12-054

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HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION. AND CERTIFICATION

This Section must be completed for all projects.

ORIGINAL

Facility/Project Identification

Facility Name: Genesis Medical Park Moline		
Street Address: Please see Exhibit A to Deed at Attachment 2.		
City and Zip Code: Please see Exhibit A to Deed at Attachment 2.		
County: Rock Island	Health Service Area: 10	Health Planning Area: 10

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

Exact Legal Name: Genesis Health System, d/b/a Genesis Medical Center, Illini Campus
Address: 801 Illini Drive, Silvis, Illinois 61282
Name of Registered Agent: Mary Charlene Loding
Name of Chief Executive Officer: Doug Cropper
CEO Address: 801 Illini Drive, Silvis, Illinois 61282
Telephone Number: (563) 421-6510

Type of Ownership of Applicant/Co-Applicant
Please see Attachment -1.

☒	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: Sam Vinson
Title: Attorney
Company Name: Ungaretti & Harris, LLP
Address: 70 W. Madison Ave., Chicago, Illinois, 60602
Telephone Number: (312) 977-4388
E-mail Address: svinson@uhlaw.com
Fax Number: (312) 977-4405

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

Name: Valerie Breslin Montague
Title: Attorney
Company Name: Ungaretti & Harris, LLP
Address: 70 W. Madison Ave., Chicago, Illinois 60602
Telephone Number: (312) 977-4485
E-mail Address: vbmontague@uhlaw.com
Fax Number: (312) 977-4405

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** *Genesis Medical Park Moline does not currently have any employees.

Name: Florence Spyrow
Title: Senior Vice President, Genesis Health System & President, GMC - Illini
Company Name: Genesis Health System, Genesis Medical Center
Address: 801 Illini Drive, Silvis, Illinois 61282
Telephone Number: (309) 281-4012
E-mail Address: SpyrowF@genesishealth.com
Fax Number: (309) 281-4399

Site Ownership Please see Attachment -2.

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Genesis Health System
Address of Site Owner: 801 Illini Drive, Silvis, Illinois 61282
Street Address or Legal Description of Site: Please see attached. **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 Please see Attachment -3.

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

Exact Legal Name: Genesis Health System, d/b/a Genesis Medical Center, Illini Campus

Address: 801 Illini Drive, Silvis, Illinois 61282

- [X] 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 Please see Attachment -4.

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 Please see Attachment -5.
[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 Please see Attachment -6.
[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.

Genesis Health System, d/b/a Genesis Medical Center, Illini Campus ("Applicant") is proposing to lease space in a medical office building ("MOB") to provide health services to improve the health care and well being of the Western Illinois community. The project will provide convenient access to physician services, a convenient care clinic, a pharmacy, and durable medical equipment ("DME") services. The MOB campus will contain walking and jogging paths, as well as a park-like area for use by residents of the community. The park-like area and walking/jogging paths will be located on reclaimed Brownfield land. The Applicant is reclaiming and recycling this portion of the property for recreational purposes in order to create a place for the treatment and prevention of illnesses and chronic conditions.

The Applicant is proposing to lease 67% of the space in the 47,280 gross square feet ("GSF") MOB, Genesis Medical Park Moline, constructed and owned by Moline Physicians, LLC ("Developer"), a subsidiary of Frauenshuh HealthCare Real Estate Solutions. The MOB will be located on the real estate parcel described in Exhibit A to the Deed that appears at Attachment 2 and will be predominantly used as physician office space.

Although the MOB is primarily for physician office space, the MOB will include the following nonclinical areas, as the MOB is not associated with any health care facility license:

1. A convenient care clinic with a laboratory and general radiology services that is not associated with a hospital license;
2. Pharmacy and DME space that is not associated with a hospital license.

The convenient care clinic that will be located in the MOB is being relocated from its existing location at 2350 41st Street, Moline, Illinois 61265. The relocation will include transferring the clinic's general radiology equipment to the new MOB location.

The project also includes essential infrastructure such as lobbies, stairs, elevators, circulation, and electrical/mechanical spaces.

The MOB will not be a health care facility as defined in 20 ILCS 3960. Since a MOB does not have any beds, this project will not affect or change bed capacity.

This project is non-substantive because the MOB will house physician office practices excluded from the Health Facilities Planning Act ("Act") with certain diagnostic equipment that is nonclinical.

Project Costs and Sources of Funds --Genesis Health System (Applicant) Please see Attachment -7.

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		2,544,013	
Off Site Work			
New Construction Contracts		802,845	
Modernization Contracts			
Contingencies		500,000	
Architectural/Engineering Fees		210,000	
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment		880,471	
Other Costs To Be Capitalized		1,960,244	
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS		6,897,573	
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities		6,897,573	
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			

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

*All Project Costs and Sources of Funds are Nonclinical, as the facility is a Medical Office Building not associated with a healthcare facility's license.

Project Costs and Sources of Funds --Moline Physicians, LLC (Developer) Please see Attachment -7.

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		40,000	40,000
Site Preparation			
Off Site Work			
New Construction Contracts		7,442,194	7,442,194
Modernization Contracts			
Contingencies		157,783	157,783
Architectural/Engineering Fees		341,000	341,000
Consulting and Other Fees		286,200	286,200
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)		264,648	264,648
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized		371,539	371,539
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS		8,903,364	8,903,364
SOURCE OF FUNDS**	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			

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

*All Project Costs and Sources of Funds are Nonclinical, as the facility is a Medical Office Building not associated with a healthcare facility's license.

**Per Mike Constantino, the Source of Funds section is not applicable, as the Developer is not an Applicant or Co-Applicant. Please see the Narrative Description for additional information.

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: $ 1,875,000
Fair Market Value: $ 1,875,000

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 $ 1,848,000.

*The project creates a medical office building facility but not a health care facility under the Health Facilities Planning Act or Rules.

Project Status and Completion Schedules Please see Attachment -8.

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): July 1, 2013

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 Please see Attachment -9.

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							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
		Please see Attachment 9.					
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

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

Facility Bed Capacity and Utilization NOT APPLICABLE -- No health care facilities are part of this project.

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:			**CITY:**		
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)					
TOTALS:					

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 Genesis Heath System, d/b/a Genesis Medical Center, Illini Campus * **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.**

George C. Wahlig
SIGNATURE

George C. Wahlig
PRINTED NAME

Board Member - Vice Chairman
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 8th day of June 2012

Julie K Weaver
Signature of Notary

Seal

Julie K. Weaver
Notarial Seal – State of Iowa
Commission Number 174837
My Commission Expires 08/27/13

Edwin V. Motto, MD
SIGNATURE

Edwin V. Motto
PRINTED NAME

Board Member
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 8th day of June, 2012

Julie K. Weaver
Signature of Notary

Seal

Julie K. Weaver
Notarial Seal – State of Iowa
Commission Number 174837
My Commission Expires 08/27/13

*Insert EXACT legal name of the applicant

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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 Please see Attachment -11.

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 Please see Attachment -12.

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 Please see Attachment -13.

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: NOT APPLICABLE; THE APPLICANT IS NOT LEASING ANY CLINICAL SPACE.

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?

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

PROJECT SERVICES UTILIZATION: NOT APPLICABLE; NO PORTION OF THIS PROJECT INVOLVES SERVICES, FUNCTIONS, OR EQUIPMENT WITH UTILIZATION STANDARDS OR OCCUPANCY TARGETS.

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					
YEAR 2					

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

UNFINISHED OR SHELL SPACE: Please see Attachment -16.

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 ATTACHMENT-16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES: Please see Attachment -17.

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 ATTACHMENT-17, 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)**

Please see Attachment -39 for proof of bond rating.

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:**

_______	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.
	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 NOT APPLICABLE

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** Please see Attachment -42.

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									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. **Projected Operating Costs** Please see Attachment -42.

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** Please see Attachment -42.

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

NOT APPLICABLE; PROJECT IS NOT A SUBSTANTIVE OR DISCONTINUATION PROJECT

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			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

XII. Charity Care Information

Please see Attachment -44.

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			
Amount of Charity Care (charges)			
Cost of Charity Care			

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

ATTACHMENT – 1
Illinois Certificate of Good Standing

File Number 5530-200-6

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

GENESIS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 22, 1988, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, 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* 5TH *day of* JUNE *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1215701224

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

Jesse White

SECRETARY OF STATE

ATTACHMENT – 2
Proof of Ownership

The Genesis Medical Park Moline medical office building ("MOB") will be constructed on land owned by Genesis Health System, an Illinois not-for-profit corporation ("Genesis"). A copy of the Corporation Warranty Deed ("Deed") is attached to show Genesis' ownership of the land. A legal description of the site appears at Exhibit A to the Deed. A copy of the ground lease letter of intent ("Ground Lease LOI"), also showing Genesis' ownership of the land, is separately attached hereto.

Genesis intends to lease the land to Moline Physicians, LLC ("Developer"), an affiliate of Frauenshuh HealthCare Real Estate Solutions, as evidenced by the Ground Lease LOI. The Developer will finance the construction of the MOB and will own the building after construction is completed. The Developer plans to lease 67% of space in the MOB to Genesis. A copy of the space lease letter of intent ("Space Lease LOI") between Genesis and the Developer is attached.

CORPORATION WARRANTY DEED

THIS INDENTURE WITNESSETH, That the Grantor,

GENESIS HEALTH SYSTEM, an Iowa Nonprofit Corporation, (as successor by merger and name change to GENESIS ILLINOIS PROPERTIES, LLC)

of Davenport, Iowa, and duly authorized to transact business in the State where the following described real estate is located,

for and in consideration of the sum of Ten Dollars, and other good and valuable consideration, the receipt of which is hereby acknowledged, and pursuant to authority given by the Board of Directors of said corporation, CONVEYS and WARRANTS to **GENESIS HEALTH SYSTEM, an Illinois Not-For-Profit corporation,** whose address is 801 Illini Dr., Silvis, IL 61282,

the real estate described on the attached Exhibit "A"

Tax Parcel Number: See Attached

situated in the County of Rock Island in the State of Illinois.

IN WITNESS WHEREOF, said Grantor has caused its corporate seal to be hereto affixed, and has caused its name to be signed to these presents by its President and CEO, this 31st day of May 2012.

GENESIS HEALTH SYSTEM
An Iowa Nonprofit Corporation

By X ______________________
Douglas P. Cropper,
President and CEO

STATE OF IOWA)
)SS:
COUNTY OF SCOTT)

This instrument was acknowledged before me on May 31, 2012 by **Douglas P. Cropper** as President and CEO of **GENESIS HEALTH SYSTEM, an Iowa Nonprofit Corporation.**

Laura J. McLain
Notary Public

LAURA J. McLAIN
Commission Number 180418
My Comm. Exp. 7-25-13

Address Tax Bills to:

Genesis Health System
Attn: Penelope L. Soucie
1227 East Rusholme Street
Davenport, IA 52803

This Instrument was prepared by and after recording return to:
T. F. Olt III, Lane & Waterman LLP, 220 North Main St., Ste. 600, Davenport, IA 52801

AFFIX TRANSFER TAX STAMP
OR
"Exempt under provisions of Paragraph ______"
Section 4, Real Estate Transfer Tax Act.

Date ______ Buyer, Seller or Representative ______

EXHIBIT "A"

TRACT 1 2729 41st St., Moline, IL 61265

Starting at a point One hundred seventy-five (175) feet South of the Northeast corner of the Northeast Quarter of the Northwest Quarter; thence West, Three hundred (300) feet parallel to the Section line; thence South, One hundred (155) feet; thence East, Three hundred (300) feet; thence North, One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter of the Northwest Quarter of Section Number Ten (10), Township Number Seventeen (17) North Range Number One (1) West of the Fourth Principal Meridian; situated in the County of Rock Island and State of Illinois.

Tax Parcel No. South Moline 208-6

Approximate acreage/square footage: 0.904 Acres Approximately 37,210 sq. ft.

TRACT 2

Starting at a point Three hundred thirty (330) feet South of the Northeast corner of the Northeast Quarter of the Northwest Quarter; thence West, Three hundred (300) feet parallel to the Section line; thence South, One hundred fifty-five (155) feet; thence East, Three hundred (300) feet; thence North, One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section Number Ten (10), Township Number Seventeen (17) North, Range One (1) West of the Fourth Principal Meridian; situated in the County of Rock Island and State of Illinois.

Tax Parcel No. South Moline 208-7

Approximate acreage/square footage: 0.903 Acres Approximately 38,414 sq. ft.

TRACT 3

The South 50 feet of the West 125 feet thereof, of the following described parcel, to-wit: Starting at a point Four hundred Eighty-five (485) feet South of the Northeast corner of the Northeast Quarter of the Northwest Quarter; thence West, Three hundred (300) feet parallel to the Section line; thence South One hundred fifty-five (155) feet; thence East, Three hundred (300) feet; thence North, One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section Number Ten (10), Township Number Seventeen (17) North, Range Number One (1) West of the Fourth Principal Meridian; situated in the County of Rock Island and State of Illinois.

Tax Parcel No. South Moline 208-8

Approximate acreage/square footage: Approximately 5,839 sq. ft

TRACT 4

Starting at a point Four hundred eighty-five (485) feet South of the Northeast corner of the Northeast Quarter of the Northwest Quarter; thence West Three hundred (300) feet parallel to the Section line; thence South One hundred (155) feet; thence East Three hundred (300) feet; thence North One hundred (155) feet to the place of beginning, located in the Northeast Quarter of the Northwest Quarter (NW1/4) of Section Number Ten (10), Township Number Seventeen (17) North, Range Number One (1) West of the Fourth Principal Meridian; situated in the County of

Rock Island and State of Illinois; EXCEPTING THEREFROM, The South 50 feet of the West 125 feet thereof; situated in the County of Rock Island and State of Illinois.
Tax Parcel No. South Moline 208-8-A
Approximate acreage/square footage: Approximately 35,487 sq. ft.

TRACT 5 2805 41st St., Moline, IL 61265

Starting at a point Four hundred eighty-five (485) feet North of the Southeast corner of the Northeast Quarter of the Northwest Quarter; thence West Three hundred (300) feet; thence North One hundred fifty-five (155) feet; thence East Three hundred (300) feet; thence South One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter of the Northwest Quarter of Section Number 10, Township Number 17 North, Range Number 1 West of the Fourth Principal Meridian.
Tax Parcel No. South Moline 208-9
Approximate acreage/square footage: 1 Acre Approximately 39,176 sq. ft.

TRACT 6 2829 41st St., Moline, IL 61265

Starting at a point Three hundred thirty (330) feet North of the Southeast corner of the Northeast Quarter of the Northwest Quarter of Section Ten (10), thence West Three hundred (300) feet; thence North One hundred fifty-five (155) feet; thence East Three hundred (300) feet; thence South One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter (1/4) of the Northwest Quarter of Section Number Ten (10), Township Number Seventeen (17) North, Range Number One (1) West of the Fourth (4th) Principal Meridian; situated in the County of Rock Island in the State of Illinois; subject to all public and private rights of way.
Tax Parcel No. South Moline 208-11
Approximate acreage/square footage: 0.952 Acres Approximately 41,469 sq. ft.

TRACT 7 2825 38th St., Moline, IL 61265

Part of the South Half of the Northeast Quarter of the Northwest Quarter of Section 10, Township 17 North, Range 1 West of the Fourth Principal Meridian, City of Moline, County of Rock Island, State of Illinois described as follows:
Commencing at the Northwest corner of the South Half of the Northeast Quarter of said Northwest Quarter; thence North 88 degrees 17 minutes 24 seconds East along the North line of the South Half of the Northeast Quarter of said Northwest Quarter, a distance of 660.00 feet; thence South 01 degree 38 minutes 52 seconds East, a distance of 25.00 feet to the Point of Beginning; thence North 88 degrees 17 minutes 24 seconds East parallel to the North line of said South Half, a distance of 300.00 feet; thence South 01 degree 38 minutes 52 seconds East parallel to the West line of the South Half of the Northeast Quarter of said Northwest Quarter, a distance of 311.44 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 300.00 feet; thence North 01 degree 38 minutes 52 seconds West parallel to the West line of the South Half of the Northeast Quarter of said Northwest Quarter, a distance of 312.45 feet to the Point of Beginning; the above described real estate contains 2.148 acres, more or less. For the

purpose of this description the South line of the Northeast Quarter of said Northwest Quarter has been assigned the bearing of South 88 degrees 05 minutes 54 seconds West.
Tax Parcel No. Part of South Moline 208-3
Approximate acreage/square footage: (South Moline 208-3 is 10.73 Acres/Approx. 465,839 sq. ft.)

TRACT 8 – DELETED

TRACT 9 2829 41st St, Moline, IL 61265
Starting at a point Three hundred thirty (330) feet North of the Southeast corner of the Northeast Quarter of the Northwest Quarter of Section Ten (10); thence West Three hundred (300) feet; thence South One hundred (155) feet; thence East Three hundred (300) feet; thence North One hundred fifty-five (155) feet to the place of beginning, located in the Northeast Quarter (1/4) of the Northwest Quarter of Section Number Ten (10), Township number Seventeen (17) North, Range Number One (1) West of the Fourth (4th) Principal Meridian; EXCEPT That portion used or dedicated for Road purposes; situated in the County of Rock Island, in the State of Illinois.
Tax Parcel No. South Moline 208-13
Approximate acreage/square footage: Approximately 40,070 sq. ft.

TRACT 10 2730 36th St., Moline, IL 61265
Lot 3 in Ferry's Subdivision located in the City of Moline, Illinois; situated in the County of Rock Island and State of Illinois.
Tax Parcel No. South Moline 12585
Approximate acreage/square footage: Approximately 123,462 sq. ft.

TRACT 11 3813 28th Ave., Moline, IL 61265
Lot 4 in Ferry's Subdivision located in the City of Moline, Illinois; situated in the County of Rock Island and State of Illinois.
Tax Parcel No. South Moline 12586
Approximate acreage/square footage: Approximately 113,564 sq. ft.

TRACT 12 2751 41st St., Moline, IL 61265
Lot Number Five (5) in Ferry's Subdivision, located in the City of Moline, Illinois; situated in Rock Island County and State of Illinois, commonly known as 2751 41st Street, Moline, Illinois.
Tax Parcel No. South Moline 12587
Approximate acreage/square footage: Approximately 94,153 sq. ft.

TRACT 13 2825 38th St., Moline, IL 61265
Part of the South Half of the Northwest Quarter of the Northwest Quarter of Section 10, Township 17 North, Range 1 West of the Fourth Principal Meridian, City of Moline, County of Rock Island, State of Illinois described as follows:

Commencing at the Southeast corner of the Northwest Quarter of said Northwest Quarter; thence North 01 degree 38 minutes 52 seconds West along the East line of the South Half of the Northwest Quarter of said Northwest Quarter, a distance of 320.00 feet to the Point of beginning; thence South 88 degrees 05 minutes 54 seconds West, a distance of 495.21 feet to the East line of Rolling Hills Addition; thence North 01 degree 49 minutes 14 seconds West along said East line, a distance of 341.69 feet to the South line of the premises conveyed to the County Board of School Trustees of Rock Island County, Illinois, recorded as Document No. 648168 in the Rock Island County Recorder's Office; thence North 88 degrees 11 minutes 33 seconds East along said South line, a distance of 496.24 feet to the East line of the Northwest Quarter of said Northwest Quarter; thence South 01 degree 38 minutes 52 seconds East along said East line, a distance of 340.88 feet to Point of Beginning; The above described Real Estate contains 3.884 acres, more or less. For the purpose of this description the East line of the South Half of the Northwest Quarter of said Northwest Quarter has been assigned the bearing of North 01 degree 38 minutes 52 seconds West.
Tax Parcel No. Part of South Moline 208-3
Approximate acreage/square footage: (South Moline 208-3 is 10.73 Acres/Approx. 465,839 sq. ft.)

TRACT 14 2825 38th St., Moline, IL 61265
Part of Lot 2 of Ferry's Subdivision in the City of Moline, County of Rock Island, State of Illinois, more particularly described as follows:

Commencing at the Southwest corner of said Lot 2; thence North 01 degree 38 minutes 52 seconds West along the West line of said Lot 2, a distance of 320.00 feet to the Point of Beginning; thence continuing North 01 degree 38 minutes 52 seconds West along said West line, a distance of 340.88 feet to the Southeast corner of the premises conveyed to the County Board of School Trustees of Rock Island County, recorded as Document No. 648168 in the Rock Island County Recorder's Office; thence North 02 degrees 02 minutes 02 seconds West along said West line, a distance of 320.88 feet; thence North 88 degrees 13 minutes 53 seconds East, a distance of 25.00 feet; thence South 02 degrees 02 minutes 02 seconds East, a distance of 305.70 feet; thence North 88 degrees 05 minutes 54 seconds East, a distance of 129.00 feet; thence South 02 degrees 02 minutes 02 seconds East, a distance of 25.00 feet; thence North 88 degrees 05 minutes 54 seconds East, a distance of 146.00 feet; thence South 01 degree 38 minutes 52 seconds East, a distance of 200.00 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 16.29 feet; thence South 01 degree 54 minutes 06 seconds East, a distance of 140.00 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 284.33 feet to the Point of Beginning. The above described real estate contains 111,255 square feet, more or less. For the purpose of this description the West line of said Lot 2 has been assigned the bearing of North 01 degree 38 minutes 52 seconds West.
Tax Parcel No. Part of South Moline 208-3
Approximate acreage/square footage: (South Moline 208-3 is 10.73 Acres/Approx. 465,839 sq. ft.)

