ORIGINAL

12-033

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
MAR 3 0 2012
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Center for Comprehensive Services, Inc., Palatine		
Street Address: 1158 North Deer Ave.		
City and Zip Code: Palatine, IL 60067		
County: Cook	Health Service Area VII	Health Planning Area: N/A

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: MENTOR ABI, LLC
Address: 313 Congress Street Boston, MA 02210
Name of Registered Agent:
Name of Chief Executive Officer: William Duffy
CEO Address: 313 Congress Boston, MA 02210
Telephone Number: 617-790-4841

Type of Ownership of Applicant/Co-Applicant

☐ Non-profit Corporation	☐ Partnership	
☐ For-profit Corporation	☐ Governmental	
☒ Limited Liability Company	☐ Sole Proprietorship	☐ 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: Chris Williamson
Title: Vice President of Central Operations
Company Name: NeuroRestorative
Address: 306 W. Mill Street Carbondale, IL 62901
Telephone Number: 618-529-3060
E-mail Address: chris williamson@thementornetwork com
Fax Number: 618-529-3002

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

Name: Chris Cutler
Title: Business Director
Company Name: NeuroRestorative
Address: 306 W. Mill Carbondale, IL 62901
Telephone Number: 618-457-4729
E-mail Address: chris.cutler@thementornetwork com
Fax Number: 618-529-2983

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**

Name: Chris Williamson
Title: Vice President of Central Region
Company Name: NeuroRestorative
Address: 306 W. Mill Street Carbondale, IL 62901
Telephone Number: 618-529-3060 EXT 104
E-mail Address: chris.williamson@thementornetwork.com
Fax Number: 618-529-3002

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Scioto Properties, SP-15, LLC
Address of Site Owner: 5940 Wilcox Place, Suite A Dublin, OH 43016
Street Address or Legal Description of Site: 460 W. Daniels, Palatine, IL 60067 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Center for Comprehensive Services, Inc
Address: 306 W. Mill Carbondale, IL 62901

- ☐ Non-profit Corporation
- ☒ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ 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.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 **(http://www.hfsrb.illinois.gov)**.

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
☒ Substantive	☐ Part 1120 Not Applicable
☐ Non-substantive	☐ Category A Project
	■ Category B Project
	☐ DHS or DVA Project

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.

The applicant proposes to expand on the approved 100 bed CON in the category of Community Based Residential Rehabilitation Center through renovations of an existing house that we will lease in Palatine, Illinois. The application is seeking approval for an additional 8 beds under the initial 100 bed approval. We are making this request because the current bed capacity has remained consistently full throughout the year.

Center for Comprehensive Services, Inc, currently operates 2 of the 5 IDPH licensed Community-Based Residential Rehabilitation Centers in Illinois. The original license was approved by the Illinois Health Facilities Planning Board in 2000, and is consistently full at 100 beds. The Carbondale program has great clinical success, and using the Carbondale program as a model, CCS, Inc., has developed similar programs in 18 states. CCS is recognized as a national leader in the field.

The program includes a continuum of post-acute rehabilitation services and community based support programs, focusing on individuals who have sustained brain injuries. Services are provided in the following settings: residential, small group, congregate, in-home, host home, outpatient and day treatment. Individual rehabilitation plan are developed and used for each participant, reflecting the person's strengths, barriers, and interests. The plans focus on the achievement of real life goals, and are continuously refined as the individual progresses.

The project proposes the expansion of currently approved 100 bed CON, and as such is classified as substantive. We are seeking approval of a second unit within the 100 approved beds.

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			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	180,000		180,000
Contingencies	9,000		9,000
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)	141,400		141,400
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	523,000		523,000
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	853,620		853,620
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	330,400		330,400
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	523,220		523,220
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	853,620		853,620

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

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ■ No
Purchase Price: $ NA
Fair Market Value: $ NA

The project involves the establishment of a new facility or a new category of service
☐ Yes ■ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ NA.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ■ Preliminary

☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): 10/30/12

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
■ Project obligation will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

Are the following submittals up to date as applicable:
☐ Cancer Registry
☐ APORS
■ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☐ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage, either **DGSF** or **BGSF,** must be identified. 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.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE	321,400	3,615	0	0	3,615	0	0
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	321,400	3,615					

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Center for Comprehensive Services, Inc			**CITY:** Des Plaines and Palatine, IL		
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)	8			+8	16
TOTALS:	8			+8	16

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Mentor ABI, LLC *** in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE	SIGNATURE
William F. Duffy	Bruce F. Nardella
PRINTED NAME	PRINTED NAME
COO	President
PRINTED TITLE	PRINTED TITLE

Notarization:
Subscribed and sworn to before me this 14 day of March, 2012

Carmel T. Killoran
Signature of Notary

Seal

CARMEL T. KILLORAN
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires May 23, 2014

Notarization:
Subscribed and sworn to before me this 14 day of March 2012

Carmel T. Killoran
Signature of Notary

Seal

CARMEL T. KILLORAN
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires May 23, 2014

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- In the case of a corporation, any two of its officers or members of its Board of Directors;
- In the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- In the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- In the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- In the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Center for Comprehensive Services, Inc. * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

William Duffy

PRINTED NAME

COO

PRINTED TITLE

Notarization:
Subscribed and sworn to before me this 7 day of March 2012

Signature of Notary

Seal

CARMEL T. KILLORAN
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires May 23, 2014

SIGNATURE

Bruce F. Nardella

PRINTED NAME

President

PRINTED TITLE

Notarization:
Subscribed and sworn to before me this 7 day of March 2012

Signature of Notary

Seal

CARMEL T. KILLORAN
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires May 23, 2014

*Insert EXACT legal name of the applicant

SECTION II. DISCONTINUATION

This Section is applicable to any project that involves discontinuation of a health care facility or a category of service. **NOTE:** If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

Criterion 1110.130 - Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

1. Identify the categories of service and the number of beds, if any that is to be discontinued.
2. Identify all of the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained.
6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 60 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.130(b) for examples.

IMPACT ON ACCESS

1. Document that the discontinuation of each service or of the entire facility will not have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.
3. Provide copies of impact statements received from other resources or health care facilities located within 45 minutes travel time, that indicate the extent to which the applicant's workload will be absorbed without conditions, limitations or discrimination.

APPEND DOCUMENTATION AS <u>ATTACHMENT-10</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate.**

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or 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;

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; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following::

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

   c. The project involves the conversion of existing space that results in excess square footage.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Community Based Residential Rehab	3,615	No	no State Standard	No State standard

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD?**
YEAR 1	CBRR	120	3646		yes
YEAR 2		1497	3642		

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE. APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage of the proposed shell space;

2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;

3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-16,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

P. Community-Based Residential Rehabilitation Center

This section is applicable to all projects proposing to establish a Community-based Residential Rehabilitation Center Alternative Health Care Model.

A. Criterion 1110.2830(a), Staffing

Read the criterion and provide the following information:

1. A detailed staffing plan that identifies the number and type of staff positions dedicated to the model and the qualifications for each position; and

2. How special staffing circumstances will be handled; and

3. The staffing patterns for the proposed center; and

4. The manner in which non-dedicated staff services will be provided.

B. Criterion 1110.2830(b), Mandated Service

Read the criterion and provide a narrative description documenting how the applicant will provide the minimum range of services required by the Alternative Health Care Delivery Act and specified in 1110.2820(b).

C. Criterion 1110.2830(c), Unit Size

Read the criterion and provide a narrative description that identifies the number and location of all beds in the model. Include the total number of beds for each residence and the total number of beds for the model.

D. Criterion 1110.2830(d), Utilization

Read the criterion and provide documentation that the target utilization for the model will be achieved by the second year of the model's operation. Include supporting information such as historical utilization trends, population growth, expansion of professional staff or programs, and the provision of new procedures that may increase utilization.

E. Criterion 1110.2830(e), Background of Applicant

Read the criterion and provide documentation that demonstrates the applicant's experience in providing the services required by the model. Provide evidence that the programs offered in the model have been accredited by the Commission on Accreditation of Rehabilitation Facilities as a Brain Injury Community-Integrative Program for at least three of the last five years.

APPEND DOCUMENTATION AS ATTACHMENT-35, 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:**

853,620	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 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;
	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.
	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts,
	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: 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.
	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;
	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
853,620	TOTAL FUNDS AVAILABLE

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

IX. 1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. **All of the projects capital expenditures are completely funded through internal sources**
2. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
3. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

   Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. **Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
	A	B	C	D	E	F	G	H	
Department (list below)	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	Total Cost (G + H)
		$49.79			3,615			$180,000	$180,000
Contingency		$7.73						$18,000	$18,000
TOTALS		$57.52			3,615			$198,000	$198,000

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaidpatients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient	4	4	4
Outpatient			
Total	4	4	4
Charity (cost In dollars)			
Inpatient	$286,248	$283,763	190,101
Outpatient			
Total	286,248	283,763	190,101
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient	85	81	77
Outpatient			
Total	85	81	75

Medicaid (revenue)			
Inpatient	$18,946,351		
Outpatient			
Total	$18,946,351		

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care, the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue	$29,827,666	29,053,261	28,124,983
Amount of Charity Care (charges)	$298,175	$295,586	$97,790
Cost of Charity Care	$286,248	$283,763	$87,402

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS

File Number 5128-716-9

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

CENTER FOR COMPREHENSIVE SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 20, 1977, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 6TH *day of* MARCH *A.D.* 2012 .

Authentication #: 1206601318

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

Attach (I) #3

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into as of February 28. 2012 by and between **SCIOTO PROPERTIES SP-15 LLC** ("Lessor") and **Center for Comprehensive Services, Inc. d/b/a NeuroRestorative Illinois** ("Lessee").

RECITALS

Based on Lessee's request, Lessor has acquired and owns a single-family residential home located at **1158 Deer Ave, Palatine, IL, 60067** ("Home"). Lessee is a provider of human services. Lessor desires to lease the Home to Lessee as housing for individuals with specialized continuing care needs ("Residents"). Lessee desires to lease the Home from Lessor on the terms and conditions set forth in this Lease.

STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties agree as follows:

Section 1. ***Home:***

Section 1.1. **Use.** Lessor leases to Lessee and Lessee leases from Lessor the Home. Lessee agrees to use the Home solely to provide residential support services ("Services") to the Residents living in the Home as their personal residence, including office and administrative tasks incidental to the provision of Services. If Lessee no longer provides, or is no longer authorized to provide, Services at the Home, Lessee must promptly provide notice to Lessor, including a copy of any formal notice received by Lessee related to its inability to provide Services at the Home.

Section 1.2. **Due Diligence Process**. Lessee has the responsibility for determining whether the Home is suitable for use in providing Services to the Residents. Lessee acknowledges that Lessor has no decision making authority or responsibility for selecting the Residents or providing Services in the Home. However for the benefit of Lessee, Lessor undertook a due diligence process, at its own expense, pursuant to which Lessor obtained an appraisal, title commitment, house inspection and other information regarding the condition of the Home and, if requested by Lessee and at Lessee's expense, zoning information applicable to the Home. Lessee acknowledges that Lessor provided Lessee with the information obtained during such due diligence process to enable Lessee to make a business judgment, in its sole discretion, that the Home was suitable for providing Services to the Residents. In addition, Lessee acknowledges that Lessor purchased the Home only after Lessor was notified by Lessee that it determined the Home was suitable for use in providing Services to the Residents. Furthermore, Lessor makes no warranties, expressed or implied, with respect to the suitability or use of the Home by Lessee in providing Services to the Residents.

Section 1.3. **As Is Condition.** Lessee acknowledges that all improvements, fixtures and equipment in the Home are used. Lessor makes no warranties, express or implied, with respect to the condition, which is delivered to Lessee in "AS IS, WHERE IS" condition, subject to any items set forth on either (a) the written list of items to be repaired by Lessee pursuant to the home inspection undertaken by Lessor or (b) a written repairs and maintenance checklist that Lessee provides to Lessor within 14 days of the later of (i) the start date or (ii) date of occupancy.

Attachment 2

Section 1.4. **Good Condition.** Upon termination of this Lease for any reason, Lessee must surrender the Home in good condition, subject to ordinary wear and tear. Lessee agrees to make repairs as needed to maintain the Home in good condition and repair during the term of this Lease and upon termination of this Lease as set forth in Section 5.2.

Section 2. Term:

Section 2.1. **Initial Term.** The initial term begins on the start date set forth on Schedule 1. The initial term ends on the end date set forth on Schedule 1 unless sooner terminated as provided in this Lease.

Section 2.2. **Renewal Terms.** This Lease automatically renews for the number of renewal terms and periods specified on Schedule 1, unless Lessee delivers a notice to Lessor at least four months prior to the end of the then-current term that it is not renewing this Lease.

Section 2.3. **Month-to-Month Holding Over.** This Lease terminates at the end of the initial term or a renewal term if Lessee delivers a notice to Lessor that it is not renewing this Lease pursuant to Section 2.2. Should Lessee remain in the Home beyond the termination of this Lease for any reason, such holding over operates as an extension of the terms of this Lease on a month-to-month basis except as provided in Section 3.4 with respect to the monthly rent. During such holding over, either party may terminate this Lease upon 30 days prior notice to the other party. Nothing in this Section 2.3 constitutes consent by Lessor to any holding over by Lessee upon termination of this Lease.

Section 3. Rent:

Section 3.1. **Monthly Rent.** Subject to the annual adjustment described in Section 3.2, Lessee agrees to pay monthly rent during the term of this Lease in the amount set forth on Schedule 1. The monthly rent is payable in advance on or before the 5th business day of each month during the term of this Lease. If the start date is not the first day of a month, the monthly rent for the initial month is prorated based on the number days in such month. Lessee is to deliver the monthly rent payment to Lessor at 5940 Wilcox Place, Suite A, Dublin, Ohio 43016-6805 or such other address subsequently provided pursuant to Section 10.

Section 3.2. **Annual Rent Adjustment.** Effective on the adjustment date set forth on Schedule 1 and on each anniversary of the adjustment date during the term of this Lease, the monthly rent is increased. The percentage by which the monthly rent is increased over the monthly rent for the previous lease year is set forth on Schedule 1. No notice must be given to Lessee to adjust the monthly rent, which is automatically effective on the applicable adjustment date. The specific monthly rent for each lease year showing the annual adjustment during the initial term is set forth on Schedule 1.

Section 3.3. **Late Charge and Interest.** If the monthly rent, any amount due under Section 5 or Section 6 or any amount that Lessor advances under this Lease that Lessee is otherwise obligated to pay is not received within five business days after Lessor has given notice that such payment is past due ("Penalty Date"), Lessor incurs additional expenses. As a result, Lessee agrees to pay a late charge equal to ten percent of the unpaid amounts on the Penalty Date as additional rent. Lessee also agrees to pay interest on all unpaid amounts from the Penalty Date until the date of payment at an annual rate of (a) the prime rate listed in *The*

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Wall Street Journal on such date plus three percent or (b) the maximum rate permitted by law, whichever is lower.

Section 3.4. **Hold Over Rent.** If Lessee remains in the Home following termination of this Lease, the monthly rent during the month-to-month holding over period described in Section 2.3 is 150 percent of the monthly rent in effect immediately before the start of the holding over period.

Section 4. ***Security Deposit.*** Upon the execution of this Lease, Lessee shall deposit with Lessor a security deposit in the amount set forth on Schedule 1. Lessee is to deliver the security deposit to Lessor at the same address to which the monthly rent is delivered. Upon termination of this Lease and return of the Home to Lessor, Lessor must refund all or a portion of the security deposit to Lessee within 30 days. The amount to be refunded is the difference between the security deposit and the amount deducted for damages to the Home, unpaid rent and other amounts due under Section 5 or Section 6 and other deductions permitted under this Lease and by law in accordance with this Section 4. If Lessor proposes to deduct any amount from the security deposit, Lessor must provide Lessee with prior notice and supporting documents regarding such amount and may deduct such amounts only with Lessee's prior consent, which shall not be unreasonably withheld. If Lessee objects to all or any portion of the deduction, Lessee must deliver a notice to Lessor, and Lessor shall place the disputed amount in a standalone account ("Deposit Account") pending resolution of the disputed amount, which Deposit Account must be interest-bearing if the disputed amount is in excess of $2,500. Both parties agree to cooperate and act in good faith to resolve the disputed deductions promptly. Upon resolution of the dispute, the interest earned, if any, in the Deposit Account shall be allocated between Lessor and Lessee proportionate to the final allocation of the disputed amount held in the Deposit Account. Notwithstanding the foregoing, Lessee's consent shall be deemed to have been received if Lessee does not respond to Lessor's notice under this Section 4 within ten business days. Lessee acknowledges that Lessor is entitled to use all or any portion of the security deposit to cover losses incurred by Lessor arising from Lessee's failure to comply with the terms of this Lease, subject to the terms of this Section 4. Except as required by this Section 4 upon any dispute on return of the security deposit, no interest is accrued or paid on the security deposit. Furthermore, except as provided by this Section 4, Lessor may commingle the security deposit with other funds without any accounting to Lessee.

Section 5. ***Lessee's Other Financial Obligations:***

Section 5.1. **Utilities.** During the term of this Lease, Lessee is responsible, at its own expense, for paying all charges for water, sewer, electric, heating, gas, telephone, cable, trash removal, recycling and any other utilities used with respect to the Home ("Utilities"). Lessee agrees to establish accounts for the Utilities and to pay all Utilities directly to the utility company providing the service. If Lessor receives any bill for Utilities, Lessor agrees to send promptly a copy of such bill to Lessee. If Lessee fails to timely pay for the Utilities, Lessor has the right to pay such Utilities on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such Utilities from Lessor.

Section 5.2. **Maintenance and Repairs.** During the term of this Lease and upon termination of this Lease for any reason, Lessee is responsible, at its own expense, for all maintenance and repairs (including replacement, if necessary, upon the end of the useful life of an item) that are necessary or appropriate to maintain the Home in good condition and repair, subject to ordinary wear and tear, in accordance with Section 1.4. The obligation under this Section 5.2 includes without limitation:

(a) Maintaining and repairing the roof, flooring, interior and exterior walls, interior and exterior doors, windows and glass, garage, driveway, sidewalks and HVAC, electrical and plumbing systems;
(b) Keeping the exterior free of snow, ice, rubbish and other obstructions; and
(c) Maintaining the yard and landscaping around the Home.

Furthermore, during the term of this Lease, Lessee is responsible, at its own expense, for implementing a routine preventative maintenance program (including termite and pest control) to undertake its obligation under this Section 5.2. If Lessee fails to undertake its obligation under this Section 5.2 and such failure continues (i) for emergency repairs necessary to protect the safety of the Residents or preservation of the Home or (ii) for 30 days for all other repairs following notice to Lessee, Lessor has the right to undertake such maintenance or repairs on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such maintenance and repairs from Lessor. Obtaining insurance coverage required under Section 6.2 does not change the obligation of Lessee to maintain the Home in good condition and repair even if the damages to the Home might be covered by such Insurance.

Section 5.3. **Regulatory Compliance.** During the term of this Lease, Lessee is responsible, at its own expense, for substantially complying with all laws, regulations and private restrictions, like homeowners' association rules, applicable to Lessee's use of the Home to provide Services to the Residents. In addition during the term of this Lease, Lessee agrees, at its own expense, to make any repairs, replacements, modifications or additions to the Home that are required by any law, regulation or private restriction applicable to Lessee's use of the Home to provide Services to the Residents. Lessee agrees to hold Lessor harmless from any cost or liability that may be imposed or assessed against Lessor or the Home in connection with Lessee's failure to comply with this Section 5.3 during the term of this Lease.

Section 6. Additional Financial Obligations:

Section 6.1. **Taxes.** During the term of this Lease, Lessee is responsible, at its own expense, for paying all real and personal property taxes and assessments, if any, and any interest and penalties for late payment (except if such late payment is due to Lessor's act or omission), assessed or accrued with respect to the Home ("Taxes"). The parties agree that the Taxes due for the calendar year in which the term of this Lease begins and ends are prorated on a per diem basis. Lessor agrees to send promptly a copy of any Tax bill that Lessor receives to Lessee. Lessee agrees to pay timely all Taxes directly to the applicable taxing authority. Lessee, upon the request of Lessor, agrees to provide evidence of payment of the Taxes to Lessor. If Lessee fails to pay timely the Taxes, Lessor has the right to pay such Taxes on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such Taxes from Lessor. Furthermore, Lessee is responsible, at its own expense, for paying all assessments and dues to homeowners' or community associations, if any, and any interest and penalties for late payment, assessed or accrued with respect to the Home.

Section 6.2. **Insurance.** During the term of this Lease, Lessee is responsible, at its own expense, for obtaining and maintaining in full force the insurance coverage set forth on Schedule 2 attached to this Lease ("Insurance"). Unless waived in writing by Lessor, each policy required by Lessee under this Section 6.2 must contain a provision that it may be canceled or modified by the issuing insurer only if that insurer endeavors to provide 30 days prior written notice to Lessor and, if applicable, Lessor's mortgage lender ("Lender") with respect to the Home. Lessee agrees to provide prompt notice to Lessor if Lessee receives any notice from issuing insurer that it will not be renewing any insurance coverage required under this Section 6.2. Lessee agrees to deliver to Lessor and, if applicable, the Lender, a certificate evidencing each required policy upon execution of this Lease, upon renewal or change of each such policy or upon the request of Lessor during the term of this Lease. Furthermore, Lessee agrees to deliver to Lessor a copy of each required policy upon the request of Lessor during the term of this Lease. On each applicable policy, Lessee agrees to have (a) Lessor named as an additional insured and loss payee and (b) the Lender named as an additional insured on the liability policies and a loss payee on the property policy. If Lessee fails to obtain the insurance required under this Section 6.2, Lessor has the right to obtain such insurance on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such insurance from Lessor. The parties waive any recovery of damages against each other (including their employees and agents) for loss or damage to the Home, Lessee's improvements, fixtures, equipment, and any other personal property to the extent covered by the insurance required under this Section 6.2. If the insurance purchased by Lessee does not allow the insured to waive rights of recovery against others prior to loss, Lessee agrees to have such policy endorsed with a waiver of subrogation.

Section 7. Changes to Home:

Section 7.1. **Improvements.** During the term of this Lease, Lessee, at its own expense, may make modifications and additions ("Improvements") to the Home, with the prior consent of Lessor, which may not be unreasonably withheld. Any Improvements made by Lessee must be constructed of good materials and done in a good and workman like manner. In the event Lessee makes Improvements, Lessee must remove, at its own expense, such Improvements upon termination of this Lease if required by Lessor in its consent for making such Improvements. The monthly rent is not adjusted in the event Lessee makes Improvements to the Home. Every Improvement made to the Home constitutes a part of the Home and thus is Lessor's property. Lessee agrees to indemnify Lessor against any mechanic's lien or other lien arising out of any Improvements made to the Home by Lessee.

