



# The Future of Healthcare

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Shareholder/Analyst Meeting February 2014



# Forward Looking Statements

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The information in this presentation includes certain forward-looking statements that are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties, including statements to the future financial performance of the Company. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations or any of its forward-looking statements will prove to be correct. Factors that could cause results to differ include, but are not limited to, successful execution of growth strategies, product development and acceptance, the impact of competitive services and pricing, general economic conditions, and other risks and uncertainties described in the Company's periodic filings with Securities and Exchange Commission.



## Key Statistics

### UGHS Company Snapshot

Employees	1,300+
Physicians	800+
Market Cap (01/31/14)	~ \$120mm
Diluted Wtd Ave Shares Outstanding (12/31/13)	~397mm
Shares in the Float (12/31/13)	~70mm
Total Revenues (YTD - 3 Q 2013)	~\$128mm
Growth Rate 2011 to 2013 (YTD - Q 3)	~136%

- ~ 30% of shares held by management or affiliates



# Three Integrated Segments of UGHS

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- **Hospital**
- **Senior Living**
- **Support Services**





# Core Business Philosophy

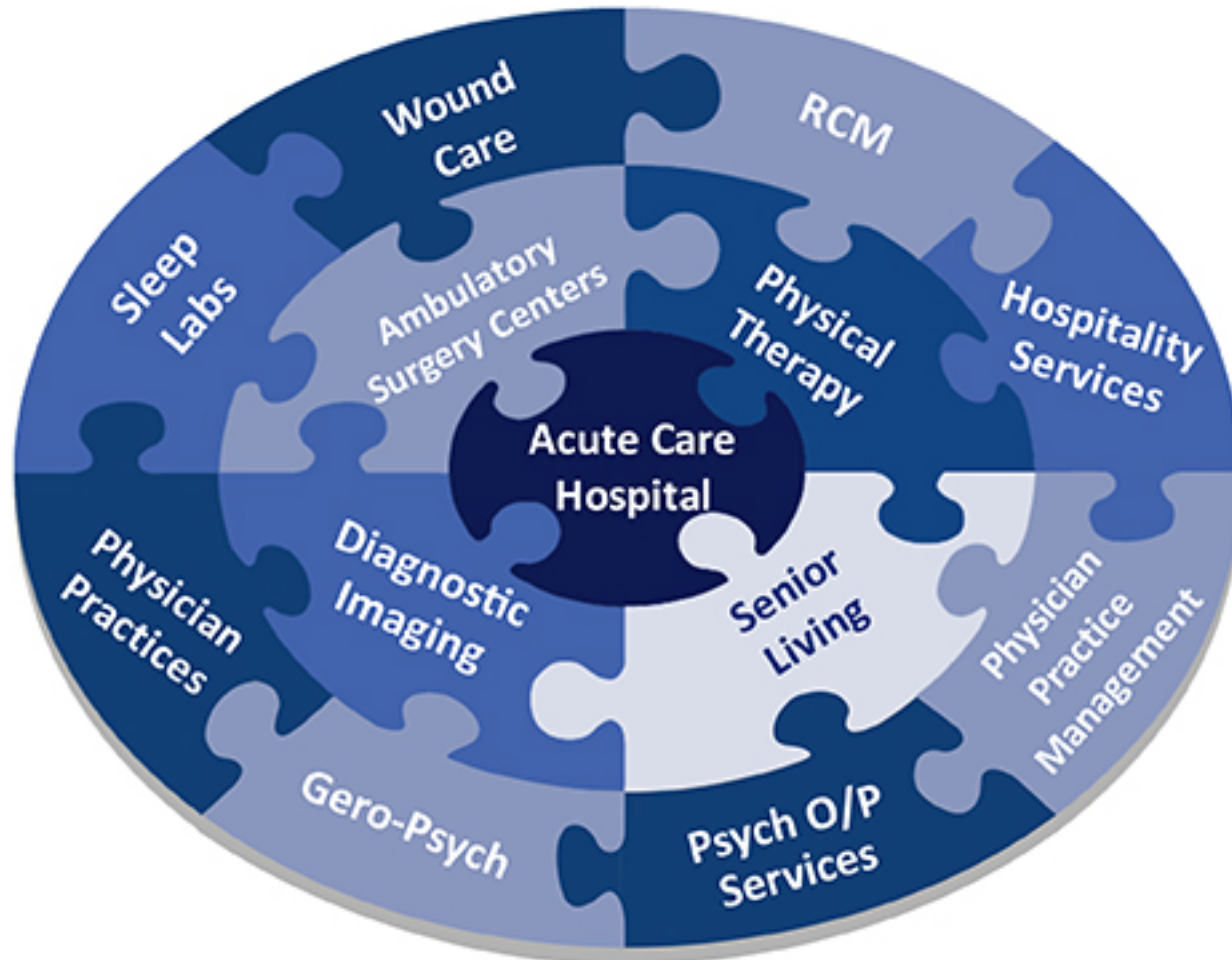


- ✓ General Acute Care Hospital
- ✓ Size – 50 to 150 Beds
- ✓ Physician-Centric
- ✓ Efficient/Lean Management

- ✓ Lower Capital Cost/Bed
- ✓ Higher Historical Occupancy than Competition at Mature Facilities



# Creating the UGHS Eco-System





**Hassan Chahadeh, M.D**  
*Chief Executive Officer*

Dr. Hassan Chahadeh received his medical degree at Damascus University in Syria. He studied general surgery and anesthesiology at Baylor College of Medicine in Houston. In addition to the general residencies, Dr. Chahadeh also achieved certifications in advanced microsurgery and cardiovascular anesthesia. Upon completion of his residencies, he pursued a fellowship in Pain Management at the University of Texas MD Anderson Cancer Center in Houston. He is Board Certified in anesthesiology with added qualifications in pain management.