TRACT 15 2825 38th St., Moline, IL 61265
Part of the Northeast Quarter of the Northwest Quarter of Section 10, Township 17 North, Range 1 West of the Fourth Principal Meridian, City of Moline, County of Rock Island, State of Illinois,

described as follows: Commencing at the Southwest corner of the Northeast Quarter of said Northwest Quarter; thence North 01 degree 38 minutes 52 seconds West along the East line of the Northeast Quarter of the Northwest Quarter, a distance of 660.00 feet; thence North 88 degrees 05 minutes 54 seconds East, a distance of 300.00 feet to the Point of Beginning; thence North 88 degrees 05 minutes 54 seconds East, a distance of 360.00 feet; thence South 01 degree 38 minutes 52 seconds East, a distance of 340.00 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 151.67 feet; thence North 01 degree 54 minutes 05 seconds West, a distance of 140.00 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 207.71 feet; thence North 01 degree 38 minutes 52 seconds West, a distance of 200.00 feet to the Point of Beginning. The above described real estate contains 2.141 acres, more or less. For the purpose of this description the West line of the South Half of the Northeast Quarter of said Northwest Quarter has been assigned the bearing of North 01 degree 38 minutes 52 seconds West.
Tax Parcel No. Part of South Moline 208-3
Approximate acreage/square footage: (South Moline 208-3 is 10.73 Acres/Approx. 465,839 sq. ft.)

TRACT 16 – DELETED

TRACT 17 – DELETED

TRACT 18

Part of the Northeast Quarter of the Northwest Quarter of Section 10, Township 17 North, Range 1 West of the Fourth Principal Meridian, City of Moline, County of Rock Island, State of Illinois described as follows: Commencing at the Southwest corner of the Northeast Quarter of said Northwest Quarter; thence North 01 degree 38 minutes 52 seconds West along the East line of the Northeast Quarter of the Northwest Quarter, a distance of 660.00 feet; thence North 88 degrees 05 minutes 54 seconds East, a distance of 300.00 feet; thence South 01 degree 38 minutes 52 seconds East, a distance of 200.00 feet to the Point of Beginning; thence North 88 degrees 05 minutes 54 seconds East, a distance of 207.71 feet; thence South 01 degree 54 minutes 06 seconds East, a distance of 140.00 feet; thence North 88 degrees 05 minutes 54 seconds East, a distance of 151.67 feet; thence South 01 degree 38 minutes 52 seconds East, a distance of 10.00 feet; thence South 88 degrees 05 minutes 54 seconds West, a distance of 360.00 feet; thence North 01 degree 38 minutes 52 West, a distance of 150.00 feet to the Point of Beginning. The above described Real Estate contains 0.751acre, more or less. For the purpose of this description the East line of the South Half of the Northeast Quarter of said Northwest Quarter has been assigned the bearing of North 01 degree 38 minutes 52 seconds West.
Tax Parcel No. Part of South Moline 208-12
Approximate acreage/square footage: Property conveyed is Approximately 0.751 Acre

FRAUENSHUH
HealthCare Real Estate Solutions

A National Resource for Physicians, Hospitals, and Health System Leaders

June 8, 2012

Genesis Health System
801 Illini Drive
Silvis, IL 61282

RE: Letter of Intent to enter into a proposed ground lease (the "Ground Lease") by Moline Physicians, LLC ("Developer") of a portion of that certain real property located on 41st Street in Moline, Illinois (the "Campus") owned by Genesis Health System ("Genesis") in connection with the development by Developer of a new medical office building of approximately 50,740 gross square feet, 47,280 rentable square feet (the "MOB")

This letter outlines some, but not all, of the general terms and conditions upon which Developer would be willing to enter into a Ground Lease with Genesis in connection with the proposed development by Developer of the MOB. If the general terms and conditions outlined below are approved, this letter will lead to a definitive Ground Lease agreement to be executed by the parties that will contain all of the terms and conditions of the agreement between the parties. Some of the more significant terms and conditions to be contained in such Ground Lease are as follows:

Ground Lessor:
Genesis Health System, an Illinois not-for-profit corporation.

Ground Lessee:
Moline Physicians, LLC, a Delaware limited liability company.

Ground Lease Improvements:
Developer will construct a new medical office building of approximately 50,740 gross square feet (47,280 rentable square feet) and all improvements located within the Ground Leased premises related thereto (the "Improvements"), at a location on the Campus as generally shown on Exhibit A attached hereto, pursuant to the plans and specifications approved by Genesis and Developer. Once the Improvements are completed, the MOB shall be maintained by Developer in a first class manner. Developer will own the Improvements throughout the term of the Ground Lease, subject to the terms and conditions of the Ground Lease. Upon the expiration or earlier termination of the Ground Lease, the Improvements will revert to Genesis without charge of any kind and free of any lien or other monetary encumbrance.

Campus Improvements:
Genesis will cause to be constructed on the Campus all roadways, parking areas and other facilities, all in accordance with plans and specifications approved by Developer (the "Campus Improvements"). Developer acknowledges that included in the Campus Improvements are certain site development improvements and costs to be constructed and paid for by Genesis using "TIF" funds allocated to the MOB and Genesis.

Ground Leased Premises:
A portion of the Campus comprising the "footprint" of the MOB plus a five foot perimeter as more particularly described in the legal description to be attached to the Ground Lease.

Term:
The Ground Lease will have an initial term of fifty (50) years. Developer will have two (2) successive options to extend the term for periods of twenty (20) years each.

Ground Lease Rent:
The rent under the Ground Lease (the "Ground Rent") shall be a sum equal to a fair market return on the appraised value of the Ground Leased Premises plus a commercially reasonable additional area attributable to the MOB for parking and access, as if the MOB were freestanding and not located on the Campus, as determined by the appraiser (without taking into account the value of the Improvements), with the scope of the appraisal and the appraiser to be mutually agreed upon by the parties. The Ground Rent will be adjusted every five (5) years according to Consumer Price Index. In addition to the Ground Rent, Developer will pay, as additional rent, a proportionate share of the expenses attributable to the operation of the common areas on the Campus, including, without limitation, security, snow removal, insurance and maintenance, repair and restoration of parking areas, driveways, landscaping and the like. Developer shall be solely responsible for all real property taxes relating to the Ground Leased Premises and the MOB and a proportionate share of real property taxes relating to the common areas on the Campus.

Right of First Offer to Purchase:
Genesis will have a continuing right of first offer to purchase the MOB if Developer desires to sell, assign, convey or otherwise transfer its ownership interest in the MOB on such terms as are mutually agreed upon by the parties.

Use Restrictions:
Use of the MOB will be subject to certain prohibitions and restrictions as mutually agreed upon by the parties.

Construction Contingencies:
The parties hereto acknowledge and agree that each party's obligation to enter into the Ground Lease remain subject to the satisfaction of the contingencies set forth in that certain Project Development Agreement dated October 19, 2011, as amended, entered into by and between Genesis and Frauenshuh HealthCare Real Estate Solutions, LLC, agreement upon rent rates, funding, and to the rights and obligations of each of the parties as set forth therein. In addition, each party's obligation to enter into the Ground Lease is also contingent on Genesis receiving all necessary approvals from governments with jurisdiction over the site and its use including approval of the necessary permit under the Illinois Health Facilities Planning Act.

Confidentiality:
Notwithstanding anything in this letter to the contrary, both parties agree that information of this transaction will not be released to any individual or entity, other than a party's attorneys, accountants and other consultants and advisors, without the prior written consent of the other party or as otherwise required by law.

This letter of intent is intended to describe some, but not all, of the general terms and conditions of the proposed Ground Lease. Neither party shall be obligated hereunder until execution and delivery of a final lease agreement and other agreements which shall include other terms that are material to and necessary for the final lease transaction between the parties. Each party to this letter agrees and affirmatively represents to the other that neither this letter nor any prior communications relating to the subject matter of this letter creates any rights or interest, which may be enforced by either party except that the Section captioned "Confidentiality" and the obligation to negotiate in good faith shall continue to be binding obligations of each party.

If you are in agreement with the general principles outlined in this letter, please sign both originals of this letter and return one fully executed letter to the undersigned.

Sincerely,

MOLINE PHYSICIANS, LLC,
a Delaware limited liability company

By Frauenshuh HealthCare Venture Properties, LLC,
a Delaware limited liability company,
its Managing Member

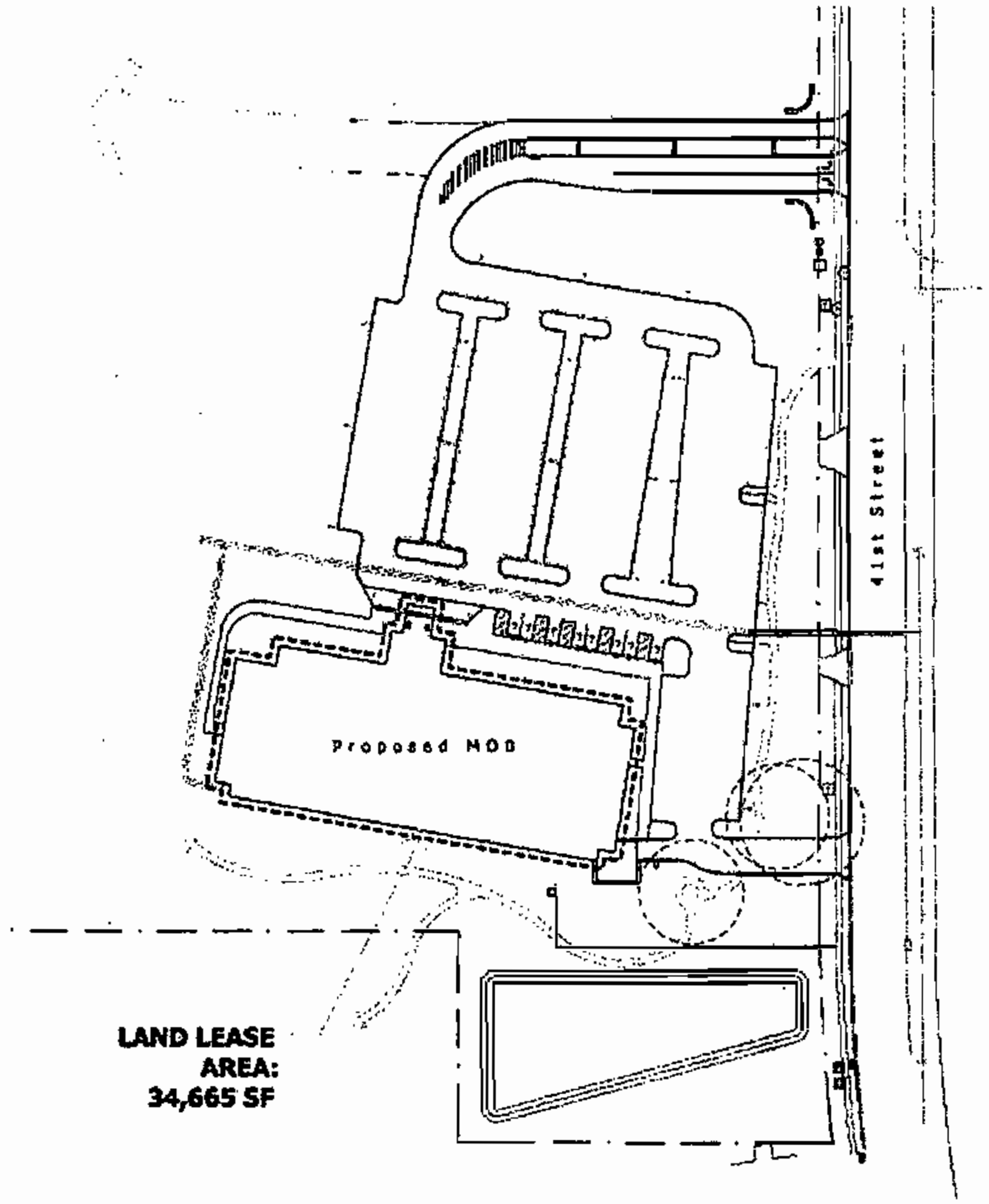
By
Name: Ronald J. Smith
Title: Manager, Frauenshuh HealthCare Development, LLC

Consented and agreed to by:

GENESIS HEALTH SYSTEM,
an Illinois not-for-profit corporation

By:
Name: Florence Spyrou
Title: President, GMC Illini

EXHIBIT A



Flad Architects
Project #: 11781-00

FRAUENSHUH HEALTHCARE
GENESIS MEDICAL OFFICE BUILDING - 41ST ST. MOLINE, IL
June 8, 2012

SCALE 1"= 100'-0"

FRAUENSHUH
HealthCare Real Estate Solutions

May 23, 2012

Genesis Health System
Florence Spyrow, Senior Vice President
1227 E. Rusholme Street
Davenport, IA 52803

RE: Non-Binding Letter of Intent to Lease Medical Office Space
Genesis Medical Office Building
Moline, Illinois

We are pleased to present this letter which outlines the general terms and conditions upon which Frauenshuh will enter into a lease agreement with you for space in the Genesis Medical Office Building (the "MOB") on the new Genesis Health System outpatient campus at 41st Street and 28th Avenue. If the general terms and conditions outlined below are accepted, this letter will lead to a definitive lease agreement to be executed by the parties. This letter will not be binding except as explicitly set forth below. Some of the more significant terms and conditions to be contained in such lease agreement are as follows:

Project:
The Project is a new free-standing, 2-Story Class "A" Medical Office Building with adjacent parking, containing approximately 50,000 square feet for Genesis clinical programs, physician practices and other healthcare-related services.

Landlord:
Frauenshuh HealthCare Real Estate Solutions, LLC, its affiliates or assigns

Tenant:
Genesis Health System

Occupancy:
The project schedule currently targets occupancy for the MOB in the 2nd Quarter 2013.

Premises:
Tenant will occupy approximately 30,055 usable square feet. A more accurate rentable square footage calculation that includes a proportionate allocation of common areas will be established upon completion of a mutually agreeable tenant space plan.

Lease Terms:

- Lease Term – 15 Years
- Net Rent - $16.50 - $17.50 per rentable square foot, increasing 2% per year; final net rent will be determined following the general contractor's pricing.
- Tenant Improvement Allowance - $63.00 per usable square foot

7101 West 78th Street, Suite 100 ■ Minneapolis, Minnesota 55439 ■ Tel: 952.829.3480 ■ Fax: 952.829.3481

Physician Ownership Option:
Tenant shall have an option to acquire an ownership interest in the MOB. Tenant's percentage of ownership interest will be equal to 50% of its pro-rata share of leased space and Tenant's equity contribution for such interest will be at par with Landlord's equity cost. The documents regarding this program will be provided upon execution of this non-binding letter of intent. Please check the appropriate box to indicate your preference:

☒ **Equity Purchase**
The Equity Purchase option allows Tenant to purchase an interest at cost, which will be paid in full at closing

☐ **We do not wish to participate in ownership of the building:**

Operating Expenses & Real Estate Taxes:
Tenant will be responsible for its proportionate share of operating expenses (including such items as janitorial service, cleaning expenses, electrical repair and maintenance, HVAC maintenance, elevator expenses, general building expenses, administrative expenses, utilities, real estate taxes, land lease expenses and common area maintenance) for the MOB. The preliminary operating expense estimate for Year 1 is $5.69 per rentable square foot (excludes real estate taxes and ground lease expenses).

Tenant Improvements:
Landlord will provide a Tenant Improvement Allowance for the design and construction of the Premises. Tenant may choose from two alternatives related to the design and construction of its suite. Please check the appropriate box to indicate your preference:

☒ Landlord-Coordinated Tenant Improvements. Under this Alternative, the Base Building Shell architect and construction company will be used to design and construct the Tenant Improvements for Tenant. Landlord will prepare the final budget for approval by Tenant prior to commencing construction. Tenant will be required to make timely decisions to ensure completion of the Tenant Improvement work in accordance with the budget and schedule.

☐ Tenant-Coordinated Tenant Improvements. Under this Alternative, Tenant will be responsible to hire an architect and construction company to design and construct its Tenant Improvements. Tenant will be responsible for and in control of the budget, design and schedule for completion of the Tenant Improvement work.

Landlord will complete the Base Building Shell prior to commencement of the Tenant Improvement work. Please see the attached Exhibit A titled Genesis MOB Base Building Shell Definition for an outline of the Base Building improvements provided by the Landlord.

Financing of Additional Improvements:
Landlord, at Tenant's option, shall finance up to an additional $17.00 per usable square foot. Such amount may be amortized at 9% over either 15 or 25 years at Tenant's option and shall be added to the net rent.

Renewal Option:
Landlord will provide Tenant with two five (5) year renewal options.

Parking:
Parking for patients, visitors and staff is provided adjacent to the MOB at no additional charge.

Signage:
Landlord will provide a standardized building directory and individual suite signage.

Confidentiality:
Notwithstanding anything in this letter to the contrary, both prospective Tenant and Landlord agree that all documentation and knowledge regarding this transaction including details regarding the Physician Ownership Option shall remain confidential. Both parties agree that information of this transaction will not be released to any individual or entity without the prior written consent of either party.

Non-Binding Letter:
This non-binding letter of intent is intended to describe the general terms and conditions of a proposed lease and is expressly subject to the execution of a final lease agreement. Each party to this letter agrees and affirmatively represents to the other that neither this letter nor any prior communications relating to the subject matter of this letter creates any rights or interest, which may be enforced by either party except that the Section captioned "Confidentiality" and the obligation to negotiate in good faith shall continue to be binding obligations of each party. In addition, the parties acknowledge and agree that the figures being proposed in this letter, including the estimates of project operating expenses and real estate taxes, are based upon current project estimates and upon the past performance of similar buildings in other communities and that Landlord is making no representation or guarantee regarding the assumptions, accuracy or completeness of any of such estimates or projections.

If you agree to the general principles outlined in this letter, please sign both originals of this letter and return one fully-executed letter to me on or before May 31, 2012. We will then forward to you all relevant documents for your review with your legal and professional advisors.

Sincerely,

Landlord: **FRAUENSHUH HEALTHCARE REAL ESTATE SOLUTIONS, LLC**
its affiliates or assigns

By:	[signature]	By:	[signature]
Name:	Mike Fleetham	Name:	Tom Immen
Title	Senior Vice President	Title:	Vice President
Date :	______________	Date:	______________

The foregoing Non-Binding Letter of Intent is hereby agreed and acknowledged by:

Tenant:	**GENESIS HEALTH SYSTEM**		
By:		By:	Anne E Kuehl
Name:	Florence Spyrow	Name:	Anne Kuehl
Title:	Senior Vice President	Title:	Executive Director
Date:	5/29/12	Date:	5/29/12

EXHIBIT A

GENESIS MEDICAL OFFICE BUILDING BASE BUILDING SHELL DEFINITION

At no cost to Tenant, Landlord will provide the following items to the Tenant as part of the standard shell building:

a) Building Shell. Building shell, including finished public entry and corridors, ventilation shafts, mechanical room, electrical equipment room, and janitor and communications closets. Building shell will include elevators and stairways, with finished elevator lobby and public corridors on multi-tenant floors.

b) Floors. Concrete floor with troweled finish.

c) Doors. Finished doors complete with frame, trim and hardware, installed on base Building toilet rooms, mechanical rooms, stairwells, electrical equipment rooms, and janitor and communications closets.

d) Toilet Rooms. One men's and one women's handicapped-accessible toilet room on multi-tenant floors as may be required to satisfy code requirements for Building occupancy, with finished floors, walls and ceilings, plumbing fixtures, lights, accessories, and connection to mechanical services.

e) Power. Panel for distribution of 120/208 volt electric power located on each floor at such location or locations as Landlord may determine, with the number of circuit breaker slots designated for the Premises and other spaces being prorated on the basis of the Usable Areas of such spaces. Any additional panel capacity as may be required for Tenant's electrical connections will be at Tenant's expense and will be charged against any Tenant Construction Allowance.

f) Heating, Cooling and Ventilation. Heating, cooling and ventilation system for the Building, with air distribution ductwork stubbed onto each floor at such location or locations as Landlord may determine. Primary air distribution ductwork may be installed by Landlord to serve certain floors or portions thereof for an open, unfinished floor plan. If such primary air distribution ductwork serves the Premises, the cost of such ductwork will be allocated among the spaces served by such ductwork on the basis of the Usable Area of such spaces. The cost of the primary air distribution ductwork allocated to the Premises will be at Tenant's expense and will be charged against any Tenant Construction Allowance. If primary air distribution ductwork is not installed by Landlord to serve the Premises or any portion thereof, Tenant will be responsible for the installation of such primary air distribution ductwork as part of the Premises Work. The heating, cooling, air distribution, ventilation and exhaust systems installed as part of the Base Building Work will be designed for normal medical office use and equipment. Any additional capacity as may be required for Tenant's specialized use or equipment will be at Tenant's expense and will be charged against any Tenant Construction Allowance.

g) Fire Protection. Fire detection and fire warning systems installed within the Premises for an open, unfinished floor plan, and fire extinguisher with cabinet located on each floor at such location or locations as Landlord may determine.

h) Sprinklers. Code-approved sprinkler system, with upright brass pendant sprinkler heads installed within the Premises for an open, unfinished floor plan.

i) Water and Drainage. Domestic cold water, drainage and vent systems on each floor at such location or locations as Landlord may determine.

j) Window Coverings. Venetian blinds with attachment hardware for all exterior windows, stockpiled on the floor for installation by Tenant at Tenant's expense.