Section 7.2. **Casualty.** In the event all or any portion of the Home is damaged or destroyed by fire, windstorm, hurricane, tornado, flood or any other casualty ("Casualty"), Lessee must immediately notify Lessor of such Casualty. Lessee is responsible, at its own expense, to repair the damage or destruction caused by the Casualty so the Home is at least as great in value and functionality as it was prior to such Casualty. The monthly rent is not abated during the repair period for the Home. Subject to the right of the Lender, Lessee is entitled to use the proceeds from the insurance for such repair. If the Lender does not consent to Lessee using such proceeds and Lessor does not advance the funds necessary for such repair (which Lessor has no obligation to do so), Lessee may terminate this Lease immediately upon notice to Lessor.

Section 7.3. **Eminent Domain.** If the event all or any portion of the Home is condemned or taken by eminent domain, then this Lease terminates as to the part so taken on the date Lessee is required to surrender possession ("Surrender Date"). As of the Surrender Date, the monthly rent is reduced proportionately based on the portion of the Home taken. If the amount of the Home taken impairs the usefulness of the Home to provide Services to the

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Residents, in Lessee's reasonable judgment, then Lessee may terminate this Lease as of the Surrender Date by notice to Lessor. All compensation awarded for such taking of the fee in the Home belongs to and is the property of Lessor. Lessee assigns all its rights in such award to Lessor; provided, however, Lessor is not entitled to any portion of the award made to Lessee, including but not limited to any award made for the leasehold estate in the Home and the cost of removing its personal property from the Home.

Section 8. Lessee's Additional Non-Financial Obligations:

Section 8.1. **Right of Entry.** Lessee grants Lessor and its employees and agents the right, upon advance notice to Lessee, to enter the Home during normal business hours to:

(a) With not less than 24 hours notice, inspect the Home periodically;
(b) Make repairs as may be necessary for the safety of the Residents or preservation of the Home;
(c) With not less than 48 hours notice, exhibit the Home as needed if Lessor is considering refinancing its indebtedness secured by the Home; or
(d) With not less than 48 hours notice, exhibit the Home as needed if Lessee does not renew this Lease or it is within six months of the end of the term of this Lease.

Lessor agrees to exercise its rights under this Section 8.1 in a manner that does not unreasonably interfere with Lessee providing Services at the Home. Furthermore, Lessor agrees to exercise its rights in a manner that respects the privacy of the Residents living in the Home.

Section 8.2. **Environmental Covenant.** During the term of this Lease, Lessee may not cause or permit the presence, use, disposal or release of any Hazardous Substance at or around the Home. Lessee agrees not to do, or allow any other person to do, anything affecting the Home, which (a) is in violation of any Environmental Law or (b) due to the presence, use or release of a Hazardous Substance, creates a condition that adversely affects the value of the Home. The restrictions contained in this Section 8.2 do not apply to the presence, use or storage at or around the Home of small quantities of Hazardous Substances generally recognized as appropriate for normal residential uses and maintenance of the Home. Lessee agrees to promptly notify Lessor of (i) any investigation, claim or other action involving the Home and any Hazardous Substance or Environmental Law of which Lessee has actual knowledge and (ii) any condition caused by the presence, use or release of any Hazardous Substance, which adversely affects the value of the Home. For purposes of this Section 8.2, "Hazardous Substance" means those substances defined as toxic or hazardous substances, pollutants or wastes by Environmental Law and "Environmental Law" means federal laws and the laws of the jurisdiction where the Home is located that relate to health, safety and environmental protection. Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims, charges, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, reasonable attorneys' fees, consultant and expert fees) arising during or after the term of this Lease, which arise out of, are based upon or in connection with Lessee's failure to comply with the environmental covenant set forth in this Section 8.2. The indemnification contained in this Section 8.2 survives termination of this Lease.

Section 8.3. **Indemnification.** The following indemnification provisions contained in this Section 8.3 shall survive termination of this Lease:

(a) *Lessee.* Lessee agrees to indemnify Lessor and its members, directors, officers, employees, agents and the Lender and save them harmless from and against any and all claims, actions, damages, liabilities and expenses (including reasonable attorneys' fees) in connection with loss of life, personal injury and/or damage to property arising from the occupancy and/or use of the Home to provide Services to the Residents during the term of this Lease or from the act or omission by Lessee, any Resident or guest, except that caused by the negligence or willful misconduct of Lessor or its agents or employees. In the event Lessor, without fault on its part, is made a party to any litigation commenced by or against Lessee, then Lessee agrees to protect and hold Lessor harmless in connection with such litigation. Lessee also agrees to pay all costs and expenses (including reasonable attorneys' fees) that may be incurred or paid by Lessor in enforcing the terms of this Lease against Lessee.

(b) *Lessor.* Lessor agrees to indemnify Lessee and its members, directors, officers, employees, agents and Residents and save them harmless from and against any and all claims, actions, damages, liabilities and expenses (including reasonable attorneys' fees) in connection with loss of life, personal injury and/or damage to property arising from Lessor's duties as a landlord under this Lease, except that caused by the negligence or willful misconduct of Lessee or its agents or employees, Residents or guests or from Lessee's failure to perform its duties and obligations related to the provision of Services at the Home. In the event Lessee, without fault on its part, is made a party to any litigation commenced by or against Lessor, then Lessor agrees to protect and hold Lessee harmless in connection with such litigation. Lessor also agrees to pay all costs and expenses (including reasonable attorneys' fees) that may be incurred or paid by Lessee in enforcing the terms of this Lease against Lessor.

Section 8.4. **Business Information.** During the term of this Lease, Lessee agrees to provide to Lessor reasonable access to information respecting Lessee's business conducted at, and the Residents' occupancy of, the Home as Lessor may reasonably request or may be requested by the Lender; provided the notice requesting such information must set out the legitimate business purpose and must comply with any federal or state privacy law, including HIPAA, applicable to the Residents, in Lessee's reasonable judgment. Lessee agrees to promptly provide such requested business information following notice from Lessor. Notwithstanding the foregoing, nothing in this Section 8.4 shall obligate Lessee to provide information about any Resident that might tend to identify such Resident. Lessor agrees to keep all information provided by Lessee under this Section 8.4 confidential unless such information is required by law or court order to be disclosed or is generally publicly available.

Section 8.5. **Representations.** The parties represent to each other as follows:

(a) *Lessee.* Lessee represents to Lessor that (i) Lessee is a duly organized and validly existing entity under the laws of the state of its formation; (ii) Lessee possesses (or will possess at the start date of the Lease) all authorizations, approvals, certifications, licenses and permits necessary to provide Services at the Home, which are (or will be as of the start date) in full force and effect; (iii) this Lease has been duly executed and delivered by Lessee and constitutes the legal, valid and binding obligations of Lessee, enforceable in accordance with its terms; and (iv) this Lease and the consummation of the transaction contemplated under this Lease are not subject to any authorization, consent, approval or review of any governmental body, regulatory authority or any other person not already obtained or effected.

(b) Lessor represents to Lessee that (i) Lessor is a duly organized and validly existing entity under the laws of the state of its formation; and (ii) this Lease has been duly executed and delivered by Lessor and constitutes the legal, valid and binding obligations of Lessor, enforceable in accordance with its terms.

Section 9. Lessee's Default:

Section 9.1. **Event of Default.** Each of the following is considered a default by Lessee ("Event of Default") under this Lease if it occurs and continues to occur following notice and the applicable cure period:

(a) *Failure to Pay Amounts Due.* Lessee in two consecutive months fails to timely pay the monthly rent within five business days of when due or Lessee has an amount unpaid to Lessor under this Lease in excess of two times the monthly rent.

(b) *Non-Performance.* Lessee fails to perform any of its material obligations under this Lease (other than payment of money) and such failure continues uncorrected for a period of 30 days after notice from Lessor.

(c) *Financial Inability.* Lessee (i) becomes insolvent; (ii) admits in writing its inability to pay its debts; (iii) makes a general assignment for the benefit of creditors; (iv) files a petition in bankruptcy or other insolvency proceeding; or (v) has a petition in bankruptcy or other insolvency proceeding filed against it that is not discharged by Lessee within 60 days of such filing.

Section 9.2. **Lessor's Remedies.** Upon the occurrence of an Event of Default, without any prior notice to or demand upon Lessee, Lessor may pursue one or more of the following remedies:

(a) *Cure Default.* Lessor may re-enter the Home and cure any default of Lessee. In such event, Lessee is obligated to reimburse Lessor for all reasonable costs that Lessor incurs to cure the default. Lessor, at its option, may use the security deposit to pay for its costs in accordance with Section 4. Lessor is not liable to Lessee for any loss or damage that Lessee may sustain due to Lessor's action, except for loss or damage caused by the negligence or willful misconduct of Lessor, its employees or agents.

(b) *Terminate.* Lessor may terminate this Lease and declare the remaining monthly rents due under this Lease to be immediately due and payable. In such event, Lessee is obligated to pay immediately the present value (discounted using the current prime rate listed in *The Wall Street Journal*) of the remaining monthly rents due for the balance of the term of this Lease.

(c) *Take Possession and Relet.* Lessor may, without terminating this Lease, terminate Lessee's right of possession to the Home upon notice to Lessee. Upon receipt of the notice, Lessee must immediately surrender the Home to Lessor to allow Lessor to re-enter and take possession of the Home without prejudice to any other remedy that Lessor may have. Lessor may relet the Home for a term different from the remaining term of this Lease and for rents and terms different from this Lease. In such event, Lessee is obligated to pay immediately the present value (discounted using the current prime rate listed in *The Wall Street Journal*) of the difference between the monthly rent due under this Lease and the rent under any new lease for the reletting of the Home for the balance of the term of this Lease.

Notwithstanding anything contained in this Section 9.2, and in limitation of the foregoing remedies, Lessor agrees to use commercially reasonable efforts to mitigate the damages arising from Lessee's default, including making commercially reasonable efforts to re-let or sell the Home to a third party for fair market value.

Section 9.3. **Effect of Waiver of Default.** No waiver of an Event of Default by Lessor is implied because of any omission by Lessor to take any action on account of such Event of Default if such default persists or is repeated. Any expressed waiver must be by a notice and only affects the specific Event of Default stated in the notice and only to the extent stated in such notice.

Section 9.4. **Remedies Cumulative.** All rights and remedies provided in this Lease are cumulative and none excludes any other right or remedy allowed by law or equity. Such rights and remedies may be exercised and enforced concurrently or successively by a party at its option.

Section 10. Notices. Each notice, request or consent required or authorized under this Lease must be in writing. Such notice, request or consent is sufficient if (a) mailed by certified mail, return receipt requested and postage prepaid; (b) delivered by a nationally recognized overnight courier service; or (c) except for a notice of default, sent by fax or email with confirmation of receipt, to the address set forth under the signature of the party. In addition, for any notice of default, a copy of such notice shall be sent to The Mentor Network, 313 Congress Street, Boston, MA 02210, Attn: General Counsel. Any notice, request or consent shall be deemed to have been served at the earlier of: (i) the time the same was received as indicated by the return receipt; (ii) three days after deposited into US mail; (iii) one day after deposited with a nationally recognized overnight carrier; or (iv) the time the same was received by fax or email as indicated on the confirmation. A party may change its address from time to time by a notice to the other party pursuant to this Section 10.

Section 11. Miscellaneous:

Section 11.1. **Quiet Enjoyment.** Lessor covenants to Lessee that Lessee may peacefully and quietly enjoy the Home, free of claims by or through Lessor, subject to the terms of this Lease, including, without limitation, Lessor's remedies upon an event of default.

Section 11.2. **Subordination and Attornment.** This Lease and all of the rights of Lessee under this Lease are subject and subordinate to (a) the lien of any mortgage in place now or hereafter on the Home and (b) any and all renewals, modifications, consolidations, replacements, extensions or substitutions of such mortgages. If any such mortgage is foreclosed, upon request of the mortgagee, Lessee agrees to attorn to the purchaser at such foreclosure sale. Lessee agrees to execute and deliver any instrument reasonably required by Lessor or the Lender to further evidence the obligations under this Section 11.2.

Section 11.3. **Assignment or Sublease.** Lessee may neither assign this Lease nor sublet all or any portion of the Home without the prior consent of Lessor, which may not be withheld unreasonably. However, Lessor acknowledges that the Residents to whom Lessee is providing Services may live in the Home, subject to the terms of this Lease.

Section 11.4. **Miscellaneous Property Matters.** Upon the request of either party, the parties agree to execute a Memorandum of Lease in recordable form and in accordance with applicable law. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor an estoppel certificate in a form reasonably satisfactory to Lessor with respect to the status of this Lease and the compliance of Lessee with its terms. The parties acknowledge that they have properly executed the "Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards" in accordance with federal regulations.

Section 11.5. **Relationship of the Parties.** Nothing contained in this Lease is to be deemed or construed by the parties, or by any third party, as creating the relationship of principal and agent, or of partnership, or of joint venture, or of any other relationship, except as landlord and tenant, between the parties.

Section 11.6. **Construction.** This Lease inures to the benefit of, and is binding on, each party and its successors and assigns. This Lease constitutes the entire agreement between the parties with respect to the use of the Home and supersedes all prior agreements and understandings, oral or written, between the parties with respect to the use of the Home. This Lease may be executed in one or more counterparts, and by facsimile, each of which shall be deemed an original, but all of which together constitute one and the same document. This Lease may be amended or modified only by a written document executed by the parties. This Lease is governed by, and construed under, the laws of the State in which the Home is located.

Section 11.7. **National Lease Arrangement Agreement.** The parties acknowledge that this Lease is not covered by the National Lease Arrangement Agreement dated March 1, 2008 by and between Scioto Properties LLC (an affiliate of Lessor) and National Mentor Holdings, Inc. (as affiliate of Lessee).

SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Lease as of the date set forth above.

Signed and Acknowledged in the presence of:

Jill Sparling
Signature
Print Name: JILL SPARLING

Sarah Jane Bunker
Signature
Print Name: Sarah Jane Bunker

LESSOR:
SCIOTO PROPERTIES SP-15 LLC
By: Scioto Properties LLC, its member

By: Mary Bea Eaton
Mary Bea Eaton
Its: Chief Operating Officer
Address:
5940 Wilcox Place, Suite A
Dublin, Ohio 43016-6805
Phone: 614.889.5191
Fax: 614.889.5202
Email: mbeaton@scioto.com

Signed and Acknowledged in the presence of:

Patty Miller
Signature
Print Name: Patty Miller

LESSEE:
Center for Comprehensive Services, Inc. d/b/a NeuroRestorative Illinois

By: 2/14/12

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Signature
Print Name: Ben Schara

Chris Kozakis
Its: Vice President of Real Estate
Address:
The Mentor Network
6600 France Avenue South, Suite 500
Edina, Minnesota 55435
Phone: 952.945.4960
Fax: 952.925.8080
Email: chris.kozakis@thementornetwork.com

GUARANTY OF LEASE

In consideration of the execution of the Lease for the Home located at **1158 Deer Ave, Palatine, IL, 60067**, **NATIONAL MENTOR HOLDINGS, INC.** ("Guarantor") hereby guarantees to Lessor the prompt payment of rent and other charges and the full performance of all obligations of Lessee under the Lease. Guarantor acknowledges that this guaranty is absolute and unconditional.

Signed and Acknowledged in the presence of:

Signature
Print Name: Patty Miller

Signature
Print Name: Ben Schara

NATIONAL MENTOR HOLDINGS, INC.

By: 2/14/12
Chris Kozakis
Its: Vice President of Real Estate

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SCHEDULE 1
SPECIFIC LEASE TERMS

Address:	1158 Deer Ave, Palatine, IL, 60067	
Start Date:	March 6, 2012	
End Date:	March 31, 2019	
Renewal Terms:	Number: 2	Years: 5
Adjustment Date:	April 1, 2013	
Monthly Rent (first year):	$5,360.36	
Monthly Rent (year 2):	$5,467.57	
Monthly Rent (year 3):	$5,576.92	
Monthly Rent (year 4):	$5,688.46	
Monthly Rent (year 5):	$5,802.23	
Monthly Rent (year 6):	$5,918.27	
Monthly Rent (year 7):	$6,036.64	
Annual Rent Adjustment % (to be applied in any renewal terms):	2.0%	
Security Deposit:	$5,360.36	

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SCHEDULE 2
SPECIFIC INSURANCE COVERAGE

LESSEE'S REQUIRED INSURANCE -

1. **Commercial Property Insurance** includes (a) *General Property Insurance* that covers the Home, fixtures, equipment and Lessee's Improvements in the Home in an amount equal to the full estimated replacement cost of the Home and other property insured and covers risks normally included in a policy for single-family residential homes; and (b) to the extent required by the Lender or requested by Lessor, *Special Property Insurance* that covers damages to the Home from flood, earthquake and/or hurricane in an amount equal to the full estimated replacement cost of the Home. Any coinsurance requirement in such policy must be eliminated through either (i) attachment of the agreed amount endorsement or (ii) activation of the agreed value option. In the event that Lessee obtains coverage for the general property insurance through a self-insurance program or a policy that has a deductible or self-retention amount in excess of $10,000, Lessee must submit evidence, to the satisfaction of Lessor, that it has the ability to pay for any damages to the Home that may not otherwise be funded by insurance proceeds.
2. **Business Interruption Insurance** that provides business income, business interruption, extra expense or similar coverage in an amount of the monthly rent for a period of not less than six months. Lessee acknowledges that Lessor is not liable for any business interruption or consequential loss sustained by Lessee, whether or not the negligence of Lessor (and its employees and agents) cause such loss.
3. **Commercial General and Umbrella Liability Insurance** that provides comprehensive liability coverage in an amount not less than $1,000,000 per occurrence and $2,000,000 aggregate written on a claims made or occurrence basis. The policy must apply as primary insurance coverage maintained by Lessee for the benefit of Lessor under this Lease. Such policy must either (a) contain no endorsement or modification to make it excess over other available insurance or (b) if the policy states that it is excess or pro rata, it is endorsed to be primary with respect to the additional insured. Lessee waives all rights against Lessor (and it employees and agents) for recovery of damages to the extent these damages are covered by the coverage required under this paragraph 3. Furthermore, if the policy is written on a claims-made basis Lessee must name Lessor as an additional insured and carry coverage for three years following termination of this Lease.
4. **Professional Liability Insurance** that provides professional liability coverage in such amount and type customary for entities engaged in providing Services in the state where the Home is located.
5. **Workers' Compensation Insurance** that provides the coverage required in the state where the Home is located and which is in such amount and type required by the state with respect to Lessee and its operations. Lessee may obtain the coverage through a state program, private insurance or self-insurance as required or authorized by such state.
6. **Personal Property Insurance** (optional in Lessee's discretion) that covers Lessee's personal property and contents in the Home regardless of who owns such personal property or contents. Lessee acknowledges that Lessor is not liable for any damage to, or loss of use of, personal property or contents sustained by Lessee, whether or not the negligence of Lessor (and its employees and agents) cause such loss.

File Number 5128-716-9

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

CENTER FOR COMPREHENSIVE SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 20, 1977, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 6TH *day of* MARCH *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Jesse White

SECRETARY OF STATE

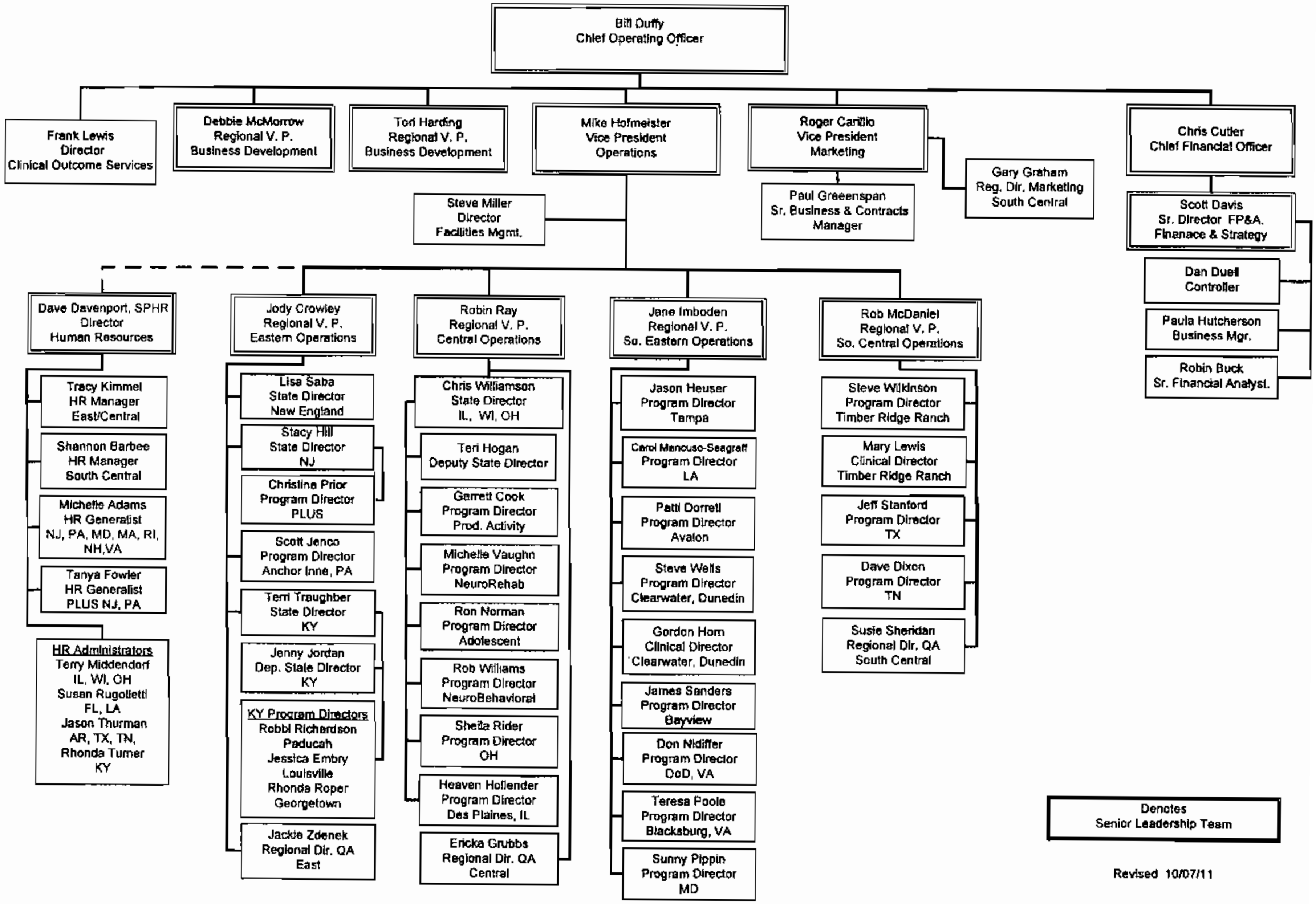
Authentication #: 1206601318

Authenticate at: http://www.cyberdriveillinois.com

Attach 1 (3)

NeuroRestorative™

National Operations Structure



Revised 10/07/11

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Attachment 4

FLOOD PLAIN

The home that Center for Comprehensive Services, Inc will be leasing for the new Community Based Residential Rehabilitation Center is located on Deer Avenue in Palatine, IL. As evidenced by the map, the house is not in a flood plain.

