



Strategic Options Assessment

August 26, 2024

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Section 1

BACKGROUND AND INTRODUCTION

Objectives of Raymond James Engagement

The Board of Supervisors of Oktibbeha County, Mississippi (the “Board” or “BOS”) retained the services of Raymond James & Associates, Inc. (“Raymond James ” or “RJ”) to conduct a review and analysis of OCH Regional Medical Center (“OCH” or the “Hospital”) operations in accordance with 41 13 15(8) M.C.A. In conducting this assignment, Raymond James relied upon certain information regarding the operations of OCH and the market and competitive landscape.

- Information regarding the operations of OCH provided to us by management, includes, but is not limited to:
 - Historical audited financials for the fiscal year ended September 30th “FY” 2020 through FY 2023;
 - Detailed internal financial information for FY 2020 – FY 2023 and year-to-date “YTD” June 2024, including information on revenue by payor and breakout of expenses;
 - Utilization information for FY 2019 – FY 2023 and YTD June 2024;
 - Demographic, payor mix and volume information;
- Raymond James, in conjunction with management, prepared projected financials for FY 2025 – FY 2029 based on trended growth rates informed by historical performance.
- Raymond James also conducted interviews with members of the Board of Trustees, management and medical staff leadership.
- Further, Raymond James has drawn on certain publicly-available information and subscription-based data, including:
 - News reports, press releases and financial, operating and descriptive information for certain national and local healthcare services companies that we deemed to be relevant to the preparation of our analysis;
 - Valuation information for acquisitions of publicly-traded and privately-held companies that we deemed to be relevant to the preparation of our analysis.
- Raymond James has not independently verified any of such information, and has relied on all such Information being complete and accurate in all material respects.

Background

- The Hospital is a licensed 96-bed acute care health facility located on a 20-acre site in Starkville, Mississippi. OCH also includes 13 clinics, 9 of which are owned and 4 of which are leased. The Hospital is 352,904 square feet, excluding physician office buildings.
- The governance of the Hospital is the responsibility of a seven-member Board of Trustees appointed by the Oktibbeha County (the “County”) Board of Supervisors. Each member is appointed by the Board for a five-year term.
- The Hospital defines its primary service area to be the Oktibbeha County and its secondary area to include Winston, Choctaw, Clay, Webster, Lowndes, and Noxubee Counties.
 - In FY2023, 58.3% of the Hospital’s patients originated from Oktibbeha County.
- The senior management of the Hospital consists of the following:
 - *Administrator/Chief Executive Officer:* James H. Jackson, Jr.
 - *Chief Financial Officer:* Susan H. Russell
 - *In-house Counsel/Chief Legal and Administrative Services Officer:* Patricia J. Faver
 - *Interim Chief Nursing Officer:* Wes Garrison
- The Hospital and its clinics are fully accredited for all areas except labs by DNV Healthcare Inc. with the current accreditation expiring in November 2024.
- The Hospital recently received a \$9.5mm federal grant.

Bed Type	Licensed Beds
Medical	26
Surgical	41
Pediatric/Postpartum	15
Labor/Delivery	8
ICU/CCU	6
Total	96

	OCH Patient Origin				
	2019	2020	2021	2022	2023
Oktibbeha	59.1%	59.5%	59.3%	58.5%	58.3%
Choctaw	3.9%	3.8%	3.7%	3.7%	4.0%
Clay	5.0%	5.4%	5.2%	5.3%	5.3%
Lowndes	6.6%	6.5%	6.2%	6.0%	5.8%
Noxubee	2.8%	3.1%	2.8%	3.1%	2.9%
Webster	5.9%	5.4%	6.0%	5.8%	5.9%
Winston	8.0%	7.7%	8.2%	8.2%	8.2%
Other	8.7%	8.6%	8.6%	9.4%	9.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Sources: Company Website and Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds and information provided by management.

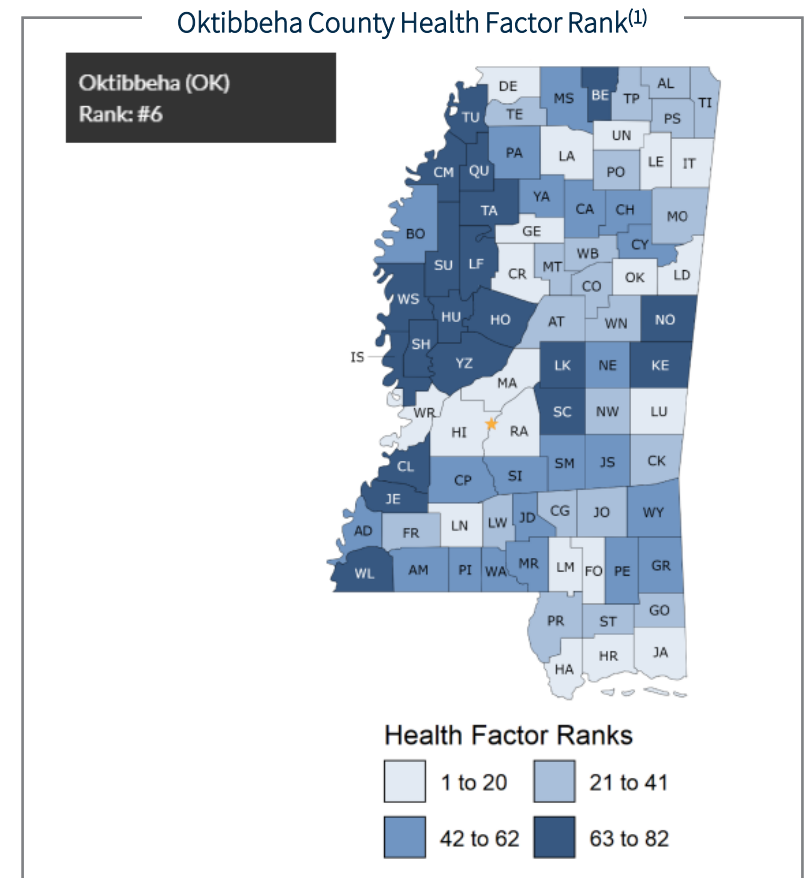
Section 2

MISSISSIPPI/OKTIBBEHA COUNTY HEALTHCARE MARKET OVERVIEW

OCH Regional Medical Center Service Area

Oktibbeha County is relatively healthy compared to the other counties in Mississippi

- OCH's primary service area is Oktibbeha County. Oktibbeha County is in East Central Mississippi. For many Oktibbeha County residents, OCH serves as their primary healthcare provider. Based on data provided by the Hospital, 58.3% of the Hospital's inpatients come from within Oktibbeha County and the remaining 41.7% of the Hospital's inpatients come from OCH's secondary service areas.
- Out of the 82 ranked Counties in Mississippi, Oktibbeha County was ranked as 6th and 11th for best health factors and health outcomes, respectively.
- The overall population for Oktibbeha County has seen a slow increase with a growth rate of 1.11% over a 5-year trend. In comparison, the state of Mississippi has seen a slight decrease in its population growth rate of 2.09% over the same 5-year trend, while the United States saw an increase of approximately 6% respectfully.
- The median household income in Oktibbeha County is \$39,490 compared to \$43,567 for the state of Mississippi. Due to the lower overall income level in Oktibbeha County compared to the state average, there is a higher portion of residents living in poverty.
- The most common health concerns mentioned by the community members, in a survey for the community health needs assessment, were related to chronic diseases, health education, lifestyle changes, transportation, and access to care.



1) Mississippi Ranking of "health factors" by County. Ranking Health factors represent things that, if modified, can improve length and quality of life. They are predictors of how healthy our communities can be in the future. As of 2021 CH&R MS report. Sources: County Health Rankings & Roadmaps, "2022 State Report Mississippi", 2022 OCH Regional Medical Center CHNA Report, and OCH Patient Origin, ZIP Code (2021-2023).

Mississippi Healthcare Market

Mississippi residents live in one of the least healthy states in the nation.

- Eight chronic conditions — arthritis, depression, diabetes, asthma, cancer, cardiovascular diseases, chronic obstructive pulmonary disease and chronic kidney disease — reached their highest levels since America’s Health Rankings began tracking these measures. Notably, between 2021 and 2022, depression prevalence surged to 21.7%, affecting nearly 54.2 million adults.
- The nation is experiencing a rise in chronic conditions and premature death while at the state level, Mississippi was ranked the 2nd least healthy state in the nation.
- According to their 2023 Annual Report, America’s Health Rankings highlighted how Mississippi experiences health challenges in their measures of premature death, economic hardship, and homicide, compared to all 50 states.
 - Mississippi ranked 50th place in the United States for homicide. Homicide accounted for 20.8 death per 100,000 population, compared to the national value of 7.7.
 - Mississippi ranked 50th place in the United States in the economic hardship index receiving a 100 on the 1-100 index.
 - Mississippi ranked 48th place in the United States for food insecurity. 15.3% of householders were food insecure, compared to the national value of 11.2%.
 - Mississippi ranked 48th place in the United States for preventable hospitalizations measured by Discharges per 100,000 Medicare beneficiaries ages 18+. Mississippi was measured at 3,445 per 100,000, compared to the national value of 2,681 per 100,000.

Sources: County Health Rankings & Roadmaps, “2022 State Report Mississippi”, and the 2022 OCH Regional Medical Center CHNA Report.

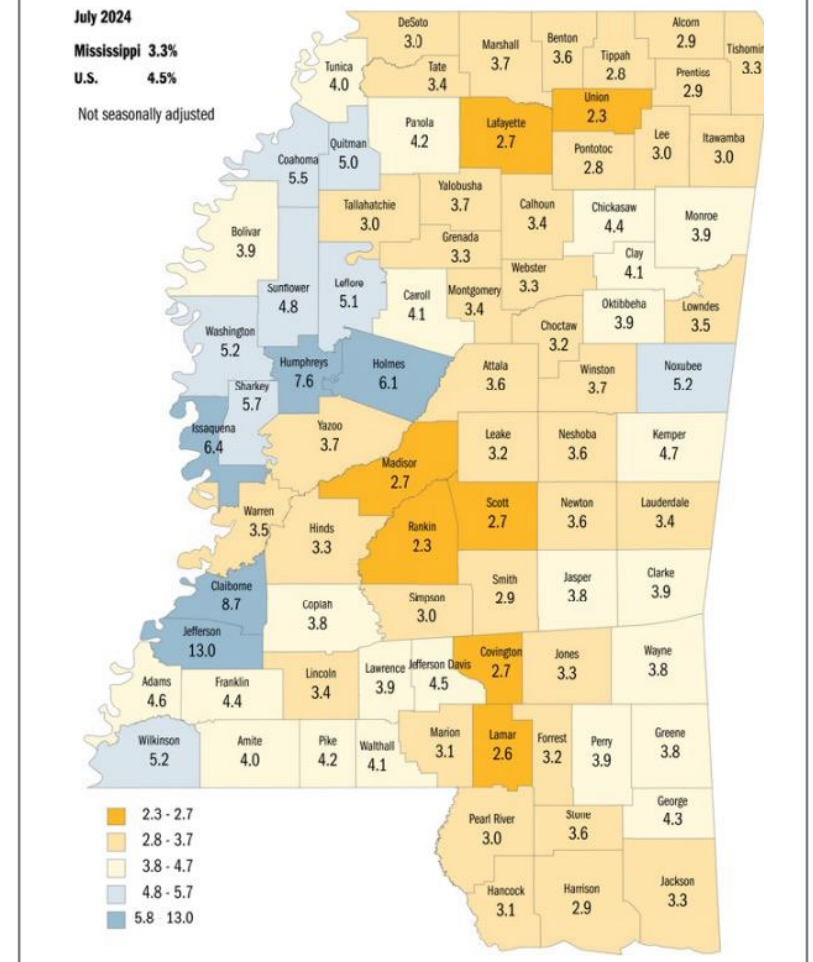
Mississippi: Socioeconomic and Demographic trends

Oktribbeha County residents experience elevated health-related socioeconomic and demographic trends as compared to the state.

