, as indicated by the set representing the smallest firms by total market capitalization of the lowest decile (tenth) portfolios of NYSE/AMEX/NASDAQ companies since 1926 (referred to in Duff & Phelps as decile "10" with capitalization below $321.578 million) – see Schedule 8, Line 4.

Company Specific Risk Premium

This adjustment is somewhat more subjective in that it reflects HCC's informed assessment of the various risk factors that are inherent in and specific to NESC. The additional risk factors specific to NESC, which reflect the extra return required by investors in NESC and their impact on the selected discount rate, include, but are not limited to: (1) NESC's historical operational and financial performance; (2) consideration of the uncertainty regarding the government's and other third-party managed care organizations reimbursement of NESC's services; (3) consideration of the uncertainty regarding NESC's ability to maintain its current payor mix; (4) consideration of the uncertainty regarding NESC's ability to achieve the projected operating and financial performance, as set forth in Schedule 6, attached; (5) specialty/procedure concentration as compared with the industry (i.e., Healthcare Industry) which typically provide a diversified spectrum of care; (6) geographic concentration in relation to the enterprises included in the industry risk premium; and (7) uncertainty regarding the prospective nature of the EXPANSION project (see Schedule 8, Line 5).

Total Discount Rate/Cost of Equity Selected

As indicated, the sum of the Discount Rate/Cost of Equity component items 1-5 in Table 2, above, was 18.13%. This is utilized as the cost of equity when determining the WACC of NESC.

IV.A.2. Weighted Average Cost of Capital (WACC)

The discount rate/cost of equity developed in Section IV.A.1. is typically applied when determining the present value of future economic benefits in deriving the equity value of NESC, i.e., equity = assets minus liabilities, or a *"net-of-debt"* basis. When applying an income approach method, in this instance a NPV, to compare with the initial investment comprised of both debt and equity, i.e., on a *"debt-free"* basis, the analyst would typically use a WACC as the expected rate of return on the investment. The WACC is a blend of the cost of an entity's various capital components, including the cost of debt capital and the cost of equity capital of NESC.

The WACC is calculated by the formula:

$$WACC = (k_e * W_e) + (k_d[1-t] * W_d)$$

Where:

k_e = Cost of Equity
W_e = Weight of Equity
k_d = Cost of Debt

t = Effective Tax Rate
W_d = Weight of Debt

The cost of equity of NESC is calculated by the build-up method employed by HCC derived in Section IV.A.1. (18.13%). HCC utilized the capital structure indicated by NESC's financing plan for the EXPANSION[18] (80.0% debt and 20.0% equity).

Based upon the calculations below in Table 3, the WACC was estimated to be 6.10%, and subtracting 3.30%, the estimate for long term growth, the estimated capitalization rate was 2.79%. Again, the WACC and capitalization rate derived from the WACC were utilized in determining the present values of the projected future cash flows when applying the NPV analysis, on a debt-free basis. Similarly, HCC utilized borrowing rate indicated by NESC that would be utilized for the loan to support the investment in the EXPANSION.[19]

Table 3: Calculation of the WACC

1	Cost of Debt	5.00%
2	Weight of Debt	80.00%
3	Effective Tax Rate	38.20%
4	Cost of Equity	18.13%
5	Weight of Equity	20.00%
6	WACC	6.10%
7	Less Long Term Growth	3.30%
8	Capitalization Rate	2.79%

As set forth in the attached Schedule 12, HCC converted the projected cash flows to expected to be generated by the EXPANSION to their present value, as of the PROFORMA DATE, by discounting at the WACC, described above, of 6.10% utilizing a mid-year convention which assumes that the cash flows will arrive uniformly during the each annual period (see Schedule 12, Line 4). These amounts were summed to arrive at the total present value of the expected cash flows to be generated by the EXPANSION during the explicit 5 year projection period of $176,355 (see Schedule 12, Column G, Line 4).

IV.A.3. Terminal Period – Gordon Growth Model

Beyond the final period of the projection, a "*terminal*" or "*residual*", period net-free cash flow was developed representing the benefits of ownership, which would accrue from the ownership of NESC after the final period of the five year discrete projection period. Under the concept of the "*Gordon Growth Model*,"[20] the net-free cash flow from the final period of the projection is "*grown*" by the selected growth rate of 3.30%. This terminal cash flow is then capitalized (using the capitalization rate of 2.79% developed in Table 3 above) and then discounted back to present value (using the WACC of 6.10% determined in Table 3, above) to value the "*residual*" cash flows from the period of Year 6 into perpetuity (see Schedule 13, attached).

18 "ASC Programming Proforma 2B" received on 11/8/2019. [Case Doc ID: 24196]
19 "ASC Programming Proforma 2B" received on 11/8/2019. [Case Doc ID: 24196]
20 "The Handbook of Advanced Business Valuation" By Robert Reilly and Robert Schweihs. 2000. p. 480.

IV.A.4. Result from Net Present Value Method

The sum of the Discounted Net Cash Flows from the first five years of the discrete projection was then added together with the discounted capitalized value of the terminal/residual period, to calculate an estimate of the value of the total invested capital (debt and equity), of the EXPANSION. From this amount, the total initial investment required for the EXPANSION ($1,521,901) is subtracted to determine the net present value of the EXPANSION of **Eight Hundred Ninety Eight Thousand Nine Hundred Twenty Two Dollars ($898,922)**.

IV.B. Debt Service Coverage Ratio

An alternative method for assessing the feasibility of an investment, which takes into account the ability of the investing organization to support the financial investment in the proposed project is to calculate the debt service coverage ratio both prior to and post investment. The debt service coverage ratio is equal to the Net Operating Income of the entity divided by the Total Debt Service of the entity. Net operating income is further defined as the net income plus depreciation, amortization and interest of the entity. Total debt service is defined as the sum of the annual principal and interest payments on the total debt of the entity. The formula for calculating the debt service coverage ratio is as follows:

$$\frac{(Net\ Income + Depreciation\ \&\ Amortization + Interest\ Expense)}{(Current\ Portion\ of\ Long\ Term\ Debt + Interest\ Expense)}$$

Accordingly, a debt service ratio that is greater than 1.0x would suggest that the net operating income of the entity is sufficient to meet the financial obligations of the outstanding debt and would be consistent with a healthy level of debt for the entity. Alternatively, a debt service coverage ratio which is less than 1.0x would suggest that there is insufficient cash flow to meet the financial obligations of the outstanding debt held by the organization and that additional sources of capital will be required to avoid default on the loans of the entity.

In considering the debt service coverage ratio for NESC, HCC first calculated the historical debt service coverage ratio for the existing operation of NESC. As set forth in the attached Schedule 15, Column C, during the trailing twelve month period ending on the PROFORMA DATE, NESC had operating income totaling $758,686.56 (Line 10) and debt service payments of $300,214 (Line 17), which indicates a debt service coverage ratio of 2.53x, suggesting that NESC has historically had sufficient cash flow to meet their debt obligations.

Next, as set forth in the attached Schedule 15, Columns D through H, HCC calculated the projected debt service coverage ratio for NESC including the EXPANSION for the five year projection period. It should be noted that the calculation is based upon maintaining the historical net income, depreciation & amortization, interest, and debt levels throughout the projection period and adding to the historical performance of NESC the projected performance of the EXPANSION.

As can be seen in Schedule 15, Line 18, the debt service coverage ratio declines, as expected, during the initial years of the investment to a level of 1.99x and then gradually approaches 2.19x over the five year projection period, but never dips below the critical value of 1.0x during the five year projection period.

Based upon the above calculations, it is anticipated that NESC, after the addition of the operating income and debt related to the EXPANSION, will generate, in aggregate, sufficient cash flow to meet its debt obligations after taking into account the additional levels of principal and interest payments that would be required to finance the investment in the EXPANSION.

IV.C. Necessity for the EXPANSION

A key component in the analysis of the financial feasibility of the EXPANSION is the determination of the necessity for the additional operating room. If NESC is capable of meeting the additional forecasted procedure volume during the five year projection period within its current configuration, then a prudent business person seeking to rationally maximize the profit generating capacity of NESC might not invest the scarce resources of NESC in the EXPANSION, as the benefit could be attained without the additional investment through the current operating room utilized by NESC.

In assessing the necessity of the EXPANSION, HCC reviewed historical patterns related to the availability of the existing operating room and the typical time to complete the procedures performed at NESC. Reliable data related to the pre-, intra-, and post-operative times for the existing operation were made available to HCC from the 2017 calendar year.[21] This data was utilized as a proxy for the likely times necessary to complete the CPT coded procedures performed at NESC. These times were then crosswalked to the volume of procedures performed during the trailing twelve month period ending on the PROFORMA DATE.

During the trailing twelve month period ending on the PROFORMA DATE, the existing operating room at NESC was available from 7:00 AM through 4:30 PM (9.5 hours) a day, Monday through Friday, for an aggregate annual hours available of 5 × 9.5 × 52 = 2,470 hours. Industry indicated benchmark statistics show that the utilization rate for an operating room is 70%[22] to allow time for maintenance and non-case related activities; accordingly, the maximum capacity in available hours for the existing operating room at NESC is 70.0% × 2,470 = 1,729 hours. During that period, 1,121[23] procedures were performed in the operating room. Dividing the 1,729 hours by the 1,121 procedures provides an estimated average arrival rate for patient to the existing operating room of 1.54 hours (92.54 minutes). This translates to roughly 1 patient arriving for professional medical services every hour and a half.

Similarly, processing times for the medical services were estimated based upon the times reported for the provided services in the 2017 turnaround time report provided by NESC. Utilizing the total pre-, intra-, and post-operative times included in the report, the estimated total time for the aggregate procedures performed during the trailing twelve month period ending on the PROFORMA DATE is equal to 1,662 hours divided by the 1,121 procedures performed during that period results in an average total surgery time per procedure of 1.48 hours (88.97 minutes). This translates to roughly 1 patient arriving every hour and half, very similar to the patient arrival rate.

This suggests an efficient scheduling system which has achieved maximum capacity. According to standard logistical theory,[24] if the rate of arrival of net patients were to exceed the average processing rate, a queue would form which would eventually lead to lengthy wait times requiring physicians and patients to seek alternative locations to receive service. Since the volume of procedures is projected to increase over the five year projection period (see Schedule 4, Column E, attached), it is reasonable to expect that the arrival rate for NESC would exceed the estimated average service time. Consequently, to achieve the procedure volume projected over the five year period, it is necessary that NESC have an additional operating room to increase throughput and is likely required to achieve the expected projected revenue set forth in this ANALYSIS.

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21 "*2017 or-pre-turnover.xlsx*" provided by NESC on 12/12/2019. [Case Doc ID: 24436]
22 https://www.beckersasc.com/asc-turnarounds-ideas-to-improve-performance/13-essential-asc-benchmarks-a-how-to-stay-ahead-of-the-curve.html.
23 This amount excludes procedures without a time element, based upon the 2017 turnaround time report provided by NESC. Those procedures without time elements included drugs, durable medical equipment (DME), and injection codes.
24 "Queueing Theory and Modeling" By Linda Green, Graduate School of Business, Columbia University, New York, New York, https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/5474/queueing%20theory%20and%20modeling.pdf (Accessed 10/17/19).

This increased accessibility to timely healthcare services is anticipated to positively impact NESC's patient panel, in that their patients will be able to more quickly access healthcare services. Further, as discussed above in Section I.A, the number of individuals age 65 and over will increase over the next five years, with one in five individuals in Essex County, MA being age 65+ by 2025. This population cohort will require a greater amount of healthcare services, and specifically urology services. The EXPANSION will allow NESC the ability to meet this growing demand for healthcare (and urology) services by the Medicare population (which already comprises a significant share of NESC's payor mix) in the MARKET SERVICE AREA. Consequently, the EXPANSION will not have any negative impacts or consequences to NESC's patient panel.

V. Observations and Findings Related to the Feasibility of the EXPANSION

Based upon our research, analysis, findings, and observations, HCC has determined that given the historical financial and economic trends of NESC, demographic trends within the MARKET SERVICE AREA (as defined in Section I.E above), and the general economic conditions as of the PROFORMA DATE, the EXPANSION is likely to generate sufficient net economic benefit to offset the required initial investment by NESC, as evidenced by the positive NPV determined above, and would, therefore, meet the Code of Massachusetts DON requirements related to the sufficiency of capital to support the investment in the EXPANSION without negatively impacting the current patient panel of NESC.

In addition, these results are derived from the assumption of fairly modest growth in the demand/utilization rate of the EXPANSION and does not consider potential value that may arise from the flexibility afforded to NESC in the expansion of the breadth of services provided at NESC, which may act to further augment the volume of procedures performed at the ASC. Regardless, this analysis suggests that the EXPANSION, under the conservative assumptions, is capable of attaining self-sufficiency and represents a sound business investment for NESC.

It should also be noted that the estimates and conclusions of value herein presented assume that:

(1) The history, current trends, and future projection of NESC at PROFORMA DATE were such that qualified, industrious owners should have been able to maintain substantially the same, or improve upon, the financial performance that had been developed by NESC;
(2) There were no known or anticipated factors, other than disclosed herein, that would impact negatively upon the continued viability of NESC; and,
(3) This PROFORMA is subject to the contingent and limiting conditions as set forth herein and as attached hereto in Appendix C.

Thank you for your cooperation and the opportunity to be of service.