We are also not classified as a critical care facility as defined within the regulations.

Thank you,

Chris Williamson, MS

VP Central Region

ATTACHMENT 5

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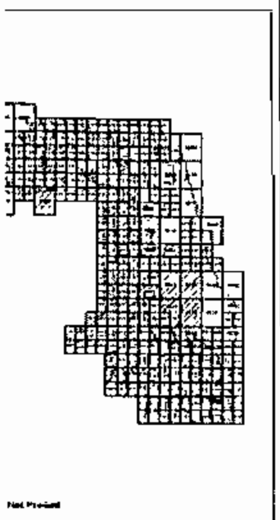
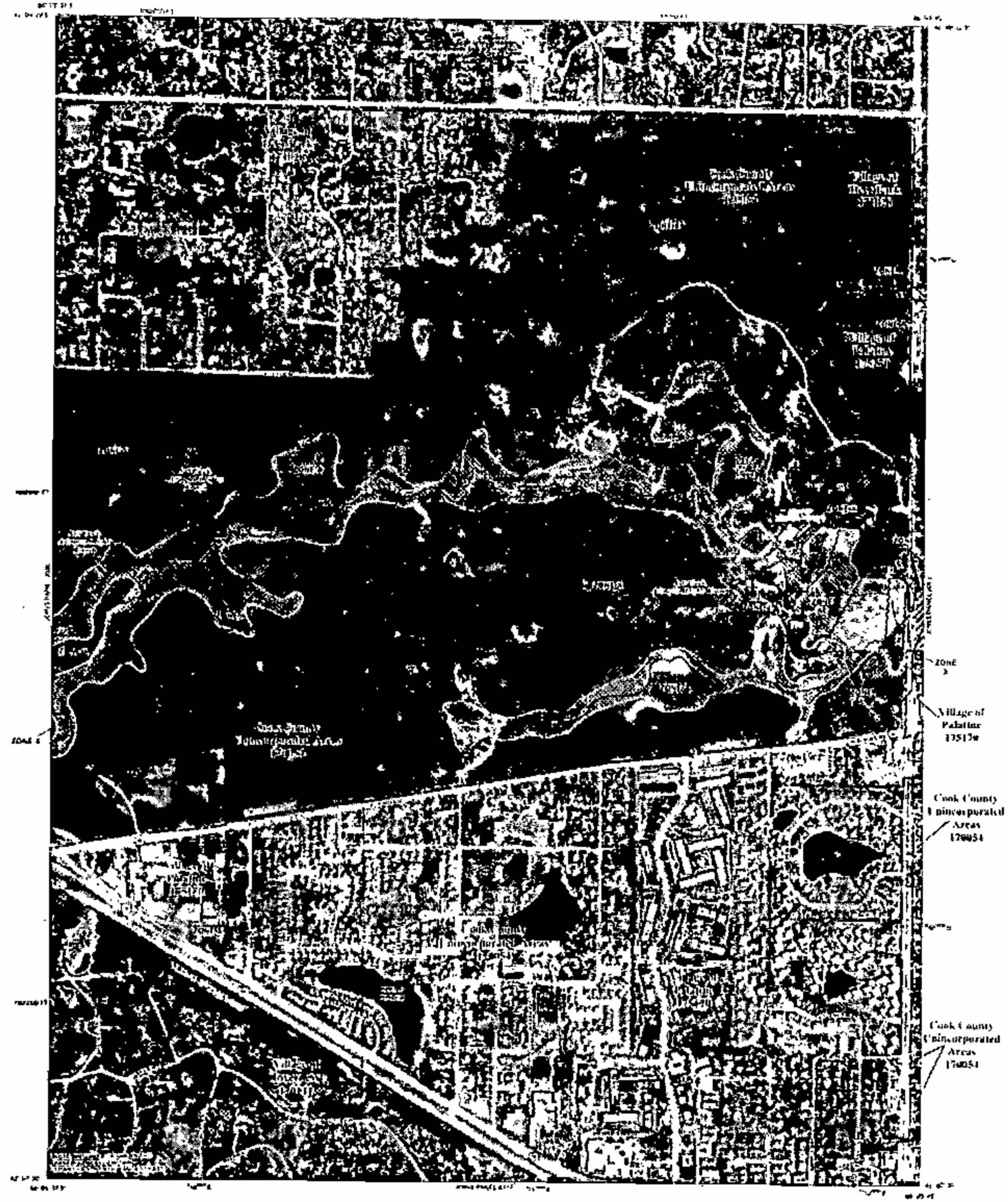
NOTES TO USERS

PANEL INDEX





LEGEND

OTHER FLOOD AREAS

OTHER AREAS

NATIONAL FLOOD INSURANCE PROGRAM

FIRM

FLOOD INSURANCE RATE MAP

COOK COUNTY, ILLINOIS AND INCORPORATED AREAS

PANEL 39 OF 832

Federal Emergency Management Agency

Illinois Historic
Preservation Agency

FAX (217) 782-8161

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

Cook County
Palatine
CON - Rehabilitation to Establish an 8 Bed Community-Based Residential Rehabilitation Center
1158 N. Deer Ave.
IHPA Log #012012412

February 9, 2012

Chris Williamson
NeuroRestorative
P.O. Box 2825
306 W. Mill St.
Carbondale, IL 62902

Dear Ms. Williamson:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

Attachment 6

A teletypewriter for the speech/hearing impaired is available at 217-524-7128. It is not a voice or fax line.

Modernization Contracts	**180,000**
Leashold Improvements (accessibilty enhancements, flooring, etc.)	135,000
Fire sprinklers and alarm system	20,000
Emergency Generator	25,000
Contingencies (10% of LH Improvements)	**18,000**
Movable or Other Equipment	**141,400**
Furniture	37,600
Appliances	12,500
Medical and Therapy equipment	33,900
Office equipment	11,400
Lift-equipped van	46,000
Fair Market Value of Leased Space	**523,220**

March 26th, 2012

Illinois Health Facilities and Review Board
525 West Jefferson
Springfield, Illinois62761

To Whom It May Concern:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Health Facilities and Services Review Board that:

1. Neither Center for Comprehensive Services, Inc., nor MENTOR ABI, LLC has had any adverse actions against any facility owned or operated by either Illinois entity during the three year period prior to filing the application, and
2. Center for Comprehensive Services, Inc. and MENTOR ABI, LLC authorizes the State Board Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or agency finds pertinent to the application.

If we can in any way provide assistance to your staff regarding these necessary assurances, or any other issue relevant to this application, please do not hesitate to call me. I can be reach at 618-529-3060.

Sincerely,

Chris Williamson

Chris Williamson
Vice President of Central Region

NOTARIZED:

"OFFICIAL SEAL"
David J. McCabe
Notary Public, State of Illinois
Commission Expires 6-11-2012

3-26-12

ATTACHMENT 11

PURPOSE

The purpose of the proposed project is to provide residents of the metropolitan Chicago area access to the services of an IDPH-licensed community –based residential rehabilitation center. By granting this, the health care of area residents who have acquired brain injuries will be greatly enhanced. There are only 3 facilities with this type of license in the State, one of which is operated the applicant in Des Plaines. The program runs at capacity and has had to turn people away for services or delay their services. The people in the home are from the Chicagoland area. The purpose is to open its 2nd home on its current Des Plaines IDPH license of 100 beds. The approval would allow us to open our second facility in the Chicago land area. The opening of the second facility will be modeled after the current Center for Comprehensive Services, Inc, d/b/a as NeuroRestortive-Illinois and NeuroRestorative-Carbondale facilities.

The goal of the program will we be to return the participant to his or her optimal living situation in their home community. In addition, the program focus is to allow the individual to be as independent as possible. The individual's abilities, in terms of independence, are evaluated prior to admission, at admission, monthly, at discharge and also post discharge.

Graphs are included portraying the outcomes for Center for Comprehensive Services.

ILLINOIS Overview

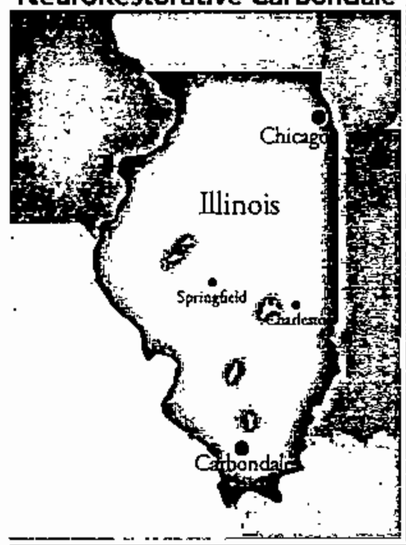
NeuroRestorative™ *Carbondale*

NeuroRestorative™ *Illinois*

Brain Injury Rehabilitation and Support Services for Adults, Children & Adolescents

Together **NeuroRestorative Carbondale** and **NeuroRestorative Illinois** offer a continuum of community-based programs for adults, children and adolescents with brain injury and other neurological challenges. Founded in 1977, NeuroRestorative Carbondale was the first dedicated after-hospital rehabilitation program in the country for people with brain injury and has continued as a leader in the field for more than thirty years. Continuing this tradition of excellence we have recently expanded our programs and are proud to now offer services in the Chicago area.

NeuroRestorative Illinois
NeuroRestorative Carbondale



Location & Settings

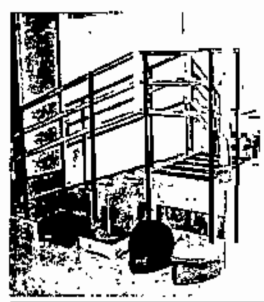
Our flagship location in Carbondale, Illinois is a campus-style setting located across from Southern Illinois University, which provides a unique opportunity for collaborative research efforts and, for some participants, reintegration into post-secondary education.

Just outside of Chicago, our Des Plaines location provides a quiet neighborhood setting with convenient access to area physicians, recreational activities and shopping.

Programs

Each location provides individualized, outcome-driven programs and support services in the most independent setting possible.

- Neurorehabilitation
- Neurobehavioral
- Supported Living
- Host-Home
- Day Treatment
- Outpatient
- Respite



Services

We offer the following array of services based on the needs and goals of each program participant:

- Physical Therapy
- Speech-Language Pathology
- Occupational Therapy
- Behavior Therapy
- Medication Management
- Neuropsychological Consultation
- Medical Consulting
- Case Management
- Life Skills Therapy
- Counseling
- Structured Day Rehabilitation
- Community Integration
- Vocational & Productive
- Social & Recreational Activities
- Nursing
- 24-Hour Emergency On-Call Support
- Educational Services

*Services offered throughout the state vary by each individual location. For more information on the services offered at a particular location please visit our website.

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800–743–6802
referral line
NeuroRestorative.com

ATTACH 12

Our Outcomes Speak For Themselves

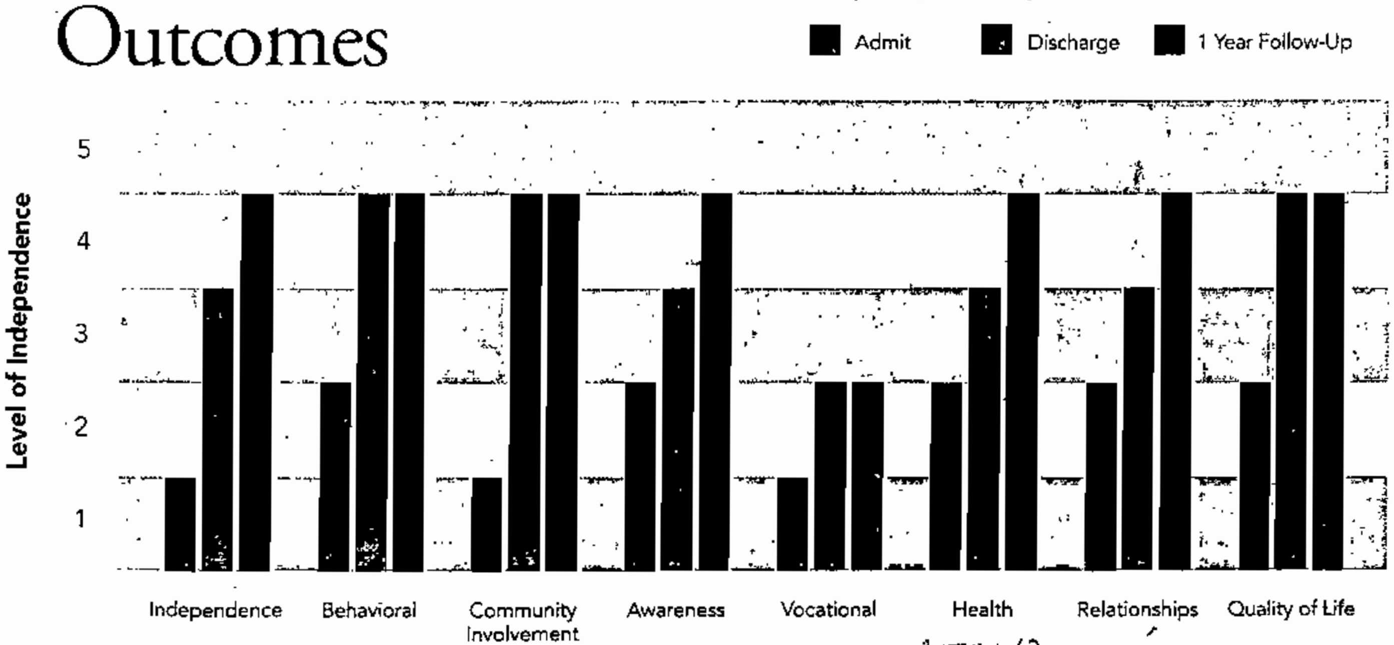
In partnership with participants and their families, our clinical experts establish individual rehabilitation goals and carefully measure each participant's progress. As participants move through the phases of their programs, we assess and measure the physical and functional abilities that affect an individual's ability to live independently on a day-to-day basis.

We also work to identify trends and set a series of measurements which are crucial to determining the overall effectiveness of our programs and services, including:

- Establishing baselines for stages along our continuum of care
- Measuring incremental progress and major milestones
- Projecting outcomes in various functional areas
- Comparing individual participant measurements to outcome trends and projections

Total participants admitted - 2056
Total participants one year follow-up - 722

Outcomes



ATTCH 12

SUMMARY COMPARISON OF ALTERNATIVES TO PROPOSED PROJECT

	Cost	Quality	Accessibility
Alternative 1 Develop Without a Permit	approx. $80,000 less in short-term cost no long-term costs	likely to be identical*	less accessibility due to 3rd party payor requirements
Alternative 2 Open 100 Beds Immediately for Renovation:	approx. $352,000/yr in additional lease payments (short and long-term)	likely to be identical*	likely to be identical*

*identical to the proposed project

ATTACHMENT 12

ALTERNATIVES

The co-applicants are seeking a Permit to open a second home under their current 100 bed CON approved license in the Chicago land area. The second home under the current 100 bed CON, is intended to be operated like the current home under this CON and the model of the Carbondale based CON licensed program.

Two alternative models were considered by the co-applicants.

Alternative One-Develop Second home without CON

This was immediately dismissed...consistent with NeuroRestorative wanting to comply with all governmental regulations and would not want to put our other licensed facilities at risk for government interventions.

Alternative two-Open all 100 Beds Concurrently

This model is dismissed quickly as well. We already have approval of the 100 bed CON, but are simply requesting an expansion for the current 8 approved beds under the CON to add an additional 8 beds. Our model involves the renovation of existing homes for use as "residences", each of which provides between 3 to10 beds. The homes are acquired and owned by a reputable real estate company, unrelated to the co-applicants, and NeuroRestorative enters into a lease agreement for the property.

The center will open additional homes as demand materializes and homes are acquired. As an alternative, a single 100 bed facility could be constructed or we could acquire enough homes to have 100 beds. This was dismissed as well, because our model is to acquire single family homes and provide family like residences. We want to add houses as the demand for our services expands.

Please refer to Attachment 12 for outcome data.

SIZE OF PROJECT

DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
NR - Palatine - CBRRC	3,615	N/A	N/A	N/A

SIZE

IDPH does not maintain space standards for community-based residential rehabilitation centers. This residence to be used is a ranch-style home, with a connected 3 car garage, and consists of 3615 square feet, or 723 square feet of living space per resident bed. Existing bedrooms range from 182 to 324 square feet each. Once reconfigured, all bedrooms will range from ~162 square feet to ~216 square feet each, with an average of 10 square feet being dedicated closet space per room.

The home will undergo interior renovation, including the widening of corridors and doorways, the creation of a wheelchair accessible shower facility, and the conversion of the residence into a fully accessible residence, meeting and in many instances surpassing all ADA requirements. The residence will also receive installation of a full residential sprinkler system and centrally monitored alarm system to enhance life-safety features of the home.

UTILIZATION

It has been the experience of the co-applicants that the demand for the types of high quality services provided by NeuroRestorative in its facilities, including Carbondale and Des Plaines, far exceeds the supply. As a result, Carbondale and Des Plaines operates at near 100% capacity, with vacant beds for only minimal times between discharges. A similar high occupancy is expected at the new home to be opened in Palatine. Utilization is expected at 95% of existing capacity, understanding that additional residences, up to a total of 100 beds will be made available over time while following licensure guidelines.

The proposed facility is an expansion under the current CON that was granted for 100 beds. Assuming an average length of stay of 120 days, it is projected that 23-24 patients will be admitted to the next home during its first year of opening based on current demand.

STAFFING

The co-applicants are very familiar with the licensure and adequate staffings needs of IDPH, CARF, and JCAHO requirements for community based residential rehabilitation centers, and will meet or surpass all applicable requirements.

The primary methodology used to staff the facility will be the use of advertisements in selected professional journals and major Chicago newspapers, in addition to web based advertising. Staff will interviewed and hired by personnel currently employed in management positions with the co-applicants, and having an understanding of the requirements of each position to be filled.

The following table identifies the co-applicant's typical staffing plan for each residence, as being proposed, and this staffing will be implemented based on need at the propsed facility.

MANDATED SERVICES

The scope of services to be provided through the proposed community-based residential rehabilitation center will exceed those identified in 210 ILCS 3/35, and will be modeled after NeuroRestorative-Illinois. This facility also falls under this current CON as we are asking for an expansion to the CON of an additional 8 beds.

The mandated services identified in 210 ILCS 3/35 are: case management, training and assistance with activities of daily living, nursing consultation, traditional therapies(physical, occupational, and speech), funcational interventions in the residence and community(job placement, shopping, banking, recreation), counseling, self management strategies, productive activities and multiple opportunities for skill acquisition and practice throughout the day.

Below is a list of services currently offered through NeuroRestorative-Illinois, and will be dulplicated as clinically appropriate for individual clients in the proposed facility:

24 supervision by direct care staff

Medical Direction

Nursing Services

Medical Management

Physical therapy

Occupational therapy

Life Skills training

Neuropsychological Evaluation

Crisis intervention

Coordination of Physician visits

Coordination of all Medical Equipment/Supplies

Speech-Language Pathology

Behavior Analysis and Therapy

Case Management Services

Family Education and Training

Counseling Services

Vocational/Productive Activities

Job Placement and coaching

Transportation

Community Integration

Coordination of Specialty Medical/Physician Consultations

Coordination of Laboratory and Radiology as needed

Attached, and to provide additional information related to the programs and services offered is the webpage for NeuroRestorative.

ATTACHMENT 35

Bed capacity	**6**
Occupancy	92%
Average Daily Placements:	**5.5**
Program and House Management	64
Life Skills Therapists	392
RN and LPN	152
PT, OT, Speech, Counseling, Behavior Therapy	83
Total weekly direct hours	**691**
Average hours per calendar day, per placement	18
Clerical, accounting, admissions, maintenance	61
Staff Training hours per week	16
Medical Director hours per week	1

The personnel identified above will all be direct employees or contracted therapists of the licensee. They will be supported, on a consulting basis by persons providing additional services as dictated by specific client needs. Attached are sample consulting agreements for a Social Worker and Neuropsychologist representing the nature of these third party provider arrangements.

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between NeuroRestorative, D/B/A Center for Comprehensive Services ("Company") and The Comprehensive Group, a consultant retained by Company as an independent contractor ("Consultant").

Company and Consultant agree as follows:

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 AM on July 19th, 2010, through July 18th, 2011 and shall terminate upon thirty (30) days written notice by either party, for any or no reason. If the parties have not negotiated a new agreement or terminated the Agreement on July 19th, 2011, then the terms of this agreement will continue on a month-to-month basis until a new agreement is negotiated.

- 2. **Services to be Performed:** Consultant agrees to perform those therapy consulting services for the adult programs, as may be requested by Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. Company will advise Consultant of any issues related to the work performed in order to ensure that the services are in compliance with the quality, safety and other standards established by Company.

- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of Company. Consultant will provide Company with all documents requested by Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific certifications, registrations and licenses that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement. Consultant's obligations and services hereunder must be performed in compliance with all applicable Federal and State laws.

4. **Compensation:** Consultant will be compensated for all consulting services requested by Company and performed by Consultant at the rate of $XX.00 per hour for on site visits on a weekly basis as needed by the Company. Consultant agrees to bill Company in hourly increments. Consultant agrees to

delineate, on the invoice, the dates of service, number of billed hours those particular dates, and times. Company and Consultant will be permitted to adjust hours or weeks worked with the prior consent of the company.

- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of Company.

- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by Company. Consultant will not direct, manage, supervise or control any employees of Company.

- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of Company.

- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to Company. Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by Company to Consultant for services under this Agreement. Consultant agrees to indemnify Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by Company as a result of Consultant's failure to comply with this provision.

- 9. **Benefits**: By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.

- 10. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of

$1,000,000.00 per occurrence and $3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.

- 11. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.

- 12. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.

- 13. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given after signed by the parties.

- 14. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.

- 15. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.

- 16. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

- 17. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify of affect the meaning of any provision of this Agreement.

CONSULTANT:	COMPANY:
By:____________________	By:____________________
Name:____________________	Name:____________________
Date:____________________	Date:____________________
Address:	Address
____________________ ____________________ ____________________	Center for Comprehensive Services, Inc. P.O. Box 2825 Carbondale, IL 62902-2825

<u>**EXHIBIT "A"**</u>

Company and Consultant agree that during the term of this Agreement, Consultant shall perform the following services for Company and its clients:

Provide Speech, Physical, and Occupational therapy services to Company's program participants.

Prepare and Provide therapy summaries

Prepare and submit report materials, establishing clear objectives of treatment

- Prepare and submit weekly services summaries

Participate in team and conference meetings when requested

Assure to comply with CARF regulations

- Pursue continuing education for own postion

Communicate with payor sources when needed to assist with treatment planning and length of stay recommendations.

- Provide copies of certifications and insurance coverage as noted in Exhibit B

Consultant will only bill the Company for professional services rendered under this agreement, unless arrangements have been made in advance with Company representatives and third party payers to bill a program participant's funding source directly. In no instance will Consultant bill the Company for professional services which have also been billed to third party payers. Company will not be held liable for any reimbursement due directly to Consultant from third party funding sources or other parties.

