



Fresenius Medical Care

December 6, 2011

RECEIVED

DEC 07 2011

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson, 2nd Floor
Springfield, IL 62761

Re: Modification, Project #11-091, Fresenius Medical Care Du Quoin

Dear Ms. Avery:

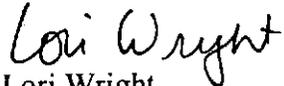
I am writing to request a Type A Modification, specifically a change of the site, of the above mentioned project. The following pages are replacement pages for the original application pertaining to the new site. These include:

- Page 1 Identification page
- Page 4 Narrative Description
- Page 5 Project Costs and Sources of Funds
- Page 16 Availability of Funds
- Page 25-26 Attachment 2 – Letter of Intent for Leased Space
- Page 29-30 Flood Plain Determination
- Page 31 Historic Determination
- Page 32-33 Attachment 7 – Itemized Costs
- Page 35 Attachment 9 - Cost Space Requirements
- Page 76-78 Attachment 13 – Alternatives
- Page 112-113 Attachment 39 – Letter of Intent for Leased Space

Since the public hearing requirements will be applicable to this modification, enclosed is a check for \$2,000.

Please notify me of any additional information or any additional application fees required.

Sincerely,


Lori Wright
Senior CON Specialist
Phone 708-498-9121

cc: Clare Ranalli

Fresenius Medical Services ♦ Dialysis Services

One Westbrook Corporate Center, Suite 1000 Westchester, IL 60154 708-562-0371 Fax: 708-498-9283

Original

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

DEC 07 2011

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

HEALTH FACILITIES &
SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: <i>Bio-Medical Applications of Illinois d/b/a Fresenius Medical Care Du Quoin</i>
Street Address: <i>100 - 200 E. Grantway Avenue</i>
City and Zip Code: <i>Du Quoin 62832</i>
County: <i>Perry</i> Health Service Area <i>5</i> Health Planning Area:

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: <i>Bio-Medical Applications of Illinois, Inc. d/b/a Fresenius Medical Care Du Quoin</i>
Address: <i>920 Winter Street, Waltham, MA 02451</i>
Name of Registered Agent: <i>CT Systems</i>
Name of Chief Executive Officer: <i>Rice Powell</i>
CEO Address: <i>920 Winter Street, Waltham, MA 02451</i>
Telephone Number: <i>800-662-1237</i>

Type of Ownership of Applicant/Co-Applicant

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input checked="" type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
	<input type="checkbox"/> Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: <i>Lori Wright</i>
Title: <i>Senior CON Specialist</i>
Company Name: <i>Fresenius Medical Care</i>
Address: <i>One Westbrook Corporate Center, Tower One, Suite 1000, Westchester, IL 60154</i>
Telephone Number: <i>708-498-9121</i>
E-mail Address: <i>lori.wright@fmc-na.com</i>
Fax Number: <i>708-498-9334</i>

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name: <i>Richard Alderson</i>
Title: <i>Regional Vice President</i>
Company Name: <i>Fresenius Medical Care</i>
Address: <i>One Cityplace Drive, Suite 160, St. Louis, MO 63141</i>
Telephone Number: <i>314-872-1714 Ext. 11</i>
E-mail Address: <i>richard.alderon@fmc-na.com</i>
Fax Number: <i>314-872-7012</i>

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Bio-Medical Applications of Illinois, Inc. proposes to discontinue its 10-station ESRD facility located at 4 West Main Street, Du Quoin. In conjunction with this discontinuation we will establish a replacement 11-station ESRD facility at 100-200 Grantway Street, Du Quoin. (The additional station will be an isolation station to be used only by patients who have Hepatitis B). This is essentially a relocation of the existing facility along with one station addition. The new facility will be in leased space with the interior to be built out by the applicant. Both locations are in HSA 5.

