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Metropolitan Health Networks, Inc.

Health Care- Services *October 14, 2011*

Company Description: *Metropolitan Health Networks, Inc., through its subsidiaries, operates provider service networks (PSN) in the United States. Its PSN provides and arranges healthcare services to Medicare Advantage beneficiaries who participate in a Medicare Advantage plan.*

MDF investor meetings highlight multiple growth opportunities

(MDF - $5.39) STRONG BUY

Key Points

- We hosted investor meetings with senior management of Metropolitan Health Networks on Monday. Investors were focused on the Continucare acquisition and the additional growth opportunities within the Medicare Advantage and Medicaid markets.
- Metropolitan is now the largest primary care provider to the Medicare and Medicaid populations in Florida.
- Medicare Advantage Health Plans are driving network consolidation to increase quality star ratings, resulting in market share gains and likely higher bonuses for MDF.
- Humana relationship provides significant growth opportunities, outweighing customer concentration risk.
- Our initial 2012 pro forma analysis suggests EPS accretion of $0.16. We are presently updating our model to reflect the Continucare acquisition.
- Maintain estimates, STRONG BUY rating, and $6.88 PT.

We recently hosted investor meetings with Metropolitan Health Network's CEO Michael Earley and Sr. VP of Corporate Communications Al Polombo, which was timely given the Continucare acquisition closed less than a week ago. In this note we highlight the major themes and investor concerns from the meetings and provide our commentary regarding the areas of focus from the meetings.

Metropolitan, a primary care provider: After closing the Continucare acquisition, Metropolitan is now the largest provider of primary care physician services in Florida operating 32 primary care practices and over 250 contracted practices serving approximately 68,000 Medicare Advantage and Medicaid customers. We find investors continually associate MDF as a managed care organizations, and while there are clear similarities, **MDF is not an HMO insurance company, and thus is not bound by the minimum MLR regulations that come into play in 2014.**

Metropolitan is a primary care centric organization managing risk of Medicare Advantage customers on behalf of third party payers. For example, when a customer selects a Humana (HUM not-rated) Medicare Advantage HMO product that customer is required to select a primary care physician. If that customer selects MDF as its primary care physician then Metropolitan assumes all risk of the cost of care. In return, MDF receives a contracted percentage, or capitated rate, of every dollar that comes into the health plan (i.e. premiums, quality star bonus payment etc.). Accordingly, MDF generates profits by efficiently managing and coordinating all care, primarily targeted toward the Medicare population. MDF invests in their patients health to make sure chronic diseases are addressed and also that those diseases are properly risk coded to ensure it is paid for assuming various degrees of risk.

Financial Summary

Rev(mil)	2010A	2011E	2012E
Mar	$93.0	$94.7A	$99.9E
Jun	$92.5	$97.3A	$103.8E
Sep	$91.1	$94.4E	$100.9E
Dec	$91.4	$94.3E	$100.8E
FY	$368.2	$380.7E	$405.4E
P/Sales	0.61x	0.59x	0.56x

EPS	2010	2011E	2012E
Mar	$0.17	$0.19A	$0.21E
Jun	$0.14	$0.16A	$0.16E
Sep	$0.16	$0.18E	$0.19E
Dec	$0.14	$0.16E	$0.16E
FY	$0.62	$0.69E	$0.73E
P/E	8.7x	7.8x	7.4x

Price:	$5.39
52-Week Range:	$6.04-$3.76
Target:	$6.88
Rating:	STRONG BUY
Shares Outstanding:	42.0 mil
Mkt. Capitalization:	$226 mil
Ave. Volume:	297,233
Instit. Ownership:	53%
BV / Share:	$1.98
Debt / Tot. Cap.:	0.8%
Est. LT EPS Growth:	10%

During the investor meetings, management frequently drove home the point that as a primary care provider, MDF makes a significant upfront investment to avoid costly hospitalizations. Management has cited prior pilot programs that showed MDF's patient centered medical homes can generate fewer hospital days per 1,000 customers and less overall medical expenses. Furthermore, MDF noted its 30 day readmission rate of approximately 12% is significantly lower than the national average of 25% for Medicare patients. This is a function of coordinating care upon discharge to avoid those expensive trips back to the hospital, which is largely absent in the Medicare fee-for-service program. We note Metropolitan stressed that tightly managing and coordinating care is working within the HMO managed care environment to restrain medical costs, and that appeared to resonate with investors. Going forward we expect the trend will continue shifting away from reimbursing for the quantity of service and more towards quality, which should play right into MDF's strategy as a low cost provider. Management is clearly optimistic about future growth opportunities as those turning age 65 are far more comfortable with HMO's, the MA health plans are doing a much better job marketing, the message from Washington is increasingly focused on paying for quality, and the Baby Boomer demographic shift provides a nice tailwind. All told, we expect Medicare Advantage's 25% penetration rate will continue gaining market share over the government's fee-for-service program.