ATTACHMENT – 3
Operating Entity/Licensee – Illinois Certificate of Good Standing

File Number 5530-200-6

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

GENESIS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 22, 1988, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, 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* 5TH *day of* JUNE *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1215701224

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

Jesse White

SECRETARY OF STATE

ATTACHMENT – 4
Organizational Chart

GENESIS HEALTH SYSTEM
(Illinois Not-for-Profit Corporation)

- **Genesis Medical Center, Illini Campus**
- **Genesis Restorative Care Center (Skilled Nursing)**
- **Genesis Crosstown Square (Independent Living)**

The Larson Center Partnership

Genesis Health Services Foundation

Key:

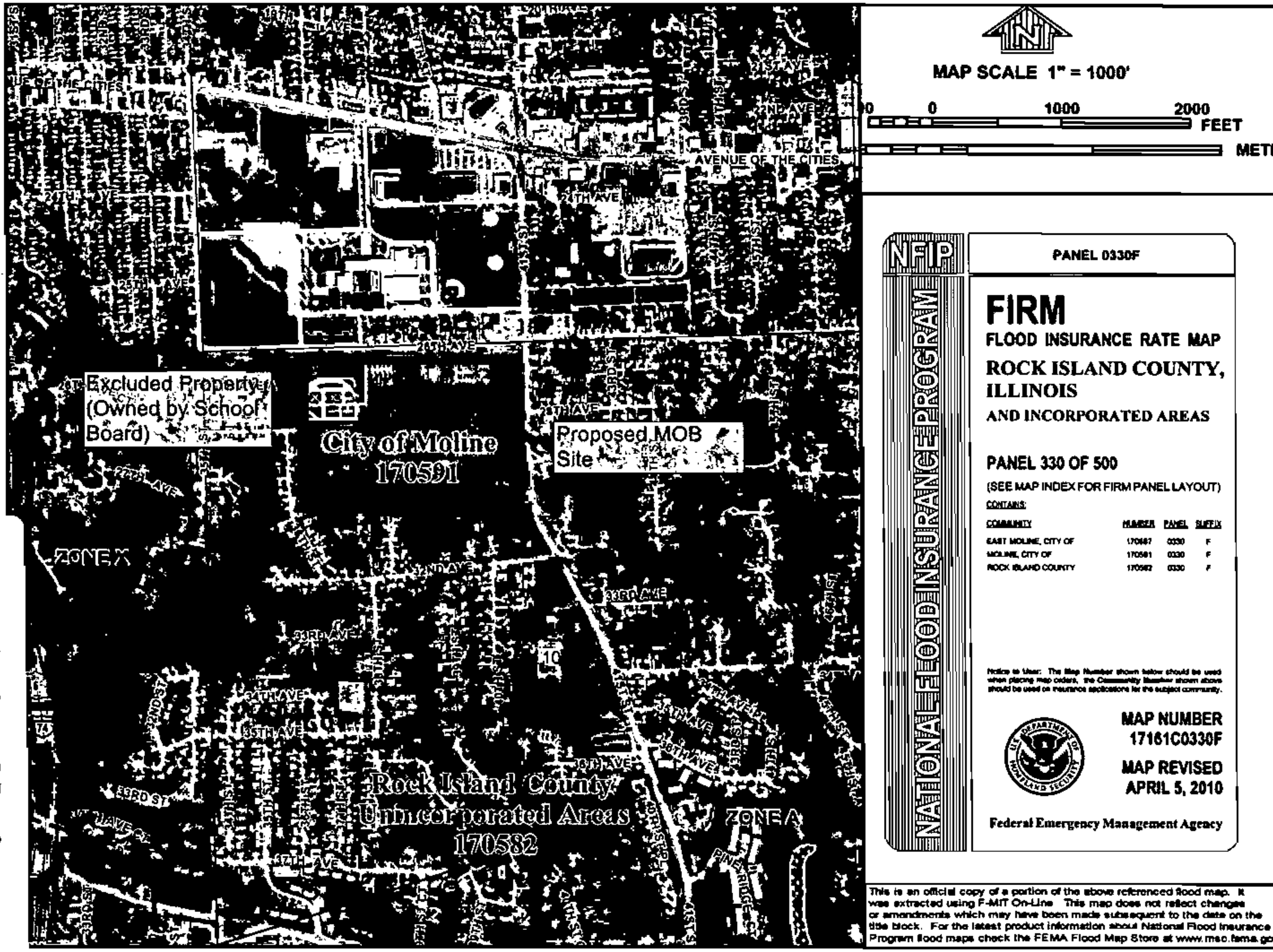
Nonprofit, Tax-Exempt Corporation

Real Estate General Partnership (For Profit)

2190329-1

ATTACHMENT – 5
Flood Plain Requirements

Applicant attests that this project complies with the requirements of Illinois Executive Order #2005-5. Applicant includes a copy of the relevant FIRMette in this attachment.


MAP SCALE 1" = 1000'
0
1000
2000
FEET
NFIP
NATIONAL FLOOD INSURANCE PROGRAM
PANEL 0330F
FIRM
FLOOD INSURANCE RATE MAP
ROCK ISLAND COUNTY, ILLINOIS
AND INCORPORATED AREAS
PANEL 330 OF 500
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)
CONTAINS:
COMMUNITY NUMBER PANEL SUFFIX
EAST MOLINE, CITY OF 0330 F
MOLINE, CITY OF 170591 0330 F
ROCK ISLAND COUNTY 170582 0330 F
MAP NUMBER 17161C0330F
MAP REVISED APRIL 5, 2010
Federal Emergency Management Agency
This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov
Excluded Property (Owned by School Board)
Proposed MOB Site
City of Moline 170591
Rock Island County Unincorporated Areas 170582
ZONE X
ZONE A
AVENUE OF THE CITIES
33RD AVE
34TH AVE
35TH AVE
36TH AVE
PINE RIDGE CT

ATTACHMENT – 6
Illinois Historic Preservation Agency Letter

Illinois Historic Preservation Agency

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

Rock Island County PLEASE REFER TO: IHPA LOG #008053012
Moline
41st Street
Section:10-Township:17N-Range:1W
IHFSRB
New construction, Genesis Health Systems

May 31, 2012

Michelle M. Garvey
Ungaretti & Harris
Three First National Plaza
70 West Madison, Suite 3500
Chicago, IL 60602-4224

Dear Ms. Garvey:

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

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

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

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

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

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

ATTACHMENT – 7
Project Costs and Sources of Funds

APPLICANT PROJECT COSTS FORMAT FOR GENESIS MEDICAL OFFICE BUILDING

Site Preparation		
Site Design	$160,000	
Site Work	$821,125	
Entry Paving and Monument	$440,820	
Additional Community Parking	$3,798	
Trails / Other Community Improvements	$94,500	
Detention Pond	$108,618	
Utility Distribution	$98,129	
Concrete Paving	$218,975	
Additional Site Work, Lighting, Landscaping, and Utility Improvements	$598,048	
TOTAL		$2,544,013
New Construction Contracts		
MOB Build Out	$802,845	
TOTAL		$802,845
Contingencies		$500,000
Architectural/Engineering Fees		$210,000
Fair Market Value of Leased Space (See attached break down)		$880,471
Other Costs to be Capitalized		
Relocation of Radiology Equipment	$15,000	
Laboratory Relocation and Updating	$61,835	
I.T. Equipment	$503,451	
FF&E for Physician Offices	$1,004,958	
FF&E for Common Areas (Waiting and Conference Rooms)	$200,000	
FF&E for Installation (Moving Costs, Furniture)	$175,000	
TOTAL		$1,960,244
TOTAL USES OF FUNDS		$6,897,573

FRAUENSHUH
HealthCare Real Estate Solutions

Genesis Health System - Moline MOB
Estimate of Rents
June 7, 2012

Estimated Building Size 47,280

Estimated Genesis Lease 31,683

Category	Annual Expense	Per Rentable Square Foot
Net Rent	$554,453	$17.50
Cleaning	$37,386	$1.18
General Building	$30,099	$0.95
Utilities	$55,762	$1.76
Grounds	$6,020	$0.19
Administrative	$45,940	$1.45
Fixed Expenses	$47,841	$1.51
Real Estate Taxes	$102,970	$3.25
Total	**$880,471***	**$27.79**

* Lease cost per year

C:\Users\tom.immen\Documents\Projects\Genesis - Moline IL\Genesis Estimate of Rents 6-7-12.xlsx

Moline Physicians, LLC (Non-Applicant)

PROJECT COSTS FORMAT FOR GENESIS MEDICAL OFFICE BUILDING

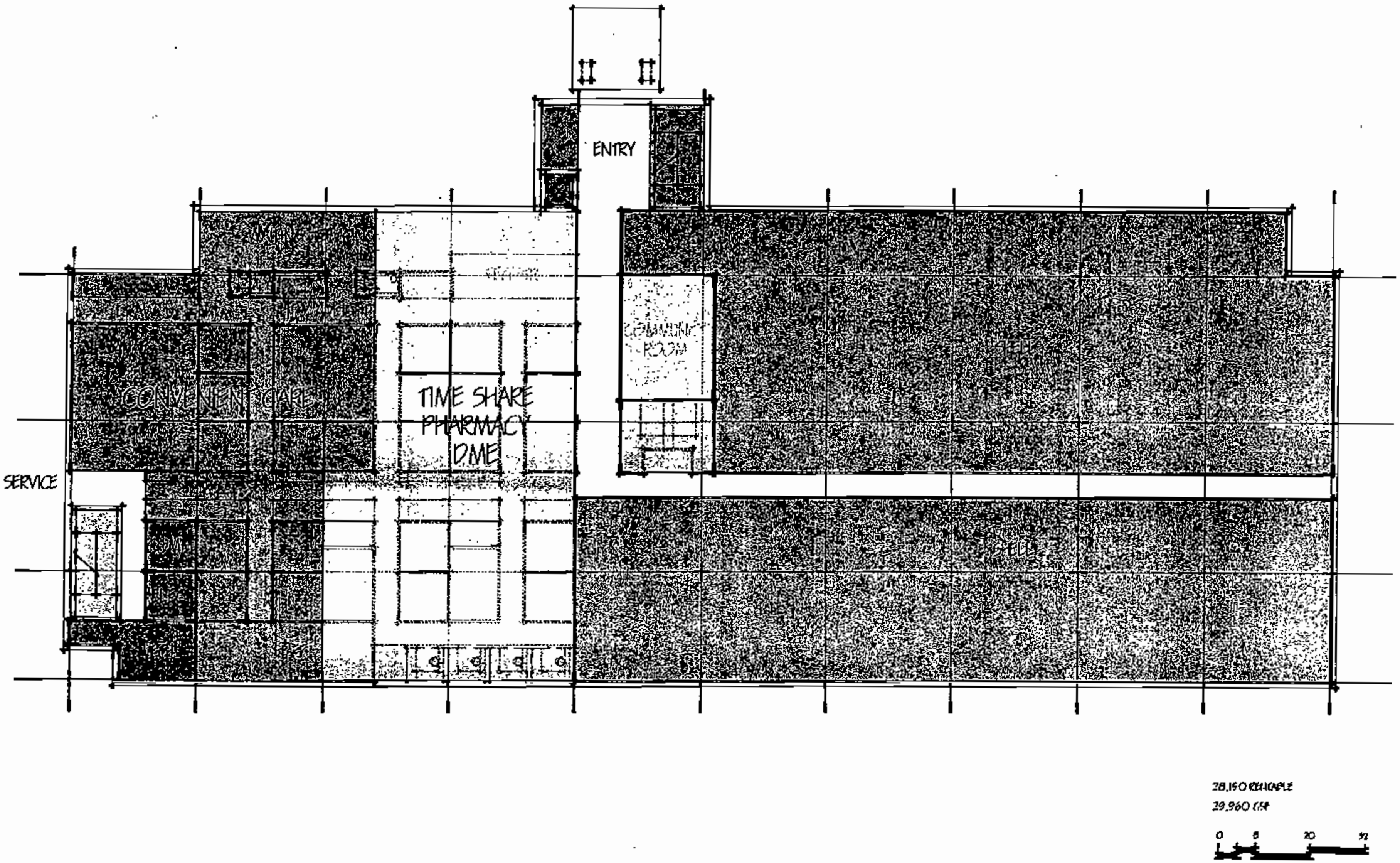
NOTE: The bold-faced headings for various project costs are specified by the Illinois CON Program.

		Base Building MOB Core and Shell	Clinical Service Areas	Non-Clinical Service Areas	Total
Pre-Planning Costs					
Architectural Programming Costs					
UBC Speicial Inspections					
Other (Identify)					
Total Pre-Planning Costs	$	-			
Site Survey and Soil Investigation					
Geotechnical Investigation	$	12,500.00			
Site Survey	$	7,500.00			
Environmental Assessment/Appraisal	$	20,000.00			
Other (Identify)					
Total Site Survey and Soil Investigation	$	40,000.00			
Site Preparation					
Site Civil/Mechanical Utilities					
Site Electrical Utilities					
Other (Identify)					
Total Site Preparation	$	-			
Off-Site Work					
Paving (includes roadways, drives, sidewalks)					
Exterior Lighting					
Landscaping					
Relocation of Site Utilities					
Vehicle Garage (optional to list here)					
Other (Identify)					
Total Off-Site Work	$	-			
New Construction Contracts	$	7,442,194.40			
New Construction Contingencies	$	157,783.33			
Architectural/Engineering Fees	$	341,000.00			
Consulting and Other Fees					
Pre-Construction Services (Identify)					
Design Team Construction Administration					
Architectural Reimbursables	$	25,280.00			
Program Management					
Program Management Reimbursables					
Hazardous Materials Survey					
Environmental Assessment/Appriasals/Geotechnical Reports					
Graphics Design					
Graphics Design Reimbursables					
Medical Equipment Planning					
Medical Equipment Planning Reimbursables					
Shielding Consulting					
Legal Fees	$	90,000.00			
CON Planning and Consultation	$	50,000.00			
CON Application Processing Fee	$	50,000.00			
IDPH Plan Review Fee					
Building Permit Fee					
Materials Testing Fee / Special Inspections					
Leasing & Recruiting Expense	$	70,920.00			
Total Consulting and Other Fees	$	286,200.00			
Movable or Other Equipment Not in Construction Contracts (Provide Separate List)					
Medical Equipment					
Furniture/Furnishings including Systems/Modular					
Telecom Equipment					
Artwork and Plants					
Signage and Graphics (could be listed under Other Costs)					
Other (Identify)					
Total Movable or Other Equipment Not in Construction Contracts	$	-			

Bond Issuance Expense (Project Related)		
IDENTIFY ALL COSTS		
Underwriting fees		
Bond Counsel		
Issuer Fees		
IFA Counsel Fees		
Financial Advisor to Hospital Sisters Services, Inc.		
Auditor Fees		
Underwriter's Counsel		
Trustee		
Printer		
Rating Agencies' Fees		
Other (Identify)		
Total Bond Issuance Expense (Project Related)	$	-
Net Interest Expense During Construction	$	264,647.63
(Project Related)	$	264,647.63
Fair Market Value of Leased Space or Equipment		
Other Costs to be Capitalized		
Exterior Canopy		
Exterior Canopy Footings		
Temporary Department Relocations		
Moving Costs		
Signage/Graphics (could be listed under FF&E)		
Other (Physician Marketing Reimbursables, Development Reimbursables, Title Fees & Closing, Soft Cost Contingency & Development Overhead)	$	371,539.11
Total Other Costs to Be Capitalized	$	371,539.11

