

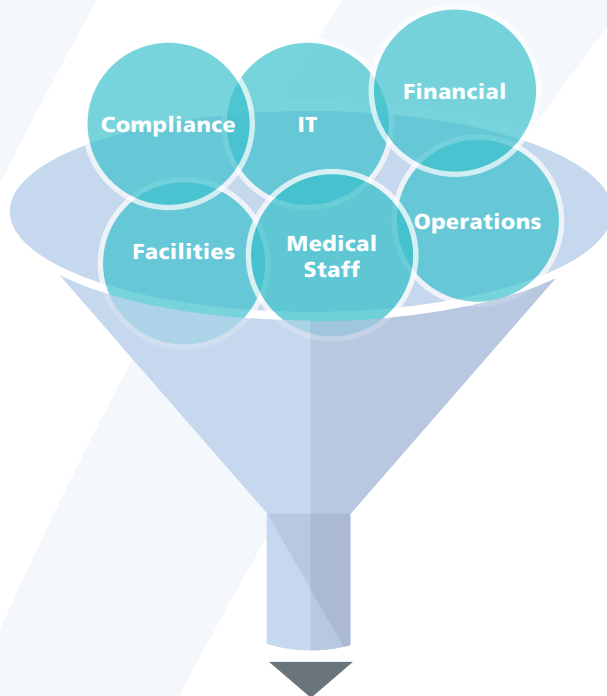


Do You Want to Make Sure Your Transaction Stays on Track?

When you are contemplating acquiring or merging with another healthcare organization, the due diligence process should be more than a series of pro forma steps. Veralon's due diligence reviews provide more. Our rigorous financial, operational, and other analyses are performed in the context of achieving these important objectives for you:

- Identifying "deal breakers" and "red flags" that may warrant reconsideration of or adjustment to the transaction
- Understanding and evaluate threats to "deal value" and potential impact on transaction feasibility
- Laying the groundwork for a successful future

Due diligence is best performed by those who are expert in healthcare strategic, financial and business analyses, and have day-to-day knowledge of and experience with what is happening in healthcare now.



DUE DILIGENCE CONCLUSION

WHY VERALON?

Veralon has 20 years experience in robust due diligence reviews for healthcare organizations, from both a "buy side" and "sell side" position. We have deep, cross-functional expertise in healthcare strategy and finance and have facilitated challenging, transformational planning efforts.

Deep Financial Expertise We have performed meticulous financial analyses on thousands of engagements. Veralon's findings hold up to the scrutiny of regulators and other third parties—as well as your many internal and external constituencies.

Skillful in Keeping the Transaction on Track:

The due diligence process can uncover details of deal structure, reimbursement, patient volumes, operations, compensation, and transition that have not been fully vetted. Veralon has the communication skills to surface these issues and the practical knowledge to address them.

Expert at Achieving Maximum Benefit from the Process:

Veralon knows how to use the relatively calmer emotional climate of the due diligence process to help all parties reaffirm why the transaction is compelling and to start to build a vision of the post-transaction future.



Examples of issues covered by Veralon's in-depth due diligence process include:

Legal, Regulatory and Risk Management Assessment

- Pending legal actions
- Regulatory status, including adequacy of compliance program and any potential compliance exposures
- Accreditation status
- Risk management status
- Community perceptions and attitudes

Financial Performance and Prospective Estimates

- Benchmarking key metrics
- Income statement and balance sheet analysis, as well as quality of earnings assessment, to determine sustainability of current performance
- Assessment of capital requirements
- Analysis of debt load in relation to:
 - Ability to meet debt covenant requirements
 - Potential threats to liquidity
 - Future cash availability
 - Access to capital
- Performance vs budget (metric for financial leadership)
- Detailed prospective financial estimates accounting for impact of changes in ownership
- Value-based payment programs
- Re-pricing analyses and what-if scenarios
- Taxation matters

Third Party Payment Assessment

Potential threats to inpatient reimbursement levels and plans to offset any expected losses:

- Current payment levels and methods
 - Medicare and Medicaid
 - Commercial Payers
- Value-based payment experience / readiness

Operations Analysis

- Current and prospective patient care volumes
- Efficiency indicators
- Cost analysis
- Cost structures
- Service line profitability
- Physician enterprise performance

Management and Governance

- Legal and organizational aspects
- Leadership team effectiveness

Human Resources

Effectiveness of human resources team and any pending HR concerns

Medical Staff Organization and Leadership, and Physician Relations and Operations

- Evaluation of the medical staff composition and admissions profile
- Physicians under disciplinary action
- Professional service arrangements
- Physician compensation levels

IT and Data Infrastructure

- Documentation of systems in place, platform age and stability, physical assets
- EMR capabilities
- Availability of data infrastructure to support initiatives in:
 - Quality monitoring for value-based payment
 - Bundled payment
 - Other value-based payment
 - Care management initiatives
- Capital requirements for new and replacement systems

Facilities, Property, and Equipment

- Land holdings and location
- Use, size, capacity, age and remaining productive life of buildings and major equipment
- Any current or recent plans for expansion, rebuilding, or renovation
- Degree of match between existing facilities and strategic requirements
- Capital requirements to bring facilities and equipment to acceptable levels