*Physician Centricity – the Heart of University General*



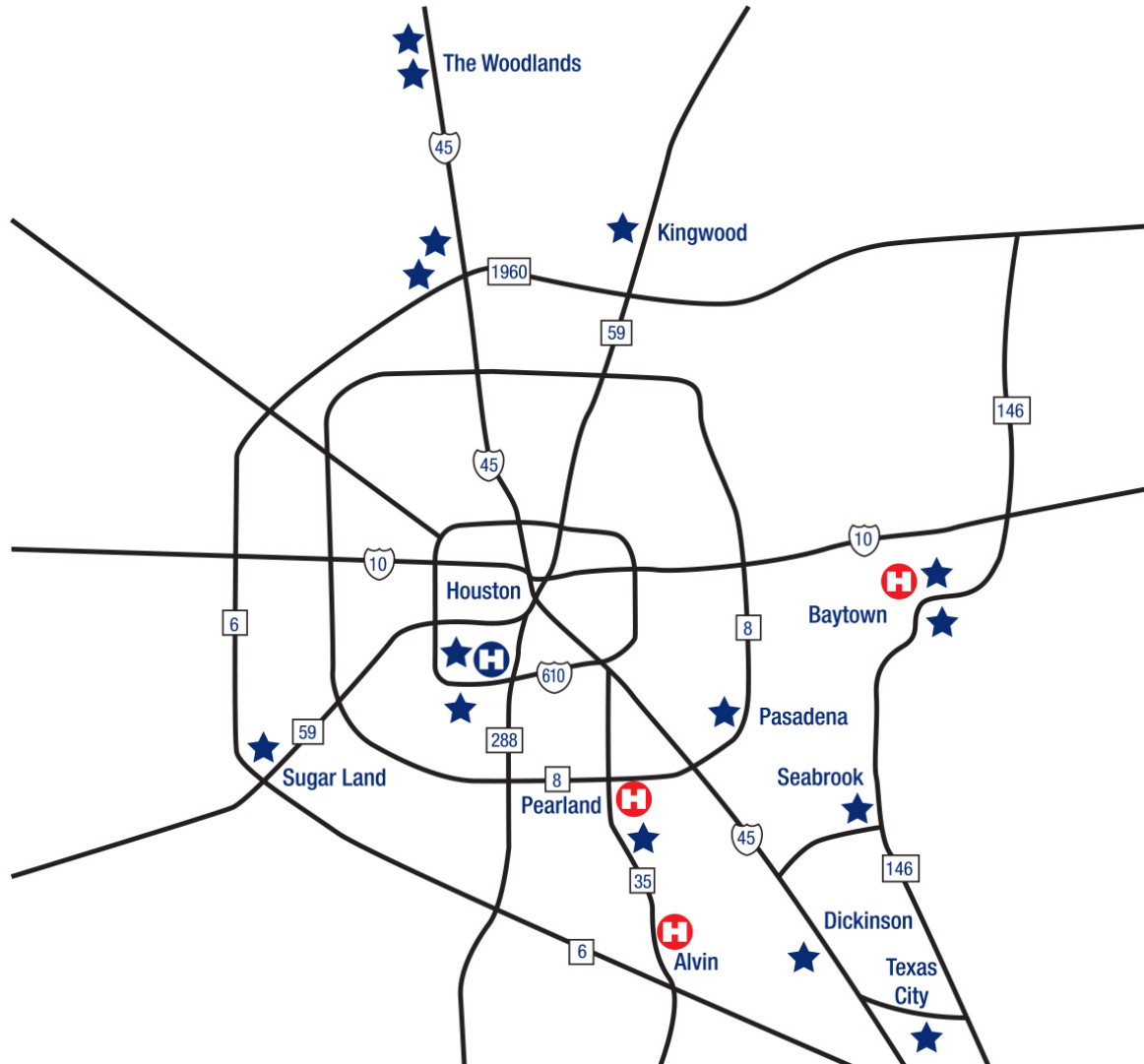
**Harmonee Vice**

*Chief Operating Officer*

Harmonee Vice serves as the Chief Operating Officer of University General Health System. In this role Ms. Vice coordinates the overall business operations. Ms. Vice is responsible for helping all facilities meet their strategic goals, implementing new service lines, strengthening the internal accountability systems, overseeing effective management and fiscal viability of all facilities' departments. She has hands on experience in recruitment of physicians and professional staff focusing on high quality healthcare and service excellence. Ms. Vice has been responsible for numerous departments including Human Resources, Risk Management, Quality, Marketing, Physician Relations, Laboratory and Imaging. She has over 15 years healthcare experience and has held a variety of positions within the HCA and HPA healthcare systems.



# Houston Regional Healthcare System





# Houston Regional System

Opened Date: 2006

Bed Size: 69 Beds

Net Revenues YTD 3Q 2013: ~97 mm

EBITDA YTD 3Q 2013: ~ \$25.1 mm

Occupancy YTD 3Q 2013: ~ 65%

Year-over-Year Revenue Growth Rate: 26%





# Dallas Regional Healthcare System







# Dallas Regional System

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Acquisition Date: December 2012

Bed Size: 111 Beds (current beds available ~70)