TOTAL PROJECT COST **$ 8,903,364**

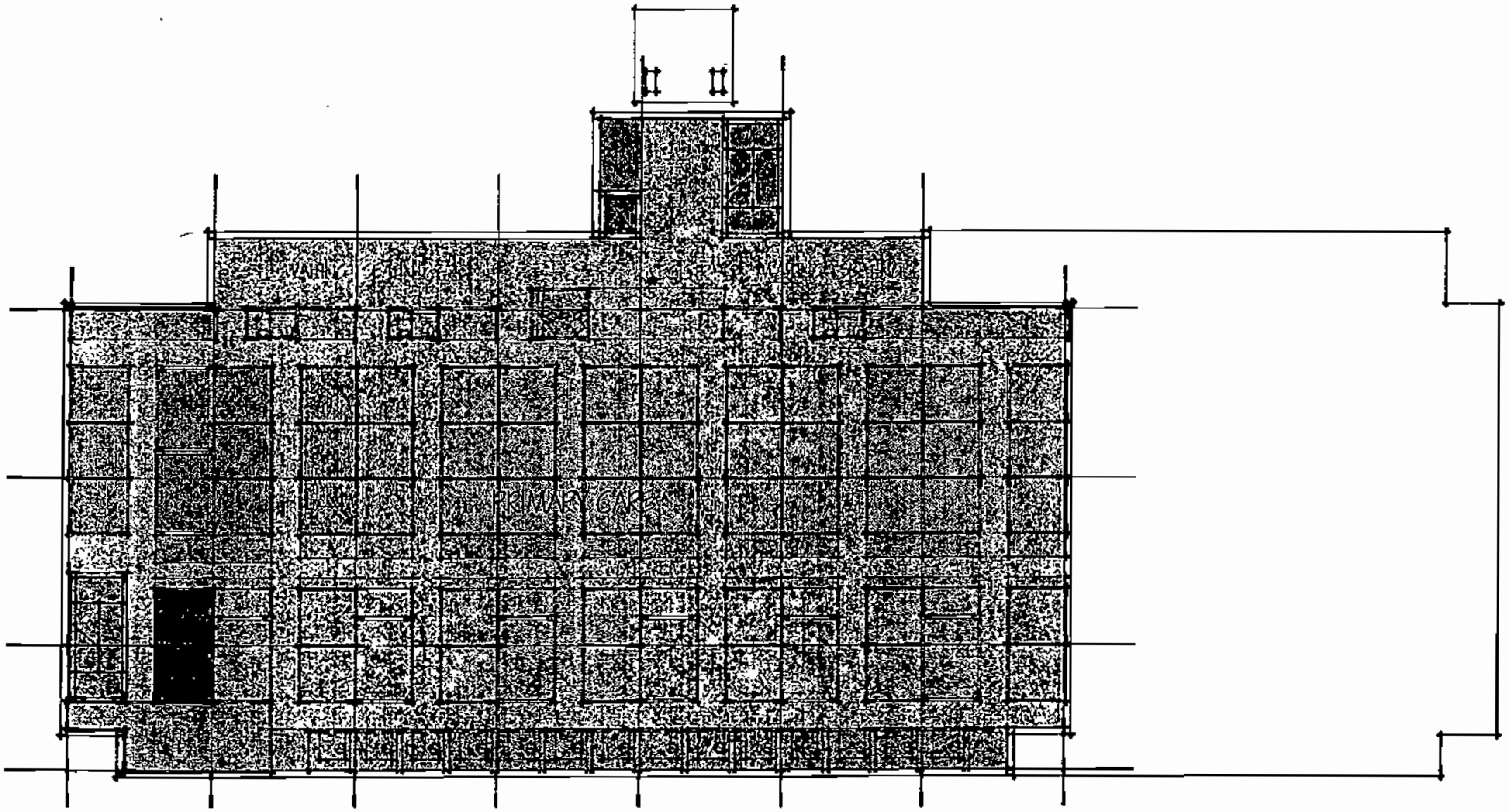
ATTACHMENT – 8
Architects' Drawings



FIRST LEVEL
41ST STREET MEDICAL OFFICE BUILDING

GENESIS

Flad Architects
JUNE 7, 2012

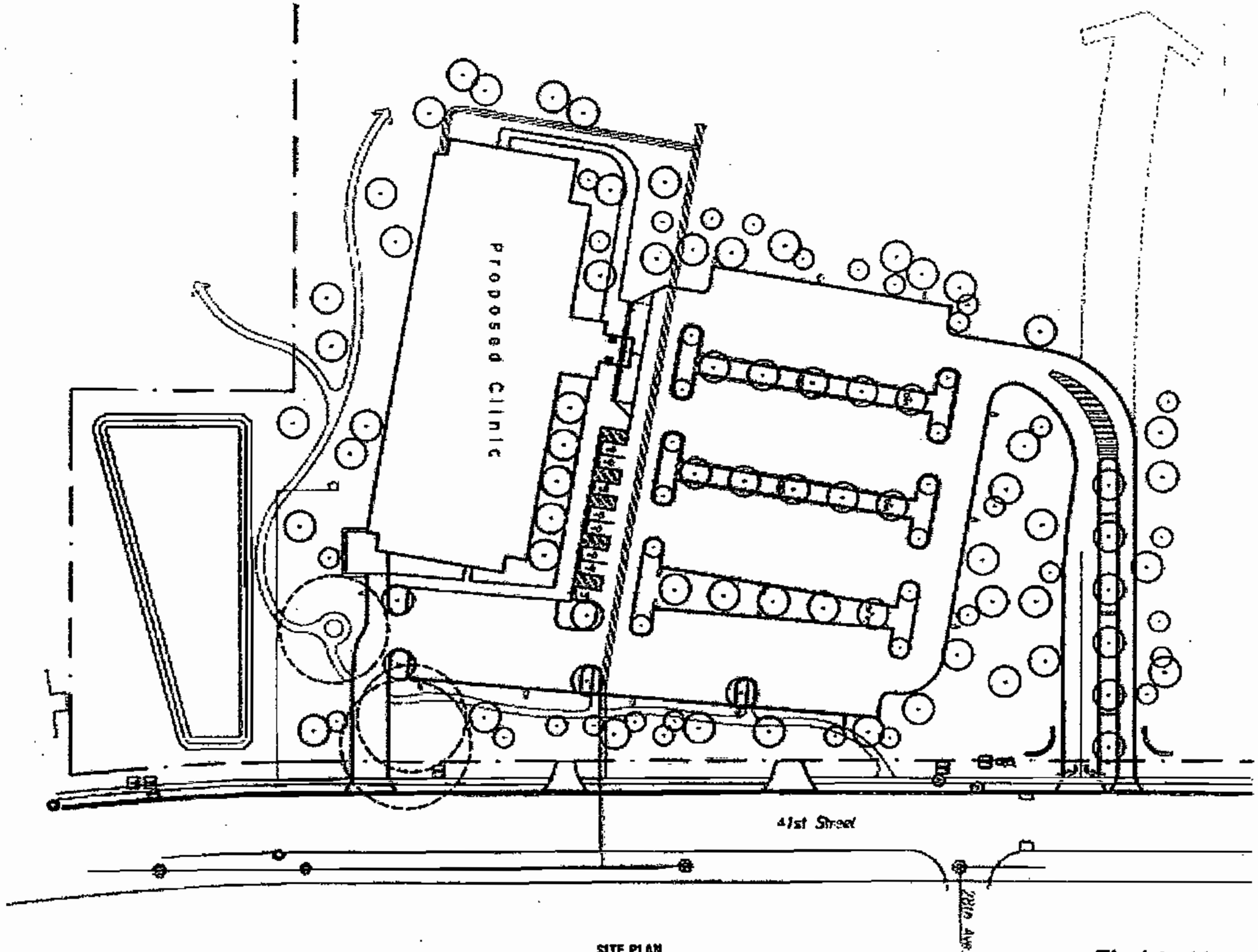


19,220 RENTABLE
20,840 GSF

GENESIS

SECOND LEVEL
41ST STREET MEDICAL OFFICE BUILDING

Flad Architects
JUNE 1, 2012



GENESIS

SITE PLAN
41ST STREET MEDICAL OFFICE BUILDING

Flad Architects
JUNE 7, 2012

ATTACHMENT – 9
Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Gross Square Footage That Is:			
Dept./Area	Cost	Existing	Proposed	New Const.	Moder -nized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Convenient Care[1]	391.76	0	5,251	5,251			
Office space/part-time physicians	377.10	0	4,040	4,040			
Office space/full-time physicians	377.10	0	20,892	20,892			
Pharmacy	377.10	0	1,000	1,000			
DME	377.10	0	500	500			
Shell/Available Space[2]	242.12	0	15,597	15,597			
Total Non-clinical	15,800,985	0	47,280	47,280			
TOTAL[3]	15,800,985	0	47,280	47,280			

[1] Includes laboratory and general radiology.
[2] This shell space is the Developer's space and will not be leased to the Applicant as part of the project.
[3] The total project cost reflected above is slightly higher than the total project cost of $15,800,937, as identified on pages 5 and 6 of the Application and in Attachment 7. This discrepancy is due to the use of rounded numbers in calculation. Please also note that the Applicant's $880,471 space rental cost is reflected in the above chart, as it is included throughout the Application in the Applicant's/project's total project cost. Including both the Developer's construction costs, as well as the Applicant's rental cost, in this analysis provides a higher number than would either a traditional lease of a MOB or the traditional construction of a MOB. Due to the unique nature of this project, Mike Constantino advised that we provide both the Applicant's and the Developer's costs and, thus, the total cost in this Attachment 9 reflects both the construction and the rent.

June 11, 2012

ATTACHMENT 11

VIA FEDERAL EXPRESS
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Second Floor
Springfield, Illinois 62761

Re: Background of Applicant – Genesis Health System d/b/a Genesis Medical Center, Illini Campus

Dear Sir or Madam:

In connection with the Genesis Health System d/b/a Genesis Medical Center, Illini Campus ("GHS") Certificate of Need application for the Genesis Medical Park Moline medical office building, please find the following information regarding the background of GHS:

Facilities owned or operated by GHS:

Genesis Health System d/b/a Genesis Medical Center, Illini Campus
General Hospital (see attached license and Joint Commission accreditation)
License Number: 0005413
Joint Commission Accreditation Organization Identification Number: 7331
803 Illini Drive
Silvis, IL 61282

Genesis Health System d/b/a Illini Restorative Care
Skilled Nursing Facility, Sheltered Care Facility (see attached license)
License Number: 0048264
1455 Hospital Road
Silvis, IL 61282

As required by 77 Ill. Admin. Code §1110.230, I certify that no adverse actions have been taken against GHS ("Applicant"), or any health care facility owned or operated by the Applicant, by Medicare, Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of this Certificate of Need application; and

801 Illini Drive, Silvis, Illinois 61282 | 309-281-4000 | www.genesishealth.com

GENESIS

As required by 77 Ill. Admin. Code §1110.230, I authorize the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health to access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information related to this Certificate of Need application.

Signature

Florence L Spyrow
Printed Name

President, GMC-Illini
Title

Subscribed and sworn to before me this 11th day of June, 2012

Laura J. McLain
Signature of Notary

Seal

NOTARIAL SEAL IOWA
LAURA J. McLAIN
Commission Number 180416
My Comm. Exp. 7-25-13

801 Illini Drive, Silvis, Illinois 61282 | 309-281-4000 | www.genesishealth.com

State of Illinois 2036026

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. [illegible]
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
06/30/12	BGBD	0004[illegible]

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 07/01/11

BUSINESS ADDRESS

GENESIS HEALTH SYSTEM [illegible]
6787A GENESIS MED CTR-ILLINI CAMPUS
801 ILLINI DRIVE
SILVIS IL 61282

The face of this license has a colored background. Printed by Authority of the State of Illinois [illegible]

Genesis Medical Center

Illini Campus

Silvis, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

January 22, 2011

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP
Chair, Board of Commissioners

Organization ID #7331
Print/Reprint Date: 5/18/11

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

AMA

State of Illinois [illegible]

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.

[illegible] ARNOLD, [illegible]
DIRECTOR

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

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/11/2013	[illegible]	[illegible]

LONG TERM CARE LICENSE
SKILLED [illegible]
SHELTERED [illegible]

UNRESTRICTED 120 TOTAL BEDS

BUSINESS ADDRESS

LICENSEE

GENESIS HEALTH SYSTEM

ILLINI RESTORATIVE CARE
1455 HOSPITAL ROAD
SILVIS IL 61282
EFFECTIVE DATE: [illegible]

ATTACHMENT – 12
Purpose of Project

1. Genesis Health System ("Genesis"), through the proposed medical office building ("MOB"), will provide health services that improve the health care and well being of the Western Illinois community. This will be achieved by providing convenient access to physician services, a convenient care clinic, a pharmacy and DME services and by providing an attractive location to recruit and retain physicians.

Genesis operates a freestanding, 149 bed hospital in Silvis, Illinois for the Illini Hospital District. The Illini Hospital District is a local unit of Illinois government organized pursuant to the Illinois Hospital District Act, 70 ILCS 910/1, et seq. It covers Rock Island and Henry Counties. Under the Hospital District Act, such districts are authorized to contract with not-for-profits to operate District hospitals. Genesis is an Illinois not-for-profit, 501(c)(3) tax-exempt corporation. Silvis, a community of 7,700 people in Rock Island County, is just east of Moline, near the eastern and northern boundaries of Rock Island County.

Genesis is committed to transforming health care through its focus on performance excellence, strategic growth and population health. The commitment to performance excellence is reflected in the number of awards and recognition that Genesis has received over the years. Genesis Medical Center, Illini has been recognized as one of the 100 Most Wired Hospitals by Hospitals and Health Networks journal for the past eight years, has received an "A" Hospital Safety Score™ by The Leapfrog Group, an independent nonprofit organization run by employers and other large health benefits purchasers, and was recognized in 2011 as a Top Performing Hospital for key quality measures by The Joint Commission (for excellence in heart failure, pneumonia, and surgical care).

Genesis' commitment to improving the health of the community is illustrated by Genesis' innovative Healthy Lifestyles and WellPower programs. Genesis employees are financially rewarded through lower health insurance contributions if they either do not have three or more risk factors or participate in a structured program to lower their metabolic syndrome (a combination of risk factors that place individuals at a higher likelihood for diabetes, heart disease, stroke, and related illnesses). In addition to improving the health of 5,000 of its employees, Genesis has saved $47 million in five years.

The proposed MOB and campus is an extension of Genesis' efforts to improve the community's health. The property on which the MOB will be constructed was used by the City of Moline as a disposal area between 1940 and 1960. From 1960 to 1999, the property remained generally undeveloped, consisting of approximately 23 acres of long grass field with adjacent ravines. When Genesis purchased the property in the late 1990s, with the vision of creating a health and wellness campus, Genesis began to invest time and financial resources to identify and characterize existing conditions on the site. Site characterization revealed some concerning contaminants in the disposal fill areas of the property.

With the Illinois Environmental Protection Agency ("EPA"), Genesis prepared an integrated team of scientists, engineers and field experts to do exploratory drilling, trenching, soil sampling, groundwater/methane gas sampling and methane investigation. All exploration and study resulted in preparing the site with an engineered barrier (a minimum of three foot thick clay cap) and the abandonment of three potable water supply wells. Genesis proposed these remedial actions to the EPA in July of 1999, and the EPA approved same. The approval concluded that no property use restriction exists on the present site.

Genesis engaged in the following remediation tasks with respect to the property: mapping specific areas within the site to determine the location of refuse areas, confirming debris margins and correcting limits of the areas used for debris and formulating a plan to compact shallow disposal areas and build a cap over these areas with soil. After Genesis completed this work, in full coordination with the EPA, the EPA provided Genesis with a No Further Remediation ("NFR") letter.

For the last ten years, Genesis has treated the property as park-like space. The upland areas of the property were seeded with grasses and heritage oak trees that have been preserved along the property, with the hope of their integration into outdoor healing areas. The campus will be developed to contain walking and jogging paths as well as park-like areas for use by residents of the area. Quality wildflower and decorative plantings around the property will further enhance the property as a place for the treatment and prevention of illnesses and chronic conditions.

The MOB will include a non-hospital licensed pharmacy and non-therapeutic imaging. Genesis employed physicians will use office space in the building and a convenient care center will be located in the MOB. Genesis has structured the transactions that will provide this office space so that Genesis will rent the land underlying the building to a real estate developer. The developer will own the building and rent certain office space to Genesis. Genesis will occupy 67% of the space in the MOB and the developer may use the remainder as it sees fit.

The proposed MOB will enable Genesis to consolidate its Illinois Quad Cities employed physicians in one location. Currently Genesis has four physician offices scattered across the community. By having the physicians in one facility, Genesis expects greater efficiencies in the deployment of staff, sharing of resources and other operational improvements. It also anticipates a higher level of quality of care by developing a large, multidisciplinary practice with convenient access to a pharmacy, education and conference room space, and other health care services.

In addition, Genesis' existing convenient care clinic will be moved from its current location to the proposed building. The clinic offers x-ray and lab services. These will not be new services for the community; rather, they will be relocated from one area to the other. Physicians at the MOB will be used to staff the clinic, resulting in an efficient use of limited physician resources. Genesis does not intend to provide any hospital-licensed services at the proposed MOB.

2. Genesis' market area for the MOB is the three-county area of Rock Island County, Henry County and Mercer County.

3. A number of problems or issues exist that are addressed by the proposed MOB. First, physician office space for Genesis' employed physicians is not sufficient to accommodate need. Second, existing physician offices are located across the Illinois Quad Cities, the majority of which are not as convenient for area patients as compared to the proposed site of the MOB.

Third, many offices are small and at disparate locations, which prevents access to a wide range of services for patients. The existing Genesis convenient care clinic also is constrained by its current location, parking and access is poor, and it could operate more efficiently in a new space.

In addition, a 2012 Quad Cities Community Health Assessment, sponsored by Genesis, other local health care providers and the Rock Island and Scott County Health Departments, identified several key health concerns in the Quad Cities community. For example, the Assessment shows that 9.8% of the area population has asthma, as compared to 7.5% of the U.S. Further, 71.8% of the area population is overweight, as compared to the national average of 66.9%, 19.4% of the area population currently smokes, as compared to 16.6% of people across the country, and 11.3% of area residents have diabetes, exceeding the national percentage of 10.1%.

This MOB and the surrounding campus will focus on health, easy access to treatment and an environment that promotes wellness.

4. Genesis used the following third-party sources for the information discussed in this section: U.S. Department of Health and Human Services, Health Resources and Services Administration and the 2012 Quad Cities Community Health Assessment, available at quadcities.healthforecast.net.

5. The MOB provides Genesis with the opportunity to lease space sufficient to accommodate the office needs of its physicians, as well as the space needs of its convenient care clinic (and DME and pharmacy operations). (Please note that none of these services are covered under Genesis Medical Center—Illini's license). It also provides efficiencies of care, in that all of these services are located within the same building.

The MOB will be located in Moline, Illinois. Genesis physicians are currently spread throughout the Illinois Quad Cities. The proposed site in Moline is a more central location in the heart of the Illinois Quad Cities and easily accessible, as it is situated near major traffic thoroughfares and bus routes. Consequently, patients will be able to more easily access their health care providers. This is especially convenient for this particular service area, as the area has an aging population.

The MOB will have a positive impact on the area population's health status and well being, including on the issues identified in the Quad Cities Community Health Assessment, because it will be constructed in a way to encourage community residents to not only receive treatment for illness, but also to become more engaged in improving or preserving their health. The MOB campus will have walking trails and park-like areas and will be a resource to the community, not only as a building providing offices for health care services, but also as a place promoting physical activity and wellness.

In addition, this campus is designed to facilitate outpatient growth and community wellness, two key components of health care in the future. This campus will embrace the future of health care by continuing to add opportunities to promote health and wellness.

The MOB also will serve as a tool to attract and retain physicians in the area, as it will provide new, modern office space in a convenient location. New physicians in particular often look for large multi-specialty practices, which will be achieved at this MOB. This office space also will be adjacent to other health care services, as discussed herein, adding to the convenience of the location and ease of practice for physicians. This is important, as the low income population group in the Rock Island Service Area is designated as a primary care health professional shortage area ("HPSA"). Rock Island also is a medically underserved population ("MUP").

6. The project's goals are to lease space in a MOB that provides ease of access for area patients, alleviates the lack of office space currently experienced by Genesis and its physicians, and that puts health care providers, including physicians, a convenient care clinic, a pharmacy and DME, in a central location to provide efficient patient services and promote the quality of the same. Genesis hopes to achieve these goals at project completion.

Genesis further anticipates that the proposed project will help to retain physicians in the area, portions of which are designated as a HPSA and MUP. This is a longer range goal that Genesis hopes to achieve in the next several years.

Finally, through the establishment of this MOB and development of the Brownfield space, Genesis desires to create a wellness campus. This project is unique, as other MOBs in the Illinois Quad Cities do not offer the land necessary to establish the park-like and green space areas, as well as the walking/jogging trails and outdoor exercise areas envisioned as part of this development. This project also enables Genesis to reclaim Brownfield space for use as a public asset. This new concept in medical office buildings reflects Genesis' commitment to transitioning from a traditional focus on treating episodic illnesses to one emphasizing population health, which is characterized by engaging patients as partners in the management of their health. This is also reflected by Genesis' and the Developer's efforts to use green construction and reclaim Brownfield land for other uses.

ATTACHMENT – 13
Alternatives

The Applicant reviewed five projects before choosing to file this Certificate of Need ("CON") application, including:

1. Maintaining the status quo, whereby physicians will maintain their current office locations and the convenient care clinic will maintain its current location.
2. Constructing a Genesis-owned medical office building ("MOB") in the Illinois Quad Cities.
3. Remodeling an existing building on the Genesis Medical Center – Illini ("GMC – Illini") campus.
4. Expanding the GMC – Illini campus to construct a new MOB.
5. Leasing space in a MOB constructed and owned by Frauenshuh through Moline Physicians, LLC ("Developer").

Due to reduced costs to Genesis and benefits to the patient population of Western Illinois, Genesis determined that the last option, leasing space in a MOB constructed and owned by the Developer, is the only feasible alternative. A discussion of the various alternatives and Genesis' decision process follows.

I. <u>Alternative 1: Maintain Status Quo</u>

Under this alternative, Genesis' physician offices, convenient care clinic with a clinical laboratory and general radiology services, pharmacy and durable medical equipment ("DME") services would remain at their existing locations. Genesis determined that maintaining the status quo is infeasible because the existing locations cannot accommodate the volume of patient services that are expected to be provided at the proposed MOB. Also, the existing campuses do not provide patients with the same convenient access provided by the location of the MOB. Further, this option would require that the convenient care clinic and the outpatient pharmacy would be apart from the majority of the physician offices; this arrangement would not establish the type of MOB and wellness campus envisioned by Genesis. Further, the DME store would remain in a basement location on the GMC – Illini campus, which is neither visible to nor conveniently located for customers. Accordingly, Genesis dismissed this alternative.

II. <u>Alternative 2: Construct Genesis-Owned MOB in the Illinois Quad Cities</u>

With respect to this option, Genesis would itself finance, build, and own a MOB in the Illinois Quad Cities separate and apart from its existing GMC – Illini campus. Genesis rejected this alternative for several reasons. According to the Developer, it will spend $8,903,364 to construct the MOB. In comparison, the fair market value of Genesis' annual lease will total $880,471 – approximately 10% of the Developer's projected construction costs for the entire MOB. Thus, in the first year of leasing space in the MOB, Genesis will pay $880,471 in annual rent for the Genesis space in the MOB and will not incur the $8,903,364 the Developer incurs to construct the MOB. This results in significant savings for Genesis.

Second, this alternative would require Genesis to use its own capital to finance the construction of the MOB, which would, in turn, force Genesis to redirect capital from existing projects and from the costs of providing healthcare services to its patient population. This alternative would also require Genesis to devote its own staff and personnel to the development and construction of the MOB. The human resources required to execute this alternative would significantly impair other initiatives.

Thus, Genesis determined that it would be most beneficial for its long-term financial health to support the construction of the MOB by the Developer, thereby permitting Genesis to use its human and capital resources as needed to support the patient population of Western Illinois. Accordingly, Genesis rejected the alternative that would require Genesis to construct and own a MOB in the Illinois Quad Cities.

III. Alternative 3: Remodel an Existing Building on Genesis Medical Center, Illini Campus to Create a MOB

Under this alternative, Genesis would finance the remodeling of its GMC – Illini campus to develop a MOB in an existing building. The Applicant determined that this alternative is infeasible due to the high capital costs of remodeling. The cost of remodeling existing buildings in Illinois to create a MOB can cost approximately $4,400,000, while the cost of leasing space in the Developer-owned MOB is estimated to be $880,471 per year. Furthermore, remodeling on the GMC – Illini campus is not feasible because of its decentralized location away from the demographic center of the community; the proposed project is located in an area that is accessible to a greater number of patients. Additionally, remodeling GMC – Illini would disrupt patient services currently provided on the property and detract from the care that Genesis provides to the patient population of Western Illinois. The Applicant therefore determined that this alternative is infeasible.

