Fairness Opinion Related to the Proposed Sale of East Jefferson General Hospital to LCMC Health

February 19, 2020

Purpose and Limiting Conditions

- *The following material and information contained herein is confidential and has been prepared solely for the Parish of Jefferson, Louisiana, ("Jefferson Parish" or the "Seller") in considering the transaction described herein and may not be used for any purpose or reproduced, disseminated, or quoted at any time, in any manner, or for any purpose, nor shall disclosure of this opinion and its contents be made by Jefferson Parish without our prior written consent, provided however, these materials and information may be used in the following:*
  - *To the extent necessary to comply with, or acknowledge compliance with, any law, rule, or policy, or and valid order, subpoena, or other process of the United States, State of Louisiana, or any governmental agency or any court of competent jurisdiction;*
  - *In connection with governance or governmental approval and the related regulatory filings required to complete the transaction discussed herein; or*
  - *For the purpose of issuing general public announcements that make general statements that Jefferson Parish has received a fairness opinion from Hammond Hanlon Camp LLC ("H2C") concerning the transaction as described herein.*
- *This document is not for the benefit of, and does not convey any rights or remedies to, any holder of securities of East Jefferson General Hospital ("East Jefferson" or "EJGH") and any affiliates, or any other person or governmental entity, including but not limited to the Department of Housing and Urban Development.*
- *In preparing this document, we have, with your consent, relied upon written, oral and electronic information regarding the proposed structure, terms and conditions of the transaction, as described herein and in more detail in the Memorandum of Understanding ("MOU") dated June 3, 2019 and the Execution Copy of the Asset Purchase Agreement provided to H2C on February 7, 2020 (the "APA") among the Jefferson Parish Hospital Service District No. 2, Parish of Jefferson, State of Louisiana and Louisiana Children's Medical Center and LCMC Health Holdings, Inc. (together "LCMC" or the "Buyer"), the historical and budgeted financial and operating performance of East Jefferson provided by senior management, and other publicly available information. We have not independently verified any of such information and have relied on it being complete and accurate in all material respects. Future market conditions and the actual performance of East Jefferson could be different than that which is assumed in this report.*
- *Please note that this document is based on the business and operations of East Jefferson as described herein, as represented to us as of the date hereof, and does not purport to take into consideration any information or events arising subsequent to such date. H2C makes no representation or warranty that there has been no material change in the information provided or reviewed by us in connection herewith.*
- *This document is subject to the assumptions, qualifications and limitations set forth herein and in the form of our fairness opinion letter, included with this document, and does not constitute a recommendation by H2C to Jefferson Parish or any other person or entity on how to vote with respect to the proposed transaction.*
- *Neither H2C nor any of its employees have a direct or indirect financial interest in the Seller or the Buyer. The fee for this report is not contingent upon the success or outcome of the proposed transaction and is described in the engagement letter dated October 31, 2019 by and between H2C and the Seller. H2C will not receive any additional fee with regard to the transaction. H2C has no involvement in any other aspects of the transaction, negotiations between any parties, nor provides other advice or services to any involved parties with regard to the transaction.*
- *We assume no responsibility for any financial or tax judgment, which is the responsibility of Jefferson Parish. We assume no responsibility for any legal matters.*

Table of Contents

H2C+

1. Overview of Engagement

Overview of Engagement

- Hammond Hanlon Camp LLC ("H2C") has been engaged by the Parish of Jefferson, State of Louisiana ("Jefferson Parish" or the "Seller") to provide a Fairness Opinion with respect to the potential transaction wherein Louisiana Children's Medical Center and LCMC Health Holdings, Inc. (together "LCMC" or the "Buyer") intends to purchase all or substantially all of the assets of East Jefferson General Hospital ("East Jefferson" or "EJGH") and its related affiliates, facilities, and operations (the "Proposed Transaction").
- H2C shall render an opinion (the "Opinion") to Jefferson Parish with respect to the fairness, from a financial point of view, of the consideration to be received by the Seller pursuant to the Proposed Transaction.
- In reaching our Opinion we have:
  - Reviewed the Execution Copy of the Asset Purchase Agreement provided February 7, 2020 (the "APA") by and between Jefferson Parish and LCMC;
  - Discussed with EJGH's management ("Management") and outside legal counsel the structure of the Proposed Transaction and the form of consideration to be paid by the Buyer;
  - Discussed with the EJGH's management and EJGH's performance improvement consultant, Berkeley Research Group ("BRG"), the historical and budgeted financial and operational results of EJGH;
  - Reviewed and analyzed the audited financial statements and the internal financial statements of EJGH for the fiscal years ended December 31, 2016 through December 31, 2018 and internal, unaudited financial statements of EJGH for the fiscal year ended December 31, 2019;
  - Reviewed and analyzed the summary fiscal year 2020 original budget and revised budget reflecting improvement initiatives identified for EJGH with EJGH management and BRG;
  - Reviewed certain information regarding the operations of East Jefferson and the service area in which it operates, including utilization statistics and trends, payor mix, the facilities and medical staff, market share within its Primary, Secondary, and Tertiary Service Areas, demographic profile of the service area, competitive landscape, and the financial performance;

Overview of Engagement *(cont'd)*

  - Reviewed and analyzed certain publicly available information concerning the financial and operating characteristics and valuations of transactions involving the sale of certain acute care hospitals and health systems H2C deemed relevant; and
  - Performed such other work as we judged necessary to develop our Opinion.
- East Jefferson is in a distressed financial situation as evidenced by volume and revenue declines, negative operating margins, and insufficient cash resources in relation to its various financial obligations. This situation directs the decision regarding appropriate valuation methodologies.
  - The Income Approach | Discounted Cash Flow Method, which relies upon forecasts of financial performance, was not employed. Management has not prepared a multi-year financial forecast for the business, and such forecast would necessarily be difficult given the uncertainty of the results of current performance improvement efforts.
  - Because East Jefferson is being value as a going concern, the Asset Approach | Net Asset Value Method was not employed.
    - While this approach may be useful in the allocation of purchase price to various assets, this is not appropriate to the valuation of a going concern and is not relevant to H2C's expression of an Opinion.
  - East Jefferson was valued under the Market Approach for which there are two methodologies;
    - Market Transaction Method – Valuation metrics derived from precedent transactions involving distressed hospitals are applied to EJGH.
    - Guideline Company Method – Uses publicly-traded hospital management companies that have historically operated with positive margins. (Applied to Budgeted financial performance only.)

2. Background to the Transaction

Background to the Transaction

- EJGH Management asserts that EJGH has long operated under difficult financial conditions in a consolidating market.
- This situation was precipitated in part by Hurricane Katrina in August 2005.
- In response to these and other evolving factors, EJGH Management sought to secure a partner whereby they might share resources and achieve scale economies.
- It was hoped that EJGH, with a partner, could reduce operating costs and become more competitive in the market.
- As such, EJGH sought partnerships with West Jefferson General Hospital ("WJGH") in 2013 and HCA Healthcare ("HCA") in 2017, neither of which attempt was consummated.
- These efforts were followed by the proposed partnership transaction that is the subject of this Opinion and described more fully below.

Summary of Partnership Efforts

Prior Partnership Efforts: WJGH

- Discussions between EJGH and WJGH regarding a closer working relationship began in 2013.
  - By sharing resources and increasing scale, the hospitals could lower operating costs and be more competitive in the market.
- Kaufman Hall was hired to run a full sell-side process and reached out to 13-15 parties, receiving indications of interest from LCMC, HCA, and Ochsner Health System ("Ochsner").
  - Kaufman Hall recused themselves as advisors to the District when a dispute between WJGH and EJGH about which partner to select materialized.
- WJGH selected LCMC as a partner and EJGH withdrew from the discussions, deciding to remain independent.

Prior Partnership Efforts: HCA

- Discussions began with HCA in 2017, coinciding with the departure of EJGH's CEO.
- Given EJGH's deteriorating financial position and management turnover, the Board made the decision that there was not enough time to run another formal process.
- EJGH's Board hired Quorum to reach back out to the three finalists from the previous process to solicit interest and negotiate on behalf of the Board.
  - Ochsner declined to pursue a transaction with EJGH.
  - Quorum began negotiations with LCMC and HCA based on a proposed term sheet drafted by EJGH.
- HCA was chosen as the preferred buyer.
  - A lease structure was determined to be the best option as an outright sale would require a public referendum.
- HCA backed out of the transaction the day definitive transaction documents were scheduled to be signed.

H2C

Summary of Partnership Efforts *(cont'd)*

Current Partnership Efforts: LCMC

- In April 2019, following the termination of discussions with HCA in 2018, the Board of EJGH entered into discussions with LCMC regarding a strategic affiliation.
- These discussions required the retention of a turnaround firm to complete an operational and financial assessment ("Assessment Report") of EJGH.
  - In February 2019, BRG was selected to develop an Assessment Report.
- On June 3, 2019, the EJGH Board authorized EJGH to enter a Memorandum of Understanding ("MOU") to evaluate further a strategic partnership with LCMC.
  - It was agreed that LCMC would provide a total of five (5) Transaction Milestone Payments (as defined in the MOU), totaling $1.675 million, which would be credited against the consideration paid at closing.
  - BRG's engagement was extended in July 2019 to include the implementation of performance initiatives identified in the Assessment Report.
- On August 1, 2019, EJGH entered into the First Amendment to Forbearance Agreement with its bondholders, identifying certain Milestone Deadlines relating to the Proposed Transaction and additional reporting requirements. The Milestone Deadlines include:
  - The APA must be executed by January 31, 2020.
  - The Proposed Transaction must close by June 30, 2020.