Oktribbeha County Health Outcomes & Health Factors⁽¹⁾

	United States	Mississippi	Okitbbaha County
Health Outcomes			
Premature Life (Years Lost Rate)	8,000	12,700	10,179
Poor or Fair Health	14%	21%	21%
Low Birth Weight	8%	12%	12%
Health Factors			
Adult Smoking	15%	20%	18%
Adult Obesity	34%	39%	45%
Access to Exercise Opportunities	84%	58%	75%
Teen Births	17%	29%	10%
Unisured Population	10%	14%	14%
Children in Poverty	16%	26%	25%

Mississippi Unemployment by County⁽²⁾

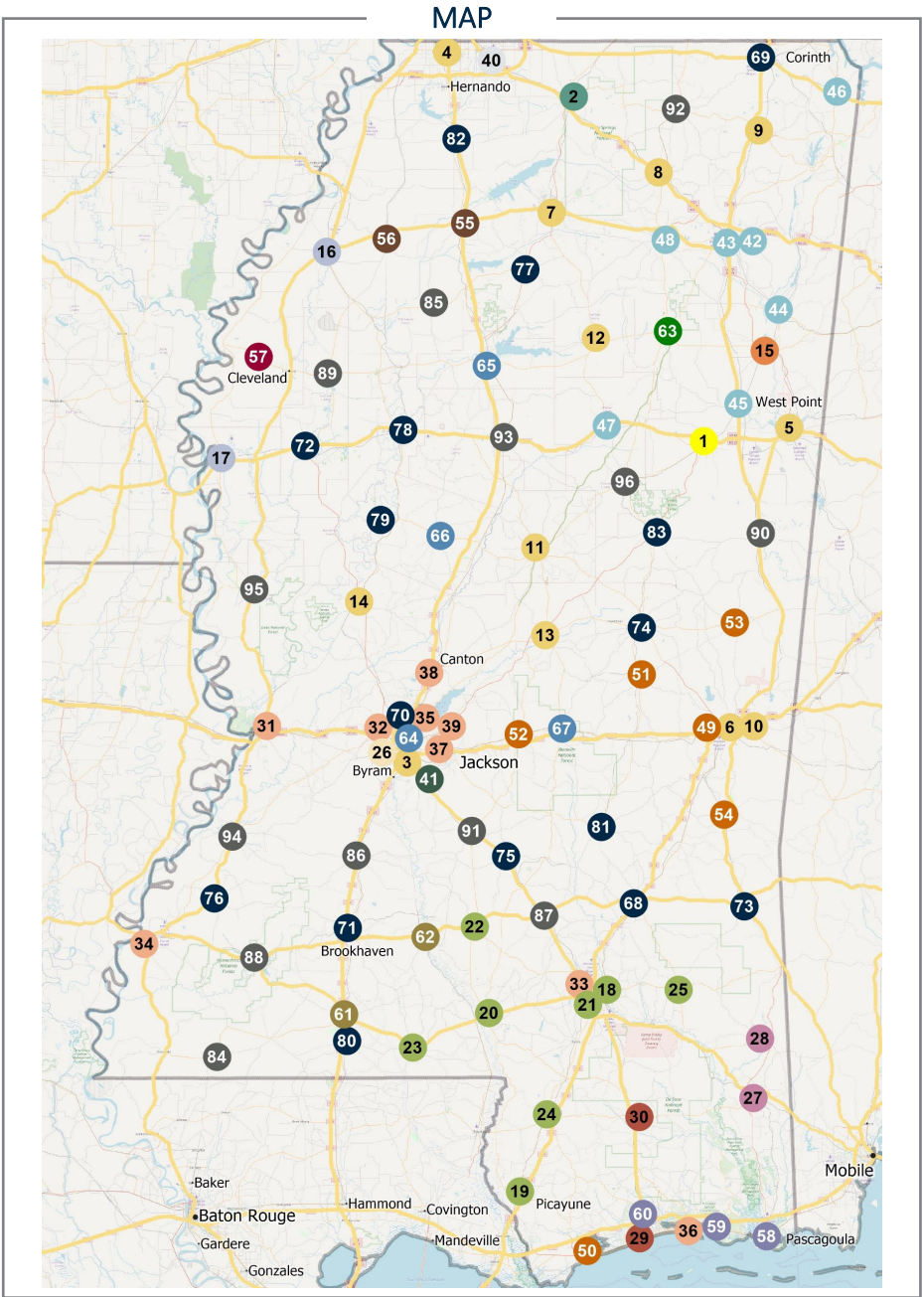


1) Source: County Health Rankings and Roadmaps, as of March 2024.

2) Source: Mississippi Labor Market Data, MDES, as of July 2024.

Mississippi Hospital Competitive Landscape

Mississippi Short-Term Acute Care Hospitals and Critical Access Hospitals



Note: See following slide for full map legend. Source: Definitive Healthcare.

Mississippi Hospital Competitive Landscape

Mississippi Short-Term Acute Care Hospitals and Critical Access Hospitals

MAP LEGEND

Hospital by Health System	Bed Count	Hospital by Health System	Bed Count	Hospital by Health System	Bed Count
OCH Regional Medical Center⁽¹⁾		Merit Health		SunLink Health Systems	
1) OCH Regional Medical Center	96	31) Merit Health River Region	361	63) Trace Regional Hospital	24
Alliance HealthCare System		32) Merit Health Central	319	University of Mississippi Medical Center	
2) Alliance Hospital	40	33) Merit Health Wesley	211	64) University Hospital ⁽³⁾	827
Baptist Memorial Health Care		34) Merit Health Natchez	179	65) UMMC Grenada	49
3) Mississippi Baptist Medical Center	638	35) Merit Health River Oaks	160	66) UMMC Holmes County	25
4) Baptist Memorial Hospital - DeSoto	339	36) Merit Health Biloxi	153	67) Lackey Memorial Hospital	25
5) Baptist Memorial Hospital - Golden Triangle	323	37) Merit Health Rankin	134	Independent Short Term Acute Care Hospital	
6) Baptist Anderson Regional Medical Center	260	38) Merit Health Madison ⁽²⁾	67	1) South Central Regional Medical Center	285
7) Baptist Memorial Hospital - North Mississippi	217	39) Merit Health Womens Hospital	34	69) Magnolia Regional Health Center	200
8) Baptist Memorial Hospital - Union County	153	Methodist Healthcare		70) Mississippi Methodist Rehabilitation Center ⁽⁴⁾	124
9) Baptist Memorial Hospital - Booneville	114	40) Methodist Olive Branch Hospital	100	71) Kings Daughters Medical Center	99
10) Baptist Anderson Regional Medical Center - South	69	Mississippi Department of Mental Health		72) South Sunflower County Hospital	49
11) Baptist Memorial Hospital - Attala	25	41) Whitfield Medical Surgical Hospital	11	73) Wayne General Hospital	49
12) Baptist Memorial Hospital - Calhoun	25	North Mississippi Health Services		74) Neshoba County General Hospital	48
13) Baptist Memorial Hospital - Leake	25	42) North Mississippi Medical Center - Tupelo	640	75) Magee General Hospital	44
14) Baptist Memorial Hospital - Yazoo	25	43) North Mississippi Medical Center Womens Hospital	123	76) Jefferson County Hospital	30
Boa Vida Healthcare		44) North Mississippi Medical Center - Gilmore Amory	95	77) Yalobusha General Hospital	26
15) Monroe Regional Hospital	25	45) North Mississippi Medical Center - West Point	60	78) Greenwood Leflore Hospital	25
Delta Health System		46) North Mississippi Medical Center - Iuka	48	79) Choctaw Health Center	20
16) Delta Health-Northwest Regional	174	47) North Mississippi Medical Center - Eupora	38	80) Beacham Memorial Hospital	17
17) Delta Regional Medical Center - Main Campus	101	48) North Mississippi Medical Center - Pontotoc	25	81) Jasper General Hospital	16
Forrest Health		Ochsner Health System		82) Highland Hills Medical Center	15
18) Forrest General Hospital	435	49) Ochsner Rush Medical Center	215	83) Winston Medical Center	14
19) Highland Community Hospital	49	50) Ochsner Medical Center - Hancock	41	Independent Critical Access Hospital	
20) Marion General Hospital	49	51) Ochsner Laird Hospital	25	84) Field Health System	52
21) The Orthopedic Institute	30	52) Ochsner Scott Regional	25	85) Tallahatchie General Hospital	35
22) Jefferson Davis Community Hospital	25	53) Ochsner Stennis Hospital	25	86) Copiah County Medical Center	25
23) Walthall General Hospital	25	54) Ochsner Watkins Memorial Hospital	25	87) Covington County Hospital	25
24) Pearl River County Hospital	24	Progressive Health Systems Inc		88) Franklin County Memorial Hospital	25
25) Perry County General Hospital	22	55) Panola Medical Center	55	89) North Sunflower Medical Center	25
Franciscan Missionaries of Our Lady Health System		56) Quitman Community Hospital	25	90) Noxubee General Hospital	25
26) St Dominic Hospital	571	ScionHealth		91) Simpson General Hospital	25
George Regional Health System		57) Bolivar Medical Center	164	92) Tippah County Hospital	25
27) George Regional Hospital	50	Singing River Health System		93) Tyler Holmes Memorial Hospital	25
28) Greene County Hospital	7	58) Pascagoula Hospital	435	94) Claiborne County Medical Center	22
Memorial Health System		59) Ocean Springs Hospital	136	95) Sharkey Issaquena Community Hospital	19
29) Memorial Hospital Gulfport	328	60) Singing River Gulfport	130	96) Choctaw Regional Medical Center	15
30) Memorial Hospital Stone County	25	Southwest Health System			
		61) Southwest Mississippi Regional Medical Center	160		
		62) Lawrence County Hospital	25		

(1) Affiliated with UMMC, as of June 2018. The affiliation allows the hospital to access UMMC's medical education, research and advanced health care offerings.



(2) A business relationship between UMMC and Merit Health Madison, as of July 2019, allows UMMC surgery specialists to perform short-stay procedures at the Madison County hospital.

(3) Also includes Childrens of Mississippi, Wallace Conerly Critical Care Hospital and Wiser Hospital for Women and Infants.

(4) Affiliated with UMMC, as of April 2014. The affiliation, which falls short of a merger, allows both organizations to remain independent but brings them into closer alignment.



Source: Definitive Healthcare, Company Websites, Rating Reports, Official Statements and CHNA Reports.

Notable Local Health Systems and Recent Developments

Health System	Description
 <p><i>Headquarters: Memphis, Tennessee</i> <i>Revenue: \$3.6 billion</i> <i>Credit Rating: NR/BBB+/NR</i></p>	<ul style="list-style-type: none"> Baptist Memorial Health Care (“Baptist”) is a healthcare system that operates a network of hospitals throughout the Mid-South with hospitals in Tennessee, Arkansas and Mississippi. Their flagship hospital, Baptist Memorial Hospital-Memphis, is an 80-acre campus and one of Tennessee's highest volume medical centers. Baptist Memorial Hospital-Golden Triangle is a 323-bed acute care hospital in Columbus, Mississippi and is one of the largest hospitals in Baptist Memorial Health Care’s system of 24 hospitals. On January 9, 2024, Baptist completed the acquisition of Anderson Regional Health System in the East Mississippi/West Alabama area. Mississippi Baptist Health Systems Inc., previously based in Jackson, Mississippi was acquired by Baptist through a member substitution on April 28, 2017 and is included within the Baptist Memorial Health Care Corp. (“BMHCC”) obligated group.
 <p>NORTH MISSISSIPPI HEALTH SERVICES</p> <p><i>Headquarters: Tupelo, Mississippi</i> <i>Revenue: \$1.2 billion</i> <i>Credit Rating: NR/A+/AA</i></p>	<ul style="list-style-type: none"> North Mississippi health services (“NMHS”) is a health system which serves 24 counties in north Mississippi and northwest Alabama by way of its North Mississippi Medical Center, the tertiary flagship; six smaller acute-care hospital facilities in West Point, Iuka, Pontotoc, Europa, and Amory, Mississippi, and Hamilton, Alabama; and North Mississippi Medical Clinics, which operates 45 primary and specialty medical clinics. The system defines its primary service area as a seven-county area in northeastern Mississippi, although it also has a strong presence in its 13-county secondary service area. According to S&P, NMHS still leads with a dominant 77.2% market share of the primary service area--ahead of BMHCC market share of about 18%. The flagship North Mississippi Medical Center a 640-bed regional referral center in Tupelo, holds the distinction of being the largest, private, not-for-profit hospital in Mississippi and the largest non-metropolitan hospital in America. On December 28, 2018, NMHS completed the acquisition of Gilmore Memorial Hospital, which is now known as North Mississippi Medical Center Gilmore-Amory, for \$14.2 million from Curae Health Inc.

Sources: Rating reports, official statements, audited financial statements, company websites, 2022 OCH Regional Medical Center CHNA Report, news releases and Definitive Healthcare.