IV. Alternative 4: Expand Genesis Medical Center, Illini Campus with the Addition of a Newly-constructed MOB

According to this alternative, Genesis would expand GMC – Illini to include a newly-constructed MOB. The capital costs of expanding would likely exceed the $8,903,364 the Developer anticipates spending to construct the MOB, plus likely an additional amount that could reach $1,000,000 for required land acquisition. These capital costs are infeasible for Genesis, particularly where the Developer is willing and able to cover the costs of constructing the MOB. Additionally, as suggested above, expanding the GMC – Illini campus would disrupt patients receiving care on the campus. Thus, Genesis determined that expanding the GMC – Illini campus to construct the MOB is infeasible.

V. Alternative 5: Lease Space in MOB Constructed and Owned by the Developer

In light of the issues outlined above, leasing space in a MOB that is constructed and owned by the Developer is the only feasible option for Genesis. The Applicant will own the land upon which the MOB is constructed but will reduce its costs by leasing space in the MOB from the Developer, who will be responsible for construction costs. As outlined above, the cost of Genesis' space lease is $880,471 per year. Leasing space at this amount will allow Genesis to devote its financial and human resources to patient care and existing projects.

The proposed Developer-constructed and owned MOB is a necessary addition to Genesis' existing facilities as it will facilitate the consolidation of physician practices, as well as offer space for the convenient care clinic, pharmacy and DME in one central location, enabling Genesis to create a unique wellness-oriented campus, which will be an asset for the community. In addition, this alternative addresses the lack of capacity that Genesis physicians currently have in their Moline and Rock Island offices. In sum, Genesis' leasing of space in the Developer-owned MOB will reduce costs to Genesis while providing Genesis patients with convenient access to more efficient healthcare services.

ATTACHMENT – 16
Unfinished or Shell Space

Genesis will not be leasing any shell space in the MOB.

The Developer's proposed shell space includes 15,597 gross square feet ("GSF"). The Developer anticipates leasing shell space to third-party, independent physician groups.

As the MOB is a new construction project and is not a health care facility under 20 ILCS 3960, evidence that the shell space is being constructed due to requirements of governmental or certification agencies or experienced increases in historical occupancy is not applicable. Likewise, there is no historical utilization data associated with the medical office building or the nonclinical services to be provided therein.

ATTACHMENT – 17

Assurances

The Developer, Moline Physicians, LLC, owns and controls the shell space. The Developer is not an applicant to this Certificate of Need application. Genesis has no ownership interest or intent to lease, occupy or otherwise use the Developer's space.

ATTACHMENT – 39
Proof of Bond Rating

MOODY'S
INVESTORS SERVICE

DEC 20 2011

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

December 7, 2011

Mr. Mark Rogers
Chief Financial Officer
Genesis Health System
1227 E. Rusholme Street
Davenport, IA 52803

Dear Mr. Rogers:

We wish to inform you that Moody's Investors Service has affirmed Genesis Health System's A1 rating on Series 2010 fixed rate revenue bonds issued through the Iowa Finance Authority. The rating outlook remains stable.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time.

The rating as well as any other revisions or withdrawals thereof will be publicly disseminated by Moody's through the normal print and electronic media and in response to verbal requests to Moody's rating desk.

In order for us to maintain the currency of our rating, we request that you provide ongoing disclosure, including annual and quarterly financial and statistical information.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Mark Pascaris

Mark Pascaris
Vice President/Senior Analyst
Phone: 312-706-9963
Fax: 212-298-6377
Email: mark.pascaris@moodys.com

MP:rf

cc: Mr. William Henderson, Piper Jaffray

Genesis Health System and Related Organizations

Consolidated Financial Report
June 30, 2011

Contents

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

Independent Auditor's Report

To the Audit and Compliance Committee
Genesis Health System
Davenport, Iowa

We have audited the accompanying consolidated balance sheets of Genesis Health System and related organizations (System) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Misericordia Assurance Company, Ltd., a consolidated subsidiary, which statements reflect total assets and revenue constituting approximately 4% and 1%, respectively, of the related consolidated totals in 2011 and 2010. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Misericordia Assurance Company, Ltd., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genesis Health System and related organizations as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, effective July 1, 2010 the System adopted the new accounting provisions relating to consolidation of noncontrolling interests in the consolidated financial statements. The adoption of this guidance resulted in a retroactive restatement on the consolidated financial statements.

McGladrey & Pullen, LLP

Davenport, Iowa
October 25, 2011

Genesis Health System
and Related Organizations

Consolidated Balance Sheets
June 30, 2011 and 2010

Assets	2011	2010
Current Assets:		
Cash and cash equivalents	$ 76,241,207	$ 58,099,247
Short-term investments	1,323,897	1,355,211
Receivables:		
Patients, net	79,121,728	81,302,404
Other, including assets limited as to use	14,414,865	12,575,013
Inventories, supplies and materials	13,709,309	12,553,702
Prepaid expenses and deposits	5,766,598	4,551,157
Total current assets	190,577,604	170,436,734
Investments	54,388,983	52,821,697
Assets Limited as to Use:		
Internally designated	157,778,420	136,440,158
Under bond indenture, funds held by trustee	5,899,175	13,855,860
Interest in net assets of Foundation	737,849	654,132
Donor restricted	17,278,889	17,204,300
	181,694,333	168,154,450
Property and Equipment, net	248,326,560	255,657,359
Other Assets:		
Bond issuance costs, net	775,920	750,334
Goodwill	30,730,877	820,444
Other	1,456,314	1,536,851
	32,963,111	3,107,629
	$ 707,950,591	$ 650,177,869

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	2011	2010
Current Liabilities:		
Current maturities of long-term debt	$ 8,245,803	$ 7,888,885
Accounts payable	17,630,976	18,512,293
Accrued salaries and wages	14,943,124	13,643,144
Accrued paid leave	16,646,147	15,907,419
Due to third-party payors	5,471,502	2,782,867
Unpaid losses and loss adjustment expenses	15,364,020	13,902,001
Other accrued expenses	5,646,273	5,970,263
Total current liabilities	83,847,845	78,406,872
Long-Term Debt, less current maturities	96,477,661	104,482,761
Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities	32,837,656	54,837,630
Commitments and Contingent Liabilities (Notes 8 and 11)		
Total liabilities	213,163,162	237,727,263
Net Assets:		
Unrestricted	465,923,057	394,143,518
Noncontrolling interests - unrestricted	10,847,634	448,656
Temporarily restricted	16,112,867	16,206,874
Permanently restricted	1,903,871	1,651,558
	494,787,429	412,450,606
	$ 707,950,591	$ 650,177,869

Genesis Health System
and Related Organizations

Consolidated Statements of Operations
Years Ended June 30, 2011 and 2010

		2011		2010
Change in unrestricted net assets:				
Unrestricted revenue:				
Net patient service revenue	$	515,041,430	$	524,122,709
Other service revenue, net of cost of revenue 2011 $12,031,987; 2010 $11,150,387		11,583,867		13,027,106
Medical office building rental revenue		1,471,455		1,400,144
Other revenue		14,050,197		19,490,378
Total revenue		542,146,949		558,040,337
Expenses:				
Salaries and wages		223,166,468		214,759,377
Employee benefits		54,366,072		52,546,749
Contracted professionals and services		40,843,532		43,521,383
Supplies		86,171,666		88,407,996
Other expenses		61,469,867		64,798,613
Provision for bad debts		27,792,024		35,782,769
Interest		5,303,384		7,176,171
Depreciation and amortization		36,178,677		36,861,277
Total expenses		535,291,690		543,854,337
Operating income		6,855,259		14,186,000
Nonoperating gains and losses:				
Interest and dividend income and realized gains on sales of investments		7,780,802		11,208,910
Current year change in unrealized gains on trading securities		19,008,724		13,658,929
Other nonoperating income		588,871		306,405
Loss on extinguishment of debt		-		(1,514,471)
Excess of fair value over equity acquired for GenGastro, LLC		24,765,464		-
Nonoperating gains		52,143,861		23,659,773
Excess of revenue over expenses		58,999,120		37,845,773
Less excess of revenue (over) under expenses attributable to noncontrolling interests		(10,649,020)		12,530
Excess of revenue over expenses attributable to Genesis Health System		48,350,100		37,858,303
Net assets released from restrictions, for capital expenditures		2,511,419		-
Change in unrecognized funded status of retirement plan		20,918,020		(13,457,401)
Increase in unrestricted net assets	$	71,779,539	$	24,400,902

See Notes to Consolidated Financial Statements.

Genesis Health System
and Related Organizations

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Noncontrolling Interests - Unrestricted Net Assets	Total Net Assets
Net assets, June 30, 2009	$ 369,742,616	$ 14,663,847	$ 1,854,555	$ 1,200,484	$ 387,461,502
Excess of revenue over (under) expenses	37,858,303	-	-	(12,530)	37,845,773
Change in unrecognized funded status of retirement plan	(13,457,401)	-	-	-	(13,457,401)
Contributions, investment income (losses) and other	-	2,440,407	(202,997)	-	2,237,410
Net assets released from restrictions, for operating activities	-	(958,547)	-	-	(958,547)
Change in interest in net assets of Foundation	-	61,167	-	-	61,167
Distributions to noncontrolling interests	-	-	-	(739,298)	(739,298)
Change in net assets	24,400,902	1,543,027	(202,997)	(751,828)	24,989,104
Net assets, June 30, 2010	394,143,518	16,206,874	1,651,558	448,656	412,450,606
Excess of revenue over expenses	48,350,100	-	-	10,649,020	58,999,120
Change in unrecognized funded status of retirement plan	20,918,020	-	-	-	20,918,020
Contributions, investment income and other	-	3,816,401	252,313	-	4,068,714
Net assets released from restrictions, for operating activities	-	(1,482,706)	-	-	(1,482,706)
Net assets released from restrictions, for capital expenditures	2,511,419	(2,511,419)	-	-	-
Change in interest in net assets of Foundation	-	83,717	-	-	83,717
Consolidate GenGastro, LLC	-	-	-	493,268	493,268
Distributions to noncontrolling interests	-	-	-	(743,310)	(743,310)
Change in net assets	71,779,539	(94,007)	252,313	10,398,978	82,336,823
Net assets, June 30, 2011	**$ 465,923,057**	**$ 16,112,867**	**$ 1,903,871**	**$ 10,847,634**	**$ 494,787,429**

See Notes to Consolidated Financial Statements.

Genesis Health System
and Related Organizations

Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	$ 82,336,823	$ 24,989,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,991,783	36,501,853
Amortization	186,894	359,424
Excess of fair value over equity in GenGastro, LLC	(24,765,464)	-
Change in interest in net assets of Foundation	(83,717)	(61,167)
Loss on disposal of equipment	339,240	232,684
Earnings in (excess) deficit of distributions of associated companies	(73,162)	367,558
Loss on extinguishment of debt	-	1,514,471
Restricted contributions	(1,067,663)	(1,233,772)
Realized and unrealized (gains) on investments	(24,769,135)	(20,612,772)
Net changes in assets and liabilities:		
(Increase) decrease in patient and other receivables	1,020,188	(5,442,060)
(Increase) in inventories, supplies and materials	(1,155,607)	(1,151,448)
(Increase) in prepaid expenses and deposits	(1,215,441)	(239,493)
(Increase) in funded status of retirement plan	(23,018,130)	(27,723)
Increase (decrease) in accounts payable	(1,079,268)	5,417,949
Increase in accrued expenses, due to third-party payors, retirement benefits and other	6,883,528	4,373,034
Net cash provided by operating activities	49,530,869	44,987,642
Cash Flows from Investing Activities:		
Purchase of property and equipment	(28,684,459)	(31,850,931)
Proceeds from sale of equipment	92,389	1,055,726
Purchase of investments	(44,568,055)	(56,008,829)
Purchase of additional investment from noncontrolling interests	(5,855,614)	-
Proceeds from sale of investments	54,632,560	46,958,567
Consolidate noncontrolling interests in GenGastro, LLC	(493,268)	-
(Increase) in other assets	(148,784)	(256,064)
Net cash (used in) investing activities	(25,025,231)	(40,101,531)
Cash Flows from Financing Activities:		
Principal payments on long-term debt, including capital lease obligations	(7,431,341)	(107,294,012)
Proceeds from long-term borrowings	-	94,794,486
Restricted contributions	1,067,663	1,233,772
Payments of bond issuance costs	-	(641,318)
Net cash (used in) financing activities	$ (6,363,678)	$ (11,907,072)

(Continued)

Genesis Health System
and Related Organizations

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2011 and 2010

	2011	2010
Net increase (decrease) in cash and cash equivalents	**$ 18,141,960**	$ (7,020,961)
Cash and cash equivalents:		
Beginning	**58,099,247**	65,120,208
Ending	**$ 76,241,207**	$ 58,099,247
Supplemental Disclosure of Cash Flow Information, cash payments for interest	**$ 5,305,504**	$ 7,180,392
Supplemental Disclosures of Noncash Investing Activities, Acquisition of GenGastro, LLC:		
Patient receivables acquired	**$ 679,364**	
Property and equipment acquired	**408,154**	
Accounts payable acquired	**(97,951)**	
Consolidate GenGastro, LLC	**(493,268)**	
Goodwill	**(29,910,433)**	
Noncontrolling interests	**9,796,670**	
Excess of fair value over equity acquired	**24,765,464**	
Cash payment	**$ 5,148,000**	

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Genesis Health System – Iowa (GHS Iowa), an Iowa nonprofit corporation, and Genesis Health System – Illinois (GHS Illinois), an Illinois not-for-profit corporation, have identical governing boards, management and bylaws and can act jointly. GHS Iowa and GHS Illinois collectively represent the Obligated Group on certain of the System's long-term debt.

GHS Iowa is also the sole member of Genesis Health Services Foundation and Genesis Health System Workers' Compensation Plan and Trust, the sole stockholder of GenVentures, Inc., a member of Misericordia Assurance Company, Ltd. and a partner in GenGastro, LLC and Davenport SRS Leasing, LLC. GHS Illinois is the sole member of Illini Hospital Foundation and a partner in The Larson Center Partnership.

GHS Iowa and GHS Illinois (collectively GHS) operate the following business units:

Genesis Health System provides administrative, management, information technology and other support services to its affiliates.

Genesis Clinical Services: GHS owns and operates physician medical practices, convenient care practices, operates an occupational medicine clinic and provides behavioral health services to the residents of eastern Iowa and western Illinois.

Genesis Medical Center – Davenport (GMC – Davenport) is licensed as a 502-bed acute care hospital which provides services from two hospital facilities located in Davenport, Iowa.

Genesis Family Medical Center (GFMC) is a family practice residency training program that operates clinics in Davenport and Blue Grass, Iowa to provide a clinical setting for the residents to treat patients.

Genesis Medical Center – DeWitt (GMC – DeWitt) is certified as a critical access hospital, which has 13-acute care and swing beds, and has a 77-bed long-term care facility, which provides services from its facility in DeWitt, Iowa.

Genesis Illinois Properties (GIP) owns land located in Moline, Illinois.

Genesis Visiting Nurse Association and Hospice (VNA) provides home health care, community nursing services and hospice services to patients in eastern Iowa and western Illinois.

Genesis Medical Center – Illini (GMC – Illini) is licensed as a 149-bed acute care hospital which provides services from its facility in Silvis, Illinois.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Illini Hospital Nursing Home (INH) operates Illini Restorative Care Center and Crosstown Square. Illini Restorative Care Center operates a 75-bed licensed nursing facility which provides skilled and intermediate health care and related services to patients. Twenty-two of Illini Restorative Care Center's beds are designated as hospital-based Medicare certified beds. Illini Restorative Care's Sheltered Care unit is a 45-bed facility which provides rehabilitative and personal care in a family-oriented setting. Crosstown Square is an independent living facility containing 76 rentable apartments and two guest rooms that offers services designed to meet the needs of senior adults.

GHS Iowa and GHS Illinois have a controlling ownership interest or membership in the following organizations:

Genesis Health Services Foundation (Genesis Foundation) is an organization whose mission is to develop, manage and grant charitable support to meet the health-related needs of the communities served by Genesis Health System

Illini Hospital Foundation (Illini Foundation) supports GMC – Illini by providing financial and fundraising assistance. The mission of the Illini Foundation is to assist GMC – Illini in providing quality, compassionate care for all those in need by raising, managing and granting charitable funds.

The Genesis Foundation and Illini Foundation are collectively referred to as the Foundations.

The Larson Center Partnership (LCP) is a for-profit real estate partnership which owns a medical office building adjacent to GMC – Illini and leases space for clinics, laboratory, pharmacy and offices to GMC – Illini and other third-party organizations. GHS Illinois is a general partner and owns approximately 75.6% of LCP.

GenVentures, Inc. (GenVentures) is a wholly-owned for-profit corporation which operates the following divisions, primarily in the Quad Cities:

Genesis at Home, Continuing Care sells and leases home medical equipment; provides intravenous therapy services, including sales of related solutions and supplies to patients; and provides retail pharmaceutical and over the counter products to patients and employees of the System.

GenProperties owns, leases and/or manages office space in thirteen medical office buildings located in Davenport, Eldridge, LeClaire, Muscatine and Bettendorf, Iowa.

Crescent Laundry provides commercial laundry services to health care facilities in eastern Iowa and in north-central Illinois.

Genesis Health System Workers' Compensation Plan and Trust (Workers' Compensation Trust) provides a fund which can be used to pay workers' compensation claims and costs for the benefit of Genesis Health System.

Misericordia Assurance Company, Ltd. (Misericordia) is a wholly-owned Cayman based captive insurance company which underwrites the general and professional liability risks of Genesis Health System and affiliates.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

GenGastro, LLC (d/b/a the Center for Digestive Health) is a limited liability company, which was formed in 2003, a single-specialty gastroenterology ambulatory surgery center located in Bettendorf, Iowa. Genesis Health System is a general partner and owned 50% of GenGastro as of June 30, 2010. In December 2010, Genesis Health System acquired an additional 16.67% interest in GenGastro and maintains a 66.67% ownership interest as of June 30, 2011. Upon obtaining a controlling interest, the System consolidated the accounts of GenGastro, LLC in its consolidated financial statements in January 2011.

Davenport SRS Leasing, LLC (SRS) is a limited liability company, which was formed in 2008, which leases medical equipment. Genesis Health System is a general partner and owned 55% of SRS as of June 30, 2009. On September 30, 2009, Genesis Health System acquired an additional 38.75% interest in SRS to obtain a 93.75% ownership interest as of June 30, 2011 and 2010.

GHS and its related organizations are collectively referred to as the System.

Significant accounting policies:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Genesis Health System and related organizations. All significant intercompany balances and transactions have been eliminated upon consolidation.

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in the estimates and assumptions in the near term would be material to the financial statements.

Cash and cash equivalents: Cash and cash equivalents include unrestricted cash and temporary cash investments not limited as to use. The cash equivalents have a maturity of three months or less at date of issuance. Certain temporary cash investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: The collection of receivables from third-party payors and patients is the System's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts for deductibles and copayments remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Receivables due from medical office building tenants and from commercial laundry customers are carried at the original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts, and by considering the patient's financial history, credit history and current economic conditions. The System does not charge interest on receivables. Receivables are written off as bad debts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various payor contracts, primarily Medicare, are reported as amounts due from or to third-party payors. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the System's collection of accounts receivable, cash flows and results of operations.

Inventories, supplies and materials: Inventories, supplies and materials are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use: Assets limited as to use include assets internally designated by the System's Board of Directors for future capital improvements and other purposes, over which the Board retains control and may at their discretion subsequently use for other purposes, assets held by trustees under bond indenture agreements, interest in the net assets of the DeWitt Community Hospital Foundation and donor restricted assets.

Donor restricted assets limited as to use as of June 30, 2011 and 2010 include approximately $100,000 and $134,000, respectively, of pledges receivable for unconditional promises which are restricted by the donors to be used for capital projects. All of the pledges receivable are expected to be collected within the next year and are included in other receivables as a current asset on the accompanying consolidated balance sheets. The pledges are recorded net of an estimated allowance for uncollectible receivables of approximately $8,000 and $13,000 as of June 30, 2011 and 2010, respectively.

Investments: Short-term investments consist of certificates of deposit which are stated at cost which approximates fair value. Investments in equity securities, including assets limited as to use, with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets based on quoted market prices. Investments also include alternative investments which are carried at fair value, which is estimated at the most recent valuations provided by external investment managers. Management has reviewed and evaluated the values provided by the managers and agrees with the valuation methods and assumptions used to determine their values.

Investment income includes dividends, interest and other investment income and realized gains and losses on investments. Changes in unrealized gains and losses on investments classified as trading securities are included in excess of revenue over expenses.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investment income earned on Misericordia's investments, which are restricted for the payment of general and professional liabilities, is included in other operating revenue. Investment income included as other operating revenue was $1,424,505 and $2,664,678 for the years ended June 30, 2011 and 2010, respectively.

The System classifies substantially all of its investments in debt and equity securities as trading. This classification as trading requires the System to recognize unrealized gains and losses on substantially all of its unrestricted and internally designated investments in debt and equity securities as a component of nonoperating income and expense in the consolidated statements of operations and changes in net assets.