This project is "substantive" under Planning Board rule 1110.10(b) as it entails the discontinuation and establishment (relocation) of a health care facility that will provide in-center chronic renal dialysis services.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds				
USE OF FUNDS		CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs		N/A	N/A	N/A
Site Survey and Soil Investigation		N/A	N/A	N/A
Site Preparation		N/A	N/A	N/A
Off Site Work		N/A	N/A	N/A
New Construction Contracts		N/A	N/A	N/A
Modernization Contracts		880,484	N/A	880,484
Contingencies		88,048	N/A	88,048
Architectural/Engineering Fees		94,000	N/A	94,000
Consulting and Other Fees		N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)		320,700	N/A	320,700
Bond Issuance Expense (project related)		N/A	N/A	N/A
Net Interest Expense During Construction (project related)		N/A	N/A	N/A
Fair Market Value of Leased Space or Equipment	1,309,520 193,950	1,503,470	N/A	1,503,470
Other Costs To Be Capitalized		N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)		N/A	N/A	N/A
TOTAL USES OF FUNDS		2,886,702		2,886,702
SOURCE OF FUNDS		CLINICAL	NONCLINICAL	TOTAL
Cash and Securities		1,383,232	N/A	1,383,232
Pledges		N/A	N/A	N/A
Gifts and Bequests		N/A	N/A	N/A
Bond Issues (project related)		N/A	N/A	N/A
Mortgages		N/A	N/A	N/A
Leases (fair market value)		1,503,470	N/A	1,503,470
Governmental Appropriations		N/A	N/A	N/A
Grants		N/A	N/A	N/A
Other Funds and Sources			N/A	
TOTAL SOURCES OF FUNDS		2,886,702	N/A	2,886,702

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

<u>1,383,232</u>	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
<u>N/A</u>	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
<u>N/A</u>	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
<u>1,503,470</u>	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
<u>N/A</u>	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
<u>N/A</u>	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
<u>N/A</u>	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
<u>2,886,702</u>	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM



November 14, 2011

Charles Newth
Senior Real Estate Manager
Fresenius Medical Care North America
Reservoir Woods
920 Winter Street
Waltham, MA 02451-1457
charles.newth@fmc-na.com
phone: (781) 699-9993
fax: (781) 699-9776

Re: Letter of Intent to Lease the Property located at approximately 100-200 E Grantway Street, Du Quoin, Illinois.

Dear Charles,

This letter is intended to outline certain business points of the pending building lease transaction for the Property referenced herein as follows:

- Parties:**
 - Landlord: MGB Development Group, LLC or its assigns
 - Tenant: Bio-Medical Applications of Illinois, Inc., a Delaware corporation, d/b/a Fresenius Medical Care Du Quoin
 - Guarantor: Fresenius Medical Care Holdings, Inc.

- Property:** The Property to be constructed consists of +/-6,747 square feet on +/-2 acres located at approximately 100-200 E Grantway Street, Du Quoin, IL 62832 (northwest corner of Grant Way and Richard Fronck Way); the land site is as shown on **Exhibit "A"** attached hereto.

- Primary Lease**
- Term:** 15 years

- Options to Renew** Three (5) five year options

- Rental Rate:** The rental rate is estimated at \$17.97/sf for 6,747 sf, to be adjusted based on final project costs. Rental Rate shall increase 1.7% per year.

- Lease**
- Commencement:** Ninety (90) days after Shell Building Substantial Completion

- Landlord**
- Responsibilities:**
 - (a) Warranty all building defects for one (1) year per contractor warranties.
 - (b) The Landlord, at its cost, will maintain the structure of the building to include foundation, slab, columns, walls and roof throughout the lease term. In addition, be responsible for repairs to or replacement of

heating/air conditioning equipment servicing the Premises for any single repair for the portion of the costs that exceeds Two Thousand Five Hundred Dollars (\$2,500.00) per repair. The Two Thousand Five Hundred Dollar (\$2,500) repair and maintenance allowance shall escalate by two percent (2%) annually.

Tenant

Responsibilities:

(a) Tenant shall at its sole cost and expense keep and maintain the non-structural portions of the interior of the Premises, including all Tenant Improvements and Alterations, in good order and repair and free of refuse and rubbish.

(b) Tenant shall pay all utility service charges directly, and Tenant shall pay directly or reimburse Landlord for all building insurance and tax bills by the required payment date.

Contingency:

Lease shall be contingent on Tenant obtaining a Certificate of Need from the Illinois Department of Health in order to relocate the facility and continue operations at the new Property.

