

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:

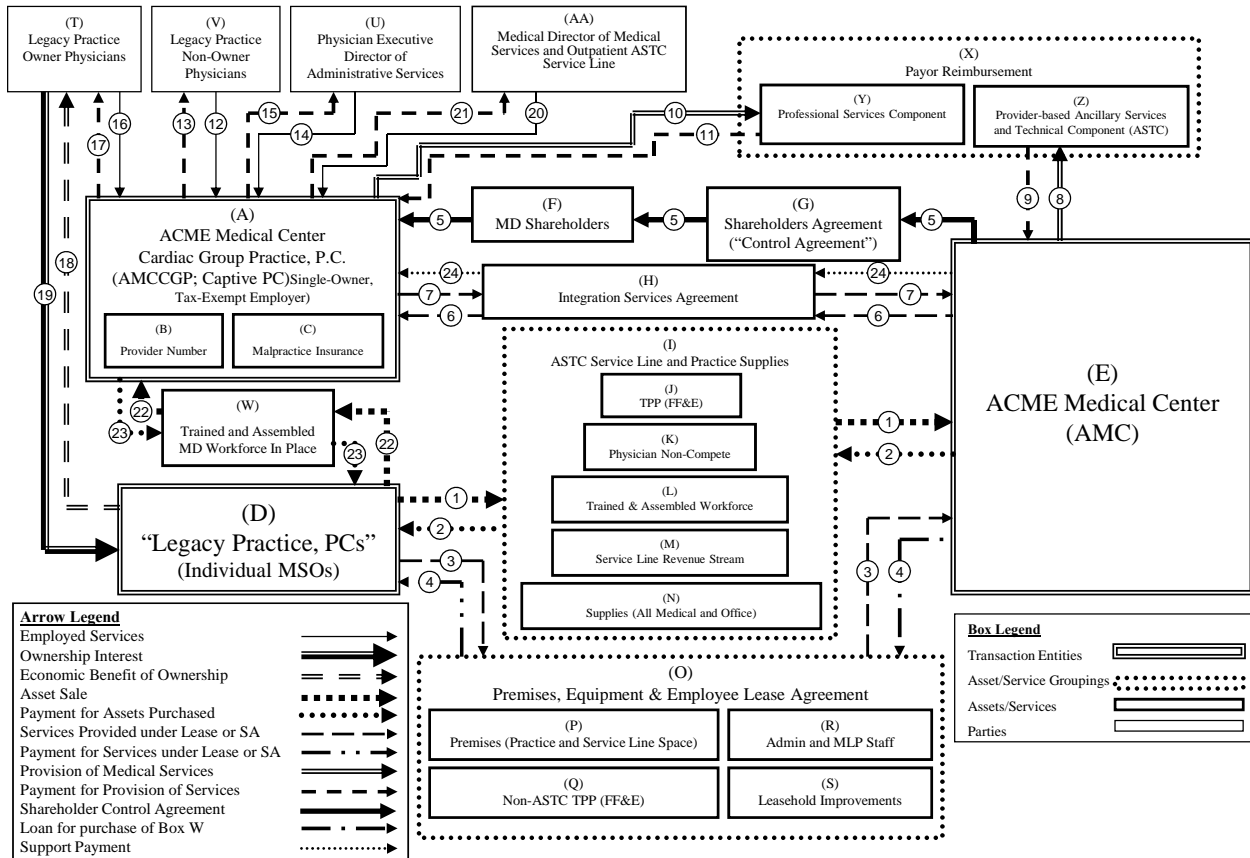
HCC was engaged by the Client to develop and prepare a written valuation report providing our conclusions and certified opinion related to the *Fair Market Value* and *Commercial Reasonableness* of:

- (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.



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Several representative elements of the illustrative transaction depicted above, are defined below:

- (1) **Box E – A CME 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.