Net Revenues YTD 3Q 2013: ~\$16mm

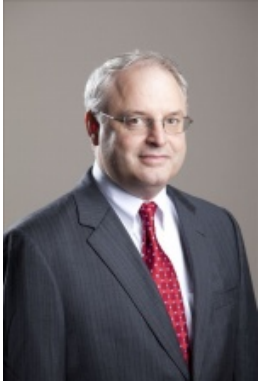
EBITDA YTD 3Q 2013: ~ <\$3.3mm>

Occupancy YTD 3Q 2013: ~ 21%

Investment YTD 3Q 2013: \$7mm







**Edward T. Laborde, Jr.**  
*General Counsel*

Mr. Laborde is an experienced corporate, securities and finance attorney working in a variety of industries, including the development of health care facilities. He joined UGHS in January 2011 after 18 years of private practice in Houston-based law firms. From 2004 to 2011, Mr. Laborde was a Shareholder in the Corporate Securities and Finance Practice Group of the Houston office of Winstead PC. From 1993 to 2004, he was a lawyer in the Corporate Securities Practice Group of Houston based Chamberlain Hrdlicka and was made a Shareholder of Chamberlain Hrdlicka in January 2000. His experience includes acting as outside counsel to the developers of University General Hospital, a 72 bed general acute care hospital in the Texas Medical Center area of Houston, Texas, and other healthcare and health care real estate development projects on a national scale. Areas under Mr. Laborde's oversight and supervision in his health care practice have included real estate development and construction, leasing and lease financing, physician syndication and private placements, vendor and payor contracting, bank and lease financings, tax planning, government relations, and administrative proceedings. Prior to attending law school, Mr. Laborde was a corporate insurance broker representing Fortune 500 corporations in the placement of multi-layered property and casualty insurance programs. Mr. Laborde received his law degree from Tulane Law School and his undergraduate degree from Georgetown University.



# Publicly Traded Securities Exemption

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- “Grandfathering” under the ACA – UGH Houston
- “PTS Exemption” – Ownership in a publicly traded corporation that had, at the end of the corporation’s most recent fiscal year, or on average during the previous 3 fiscal years, stockholder equity exceeding \$75,000,000.
- “Other Physician Relationships”
  - Ownership in Real Estate
  - Medical Directorships
  - Management Services
  - Poli-Clinic
  - Referral Network
  - Acquisition of practices/ancillary businesses



**Michael L. Griffin**

*Chief Financial Officer*

With over twenty-five years' experience in the healthcare industry, Mr. Griffin brings to UGHS a diverse background in healthcare finance, capital markets, operations and development. His experience as an auditor with Peat Marwick and CFO for multiple hospital systems has provided him with a unique understanding of the healthcare industry. In addition as Chief Financial Officer for Simmons Healthcare his role led him to such places as Australia to oversee development of medical facilities. Mike is responsible for Financial Reporting, Capital Financing, Budgeting, Patient Revenue Cycle and Billing, Facility Construction and Development, and Forecasting for New Ancillary Services.



# Highlights of YTD Q3 2013

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## Financial Information:

- Total Revenues increased 51% to \$127.2mm versus \$84.2mm in 2012
- Net Patient Revenues increased 48% to \$111mm
- Senior Living Segment revenue at \$5.9 mm and \$1.5mm EBITDA
- Support Services increased to \$5.0mm representing 300% growth
- Other Revenues increased to \$5.7mm
- Total Shareholder Equity improved by \$6.1mm to \$16.8mm



# Highlights of YTD Q3 2013

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## Utilization:

- Occupancy/Utilization in Houston continues to rise
- Dallas Occupancy/Utilization is increasing monthly
- Dallas Surgical volumes are our leading indicator of growth
- Gero-Psych has had a warm reception
- Medicare/Medicaid – stable at 30% vs. 29% in 2012
- Commercial Payors – stable at 65.5% vs. 65.1% in 2012



## Overall Challenges YTD Q3 2013

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- Conversion from MS4 to HMS for EMR
- Acquisition Integration – HOPD/Revenue Cycle
- Audit/Legal Fees/Change of Auditors
- Development Costs to acquire expansion facilities
- Non-cash retention and recruitment
- Marketing Initiatives
- Changes in out-of-network reimbursement
- Dallas' growth has been slower than anticipated
- Significantly enhanced financial staff to address timeliness of accounting filings



## Investments in 2013 Q3 YTD:

- **Marketing Initiatives: ~ \$10 mm**
  - Bariatric Expansion
  - Spine Initiatives
  - Pain Management
  - Migraine Strategies
- **Management and other Development Services ~ \$6 mm**
  - Physician Management Services
  - Dallas Development and Re-organization
  - Recruitment and Retention
  - Negotiation of Expansion in Baytown, Alvin and Pearland
  - Audit and Legal Fees
- **Estimated Reduction in Costs (elimination of one time expenses) – 2014: ~ \$9 mm**