This letter is non-binding but is intended to provide an outline for drafting the formal lease agreement between the Parties.

Best Regards,

Paul Brown

Paul Brown
Partner
MGB Development Group

ACCEPTED, AGREED AND
APPROVED:

By: *Charles Newth*

Name: CHARLES NEWTH
(Please print)

Title: SR. P.E. MANAGER

Date: 11/15/4

Address: _____

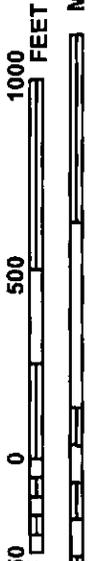
Telephone/Email: _____

Flood Plain Requirements

The proposed site for the relocation of Fresenius Medical Care Du Quoin complies with the requirements of Illinois Executive Order #2005-5. The site, 100 - 200 E. Grantway Avenue, Du Quoin is not located in a flood plain as can be seen on the FEMA flood plain map on the following page.



MAP SCALE 1" = 500'



NATIONAL FLOOD INSURANCE PROGRAM

PANEL 0343H

**FIRM
FLOOD INSURANCE RATE MAP
KANE COUNTY,
ILLINOIS
AND INCORPORATED AREAS**

PANEL 343 OF 410
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:
NUMBER PANEL SHEET
170020 0343 H
170086 0343 H

COMMUNITY
AURORA CITY OF
KANE COUNTY

Notice to User: The Map Number shown below should be used when placing new orders; the Community Number shown above should be used on insurance applications for the subject community.

**MAP NUMBER
17089C0343H
MAP REVISED
AUGUST 3, 2009**



Federal Emergency Management Agency



This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

ROOM F JOINS PANEL 0406



**Illinois Historic
Preservation Agency**

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Perry County
DuQuoin

PLEASE REFER TO: IHPA LOG #004112811

100-200 Grantway Street
New construction, dialysis facility

December 1, 2011

Lori Wright
Fresenius Medical Care
One Westbrook Corporate Center, Suite 1000
Westchester, IL 60154

Dear Ms. Wright:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

SUMMARY OF PROJECT COSTS

Modernization

General Conditions	43,284
Temp Facilities, Controls, Cleaning, Waste Management	1,700
Concrete	11,200
Masonry	13,300
Metal Fabrications	6,400
Carpentry	77,400
Thermal, Moisture & Fire Protection	15,400
Doors, Frames, Hardware, Glass & Glazing	60,300
Walls, Ceilings, Floors, Painting	142,000
Specialities	10,800
Casework, FI Mats & Window Treatments	5,200
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	281,100
Wiring, Fire Alarm System, Lighting	169,400
Miscellaneous Construction Costs	43,000
Total	880,484

Contingencies

Contingencies **\$88,048**

Architectural/Engineering

Architecture/Engineering Fees **\$94,000**

Movable or Other Equipment

Dialysis Chairs	15,200
Misc. Clinical Equipment	20,000
Clinical Furniture & Equipment	23,000
Office Equipment & Other Furniture	33,000
Water Treatment	115,000
TVs & Accessories	50,000
Telephones	13,000
Generator	30,000
Facility Automation	17,000
Other miscellaneous	4,500
Total	320,700

Fair Market Value Leased Space & Equipment

FMV Leased Space (8,000 GSF)	\$1,309,520
FMV Leased Dialysis Machines	187,950
FMV Leased Computers	6,000
Total	\$1,503,470

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
In-Center Hemodialysis	2,886,702		6,747		6,747		
Total Clinical	2,886,702		6,747		6,747		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	2,886,702		6,747		6,747		

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Alternatives

1) All Alternatives

A. Proposing a project of greater or lesser scope and cost.

The only alternative that would entail a lesser scope and cost than the project proposed in this application would be to simply relocate and not add the additional station, which will be an isolation station. This alternative was rejected for several reasons. The nearest isolation station is in Carbondale. Currently patients with Hepatitis B from the Du Quoin market area have to drive long distances for treatment. New CMS guidelines would require the approval of a waiver if isolation was not included in the establishment of the Du Quoin relocation site. The applicant feels it is more prudent, more cost effective and in the patients best interest to create the isolation station now along with the move rather than to have to construct it at a later date especially if a waiver by CMS is not granted.