3. Proposed Transaction Summary

Proposed Transaction Terms

	Description
Form of Transaction	▪ Asset sale transaction.
Purchase Price	▪ $90 million less Transaction Milestone Payments ($1.7 million) and working capital adjustments for any amount above or below $18 million *(see below)*. $2 million of proceeds to be escrowed in order to support Seller's payment obligations and indemnification obligations, and to be released in increments of $1 million annually for 2 years.
Additional Consideration	▪ $5 million cash paid by LCMC annually for 3 years, subject to an annual reduction based on the total unreimbursed and uncompensated care costs incurred by LCMC.
Assets Assumed	▪ All assets, except cash and cash equivalents, pre-paid insurance premiums, Pension Plan assets and certain excluded contracts.
Liabilities Assumed	▪ Liabilities associated with working capital and those specifically scheduled. Excluded is Indebtedness, LINCCA Partner Liabilities, Pension Plan liabilities, employee severance costs, certain taxes and employee related obligations, and other liabilities incurred prior to closing.
Post-Closing Working Capital Adjustment	▪ Purchase Price to be reduced by the amount that Working Capital at closing is below $18 million or increased by the amount that Working Capital is above $18 million.
Capital Commitment	▪ LCMC to commit $100 million over 5 years for capital, equipment, physician practice acquisitions, other physician matters and investments and other strategic needs.
Charity Care	▪ Existing charity care policies and practices maintained and to be consistent with other members of the LCMC System around the New Orleans market.

Transaction Value – Business Enterprise Value ("BEV") Equivalent

Components of BEV • *$ millions*

Components of BEV	Estimated Value	Comments
Cash Purchase Price	$90	$88.3 million cash payment at close plus Transaction Milestone Payments totalling $1.7 million
Present Value of Capital Commitments(1)	$14	Buyer's capital commitment is estimated based on the present value of the amount of the commitment that exceeds required capital expenditures, as indicated on pages 60-64 herein
Estimated Working Capital Excess / (Deficit) Adjustment	($0.2)	Difference between $17.8 million, the expected working capital at closing based on Management estimates as of February 13, 2020, and $18.0 million, the agreed upon amount of working capital in the APA
Leases Assumed by Buyer	$0.2	Remaining payments on the assumed Equipment Purchase Agreement between MAKO Surgical Corp. and EJGH
Additional Consideration(1)	$0 – $14	Range showing the present value for the potential of three $5.0 million payments, made each year for the first three years after closing
Estimated Total	**[$104 - $118]**	

Note: Values based on Management estimates may differ at closing from estimated values shown.

(1) Assume a discount rate of 3.88%; a 300bp spread above 5-year MMD (0.88%) as of February 7th, 2019

(2) 5-year average capital expenditures for Moody's Baa healthcare credits

4. Information Regarding East Jefferson General Hospital

4. Information Regarding East Jefferson General Hospital: Overview

East Jefferson General Hospital

Location: 4200 Houma Blvd
Metairie, LA 70006
www.EJGH.org

Hospital Overview • *$ thousands*

- EJGH operates a 420-bed general acute care hospital and physician practices located in Metairie, Louisiana.
- EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish.
- EJGH is a community hospital with a board comprised of representatives throughout the community.
- Patients are served by a staff of more than 3,000 team members and more than 650 physicians.
- 2019 unaudited financials[(1)]:
  - Revenue: **$316,882,000**
  - OCF: **$3,461,000**

Facility Highlights

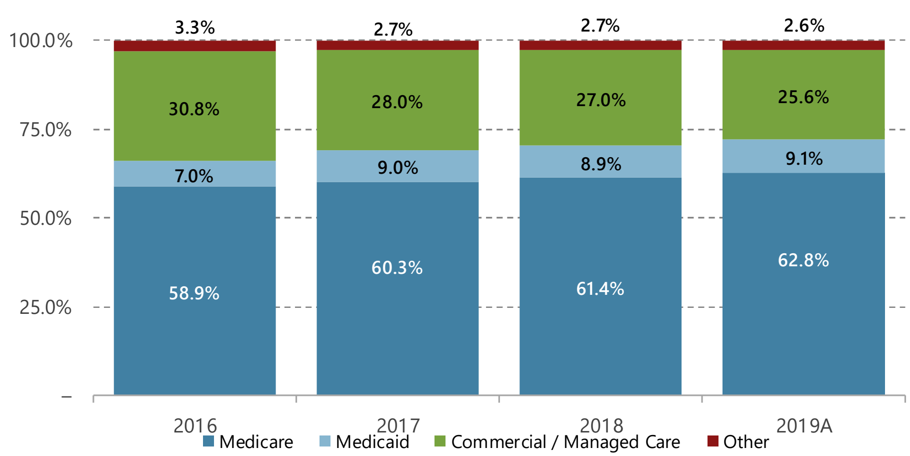
Clinical Expertise

- Cardiovascular Services
- Diabetes Management
- Geriatric Services
- Regional Cancer Center
- Pulmonary Rehab
- Radiology
- Radiation Therapy
- Sleep Center
- Total Joint Program
- Woman & Newborn

Community Services

- Emergency Services
- Guest Services
- HealthFinder
- Wellness Center

Payor Mix by Gross Revenue[(2)]



Awards and Recognition

- Ranked the #1 hospital in LA in eight specific categories.
  - Medical Care, Hospital Care, Patient Safety, Gastrointestinal Care, General Surgery, Joint Procedures, Pulmonary Care, and Stroke Care.
- Named one of the nation's safest hospital (A-rated safety scores) by Leapfrog.
- Received 4th designation as a Nurse Magnet Hospital.
- CMS 4-star rating.

(1) Unaudited financial statements for the year ended December 31, 2019
(2) Results annualized for data available from January 2019 through November 2019

Service Area Overview

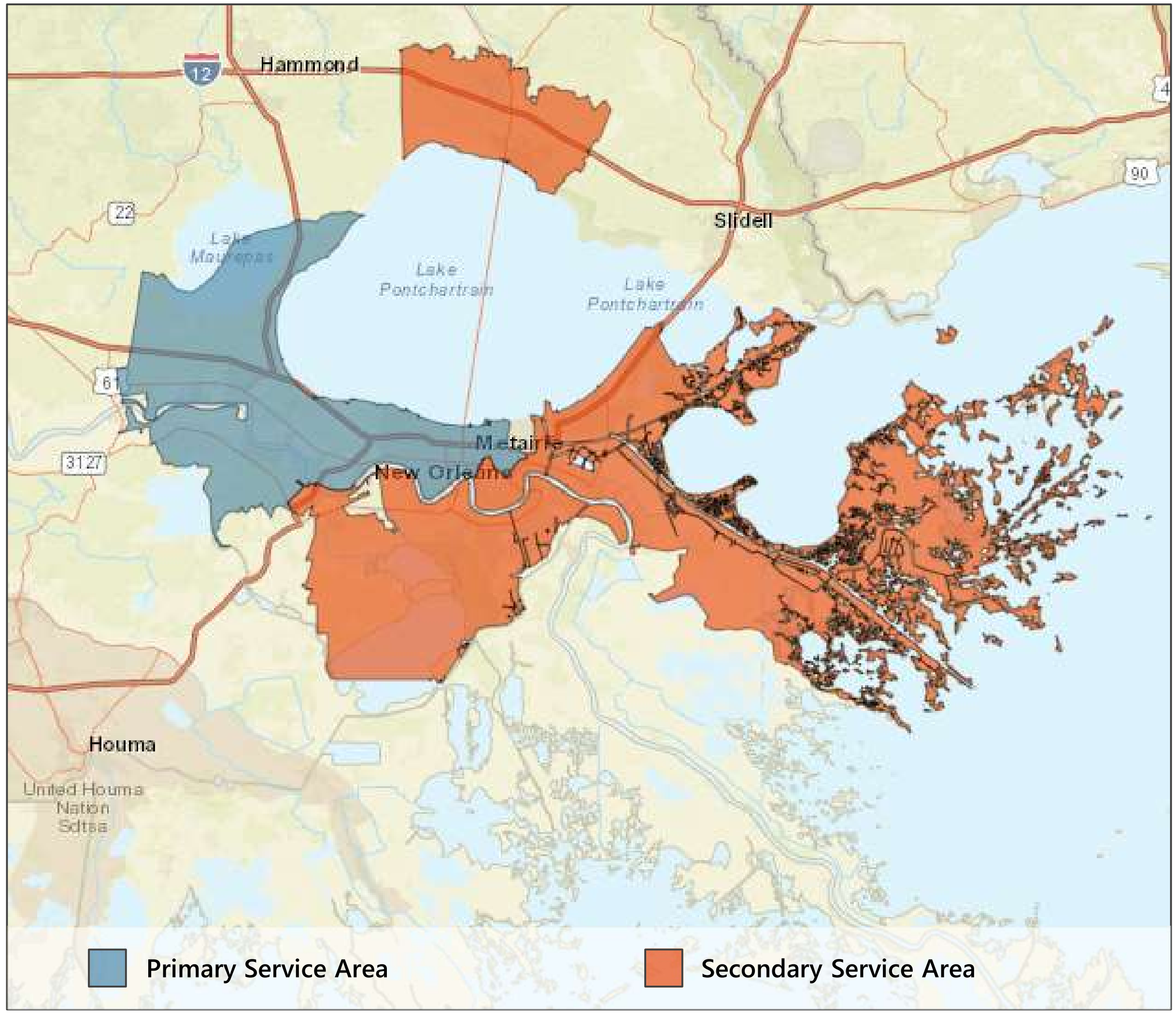
PSA Statistics (2019)