Continucare brings more than new geographies: The acquisition of Continucare made sense as the two business models were essentially identical with very limited geographic overlap. MDF now has exposure to Miami-Dade County which has the greatest number of Medicare eligible members in Florida, and is extremely competitive with Medicare Advantage representing 51% of the market compared to 32% for the entire state of Florida. The high degree of competition would have made it difficult and expensive to enter the Miami market outside of a large acquisition. Metropolitan noted that CNU generates a better medical expense ratio than MDF as the Miami market is well paid in premiums relative to other Florida counties. CNU also treats nearly all of its customers in its owned medical facilities compared to 32% for MDF. The result is more control over patient care and coordination for CNU, and it more readily allows the company to ensure the customer is appropriately risk coded. At the investor meetings management stressed the importance of getting the risk scores correct and noted the significant investments MDF has made to ensure risk coding is accurate and complete. Continucare also appears to have made such investments and brings a strong expertise to the combined company.

The quality stars are aligning: In previous research notes we discussed the importance of the quality star bonuses to the Medicare Advantage health plans beginning in 2013. Metropolitan noted the MA health plans are placing significant attention to increasing their overall rating, which will likely result in tighter primary care provider networks. Mr. Earley stated that network consolidation will be Metropolitan's number one growth driver over the next few years. As a way of background, all Medicare Advantage health plans will receive a 1-5 star rating based on 36 performance metrics. Bonuses will be awarded to those plans starting with a three star rating and scaling up to five star plans. A majority of these metrics are driven at the primary care provider level such as frequency of health screenings and health outcomes. Metropolitan claims the health plans are scrambling to determine how they can increase their ranking to 4-5 stars within the next couple of years, which could result in an annual bonus as high as 5%-10% per member. The health plan's star rating is determined by the performance of all providers within the respective plan. As such, lower quality or less efficient providers can drag the rating down. MDF noted the health plans are targeting the underperformers, and to the extent those providers are unable to improver their performance they are being eliminated from the provider network. During 2Q11 Humana transferred 425 members to MDF that were previously treated by other providers, and we believe this was an example of Humana positioning itself to achieve higher star rankings. Mr. Earley noted this has continued to transpire since the second quarter and expects further market share gains. MDF will clearly benefit from this trend by picking up new members. Assuming the health plans improve their star rating by tightening up their provider networks, Metropolitan will also realize greater revenue per member per month as the company receives approximately 85% of ever dollar the health plans generate, including these quality bonuses. Even if the health plans fail to add any new members over the next few years MDF expects to generate top-line growth driven by this consolidation trend and the quality bonus payments, which considering the organic growth is in the low-mid signal digits a bonus of 2%-4% in any given year is substantial.

Humana relationship is more of an opportunity than risk: Metropolitan noted Humana maintains 35% of the Florida Medicare Advantage market and UnitedHealth Group (UNH not-rated) is a distant number two player with roughly 15% share. Accordingly, MDF has sought to align itself with the dominant MA player, Humana, which accounts for approximately 75% of its revenues subsequent to the Continucare acquisition with Wellcare (WCG not-rated) and Coventry (CVH not-rated) primarily representing for the remaining 25%. Metropolitan stated that Humana's dominant market presence provides significant local buying power when negotiating pricing with specialists, of which MDF is able to utilize with its own customers. Thus, we believe aligning oneself with the clear market leader provides the best opportunity to grow membership and maintain leverage with the specialists.