- Consultant will complete transfer training with NeuroRestorative Staff.

EXHIBIT "B"

Consultant must maintain the following in order to provide the services requested by Company under this Agreement:

Current and Valid Professional Regulation License

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between NeuroRestorative ("The Company") and Dr. Arthur Skladman a consultant retained by The Company as an independent contractor ("Consultant").

The Company and Consultant agree as follows:

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 am on 8/16/2010, and shall terminate at 8:00 am on 8/15/2011, unless terminated earlier by either party, for any or no reason, upon thirty (30) days written notice.

- 2. **Services to be performed:** Consultant agrees to perform those consulting services for NeuroRestorative Inc, as may be requested by The Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to The Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. The Company will have the sole discretion to determine whether the work performed by Consultant is satisfactory to The Company and in compliance with the quality, safety and other standards established by The Company.

- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of The Company. Consultant will provide The Company with all documents requested by The Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific education, certification, licensure and insurance requirements that Consultant must establish and maintain in order to provide the services requested by The Company under this Agreement.

- 4. **Compensation:** Consultant will be compensated for all consulting services requested by The Company and performed by Consultant at the rates in exhibit A of this agreement.

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Consultant:________

The Company:________

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- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of The Company.

- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by The Company. Consultant will not direct, manage, supervise or control any employees of The Company.

- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than The Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of The Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of The Company.

- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, The Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to The Company. The Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by The Company to Consultant for services under this Agreement. Consultant agrees to indemnify The Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by The Company as a result of Consultant's failure to comply with this provision.

- 9. **Benefits**: By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.

- 10. **Indemnification:** Consultant shall indemnify, defend and hold harmless The Company, and all of its employees, officers, agents, and assigns, from any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, and deficiencies including interest, penalties, attorney's fees, liquidated damages, and costs that The Company may incur as a result of any negligence, active or passive fault, or breach by Consultant.

- 11. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of \$1,000,000.00 per occurrence and \$3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.

- 12. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without The Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.

- 13. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.

- 14. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given.

- 15. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.

- 16. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.

- 17. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

Consultant:________

The Company:________

• 18. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify of affect the meaning of any provision of this Agreement.

CONSULTANT:	THE COMPANY:
By:____________________	By:____________________
Name:____________________	Name:____________________
Date:____________________	Date:____________________
Address:	Address:
____________________	____________________
____________________	____________________
____________________	____________________

<u>EXHIBIT "A"</u>

The Company and Consultant agree that during the term of this Agreement, Consultant shall perform the following services for The Company and its clients:

1. Serve as the program's Administrative Medical Director Consultant.
2. Review medical records prior to admission <u>as/if requested</u> and consult with the Program Director and/or RN regarding recommendations.
3. Advocate for medical necessity on behalf of persons referred to the program who meet admission criteria either by verbal or written communication (i.e. peer to peer contact) with the funding source representative.
4. Sign off on program medical policy and procedures and review as needed.
5. Be physician of record on license and funding contracts.
6. Participate in marketing endeavors as available (i.e. communication with potential funding sources, presentations at conferences, web-casts, etc.)

Service requests will be initiated by NeuroRestorative clinical Team and must be pre-approved by NeuroRestorative Program Director prior to services being rendered. All services to be reimbursed at the following rate:

$ 1000 per month not to exceed 4 hours per month.

All clinical visits by participants of NeuroRestorative at the physician office of Dr. Arthur N. Skaldman, MDSC at 415 West Golf Road, Arlington Heights will be pre-authorized and billed directly by the hospital/practice directly to the funding source.

Lodging fees, vehicle rental (including insurance), mileage (for personal vehicle use only) incurred during services provided to The Company will be reimbursed by The Company.

The Consultant shall be responsible for retaining and submitting the appropriate paperwork and receipts for reimbursement of expenses incurred during the provision of stated services in accordance of the policies of The Company.

EXHIBIT "B"

The following is a listing of the specific education, certification, licensure, insurance and other requirements that Consultant must establish and maintain in order to provide the services requested by The Company under this Agreement:

Education:

____

____

____

Certification:

____

____

____

Licenses:
Maintenance and retention of appropriate Medical licenses as well as any other required licenses required by the states where services are provided to The Company.

Insurance (in addition to that set forth in paragraph 11 of the Agreement):
Maintenance and retention of appropriate Liability and Malpractice insurances additional to those outlined by the terms of this agreement as may be dictated by the states in which services are provided to The Company.

Other:

____

____

____

____

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between MENTOR ABI ("Company") and NeuroPsychologist, a consultant retained by Company as an independent contractor ("Consultant").

Company and Consultant agree as follows:

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 AM on January 1st, 2011 and shall terminate at 5:00 PM on December 31st, 2011, unless terminated earlier by either party, for any or no reason, upon thirty (30) days written notice.

- 2. **Services to be Performed:** Consultant agrees to perform those consulting services for the Mentor Network-Center for Comprehensive Services, as may be requested by Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. Company will have the sole discretion to determine whether the work performed by Consultant is satisfactory to Company and in compliance with the quality, safety and other standards established by Company.

- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of Company. Consultant will provide Company with all documents requested by Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific education, certification, licensure and insurance requirements that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement.

- 4. **Compensation:** Consultant will be compensated for all consulting services requested by Company and performed by Consultant at the rates in exhibit A of this agreement.

- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of Company.

- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by Company. Consultant will not direct, manage, supervise or control any employees of Company.

- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of Company.

- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to Company. Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by Company to Consultant for services under this Agreement. Consultant agrees to indemnify Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by Company as a result of Consultant's failure to comply with this provision.

- 9. **Benefits**: By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.

- 10. **Indemnification:** Consultant shall indemnify, defend and hold harmless Company, and all of its employees, officers, agents, and assigns, from any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, and deficiencies including interest, penalties, attorney's fees, liquidated damages, and costs that Company may incur as a result of any negligence, active or passive fault, or breach by Consultant.

- 11. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of $1,000,000.00 per occurrence and $3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.

- 12. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.

- 13. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.

- 14. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given.

- 15. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.

- 16. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.

- 17. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

• 18. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify of affect the meaning of any provision of this Agreement.

CONSULTANT:

By:______________________________

Name:____________________________

Date:____________________________

Address:

____

____

____

COMPANY:

By:______________________________

Name:____________________________

Date:____________________________

Address:

____

____

____

EXHIBIT "A"

Company and Consultant agree that during the term of this Agreement, Consultant shall perform the following services for Company and its clients:

Neuropsychological Testing at $ 175.00 per hour

Direct Counseling services at $ 125.00 per hour

Team Consultation at $ 100.00 per hour

Psychological Testing when not part of Neuropsychological Evaluation at $125.00 per hour.

Tests/Inventories requiring external scoring/interpretation (computer scoring by test publishers at Cost-receipt required)____

Consultant:________

Company:________

EXHIBIT "B"

The following is a listing of the specific education, certification, licensure, insurance and other requirements that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement:

Education:
1999 PHD University of Illinois @ Urbana Champaign-Counseling
Psych____

Certification:

Licenses:
IL# 071-
006462____

Insurance (in addition to that set forth in paragraph 11 of the Agreement):

Other:

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Consultant:________

Company:________

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UNIT SIZE

The proposed community-based residential rehabilitation center consists of a total of 100 beds, 8 of which have been established/opened in Des Plaines. The request is for an additional 8 beds to be opened on Deer Avenue is Palatine, IL. We are preparing for this approval and opening as the demand requires it.

The co-applicants acknowledge that additional residences under the 100-bed license cannot be established without the approval of the IHFSRB to do so.

ATTACHMENT 35

UTILIZATION

It has been the experience of the co-applicants that the demand for the types of high quality services provided by NeuroRestorative in its facilities, including Carbondale and Des Plaines, far exceeds the supply. As a result, Carbondale and Des Plaines operates at near 100% capacity, with vacant beds for only minimal times between discharges. A similar high occupancy is expected at the new home to be opened in Palatine. Utilization is expected at 95% of existing capacity, understanding that additional residences, up to a total of 100 beds will be made available over time while following licensure guidelines.

The proposed facility is an expansion under the current CON that was granted for 100 beds. Assuming an average length of stay of 120 days, it is projected that 23-24 patients will be admitted to the next home during its first year of opening based on current demand.

	Participant days	Percentage
First 1-12 months	2,646	52%
Months 13-24	3,612	77%

ATTACHMENT 35

BACKGROUND OF APPLICANT

The co-applicants operate two of the IDPH-licensed community-based residential rehabilitation center in Illinois. This request is to add an additional 8 beds under the current CON that is currently using 8 beds of the approved 100 for the Chicago-land area. The Carbondale facility, which opened in 1977 and became licensed in 1999, currently maintains a full census of the initial 100 beds approved CON.

The clients of the programs operated by the co-applicants include individuals who have experienced brain injuries as a result of trauma through work, accident or military service. Veterans are served in many of the co-applicants' programs, and it is the co-applicants' belief that there is a pressing need to provide high quality and specialized care to veterans from active service having brain injuries.

Aside from returning veterans, traumatic brain injury survivors are often young to middle aged and need extensive therapies not typically offered in nursing facilities.

ATTACHMENT 35

carf INTERNATIONAL

December 4, 2009

Ericka Grubbs
Regional Quality Analyst/Risk Manager
Center for Comprehensive Services
306 West Mill Street
Carbondale, IL 62901

Dear Ms. Grubbs:

It is my pleasure to inform you that Center for Comprehensive Services has earned CARF International accreditation for a period of three years for the following programs:

Home- and Community-Based Rehabilitation Programs: Brain Injury Program (Adults)
Interdisciplinary Outpatient Medical Rehabilitation Programs: Brain Injury Program (Adults)
Interdisciplinary Outpatient Medical Rehabilitation Programs: Brain Injury Program (Children and Adolescents)
Residential Rehabilitation Programs: Brain Injury Program (Adults)
Residential Rehabilitation Programs: Brain Injury Program (Children and Adolescents)
Vocational Services: Brain Injury Program (Adults)

This accreditation is effective October 23, 2009, through November 30, 2012. This achievement is an indication of your organization's dedication and commitment to improving the quality of the lives of the persons served. Services, personnel, and documentation clearly indicate an established pattern of conformance to standards.

Your organization should take pride in achieving this high level of accreditation. We will recognize this accomplishment in our listing of organizations with accreditation, and we encourage you to make this accomplishment known throughout your community. Communication of the accreditation to your referral and funding sources, the media, and local and federal government officials can promote and distinguish your organization. Enclosed are some materials that will help you publicize this achievement.

The enclosed accreditation report is intended to support a continuation of the quality improvement of your programs. It contains:

- Consultation and comments on your organization's strengths and exemplary conformance, if any.
- The reasons for any partial or nonconformance to standards identified as a result of the survey.
- Benchmarking data that compare your organization's standards conformance to the conformance of other organizations in a number of areas, based on our vast survey archives.

A completed quality improvement plan (QIP) describing your organization's efforts to address any partial or nonconformance to standards identified in the report must be submitted within the next 90 days to retain accreditation. The QIP form is posted on Customer Connect *(customerconnect.carf.org)*, our secure, dedicated website for accredited organizations and organizations seeking accreditation. Please log on to Customer Connect and follow the instructions contained in the QIP form.

Your organization's complimentary accreditation certificate will be sent separately. You may use the enclosed form to order additional certificates.

If you have any questions regarding your organization's accreditation or the QIP, please contact Karen Kloter at kkloter@carf.org or (888) 281-6531, extension 190.

We commend your organization for its commitment to improve the quality of its programs. We look forward to working with your organization in its ongoing pursuit of excellence.

Sincerely,

Brian J. Boon

Brian J. Boon, Ph.D.
President/CEO

ssh
Enclosures

80

State of Illinois 2029482
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/25/2012	A-1	5200941

SHARED HOUSING LICENSE
ISSUED: 04/25/11
6 SHARED HOUSE UNITS
6 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

VIOLET LANE
101 N. VIOLET LANE
CARBONDALE IL 62901

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 20294
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATIO

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/25/2012	A-1	5200941

SHARED HOUSING LICENSE

6 SHARED HOUSE UNIT
6 TOTAL UNITS

03/22/11

VIOLET LANE
101 N. VIOLET LANE
CARBONDALE IL 62501

FEE RECEIPT NO.

ATT 35

81

Att 35

State of Illinois 1964712
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/25/2010	P-1	5200941

SHARED HOUSING LICENSE
Issued: 01/05/10
6 Shared House Units
6 Total Units

BUSINESS ADDRESS
STATUS: PROBATIONARY
LICENSEE BUSINESS ADDRESS

VIOLET LANE
101 N. VIOLET LANE
CARBONDALE IL 62901

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DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 1964712
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/25/2010	P-1	5200941

SHARED HOUSING LICENSE
6 Shared House Units
6 Total Units

01/05/10

VIOLET LANE
101 N. VIOLET LANE
CARBONDALE IL 62901

FEE RECEIPT NO.

State of Illinois 2028491

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
02/20/2012	A-4	5200602

SHARED HOUSING LICENSE
ISSUED: 02/20/11
6 SHARED HOUSE UNITS
6 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

CHIPPEWA HOUSE
24 CHIPPEWA
CARBONDALE IL 62901

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 20284

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATIO

EXPIRATION DATE	CATEGORY	I.D. NUMBER
02/20/2012	A-4	5200602

SHARED HOUSING LICENSE

6 SHARED HOUSE UNITS
6 TOTAL UNITS

03/16/11

CHIPPEWA HOUSE
24 CHIPPEWA
CARBONDALE IL 62901

FEE RECEIPT NO.

82

ATT 35

State of Illinois 2028491

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
02/20/2012	A-4	5200602

SHARED HOUSING LICENSE
ISSUED: 02/20/11
6 SHARED HOUSE UNITS
6 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

CHIPPEWA HOUSE
24 CHIPPEWA
CARBONDALE IL 62901

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State of Illinois 20284

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATIO

EXPIRATION DATE	CATEGORY	I.D. NUMBER
02/20/2012	A-4	5200602

SHARED HOUSING LICENSE

6 SHARED HOUSE UNITS
6 TOTAL UNITS

03/16/11

CHIPPEWA HOUSE
24 CHIPPEWA
CARBONDALE IL 62901

FEE RECEIPT NO.

83

ATT 35

Illinois Department of
PUBL C
HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

November 16, 2009

Chris Williamson
Center for Comprehensive Services
306 West Mill Street
P.O. Box 2825
Carbondale, IL 62902

Dear Mr. Williamson:

The Community-Based Residential Rehabilitation Center, located at 306 West Mill Street, Carbondale, Illinois is currently licensed in good standing under the authority of the Alternative Health Care Delivery Act (210 ILCS 3) and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220).

Although the license for The Center for Comprehensive Services expires January 1, 2010, a survey has not yet been conducted. This delay is in no way due to any action by The Center for Comprehensive Services, its owners, or employees. The Department considers your license in good standing currently and in the future as long as no action has been taken by the Illinois Department of Public Health to revoke your license. No such action is contemplated at this time. The enclosed renewal license is for 100 beds.

Please contact me with questions at Illinois Department of Public Health, Division of Health Care Facilities and Programs, Central Office Operations Section, 525 West Jefferson Street, 4th Floor, Springfield, IL 62761-0001, or at 217-782-0381.

Sincerely,

Karen Senger RN

Karen Senger, RN, BSN
Supervisor, Central Office Operations Section
Division of Health Care Facilities and Programs

Illinois Department of
PUBL C
HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

LICENSE, PERMIT CERTIFICATION, REGISTRATION

The firm or corporation whose name appears on this certificate has complies with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

Licensed number of Beds	Expiration Date	License Identification
100	1/01/11	4000021

Center for Comprehensive Services
306 W. Mill St.
Carbondale, IL 62901

Issued under the authority of The State of Illinois Department of Public Health

ATT 35

Illinois Department of
PUBLIC HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

December 16, 2010

Chris Williamson
NeuroRestorative Carbondale
306 West Mill Street
P.O. Box 2825
Carbondale, IL 62902

Dear Mr. Williamson:

The Community-Based Residential Rehabilitation Center, located at 306 West Mill Street, Carbondale, Illinois is currently licensed in good standing under the authority of the Alternative Health Care Delivery Act (210 ILCS 3) and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220).

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Please contact me with questions at Illinois Department of Public Health, Division of Health Care Facilities and Programs, Central Office Operations Section, 525 West Jefferson Street, 4th Floor, Springfield, IL 62761-0001, or at 217-782-0381.

Sincerely,

Karen Senger RN

Karen Senger, RN, BSN
Supervisor, Central Office Operations Section
Division of Health Care Facilities and Programs

 ATT 35

LICENSE, PERMIT CERTIFICATION, REGISTRATION

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Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

Licensed number of Beds	Expiration Date	License Identification
100	01/1/2012	4000021

NeuroRestorative Carbondale
306 West Mill Street
Carbondale, IL 62901

Issued under the authority of The State of Illinois Department of Public Health

Illinois Department of
PUBLIC HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

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Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

Licensed number of Beds	Expiration Date	License Identification
5	8/16/11	4000026

Neurorestorative Illinois
820 Berkshire Lane
Des Plaines, IL 60016

Issued under the authority of The State of Illinois Department of Public Health

Illinois Department of
PUBLIC HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street · Springfield, Illinois 62761-0001 · www.idph.state.il.us

LICENSE, PERMIT CERTIFICATION, REGISTRATION

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Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

Licensed number of Beds	Expiration Date	License Identification
8	08/16/2012	4000026

NeuroRestorative Illinois
820 Berkshire Lane
Des Plaines, IL 60016

Issued under the authority of The State of Illinois Department of Public Health

ATT 35

National Mentor Holdings, Inc. and Subsidiaries

Consolidated Financial Statements as of September 30, 2011 and 2010 and for the Years Ended September 30, 2011, 2010 and 2009, Supplemental Consolidating Information as of and for the Year Ended September 30, 2011, and Report of Independent Registered Public Accounting Firm

ATTACHMENT 39

NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116
USA

Tel: +1 617 437 2000
Fax. +1 617 437 2111
www.deloitte.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Audit Committee of
National Mentor Holdings, Inc.
Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of National Mentor Holdings, Inc. and subsidiaries (the "Company") as of September 30, 2011 and 2010, and the related consolidated statements of operations, shareholder's equity, and cash flows for each of the two years in the period ended September 30, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements. The financial statements of the Company for the year ended September 30, 2009 were audited by other auditors whose report, dated December 22, 2009, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of National Mentor Holdings, Inc. and subsidiaries as of September 30, 2011 and 2010, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental consolidating information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplemental consolidating information is the responsibility of the Company's management. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

Boston, Massachusetts
January 13, 2012

NATIONAL MENTOR HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2011 AND 2010
(Amounts in thousands)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 263	$ 26,448
Restricted cash	936	1,046
Accounts receivable, net of allowances of $7,957 and $7,225 at September 30, 2011 and 2010, respectively	134,071	125,979
Deferred tax assets — net	20,956	13,571
Prepaid expenses and other current assets	9,969	14,701
Total current assets	166,195	181,745
PROPERTY AND EQUIPMENT — Net	146,256	142,112
INTANGIBLE ASSETS — Net	397,514	437,757
GOODWILL	231,015	229,757
RESTRICTED CASH	50,000	-
OTHER ASSETS	19,870	13,915
INVESTMENT IN RELATED PARTY DEBT SECURITIES	-	10,599
TOTAL ASSETS	$ 1,010,850	$ 1,015,885
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:	$ 27,059	$ 26,503
Accounts payable	74,968	68,272
Accrued payroll and related costs	46,528	48,307
Other accrued liabilities	312	92
Obligations under capital lease — current	5,300	3,667
Current portion of long-term debt		
Total current liabilities	154,167	146,841
OTHER LONG-TERM LIABILITIES	15,536	15,166
DEFERRED TAX LIABILITIES — NET	111,066	126,322
OBLIGATIONS UNDER CAPITAL LEASE, LESS CURRENT PORTION	6,462	1,624
LONG-TERM DEBT, LESS CURRENT PORTION	754,742	500,799
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY		
Common stock, $.01 par value, 1,000 shares authorized and 100 shares issued and outstanding	-	-
Additional paid-in capital	33,098	250,620
Accumulated other comprehensive (loss) income	(4,017)	575
Accumulated deficit	(60,204)	(26,062)
Total shareholder's equity	(31,123)	225,133
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,010,850	$ 1,015,885

See notes to consolidated financial statements.

NATIONAL MENTOR HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009
(Amounts in thousands)

	2011	2010	2009
NET REVENUE	$1,070,610	$1,011,469	$957,525
COST OF REVENUE (Exclusive of depreciation expense shown separately below)	829,032	776,656	731,372
OPERATING EXPENSES:			
General and administrative	144,516	133,731	125,734
Depreciation and amortization	61,901	56,413	55,598
Total operating expenses	206,417	190,144	181,332
INCOME FROM OPERATIONS	35,161	44,669	44,821
OTHER INCOME (EXPENSE):			
Management fee to related party	(1,271)	(1,208)	(1,146)
Other expense — net	(159)	(339)	(503)
Extinguishment of debt	(19,278)	-	-
Gain from available for sale investment security	3,018	-	-
Interest income	22	42	193
Interest income from related party	684	1,921	1,202
Interest expense	(61,718)	(46,693)	(48,254)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(43,541)	(1,608)	(3,687)
BENEFIT FOR INCOME TAXES	(14,427)	(205)	(1,116)
LOSS FROM CONTINUING OPERATIONS	(29,114)	(1,403)	(2,571)
LOSS FROM DISCONTINUED OPERATIONS — Net of tax of $3,193, $3,529 and $1,706	(5,028)	(5,464)	(2,885)
NET LOSS	$ (34,142)	$ (6,867)	$ (5,456)

See notes to consolidated financial statements.