Population	
Population	382,773
Projected Growth Rate (2019-2024)	*0.07%*
Age	
Median Age	39.9
Population older than 65	17.7%
Population younger than 19	22.3%
Income	
Median Household Income	$53,960
Average Household Income	$77,136
Households with Income over $100,000	24.5%

TSA Statistics (2019)

Population	
Population	1,017,523
Projected Growth Rate (2019-2024)	*0.34%*
Age	
Median Age	38.2
Population older than 65	15.9%
Population younger than 19	24.1%
Income	
Median Household Income	$49,960
Average Household Income	$73,327
Households with Income over $100,000	23.0%

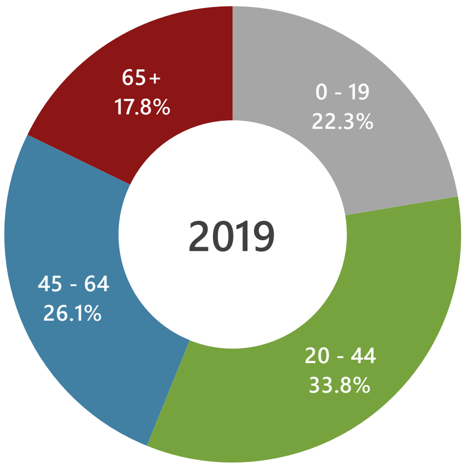
Map of Primary Service Area and Total Service Area

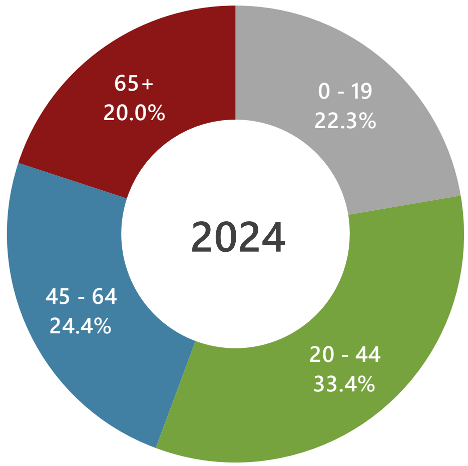


Source: ESRI

PSA Demographics Income and Population

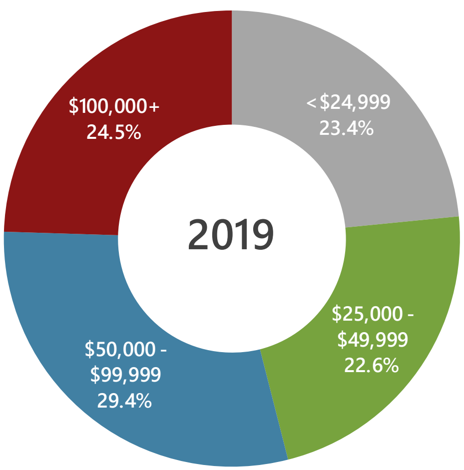
Age Cohort

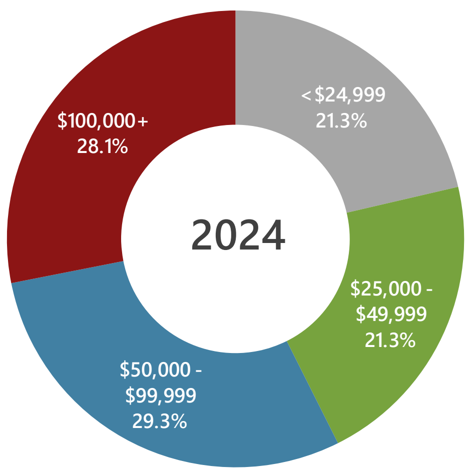




Age Cohorts	2019		2024	
	Number	Percent	Number	Percent
0 - 19	85,533	22.3%	85,722	22.3%
20 - 44	129,552	33.8%	128,157	33.4%
45 - 64	99,898	26.1%	93,548	24.4%
65+	67,790	17.8%	76,639	20.0%
Total	**382,773**	**100.0%**	**384,066**	**100.0%**

Household Income



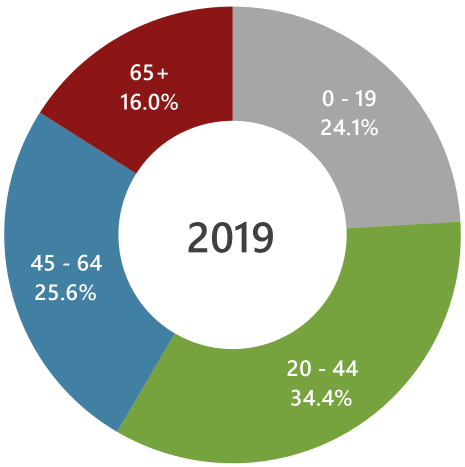


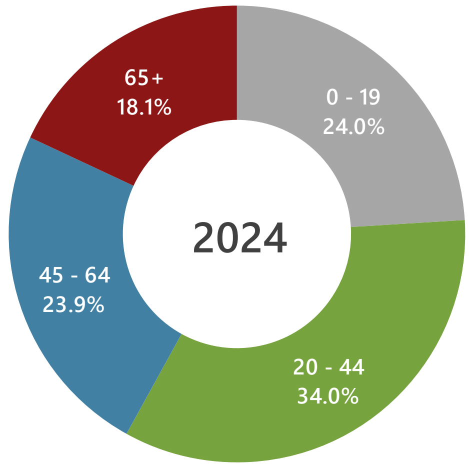
Income Levels	2019		2024	
	Number	Percent	Number	Percent
<$24,999	36,627	23.4%	33,535	21.3%
$25,000 - $49,999	35,332	22.6%	33,463	21.3%
$50,000 - $99,999	45,999	29.4%	46,055	29.3%
$100,000+	38,306	24.5%	44,186	28.1%
Total	**156,264**	**100.0%**	**157,239**	**100.0%**

Source: ESRI

TSA Demographics Income and Population

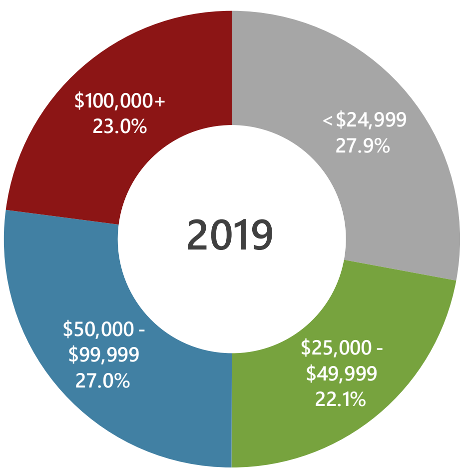
Age Cohort

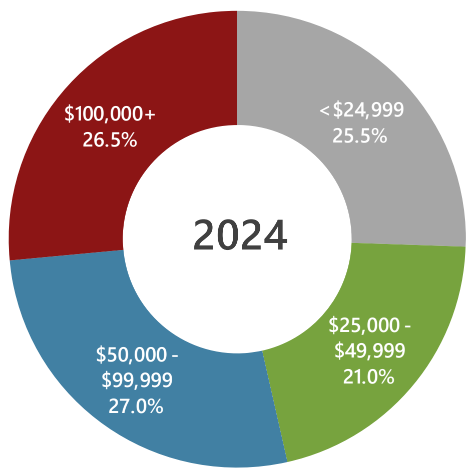




Age Cohorts	2019		2024	
	Number	Percent	Number	Percent
0 - 19	245,208	24.1%	248,692	24.0%
20 - 44	350,155	34.4%	352,066	34.0%
45 - 64	260,261	25.6%	247,338	23.9%
65+	161,899	16.0%	186,845	18.1%
Total	**1,017,523**	**100.0%**	**1,034,941**	**100.0%**

Household Income





Income Levels	2019		2024	
	Number	Percent	Number	Percent
<$24,999	112,292	27.9%	104,703	25.5%
$25,000 - $49,999	89,061	22.1%	86,060	21.0%
$50,000 - $99,999	108,763	27.0%	110,903	27.0%
$100,000+	92,396	23.0%	108,718	26.5%
Total	**402,512**	**100.0%**	**410,384**	**100.0%**

Source: ESRI

Rating Agency Commentary

Both rating agencies downgraded EJGH in their latest review cycle.

Moody's has downgraded EJGH every year from 2013 to 2018, most recently from B3 (Negative) to Caa1 (Negative).

S&P downgraded EJGH to B (Negative) from B+ (Negative) in early 2019.

Moody's

October 20, 2018
Rating: Caa1
Outlook: Negative

Strengths

+ Fully funded debt service reserve fund remains intact.
+ Conservative, fixed rate debt with amortizing principal will limit debt structure risk.
+ Very conservative investment allocation will limit risk of market volatility.