Notable Local Health Systems and Recent Developments

Health System	Description
 <p>THE UNIVERSITY OF MISSISSIPPI MEDICAL CENTER</p> <p><i>Headquarters: Jackson, MS</i> <i>Revenue: \$1.5 billion</i> <i>Credit Rating: Aa2/NR/AA⁽¹⁾</i></p>	<ul style="list-style-type: none"> • The University of Mississippi Medical Center (“UMMC”) is the state of Mississippi's only academic medical center. UMMC includes six health science schools: medicine, nursing, dentistry, health related professions, graduate studies and population health. • Integral to its education and research missions, UMMC provides wide-ranging patient care programs. University Hospital is a large adult in-patient facility and is joined on the 827 total bed Jackson campus by three specialized hospitals including the only children's hospital in Mississippi, a women and infants' hospital and a critical care hospital. • UMMC offers the only Level I trauma center, the only Level IV neonatal intensive care unit, the only organ transplant programs in the state and many other specialty referral services. • With more than 10,000 full- and part-time employees, UMMC is one of the largest employers in Mississippi. The Medical Center's \$2 billion annual budget - approximately one-tenth from state appropriations that are directed to assist the academic mission - represents 10 percent of the Jackson metro area economy and two percent of the state economy.
 <p>Ochsner Health</p> <p><i>Headquarters: New Orleans, LA</i> <i>Revenue: \$7.3 billion</i> <i>Credit Rating: A3/A/NR</i></p>	<ul style="list-style-type: none"> • Ochsner Health is a not-for-profit healthcare system in the Gulf South, based in New Orleans, Louisiana, with 46 hospitals and more than 370 health and urgent care centers. • Ochsner’s workforce includes more than 38,000 dedicated team members and over 4,700 employed and affiliated physicians. • Ochsner Health operates several Mississippi hospitals and other facilities including Ochsner Rush Medical center a 215-bed acute care facility located in Meridian, Mississippi. • on August 1, 2022, Ochsner Health System completed an acquisition of Rush Health Systems, a 7-hospital system based in Meridian, Mississippi. • Ochsner manages or has Joint Operating Agreements with several Louisiana government-owned hospitals, including St. Tammy Health System, Slidell Memorial Hospital and St. Bernard Parish Hospital.

1) Rating for Mississippi State Institutions of Higher Learning

Sources: Rating reports, official statements, audited financial statements, company websites, news releases and Definitive Healthcare.

Notable Local Health Systems and Recent Developments

Health System	Description
<div><p>Headquarters: Louisville, MS Revenue: \$24 million Credit Rating: NR/NR/NR</p></div>	<ul style="list-style-type: none">Winston Medical Center is a full-service facility that serves as Winston County’s only hospital, offering 24/7 emergency room care, inpatient hospital care, inpatient geriatric behavioral health care, senior care services and a wide range of outpatient services.Winston Medical Center is a fully functional 14 acute, observation or skilled hospital bed facility with a 24/7 Emergency Department, 10 bed Geri-psychiatric unit and four health clinics.The OCH Regional Medical Center Community Health Needs assessment includes Winston Medical Center as the 5th largest competitor to OCH in the primary service area.

Sources: Company Websites, 2022 OCH Regional Medical Center CHNA Report and Definitive Healthcare.

Other Healthcare Facilities in Starkville

OCH also competes with many independent healthcare facilities in Starkville.

- In addition to the closest hospitals and competing health systems, the City of Starkville contains a range of healthcare services at locations near OCH.
 - Competing facilities include, but are not limited to, urgent care centers, physical therapy clinics and other specialized clinics.
- The table to the right lists the competing/potentially competing facilities in Starkville, Mississippi.
 - OCH does not provide behavioral health services, but there are other providers in the area that offer services including psychiatry, therapy, counseling and other select behavioral health services.

Starkville Healthcare Facilities - Competitors/Potential Competitors	
Facility Name	Specialty
Magnolia Dermatology	Dermatology
Fresenius Medical Care	Dialysis Clinic
Five Horizons Health Services	HIV and STI Testing & Treatment
1st Steps Clinic	Obstetrics (Limited Services)
Starkville Clinic for Women	Obstetrics and Gynecological Care
NMMC Cancer Care Center	Oncology
Martin Oral & Facial Surgery	Oral Surgery Center and Dentistry
Specialty Orthopedic Group	Orthopedics and Sports Medicine
Starkville Pediatric Clinic	Pediatrics
Elite Physical Therapy Institute	Physical Therapy
Starkville Physical Therapy Inc.	Physical Therapy
Restore	Physical Therapy
Athletico Physical Therapy	Physical Therapy
Starkville Peak Performance, LLC	Physical Therapy
State Urgent Care Clinic	Urgent Care
Maxem Health Urgent Care Starkville	Urgent Care
Baptist - Urgent Team	Urgent Care
Express Care	Urgent Care
NMMC - North Mississippi Urology	Urology

Source: City of Starkville Website.

Local Healthcare Market Conclusion

- In part due to this growing competitive environment for healthcare services and the challenge of hiring physicians in certain specialties, occupancy at OCH has not recovered from COVID-19 in the manner that has been recorded for larger hospitals across the state of Mississippi. From March 2020 to April 2024, occupancy⁽¹⁾ at OCH decreased by 4.2%.
 - Hospitals in Mississippi with over 250 licensed beds saw a 7.6% increase in average annual occupancy rates, or the percentage of staffed beds filled with patients, from 73.1% in March 2020 to 80.7% in April 2024.⁽²⁾
- In comparison, Baptist Memorial Hospital – Golden Triangle reported a 15% increase in average number of staffed beds from March 2020 to April 2024⁽²⁾

1) Occupancy includes adults and pediatrics. Source: Management reporting Packets.

2) Source: Mississippi Today, using data provided by the U.S. Department of Health & Human Services, as of June 28, 2024.

Section 3

OVERVIEW OF OCH REGIONAL MEDICAL CENTER

Historical Income Statement

	Fiscal Year Ending September 30,				LTM	Ann. 9ME	Percent of Total Operating Revenue					
	2020	2021	2022	2023	6/30/2024	6/30/2024	2020	2021	2022	2023	LTM 6/30/24	Ann. 6/30/24
(\$000s)												
Operating Revenue:												
Total Patient Service Revenue	\$ 192,784	\$ 201,523	\$ 199,164	\$ 192,999	\$ 190,959	\$ 190,554	300.2%	299.8%	301.1%	279.2%	239.6%	247.3%
Medicaid MHAP payment	4,820	5,817	6,382	10,327	19,727	20,096	7.5%	8.7%	9.6%	14.9%	24.8%	26.1%
Medicaid DSH payment	733	(200)	(176)	(153)	(36)	(49)	1.1%	-0.3%	-0.3%	-0.2%	0.0%	-0.1%
Other Adjustments	(136,095)	(141,899)	(142,133)	(136,301)	(133,143)	(135,640)	-211.9%	-211.1%	-214.9%	-197.2%	-167.1%	-176.1%
Total Adjustments	(130,542)	(136,282)	(135,927)	(126,128)	(113,453)	(115,593)	-203.3%	-202.7%	-205.5%	-182.5%	-142.4%	-150.0%
Net patient service revenues	62,242	65,241	63,237	66,871	77,506	74,961	96.9%	97.1%	95.6%	96.8%	97.2%	97.3%
Other revenues	1,982	1,981	2,909	2,243	2,193	2,084	3.1%	2.9%	4.4%	3.2%	2.8%	2.7%
Total Operating Revenues	\$ 64,224	\$ 67,222	\$ 66,147	\$ 69,114	\$ 79,700	\$ 77,045	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:												
Salaries and benefits	\$ 39,223	\$ 42,272	\$ 41,113	\$ 39,419	\$ 37,545	\$ 36,952	61.1%	62.9%	62.2%	57.0%	47.1%	48.0%
Supplies and drugs	11,517	12,552	13,363	13,641	14,504	14,686	17.9%	18.7%	20.2%	19.7%	18.2%	19.1%
Other operating expenses	13,458	12,715	13,725	14,771	16,142	15,908	21.0%	18.9%	20.7%	21.4%	20.3%	20.6%
Interest expense	290	244	221	213	131	187	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%
Depreciation and amortization	4,516	4,242	4,118	4,144	4,361	3,855	7.0%	6.3%	6.2%	6.0%	5.5%	5.0%
Total Operating Expenses	\$ 69,004	\$ 72,024	\$ 72,540	\$ 72,188	\$ 72,682	\$ 71,590	107.4%	107.1%	109.7%	104.4%	91.2%	92.9%
Nonoperating Revenues (Expenses):												
County contributions	1,183	1,183	1,183	1,183	1,183	1,183	1.8%	1.8%	1.8%	1.7%	1.5%	1.5%
Transfers to county	(1,183)	(1,183)	(1,183)	(1,183)	(1,183)	(1,183)	-1.8%	-1.8%	-1.8%	-1.7%	-1.5%	-1.5%
Provider Relief Funds	4,536	8,932	3,932	-	-	-	7.1%	13.3%	5.9%	0.0%	0.0%	0.0%
Other COVID funds	914	-	-	-	-	-	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest income	85	37	176	692	800	844	0.1%	0.1%	0.3%	1.0%	1.0%	1.1%
Investment income (loss)	680	(112)	(1,284)	151	485	808	1.1%	-0.2%	-1.9%	0.2%	0.6%	1.0%
Other	315	624	269	224	879	1,136	0.5%	0.9%	0.4%	0.3%	1.1%	1.5%
Total Nonoperating Revenues (Expenses):	\$ 6,530	\$ 9,481	\$ 3,094	\$ 1,068	\$ 2,164	\$ 2,788	10.2%	14.1%	4.7%	1.5%	2.7%	3.6%
Net Income (Loss)	\$ 1,751	\$ 4,679	\$ (3,300)	\$ (2,006)	\$ 9,181	\$ 8,243						
Net Income (Loss) Margin (%)	2.7%	7.0%	-5.0%	-2.9%	11.5%	10.7%						
Operating Income (Loss)	\$ (4,779)	\$ (4,802)	\$ (6,393)	\$ (3,074)	\$ 7,017	\$ 5,455						
Operating Income (Loss) Margin (%)	-7.4%	-7.1%	-9.7%	-4.4%	8.8%	7.1%						
Operating EBITDA	\$ 27	\$ (317)	\$ (2,055)	\$ 1,283	\$ 11,509	\$ 9,498						
Operating EBITDA Margin (%)	0.0%	-0.5%	-3.1%	1.9%	14.4%	12.3%						

Sources: Audited financial statements and interim financial statements provided by Hospital management.

Historical Income Statement (Cont'd)

- From 2020 to 2023, the Hospital's total operating revenue grew from \$64.2 million to \$69.1 million, a compounded annual growth rate (CAGR) of 2.5%.
- For the last twelve months (LTM) ending June 30, 2024, the Hospital had total operating revenue of \$79.7 million, a 15.3% increase relative to 2023 total operating revenue.
 - This increase is primarily driven by additional Medicaid MHAP funds.
- Salaries and wage expense was elevated in 2021 and 2022, but then decreased to \$39.4 million in 2023 which is in line with the expense of \$39.2 million in 2020.
 - The decrease in 2023 was a result of a decrease in FTEs.
 - In 2021 the Hospital had a total of 506 FTEs compared to 421 in 2023, a decrease of 85 FTEs.
- Under nonoperating revenue and expenses, the county contribution related to the Series 2018A&B and Series 2019 County General Obligation bonds of \$1.2 million is offset by the subsequent transfer to county expense line item of \$1.2 million. See section 4 for further discussion of this topic.
- While operating margin has been negative from 2020 to 2023, for LTM 6/30/24 the Hospital produced an operating margin of 8.8%.
- Operating EBITDA was breakeven to negative from 2020 to 2023, but for LTM 6/30/24 the Hospital produced an operating EBITDA margin of 14.4%.
- The increase in operating income and operating EBITDA are primarily driven by the increase in revenue which can be attributed to the additional MHAP funds received. See slide 27 for additional detail.

Historical Balance Sheet

- Since FY2020, the Hospital's unrestricted cash and investments has decreased from \$29.3 million to \$19.5 million, or 33.5%.
 - AS of June 30, 2024 unrestricted cash and investments has increased to \$28.9 million primarily due to increased MHAP funds.
- Accounts receivables has historically been very high resulting in 128 in days accounts receivable in FY2023.
 - This is attributed to staff turnover and the Hospital's practice of allowing patients to pay over time.
- Total capital assets has also decreased each year since 2020 which reflects depreciation in excess of capital expenditures.
- FY2022 and FY2023 Bonds payable only include the Series 2013 revenue bonds.
- FY2020 and FY2021 Bonds payable include the Series 2011 bonds, in addition to the Series 2013 revenue bonds.

