



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPOCH ACQUISITION, INC. AND SUBSIDIARIES

December 31, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
Epoch Acquisition, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Epoch Acquisition, Inc. and Subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholder’s equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Epoch Acquisition, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

The Epoch Acquisition, Inc. consolidating statements for the year ended December 31, 2020 on pages 31-38 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Epoch Acquisition, Inc. consolidating statements for the year ended December 31, 2020 on pages 31-38 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Epoch Acquisition, Inc. and Subsidiaries consolidated statements of operations by segment for the years ended December 31, 2020 on pages 39-44 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mess Adams LLP

Albuquerque, New Mexico
May 13, 2021

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS

	December 31,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 80,281,639	\$ 15,436,514
Patient accounts receivable	57,482,941	49,143,994
Inventories	2,279,688	1,962,617
Prepaid expenses	5,977,199	3,226,466
Related party receivable	8,629,049	6,761,836
Other current assets (Note 5)	10,683,620	12,093,136
Total current assets	165,334,136	88,624,563
 PROPERTY AND EQUIPMENT, net (Note 6)	 33,094,160	 69,668,251
 GOODWILL	 248,847,186	 244,876,015
 OTHER ASSETS		
Other identifiable intangibles, net	8,946,344	9,921,499
Investment in unconsolidated affiliates	23,566,309	23,468,507
Other noncurrent assets (Note 8)	6,137,140	5,683,012
	\$ 485,925,275	\$ 442,241,847

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets (continued)

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,	
	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 11,363,869	\$ 9,548,483
Estimated third-party settlements	2,783,409	3,465,060
Accrued compensation	26,768,005	20,983,840
Current portion of capital leases	3,189,895	1,458,631
Current portion of long-term debt	1,806,147	1,590,247
Revolver	49,282	7,460,651
Accrued interest	68,989	1,430,799
Contract liability - CMS advances (Note 2)	69,592,019	-
Refundable advance - COVID-19 grants (Note 2)	10,783,483	-
Other current liabilities (Note 9)	18,381,593	11,324,480
	144,786,691	57,262,191
LONG-TERM LIABILITIES		
Capital leases, net of current portion (Note 11)	4,097,062	624,837
Long-term debt, net (Note 11)	130,796,337	245,282,051
Deferred gain (Note 16)	57,748,555	-
Other noncurrent liabilities (Note 12)	19,825,514	11,811,833
	357,254,159	314,980,912
Commitments and Contingencies (Note 16)		
STOCKHOLDER'S EQUITY		
Common stock, \$0.01 par value; 100 shares authorized, issued, and outstanding	1	1
Additional paid-in capital	114,999,999	114,999,999
Accumulated deficit	(11,918,195)	(12,402,380)
Noncontrolling interest	25,589,311	24,663,315
	128,671,116	127,260,935
	\$ 485,925,275	\$ 442,241,847

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Operations

	Years Ended December 31,	
	2020	2019
OPERATING REVENUE		
Net patient service revenue (Note 13)	\$ 395,280,391	\$ 386,263,990
COVID-19 grant income and refundable advance	13,145,599	-
Other operating revenue (Note 2)	1,036,877	1,290,096
Total operating revenue	409,462,867	387,554,086
OPERATING EXPENSES		
Salaries and benefits	223,079,216	211,031,782
Rent expense	39,500,473	37,213,316
Depreciation and amortization	11,950,831	14,243,338
Taxes (gross receipts, property, and other)	7,462,335	7,121,960
Other operating expense	97,119,509	92,036,891
Total operating expenses	379,112,364	361,647,287
INCOME FROM OPERATIONS	30,350,503	25,906,799
NONOPERATING (INCOME) EXPENSES		
Interest income	(203,282)	(274,183)
Interest expense	24,731,893	26,139,449
Equity in earnings of unconsolidated affiliates	(4,753,802)	(117,652)
Transaction costs	534,097	522,948
Other nonoperating income and expense	(13,687)	(28,808)
Total nonoperating expense, net	20,295,219	26,241,754
Net income (loss) before income tax expense	10,055,284	(334,955)
Income tax expense	4,684,097	126,841
Net income (loss) before noncontrolling interest	5,371,187	(461,796)
Net income attributable to noncontrolling interest	4,887,002	4,986,166
Net income (loss) attributable to controlling interest	\$ 484,185	\$ (5,447,962)

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries

Consolidated Statements of Stockholder's Equity

	Common Stock		Controlling Interest			Noncontrolling Interest	Total
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit			
BALANCE, December 31, 2018	100	\$ 1	\$ 104,999,999	\$ (6,954,418)	\$ 24,681,805	\$ 122,727,387	
Contribution of interest in unconsolidated affiliate (Note 7)	-	-	10,000,000	-	-	10,000,000	
Allocation of net loss to controlling interest	-	-	-	(5,447,962)	-	(5,447,962)	
Allocation of net income to noncontrolling interest	-	-	-	-	4,986,166	4,986,166	
Distributions paid to noncontrolling interest	-	-	-	-	(5,004,656)	(5,004,656)	
BALANCE, December 31, 2019	100	1	114,999,999	(12,402,380)	24,663,315	127,260,935	
Allocation of net income to controlling interest	-	-	-	484,185	-	484,185	
Allocation of net income to noncontrolling interest	-	-	-	-	4,887,002	4,887,002	
Distributions paid to noncontrolling interest	-	-	-	-	(3,961,006)	(3,961,006)	
BALANCE, December 31, 2020	<u>100</u>	<u>\$ 1</u>	<u>\$ 114,999,999</u>	<u>\$ (11,918,195)</u>	<u>\$ 25,589,311</u>	<u>\$ 128,671,116</u>	

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before noncontrolling interest	\$ 5,371,187	\$ (461,796)
Adjustments to reconcile net loss attributable to controlling interest to net cash provided by operating activities		
Depreciation and amortization expense	11,950,831	14,243,338
Loss on disposal of property and equipment	35,310	-
Amortization of deferred financing costs	1,024,717	939,050
Equity in earnings of unconsolidated affiliates	(4,753,802)	(117,652)
Donated equipment received	-	(477,625)
Changes in assets and liabilities:		
Patient accounts receivable	(6,485,792)	(4,341,830)
Inventories	(251,370)	(17,081)
Prepaid expenses	(2,736,144)	(1,091,743)
Related party receivable	(787,713)	(6,761,836)
Other assets	955,388	(4,444,253)
Accounts payable	1,600,494	974,547
Estimated third-party settlements	(681,651)	(439,977)
Accrued compensation	5,477,688	769,327
Accrued interest	(1,361,810)	(483,811)
Contract liability - CMS advances	69,592,019	-
Refundable advance - COVID-19 grants	10,783,483	-
Other liabilities	12,397,320	6,197,447
Net cash provided by operating activities	<u>102,130,155</u>	<u>4,486,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale-leaseback transaction, net of transaction fees	96,765,248	-
Purchase of property and equipment	(4,565,179)	(3,420,201)
Acquisition of business, net of cash acquired	(3,371,896)	(385,562)
Purchase of investment interests in unconsolidated affiliates	-	(15,000,000)
Distributions received from unconsolidated affiliates	4,656,000	2,306,560
Net cash provided by (used in) investing activities	<u>93,484,173</u>	<u>(16,499,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(116,630,012)	(1,578,043)
Financing fees incurred	-	(897,091)
Proceeds from issuance of notes payable	255,981	15,000,000
Advances from revolver	13,939,070	38,310,651
Payments on revolver	(21,350,439)	(39,050,000)
Principal payments on capital leases	(3,022,797)	(2,479,934)
Distributions to noncontrolling interest	(3,961,006)	(5,004,656)
Net cash (used in) provided by financing activities	<u>(130,769,203)</u>	<u>4,300,927</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,845,125	(7,712,171)
CASH AND CASH EQUIVALENTS, beginning of period	15,436,514	23,148,685
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 80,281,639</u>	<u>\$ 15,436,514</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	\$ 24,044,269	\$ 25,684,210
Income taxes paid	\$ 4,550	\$ 16,200
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY		
Donated equipment received	\$ -	\$ 477,625
Equipment acquired under capital lease	\$ 8,226,286	\$ 542,477
Contribution of interest in unconsolidated affiliate (Note 7)	\$ -	\$ 10,000,000

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Description of Business

Epoch Acquisition, Inc. and Subsidiaries (the Company or Epoch) was incorporated on May 8, 2018, pursuant to a Recapitalization Agreement (Recap), entered into by Epoch, Ernest Health Holdings, LLC (EHH) and MPT Aztec Opco, LLC (MPT). The Recap agreement, dated May 25, 2018, was entered into for the purchase of 100% of the equity interest in EHH. The transaction was completed on October 4, 2018.

The Company develops and operates post-acute healthcare facilities dedicated to the recovery of individuals who have functional deficits as a result of injury or illness. The Company operates twenty-one freestanding inpatient rehabilitation (IRF) hospitals in New Mexico, Texas, Arizona, South Carolina, Wyoming, Indiana, Colorado, Idaho, Ohio, and Utah (two of which are multi-campus facilities in Texas) and seven freestanding long-term acute care (LTAC) hospitals in Idaho, Texas, Montana, and Utah, including two multi-campus facilities in New Mexico and Colorado. Two IRF facilities located in Wyoming and Idaho are 25% owned by unrelated hospitals, and one IRF in Texas is 49% owned by an unrelated hospital. The Company has consolidated these facilities and presents the ownership interests of the unrelated hospitals as noncontrolling interest.

Note 2 – Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and majority-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses. Significant estimates include third-party settlements, allowances for contractual adjustments and implicit price concessions, and other loss contingency accruals. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The consolidated financial statements include financial instruments for which the fair market value may differ from amounts reflected on a historical basis. Financial instruments of the Company consist of cash deposits, patient receivables, accounts payable and certain accrued liabilities, revolver loan payable, long-term debt, and capital lease obligations. The Company's financial instruments generally approximate fair market value based on the short-term nature of these instruments. The fair value of the Company's long-term debt, based on current market rates of instruments of the same risks and maturities, approximates its carrying value.

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Patient Accounts Receivable

Patient accounts receivables are uncollateralized patient and third-party payor obligations that are reported at net realizable value. Payments of patient accounts receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The composition of accounts receivable by payor as of December 31, 2020 and 2019 is as follows:

	2020	2019
Medicare	67%	66%
Medicaid	10%	11%
Commercial	18%	19%
Self pay and other	5%	4%
	100%	100%

Inventories

Inventories consist primarily of pharmaceutical and medical supplies. Inventories are presented at the lower of cost or market value. Cost is determined using the weighted average method.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the term of the related lease or the estimated useful lives of the improvements, whichever is shorter. The range of estimated useful lives is as follows:

Buildings and leasehold improvements	5 to 40 years
Land improvements	15 years
Equipment	3 to 15 years
Furniture and fixtures	3 to 15 years
Computer equipment and hardware	5 years
Software	3 years

Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in other operating expense.

Construction in progress (CIP) is recorded at cost and includes the accumulated costs of various information technology projects and hospital construction projects. All projects remain in CIP until such point the project is determined to be substantially ready for its intended use, at which point the accumulated costs are transferred to the appropriate asset category and depreciated.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

Goodwill and Intangible Assets

In accordance with FASB Accounting Standards Codification (ASC) 350, indefinite-lived assets are not amortized, but instead are evaluated annually for impairment. Management evaluates goodwill on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flow approach and market approach, which uses comparable data.

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, *Intangibles - Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment*. To simplify the measurement of goodwill, Step 2 of the goodwill impairment test has been eliminated. In computing the implied fair value of goodwill under Step 2, an entity was required to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Now the entity will only be required to compare the fair value of the reporting unit with its carrying amount. This guidance is effective for non-public companies for fiscal years beginning after December 15, 2021. Early application is permitted. The Company early adopted this standard for the period from inception (May 8, 2018) through December 31, 2018.