Challenges

- Absent asset sales or cash flow stabilization, cash will run out over the next four to five years.
- Continued operating losses in fiscal 2018 will result in second consecutive year of a debt service covenant violation.
- Failed merger negotiations with HCA, and new negotiations with new potential partners will continue to consume EJGH's resources and add uncertainty.
- Volumes continue to decline despite a full-service array; the service area will remain highly competitive with several other larger systems.

Outlook

"The negative outlook reflects Moody's expectation that material operating losses will continue. In addition, bondholders may accelerate debt repayment at any time due to the covenant violation. A filling for bankruptcy or other similar restructuring, or a payment default would result in a downgrade."

S&P Global Ratings

January 22, 2019
Rating: B
Outlook: Negative

Strengths

+ Resilient days' cash on hand; stabilized between 110-120 days' the past several years.
+ Ongoing partnership talks.
+ Expectation management will continue to make timely debt service payments over the next two years.

Challenges

- Extremely weak performance, with operating losses in excess of $25 million each of the last two years and further deterioration expected in fiscal year 2019.
- Limited opportunities to improve EJGH's performance going forward without the aid of partner, given the intense competition from local health systems.
- Very high average age of plant.
- Growing exposure to governmental (Medicare) payors adversely affecting EJGH's ability to grow revenue.

Outlook

"The negative outlook reflects our view of EJGH's mounting operational challenges and inability to generate cash flow, with no improvement expected in the near term. Potential acceleration risk for the 2011 bonds, lack of a substantial contingency plan should partnership talks fall through, and the expected stress on the hospital's currently stable unrestricted reserves all support the negative outlook."

Source: Moody's and Standard & Poor's

4. Information Regarding East Jefferson General Hospital: Market Share Analysis

Market Share | **Primary Service Area**

Market Share by Primary Service Area[1] (FY2016 – Q219)

- H2C examined the competitive landscape of EJGH's primary service area. Below is the table containing admission data from patients originating from EJGH's PSA for the fiscal years ended December 31, 2016 through December 31, 2018 and the six-month period ended June 30, 2019.
  - EJGH experienced the largest reduction in market share, a 3.3% decrease from FY2016 to 2019Q2.
  - Ochsner Baptist, Ochsner Kenner, and all other Ochsner hospitals increased market share in EJGH's primary service area from FY2016 to 2019Q2.

	Primary Service Area Admissions				Market Share			
Health System	FY2016	FY2017	FY2018	19Q2	FY2016	FY2017	FY2018	19Q2
EJGH	11,309	11,399	10,589	4,915	32.2%	32.0%	30.6%	28.9%
Ochsner[2]	7,235	7,227	7,126	3,632	20.6%	20.3%	20.6%	21.4%
Tulane (Lakeside)	3,013	2,860	2,857	1,227	8.6%	8.0%	8.3%	7.2%
Ochsner Baptist	1,878	2,014	2,041	994	5.3%	5.6%	5.9%	5.8%
Ochsner Kenner	4,335	4,627	4,572	2,252	12.3%	13.0%	13.2%	13.3%
LCMC Touro	1,949	1,869	1,798	912	5.5%	5.2%	5.2%	5.4%
Other	5,458	5,671	5,625	3,054	15.5%	15.9%	16.2%	18.0%
Total	**35,177**	**35,667**	**34,608**	**16,986**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Excludes SNF, Rehab & Newborn DRGs
(2) Includes all other Ochsner hospitals
Source: Thomson Reuters – UB 92 Data

Market Share | **Inpatient Discharges**

Market Share by Inpatient Discharges (FY2016 – Q219)

- H2C examined total inpatient discharges for competitors in the greater New Orleans market (EJGH's primary, secondary, and tertiary markets). Below is the table containing total discharge data for the fiscal years ended December 31, 2016 through December 31, 2018 and the six-month period ended June 30, 2019.
- "Other" hospitals accounted for over 78% of discharges in the greater New Orleans market in all time periods.
- EJGH's market share was reduced marginally from 2.9% in 2016 to 2.7% in Q219.

	Total Discharges				Market Share			
Health System	**FY2016**	**FY2017**	**FY2018**	**19Q2**	**FY2016**	**FY2017**	**FY2018**	**19Q2**
EJGH	15,799	15,718	14,889	9,496	2.9%	2.9%	2.8%	2.7%
Ochsner[1]	24,758	25,164	24,762	18,283	4.5%	4.7%	4.7%	5.2%
Ochsner Kenner	6,846	7,330	7,338	4,625	1.2%	1.4%	1.4%	1.3%
Ochsner Baptist	9,114	10,021	10,176	5,252	1.6%	1.9%	1.9%	1.5%
WJGH	11,864	11,521	11,281	6,834	2.1%	2.2%	2.1%	2.0%
Tulane (Lakeside)	15,402	14,498	14,185	7,911	2.8%	2.7%	2.7%	2.3%
Children's Hospital	7,089	6,371	6,069	5,779	1.3%	1.2%	1.1%	1.7%
LSU Public	11,071	12,917	13,594	10,946	2.0%	2.4%	2.6%	3.1%
LCMC Touro	14,040	13,767	13,220	7,414	2.5%	2.6%	2.5%	2.1%
Other	437,149	418,172	413,059	272,404	79.0%	78.1%	78.1%	78.1%
Total	**553,132**	**535,479**	**528,573**	**348,944**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Includes all other Ochsner hospitals
Source: Thomson Reuters – UB 92 Data

H2C

Market Share | **Outpatient and Ambulatory**

Market Share by Outpatient and Ambulatory (FY2016 – Q219)

- H2C examined total outpatient and ambulatory visits for competitors in the greater New Orleans market (EJGH's primary, secondary, and tertiary markets). Below is the table containing total outpatient data for the fiscal years ended December 31, 2016 through December 31, 2018 and the six-month period ended June 30, 2019.
  - EJGH's outpatient market share has consistently decreased from FY2016 to 19Q2.

	Outpatient and Ambulatory				Market Share			
Health System	**FY2016**	**FY2017**	**FY2018**	**19Q2**	**FY2016**	**FY2017**	**FY2018**	**19Q2**
EJGH	151,187	154,634	147,565	106,136	3.1%	2.9%	2.6%	2.3%
Ochsner	447,745	490,026	507,912	396,275	9.1%	9.3%	8.8%	8.6%
Ochsner Kenner	57,820	74,350	82,158	64,317	1.2%	1.4%	1.4%	1.4%
Ochsner Baptist	49,335	73,563	85,509	71,153	1.0%	1.4%	1.5%	1.5%
WJGH	87,697	93,129	107,137	133,926	1.8%	1.8%	1.9%	2.9%
Tulane (Lakeside)	250,219	272,074	264,116	189,467	5.1%	5.2%	4.6%	4.1%
Children's Hospital	6,092	6,393	86,310	129,601	0.1%	0.1%	1.5%	2.8%
LSU Public	197,986	234,209	260,141	209,052	4.0%	4.5%	4.5%	4.5%
LCMC Touro	89,739	88,072	119,480	115,807	1.8%	1.7%	2.1%	2.5%
Other	3,583,377	3,762,439	4,098,322	3,190,784	72.8%	71.7%	71.2%	69.3%
Total	**4,921,197**	**5,248,889**	**5,758,650**	**4,606,518**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

H2C

Market Share | **By Service Lines (2019)**

Service Line	Individual Hospital / Health Systems					
	EJGH	Ochsner	Ochsner Kenner	Ochsner Baptist	WJGH	Lakeside (Tulane)
Cardiovascular Surgery	207	555	-	3	156	80
CHF	489	869	237	164	357	183
EP	376	426	114	64	169	109
Gastroenterology	805	1,955	503	239	530	476
General Medicine	1,442	2,920	647	480	1,017	1,015
General Surgery	683	2,116	435	212	536	575
Hematology	147	619	90	68	103	378
Infectious Disease	416	683	170	144	233	289
Medical Cardiology	408	1,133	367	172	416	483
Neonatology	280	57	414	1,405	353	687
Nephrology	595	780	182	123	327	304
Neurology	654	2,295	214	90	686	895
Normal Newborns	394	27	391	1,049	420	733
OB/GYN	122	208	96	239	85	205
Oncology	128	343	46	104	71	94
Orthopedics	1,054	1,496	317	388	618	758
Pulmonary	1,010	1,447	373	237	662	393
Urology	286	354	29	71	95	199
Total	**9,496**	**18,283**	**4,625**	**5,252**	**6,834**	**7,856**

H2C+

Volume Trends by Service Lines

	Individual Hospital / Health Systems				
Service Line	EJGH	Ochsner	Ochsner Kenner	Ochsner Baptist	WJGH
Cardiovascular Surgery	↓	↑	↓	↓	↑
CHF	↑	↑	↑	↑	↑
EP	↑	↑	↑	↑	↑
Gastroenterology	↑	↑	↑	↑	↑
General Medicine	↑	↑	↑	↑	↓
General Surgery	↓	↓	↓	↓	↓
Hematology	↓	↓	↓	↑	↑
Infectious Disease	↓	↓	↓	↑	↑
Medical Cardiology	↑	↑	↑	↑	↓
Neonatology	↓	↑	↑	↑	↑
Nephrology	↓	↓	↑	↓	↓
Neurology	↓	↑	↑	↓	↑
Normal Newborns	↓	↑	↑	↓	↓
OB/GYN	↓	↑	↑	↑	↓
Oncology	↓	↓	↑	↑	↓
Orthopedics	↑	↑	↑	↓	↓
Pulmonary	↑	↑	↑	↑	↑
Urology	↑	↓	↑	↓	↓