Investments in associated companies are accounted for by the equity method of accounting under which the System's share of the net income (loss) of the associated companies that provide patient related services are recognized as operating income (loss) and the share of net income (loss) of the associated companies that do not provide patient related services are recognized as nonoperating income (loss) in the consolidated statements of operations and changes in net assets and added to (deducted from) the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account. The System has investments in companies that provide: lithotripsy, ultrasound services, endoscopy procedures, specialized and orthopedic care, ambulatory surgery procedures, occupational and physical therapy rehabilitation services, a medical office building partnership, an equipment leasing company, mobile clinical and medical services, health insurance plans and in the Genesis Heart Institute. Subsequent to year-end, the System entered into a transaction to increase its ownership interest in the company that provides ambulatory surgery procedures.

As of June 30, 2009, the System held a 5% interest in Wellmark Health Plan of Iowa, which was recorded at its cost. The System sold its 5% interest to Wellmark Health Plan of Iowa during the year ended June 30, 2010 and recognized a gain of approximately $5,400,000 which is included in investment income on the accompanying statement of operations for the year ended June 30, 2010.

Property and equipment: Property and equipment is carried at cost or, if donated, at fair market value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are included in the income or loss from operations unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Bond issuance costs: Bond issuance costs are being amortized over the term the bonds are outstanding.

Goodwill: Goodwill is being tested for impairment annually. Management performed assessments for impairment as of June 30, 2011 and 2010 and determined no goodwill impairment exists.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Unpaid losses and loss adjustment expenses: Misericordia Assurance Company Ltd. and the Workers' Compensation Trust have liabilities for unpaid losses and loss adjustment expenses which are determined using case basis evaluations and statistical analyses and represent estimates of the ultimate net cost of all reported and unreported losses which are unpaid at year-end. Management concurs with the independent actuary on the determination of the estimated ultimate net costs for losses and loss adjustment expenses.

All estimates of unpaid losses and loss adjustment expenses are reviewed at least annually, and any adjustments determined to be necessary are reflected in current operations. Since these liabilities are based on estimates, the ultimate settlement of losses and related expense may vary from the amounts included in the consolidated financial statements. Misericordia records its estimated liability for unpaid losses and loss adjustment expenses at an undiscounted actuarially determined amount. The Workers' Compensation Trust records its estimated liability for unpaid losses and loss adjustment expenses at a discounted actuarially determined amount, discounted using a 3% yield for the years ended June 30, 2011 and 2010.

Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate. No representation is made, however, that the ultimate liabilities may not be in excess of the amounts provided. Also, the Trust's participants are obligated by the terms of the Trust agreement to contribute retrospective payments to the Trust, if deemed necessary, in order to support claims and costs in excess of the amounts provided.

Misericordia and the Workers' Compensation Trust record their estimated liabilities gross of any amounts recoverable under their own reinsurance, which amounts, if any, are recorded separately in the balance sheet. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, they would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

Premiums written and ceded: Premiums written and ceded are recognized in income pro-rata over the term of the policies and the unearned and unexpensed portions at the consolidated balance sheet dates are transferred to unearned premiums or deferred reinsurance premiums ceded, respectively.

Reinsurance premiums ceded are similarly recognized on a pro-rata basis over the terms of the policy issued and the unearned portion, if any, deferred and transferred to deferred reinsurance premiums ceded in the consolidated balance sheet.

The policies insured by Misericordia are subject to a retrospective rating plan, under which retrospective premiums are recomputed annually based on incurred loss. Retrospective premium adjustments are included in income in the period in which they are determined.

Consistent with this policy, all available income of Misericordia is transferred to the provision for outstanding losses and retrospective premium adjustments. Accordingly, Misericordia's statements of income reflect a break-even position in income.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Temporarily and permanently restricted net assets: The System is required to report information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Noncontrolling interests: The Hospital has a 66.67% interest in GenGastro, LLC, a 75.60% interest in The Larson Center Partnership and a 93.75% interest in Davenport SRS Leasing, LLC, while other members own a noncontrolling interest of the companies. A pro rata share of the income or losses and net assets, in the form of members' equity, applicable to this interest has been recognized in the System's consolidated financial statements.

Fair value of financial instruments: Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, short-term investments, receivables, accounts payable, accrued liabilities, due to third-party payors and other current liabilities. The System's investments and assets limited as to use are carried at fair value on the consolidated balance sheets. Based on borrowing rates currently available to the System with similar terms and maturities, the fair value of the long-term debt excluding capital leases and unamortized bond premium approximates $99,136,000 and $97,351,000 as of June 30, 2011 and 2010, respectively.

Fair value measurements: The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis. See Note 6 for additional information.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Other service revenue, net of cost of revenue: The consolidated statements of operations include other service revenue, net of cost of revenue which primarily consists of the leasing of medical equipment, home medical equipment and office buildings through GenVentures, Inc. and Davenport SRS Leasing, LLC.

Operating income: The consolidated statements of operations include operating income. Changes in unrestricted net assets, which are excluded from operating income include investment income, contribution income and other income which management views as outside of normal activity.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Excess of revenue over expenses: The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include the change in unrealized gains and losses on investments classified as other-than-trading, permanent transfers of assets for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and change in unrecognized funded status of the retirement plan.

New accounting guidance: The System adopted certain provisions of FASB Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures* (Topic 820): *Improving Disclosures about Fair Value Measurements,* effective for the System for the year ended June 30, 2011. The remaining provisions are effective for the year ending June 30, 2012. The adoption improves the disclosures and increases the transparency in financial reporting of fair values in the footnotes of the System's financial statements.

The System adopted accounting standards on *Not-for-Profit Entities: Mergers and Acquisitions* (formerly SFAS No. 164). This standard determines whether a combination is a merger or an acquisition; applies the carryover method in accounting for a merger; applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer; and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. This standard also amends an accounting standard on *Goodwill and Other Intangible Assets* (formerly SFAS No. 142), to make it fully applicable to not-for-profit entities. This amendment requires that goodwill of the System, if any, cease to be amortized, but must be tested for impairment at the "reporting unit" level, a new concept for not-for-profit entities. The standard also established accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and may be reported as net assets in the consolidated financial statements, rather than as a liability in the mezzanine section between liabilities and net assets. The adoption of this guidance resulted in a retroactive restatement which increased net assets and decreased liabilities on the consolidated balance sheets as of June 30, 2010 and 2009 by $448,656 and $1,200,484, respectively, and modified the presentation of the consolidated statements of operations to include amounts attributable to Genesis Health System and the noncontrolling interests.

Charity care: The System provides care to patients who meet certain criteria under charity care policies without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Also see Note 3.

Reclassifications: Certain items on the consolidated financial statements as of and for the year ended June 30, 2010 have been reclassified to be consistent with classifications adopted during the year. The reclassifications had no impact on total assets or total net assets with the exception of the adoption of the accounting standards on *Not-for-Profit Entities: Mergers and Acquisitions* as discussed above.

Subsequent events: The System has evaluated subsequent events through October 25, 2011, the date on which the consolidated financial statements were issued.

Note 2. Net Patient Service Revenue

Health care providers within the System have agreements with third-party payors that provide for payments at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, Wellmark/Blue Cross, other health maintenance organizations, and various commercial insurance and preferred provider organizations.

Third-party payor rates differ by payor and include: established charges, contracted rates less than established charges, retroactively determined cost-based rates and prospectively determined rates per discharge, per procedure, or per diem.

A summary of net patient service revenue for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Gross patient service revenue	$ 1,177,273,400	$ 1,185,229,388
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	662,202,982	661,106,679
	$ 515,070,418	$ 524,122,709

Estimated contractual adjustments for the years ended June 30, 2011 and 2010 includes the effect of a change in the estimate of the amount due to third-party payors. The effect of this change in estimate is a decrease in estimated contractual adjustments of approximately $4,071,000 and $3,526,000 for the years ended June 30, 2011 and 2010, respectively, and is related to the recognition of disproportionate share reimbursement and retroactive adjustments based on final settlements of cost reports.

In December 2008, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Illinois Medicaid Hospital Assessment Program. Under the Program, which is retroactive to July 1, 2008, a hospital receives additional Medicaid reimbursement from the State and pays a related assessment. Total reimbursement revenue recognized by the System related to this Program for each of the years ended June 30, 2011 and 2010 amounted to approximately $5,814,000 which is recorded as a reduction of estimated contractual adjustments. Total assessments incurred by the System related to this Program for each of the years ended June 30, 2011 and 2010 amounted to approximately $1,846,000 which is included in other operating expenses. The Program is effective through June 2014.

In 2011, CMS approved the State of Iowa's Hospital Provider Tax Program. Under the Program, which is retroactive to July 1, 2010, a hospital is required to pay a quarterly provider tax assessment. The tax assessments collected by the State are used to fund a health care access improvement fund and are used to obtain federal matching funds, all of which must be distributed to Iowa hospitals to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Plan increases inpatient DRG reimbursement rates and also implements several supplemental inpatient and outpatient methodologies. The Program is effective through June 2013.

The System's additional reimbursement for the year ended June 30, 2011 has been recorded in the accompanying consolidated financial statements. Total reimbursement revenue recognized by the System related to this Program amounted to approximately $3,465,000 for the year ended June 30, 2011, which is recorded as a reduction of contractual adjustments. Total assessments incurred by the System related to this Program amounted to approximately $2,491,000 for the year ended June 30, 2011, which is included in other operating expenses.

Note 3. Charity Care and Community Service

The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended June 30, 2011 and 2010 was approximately $31,816,000 and $21,198,000, respectively. These charges foregone represent approximately 79% and 65% of the System's operating income before charity care adjustments for the years ended June 30, 2011 and 2010, respectively.

Although not accounted for as charity care, the System considers the contractual adjustment expense related to the Medicaid services as additional charity care. Contractual adjustments related to Medicaid services performed were approximately $89,317,000 and $93,605,000 for the years ended June 30, 2011 and 2010, respectively.

In addition to its charity policy, the System provided community benefits, including, but not limited to, the following:

- Operation of full-time emergency rooms providing emergency medical services to all patients accessing the System, regardless of race, creed, sex, national origin, handicap, age or ability to pay.
- Operation of a community based hospice program along with the only residential hospice house in the Quad Cities.
- Maintenance of provider agreements with the Medicare and Medicaid programs.
- Health screenings, promotions, education and prevention programs offered free or at low cost to its communities.
- A medical education program which provides for the education of Family Practice residents at GFMC, as well as support to nursing programs.
- Volunteer services provided by the System's staff to the communities, including major community events and fund raising activities.
- Not-for-profit community funding, including those community groups' activities that are consistent with Genesis' mission.
- Subsidized services to other charitable organizations providing health related services.

Genesis Health System and the Foundations, as part of their missions, grant charitable support to meet the health related needs of the communities served by the System.

Note 4. Receivables

Patient receivables as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Patient receivables before allowances	$ 150,843,416	$ 157,464,354
Less:		
Estimated third-party contractual allowances	57,347,065	59,283,446
Allowance for doubtful accounts and charity care	14,374,623	16,878,504
	$ 79,121,728	$ 81,302,404

Note 5. Composition of Long-Term Investments and Assets Limited as to Use

Long-term investments and assets limited as to use that are internally designated and donor restricted consist of the following as of June 30, 2011 and 2010:

	2011	2010
Cash, primarily money market funds	$ 1,879,842	$ 614,035
Certificates of deposit	8,500,254	12,343,444
Common stocks	67,975,262	20,818,396
Fixed income mutual funds	57,348,154	56,174,212
Equity mutual funds	40,474,950	65,151,028
Equity collective investment funds	43,199,585	41,760,355
Investment in associated companies	9,527,473	9,059,217
Pledges receivable	100,238	133,975
Other	540,772	545,468
Total	$ 229,546,530	$ 206,600,130

Long-term investments and assets limited as to use that are internally designated and donor restricted are included in the accompanying consolidated balance sheets under the following captions as of June 30, 2011 and 2010:

	2011	2010
Other receivables, current portion	$ 100,238	$ 133,975
Investments	54,388,983	52,821,697
Assets limited as to use:		
Internally designated	157,778,420	136,440,158
Donor restricted	17,278,889	17,204,300
	$ 229,546,530	$ 206,600,130

Assets limited as to use under bond indenture, funds held by trustee, consist of money market funds of $5,899,175 and $13,855,860 as of June 30, 2011 and 2010, respectively. These assets, including related investment income, are restricted to be maintained as debt service reserve funds and for capital projects and, therefore, are unavailable for the System's general use.

The investments of the System are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Note 5. Composition of Long-Term Investments and Assets Limited as to Use (Continued)

The return on investments, including assets limited as to use, is reported in the consolidated statements of operations and changes in net assets as follows:

	2011	2010
Unrestricted:		
Interest and dividend income	$ 3,847,388	$ 6,045,598
Equity in net income of associated companies	3,070,992	4,576,865
Net realized gains on investments	3,022,169	299,168
Other operating revenue	1,424,505	2,664,678
Realized gain on sale of Wellmark Health Plan of Iowa investment	-	5,445,600
Change in net unrealized gains and losses on investments	19,008,724	13,658,929
	30,373,778	32,690,838
Temporarily restricted:		
Interest and dividend income	219,612	197,823
Net realized gains (losses) on investments	836,944	(639,820)
Change in net unrealized gains and losses on investments	1,755,964	1,782,091
	2,812,520	1,340,094
Permanently restricted:		
Interest and dividend income	3,412	3,781
Net realized gains (losses) on investments	11,796	(12,034)
Change in net unrealized gains and losses on investments	133,538	78,838
	148,746	70,585
	$ 33,335,044	$ 34,101,517

Note 6. Investments and Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, this guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Note 6. Investments and Fair Value Measurements (Continued)

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Investments in common stocks and mutual funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation. These financial instruments are classified as level 1 in the fair value hierarchy.

The System invests in alternative investments consisting of equity mutual funds and collective investment funds for which fair value is determined using the net asset value per share of each fund. The NAV for level 2 mutual funds and collective investment funds is primarily determined based on the underlying assets and liabilities held in the fund. The estimated fair values of certain investments of the underlying investment funds, which may include securities for which prices are not readily available, are determined by the managers of the respective other investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the System's investments in funds generally represents the amount the System would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2011.

Note 6. Investments and Fair Value Measurements (Continued)

Assets recorded at fair value on a recurring basis:

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Investments at Fair Value as of June 30, 2011			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks:				
Healthcare	$ 9,900,971	$ 9,900,971	$ -	$ -
Financial	8,801,278	8,801,278	-	-
Consumer Discretionary	11,073,908	11,073,908	-	-
Energy	6,716,894	6,716,894	-	-
Information Technology	14,774,970	14,774,970	-	-
Industrials	5,663,132	5,663,132	-	-
ADR's (American Depository Receipts)	4,332,997	4,332,997	-	-
Materials	2,543,524	2,543,524	-	-
Consumer Staples	2,512,983	2,512,983	-	-
Utilities	878,506	878,506	-	-
Telecommunication Services	776,099	776,099	-	-
Equity Mutual Funds:				
Thornburg International Value Fund	17,000,179	17,000,179	-	-
PIMCO Cayman U.S. Total Return Fund	11,818,129	-	11,818,129	-
Other	11,656,642	11,656,642	-	-
Equity Collective Investment Funds:				
JP Morgan Core Bond Trust	32,945,337	-	32,945,337	-
JP Morgan U.S. Aggregate Bond Fund	10,254,248	-	10,254,248	-
Fixed Income Mutual Funds:				
PIMCO Total Return Fund	45,378,123	45,378,123	-	-
Other	11,970,031	11,970,031	-	-
	$ 208,997,951	$ 153,980,237	$ 55,017,714	$ -

Note 6. Investments and Fair Value Measurements (Continued)

	Investments at Fair Value as of June 30, 2010			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks:				
Healthcare	$ 4,228,250	$ 4,228,250	$ -	$ -
Financial	1,807,175	1,807,175	-	-
Consumer Discretionary	4,061,483	4,061,483	-	-
Energy	1,546,359	1,546,359	-	-
Information Technology	7,588,280	7,588,280	-	-
Industrials	795,487	795,487	-	-
ADR's (American Depository Receipts)	791,362	791,362	-	-
Equity Mutual Funds:				
Lord Abbett Small Cap Blend Fund	11,151,680	11,151,680	-	-
Quantitative Equity Large Cap Value AP Trust	18,440,666	-	18,440,666	-
Thornburg International Value Fund	13,047,096	13,047,096	-	-
PIMCO Cayman U.S. Total Return Fund	11,917,933	-	11,917,933	-
Other	10,593,653	10,593,653	-	-
Equity Collective Investment Funds:				
JP Morgan Core Bond Trust	31,082,853	-	31,082,853	-
JP Morgan U.S. Aggregate Bond Fund	10,677,502	-	10,677,502	-
Fixed Income Mutual Funds:				
PIMCO Total Return Fund	44,259,177	44,259,177	-	-
Other	11,915,035	11,915,035	-	-
	$ 183,903,991	$ 111,785,037	$ 72,118,954	$ -

There were no transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the year ended June 30, 2011.

Note 6. Investments and Fair Value Measurements (Continued)

The following table sets forth additional disclosure of the System's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2011 and 2010:

	Fair Value		Unfunded	Redemption	Redemption
	2011	2010	Commitment	Frequency	Notice Period
Investments:					
Equity Mutual Funds:					
Quantitative Equity Large Cap Value AP Trust (A)	$ -	$ 18,440,666	$ -	Monthly	None
PIMCO Cayman U.S. Total Return Fund (B)	11,818,129	11,917,933	-	Daily	Daily
Equity Collective Investment Funds:					
JP Morgan Core Bond Trust (C)	32,945,337	31,082,853	-	Daily	Daily
JP Morgan U.S. Aggregate Bond Fund (D)	10,254,248	10,677,502	-	Daily	Trade date, minus 3 days
	$ 55,017,714	$ 72,118,954	$ -		

(A) The fund seeks to provide long-term growth of capital through a diversified portfolio comprised primarily of common stocks of high quality, medium to large sized U.S. based companies with leading competitive positions. This fund was redeemed during the year ended June 30, 2011.

(B) PIMCO Cayman U.S. Total Return Fund is an open-end investment fund incorporated in the Cayman Islands. The Fund's objective is maximum total return, consistent with preservation of capital and prudent investment management. The System has used the net asset value per share (NAV) as the practical expedient to measure fair value.

(C) The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate and long-term debt securities. The System has used the NAV as the practical expedient to measure fair value.

(D) JP Morgan U.S. Aggregate Bond Fund is an open-end investment fund incorporated in Luxembourg. The Fund's objective is to achieve return in excess of U.S. bond markets by investing primarily in U.S. fixed and floating rate debt securities. The System has used the NAV as the practical expedient to measure fair value.

Note 7. Property and Equipment

Property and equipment as of June 30, 2011 and 2010 consists of the following:

	2011	2010
Land and land improvements (A)	$ 29,963,006	$ 29,553,864
Buildings (B)	325,215,888	318,376,247
Leasehold improvements	20,132,450	19,257,949
Equipment (C)	301,872,301	282,218,908
Construction in process	11,662,995	10,760,876
	688,846,640	660,167,844
Less accumulated depreciation, including accumulated depreciation 2011 $20,981,989; 2010 $19,424,206 on capital lease assets	440,520,080	404,510,485
	$ 248,326,560	$ 255,657,359

(A) Land and land improvements include assets under capital lease as of June 30, 2011 and 2010 of $1,153,678.

(B) Buildings include assets under capital lease as of June 30, 2011 and 2010 of $22,272,145.

(C) Equipment includes assets under capital lease as of June 30, 2011 and 2010 of $9,436,085.

Note 8. Long-Term Debt and Pledged Assets

Long-term debt and pledged assets as of June 30, 2011 and 2010 consist of the following:

	2011	2010
GHS Iowa:		
Revenue bonds, Series 2010 (A)	$ 85,390,000	$ 90,995,000
Unamortized bond premium, Series 2010 (A)	3,782,645	3,799,486
Notes payable and annuity payable	-	2,506
GHS Iowa subtotal	89,172,645	94,796,992
GHS Illinois:		
Capital lease obligations (B)	8,450,000	8,740,000
Capital lease obligation (C)	27,977	81,879
GHS Illinois subtotal	8,477,977	8,821,879
Obligated Group subtotal	97,650,622	103,618,871
GenVentures, note payable, bank (D)	532,626	615,012
LCP, line of credit (E)	675,473	1,105,470
SRS, capital lease obligation (F)	5,817,783	6,795,455
Illini Foundation, annuities payable	46,960	36,838
	104,723,464	112,171,646
Less current maturities	8,245,803	7,688,885
	$ 96,477,661	$ 104,482,761

(A) During fiscal year 2010, GHS Iowa issued Iowa Finance Authority Healthcare Revenue Bonds, Series 2010. The Series 2010 bonds, which had an original principal balance of $90,995,000 and were issued at a premium of $3,799,486, have payments due July 1, annually, and mature in varying amounts through July 1, 2026 and bear interest at rates ranging from 3.0% to 5.0%. The Series 2010 bonds are secured by a pledge of the Obligated Group's unrestricted receivables. The proceeds of the bonds were used to extinguish the 1997 and 2000 Series bonds. The loss on extinguishment of the 1997 and 2000 Series bonds was $1,514,471 for the year ended June 30, 2010.