Investors have been concerned with the significant Humana concentration that was nearly 100% of MDF revenues prior to acquiring Continucare. While the high concentration is certainly a risk for MDF, we do not view this is the same manner as you would for example, of a widget manufacturing selling a commodity product to only one customer. The Humana relationship goes both ways. We estimate in the markets where MDF/CNU operates it represents nearly 30% of Humana's customers. HUM would be at risk to terminate the relationship as the approximate 50,000 customers that have MDF as their primary care physician could ultimately change health plans to maintain their relationship with MDF. The quality star program is placing more emphasis on health plans partnering with high quality providers, which we believe creates a sticky factor in the HUM relationship. Mr. Earley stated the relationship with HUM remains strong and is growing with the recent announcement that HUM is entering the Florida Panhandle and is partnering with Metropolitan as the primary care provider. If anything, we believe the Continucare acquisition strengthened the HUM relationship. With MDF improving its internal efficiencies in risk coding to drive greater revenue per member per month while maintaining high customer satisfaction (i.e. low attrition rates) and high quality ratings it certainly appears both MDF and HUM are flourishing from this relationship. We believe the company is increasingly attracting attention from other third party payers, and we expect the customer concentration will moderately decline as MDF partners with more MCO's both in and outside of Florida.

Managed care organizations are vertically integrating: We believe a trend investors need to focus on is MCO's vertically integrating down to the provider level. Humana's acquisition of Concentra, Wellpoint's (WLP not-rate) acquisition of CareMore, and UnitedHealth Group's acquisition of Monarch Healthcare are all recent examples of MCO's acquiring primary care providers. We believe the pressures from the Health Care Reform Act and the ability to gain MA quality star bonuses is driving this trend as MCO's seek to gain greater control around the management of their members. We believe at some point MDF will become a natural acquisition target as it increases its Medicare presence in Florida, and likely makes a push outside of the Florida market.

Multiple growth opportunities: As health plans increasingly look to expand their MA presence in new counties, they require providers to manage a network. The announcement of HUM and MDF going into the Florida Panhandle is a perfect example of one method to expand its footprint. Mr. Earley noted there are other similar discussions occurring with HUM and other third party payers, and we expect MDF will announce additional partnerships that will bring MDF into new Florida counties.

Despite the increased leverage in completing the Continucare acquisition, MDF expects to continue consolidating within its existing markets. While the acquisition of an IPA does not increase membership, it allows the company to improve margins and returns as they obtain greater control of risk coding and ability to manage customer care. Currently 32% of its customers are cared for at MDF owned facilities and we expect the company will look to improve that percentage through additional IPA acquisitions. Mr. Earley noted they can pay for these acquisitions simply by improving risk coding of the acquired practice. Implementing MDF's technology platforms and disciplines, plus utilizing its 70 dedicated risk coders can typically increase the acquired practice's average risk score by 30% (inline with MDF's average score) within 18 months.

Moving outside of Florida – Metropolitan expects to announce it's expanding outside of Florida within the next year. While the company did not provide any details of potential markets, it believes its model is highly transferrable. We believe the acquisition of Continucare put MDF on the radar screens of more MCO's and is increasingly viewed as a high quality, lower cost provider with a proven track record in managing risk while maintaining high customer satisfaction. We expect the company would initially go into a new market by contracting with established providers, and as it assesses the local market economics MDF can make the decision to acquire physician practices if the margin opportunity proves attractive.

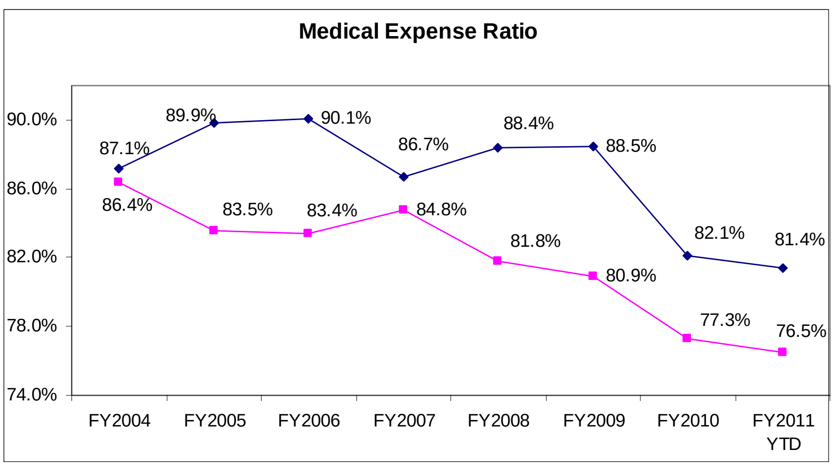
Super Committee risk appears manageable: We were surprised on limited amount of discussion regarding the potential impact from the Super Committee. It did not sound like there were any significant concerns that the Super Committee could pose. If sequestration goes through and Medicare Advantage realizes a 2% cut in reimbursement, then MDF will be impacted. That will partially be offset by providers who MDF contracts with such as the IPAs who see two-thirds of MDF customers and the specialists and hospitals, who all will experience a 2% cut. The company also believes any pressures felt by providers will likely drive further consolidation, and only those with size and scale will be able to navigate through the potential reimbursement pressures.