Note: Volume trends from calendar year 2016 to calendar year 2018 (most recently available full calendar year).
Source: Thomson Reuters – UB 92 Data

Volume Trends by Service Lines *(cont'd)*

Service Line	Individual Hospital / Health Systems				
	Lakeside (Tulane)	Children's Hosp.	LSU Public	LCMC Touro	Other
Cardiovascular Surgery	↓	↓	↑	↓	↓
CHF	↓	↑	↑	→	↑
EP	↓	↓	↑	↓	↓
Gastroenterology	↓	↓	↑	↓	↓
General Medicine	↑	↑	↑	↑	↓
General Surgery	↑	↓	↑	↓	↓
Hematology	↓	↓	↑	↑	↓
Infectious Disease	↓	↓	↑	↑	↓
Medical Cardiology	↓	↓	↑	↑	↓
Neonatology	↓	↓	↓	↓	↑
Nephrology	↓	↑	N/A	↓	↓
Neurology	↑	↑	↑	↓	↑
Normal Newborns	↓	↑	N/A	↓	↓
OB/GYN	↓	↓	↓	↓	↓
Oncology	↑	↓	↑	↑	↓
Orthopedics	↑	↓	↑	↓	↓
Pulmonary	↓	↓	↑	↓	↓
Urology	↓	↓	↓	↓	↑

Note: Volume trends from calendar year 2016 to calendar year 2018 (most recently available full calendar year).
Source: Thomson Reuters – UB 92 Data

4. Information Regarding East Jefferson General Hospital: Financial and Operational Statistics

Financial Overview | **Income Statement**

Historical & Budgeted Income Statement • *$ thousands*

East Jefferson General Hospital

	For the Historical FYE 12/31,				2020 Budget		
	2016	2017	2018	2019[1]	Unadj.	BRG Adj.	Adj.
Revenue							
Net Patient Service Revenue	$329,638	$319,331	$305,408	$295,236	$303,090	$334	$303,424
Other Revenue	23,746	22,710	24,166	21,646	21,059	241	21,300
Total Revenue	**$353,384**	**$342,041**	**$329,574**	**$316,882**	**$324,149**	**$575**	**$324,724**
Operating Expenses							
Salaries, Wages and Benefits	131,898	126,038	129,667	123,414	128,546	(3,500)	125,045
Purchased Services & Other	155,528	167,952	156,807	145,895	151,222	(9,121)	142,101
Supplies	46,588	47,520	46,160	44,111	44,214	(3,010)	41,204
Total Operating Expenses	**$334,014**	**$341,510**	**$332,634**	**$313,421**	**$323,982**	**($15,631)**	**$308,351**
Operating Cash Flow / EBIDA	**$19,370**	**$531**	**($3,060)**	**$3,461**	**$167**	**$16,206**	**$16,373**
OCF / EBIDA Margin (%)	*5.5%*	*0.2%*	*(0.9%)*	*1.1%*	*0.1%*		*5.0%*
Less: Depreciation & Amortization	(25,820)	(22,375)	(22,157)	(19,015)	(17,427)	–	(17,427)
Less: Interest Expense	(9,130)	(8,939)	(8,541)	(8,405)	(8,008)	–	(8,008)
Operating Income	**($15,580)**	**($30,783)**	**($33,758)**	**($23,960)**	**($25,269)**	**$16,206**	**($9,063)**
Operating Margin (%)	*(4.4%)*	*(9.0%)*	*(10.2%)*	*(7.6%)*	*(7.8%)*		*(2.8%)*

Projected increase of $7.8 million in total revenue

Increased staffing efficiencies

Improved contracts with numerous vendors

Cheaper implants and other medical supplies

(1) *Unaudited financial statements for the year ended December 31, 2019*

H2C

Financial Overview | **Balance Sheet**

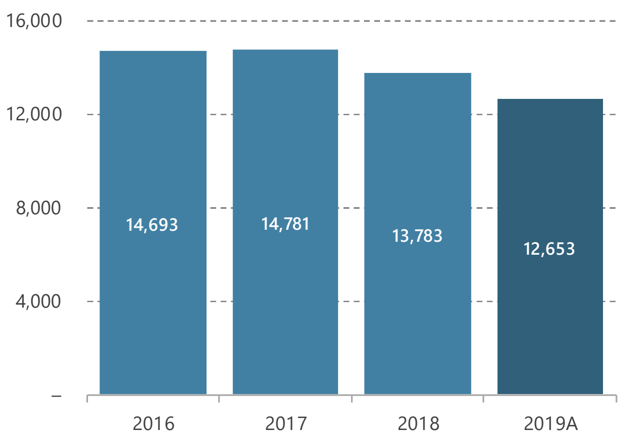
Historical Balance Sheet • *$ thousands*

	East Jefferson General Hospital			
	As of			
	2016	2017	2018	2019 (1)
Assets				
Cash	$7,135	($12,828)	$8,603	$18,747
Short-term investments	73,925	74,945	73,653	60,402
Accounts Receivable, net	51,931	39,767	32,905	35,485
Other Current Assets	29,719	55,027	23,724	25,791
Current Assets	162,710	156,912	138,886	140,425
PP&E, net	197,868	182,504	166,787	150,502
Assets Limited to Use, net	57,336	48,748	68,448	49,896
Other Long-Term Assets	15,896	16,292	7,556	6,032
Total Assets	**$433,810**	**$404,457**	**$381,677**	**$346,855**
Liabilities & Net Assets				
Current Liabilities	$42,069	$51,914	$64,495	$53,299
Long-Term Debt, net of current	150,054	138,155	134,915	131,550
Other Long-Term Liabilities	45,705	45,233	39,756	45,083
Total Liabilities	**237,829**	**235,302**	**239,167**	**229,932**
Total Net Assets	195,981	169,155	142,511	116,923
Total Liabilities and Net Assets	**$433,810**	**$404,457**	**$381,678**	**$346,855**

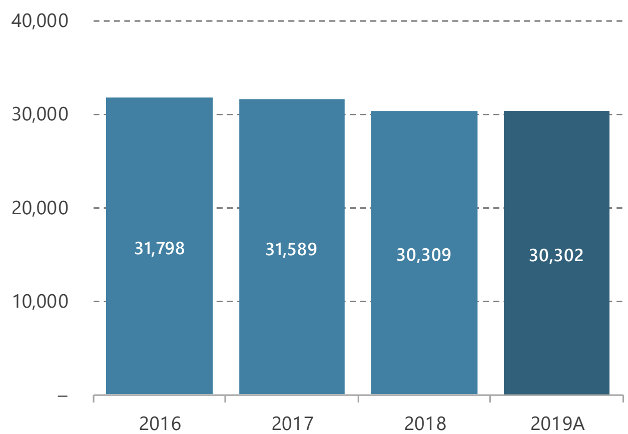
(1) Unaudited financial statements for the year ended December 31, 2019

Utilization & Operational Highlights

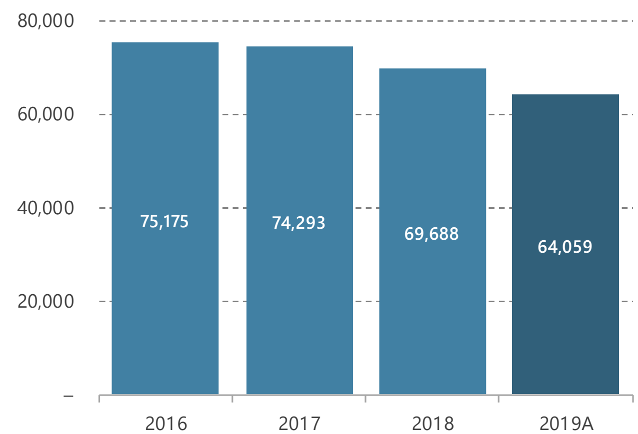
Admissions



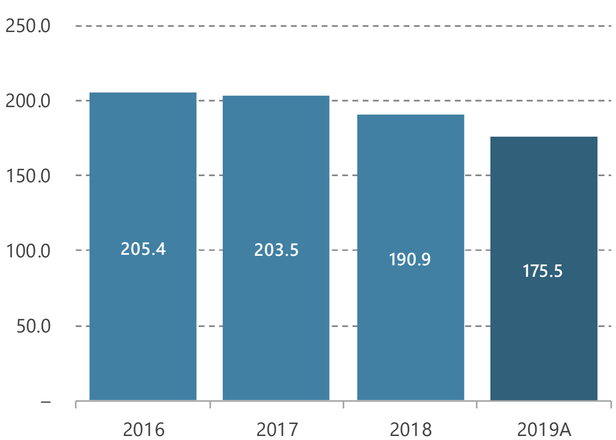
Adjusted Admissions



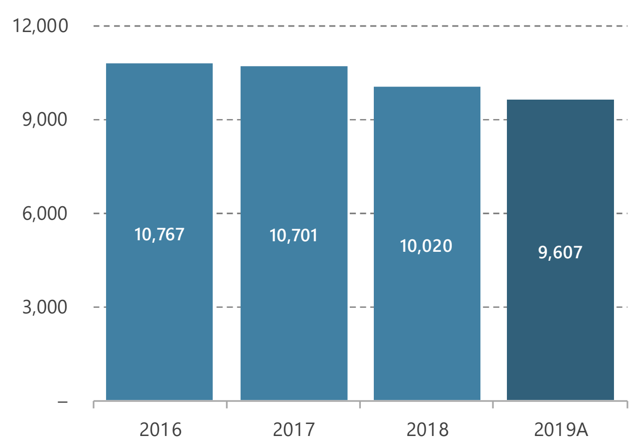
Patient Days



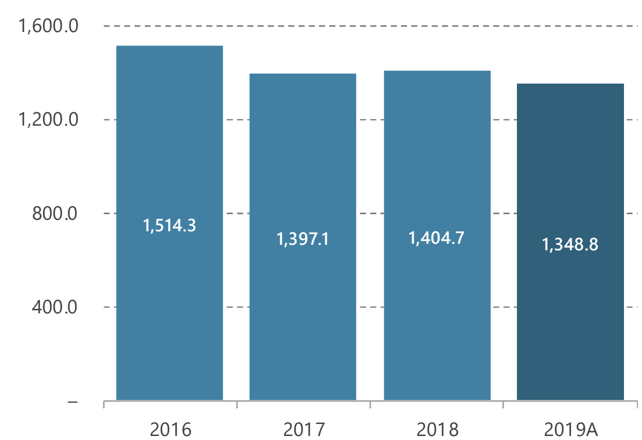
Average Daily Census



Total Surgeries



Productive FTE's



Note: 2019A results through November 30, 2019.