Respectfully submitted,

HEALTH CAPITAL CONSULTANTS, LLC

By: Todd A. Zigrang
Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA
President

TAZ/dc
Attachments

Schedules

Schedules

New England Surgery Center **Schedule 1**
ASC Expansion
Historical Income Statements 2015 - 9/30/2019

	A	B	C	D	E	F	G	
		1/1/2015 - 12/31/2015 (1)	1/1/2016 - 12/31/2016 (2)	1/1/2017 - 12/31/2017 (3)	1/1/2018 - 12/31/2018 (3)	10/1/2018 - 9/30/2019 (3)	10/1/18-9/30/19 Commonsize (4)	
	Revenue							
1	Drug Return Refund	$0	$0	$0	$2,744	$2,557	0.05%	1
2	Century Bank Money Market	$0	$0	$0	$173	$234	0.00%	2
3	Fee for Service Income	$0	$0	$0	$2,690	$0	0.00%	3
4	Other Medical Income	$220	$2,338	($4,741)	$19,664	$8,810	0.17%	4
5	Patient Revenue	$3,235,618	$4,079,906	$4,984,490	$5,406,656	$5,332,925	100.00%	5
6	Refunds	$6,759	$14,573	$4,861	$2,138	$7,494	0.14%	6
7	**Total Revenue**	**$3,242,597**	**$4,096,817**	**$4,984,610**	**$5,434,064**	**$5,352,019**	**100.36%**	7
	Expense							
8	Donations/Contributions	$0	$0	$0	$1,180	$180	0.00%	8
9	481(a) Adjustment	$0	$1,666,323	$0	$0	$0	0.00%	9
10	Payroll Processing	$17,094	$1,627	$0	$0	$0	0.00%	10
11	Billing Service Fees paid	$54,800	$0	$0	$0	$0	0.00%	11
12	Capital Equipment	$0	$0	$0	$0	$0	0.00%	12
13	Reconciliation Discrepancies	$0	$6,875	$0	$0	$0	0.00%	13
14	Legal Fees	$0	$0	$0	$37,818	$21,224	0.40%	14
15	CC interest	$0	$0	$370	$9,170	$12,001	0.23%	15
16	Sales Tax	$0	$1,438	$0	$4	$0	0.00%	16
17	Personal Property	$6,891	$3,384	$3,123	$3,036	$3,051	0.06%	17
18	refund	$4,080	$95	($144)	($128)	($23)	0.00%	18
19	Implants	$543,356	$807,396	$1,568,907	$1,779,082	$1,767,713	33.15%	19
20	Health Insurance	$56,542	$75,751	$86,620	$58,723	$79,139	1.48%	20
21	Refund insurance/patients	$4,430	$37,682	$5,068	$6,365	$30,531	0.57%	21
22	Security	$0	$0	$390	$375	$300	0.01%	22
23	Advertising and Promotion	$1,547	$2,221	$418	$7,194	$7,176	0.13%	23
24	Amortization expense	$29,520	$9,730	$2,751	$2,751	$1,834	0.03%	24
25	Bank and CC Fees	$12,645	$12,996	$23,141	$11,795	$10,562	0.20%	25
26	Business Licenses and Permits	$4,600	$4,385	$5,161	$11,352	$8,587	0.16%	26
27	Computer and Internet Expenses	$42,923	$56,351	$55,292	$57,526	$56,108	1.05%	27
28	Continuing Education	$4,450	$5,270	$4,241	$6,904	$6,012	0.11%	28
29	Depreciation Expense	$143,400	$189,891	$90,645	$66,256	$47,329	0.89%	29
30	Drugs	$68,914	$79,731	$75,370	$66,366	$51,530	0.97%	30
31	Dues and Subscriptions	$3,817	$11,505	$3,568	$374	$3,352	0.06%	31
32	Equipment Rental	$265,191	$251,892	$210,208	$240,328	$241,621	4.53%	32
33	Insurance Expense	$17,625	$34,665	$46,528	$48,720	$57,455	1.08%	33
34	Interest Expense	$179,095	$177,301	$160,279	$147,677	$100,210	1.88%	34
35	Janitorial Expense	$39,528	$27,148	$28,832	$30,909	$28,031	0.53%	35
36	Laboratory Fees	$0	$0	$0	$406	$0	0.00%	36
37	Meals and Entertainment	$2,990	$6,512	$7,392	$6,864	$10,293	0.19%	37

New England Surgery Center **Schedule 1**
ASC Expansion
Historical Income Statements 2015 - 9/30/2019

	A	B	C	D	E	F	G	
		1/1/2015 - 12/31/2015 (1)	**1/1/2016 - 12/31/2016 (2)**	**1/1/2017 - 12/31/2017 (3)**	**1/1/2018 - 12/31/2018 (3)**	**10/1/2018 - 9/30/2019 (3)**	**10/1/18-9/30/19 Commonsize (4)**	
38	Supplies	$561,420	$601,224	$567,492	$422,884	$393,191	7.37%	**38**
39	Misc. Equipment	$0	$0	$0	$999	$999	0.02%	**39**
40	Miscellaneous Expense	$74	$80	$0	$316	$226	0.00%	**40**
41	Nourishment	$2,989	$3,912	$3,122	$2,776	$3,049	0.06%	**41**
42	Office Supplies	$15,236	$7,036	$7,101	$6,299	$6,712	0.13%	**42**
43	Payroll	$983,914	$1,055,978	$1,127,786	$1,070,210	$1,104,888	20.72%	**43**
44	Payroll Expenses	$0	$20,262	$19,852	$22,625	$36,314	0.68%	**44**
45	Payroll Taxes	$95,156	$94,264	$309	$92,317	$91,683	1.72%	**45**
46	Postage and Delivery	$1,980	$1,381	$1,300	$1,910	$1,302	0.02%	**46**
47	Printing and Reproduction	$5,213	$6,455	$6,274	$7,884	$7,959	0.15%	**47**
48	Professional Fees	$28,529	$10,894	$22,121	$46,807	$40,914	0.77%	**48**
49	Real Estate Tax	$1,838	$2,742	$3,486	$6,628	$0	0.00%	**49**
50	Rent Expense	$181,198	$164,306	$163,811	$223,842	$284,884	5.34%	**50**
51	Repairs and Maintenance	$79,698	$113,215	$105,994	$74,548	$94,607	1.77%	**51**
52	Small Medical Equipment	$54,016	$25,067	$46,250	$38,599	$8,129	0.15%	**52**
53	Telephone Expense	$1,697	$9,241	$6,463	$6,876	$7,046	0.13%	**53**
54	Travel Expense	$476	$3,700	$2,351	$1,996	$477	0.01%	**54**
55	Uniforms	$46,650	$47,759	$49,652	$52,655	$54,141	1.02%	**55**
56	Utilities	$64,916	$64,129	$58,712	$61,753	$60,282	1.13%	**56**
57	Outside Services	$0	$0	$0	$0	$1,604	0.03%	**57**
58	Reference Materials	$207	$0	$80	$0	$99	0.00%	**58**
59	**Total Expense**	$3,628,647	$5,701,810	$4,570,317	$4,742,971	$4,742,724	88.93%	**59**
60								**60**
61	**Net Income**	($386,050)	($1,604,993)	$414,294	$691,094	$609,295	11.38%	**61**
62	**EBITDA**	($34,034)	($1,228,071)	$667,969	$907,778	$758,669	14.18%	**62**

Notes:
1 "Monthly Income Statement_2015" received on 4/18/2018. [Case Doc ID: TBD HCC WP 1]
2 "Monthly Income Statements_2016" received on 4/18/2018. [Case Doc ID: TBD HCC WP 2]
3 "Income and Expenses Sheet" received on 11/4/2019. [Case Doc ID: 24182, HCC WP 3]
4 Equals Column F divided by Line 5.

New England Surgery Center

ASC Expansion

Historical Balance Sheets 2015 - 9/30/2019

	A	B	C	D	E	F	G	
		December 13, 2015 (1)	December 13, 2016 (2)	December 31, 2017 (3)	December 31, 2018 (3)	September 30, 2019 (3)	9/30/19 Common Size (4)	
1	ASSETS							1
2	Current Assets							2
3	Total Checking/Savings	$795,811	$41,053	$546,114	$216,725	$82,031	36.10%	3
4	Other Current Assets							4
5	Undeposited Funds	$0	$0	($5,290)	$0	$0	0.00%	5
6	Total Other Current Assets	$0	$0	($5,290)	$0	$0	0.00%	6
7	Accounts Receivable	$0	$0	$0	$0	$0	0.00%	7
8	Supplies	$0	$0	$0	$0	$0	0.00%	8
9	Total Current Assets	$795,811	$41,053	$540,824	$216,725	$82,031	36.10%	9
10	Fixed Assets							10
11	Leasehold Improvements - Cost	$1,895,164	$1,895,164	$1,895,164	$1,895,164	$1,895,164	833.98%	11
12	Leasehold Improvements - Depn	($180,249)	($228,841)	($1,895,164)	($1,895,164)	($1,895,164)	-833.98%	12
13	Medical Equipment - Cost	$790,099	$908,370	$908,370	$917,845	$917,845	403.90%	13
14	Medical Equipment - Depn	($396,010)	($490,818)	($771,354)	($837,610)	($837,610)	-368.60%	14
15	Total Fixed Assets	$2,109,003	$2,083,875	$137,016	$80,235	$80,235	35.31%	15
16	Other Assets							16
17	Deferred Mortgage Costs	$34,460	$25,905	$20,403	$17,652	$17,652	7.77%	17
18	Deposit	$14,998	$17,526	$0	$0	$0	0.00%	18
19	Security Deposits Asset	$2,526	$0	$17,526	$47,326	$47,326	20.83%	19
20	Start Up Costs - Net	$34,894	$6,979	$0	$0	$0	0.00%	20
21	Due from Members	$0	$0	$0	$0	$0	0.00%	21
22	Total Other Assets	$86,878	$50,410	$37,929	$64,978	$64,978	28.59%	22
23	TOTAL ASSETS	**$2,991,692**	**$2,175,338**	**$715,769**	**$361,937**	**$227,244**	**100.00%**	23
24	LIABILITIES & EQUITY							24
25	Liabilities							25
26	Current Liabilities							26
27	Accounts Payable							27
28	Accounts Payable	($6,792)	($3,897)	$26,244	$27,038	$25,184	11.08%	28
29	Total Accounts Payable	($6,792)	($3,897)	$26,244	$27,038	$25,184	11.08%	29
43	Total Credit Cards *	$95,657	$92,175	$191,169	$221,856	$147,942	65.10%	43
44	Other Current Liabilities							44
45	N/P - Cook Medical *	$0	$0	$0	$0	$0	0.00%	45
46	due to century *	$0	$80,000	$180,000	$0	$0	0.00%	46
47	Due to Jennifer Abouezzi	$0	$0	$0	$0	$0	0.00%	47
48	Due to MZ (325K)	$0	$0	$0	$0	$0	0.00%	48
49	Due to Paul Zachareas	$200,000	$200,000	$200,000	$200,000	$200,000	88.01%	49
50	Line of Credit - People's Untd *	$0	$0	$0	$0	$0	0.00%	50
51	Line of Credit- Century	$0	$0	$0	$100,000	$200,004	88.01%	51
52	Accounts Payable - Adjustment	$0	$0	$1,447	$0	$0	0.00%	52
53	Total Other Current Liabilities	$200,000	$280,000	$381,447	$300,000	$400,004	176.02%	53
54	Total Current Liabilities	$288,865	$368,278	$598,859	$548,894	$573,130	252.21%	54

