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MetroHealth

Healthcare Valuation and Financial Advisory Services in Connection with the Proposed Sale of Metropolitan Health Corporation

May 2015

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- The attached valuation assessment ("Assessment") was prepared by AlixPartners, LLP ("AlixPartners" or "APLLP") pursuant to the Engagement Letter dated March 9, 2015 (the "Engagement Letter"), between AlixPartners and the Michigan Department of Attorney General ("Michigan AG") to assess the fair market value of Metropolitan Health Corporation ("MetroHealth" or the "Company") for the purpose of evaluating the proposed joint venture transaction between Community Health Systems ("CHS") and MetroHealth. The use of this Assessment is exclusively for the sole benefit and use of the Michigan AG. THIS ASSESSMENT IS NOT INTENDED TO BE RELIED UPON BY ANYONE OTHER THAN MICHIGAN AG WITHOUT ALIXPARTNERS' PRIOR WRITTEN CONSENT.

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- This Assessment includes analyses of MetroHealth's financial projections. These projections may be based, in whole or in part, on projections or forecasts of future events. A forecast, by its nature, is speculative and includes estimates and assumptions which may prove to be wrong. Actual results may, and frequently do, differ from those projected or forecast. Those differences may be material. Items which could impact actual results include, but are not limited to, unforeseen micro or macro economic developments, business or industry events, personnel changes, casualty losses, or the inability of MetroHealth to implement plans or programs. The projections are also based upon numerous assumptions, including business, economic and other market conditions. Many of these assumptions are beyond the control of MetroHealth and are inherently subject to substantial uncertainty. Such assumptions involve significant elements of subjective judgment, which may or may not prove to be accurate, and consequently, no assurances can be made regarding the analyses or conclusions derived from financial information based upon such assumptions.
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- This report is based in part on the Company's financial projections or forecasts of future events. A forecast, by its nature, is speculative and includes estimates and assumptions which may prove to be wrong and may be beyond the control of the Company and those differences may be material.
- The information in the report reflects conditions and the views of AlixPartners as of the date hereof, all of which are subject to change. AlixPartners undertakes no obligation to update or provide any revisions to the report to reflect events, circumstances or changes that occur after the date the report was prepared.

Contents

Transaction Overview

- In 2012, MetroHealth retained Ponder & Co. (“Ponder”), as its financial advisor to identify and solicit proposals from potential partners and/or acquirers in preparation for a potential sale of MetroHealth. Ponder contacted 17 organizations as potential partners.
- A two-round competitive bidding process ensued and MetroHealth negotiated with several parties.
- After reviewing several bids, MetroHealth decided to pursue a partnership with Community Health Systems (“CHS”).
- On January 22, 2015, MetroHealth entered into a Contribution and Sale Agreement (“CSA”) with CHS wherby MetroHealth would contribute assets to a new joint venture entity (“JV”) in exchange for cash and an 20% ownership interest in the JV.
- This Proposed Transaction contemplates an $260 million valuation for 100% of the assets of MetroHealth. This amount will be adjusted by:
    - Adding the Net Working Capital of the Company as of the date of closing; and
    - Subtracting any liabilities and/or capital lease obligations assumed by the purchaser.
- The Proposed Transaction also includes a capital commitment of $100 million to $125 million over the five years post closing.

Contents

Engagement Overview

- AlixPartners has been engaged by the Michigan AG to assist the Department in its review of the Potential Transaction by providing:
  - An examination of the transaction process;
  - A review of the Stout Risius Ross Fairness Opinion and valuation report prepared at the request of the Seller;
  - An independent, valuation of the fair market value of the Seller assets being acquired by the Buyer;
  - An examination of the proposed offer in order to determine the true level of proposed consideration; and
  - An examination of the amount expected to proceed to the Foundation.

Engagement Overview

- This valuation is being performed for the purposes of evaluating the proposed joint venture transaction between CHS and MetroHealth, including whether MetroHealth is receiving fair market value from CHS for its assets.
- The fair market value is presented as of April 15, 2015 (the "Valuation Date").
- This presentation will detail the following:
  - The sources of information used in our calculation;
  - The procedures performed;
  - Description of MetroHealth;
  - General economic and industry outlook;
  - Overview of the Proposed Transaction and consideration; and
  - Valuation approaches and conclusion.

Contents

Sources of Information

In valuing MetroHealth, we have reviewed the following documentation:

- Stout Risius Ross' Fairness Opinion Board Presentation dated July 22, 2014;
- MetroHealth's audited financial statements for the fiscal years ended June 30, 2009 through 2014;
- Unaudited fiscal year-to-date financial data, for the periods ended February 28, 2015 and corresponding prior year period;
- Information provided by MetroHealth's management ("Management") regarding the history, outlook and operations of the business;
- MetroHealth's existing, detailed financial projections, including projections of expenses by segment, for fiscal years 2015 through 2019;
- Discussion with Management regarding MetroHealth's expected performance;
- Information from Management related to certain revenue and expense items: a) expected to be incremental from the projections and / or b) non-recurring;
- Discussion with Management regarding Management's expectation of future capital expenditures;

Sources of Information

- Various articles and research reports relating to the healthcare industry;
- Financial statements, analyst reports and articles related to public hospital management companies;
- Financial data and articles related to companies involved in potential guideline transactions;
- Draft legal agreements including the Amended and Restated LLC Agreement, Management Agreement and Contribution and Sale Agreement;
- Discussions with MetroHealth's outside legal counsel, Drinker Biddle & Reath LLP, regarding the legal agreements and related matters;
- Presentations and other materials prepared by Ponder, financial advisor to MetroHealth; and
- Other publicly available financial, economic and industry data.