(\$000s)	September 30,				June 30,
	2020	2021	2022	2023	2024
Current Assets:					
Cash	\$ 15,792	\$ 11,498	\$ 11,279	\$ 3,457	\$ 8,616
Cash - Restricted under bond agreement	913	911	865	881	951
Cash - Restricted for indigent care	-	-	35	33	-
Patient accounts receivables	22,095	22,821	21,023	23,473	21,233
Inventories of supplies and drugs	1,874	1,655	1,530	1,664	1,857
Other current assets	760	1,118	1,894	5,374	1,484
Total Current Assets	41,434	38,002	36,627	34,883	34,140
Long-Term Assets:					
Cash - Designated by Board for capital improvements	4,401	4,423	4,552	6,098	9,810
MHA investment - Designated by Board for capital improvements	9,146	9,071	9,826	9,947	10,431
MHA investment - Restricted for liability risk	4,539	4,502	2,464	2,494	2,615
Total noncurrent cash and investments	18,086	17,997	16,841	18,538	22,857
Total capital assets	46,086	43,830	42,550	41,806	39,926
Total other assets	1,224	1,105	1,735	1,230	1,223
Total Non-Current Assets	65,395	62,931	61,125	61,575	64,006
Total Assets	\$ 106,829	\$ 100,934	\$ 97,752	\$ 96,457	\$ 98,146
Current Liabilities:					
Accounts payable	\$ 2,146	\$ 2,090	\$ 2,756	\$ 2,968	\$ 1,633
Accrued payroll and annual leave	3,952	3,575	3,573	3,675	2,615
Current maturities of bonds payable ⁽¹⁾	1,480	1,115	935	965	995
Other current liabilities	10,487	1,892	2,179	2,629	1,429
Total Current Liabilities	18,065	8,671	9,442	10,237	6,672
Long-Term Liabilities:					
Bonds payable, net of unamortized discount	6,072	4,948	4,003	3,029	2,028
Notes payable	225	204	20	1,121	946
Other long term debt	80	45	519	309	309
Total Long-Term Liabilities	6,376	5,196	4,542	4,459	3,282
Total Liabilities	\$ 24,441	\$ 13,867	\$ 13,985	\$ 14,696	\$ 9,955
Net Position:					
Invested in capital assets, net of related debt	\$ 37,961	\$ 37,171	\$ 37,365	\$ 36,414	\$ 35,726
Restricted	5,452	5,413	3,364	3,408	3,376
Unrestricted	38,975	44,483	43,039	41,939	49,090
Total Net Position	82,388	87,067	83,767	81,761	88,191
Total Liabilities and Net Position	\$ 106,829	\$ 100,934	\$ 97,752	\$ 96,457	\$ 98,146

1) June 30, 2024 balance assumes bond payment due in July 2025 of \$995 thousand. This payment is also backed out of Bonds Payable in long-term liabilities
Sources: Audited financial statements and interim financial statements provided by Hospital management.

Historical Net Working Capital

- The Hospital's net working capital, as defined as non-cash current assets less its non-debt current liabilities, has increased from 13.1% of revenue in 2020 to 31.7% of revenue in 2023.
- The Hospital's net working capital calculation is inflated as a result of high accounts receivable balances relative to accounts payable balances.
- 2020 net working capital was impacted significantly by a large deferred income liability associated with provider relief funds received that year.
- The average net working capital as a percent of revenue for 2021-2023 was 27.9%.
- The industry standard for "normalized" levels of net working capital is 6-8% of revenue.

(\$000s)	September 30,				June 30,
	2020	2021	2022	2023	2024
Non-Cash Current Assets					
Patient accounts receivables	\$ 22,095	\$ 22,821	\$ 21,023	\$ 23,473	\$ 21,233
Estimated third-party payor settlements	14	113	496	695	348
Current portion of deferred expense	268	287	294	298	188
Inventories of supplies and drugs	1,874	1,655	1,530	1,664	1,857
Prepaid expenses	449	457	745	701	918
Other receivables	29	260	358	3,680	30
Total Non-Cash Current Assets	\$ 24,729	\$ 25,594	\$ 24,447	\$ 30,511	\$ 24,574
Non-Debt Current Liabilities					
Accounts payable	\$ 2,146	\$ 2,090	\$ 2,756	\$ 2,968	\$ 1,633
Patient accounts receivable, credit balances	788	910	1,140	933	-
Accrued payroll and annual leave	3,952	3,575	3,573	3,675	2,615
Estimated third party settlements	-	-	-	567	-
Accrued expenses	53	49	41	43	97
Deferred income	9,377	496	555	614	890
Current portion of subscription-based IT liabilities	-	-	195	197	197
Total Non-Debt Current Liabilities	\$ 16,316	\$ 7,120	\$ 8,258	\$ 8,997	\$ 5,433
Net Working Capital	\$ 8,413	\$ 18,474	\$ 16,189	\$ 21,515	\$ 19,141
% Revenue	13.1%	27.5%	24.5%	31.1%	24.0%

Sources: Audited financial statements and interim financial statements provided by Hospital management.

Debt Profile

In addition to the Series 2013 Revenue Bonds, the Oktibbeha County Series 2018A, 2018B and 2019 General Obligation Bonds are also secured by the net revenues of the Hospital.

Issue	Outstanding Par (\$000s)	Interest Mode	Interest Frequency	Interest Rate	Final Maturity	Public / Purchaser	Callable
OCH Regional Medical Center Bonds							
Series 2013 Revenue Bonds	\$ 3,960	Fixed	Semi-annual	1.00% - 3.38%	2027	Public	Currently callable
Total Bonds	3,960						
Urology Equipment Note	40	Fixed	Monthly	2.75%	2024	Olympus Financial Services	N/A
Vinci XI System Note	1,344	Fixed	Monthly	4.75%	2029	Intuitive Surgical Inc	N/A
Total Notes	1,383						
Total OCH Bonds and Notes	\$ 5,343						
Oktibbeha County GO Debt Issued for Hospital							
Series 2018A General Obligation and Refunding Bonds	\$ 9,610	Fixed	Semi-annual	2.00% - 4.00%	2032	Public	November 1, 2028
Series 2018B General Obligation and Refunding Bonds	3,685	Fixed	Semi-annual	2.00% - 4.00%	2034	Public	November 1, 2028
Series 2019 General Obligation and Refunding Bonds	2,330	Fixed	Semi-annual	3.00% - 4.00%	2030	Public	September 1, 2029
Total Oktibbeha County Hospital Bonds	15,625						
Total Hospital Relevant Debt	\$ 20,968						

Note: Debt Profile as of September 30, 2023.
Sources: Audited financial statements and official statements.

Debt Profile (cont'd)

OCH Series 2013 Revenue Bonds

- The Series 2002 Revenue Bonds were refunded with the issuance of \$8,600,000 on May 30, 2013, and of \$3,515,000 on January 22, 2014, of Limited Tax and Hospital Revenue Refunding Bonds, Series 2013 and Series 2014 respectively. The 2014 bonds have since matured and are no longer outstanding.
- The Hospital pays the annual debt service on these bonds.

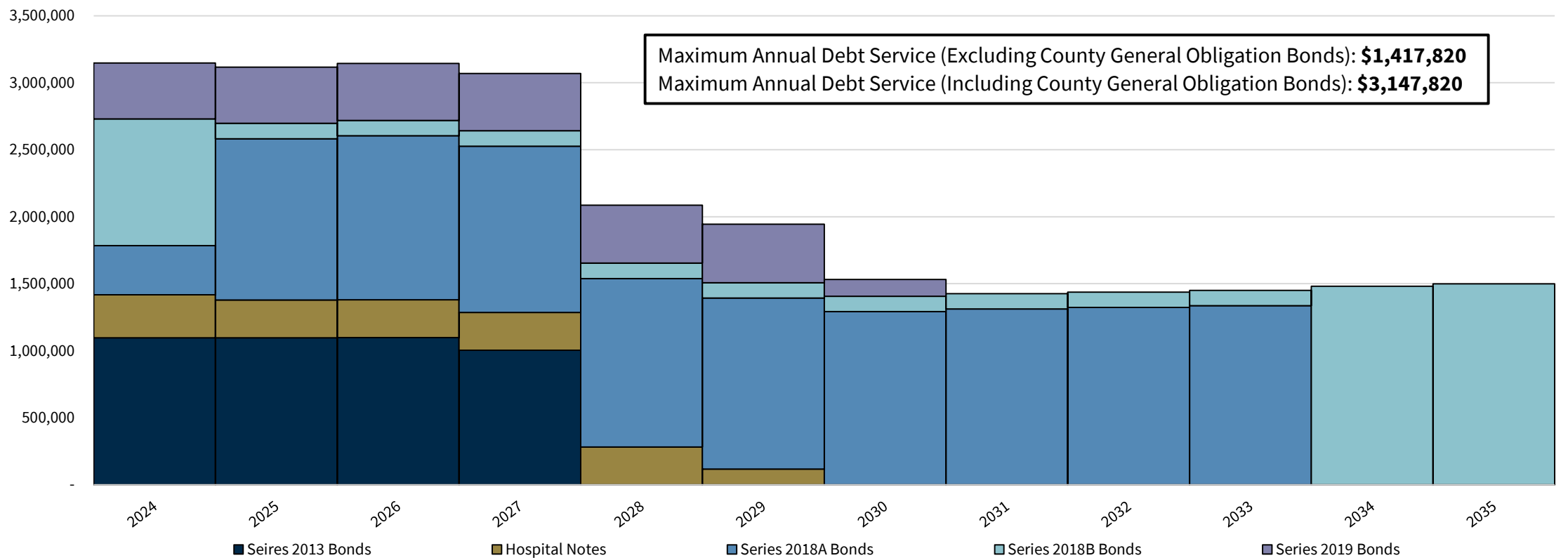
Oktibbeha County GO Debt Issued for Hospital

- All GO Bonds of the County issued for the Hospital are secured by the GO pledged of the County and additionally secured by the net revenues of OCH Regional Medical Center.
 - The Hospital's net revenue pledge on the County GO debt is subordinate to the Hospital's net revenue pledge on the Series 2013 Revenue Bonds.
- The County pays the annual debt service on these bonds. The county funds these payment through a cumulative 4.05 millage tax.
- See section 4 for further discussion regarding the Hospital's relationship with the county.

Sources: Audited financial statements, official statements and the Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds.

Debt Service Schedule

The below chart shows the aggregate Hospital outstanding debt service which includes Oktibbeha County general obligation debt which is secured by a pledge of Hospital revenues.



Note: the Series 2013 Bonds and Hospital Notes were issued by OCH Regional Medical Center. The Series 2018A&B Bonds and the Series 2019 Bonds were issued by Oktibbeha County and are secured by a pledge of Hospital revenues.
Source: Audited financial statements and official statements.

Capital Spending and Average Age of Plant

- Over the last four fiscal years, the Hospital has averaged a Capital Expenditures (CapEx) to Depreciation and Amortization (D&A) ratio of 0.41x.
- The industry standard CapEx to D&A ratio is 1.2x.
- Based on the industry standard ratio, the Hospital has had an average annual CapEx shortfall of \$3.37 million and a cumulative shortfall of \$13.49 million over the last 4 years.
- This CapEx shortfall has resulted in the Hospital's already elevated average age of plant to increase to 23.7 years at the end of FY2023.
- Based on discussion with management, select physicians and the trustees, there does not appear to be any large capital needs that will not be covered by the congressionally directed spending grant.
- All of third floor and a portion of the first floor are shelled in and not being used currently.
 - Any build out of those spaces in the future would require a substantial capital outlay.

	Fiscal Year Ending September 30,			
(\$000s)	2020	2021	2022	2023
Capital Expenditures (CapEx)	972	1,592	2,520	1,850
Depreciation & Amortization (D&A)	4,516	4,242	4,118	4,144
CapEx to D&A	.22x	.38x	.61x	.45x
<i>Industry Standard CapEx to D&A</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>
Implied Annual CapEx Shortfall	4,447	3,498	2,421	3,122
Implied Cumulative CapEx Shortfall	-	7,945	10,366	13,488
Average Age of Plant (years)	20.0	22.1	23.3	23.7

Source: Audited financial statements.