New England Surgery Center **Schedule 2**

ASC Expansion

Historical Balance Sheets 2015 - 9/30/2019

	A	B	C	D	E	F	G	
		December 13, 2015 (1)	**December 13, 2016 (2)**	**December 31, 2017 (3)**	**December 31, 2018 (3)**	**September 30, 2019 (3)**	**9/30/19 Common Size (4)**	
55	**Long Term Liabilities**							**55**
56	**N/P DLL Financial Service ***	$0	$92,924	$74,835	$56,571	$38,825	17.09%	**56**
57	**N/P-Century Bank ***	$3,360,132	$3,073,111	$2,741,837	$2,427,670	$2,192,813	964.96%	**57**
58	**N/P-Creekridge Capital ***	$84,461	$64,262	$39,910	$7,938	$2,413	1.06%	**58**
71	**Total Due to Members**	$1,994,218	$1,208,290	($232,588)	($232,588)	($229,443)	-100.97%	**71**
72	**N/P - One Capital ***	$0	$0	$0	$0	$0	0.00%	**72**
73	**N/P - Peoples United ***	$0	$0	$0	$0	$0	0.00%	**73**
74	**Due to Kohli (LB)**	$0	$0	($245)	($245)	($245)	-0.11%	**74**
75	**Total Long Term Liabilities**	$5,438,811	$4,438,587	$2,623,749	$2,259,347	$2,004,364	882.03%	**75**
76	**Total Liabilities**	$5,727,676	$4,806,865	$3,222,608	$2,808,241	$2,577,494	1134.24%	**76**
77	**Equity**							**77**
78	**Partner Capital - Cape Ann**	$0	$0	$23,394	$0	$0	0.00%	**78**
79	**Partner Capital - Glavas**	$0	$0	($69,202)	($125,345)	($150,149)	-66.07%	**79**
80	**Partner Capital - Banville**	$0	$0	($191,722)	($238,956)	($263,841)	-116.11%	**80**
81	**Partner Capital - Kohli**	$0	$0	($119,232)	$0	$0	0.00%	**81**
82	**Partner Capital - Patel**	$0	$0	($357,774)	($472,756)	($530,460)	-233.43%	**82**
83	**Partner Capital - Field**	$0	$0	($552,994)	$0	$0	0.00%	**83**
84	**Partner Capital - McLaughlin**	$0	$0	($585,503)	($762,293)	($837,241)	-368.43%	**84**
85	**Partner Capital - Zachareas**	$0	$0	($1,131,746)	($1,449,290)	($1,594,091)	-701.49%	**85**
86	**Partner Capital - Mugge**	$0	$0	$0	($50,637)	($77,626)	-34.16%	**86**
87	**Partner Capital - Chrzanowski**	$0	$0	$0	($52,899)	($84,784)	-37.31%	**87**
88	**Partner Capital - Turner**	$0	$0	$0	($29,968)	($29,968)	-13.19%	**88**
89	**Partner Capital - LoMonaco**	$0	$0	$62,500	$44,747	$22,761	10.02%	**89**
90	**Member Distributions**	($204,270)	($204,270)	$0	$0	$0	0.00%	**90**
91	**Member Capital**	$454,965	$454,965	$0	$0	$0	0.00%	**91**
92	**Member Equity**	($2,775,331)	($3,153,768)	$1,145	$0	$691,094	304.12%	**92**
93	**Net Income**	($211,348)	$271,546	$414,294	$691,094	$504,056	221.81%	**93**
94	**Adjustments made to Assets and Liabilities**	$0	$0	$0	$0	$0	0.00%	**94**
95	**Total Equity**	($2,735,984)	($2,631,527)	($2,506,839)	($2,446,303)	($2,350,250)	-1034.24%	**95**
96	**TOTAL LIABILITIES & EQUITY**	**$2,991,692**	**$2,175,338**	**$715,769**	**$361,937**	**$227,244**	**100.00%**	**96**
97								**97**
98	**Working Capital (4)**	**$506,947**	**($327,225)**	**($58,035)**	**($332,169)**	**($491,100)**	**-216.11%**	**98**
99	**Interest Bearing Debt (5)**	**$3,540,250**	**$3,402,472**	**$3,227,751**	**$2,814,035**	**$2,581,998**	**1136.23%**	**99**

Notes:

1 "Balance Sheet as of 12/13/2015" received on 6/15/2018. [Case Doc ID: TBD, HCC WP 4]
2 "Balance Sheet as of 12/13/2016" received on 6/15/2018. [Case Doc ID: TBD, HCC WP 5]
3 "Balance Sheets as of 9.30.2019" received on 11/4/2019. [Case Doc ID: TBD, 24180, HCC WP 6]
4 Equals Line 9 minus Line 54.
5 Equals the sum of Lines 43, 45, 46, 50, 51, 56, 57, 58, 72, 73.
6 Equals Column F divided by Column F, Line 23.

New England Surgery Center **Schedule 3**
ASC Expansion
Projected Growth Rate in Procedure Volume

	A	B	C	
	Age Group	**% of NESC Patients (1)**	**Projected Population Growth Rate 2015-2020 (2)**	
1	0-17	7.69%	-2.20%	**1**
2	18-64	52.19%	-1.34%	**2**
3	65+	40.12%	16.46%	**3**
4	**Total (3)**	**100.00%**	**5.73%**	**4**
5	**Compound Annual Growth Rate (CAGR)**		**1.12%**	**5**

Notes:

1 "Patient Panel Data NESC" Population Projections tab, received on 11/14/2019. [Case Doc ID: TBD, 24349, HCC WP 7]
2 "Patient Panel Data NESC" Patients by Age tab, received on 11/14/2019. [Case Doc ID: 24349, HCC WP 7]
3 The sum of Column B, Lines 1 through 3 times Column C, Lines 1 through 3.
4 It should be noted that the Projected Population Growth Rates are based upon the following age groupings:
0 - 19
20 - 64
65+
Which age groups were utilized as a proxy for the growth rates for the age groups noted in Column A and reported in the NESC patient mix in Column B.

New England Surgery Center **Schedule 4**

ASC Expansion

Patient Revenue Projection

	A	B	C	E	F	G	H	I	J	
	Annual Period	Projected Volume (1)	Growth Rate in Procedure Volume (2)	Cumulative Change in Projected Volume (3)	Historical Patient Revenue per Procedure (4)	Growth Rate in Patient Revenue per Procedure (5)	Projected Patient Revenue Per Procedure (6)	Projected Patient Revenue (7)	Growth Rate in Patient Revenue (8)	
1	10/1/2018 - 9/30/2019 (9)	2,699	N/A	N/A	$1,975.89	N/A	N/A	N/A	N/A	1
2	Year 1	2,729	1.11%	30	N/A	9.16%	$2,156.89	$64,707	N/A	2
3	Year 2	2,759	1.10%	60	N/A	7.46%	$2,317.82	$139,069	114.92%	3
4	Year 3	2,789	1.09%	90	N/A	5.76%	$2,451.38	$220,624	58.64%	4
5	Year 4	2,820	1.11%	121	N/A	4.06%	$2,550.98	$308,669	39.91%	5
6	Year 5	2,851	1.10%	152	N/A	2.36%	$2,611.29	$396,916	28.59%	6

Notes:

1 Equals the volume from the previous period increased by the estimated growth rate in procedure volume (Column C).

2 See Schedule 3, Column C, Line 5. Please note differences between the actual percent change in procedure volume and the projected growth rate in procedure volume arises from the discrete nature of procedure volume which does not allow for partial procedures.

3 Equals the projected procedure volume for each period minus the projected procedure volume for the 10/1/2018 - 9/30/2019 period. See Column B. This amount represents the marginal increase in procedure volume attributatble to the EXPANSION.

4 See Schedule 5, Column F, Line 6.

5 The growth rate in patient revenue per procedure is based upon the compound annual growth rate in reimbursement per procedure from 2016 to 9/30/2019 (9.16%) for NESC (see Schedule 5, Line 6) and then trended linearly to the expected inflation rate (2.36%, See Schedule 7, Table 1: Expected Inflation Calculation).

6 Equals the revenue per procedure from the previous period increased at a rate equal to the projected growth rate in patient revenue per procedure (Column G).

7 Equals Column E times Column H.

8 Equals the percent change in revenue from the previous period to the current period for each annual period.

9 See Schedule 5, Column F, Line 1 for the historical procedure volume and Schedule 5, Column F, Line 6 for the historical patient revenue per procedure.

New England Surgery Center **Schedule 5**

ASC Expansion

Income Statements by Procedure Volume

	A	B	C	D	E	F	
		1/1/2015 - 12/31/2015 (1)	1/1/2016 - 12/31/2016 (2)	1/1/2017 - 12/31/2017 (3)	1/1/2018 - 12/31/2018 (4)	10/1/2018 - 9/30/2019 (5)	
1	**Total Procedure Volume (6)**	**3,147**	**3,768**	**3,006**	**2,628**	**2,699**	1
	Revenue						
2	Drug Return Refund	$0.00	$0.00	$0.00	$1.04	$0.95	2
3	Century Bank Money Market	$0.00	$0.00	$0.00	$0.07	$0.09	3
4	Fee for Service Income	$0.00	$0.00	$0.00	$1.02	$0.00	4
5	Other Medical Income	$0.07	$0.62	($1.58)	$7.48	$3.26	5
6	Patient Revenue	$1,028.21	$1,082.78	$1,658.18	$2,057.33	$1,975.89	6
7	Refunds	$2.15	$3.87	$1.62	$0.81	$2.78	7
8	**Total Revenue**	**$1,030.43**	**$1,087.27**	**$1,658.22**	**$2,067.76**	**$1,982.96**	8
	Expense						
9	Donations/Contributions	$0.00	$0.00	$0.00	$0.45	$0.07	9
10	481(a) Adjustment	$0.00	$442.23	$0.00	$0.00	$0.00	10
11	Payroll Processing	$5.43	$0.43	$0.00	$0.00	$0.00	11
12	Billing Service Fees paid	$17.41	$0.00	$0.00	$0.00	$0.00	12
13	Capital Equipment	$0.00	$0.00	$0.00	$0.00	$0.00	13
14	Reconciliation Discrepancies	$0.00	$1.82	$0.00	$0.00	$0.00	14
15	Legal Fees	$0.00	$0.00	$0.00	$14.39	$7.86	15
16	CC interest	$0.00	$0.00	$0.12	$3.49	$4.45	16
17	Sales Tax	$0.00	$0.38	$0.00	$0.00	$0.00	17
18	Personal Property	$2.19	$0.90	$1.04	$1.16	$1.13	18
19	refund	$1.30	$0.03	($0.05)	($0.05)	($0.01)	19
20	Implants	$172.67	$214.28	$521.93	$676.97	$654.95	20
21	Health Insurance	$17.97	$20.10	$28.82	$22.35	$29.32	21
22	Refund insurance/patients	$1.41	$10.00	$1.69	$2.42	$11.31	22
23	Security	$0.00	$0.00	$0.13	$0.14	$0.11	23
24	Advertising and Promotion	$0.49	$0.59	$0.14	$2.74	$2.66	24
25	Amortization expense	$9.38	$2.58	$0.92	$1.05	$0.68	25
26	Bank and CC Fees	$4.02	$3.45	$7.70	$4.49	$3.91	26
27	Business Licenses and Permits	$1.46	$1.16	$1.72	$4.32	$3.18	27
28	Computer and Internet Expenses	$13.64	$14.96	$18.39	$21.89	$20.79	28
29	Continuing Education	$1.41	$1.40	$1.41	$2.63	$2.23	29
30	Depreciation Expense	$45.57	$50.40	$30.15	$25.21	$17.54	30
31	Drugs	$21.90	$21.16	$25.07	$25.25	$19.09	31
32	Dues and Subscriptions	$1.21	$3.05	$1.19	$0.14	$1.24	32
33	Equipment Rental	$84.27	$66.85	$69.93	$91.45	$89.52	33
34	Insurance Expense	$5.60	$9.20	$15.48	$18.54	$21.29	34
35	Interest Expense	$56.91	$47.05	$53.32	$56.19	$37.13	35

New England Surgery Center **Schedule 5**

ASC Expansion

Income Statements by Procedure Volume

	A	B	C	D	E	F	
		1/1/2015 - 12/31/2015 (1)	**1/1/2016 - 12/31/2016 (2)**	**1/1/2017 - 12/31/2017 (3)**	**1/1/2018 - 12/31/2018 (4)**	**10/1/2018 - 9/30/2019 (5)**	
1	**Total Procedure Volume (6)**	**3,147**	**3,768**	**3,006**	**2,628**	**2,699**	**1**
36	Janitorial Expense	$12.56	$7.20	$9.59	$11.76	$10.39	**36**
37	Laboratory Fees	$0.00	$0.00	$0.00	$0.15	$0.00	**37**
38	Meals and Entertainment	$0.95	$1.73	$2.46	$2.61	$3.81	**38**
39	Supplies	$178.41	$159.56	$188.79	$160.91	$145.68	**39**
40	Misc. Equipment	$0.00	$0.00	$0.00	$0.38	$0.37	**40**
41	Miscellaneous Expense	$0.02	$0.02	$0.00	$0.12	$0.08	**41**
42	Nourishment	$0.95	$1.04	$1.04	$1.06	$1.13	**42**
43	Office Supplies	$4.84	$1.87	$2.36	$2.40	$2.49	**43**
44	Payroll	$312.67	$280.25	$375.18	$407.23	$409.37	**44**
45	Payroll Expenses	$0.00	$5.38	$6.60	$8.61	$13.45	**45**
46	Payroll Taxes	$30.24	$25.02	$0.10	$35.13	$33.97	**46**
47	Postage and Delivery	$0.63	$0.37	$0.43	$0.73	$0.48	**47**
48	Printing and Reproduction	$1.66	$1.71	$2.09	$3.00	$2.95	**48**
49	Professional Fees	$9.07	$2.89	$7.36	$17.81	$15.16	**49**
50	Real Estate Tax	$0.58	$0.73	$1.16	$2.52	$0.00	**50**
51	Rent Expense	$57.58	$43.61	$54.49	$85.18	$105.55	**51**
52	Repairs and Maintenance	$25.33	$30.05	$35.26	$28.37	$35.05	**52**
53	Small Medical Equipment	$17.16	$6.65	$15.39	$14.69	$3.01	**53**
54	Telephone Expense	$0.54	$2.45	$2.15	$2.62	$2.61	**54**
55	Travel Expense	$0.15	$0.98	$0.78	$0.76	$0.18	**55**
56	Uniforms	$14.82	$12.67	$16.52	$20.04	$20.06	**56**
57	Utilities	$20.63	$17.02	$19.53	$23.50	$22.33	**57**
58	Outside Services	$0.00	$0.00	$0.00	$0.00	$0.59	**58**
59	Reference Materials	$0.07	$0.00	$0.03	$0.00	$0.04	**59**
60	**Total Expense**	$1,153.10	$1,513.22	$1,520.40	$1,804.78	$1,757.22	**60**
61	**Net Income**	($122.68)	($425.95)	$137.82	$262.97	$225.75	**61**
62	**EBITDA**	($10.82)	($325.92)	$222.21	$345.43	$281.09	**62**

Notes:

1 Equals Schedule 1 Column B divided by Line 1.
2 Equals Schedule 1 Column C divided by Line 1.
3 Equals Schedule 1 Column D divided by Line 1.
4 Equals Schedule 1 Column E divided by Line 1.
5 Equals Schedule 1 Column F divided by Line 1.
6 Source: "Revenue by Procedure OR1 2017", "Revenue by Procedure OR1 2018", "Revenue by Procedure OR1 2019", "Revenue by Procedure Room 2017", "Revenue by Procedure Room 2018", "Revenue by Procedure Room 2019" received on 11/5/2019. [Case Doc ISs: 24188, 24189, 24190, 24191, 24192, 24193; HCC WPs 7, 7, 7, 7, 7, 7] "physician_activity_by_speciality_2015", "physician_activity_by_speciality_2016" received on 6/12/18. [Case Doc ID: TBD, HCC WP 8]

New England Surgery Center **Schedule 6**

ASC Expansion

Projected Income Statement

	A	B		C	D	E	F	G	
		10/1/2018 - 9/30/2019 (1)		Year 1	Year 2	Year 3	Year 4	Year 5	
1	Total Procedure Volume	2,699		2,729	2,759	2,789	2,820	2,851	1
2	*% Change in Procedure Volume*			*1.11%*	*1.10%*	*1.09%*	*1.11%*	*1.10%*	2
3	Change in Procedure Volume			30	60	90	121	152	3
	Revenue	**Per Procedure**							
4	Drug Return Refund	$0.95	(2)	$31.03	$66.69	$105.80	$148.02	$190.34	4
5	Century Bank Money Market	$0.09	(2)	$2.83	$6.09	$9.66	$13.52	$17.38	5
6	Fee for Service Income	$0.00	(2)	$0.00	$0.00	$0.00	$0.00	$0.00	6
7	Other Medical Income	$3.26	(2)	$106.89	$229.73	$364.45	$509.90	$655.67	7
8	Patient Revenue	$1,975.89	(3)	$64,706.70	$139,069.39	$220,624.34	$308,669.07	$396,915.98	8
9	Refunds	$2.78	(2)	$90.93	$195.42	$310.02	$433.75	$557.75	9
10	**Total Revenue**	**$1,982.96**		**$64,938.38**	**$139,567.32**	**$221,414.28**	**$309,774.25**	**$398,337.12**	10
	Expense	**Per Procedure**							
11	refund	($0.01)	(4)	($0.26)	($0.53)	($0.79)	($1.07)	($1.34)	11
12	Implants	$654.95	(12)	$20,113.02	$40,226.04	$60,339.06	$81,122.52	$101,905.97	12
13	Health Insurance	$29.32	(4)	$900.45	$1,800.90	$2,701.34	$3,631.81	$4,562.27	13
14	Refund insurance/patients	$11.31	(4)	$347.39	$694.77	$1,042.16	$1,401.12	$1,760.09	14
15	Security	$0.11	(4)	$3.41	$6.83	$10.24	$13.77	$17.29	15
16	Advertising and Promotion	$2.66	(4)	$81.65	$163.31	$244.96	$329.34	$413.71	16
17	Amortization expense	$0.68	(5)	$0.00	$0.00	$0.00	$0.00	$0.00	17
18	Bank and CC Fees	$3.91	(4)	$120.18	$240.36	$360.54	$484.73	$608.91	18
19	Business Licenses and Permits	$3.18	(6)	$97.70	$195.41	$293.11	$394.07	$495.03	19
20	Computer and Internet Expenses	$20.79	(4)	$638.39	$1,276.79	$1,915.18	$2,574.85	$3,234.52	20
21	Continuing Education	$2.23	(4)	$68.41	$136.81	$205.22	$275.90	$346.59	21
22	Depreciation Expense	$17.54	(7)	$538.51	$1,077.02	$1,615.53	$2,171.99	$2,728.45	22
23	Drugs	$19.09	(4)	$586.30	$1,172.60	$1,758.91	$2,364.75	$2,970.60	23
24	Dues and Subscriptions	$1.24	(4)	$38.14	$76.27	$114.41	$153.81	$193.22	24
25	Equipment Rental	$89.52	(4)	$2,749.17	$5,498.33	$8,247.50	$11,088.30	$13,929.11	25
26	Insurance Expense	$21.29	(4)	$653.73	$1,307.46	$1,961.18	$2,636.70	$3,312.22	26
27	Interest Expense	$37.13	(8)	$0.00	$0.00	$0.00	$0.00	$0.00	27
28	Janitorial Expense	$10.39	(4)	$318.93	$637.86	$956.80	$1,286.36	$1,615.92	28
29	Meals and Entertainment	$3.81	(4)	$117.11	$234.22	$351.33	$472.34	$593.35	29
30	Supplies	$145.68	(4)	$4,473.73	$8,947.45	$13,421.18	$18,044.03	$22,666.88	30
31	Misc. Equipment	$0.37	(4)	$11.37	$22.73	$34.10	$45.85	$57.59	31
32	Miscellaneous Expense	$0.08	(4)	$2.57	$5.14	$7.71	$10.37	$13.03	32
33	Nourishment	$1.13	(4)	$34.69	$69.38	$104.07	$139.92	$175.77	33
34	Office Supplies	$2.49	(9)	$0.00	$0.00	$0.00	$0.00	$0.00	0
35	Payroll	$409.37	(4)	$12,571.40	$25,142.81	$37,714.21	$50,704.66	$63,695.11	35
36	Payroll Expenses	$13.45	(4)	$413.18	$826.35	$1,239.53	$1,666.47	$2,093.42	36
37	Payroll Taxes	$33.97	(4)	$1,043.17	$2,086.34	$3,129.51	$4,207.45	$5,285.40	37
38	Postage and Delivery	$0.48	(4)	$14.82	$29.64	$44.46	$59.77	$75.08	38
39	Printing and Reproduction	$2.95	(4)	$90.56	$181.12	$271.68	$365.26	$458.84	39
40	Professional Fees	$15.16	(4)	$465.52	$931.04	$1,396.56	$1,877.60	$2,358.64	40
41	Real Estate Tax	$0.00	(10)	$0.00	$0.00	$0.00	$0.00	$0.00	41
42	Rent Expense	$105.55	(11)	$0.00	$0.00	$0.00	$0.00	$0.00	42
43	Repairs and Maintenance	$35.05	(4)	$1,076.44	$2,152.88	$3,229.32	$4,341.64	$5,453.97	43
44	Small Medical Equipment	$3.01	(4)	$92.49	$184.99	$277.48	$373.06	$468.64	44
45	Telephone Expense	$2.61	(4)	$80.17	$160.33	$240.50	$323.33	$406.17	45
46	Travel Expense	$0.18	(4)	$5.43	$10.86	$16.29	$21.90	$27.51	46
47	Uniforms	$20.06	(4)	$616.02	$1,232.04	$1,848.06	$2,484.61	$3,121.17	47

New England Surgery Center **Schedule 6**

ASC Expansion

Projected Income Statement

	A	B		C	D	E	F	G	
		10/1/2018 - 9/30/2019 (1)		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
48	Utilities	$22.33	(4)	$685.88	$1,371.77	$2,057.65	$2,766.40	$3,475.14	**48**
49	Outside Services	$0.59	(4)	$18.24	$36.49	$54.73	$73.59	$92.44	**49**
50	Reference Materials	$0.04	(4)	$1.13	$2.25	$3.38	$4.54	$5.71	**50**
51	**Total Expense**	$1,743.71		$49,069.03	$98,138.05	$147,207.08	$197,911.74	$248,616.41	**51**
52	**Net Income**	$239.26		$15,869.35	$41,429.26	$74,207.19	$111,862.51	$149,720.71	**52**
53	**EBITDA**	$294.60		$16,407.86	$42,506.28	$75,822.72	$114,034.49	$152,449.16	**53**

Notes:

1 See Schedule 5, Column F.
2 Income, aside from Patient Income (Line 8), are projected to remain at the historical percentage of Patient Revenue throughout the five year projection period. See Schedule 1, Column G.
3 See Schedule 4, Column I.
4 The expenses are projected to grow at an expected inflation rate of 2.36% (see Schedule 7, Table 1: Expected Inflation Calculation). Expenses are calculated by multiplying the change in procedure volume (Line 3) times the expense per procedure (Column B) times the expected inflation rate (2.36%).
5 HCC assumed that amortization expenses would not increase as a result of the EXPANSION.
6 HCC assumed that business license and permits expenses would not increase as a result of the EXPANSION.
7 Depreciation Expenses were projected to be equal to the overall historical NESC depreciation expenses as a percent of Patient Revenue. See Schedule 1, Column G, Line 29.
8 HCC adjusted the interest expense related to the EXPANSION to zero to reflect the cash flows that would be available to all source of capital, i.e., the free cash flow to the enterprise.
9 HCC assumed that office supply expenses would not increase as a result of the EXPANSION.
10 HCC assumed that real estate tax expenses would not increase as a result of the EXPANSION.
11 HCC assumed that rent expenses would not increase as a result of the EXPANSION.
12 Due to the shift in procedure mix for the CLIENT, the historical correlation coefficient would be less instructive as to the % of the expense that would be considered variable. Consequently, HCC selected a % variable for the implant expense of 100.0%.

New England Surgery Center **Schedule 7**
ASC Expansion
Expense Inflation

Table 1: Expected Inflation Calculation

	A		B	C	D	E
	Survey		**Measurement Date**	**Forecast Period**	**Weight of Consideration (6)**	**Expected Inflation**
1	The Livingston Survey	(1)	12/21/2018	10 Years	20%	2.23%
2	Survey of Professional Forecasters	(2)	3/22/2019	10 Years	20%	2.20%
3	Federal Reserve Bank of Cleveland	(3)	3/12/2019	10 Years	20%	1.73%
4	Federal Reserve Bank of Atlanta	(4)	3/8/2019	5-10 Years	20%	2.80%
5	Federal Reserve Bank of New York	(5)	4/1/2019	3 Years	20%	2.86%
6	**Average of Expected Inflation Surveys**	(6)			100%	**2.36%**

Notes and Sources:

1 "The Livingston Survey" Federal Reserve Bank of Philadelphia, June 15, 2018, https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey (Accessed 9/18/18). [HCC WP 9]
2 "Survey of Professional Forecasters" Federal Reserve Bank of Philadelphia, 2018, https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2018/survq218 (Accessed 9/18/2018). [HCC WP 10]
3 "Cleveland Fed Estimates off Inflation Expectations" Federal Reserve Bank of Cleveland, 2018, https://www.clevelandfed.org/our-research/indicators-and-data/inflation-expectations.aspx (Accessed 9/18/18). [HCC WP 11]
4 "Atlanta Fed Business Inflation Expectations" Federal Reserve Bank of Atlanta, 2017, https://www.frbatlanta.org/research/inflationproject/bie/ (Accessed 9/18/18). [HCC WP 12]
5 "Survey of Consumer Expectations" Federal Reserve Bank of New York, 2017, https://www.newyorkfed.org/microeconomics/sce (Accessed 9/18/18). [HCC WP 12]
6 Average of Expected Inflation Surveys (Lines 1 - 5).

Table 2: Nominal GDP Calculation

	A	B	C	D	E	F	G
	Survey	**Measurement Date**	**Forecast Period**	**Weight of Consideration (1)**	**Real GDP**	**Expected Inflation**	**Nominal GDP (Column E + Column F)**
7	The Livingston Survey (3)	12/21/2018	10 Years	50%	2.07%	2.23%	4.30%
8	Survey of Professional Forecasters (4)	3/22/2019	10 Years	50%	1.99%	2.20%	4.19%
9	**Weighted Average (2)**			**100%**			**4.25%**

Notes and Sources:

1 The weight of consideration is based upon the accuracy, validity, and efficacy of the survey.
2 Survey weighted average based on the weight of consideration in Column C.
3 "The Livingston Survey" Federal Reserve Bank of Philadelphia, June 15, 2018, https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey (Accessed 9/18/18). [HCC WP 9]
4 "Survey of Professional Forecasters" Federal Reserve Bank of Philadelphia, 2018, https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2018/survq218 (Accessed 9/18/2018). [HCC WP 10]

Table 3: Long Term Growth Rate Calculation

	A	B	C
	Metric	**Weight of Consideration (1)**	**Weighted Average**
10	Inflation Expectation (3)	50.00%	2.36%
11	Nominal GDP (4)	50.00%	4.25%
12	**Weighted Average (2)**	**100%**	**3.30%**

Notes and Sources:

1 The weight of consideration is based upon the accuracy, validity, and efficacy of the survey.
2 Survey weighted average based on the weight of consideration in Column B.
3 See Table 1: Expected Inflation Calculation, Row 6, Column .
4 See Table 2: Nominal GDP Calculation, Row 9, Column G.

