

17) *Provide the Fair Market Evaluation of CCF's reportable assets in determining that a Hart-Scott-Rodino filing was not required. Explain why such a filing was not required in greater detail than was provided in Tab 6(A).*

Please see attached letter dated March 8, 2019, from Bob Beehler, M&A Executive, Adventist Health, to Bill Noble of CCF.



March 8, 2019

Delano Regional Medical Center
881 Alma Real Dr., Suite 301
Pacific Palisades, CA 90272
Attention: Bill Noble

Re: Response to Request from California Attorney General ("AG") Regarding HSR Filing Determination in Delano's Notice of the Affiliation to the AG

Dear Mr. Noble:

Reference is made to the Affiliation Agreement dated as of January 4, 2019 (the "**Affiliation Agreement**"), by and between Adventist Health System/West, d.b.a. Adventist Health, a California nonprofit religious corporation ("**Adventist Health**") and Central California Foundation for Health, a California nonprofit public benefit corporation, d.b.a. Delano Regional Medical Center ("**Delano**").

Pursuant to an Affiliation Agreement, Adventist Health will become the sole corporate member of Delano with all governance and economic control over Delano. As a result, for HSR purposes, Adventist Health is deemed to be making an acquisition of all of the assets of Delano. (See 16 C.F.R. §801.2(f)(3) ("[a]ny person who acquires control of an existing not-for-profit corporation which has no outstanding voting securities is deemed to be acquiring all of the assets of that corporation."))

Because there is no purchase price for the acquisition, the HSR size-of-transaction is based on the fair market value of the assets to be acquired. (See 16 C.F.R. §801.10(b).) Fair market value, in turn, must be determined "in good faith by the board of directors of the ultimate parent entity included within the acquiring person, or, if unincorporated, by officials exercising similar functions; or by an entity delegated that function by such board or officials." (See 16 C.F.R. §801.10 (c)(3).)

In this instance, the Board of Directors of Adventist Health authorized Jeremy Lemos, Manager, Market Development, Mergers and Acquisitions for Adventist Health to determine the fair market value of Delano's assets. Mr. Lemos reviewed a series of comparable commercial transactions, focusing on both the average and median revenue multipliers for such transactions. He arrived at a fair market value range of between \$54.7 million and \$77.2 million for the assets of Delano, which is below the minimum HSR size-of-transaction threshold of \$84.4 million. As a result, Mr. Lemos concluded that the fair market value of the Delano assets was below the minimum HSR threshold, and on this basis, Adventist Health determined in good faith that an HSR filing was not required.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Bob Beehler', written over a horizontal line.

By: Bob Beehler
Title: M&A Executive