Utilization

- From 2019-2023, overall admissions to the Hospital decreased 14.4%.
- Out of 96 licensed beds, the Hospital currently utilizes 52 staffed beds. The 52 beds are comprised of 26 medical/surgical beds, 12 pediatrics/post-partum beds, 8 newborn beds and 6 ICU Beds.
- The five-year decrease of admissions is mainly the result of:
 - Increased emphasis on outpatient surgery and the continuing concentrated emphasis of the precertification and concurrent review process of managed care programs for providing outpatient care;
 - 2 midnight rule using observation admit status and;
 - Physician staffing and recruitment challenges.
- During the past five years the Hospital, as well as the hospital industry as a whole, has been impacted with reduced inpatient utilization as a result of the healthcare reform process and deferral of elective procedures.
- Occupancy, as noted in the table to the right at 17.9% in 2023, measures percentage of patient days of care for adults & pediatrics.
- Regarding the average occupancy for the 8 newborn beds, the average percentage of occupancy is 30.8% in 2023.
- The average occupancy for the two combined patient groups is 19.7% in 2023.

	2019	2023	5-Year Change
Inpatient			
Admissions	2,128	1,822	-14.4%
Newborns	969	868	-10.4%
Patient Days of Care	6,756	6,270	-7.2%
Length of Stay	3.2	3.5	9.4%
Occupancy	19.3%	17.9%	-7.3%
Total Average Bed Use	31.1%	27.2%	-12.5%
Surgical Procedures	894	812	-9.2%
Outpatient and Ancillary Service Utilization			
Surgical Procedures	3,721	2,482	-33.3%
Laboratory	172,843	163,259	-5.5%
Radiology	20,806	21,419	2.9%
CT	10,193	10,580	3.8%
Ultrasound	4,074	3,674	-9.8%
Nuclear Medicine	961	365	-62.0%
MRI	2,347	2,625	11.8%
Endoscopy	1,348	753	-44.1%
Pain	1,453	1,495	2.9%
Stereotactic Breast	55	28	-49.1%
Other Radiology	5,808	6,348	9.3%
Other Therapy and Visits			
Physical Therapy	20,715	15,639	-24.5%
Occupational Therapy	7,956	10,244	28.8%
Speech Language Therapy (SLT)	1,064	905	-14.9%
Respiratory Therapy Visits	47,864	35,316	-26.2%
Pulmonary Service Visits	2,651	4,801	81.1%
Neuro-diagnostic Visits	785	623	-20.6%
EKG Visits	5,837	5,515	-5.5%
Cardiac Rehab Contacts	6,216	1,887	-69.6%
Wound Care Visits (OP)	3,685	8,036	118.1%
Hyperbaric Oxygen (OP)	333	582	74.8%
Outpatient Registrations/ER Visits			
Outpatient Registrations	37,906	38,792	2.3%
ER Visits	26,847	24,335	-9.4%
Total	64,753	63,127	-2.5%

Source: Management reporting packages.

Payor Mix and Special Funding

- The Hospital's percentage of revenue attributable to Medicare and Medicaid increased from 57.4% to 57.6% over the last five years.
- The Medicaid Mississippi Hospital Access Payment (MHAP) is a program whereby the Hospital qualifies for additional funds in addition to regular Medicaid funds.
- During the past five fiscal years, the MHAP payments increased by \$7,224,512 or 232.8%.
- The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) and receives such funds as a result of providing care to a disproportionate share of low income patients as well as providing certain required services.
- MHAP payments for FY2024-2025 are expected to total approximately \$20 million, with approximately \$13 million attributed to supplemental MHAP payments.
- It is unclear if these elevated levels of MHAP payments will continue after FY2025.

OCH Medical Center Payor Mix					
	2019	2020	2021	2022	2023
Medicare	40.0%	38.6%	39.4%	40.1%	40.6%
Medicaid	17.4%	16.4%	16.4%	16.9%	17.0%
Subtotal	57.4%	55.0%	55.8%	57.0%	57.6%
Blue Cross	14.3%	13.4%	14.1%	14.5%	14.4%
State of Mississippi	6.0%	6.0%	6.0%	5.8%	5.3%
Commerical	13.1%	13.0%	16.0%	14.2%	15.2%
Self-Pay	8.3%	8.3%	7.6%	7.8%	6.8%
Other Insurance	0.9%	4.3%	0.5%	0.7%	0.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

OCH Medical Center Special Funding (\$000s)					
	2019	2020	2021	2022	2023
Medicaid MHAP	\$ 3,103	\$ 4,820	\$ 5,817	\$ 6,382	\$ 10,327
YoY Change (%)	N/A	55.4%	20.7%	9.7%	61.8%
5-Year Change (%)	N/A	N/A	N/A	N/A	232.8%
Medicaid DSH	\$ 1,173	\$ 733	\$ (200)	\$ (176)	\$ (153)
YoY Change (%)	N/A	-37.5%	-127.3%	-12.0%	-12.7%
5-Year Change (%)	N/A	N/A	N/A	N/A	-113.1%
Total	\$ 4,276	\$ 5,553	\$ 5,617	\$ 6,207	\$ 10,174
YoY Change (%)	N/A	29.9%	1.2%	10.5%	63.9%
5-Year Change (%)	N/A	N/A	N/A	N/A	137.9%

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds and information provided by management.

Physicians

- As of September 30, 2023, the Hospital's licensed medical staff consisted of 131 physicians.
- The medical staff is divided into active, affiliate, dental, distant, emeritus, hospitalist, refer and follow and ambulatory care categories. The table below lists the number of physicians and average age by category.
- Among the primary admitting medical staff (defined primarily as the categories of active, dental, hospitalist, refer and follow and ambulatory care), there are 35 physicians.
 - Among these physicians all 35 are board certified, and the average age was 47 years.
 - Among these 35 physicians, 14 are employed by the Hospital and accounted for 143 admissions representing a total adjusted revenue of \$12.5MM, in Fiscal Year 2023.
- One member of the Dental Staff is an active admitter for pediatric dental services.

	Number of Physicians	Average Age
Active	41	47
Affiliate	20	54
Dental	2	61
Distant	46	48
Emeritus	5	72
Hospitalist	3	50
Refer and Follow	6	55
Ambulatory Care	8	49
Total Physicians	131	50

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds and information provided by the management team.

Physicians (Cont'd)

- In FY 2022 and FY 2023 the 10 leading physicians, not including Hospital-based ER and Anesthesiology physicians, in terms of inpatient admissions to the Hospital, accounted for 81.8% and 77.3% of admissions, respectively.
 - The table to the top right provides the distribution by age and specialty FY 2023.
- In FY 2022 and FY 2023 the 10 leading physicians, not including Hospital-based ER and Anesthesiology physicians, in terms of total gross revenues to the Hospital, accounted for 31.0% and 29.0% of gross revenues, respectively.
 - The table to the bottom right provides the distribution by age and specialty FY 2023.
- Recent developments regarding Orthopedic surgery at OCH:
 - As of August 31, 2024 OCH will no longer have any employed orthopedic surgeons.
 - In lieu of employed orthopedic surgeons, OCH is currently contracting with an independent orthopedic practice.

FY23 Top 10 Physicians by Admissions			
Specialty	Age	Admissions ⁽¹⁾	% Total Admissions
Hospitalist	51	309	11.4%
Pediatrics	36	263	9.7%
Obstetrics/Gynecology	38	244	9.0%
Pediatrics	62	239	8.8%
Pediatrics	35	210	7.7%
Obstetrics/Gynecology	44	201	7.4%
Obstetrics/Gynecology	44	198	7.3%
Pediatrics	30	150	5.5%
Hospitalist	50	146	5.4%
Obstetrics/Gynecology	70	139	5.1%
Total	46	2,099	77.3%

FY23 Top 10 Physicians by Gross Revenue			
Specialty	Age	Gross Revenue	% Total Gross Rev.
Orthopedic Surgery	42	9,274,093	5.3%
Hospitalist	51	7,950,321	4.5%
Urology	34	5,308,820	3.0%
Pain Management	38	5,244,079	3.0%
Urology	39	5,014,820	2.8%
General Surgery	55	4,120,672	2.3%
General Surgery	59	4,065,078	2.3%
General Surgery	55	3,587,349	2.0%
Obstetrics/Gynecology	38	3,397,090	1.9%
Orthopedic Surgery	40	3,320,623	1.9%
Total	45	51,282,945	29.0%

(1) Includes newborns.

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds.

Physician Recruitment

- While there is no formal Medical Staff development plan, the Hospital is making efforts to enlarge the medical staff and to anticipate the retirement of older physicians with the addition of younger practitioners.
- Due to turnover, recruitment has been focused on replacement of Primary Care, Orthopedics, OB-GYN, Pulmonology and GI physicians.
- Management is willing to support additional service lines in the event of new physician recruitment in that specialty.
- A new Medical Staff Director with recruiting responsibilities was hired on July 1, 2023 from Baptist to replace recruiting handled by the recently retired Chief Operating Officer.
- In addition to internal efforts, various physician recruiting firms are utilized to assist with sourcing candidates.
- Physician recruiting is also a recurring agenda item on the monthly Board of Trustee meetings.
- Physician recruitment is one of management's most prevalent concerns, resulting from both uncertainty regarding the Hospital's sale/owner and the desire of a physician to work at a hospital within a multi-physician specialty, for "on call" designation frequency purposes.

	2019	2020	2021	2022 ⁽¹⁾	2023
Medical Staff at Start of Year	178	194	192	181	122
Additions	43	29	12	11	32
Deletions	27	31	23	70	23
Medical Staff at End of Year	194	192	181	122	131
<i>YoY Change (%)</i>	<i>N/A</i>	<i>-1.0%</i>	<i>-5.7%</i>	<i>-32.6%</i>	<i>7.4%</i>

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds.

(1) Increased medical staff deletions in 2022 are attributable to an accumulation of distant staff that had not been reflected properly over some time in past reports. Management reconciled the accumulation of distant staff in the 2022 medical staff deletions, but the deletions are more accurately described as the accumulated distant staff additions and deletions throughout past years. The reconciliation accounted for 48 of the 70 deletions that year.

Nursing

- OCH was not immune to sector-wide nursing staffing difficulties resulting from COVID-19, including staff turnover and burnout.
- The Hospital's nursing staff as of September 30, 2023, consisted of 151 full time equivalent employees (FTEs) with 30 hours per week or more, a decrease of 29.4% compared to FY 2019.
- At September 30, 2023, the Hospital current nursing vacancy rate was 24.0%, an increase of 13.0% compared to FY 2019, while the net turnover rate was 38.0%.
- Net turnover has increased 7.0%, as compared to FY 2019. The table below sets forth the nursing vacancy and turnover rates for the following fiscal year periods.
- Compensation and benefits are competitive with area health care facilities. The Hospital has not had to rely on agency personnel, except for limited temporary fill-in, as a result of its association with the nursing programs at Mississippi University for Women, East Mississippi Community College and Holmes Community College.

	2019	2020	2021	2022	2023
Nursing Vacancy Rate	11.0%	15.0%	15.0%	13.0%	24.0%
Net Turnover Rate	31.0%	32.0%	22.0%	51.0%	38.0%

	2019		2020		2021		2022		2023	
	FTE	PTE	FTE	PTE	FTE	PTE	FTE	PTE	FTE	PTE
RNs	84	44	82	75	85	78	52	98	65	87
LPNs	24	2	24	9	17	4	17	5	9	7
Nurses' Aides	56	7	46	8	50	22	39	21	35	32
Other Nursing Personnel	37	3	14	6	28	9	25	13	28	14
Nurse Practitioners	13	4	14	8	18	5	14	10	14	8
Total	214	60	180	106	198	118	147	147	151	148

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds.

Full Time Employees

- As can be seen in the summary table below, From September 30, 2021 to September 30, 2023, Full time equivalents at OCH decreased by 85 or 16.8%. During the same period Contract Labor – FTEs increased by 1 or 1.6%.
- The reduction in FTE headcount from 2021 to 2022 is mostly due to employees transferring from full-time to part-time status during the pandemic period. As was a sector-wide trend during this period, many Hospital staff did this to get the increased PRN hourly pay rates without benefits and to seize control and flexibility of their work schedules.
 - The FTE reduction was also impacted by employee departures in pursuit of travel healthcare jobs offering higher pay.
- The table to the right show the concentration of the FTEs within the top-25 departments ranked by most FTEs.

	2021	2022	2023
Total FTEs	506.0	421.0	421.0
Contract Consultants	62.0	60.0	63.0

2023		
Rank	Dept	FTEs
1	ER	27.0
2	ENVIRONMENTAL SERVICES	21.6
3	SURGERY	20.6
4	LAB	18.7
5	2ND FLOOR MED SURG	18.6
6	EMS	16.2
7	L&D	16.0
8	MEDICAL RECORDS	14.8
9	4TH FLOOR POSTPARTUM/ PEDS	14.6
10	ADMISSIONS	14.5
11	ITS	14.1
12	ICU	13.1
13	NURSERY	11.4
14	RESPIRATORY THERAPY	11.2
15	AMBULATORY/OP	11.0
16	WELLNESS CONNECTION	10.9
17	ORTHOPEDIC	10.2
18	OCH MED ASSOC-SANFOR	9.9
19	PAIN CLINIC (WALTERS)	9.7
20	ERP	8.9
21	PHYSICAL THERAPY	8.6
22	TECHNICAL BILLING	8.6
23	NURSING ADMINISTRATION	8.4
24	PLANT OPERATIONS	8.2
25	RECOVERY	8.1

Source: Information provided by management.