New England Surgery Center **Schedule 8**

ASC Expansion

Cost of Equity

	Cost of Equity Components	**Rate**
1	Risk Free Rate	1.94%
2	Investment Alternative (Equity Risk Premium)	5.80%
3	Industry Risk Premium Adjustment	-0.35%
4	Size Premium	7.74%
5	NESC Specific Risk Premium	3.00%
6	**Total Cost of Equity Selected**	**18.13%**

Notes:

1 The return available, as of the VALUATION DATE, on a security that the market generally regards as free of risk of default.
Risk Free Rate - as of the VALUATION DATE. The interest on a 20-year government bond was 1.94%
Source: "Cost of Capital Navigator", Duff & Phelps, LLC, 2018. [HCC WP 13]

2 Source: "Cost of Capital Navigator", Duff & Phelps, LLC, 2018. [HCC WP 13]

3 This adjustment measures the risk of healthcare industry (SIC code 80) against the market index as a whole by applying an industry risk premium to the "build-up" method. Duff & Phelps has developed an industry premium methodology from tracking the returns and related betas, and estimated the industry risk premium for Healthcare Facilities -0.35%.
Source: "Cost of Capital Navigator", Duff & Phelps, LLC, 2018. [HCC WP 13]

4 Size Premium - The combination of the risk-free rate and the equity risk premium estimates the return required by the investor in large company stocks. Duff & Phelps measures the additional return of small company stocks over the market as a whole. The small company premium selected was 7.74%, as indicated by the set representing the smallest firms by total market capitalization of the lowest decile (tenth) portfolios of NYSE/AMEX/NASDAQ companies since 1928 (referred by Duff & Phelps as CRSP decile "10" with capitalization below $324.578 million). The size premium represents the additional return generated by small firms over the market as whole since 1928.
Source: "Cost of Capital Navigator", Duff & Phelps, LLC, 2018. [HCC WP 13]

5 The NESC's Specific Nonsystematic Risk Premium - The extra return required by investors in the NESC based upon HCC's informed, subjective assessment of the risk factors related to NESC.

6 Total Cost of Equity (Equity Discount Rate) selected is 18.13% (Sum of Lines 1 - 5).

New England Surgery Center **Schedule 9**

ASC Expansion

Weighted Average Cost of Capital

	A	B
1	Cost of Debt =	5.00%
2	Weight of Debt =	80.00%
3	Effective Tax Rate =	38.20%
4	Cost of Equity =	18.13%
5	Weight of Equity =	20.00%
6	WACC =	6.10%
7	Less Long-Term Growth =	3.30%
8	Capitalization Rate =	2.79%

Notes:

1 The stated interest rate to expected be incurred in financing the EXPANSION. Source: "ASC Programming Proforma 2B" received on 11/8/2019. [Case Doc ID: 24196, HCC WP 14]

2 The stated portion of the investment in the EXPANSION to be financed utilizing debt. Source: "ASC Programming Proforma 2B" received on 11/8/2019. [Case Doc ID: 24196, HCC WP 14]

3 Equals the average projected rate of taxes to be paid by CLIENT in relation to the EXPANSION, see Schedule 11, Line 6.

4 See Schedule 8, Line 6.

5 Calculated as Total Capital (100%) less weight of debt in Line 2.

6 The risk-adjusted return on investment of total invested capital (both equity and debt) utilized to discount future cash flows to present value.
The Weighted Average Cost of Capital (WACC) has been determined using the following formula:

WACC = (Cost of Debt * Weight of Debt * (1 - effective tax rate)) + (Cost of Equity * Weight of Equity)

7 The Long-Term (Terminal) Growth Rate is the rate that operating revenue and expenses are expected to grow beyond Year 5 of our projections and into perpetuity. The Long-Term Growth Rate selected was 3.3%. See Schedule 7, Table 3: Long Term Growth Rate Calculation

8 The capitalization rate is a risk-adjusted rate of return that is used to convert anticipated economic benefits (i.e., net cash flow) of a single period (i.e., the terminal period) to value.
The total capitalization rate has been determined using the following formula:

c = Dk – g

Where:

C = Capitalization Rate;
Dk = Discount Rate (or WACC);
g = Annually compounded rate of growth in the economic income variable being capitalized over the life of the investment.

New England Surgery Center **Schedule 10**

ASC Expansion

Corporate Taxes

			A	B	C	D	E
			Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
1	Net Income Before Taxes	(1)	$15,869	$41,429	$74,207	$111,863	$149,721
2	Massachusetts Income Taxes (8.0% of Net Income Before Taxes)	(2)	$1,270	$3,314	$5,937	$8,949	$11,978
3	Massachusetts Income Taxes (Property)	(2)	$3,957	$3,957	$3,957	$3,957	$3,957
4	Net Income After Massachusetts Income Taxes and Before Federal Taxes	(3)	$10,643	$34,158	$64,314	$98,957	$133,786
5	Federal Income Tax	(4)	$3,333	$8,700	$15,584	$23,491	$31,441
6	Total State and Federal Income Tax	(5)	$8,559	$15,971	$25,477	$36,397	$47,376
7	Effective Combined Income Tax Rate	(6)	53.93%	38.55%	34.33%	32.54%	31.64%

Notes:

1 Projected net income before taxes (See Schedule 11, Line 3).

2 Calculation of Massachusetts State Tax (8%) of Net Income Before Taxes (Line 1) plus $2.60 per $1000 of tangible property or net worth ($1,521,901 - See Schedule 12, Line 6).
Source: "Corporate Excise Tax" Massachusetts Government, https://www.mass.gov/guides/corporate-excise-tax (Accessed 9/17/2018). [HCC WP 15]

3 Projected net income before federal taxes (Line 1 less Line 2).

4 Calculation of Federal Income Taxes after state taxes (Line 4) utilizing the 21.0% Federal Tax Rate (Source: "https://www.irs.gov/publications/p542" Wolters Kluwer, 2018). [HCC WP 16]

5 Total state and federal taxes (Line 2 plus Line 5).

6 Effective combined tax rate (Line 6 divided by Line 1).

New England Surgery Center **Schedule 11**

ASC Expansion

Projected Net Cash Flows

		A	B	C	D	E	F	G	
		10/1/2018 - 9/30/2019 (1)	**Notes**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
1	Net Revenues	$5,352,019	(2)	$64,938	$139,567	$221,414	$309,774	$398,337	**1**
2	Less: Operating Expenses	($4,742,724)	(3)	($49,069)	($98,138)	($147,207)	($197,912)	($248,616)	**2**
3	Net Income before Taxes	$609,295	Line 1 plus Line 2	$15,869	$41,429	$74,207	$111,863	$149,721	**3**
4	Less: Income Taxes		(4)	($8,559)	($15,971)	($25,477)	($36,397)	($47,376)	**4**
5	Net Income after Taxes		Line 3 plus Line 4	$7,310	$25,458	$48,730	$75,465	$102,345	**5**
6	Effective Tax Rate		Line 4/Line 3	53.93%	38.55%	34.33%	32.54%	31.64%	**6**
	Net Cash Flow								
7	Net Income after Taxes		Equals Line 5	$7,310	$25,458	$48,730	$75,465	$102,345	**7**
8	+ Depreciation and Amortization		(5)	$539	$1,077	$1,616	$2,172	$2,728	**8**
9	- Increase in Working Capital Needs		(6)	($8,178)	($8,178)	($8,178)	($8,451)	($8,451)	**9**
10	- Capital Expenditures		(7)	($539)	($1,077)	($1,616)	($2,172)	($2,728)	**10**
11	+ Increase in Long Term Debt, Interest-Bearing Debt		(8)	$0	$0	$0	$0	$0	**11**
12	**Net Cash Flow (after tax)**		Sum of Lines 7 - 11	**($868)**	**$17,280**	**$40,552**	**$67,015**	**$93,894**	**12**

Notes:

1 See Schedule 1, Column F.

2 See Schedule 6, Line 10.

3 See Schedule 6, Line 51.

4 See Schedule 10, Line 6.

5 See Schedule 6, Line 22.

6 Working capital requirements of NESC was assumed to equal to 2 months of expenses, equal to Schedule 1, Line 59 divided by twelve and multiplied by 2

		As of 9/30/2019		Year 1	Year 2	Year 3	Year 4	Year 5
a.	Working Capital	$0	(a)	$8,178	$16,356	$24,535	$32,985	$41,436
b.	Working Capital as a % of Revenue	0.00%		12.59%	11.72%	11.08%	10.65%	10.40%
c.	Change in Working Capital from Prior Period			**$8,178**	**$8,178**	**$8,178**	**$8,451**	**$8,451**

7 For the purposes of this analayis, HCC assumed that capital expenditures would be equal to the periodic depreciation (Line 8)

8 A debt-free approach was employed. Therefore, projected changes in interest-bearing debt was not considered

New England Surgery Center **Schedule 12**

ASC Expansion

Net Present Value

	A		B	C	D	E	F	G		
			Year 1 Cash Flow	Year 2 Cash Flow	Year 3 Cash Flow	Year 4 Cash Flow	Year 5 Cash Flow	Total		
1	**Projected Net Cash Flow**	(1)	($868)	$17,280	$40,552	$67,015	$93,894	$217,872		1
2	**# of Discounting Periods**	(2)	0.5	1.5	2.5	3.5	4.5			2
3	**Discount Rate**	(3)	6.10%	6.10%	6.10%	6.10%	6.10%			3
4	**Discounted Cash Flow**	(4)	($843)	$15,812	$34,974	$54,475	$71,937	$176,355		4
5							**Terminal Period**	$2,420,823	(5)	5
6							**Initial Investment**	($1,521,901)	(6)	6
7							**Net Present Value**	**$898,922**	(7)	7

Notes:

1 See Schedule 11, Line 12.

2 For the purposes of this analysis HCC utilized a mid-year convention in discounted the future cash flows of the EXPANSION.

3 See Schedule 9, Column B, Line 6.

4 Equals the Projected Cashflow (Line 1) discounted at the discount rate (Line 3) for the number of discounting periods (Line 2).

5 See Schedule 13, Line 8.

6 Source: "ASC Programming Proforma 2B" received on 11/8/2019. [Case Doc ID: 24196, HCC WP 14]

7 Equals the sum of lines 4 through 6.

New England Surgery Center **Schedule 13**

ASC Expansion

Terminal Period

Table 1: Calculation of the Present Value of the Residual Cash Flows

	A		B
1	Net Income After Taxes - Year 5	(2)	$93,894
2	Change in Working Capital Year 5	(3)	($8,451)
3	Change in Net Fixed Assets	(4)	$0
4	Cash Flow at Midpoint Year 5 [E0]	(5)	$85,443
5	Cash Flow at Midpoint of Year 6 [E0*(1+g) = E1]	(6)	$88,267
6	Cash Flow at End of Year 6 [E1*(1+k)0.5]	(7)	$90,918
7	Cash Flow at End of Year 6 Capitalized @ 2.79%	(8)	$3,254,613
8	Terminal Value Discounted 5 Periods	(9)	$2,420,823

Table 2: Inputs

	A	B
9	Discount Rate (k)	6.10%
10	Capitalization Rate (k-g)	2.79%
11	Long Term Growth Rate (g)	3.30%

Modified Gordon Growth Model[1]

$PV = E_0(1+g)(1+k)^{0.5} / (k-g)$

Where:

PV = Present Value.

$\mathbf{E_0}$ = Expected economic income in the full period immediate preceding the effective valuation date.

k = Present value discount rate (i.e. the cost of capital)

g = Expected long-term growth rate in E

Notes:

1 For a fuller discussion of the methodology utilized, see "Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition" By Shannon Pratt, New York, NY: McGraw Hill. 2008. p. 249 - 251.

2 Equals the Projected Net Income for Year 5, which, by utilizing the midpoint convention, is assumed to occur at the midpoint of Year 5, specifically Year 4.5. See Schedule 12, Column F, Line 1.

3 Equals the Projected Change in Working Capital during Year 5, which also utilized the midpoint convention, is assumed to occur at Year 4.5. See Schedule 11, Column G, Line 9.

4 For the terminal period, HCC assumed capital expenditures would just offset depreciation resulting in zero change in Net Fixed Assets.

5 Equals the Sum of Lines 1-3.

6 Equals $85,443 (Line 4) grown at the Long Term Growth rate (3.3%) to arrive at the cashflow during Year 6, specifically Year 5.5.

7 Calculated as $88,267 (Line 5) grown one half period at the WACC Discount Rate (6.1%) to estimate the expected cashflow at the end of Year 6.

8 Calculated as $90,918 (Line 6) divided by the Capitalization Rate (2.79%) to determine the present value of the residual cash flows at the end of Year 6.

9 Calculated as $3,254,613 (Line 7) discounted five periods at the WACC Discount Rate (6.1%) to determine the present value of the residual (terminal period) cashflows at the PROFORMA DATE.

New England Surgery Center

ASC Expansion

Projected Debt Amortization Schedule

	A	B	C	D	E	F
	Month	Year	Total Monthly Payments (1)	Ending Balance	Accumulated Annual Interest (2)	Accumulated Annual Principal (3)
1	12	1	$9,628.08	$1,161,589.71	$59,605.83	$55,931.09
2	24	2	$9,628.08	$1,102,797.08	$56,744.29	$58,792.63
3	36	3	$9,628.08	$1,040,996.51	$53,736.35	$61,800.57
4	48	4	$9,628.08	$976,034.10	$50,574.51	$64,962.41
5	60	5	$9,628.08	$907,748.09	$47,250.91	$68,286.01
6	72	6	$9,628.08	$835,968.44	$43,757.27	$71,779.65
7	84	7	$9,628.08	$760,516.41	$40,084.89	$75,452.03
8	96	8	$9,628.08	$681,204.11	$36,224.62	$79,312.30
9	108	9	$9,628.08	$597,834.04	$32,166.85	$83,370.07
10	120	10	$9,628.08	$510,198.59	$27,901.48	$87,635.44
11	132	11	$9,628.08	$418,079.56	$23,417.89	$92,119.04
12	144	12	$9,628.08	$321,247.54	$18,704.90	$96,832.02
13	156	13	$9,628.08	$219,461.41	$13,750.79	$101,786.13
14	168	14	$9,628.08	$112,467.70	$8,543.22	$106,993.70
15	180	15	$9,628.08	($0.00)		

Notes:

1 Based upon a 15 year fixed interest rate loan at 5.0% annual interest rate amortized over 180 equal monthly payments. Source: *Copy_of_ASCprogramming_02b_proforma.xlsx* file provided by CLIENT on 11/8/2019.