B. Pursuing a joint venture or similar arrangement with one or more providers of entities to meet all or a portion of the project's intended purposes' developing alternative settings to meet all or a portion of the project's intended purposes.

The preferred Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into joint ventures on occasion. Fresenius Medical Care always maintains control of the governance, assets and operations of a facility it enters into a joint venture agreement with. Our healthy financial position and abundant liquidity indicate that that we have the ability to support the development of additional dialysis centers. Fresenius Medical Care has more than adequate capability to meet all of its expected financial obligations and does not require any additional funds to meet expected project costs. This facility is currently not a joint venture and we see no need to turn it into one for relocation purposes.

C. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project

Discontinuing the Du Quoin facility and sending all 34 patients to other area providers is not an option. There is only one other facility within 30 minutes (DaVita Benton) and it is 17 miles away. Drs. Cowart and Kamran currently admit patients here. This is a 13-station facility operating at 62% utilization as of June 30, 2011. This facility could not accommodate all of the Du Quoin patients without going over 100% utilization and this does not include the 69 pre-ESRD patients the physicians have that they will refer to Du Quoin. This would result in there being no access to dialysis left in this market area for any newly diagnosed dialysis patients. There is no monetary cost to this alternative.

- As discussed further in this application, the most desirable alternative to keep access to dialysis services available in the Du Quoin area and meet CMS guidelines is to relocate the facility to a more modern building in the same community and add the isolation station. This alternative will address the problems of the current poor physical plant conditions and parking conditions. The cost of this project is \$2,886,702. While this is the most costly alternative, the expense is to Fresenius Medical Care only, while the patients will benefit from improved access and a more modern facility to dialyze in.

2) Comparison of Alternatives

	Total Cost	Patient Access	Quality	Financial
Relocate the Facility without adding one isolation station	Approximately \$2,841,995	No access for Hepatitis B patients	Patient clinical quality would remain above standards May not meet CMS guidelines without Isolation	Increased construction costs to applicant if isolation station is to be added later on. Transportation costs to Hepatitis B patients.
Utilize Area Providers	\$0	Would create transportation problems Complete loss of access for dialysis treatment for newly diagnosed patients. Would create ripple effect of raising utilization of area providers to or above capacity	Loss of continuity of care which would lead to lower patient outcomes	No financial cost to Fresenius Medical Care Cost of patient's transportation would increase with higher travel times
Relocate Fresenius Medical Care Du Quoin and add one isolation station.	\$2,886,702	Improved access with safe and ample parking and handicap patient drop off area. Shorter travel times for patients with Hepatitis B.	Patient clinical quality would remain above standards Patient satisfaction would improve with easier access and more modern facilities	The new site will not require ongoing structural maintenance. While the leased space is more costly, it is a cost to Fresenius Medical Care only and is spread over 10 years.

3. Empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. Fresenius Du Quoin has had above standard quality outcomes as listed below.

- 90% of patients had a URR \geq 65%
- 92% of patients had a Kt/V \geq 1.2



Development Group

November 14, 2011

Charles Newth
Senior Real Estate Manager
Fresenius Medical Care North America
Reservoir Woods
920 Winter Street
Waltham, MA 02451-1457
charles.newth@fmc-na.com
phone: (781) 699-9993
fax: (781) 699-9776

Re: **Letter of Intent to Lease the Property located at approximately 100-200 E Grantway Street, Du Quoin, Illinois.**

Dear Charles,

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Term: 15 years

Options to Renew Three (5) five year options

Rental Rate: The rental rate is estimated at \$17.97/sf for 6,747 sf, to be adjusted based on final project costs. Rental Rate shall increase 1.7% per year.

Lease

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Landlord

Responsibilities:
(a) Warranty all building defects for one (1) year per contractor warranties.
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This letter is non-binding but is intended to provide an outline for drafting the formal lease agreement between the Parties.

Best Regards,

Paul Brown

Paul Brown
Partner
MGB Development Group

ACCEPTED, AGREED AND
APPROVED:

By: *Charles Newth*

Name: CHARLES NEWTH
(Please print)

Title: SR. LE. MANAGER

Date: 11/15/4

Address: _____

Telephone/Email: _____