## Deconstructing our EBITDA

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**UGH Houston**

**\$ 25.1 mm**

Expansion/Marketing Initiatives <\$ 6.4 mm> \*

Employee Stock Grant <\$ 3.6 mm> \*

Audit/Legal <\$ 3.5 mm> \*

UGH Dallas <\$ 3.3 mm> \*

Senior Living \$ 1.5 mm

Support Services \$ .9 mm

**Total**

**\$ 10.7 mm**

- Changes in 2014 – Cost Reduction of \$9 mm





## **Donald W. Sapaugh**

*President*

Mr. Sapaugh has in excess of 30 years of healthcare experience, and recently was the Founder, President and Chief Executive Officer of TrinityCare Senior Living, established in January 2000. Prior to TrinityCare, Mr. Sapaugh, from 1978 until 1986 served in various financial management positions and as a Chief Financial Officer in five different general acute care and psychiatric hospitals. From 1986 to May 1996 Mr. Sapaugh served as the Chief Executive Officer of Rapha Treatment Centers, of one of the largest specialty psychiatric management companies in the United States, which had management contracts with 49 hospitals in 18 states. In 1996, he founded PremierCare, a company devoted to seniors to avoid costly inpatient hospitalization, and partnered with over ten hospitals in six states. Mr. Sapaugh has an extensive background in development, acquisitions, and mergers. He also has public company experience where he served as Chairman and Chief Executive Officer, as well as a consultant and board member to many public companies.



## Positive News YTD Q3 2013

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- Great revenue growth
- Cash Flow > \$9 mm from Operations
- Continued Growth in Houston area
- Made Acquisitions of core growth in Dallas
- Expansion of Financial Staff
- Elimination of non-cash items (retention and derivatives)
- Foundation for new contracts with out-of-network providers
- Dallas constantly improving
- Development of new division – Behavioral Health
- Management Services and expansion in Dallas and Houston

**Capitalizing on our 2013 Experiences**

**Focused On GROWTH**



# Development – UGH Baytown

Real Estate Value Contribution: \$7.0 mm (net)

Real Estate Ownership: 50%

Equity Investment – Real Estate: \$3.5 mm

Operations Ownership: 100% UGHS

Operations Investment: \$5 mm

Target Opening Date: Q1 2015

Bed Size: 48 Beds





# Development – UGH Alvin

Real Estate Value Contribution: \$3.0 mm

Real Estate Ownership: 70%

Equity Investment – Real Estate: \$1.5 mm

Operations Ownership: 100% UGHS

Operations Investment: \$3.5 mm

Target Opening Date: Q2 2015

Bed Size: 10 to 14 Beds (ER Hospital)