Investors weren't focused on increased leverage: There was little discussion on the increase in MDF's leverage subsequent to the Continucare acquisition. MDF took on $315 million of debt to complete the Continucare transaction, which is approximately 3.5x debt/EBITDA on a proforma LTM basis. We expect the company will reduce its leverage and would be surprised if its leverage ratio is greater than 3.0x. An attractive investment feature of MDF/CNU is the significant free cash flow generation that has approximated net income for both companies even under a rising medical cost environment. Thus, given the increasing demand for Medicare Advantage insurance, and opportunities to organically expand its existing footprint and to enter new counties we believe the free cash flow generation, even under a scenario where medical expense growth outpaces revenue growth, we believe the company will generate sufficient free cash flow to support the increased leverage.

Potential Medicaid opportunities: With the Continucare acquisition, MDF gains the infrastructure to serve the Medicaid population. By 2013 approximately three million Medicaid lives should be shifted over to Medicaid managed care health plans driven by the anticipated sign-off by the Florida governor and the regulatory approval. These position MDF to participate in what could prove to be a attractive opportunity to the extent three million members are shifted onto managed care plans.

There are two sides to the medical expense equation: Both Metropolitan and Continucare have experienced significant improvements in their respective medical expense ratio over the past two years. We believe some investors were surprised to learn Metropolitan cited risk coding as a driver to such improvement. MDF spent considerable efforts over the past few years focusing on internal processes to improve its risk coding capabilities. Metropolitan employs 70 dedicated coders who entire focus is on coding compliance, which includes substantial time auditing claims and reimbursement documents. MDF has established detailed protocols to train its physicians and IPA's on ICD-9 coding, including the use of sophisticated technology. Metropolitan stated there are additional opportunities in risk scoring, and given its customers average age is 74, the disease profile is continually changing. These operational changes are not cyclical, and to the extent medical utilization increases in the future, we do not expect the company to re-visit prior MER levels due to these process improvements.

Cleary medical utilization has declined over the past two years to provide a tailwind to the industry. While we believe the economy has had some influence on such decline, we do not believe the Medicare population is as sensitive to such economic headwinds as the commercial insurance population. We believe the structural changes the health plans instituted to alter member behavior in terms of lowering benefits, increasing deductibles and co-pays, primarily for expensive specialists, has impacted medical utilization, and view that as secular more than cyclical. We understand investors concerns about that argument, and acknowledge utilization will likely increase, however we believe it will be more prevalent at the primary care level as compared to the specialist level. If we have underestimated how the poor economy has impacted medical utilization we find some comfort in that it appears modest economic growth is the best case scenario over the near term. As such we do not expect MDF to report material degradation in its medical expense ratio over the next year.



Investment Thesis
We are attracted to the MDF's focus of primary care with an emphasis on care coordination and prevention that has resulted in MDF becoming a leading low cost provider and see Continucare fitting in perfectly to such strategy. We believe MDF/CNU are well positioned for future growth, and with the Medicare age population poised to accelerate in Florida and nation wide we recommend investors buy shares in MDF. Strong operating results from MDF and CNU reinforce our thesis that MDF can continue to outperform with strong risk coding driving revenue PMPM increases and structural changes in the Medicare Advantage marketplace and the company's intense focus on care coordination resulting in a medical cost ratio remaining low longer than the market is discounting. We maintain our estimates and STRONG BUY rating. Utilizing a 7.7 multiple times our 2012 proforma estimates achieves a $6.88 price target.