Contents

Procedures

In summary, the following are the procedures and methods that we employed in our valuation:

- Discussions with Management;
- Discussions with DrinkerBiddle, Management's legal adviser;
- Discussions with CHS, the Proposed Buyer;
- Analysis of historical financial, operating and strategic information relevant to the valuation of MetroHealth;
- Research as to the general economic conditions and outlook for the healthcare industry;
- Analysis of financial and operating projections based on Management's representations and historical operating results;
- Analysis of publicly traded companies in the hospital management industry, including calculation of various financial metrics;
- Analysis of guideline transactions in the hospital industry, including calculation of various financial metrics; and
- Such other analyses, reviews, and inquiries as we considered necessary given the circumstances.

Contents

Description of MetroHealth

MetroHealth Overview

- MetroHealth, a not-for-profit corporation, is a provider of healthcare services to residents of Grand Rapids, Michigan and the surrounding communities.
- MetroHealth was founded in 1942 by a group of West Michigan physicians, and originally operated as the Grand Rapids Osteopathic Hospital.
- MetroHealth is the holding company of Metro Hospital and Metropolitan Foundation (the "Foundation") as well as one for-profit corporation, Metropolitan Enterprises ("ME").
- MetroHealth includes:
  - Metro Health Hospital: a 208 bed, acute-care hospital located in Wyoming, Michigan;
  - A 51% interest in Metro Health OAM MidTowne Surgery Center, a joint venture with Orthopaedic Associates of Michigan ("OAM");
  - 16 neighborhood physician offices throughout Western Michigan;
  - Several additional services, programs and joint ventures with other healthcare providers.

Source: MetroHealth 2014 Audited Financials (p. 6); MetroHealth CIM dated March 4, 2013 (pp. 5-6); Discussions with Management.

Description of MetroHealth – Service Area Demographics

- MetroHealth serves over 1.2 million people in its ten county service area.
- Kent County is MetroHealth's primary service area. The county:
  - Encompasses Grand Rapids, the second largest city in Michigan;
  - Has an estimated population of more than 600,000; and
  - Is the fourth largest county in Michigan in terms of population.
- The Grand Rapids-Wyoming, MI Metro area has a population of more than 1 million.
- While the state of Michigan has seen very low growth in recent years, Kent County growth has remained stable.
  - According the U.S. Census Bureau, population in the state of Michigan grew 0.3% from April 1, 2010 to July 1, 2014. The population of Kent County, by contrast, grew 4.4% over this same timeframe.
- Approximately 89% and 32% of Kent County residents have achieved a high school and bachelor's degree respectively.
- The median household income in Kent County is $51,667, 6.7% higher than the state median income of $48,411.

Source: MetroHealth CIM dated March 4, 2013 (p. 2); http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk; http://quickfacts.census.gov/qfd/states/26/26081.html.

Industry Overview and Outlook – MetroHealth Service Area

- The table below shows several of the key demographics for the ten counties in Western Michigan included in MetroHealth's Service Area.

County	Population [2]	Population Growth [3]	% of Population Age 65+ [4]	HS Graduate (%) [4]	Bachelor's Degree (%) [4]	Median Household Income [4]	% of Population Below the Poverty Line [4]
Allegan	113,847	2.2%	14.7%	90.0%	20.2%	$ 52,061	13.5%
Barry	59,281	0.2%	16.5%	91.1%	17.7%	$ 52,186	11.7%
Ionia	64,294	0.6%	12.7%	87.9%	14.0%	$ 47,892	15.8%
Isabella	70,616	0.4%	10.6%	90.1%	25.3%	$ 36,372	31.5%
Kent [1]	**629,237**	**4.4%**	**11.9%**	**89.4%**	**31.7%**	**$51,667**	**15.5%**
Mecosta	43,186	0.9%	16.6%	89.8%	21.6%	$ 39,470	22.9%
Montcalm	62,893	-0.7%	15.6%	87.4%	13.4%	$ 40,451	18.6%
Muskegon	172,344	0.1%	14.8%	88.0%	17.2%	$ 40,979	19.9%
Newaygo	47,900	-1.2%	17.3%	85.9%	12.9%	$ 42,571	18.6%
Ottawa	276,292	4.7%	12.8%	90.9%	30.0%	$ 56,453	11.2%
Michigan	**9,909,877**	**0.3%**	**15.0%**	**88.9%**	**25.9%**	**$48,411**	**16.8%**

Notes:

[1] Kent County is MetroHealth's primary service area.

[2] 2014 Estimate.

[3] April 1, 2010 to July 1, 2014.

[4] 2013 Estimate.

Source: *U.S. Census Bureau (quickfacts.census.gov).*

Source: MetroHealth CIM dated March 4, 2013 (p. 8); U.S. Census Bureau.

Business Description

MetroHealth Products and Innovation

- MetroHealth offers a variety of inpatient and outpatient services across a range of specialties. Inpatient and outpatient services and programs include:
  - Emergency Department
  - Childbirth Center
  - Assisted Breathing Center
  - Medical and Radiation Oncology
  - Peripheral Endovascular Interventions for the Treatment of Peripheral Arterial Disease
  - Orthopaedic Center of Excellence
- Most of MetroHealth's services are rendered to the citizens of Kent and Ottawa counties of Michigan.
- A significant portion of MetroHealth's net patient service revenue is received under contractual arrangements with:
  - Medicare;
  - Medicaid;
  - Blue Cross/Blue Shield of Michigan; and
  - Various health maintenance organization programs.