UMMC Affiliation Agreement

- On August 1, 2018 the Hospital Board of Trustees approved a five year Clinical, Operational and Educational Affiliation Agreement with the University of Mississippi Medical Center and renewed the agreement in August 2023.
- The Hospital sought the affiliation opportunity to enhance its medical staff and quality of its services.
- The agreement establishes a broad framework of mutually satisfactory and beneficial programs and services that will provide for the enhancement of clinical programs and continuing medical education including the establishment of an improved system of access to health care and health care information.
- Areas of anticipated interest included:
 - Supply Chain Savings Opportunities
 - Telemedicine Support
 - Physician Recruitment Assistance
 - Access to Incremental Specialty Care
 - Clinical and Operational Education and Support
 - Support upgrading to UMMC's EPIC electronic health system
- Areas of actual collaboration included:
 - Cardiovascular

Source: Continuing Disclosure Statement, September 30, 2023, for the Series 2013 Bonds and information provided by management.

Revenue Leakage

- The Hospital's top five Hospital competitors, based on Medicare revenue leakage, are summarized in the table below.
- Two of the Hospital's top five revenue leakage competitors are owned by Baptist Memorial Health System and account for a total of just under 50% of the total Medicare revenue leakage to the top five hospitals.
- As discussed earlier, the UMMC Affiliation Agreement has not eliminated material revenue leakage to its University Hospital.
- Medicare revenue is 40.6% of the Hospital's 2023 payor mix.

OCH Overall Revenue Leakage	
Hospital Name	Revenue Leakage
Baptist Memorial Hospital - Golden Triangle	\$ 5,002,129
North Mississippi Medical Center - Tupelo	3,556,703
University Hospital (FKA the University of Mississippi Medical Center)	1,866,048
UAB Hospital	744,715
Baptist Memorial Hospital - Memphis	714,285
Total Revenue Leakage to top Five Hospitals	\$ 11,883,880

Note: Medicare only.
Source: Definitive Healthcare, as of 7/1/2024.

OCH Safety and Quality Scores

- OCH earned a Leapfrog Hospital Safety Grade of “A”, the highest score available, in the spring of 2024. This is the most recent Leapfrog Hospital Safety Grade awarded for the Hospital.
 - “Less than 20% of the nation's hospitals were recognized for excellent patient safety ratings and the highest level of adherence to federal price transparency rules”, according to Becker’s Hospital Review.
- OCH was among the seven hospitals, in the state of Mississippi, that earned a grade of “A”.
 - The other Mississippi hospitals with an “A” grade were Baptist Memorial Hospital-Golden Triangle, Baptist Memorial Hospital-Union County, Methodist Olive Branch Hospital, North Mississippi Medical Center-Tupelo, North Mississippi Medical Center Gilmore-Amory and University of Mississippi Medical Center Grenada.
- OCH was also awarded a Leapfrog Hospital Safety Grade of “A” in the Spring of 2023 and last received the accolade in the Spring of 2021. from the Fall of 2021 through the Spring of 2023 OCH earned a Leapfrog Hospital Safety Grade of “B”.
- The Centers for Medicare & Medicaid Services (CMS) produces an Overall Hospital Quality Star Rating for all hospitals which treat Medicare and Medicaid patients. In June 2024 OCH received a 2-star rating (out of 5 stars) from CMS.
- Looking back to the beginning of 2022, the Hospital has also received an Overall Hospital Quality Star Rating of 2 stars at every CMS review date.

Source: The Leapfrog Group, Beckers Hospital Review and Centers for Medicare & Medicaid Services, as of August 22, 2024.

Section 4

OKTIBBEHA COUNTY COMMITMENT TO THE HOSPITAL

Oktibbeha County Commitment to the Hospital

The County has helped fund capital projects at the Hospital through the issuance of public bonds secured by the general obligation of the County for which the County pays debt service.

- The table below shows the annual debt service relating to the Series 2018A&B and Series 2019 General Obligation Bonds issued to fund various capital projects of the Hospital.
- The County is the borrower of the Series 2018A&B and Series 2019 General Obligation Bonds and this debt sits on the balance sheet of the County. The proceeds from this debt were given to the Hospital for capital projects. The Hospital does not pay the debt service related to these bonds, the County does.
- The debt service related to the Series 2013 Revenue Bonds is paid by the Hospital. This is the only bond debt that sits on the balance sheet of the Hospital.

Debt Service on Bonds Issued for Hospital Assets					
Year	Paid by County			Paid by Hospital	Total
	Series 2018A&B	Series 2019	Total County	Series 2013	
2020A	\$ 1,261,725	\$ 399,390	\$ 1,661,115	\$ 1,093,606	\$ 2,754,722
2021A	1,271,025	404,900	1,675,925	1,092,956	2,768,881
2022A	1,284,350	406,350	1,690,700	1,096,556	2,787,256
2023A	1,297,650	412,500	1,710,150	1,094,256	2,804,406
2024P	1,311,800	418,200	1,730,000	1,096,206	2,826,206
2025P	1,318,800	420,200	1,739,000	1,096,050	2,835,050
2026P	1,337,625	426,600	1,764,225	1,098,713	2,862,938
Total	\$ 9,082,975	\$ 2,888,140	\$ 11,971,115	\$ 7,668,344	\$ 19,639,459

OCH Stand Alone Credit Overview

The below credit analysis is based on the Hospital's audited financial statements and unaudited year-to-date financials as of June 30, 2024. This includes the 2013 bonds that sit on its balance sheet and the debt service payments associated with those bonds.

CREDIT ANALYSIS								
	OCH Regional Medical Center				2024 Medians (Based on FY2023)			
	Fiscal Year Ending September 30,			LTM	Moody's	S&P Stand-Alone	Fitch	
	2021	2022	2023	6/30/2024	Baa2	BBB	BBB	
Operating Statistics								
Net Patient Service Revenue	\$ 65,241	\$ 63,237	\$ 66,871	\$ 77,506	\$ 801,002	\$ 451,225	-	-
Total Debt	5,152	4,023	4,150	2,973	214,674	-	-	-
Unrestricted Cash & Investments	24,992	25,657	19,502	28,857	324,938	167,831	-	-
Profitability								
Operating Margin (%)	-7.1%	-9.7%	-4.4%	8.8%	-1.9%	-0.7%	-1.7%	-
EBITDA Margin (%)	0.3%	-4.4%	3.3%	16.1%	-	6.1%	4.7%	-
Excess Margin (%)	-6.3%	-11.1%	-2.9%	10.5%	-0.9%	1.0%	-0.5%	-
Operating EBITDA/Cash Flow Margin (%)	-0.5%	-3.1%	1.9%	14.4%	3.2%	5.1%	3.0%	-
Liquidity								
Cash to Debt (%) ⁽¹⁾	485.1%	637.7%	469.9%	970.5%	160.5%	153.1%	69.6%	-
Days Cash on Hand	134.6 days	136.9 days	104.6 days	154.6 days	140.3 days	125.9 days	126.5 days	-
Cushion Ratio (x) ⁽¹⁾	17.6x	18.1x	13.8x	20.4x	17.2x	13.9x	17.1x	-
Days Accounts Receivable	127.7 days	121.3 days	128.1 days	100.3 days	48.0 days	48.2 days	48.9 days	-
Leverage								
Maximum Annual Debt Service Coverage (x) ⁽¹⁾	0.2x	-2.0x	1.7x	9.2x	2.5x	3.1x	1.8x	-
Debt to Capitalization (%) ⁽¹⁾	12.2%	9.7%	10.2%	7.7%	32.7%	30.3%	52.0%	-
Debt to Cash Flow (x) ⁽¹⁾	-451.3x	-1.3x	1.9x	0.2x	-	-	-	-
Debt to EBITDA (x) ⁽¹⁾	22.2x	-1.4x	1.8x	0.3x	5.5x	-	5.2x	-
Capital Investment								
Average Age of Plant (years)	22.1 years	23.3 years	23.7 years	NA	14.0 years	12.9 years	11.9 years	-
Capex to Depreciation and Amortization (x)	0.4x	0.6x	0.4x	NA	1.0x	1.0x	1.5x	-

(1) Calculations exclude Oktibbeha County general obligation debt.

Sources: Audited financial statements and interim financial statements provided by Hospital management.

Pro Forma Credit Profile

The 2018A&B and 2019 bonds currently sit on the County's balance sheet and the County pays debt service on these bonds. The credit analysis below assumes the debt is transferred to the Hospital's balance sheet and the Hospital pays debt service on the bonds.

- The additional debt service payments reduce the some of the Hospital's profitability metrics.
- The additional debt added to the Hospital's balance sheet reduce the Hospital's leverage metrics.

CREDIT ANALYSIS								
	OCH Regional Medical Center				2024 Medians (Based on FY2023)			
	Fiscal Year Ending September 30,			LTM	Moody's	S&P Stand-Alone	Fitch	
	2021	2022	2023	6/30/2024	Baa2	BBB	BBB	
Operating Statistics								
Net Patient Service Revenue	\$ 65,241	\$ 63,237	\$ 66,871	\$ 77,506	\$ 801,002	\$ 451,225	-	
Total Debt	22,902	20,738	19,775	17,453	214,674	-	-	
Unrestricted Cash & Investments	24,992	25,657	19,502	28,857	324,938	167,831	-	
Profitability								
Operating Margin (%)	-8.2%	-10.7%	-5.3%	8.1%	-1.9%	-0.7%	-1.7%	
EBITDA Margin (%)	0.3%	-4.4%	3.3%	16.1%	-	6.1%	4.7%	
Excess Margin (%)	-7.3%	-12.1%	-3.7%	9.8%	-0.9%	1.0%	-0.5%	
Operating EBITDA/Cash Flow Margin (%)	-0.5%	-3.1%	1.9%	14.4%	3.2%	5.1%	3.0%	
Liquidity								
Cash to Debt (%) ⁽¹⁾	109.1%	123.7%	98.6%	165.3%	160.5%	153.1%	69.6%	
Days Cash on Hand	133.2 days	135.6 days	103.7 days	153.3 days	140.3 days	125.9 days	126.5 days	
Cushion Ratio (x) ⁽¹⁾	7.9x	8.2x	6.2x	9.2x	17.2x	13.9x	17.1x	
Days Accounts Receivable	127.7 days	121.3 days	128.1 days	100.3 days	48.0 days	48.2 days	48.9 days	
Leverage								
Maximum Annual Debt Service Coverage (x) ⁽¹⁾	0.1x	-0.9x	0.7x	4.1x	2.5x	3.1x	1.8x	
Debt to Capitalization (%) ⁽¹⁾	38.1%	35.7%	35.2%	32.8%	32.7%	30.3%	52.0%	
Debt to Cash Flow (x) ⁽¹⁾	-32.8x	-5.5x	13.0x	1.4x	-	-	-	
Debt to EBITDA (x) ⁽¹⁾	98.7x	-7.2x	8.4x	1.5x	5.5x	-	5.2x	
Capital Investment								
Average Age of Plant (years)	22.1 years	23.3 years	23.7 years	NA	14.0 years	12.9 years	11.9 years	
Capex to Depreciation and Amortization (x)	0.4x	0.6x	0.4x	NA	1.0x	1.0x	1.5x	

(1) Calculations include Oktibbeha County general obligation debt.

Sources: Audited financial statements and interim financial statements provided by Hospital management.

Section 5

SUMMARY CONCLUSION AND BEV VALUATION

Strengths and Opportunities

- Essentiality as a county-owned provider that is an integral part of the local economy.
 - provides critical health services, community outreach programs and charitable services.
 - Third largest employer in Oktibbeha County with 650 employees, physicians and staff.
- Consistently receives high ratings for patient safety from Leapfrog.
- Socioeconomically sound primary service area compared to other counties in the State.
- Primary service area is growing with stable major employers.
- Past and present support from Oktibbeha County as OCH's capital partner.
 - County taxpayers pay debt service on general obligation debt whose proceeds were used for renovations and expansion of the Hospital.
 - As a result, OCH has an adequate liquidity position and modest leverage.
- Market leader in Oktibbeha County, but growing competition from other larger acute care providers, urgent care facilities and other outpatient facilities.
- Currently unused space at the Hospital could possibly provide revenue opportunities.
 - Shelled-in third floor of the Hospital could potentially be leased to a third party.
 - Shelled-in space on the first floor is also available.
- Recently awarded \$9.5 million Federal Grant will be available to fund needed projects.