4. Information Regarding East Jefferson General Hospital: Credit Profile

H2C

East Jefferson General Hospital Credit Profile

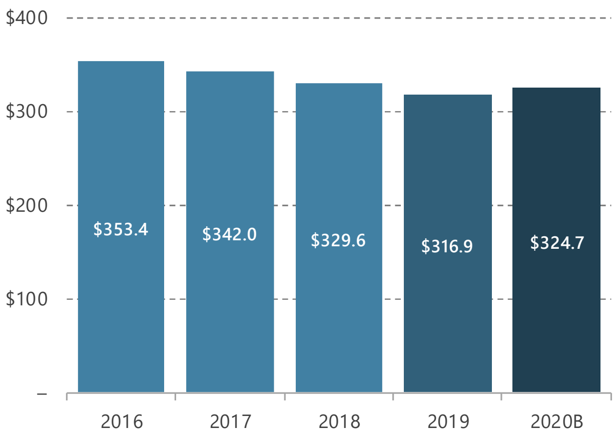
Credit Profile • *$ thousands*

	Historical FYE 12/31,				Adj. Budget	Blended
	2016	2017	2018	2019	2020B	Speculative
Operating Statistics						
Net Patient Service Revenues	$329,638	$319,331	$305,408	$295,236	$303,424	$331,832
Total Operating Revenues	353,384	342,041	329,574	316,882	324,724	350,480
Total Debt	153,612	141,280	138,155	134,915	n/a	124,864
Unrestricted Cash and Investments	138,396	110,866	150,704	129,045	n/a	117,494
Profitability						
Operating Cash Flow	$19,370	$531	($3,060)	$3,461	$16,373	$12,745
Operating Cash Flow Margin (%)	*5.5%*	*0.2%*	*(0.9%)*	*1.1%*	*5.0%*	*6.0%*
Income from Operations	(15,580)	(30,783)	(33,758)	(23,960)	(9,063)	(3,700)
Operating Margin (%)	*(4.4%)*	*(9.0%)*	*(10.2%)*	*(7.6%)*	*(2.8%)*	*-0.6%*
Liquidity						
Cash to Debt (%)	90.1%	78.5%	109.1%	95.6%	n/a	39.2%
Days Cash on Hand (days)	147.2 days	115.5 days	161.2 days	146.4 days	n/a	100 days
Leverage						
Debt to Capitalization (%)	43.9%	56.7%	59.9%	62.2%	n/a	52.2%
Debt to Revenue (%)	43.5%	41.3%	41.9%	42.6%	n/a	37.3%

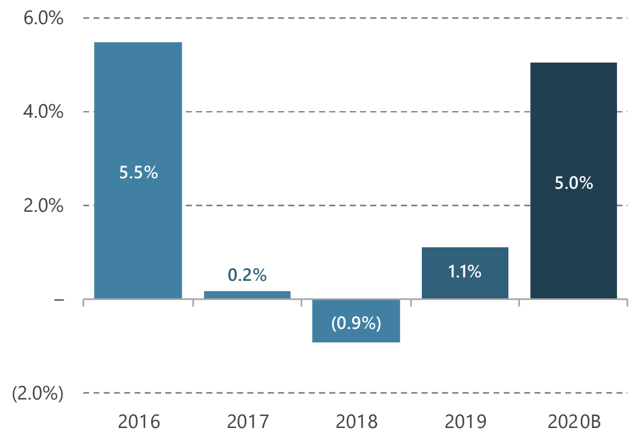
(1) Moody's, S&P standalone, and Fitch sub-investment grade medians

East Jefferson General Hospital Credit Profile *(cont'd)*

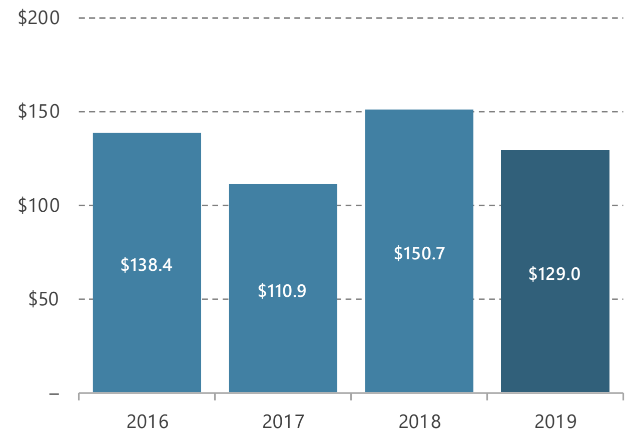
Total Operating Revenue • *$ millions*



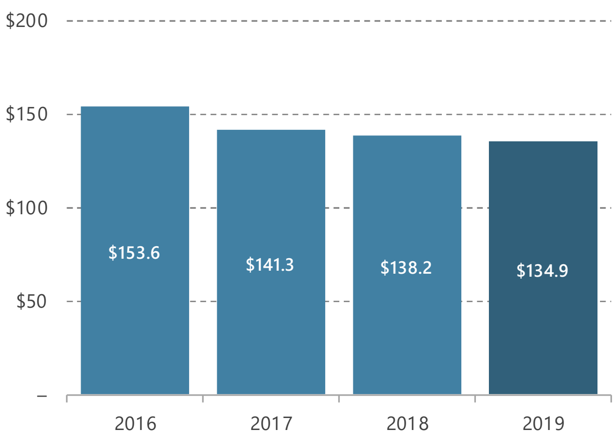
Operating Cash Flow Margin



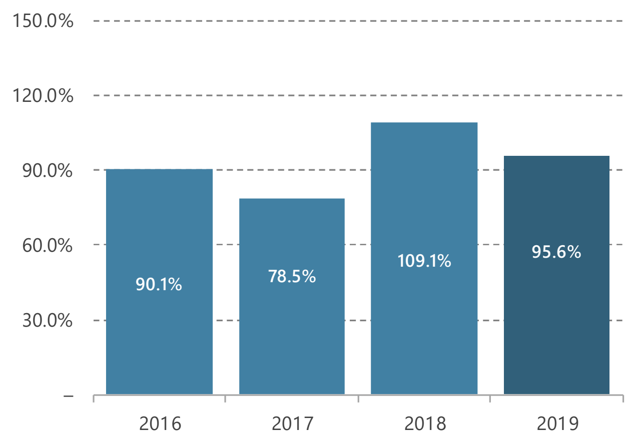
Unrestricted Cash[1] • *$ millions*



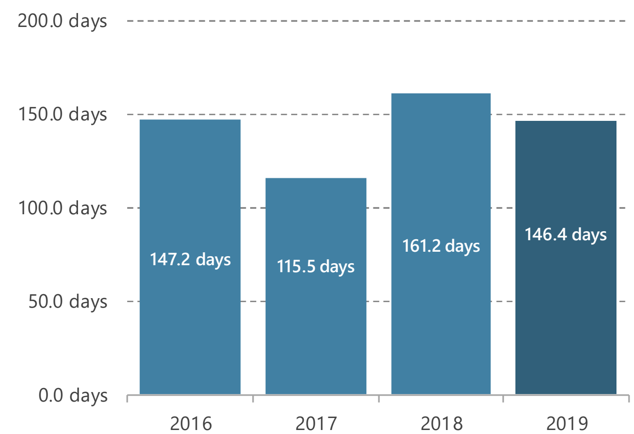
Total Debt[1] • *$ millions*



Cash to Debt[1]



Days Cash on Hand[1]



(1) The FY2020 budget provided by management did not include balance sheet projections
Note: Unaudited financial statements for the year ended December 31, 2019.

5. Valuation Considerations

The fair market valuation of EJGH reflects its unique characteristics.