INCOME STATEMENT	2009	2010	Q1	Q2E	Q3E	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012
REVENUE	$ 354,407,100	$ 368,185,734	$ 94,665,729	$ 97,320,000	$ 94,438,361	$ 94,315,253	$ 380,739,344	$ 99,885,236	$ 103,834,161	$ 100,866,289	$ 100,833,717	$ 405,419,404
MEDICAL EXPENSE												
Medical claims expense	299,039,806	286,602,268	71,129,897	76,083,000	71,567,149	73,256,584	292,036,630	75,204,651	81,520,325	76,923,930	78,732,750	312,381,656
Medical center costs	14,512,051	15,825,811	4,355,499	4,646,000	4,508,432	4,502,555	18,012,486	4,594,721	4,776,371	4,639,849	4,638,351	18,649,293
Total Medical Expense	313,551,857	302,428,079	75,485,396	80,729,000	76,075,582	77,759,139	310,049,116	79,799,372	86,296,697	81,563,780	83,371,101	331,030,949
GROSS PROFIT	40,855,243	65,757,655	19,180,333	16,591,000	18,362,779	16,556,115	70,690,227	20,085,865	17,537,464	19,302,510	17,462,617	74,388,456
OTHER OPERATING EXPENSES												
Administrative payroll, payroll taxes and	11,287,110	15,419,446	4,102,331	3,858,000	3,743,765	3,738,885	15,442,980	4,195,180	4,361,035	4,236,384	4,235,016	17,027,615
General and administrative	7,564,251	8,731,184	2,236,271	2,316,000	2,297,884	2,294,888	9,145,043	2,397,246	2,492,020	2,521,657	2,520,843	9,931,766
Marketing and advertising	359,249	385,473	67,602	52,000			119,602					0
Merger synergies												
Total Other Operating Expenses	19,210,610	24,536,103	6,406,204	6,226,000	6,041,649	6,033,773	24,707,625	6,592,426	6,853,055	6,758,041	6,755,859	26,959,381
OPERATING INCOME (LOSS) BEFORE GAIN ON	21,644,633	41,221,552	12,774,129	10,365,000	12,321,131	10,522,342	45,982,602	13,493,439	10,684,410	12,544,469	10,706,757	47,429,075
Gain on sale of HMO subsidiary	1,336,470	62,440	0				0					0
EBIT	22,981,103	41,283,992	12,774,129	10,365,000	12,321,131	10,522,342	45,982,602	13,493,439	10,684,410	12,544,469	10,706,757	47,429,075
Investment income, net	390,183	320,462	182,615	281,000	219,064	383,290	1,065,969	472,599	543,309	596,254	668,688	2,280,850
Other income (expense), net	-22,607	-19,906	-5,102	-10,000	-5,000	-5,000	-25,102	-5,000	-5,000	-5,000	-5,000	-20,000
Total other income (expense)	367,576	300,556	177,513	271,000	214,064	378,290	1,040,867	467,599	538,309	591,254	663,688	2,260,850