Business Description

MetroHealth Financial Overview - Historical

- MetroHealth has experienced revenue growth in recent years, with a compound annual growth rate of 3.9% from 2009 through 2014.
- MetroHealth's Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") margins have ranged from 10.3% to 12.8% over the past five years, averaging 11.7% during this period.

	Historical Financials for the Years Ended June 30,						Average	LTM
	2009	2010	2011	2012	2013	2014	2009-14	2/28/2015
Total Net Revenue	$ 258,927,280	$ 266,699,461	$ 289,069,215	$ 295,568,116	$ 308,428,470	$ 314,206,730		$ 343,881,653
Growth	*n/a*	*3.0%*	*8.4%*	*2.2%*	*4.4%*	*1.9%*	*3.9%*	*9.4%*
Adjusted EBITDA	$ 29,282,258	$ 34,263,882	$ 34,754,134	$ 34,101,576	$ 38,511,056	$ 32,210,009		$ 39,286,639
Adjusted EBITDA Margin	*11.3%*	*12.8%*	*12.0%*	*11.5%*	*12.5%*	*10.3%*	*11.7%*	*11.4%*

Note: Average Revenue Growth in the chart above represents the Cumulative Average Growth Rate ("CAGR") from 2009 through 2014. Average Adjusted EBITDA Margin is a simple average of the 2009 through 2014 Adjusted EBITDA Margin as calculated in the chart. Net Revenue and EBITDA as shown is net of minority interest.

Source: MetroHealth financial statements and projections; Discussions with Management.

Business Description

MetroHealth Financial Overview - Projected

- Management expects revenue growth to remain stable throughout the projection period due to the offsetting effects of an expansion of its partnership with OAM and other new programs and significant, continued margin pressure due to regulatory and market changes.

	Projected Financials for the Years Ended June 30,				
	2015	**2016**	**2017**	**2018**	**2019**
Total Net Revenue	$ 319,183,835	$ 330,059,252	$ 341,149,373	$ 353,022,905	$ 365,671,007
Growth	*1.6%*	*3.4%*	*3.4%*	*3.5%*	*3.6%*
Adjusted EBITDA	$ 43,624,407	$ 44,261,319	$ 43,278,766	$ 42,376,468	$ 42,957,637
Adjusted EBITDA Margin	*13.7%*	*13.4%*	*12.7%*	*12.0%*	*11.7%*

Note: Net Revenue and Adjusted EBITDA as shown is net of minority interest.

Source: MetroHealth financial statements and projections; discussions with Management.

Contents

General Economic Outlook

- U.S. Real GDP
  - The consensus predicts US Real GDP will grow 2.9% on a year-over-year basis in calendar year 2015.
  - Consensus 2016 US Real GDP growth is expected to be 2.8% from 2015 to 2016.

- U.S. Personal Consumption Expenditures (“PCE”)
  - Real PCE grew 2.5% year-over-year in 2014 and is expected to increase 3.2% in 2015.
    - This growth is expected to be supported by an expected 3.5% year-over-year rise in Disposable Personal Income (DPI).
  - Real PCE is expected to increase 2.8% from 2015 to 2016, with Real DPI increasing 2.6% during this time.

Source: Blue Chip Economic Indicators: Top Analysts’ Forecasts of the US Economic Outlook for the Year Ahead dated April 10, 2015

General Economic Outlook

- U.S. Unemployment Rate
  - The US Unemployment Rate dropped to 5.5% in February 2015, meeting the upper bound of what the Fed currently considers to be full employment (5.2% - 5.5%).
    - The Unemployment Rate remained at 5.5% in March 2015.
  - This US Unemployment Rate of 5.5% is the lowest jobless rate since May 2008.
- U.S. Consumer Price Index (CPI)
  - The CPI grew a larger-than-expected 0.2% in February 2015 leading to an unchanged CPI year-over-year.
  - The CPI is predicted by the consensus to grow 0.2% and 2.2% year-over-year in 2015 and 2016, respectively.
- U.S. Auto Sales
  - Total retail sales are expected to rebound strongly in March given better weather and the reported jump in auto purchases.
  - Auto purchases reached an annualized rate of 17.05 million units in March, the highest pace since November 2014.

Source: Blue Chip Economic Indicators: Top Analysts' Forecasts of the US Economic Outlook for the Year Ahead dated March 10, 2015 and April 10, 2015.

Industry Overview and Outlook

- The United States spends more on healthcare than any other country in the world
  - Estimated 2013 healthcare expenditure was approximately $2.8 trillion, accounting for 17.7% of GDP.
  - Per capita healthcare spending in the U.S. is roughly twice that of other developed economies.
- U.S. healthcare spending is projected to grow by an average of 4.9% per year from 2014 through 2018, reaching 17.8% of GDP by 2018.
- Medical Care Costs
  - Medical care costs were unchanged month-over-month for a second straight month in March 2015.

Source: Blue Chip Economic Indicators: Top Analysts' Forecasts of the US Economic Outlook for the Year Ahead dated April 10, 2015; Deloitte 2015 Health Care Providers Outlook

Industry Overview and Outlook - Michigan

- There were approximately 150 hospitals in the state of Michigan as of 2013.
  - Approximately 76% were Non-Profits;
  - Approximately 15% were For-Profit; and
  - Approximately 9% were State/Local Government Owned.

