Constantino, Mike

From: Glaser, D. Louis [louis.glaser@kattenlaw.com]
Sent: Tuesday, July 06, 2010 5:26 PM
To: Constantino, Mike
Cc: Ed Parkhurst
Subject: Project 10-030
Attachments: Navigant Redacted Valuation of Affinity.pdf

Mike -

This is a summary of a July 1, 2010 technical assistance telephone conference call regarding the above-captioned project. This letter is written to satisfy the requirements of Ill. Admin. Code tit. 77, Section 1130.620(a)(2).

The participants on the call were Frank Urso, Ed Parkhurst you and me. The call stemmed from a request that Northwest Community Healthcare/Northwest Community Hospital/Northwest Community Health Services (collectively, "NCH") provide a copy of the valuation report prepared by Navigant Consulting ("Navigant") in connection with the proposed asset acquisition of Affinity Healthcare, LLC ("Affinity"). As I indicated during our July 1, 2010 call, NCH wishes to provide the Board with whatever materials it needs to evaluate the project. NCH, however, is a party to two agreements that require consent to disclosure of the valuation report and certain confidential information set forth therein. Therefore, NCH cannot unilaterally disclose the valuation report. First, NCH is a party to a Letter of Intent dated January 28, 2010 with Affinity ("LOI") that requires Affinity's consent to any disclosure of proprietary information provided by Affinity to NCH pursuant to the LOI ("Confidential Information"). Pursuant to the terms of the LOI, even if NCH is required by law to disclose Confidential Information, NCH is obligated to attempt to obtain a protective order or otherwise lawfully prevent the disclosure. Second, pursuant to the terms of NCH's engagement letter with Navigant, disclosure of the valuation report to a third party requires Navigant's consent.

As I indicated during our call, the Navigant valuation report contains confidential and proprietary historical financial information pertaining to Affinity, a non-health care facility and an entity that, in and of itself, is not subject to the Health Facilities Planning Act. The valuation report also contains very detailed historical financial information regarding physician compensation and productivity with each physician individually identifiable by name. Therefore, I indicated that Affinity would object to the disclosure unless we could take steps to try and protect the Confidential Information from public disclosure.

Accordingly, I inquired whether the valuation report, if submitted, could be maintained as confidential, not subject to public disclosure and free from disclosure pursuant to a Freedom of Information Act request. You indicated that whatever was disclosed to the Board would not be maintained as confidential and, in fact, would be made publicly available on the Board's website in connection with the project.

I then asked whether NCH could submit a redacted version of the valuation report. Specifically, I asked whether NCH could submit the valuation report with the historical financial information, physician-specific information and proprietary information removed. We indicated that this would result in transmission largely of the forward-looking valuation materials and non-confidential supporting schedules (*e.g.,* data supporting the determination of the discount rate). In this manner, the Board could see the detailed valuation conclusion of fair market value without disclosure of the more sensitive information. You indicated that you believed such a redacted version of the valuation report would meet the Board's needs.

Lastly, we inquired as to what would happen to the project if either party refused to consent to the disclosure and the valuation report was not made available. You indicated that the staff's review of the report could be delayed. You also indicated that if consent was given and we delivered the report by July 6 or 7, that the project still could be heard at the July Board meeting. Mr. Urso indicated that if consent was not given it ultimately would be up to the Board to decide how and whether to proceed to review the project.

As a result, we contacted both Affinity and Navigant to request their consent to disclosure of such a redacted report. Both Affinity and Navigant have consented to disclosure of a redacted report in the form attached hereto. As part of its consent, however, Navigant requested that we insert the legend showing on each page of the redacted report. Thus, at Navigant's request, we have added the legend. Otherwise, the report is as presented to NCH.

If you have any further questions or comments, please let me know. Thank you for your cooperation.