EBT	23,348,679	41,584,548	12,951,642	10,636,000	12,535,195	10,900,632	47,023,469	13,961,038	11,222,718	13,135,723	11,370,446	49,689,925
INCOME TAX EXPENSE	8,900,113	15,884,153	4,987,024	4,095,000	4,826,050	4,196,743	18,104,817	5,305,194	4,264,633	4,991,575	4,320,769	18,882,171
NET INCOME	14,448,566	25,700,395	7,964,618	6,541,000	7,709,145	6,703,889	28,918,651	8,655,844	6,958,085	8,144,148	7,049,676	30,807,753
EARNINGS PER SHARE:												
Diluted	$ 0.31	$ 0.62	$ 0.19	$ 0.16	$ 0.18	$ 0.16	$ 0.69	$ 0.21	$ 0.16	$ 0.19	$ 0.17	$ 0.73
Diluted shares outstanding	45,940,636	41,509,000	41,961,000	42,017,000	42,017,000	42,017,000	42,003,000	42,117,000	42,317,000	42,517,000	42,717,000	42,417,000
Expense Analysis												
Medical claims expenses	84.4%	77.8%	75.1%	78.2%	75.8%	77.7%	76.7%	75.3%	78.5%	76.3%	78.1%	77.1%
Other direct costs	4.1%	4.3%	4.6%	4.8%	4.8%	4.8%	4.7%	4.6%	4.6%	4.6%	4.6%	4.6%
Medical services expenses	**88.5%**	**82.1%**	**79.7%**	**83.0%**	**80.6%**	**82.4%**	**81.4%**	**79.9%**	**83.1%**	**80.9%**	**82.7%**	**81.7%**
Administrative payroll and employee benefit ex	3.2%	4.2%	4.3%	4.0%	4.0%	4.0%	4.1%	4.2%	4.2%	4.2%	4.2%	4.2%
SG&A	2.2%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%	2.4%
Total operating expenses	5.4%	6.7%	6.8%	6.4%	6.4%	6.4%	6.5%	6.6%	6.6%	6.7%	6.7%	6.6%
Tax Rate	38.1%	38.2%	38.5%	38.5%	38.5%	38.5%	38.5%	38.0%	38.0%	38.0%	38.0%	38.0%
Margins												
Gross margin	11.5%	17.9%	20.3%	17.0%	19.4%	17.6%	18.6%	20.1%	16.9%	19.1%	17.3%	18.3%
Operating Margin	6.5%	11.2%	13.5%	10.7%	13.0%	11.2%	12.1%	13.5%	10.3%	12.4%	10.6%	11.7%
EBITDA	23,865,236	42,340,568	13,205,390	10,675,739	12,631,870	10,833,081	47,346,080	13,819,715	11,010,686	12,870,744	11,033,033	48,734,179
EBITDA Margin	6.7%	11.5%	13.9%	11.0%	13.4%	11.5%	12.4%	13.8%	10.6%	12.8%	10.9%	12.0%
Net Income	4.1%	7.0%	8.4%	6.7%	8.2%	7.1%	7.6%	8.7%	6.7%	8.1%	7.0%	7.6%
Growth (yr-yr)												
Revenue	11.7%	3.9%	1.7%	5.1%	3.6%	3.2%	3.4%	5.5%	6.7%	6.8%	6.9%	6.5%
EBIT	51.5%	79.6%	14.1%	11.4%	14.0%	5.5%	11.4%	5.6%	3.1%	1.8%	1.8%	3.1%
EBITDA	46.7%	77.4%	15.6%	11.9%	14.4%	4.8%	11.8%	4.7%	3.1%	1.9%	1.8%	2.9%
Net income	63.5%	77.9%	11.7%	13.5%	13.5%	11.4%	12.5%	8.7%	6.4%	5.6%	5.2%	6.5%
EPS	80.4%	101.7%	9.7%	11.2%	12.2%	10.7%	10.9%	8.3%	5.6%	4.3%	3.3%	5.4%