The factors resulting in the goodwill include certain intangible assets not qualifying for separate recognition, such as the acquired work force, and a premium over the fair value of the net assets acquired due to the acquired Company's synergies and growth potential. Intangible assets subject to amortization are reviewed for impairment in accordance with the Company's accounting policy for long-lived assets.

Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. Deferred income taxes have been recorded to the extent of differences between the fair value and the tax basis of the assets acquired and liabilities assumed. Company management has allocated the intangible assets between identifiable intangibles and goodwill. At December 31, 2020 and 2019, intangible assets of \$8,946,344 and \$9,921,499, net of amortization, respectively, other than goodwill consist of the values assigned to trademark, a favorable land lease position, a non-compete agreement, and software implementation costs.

The approximate useful life of each class of intangible assets other than goodwill is as follows:

Trademark and trade name	10 years
Land lease	38 years
Non-compete agreement	36 years
Software implementation	0.8 years

For the period ended December 31, 2020 and 2019, amortization expense was approximately \$975,000 and \$984,000 respectively.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

The changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 244,876,015	\$ 244,490,453
Goodwill acquired	<u>3,971,171</u>	<u>385,562</u>
Ending balance	<u>\$ 248,847,186</u>	<u>\$ 244,876,015</u>

For the year ended December 31, 2020, the goodwill acquired of \$3,971,171 relates to the acquisition of Vibra Hospital of Denver Rehab (see Note 3). For the year ended December 31, 2019, the goodwill acquired of \$385,562 relates to remeasurement of liabilities within 12 months of 2018 transaction.

Management believes the estimated useful lives established are reasonable based on the economic factors applicable to each of the intangible assets.

The Company reviews the realizability of intangible assets whenever events or circumstances occur, which indicate recorded amounts may not be recoverable. If the expected future cash flows (undiscounted) are less than the carrying amount of such assets, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value.

Acquisition Accounting

The Company accounts for its business acquisitions under the acquisition method of accounting in ASC 805. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples amongst other items.

Investments in Unconsolidated Affiliates and Variable Interest Entity

Investments in unconsolidated affiliates (see Note 7) are accounted for by the equity method of accounting. The Company records its share of gains and losses of these affiliates as nonoperating income and expense.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

Generally accepted accounting principles provide a framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited liability corporation, trust, or any other legal structure used to conduct activities or hold assets that (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to direct the activities of the entity that most significantly impact its economic performance, or (3) has a group of equity owners that do not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual, or other financial interest in the VIE that is considered a variable interest (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities, and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest.

At December 31, 2020 and 2019, the Company held an investment in Rancho Mirage, LLC (Rancho) that was evaluated against the criteria for consolidation and determined that it is not the primary beneficiary of the investment because the Company lacks the sole power to direct the activities of the variable interest entities that most significantly impacts their economic performance. Therefore, consolidation in the Company's financial statements is not required.

Contract Liability – CMS Advances

The Coronavirus Aid, Relief and Economic Security (CARES) Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In 2020, the Company received \$69.6 million in advance payments under this program. Repayment of the advances to the government is scheduled to begin one year after receipt of the advances with a recoupment of 25% from each current Medicare billing. The Company expects recoupment to begin in April 2021 and it will have 29 months to fully repay the advance if not already recouped by Medicare. While the recoupment period extends past December 31, 2021, the Company expects the recoupment to repay the advance in 2021 and, accordingly, the amount is recoded as a current liability as of December 31, 2020.

Deferred Financing Fees

The Company has incurred fees in connection with debt financings. Net deferred financing fees (see Note 11), were \$3,788,409 and \$4,813,126 as of December 31, 2020 and 2019. These amounts offset against the respective long-term debt balances in the accompanying consolidated balance sheets.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash deposited with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (\$250,000) and by the Security Investor Protection Corporation (\$500,000). The Company believes it mitigates credit risk by depositing cash with major financial institutions. At times, balances may exceed insured limits. Management monitors the financial condition of these financial institutions and does not believe any significant credit risk exists at this time.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets or asset groups whenever adverse events or changes in business climate indicate their carrying value may not be recoverable. If the net book value of the related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the present value of their expected future cash flows and an impairment loss would be recognized. There are no impairment losses for the years ended December 31, 2020 and December 31, 2019.

Income Taxes

Epoch provides for income taxes using the asset and liability method. Epoch recognizes the amount of income taxes payable or refundable for the year as well as deferred tax assets and liabilities, which includes penalties and interest. Deferred income tax assets and liabilities arise from temporary differences associated with differences between the financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates that are expected to be in effect when these differences reverse. Deferred tax assets and liabilities are classified as noncurrent, in the accompanying consolidated balance sheets. Valuation allowances are recorded to reduce the amount of deferred tax assets when, based upon available objective evidence such as historical taxable income, the expected reversal of temporary differences, and projections of future taxable income, management cannot conclude it is “more likely than not” that some or all the deferred tax assets will be realized.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Net Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Company bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospital receiving inpatient rehabilitation or long-term acute care services. The Company measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is generally recognized when goods and services are provided to the patients and the Company does not believe it is required to provide additional goods or services related to that sale.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient rehabilitation or long-term acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Company's policy, and implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2020 or 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Company estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2020 and 2019, no significant additional revenue was recognized due to changes in the Company estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

From time to time, the Company provides care to patients who are financially unable to pay for their health care services. The Company does not pursue collection from patients who qualify as charity care; accordingly, such amounts are not recorded as revenues.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

COVID-19 Grant Income and Refundable Advance

COVID-19 grant income is comprised of amounts received from federal funding sources related to the COVID-19 pandemic. The Company accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Company complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Company received \$23.8 million in the year ended December 31, 2020 related to this funding. In accordance with the terms and conditions in place at December 31, 2020, the Company could apply the funding first against eligible expenses, and then lost revenues.

Noncompliance with the terms and conditions could result in repayment of some or all of the grants, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these consolidated financial statements were available to be issued as the HHS reporting portal has not been activated. In addition, it is unknown whether there will be further developments in the regulatory guidance.

The Company has incurred lost revenues and eligible expenses in accordance with the original terms and conditions of the Provider Relief Fund that were applicable as of December 31, 2020 of \$13.0 million, which were recognized and included in other operating income in the accompanying consolidated statements of operations for the year ended December 31, 2020. Refundable advance - COVID-19 grant income of \$10.8 million at December 31, 2020 in the accompanying consolidated balance sheets is comprised of payments received from the Provider Relief Fund for which the Company has determined the recognition criteria was not yet met as of year-end.

Risk Management

Management accrues for the Company's self-insured retention limit relating to the estimated ultimate cost of settling claims, which includes costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. Management's estimate of the ultimate costs of the claims is based on the nature and volume of claim activity during the period, as well as trends and developments in claim activity. Management's accrual includes an estimate of the losses that will result from unreported incidents, which are probable of having occurred before the end of the reporting period.

The Company's professional and general liability insurance policy is a claims-made policy with first level coverage per incident of \$1 million and \$3 million in the aggregate. The Company retains a self-insured retention of \$500,000 for New Mexico claims and \$250,000 per occurrence for all other states under the professional risk policy. The companies umbrella insurance policy coverage resides immediately above the professional and general liability insurance policy. The Company retains a self-insured retention of \$500,000 for New Mexico within the umbrella policy. In addition, the Company purchased excess insurance, which covers individual losses up to \$10 million, subject to an aggregate of \$10 million.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

The Company insured its worker's compensation risk under a \$1 million per employee and per accident policy. Prior to February 2019, there was no deductible under this policy. Effective February 2019, the Company increased its self-insured retention to \$250,000 per claim under the workers' compensation risk policy.

The Company has recorded liabilities and insurance recoveries for the estimated ultimate costs of insurance programs relating primarily to workers' compensation and professional and general liability claims as of December 31, 2020 and 2019 as follows:

	2020	2019
Included in other current assets	\$ 2,236,541	\$ 1,841,215
Included in other noncurrent assets	1,201,735	738,169
Included in other current liabilities	(4,402,760)	(3,027,653)
Included in other noncurrent liabilities	(8,013,613)	(5,509,225)
Net liabilities	\$ (8,978,097)	\$ (5,957,494)

The Company self-insures for the cost of employees' healthcare coverage and assumes liability for healthcare claims, limited by a stop loss limit of \$300,000 per claim. The Company records the estimated liability based on historical claim payment trends. The Company has recorded a liability of approximately \$3.2 million and \$2.0 million as of December 31, 2020 and 2019, which is included in other current liabilities.

Reclassifications

Certain reclassifications have been made to the 2019 balances to conform to the 2020 presentation. The previously reported net income and partners' capital are unaffected by these reclassifications.

Subsequent Events

Management is required to assess events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued. There are two types of subsequent events: recognized subsequent events, which provide additional evidence about conditions that existed at the consolidated balance sheet date, and non-recognized subsequent events, which provide evidence about conditions that did not exist at the consolidated balance sheet date, but arose before the consolidated financial statements were issued. Recognized subsequent events are required to be recognized in the consolidated financial statements, and non-recognized subsequent events are required to be disclosed. The Company has evaluated subsequent events through May 13, 2021, which is the date the consolidated financial statements are available to be issued.

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Acquisition

On July 31, 2020, Epoch acquired 100% of the equity of Vibra Hospital of Denver Rehab. The total purchase price was approximately \$4.0 million. The acquisition consideration consisted primarily of repaying the existing working capital loan of Denver Rehab to Vibra Healthcare, LLC. Under business combination accounting, the assets acquired and liabilities assumed have been recorded at their estimated fair market value at the date of the acquisition.

The estimated fair value of personal property was based on the cost approach. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill. The goodwill reflects expectations of our ability to achieve the benefits of leveraging operational efficiencies, combined with favorable growth opportunities based on positive demographic trends across the markets of the portfolio hospitals.

The following condensed balance sheet summarizes the estimated fair value of the assets acquired and the liabilities assumed on the date of the merger:

Cash consideration	<u>\$</u>	<u>4,451,396</u>
Assets acquired		
Cash and cash equivalents	\$	1,079,500
Patient accounts receivable		1,853,155
Inventories		65,701
Prepaid expenses		14,589
Related party receivable		1,079,500
Property and equipment		<u>662,124</u>
Total assets acquired		<u>4,754,569</u>
Liabilities assumed		
Accounts payable		214,892
Accrued compensation		306,477
Other current liabilities		2,673,475
Long-term debt		<u>1,079,500</u>
Total liabilities assumed		<u>4,274,344</u>
Total identifiable net assets		480,225
Goodwill		<u>3,971,171</u>
Cash consideration	<u>\$</u>	<u>4,451,396</u>

Receivables were acquired at a fair value of \$1.9 million, which represents the amount due, net of contractual discounts of \$0.5 million and an allowance for uncollectible accounts of \$0.4 million. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill. The goodwill reflects expectations of our ability to achieve the benefits of leveraging operational efficiencies, combined with favorable growth opportunities for Vibra Hospital of Denver Rehab via synergies with the existing portfolio of hospitals.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 – Recent Accounting Pronouncements

In February 2016, the FASB issued a new standard, *Leases (ASC 842)*. Lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. The ASU on leases will take effect for non-public companies for fiscal years beginning after December 15, 2021. Early application is permitted. The Company is currently evaluating the standard to determine the impact of adoption on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* – Facilitation of the Effects of Reference Rate Reform on Financial Reporting, to provide optional guidance, if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. No optional expedients and exceptions were elected as of December 31, 2020.