- The Kaiser Foundation estimated that as of 2013, 89% of Michigan residents had health insurance coverage while 11% of Michigan residents were uninsured.
- 341,183 Michigan residents have enrolled in a 2015 Marketplace healthcare plan through the healthcare.gov platform as of February 22, 2015.

Source: http://kff.org.

Contents

Transaction Process

Review of Sale Process

MetroHealth retained a financial advisory firm, Ponder, in late 2012 to identify potential partners and/or acquirers and solicit proposals from these parties and act as an advisor to MetroHealth throughout the due diligence and potential transaction process.

- MetroHealth, with the assistance of Ponder, prepared a Confidential Information Memorandum dated March 4, 2013 ("CIM") that contained detailed information regarding MetroHealth and a potential transaction.
- As part of the marketing process, Ponder contacted 17 potential strategic partners: 11 for-profit organizations and 6 not-for-profit organizations.
- Of the 17 organizations that Ponder contacted, 13 of the parties expressed interest and received the CIM. The 13 interested parties included all 6 not-for-profit organizations and 7 of the for-profit organizations.
- Following receipt of the CIM, 8 of the 13 parties submitted proposals; 6 for-profit and 2 not-for-profit organizations continued in the process.
    - The initial bidders' valuations proposed a valuation range of $143 million to $280 million for 100% of MetroHealth.[1]

[1] *$280 million reflects the midpoint of the highest bid range of $260 million to $300 million.*

Source: MetroHealth CIM dated March 4, 2013; Ponder Summary of Phase 1 Offers dated April 4, 2013.

Transaction Process

<u>Review of Sale Process (Continued)</u>

- MetroHealth selected 4 of the 8 interested parties to move forward to the next round, and Ponder notified each of these parties on MetroHealth's decision to move forward with them in mid-to-late April.
- On May 15-16, MetroHealth made Management Presentations to each of these 4 potential partners.
    - Two of the four selected parties withdrew from negotiations and on May 31, MetroHealth received two revised Phase 2 proposals.
    - In July, one of the parties that had submitted a joint bid chose to submit separate second round bids, and as such MetroHealth ultimately received three revised bids.
- MetroHealth performed reverse due-diligence on the parties that submitted final round bids.
- After reviewing each of the three remaining offers, MetroHealth decided to pursue a partnership with CHS.
- Significant due diligence was conducted by CHS which led to additional negotiations around potential contingent liabilities.
- On January 22, 2015, MetroHealth entered into a CSA with CHS.
- The CSA contemplates the effective purchase of an 80% ownership interest in MetroHealth for a purchase price of 80% of $260 million plus net working capital less any long-term debt and capital leases assumed by the Purchaser.[1]

[1] We currently understand that no significant Long-Term Debt or Capitalized Leases will be assumed by the Purchaser.

Transaction Structure and Consideration

Proposed Transaction Structure Overview

- The CSA is structured such that Net Working Capital will be added to the agreed upon Asset Valuation and any long-term debt or capital leases assumed by the Purchaser will be subtracted from this aggregate amount.
- Under the Proposed Transaction CHS will assume an 80% ownership interest in the JV, 80% of the value as previously defined will be paid by CHS at closing (the "Purchase Price").
- In addition to the up front cash consideration, the proposed transaction includes a future capital commitment of $100 million to $125 million over 5 years. It is our general understanding that this capital commitment is expected to first be funded out of operating cash flows of the new JV. We further understand that if these cash flows are not sufficient to cover the capital commitment, then the capital is expected to come from loans from third-parties or CHS-related entities and finally, if this financing is not sufficient, pro rata from the owners of the JV.
    - The level of capital under the commitment exceeds the $50 to $75 million in total that MetroHealth anticipates it would have spent as a standalone entity over the next five years by approximately $50 million on a notional basis.
    - Management's projections of the performance of the MetroHealth assets indicates that the future cash flows will be sufficient to cover these capital commitments.

Transaction Structure and Consideration

Proposed Transaction Structure Overview (continued)

- $40 million of the Purchase Price has been allocated to be held and distributed pursuant to an Escrow Agreement.
  - We understand per conversations with Management and its legal advisor that the amount that will be held in Escrow will be designated towards potential liabilities associated with previous actions of MetroHealth that may arise. If these potential liabilities do not result in any payment, the amount held in Escrow will be released five years after closing. If any liabilities are realized, any remaining funds will be distributable. The Escrow is expected to be invested in order to provide some level of return on the assets.

Transaction Overview – Flow of Funds

- The chart below depicts our current understanding of the expected flow of funds from the Proposed Transaction based on discussions with Management and MetroHealth's financial records.