2 Equals the sum of the monthly interest payments for each 12 month annual period.

3 Equals the sum of the monthly principal payments for each 12 month annual period.

New England Surgery Center **Schedule 15**

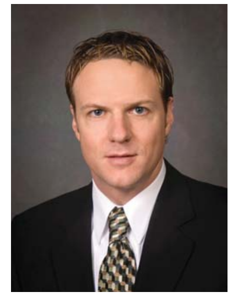
ASC Expansion

Projected Debt Service Coverage Ratio

	A	B	C	D	E	F	G	H	
		Notes	**TTM**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
1	Historical Net Income	See Schedule 1, Column F, Line 61	$609,295	$609,295	$609,295	$609,295	$609,295	$609,295	1
2	Projected EXPANSION Net Income	See Schedule 11, Column C, Line 5	$0	$7,310	$25,458	$48,730	$75,465	$102,345	2
3	**Net Income**	Equals Line 1, Plus Line 2	**$609,295**	**$616,606**	**$634,753**	**$658,026**	**$684,761**	**$711,640**	3
4	Historical Depreciation & Amortization	See Schedule 1, Column F, Lines 24 & 29	$49,163	$49,163	$49,163	$49,163	$49,163	$49,163	4
5	Projected Expansion Depreciation & Amortization	See Schedule 11, Column C, Line 8	$0	$539	$1,077	$1,616	$2,172	$2,728	5
6	**Depreciation & Amortization Expense**	Equals Line 4 plus Line 5	**$49,163**	**$49,702**	**$50,240**	**$50,779**	**$51,335**	**$51,891**	6
7	Historical Interest Expense	See Schedule 1, Column F, Line 34	$100,210	$100,210	$100,210	$100,210	$100,210	$100,210	7
8	Projected Interest Expense	See Schedule 14, Column E	$0	$59,606	$56,744	$53,736	$50,575	$47,251	8
9	**Total Interest Expense**	Equals Line 7 plus Line 8	**$100,210**	**$159,816**	**$156,955**	**$153,947**	**$150,785**	**$147,461**	9
10	**Total Operating Income (Numerator)**	Equals the sum of Line 3, 6 & 9	**$758,669**	**$826,123**	**$841,948**	**$862,751**	**$886,880**	**$910,993**	10
11	Historical Current Portion of Long Term Debt	See Schedule 2, Column F, Lines	$200,004	$200,004	$200,004	$200,004	$200,004	$200,004	11
12	Projected Current Portion of Long Term Debt	See Schedule 14 Column F	$0	$55,931	$58,793	$61,801	$64,962	$68,286	12
13	**Total Current Portion of Long Term Debt**	Line 11 plus Line 12	**$200,004**	**$255,935**	**$258,797**	**$261,805**	**$264,966**	**$268,290**	13
14	Historical Interest Expense	See Schedule 1, Column F, Line 34	$100,210	$100,210	$100,210	$100,210	$100,210	$100,210	14
15	Projected Interest Expense	See Schedule 14, Column E	$0	$59,606	$56,744	$53,736	$50,575	$47,251	15
16	**Total Interest Expense**	Line 14 plus Line 15	**$100,210**	**$159,816**	**$156,955**	**$153,947**	**$150,785**	**$147,461**	16
17	**Total Debt Service (Denominator)**	Equals the sum of Line 13 & 16	**$300,214**	**$415,751**	**$415,751**	**$415,751**	**$415,751**	**$415,751**	17
18	**Debt Service Coverage Ration**	Equals Line 10 divided by Line 18	**2.53**	**1.99**	**2.03**	**2.08**	**2.13**	**2.19**	18

Appendices

Appendices



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Mr. Zigrang is the co-author of "*The Adviser's Guide to Healthcare – 2nd Edition*" [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements* (BVR/AHLA); *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*.

Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute. He also serves on the Editorial Board of *The Value Examiner* and *QuickRead,* both of which are published by NACVA.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter.

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- *"Proposed Stark Law Changes: Health Care Industry Implications"* Co-authored by Jessica Bailey-Wheaton, Esq., St. Louis Metropolitan Medicine, December 2019/January 2020.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Five of a Five-Part Series)"* Co-authored by Jessica Bailey-Wheaton, Esq., NACVA QuickRead, August 28, 2019.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Four of a Five-Part Series)"* Co-authored by Jessica Bailey-Wheaton, Esq., NACVA QuickRead, August 22, 2019.
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- *"Rural Health Clinics: Fair Market Value Considerations (Part Two of a Five-Part Series)"* Co-authored by Jessica Bailey-Wheaton, Esq., NACVA QuickRead, August 8, 2019.
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- *"Home Health and Hospice Enterprises: Fair Market Value Considerations (Part Two of a Two-Part Series)"* Co-authored by Jessica Bailey-Wheaton, Esq., NACVA QuickRead, April 25, 2019.
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- *"Valuation of Compensation for Physician Services: Medical Director Compensation"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, NACVA QuickRead, November 9, 2017.
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- *"Valuation of Compensation for Physician Services: Clinical Services"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, The Value Examiner, March/April 2017.
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- *"Reimbursement Environment of the Healthcare Industry in an Era of Reform"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, Business Appraisal Practice, November 3, 2014.
- *"The Threshold of Commercial Reasonableness"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, NACVA QuickRead, June 25, 2014.
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- *"Valuing Intangible Assets in Exempt Healthcare Organizations"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, Valuation Strategies, January/February 2013.
- *"Valuation in the Era of Healthcare Reform - Part I: Valuation of Healthcare Enterprises, Assets, and Services in a Changing Reimbursement and Regulatory Environment"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, Business Valuation Alert, Volume 11, Issue 4, October 2010.
- *"Valuation in the Era of Healthcare Reform: A Brief Primer on the Impact of Recent Legislation"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, and Anne P. Sharamitaro, Esq., Business Appraisal Practice, Second Quarter 2010.

PROFESSIONAL COURSES TAUGHT

- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Jessica Bailey-Wheaton, Esq., Business Valuation Resources (August 26, 2019).
- *"Commercial Reasonableness of Physician Compensation—Analytical Update with MACRA,"* National Association of Certified Valuators and Analysts (NACVA) and Consultants' Training Institute (CTI) (October 1, 2018).
- *"An Exploration of Recent Trends, Industry Guidance and Developing Best Practices,"* Co-presented with Alex T. Krouse, JD, Roger W. Logan, MS, CPA/ABV, ASA, CMPE, Robert A. Wade, Esq., and Tina Hogeman, MT, MS, CPA, CHFP, CMPE, American Health Lawyers Association (February 7, 2018).
- *"Physician Compensation Methods,"* CPA Leadership Institute (November 28, 2017).
- *"Commercial Reasonableness of Physician Compensation Analytical Update with MACRA,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, National Association of Certified Valuators and Analysts (NACVA) and Consultants' Training Institute (CTI) (July 25, 2017).
- *"The Valuation of Intangible Assets in the Absence of Positive Cash Flows,"* National Association of Certified Valuators and Analysts (NACVA) and Consultants' Training Institute (CTI) (November 8, 2016).
- *"Is Orange the New Black? The Role of Commercial Reasonableness in Government Enforcement Actions and Settlements,"* American Health Lawyers Association, 2016 in Review: Traveling the Road to Value-Based Payment in a Regulatory Enforcement Minefield, Part II (October 26, 2016).
- *"Regulatory Enviorment of the Healthcare Industry,"* Co-presented with Mark Mattioli, Esq. (May 6, 2016).
- *"Valuation of Healthcare Intangible Assets & Intellectual Property,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (May 12, 2016).
- *"Impact of Competitive Forces,"* Co-presented with Roger Strode, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Multidisciplinary Advanced Education in Healthcare Valuation Program, St. Louis, MO (May 6, 2016).
- *"Regulatory Environment of the Healthcare Industry,"* Co-presented with Mark L. Mattioli, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Multidisciplinary Advanced Education in Healthcare Valuation Program, St. Louis, MO (May 6, 2016).
- *"Valuation of Healthcare Tangible Personal Property,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group

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(HSIG) (April 7, 2016).

- *"Business Valuation of Healthcare Enterprises and Services (and Interests Therein),"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (March 10, 2016).
- *"Valuation of Healthcare Real Estate & Real Property,"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (February 18, 2016).
- *"Valuation of Intangible Assets & Intellectual Property,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (January 28, 2016).
- *"Valuation of Healthcare Tangible Personal Property,"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (November 12, 2015).
- *"Business Valuation of Healthcare Enterprises and Services (and Interests Therein),"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (October 30, 2015).
- *"Healthcare Reimbursement Environment in an Era of Healthcare Reform,"* Co-presented with John M. Kirsner, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Las Vegas, NV (October 16-17, 2015).
- *"Technology Development,"* Co-presented with Hal Katz, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Las Vegas, NV (October 16-17, 2015).
- *"Impact of Competitive Forces,"* Co-presented with Jack M. Beal, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Las Vegas, NV (October 16-17, 2015).
- *"Regulatory Environment of Healthcare Industry,"* Co-presented with John M. Kirsner, Esq., American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Las Vegas, NV (October 16-17, 2015).
- *"Valuation of Healthcare Real Estate & Real Property,"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (September 24, 2015).
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- *"Valuation of Healthcare Tangible Personal Property,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (August 6, 2015).
- *"Business Valuation of Healthcare Enterprises and Services (and Interests Therein),"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (July 9, 2015).
- *"Valuation of Healthcare Real Estate & Real Property,"* American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (June 25, 2015).
- *"Valuation of Healthcare Intangible Assets & Intellectual Property,"* Co-presented with Ray Rath, ASA, CFA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG), Multidisciplinary Advanced Education in Healthcare Valuation Program (February 19, 2015).
- *"Intangible Assets in Healthcare Entities: Value or No Value?,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, Consultants' Training Institute (CTI) (December 4, 2014).
- *"Valuation of Intangible Assets & Intellectual Property,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (November 20, 2014).
- *"Business Valuation of Healthcare Enterprises and Services (and Interests Therein),"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, American Society of Appraisers (ASA) Healthcare Special Interest Group (HSIG) (August 21, 2014).
- *"Physician Compensation Methods,"* CPA Leadership Institute Webinar (December 18, 2013).
- *"Valuation of Healthcare Entities and Assets - The Impact of 2010 Legislation,"* CPA Leadership Institute Webinar (October 23, 2013).
- *"Physician Compensation Methods,"* CPA Leadership Institute Webinar (July 17, 2013).
- *"Valuation of Healthcare Entities and Assets - The Impact of 2010 Legislation,"* CPA Leadership Institute Webinar (June 6, 2013).
- *"Physician Compensation Arrangements: Fair Market Value and Commercial Reasonableness,"* CPA Leadership Institute Webinar (October 2, 2012).

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- *"Hospital-Physician Alignment: Options and Strategic Implications,"* Co-presented with Anne P. Sharamitaro, Esq., CPA Leadership Institute Webinar (August 2, 2012).
- *"Controlling Healthcare Costs Through Accountable Care Organizations,"* Co-presented with Anne P. Sharamitaro, Esq., CPA Leadership Institute Webinar (July 31, 2012).
- *"Valuation of Healthcare Entities and Assets- The Impact of 2010 Legislation,"* Co-presented with Anne P. Sharamitaro, Esq., CPA Leadership Institute Webinar (June 13, 2012).
- *"Valuing Physician and Executive Compensation Arrangements: Fair Market Value & Commercial Reasonableness Thresholds,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, Physician Hospitals of America (PHA), New Orleans, LA (September 24, 2009).
- *"Valuation of Medical Practices in a Changing Regulatory and Reimbursement Environment,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, The Institute of Business Appraisers – Education Course #1011, Cleveland, OH (November 8, 2006).