Best regards,

Lou

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Northwest Community Hospital Exhibit 1.0

Fair Market Value of the Business Enterprise of Affinity Healthcare LLC

Business Enterprise Value - Summary Of Conclusions

Valuation Analysis as of April 25, 2010

(Actual Dollars) DRAFT

		BEV		
Income Approach				
Discounted Cash Flow Method	(1)	$18,652,000		
Present Value of Deferred Compensation Payout	(2)	(327,000)		
Indicated BEV, After Adjustment for Deferred Compensation		18,325,000		
Range of BEV on a Marketable, Controlling Basis, rounded		$17,400,000	to	$19,200,000
Working Capital Adjustment - Required A/R Infusion	(3)	(2,175,166)		(2,175,166)
Adjusted Range of BEV on a Marketable, Controlling Basis, rounded		$15,200,000		$17,000,000

Notes:

(1) See Exhibit 2.0.

(2) See Exhibit 3.0.

(3) Based on preliminary estimation of normalized accounts receivable provided by Coker Group.

BEV = Business Enterprise Value

Exhibit 2.0

Northwest Community Hospital
Fair Market Value of the Business Enterprise of Affinity Healthcare LLC
Discounted Cash Flow Method
Valuation Analysis as of April 25, 2010
(Actual Dollars)

DRAFT

			Adj. Actual	Projections for the Years Ending December 31, (1)					Terminal
			2009	2010	2011	2012	2013	2014	Year
Medical Patient Receipts		(2)	$13,386,610	$15,174,871	$16,226,533	$17,371,516	$18,796,572	$20,291,497	20,900,242
Ancillary Services		(2)	2,655,932	3,125,554	3,737,201	4,505,580	5,020,087	5,519,209	5,684,785
Immediate Care		(2)	1,563,392	2,342,313	3,184,608	3,578,342	3,685,692	3,796,263	3,910,151
Imaging Receipts		(3)	6,542,357	6,359,981	7,625,630	8,537,047	9,346,364	10,075,037	10,377,289
Other Receipts			197,011	187,722	187,722	187,722	187,722	187,722	193,353
Total Net Receipts			24,345,303	27,190,440	30,961,693	34,180,206	37,036,437	39,869,728	41,065,820
Growth Rate			*14.4%*	*11.7%*	*13.9%*	*10.4%*	*8.4%*	*7.7%*	*3.0%*
Physician Compensation, Shareholders	3.0%		4,944,138	5,092,462	5,245,236	5,402,593	5,564,671	5,731,611	5,903,559
Physician Compensation, Employed			2,777,713	3,621,089	4,228,786	4,945,727	5,615,970	6,291,236	6,479,973
Salaries - Clinical			3,301,796	3,178,726	3,476,985	3,706,685	3,947,037	4,287,160	4,415,774
Fixed Expenses	3.0%		2,553,753	2,073,980	2,136,200	2,200,286	2,266,294	2,334,283	2,404,312
Variable Expenses			3,245,787	3,642,294	4,147,472	4,578,607	4,961,214	5,340,747	5,500,969
Variable Expenses Related to Imaging			1,601,982	1,506,008	1,805,707	2,021,525	2,213,167	2,385,713	2,457,284
Semi-Variable Expenses - Fixed Portion	3.0%		2,545,487	2,313,023	2,382,414	2,453,886	2,527,503	2,603,328	2,681,428
Semi-Variable Expenses - Variable Portion			2,545,487	2,594,959	2,954,874	3,262,037	3,534,626	3,805,025	3,919,176
Operating Expenses			23,516,143	24,022,541	26,377,673	28,571,347	30,630,482	32,779,102	33,762,475
EBITDA			829,161	3,167,899	4,584,021	5,608,859	6,405,955	7,090,626	7,303,345
EBITDA margin			*3.4%*	*11.7%*	*14.8%*	*16.4%*	*17.3%*	*17.8%*	*17.8%*
Depreciation		(4)		339,881	387,021	427,253	462,955	498,372	513,323
Operating Income (EBIT)				2,828,019	4,197,000	5,181,606	5,942,999	6,592,254	6,790,022
EBIT margin				*10.4%*	*13.6%*	*15.2%*	*16.0%*	*16.5%*	*16.5%*
Less: Pro Forma Income Taxes	39.7%	(5)		1,122,723	1,666,209	2,057,098	2,359,371	2,617,125	2,695,639
After-Tax Debt-Free Net Income				1,705,295	2,530,791	3,124,509	3,583,629	3,975,129	4,094,383
After-Tax Margin				*6.3%*	*8.2%*	*9.1%*	*9.7%*	*10.0%*	*10.0%*
Free Cash Flow Adjustments									
Add: Depreciation				339,881	387,021	427,253	462,955	498,372	513,323
Less: Working Capital Investment	4.0%	(6)		113,805	150,850	128,741	114,249	113,332	47,844
Less: Capital Expenditures	1.25%	(7)		339,881	387,021	427,253	462,955	498,372	513,323
After-Tax Debt-Free Cash Flow				1,591,490	2,379,941	2,995,768	3,469,379	3,861,798	4,046,539
Partial Period				0.6833	1.0000	1.0000	1.0000	1.0000	
Mid-Year Period				0.3417	1.1833	2.1833	3.1833	4.1833	
Present Value Factor	21.0%	(8)		0.9369	0.7981	0.6596	0.5451	0.4505	
Present Value of Available Cash Flows				1,018,891	1,899,355	1,975,891	1,891,129	1,739,696	