Net Assets Retained *($ Millions)*

	Low	High	
Proceeds to be Received from CHS for 80% Membership Interest	$ 224.1	$ 224.1	[4]
Plus:			
Cash & Equivalents	$ 35.8	$ 35.8	
Marketable Securities	22.8	22.8	
Board Designated Assets	18.3	18.3	
Self Insured Trust	4.5	4.5	
Bond Indenture Funds	13.8	13.8	
Life Insurance Funds	0.9	0.9	
Foundation Funds	13.8	13.8	
Less:			
Bank line of Credit	$ (0.0)	$ (0.0)	
Current Portion of LT Debt	(7.0)	(7.0)	
LT Debt, Less Current Maturities	(68.0)	(68.0)	
Accrued Interest, DSH and Taxes	(3.2)	(3.2)	[1]
Original Issue Premium	3.4	3.4	
Contingent Liability Escrow	(40.0)	-	[3]
Shower Remediation	(3.5)	(3.5)	[2]
Bond Defeasance - Series 2005A	(126.3)	(126.3)	
Pension Funding and Termination Cost	(40.0)	(40.0)	[2][5]
Unemployment Settlement Costs	(1.1)	(1.1)	[1]
Malpractice and Other Tail Insurance	(7.5)	(7.5)	[2]
Workers Compensation	(2.8)	(2.8)	
Real Estate Transfer Tax at 50%	(0.7)	(0.7)	[1]
Transaction Costs	(1.6)	(1.6)	[2]
Net Assets Retained	**$ 35.5**	**$ 75.5**	
Add: Retained 20% Membership Interest	$ 56.0	$ 56.0	
Total Net Assets Retained by MHC and the Foundation	**$ 91.6**	**$131.6**	

Notes:

Figures per February 28, 2015 balance sheet unless otherwise noted. Includes 100% of ASC liabilities.
[1] Data as of May 31, 2014 per conversations with Management.
[2] Data as of January 31, 2015 per conversations with Management.
[3] Reflects amount assumed to be returned from amount placed in Escrow.
[4] Proceeds to be Received from CHS for 80% Membership Interest is calculated as 80% of the $260 million purchase price plus 80% of NWC.
[5] Subject to negotiations with PBGC.

Review of Proposed Transaction Consideration

- As noted in previous slides, the Proposed Transaction contemplates a $260 million valuation for 100% of the assets. Since the Proposed Transaction is an 80/20 ownership structure, MetroHealth will receive 80% of this amount in cash, or $208 million.
- Calculated Net Working Capital less liabilities and capital lease obligations assumed by the Purchaser will be added to the amount above.
  - Per the February 28, 2015 MetroHealth balance sheet and discussions with Management, this figure is estimated at $20.1 million for 100% of the balance.
- CHS shall pay the Purchase Price to Metro Health at closing as follows:
  - $40 million to be held in Escrow pursuant to the Escrow Agreement.
    - This amount is being set aside for potential liabilities.
    - Any amount not used for the purposes designated by the Escrow Agreement will be distributed 5 years post-closing.
  - At closing the remaining $168 million in cash consideration will be wired to MetroHealth.
  - MetroHealth will also retain the 20% ownership in the new joint venture.

Contents

SRR Valuation Analysis

- As previously discussed, SRR was engaged to complete a valuation of MetroHealth.
- SRR performed a Discounted Cash Flow analysis ("DCF Approach"), a Guideline Company Approach and a Market Transaction Approach for MetroHealth.
- DCF Approach
  - SRR utilized a discount rate range of 9.0% to 10.0% and a terminal growth rate of 1.5% to 2.5% in its DCF Approach.
  - SRR's DCF Approach resulted in an indicated range of value from $262 million to $330 million.
- Guideline Company Approach
  - In conducting this approach, SRR utilized 7 publicly-traded companies.
  - SRR's selected a range of multiples from 7.5x to 8.5x LTM EBITDA and 0.8x to 1.0x LTM Revenue to value MetroHealth based on SRR's selected public healthcare companies.
  - SRR's Guideline Company Approach resulted in an indicated range of value from $273 million to $329 million.

SRR Valuation Analysis

- Market Transaction Approach
  - SRR's utilized a range of multiples from 7.0x to 8.0x LTM EBITDA and 0.75x to 0.95x LTM Revenue, respectively, as indications of value for MetroHealth based on their selected guideline transactions (11 deals with EBITDA multiples and 17 with revenue multiples covering the period February 2011 to August 2013)
  - SRR's Market Transaction Approach resulted in an indicated range of value from $254 million to $303 million.

- As of July 22, 2014, SRR concluded that the consideration of $222.9 million ($278.6 million x 80% interest = $222.9 million) for the 80% interest in the Company is within the range of the Fair Market Value for MetroHealth.
- We reviewed and analyzed the SRR MetroHealth valuation and found that SRR used generally recognized valuation methodologies in their assessment of the price for which MetroHealth might be sold.
- We note, however, that the value of the Proposed Transaction is near the low end of SRR's calculated range of value.

Contents

Definition of Fair Market Value

- In addition to reviewing the valuation work done by SRR in the summer of 2014, we conducted our own independent valuation of MetroHealth as of April 15, 2015.
- The standard of value that we used in assessing the value of MetroHealth was Fair Market Value.
  - Fair Market Value is defined as the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.
- For purposes of this engagement, we assumed that MetroHealth's business would be ongoing.