Note 5 – Other Current Assets

Other current assets consist of the following at December 31, 2020 and 2019:

	2020	2019
Construction costs receivable	\$ 354,338	\$ 3,574,723
Short-term investments	3,130,587	3,034,928
Montana Medicaid HUF receivable	1,985,386	1,749,734
Insurance recoveries	2,236,541	1,841,216
Other	2,976,768	1,892,535
Total other current assets	\$ 10,683,620	\$ 12,093,136

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2020 and 2019:

	2020	2019
Buildings, land improvements, and leasehold improvements	\$ 4,871,151	\$ 39,173,089
Equipment	27,525,232	25,778,923
Computer equipment, hardware, and software	17,337,882	10,653,802
Land	-	5,430,000
Furniture and fixtures	3,585,880	3,269,040
	53,320,145	84,304,854
Less: accumulated depreciation and amortization	(22,039,573)	(16,444,005)
	31,280,572	67,860,849
Construction in progress	1,813,588	1,807,402
Property and equipment, net	\$ 33,094,160	\$ 69,668,251

Included in property and equipment, net are the following assets under capital lease at December 31, 2020 and 2019:

	2020	2019
Equipment	\$ 9,303,716	\$ 8,249,907
Computer equipment, hardware, and software	7,468,024	2,062,810
Buildings, land improvements, and leasehold improvements	677,481	448,840
Vehicles	78,500	78,500
	17,527,721	10,840,057
Less: accumulated amortization	(3,860,015)	(2,900,003)
	\$ 13,667,706	\$ 7,940,054

The amount of depreciation and amortization expense related to property and equipment, net for the years ended December 31, 2020 and 2019 was approximately \$11.0 million and \$13.3 million, respectively.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 – Investment in Unconsolidated Affiliates

In March 2018, EHH entered into a joint venture of its Southern Idaho Acute Care Hospital (SIACH) with Vibra, whereby the parties agreed to an arrangement for the Company to close its hospital in exchange for a 25% ownership interest in Vibra’s Boise hospital. The Company reports the financial results for SIACH using the equity method of accounting. Vibra operates the day to day operations under a management agreement. Vibra is responsible for funding losses. Reimbursement to Vibra for losses funded has priority over any distributions.

In January 2019, Epoch Parent Holdings, Inc. (Parent Holdings), who owns the Company through a holding company, entered into an agreement to purchase a 48% equity interest in the Summa Rehabilitation Hospital, LLC (Summa) for \$20 million from a partnership affiliated with Vibra. The purchase was funded through a \$10 million equity contribution and \$10 million from the Company through additional borrowings on the Acquisition Note. Parent Holdings then contributed interests in Summa to the Company. The Company reports the financial results for Summa using the equity method of accounting.

In February 2019, the Company entered into an agreement to purchase a 49% equity interest in the Vibra Rehabilitation Hospital of Rancho for \$5 million from a partnership affiliated with Vibra. The purchase was funded with \$5 million of proceeds from additional borrowings on the Acquisition Note. This agreement also calls for a working capital settlement and earn-out on March 31, 2020. The Company reports the financial results for Rancho using the equity method of accounting.

Summary financial information for each of the Company’s unconsolidated affiliates is as follows:

	As of and for the Year Ended December 31, 2020		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	\$ 9,412,691	\$ 11,134,502	\$ 14,080,630
Liabilities	\$ 11,557,087	\$ 8,185,145	\$ 13,490,436
Equity (deficit)	(2,144,396)	2,949,357	590,194
	\$ 9,412,691	\$ 11,134,502	\$ 14,080,630
Revenues	\$ 18,516,255	\$ 32,885,582	\$ 19,046,782
Expenses	18,394,547	22,341,302	19,534,162
Net income (loss)	\$ 121,708	\$ 10,544,280	\$ (487,380)

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7 – Investment in Unconsolidated Affiliates (continued)

	As of and for the Year Ended December 31, 2019		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	\$ 6,584,978	\$ 6,083,580	\$ 8,867,838
Liabilities	\$ 8,851,082	\$ 3,598,503	\$ 7,666,375
Equity (deficit)	(2,266,104)	2,485,077	1,201,463
	\$ 6,584,978	\$ 6,083,580	\$ 8,867,838
Revenues	\$ 12,139,121	\$ 27,118,332	\$ 13,624,858
Expenses	16,712,798	20,485,143	18,351,477
Net income (loss)	\$ (4,573,677)	\$ 6,633,189	\$ (4,726,619)

In conjunction with the purchase of equity interests in Rancho, the Company initially committed to funding cash flow needs of Rancho for up to \$7.5 million via a promissory note at the discretion of the Company. As of December 31, 2020, the outstanding balance of those advances is \$7.5 million. Based on this relationship, the Company determined it had a variable interest in Rancho. The carrying amount and maximum exposure to loss by the Company with respect to Rancho are both \$10.4 million at December 31, 2020, which represents the equity method investment balance of \$2.9 million and the outstanding loan receivable from Rancho of \$7.5 million as of December 31, 2020.

Note 8 – Other Noncurrent Assets

Other noncurrent assets consist of the following at December 31, 2020 and 2019:

	2020	2019
Capital expenditure reserve escrow	\$ 3,356,549	\$ 3,168,387
Insurance recoveries	1,201,735	738,169
Other	1,578,856	1,776,456
Total other noncurrent assets	\$ 6,137,140	\$ 5,683,012

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 9 – Other Current Liabilities

Other current liabilities consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accrued health insurance	\$ 3,155,395	\$ 2,031,312
Accrued liability insurance	2,832,455	1,796,635
Accrued workers comp insurance	1,570,305	1,231,018
Accrued property taxes	2,654,937	2,279,206
Accrued other taxes	1,011,298	1,006,956
Accrued income taxes	3,607,637	162,509
Other	<u>3,549,566</u>	<u>2,816,844</u>
 Total other current liabilities	 <u>\$ 18,381,593</u>	 <u>\$ 11,324,480</u>

Note 10 – Revolver

On October 4, 2018, the Company and its subsidiaries entered into a Credit Agreement (Revolver) with Capital One, National Association, in the maximum amount of \$50.0 million, subject to a borrowing base of 85% eligible accounts receivable. The Company has the ability to increase the aggregate amount in \$10.0 million increments up to the aggregate maximum amount. Interest will be charged on the outstanding principal balance at 1-month LIBOR plus a 2.25% margin, which is adjusted each month based on the outstanding balance. At December 31, 2020, the outstanding balance was approximately \$0.05 million, at the applicable interest rate of approximately 2.39%. At December 31, 2019, the outstanding balance was approximately \$7.5 million. The Revolver matures on October 4, 2023. At December 31, 2020, the Company has complied with all covenant requirements or received waivers for any noncompliance with covenants.

Note 11 – Long-Term Debt and Capital Leases

Long-term debt and capital leases consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Acquisition note, due October 2024	\$ 132,337,500	\$ 133,687,500
Mortgage promissory note, due March 2032	-	115,000,000
Financing obligation, due March 2032	4,053,393	2,997,924
Less deferred financing fees	<u>(3,788,409)</u>	<u>(4,813,126)</u>
 Total long term debt	 132,602,484	 246,872,298
Capital leases	<u>7,286,957</u>	<u>2,083,468</u>
 Total long-term debt and capital leases	 139,889,441	 248,955,766
Less current portion	<u>(4,996,042)</u>	<u>(3,048,878)</u>
 Long-term debt and capital leases, net of current portion	 <u>\$ 134,893,399</u>	 <u>\$ 245,906,888</u>

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 11 – Long-Term Debt and Capital Leases (continued)

The future maturities of long-term debt and minimum lease payments of capital leases at December 31, 2020 are as follows:

Years Ending December 31,	Long-Term Debt	Capital Leases	Total
2021	\$ 1,853,574	\$ 3,378,136	\$ 5,231,710
2022	2,504,278	2,887,448	5,391,726
2023	1,644,268	1,251,567	2,895,835
2024	1,644,081	33,456	1,677,537
2025	1,600,752	17,821	1,618,573
Thereafter	127,143,940	-	127,143,940
	136,390,893	7,568,428	143,959,321
Unamortized deferred financing fees	(3,788,409)	-	(3,788,409)
Amounts representing interest	-	(281,471)	(281,471)
Present value of minimum payments	<u>\$ 132,602,484</u>	<u>\$ 7,286,957</u>	<u>\$ 139,889,441</u>

Acquisition Note

In connection with the acquisition, the Company entered into a note (Acquisition Note) with Wilmington Trust, National Association, as agent for GSO Direct Lending Fund-D and its affiliates. The Acquisition Note bears base interest at a rate of 1-month LIBOR plus a 6.75% margin (7.75% at December 31, 2020), and matures on October 4, 2024. Principal payments are due on a quarterly basis of \$300,000 beginning March 31, 2019 and of \$337,500 beginning June 30, 2019. The Acquisition Note cannot be prepaid prior to the first anniversary of closing date. Prepayment is permitted subsequent to the first anniversary date with a prepayment premium due as follows: 2% after the first anniversary and prior to the second anniversary; 1% after the second anniversary and prior to the third anniversary; no premium after the third anniversary of the closing date. The accrued interest as of December 31, 2020 and 2019 was approximately \$28,000 and \$452,000, respectively.

Mortgage Promissory Note

In February of 2012, EHH entered into a Master Mortgage Loan Agreement (the Note) with MPT for four hospitals, including one multi-campus facility for an aggregate note amount of \$100.0 million.

Effective September 2016, the Note was amended to increase the total amounts available for advance to \$115,000,000. Interest expense was \$11,980,000 and \$11,745,000, respectively, for the years ended December 31, 2020 and 2019. In December 2020, the Company paid off the mortgage promissory note through a sale-leaseback transaction with MPT (see Note 16).

Financing Obligation

EHH is party to financing obligations with MPT related to the construction of eight hospitals from 2013 to 2018, which mature in March 2032. Payments include monthly principal of approximately \$20,000 and interest, which accrues at a base interest rate of 9% to be adjusted annually by the increase in the CPI, limited to a 2% floor and 5% ceiling (10.4% at December 31, 2020).

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11 – Long-Term Debt and Capital Leases (continued)

Capital Leases

The Company has entered into various capital leases for software licenses, copiers, and other equipment. These leases have varying terms, which end between March 2020 and December 2023. The implicit interest rates on these leases, which was determined based on the fair value of the asset and the payments specific to each lease, average 12.4%. Monthly payments on capital leases were approximately \$252,000 as of December 31, 2020.

Note 12 – Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following at December 31, 2020 and 2019:

	2020	2019
Accrued insurance	\$ 8,013,613	\$ 5,509,225
Deferred rent	10,530,045	6,302,608
Deferred taxes	1,281,856	-
	<u>\$ 19,825,514</u>	<u>\$ 11,811,833</u>

Note 13 – Net Patient Services Revenue

Most services rendered to Medicare and Medicaid beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical and diagnostic factors. Certain services of the Medicare program are paid on a cost reimbursement methodology. The Company is reimbursed for cost reimbursement items at a tentative rate, with final settlement determined after submission of annual cost reports and audits are performed by the intermediary. The Company has recorded the estimated settlement for Medicare and Medicaid cost reports as estimated third-party settlements.

The Company has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded third-party payor settlement estimates may change by a material amount as cost report adjustments become known or cost report years are no longer subject to audit.