LECTURES AND PRESENTATIONS

- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co Presented with Jessica Bailey-Wheaton, Esq., National Association of Certified Valuators and Analysts (NACVA), 2019 Financial Valuation SuperConference (December 11, 2019).
- *"The Path to Successful Utilization of Alternative Payment Models,"* Co Presented with Khaled Klele, Esq., and Latoya Caprice Dawkins, Esq., American Bar Association (ABA), 17th Annual Washington Health Law Summit (December 9, 2019).
- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Jessica Bailey-Wheaton, Esq., Missouri Society of Certified Public Accountants (MOCPA), Missouri Society of CPAs Health Care Conference (October 17, 2019).
- *"Regulatory Updates,"* Co-presented with Jessica Bailey-Wheaton, Esq., NSCHBC 2019 Annual Conference (June 14, 2019).
- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Jessica Bailey-Wheaton, Esq., NACVA and CTI's Annual Consultants' Conference (June 6, 2019).
- *"Private Equity's Fast and Furious Entry into Healthcare,"* Co-presented with Joy Hord, Esq., North Carolina Medical Group Management Association (NCMGMA) Annual Conference (May 9, 2019).
- *"Healthcare Valuation - A Healthcare Reform Update,"* Co-presented with Jessica Bailey-Wheaton, Esq., National Association of Certified Valuators and Analysts, Consultants' Training Institute , NACVA and the CTI's Financial Valaution SuperConference (December 11, 2018).
- *"Healthcare Valuations: The New, the Old, and the Ugly,"* Lsa Cribben, CPA/ABV, ASA, CMA, American Institute of Certified Public Accountants (AICPA), AICPA Forensic and Valuation Conference (November 5, 2018).
- *"Tax Cuts & Jobs Act of 2017 – What does the Tax Reform Bill Mean for the Healthcare Industry?,"* Missouri Society of Certified Public Accountants (MOCPA), Missouri Society of CPAs Health Care Conference (October 18, 2018).
- *"Conversations with the Masters,"* National Association of Certified Valuators and Analysts, Consultants' Training Institute, 2017 NACVA Financial Valuation SuperConference (December 13, 2017).
- *"Commercial Reasonableness of Physician Compensation - Analytical Update with MACRA,"* National Association of Certified Valuators and Analysts, Consultants' Training Institute, 2017 NACVA Financial Valuation SuperConference (December 13, 2017).
- *"Hot Topics in Healthcare Valuation,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, Missouri Society of Certified Public Accountants (MOCPA), MOCPA's Healthcare Conference (September 28, 2017).
- *"Commercial Reasonableness of Physician Compensation - Analytical Update with MACRA,"* Co-presented with Jessica Bailey-Wheaton, Esq., National Association of Certified Valuators and Analysts, Consultants' Training Institute, NACVA and the CTI's 2017 Annual Consultants' Conference (June 8, 2017).
- *"Accountable Care Organizations: Creation, Capitalization, and Contracting,"* Co-presented with Barry S. Herrin, CHPS, FAHIMA, FACHE, Esq., and Belinda P. Coleman, Georgia Association of Healthcare Executives,

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Georgia ACHE Chapter Panel Discussion (September 22, 2016).

- *"Can't See the Forest for the Trees: The Misapplication of Economic Theory to the Increasing Regulatory Trend Against Vertical Healthcare Integration,"* National Association of Certified Valuators and Analysts, Consultants' Training Institute (CTI), NACVA and CTI's Annual Consultants' Conference (June 9, 2016).
- *"How to put Clinically Integrated Networks to Work in an Era of Value Based Reimbursement,"* Co-presented with Lisa G. Han, Esq., and Roger W. Logan, ASA, CPA, MS, American College of Healthcare Executives (ACHE), 2016 Congress on Healthcare Leadership (March 18, 2016).
- *"The Imperative of Considering the Concept of Highest and Best Use in Healthcare Valuation,"* National Association of Certified Valuators and Analysts, Consultants' Training Institute, Exit Planning, Transaction Advisory Service, and Healthcare Valuation Conference (November 18, 2015).
- *"Application & Implementation of ACO Waivers and Ongoing Compliance Issues,"* Accountable Care Expos, LLC, Midwest Accountable Care Expo 2015 (August 13, 2015).
- *"Hot Topics in Healthcare Valuation,"* Co-presented with Roger D. Strode, Esq., American Bar Association, ABA Physicians Legal Issues Conference (June 11, 2015).
- *"Four Pillars of Healthcare Value in an Era of Reform,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, Healthcare Financial Management Association (HFMA), HFMA Annual Joint Spring Conference (May 13, 2015).
- *"Capital Formation of Accountable Care Organizations,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, Accountable Care Expos, LLC, Midwest Accountable Care Expo (August 27, 2014).
- *"Four Pillars of Healthcare Value in an Era of Reform,"* American Society of Appraisers (ASA) Western New York Chapter (May 13, 2014).
- *"Four Pillars of Healthcare Value in an Era of Reform,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, St. Louis Business Valuation Roundtable (November 13, 2013).
- *"ACOs: Value Metrics and Capital Planning for Long-Term Care,"* The Senior Living Forum (May 2, 2013).
- *"How to Prepare and Plan for New Reimbursement Models,"* Greater St. Louis Chapter: Future of Health Care Reimbursement Annual Insurance Payer Panel Program (March 26, 2013).
- *"Cutting Edge Challenges in Determining FMV for Hospital-Physician Arrangements and Transactions,"* New Jersey Hospital Association (NJHA), (December 11, 2012).
- *"Business Case for Episode of Care Management,"* Healthcare Financial Management Association (HFMA), HFMA Greater St. Louis Missouri Healthcare Executive Group Discussion (September 11, 2012).
- *"Accountable Care Organizations: Physician Integration/Affiliation/Development Strategies and Capital Planning,"* 2012 National CPA Health Care Advisors Association (HCAA) Spring Conference (May 3, 2012).
- *"A Primer for Research and Benchmarking Methods for Healthcare Financial Consulting Projects,"* 2012 National CPA Health Care Advisors Association (HCAA) Spring Conference (May 3, 2012).
- *"Accountable Care Organizations: Development Strategies and Capital Planning,"* Co-presented with Anne P. Sharamitaro, Esq., Decatur Memorial Hospital Research Day (October 19, 2011).
- *"Accountable Care Organizations: Developing Strategies for Successful Implementation,"* Infocast Executive Education Series (October 3, 2011).
- *"Healthcare M&A,"* Association for Corporate Growth (May 26, 2011).
- *"Hospital-Physician Alignment Seminar,"* Co-presented with Scott A. Edelstein, Esq., and Mary C. Reed, Infocast Executive Education Series (March 9-10, 2011).
- *"Hospital - Physician Alignment,"* Co-presented with Scott A. Edelstein, Esq., and Mary C. Reed, Infocast Executive Education Series (February 16-17, 2011).
- *"Value Drivers for Surgical Hospital Joint Ventures and Mergers in the Wake of Healthcare Reform,"* Physicians Hospitals of America (PHA), 2010 PHA Annual Conference (September 23, 2010).
- *"Physician-Hospital Relationships in a Changing Regulatory Environment,"* McDonough District Hospital (June 16, 2010).
- *"A Primer for Research Methods for Valuation Projects,"* Co-presented with Anne P. Sharamitaro, Esq., (Author: Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA), ASA St. Louis Chapter 049, (February 6, 2009).
- *"Effect of Healthcare Regulatory and Policy Planning on Dental Practices,"* Practice Valuation Study Group,

LECTURES AND PRESENTATIONS (CONTINUED)

Practice Valuation Study Group Conference (October 4, 2008).

- *"In the Eye of the Beholder: The Valuation of Surgical Hospitals in a Changing Reimbursement and Regulatory Environment,"* Co-presented with Anne P. Sharamitaro, Esq., (Author: Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA), Physician Hospital of America (PHA), 2007 PHA Annual Conference (September 13, 2007).
- *"Making Sense of Performance Transformation Methodologies,"* Missouri HEG/ACHE (May 24, 2007).
- *"The Specialty Hospital Moratorium: The Impact on Physician Ownership of Specialty Surgical Hospitals,"* Co-presented with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, Healthcare Financial Management Association (HFMA), HFMA Regional Joint Meeting (September 16, 2004).
- *"Business and Industry Research, Application to Valuation Engagements: The Internet and Other Sources,"* Co-presented with Tim Alexander, MLS, St. Louis Business Valuation Roundtable (July 12, 2000).

QUOTATIONS AND CITATIONS

- NACVA/CTI *"Around the Valuation World"* (August 21, 2017).
- The Ambulatory M&A Advisor *"Defining the Quality of Earnings Assessment for a Prospective Buyer"* (November 9, 2016).
- The Ambulatory M&A Advisor *"Dealing with an Increase in Purchase Price During Due Diligence"* (October 21, 2016).
- The Ambulatory M&A Advisor *"Using New Debt to Increase the Value of your Business"* (August 19, 2016).
- NACVA/CTI *"Around the Valuation World"* (January 25, 2016).
- The Ambulatory M&A Advisor *"Valuations: Working Capital in Urgent Care M&A Transactions"* (January 9, 2015).

EXPERIENCE

Health Capital Consultants, St. Louis, MO

Senior Vice President

- Determination and Implementation of Appropriate Valuation Methods
- Assessment of Subject Entity Risk Factors for the Development of Discount Rates
- Development of Pro Forma Financial Statements
- Development and Assessment of Business Feasibility Studies
- Management and Execution of Due Diligence Data Collection
- Review and Analysis of Forecasted and Pro Forma Financial Statements
- Review and Analysis of Healthcare Related Business Valuations

EDUCATIONAL BACKGROUND

Washington University, John M. Olin School of Business - St. Louis

- MS - Finance

University of Missouri – Saint Louis

- MA - Economics

University of Missouri – Saint Louis

- BS - Economics

PROFESSIONAL AFFILIATIONS

- Member National Association of Business Economists

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PUBLISHED ARTICLES

- *"Beyond FMV: Commercial Resonableness of Physician Compensation Post-MACRA"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, and Jessica Bailey-Wheaton, Esq., Business Valuation Review, Vol. 37, Issue 1, Spring 2018.
- *"Valuation of Healthcare Intangible Assets in the Absence of Positive Net Cash Flows"* Co-authored by Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, and Todd. A. Zigrang, MBA, MHA, ASA, FACHE, and Jonathan T. Wixom, MBA, Business Valuation Review, Vol. 34, Issue 3, Fall 2015.
- *"Appropriate Use of Extraordinary Assumptions and Hypothetical Conditions"* Co-authored by Todd A. Zigrang, MBA, MHA, FACHE, ASA, NACVA QuickRead, June 10, 2015.

LECTURES AND PRESENTATIONS

- *"Four Pillars of Healthcare Value in an Era of Reform,"* Missouri Society of Certified Public Accountants (MSCPA), MSCPA and HFMA Healthcare Industry Conference (September 22, 2016).
- *"An Empirical Analysis of the Valuation Impact of Rights of First Refusal (ROFR),"* Co-presetned with Robert James Cimasi, MHA, ASA, MCBA, FRICS, CVA, CM&AA, and Ashok B. Abbott, MBA, PhD., National Association of Valuators and Analysts (NACVA), NACVA Business Valuation and Healthcare Valuation Conference (September 21, 2016).
- *"ACO 101 for Providers - Panel of ACO Professionals,"* Midwest Accountable Care Expo 2015 (August 13, 2015).
- *"ACO 101 for Providers,"* Midwest ACO Expo 2015 (August 13, 2015).
- *"Accountable Care Organizations: Value Metrics and Capital Planning,"* Virginia Medical Group Management Association, Virginia Medical Group Management Association Spring Conference (March 10-12, 2013).

EXPERIENCE

Health Capital Consultants, St. Louis, MO

Vice President & General Counsel

- Project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions
- Research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

EDUCATIONAL BACKGROUND

Saint Louis University School of Law, St. Louis, MO

- Juris Doctor; Concentration in Health Law
- Journal of Health Law & Policy (Fall Managing Editor, Staff Editor)

West Virginia University, Morgantown, WV

- BA - Political Science
- BA - Foreign Languages

PROFESSIONAL AFFILIATIONS

- National Association of Certified Valuators and Analysts
- American Bar Association
- American Health Lawyers Association
- Missouri Bar Association
- Illinois State Bar Association
- Health Care Compliance Association

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PUBLISHED ARTICLES

- *"ASCs and Office-Based Laboratories— Valuation Distinctions and Considerations Part II: Considerations"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, The Value Examiner, November/December 2019.
- *"ASCs and Office-Based Laboratories: Valuation Distinctions and Considerations Part I: Distinctions"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, The Value Examiner, September/October 2019.
- *"Proposed Stark Law Changes: Health Care Industry Implications"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, St. Louis Metropolitan Medicine, December 2019/January 2020.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Five of a Five-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, August 28, 2019.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Four of a Five-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, August 22, 2019.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Three of a Five-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, August 15, 2019.
- *"Rural Health Clinics: Fair Market Value Considerations (Part Two of a Five-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, August 8, 2019.
- *"Rural Health Clinics: Fair Market Value Considerations (Part One of a Five-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, July 24, 2019.
- *"Increasing Utilization of Non-Traditional Patient Care Sites: Opportunities for Physicians"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, St. Louis Metropolitan Medicine, June 2019.
- *"Hospitalist Pilot Model Sparks Controversy"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, Chicago Medicine, May 2019.
- *"Hospital Prices Drive Healthcare Spending"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, Chicago Medicine, May 2019.
- *"Home Health and Hospice Enterprises: Fair Market Value Considerations (Part Two of a Two-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, April 25, 2019.
- *"Home Health and Hospice Enterprises: Fair Market Value Considerations (Part One of a Two-Part Series)"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA QuickRead, April 17, 2019.
- *"Management Services Agreements: Considerations for Fair Market Value"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, NACVA QuickRead, June 28, 2018.
- *"U.S. Healthcare Overhaul Update"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, Chicago Medicine, May 2018.
- *"Corporatized Medicine: Time for Doctor Unions?"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, Chicago Medicine, May 2018.
- *"Beyond FMV: Commercial Resonableness of Physician Compensation Post-MACRA"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, and John Chwarzinski, MSF, MAE, Business Valuation Review, Vol. 37, Issue 1, Spring 2018.
- *"Legislature Considers Bill to Modernize Telehealth Use"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, St. Louis Metropolitan Medicine, April/May 2018.
- *"CMS to Review Stark Law"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, AHLA Practice Group Alert, February 2, 2018.
- *"The State Of Value-Based Reimbursement Initiatives"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, AHLA Practice Group Alert, February 1, 2018.
- *"Physician Manpower Utilization: What does the expanding role of non-physician providers mean for the medical profession?"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, Chicago Medicine, February 2018.
- *"Medicaid Expansion and Implications on Hospital Finances and Viability"* Co-authored by Todd Zigrang, MBA, MHA, FACHE, ASA, AHLA Practice Group Alert, January 23, 2018.
- *"House Votes to Repeal and Replace Obamacare When It Really Matters"* Co-authored by Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, and Todd Zigrang, MBA, MHA, FACHE, ASA, ABA Health eSource , May 2017, May 2017.