Valuation Approaches

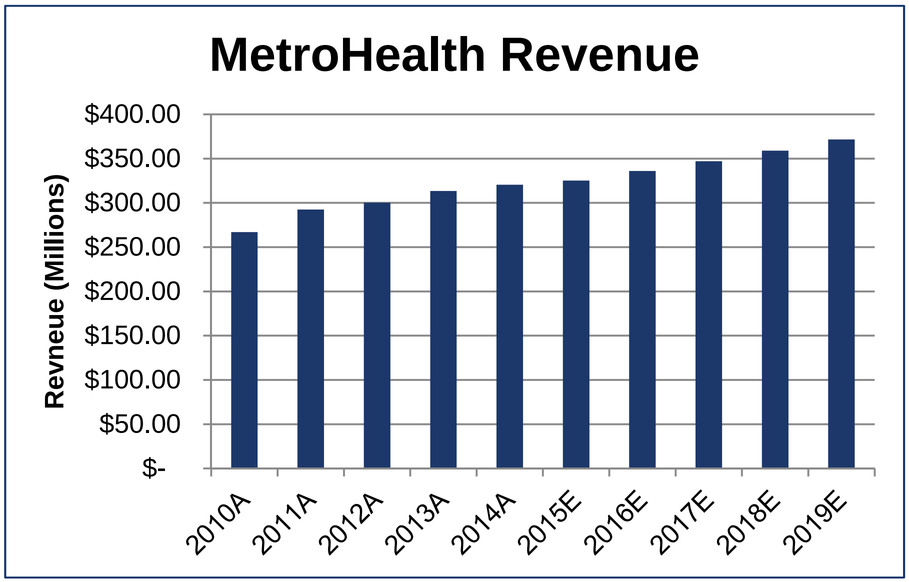
- There are three general approaches to value a going concern business:
  - DCF Approach
    - Evaluates the projected operating results of the subject company and discounts its future cash flows to their present value at a discount rate that reflects the risk of achieving the projections.
  - Guideline Company Approach
    - Considers the multiples of guideline public companies and applies those multiples to the operating results of the subject company.
  - Guideline Transaction Approach
    - Considers the valuation multiples of recently acquired companies and applies those multiples to the operating results of the subject company.
  - A fourth approach, the Cost Approach, can be applicable for certain asset intensive companies.
  - In order to determine whether MetroHealth will receive Fair Market Value in the proposed transaction, we applied two of these standard valuation methodologies: the DCF Approach and the Guideline Transaction Approach.

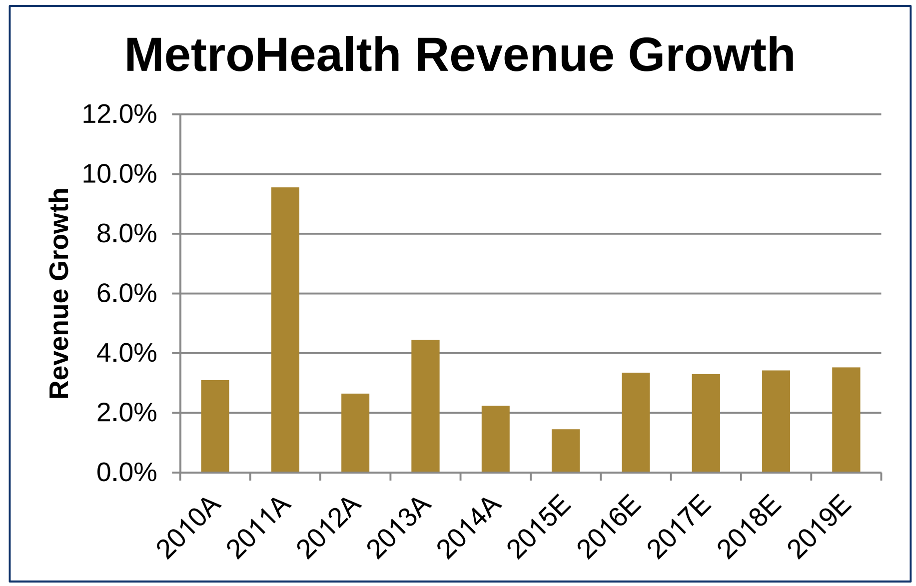
Discounted Cash Flow Approach

- The DCF Approach is based on determining the present value of the estimated cash flows that MetroHealth is expected to generate in the future.
- These are cash flows available for distribution to investors after the company's consideration of investments required to grow the business in the future.
- As part of our Assessment, we analyzed MetroHealth's financial history, performed industry and economic research and interviewed Management regarding MetroHealth's services, markets, and strategies.
- Management prepared projections, including a forecast of revenue and expenses, for the years 2015 through 2019. These projections include, among other things, third-party estimates of the effect of regulatory changes on MetroHealth.
  - Management's multi-year projections were originally prepared in early 2014 and were partially modified in the summer of 2014.
  - Fiscal year-to-date 2015 actual performance is generally in line with Management's forecast for 2015.
  - Based on discussions with Management these projections were used as a basis for our DCF analysis.
- The assumptions underlying the estimates are on the following pages.

Discounted Cash Flow Approach – Projected Revenue Assumptions

- MetroHealth's revenue for fiscal years 2015 through 2019 is projected to grow between 1.5% and 3.6%.
- Management expects steady growth during the discrete period and beyond; our DCF Approach reflects these moderate growth projections.
- For the terminal period beyond Management's forecast, AlixPartners assumed a growth rate of 2.5% based on the industry outlook and Management's expectations.