NATIONAL MENTOR HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010, AND 2009 (Amounts in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholder's Equity	Comprehensive Income (Loss)
	Shares	Amount					
BALANCE — October 1, 2008	100	$ -	$ 256,648	$(5,781)	$(13,739)	$ 237,128	
Other comprehensive loss — net of tax	-	-	-	(1,334)	-	(1,334)	$ (1,334)
Stock-based compensation	-	-	1,306	-	-	1,306	-
Parent capital contribution	-	-	452	-	-	452	-
Dividend to parent	-	-	(8,368)	-	-	(8,368)	-
Net loss	-	-	-	-	(5,456)	(5,456)	(5,456)
Comprehensive loss							$ (6,790)
BALANCE — September 30, 2009	100	$ -	$ 250,038	$(7,115)	$(19,195)	$223,728	
Other comprehensive income — net of tax	-	-	-	7,690	-	7,690	$ 7,690
Stock-based compensation	-	-	677	-	-	677	-
Dividend to parent	-	-	(95)	-	-	(95)	-
Net loss	-	-	-	-	(6,867)	(6,867)	(6,867)
Comprehensive loss							$ 823
BALANCE — September 30, 2010	100	$ -	$ 250,620	$ 575	$(26,062)	$225,133	
Other comprehensive income — net of tax	-	-	-	(4,592)	-	(4,592)	$ (4,592)
Stock-based compensation	-	-	3,675	-	-	3,675	-
Dividend to parent	-	-	(221,197)	-	-	(221,197)	-
Net loss	-	-	-	-	(34,142)	(34,142)	(34,142)
Comprehensive loss							$(38,734)
BALANCE — September 30, 2011	100	$ -	$ 33,098	$(4,017)	$(60,204)	$ (31,123)	

See notes to consolidated financial statements

NATIONAL MENTOR HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010, AND 2009
(Amounts in thousands)

	2011	2010	2009
OPERATING ACTIVITIES:			
Net loss	$ (34,142)	$ (6,867)	$ (5,456)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Accounts receivable allowances	11,670	12,458	11,712
Depreciation and amortization of property and equipment	23,306	23,172	24,233
Amortization of other intangible assets	39,755	34,903	33,667
Amortization of original issue discount and initial purchasers discount	1,924	-	-
Amortization and write-off of financing costs	10,545	3,190	3,266
Accretion of investment in related party debt securities	(325)	(963)	(601)
Stock-based compensation	3,675	677	1,306
Deferred income taxes	(19,524)	(13,876)	415
Gain from available for sale investment security	(3,018)	-	-
(Gain) loss on disposal of assets	(56)	560	945
Change in the fair value of contingent consideration	(2,545)	1,424	-
Non-cash impairment charge	11,893	6,552	3,012
Non-cash interest income from related party	(359)	(958)	(601)
Changes in operating assets and liabilities:			
Accounts receivable	(19,424)	(16,004)	(14,318)
Other assets	2,928	1,478	5,722
Accounts payable	(1,045)	6,096	(1,257)
Accrued payroll and related costs	6,580	8,671	(2,040)
Other accrued liabilities	(2,009)	9,351	(4,196)
Other long-term liabilities	370	1,704	2,603
Net cash provided by operating activities	30,199	71,568	58,412
INVESTING ACTIVITIES			
Cash paid for acquisitions, net of cash received	(12,688)	(49,337)	(33,638)
Purchases of property and equipment	(20,878)	(20,873)	(27,398)
Purchases of related party debt securities	-	-	(6,555)
Changes in restricted cash	(49,890)	4,146	542
Proceeds from sale of assets	914	1,218	5,281
Net cash used in investing activities	(82,542)	(64,846)	(61,768)
FINANCING ACTIVITIES			
Repayments of long-term debt	(507,114)	(3,712)	(3,736)
Issuance of long term debt, net of original issue discount	760,767	-	-
Proceeds from borrowings under senior revolver	30,600	-	-
Repayments of borrowings under senior revolver	(30,600)	-	-
Repayments of capital lease obligations	(244)	(117)	(208)
Cash paid for contingent consideration	(4,975)	-	-
Dividend to Parent	(207,855)	(95)	(8,368)
Parent capital contribution	-	-	452
Payments of financing costs	(14,421)	-	(42)
Net cash provided by (used in) financing activities	26,158	(3,924)	(11,902)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,185)	2,798	(15,258)
CASH AND CASH EQUIVALENTS — Beginning of period	26,448	23,650	38,908
CASH AND CASH EQUIVALENTS — End of period	$ 263	$ 26,448	$ 23,650
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 57,827	$ 43,289	$ 44,933
Cash paid for income taxes	$ 1,601	$ 1,482	$ 832
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:			
Accrued contingent consideration	$ -	$ 1,617	$ -
Accrued property, plant and equipment	$ 1,601	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:			
Capital lease obligation incurred to acquire assets	$ 5,302	$ 37	$ -
Dividend to Parent	$ (13,342)	$ -	$ -

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

National Mentor Holdings, Inc., through its wholly owned subsidiaries (collectively, the "Company"), is a leading provider of home and community-based health and human services to adults and children with intellectual and/or developmental disabilities, acquired brain injury and other catastrophic injuries and illnesses; and to youth with emotional, behavioral and/or medically complex challenges. Since the Company's founding in 1980, the Company has grown to provide services to approximately 22,000 clients in 33 states.

The Company designs customized service plans to meet the unique needs of its clients, which it delivers in home- and community-based settings. Most of the Company's service plans involve residential support, typically in small group homes, host home settings, or specialized community facilities, designed to improve the clients' quality of life and to promote their independence and participation in community life. Other services offered include supported living, day and transitional programs, vocational services, case management, family-based services, post-acute treatment and neurorehabilitation, neurobehavioral rehabilitation and physical, occupational and speech therapies, among others. The Company's customized service plans offer its clients as well as the payors of these services, an attractive, cost-effective alternative to health and human services provided in large, institutional settings.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change.

Cash Equivalents — The Company considers short-term investments with maturity dates of 90 days or less at the date of purchase to be cash equivalents. Cash equivalents primarily consist of bank deposits and the carrying value of cash equivalents approximates fair value.

Restricted Cash — Restricted cash consists of a cash collateral account set up to support the issuance of letters of credit under the institutional letter of credit facility and funds provided from government payors restricted for client use. Restricted cash in fiscal 2010 also included cash related to certain insurance coverage provided by the Company's captive insurance subsidiary which was dissolved in fiscal 2010.

Financial Instruments — Financial instruments include cash, accounts receivables and accounts payable. The carrying value of these instruments approximates their fair values. For financial instruments fair valued at the end of each reporting period, see Note 14.

Concentrations of Credit and Other Risks — Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with federally insured commercial banks in the United States. The Company derives approximately 90% of its revenue from state and local government payors. These entities fund a significant portion of their payments to the Company through federal matching funds, which pass through various state and local government agencies.

The Company maintains its cash in bank deposit accounts, which currently has unlimited coverage by the Federal Deposit Insurance Corporation ("FDIC").

Revenue Recognition — Revenue is reported net of allowances for unauthorized sales and estimated sales adjustments. Revenue is also reported net of any state provider taxes or gross receipts taxes levied on services the Company provides. Sales adjustments are estimated based on an analysis of historical sales adjustments and recent developments in payment trends. Revenue is recognized when evidence of an arrangement exists, the service has been provided, the price is fixed or determinable and collectibility is reasonably assured.

The Company recognizes revenue for services performed pursuant to contracts with various state and local government agencies and private health care agencies as follows: cost-reimbursement contract revenue is recognized at the time the service costs are incurred and units-of-service contract revenue is recognized at the time the service is provided. For the Company's cost-reimbursement contracts, the rate provided by the payor is based on a certain level of service and types of costs incurred in delivering the service. From time to time, the Company receives payments under cost-reimbursement contracts in excess of the allowable costs required to support those payments. In such instances, the Company estimates and records a liability for such excess payments. At the end of the contract period, any balance of excess payments is maintained as a liability until it is reimbursed to the payor. Revenue in the future may be affected by changes in rate-setting structures, methodologies or interpretations that may be enacted in states where the Company operates or by the federal government.

Cost of Revenue — The Company classifies expenses directly related to providing services as cost of revenue, except for depreciation and amortization related to cost of revenue, which are shown separately in the consolidated statements of operations. Direct costs and expenses principally include salaries and benefits for service provider employees, per diem payments to independently contracted host-home caregivers ("Mentors"), residential occupancy expenses, which are primarily comprised of rent and utilities related to facilities providing direct care, certain client expenses such as food and medicine and transportation costs for clients requiring services.

Property and Equipment — Property and equipment are stated at cost, less accumulated depreciation. The Company provides for depreciation using straight-line methods over the estimated useful lives of the related assets. Estimated useful lives for buildings are 30 years. The useful lives of computer hardware and software are three years, the useful lives for furniture and equipment range from three to five years and the useful lives for vehicles are five years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the remaining lease term or seven years. Capital lease assets are depreciated over the lesser of the lease term or the useful life of the asset. Expenditures for maintenance and repairs are charged to operating expenses as incurred.

Accounts Receivable — Accounts receivable primarily consist of amounts due from government agencies. not-for-profit providers and commercial insurance companies. An estimated allowance for doubtful accounts is recorded to the extent it is probable that a portion or all of a particular account will not be collected. In evaluating the collectibility of accounts receivable, the Company considers a number of factors, including payment trends in individual states, age of the accounts and the status of ongoing disputes with third party payors. Complex rules and regulations regarding billing and timely filing requirements in various states are also a factor in our assessment of the collectibility of accounts receivable. Actual collections of accounts receivable in subsequent periods may require changes in the estimated allowance for doubtful accounts. Changes in these estimates are charged or credited to revenue as a contractual allowance in the consolidated statements of operations in the period of the change in estimate.

Goodwill and Indefinite-lived Intangible Assets — The Company reviews costs of purchased businesses in excess of the fair value of net assets acquired (goodwill), and indefinite-life intangible assets for impairment at least annually, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. The Company conducts its annual impairment test for both goodwill and indefinite-life intangible assets on July 1 of each year.

The Company is required to test goodwill on a reporting unit basis, which is the same level as the Company's operating segments. The Company performs a two-step impairment test. The first step is to compare the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value then the second step of the goodwill impairment test is performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill in order to determine the amount of impairment to be recognized. The excess of the carrying value of goodwill above the implied goodwill, if any, would be recognized as an impairment charge. Fair values are established using discounted cash flow and comparative market multiple methods.

The impairment test for indefinite-life intangible assets requires the determination of the fair value of the intangible asset. If the fair value of the indefinite-life intangible asset is less than its carrying value, an impairment loss is recognized in an amount equal to the difference. Fair values are established using the Relief from Royalty Method.

The fair value of a reporting unit is based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth, capital expenditures, discount rates and market conditions over an estimate of the remaining operating period. As such, actual results may differ from these estimates and lead to a revaluation of the Company's goodwill and indefinite-life intangible assets. If updated estimates indicate that the fair value of goodwill or any indefinite-life intangibles is less than the carrying value of the asset, an impairment charge is recorded in the consolidated statements of operations in the period of the change in estimate.

Impairment of Long-Lived Assets — The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded.

Income Taxes — The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. These deferred tax assets and liabilities are separated into current and long-term amounts based on the classification of the related assets and liabilities for financial reporting purposes and netted by jurisdiction. Valuation allowances on deferred tax assets are estimated based on the Company's assessment of the realizability of such amounts.

The Company also recognizes the benefits of tax positions when certain criteria are satisfied. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods.

Derivative Financial Instruments — The Company reports derivative financial instruments on the balance sheet at fair value and establish criteria for designation and effectiveness of hedging relationships. Changes in the fair value of derivatives are recorded each period in current operations or in shareholder's equity as accumulated other comprehensive income (loss) depending upon whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

The Company, from time to time, enters into interest rate swap agreements to hedge against variability in cash flows resulting from fluctuations in the benchmark interest rate, which is LIBOR, on the Company's debt. These agreements involve the exchange of variable interest rates for fixed interest rates over the life of the swap agreement without an exchange of the notional amount upon which the payments are based. On a quarterly basis, the differential to be received or paid as interest rates change is accrued and recognized as an adjustment to interest expense in the accompanying consolidated statements of operations. In addition, on a quarterly basis the mark to market valuation is recorded as an adjustment to accumulated other comprehensive income (loss) as a change to shareholder's equity, net of tax. The related amount receivable from or payable to counterparties is included as an asset or liability, respectively, in the Company's consolidated balance sheets.

Available-for-Sale Securities — The Company's investments in related party marketable debt securities have been classified as available-for-sale securities and, accordingly, are valued at fair value at the end of each reporting period. Unrealized gains and losses arising from such valuation are reported, net of tax, in accumulated other comprehensive income (loss).

Stock-Based Compensation — NMH Investment, LLC ("NMH Investment"), the Company's indirect parent, adopted an equity-based compensation plan, and issued units of limited liability company interests consisting of Class B Units, Class C Units, Class D Units, Class E Units and Class F Units pursuant to such plan. The units are limited liability company interests and are available for issuance to the Company's employees and members of the Board of Directors for incentive purposes. For purposes of determining the compensation expense associated with these grants, management values the business enterprise using a variety of widely accepted valuation techniques which considered a number of factors such as the Company's financial performance, the values of comparable companies and the lack of marketability of the Company's equity. The Company then used the option pricing method to determine the fair value of these units at the time of grant using valuation assumptions consisting of the expected term in which the units will be realized; a risk-free interest rate equal to the U.S. federal treasury bond rate consistent with the term assumption; expected dividend yield, for which there is none; and expected volatility based on the historical data of equity instruments of comparable companies. The estimated fair value of the units, less an assumed forfeiture rate, is recognized in expense on a straight-line basis over the requisite service periods of the awards.

Accruals for Self-Insurance — The Company maintains employment practices liability, professional and general liability, workers' compensation, automobile liability and health insurance with policies that include self-insured retentions. The Company records expenses related to claims on an incurred basis, which includes estimates of fully developed losses for both reported and unreported claims. The accruals for the health and workers' compensation, automobile, employment practices and professional and general liability programs are based on analyses performed internally by management and may take into account reports by independent third parties. Accruals relating to prior periods are periodically re-evaluated and increased or decreased based on new information.

Legal Contingencies — The Company is regularly involved in litigation and regulatory proceedings in the operation of its business. The Company reserves for costs related to contingencies when a loss is probable and the amount is reasonably estimable. While the Company believes its provision for legal contingencies is adequate, the outcome of its legal proceedings is difficult to predict and we may settle legal claims or be subject to judgments for amounts that differ from the Company's estimates. In addition, legal contingencies could have a material adverse impact on the Company's results of operations in any given future reporting period.

Reclassifications — The Company sold its home health business, closed certain business operations in the state of Maryland and closed its business operations in the states of Colorado, Nebraska, New Hampshire and New York. All fiscal years presented reflect the classification of these businesses as discontinued operations.

The Company has reclassified \$5.9 million and \$5.6 million of expense associated with insurance coverage for professional and general liability retentions and premiums and employment practices liability from General and administrative expense to Cost of revenue in the fiscal 2010 and fiscal 2009 consolidated statements of operations, respectively. This change in classification has been made to conform to the fiscal 2011 presentation which the Company believes more accurately reflects the direct relationship of these expenses to providing services.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Presentation of Insurance Claims and Related Insurance Recoveries — In August 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No 2010-24, Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries ("ASU 2010-24"), which clarifies that companies should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 is effective for the Company beginning the first quarter of the fiscal year ending September 30, 2012 ("fiscal 2012"). The Company's accounting for insurance recoveries and related claim liability will change on a prospective basis on the date of adoption which will result in a corresponding increase in both assets and liabilities.

Disclosure of Supplementary Pro Forma Information for Business Combinations — In December 2010, the FASB issued Accounting Standards Update 2010-29, Business Combinations (Topic 805), Disclosure of Supplementary Pro Forma Information for Business Combinations ("ASU 2010-29"). ASU 2010-29 requires a public entity to disclose pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the fiscal year had been as of the beginning of the annual reporting period or the beginning of the comparable prior annual reporting period if showing comparative financial statements. ASU 2010-29 is effective prospectively for the Company for business combinations for which the acquisition date is on or after October 1, 2011.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS — In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Fair Value Measurement* (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS ("ASU 2011-04"). Under ASU 2011-04, the valuation premise of highest and best use is only relevant when measuring the fair value of nonfinancial assets. Additionally, ASU 2011-04 includes enhanced disclosure requirements for fair value measurements. ASU 2011-04 is effective for the Company beginning in the second quarter of fiscal 2012. The Company is evaluating the impact of this guidance on its financial statements.

Presentation of Comprehensive Income — In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The final standard requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for the Company beginning in the second quarter of fiscal 2012. The Company does not expect this to have a material impact to its financial statements.

Intangibles — Goodwill and Other — In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08"). Under ASU 2011-08, an entity has the option to first assess qualitative factors to determine whether further impairment testing is necessary. Additionally, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the impairment test, and the perform the qualitative assessment in any subsequent period. ASU 2011-08 is effective for the Company beginning fiscal 2013. The Company is evaluating the impact of this guidance on its financial statements.

4. COMPREHENSIVE (LOSS) INCOME

The components of comprehensive (loss) income and related tax effects are as follows (in thousands):

	Year Ended September 30		
	2011	**2010**	**2009**
Net loss	$ (34,142)	$ (6,867)	$ (5,456)
Changes in unrealized (loss) gain on derivatives — net of taxes of $(2,727), $5,030 and $(1,105) for the year ended September 30, 2011, 2010 and 2009, respectively	(4,017)	7,408	(1,628)
Changes in unrealized (loss) gain on available-for-sale debt securities net of taxes of $(390), $191 and $200 for the year ended September 30, 2011, 2010 and 2009, respectively	(575)	282	294
Comprehensive (loss) income	$ (38,734)	$ 823	$ (6,790)

5. BUSINESS COMBINATIONS

The operating results of the businesses acquired are included in the consolidated statements of operations from the date of acquisition. The Company accounted for the acquisitions under the purchase method of accounting and, as a result, the purchase price was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess of the purchase price over the estimated fair value of net tangible assets was allocated to specifically identified intangible assets, with the residual being allocated to goodwill.

Fiscal 2011 Acquisitions — During fiscal 2011, the Company acquired seven companies complementary to its business for total fair value consideration of $12.6 million.

New Start Homes — On October 1, 2010, the Company acquired the assets of New Start Homes, Inc. ("New Start Homes") for total fair value consideration of $0.7 million. New Start Homes is a health facility located in California that provides congregate living inpatient services to mentally alert individuals who have spinal cord injuries, neurological illnesses or injuries or similar conditions and may be ventilator dependent. As a result of the New Start Homes acquisition, the Company recorded $0.2 million of goodwill in the Post Acute Specialty Rehabilitation segment, which is expected to be deductible for tax purposes. The Company acquired $0.5 million of intangible assets which included $0.3 million in agency contracts with a weighted average useful life of eleven years and $0.2 million in license and permits with a weighted average useful life of ten years.

ViaQuest — On October 26, 2010, the Company acquired the assets of ViaQuest Behavioral Health of Pennsylvania, LLC ("ViaQuest") for total cash of $1.1 million. ViaQuest provides residential and periodic services to individuals with behavioral health issues. As a result of the ViaQuest acquisition, the Company initially recorded $0.4 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired $0.6 million of intangibles assets which primarily included $0.5 million of agency contracts with a weighted average useful life of eleven years. The remaining purchase price was allocated to tangible assets. During fiscal 2011, the Company wrote off $0.2 million of goodwill and $0.2 million of intangible assets related to underperforming programs within the ViaQuest operations.

Phoenix Homes — On December 31, 2010, the Company acquired the assets of Phoenix Homes, Inc. ("Phoenix Homes") for total cash of $1.1 million. Phoenix Homes is a licensed child-placing agency that provides community-based, family focused therapeutic foster care to families and children in crisis or at risk in Maryland and Rhode Island. As a result of this acquisition, the Company recorded $0.1 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired $1.0 million of intangibles assets which primarily included $0.7 million of agency contracts with a weighted average useful life of eleven years.

Inclusive Solution — On June 1, 2011, the Company acquired the assets of MEIS, LLC and New Life Enterprises N.W. Ohio, Inc., d/b/a Inclusive Solutions ("Inclusive Solutions") for total cash of $2.0 million. Inclusive Solutions operates in Ohio and provides community based services to individuals with developmental disabilities. As a result of this acquisition, the Company recorded $0.6 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The acquired intangible assets included $0.5 million of agency contracts with a weighted average useful life of eleven years and $0.4 million of license and permits with a weighted average useful life of ten years. The remaining purchase price was allocated to tangible assets.

Communicare — On June 23, 2011, the Company acquired the assets of Communicare, LLC ("Communicare") for total fair value consideration of $8.1 million, which initially included $0.8 million of accrued contingent consideration. The contingency will be resolved on June 30, 2012 and provides for an additional $0.9 million in cash to be paid based upon the purchased entity's achieving certain earnings targets. The fair value of the contingent consideration on the date of acquisition was $0.8 million and was subsequently reduced to zero at September 30, 2011. The subsequent adjustment was recognized as an increase to earnings and included in General and administrative expenses in the consolidated statements of operations.

Communicare provides health, rehabilitation and residential services in the state of Florida to individuals with brain injuries, neuromuscular disorders, spinal cord injuries, pulmonary disorders, congenital anomalies, developmental disabilities and similar conditions. The Company recorded $3.8 million of goodwill in the Post Acute Specialty Rehabilitation Services segment as a result of the Communicare acquisition, which is expected to be deductible for tax purposes. The Company acquired $4.2 million of intangible assets which primarily included $2.0 million of agency contracts with a weighted average useful life of eleven years and $1.6 million of non-compete with an estimated useful life of five years. The remaining purchase price was allocated to tangible assets and liabilities.

Other Acquisitions — During fiscal 2011, the Company acquired the assets of SunnySide Homes of Redwood Falls, Inc., which consists of two group homes and TheraCare of New Jersey, Inc., a provider of behavioral health services for total cash of $0.3 million and $0.2 million of which was allocated to intangible assets.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the date of the acquisition (in thousands):

	New Start Homes	ViaQuest	Phoenix	Inclusive Solutions	Communicare	Other Acquisitions	Total
Accounts receivable	$ -	$ 191	$ -	$ -	$ -	$ -	$ 191
Other assets, current and long term	-	-	4	-	-	-	4
Identifiable intangible assets	450	641	951	984	4,238	317	7,581
Property and equipment	3	-	-	413	91	-	507
Accounts payable and accrued expenses	-	(116)	-	-	(800)	-	(916)
Total identifiable net assets	$453	$ 716	$ 955	$1,397	$3,529	$ 317	$ 7,367
Goodwill	$197	$ 384	$ 120	$ 603	$3,795	$ 122	$ 5,221

Fiscal 2010 Acquisitions — During fiscal 2010, the Company acquired seven companies complementary to its business for total fair value consideration of $52.1 million, including $3.0 million of contingent consideration. Since the initial estimate, the fair value of the contingent consideration increased to $3.3 million.

Springbrook — On January 15, 2010, the Company acquired the assets of Springbrook, Inc. and an affiliate (together, "Springbrook") for total fair value consideration of $6.3 million, which included $1.6 of initially estimated contingent consideration. Since the initial estimate, the fair value of the contingent consideration increased to $3.3 million based on actual financial performance of Springbook and was paid in its entirety during fiscal 2011. Adjustments to the fair value of the contingent consideration were recorded in General and administrative expenses in the consolidated statements of operations.

Springbrook operates in Arizona and Oregon and provides residential and mental health services to individuals with developmental disabilities and behavioral issues. As a result of the Springbrook acquisition, the Company recorded $1.4 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company recorded $6.0 million of intangible assets, $5.2 million of which was agency contracts with a weighted average useful life of eleven years.