Sum of Present Value of Cash Flows	8,524,962
Present Value of Terminal Year	10,127,336
Business Enterprise Value	18,652,298
BEV on a Marketable/Controlling Basis, rounded	**$18,652,000**

Residual Calculation		
Terminal Year Cash Flow		4,046,539
Capitalization Rate	(9)	18.0%
Cash Flow After Terminal Year		22,480,775
Present Value Factor		0.4505
Present Value of Terminal Year		10,127,336

Notes:
(1) Based on discussions with Management and our informed judgment regarding the practice's operations and expected performance in the future.
(2) See Exhibit 2.2
(3) See Exhibit 2.6
(4) Depreciation is assumed to equal capital expenditures.
(5) Based on a blend of the federal and Illinois state tax rates.
(6) It is assumed that net working capital requirements will equate to 4.0 percent of changes in total net receipts based on historical indications, industry analysis and information provided by Management and Coker Group.
(7) Capital expenditure requirements based on industry analysis and discussions with management.
(8) Present value factors are adjusted to a mid-period convention.
(9) Capitalization rate is equal to the discount rate less the long-term growth rate.

Northwest Community Hospital Exhibit 2.1

Fair Market Value of the Business Enterprise of Affinity Healthcare LLC

Discounted Cash Flow Method - Common-Size

Valuation Analysis as of April 25, 2010

(Actual Dollars) DRAFT

	Adj. Actual	Projections for the Years Ending December 31, (1)					Terminal
	2009	2010	2011	2012	2013	2014	Year
Medical Patient Receipts	55.0%	55.8%	52.4%	50.8%	50.8%	50.9%	50.9%
Ancillary Services	10.9%	11.5%	12.1%	13.2%	13.6%	13.8%	13.8%
Immediate Care	6.4%	8.6%	10.3%	10.5%	10.0%	9.5%	9.5%
Imaging Receipts	26.9%	23.4%	24.6%	25.0%	25.2%	25.3%	25.3%
Other Receipts	0.8%	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%
Total Net Receipts	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Physician Compensation, Shareholders	20.3%	18.7%	16.9%	15.8%	15.0%	14.4%	14.4%
Physician Compensation, Employed	11.4%	13.3%	13.7%	14.5%	15.2%	15.8%	15.8%
Fixed Expenses	10.5%	7.6%	6.9%	6.4%	6.1%	5.9%	5.9%
Variable Expenses	13.3%	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%
Semi-Variable Expenses - Fixed Portion	10.5%	8.5%	7.7%	7.2%	6.8%	6.5%	6.5%
Semi-Variable Expenses - Variable Portion	10.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Operating Expenses	96.6%	88.3%	85.2%	83.6%	82.7%	82.2%	82.2%
EBITDA	3.4%	11.7%	14.8%	16.4%	17.3%	17.8%	17.8%
Depreciation		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Operating Income (EBIT)		10.4%	13.6%	15.2%	16.0%	16.5%	16.5%
Less: Pro Forma Income Taxes		4.1%	5.4%	6.0%	6.4%	6.6%	6.6%
After-Tax Debt-Free Net Income		6.3%	8.2%	9.1%	9.7%	10.0%	10.0%
Free Cash Flow Adjustments							
Add: Depreciation		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Less: Working Capital Investment		0.4%	0.5%	0.4%	0.3%	0.3%	0.1%
Less: Capital Expenditures		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
After-Tax Debt-Free Cash Flow		5.9%	7.7%	8.8%	9.4%	9.7%	9.9%