Sources: Appendix A – Economic and Demographic Information Oktibbeha County, Mississippi Fiscal Year 2023 and information provided by management.

Challenges – OCH

- OCH has an inpatient facility that is underutilized.
 - Currenting staffing 52 beds of a 96-bed licensed facility.
 - All of the third floor and part of the first floor are shelled in and not being used.
 - Average age of plant is very high at 24 years.
- Due to lack of financial resources in the past, capital spending has been done by necessity.
- Recently approved Supplemental MHAP payments have created a positive operating margin for the first time in recent history.
 - The future availability of these monies is uncertain.
 - Without these monies, OCH's operating margin would turn negative.
- Recent efforts to decrease expenses through staff optimization is laudable, but the solution to consistently producing a positive operating margin is an increase in revenues.
- Expanding existing service lines or moving into new service lines is contingent upon being able to recruit new physicians. This has been a challenge for OCH given patient volume restraints and the preference of a physician to be part of a larger practice so they can share on-call requirements.
- Hospital staffing has been a challenge with high turnover in general, especially in the accounts receivable/collection department.
- Nurse staffing continues to be a challenge, especially full-time nurses.

Sources: Management reporting packages and Information provided by management.

Challenges – OCH (cont'd)

- Recent employed Orthopedic surgeon experience is a cautionary tale.
- With the continued shift from inpatient to outpatient settings for services and the increase in competing outpatient facilities, OCH will need to invest in additional outpatient facilities.
- OCH is still struggling to regain volumes at pre-COVID levels.
- OCH and Oktibbeha County will need to address growing behavioral health needs in the future.
- The OCH Senior management team is thin.
 - existing team works very hard.
 - Retired Chief Operating Officer was not replaced.
 - Chief Nursing Officer is working on an interim basis.
- Current Hospital information systems do not allow management to track the profitability of individual service lines, thereby making it more difficult to evaluate different service lines.
- Operating under the possibility of a sale or lease of OCH has been stressful for staff and physicians.
- OCH consistently receives an Overall Hospital Quality Star Rating of 2 Stars (out of 5) from CMS. This will become more important as quality of services becomes more of a determinant for reimbursement levels in the future.

Sources: Information provided by management Centers for Medicare & Medicaid Services, as of August 22, 2024.

Challenges – Industry/Market Specific

- Faster pace of change in volume shift from inpatient to outpatient services is expected.
- Trend of rising supply and drug costs is expected to continue.
- Costs of updated technologies and patient care initiatives are expected to continue to rise.
- Costs of, and protection from, cyber attacks is expected to grow.
- Growth in high deductible health plans will put more financial burden on the patient seeking services.
- Lack of scale to increase reimbursement with commercial payors with one dominant commercial payor in the market (Blue Cross Blue Shield of Mississippi).
- High dependence on governmental payors in a non-Medicaid expansion state.

Source: Publicly available information.

Summary Conclusion

- Does Oktibbeha County want to remain in the healthcare business?
- Does Oktibbeha County want to remain the capital partner for OCH?
- The ability of OCH to address the challenges enumerated in this Report (both those affecting all healthcare providers and those more specific to OCH's service area) will determine whether OCH can provide needed healthcare services in their facilities in the future.
- There will be additional capital needs associated with strategies to address the challenges identified.
- In order to ensure OCH has access to needed capital and the resources to expand services, they will need to find a strategic capital partner.
- This can best be accomplished by seeking a capital partner to acquire OCH assets along with a commitment to share resources, expand available services and fund current and future capital needs.
- At this time, it would be prudent for the Board of Supervisors to pursue a process that will identify potential acquirers and the terms and conditions to which they would commit.

Overview of Valuation Methodologies

This valuation analysis provides an indication of the Business Enterprise Value (“BEV”) of OCH as a “standalone” going concern, without consideration to a potential buyer.

- **Business Enterprise Value (“BEV”):** The financial value of an ongoing business enterprise based on its normalized financial performance and normalized levels of net working capital and facilities sufficient to support its future operations.
- There are three conventional approaches to establishing the BEV of a healthcare services company:
 - i. Comparable M&A Transactions Analysis,
 - ii. Comparable Public Companies Analysis and
 - iii. Discounted Cash Flow (“DCF”) Analysis.
- Raymond James analyzed valuation multiples for both: (i) comparable M&A transactions and (ii) comparable public companies, to form our view of the revenue and Operating EBITDA multiples reflected herein.
 - As part of this analysis, Raymond James analyzed different factors attributable to OCH to help inform Raymond James on appropriate valuation metric discounts applicable to OCH in Raymond James’ professional judgement.
 - For purposes of the OCH valuation, Raymond James has utilized: (i) annualized 6/30/2024 and (ii) Projected financials.
- The DCF Analysis uses forward-looking projections for OCH, approved by OCH management for FY2025 through FY2029.

Revenue and Operating EBITDA Used in Valuation

- The M&A transaction analysis and public companies analysis used in this valuation utilizes the annualized financial results for the nine months ending June 30, 2024, as shown in the income statement to the right.
- Operating Revenue for this period was \$77.05 million
- Operating EBITDA for this period was \$9.5 million, representing a margin of 12.3%.
- The Hospital's financial performance for this period was much improved relative to FY2022 and FY2023 when the Hospital produced an Operating EBITDA margin of -3.1% and 2.5%, respectively.
- This improved performance is due in large part to increased revenue resulting from increased MHAP payments.
- Given the uncertain nature of these payments, it is unclear how a buyer would approach these payments in their valuation of the Hospital.
- To account for the uncertainty related to future MHAP payments, Raymond James has two DCF scenarios informing the weighted average valuation of the Hospital.
 - The first, more aggressive scenario assumes the continuation of elevated supplemental MHAP payments in FY 2026-2029.
 - The second, more conservative scenario assumes no supplemental MHAP payments in FY 2026-2029.

	Ann. 9ME
(\$000s)	6/30/2024
Operating Revenue:	
Total Patient Service Revenue	\$ 190,554
Medicaid MHAP payment	20,096
Medicaid DSH payment	(49)
Other Adjustments	(135,640)
Total Adjustments	(115,593)
Net patient service revenues	74,961
Other revenues	2,084
Total Operating Revenues	\$ 77,045
Operating Expenses:	
Salaries and benefits	\$ 36,952
Supplies and drugs	14,686
Other operating expenses	15,908
Interest expense	187
Depreciation and amortization	3,855
Total Operating Expenses	\$ 71,590
Operating EBITDA	\$ 9,498
Operating EBITDA Margin (%)	12.3%

Comparable Public Companies Analysis

- While both OCH and public hospital companies are engaged in the healthcare services business, there is a significant disparity between them in terms of size, the geographic scope of operations, revenue risk concentration, profitability and liquidity.
- The public companies have the benefit of economies of scale, in addition to other internal synergies garnered by hospital companies of such a size.
- Additionally, OCH’s operations are much more concentrated in geography as compared to the public companies.
- Raymond James utilized publicly-traded Community Health Systems (CYH) as the sole publicly-traded comparable for OCH given the more rural nature of its Hospital assets relative to other publicly-traded providers.
- Based on the CYH enterprise value and financial results as of 6/30/2024, the median BEV/Revenue and BEV/EBITDA multiples were 0.95x and 9.9x, respectively.
- Raymond James applied a 40% discount to these medians and applied a 50%/50% weighting to Revenue and EBITDA Valuation.

Multiple of	Median Multiple	OCH Metric (\$)	x	Comparable Company Trading Multiples			=	Implied Enterprise Value			=	Weight
				Low (-10% Range)	Median (40% Discount)	High (+10% Range)		Low (-10% Range)	Median (40% Discount)	High (+10% Range)		
Public Comps Analysis												
OCH Annualized 6/30/24 Revenue	0.95x	\$ 77,045		0.51x	0.57x	0.63x		39,583	43,982	48,380		50.0%
OCH Annualized 6/30/24 Operating EBITDA	9.9x	\$ 9,498		5.4x	6.0x	6.6x		50,973	56,637	62,301		50.0%
												100.0%
				Weighted Average BEV			\$ 45,278	\$ 50,309	\$ 55,340			
				Implied Valuation Metrics								
				BEV/ Revenue			0.59x	0.65x	0.72x			
				BEV/ EBITDA			4.77x	5.30x	5.83x			

Comparable M&A Transaction Analysis

- Precedent transactions are chosen based on the industry/sector, time elapsed since transaction, size, structure, changes in the financial markets and industry conditions.
- For purposes of valuation, RJ developed a select list of 16 comparable transactions that only include those for which valuation data was available.
- The list includes select relevant transactions with disclosed values dating back to 2019 where the target hospital had less than \$300 million in revenue.
- The median BEV/Revenue and BEV/EBITDA multiples of these transactions were 0.59x and 7.1x, respectively.
- Raymond James applied a 30% discount to these medians and applied a 50%/50% weighting to Revenue and EBITDA Valuation.

Multiple of	Median Multiple	OCH Metric (\$)	x	Transaction Multiples			=	Implied Enterprise Value			Weight
				Low (-10% Range)	Median (30% Discount)	High (+10% Range)		Low (-10% Range)	Median (30% Discount)	High (+10% Range)	
M&A Analysis											
OCH Annualized 6/30/24 Revenue	0.59x	\$ 77,045		0.37x	0.42x	0.46x	\$ 28,848	\$ 32,054	\$ 35,259	50.0%	
OCH Annualized 6/30/24 Operating EBITDA	7.1x	\$ 9,498		4.5x	5.0x	5.5x	42,445	47,161	51,877	50.0%	
										100.0%	
Weighted Average BEV							\$ 35,647	\$ 39,607	\$ 43,568		
Implied Valuation Metrics											
BEV/ LTM Revenue							0.46x	0.51x	0.57x		
BEV/ LTM EBITDA							3.75x	4.17x	4.59x		

OCH Projection: Aggressive Scenario

The projection below assumes the Hospital continues to receive elevated levels of MHAP payments in FY 2026-2029.

(\$000s)	Annualized 9ME 6/30/2024	2025P	2026P	2027P	2028P	2029P
Operating Revenue:						
Total Patient Service Revenue	190,554	193,412	196,313	199,258	202,247	205,280
Medicaid MHAP payment	20,096	20,300	17,500	17,500	17,500	17,500
Other Adjustments	(135,689)	(137,724)	(139,790)	(141,887)	(144,015)	(146,175)
Total Adjustments	(115,593)	(117,424)	(122,290)	(124,387)	(126,515)	(128,675)
Net patient service revenues	\$ 74,961	\$ 75,988	\$ 74,023	\$ 74,871	\$ 75,732	\$ 76,605
Other revenues ⁽¹⁾	2,084	11,615	2,147	2,179	2,212	2,245
Total Operating Revenues	\$ 77,045	\$ 87,603	\$ 76,170	\$ 77,050	\$ 77,943	\$ 78,850
Operating Expenses:						
Salaries and benefits	\$ 36,952	\$ 37,507	\$ 38,069	\$ 38,640	\$ 39,220	\$ 39,808
Supplies and drugs	14,686	14,907	15,130	15,357	15,588	15,821
Other operating expenses	15,908	16,147	16,389	16,635	16,885	17,138
Interest expense	187	149	106	59	12	1
Depreciation and amortization	3,855	3,799	3,701	3,744	3,787	3,830
Total Operating Expenses	\$ 71,590	\$ 72,509	\$ 73,396	\$ 74,435	\$ 75,491	\$ 76,599
Operating Income (Loss)	\$ 5,455	\$ 15,094	\$ 2,775	\$ 2,615	\$ 2,452	\$ 2,251
<i>Operating Income (Loss) Margin (%)</i>	<i>7.1%</i>	<i>17.2%</i>	<i>3.6%</i>	<i>3.4%</i>	<i>3.1%</i>	<i>2.9%</i>
Operating EBITDA	\$ 9,498	\$ 19,043	\$ 6,581	\$ 6,418	\$ 6,251	\$ 6,083
<i>Operating EBITDA Margin (%)</i>	<i>12.3%</i>	<i>21.7%</i>	<i>8.6%</i>	<i>8.3%</i>	<i>8.0%</i>	<i>7.7%</i>

1) 2025P includes \$9.5 million of the Congressionally Directed Spending Grant.