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 13 – Net Patient Services Revenue (continued)

A summary of gross patient service revenue and explicit and implicit price concessions for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total gross patient service charges	\$ 651,877,708	\$ 657,286,954
Price concessions		
Explicit price concessions	(252,869,799)	(268,733,282)
Implicit price concessions	(3,727,518)	(2,289,682)
	<u>(256,597,317)</u>	<u>(271,022,964)</u>
Net patient service revenue	<u>\$ 395,280,391</u>	<u>\$ 386,263,990</u>

The composition of net patient service revenue by primary payor for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 296,734,743	\$ 301,371,765
Medicaid	35,149,732	45,741,801
Commercial	51,522,259	26,756,862
Self pay and other	11,873,657	12,393,562
	<u>\$ 395,280,391</u>	<u>\$ 386,263,990</u>

Note 14 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current		
Federal expense	\$ 2,297,512	\$ -
State expense	1,104,729	126,841
	<u>3,402,241</u>	<u>126,841</u>
Deferred		
Federal expense	1,134,864	-
State expense	146,992	-
	<u>1,281,856</u>	<u>-</u>
Income tax expense	<u>\$ 4,684,097</u>	<u>\$ 126,841</u>

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 14 – Income Taxes (continued)

A reconciliation of the Company's effective income tax rate to the federal statutory rate is as follows:

	<u>2020</u>	<u>2019</u>
21% of earnings before taxes	\$ 2,111,609	\$ (70,340)
LLC income not subject to tax	(1,089,616)	(1,313,133)
Nondeductible items	26,799	34,100
True-up of net operating loss carryforwards	(94,873)	(2,927,845)
Change in valuation allowance	2,625,449	4,436,648
State tax expense, net	<u>1,104,729</u>	<u>(32,589)</u>
Income tax expense	<u>\$ 4,684,097</u>	<u>\$ 126,841</u>

Deferred tax assets and liabilities at December 31, 2020 and 2019 consist of the following components:

	<u>2020</u>	<u>2019</u>
Deferred tax assets		
Account receivable allowance	\$ 960,059	\$ 817,113
Contributions	142,166	290,026
Startup costs	(2,763,640)	(3,484,839)
Accrued expenses	5,721,549	4,297,737
Net operating loss carryforwards	1,269,004	6,870,275
Depreciation	17,729,141	12,064,089
Other	<u>(216,837)</u>	<u>(101,945)</u>
Total deferred tax assets	<u>22,841,442</u>	<u>20,752,456</u>
Deferred tax liabilities		
Prepays and other	<u>1,493,238</u>	<u>747,845</u>
Total deferred tax liabilities	<u>1,493,238</u>	<u>747,845</u>
Net deferred taxes	21,348,204	20,004,611
Valuation allowance	<u>(22,630,060)</u>	<u>(20,004,611)</u>
Net deferred tax assets after valuation allowance	<u>\$ (1,281,856)</u>	<u>\$ -</u>

The Company utilized all of its federal net operating loss carryforwards to offset the taxable gain on the sale leaseback of real estate described in Note 16. The Company has approximately \$25.5 million of available net operating loss carryforwards for state tax purposes, which may be carried forward to offset future state taxable income, subject to legislative restrictions, which vary by state. The Company has an excluded interest carryforward of \$5.3 million at December 31, 2020.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 14 – Income Taxes (continued)

The Company recorded valuation allowances of approximately \$22.6 million as of December 31, 2020 to fully reserve net deferred tax assets as the realization criteria has not been met. In the future, should management conclude that these deferred tax assets are, at least in part, realizable, the valuation allowance will be reduced to the extent of such realization and recognized as a deferred income tax benefit in the consolidated statements of operations.

The Company has not recorded any expense or accrued for any related expense for any uncertain tax positions. The tax years 2017 to 2020 remain subject to examination for federal and state purposes (major taxing jurisdictions). However, the taxing authorities may continue to adjust the Company's net operating loss carryforwards until the statute of limitation closes on the tax years in which the net operating losses are utilized.

Note 15 – Related Party Transactions

In accordance with the Management Agreement, Epoch is required to pay a management fee monthly to Vibra. Epoch incurred management fees expense of approximately \$4.5 and \$4.1 million for the years ended December 31, 2020 and 2019, respectively.

In addition to management fees, Vibra shall be reimbursed for staffing and any direct and third-party out-of-pocket expenses incurred by Vibra for the benefit of Epoch. Reimbursable expenses are defined without limitation and include travel to and from all Epoch locations, bank charges, and legal and consultancy fees. The amount of such reimbursable expenses incurred were approximately \$6.5 million and \$5.8 million for the years ended December 31, 2020 and 2019, respectively.

In 2019, the Company entered into two agreements to purchase equity interest in Summa and Rancho and to acquire membership interest for three entities that have IRF development projects from affiliates of Vibra (see Note 7).

The Company had receivables of \$7.5 million and \$5.1 million due from Rancho and \$1.1 million and \$1.7 million due from Vibra as of December 31, 2020 and December 31, 2019, respectively.

Note 16 – Commitments and Contingencies

Operating Leases

The Company has entered into various operating leases for its corporate offices, an Alabama office, hospital space, land for one of its hospitals and land for one of its joint venture hospitals.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 – Commitments and Contingencies (continued)

The Company leases hospital space from MPT under Master Lease I. The initial lease expires on February 28, 2032 with three 5-year renewal options. Monthly rent payments for the years ended December 31, 2020 and 2019 were approximately \$2.9 million, with annual rent increases equal to the change in the Consumer Price Index (CPI), limited to a 2% floor and 5% ceiling. Lease expense is accounted for using the straight-line method over the term of the lease.

In December 2020, the Company entered into a sale leaseback transaction with MPT for a newly constructed hospital, Midlands Regional Rehab Hospital (Midlands), for the \$17.0 million cost of construction. The Company had funded the construction of this hospital with available cash.

In December 2020 the Company also entered into a sale leaseback transaction with MPT for the four owned hospitals previously mortgaged under the \$115 million MPT Mortgage Promissory Note (Note 11). The proceeds from the Midlands sale, along with \$500,000 in available cash, were used to pay down the mortgage by \$17.5 million, resulting in a \$97.5 million sale leaseback transaction (Mortgage Sale Leaseback Properties).

Midlands, the Mortgage Sale Leaseback Properties, four existing hospitals leased from MPT, and three hospitals under development under MPT leases were combined to form Master Lease II with MPT. The terms of Master Lease II includes varying lease rates by hospital averaging 8.9% with annual rent increases equal to the change in the Consumer Price Index (CPI), limited to a 2% floor and 5% ceiling through December 2037. Two development projects in Bakersfield and Stockton, CA are included in Master Lease II. The amount of the sale leaseback price in excess of the net book value of assets sold resulted in a \$57.7 million deferred gain that will be amortized against rent expense over the term of the lease on a straight-line basis. The lease is accounted for as an operating lease.

Under the terms of the MPT leases, the Company is required to establish and maintain a reserve for major repairs at a cost per bed. At December 31, 2020, the amount maintained in the reserve for major repairs was approximately \$3.4 million which is included with other non-current assets.

In May 2015, the Company, through its hospital development in Ohio, entered into a long-term lease with the local University for the land on which the hospital is located. The lease has an initial term of 40 years ending in May 2055 and requires annual payments of \$71,500 for the first six years with rent increases of 10% on the sixth anniversary and 10% every five years thereafter. The lease allows for a total of eight extension periods of five years per extension period. Lease expense is accounted for using the straight-line method over the term of the lease.

In December 2007, the Company's Wyoming joint venture entered into a long-term lease with the local county for the land on which the hospital is located. The lease has an initial term of 49 years ending in January 2057 and requires annual payments of \$114,000 for the first four years with annual rent increases of 1% for each of the year ended December 31, thereafter. The lease allows for a total of five extension periods to the initial 49-year term at ten years per extension period. Lease expense is accounted for using the straight-line method over the term of the lease.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 – Commitments and Contingencies (continued)

Future non-cancelable payments under the Company's outstanding operating lease commitments are as follows:

Years Ending December 31,	
2021	\$ 46,147,933
2022	47,087,876
2023	48,115,786
2024	49,164,081
2025	50,231,165
Thereafter	<u>477,770,341</u>
Total	<u>\$ 718,517,182</u>

Rental expense under operating lease commitments was approximately \$39.5 million and \$37.2 million years ended December 31, 2020 and 2019, respectively, and is included in other operating expense in the consolidated statements of operations.

Compliance with Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management believes that the Company is in material compliance with fraud and abuse laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted.

In addition to the general and professional liability claims, the Company is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

In July, 2019, the United States Attorney's Office for the Southern District of Texas issued separate Civil Investigative Demands (CIDs) to Laredo Specialty Hospital which is operated by Laredo Specialty Hospital, LP, and Laredo Rehabilitation Hospital which is operated by Laredo Rehabilitation Hospital, LLC (the Hospitals), which are wholly owned subsidiaries of the Company. The CIDs were issued pursuant to the provisions of the False Claims Act in the course of a False Claims Act investigation. The Hospitals are cooperating with these investigations and have produced documents in response to the CIDs. Management has determined that any contingency related to this matter cannot be estimated at this time.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17 – 401(k) Retirement Plan

The Company sponsors a 401(k) retirement plan (401(k) Plan) covering all eligible employees as defined by the 401(k) Plan. Contributions to the 401(k) Plan are based upon the amount of the employees' deferrals and the employer's matching formula. The Company made contributions to the 401(k) Plan during the years ended December 31, 2020 and 2019 of approximately \$853,000 and \$885,000, respectively.

Note 18 – Subsequent Events

With respect to the development of a 36 bed IRF in South Carolina, the Company has acquired land for \$1 million in April 2021. The construction and long-term financing is expected to be provided by MPT. The IRF is expected to open in late 2022. Additionally, the Company has entered into leases with 3 separate third party developers to operate 3 IRFs with 130 total beds in Wisconsin, California and Indiana. The third party developers will fund all construction costs, and deliver a turnkey hospital at certificate of occupancy.

Supplementary Information

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2020

	Epoch Acquisition, Inc.	Ernest Health Holdings	Elkhorn Valley Rehabilitation Hospital Holdings	Rehabilitation Hospital of the Northwest Holdings	Corpus Christie Rehabilitation Hospital Holdings	LTX LTACH	Home Office	Rehabilitation Hospital of Lubbock Holdings	Rehabilitation Hospital of Southern New Mexico	South Texas Rehabilitation Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	59,011,844	\$ -	\$ 82,369	\$ 40,094
Patient accounts receivable	325,000	-	-	-	-	-	(1,194,374)	-	1,780,945	1,247,410
Inventories	-	-	-	-	-	-	141,075	-	52,922	52,740
Prepaid expenses	-	-	-	-	-	-	3,292,289	-	293,434	171,695
Related party receivable	-	-	-	-	-	-	7,563,634	-	12,751,338	-
Other current assets (Note 5)	217	159	-	-	-	-	7,150,174	-	377,622	388,080
Total current assets	325,217	159	-	-	-	-	75,964,642	-	15,338,630	1,900,019
PROPERTY AND EQUIPMENT, net (Note 6)	7,898,429	13,961	-	-	-	-	1,505,046	(313)	1,212,274	771,216
GOODWILL	217,031,254	-	3,234,150	3,387,296	-	-	-	3,204,240	-	-
OTHER ASSETS										
Other identifiable intangibles, net	-	-	-	-	-	-	8,085,251	-	-	-
Intercompany receivables	863,011,797	40,889,189	22,577,307	6,885,924	203	1,360,351	6,284,569,821	73,186,690	427,969,923	366,167,352
Investment in unconsolidated affiliates and other noncurrent assets	25,000,000	35,413,223	(11,734,433)	(1,995,969)	-	-	4,529,159	3,386,455	93,633	21,330
Total other assets	888,011,797	76,302,412	10,842,874	4,889,955	203	1,360,351	6,297,184,231	76,573,145	428,063,556	366,188,682
	\$ 1,113,266,697	\$ 76,316,532	\$ 14,077,024	\$ 8,277,251	\$ 203	\$ 1,360,351	\$ 6,374,653,919	\$ 79,777,072	\$ 444,614,460	\$ 368,859,917
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 436,103	\$ 13,962	\$ -	\$ -	\$ -	\$ -	3,952,824	\$ -	\$ 116,674	\$ 209,457
Estimated third-party settlements	-	-	-	-	-	-	-	-	91,338	(80,586)
Accrued compensation	-	-	-	-	-	-	185,659	-	1,219,945	974,137
Current portion of capital leases	-	-	-	-	-	-	639,530	-	82,648	80,382
Current portion of long-term debt	1,350,000	-	-	-	-	-	-	-	-	-
Revolver	49,282	-	-	-	-	-	-	-	-	-
Accrued interest	27,508	-	-	-	-	-	(960,074)	186	383,294	272,822
Contract liability - CMS advances (Note 3)	-	-	-	-	-	-	-	-	3,005,746	3,112,132
Refundable advance - COVID-19 grants (Note 3)	-	-	-	-	-	-	-	-	531,115	(37,382)
Other current liabilities	535,745	550,379	-	-	-	-	12,202,951	-	224,016	147,597
Total current liabilities	2,398,638	564,341	-	-	-	-	16,020,890	186	5,654,776	4,678,559
LONG-TERM LIABILITIES										
Intercompany payables	913,547,603	46,305,024	22,311,418	4,892,793	43,633	1,361,256	6,388,000,022	82,523,453	394,032,104	334,531,289
Capital leases, net of current portion	-	-	-	-	-	-	1,011,015	-	113,850	113,741
Long-term debt, net	127,210,591	-	-	-	-	-	-	-	(1,948,188)	36,268
Deferred gain	-	-	(9,542,875)	-	-	-	-	-	19,628,586	12,698,759
Other noncurrent liabilities	1,281,856	-	-	-	-	-	692,936	(1,306,820)	514,302	434,923
Total liabilities	1,044,438,688	46,869,365	12,768,543	4,892,793	43,633	1,361,256	6,405,724,863	81,216,819	417,995,430	352,493,539
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	115,000,000	31,800,000	1,000	1,000	-	1,000	-	1,000	1,000	2,000
(Accumulated deficit) retained earnings	(46,171,991)	(2,352,833)	(1,926,669)	(3,838)	(43,430)	(1,905)	(31,070,944)	(4,644,987)	26,618,030	16,364,378
Distributions	-	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	3,234,150	3,387,296	-	-	-	3,204,240	-	-
Total stockholders' equity (deficit)	68,828,009	29,447,167	1,308,481	3,384,458	(43,430)	(905)	(31,070,944)	(1,439,747)	26,619,030	16,366,378
Total liabilities and stockholders' equity (deficit)	\$ 1,113,266,697	\$ 76,316,532	\$ 14,077,024	\$ 8,277,251	\$ 203	\$ 1,360,351	\$ 6,374,653,919	\$ 79,777,072	\$ 444,614,460	\$ 368,859,917