Villages — The Company acquired the assets of two California facilities (together, "Villages"), on January 29, 2010 and on February 11, 2010, engaged in neurorehabilitation services for total cash of $7.0 million. As a result of these acquisitions, the Company recorded $3.2 million of goodwill in the Post Acute Specialty Rehabilitation Services segment, which is expected to be deductible for tax purposes. The Company acquired $3.8 million of intangible assets which primarily included $3.5 million of agency contracts with a weighted average useful life of eleven years.

NeuroRestorative — On February 22, 2010, in a purchase of stock and assets, the Company acquired a provider of neurobehavioral and supported living programs ("NeuroRestorative") for total cash of $16.8 million. NeuroRestorative has operations in Arkansas, Louisiana, Oklahoma and Texas and serves individuals who have sustained a traumatic brain injury. As a result of the NeuroRestorative acquisition, the Company initially recorded $6.3 million of goodwill in the Post Acute Specialty Rehabilitation Services segment, none of which is expected to be deductible for tax purposes. The Company acquired $13.5 million of intangible assets which primarily included $11.4 million of agency contracts with a weighted average useful life of eleven years and $1.4 million of licenses and permits with a weighted average useful life of ten years. During fiscal 2011, the Company wrote off $0.5 million of goodwill and $0.7 million of intangible assets related to underperforming programs within the NeuroRestorative operations.

Anchor Inne — On June 30, 2010, the Company acquired the assets of Anchor Inne, Inc. ("Anchor Inne") for total cash of $3.4 million. Anchor Inne has operations in Pennsylvania and serves individuals who have sustained a traumatic brain injury. As a result of the Anchor Inne acquisition, the Company recorded $1.3 million of goodwill in the Post-Acute Specialty Rehabilitation Services segment, which is expected to be deductible for tax purposes. The Company acquired $2.1 million of intangible assets which primarily included $1.9 million of agency contracts with a weighted average useful life of eleven years.

Woodhill Homes — On September 15, 2010, the Company acquired the assets of Woodhill Homes, Inc. ("Woodhill") for total cash of $3.5 million. Woodhill operates group homes serving I/DD residents in Minnesota. As a result of the Woodhill acquisition, the Company recorded $1.3 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired $2.1 million of intangible assets which primarily included $2.0 million of agency contracts with a weighted average useful life of eleven years.

PLUS — On September 24, 2010, the Company acquired the stock of Progressive Living Units Systems-New Jersey, Inc. ("PLUS") for total cash of $12.1 million. PLUS has operations in New Jersey and Pennsylvania and provides supported and independent living services to individuals who have sustained a traumatic brain injury. As a result of the PLUS acquisition, the Company recorded $5.2 million of goodwill in the Post-Acute Specialty Rehabilitation Services segment, none of which is expected to be deductible for tax purposes. The Company acquired $10.3 million of intangible assets which primarily included $7.6 million of agency contracts with a weighted average useful life of ten years and $2.7 million of licenses and permits with a weighted average useful life of ten years.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

	Springbrook	Villages	Neuro	Anchor Inne	Woodhill	PLUS	Total
Accounts receivable	$ 258	$ -	$ 2,691	$ -	$ -	$ 799	$ 3,748
Other assets, current and long term	32	-	752	-	-	21	805
Identifiable intangible assets	5,974	3,827	13,492	2,072	2,133	10,253	37,751
Property and equipment	171	20	293	55	43	402	984
Accounts payable and accrued expenses	(1,624)	-	(1,038)	-	-	(451)	(3,113)
Deferred tax liabilities	-	-	(5,746)	-	-	(4,146)	(9,892)
Total identifiable net assets	$ 4,811	$3,847	$10,444	$2,127	$2,176	$ 6,878	$30,283
Goodwill	$ 1,449	$3,195	$ 6,336	$1,299	$1,324	$ 5,211	$18,814

Pro Forma Results of Operations — The unaudited pro forma results of operations provided below for fiscal 2011 and 2010 is presented as though acquisitions made during fiscal 2011 and 2010 had occurred at the beginning of the periods presented. The pro forma information presented below does not intend to indicate what the Company's results of operations would have been if the acquisitions had in fact occurred at the beginning of the earliest period presented nor does it intend to be a projection of the impact on future results or trends. The Company has determined that the presentation of the results of operations for each of these acquisitions, from the date of acquisition, is impracticable due to the integration of the operations upon acquisition.

	Year Ended September 30,	
(In thousands)	**2011**	**2010**
Net revenue	$ 1,083,088	$ 1,068,656
Income from operations	37,470	56,634

Fiscal 2009 Acquisitions — During fiscal 2009, the Company acquired four companies for total cash of $22.9 million, as described below:

Institute for Family Centered Services, Inc. — On June 1, 2009, the Company acquired the stock of Institute for Family Centered Services, Inc. ("IFCS") for total cash of $11.5 million. In addition, the Company accrued an additional $3.4 million of contingent consideration which was paid in fiscal 2011. IFCS provides home and community-based mental health services to children and adults utilizing a Family Centered Treatment model ("FCT Model") which focuses treatment on the individual within his or her immediate family environment. IFCS operates in Florida, Maryland, North Carolina and Virginia. As a result of the IFCS acquisition, the Company recorded $4.5 million of aggregate goodwill in the Human Services segment, none of which is expected to be deductible for tax purposes. The Company acquired $8.2 million of intangible assets which primarily included $6.8 million of agency contracts with a weighted average life of eleven years.

Lakeview Healthcare Systems, Inc. — On August 1, 2009, the Company acquired the stock of Lakeview Healthcare Systems, Inc. ("Lakeview") for total cash of $10.4 million. Lakeview operates in New Hampshire, Maine, Rhode Island, Virginia and Wisconsin and is a provider of neurobehavioral and supported living programs serving individuals who have sustained a traumatic brain injury. As a result of the Lakeview acquisition, the Company recorded $5.6 million of goodwill in the Post Acute Specialty Rehabilitation Services segment, none of which is expected to be deductible for tax purposes. The Company acquired $7.5 million of intangible assets which primarily included $6.5 million of agency contracts with a weighted average useful life of twelve years.

Other Acquisitions — In addition to IFCS and Lakeview, the Company acquired RIA, Inc., a developmental disability group home provider and Stepping Stones, Inc., a provider of transitional therapeutic support services for adults with acquired brain injuries, both in the Human Services segment for total consideration of $1.1 million. As a result of these acquisitions, the Company recorded $0.4 million of goodwill and $0.6 million of intangible assets.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

	IFCS	Lakeview	Other	Total
Accounts receivable	$2,508	$ 588	$ -	$ 3,096
Other assets, current and long term	239	722	-	961
Identifiable intangible assets	8,187	7,543	566	16,296
Property and equipment	810	246	119	1,175
Accounts payable and accrued expenses	(4,773)	(589)	-	(5,362)
Deferred tax liabilities	-	(3,724)	-	(3,724)
Total identifiable net assets	$6,971	$4,786	$685	$12,442
Goodwill	$4,509	$5,582	$389	$10,480

6. DISCONTINUED OPERATIONS

RCDS — During fiscal 2011, the Company closed its business operations in the state of New York, Rockland Child Development Services, Inc. ("RCDS") and recognized a pre-tax loss of $8.0 million. RCDS was acquired in December 2006 and, as a result of this closure, the Company no longer provides services in New York. RCDS was included in the Human Services segment and the results of operations are reported separately as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. All assets and liabilities related to RCDS were disposed of as of September 30, 2011. Loss from discontinued operations for fiscal 2011 included a $3.1 million write-off of goodwill and a $2.8 million write-off of intangible assets.

REM Colorado — During fiscal 2010, the Company closed its business operations in the state of Colorado ("REM Colorado") and recognized a pre-tax loss of $3.0 million for fiscal 2010. REM Colorado was included in the Human Services Segment and the results of operations are presented as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. Loss from discontinued operations for fiscal 2010 included a $2.5 million write-off of intangible assets and property, plant and equipment.

REM Maryland — Also during fiscal 2010, the Company closed certain business operations in the state of Maryland ("REM Maryland") and recognized a pre-tax loss of $5.2 million for fiscal 2010. REM Maryland was included in the Human Services Segment and the results of operations are presented as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. Loss from discontinued operations for fiscal 2010 included a $4.2 million write-off of intangible assets and property, plant and equipment and goodwill. At September 30, 2010, there was $1.8 million of property and equipment held for sale which was immaterial to the Company and, as a result, was not reported separately as assets held for sale in the Company's financial statements.

REM Health — During fiscal 2009, the Company sold REM Health, Inc., REM Health of Wisconsin, Inc., and REM Health of Iowa, Inc. (together, "REM Health") and recognized a pre-tax loss of $0.9 million. REM Health was included in the Human Services segment and the results of operations were reported separately as discontinued operations for all periods presented. All assets and liabilities related to REM Health were disposed of as of September 30, 2009.

Other — During fiscal 2011, the Company closed its business operations in the states of Nebraska and New Hampshire and recognized a pre-tax loss of $0.2 million for fiscal 2011. The results of operations are reported separately as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified.

Also, during fiscal 2009, the Company sold its business operations in the state of Utah ("REM Utah") and recognized a pre-tax loss from discontinued operations of $1.4 million. REM Utah's results of operations were immaterial and, as a result, were not reported separately as discontinued operations.

The net revenue and loss before taxes for the Company's discontinued operations at September 30:

(In thousands)	2011	2010	2009
Net revenue	$ 6,653	$ 14,426	$ 37,756
Loss before taxes	8,221	8,993	4,591

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill — The changes in goodwill for the years ended September 30, 2011 and 2010 are as follows:

(In thousands)	Human Services	Post Acute Specialty Rehabilitation Services	Total
Balance as of September 30, 2009	$ 164,030	$ 42,669	$ 206,699
Goodwill acquired through acquisitions	2,788	16,283	19,071
Goodwill written off related to disposal of businesses	(435)	-	(435)
Adjustments to goodwill — net	3,502	920	4,422
Balance as of September 30, 2010	169,885	59,872	229,757
Goodwill acquired through acquisitions	1,229	3,992	5,221
Goodwill written off related to disposal of businesses	(3,296)	(469)	(3,765)
Adjustments to goodwill — net	59	(257)	(198)
Balance as of September 30, 2011	$ 167,877	$ 63,138	$ 231,015

The adjustments to goodwill in fiscal 2010 primarily included an adjustment of $3.3 million related to the earn-out payment associated with the IFCS acquisition. The remaining adjustments in fiscal 2010 and fiscal 2011 relate to the finalization of the purchase price for acquisitions during the measurement period.

During fiscal 2011, the Company wrote-off goodwill of underperforming programs which were closed as of September 30, 2011. The total charge was $3.8 million and included $0.5 million in Post-Acute Specialty Rehabilitation Services segment and $3.3 million in the Human Services segment, $3.1 million of which related to RCDS and is reported as discontinued operations. The remaining charges are included in General and amortization expense in the consolidated statements of operations.

Annual Goodwill Impairment Testing — The Company tests goodwill at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for goodwill on July 1 of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of these assets.

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of July 1, 2011, its annual impairment date, and concluded based on the first step of the process that there was no goodwill impairment.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including revenue growth, tax rates, capital spending, discount rate and working capital changes.

Cash flow forecasts are based on business unit operating plans and historical relationships. The income approach is sensitive to changes in long-term terminal growth rates and the discount rate. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company.

In fiscal 2011, the long-term terminal growth rates for the Company's reporting units ranged from 2.0% to 11.0%. The range for the discount rates for the reporting units was 10.0% to 11.5%. Keeping all other variables constant, a 5% to 10% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

Intangible Assets — Intangible assets consist of the following as of September 30, 2011 (in thousands):

Description	Weighted Average Remaining Life	Gross Carrying Value	Accumulated Amortization	Intangible Assets — Net
Agency contracts	11 years	$459,044	$138,105	$320,939
Non-compete/non-solicit	4 years	2,693	664	2,029
Relationship with contracted		11,118	-	-
caregivers	5 years	-	5,765	5,353
Trade names	6 years	3,774	1,688	2,086
Trade names (Indefinite life)	-	42,400	-	42,400
Licenses and permits	5 years	43,636	19,532	24,104
Intellectual property	5 years	904	301	603
		$563,569	$166,055	$397,514

Intangible assets consist of the following as of September 30, 2010 (in thousands):

Description	Weighted Average Remaining Life	Gross Carrying Value	Accumulated Amortization	Intangible Assets — Net
Agency contracts	12 years	$465,679	$113,418	$352,261
Non-compete/non-solicit	5 years	1,044	403	641
Relationship with contracted caregivers	6 years	12,804	5,977	6,827
Trade names	7 years	4,039	1,463	2,576
Trade names	-	47,700	-	47,700
Licenses and permits	6 years	42,713	15,693	27,020
Intellectual property	6 years	904	172	732
		$574,883	$137,126	$437,757

For fiscal years ended 2011, 2010 and 2009, the amortization expense for consisting operations was $38.7 million, $33.6 million and $32.0 million, respectively, and the amortization expense for discontinued operations was $1.0 million, $1.3 million and $1.7 million, respectively.

Annual Indefinite Life Impairment Testing — The Company tests indefinite-life intangible assets at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for indefinite-life intangible assets on July 1 of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of these assets.

The Company has consistently employed the Relief from Royalty model to estimate the current fair value when testing for impairment of indefinite-life intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of an indefinite-life intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized.

In addition, the Company evaluates the remaining useful life of its indefinite-life intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of indefinite-life intangible assets are no longer indefinite, the assets will be tested for impairment.

The Company performed its annual impairment testing as of July 1, 2011, its annual impairment date, and concluded that its indefinite lived trade names were impaired by $5.3 million. The decline in the fair value of the tradenames to below their book value is primarily the result of lower revenue growth relative to the assumptions made in the prior fiscal year. This impairment charge is included in General and administrative expense in the accompanying consolidated statements of operations and is classified as "Corporate" in Note 18. The fair market value of these assets was determined using management's estimates about future cash flows, which is a Level 3 financial measurement.

Long Lived Impairment Testing — During the assessment of long-lived assets that was performed during fiscal 2011, the Company determined that the carrying value of certain of its agency contracts, licenses and permits in the Human Services and Post-Acute Specialty Rehabilitation Services segments exceeded their fair value. As a result, the Company recorded an amount of these long-lived assets to their fair value as of September 30, 2011. The total impairment $2.7 million charge primarily related to the write-off of agency contracts of underperforming programs which were closed as of September 30, 2011. The fair market value of these assets was determined using management's estimates about future cash flows, which is a Level 3 financial measurement. These impairment charges are included in Depreciation and amortization expense in the accompanying consolidated statements of operations.

The estimated remaining amortization expense related to intangible assets with finite lives for each of the five succeeding years and thereafter is as follows:

Year Ending September 30	
2012	$ 36,605
2013	36,579
2014	35,908
2015	34,065
2016	32,399
Thereafter	179,558
	$355,114

8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30 (in thousands):

	2011	**2010**
Buildings and land	$ 122,602	$ 114,926
Vehicles	35,915	32,263
Computer hardware	21,032	19,827
Leasehold improvements	19,856	15,012
Furniture and fixtures	8,949	9,011
Office and telecommunication equipment	7,640	6,601
Construction in progress	654	178
	216,648	197,818
Less accumulated depreciation and amortization	(70,392)	(55,706)
Property and equipment — net	$ 146,256	$ 142,112

For fiscal years 2011, 2010 and 2009, depreciation expense for continuing operations was $23.2 million, $22.8 million and $23.6 million, respectively, and depreciation expense for discontinued operations was $0.1 million, $0.4 million and $0.6 million, respectively.

9. CERTAIN BALANCE SHEET ACCOUNTS

Prepaid Expenses and Other Current Assets — Prepaid expenses and other current assets consist of the following at September 30 (in thousands):

	2011	2010
Prepaid business insurance	$ 3,572	$ 3,184
Prepaid insurance	3,099	7,103
Other	3,298	4,414
Prepaid expenses and other current assets	$ 9,969	$ 14,701

Other Accrued Liabilities — Other accrued liabilities consist of the following at September 30 (in thousands):

	2011	2010
Accrued insurance	$ 14,074	$ 6,238
Accrued swap valuation liability	6,744	-
Due to third party payors	6,339	5,547
Income taxes payable	-	9,420
Contingent consideration	-	6,353
Other	19,371	20,749
Other accrued liabilities	$46,528	$48,307

10. LONG-TERM DEBT

The Company's long-term debt consists of the following at September 30 (in thousands):

	2011	2010
Term loan, principal and interest due in quarterly installments through February 9, 2017	$ 527,350	$ -
Original issue discount on term loan, net of accumulated amortization	(7,081)	-
Senior notes, due February 15, 2018; semi-annual cash interest payments due each February 1st and August 1st (interest rate of 12.50%)	250,000	-
Original issue discount and initial purchase discount on senior notes — net of accumulated amortization	(10,227)	-
Senior revolver, due February 9, 2016; quarterly cash interest payments at a variable interest rate	-	-
Old senior term B loan, principal and interest were due in quarterly installments through June 29, 2013	-	320,763
Old senior revolver, due June 29, 2012; quarterly cash interest payments at a variable interest rate	-	-
Senior subordinated notes, due July 1, 2014; semi-annual cash interest payments were due each January 1st and July 1st (interest rate of 11.25%)	-	180,000
Mortgage facility, principal and interest due in monthly installments through June 29, 2012; variable interest rate (4.75% at September 30, 2010)	-	3,703
	760,042	504,466
Less current portion	5,300	3,667
Long-term debt	$ 754,742	$ 500,799

At September 30, 2010, the Company had $504.5 million of indebtedness, consisting of $320.8 million of indebtedness under the old senior secured term B loan facility, $180.0 million principal amount of the 11.25% Senior Subordinated Notes due 2014 (the "senior subordinated notes") and $3.7 million outstanding under the mortgage facility. As of September 30, 2010, the Company did not have any borrowings under the old senior revolving credit facility (the "old senior revolver").

On February 9, 2011, the Company completed refinancing transactions, which included entering into senior secured credit facilities (as discussed below) and issuing $250.0 million in aggregate principal amount of 12.50% senior notes due 2018 (the "senior notes").

In connection with the refinancing transactions, the old senior secured credit facilities and the mortgage facility were repaid. Approximately $171.9 million of the senior subordinated notes were purchased on February 9, 2011 pursuant to a tender offer and consent solicitation for the senior subordinated notes and the remaining senior subordinated notes were redeemed prior to March 31, 2011.

The Company incurred $19.3 million of expenses related to the refinancing transactions including (i) $10.8 million related to the tender premium and consent fees paid in connection with the repurchase of the senior subordinated notes, (ii) $7.9 million related to the acceleration of financing costs related to the prior indebtedness and (iii) $0.6 million related to transaction costs. These expenses are recorded on the Company's consolidated statements of operations as Extinguishment of debt.

Senior Secured Credit Facilities — On February 9, 2011, the Company entered into new senior secured credit facilities, consisting of a (i) six-year $530.0 million term loan facility (the "term loan"), of which $50.0 million was deposited in a cash collateral account in support of issuance of letters of credit under an institutional letter of credit facility (the "institutional letter of credit facility") and a (ii) $75.0 million five-year senior secured revolving credit facility (the "senior revolver"). The Company refers to these facilities as the "senior secured credit facilities".

Term Loan — The $530.0 million term loan was issued at a price equal to 98.5% of its face value and amortizes one percent per year, paid quarterly, with the remaining balance payable at maturity. The senior credit agreement also includes a provision for the prepayment of a portion of the outstanding term loan amounts beginning in fiscal 2011 equal to an amount ranging from 0 to 50% of a calculated amount, depending on the Company's leverage ratio, if the Company generates certain levels of cash flow. The Company was not required to make such a prepayment of its term loan during fiscal 2011. The variable interest rate on the term loan is equal to (i) a rate equal to the greater of (a) the prime rate, (b) the federal funds rate plus 1/2 of 1% and (c) the Eurodollar rate for an interest period of one-month beginning on such day plus 100 basis points, plus 4.25%; or (ii) the Eurodollar rate (provided that the rate shall not be less than 1.75% per annum), plus 5.25%, at the Company's option. At September 30, 2011, the variable interest rate on the term loan was 7.0%.

Senior Revolver — During fiscal 2011, the Company borrowed $30.6 million under the senior revolver and repaid the entire amount during the year. At September 30, 2011, the Company had the full $75.0 million of availability under the senior revolver and $35.9 million of standby letters of credit issued under the institutional letter of credit facility primarily related to the Company's workers' compensation insurance coverage. Letters of credit can be issued under the Company's institutional letter of credit facility up to the $50.0 million limit and letters of credit in excess of that amount reduce availability under the Company's senior revolver. The interest rates for any borrowings under the senior revolver are the same as the term loan.

Senior Notes — On February 9, 2011, the Company issued $250.0 million of the senior notes at a price equal to 97.737% of their face value, for net proceeds of $244.3 million. The net proceeds were reduced by an initial purchasers' discount of $5.6 million. The senior notes are the Company's unsecured obligations and are guaranteed by certain of the Company's existing subsidiaries.

Covenants — The senior credit agreement and the indenture governing the senior notes contain negative financial and non-financial covenants, including, among other things, limitations on the Company's ability to incur additional debt, transfer or sell assets, pay dividends, redeem stock or make other distributions or investments, and engage in certain transactions with affiliates. In addition, the senior credit agreement governing the Company's senior secured credit facilities contains financial covenants that require the Company to maintain a specified consolidated leverage ratio and consolidated interest coverage ratio commencing with the quarter ending September 30, 2011.

The Company is restricted from paying dividends to NMH Holdings, LLC ("Parent") in excess of $15.0 million, except for dividends used for the repurchase of equity from former officers and employees and for the payment of management fees, taxes, and certain other expenses.

Derivatives — The Company entered into an interest rate swap in a notional amount of $400.0 million effective March 31, 2011 and ending September 30, 2014. The Company entered into this interest rate swap to hedge the risk of changes in the floating rate of interest on borrowings under the term loan. Under the terms of the swap, the Company receives from the counterparty a quarterly payment based on a rate equal to the greater of 3-month LIBOR and 1.75% per annum, and the Company makes payments to the counterparty based on a fixed rate of 2.5465% per annum, in each case on the notional amount of

$400.0 million, settled on a net payment basis. Based on the applicable margin of 5.25% under the Company's term loan, this swap effectively fixes the Company's cost of borrowing for $400.0 million of the term loan at 7.7965% per annum for the term of the swap.

The Company accounts for the interest rate swap as a cash flow hedge and the effectiveness of the hedge relationship is assessed on a quarterly basis. The fair value of the swap agreement, representing the price that would be paid to transfer the liability in an orderly transaction between market participants, was $6.7 million or $4.0 million after taxes at September 30, 2011. The fair value was recorded in current liabilities (under Other accrued liabilities) and was determined based on pricing models and independent formulas using current assumptions. The entire change in fair market value is recorded in shareholder's equity, net of tax, on the consolidated balance sheets as accumulated other comprehensive income (loss).

Annual Maturities — Annual maturities of the Company's debt for the years ended September 30 are as follows.

Amounts due at any year end may increase as a result of the provision in the senior credit agreement that requires a prepayment of a portion of the outstanding term loan amounts if the Company generates certain levels of cash flow.