# Development – UGH Pearland

Real Estate Value Contribution: \$5.0 mm

Real Estate Ownership: 30%

Equity Investment – Real Estate: \$0 mm

Operations Ownership: 100% UGHS

Operations Investment: \$7.5 mm

Target Opening Date: Q3 2015

Bed Size: 50 Beds



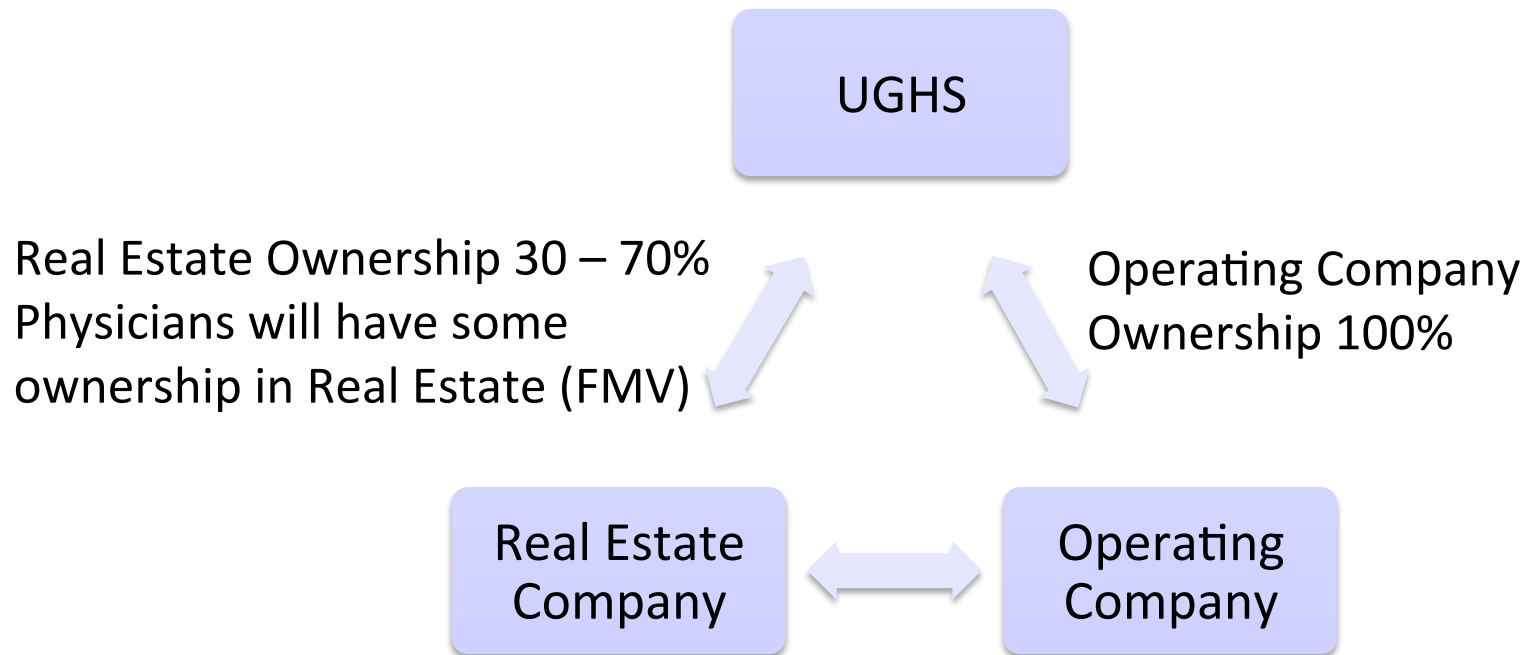
Kaim Associates, Inc.  
Architecture • Project Management

Tract A Conceptual Land Plan  
Exhibit 2  
Pearland, TX

Scale: N.T.S.  
March 2012



# Structure of New Hospitals



Operating Company Leases from Real Estate Company





# Long Term Value of Expansion

Real Estate Value Contribution: \$15.0 mm

Real Estate Ownership: ~ 45%

Equity Investment – Real Estate: \$5 mm

Operations Ownership: 100% UGHS

Operations Investment: \$16 mm

Total Additional Beds: 112

Target Opening Dates: 2015

Mature Potential Revenues/Year: > \$170 mm

Mature Potential EBITDA/Year: > \$40 mm





# Senior Living and Support Services

- **Senior Living (2013):**

- ~ \$40 mm in Assets
- ~ \$24 mm in Liabilities
- ~ \$2.0 mm in annual EBITDA
- Opportunities in 2014 for growth



- **Support Services (2013):**

- ~ \$1.0 mm in annual EBITDA
- ~ 300% growth rate in revenues
- Opportunities in 2014 for growth