There are a number of limitations and restrictions contained in the Master Trust Indenture, the most significant of which is for the Obligated Group to maintain a minimum debt service coverage ratio of 1.10 to 1.

Note 8. Long-Term Debt and Pledged Assets (Continued)

(B) GMC – Illini leases its land, land improvements and buildings from Illini Hospital District, a related party, under a capital lease agreement which requires payment in an amount sufficient to pay all principal and interest on outstanding general obligation bonds (alternative revenue source).

The Series 2010 general obligation bonds (alternative revenue source) have an outstanding principal balance of $8,477,977. These bonds were issued to advance refund $8,740,000 of the outstanding 2001 general obligation bonds (alternative revenue source). The Series 2010 bonds bear interest at rates varying from 1.27% to 4.53%, which is payable on January 1 and July 1. The bonds mature in varying amounts from $680,000 to $905,000 through January 2022.

The depreciated cost of land, land improvements and buildings under this capital lease is approximately $7,056,000 as of June 30, 2011.

(C) During fiscal year 2007, GMC – Illini entered into a capital lease agreement, due in monthly installments of approximately $5,000, including interest at 5% with final payment due in December 2011.

(D) GenVentures' bank note is due in monthly payments of $10,200, including interest at a variable rate, 6.95% as of June 30, 2011, through August 2016, secured by building and land. Under this agreement, GenVentures is required to maintain certain restrictive covenants including a minimum tangible net worth and a minimum debt service coverage ratio.

(E) LCP has a $1,500,000 line of credit with a bank which matures March 29, 2014. The current balance of the line of credit is due in monthly installments of $44,304, including interest at 3.96%, through December 15, 2012. The note is collateralized by all property and equipment of LCP.

(F) During fiscal year 2009, SRS entered into a capital lease agreement, due in monthly installments of $122,135, including interest at 7.68% with final payment due in March 2016. The lease is secured by equipment. The depreciated cost of the equipment under this capital lease is approximately $4,824,000 as of June 30, 2011.

Obligated Group:

Genesis Health System – Iowa and Genesis Health System – Illinois, collectively, represent the Obligated Group on the revenue bond obligations.

Note 8. Long-Term Debt and Pledged Assets (Continued)

The following is a schedule of future minimum lease payments due under capital leases together with the present value of future minimum lease payments as of June 30, 2011:

Year ending June 30:	
2012	$ 2,436,000
2013	2,412,000
2014	2,416,000
2015	2,416,000
2016	2,045,000
Thereafter	5,693,000
	17,418,000
Less the amount representing interest	3,122,000
Present value of future minimum lease payments	$ 14,296,000

The aggregate principal maturities of the long-term debt, excluding unamortized bond premium, as of June 30, 2011 over the next five years and thereafter are approximately as follows:

Year ending June 30:	
2012	$ 8,246,000
2013	8,170,000
2014	8,421,000
2015	8,861,000
2016	8,961,000
Thereafter	58,281,000
	$ 100,940,000

Note 9. Employee Retirement Plans

All employees of the System and affiliates participate in the Genesis Health System Pension Plans. The plans consist of both a defined benefit pension plan and an employer paid match on employee contributions to a defined contribution plan. Pension expense for the employer paid match to the defined contribution plan was approximately $1,343,000 and $1,255,000 for the years ended June 30, 2011 and 2010, respectively.

Effective July 1, 2005, current participants in the defined benefit pension plan were given the option to remain in the defined benefit pension plan or to elect to move to the Genesis Retirement Account program, at which time their benefits in the defined benefit pension plan were frozen at current levels. All new full and part-time employees that have worked more than 1,000 hours during a prior calendar year will participate in the new defined contribution plan, with contributions made by the System as specified in the program based on years of service.

Effective December 31, 2006, the Board of Directors of the System adopted a resolution to freeze the defined benefit pension plan. Under terms of the freeze, employees with at least five years of service and a combination of age and years of service of 70 were grandfathered.

Note 9. Employee Retirement Plans (Continued)

The Compensation – Retirement Benefits Topic of the FASB Accounting Standards Codification requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations that have not been recognized under previous accounting standards, must be recognized in the changes in unrestricted net assets. As a result, the System has recognized the underfunded status of the defined benefit pension plan in the accompanying consolidated balance sheets as of June 30, 2011 and 2010. The accrual for the defined benefit pension plan asset or liability is based on a comparison of the fair value of Plan assets to the Plan's projected benefit obligation.

The defined benefit pension plan is measured annually at June 30. Information about the Plan follows:

	2011	2010
Projected benefit obligation at beginning of year	$ (160,096,789)	$ (131,862,015)
Service cost	(2,087,076)	(1,846,051)
Interest cost	(8,797,842)	(8,713,253)
Actuarial gain (loss):		
Impact of change in assumptions	2,238,861	(23,015,283)
Other	(591,500)	(287,324)
Benefits paid	6,360,849	5,627,137
Projected benefit obligation at end of year	(162,973,497)	(160,096,789)
Fair value of plan assets	157,073,497	131,178,659
Funded status, plan assets (less than) benefit obligation	$ (5,900,000)	$ (28,918,130)
Rollforward of accrued benefit (liability):		
Accrued benefit (liability) on balance sheet, beginning of year	$ (28,918,130)	$ (28,945,853)
Return on plan assets	26,255,687	18,889,634
System contributions	6,000,000	15,000,000
Change in plan liability	(9,237,557)	(33,861,911)
Accrued (liability) on balance sheet, end of year	$ (5,900,000)	$ (28,918,130)
Components of net periodic pension cost, which is included as a component of employee benefits expense on the accompanying consolidated statements of operations and changes in net assets, consist of:		
Service cost	$ 2,087,076	$ 1,846,051
Interest cost	8,797,842	8,713,253
Expected return on plan assets	(10,793,756)	(10,526,920)
Amortization of unrecognized net loss	3,871,916	1,545,610
Amortization of unrecognized prior service cost (credit)	(63,118)	(63,118)
	$ 3,899,960	$ 1,514,876

Note 9. Employee Retirement Plans (Continued)

	2011	2010
Amounts not yet recognized as components of net periodic pension cost:		
Net actuarial loss	$ 58,601,688	$ 79,582,826
Prior service cost (credit)	(330,241)	(393,359)
Unrecognized amounts, end of year	58,271,447	79,189,467
Unrecognized amounts, beginning of year	79,189,467	65,732,066
Current year change	$ (20,918,020)	$ 13,457,401
Assumptions used in computations:		
In computing ending obligations:		
Discount rate	5.75%	5.60%
Rate of compensation increase	4.00%	4.00%
In computing net periodic benefit cost:		
Discount rate	5.60%	6.75%
Expected return on assets	7.45%	7.45%
Rate of compensation increase	4.00%	4.00%

The expected return on plan assets is based upon a blend of historical returns and the System's estimate of a long-term rate of return.

Management's objective is to maximize long-term returns while reducing losses in order to meet future benefit obligations. Management follows the policy of using historical evidence in computing expected return on assets.

Genesis Health System
and Related Organizations

Notes to Consolidated Financial Statements

Note 9. Employee Retirement Plans (Continued)

The fair values of the System's defined benefit pension plan assets as of June 30, 2011 and 2010 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 6, are as follows:

	Investments at Fair Value as of June 30, 2011			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks:				
Healthcare	$ 9,133,965	$ 9,133,965	$ -	$ -
Financial	9,165,394	9,165,394	-	-
Consumer Discretionary	13,600,739	13,600,739	-	-
Energy	5,624,998	5,624,998	-	-
Information Technology	14,262,079	14,262,079	-	-
Industrials	7,172,770	7,172,770	-	-
ADR's (American Depository Receipts)	4,110,831	4,110,831	-	-
Materials	2,002,638	2,002,638	-	-
Consumer Staples	2,898,170	2,898,170	-	-
Utilities	830,658	830,658	-	-
Telecommunication Services	734,333	734,333	-	-
Fixed Income Mutual Fund, PIMCO Total Return Fund	32,019,921	32,019,921	-	-
Equity Mutual Funds, Thornburg International Value Fund	18,451,798	18,451,798	-	-
Equity Collective Investment Fund, J.P. Morgan Extended Duration Fund	34,582,632	-	34,582,632	-
	154,590,926	$ 120,008,294	$ 34,582,632	$ -
Other plan assets, cash and cash equivalents	2,482,571			
Total plan assets	$ 157,073,497			

Note 9. Employee Retirement Plans (Continued)

	Investments at Fair Value as of June 30, 2010			
	Fair Value	Level 1	Level 2	Level 3
Common Stocks:				
Healthcare	$ 3,928,334	$ 3,928,334	$ -	$ -
Financial	1,681,434	1,681,434	-	-
Consumer Discretionary	3,247,746	3,247,746	-	-
Energy	1,430,866	1,430,866	-	-
Information Technology	7,037,260	7,037,260	-	-
Industrials	740,466	740,466	-	-
ADR's (American Depository Receipts)	736,022	736,022	-	-
Fixed Income Mutual Fund, PIMCO Total Return Fund	32,185,955	32,185,955	-	-
Equity Mutual Funds:				
Lord Abbett Small Cap Blend Fund	14,740,729	14,740,729	-	-
Quantitative Equity Large Cap Value AP Trust	18,048,432	-	18,048,432	-
Thornburg International Value Fund	14,178,098	14,178,098	-	-
Equity Collective Investment Fund, J.P. Morgan Extended Duration Fund	32,460,424	-	32,460,424	-
	$ 130,415,766	$ 79,906,910	$ 50,508,856	$ -
Other plan assets, cash and cash equivalents	762,893			
Total plan assets	$ 131,178,659			

The following table sets forth additional disclosure of the System's defined benefit pension plan assets whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2011 and 2010:

	Fair Value		Unfunded	Redemption	Redemption
	2011	2010	Commitment	Frequency	Notice Period
Investments:					
Equity Mutual Fund, Quantitative Equity Large Cap Value AP Trust (A)	$ -	$ 18,048,432	$ -	Monthly	None
Equity Collective Investment Fund, J.P. Morgan Extended Duration Fund (B)	34,582,632	32,460,424	-	Daily	1 Day
	$ 34,582,632	$ 50,508,856	$ -		

(A) The fund seeks to provide long-term growth of capital through a diversified portfolio comprised primarily of common stocks of high quality, medium to large sized U.S. based companies with leading competitive positions. This fund was redeemed during the year ended June 30, 2011.

(B) The fund primarily invests in collateralized mortgage obligations, corporate bonds and U.S. treasury securities. This fund can be redeemed daily at the current net asset value per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.

Note 9. Employee Retirement Plans (Continued)

The following summarizes target asset allocation as of June 30, 2011 and major asset categories as of June 30, 2011 and 2010:

	Target Allocation	2011	2010
Domestic equity securities:			
Large cap	28.0%	32.9%	28.3%
Small cap	11.0	12.6	11.2
International equity securities	11.0	11.8	10.8
Fixed income	50.0	42.7	49.7
	100.0%	100.0%	100.0%

Management's objective is to maintain adequate levels of diversification among plan assets. Management monitors the allocation on an ongoing basis and will allocate plan assets accordingly in the subsequent quarter.

The System expects to contribute approximately $6,000,000 to its defined benefit pension plan during the year ending June 30, 2012.

Benefit payments from the defined benefit pension plan are expected to be paid as follows:

Year ending June 30:	
2012	$ 6,600,000
2013	6,800,000
2014	7,100,000
2015	7,600,000
2016	8,000,000
Thereafter	50,700,000
	$ 86,800,000

Physician employees of the System are eligible to participate in non-qualified deferred compensation plans. The plans allow participants to defer a portion of their salary into the plans. The plan assets are held for the benefit of participating employees. The liability to these participants is recorded at the same amount as the plan assets' value. The assets which are included in investments and corresponding noncurrent liability of the non-qualified deferred compensation plans recorded on the accompanying consolidated balance sheets are approximately $6,717,000 and $5,022,000 as of June 30, 2011 and 2010, respectively.

Note 10. Income Tax Matters

GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. GenVentures is subject to income taxes. Misericordia Assurance Company, Ltd. is a foreign corporation not subject to income taxes.

In lieu of corporate income taxes, the partners of The Larson Center Partnership and members of Davenport SRS Leasing, LLC and GenGastro, LLC are taxed on their proportionate share of the respective organization's income, deductions, losses and credits. Therefore, the accompanying consolidated financial statements do not include any provision for income taxes for these entities.

Deferred taxes for GenVentures are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment. The deferred taxes for GenVentures relate primarily to net operating loss carryforwards, property and equipment, allowance for doubtful accounts and accrued compensation.

Net deferred taxes consist of the following components as of June 30, 2011 and 2010:

	2011	2010
Deferred tax assets	$ 1,901,000	$ 2,319,000
Less valuation allowance	(1,901,000)	(2,319,000)
	$ -	$ -

For the years ended June 30, 2011 and 2010, there are no current income tax provisions due to the utilization of the net operating loss carryforward.

As of June 30, 2011, GenVentures, for federal income tax purposes, has net operating loss carryforwards which are available to offset future federal taxable income and federal tax liabilities. These carryforwards expire from 2012 through 2027. The carryforwards expiring in future years are as follows:

Year ending June 30:	
2012	$ 928,000
2013	1,000
2014	-
2015	-
2016	-
Thereafter	3,449,000
	$ 4,378,000

Note 10. Income Tax Matters (Continued)

Uncertainty in income taxes:

GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust all file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the following: the tax exempt status of each entity, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income. Unrelated business taxable income is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Forms 990 and 990T filed by GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by GHS Iowa, GHS Illinois, the Genesis Foundation, the Illini Foundation and the Workers' Compensation Trust are no longer subject to examination for the fiscal years ended June 30, 2006 and prior. GenVentures is a taxable organization and currently files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. GenVentures is no longer subject to income tax examinations for years June 30, 2006 and prior.

A reconciliation of the uncertain tax positions as of June 30, 2011 and 2010 is as follows:

	2011	2010
Balance, beginning of year	$ 45,000	$ 350,000
Reductions for tax positions of prior years as a result of lapse of the applicable statute of limitations	(45,000)	(40,000)
Settlements	-	(265,000)
Balance, end of year	$ -	$ 45,000

Note 10. Income Tax Matters (Continued)

As of June 30, 2011 and 2010, the total amount of uncertain tax positions have reduced income tax expense and have increased excess of revenue over expenses by $45,000 and $40,000, respectively.

Interest expense associated with uncertain tax positions from the years ended June 30, 2011 and 2010 is approximately none and $7,000, respectively. No amount has been accrued for penalties.

During the years ended June 30, 2011 and 2010, none and $265,000, respectively, in federal and state income taxes were paid for uncertain tax positions existing as of June 30, 2009 and 2008, as amended or past due income tax returns were filed.

Note 11. Self-Insurance, Contingent Liabilities and Commitments

Self-insured claims:

The System is primarily self-insured, up to certain limits, for general and professional liability, workers' compensation and employee group health and dental claims. The System has purchased stop-loss insurance for general and professional liability claims, which will reimburse the System for individual claims in excess of $2,000,000 annually or aggregate claims exceeding $6,000,000 annually. The System has purchased stop-loss insurance for workers' compensation claims in excess of $400,000 annually for the years ended June 30, 2011 and 2010, or aggregate claims in excess of $5,000,000. Insurance coverage is also maintained for health and dental claims in excess of $150,000.

Operations are charged with the costs of claims reported and an estimate of claims incurred but not reported. Total expense under the self-insured programs was approximately $26,275,000 and $31,560,000 for the years ended June 30, 2011 and 2010, respectively. An independent actuarial firm is utilized to assist in determining the provision for general, professional and workers' compensation losses, including incurred but not reported losses. The liabilities for estimated self-insured claims, including unpaid losses and loss adjustment expenses, recorded on the accompanying consolidated balance sheets are $37,465,000 and $36,779,000 as of June 30, 2011 and 2010, respectively, which include approximately $18,303,000 and $19,063,000, respectively, that are included in other long-term liabilities. The amount of reinsurance recoverable on unpaid losses as of June 30, 2011 and 2010 was approximately $5,840,000 and $5,934,000, respectively, that is included in other receivables.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability for self-insured claims may need to be revised in the short term. In addition, participants of self-insurance programs may be required to make retrospective contributions as deemed necessary if loss experience is worse than anticipated.

GFMC participates in a cooperative of University of Iowa-affiliated medical education foundations for the purpose of professional liability insurance to cover claims on a claims-made basis with a loss limit of $2,000,000 per occurrence and an annual limit of $4,000,000 and no deductible.

Note 11. Self-Insurance, Contingent Liabilities and Commitments (Continued)

Accounting for conditional asset retirement obligations:

The Conditional Asset Retirement Obligation Topic of the FASB Accounting Standards Codification clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation, specifically as it related to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Over the past ten years, management has systematically renovated, replaced or newly constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management of the System believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2011 and 2010.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments and/or underpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The System has been subject to such an audit and may continue to be subject to additional audits at some time in the future. The System has accrued an estimated liability, which is included in due to third-party payors as of June 30, 2011, as a reserve for such audits based on the number of RAC audit requests, the System's historical defense rate and the analysis and reviews of a consulting firm. It is reasonably possible that the recorded estimates will change materially in the near term.

Note 11. Self-Insurance, Contingent Liabilities and Commitments (Continued)

Current economic conditions:

The current economic environment presents hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the System.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the System's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payors may significantly impact net patient service revenue, which could have an adverse impact on the System's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the System's ability to meet debt covenants or maintain sufficient liquidity.

Health care reform:

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Commitments:

Approximate minimum payments required under a service contract as of June 30, 2011 are summarized below. The term of this service contract is for a period of ten years (until fiscal year 2019), unless the System terminates the contract for cause:

Year ending June 30:	
2012	$ 1,845,000
2013	1,845,000
2014	1,845,000
2015	1,845,000
2016	1,845,000
Thereafter	3,537,000
	$ 12,762,000

Note 12. Net Asset Restrictions

Temporarily restricted net assets held by the System are restricted by donors for the following purposes as of June 30, 2011 and 2010:

	2011	2010
Cardiac research	$ 403,595	$ 509,798
Visiting nurse programs	3,351,713	2,688,583
Hospice house	2,004,442	3,474,943
Heart of Mercy financial assistance	560,531	224,814
Inventory and equipment for GMC - Davenport	2,996,714	2,996,714
Cancer research	1,000,535	903,845
Adler Fund	1,276,072	944,514
Employee assistance fund	525,016	378,296
Other	3,994,249	4,085,367
	$ 16,112,867	$ 16,206,874

During the years ended June 30, 2011 and 2010, temporarily restricted net asset were released from donor restrictions by incurring expenditures satisfying their restricted purposes for property and equipment and reimbursement of operating expenses, in the amount of $3,994,125 and $958,547, respectively.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable primarily to support the Heart of Mercy financial assistance program. The permanently restricted net assets held by the System are for the following purposes as of June 30, 2011 and 2010:

	2011	2010
Heart of Mercy financial assistance	$ 1,483,267	$ 1,375,974
Other	420,604	275,584
	$ 1,903,871	$ 1,651,558

Note 13. Minimum Future Rentals

The following is a schedule by year of approximate future minimum rentals, net of rentals from affiliates, to be received under GenVentures' noncancelable operating leases as of June 30, 2011:

Year ending June 30:	
2012	$ 1,714,000
2013	1,630,000
2014	1,580,000
2015	1,149,000
2016	1,085,000
Thereafter	6,664,000
Total approximate future minimum rentals	$ 13,822,000

Note 14. Interest in Net Assets of Foundation

The DeWitt Community Hospital Foundation (DCH Foundation), whose financial statements are not included in the accompanying consolidated financial statements since it is not under the control of GHS, was established to establish, promote and support facilities and services providing health care for sick, injured, disabled, indigent or aged persons. The support is to be provided to, or in cooperation with, other organizations including, without limitation, hospitals, ambulatory care services, nursing care facilities, and agencies or facilities providing care for persons in their homes. As of June 30, 2011 and 2010 the DCH Foundation had unaudited assets of approximately $736,000 and $654,000, respectively. DCH Foundation's assets consist primarily of cash and pledges receivable. A portion of the DCH Foundation's net assets have been specified by their original donor to be used specifically for the benefit of Genesis Medical Center – DeWitt.

Note 15. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of the System's gross receivables from patients and third-party payors as of June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	29%	25%
Medicaid	8	12
Blue Cross	13	9
Other third-party payers	16	19
Patients	34	35
	100%	100%

As of June 30, 2011, the System had deposits exceeding the federal depository insurance limits in various major financial institutions. Management believes the credit risk related to these deposits is minimal.