Northwest Community Hospital
Fair Market Value of the Business Enterprise of Affinity Healthcare LLC
Weighted Average Cost Of Capital
Valuation Analysis as of April 25, 2010
($000s)

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Ticker	Company Name	Stock Price	Shares Outstanding	Market Value of Equity	Interest Bearing Debt	Preferred Stock	Market Value of Capital	Debt to Capital	Equity to Capital	Effective Tax Rate	Levered Beta (1)	Unlevered Beta
USPH	US Physical Therapy Inc.	$18.03	11,614	$209,396	$1,413	$0	$210,809	0.67%	99.33%	28.4%	1.12	1.11
MD	MEDNAX, Inc.	57.02	46,132	2,630,428	50,443	0	2,680,871	1.88%	98.12%	38.9%	1.05	1.03
CNU	Continucare Corp.	3.73	59,945	223,594	0	0	223,594	0.00%	100.00%	38.6%	0.88	0.88
INMD	Integramed America Inc.	8.70	8,785	76,431	26,166	0	102,597	25.50%	74.50%	42.6%	0.65	0.55
TLCV.Q	TLC Vision Corp.	0.04	50,565	2,073	122,984	0	125,057	98.34%	1.66%	39.7%	2.20	0.06
RHB	Rehabcare Group Inc.	29.40	24,033	706,574	455,267	0	1,161,841	39.18%	60.82%	44.7%	0.89	0.65
AMSG	AmSurg Corp.	21.65	30,909	669,177	297,793	0	966,970	30.80%	69.20%	16.4%	0.89	0.65
RDNT	RadNet, Inc.	3.88	36,259	140,686	460,216	0	600,902	76.59%	23.41%	39.7%	1.60	0.54
AIQ	Alliance Healthcare Services, Inc.	5.76	51,638	297,437	670,299	0	967,736	69.26%	30.74%	8.0%	0.73	0.24
IPCM	IPC The Hospitalist Company, Inc.	34.78	16,162	562,108	0	0	562,108	0.00%	100.00%	38.2%	0.80	0.80
							Average	34.22%	65.78%			0.65
							Median	28.15%	71.85%			0.65
							Selected	15.00%	85.00%			0.65

Relevered Beta	
Unlevered Beta	0.65
Target Equity to Capital Weight	85.00%
Target Debt to Capital Weight	15.00%
Target Preferred Stock to Capital Weight	0.00%
Target Minority Interest to Capital Weight	0.00%
Subject Tax Rate	39.70%
Calculated Beta	0.72

Cost of Equity	
Risk-free Rate (R_f) (2)	4.48%
Equity Risk Premium (R_m - R_f) (3)	5.00%
Levered Beta	0.72
Small Stock Premium (SSP) (4)	6.28%
Specific Risk Premium (SRP) (5)	10.00%
Calculated Cost of Equity (6)	24.36%

Cost of Debt	
Pretax Cost of Debt (7)	6.18%
Combined Effective Tax Rate	39.70%
Calculated Cost of Debt (8)	3.73%

Capital Structure and WACC		Weighted Value
Equity to Capital Weight	85.00% x 24.36% =	20.71%
Debt to Capital Weight	15.00% x 3.73% =	0.56%
Calculated WACC (9)		21.00%

Notes:

(1) Represents a five-year Monthly historical beta, utilizing the S&P 500 as a proxy for the market
(2) Based on twenty-year treasury constant security as of the Valuation Date.
(3) Based on information from Grabowski, R.J., Equity Risk Premium: 2009 and Ibbotson Associates.
(4) Small stock premium based on 10th decile, Ibbotson Associates (2010).
(5) Based on our informed judgment regarding specific risk factors, including geographic concentration, service mix concentration, uncertainty related to management projections and execution of business growth plan (including physician additions, productivity gains, and margin improvement), competitive environment, and changing industry environment
(6) Cost of Equity using the Capital Asset Pricing Model = R_f + B x (R_m - R_f) + SSP + SRP.
(7) Moody's Baa corporate rated bond as of the Valuation Date.
(8) Cost of Debt = Pretax Cost of Debt x (1 - Tax Rate).
(9) Weighted Average Cost of Capital = Equity Weight x Cost of Equity + Debt Weight x Cost of Debt