PROFESSIONAL COURSES TAUGHT

- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, Business Valuation Resources (August 26, 2019).
- *"The Valuation of Intangible Assets in the Absence of Positive Net Cash Flows,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, National Association of Certified Valuators and Analysts (NACVA) and Consultants' Training Institute (CTI) (June 27, 2016).

LECTURES AND PRESENTATIONS

- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, National Association of Certified Valuators and Analysts (NACVA), 2019 Financial Valuation SuperConference (December 11, 2019).
- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, Missouri Society of Certified Public Accountants (MOCPA), Missouri Society of CPAs Health Care Conference (October 17, 2019).
- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, Missouri Society of Certified Public Accountants (MOCPA), Missouri Society of CPAs Health Care Conference (October 17, 2019).
- *"Regulatory Updates,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, NSCHBC 2019 Annual Conference (June 14, 2019).
- *"The Due Diligence Imperative in the Era of Value-Based Reimbursement,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, NACVA and CTI's Annual Consultants' Conference (June 6, 2019).
- *"Healthcare Valuation - A Healthcare Reform Update,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, National Association of Certified Valuators and Analysts, Consultants' Training Institute , NACVA and the CTI's Financial Valuation SuperConference (December 11, 2018).
- *"Commercial Reasonableness of Physician Compensation - Analytical Update with MACRA,"* Co-presented with Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, National Association of Certified Valuators and Analysts (NACVA) and Consultants' Training Institute, NACVA and the CTI's 2017 Annual Consultants' Conference (June 8, 2017).
- *"Commercial Reasonableness and Other Factors in Physician Compensation: Analytic Update with MACRA, Bundled Payments,"* Co-presented with Andrea Ferrari, Esq., MPH, John Barakat, CFO, American Bar Association and Chicago Medical Society, 2017 Physicians Legal Issues Conference (June 9, 2017).
- *"Can't See the Forest for the Trees: The Misapplication of Economic Theory to the Increasing Regulatory Trend Against Vertical Healthcare Integration,"* Co-presented with Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, and David W. Grauer, Esq., American Bar Association, Physicians Legal Issues Conference (June 9, 2016).

EXPERIENCE

Health Capital Consultants, St. Louis, MO

Senior Financial Analyst

- Develop fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services
- Prepare, review and analyze forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services
- Assessment of macroeconomic risk factors, industry risk factors, and subject entity specific risk factors for the development of risk adjusted required rates of return
- Apply utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams
- Perform financial and operational benchmarking using public company comparables and normative industry benchmark survey data

EDUCATIONAL BACKGROUND

Washington University in St. Louis - John M. Olin School of Business

- Masters of Science - Finance

University of Notre Dame - College of Science

- Bachelor of Science - Science Pre-Professional

PROFESSIONAL AFFILIATIONS

- National Association of Certified Valuators and Analysts

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SPECIFIC DOCUMENTS AND MATERIALS RECEIVED

Financial Statements

(1) Income and Expenses Sheet
(2) Balance Sheets as of 9.30.2019

Budgets / Forecasts

(1) ASC Programming Pro forma 2B

Other Financial Documents

(1) Payor Group Analysis Sheet

Depreciation Schedules

(1) Granger Medical Inc. Medical Gas Equipment Sales & Service Quotation

Productivity Reports

(1) Revenue by Procedure OR1 2017
(2) Revenue by Procedure OR1 2018
(3) Revenue by Procedure OR1 2019
(4) Revenue by Procedure Room 2017
(5) Revenue by Procedure Room 2018
(6) Revenue by Procedure Room 2019
(7) NESC 2017 Procedures by Volume
(8) NESC 2018 Procedures by Volume
(9) 6 Month 2019 OR Turnover Time

Organizational Documents

(1) Employee List

Miscellaneous

(1) Building Layout
(2) Patient Panel Data NESC Factor 1
(3) Patient Panel Summary - 2CBR factor
(4) Factor 5 - Relative Merit Proposal
(5) Factor 2 NESC CBR - 002 - Health Priorities

CONTINGENT AND LIMITING CONDITIONS

The assignment represented by this REPORT is to provide a 5 year PROFORMA related to the EXPANSION, in support of NESC's completion of Factor 4: "*Financial Feasibility and Reasonableness of Expenditures and Costs*" of its application for a Determination of Need related to the EXPANSION, as of September 30, 2019. The information and documents considered in the assignment set forth in this REPORT are a compilation of data that was furnished to HCC by others, including management for NESC and their employees, agents and designees, who have warranted that all information provided to HCC was accurate and complete to the best of their knowledge and belief. Therefore, in accordance with the terms of our engagement, this information has been accepted without further verification as correctly reflecting the future performance and current condition of NESC and no responsibility for its accuracy is assumed by HCC, which has not provided assurance services under this engagement.

HCC is not rendering any opinion as to the title of any asset herein valuated. These assets are assumed to be marketable and in the ownership of NESC. All references to the value of any assets of the business are estimates of *Fair Market Value*, based upon the use of those assets as elements in a Going Concern, and not as used items valued for orderly or forced liquidation, unless specifically stated as such. Comments regarding the condition and/or state of the art of any assets are based upon the layperson observations of HCC, the representations of management, or as may be specified within the REPORT. HCC claims no expertise as liquidators or auctioneers.

The valuation of any asset in this REPORT applies only under the existing conditions of the ongoing operation at the VALUATION DATE. The calculations of value expressed within this REPORT are applicable only to the type of value stated within the REPORT, and then only based upon the referenced definition of that type of value. Should these valuation calculations and projections be based upon *Fair Market Value,* those value calculations and projections assume a hypothetical sale, and unless stated otherwise, an all-cash sale.

Any actual transaction may be concluded at a price that is higher or lower than the value calculations and projections, depending upon the circumstances of the actual transaction. Such circumstances could include, but are not be limited to, changes in the economy, leveraging, cost of capital, the parties' individual perception of risk, knowledge, motivation, perceived synergies or lack thereof, negotiating skills, quality of counsel, and other individual or interrelated factors. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual performance in the areas forecasted/projected will vary from the forecast/projection, and the variations may be material. Therefore, HCC will not express any form of assurance on the likelihood of NESC achieving the forecast/projection or on the reasonableness of the used assumptions, representations and conclusions. Any such forecast/projection is presented as part of this specific REPORT and is not intended to be used separately.

This REPORT assumes no litigious, regulatory compliance, environmental hazard, or similar problems other than specifically disclosed in this REPORT. Should applicable investigation be done regarding such matters, items that would materially affect our final valuation opinion could be discovered. Therefore, no representations or warranties, are expressed or implied regarding such conditions and no consideration has been given, within this REPORT, to the possible effects of any such conditions. This REPORT assumes there are no restrictions or other qualifications, other than those set forth in the documents and information provided us, that could materially

CONTINGENT AND LIMITING CONDITIONS

affect the value of the property appraised, including, but not limited to, its transferability. This REPORT is further subject to any other contingencies, assumptions, and limiting conditions as may be set out elsewhere within.

The objective of this valuation is to develop a PROFORMA, as of the PROFORMA DATE, of the EXPANSION. The purpose and specific use of this REPORT is to assist management of NESC in their completion of Factor 4: "Financial Feasibility and Reasonableness of Expenditures and Costs" of its application for a DON from the state of Massachusetts. As set forth in the engagement agreement between the NESC and HCC, NESC agrees to indemnify and hold harmless HCC, its officers, directors, employees, shareholders, members, and agents (individually an "Indemnitee" and collectively the "Indemnitees") against any and all losses, claims, demands, damages, expenses, costs, and liabilities of every kind and nature, including but not limited to, attorneys' fees, court costs, and costs of investigation and experts, that any Indemnitee may sustain or incur or that may be asserted by any person against any Indemnitee in connection with this AGREEMENT, the services provided and performed under this ENGAGEMENT, and any investor litigation arising from the securities offering discussed herein, provided such losses, claims, damages, costs, or liabilities are not attributable to any Indemnitees' own gross and willful negligence in carrying out its duties, and provided, further, that such Indemnitee shall have no liability hereunder with respect to its consulting decisions exercised in good faith.

The opinions expressed in this REPORT are restricted to that use and not valid if used for any other purpose. Any other use of this REPORT may lead the user to an incorrect conclusion for which HCC assumes no responsibility. No other use of this REPORT is permitted without the express written authorization of HCC. Possession of this REPORT or a copy thereof does not carry with it the right of publication. It may not be used for any other purpose, in whole or in part, by anyone except NESC for whom this REPORT was prepared, or conveyed to any third party without the previous express written consent of HCC.

This valuation REPORT consists of 15 pages, plus attached schedules and appendices, and should be utilized only in its entirety. Authorized copies of this REPORT will be signed by John Chwarzinski, MSF, MAE.

TOP 80% OF PROCEDURES

	A	B	C	
	CPT Code	CPT Code Description	Percent of Total Procedures	
1	63650	Implant Neuroelectrodes	6.45%	1
2	50590	Fragmenting Of Kidney Stone	6.41%	2
3	15823	Revision Of Upper Eyelid	4.04%	3
4	30140	Resect Inferior Turbinate	3.37%	4
5	29827	Arthroscop Rotator Cuff Repr	3.33%	5
6	29826	Right Shoulder Arthroscopy Subacromial Decompression	3.19%	6
7	30520	Repair Of Nasal Septum	3.19%	7
8	ANCHOR	Anchor Heal 5.5Mm	3.00%	8
9	76942	Ultrasonic Guidance For Needle Placement	2.96%	9
10	29824	Shoulder Arthroscopy/Surgery	2.37%	10
11	31267	Endoscopy Maxillary Sinus	2.19%	11
12	52332	Cystoscopy And Treatment	2.19%	12
13	29823	Shoulder Arthroscopy/Surgery	2.07%	13
14	52356	Cysto/Uretero W/Lithotripsy	2.00%	14
15	63685	Insrt/Redo Spine N Generator	1.96%	15
16	69436	Create Eardrum Opening	1.89%	16
17	90000	Bilateral Upper Lid Blepharoplasty (Cosmetic Procedure)	1.85%	17
18	67904	Repair Eyelid Defect	1.59%	18
19	64415	N Block Inj Brachial Plexus	1.52%	19
20	31255	Removal Of Ethmoid Sinus	1.48%	20
21	64561	Implant Neuroelectrodes	1.48%	21
22	55700	Biopsy Of Prostate	1.41%	22
23	76872	US Transrectal	1.41%	23
24	C9740	Cysto Impl 4 Or More	1.26%	24
25	42826	Removal Of Tonsils	1.22%	25
26	67917	Repair Eyelid Defect	1.15%	26
27	52330	Cystoscopy And Treatment	1.07%	27
28	64590	Insrt/Redo Pn/Gastr Stimul	1.07%	28
29	42820	Remove Tonsils And Adenoids	1.07%	29
30	0275T	Perq Lamot/Lam Lumbar	0.93%	30
31	52204	Cystoscopy W/Biopsy(S)	0.85%	31
32	52260	Cystoscopy And Treatment	0.78%	32
33	29881	Knee Arthroscopy/Surgery	0.74%	33
34	22869	L4-5 Insertion Of Intralaminar/Interspinous Process	0.74%	34
35	64581	Implant Neuroelectrodes	0.70%	35
36	29825	Shoulder Arthroscopy/Surgery	0.63%	36
37	21320	Closed Tx Nose Fx W/ Stablj	0.56%	37
38	64721	Carpal Tunnel Surgery	0.52%	38
39	52235	Cystoscopy And Treatment	0.52%	39
40	30420	Reconstruction Of Nose	0.48%	40
41	42830	Removal Of Adenoids	0.48%	41
42	31254	Revision Of Ethmoid Sinus	0.44%	42
43	67924	Repair Eyelid Defect	0.44%	43
44	52310	Cystoscopy And Treatment	0.44%	44
45	52601	Prostatectomy (Turp)	0.41%	45
46	52234	Cystoscopy And Treatment	0.37%	46
47	29807	Shoulder Arthroscopy/Surgery	0.37%	47
48	31288	Nasal/Sinus Endoscopy Surg	0.37%	48
49	52276	Cystoscopy And Treatment	0.33%	49
50	64636	Left Lumbar L4-5 Radiofrequency	0.33%	50
51	29828	Arthroscopy Biceps Tenodesis	0.33%	51
52	29806	Shoulder Arthroscopy/Surgery	0.33%	52
53	**Total**		80.33%	53

Source: "Revenue by Procedure OR1 2017", "Revenue by Procedure OR1 2018", "Revenue by Procedure OR1 2019", "Revenue by Procedure Room 2017", "Revenue by Procedure Room 2018", "Revenue by Procedure Room 2019" received on 11/5/2019. [Case Doc ISs: 24188, 24189, 24190, 24191, 24192, 24193; HCC WP 7] "physician_activity_by_speciality_2015", "physician_activity_by_speciality_2016" received on 6/12/18. [Case Doc ID: TBD, HCC WP 8]