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2020

	Northern Colorado Rehabilitation Hospital	Mountain Valley Rehabilitation Hospital	Greenwood Regional Rehabilitation Hospital	Elkhorn Valley Rehabilitation Hospital	Spartanburg Rehabilitation Institute	New Braunfels Regional Rehabilitation Hospital	Lafayette Regional Rehabilitation Hospital	Rehabilitation Hospital of the Northwest	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 74,743	\$ 87,096	\$ 48,342	\$ 62,949	\$ 34,454	\$ (3,013)	\$ 19,563	\$ 48,453	\$ 43,056	\$ 178,699
Patient accounts receivable	2,031,082	3,069,541	2,197,856	1,590,778	1,815,046	2,140,879	1,910,363	2,168,389	1,518,473	1,127,760
Inventories	54,950	72,798	68,065	74,195	87,608	66,318	74,462	46,620	51,339	61,914
Prepaid expenses	193,871	510,344	199,093	22,072	103,849	21,713	233,810	47,898	18,190	69,990
Related party receivable	423,287	(276,202)	12,868	-	-	-	16,736	7,122	-	-
Other current assets (Note 5)	-	-	358,348	49,727	46,000	-	15	112,427	93,000	231,598
Total current assets	<u>2,777,933</u>	<u>3,463,577</u>	<u>2,884,572</u>	<u>1,799,721</u>	<u>2,086,957</u>	<u>2,225,897</u>	<u>2,254,949</u>	<u>2,430,909</u>	<u>1,724,058</u>	<u>1,669,961</u>
PROPERTY AND EQUIPMENT, net (Note 6)	3,797,723	610,198	979,722	679,730	813,664	850,552	930,010	853,122	901,828	367,358
GOODWILL	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS										
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-	-
Intercompany receivables	368,373,604	380,423,160	319,879,288	285,491,177	162,670,351	186,928,295	135,809,990	132,027,791	107,468,842	107,147,903
Investment in unconsolidated affiliates and other noncurrent assets	162,407	400,193	248,045	433,281	226,611	224,880	179,136	162,240	238,352	201,268
Total other assets	<u>368,536,011</u>	<u>380,823,353</u>	<u>320,127,333</u>	<u>285,924,458</u>	<u>162,896,962</u>	<u>187,153,175</u>	<u>135,989,126</u>	<u>132,190,031</u>	<u>107,707,194</u>	<u>107,349,171</u>
	<u>\$ 375,111,667</u>	<u>\$ 384,897,128</u>	<u>\$ 323,991,627</u>	<u>\$ 288,403,909</u>	<u>\$ 165,797,583</u>	<u>\$ 190,229,624</u>	<u>\$ 139,174,085</u>	<u>\$ 135,474,062</u>	<u>\$ 110,333,080</u>	<u>\$ 109,386,490</u>
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 238,117	\$ 193,266	\$ 228,393	\$ 268,803	\$ 244,026	\$ 160,786	\$ 296,126	\$ 217,675	\$ 112,496	\$ 164,087
Estimated third-party settlements	(8,420)	92,979	24,195	34,065	(57,885)	(74,034)	(12,591)	(23,721)	(30,316)	133,723
Accrued compensation	1,033,554	1,482,844	1,296,448	1,116,441	1,114,294	1,175,982	886,440	815,907	783,224	726,359
Current portion of capital leases	80,257	99,824	86,594	109,118	113,458	80,257	107,741	107,820	80,257	46,084
Current portion of long-term debt	-	-	-	-	23,508	-	20,368	22,312	5,915	31,897
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	334,690	-	1,858	-	-	-	978	-	-
Contract liability - CMS advances (Note 3)	2,407,399	3,782,235	3,264,832	3,851,381	3,171,257	3,385,748	5,247,263	2,358,511	1,962,904	1,811,015
Refundable advance - COVID-19 grants (Note 3)	1,171,555	320,517	2,696,899	14,653	12,000	228,045	571,191	145,042	-	-
Other current liabilities	338,474	131,037	74,123	931,188	315	260,525	1,482,180	311,625	(364,543)	1,348,273
Total current liabilities	<u>5,260,936</u>	<u>6,437,392</u>	<u>7,671,484</u>	<u>6,327,507</u>	<u>4,620,973</u>	<u>5,217,309</u>	<u>8,027,527</u>	<u>4,382,298</u>	<u>2,694,979</u>	<u>4,261,438</u>
LONG-TERM LIABILITIES										
Intercompany payables	352,983,819	325,564,509	297,122,054	270,467,674	150,983,180	175,726,061	146,342,218	132,478,191	106,455,351	126,981,639
Capital leases, net of current portion	113,698	113,737	122,674	154,331	140,025	113,698	135,044	136,317	113,698	20,288
Long-term debt, net	-	(11,500)	-	31,024	238,994	-	258,092	3,171,295	60,138	324,289
Deferred gain	-	18,615,765	-	9,542,875	-	-	-	-	-	-
Other noncurrent liabilities	1,039,701	308,581	1,126,713	1,110,633	620,786	785,830	624,199	492,183	715,224	633,886
Total liabilities	<u>359,398,154</u>	<u>351,028,484</u>	<u>306,042,925</u>	<u>287,634,044</u>	<u>156,603,958</u>	<u>181,842,898</u>	<u>155,387,080</u>	<u>140,660,284</u>	<u>110,039,390</u>	<u>132,221,540</u>
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	1,000	1,000	-	1,259,718	-	-	1,000	75	1,000	-
(Accumulated deficit) retained earnings	15,712,513	33,867,644	17,948,702	12,296,845	9,193,625	8,386,726	(16,213,995)	(1,899,013)	292,690	(22,835,050)
Distributions	-	-	-	(12,994,152)	-	-	-	(1,996,044)	-	-
Noncontrolling interest	-	-	-	207,454	-	-	-	(1,291,240)	-	-
Total stockholders' equity (deficit)	<u>15,713,513</u>	<u>33,868,644</u>	<u>17,948,702</u>	<u>769,865</u>	<u>9,193,625</u>	<u>8,386,726</u>	<u>(16,212,995)</u>	<u>(5,186,222)</u>	<u>293,690</u>	<u>(22,835,050)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 375,111,667</u>	<u>\$ 384,897,128</u>	<u>\$ 323,991,627</u>	<u>\$ 288,403,909</u>	<u>\$ 165,797,583</u>	<u>\$ 190,229,624</u>	<u>\$ 139,174,085</u>	<u>\$ 135,474,062</u>	<u>\$ 110,333,080</u>	<u>\$ 109,386,490</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2020

	Corpus Christie Rehabilitation Hospital	Rehabilitation Hospital of Northwest Ohio	Trustpoint Rehabilitation Hospital of Lubbock	Rehabilitation Hospital of Northern Arizona	Rehabilitation Hospital of Northern Indiana	Midlands Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 970,710	\$ 767,627	\$ 15,243,030	\$ 55,914	\$ 8,611	\$ (8,784)	\$ 25,329	\$ 5,930	\$ (5,601)	\$ 98,486
Patient accounts receivable	1,854,988	1,946,893	4,958,103	1,864,553	1,606,658	1,888,238	1,110,832	2,085,998	3,080,156	2,066,505
Inventories	50,456	80,587	127,193	52,365	65,771	56,275	35,205	37,158	123,351	170,191
Prepaid expenses	23,143	79,387	49,306	(68,098)	22,212	129,306	14,290	17,744	112,257	15,876
Related party receivable	-	-	-	(3,777)	-	5,074	187,588	(475,943)	13,589	(187,588)
Other current assets (Note 5)	70,981	40,571	3,653,004	56,034	-	10,276	515,110	80,308	-	209,914
Total current assets	<u>2,970,278</u>	<u>2,915,065</u>	<u>24,030,636</u>	<u>1,956,991</u>	<u>1,703,252</u>	<u>2,080,385</u>	<u>1,888,354</u>	<u>1,751,195</u>	<u>3,323,752</u>	<u>2,373,384</u>
PROPERTY AND EQUIPMENT, net (Note 6)	591,056	716,371	2,705,047	1,041,499	1,954,715	946,929	208,896	213,865	1,003,838	1,192,282
GOODWILL	-	-	18,019,035	-	-	-	-	-	40	-
OTHER ASSETS										
Other identifiable intangibles, net	-	861,093	-	-	-	-	-	-	-	-
Intercompany receivables	139,432,678	122,024,547	78,721,246	88,914,337	5,162,616	897,392	79,038,709	140,407,615	319,848,865	329,076,537
Investment in unconsolidated affiliates and other noncurrent assets	110,390	284,067	26,772	320,704	-	96,879	99,831	152,790	208,391	143,859
Total other assets	<u>139,543,068</u>	<u>123,169,707</u>	<u>78,748,018</u>	<u>89,235,041</u>	<u>5,162,616</u>	<u>994,271</u>	<u>79,138,540</u>	<u>140,560,405</u>	<u>320,057,256</u>	<u>329,220,396</u>
	<u>\$ 143,104,402</u>	<u>\$ 126,801,143</u>	<u>\$ 123,502,736</u>	<u>\$ 92,233,531</u>	<u>\$ 8,820,583</u>	<u>\$ 4,021,585</u>	<u>\$ 81,235,790</u>	<u>\$ 142,525,465</u>	<u>\$ 324,384,886</u>	<u>\$ 332,786,062</u>
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 149,380	\$ 185,975	\$ 197,312	\$ 353,499	\$ 126,276	\$ 149,341	\$ 222,604	\$ 150,292	\$ 311,336	\$ 556,603
Estimated third-party settlements	(39,368)	(138,056)	(92,646)	(8,320)	(897)	-	(20,030)	(106,185)	427,652	104,425
Accrued compensation	1,282,207	1,092,745	1,695,647	611,042	410,305	425,371	381,304	440,858	1,152,565	900,031
Current portion of capital leases	80,257	93,950	134,582	342,647	153,696	119,408	69,287	69,287	83,586	5,135
Current portion of long-term debt	7,176	39,175	-	89,896	-	-	-	-	-	-
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	7,559	168	-	-	-	-	-	-	-
Contract liability - CMS advances (Note 3)	3,259,950	1,532,872	3,927,711	1,772,195	-	-	1,901,620	2,882,691	3,819,856	3,244,573
Refundable advance - COVID-19 grants (Note 3)	719,480	90,536	204,503	65,735	-	-	8,625	131,399	-	593,111
Other current liabilities	634,032	647,320	1,097,061	183,978	76,438	-	140,618	75,264	111,013	164,090
Total current liabilities	<u>6,093,114</u>	<u>3,552,076</u>	<u>7,164,338</u>	<u>3,410,672</u>	<u>765,818</u>	<u>694,120</u>	<u>2,704,028</u>	<u>3,643,606</u>	<u>5,906,008</u>	<u>5,567,968</u>
LONG-TERM LIABILITIES										
Intercompany payables	131,865,222	128,423,929	79,098,415	92,698,659	11,232,476	5,274,361	65,565,693	108,147,692	319,659,988	353,696,016
Capital leases, net of current portion	113,698	117,293	134,618	112,558	242,324	222,134	98,156	98,156	113,698	1,368
Long-term debt, net	72,961	2,398,277	-	1,034,952	-	-	-	-	-	-
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	681,077	827,990	2,722,894	634,676	299,654	24,000	369,399	404,054	642,126	1,114,435
Total liabilities	<u>138,826,072</u>	<u>135,319,565</u>	<u>89,120,265</u>	<u>97,891,517</u>	<u>12,540,272</u>	<u>6,214,615</u>	<u>68,737,276</u>	<u>112,293,508</u>	<u>326,321,820</u>	<u>360,379,787</u>
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	-	-	11,917,306	-	-	-	-	-	1,000	2,000
(Accumulated deficit) retained earnings	4,278,330	(8,518,422)	14,148,605	(5,657,986)	(3,719,689)	(2,193,030)	12,498,514	30,231,957	(1,937,934)	(27,595,725)
Distributions	-	-	(8,530,851)	-	-	-	-	-	-	-
Noncontrolling interest	-	-	16,847,411	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	<u>4,278,330</u>	<u>(8,518,422)</u>	<u>34,382,471</u>	<u>(5,657,986)</u>	<u>(3,719,689)</u>	<u>(2,193,030)</u>	<u>12,498,514</u>	<u>30,231,957</u>	<u>(1,936,934)</u>	<u>(27,593,725)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 143,104,402</u>	<u>\$ 126,801,143</u>	<u>\$ 123,502,736</u>	<u>\$ 92,233,531</u>	<u>\$ 8,820,583</u>	<u>\$ 4,021,585</u>	<u>\$ 81,235,790</u>	<u>\$ 142,525,465</u>	<u>\$ 324,384,886</u>	<u>\$ 332,786,062</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2020