Northwest Community Hospital Exhibit 1.0

Fair Market Value of the Business Enterprise of Affinity Healthcare LLC

Business Enterprise Value - Summary Of Conclusions

Valuation Analysis as of April 25, 2010

(Actual Dollars) DRAFT

		BEV		
Income Approach				
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Working Capital Adjustment - Required A/R Infusion	(3)	(2,175,166)		(2,175,166)
Adjusted Range of BEV on a Marketable, Controlling Basis, rounded		$15,200,000		$17,000,000

Notes:

(1) See Exhibit 2.0.

(2) See Exhibit 3.0.

(3) Based on preliminary estimation of normalized accounts receivable provided by Coker Group.

BEV = Business Enterprise Value

Northwest Community Hospital
Fair Market Value of the Business Enterprise of Affinity Healthcare LLC
Discounted Cash Flow Method
Valuation Analysis as of April 25, 2010
(Actual Dollars)

Exhibit 2.0

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Depreciation		(4)		339,881	387,021	427,253	462,955	498,372	513,323
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EBIT margin				*10.4%*	*13.6%*	*15.2%*	*16.0%*	*16.5%*	*16.5%*
Less: Pro Forma Income Taxes	39.7%	(5)		1,122,723	1,666,209	2,057,098	2,359,371	2,617,125	2,695,639
After-Tax Debt-Free Net Income				1,705,295	2,530,791	3,124,509	3,583,629	3,975,129	4,094,383
After-Tax Margin				*6.3%*	*8.2%*	*9.1%*	*9.7%*	*10.0%*	*10.0%*
Free Cash Flow Adjustments									
Add: Depreciation				339,881	387,021	427,253	462,955	498,372	513,323
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Partial Period				0.6833	1.0000	1.0000	1.0000	1.0000	
Mid-Year Period				0.3417	1.1833	2.1833	3.1833	4.1833	
Present Value Factor	21.0%	(8)		0.9369	0.7981	0.6596	0.5451	0.4505	
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(Actual Dollars)

DRAFT

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Ancillary Services	10.9%	11.5%	12.1%	13.2%	13.6%	13.8%	13.8%
Immediate Care	6.4%	8.6%	10.3%	10.5%	10.0%	9.5%	9.5%
Imaging Receipts	26.9%	23.4%	24.6%	25.0%	25.2%	25.3%	25.3%
Other Receipts	0.8%	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%
Total Net Receipts	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Physician Compensation, Shareholders	20.3%	18.7%	16.9%	15.8%	15.0%	14.4%	14.4%
Physician Compensation, Employed	11.4%	13.3%	13.7%	14.5%	15.2%	15.8%	15.8%
Fixed Expenses	10.5%	7.6%	6.9%	6.4%	6.1%	5.9%	5.9%
Variable Expenses	13.3%	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%
Semi-Variable Expenses - Fixed Portion	10.5%	8.5%	7.7%	7.2%	6.8%	6.5%	6.5%
Semi-Variable Expenses - Variable Portion	10.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Operating Expenses	96.6%	88.3%	85.2%	83.6%	82.7%	82.2%	82.2%
EBITDA	3.4%	11.7%	14.8%	16.4%	17.3%	17.8%	17.8%
Depreciation		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Operating Income (EBIT)		10.4%	13.6%	15.2%	16.0%	16.5%	16.5%
Less: Pro Forma Income Taxes		4.1%	5.4%	6.0%	6.4%	6.6%	6.6%
After-Tax Debt-Free Net Income		6.3%	8.2%	9.1%	9.7%	10.0%	10.0%
Free Cash Flow Adjustments							
Add: Depreciation		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Less: Working Capital Investment		0.4%	0.5%	0.4%	0.3%	0.3%	0.1%
Less: Capital Expenditures		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
After-Tax Debt-Free Cash Flow		5.9%	7.7%	8.8%	9.4%	9.7%	9.9%