Years Ending September 30	
2012	$ 5,300
2013	5,300
2014	5,300
2015	5,300
2016	5,300
Thereafter	750,850
Total	$ 777,350

11. SHAREHOLDER'S EQUITY

Common Stock — The holders of the Company's common stock are entitled to receive dividends when and as declared by the Company's Board of Directors. In addition, the holders of common stock are entitled to one vote per share. All of the outstanding shares of common stock are held by Parent.

Dividend to Parent — On February 9, 2011, as part of the refinancing transactions described in note 10, the Company declared a dividend of $219.7 million to Parent, which in turn made a distribution of $219.7 million to its direct parent, NMH Holdings, Inc. ("NMH Holdings"). NMH Holdings used the proceeds of the distribution to (i) repurchase $210.9 million aggregate principal amount of the Senior Floating Rate Toggle Notes due 2014 (the "NMH Holdings notes") at a premium not including $13.3 million principal amount of NMH Holdings notes the Company held as an investment and that were also repurchased and (ii) pay related fees and expenses.

During fiscal 2009, the Company paid a $7.0 million dividend to Parent, which used the proceeds of the dividend to make a distribution to NMH Holdings. NMH Holdings used the proceeds of the distribution to repurchase $13.9 million in aggregate principal amount of the NMH Holdings notes.

Also, during fiscal 2009, the Company paid a dividend of $1.05 million to Parent, which used the proceeds of the dividend to make a distribution to NMH Holdings, which in turn used the proceeds of the distribution to pay a dividend of $1.05 million to NMH Investment. NMH Investment used the

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proceeds of the dividend to make a contribution to its wholly-owned subsidiary ESB Holdings, LLC, which is an affiliate of the Company. ESB Holdings, in turn, used the proceeds to reimburse the Company for certain expenses the Company had incurred on its behalf in connection with exploring a strategic initiative.

12. EMPLOYEE SAVINGS AND RETIREMENT PLANS

The Company has a multi-company plan (the "Plan") which covers all of its wholly-owned subsidiaries. Under the Plan, employees may contribute a portion of their earnings, which are invested in mutual funds of their choice. After January 1, the Company makes a matching contribution for the previous calendar year on behalf of all participants employed on the last day of the year. This matching contribution vests immediately. In addition, there is a profit sharing feature of the Plan, whereby, at the discretion of management, an allocation may be made to all of the eligible employees in one or more of its subsidiaries. Profit sharing contributions vest ratably over three years with forfeitures available to cover plan costs and employer matches in future years. The Company made contributions of $3.7 million, $4.6 million and $3.8 million, for fiscal years 2011, 2010 and 2009, respectively.

The Company has the following two deferred compensation plans:

The National Mentor Holdings, LLC Executive Deferred Compensation Plan — The National Mentor Holdings, LLC Executive Deferred Compensation Plan is an unfunded, nonqualified deferred compensation arrangement for senior management, in which the Company contributes to the executive's account a percentage of the executive's base compensation. This contribution is made at the end of the year for service rendered during the year. The Company contributed $0.5 million, $0.3 million and $0.2 million for fiscal 2011, 2010 and 2009, respectively. The unfunded accrued liability was $1.8 million as of September 30, 2011 and 2010 and was included in other long-term liabilities on the Company's consolidated balance sheets.

The National Mentor Holdings, LLC Executive Deferral Plan — The National Mentor Holdings, LLC Executive Deferral Plan, available to highly compensated employees, is a plan in which participants contribute a percentage of salary and/or bonus earned during the year. Employees contributed $1.0 million, $0.8 million and $0.9 million for fiscal 2011, 2010 and 2009, respectively. The accrued liability related to this plan was $3.8 million and $3.6 million as of September 30, 2011 and 2010, respectively, and was included in other long-term liabilities on the Company's consolidated balance sheets.

In connection with the National Mentor Holdings, LLC Executive Deferral Plan, the Company purchased Company Owned Life Insurance ("COLI") policies on certain plan participants. The cash surrender value of the COLI policies is designed to provide a source for funding the accrued liability. The cash surrender value of the COLI policies was $3.4 million and $3.1 million as of September 30, 2011 and 2010, respectively, and was included in other assets on the Company's consolidated balance sheets.

13. RELATED PARTY TRANSACTIONS

Management Agreements — On June 29, 2006, the Company entered into a management agreement with Vestar Capital Partners V, L.P. ("Vestar") relating to certain advisory and consulting services for an annual management fee equal to the greater of (i) $850 thousand or (ii) an amount equal to 1.0% of the Company's consolidated earnings before interest, taxes, depreciation, amortization and management fee for each fiscal year determined as set forth in the Company's senior credit agreement.

As part of the management agreement, the Company agreed to indemnify Vestar and its affiliates from and against all losses, claims, damages and liabilities arising out of the performance by Vestar of its services pursuant to the management agreement. The management agreement will terminate upon such time that Vestar and its partners and their respective affiliates hold, directly or indirectly in the aggregate, less than 20% of the voting power of the outstanding voting stock of the Company.

This agreement was amended and restated effective February 9, 2011 to provide for the payment of reasonable and customary fees to Vestar for services in connection with a sale of the Company, an initial public offering by or involving NMH Investment or any of its subsidiaries or any extraordinary acquisition by or involving NMH Investment or any of its subsidiaries; provided, that such fees shall only be paid with the consent of the directors of the Company who are not affiliated with or employed by Vestar. The Company expensed $1.3 million, $1.2 million and $1.1 million of management fees and expenses for the years ended September 30, 2011, 2010 and 2009, respectively. The accrued liability related to the management agreement was $0.4 million at September 30, 2011 and 2010.

Consulting Agreement — During fiscal 2011 and 2010, the Company engaged Alvarez & Marsal Healthcare Industry Group ("Alvarez & Marsal") to provide certain transaction advisory and other services. A Company director, Guy Sansone, is a Managing Director at Alvarez & Marsal and the head of its Healthcare Industry Group. The engagement resulted in aggregate fees of $1.0 million for the year ended September 30, 2011, and was approved by the Company's Audit Committee. Mr. Sansone is not a member of the Company's Audit Committee and was not personally involved in the engagement.

The Company engaged Duff & Phelps, LLC as a financial advisor in connection with the refinancing transactions described in note 10, including the repurchase of the NMH Holdings notes, and related matters. According to public filings, Vestar owns 12.4% of the Class A common stock of Duff & Phelps Corporation, the parent company of Duff & Phelps, LLC, and one of Vestar's principals serves on the Board of Directors of Duff & Phelps Corporation but was not personally involved in this engagement. This engagement resulted in fees of approximately $0.2 million during the year ended September 30, 2011 and was approved by the Company's Board of Directors, with the Vestar members abstaining from voting.

Lease Agreements — The Company leases several offices, homes and other facilities from its employees, or from relatives of employees, primarily in the states of California, Nevada and Minnesota, which have various expiration dates extending out as far as July 2016. In connection with the acquisition of NeuroRestorative in the second quarter of fiscal 2010, the Company entered into a lease of a treatment facility in Arkansas with a former shareholder and executive who is providing consulting services. The lease is an operating lease with an initial ten-year term, and the total expected minimum lease commitment is $7.0 million.

Related party lease expense was $3.7 million, $3.9 million and $2.6 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively.

Investment in Related Party Debt Securities — During fiscal 2009, the Company purchased $11.5 million in aggregate principal amount of the NMH Holdings notes for $6.6 million. The security was classified as an available-for-sale debt security and recorded on the Company's consolidated balance sheets as Investment in related party debt securities. Cash interest on the NMH Holdings notes accrued at a rate per annum, reset quarterly, equal to LIBOR plus 6.375%, and PIK Interest (defined below) accrued at the cash interest rate plus 0.75%. NMH Holdings paid all of the interest on the NMH Holdings notes entirely by increasing the principal amount of the NMH Holdings notes or issuing new notes ("PIK Interest").

The carrying value of the asset increased after it was purchased as a result of the Company recording (i) PIK Interest income and (ii) accretion of the purchase discount on the security. The Company's investment in related-party debt securities was reflected on the Company's consolidated balance sheets at fair value with the unrealized holding gain recorded in accumulated other comprehensive (loss) income.

In connection with the refinancing transactions on February 9, 2011, NMH Holdings repurchased the NMH Holdings notes (which the Company purchased at a discount) from the Company at a premium. As a result, the Company recorded a gain of $3.0 million which was recorded on the consolidated statements of operations as Gain from available for sale investment security.

14. FAIR VALUE MEASUREMENTS

The Company measures and reports its financial assets and liabilities on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A three-level hierarchy for disclosure has been established to show the extent and level of judgment used to estimate fair value measurements, as follows:

Level 1 — Quoted market prices in active markets for identical assets or liabilities.

Level 2 — Significant other observable inputs (quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability).

Level 3 — Significant unobservable inputs for the asset or liability. These values are generally determined using pricing models which utilize management estimates of market participant assumptions.

Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach, and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are only utilized to the extent that observable inputs are not available or cost-effective to obtain.

A description of the valuation methodologies used for instruments measured at fair value as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Assets and liabilities recorded at fair value at September 30, 2011 consist of (in thousands):

	Total	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	$ (6,744)	$ -	$ (6,744)	$ -

Assets and liabilities recorded at fair value at September 30, 2010 consist of (in thousands):

	Total	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 15,500	$ 15,500	$ -	$ -
Investment in related party debt securities	10,599	-	10,599	-
Contingent consideration	(3,041)	-	-	(3,041)

Cash equivalents — Cash equivalents consist primarily of money market funds and the carrying value of cash equivalents approximates fair value.

Investment in related party debt securities — The fair value of the investment in related party debt securities was recorded in long-term assets (under Investment in related party debt securities). The fair value measurements consider observable market data that may include, among other data, credit ratings, credit spreads, future interest rates and risk free rates of return.

Contingent consideration — The fair value of the contingent consideration associated with the fiscal 2010 acquisitions was determined based on unobservable inputs, namely management's estimate of expected performance based on current information.

Interest rate swap agreements — The fair value of the swap agreements was recorded in current liabilities (under Other accrued liabilities). The fair value of these agreements was determined based on pricing models and independent formulas using current assumptions that included swap terms, interest rates and forward LIBOR curves and the Company's credit risk.

The following table provides a reconciliation of the beginning and ending balances for the liability measured at fair value using significant unobservable inputs (Level 3).

	Due to Seller
Balance at September 30, 2010	$ (3,041)
Increase related to new acquisitions	(800)
Change in fair value of contingent consideration	479
Payment of contingent consideration	3,362
Balance at September 30, 2011	$ -

At September 30, 2011, the carrying values of cash, accounts receivable, accounts payable, and variable rate debt approximated fair value. The carrying value and fair value of the Company's fixed rate debt instruments are set forth below (in thousands):

	September 30, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior subordinated notes (retired February 9, 2011)	$ -	$ -	$ 180,000	$ 184,050
Senior notes (issued February 9, 2011)	239,773	228,750	-	-

The Company estimated the fair value of the debt instruments using market quotes and calculations based on current market rates available.

15. LEASES

Operating leases — The Company leases office and client residential facilities, vehicles and certain office equipment in several locations under operating lease arrangements, which expire at various dates through 2026. In addition to base rents presented below, the majority of the leases require payments for additional expenses such as taxes, maintenance and utilities. Certain of the leases contain renewal options at the Company's option and some have escalation clauses which are recognized as rent expense on a straight line basis. Total rent expense for fiscal 2011, 2010 and 2009 was $48.0 million, $44.3 million and $39.9 million, respectively.

In fiscal 1995, the Company entered into an initial five year operating lease agreement for its corporate office with a total expected minimum lease commitment of $2.4 million. The lease has been extended and amended through eleven amendments, and as of September 30, 2011, the Company had total expected minimum lease commitments of approximately $9.2 million over the lease term. The lease expires in 2017 and the Company has the option to extend the lease term. Total rent expense related to this lease was $1.5 million, $1.4 million and $1.4 million for fiscal years 2011, 2010 and 2009, respectively.

Future minimum lease payments for noncancelable operating leases for the fiscal years ending September 30, are as follows (in thousands):

Years Ending September 30	
2012	$ 38,811
2013	29,986
2014	24,096
2015	18,437
2016	12,220
Thereafter	21,454
	$ 145,004

Capital leases — The Company leases certain facilities and vehicles under various non-cancellable capital leases that expire at various dates through fiscal 2025. Assets acquired under capital leases with an original cost of $7.1 million and $2.0 million and related accumulated amortization of $0.7 million and $0.5 million are included in property and equipment, net for fiscal 2011 and 2010, respectively. Amortization expense for fiscal years 2011, 2010 and 2009 was $0.4 million, $0.2 million and $0.3 million, respectively.

The following is a schedule of the future minimum lease payments under the capital leases at September 30 (in thousands):

Years Ending September 30	
2012	$ 312
2013	331
2014	351
2015	374
2016	398
Thereafter	5,008
Total minimum lease payments	$ 6,774

Interest expense on capital leases during fiscal years 2011, 2010 and 2009 was $0.6 million, $0.2 million and $0.1 million, respectively.

16. ACCRUALS FOR SELF-INSURANCE AND OTHER COMMITMENTS AND CONTINGENCIES

The Company maintains insurance for professional and general liability, workers' compensation liability, automobile liability and health insurance liabilities that include self-insured retentions. The Company intends to maintain such coverage in the future and is of the opinion that its insurance coverage is adequate to cover potential losses on asserted claims. Employment practices liability is fully self-insured.

From October 1, 2010 through September 30, 2011, the Company was self-insured for $2.0 million per claim and $8.0 million in the aggregate, and for $500 thousand per claim in excess of the aggregate. In connection with the Merger on June 29, 2006, subject to the $1.0 million per claim and up to $2.0 million in the aggregate retentions, the Company purchased additional insurance for certain claims relating to pre-Merger periods. For workers' compensation, the Company has a $350 thousand per claim retention with statutory limits. Automobile liability has a $100 thousand per claim retention, with additional insurance coverage above the retention. The Company purchases specific stop loss insurance as protection against extraordinary claims liability for health insurance claims. Stop loss insurance covers claims that exceed $300 thousand on a per member basis.

The Company is in the health and human services business and, therefore, has been and continues to be subject to substantial claims alleging that the Company, its employees or its independently contracted host-home caregivers ("Mentors") failed to provide proper care for a client. The Company is also subject to claims by its clients, its employees, its Mentors or community members against the Company for negligence, intentional misconduct or violation of applicable laws. Included in the Company's recent claims are claims alleging personal injury, assault, battery, abuse, wrongful death and other charges. Regulatory agencies may initiate administrative proceedings alleging that the Company's programs, employees or agents violate statutes and regulations and seek to impose monetary penalties on the Company. The Company could be required to incur significant costs to respond to regulatory investigations or defend against civil lawsuits and, if the Company does not prevail, the Company could be required to pay substantial amounts of money in damages, settlement amounts or penalties arising from these legal proceedings.

The Company reserves for costs related to contingencies when a loss is probable and the amount is reasonably estimable. While the Company believes the provision for legal contingencies is adequate, the outcome of the legal proceedings is difficult to predict and the Company may settle legal claims or be subject to judgments for amounts that differ from the Company's estimates.

17. INCOME TAXES

The benefit for income taxes consists of the following at September 30: (in thousands)

	2011	2010	2009
Current:			
Federal	$ 439	$ 8,310	$ 2,265
State	1,349	2,726	1,524
Total current taxes payable	1,788	11,036	3,789
Net deferred tax benefit	(16,215)	(11,241)	(4,905)
Income tax benefit	$ (14,427)	$ (205)	$ (1,116)

The Company paid income taxes during fiscal 2011, 2010 and 2009 of $1.6 million, $1.5 million and $0.8 million, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at September 30 are as follows (in thousands):

	2011	2010
Deferred compensation	$ 846	$ 847
Interest rate swap agreements	2,726	-
Accrued workers' compensation	11,481	9,744
Net operating loss carryforwards	11,384	5,425
Allowance for bad debts	2,650	2,246
Other	3,122	2,608
	32,209	20,870
Valuation allowance	(6,397)	(5,356)
Deferred tax assets	25,812	15,514
Deferred tax liabilities:		
Depreciation	(13,985)	(13,212)
Amortization of goodwill and intangible assets	(101,259)	(112,950)
Other accrued liabilities	(678)	(2,103)
Net deferred tax liabilities	$ (90,110)	$ (112,751)

The Company is required to record a valuation allowance to reduce the deferred tax assets if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management determined that a valuation allowance at September 30, 2011 and 2010 of $6.4 million and $5.4 million, respectively, was necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The valuation allowance primarily related to certain state net operating loss carryforwards.

For federal purposes, the Company had $13.5 million of net operating loss carryforwards for fiscal 2011. For state purposes, the Company had $136.3 million of net operating loss carryforwards for fiscal 2011, which expire from 2012 through 2031 and $107.2 million of net operating loss carryforwards for fiscal 2010, which expire from 2011 through 2030.

The following is a reconciliation between the statutory and effective income tax rates at September 30 (in thousands):

	2011	2010	2009
Federal income tax at statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	2.2	(20.8)	(16.0)
Nondeductible comp	(3.2)	(49.9)	(25.7)
Other nondeductible expenses	(1.4)	(9.6)	(4.7)
Credits	0.6	100.5	37.9
Unrecognized tax benefit	0.1	0.6	8.2
Other	(0.2)	(43.0)	(4.5)
Effective tax rate	33.1 %	12.8 %	30.2 %

Companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

As of September 30, 2011 and September 30, 2010, there was $4.9 million in total unrecognized tax benefits, which if recognized, would favorably impact the Company's effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods. As of September 30, 2011 and September 30, 2010, the Company had accrued a total of $2.3 million and $1.8 million in interest and penalties, respectively, recorded under other accrued liabilities.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at September 30, 2009	$4,965
Reduction due to lapse of statute of limitation	(47)
Balance at September 30, 2010	4,918
Reduction due to lapse of statute of limitation	(61)
Balance at September 30, 2011	$4,857

The Company does not expect any significant changes to unrecognized tax benefits within the next twelve months.

The Company files a federal consolidated return with NMH Holdings, Inc. and files various state income tax returns and, generally, the Company is no longer subject to income tax examinations by the taxing authorities for years prior to September 30, 2003. The Company believes that it has appropriate support for the income tax positions taken and to be taken on the Company's income tax returns. In addition, the Company believes its accruals for income tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of the tax laws as applied to the facts of each matter.

18. SEGMENT INFORMATION

The Company has two reportable segments, Human Services and Post-Acute Specialty Rehabilitation Services ("SRS").

The Human Services segment delivers home and community-based human services to adults and children with intellectual and/or developmental disabilities and to youth with emotional, behavioral and/or medically complex challenges. Human Services is organized in a reporting structure composed of two operating segments which are aggregated into one reportable segment based on similarity of the economic characteristics and services provided.

The SRS segment delivers health care and community-based health and human services to individuals who have suffered acquired brain, spinal injuries and other catastrophic injuries and illnesses. This segment is organized in a reporting structure composed of two operating segments which are aggregated based on similarity of economic characteristics and services provided.

Activities classified as "Corporate" in the table below relate primarily to unallocated home office items.

The Company generally evaluates the performance of its operating segments based on income from operations. The following is a financial summary by reportable operating segment for the periods indicated (in thousands).

For the Year Ended September 30,	Human Services	Post Acute Specialty Rehabilitation Services	Corporate	Consolidated
2011				
Net revenue	$895,134	$175,476	$ -	$1,070,610
Income (loss) from operations	77,885	18,434	(61,158)	35,161
Total assets	781,645	168,780	60,425	1,010,850
Depreciation and amortization	44,641	13,374	3,886	61,901
Purchases of property and equipment	12,495	6,909	1,474	20,878
Income (loss) from continuing operations before income taxes	17,949	7,012	(68,502)	(43,541)
2010				
Net revenue	$874,528	$136,941	$ -	$1,011,469
Income (loss) from operations	80,801	15,356	(51,488)	44,669
Total assets	807,031	155,115	53,739	1,015,885
Depreciation and amortization	42,318	9,366	4,729	56,413
Purchases of property and equipment	11,886	7,007	1,980	20,873
Income (loss) from continuing operations before income taxes	38,876	9,378	(49,862)	(1,608)
2009				
Net revenue	$861,030	$ 96,495	$ -	$ 957,525
Income (loss) from operations	74,828	12,805	(42,812)	44,821
Depreciation and amortization	44,667	6,627	4,304	55,598
Purchases of property and equipment	12,966	8,505	5,927	27,398
Income (loss) from continuing operations before income taxes	29,530	8,524	(41,741)	(3,687)

Revenue from contracts with state and local governmental payors in the state of Minnesota, the Company's largest state, which is included in the Human Services segment, accounted for 15%, 16% and 16% of the Company's net revenue for fiscal 2011, 2010 and 2009, respectively.

19. STOCK-BASED COMPENSATION

Under its equity-based compensation plan adopted in 2006, NMH Investment previously issued units of limited liability company interests consisting of Class B Units, Class C Units, Class D Units and Class E Units to the Company's employees and members of the Board of Directors as incentive compensation. As of September 30, 2011, there were 192,500 Class B Units, 202,000 Class C Units, 388,881 Class D Units and 6,375 Class E Units authorized for issuance under the plan. These units derive their value from the value of the Company.

On June 15, 2011, NMH Investment issued the Class F Units, a new class of non-voting common equity units of NMH Investment, as incentive compensation. Up to 5,396,388 Class F Common Units may be issued under the 2006 Unit Plan to management of the Company as equity-based compensation. In addition, the terms of the Class B, C and D Common Units were amended to accelerate the vesting of any outstanding unvested Class B, C and D Common Units so that they became 100% vested.

For participants who have been continuously employed by the Company since December 31, 2008, 75% of the Class F Common Units vested upon grant and 25% of the Class F Common Units will vest on the date that is 18 months following the date of grant if the participant continues to be employed by the Company on that date. For participants who have not been continuously employed by the Company since December 31, 2008, 50% of the Class F Common Units vested upon grant, 25% of the Class F Common Units vest on the date that is 18 months following the date of grant and 25% of the Class F Common Units vest on the date that is 36 months following the date of grant, in each case, if the participant continues to be employed by the Company on that date. Class F Common Units that are awarded after the initial issuances approved on May 10, 2011 will vest in three equal tranches on each of the first three anniversaries of the date on which such Class F Common Units are awarded.

For purposes of determining the compensation expense associated with these grants, management valued the business enterprise using a variety of widely accepted valuation techniques which considered a number of factors such as the financial performance of the Company, the values of comparable companies and the lack of marketability of the Company's equity. The Company then used the option pricing method to determine the fair value of the units granted.