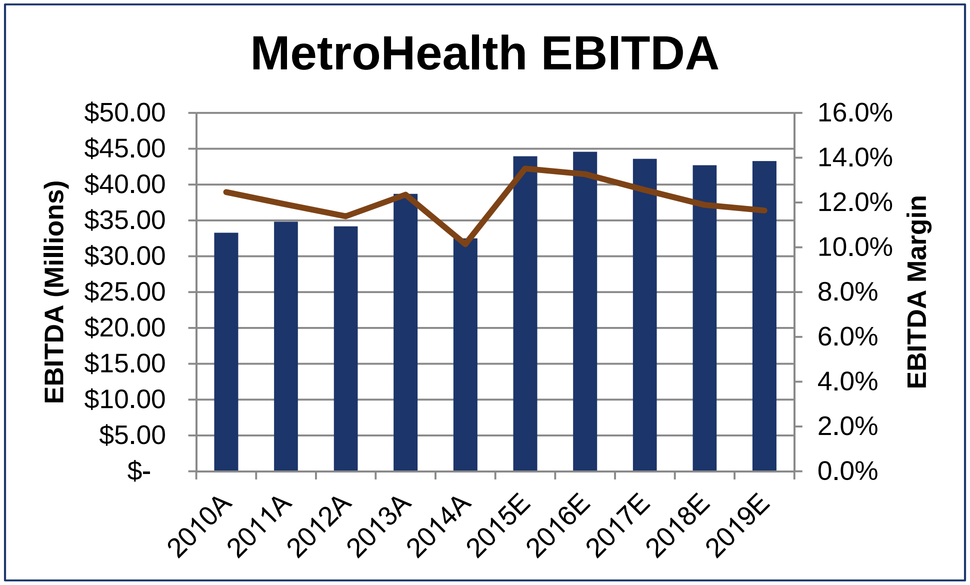




Source: MetroHealth financial statements and projections and discussions with Management

Discounted Cash Flow Approach – Projected EBITDA Assumptions

- EBITDA is a common measure of profitability of the operations of a hospital. Management's projections contemplate EBITDA margins ranging from 11.7% through 13.7% from 2015 to 2019, which are higher than MetroHealth's last five year historical average of 11.8%.
  - This projected increase is largely attributable to increased profitability associated with OAM.
- After generating approximately $39.3 million of Adjusted EBITDA for the twelve months ended February 28, 2015, Management estimates Adjusted EBITDA will grow to $43.6 million in 2015 and $44.3 million in 2016 before trending lower from 2017 through 2018, and finally growing slightly to reach $42.9 in 2019.



Note: EBITDA is net of Minority Interest. Source: MetroHealth financial statements and projections

Discounted Cash Flow Approach – Free Cash Flow Assumptions

- In determining MetroHealth's expected free cash flow, we subtracted projected depreciation from EBITDA and then applied a 39% effective tax rate to arrive at earnings before taxes ("EBT").
- From EBT, we added back depreciation and subtracted capital expenditures and expected investments in working capital.
- Per conversations with Management, stand-alone capital expenditures are expected to be $12.5 million, on average, throughout the discrete period.
- MetroHealth's expected investment in working capital was estimated at 4% of the increase in annual sales based on an analysis of historical levels of working capital.

Discounted Cash Flow Approach – Rate of Return Assumptions

- In order to determine the required rate of return on MetroHealth's total capital, it is necessary to calculate MetroHealth's Weighted Average Cost of Capital ("WACC"). The WACC is composed of the cost of MetroHealth's equity, as well as the typical cost of debt.
- The equity rate of return, calculated by use of the Capital Asset Pricing Model ("CAPM"), begins with a risk free rate and then adds an additional risk premium associated with making an equity investment, which stockholders require to assume the additional risk.
- We used the yield on a 20-year U.S. Treasury bond to estimate the risk free rate of return. The rate as of April 15, 2015 was 2.30%.
- Due to the increased risk of holding equity securities as compared to holding debt securities, investors demand a risk premium as part of their return on equity capital.
- This risk premium is defined as the difference between the market return on equity and the risk free rate of return.
- The equity risk premium is composed of two components:
    - A risk premium for investments in large companies; and
    - An additional risk premium for the increased riskiness of smaller entities such as MetroHealth.

Discounted Cash Flow Approach – Rate of Return Assumptions

- We applied a risk premium of 6.21% for large companies and a risk premium of 5.78% for small companies. These risk premia are calculated in the 2015 Valuation Handbook – Guide to Cost of Capital.
- The beta we used for our rate of return was based on companies in the hospital management industry. The average beta for these companies was 1.26 according to Bloomberg.
- Inserting these assumptions into the CAPM results in a required rate of return on equity capital of 15.6%.
- We used the median yield on public hospital companies' bonds to estimate MetroHealth's cost of debt. The pre-tax rate on this debt as of April 15, 2015 was approximately 6.21% but reflects the yield on bonds maturing in approximately 5 years. Given that the Discounted Cash Flow analysis considers the effective value of the cash flows of a company over a much longer time horizon, we looked at the spread between similar 15 year bonds and 5 year bonds and added this approximate 200 basis point spread to the yield on the shorter-term debt.
    - Assuming an effective tax rate of 39%, the after-tax cost of debt was calculated to be 5.0%.

Discounted Cash Flow Approach – Rate of Return Assumptions

- To determine the weight placed on debt and equity, we looked at the capital structure of the public hospital companies in the healthcare industry.
- These companies include:
    - Universal Health Services, Inc.
    - Community Health Systems, Inc.
    - Tenet Healthcare Corp.
    - Lifepoint Hospitals, Inc.
    - HCA Holdings, Inc.
- These measures indicated that the proper capital structure should be approximately 50% debt and 50% equity.
- Inserting these assumptions into the WACC equation results in a rounded required rate of return on capital of 10% prior to any company specific risk. We utilized this rate as the midpoint of our discount rate range.
    - Given the uncertainty in the healthcare market for standalone entities combined with Management's net projections of improving EBITDA, it might be appropriate to add a company specific premium to the base discount rate. If we had applied an additional premium, it would have increased our discount rate and lowered our valuation under the DCF Approach.

