ILLUSTRATIVE INTEGRATION TRANSACTION

Engagement: Valuation Consulting Services

Client: 900+ bed, nonprofit, research and teaching hospital

Location: Northeastern U.S.

Subject Interest: Fair Market Value Opinion related to the Acquisition of 25 Cardiology Physician Practices

Description of Engagement:

HCC was engaged by the Client to develop and prepare a written valuation report providing our conclusions and certified opinion related to the Fair Market Value and Commercial Reasonableness of:

(1) A 100% interest in the Ancillary Services and Technical Component Service Line owned and operated by the Subject Interest;
(2) The Trained and Assembled Physician Workforce owned by the Subject Interest;
(3) The Assets and Services Lease Agreement related to the non-clinical administrative staff, mid-level providers, and non-Ancillary Services and Technical Component Service Line tangible personal property and leasehold improvements;
(4) The Subject Interest owner and non-owner physician compensation; and,
(5) The Commercial Reasonableness of all elements of the proposed transaction in its entirety.

See the following exhibits for a brief description of the prospective transaction.
Several representative elements of the illustrative transaction depicted above, are defined below:

1. **Box E – ACME Medical Center (AMC)** - Hospital/Health System - acquiring party of hospital/physician practice transaction;
2. **Box D – Physician Practice (LEGACY PRACTICE)** – Selling, leasing, or service provider party to exempt hospital/physician practice transaction;
3. **Box I – ASTC Service Line** - Illustrates which assets and/or going concern elements would be included in the transaction. Components in sub-boxes J through N represent those assets comprising the LEGACY PRACTICE ASTC service line, to be acquired by AMC at **Fair Market Value in Use as a Going Concern**, as would be detailed in a **Service Line Purchase Agreement** for a given transaction;
4. **Box O – Premises, Equipment & Employee Lease Agreement** - Illustrates those elements of the LEGACY PRACTICE that would be leased to AMC under a **Premises, Equipment & Employment Lease Agreement**;
5. **Box W – Trained and Assembled Physician Workforce in Place (TAWF)** - Represents the intangible asset related to those LEGACY PRACTICE physicians who will be employed by AMC - following the closing of the transaction in accordance with the **Physician Employment Agreement**; and,
6. **Boxes T, V, U, AA** - Each represent compensation arrangements for various physician services (e.g., clinical productivity; coverage/call; medical directorship(s); and, administrative/executive), each with its own specific tasks, duties, responsibilities, and accountabilities (TDRA), to be provided to AMC’s CAPTIVE PC, by the owner physician(s) and employed associate physicians of the LEGACY PRACTICE.

Having set forth the distinctions between tangible and intangible assets, the following sections further discuss the classification and valuation of specific types of tangible and intangible assets.