	Mesquite Specialty Hospital	Vibra Rehabilitation Hospital of Denver	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Intercompany Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ (5,748)	\$ 1,440,388	\$ 282,093	\$ (140,361)	\$ -	\$ 1,758,611	\$ 56,755	\$ -	\$ 80,281,639
Patient accounts receivable	2,655,078	672,980	3,229,518	3,282,892	-	1,849,861	1,600,540	-	57,482,941
Inventories	89,008	69,232	131,011	151,948	-	57,492	77,439	-	2,279,688
Prepaid expenses	30,159	24,980	174,172	(29,785)	-	138,158	65,844	-	5,977,199
Related party receivable	446,984	1,079,500	-	237,667	-	(12,751,338)	(421,490)	-	8,629,049
Other current assets (Note 5)	74,736	-	85,543	1,985,386	-	178,575	-	(5,084,185)	10,683,620
Total current assets	3,290,217	3,287,080	3,902,337	5,487,747	-	(8,768,641)	1,379,088	(5,084,185)	165,334,136
PROPERTY AND EQUIPMENT, net (Note 6)	788,743	660,341	728,421	937,504	(4)	(35,709)	(2,744,154)	-	33,094,160
GOODWILL	-	3,971,171	-	-	-	-	-	-	248,847,186
OTHER ASSETS									
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	8,946,344
Intercompany receivables	345,776,851	2,107,949	272,311,694	294,979,737	211,813,448	158,926,681	140,639,906	(13,002,919,766)	-
Investment in unconsolidated affiliates and other noncurrent assets	33,148	-	154,737	151,222	(580,766)	84,452	100,067	(28,872,905)	29,703,449
Total other assets	345,809,999	2,107,949	272,466,431	295,130,959	211,232,682	159,011,133	140,739,973	(13,031,792,671)	38,649,793
	<u>\$ 349,888,959</u>	<u>\$ 10,026,541</u>	<u>\$ 277,097,189</u>	<u>\$ 301,556,210</u>	<u>\$ 211,232,678</u>	<u>\$ 150,206,783</u>	<u>\$ 139,374,907</u>	<u>\$ (13,036,876,856)</u>	<u>\$ 485,925,275</u>
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	\$ 328,460	\$ 521,604	\$ 546,497	\$ 294,084	\$ 1	\$ 163,288	\$ 254,522	\$ -	\$ 11,363,869
Estimated third-party settlements	17,451	(20,854)	1,026,552	200,296	34,486	1,355,762	(45,606)	-	2,783,409
Accrued compensation	993,960	330,962	1,216,849	1,670,716	-	585,276	766,933	-	26,768,005
Current portion of capital leases	11,340	-	81,696	92,479	-	69,287	69,288	-	3,189,895
Current portion of long-term debt	-	215,900	-	-	-	-	-	-	1,806,147
Revolver	-	-	-	-	-	-	-	-	49,282
Accrued interest	-	-	-	-	-	-	-	-	68,989
Contract liability - CMS advances (Note 3)	1,963,075	1,645,273	1,868,325	2,490,513	-	789,143	1,133,799	-	69,592,019
Refundable advance - COVID-19 grants (Note 3)	195,476	340,112	421,581	506,462	-	157,737	1,695,091	-	10,783,483
Other current liabilities	409,594	605,821	(24,742)	913,364	-	134,398	123,642	(5,084,183)	18,381,593
Total current liabilities	3,919,356	3,638,818	5,136,758	6,167,914	34,487	3,254,891	3,997,669	(5,084,183)	144,786,691
LONG-TERM LIABILITIES									
Intercompany payables	375,217,608	500,000	280,490,725	284,539,484	226,566,038	137,499,395	129,790,777	(13,002,919,769)	-
Capital leases, net of current portion	-	3,024	112,877	128,729	-	98,156	98,157	-	4,097,062
Long-term debt, net	-	863,600	-	-	-	-	-	(2,944,456)	130,796,337
Deferred gain	-	-	-	-	-	6,805,445	-	-	57,748,555
Other noncurrent liabilities	1,378,324	82,576	635,860	473,835	-	355,797	103,884	-	19,825,514
Total liabilities	380,515,288	5,088,018	286,376,220	291,309,962	226,600,525	148,013,684	133,990,487	(13,010,948,408)	357,254,159
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	2,000	4,451,396	1,000	1,000	1,000	1,000	1,000	(49,449,495)	115,000,000
(Accumulated deficit) retained earnings	(30,628,329)	487,127	(9,280,031)	10,245,248	(15,368,847)	2,192,099	5,383,420	-	(11,918,195)
Distributions	-	-	-	-	-	-	-	23,521,047	-
Noncontrolling interest	-	-	-	-	-	-	-	-	25,589,311
Total stockholders' equity (deficit)	(30,626,329)	4,938,523	(9,279,031)	10,246,248	(15,367,847)	2,193,099	5,384,420	(25,928,448)	128,671,116
Total liabilities and stockholders' equity (deficit)	<u>\$ 349,888,959</u>	<u>\$ 10,026,541</u>	<u>\$ 277,097,189</u>	<u>\$ 301,556,210</u>	<u>\$ 211,232,678</u>	<u>\$ 150,206,783</u>	<u>\$ 139,374,907</u>	<u>\$ (13,036,876,856)</u>	<u>\$ 485,925,275</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
For the Year Ended December 31, 2020

	Epoch Acquisition, Inc.	Ernest Health Holdings	Elkhorn Valley Rehabilitation Hospital Holdings	Rehabilitation Hospital of the Northwest Holdings	Corpus Christie Rehabilitation Hospital Holdings	LTX LTACH	Home Office	Rehabilitation Hospital of Lubbock Holdings	Rehabilitation Hospital of Southern New Mexico	South Texas Rehabilitation Hospital
OPERATING REVENUE										
Net patient service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,665,136	\$ 13,774,852
COVID-19 grant income and refundable advance	-	-	-	-	-	-	-	-	288,007	1,388,012
Other operating revenue (Note 2)	-	-	-	-	-	-	9,469,488	-	1,579,304	67,479
Total operating revenue	-	-	-	-	-	-	9,469,488	-	20,532,447	15,230,343
OPERATING EXPENSES										
Salaries and benefits	-	-	-	-	-	-	5,096,303	-	8,758,740	8,585,750
Rent expense	-	-	-	-	-	-	572,938	263,314	-	-
Depreciation and amortization	4,137,707	-	-	-	-	-	1,373,761	-	541,289	402,831
Taxes (gross receipts, property, and other)	-	-	310	155	-	-	283,544	-	605,881	190,914
Other operating expense	652,147	3,350	-	-	-	-	17,719,977	-	3,515,453	2,965,210
Total operating expenses	4,789,854	3,350	310	155	-	-	25,046,523	263,314	13,421,363	12,144,705
INCOME (LOSS) FROM OPERATIONS	(4,789,854)	(3,350)	(310)	(155)	-	-	(15,577,035)	(263,314)	7,111,084	3,085,638
NONOPERATING (INCOME) EXPENSE										
Interest income	-	-	-	-	-	-	(32,203)	-	(6,400)	(711)
Interest expense	12,046,644	-	-	-	-	-	97,803	-	4,606,448	3,277,749
Equity in earning of unconsolidated affiliates	-	(4,753,231)	-	-	-	-	-	-	-	-
Transaction costs	521,502	10,790	-	-	-	-	1,805	-	-	-
Other non-operating income and expense	-	-	854,586	-	-	-	29,270	-	-	-
Total nonoperating (income) expense, net	12,568,146	(4,742,441)	854,586	-	-	-	96,675	-	4,600,048	3,277,038
Net income (loss) before income tax expense	(17,358,000)	4,739,091	(854,896)	(155)	-	-	(15,673,710)	(263,314)	2,511,036	(191,400)
Income tax expense	1,281,856	-	-	-	-	-	3,402,241	-	-	-
Net income (loss) before noncontrolling interest	(18,639,856)	4,739,091	(854,896)	(155)	-	-	(19,075,951)	(263,314)	2,511,036	(191,400)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	\$ (18,639,856)	\$ 4,739,091	\$ (854,896)	\$ (155)	\$ -	\$ -	\$ (19,075,951)	\$ (263,314)	\$ 2,511,036	\$ (191,400)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Year Ended December 31, 2020