The fair value of the units issued during fiscal years 2011, 2010 and 2009 was calculated using the following assumptions:

	FY2011	FY2010	FY2009
Risk-free interest rate	0.68 %	0.67 %	1.27 %
Expected term	3 years	1.7 years	3.5 years
Expected volatility	50.0 %	55.0 %	40.0 %

The estimated fair value of the units, less an assumed forfeiture rate of 9.7%, was recognized as expense in the Company's consolidated financial statements on a straight-line basis over the requisite service periods of the awards. The assumed forfeiture rate is based on an average of the Company's historical forfeiture rates, which the Company estimates is indicative of future forfeitures.

The Company recorded $3.7 million, $0.7 million and $1.3 million of stock-based compensation expense for fiscal years 2011, 2010 and 2009, respectively. Stock-based compensation expense is included in General and administrative expense in the consolidated statements of operations. The summary of activity under the plan is presented below:

	Units Outstanding	Weighted Average Grant-Date Fair Value
Nonvested balance at September 30, 2010	103,065	$ 3.87
Granted	4,279,546	1.02
Forfeited	(14,983)	7.50
Vested	(3,435,620)	1.09
Nonvested balance at September 30 , 2011	932,008	1.02

As of September 30 2011, there was $0.8 million of total unrecognized compensation expense related to the units. These costs are expected to be recognized over a weighted average period of 1.6 years.

20. VALUATION AND QUALIFYING ACCOUNTS

The following table summarizes information about the allowances for doubtful accounts and sales allowances for the years ended September 30, 2011, 2010 and 2009 (in thousands):

	Balance at Beginning of Period	Provision	Write-Offs	Balance at End of Period
Year ended September 30, 2011	$ 7,225	$ 11,670	$ (10,938)	$ 7,957
Year ended September 30, 2010	5,896	12,458	(11,129)	7,225
Year ended September 30, 2009	5,057	11,712	(10,873)	5,896

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents consolidated statement of operations data for each of the eight quarters in the period which began October 1, 2009 and ended September 30, 2011. This information is derived from the Company's unaudited financial statements, which in the opinion of management contain all adjustments necessary for a fair presentation of such financial data. Operating results for these periods are not necessarily indicative of the operating results for a full year. Historical results are not necessarily indicative of the results to be expected in future periods.

	For the Quarters Ended (1)							
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Net revenue	$247,454	$248,559	$257,008	$258,448	$264,474	$264,969	$269,701	$271,466
(Loss) income from continuing operations, net of tax	$ (11)	$ (363)	$ 664	$ (1,693)	$ 1,722	$ (12,214)	$ (8,265)	$ (10,357)
(Loss) income from discontinued operations, net of tax	(29)	(4,293)	(1,363)	221	44	(843)	(68)	(4,161)
Net loss	$ (40)	$ (4,656)	$ (699)	$ (1,472)	$ 1,766	$ (13,057)	$ (8,333)	$ (14,518)

(1) The Company sold its home health business, closed certain business operations in the state of Maryland and closed its business operations in the states of Colorado, Nebraska, New Hampshire and New York. All fiscal years presented reflect the classification of these businesses as discontinued operations.

22. SUBSEQUENT EVENTS

Subsequent to year end, the Company acquired three companies complementary to its business. Aggregate consideration for these acquisitions was $3.2 million.

* * * * * *

SUPPLEMENTAL CONSOLIDATING INFORMATION

	National Mentor Services, LLC	National Mentor Healthcare, LLC	First Step Independent Living Program, Inc.	Horrigan Cole Enterprises, Inc.	Illinois Mentor, Inc.	Massachusetts Mentor, Inc.	Mentor ABI, LLC	Ohio Mentor, Inc.	South Carolina Mentor, Inc.	Ce
	$ 41	$ 51	$ 1	$ 5	$ 1	$ -	$ 23	$ 1	$ 5	$
	860	-	-	-			6			
	42,473	51,451	292	2,106	2,780	2,217	30,601	326	2,609	
	-	-	-	-	-	-	-	-	-	
	3,619	21,286	-	-	25,699	-	-	11,703	-	
	903	684	-	3	7	20	268	6	3	
	47,896	73.472	293	2,114	28,487	2,237	30,898	12,036	2,617	
	95,471	26.052	63	940	263	300	18,530	66	551	
	127,502	130,309	3,562	1,001	10.013	2,040	65,720	1,044	4.223	
	816	3,092	-	-	-	-	13,789	-	-	
	-	-	-	-	-	-	-	-	-	
	81,278	1,269	14	114	15	75	2,399	5	67	
	$352,963	$234,194	$3,932	$ 4,169	$38.778	$ 4,652	$131,336	$13,151	$7,458	$1,
ICIT)										
	$ 7,505	$ 7,477	$ 11	$ 65	$ 175	$ 570	$ 2.020	$ 27	$ 302	$
	310,383	212,229	1,501	17.982		19,218	83,345		2.911	
	6,635	7,997	114	727	122	281	1,386	58	365	
	4,722	11,711	6	72	57	668	2,842	20	52	
	-	312	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	
	329,245	239,726	1,632	18,846	354	20,737	89,593	105	3,630	
	1,901	1,340	2	43	93	12	1,182	4	65	
	-	-	-	-	-	-	-	-	-	
:ENT PORTION	-	6,462	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	
	80,630	14,821	1,143	3,757	6,574	3,539	10,893	4,468	3,768	
ax	(58,813)	(28.155)	1,155	(18,477)	31,757	(19,636)	29,668	8,574	(5)	
	21,817	(13,334)	2,298	(14,720)	38,331	(16,097)	40,561	13,042	3,763	

Arizona Mentor	California Mentor	Care Meridian, LLC.	Cornerstone Living Skills, Inc.	Delaware Mentor	Florida Mentor	Georgia Mentor	Indiana Mentor	Indiana Supported Living	Institute of Family Centered Services, Inc.	Louisiana Mentor	Loyds Liberty Homes, Inc.	Mentor Maryland, Inc.	New Hampshire Mentor	New Jersey Mentor	North Carolina Mentor	Oklahoma Mentor	Pennsylvania Mentor	Rockland Child Development Services, Inc.	Rhode Island Mentor
$ 2	$ 6	$ 10	$ -	$ -	$ 13	$ 4	$ 2	$ -	$ 5	$ -	$ 2	$ -	$ -	$ 1	$ 4	$ -	$ -	$ -	$ -
3,450	4,115	11,139	233	409	6,307	1,366	979	428	3,070	346	950	2,219	(1)	3,778	3,185		4,209	870	785
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,324	-	200	-	-	9,118		7,541	-	-	-	-	-
6	150	230	8	-	69	31	4	2	58	3	9		(2)	28	32	3	3	14	16
3,458	4,271	11,379	241	409	6,389	1,401	2,309	430	3,333	349	961	11,337	(3)	11,348	3,221	3	4,212	884	801
6,503	7,458	2,909	153	94	2,979	346	8	86	367	66	265	218	-	678	466	-	2,585	1	35
20,012	3,963	19,468	642	38	2,035	13,355	1,213	(192)	6,308	66	4,348	9,101	-	20,771	9,006	-	6,612	-	2,238
-	-	3,424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(332)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	128	265	8	15	228	52	-	-	75	8	8	49	1	49	52	-	79	23	18
$30,098	$ 15,820	$37,445	$ 1,044	$556	$ 11,631	$15,154	$3,530	$ 324	$10,083	$489	$ 5,582	$20,705	$ (2)	$32,846	$ 12,745	$ 3	$13,156	$ 908	$3,092
$ 324	$ 829	$ 1,450	$ 9	$ 7	$ 834	$ 435	$ 39	$ 30	$ 99	$ 89	$ 62	$ 498	$ -	$ 818	$ 583	$ -	$ 439	$ 32	$ 121
31,873	27,326	25,491	1,935	355	17,553	16,739	-	3,495	9,978	421	8,582		555		31,452	4,210	7,238	8,639	2,729
654	974	1,361	155	49	1,816	169	6	155	651	26	192	117	(5)	287	405	-	429	156	32
57	351	1,502	104	37	4,586	109	31	1	90	3	597	345		1,331	597	-	588	483	20
-	312	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32,908	29,792	29,804	2,203	448	24,789	17,452	76	3,681	10,818	539	9,433	960	550	2,436	33,037	4,210	8,694	9,310	2,902
71	122	873	4	14	53	1	-	-	2	2	12	1	-	29	25	-	35	-	19
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	6,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,912	(14,089)	-	-	-	1,878	2,412	643	-	-	-	5,469	3,909	-	4,845	(12,336)	852	7,221	-	286
(5,793)	(6,467)	6,768	(1,163)	94	(15,089)	(4,711)	2,811	(3,357)	(737)	(52)	(9,332)	15,835	(552)	25,536	(7,981)	(5,059)	(2,794)	(8,402)	(115)
(2,881)	(20,556)	6,768	(1,163)	94	(13,211)	(2,299)	3,454	(3,357)	(737)	(52)	(3,863)	19,744	(552)	30,381	(20,317)	(4,207)	4,427	(8,402)	171

	Family Advocay Services, LLC - d.b.a. FAS Maryland	Family Advocay Services, LLC - d.b.a. FAS Virginia	Missouri Mentor	Nebraska Mentor	MENTOR Oregon	REM Colorado, Inc.	REM Community Options, LLC	REM Connecticut Community Services, Inc.	REM Health, Inc.	REM Indiana, Inc.	REM Iowa, Inc.	REM Maryland, Inc.	REM Minnesota, Inc.	REM Nevada, Inc.	REM New Jersey, Inc.	REM North Dakota, Inc.	REM Ohio, Inc.	REM Utah, Inc.	REM Wes Virgin LLC
	$ 6	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ -	$ 9	$ -	$ -	$ 9	$ -	$ -	$ 1	$ 4	$ -	$ -
					860														
	1,006	510	596	-	1,338	-	6,100	1,579	-	2,110	2,102	(63)	12,945	480	1,107	1,694	5,541	-	1,38
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	48		13	-	29	2	52	84	-	32	12	12	318	45	26	46	132	-	2
	1,060	510	609	-	2,227	2	6,153	1,663	-	2,151	2,114	(51)	13,272	525	1,133	1,741	5,677	-	1,41
	88	42	64	-	1,063	-	973	3,571	-	6,622	5,127	1,550	59,825	2,557	1,891	2,468	3,864	-	2,13
	7,392	3,734	-	-	3,198	-	3,821	2,225	-	6,053	2,874	-	58,592	1,600	3,942	1,765	16,101	-	7,26
	-	-	-	-	-	-	-	-	-	-	-	-	1,374	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	24	10	2	-	75	9	18	46	-	13	20	5	352	32	10	3	53	-	-
	$ 8,564	$4,296	$ 675	$ -	$ 6.563	$ 11	$ 10,965	$ 7,505	$ -	$14,839	$10,135	$ 1,504	$133,415	$ 4,714	$ 6,976	$ 5,977	$25,695	$ -	$10,81
	$ 117	$ 86	$ 197	$ -	$ 238	$ -	$ 2,918	$ 137	$ -	$ 1,041	$ 214	$ 1	$ 1,153	$ 57	$ 49	$ 269	$ 657	$ 3	$ 12
	13,443	4,696	1,026	1,212	9,546	4,040	18,845	6,630	7,280	13,379	14,906	6,976	58,285	6,699	7,068	5,934	22,614	1,428	1,48
	75	12	59	(1)	109	-	774	247	-	136	598	-	1,507	46	85	1,692	696	-	9,
	39	18	20	-	312	-	3	620	-	291	254	172	1,434	11	98	977	299	9	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13,674	4,812	1,302	1,211	10,205	4,040	22,540	7,634	7,280	14,847	15,972	7,149	62,379	6,813	7,300	8,872	24,266	1,440	1,70
	39	-	1	-	45	-	6	11		82	1	-	64	1	1,574	-	10	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ORTION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	1,108	280	1,059	(955)	7,298	2,236	858	46,004	1,046	246	1,366	4,646	385	3,23
	(5,149)	(516)	(628)	(1,211)	(3,687)	(5,137)	(11,861)	(1,199)	(6,325)	(7,388)	(8,074)	(6,503)	24,968	(3,146)	(2,144)	(4,261)	(3,227)	(1,825)	5,87
	(5,149)	(516)	(628)	(1,211)	(3,687)	(4,029)	(11,581)	(140)	(7,280)	(90)	(5,838)	(5,645)	70,972	(2,100)	(1,898)	(2,895)	1,419	(1,440)	9,10

ERATIONS

	National Mentor Services, LLC	National Mentor Healthcare, LLC	First Step Independent Living Program, Inc.	Horrigan Cole Enterprises, Inc.	Illinois Mentor, Inc.	Massachusetts Mentor, Inc.	Mentor ABI, LLC	Ohio Mentor, Inc.	Soutl Caroli Mentor,
	$451,710	$419,960	$3,360	$20,311	$15,087	$24,971	$113.519	$3,703	$19,42
N EXPENSE SHOWN SEPARATELY BELOW)	361,757	321,193	2,896	17,644	8,921	20,363	79,913	1,368	15,45
	25,165	36,931	10	115	1.456	2,214	12,628	364	1,33
	21,872	21,871	460	2,476	1.011	1,470	4.812	147	1,02
	22,345	19,954	380	567	2,882	456	10,784	195	71
	69,382	78,756	850	3,158	5,349	4,140	28,224	706	3,07
	20,571	20,011	(386)	(491)	817	468	5,382	1,629	90
	(536)	(496)	(5)	(25)	(17)	(31)	(128)	(3)	(2
	(757)	(628)	(5)	(28)	(20)	(48)	(300)	(3)	(3
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	9	9	-	1	-	1	2	-	-
	-	-	-	-	-	-	-	-	-
	(29,561)	(27.330)	(258)	(1,387)	(955)	(1,647)	(7,013)	(139)	(1,24
BEFORE INCOME TAX	(10,274)	(8,434)	(654)	(1,930)	(175)	(1,257)	(2,057)	1,484	(40
	(3,365)	(2,864)	(223)	(657)	(60)	(428)	(700)	505	(13
	(6,909)	(5,570)	(431)	(1,273)	(115)	(829)	(1,357)	979	(26
TAX	(144)	(4,884)	-	-	-	-	-	-	-
	$ (7,053)	$ (10,454)	$ (431)	$ (1,273)	$ (115)	$ (829)	$ (1,357)	$ 979	$ (26

(amounts in thousands)

National Mentor Holdings, Inc. - Parent	NMH, Inc. FY09	NMH, Inc. FY10	NMH, Inc. FY11	NMH, Inc. FY14
Cash and cash equivalents	23,837	26,635	263	25,236

note: majority of cash 'swept' daily and held by Central Office
FY11 cash temporarily impacted by billing system conversion

Assets				
Current assets	FY09	FY10	FY11	FY14
Cash and cash equivalents	633	111	23	35
Restricted cash	3	-	6	9
Accounts receivable, net of allowance	13,376	22,360	30,601	46,820
Deferred tax assets, net	0	0	0	0
Intercompany receivables	-	-	-	-
Prepaid expenses and other current assets	354	193	268	410
Total current assets	14,366	22,653	30,898	47,274
Property and equipment, net	12,829	17,509	18,530	28,351
Intangible assets, net	47,040	68,456	65,720	100,552
Goodwill	1,672	8,587	13,789	14,478
Other assets	681	1,272	2,399	3,670
Total assets	76,588	118,477	131,336	194,325
Liabilities and shareholder's (deficit) equity				
Current liabilities:				
Accounts payable	1,148	1,738	2,020	3,091
Intercompany payables	32,099	70,418	83,345	127,518
Accrued payroll and related costs	802	1,600	1,386	2,121
Other accrued liabilities	859	2,013	2,842	4,348
Obligations under capital lease, current	14	30	-	-
Current portion of long-term debt	0	0	0	0
Total current liabilities	34,922	75,799	89,593	137,077
Other long-term liabilities	1,147	1,183	1,182	1,808
Deferred tax liabilities, net	0	0	0	0
Obligations under capital lease, less current portion	6	12	-	-
Long-term debt, less current portion	0	0	0	0
Commitments and contingencies	0	0	0	0
Shareholder's (deficit) equity				
Common stock	0	0	0	0
Parent Company Equity	0	0	-	-
Additional paid-in capital	10,892	10,893	10,893	10,893
Accumulated other comprehensive loss, net of tax	0	0	0	0
(Accumulated deficit) retained earnings	29,621	30,590	(29,636)	46,355
Total shareholder's (deficit) equity	40,513	41,483	(18,743)	57,248
Total liabilities and shareholder's (deficit) equity	76,588	118,477	131,336	194,325

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FY11 cash temporarily impacted by billing system conversion

NMH Holdings, Inc. - Parent	NMH, Inc. FY09	NMH, Inc. FY10	NMH, Inc. FY11	NMH, Inc. FY14
Days Cash on Hand	10.6	11.3	0.1	8.9
Operating Expense	879,195	920,792	973,548	1,104,950
Depreciation Expense	57,770	57,633	61,901	69,160
Op Exp minus Depreciation	821,425	863,159	911,647	1,035,791
Divided by 365	2,250	2,365	2,498	2,838

	FY09	FY10	FY11	FY14
Current Ratio	2.2	1.6	1.6	1.6
Net Margin	4.3%	1.2%	-1.2%	4.2%
Debt to Capitalization		no long term debt		
Debt Service Coverage		no long term debt		
Cushion Ratio		no long term debt		

NMH Holdings, Inc. - Parent	NMH, Inc. FY09	NMH, Inc. FY10	NMH, Inc. FY11	NMH, Inc. FY14
Cost of revenues	745,576	779,977	829,032	919,304
General and administrative	133,619	140,815	144,516	170,886
Depreciation and amortization	57,770	57,633	61,901	69,160

	FY09	FY10	FY11	FY14
Net revenues	54,014	83,929	113,519	124,871
Cost of revenues	34,184	56,301	79,913	87,904
Gross profit	19,830	27,628	33,606	36,967
Operating expenses:				
General and administrative	7,178	11,700	12,628	13,259
G&A -Central support allocation	2,235	3,660	4,812	5,053
Stock Option settlement	[illegible]	[illegible]	[illegible]	[illegible]
Transaction costs	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation and amortization	4,679	7,077	10,784	11,323
Total operating expenses	14,092	22,437	28,224	29,635
Income (loss) from operations	5,738	5,191	5,382	7,331
Other income (expense):				
Management fee of related party	(54)	(86)	(128)	(141)
Other (expense) income, net	(29)	11	(300)	(330)
Interest income	9	3	2	2
Interest expense	(2,245)	(3,503)	(7,013)	(4,254)
Income from continuing ops before income tax	3,419	1,616	(2,057)	2,609
Provision (benefit) for income taxes	1,109	621	(700)	(770)
(Loss) income from continuing operations	2,310	995	(1,357)	1,839
Loss from discontinued operations	0	0	0	-
Net (loss) income	2,310	995	(1,357)	1,839

Calculation of Financial Viability Ratios

	FY09	FY10	FY11	FY14
Current Ratio	76,588	118,477	131,336	194,325
	34,922	75,799	89,593	137,077
Net Margin	2,310	995	(1,357)	1,839
	54,014	83,929	113,519	78,672

Attachment 41

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department / Project	A	B	C	D	E	F	G	H	
	Cost/Square Foot		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	Total Cost
	New	Mod.	New	New Circ.*	Mod.	Circ.*	(A x C)	(B x E)	(G + H)
NR - Palatine*	[redacted]	$ 49.79	[redacted]	[redacted]	3,615		[redacted]	$ 180,000	$ 180,000
Contingency	[redacted]	$ 7.73	[redacted]	[redacted]			[redacted]	$ 18,000	$ 18,000
TOTALS	[redacted]	$ 57.52	[redacted]	[redacted]	3,615		[redacted]	$ 198,000	$ 198,000

* Community-based Residential Rehabilitation Center

REASONABLENESS OF FINANCIAL ARRANGEMENTS

1) The letter is to attest that all estimated project and related costs will be funded in total cash and equivalents through Center for Comprehensive Services, Inc and MENTOR ABI, LLC

Sincerely,

Chris William

Chris Williamson, MS

VP of Central Region

Notarized

"OFFICIAL SEAL"
David J. McCabe
Notary Public, State of Illinois
Commission Expires 6-11-2012

"OFFICIAL SEAL"
David J. McCabe
Notary Public, State of Illinois
Commission Expires 6-11-2012

ATTACHMENT 42

NR - Palatine
FIRST FULL YEAR OF OPERATION

PROJECTED OPERATING COSTS

Bed capacity	6
Placements:	5.5
Patient Days	2,008

Direct salary and benefits	1,019,673
Supplies	41,226
TOTAL	1,060,899
Operating cost per patient day	$ 528.47

(Direct salary, benefits and supplies, only)

PROJECTED CAPITAL COSTS

Interest expense	8,320
Depreciation and Amortization	34,667
TOTAL	42,987
Facility capital cost per day	$ 117.77
Project capital cost per patient day	$ 21.41

* for inpatient/residential units, unadjusted patient days are used

SAFETY NET IMPACT STATEMENT

Community –based residential rehabilitation centers do not provide acute care services. The proposed facility, however, will be Center for Comprehensive Services, Inc., second group home.

The co-applicants operate two of Illinois IDPH-licensed community-based residential rehabilitation center, Center for Comprehensive Services-Carbondale and Center for Comprehensive Services-Des Plaines. Identified below is the amount of Medicaid services provided by those facilities, during each of the last three fiscal years:

FY2011	18,946,351
FY2010	18,010,234
FY2009	16,910,246

Medicaid services increased by nearly 12% over the past two years.

Center for Comprehensive Services, Inc does have a mechanism to track Charity Care. The amounts over the following years are FY11 $298,175, FY10 $295,586, and FY09 $97,790. These amounts reflect care provided to individuals unable to pay due to an indigent status.

In addition, the co-applicants work closely with the United States Veteran's Administration on programming for military personnel acquiring traumatic brain injuries through active service. Last, and due in major part to CCS's unique programming, the Carbondale center serves as a research site for a variety of studies, offers join programs with Southern Illinois University, and provides externship opportunities for a number of area universities.

Attachment 43

Safety Net Information per PA 96-0031

CHARITY CARE		FY11	FY10	FY09
Charity (# of patients)				
	Inpatient	4	4	4
	Outpatient		residential program	
	Total	4	4	4
Charity (cost in dollars)				
	Inpatient	$ 286,248	$ 283,763	$ 28,124,983
	Outpatient		residential program	
	Total	$ 286,248	$ 283,763	$ 190,101

MEDICAID		FY11	FY10	FY09
Medicaid (# of patients)				
	Inpatient	85	81	77
	Outpatient		residential program	
	Total	85	81	75
Medicaid (revenue)				
	Inpatient	$ 18,946,351	$ 18,010,234	$ 16,910,246
	Outpatient		residential program	
	Total	$ 18,946,351	$ 18,010,234	$ 16,910,246

Attachment 44

CHARITY CARE	FY11	FY10	FY09
Net Patient Revenue	$ 29,827,666	$ 29,053,261	$ 28,124,983
Amount of Charity Care (charges)	$ 298,175	$ 295,586	$ 97,790
Cost of Charity Care	$ 286,248	$ 283,763	$ 87,402

includes direct and indirect expenses