Analyst Certification

I, **Matt Weight**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

Important Disclosures:

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As of the end of the month preceding the date of publication of this report, Feltl and Company **did not** beneficially own 1% or more of any class of common equity securities of the subject company.

There **is not** any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

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Feltl and Company **has not** been engaged for investment banking services with the subject company during the past twelve months and **does not** anticipate receiving compensation for such services in the next three months.

Feltl and Company **has not** served as a broker, either as agent or principal, buying back stock for the subject company's account as part of the company's authorized stock buy-back program in the last twelve months.

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Feltl and Company Rating System: Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

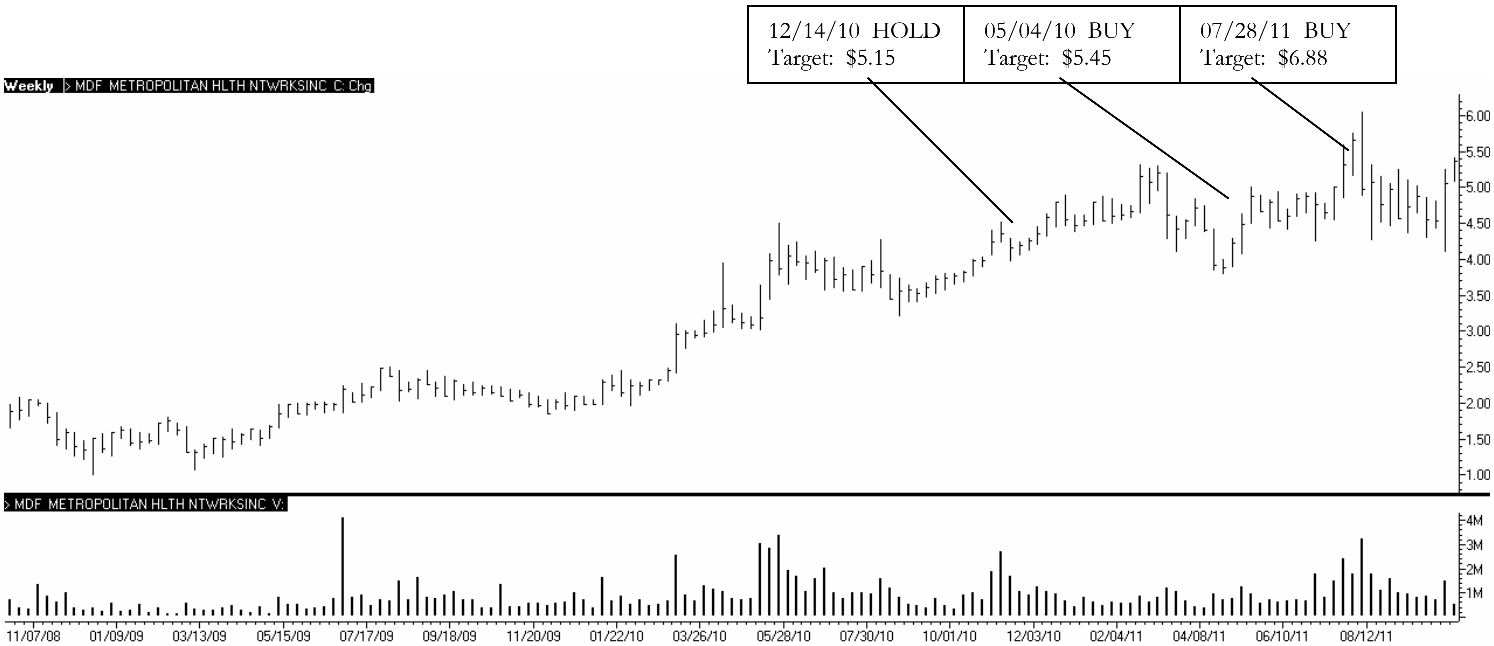
Strong Buy: The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.
Buy: The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.
Hold: The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.
Sell: Expect a negative total return. Current positions may be used as a source of funds.

10/14/2011

Ratings Distribution for Feltl and Company

Rating	Number of Stocks	Percent of Total	------ Investment Banking ------ Number of Stocks	Percent of Rating category
SB/Buy	44	72%	3	7%
Hold	16	26%	0	0%
Sell	1	2%	0	0%
	61	100%	3	5%

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.



Date	Nature of Report	Rating	Price Target
12/15/10	Initiation@$4.60	Hold	$5.15
1/7/11	Acquisition	Hold	$5.15
1/19/11	Cost index, enrollment data	Hold	$5.15
5/4/11	Q1 Review	Buy	$5.45
7/28/11	Acquisition Accretion Analysis	Strong Buy	$6.88
8/03/11	Q2 Review	Strong Buy	$6.88
9/08/11	Continucare reports 4Q results	Strong Buy	$6.88
9/20/11	Management meeting	Strong Buy	$6.88
10/05/11	Competition of Continucare Acquisition	Strong Buy	$6.88
10/14/11	MDF investor meetings	Strong Buy	$6.88

Feltl and Company **does** make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

Valuation and Price Target Methodology:

Our price target is based on 8x our 2012 proforma EPS estimate, which is in line with historical levels and that of peers.

Risks to Achievement of Estimates and Price Target:

- All of MDF's revenue is derived in the state of Florida making the company highly dependent on a small geographic area.
- Virtually all of MDF's revenue is concentrated in one customer, Humana, exposing the company to both concentration risk and counterparty risk.
- Virtually all of MDF's revenue is derived from the Medicare Advantage program, which has historically been subject to cuts in reimbursement.
- MDF's revenues are fixed while their costs are highly variable resulting in large fluctuations in the company's level of profitability.
- If the proposed merger with CNU does not close on time or at all the impact to MDF's earnings and our estimates will be significant.
- The company is taking on additional debt that could impact the operational flexibility and increase its vulnerability to a downturn in the

Other Disclosures:

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