Discounted Cash Flow Approach - Conclusion

- We discounted MetroHealth's cash flows to the present using a rate of return considering the relative risk of achieving each stream of cash flows and the time value of money ranging from 9.5% to 10.5%.
- The sum of the present value of the discrete cash flows and the present value of the residual yielded an estimate of the Fair Market Value of MetroHealth's Indicated Enterprise Value of approximately $232.8 to $263.5 million.

Discounted Cash Flow Approach

		2014A	2015	2016	2017	2018	2019	Residual
Revenue [1]		$314,206,730	$319,183,835	$330,059,252	$341,149,373	$353,022,905	$365,671,007	$374,812,783
Growth		*1.9%*	*1.6%*	*3.4%*	*3.4%*	*3.5%*	*3.6%*	*2.5%*
Adjusted EBITDA [1]		$32,210,009	43,624,407	44,261,319	43,278,766	42,376,468	42,957,637	$44,031,578
Less: Depreciation & Amortization			20,099,440	19,966,539	18,931,546	17,998,383	18,193,417	12,812,500
EBIT			$23,524,967	$24,294,780	$24,347,220	$24,378,085	$24,764,221	$31,219,078
Less: Taxes	39.0%		($9,174,737)	($9,474,964)	($9,495,416)	($9,507,453)	($9,658,046)	($12,175,440)
Net Income			$14,350,230	$14,819,816	$14,851,804	$14,870,632	$15,106,175	$19,043,638
Add: Depreciation & Amortization			$20,099,440	$19,966,539	$18,931,546	$17,998,383	$18,193,417	$12,812,500
Less: Capital Expenditures			($12,500,000)	($12,500,000)	($12,500,000)	($12,500,000)	($12,500,000)	($12,812,500)
Less: Change in W/C	4.0%		($199,084)	($435,017)	($443,605)	($474,941)	($505,924)	($365,671)
Net Cash Flow			$21,750,586	$21,851,338	$20,839,746	$19,894,074	$20,293,667	$18,677,967

WACC Range:	**10.50%**	**9.50%**
PV Sum of Discrete	$71,608,216	$72,877,854
PV of Residual	$161,228,858	$190,579,140
Indicated Value	**$232,837,074**	**$263,456,994**

[1] Net of Minority Interest

Guideline Company Approach Discussion

- The Guideline Company Approach indicates the value of a company by comparing it to publicly traded companies in similar lines of business.
- The Guideline Company Approach is less applicable to a single hospital or small hospital system due to differences between the larger, public companies and the subject hospital.
- Significant differences include those related to:
  - Geography;
  - Access to capital;
  - Growth prospects; and
  - Other characteristics.
- Given these differences, we did not utilize the Guideline Company Approach in our analysis of MetroHealth.

Market Transaction Approach Assumptions

- The Market Transaction Approach indicates the value of a company by comparing it to transactions involving the sale of companies in similar lines of business.
- An analysis of the market multiples of transactions in the hospital industry indicates investors' valuations of companies in this industry and, therefore, an indication of the value of MetroHealth.
- We considered two sets of transactions as meaningful in assessing the value of MetroHealth:
  - All observed hospital transactions over the last three years; and
  - Observed transactions where the hospital being purchased had an EBITDA margin in the 10% to 15% range, similar to MetroHealth, over the last three years.
- After identifying and selecting the guideline transactions, market multiples of these transactions were calculated.
- We utilized two metrics to assess the value of MetroHealth:
  - Enterprise Value to LTM Revenue multiple; and
  - Enterprise Value to LTM EBITDA multiple.

Market Transaction Approach – Conclusion

- We then applied this multiple to MetroHealth's LTM Revenue and Adjusted EBITDA to estimate MetroHealth's indicated value of total capital under this approach.
- The Market Transaction Approach results in an indicated Enterprise Value for the Company of approximately $195.0 million to $264.3 million.

	All Transactions		Select Transactions EBITDA Margins (10% - 15%)	
	Enterprise Value /		Enterprise Value /	
	LTM Revenue	LTM EBITDA	LTM Revenue	LTM EBITDA
Median Multiple	0.57x	5.80x	0.77x	5.94x
MetroHealth LTM Results as of 2/28/2015	$ 343,881,653	$ 39,286,639	$ 343,881,653	$ 39,286,639
Total Indicated Enterprise Value	**$ 194,986,148**	**$ 227,750,406**	**$ 264,347,406**	**$ 233,286,431**

Note: Transaction data from 2012 through YTD 2015.

Source: Irving Levin, AHD.com and CapIQ

Contents

AlixPartners' Valuation Conclusion as of April 15, 2015

MetroHealth Indicated Enterprise Value	Low	High
DCF (9.5% - 10.5% WACC)	$ 232,837,074	$ 263,456,994
Transaction Approach (All)	$ 194,986,148	$ 227,750,406
Transaction Approach (10 - 15% Margin)	$ 233,286,431	$ 264,347,406
Total Indicated Enterprise Value	**$ 223,500,000**	**$ 254,800,000**

- The range of indicated Enterprise Values as listed above results in a total Fair Market Value of $223.5 million to $254.8 million for 100% of MetroHealth.
  - This range of value is exclusive of the contemplated net working capital and compares to the $260 million price for 100% of the assets.
  - The range reflects a 50% weight on the DCF Approach and 50% on the Guideline Transaction Approach
- As such, the consideration being offered for 100% of MetroHealth is greater than our concluded valuation range.

Note: Transaction Approach Low and High represent results derived under the Revenue/EBITDA multiples as detailed on slide 51.