- The unique operational and financial profile of EJGH, and the lack of true "comparable" public companies and acquisition targets makes the valuation of EJGH more challenging.
  - As a result, subjective considerations can affect the valuation to a significant degree.
- The "Valuation Considerations" that follow include certain external industry and market factors as well as characteristics of EJGH, as reflected in previous sections, that have an impact on its fair market value.
  - **External factors** present a mixed affect on the valuation of hospitals. While the strong economy, aging population and resulting increased utilization suggest positives, reimbursement trends and labor costs continue to present operating challenges and drive consolidation. Consolidation tends to place upward pressure on valuations in markets where there is competition for the hospital.
  - **EJGH's profile** is that of a distressed hospital. Historical, significant financial losses and deferred investment place downward pressure on the valuation. While EJGH is the only remaining independent hospital in the market, there are very few potential buyers, which will also have a negative affect on its valuation.
- These Valuation Considerations are reflected in the determination of valuation methodologies and selection of transaction multiples, all as discussed more fully herein.

Valuation Considerations | **External**

Economic Environment and Healthcare Reform	▪ The strong U.S. economy is positively affecting employer-based insurance and healthcare utilization. ▪ Federal and state budget shortfalls and healthcare reform are reducing Medicare and Medicaid rates; commercial plans are providing small rate increases. ▪ Value-based reimbursement models are requiring significant investment in IT. ▪ The financial impact of continued healthcare reform on providers is still uncertain.
Consolidation Activity	▪ Pressure to reduce costs is increasing the need to gain scale and boost market position. ▪ Healthcare has become an attractive investment opportunity; substantial capital available to fund acquisitions/growth. ▪ Independent hospitals in highly consolidated markets are finding it more difficult to compete. – Generally, most independent hospitals do not have the cash flow and balance sheet strength necessary to invest in ambulatory networks, IT systems, and physician groups.
Valuation Trends	▪ Competition for attractive acquisition targets is placing upward pressure on purchase prices and valuation multiples. ▪ Public equity valuations are strong, supporting higher purchase prices without dilution. ▪ Value is often based more upon location/market position than profitability trends. ▪ Acquirers are more willing to share "synergies".

Valuation Considerations | **Internal**

Financial Operations: Historical

- Historically, EJGH has had significant operating losses and more recently has entered into a forbearance agreement with its bondholders to provide the necessary time for the Proposed Transaction.
  - Between 2016 and 2018, operating revenue declined by 6.7%.
  - In the same period, operating expenses remained flat and were not scaled effectively, despite the decrease in admissions.
  - As a result, EJGH experienced negative operating and cash flow margins in 2018.
- EJGH experienced a 7% annual decline in inpatient volumes since 2017 as a result of:
  - Declining population trends;
  - Limited ambulatory care network;
  - Poor services mix as reflected in recent investments in geriatric psychology, skilled nursing and rehab;
  - Low physician productivity (average medical group physician sees approximately 2 patients per hour); and
  - Deferred CAPEX since 2017 and limited investment technology has stifled the organization's ability to grow.
    - A conservative estimate of deferred CAPEX is approximately $25 million; routine capital expenditures were approximately $8 million less than budgeted for each of the last three years.

Valuation Considerations | **Internal** *(cont'd)*

Financial Operations: Outlook

- Management and BRG have identified key growth assumptions that support a budgeted revenue increase of 2.5% (or $7.8 million) from FY2019 to FY2020, driven by improved reimbursement rates and increased volume:
  - 2% aggregate rate increase across all payor categories beginning May 1, 2020, supported by:
    - A one-time rate lift of ~5% from Blue Cross Blue Shield, which accounts for 80% of EJGH's commercial volume (and 20% of total volume).
    - A lift of slight Medicare rate lift of ~2%.
    - Increase in commercial payor mix as a direct result of OB/GYN volume increases *(see next item)*.
  - Increased volumes mostly due to new OB/GYN physicians coming from Tulane/HCA.
    - These physicians brought over an established patient network to EJGH. A significant increase in births has already been experienced, with ~100 births in December 2019 (highest total in 2019).
    - GYN surgical volume is expected to increase in 2020 as well.
    - OB/GYN volume from new physicians is a higher concentration of commercial patients than EJGH's historical payor mix.
    - Volumes will continue improve with the expectation of 5-10 new physicians, across specialties, being hired annually.
  - An increase of "other operating revenue" by ~$241,000, which is a supplemental payment for being a service district hospital, although this would be lost in a transaction with LCMC.
- Management and BRG have further identified numerous cost saving initiatives in FY2020, reducing budgeted expenses by $15.6 million for a net year-over-year reduction in expenses of $5.1 million. The key expense reductions are outlined below and on the following page:
  - Reduction in salaries, wages, and benefits by $3.5 million in adjusted budget.
    - Nursing staff supporting imaging, cardiology, pre-surgery, and surgery.

Valuation Considerations | **Internal** *(cont'd)*

Financial Operations: Outlook *(cont'd)*

- Other cost reductions include reduced overtime, improved time clock efficiency, and employee monitoring.
- Management does not believe there will an impact on quality; however, there is an increased likelihood of resignations.
- Any unplanned resignations would require an unplanned shift to more expensive contract labor and management is closely monitoring headcount and staffing as a result.

– Purchased Services and Other will be reduced by $9.1 million:

- Key cost reductions in cafeteria services, linens and housekeeping services through a revised contract.

▪ Supply cost reductions of $3.0 million as a result of:

– Pharmaceutical supplies reduction.

– Renegotiated supply contracts for cardiology supplies/equipment, implants, and office supplies.

– Infectious diseases and antibiotic stewardship:

- Terminated an agreement with Comprehensive Pharmacy Services ("CPS"), resulting in a savings of approximately $100,000.

– Maintaining lab services agreement with Quest:

- After soliciting bids from other laboratory services providers, Quest materially improved its pricing.

▪ The remaining $8 million of a total of $24 million in identified cost savings are expected to materialize in FY2021.

▪ Management and BRG both have a low level of confidence in achieving all $16 million of cost savings budgeted in FY2020, but both Management and BRG believe all identified cost savings are achievable in FY2021.

– BRG is running weekly operational meetings, including bringing in experts within each operational area.

– Multiple turnaround staff have been deployed and management believes some progress has been made.

Valuation Considerations | **Internal** *(cont'd)*

Service Area and Market Position	▪ Hurricane Katrina had a significant impact on the healthcare landscape in the New Orleans market. – Multiple hospitals were flooded and went out of business, leaving Ochsner (market leader) and LCMC as the only remaining two sizable health systems. – The service area experienced significant displacement of the population initially and continues to experience outmigration. ▪ The service area is generally over-bedded for standard Med/Surg beds, but a few specialties (Psychiatric, Pediatric, Rehab) remain under-bedded. ▪ EJGH is the only remaining standalone hospital with a significant inpatient footprint.
Management and Operations	▪ To lead EJGH's operational turnaround, a new management team was retained in late 2017 and early 2018. – The CEO, CFO, and COO have significant turnaround experience from previous leadership positions at for-profit health systems. ▪ The recent failed HCA acquisition had a wide range of implications on operations and employee moral, causing significant staff turnover. – Two physician groups (primary care and OB/GYN) left for competitors after the failed acquisition. – Management continues to address these issues by focusing on culture and retention. ▪ EJGH carries a strong brand name within the local community and has some of the highest quality scores in the market.
Potential Partner Limitations	▪ Despite being the only remaining independent hospital with a significant inpatient footprint in the New Orleans market, competitive dynamics pose challenges for new entrants into the market. ▪ Existing market competitors are likely to be the most suitable partners.

6. Valuation Methodology and Approach

H2C has developed an estimate of the fair market value of EJGH – its Business Enterprise Value – as a going concern.

- For purposes of this analysis, Business Enterprise Value is defined as, and equivalent to:
  - Market value of capitalization; or
  - Market Value of assets; or
  - Net tangible and intangible operating assets.
- Implicit in this definition of Business Enterprise Value is the consummation of a sale on a specified date and the passing of title from seller to buyer under conditions whereby:
  1. The Buyer and seller are typically motivated;
  2. Both parties are well informed or well advised, and each is acting in its own best interest;
  3. A reasonable time is allowed for exposure in the open market;
  4. Payment is made in terms of cash U.S. dollars or in terms of financial arrangements comparable thereto; and
  5. The price represents the normal condition for the enterprise sold unaffected by special or creative financing or sales concessions granted in connection with the sale or is do granted the value which is included.
- In addition, Business Enterprise Value generally includes a level of working capital sufficient to operate the business.
- Business Enterprise Value is not influenced by the method of acquisition financing, although this may affect the net proceeds available to the Seller.
- Equity Value, or Net Proceeds, can be derived from Business Enterprise Value by subtracting all long-term liabilities and adding cash, investments and board designated funds.
- It is possible under circumstances where a business enterprise is encumbered by liabilities equal to or in excess of its market value that a Seller may transact at market value but receive little, if any, proceeds.

Two approaches were used to establish the going concern value of EJGH.

- Since there is no single approach that is considered conclusive and each approach offers certain advantages and disadvantages, we have relied on a combination of two Market Approach methodologies to value the Company.
  - **Market Approach** – **Guideline Company Method.** Value is determined by reference to the corresponding valuation multiples (of Net Income, EBITDA and/or Revenue) of publicly-traded hospital management companies.
  - **Market Approach** – **Market Transaction Method**. Value is determined by reference to the corresponding valuation multiple (typically of Revenues because income may not exist) based on prior acquisitions of distressed hospitals and health systems with revenue and profitability metrics within a range similar to EJGH.
- As previously noted, the **Income Approach** is often useful in valuing going concerns where projections reflecting expectations of future performance are available – no such projections are available for EJGH.
- Valuation guidelines state that fair market value must be determined within the framework of the business' value to a hypothetical purchaser. Financial projections/valuation assumptions should not reflect the characteristics of any particular buyer nor the current capital structure of the Seller; instead, industry norms should be reflected in the analysis.