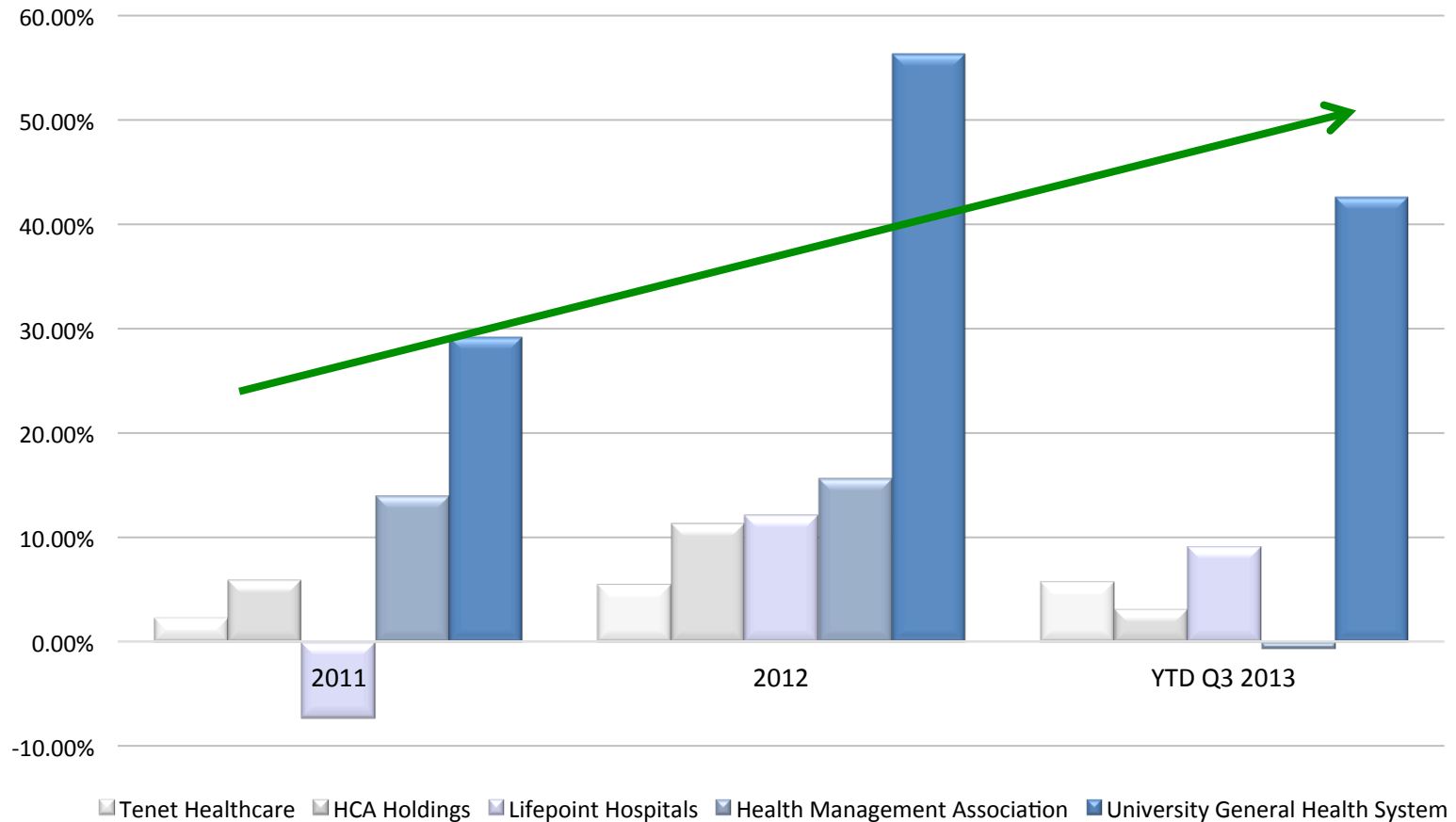






# Annual Revenue Growth Rate

## UGHS Growth **Exceeds** the industry, U.S. and DJIA



\* Source from Bloomberg Terminal (Jan, 2014) & University General Health System, Inc.