Northwest Community Hospital Exhibit 4.0

Fair Market Value of the Business Enterprise of Affinity Healthcare LLC

Weighted Average Cost Of Capital

Valuation Analysis as of April 25, 2010

($000s) DRAFT

Ticker	Company Name	Stock Price	Shares Outstanding	Market Value of Equity	Interest Bearing Debt	Preferred Stock	Market Value of Capital	Debt to Capital	Equity to Capital	Effective Tax Rate	Levered Beta (1)	Unlevered Beta
USPH	US Physical Therapy Inc.	$18.03	11,614	$209,396	$1,413	$0	$210,809	0.67%	99.33%	28.4%	1.12	1.11
MD	MEDNAX, Inc.	57.02	46,132	2,630,428	50,443	0	2,680,871	1.88%	98.12%	38.9%	1.05	1.03
CNU	Continucare Corp.	3.73	59,945	223,594	0	0	223,594	0.00%	100.00%	38.6%	0.88	0.88
INMD	Integramed America Inc.	8.70	8,785	76,431	26,166	0	102,597	25.50%	74.50%	42.6%	0.65	0.55
TLCV.Q	TLC Vision Corp.	0.04	50,565	2,073	122,984	0	125,057	98.34%	1.66%	39.7%	2.20	0.06
RHB	Rehabcare Group Inc.	29.40	24,033	706,574	455,267	0	1,161,841	39.18%	60.82%	44.7%	0.89	0.65
AMSG	AmSurg Corp.	21.65	30,909	669,177	297,793	0	966,970	30.80%	69.20%	16.4%	0.89	0.65
RDNT	RadNet, Inc.	3.88	36,259	140,686	460,216	0	600,902	76.59%	23.41%	39.7%	1.60	0.54
AIQ	Alliance Healthcare Services, Inc.	5.76	51,638	297,437	670,299	0	967,736	69.26%	30.74%	8.0%	0.73	0.24
IPCM	IPC The Hospitalist Company, Inc.	34.78	16,162	562,108	0	0	562,108	0.00%	100.00%	38.2%	0.80	0.80
							Average	34.22%	65.78%			0.65
							Median	28.15%	71.85%			0.65
							Selected	15.00%	85.00%			0.65

Relevered Beta

Unlevered Beta	0.65
Target Equity to Capital Weight	85.00%
Target Debt to Capital Weight	15.00%
Target Preferred Stock to Capital Weight	0.00%
Target Minority Interest to Capital Weight	0.00%
Subject Tax Rate	39.70%
Calculated Beta	0.72

Cost of Equity

Risk-free Rate (R_f) (2)	4.48%
Equity Risk Premium (R_m - R_f) (3)	5.00%
Levered Beta	0.72
Small Stock Premium (SSP) (4)	6.28%
Specific Risk Premium (SRP) (5)	10.00%
Calculated Cost of Equity (6)	24.36%

Cost of Debt

Pretax Cost of Debt (7)	6.18%
Combined Effective Tax Rate	39.70%
Calculated Cost of Debt (8)	3.73%

Capital Structure and WACC		Weighted Value
Equity to Capital Weight	85.00% x 24.36% =	20.71%
Debt to Capital Weight	15.00% x 3.73% =	0.56%
Calculated WACC (9)		21.00%

Notes:

(1) Represents a five-year Monthly historical beta, utilizing the S&P 500 as a proxy for the market

(2) Based on twenty-year treasury constant security as of the Valuation Date.

(3) Based on information from Grabowski, R.J., Equity Risk Premium: 2009 and Ibbotson Associates.

(4) Small stock premium based on 10th decile, Ibbotson Associates (2010).

(5) Based on our informed judgment regarding specific risk factors, including geographic concentration, service mix concentration, uncertainty related to management projections and execution of business growth plan (including physician additions, productivity gains, and margin improvement), competitive environment, and changing industry environment

(6) Cost of Equity using the Capital Asset Pricing Model = R_f + B x (R_m - R_f) + SSP + SRP.

(7) Moody's Baa corporate rated bond as of the Valuation Date.

(8) Cost of Debt = Pretax Cost of Debt x (1 - Tax Rate).

(9) Weighted Average Cost of Capital = Equity Weight x Cost of Equity + Debt Weight x Cost of Debt