	Northern Colorado Rehabilitation Hospital	Mountain Valley Rehabilitation Hospital	Greenwood Regional Rehabilitation Hospital	Elkhorn Valley Rehabilitation Hospital	Spartanburg Rehabilitation Institute	New Braunfels Regional Rehabilitation Hospital	Lafayette Regional Rehabilitation Hospital	Rehabilitation Hospital of the Northwest	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital
OPERATING REVENUE										
Net patient service revenue	\$ 19,829,696	\$ 21,376,560	\$ 17,966,444	\$ 16,028,153	\$ 16,771,106	\$ 16,268,437	\$ 11,660,048	\$ 14,865,686	\$ 11,337,495	\$ 8,491,467
COVID-19 grant income and refundable advance	82,000	669,568	926,137	859,551	913,594	643,743	602,323	28,983	660,461	482,620
Other operating revenue (Note 2)	37,101	42,174	36,380	38,248	46,932	31,276	20,011	15,249	15,644	19,089
Total operating revenue	19,948,797	22,088,302	18,928,961	16,925,952	17,731,632	16,943,456	12,282,382	14,909,918	12,013,600	8,993,176
OPERATING EXPENSES										
Salaries and benefits	9,216,955	11,248,672	9,398,322	9,302,309	8,799,222	9,505,018	7,848,965	8,036,302	6,705,203	5,243,028
Rent expense	3,057,596	-	3,181,578	1,854,163	1,716,923	1,295,321	1,601,370	1,474,919	1,070,352	1,845,843
Depreciation and amortization	155,034	594,648	224,187	155,077	206,931	176,651	166,896	152,821	265,999	122,049
Taxes (gross receipts, property, and other)	270,674	193,615	216,238	86,022	368,575	176,384	215,809	104,656	107,642	291,932
Other operating expense	3,782,360	4,473,300	3,297,187	2,794,493	2,855,322	3,320,269	3,263,019	2,957,227	2,339,184	2,274,325
Total operating expenses	16,482,619	16,510,235	16,317,512	14,192,064	13,946,973	14,473,643	13,096,059	12,725,925	10,488,380	9,777,177
INCOME (LOSS) FROM OPERATIONS	3,466,178	5,578,067	2,611,449	2,733,888	3,784,659	2,469,813	(813,677)	2,183,993	1,525,220	(784,001)
NONOPERATING (INCOME) EXPENSE										
Interest income	(11,879)	(5,330)	78	(531)	65	(302)	(143)	(79)	(4,918)	(114)
Interest expense	3,439	4,021,664	9,857	10,992	39,664	11,330	38,781	37,198	9,044	55,010
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	(854,586)	-	-	-	-	-	-
Total nonoperating (income) expense, net	(8,440)	4,016,334	9,935	(844,125)	39,729	11,028	38,638	37,119	4,126	54,896
Net income (loss) before income tax expense	3,474,618	1,561,733	2,601,514	3,578,013	3,744,930	2,458,785	(852,315)	2,146,874	1,521,094	(838,897)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	3,474,618	1,561,733	2,601,514	3,578,013	3,744,930	2,458,785	(852,315)	2,146,874	1,521,094	(838,897)
Net income attributable to noncontrolling interest	-	-	-	894,504	-	-	-	515,425	-	-
Net income (loss) attributable to controlling interest	\$ 3,474,618	\$ 1,561,733	\$ 2,601,514	\$ 2,683,509	\$ 3,744,930	\$ 2,458,785	\$ (852,315)	\$ 1,631,449	\$ 1,521,094	\$ (838,897)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Year Ended December 31, 2020

	Corpus Christie Rehabilitation Hospital	Rehabilitation Hospital of Northwest Ohio	Trustpoint Rehabilitation Hospital of Lubbock	Rehabilitation Hospital of Northern Arizona	Rehabilitation Hospital of Northern Indiana	Midlands Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital
OPERATING REVENUE										
Net patient service revenue	\$ 17,417,099	\$ 13,770,108	\$ 31,340,081	\$ 12,726,179	\$ 4,497,692	\$ 1,897,231	\$ 8,906,393	\$ 11,907,725	\$ 14,129,022	\$ 11,453,467
COVID-19 grant income and refundable advance	84,091	360,000	1,147,683	540,000	-	-	525,699	747,245	575,921	572,912
Other operating revenue (Note 2)	36,411	66,470	196,730	15,016	506	20,129	1,407	7,626	30,024	174,726
Total operating revenue	17,537,601	14,196,578	32,684,494	13,281,195	4,498,198	1,917,360	9,433,499	12,662,596	14,734,967	12,201,105
OPERATING EXPENSES										
Salaries and benefits	9,349,467	8,364,580	16,401,714	6,970,187	3,998,872	2,711,526	4,559,591	6,923,538	8,598,823	6,203,972
Rent expense	1,096,632	1,787,510	3,015,474	2,348,495	1,740,909	-	-	-	1,678,242	2,554,493
Depreciation and amortization	86,581	254,242	457,008	654,774	264,558	94,666	11,268	12,798	211,181	302,167
Taxes (gross receipts, property, and other)	218,644	504,269	511,670	307,784	84,717	11,287	38,899	97,634	136,329	350,058
Other operating expense	2,950,657	2,389,658	5,317,780	2,848,592	2,040,468	1,284,464	1,969,378	2,000,132	4,540,874	3,925,802
Total operating expenses	13,701,981	13,300,259	25,703,646	13,129,832	8,129,524	4,101,943	6,579,136	9,034,102	15,165,449	13,336,492
INCOME (LOSS) FROM OPERATIONS	3,835,620	896,319	6,980,848	151,363	(3,631,326)	(2,184,583)	2,854,363	3,628,494	(430,482)	(1,135,387)
NONOPERATING (INCOME) EXPENSE										
Interest income	(662)	(211)	(99,995)	(2,607)	(17)	(213)	(362)	(3,026)	(1,331)	(3,473)
Interest expense	20,088	137,379	27,731	168,257	88,380	8,660	601	2	1,145	3,680
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	(42,957)	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	19,426	137,168	(115,221)	165,650	88,363	8,447	239	(3,024)	(186)	207
Net income (loss) before income tax expense	3,816,194	759,151	7,096,069	(14,287)	(3,719,689)	(2,193,030)	2,854,124	3,631,518	(430,296)	(1,135,594)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	3,816,194	759,151	7,096,069	(14,287)	(3,719,689)	(2,193,030)	2,854,124	3,631,518	(430,296)	(1,135,594)
Net income attributable to noncontrolling interest	-	-	3,477,073	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	\$ 3,816,194	\$ 759,151	\$ 3,618,996	\$ (14,287)	\$ (3,719,689)	\$ (2,193,030)	\$ 2,854,124	\$ 3,631,518	\$ (430,296)	\$ (1,135,594)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Period from Year Ended December 31, 2020

	Mesquite Specialty Hospital	Vibra Rehabilitation Hospital of Denver	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Intercompany Eliminations	Consolidated
OPERATING REVENUE									
Net patient service revenue	\$ 12,724,113	\$ 5,549,268	\$ 14,824,848	\$ 26,587,016	\$ -	\$ 10,414,992	\$ 10,100,077	\$ -	\$ 395,280,391
COVID-19 grant income and refundable advance	351,012	(2,309)	202,339	230,000	-	86,007	180,000	-	13,145,599
Other operating revenue (Note 2)	62,815	3,662	24,444	47,008	-	2,163	15,841	(11,086,476)	1,036,877
Total operating revenue	13,137,940	5,550,621	15,051,631	26,864,024	-	10,503,162	10,295,918	(11,086,476)	409,462,867
OPERATING EXPENSES									
Salaries and benefits	7,782,701	2,971,915	9,079,907	12,154,310	-	4,524,668	4,738,656	-	223,079,216
Rent expense	3,564,690	650,830	1,522,923	1,605,958	-	-	-	-	39,500,473
Depreciation and amortization	247,539	28,065	182,391	197,267	-	196,497	73,948	-	11,950,831
Taxes (gross receipts, property, and other)	391,090	80,000	216,721	1,043,324	-	256,323	101,235	-	7,462,335
Other operating expense	4,132,315	1,335,727	4,347,935	5,191,007	-	4,668,885	3,049,488	(11,086,476)	97,119,509
Total operating expenses	16,118,335	5,066,537	15,349,877	20,191,866	-	9,646,373	7,963,327	(11,086,476)	379,112,364
INCOME (LOSS) FROM OPERATIONS	(2,980,395)	484,084	(298,246)	6,672,158	-	856,789	2,332,591	-	30,350,503
NONOPERATING (INCOME) EXPENSE									
Interest income	(15,764)	(3,098)	(730)	(2,709)	-	(6,400)	(217)	-	(203,282)
Interest expense	1,739	57	326	4,605	-	518	3,102	-	24,731,893
Equity in earning of unconsolidated affiliates	-	-	-	-	(571)	-	-	-	(4,753,802)
Transaction costs	-	-	-	-	-	-	-	-	534,097
Other non-operating income and expense	-	-	-	-	-	-	-	-	(13,687)
Total nonoperating (income) expense, net	(14,025)	(3,041)	(404)	1,896	(571)	(5,882)	2,885	-	20,295,219
Net income (loss) before income tax expense	(2,966,370)	487,125	(297,842)	6,670,262	571	862,671	2,329,706	-	10,055,284
Income tax expense	-	-	-	-	-	-	-	-	4,684,097
Net income (loss) before noncontrolling interest	(2,966,370)	487,125	(297,842)	6,670,262	571	862,671	2,329,706	-	5,371,187
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	4,887,002
Net income (loss) attributable to controlling interest	\$ (2,966,370)	\$ 487,125	\$ (297,842)	\$ 6,670,262	\$ 571	\$ 862,671	\$ 2,329,706	\$ -	\$ 484,185

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Summary (unaudited)
For the Year Ended December 31, 2020

	Inpatient Rehabilitation Facility Total	Long Term Acute Care Hospital Total	Overhead Total	Consolidated Company Total
NET OPERATING REVENUES				
Inpatient revenue	\$ 288,656,913	\$ 101,173,004	\$ -	\$ 389,829,917
Outpatient revenue	6,912,947	421	-	6,913,368
Other operating revenue	14,072,805	2,468,316	32,203	16,573,324
Total operating revenues	<u>309,642,665</u>	<u>103,641,741</u>	<u>32,203</u>	<u>413,316,609</u>
OPERATING EXPENSES				
Nursing	48,319,303	21,727,028	26	70,046,357
Clinical	50,703,053	18,147,138	356,134	69,206,325
Non clinical	125,411,855	42,919,241	14,542,398	182,873,494
Total operating expenses	<u>224,434,211</u>	<u>82,793,407</u>	<u>14,898,558</u>	<u>322,126,176</u>
EBITDARM	85,208,454	20,848,334	(14,866,355)	91,190,433
Corporate allocation/management fee	<u>7,843,580</u>	<u>2,030,511</u>	<u>(5,365,488)</u>	<u>4,508,603</u>
EBITDAR	77,364,874	18,817,823	(9,500,867)	86,681,830
Rent (income) expense	<u>26,228,553</u>	<u>12,358,611</u>	<u>836,248</u>	<u>39,423,412</u>
EBITDA	51,136,321	6,459,212	(10,337,115)	47,258,418
Interest (income) expense	12,572,330	15,116	12,144,447	24,731,893
Depreciation and amortization	5,028,374	1,410,988	5,511,469	11,950,831
Income taxes	-	-	4,684,097	4,684,097
Nonoperating (income) expense	<u>(897,543)</u>	<u>-</u>	<u>1,417,953</u>	<u>520,410</u>
Net income (loss) before noncontrolling interest	34,433,160	5,033,108	(34,095,081)	5,371,187
Noncontrolling interest	<u>4,887,002</u>	<u>-</u>	<u>-</u>	<u>4,887,002</u>
Net income (loss)	<u>\$ 29,546,158</u>	<u>\$ 5,033,108</u>	<u>\$ (34,095,081)</u>	<u>\$ 484,185</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited)
For the Year Ended December 31, 2020