Guideline Company Method

Definition:

The Guideline Company Method is a valuation technique whereby the value of the subject company is estimated based on the Comparative Business Enterprise Value of similar publicly-traded companies. The publicly-traded markets inform our understanding of investor expectations for similar companies as well as the level of investment returns required to induce investment. Investor expectations not only include the idiosyncratic characteristics of specific companies but also incorporate important factors that affect all companies throughout the industry as well as macro factors that affect all companies in the U.S. or globally. Utilizing a collection of comparable companies mitigates the impact that any one company's idiosyncratic characteristics will materially affect the composite result.

Relevance to Valuation:

H2C reviewed and analyzed financial and other publicly available information for companies engaged in providing acute care hospital services. This analysis further considered the financial characteristics and valuations of those companies' equity securities traded in the public market. H2C compiled, using data points from publicly available and third-party sources, a subset of 5 peer companies. A BEV-to-Budgeted EBITDA was derived from the subset and applied to the valuation of EJGH after discounting for probability of distress.

Valuation Approaches | **Market Approach** *(cont'd)*

Market Transaction Method

Definition:

The Market Transaction Method is a valuation technique whereby the value of the company is estimated based on comparable precedent merger and acquisition transactions. These historical transactions inform our understanding of the terms and valuation considerations at which investors have been willing to consummate acquisitions of comparable companies. The precedent transaction metrics also encapsulate investor expectations and market conditions at the time the transaction was consummated. These investor expectations not only include the idiosyncratic characteristics of specific companies but also incorporate important factors that affect all companies throughout the industry as well as macro factors that affect all companies in the U.S. or globally. Utilizing a collection of comparable precedent transactions mitigates the impact that any one company's idiosyncratic characteristics will materially affect the composite result.

Relevance to Valuation:

Given the historical operating performance of EJGH, H2C compiled, using data points from previous transaction experience and third-party sources, a subset of 36 transactions involving hospital and/or health system targets with operating cash flow margins less than or equal to 4.0%[1]. Given the number of health system targets with no or negative operating cash flow in the transaction subset, only a BEV-to-historical revenue metric was derived from the subset and applied to the valuation of EJGH.

(1) Most recent financial statements available for the target

7. Valuation Summary

Valuation Summary | **Overview**

Market Transaction Method

- EJGH’s Business Enterprise Value was employed as the benchmark for comparison to prior transaction involving distressed hospitals.
- In EJGH’s case, cash (and cash equivalents) and indebtedness are at similar levels and thus the difference between Business Enterprise Value and Equity Value may be minimal.
- Business Enterprise Value does not include cash and indebtedness of an enterprise which is consistence with an asset purchase as proposed between EJGH and LCMC.
- Some of the prior transactions employed as benchmarks were asset purchases while others were member substitutions and therefore may have included or excluded certain assets and/or liabilities that are included or not included in the proposed transaction between EJGH and LCMC.
- The data available concerning prior transactions does not permit this level of detail to be considered.
- In any case, we find no clear pattern of valuation that distinguished between asset purchase and membership substitution transactions.
- Because EJGH is a distressed hospital and produces no operating income, it was compared to prior transactions of distressed hospitals applying revenue multiples only and resulted in a range of Business Enterprise Values from $92.8 million to $139.2 million.

Valuation Summary | **Overview**

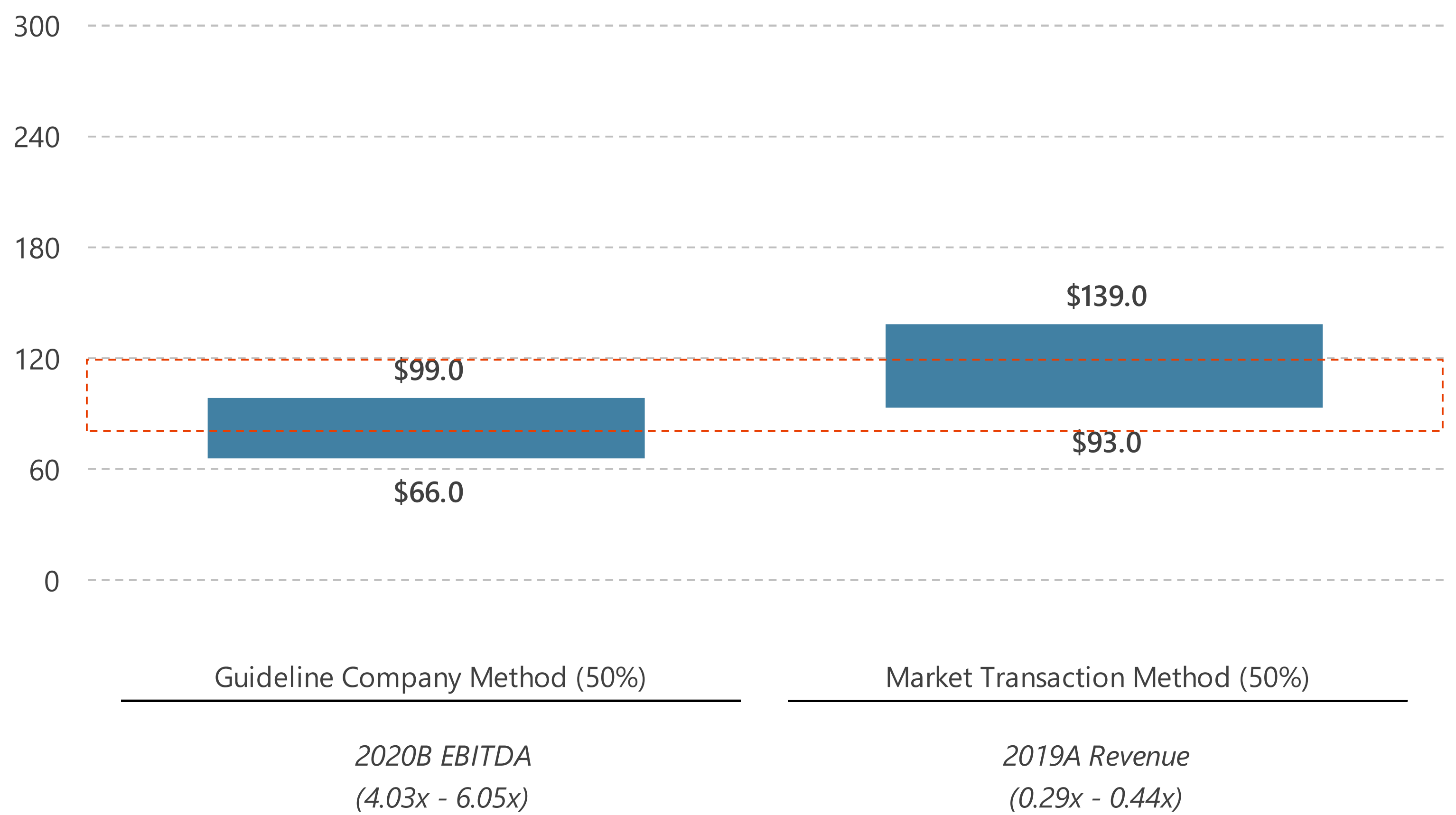
Guideline Company Method

- Management and their advisors are confident in EJGH's ability to produce operating profit (EBITDA) in 2020 and have budgeted accordingly, though this alone does not change our view that EJGH would be considered a "distressed" hospital.
- However, we believe that Management's expectations should be taken into consideration.
- Because publicly-traded companies typically generate EBITDA and have valuations that rely on guidance (or established investor expectations) for future earnings, it is possible to assess value in relation to expected earnings.
- Publicly-traded companies' Business Enterprise Values can also be definitively determined in ways that those or precedent transactions often cannot.
- Therefore, we also applied publicly-traded company valuation leading (2020) valuation multiples (of EBITDA) to EJGH Management's 2020 Budget and applied a discount appropriate to reflect the greater uncertainly associated with EJGH' s financial and business situation.
- The foregoing results in a range of Business Enterprise Values from $66.0 million to $99.0 million.

Illustrative Range of Business Enterprise Value

The implied enterprise value range of EJGH is $80 million to $120 million.

Business Enterprise Value Range • *$ millions*



H2C

Valuation Opinion Summary

Business Enterprise Value Range • *$ thousands*

Metric	Valuation Metric	Multiples Range -20%	Multiples Range Median	Multiples Range 20%	Implied Enterprise Value		
Market Transaction Method							
2019 Revenue[1]	$316,882	0.29x	0.37x	0.44x	$93,000	-	$139,000
Guideline Company Method[2]							
2020B EBITDA	$16,373	4.03x	5.04x	6.05x	$66,000	-	$99,000
Implied Enterprise Value Range[3]					**$80,000**	-	**$120,000**

(1) 2019 financial results are unaudited

(2) A 39.2% distress discount was applied to the Guideline Company Method median multiples. See pages 52 – 53 for additional detail

(3) The Implied Enterprise Value Range is the weighted average of the Implied Enterprise Values of the Market Transaction Method (50%) and Guideline Company Method (50%)

8. Conclusion

Based on our analysis of the facts and circumstances as outlined in our presentation, **H2C believes the transaction value range is fair**, from a financial point of view.

Transaction Value falls within the range of Business Enterprise Value