Discounted Cash Flow Analysis: Aggressive Scenario

Free Cash Flows

	Projected FYE September 30,				
	2025	2026	2027	2028	2029
Operating EBITDA	\$ 19,043	\$ 6,581	\$ 6,418	\$ 6,251	\$ 6,083
Less: Depreciation and Amortization	3,799	3,701	3,744	3,787	3,830
Operating EBIT	15,243	2,880	2,674	2,465	2,252
Tax Rate ⁽¹⁾	0.0%	0.0%	0.0%	0.0%	0.0%
Less: Taxes	-	-	-	-	-
Tax-Effectuated EBIT	15,243	2,880	2,674	2,465	2,252
Plus: Depreciation and Amortization	3,799	3,701	3,744	3,787	3,830
Less: Capital Expenditures ⁽²⁾	(12,500)	(2,500)	(2,500)	(2,500)	(2,500)
Less: Net Change in Working Capital ⁽³⁾	3,277	472	(203)	(207)	(210)
Free Cash Flow	\$ 9,820	\$ 4,553	\$ 3,714	\$ 3,545	\$ 3,373

DCF Calculation

Discount Rate	Discounted Cash Flows (2025-2029)	+	PV of Terminal Value as a Multiple of 2029 Operating EBITDA			=	Business Enterprise Value		
			6.0x	7.0x	8.0x		6.0x	7.0x	8.0x
12.0%	\$ 19,208		\$ 20,708	\$ 24,160	\$ 27,611		\$ 39,916	\$ 43,367	\$ 46,819
13.0%	18,835		19,808	23,110	26,411		38,643	41,944	45,245
14.0%	18,475		18,955	22,114	25,273		37,429	40,588	43,747

1) Tax Rate assumed at 0% due to not-for-profit status.

2) CapEx based on budgeted and preliminary estimates from management.

3) Assumes Net Working Capital at 24% of Revenue based on average from 2020-2024.

OCH Projection: Conservative Scenario

The projection below assumes the Hospital MHAP payments decrease to \$10 million in FY 2026-2029.

(\$000s)	Annualized 9ME 6/30/2024	2025P	2026P	2027P	2028P	2029P
Operating Revenue:						
Total Patient Service Revenue	190,554	193,412	196,313	199,258	202,247	205,280
Medicaid MHAP payment	20,096	20,300	10,000	10,000	10,000	10,000
Other Adjustments	(135,689)	(137,724)	(139,790)	(141,887)	(144,015)	(146,175)
Total Adjustments	(115,593)	(117,424)	(129,790)	(131,887)	(134,015)	(136,175)
Net patient service revenues	\$ 74,961	\$ 75,988	\$ 66,523	\$ 67,371	\$ 68,232	\$ 69,105
Other revenues ⁽¹⁾	2,084	11,615	2,147	2,179	2,212	2,245
Total Operating Revenues	\$ 77,045	\$ 87,603	\$ 68,670	\$ 69,550	\$ 70,443	\$ 71,350
Operating Expenses:						
Salaries and benefits	\$ 36,952	\$ 37,507	\$ 38,069	\$ 38,640	\$ 39,220	\$ 39,808
Supplies and drugs	14,686	14,907	15,130	15,357	15,588	15,821
Other operating expenses	15,908	16,147	16,389	16,635	16,885	17,138
Interest expense	187	149	106	59	12	1
Depreciation and amortization	3,855	3,799	3,326	3,369	3,412	3,455
Total Operating Expenses	\$ 71,590	\$ 72,509	\$ 73,021	\$ 74,060	\$ 75,116	\$ 76,224
Operating Income (Loss)	\$ 5,455	\$ 15,094	\$ (4,350)	\$ (4,510)	\$ (4,673)	\$ (4,874)
<i>Operating Income (Loss) Margin (%)</i>	<i>7.1%</i>	<i>17.2%</i>	<i>-6.3%</i>	<i>-6.5%</i>	<i>-6.6%</i>	<i>-6.8%</i>
Operating EBITDA	\$ 9,498	\$ 19,043	\$ (919)	\$ (1,082)	\$ (1,249)	\$ (1,417)
<i>Operating EBITDA Margin (%)</i>	<i>12.3%</i>	<i>21.7%</i>	<i>-1.3%</i>	<i>-1.6%</i>	<i>-1.8%</i>	<i>-2.0%</i>

1) 2025P includes \$9.5 million of the Congressionally Directed Spending Grant.

Discounted Cash Flow Analysis: Conservative Scenario

Free Cash Flows

	Projected FYE September 30,				
	2025	2026	2027	2028	2029
Operating EBITDA	\$ 19,043	\$ (919)	\$ (1,082)	\$ (1,249)	\$ (1,417)
Less: Depreciation and Amortization	3,799	3,326	3,369	3,412	3,455
Operating EBIT	15,243	(4,245)	(4,451)	(4,660)	(4,873)
Tax Rate ⁽¹⁾	0.0%	0.0%	0.0%	0.0%	0.0%
Less: Taxes	-	-	-	-	-
Tax-Effectuated EBIT	15,243	(4,245)	(4,451)	(4,660)	(4,873)
Plus: Depreciation and Amortization	3,799	3,326	3,369	3,412	3,455
Less: Capital Expenditures ⁽²⁾	(12,500)	(2,500)	(2,500)	(2,500)	(2,500)
Less: Net Change in Working Capital ⁽³⁾	3,277	2,272	(203)	(207)	(210)
Free Cash Flow	\$ 9,820	\$ (1,147)	\$ (3,786)	\$ (3,955)	\$ (4,127)

DCF Calculation

Discount Rate	Discounted Cash Flows (2025-2029)	+	PV of Terminal Value as a Multiple of 2029 Operating EBITDA			=	Business Enterprise Value		
			6.0x	7.0x	8.0x		6.0x	7.0x	8.0x
12.0%	\$ 303		\$ (4,826)	\$ (5,630)	\$ (6,434)		\$ (4,523)	\$ (5,327)	\$ (6,131)
13.0%	502		(4,616)	(5,385)	(6,155)		(4,114)	(4,883)	(5,653)
14.0%	691		(4,417)	(5,153)	(5,889)		(3,726)	(4,463)	(5,199)

1) Tax Rate assumed at 0% due to not-for-profit status.

2) CapEx based on budgeted and preliminary estimates from management.

3) Assumes Net Working Capital at 24% of Revenue based on average from 2020-2024.

OCH BEV Ranges

The BEV ranges based on the methodologies described on the prior slides is outlined in the table below. Raymond James has determined the OCH BEV to be in the range of \$31.8 to \$39.0 million.

- OCH's revenue and profitability (and implied valuation) is vulnerable to cuts in MHAP payments and Medicare reimbursement as well as ongoing labor challenges and other industry dynamics.
- The MHAP assumptions in the aggressive and conservative projections are estimates based on management guidance. Given the high level of uncertainty related to these payments, it is possible that future MHAP payments will be materially different from the estimates in the projections.
- Any changes to the MHAP payments in the future will have a material impact on OCH's financial performance which in turn would impact the valuation of the Hospital.

Valuation Summary Detail with Weighting Sensitivities				
Valuation Methodology (\$000s)	Low	Midpoint	High	Weight
Comparable Publicly Traded Companies	\$ 45,278	\$ 50,309	\$ 55,340	30.0%
Comparable Company M&A Transactions	35,647	39,607	43,568	30.0%
Discounted Cash Flow Analysis: Aggressive Scenario	37,429	41,944	46,819	20.0%
Discounted Cash Flow Analysis: Conservative Scenario	-	-	-	20.0%
Weighted Average Business Enterprise Value ("BEV")	\$ 31,763	\$ 35,364	\$ 39,036	100.0%
Implied Valuation Metrics				
BEV/ Revenue	0.41x	0.46x	0.51x	
BEV/ EBITDA	3.34x	3.72x	4.11x	

Appendix A

DETAILED COMPARABLE COMPANIES AND M&A TRANSACTIONS ANALYSES

Comparable Companies Analysis

Company	Ticker	Share Price		Market		Enterprise Value ⁽³⁾	LTM EBITDA Margin ⁽²⁾	EV / Revenue	EV / EBITDA	
		6/30/2024		Cap				LTM ⁽¹⁾	LTM ⁽¹⁾	
Rural										
Community Health Systems, Inc.	CYH	\$	3.36	\$	445	\$	11,937	9.6%	0.95x	9.9x
Rural Median							9.6%	0.95x	9.9x	
Urban										
HCA Holdings, Inc.	HCA	\$	321.28	\$	84,148	\$	124,110	18.2%	1.82x	10.0x
Tenet Healthcare Corp.	THC		133.03		14,334		28,719	18.8%	1.37x	7.3x
Universal Health Services Inc.	UHS		184.93		12,377		16,793	13.3%	1.12x	8.4x
Urban Median							18.2%	1.37x	8.4x	
Summary Median							15.8%	1.25x	9.2x	

(1) LTM: Latest Twelve Months 6/30/2024.

(2) EBITDA is net of non-controlling interest except for THC.

(3) Enterprise Value includes Capital Leases. Enterprise Value is net of non-controlling interest except for THC.

Source: Publicly available information.

Comparable M&A Transactions

The cohort of comparable M&A transactions included transactions where the target hospital revenue was less than \$300m.

Announced	Target	Description	Acquirer	Transaction	Last Twelve Months		Transaction Multiples		
				Value (\$MM)	Revenue (\$MM)	EBITDA Margin	Revenue	EBITDA	\$/Bed
04/18/24	Tennova Healthcare - Cleveland (Tenn.) (CHS)	TN-based 351 bed hospital	Vitruvian Health (FKA Hamilton Health Care System)	\$ 160	\$ 163	22.8%	0.98x	4.29x	\$ 455,840
12/19/23	Milford Regional Medical Center (Merger)	MA-based hospitals	UMass Memorial Health	60.0	257	-0.4%	0.23x	NM	53,860
10/10/23	Alvarado Hospital Medical Center (Prime)	CA-based 302 bed hospital	UC San Diego Health	200.0	130	NA	1.54x	NA	662,252
07/25/23	Bravera Health Brooksville, Seven Rivers and Spring Hill (CHS)	FL-based 372 bed portfolio	Tampa General Health	294.0	251	11.1%	1.17x	10.56x	790,323
04/19/23	Ascension Providence Hospital (Mobile)	AL-based 349 bed hospital	University of South Alabama	85.0	247	-4.1%	0.34x	NM	243,553
01/23/23	Plateau Medical Center / Oak Hill Clinic (CHS)	WV-based 25 bed hospital	Vandalia Health System (CAMC)	92.0	46	NM	2.00x	4.97x	3,680,000
01/02/23	Greenbrier Valley Medical Center (CHS)	WV-based 122 bed hospital	Charleston Area Medical Center (Vandalia Health)	85.0	63	8.1%	1.35x	16.54x	696,721
04/01/21	NorthCrest Health	TN-based 109 bed hospital	HCA Healthcare	15.0	61	-2.7%	0.25x	NM	137,615
01/06/21	Holy Family Memorial Hospital (80% interest)	WI-based 167 bed hospital	Froedtert Health	29.9	83	-21.9%	0.36x	NM	179,042
11/06/20	Three Rivers Health	MI-based 60 bed hospital	Beacon Health	20.0	62	-5.0%	0.33x	NM	333,333
08/05/20	Petaluma Valley Hospital	CA-based 80 bed hospital	NorCal HealthConnect (Providence St. Joseph)	52.6	94	17.4%	0.56x	3.23x	657,500
06/25/20	Bayfront Health St. Petersburg (CHS)	FL-based 480 bed hospital	Orlando Health	86.3	273	6.3%	0.32x	5.04x	179,750
01/29/20	Wyoming Medical Center	WY-based system with a combined 217 beds	Banner Health	220.0	261	7.9%	0.84x	10.62x	1,013,825
01/10/20	BroMenn Medical Center and Advocate Eureka Hospital (Advocate Aurora)	IL-based hospitals with a combined 194	Carle	190.0	193	8.5%	0.99x	9.15x	979,381
10/01/19	Meadows Regional Medical Center	GA-based 87 bed hospital	HCA Healthcare	73.0	145	-1.7%	0.50x	NM	839,080
08/27/19	Massena Memorial Hospital	NY-based 25 bed hospital	St. Lawrence Health System	28.0	45	-28.5%	0.63x	NM	1,120,000
Median				\$ 85.00	\$ 137.75	2.9%	0.59x	7.09x	\$ 659,876
Mean				\$ 105.67	\$ 148.34	1.3%	0.77x	8.05x	\$ 751,380

Source: Raymond James database and publicly available information.