	Rehabilitation Hospital of Southern New Mexico	South Texas Rehabilitation Hospital	Northern Colorado Rehabilitation Hospital	Mountain Valley Rehabilitation Hospital	Greenwood Regional Rehabilitation Hospital	Elkhorn Valley Rehabilitation Hospital	Spartanburg Rehabilitation Institute	New Braunfels Regional Rehabilitation Hospital	Lafayette Regional Rehabilitation Hospital	Rehabilitation Hospital of the Northwest
NET OPERATING REVENUES										
Inpatient revenue	\$ 18,021,165	\$ 13,118,019	\$ 19,352,675	\$ 18,629,270	\$ 18,096,536	\$ 15,836,138	\$ 16,698,736	\$ 15,451,884	\$ 11,253,810	\$ 14,873,223
Outpatient revenue	700,969	829,400	559,668	637,847	-	244,430	236,323	994,274	515,614	-
Other operating revenue	328,328	1,440,281	124,578	2,981,695	962,439	894,178	955,885	675,321	622,477	44,311
Total operating revenues	19,050,462	15,387,700	20,036,921	22,248,812	19,058,975	16,974,746	17,890,944	17,121,479	12,391,901	14,917,534
OPERATING EXPENSES										
Nursing	2,343,269	2,334,620	3,207,091	2,717,554	2,934,443	2,462,240	2,691,746	2,735,831	2,343,865	2,305,625
Clinical	3,081,959	2,997,474	2,740,383	4,691,235	2,554,198	2,083,371	2,725,493	2,989,017	2,602,805	2,122,765
Non clinical	7,105,350	6,302,175	7,005,676	8,228,585	7,189,909	6,715,818	6,427,212	7,131,453	6,253,859	5,934,882
Total operating expenses	12,530,578	11,634,269	12,953,150	15,637,374	12,678,550	11,261,429	11,844,451	12,856,301	11,200,529	10,363,272
EBITDARM	6,519,884	3,753,431	7,083,771	6,611,438	6,380,425	5,713,317	6,046,493	4,265,178	1,191,372	4,554,262
Corporate allocation/ management fee	406,495	280,171	399,486	433,393	363,289	973,810	342,621	323,091	236,640	742,450
EBITDAR	6,113,389	3,473,260	6,684,285	6,178,045	6,017,136	4,739,507	5,703,872	3,942,087	954,732	3,811,812
Rent (income) expense	(1,545,384)	(15,920)	3,051,194	-	3,181,578	1,850,011	1,712,347	1,295,321	1,601,370	1,474,919
EBITDA	7,658,773	3,489,180	3,633,091	6,178,045	2,835,558	2,889,496	3,991,525	2,646,766	(646,638)	2,336,893
Interest (income) expense	4,606,448	3,277,749	3,439	4,021,664	9,857	10,992	39,664	11,330	38,781	37,198
Depreciation and amortization	541,289	402,831	155,034	594,648	224,187	155,077	206,931	176,651	166,896	152,821
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	(854,586)	-	-	-	-
Net income (loss) before noncontrolling interest	2,511,036	(191,400)	3,474,618	1,561,733	2,601,514	3,578,013	3,744,930	2,458,785	(852,315)	2,146,874
Noncontrolling interest	-	-	-	-	-	894,504	-	-	-	515,425
Net income (loss)	\$ 2,511,036	\$ (191,400)	\$ 3,474,618	\$ 1,561,733	\$ 2,601,514	\$ 2,683,509	\$ 3,744,930	\$ 2,458,785	\$ (852,315)	\$ 1,631,449

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited) (continued)
For the Year Ended December 31, 2020

	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital	Corpus Christie Rehabilitation Hospital	Rehabilitation Hospital of Northwest Ohio	Trustpoint Rehabilitation Hospital of Lubbock	Rehabilitation Hospital of Northern Arizona	Rehabilitation Hospital of Northern Indiana	Midlands Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute
NET OPERATING REVENUES										
Inpatient revenue	\$ 11,145,615	\$ 8,203,507	\$ 17,557,878	\$ 13,974,596	\$ 30,855,550	\$ 12,850,314	\$ 4,508,190	\$ 1,897,231	\$ 9,015,060	\$ 11,712,194
Outpatient revenue	233,270	329,528	-	-	1,241,568	-	-	-	-	390,056
Other operating revenue	681,023	501,823	121,071	426,681	1,444,408	557,623	523	20,342	527,468	757,897
Total operating revenues	12,059,908	9,034,858	17,678,949	14,401,277	33,541,526	13,407,937	4,508,713	1,917,573	9,542,528	12,860,147
OPERATING EXPENSES										
Nursing	2,014,272	1,281,226	2,790,764	2,380,035	5,249,224	2,098,859	1,016,567	738,619	1,360,563	2,289,776
Clinical	2,084,798	1,557,093	2,737,472	2,317,051	5,339,921	1,764,573	981,409	564,743	1,779,240	2,178,137
Non clinical	4,862,147	4,841,252	6,777,647	6,485,887	11,219,569	6,130,120	3,956,243	2,665,964	3,315,973	4,475,733
Total operating expenses	8,961,217	7,679,571	12,305,883	11,182,973	21,808,714	9,993,552	5,954,219	3,969,326	6,455,776	8,943,646
EBITDARM	3,098,691	1,355,287	5,373,066	3,218,304	11,732,812	3,414,385	(1,445,506)	(2,051,753)	3,086,752	3,916,501
Corporate allocation/ management fee	232,202	171,282	353,663	280,023	1,179,487	257,146	180,336	37,950	182,095	243,683
EBITDAR	2,866,489	1,184,005	5,019,403	2,938,281	10,553,325	3,157,239	(1,625,842)	(2,089,703)	2,904,657	3,672,818
Rent (income) expense	1,070,352	1,845,843	1,096,540	1,787,510	3,015,474	2,348,495	1,740,909	-	38,664	28,500
EBITDA	1,796,137	(661,838)	3,922,863	1,150,771	7,537,851	808,744	(3,366,751)	(2,089,703)	2,865,993	3,644,318
Interest (income) expense	9,044	55,010	20,088	137,378	27,731	168,257	88,380	8,661	601	2
Depreciation and amortization	265,999	122,049	86,581	254,242	457,008	654,774	264,558	94,666	11,268	12,798
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	(42,957)	-	-	-	-	-
Net income (loss) before noncontrolling interest	1,521,094	(838,897)	3,816,194	759,151	7,096,069	(14,287)	(3,719,689)	(2,193,030)	2,854,124	3,631,518
Noncontrolling interest	-	-	-	-	3,477,073	-	-	-	-	-
Net income (loss)	\$ 1,521,094	\$ (838,897)	\$ 3,816,194	\$ 759,151	\$ 3,618,996	\$ (14,287)	\$ (3,719,689)	\$ (2,193,030)	\$ 2,854,124	\$ 3,631,518

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited) (continued)
For the Year Ended December 31, 2020

	Vibra Rehabilitation Hospital of Denver	Inpatient Rehabilitation Facility Total
NET OPERATING REVENUES		
Inpatient revenue	\$ 5,605,322	\$ 288,656,913
Outpatient revenue	-	6,912,947
Other operating revenue	4,453	14,072,805
Total operating revenues	<u>5,609,775</u>	<u>309,642,665</u>
OPERATING EXPENSES		
Nursing	1,023,114	48,319,303
Clinical	809,916	50,703,053
Non clinical	2,386,401	125,411,855
Total operating expenses	<u>4,219,431</u>	<u>224,434,211</u>
EBITDARM	1,390,344	85,208,454
Corporate allocation/ management fee	<u>224,267</u>	<u>7,843,580</u>
EBITDAR	1,166,077	77,364,874
Rent (income) expense	<u>650,830</u>	<u>26,228,553</u>
EBITDA	515,247	51,136,321
Interest (income) expense	56	12,572,330
Depreciation and amortization	28,066	5,028,374
Income taxes	-	-
Nonoperating (income) expense	<u>-</u>	<u>(897,543)</u>
Net income (loss) before noncontrolling interest	487,125	34,433,160
Noncontrolling interest	<u>-</u>	<u>4,887,002</u>
Net income (loss)	<u>\$ 487,125</u>	<u>\$ 29,546,158</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Long Term Acute Care Facilities (unaudited)
For the Year Ended December 31, 2020

	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital	Mesquite Specialty Hospital	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Long Term Acute Care Total
NET OPERATING REVENUES									
Inpatient revenue	\$ 14,231,862	\$ 11,840,941	\$ 12,866,904	\$ 14,986,361	\$ 26,618,157	\$ -	\$ 10,491,012	\$ 10,137,767	\$ 101,173,004
Outpatient revenue	-	-	-	421	-	-	-	-	421
Other operating revenue	607,276	671,093	392,091	227,512	279,717	-	94,570	196,057	2,468,316
Total operating revenues	14,839,138	12,512,034	13,258,995	15,214,294	26,897,874	-	10,585,582	10,333,824	103,641,741
OPERATING EXPENSES									
Nursing	3,317,719	2,536,369	3,548,536	3,512,300	4,604,626	-	1,900,385	2,307,093	21,727,028
Clinical	2,671,252	2,562,487	2,507,803	2,587,871	4,626,139	-	1,467,044	1,724,542	18,147,138
Non clinical	7,106,163	5,527,936	6,133,171	7,406,669	8,655,602	(571)	4,402,542	3,687,729	42,919,241
Total operating expenses	13,095,134	10,626,792	12,189,510	13,506,840	17,886,367	(571)	7,769,971	7,719,364	82,793,407
EBITDARM	1,744,004	1,885,242	1,069,485	1,707,454	9,011,507	571	2,815,611	2,614,460	20,848,334
Corporate allocation/ management fee	283,732	240,515	259,387	299,656	533,414	-	210,542	203,265	2,030,511
EBITDAR	1,460,272	1,644,727	810,098	1,407,798	8,478,093	571	2,605,069	2,411,195	18,817,823
Rent (income) expense	1,678,242	2,474,474	3,527,190	1,522,923	1,605,959	-	1,545,383	4,440	12,358,611
EBITDA	(217,970)	(829,747)	(2,717,092)	(115,125)	6,872,134	571	1,059,686	2,406,755	6,459,212
Interest (income) expense	1,145	3,680	1,739	326	4,605	-	518	3,103	15,116
Depreciation and amortization	211,181	302,167	247,539	182,391	197,267	-	196,497	73,946	1,410,988
Income taxes	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	(430,296)	(1,135,594)	(2,966,370)	(297,842)	6,670,262	571	862,671	2,329,706	5,033,108
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ (430,296)	\$ (1,135,594)	\$ (2,966,370)	\$ (297,842)	\$ 6,670,262	\$ 571	\$ 862,671	\$ 2,329,706	\$ 5,033,108

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Overhead (unaudited)
For the Year Ended December 31, 2020

	Ernest Health	Elkhorn Valley Rehabilitation Hospital Holdings, Inc.	Rehabilitation Hospital of the Northwest Holdings, LLC	Corpus Christie Rehabilitation Hospital Holdings, LLC	Ernest Health Holdings	Rehabilitation Hospital of Lubbock Holdings LLC	LTX LTACH LLC	Epoch Acquisition, Inc.	Overhead Total
NET OPERATING REVENUES									
Inpatient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outpatient revenue	-	-	-	-	-	-	-	-	-
Other operating revenue	32,203	-	-	-	-	-	-	-	32,203
Total operating revenues	32,203	-	-	-	-	-	-	-	32,203
OPERATING EXPENSES									
Nursing	26	-	-	-	-	-	-	-	26
Clinical	355,244	-	-	-	890	-	-	-	356,134
Non clinical	18,640,557	310	155	-	(4,750,771)	-	-	652,147	14,542,398
Total operating expenses	18,995,827	310	155	-	(4,749,881)	-	-	652,147	14,898,558
EBITDARM	(18,963,624)	(310)	(155)	-	4,749,881	-	-	(652,147)	(14,866,355)
Corporate allocation/ management fee	(5,365,488)	-	-	-	-	-	-	-	(5,365,488)
EBITDAR	(13,598,136)	(310)	(155)	-	4,749,881	-	-	(652,147)	(9,500,867)
Rent (income) expense	572,934	-	-	-	-	263,314	-	-	836,248
EBITDA	(14,171,070)	(310)	(155)	-	4,749,881	(263,314)	-	(652,147)	(10,337,115)
Interest (income) expense	97,803	-	-	-	-	-	-	12,046,644	12,144,447
Depreciation and amortization	1,373,762	-	-	-	-	-	-	4,137,707	5,511,469
Income taxes	3,402,241	-	-	-	-	-	-	1,281,856	4,684,097
Nonoperating (income) expense	31,075	854,586	-	-	10,790	-	-	521,502	1,417,953
Net income (loss) before noncontrolling interest	(19,075,951)	(854,896)	(155)	-	4,739,091	(263,314)	-	(18,639,856)	(34,095,081)
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ (19,075,951)	\$ (854,896)	\$ (155)	\$ -	\$ 4,739,091	\$ (263,314)	\$ -	\$ (18,639,856)	\$ (34,095,081)