The System routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations and various investment grade corporate obligations. Investments in money market funds are not insured or guaranteed by the U.S. government or by the underlying corporation; however, management believes that credit risk related to these investments is minimal.

Note 16. Acquisition

On December 31, 2010, the System acquired an additional 16.67% interest in GenGastro, LLC (a single-specialty gastroenterology ambulatory surgery center) for $5,148,000, increasing the System's ownership in GenGastro, LLC to 66.67%. In accordance with the accounting guidance on *Not-for-Profit Entities: Mergers and Acquisitions*, the System remeasured its previously held 50% interest of GenGastro, LLC (which had a recorded value of approximately $493,000 at the date of acquisition) at fair value and recognized a gain of approximately $14,959,000. This gain is included in nonoperating gains and (losses) on the June 30, 2011 consolidated statement of operations.

The System previously accounted for its 50% membership interest of GenGastro, LLC under the equity method of accounting and reported its 50% share of GenGastro, LLC's net income (loss). From December 31, 2010 (date of acquisition), the results of GenGastro, LLC's operations have been included in the consolidated financial statements.

The following table summarizes the consideration paid for GenGastro, LLC, estimated fair value of the assets acquired and liabilities assumed and fair value at the acquisition date of the noncontrolling interests in GenGastro, LLC.

Consideration:	
Cash	$ 5,148,000
Fair value of the System's interest in GenGastro, LLC at acquisition date	15,452,000
	$ 20,600,000
Recognized amounts of assets acquired and liabilities assumed:	
Current assets	$ 679,364
Property and equipment	408,154
Current liabilities	(97,951)
Noncontrolling interests in GenGastro, LLC	(10,300,000)
Goodwill	29,910,433
	$ 20,600,000
Excess of fair value over equity acquired for GenGastro, LLC:	
Attributable to the System	$ 14,958,732
Attributable to noncontrolling interests	9,806,732
	$ 24,765,464

Fair values of the assets, liabilities and noncontrolling interests at the acquisition date were estimated by a third-party applying the market approach and income approach. The fair value measurement is based on significant inputs that are not observable in the market and, therefore represents a Level 3 measurement as defined in the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification. Key assumptions include a discount rate of 15%, a terminal growth rate based on long-term sustainable growth of 3% and financial multiples of companies deemed to be similar to GenGastro, LLC.

The goodwill of approximately $29,910,000 arising from the acquisition consists primarily of current and future expected earnings and profitability.

The amount of GenGastro, LLC's revenue included in the System's consolidated statement of operations for the year ended June 30, 2011 was $3,151,000. Excess of revenue over expenses and changes in net assets included in the System's consolidated statement of operations for the year ended June 30, 2011 are approximately $2,156,000.

Note 17. Pending Accounting Pronouncements

In August 2010, Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, was issued. ASU 2010-23 is effective for fiscal years beginning after December 15, 2010. ASU 2010-23 addresses the diversity in the accounting for charity care disclosures, which some entities determine on the basis of a cost measurement, while others use a revenue measurement. ASU 2010-23 requires that the measurement of charity care for disclosure purposes be based on the direct and indirect costs of providing the charity care. Management is evaluating the impact this ASU may have on the System's consolidated financial statements.

In August 2010, ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, was issued. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. ASU 2010-24 addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by health care entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The ASU clarifies that a health care entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. Management is evaluating the impact this ASU may have on the System's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* This ASU was issued to clarify FASB's intent on application of certain aspects of existing fair value measurement requirements and to change certain requirements for measuring fair value and for disclosing information about fair value measurements. These changes (mostly applicable to financial instruments in levels 2 and 3) include guidance on measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts, and additional disclosures about fair value measurements. FASB has concluded that this ASU will achieve the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. This ASU is effective for the System for annual reporting periods beginning after December 15, 2011. Management is in the process of evaluating the potential impact this ASU will have on the System's consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

The provisions are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. The changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by ASU 2011-07 should be provided for the period of adoption and subsequent reporting periods. Management is assessing the impact of the implementation of this ASU on the System's consolidated financial statements.

Note 17. Pending Accounting Pronouncements (Continued)

The FASB issued ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment.* The existing guidance under Accounting Standards Codification Topic 350 requires an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, the second step of the test must be performed to measure the amount of the impairment loss, if any. This ASU gives an entity the option in its annual goodwill impairment test to first assess revised qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount (qualitative assessment). If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity must still perform the existing two-step impairment test. Otherwise, an entity would not be required to perform the existing two-step impairment test. This ASU is effective for the System for the first annual reporting period beginning after December 15, 2011.

Note 18. Functional Expenses

The System provides general health care services to residents within its geographic location. Expenses for the System's 501(c)(3) entities related to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Health care services	$ 423,174,910	$ 431,681,650
General, administrative and support services	89,012,051	90,089,732
Fund raising, net of intercompany contributions	1,081,481	790,880
	$ 513,268,442	$ 522,562,262

Included within general, administrative and support services are significant expenditures for information systems which support the delivery of health care services.

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

**Independent Auditor's Report
on the Supplementary Information**

To the Audit and Compliance Committee
Genesis Health System
Davenport, Iowa

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 48 – 59 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations. The consolidating information on pages 48 – 59 has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, based upon our audits and the reports of other auditors as explained in our report on the basic financial statements on page 1, is fairly presented in all material respects in relation to the basic consolidated financial statements taken as a whole.

The accompanying community benefit information on pages 44 through 47 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has not been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements, and accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Davenport, Iowa
October 25, 2011

Genesis Health System
and Related Organizations

Schedule of Community Benefit
Year Ended June 30, 2011
(Unaudited)

Genesis Health System contributed $38,132,600 in community benefit to the Quad City area in fiscal year (FY) 2011. This represents an increase of 51% when compared to FY 2010. Charity Care, reported as charges foregone, in the amount of $31,815,963 was provided by the Health System compared to $21,197,913 in FY 2010. Charity Care is uncompensated care provided without expectation of reimbursement. Charity Care is distinct and separate from bad debt, which is care provided with an expectation of compensation but which we were unable to collect. We do not count bad debt in our community benefit reporting; however, bad debt for Genesis Health System totaled $27,792,024 for FY 2011, down 22% from $35,782,769 for FY 2010.

Unreimbursed Medicaid and other means-tested program costs are also not included in our community benefit reporting; however, the unreimbursed Medicaid and other means-tested program costs for FY 2011 were estimated at $11,627,808. The level of unreimbursed Medicaid costs increased 11% compared to FY 2010's level of $10,480,537.

Table 1 shows a 34% increase in community benefit for Genesis Medical Center (GMC) – Davenport compared to FY 2010. GMC – Illini increased its community benefit by 75%, and GMC – DeWitt increased by 22%. Other GHS community benefit increased by 1159% as we started to report subsidized losses in FY 2011 for the community-based hospice and hospice house programs.

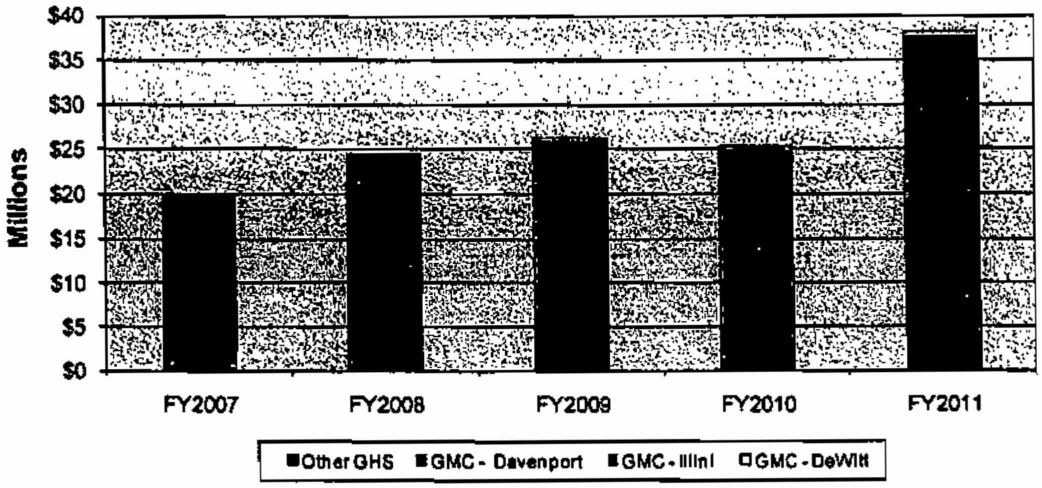
Table 1: Community Benefit by GHS Entity

	Other GHS	GMC - Davenport	GMC - Illini	GMC - DeWitt	Total
FY2007	$ 330,874	$ 16,266,486	$ 2,754,361	$ 145,117	$ 19,496,838
FY2008	592,354	20,933,460	2,747,135	243,976	24,516,925
FY2009	164,537	22,495,002	3,221,208	337,443	26,218,190
FY2010	234,749	20,715,176	3,968,714	404,892	25,323,531
FY2011	2,955,378	27,718,979	6,964,127	494,116	38,132,600

This information is shown graphically in Graph 1.

Schedule of Community Benefit
Year Ended June 30, 2011
(Unaudited)

Community Benefit by GHS Entity



Graph 2 represents the community benefit funding by category for each of the past five fiscal years. Overall, community benefit funding increased 51% compared to FY 2010. Community Health Improvement increased 131%, Community Building Activities increased 98% and Charity Care increased 50% compared to the prior year, while Health Professions Education decreased 54%, and Financial and In-Kind Contributions decreased 38%.

GHS Community Benefit Totals

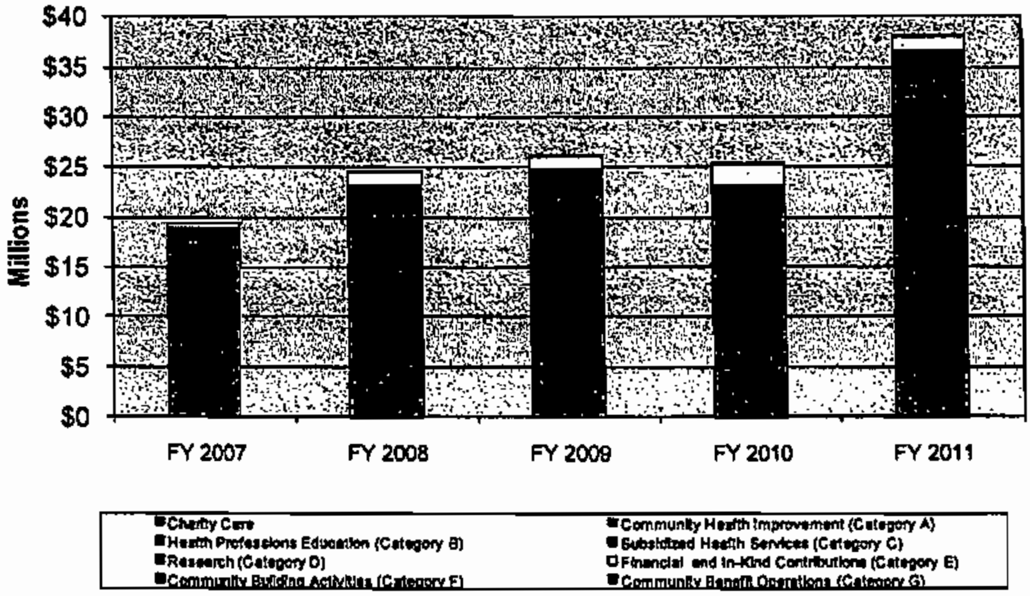


Table 2: 2011 Category Comparisons by GHS Entity

	Charity Care	Community Health Improvement (Category A)	Health Professions Education (Category B)	Subsidized Health Services (Category C)	Research (Category D)	Financial and In-Kind Contributions (Category E)	Community Building Activities (Category F)	Community Benefit Operations (Category G)	Total
GHS - Other	$ 1,375,991	$ 6,344	$ -	$ 1,135,742	$ -	$ 430,006	$ 7,295	$ -	$ 2,955,378
GMC - Davenport	23,244,368	356,988	785,152	2,289,455	190,374	720,283	103,951	28,408	27,718,979
GMC - Illini	6,797,475	14,166	2,756	72,984	-	62,701	13,994	49	6,964,127
GMC - DeWitt	396,129	316	-	20,019	-	74,820	833	-	494,116
Totals	$ 31,815,963	$ 377,815	$ 787,908	$ 3,518,200	$ 190,374	$ 1,287,810	$ 126,073	$ 28,457	$ 38,132,600

Genesis Health System
and Related Organizations

Schedule of Community Benefit
Year Ended June 30, 2011
(Unaudited)

Table 3: Category Comparisons for the Past Five Fiscal Years

	Charity Care	Community Health Improvement (Category A)	Health Professions Education (Category B)	Subsidized Health Services (Category C)	Research (Category D)	Financial and In-Kind Contributions (Category E)	Community Building Activities (Category F)	Community Benefit - Operations (Category G)	Total
FY 2007	$ 17,268,018	$ 269,885	$ 1,434,874	$ -	$ 627	$ 503,434	$ -	$ -	$ 19,496,838
FY 2008	20,289,556	287,935	2,685,992	-	-	1,253,442	-	-	24,516,925
FY 2009	22,903,259	148,661	1,449,671	57,123	195,493	1,337,504	66,348	60,133	26,218,190
FY 2010	21,197,813	163,450	1,712,897	-	97,744	2,069,169	63,507	16,751	25,323,531
FY 2011	31,815,963	377,815	787,908	3,516,200	190,374	1,287,810	126,073	26,457	38,132,600

Genesis Health System
and Related Organizations

Consolidating Balance Sheet Information
June 30, 2011

Assets	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Current Assets:				
Cash and cash equivalents	$ 53,124,950	$ 18,664,240	$ -	$ 71,789,190
Short-term investments	704,456	-	-	704,456
Receivables:				
Patients, net	60,717,960	14,961,229	-	75,679,189
Affiliates	5,149,212	-	(2,759,455)	2,389,757
Notes, affiliate	1,101,947	-	-	1,101,947
Other, including assets limited as to use	6,903,948	938,367	-	7,842,315
Inventories, supplies and materials	10,437,231	2,261,478	-	12,698,709
Prepaid expenses and deposits	5,121,663	388,788	-	5,510,451
Total current assets	143,261,367	37,214,102	(2,759,455)	177,716,014
Long-Term Receivables and Investments:				
Affiliate notes	13,512,181	-	-	13,512,181
Investment in subsidiaries	47,364,817	1,313,072	-	48,677,889
Investments	16,209,642	245,719	-	16,455,361
	77,086,640	1,558,791	-	78,645,431
Assets Limited as to Use:				
Internally designated	157,778,420	-	-	157,778,420
Under bond indenture, funds held by trustee	5,235,343	663,832	-	5,899,175
Interest in net assets of Foundation	9,991,929	403,322	-	10,395,251
Donor restricted	4,133,745	-	-	4,133,745
	177,139,437	1,067,154	-	178,206,591
Property and Equipment, net	166,193,212	35,809,581	-	202,002,793
Other Assets:				
Bond issuance costs, net	579,508	196,412	-	775,920
Goodwill	820,444	-	-	820,444
Other	968,907	-	-	968,907
	2,368,859	196,412	-	2,565,271
	$ 566,049,515	$ 75,846,040	$ (2,759,455)	$ 639,136,100

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ 864,157	$ 13,755	$ 226,568	$ 386,977	$ 243,624	$ 939,981	$ 633,070	$ 1,143,885	$ -	$ 76,241,207
-	-	-	-	619,441	-	-	-	-	1,323,897
-	-	870,984	-	2,771,555	-	-	-	-	79,121,728
-	-	-	-	-	-	93,680	148,126	(2,631,562)	-
-	-	-	-	-	-	-	-	(1,101,947)	-
148,497	451	9,075	1,577	419,168	2,015,452	3,978,332	-	-	14,414,865
-	-	28,417	-	982,183	-	-	-	-	13,709,309
-	-	7,975	-	131,774	-	6,390	110,008	-	5,766,596
1,012,654	14,206	943,019	388,554	5,167,743	2,955,433	4,711,472	1,402,018	(3,733,509)	190,577,604
-	-	-	-	-	-	-	-	(13,512,181)	-
-	-	-	-	-	-	-	-	(48,677,889)	-
2,618,517	226,693	-	-	1,046,000	11,970,035	22,072,377	-	-	54,386,983
2,618,517	226,693	-	-	1,046,000	11,970,035	22,072,377	-	(62,190,070)	54,386,983
-	-	-	-	-	-	-	-	-	157,778,420
-	-	-	-	-	-	-	-	-	5,899,175
-	-	-	-	-	-	-	-	(9,657,402)	737,849
12,741,822	403,322	-	-	-	-	-	-	-	17,278,889
12,741,822	403,322	-	-	-	-	-	-	(9,657,402)	181,694,333
9,975	-	330,655	2,289,745	38,317,347	-	-	5,376,045	-	248,326,560
-	-	-	-	-	-	-	-	-	775,920
-	-	-	-	-	-	-	-	29,910,433	30,730,877
-	82,194	-	3,722	401,491	-	-	-	-	1,456,314
-	82,194	-	3,722	401,491	-	-	-	29,910,433	32,953,111
$ 16,382,958	$ 726,415	$ 1,273,674	$ 2,682,021	$ 44,932,581	$ 14,925,468	$ 26,783,849	$ 6,778,063	$ (45,670,548)	$ 707,950,591

Genesis Health System
and Related Organizations

Consolidating Balance Sheet Information
June 30, 2011

Liabilities and Net Assets and Equity	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Current Liabilities:				
Current maturities of long-term debt	$ 5,850,000	$ 727,977	$ -	$ 6,587,977
Accounts payable:				
Trade	14,693,285	1,975,491	-	16,668,776
Affiliates	-	2,759,455	(2,759,455)	-
Accrued salaries and wages	13,925,530	525,388	-	14,450,918
Accrued paid leave	14,073,483	2,165,375	-	16,238,858
Due to third-party payors	3,525,309	1,946,193	-	5,471,502
Unpaid losses and loss adjustment expenses	-	-	-	-
Other accrued expenses	3,303,977	631,180	-	3,935,157
Total current liabilities	55,381,584	10,731,059	(2,759,455)	63,353,188
Long-Term Debt, less current maturities	83,312,645	7,750,000	-	91,062,645
Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities	15,594,348	673,208	-	16,267,556
Total liabilities	154,288,577	19,154,267	(2,759,455)	170,683,389
Net Assets and Equity:				
Common stock	-	-	-	-
Additional paid-in capital	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Members and partners' equity	-	-	-	-
Unrestricted	397,635,264	56,288,451	-	453,923,715
Noncontrolling interests - unrestricted	-	-	-	-
Temporarily restricted	14,125,674	359,030	-	14,484,704
Permanently restricted	-	44,292	-	44,292
	411,760,938	56,691,773	-	468,452,711
	$ 566,049,515	$ 75,846,040	$ (2,759,455)	$ 639,136,100

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ -	$ -	$ -	$ 514,166	$ 1,216,752	$ -	$ -	$ 1,055,457	$ (1,128,549)	$ 6,245,803
36,490	-	72,993	5,483	659,930	21,005	61,224	575	4,500	17,530,976
519,388	49,923	-	4,500	1,984,681	77,570	-	-	(2,636,062)	-
-	-	16,659	-	475,547	-	-	-	-	14,943,124
-	-	20,725	-	386,564	-	-	-	-	16,646,147
-	-	-	-	-	-	-	-	-	5,471,502
-	-	-	-	-	6,052,467	9,311,553	-	-	15,364,020
833,265	6,698	-	239,432	629,721	-	-	-	-	5,646,273
1,389,143	56,621	110,377	763,581	5,353,195	6,151,042	9,372,777	1,056,032	(3,760,111)	83,847,845
-	48,960	-	161,307	13,930,002	-	-	4,762,326	(13,485,579)	96,477,661
-	-	-	-	34,429	-	16,535,671	-	-	32,837,656
1,389,143	105,581	110,377	924,888	19,317,626	6,151,042	25,908,448	5,818,358	(17,245,690)	213,163,182
-	-	-	-	1,000	-	120,000	-	(121,000)	-
-	-	-	-	28,821,772	-	-	-	(28,821,772)	-
-	-	-	-	(3,207,817)	-	755,401	-	2,452,416	-
-	-	1,163,297	1,757,133	-	-	-	959,705	(3,880,135)	-
2,252,003	217,512	-	-	-	8,774,426	-	-	755,401	465,923,057
-	-	-	-	-	-	-	-	10,847,634	10,847,634
10,882,243	359,030	-	-	-	-	-	-	(9,613,110)	16,112,867
1,859,579	44,292	-	-	-	-	-	-	(44,292)	1,903,871
14,993,825	620,834	1,163,297	1,757,133	25,614,955	8,774,426	875,401	959,705	(28,424,656)	494,787,429
$ 16,382,968	$ 726,415	$ 1,273,674	$ 2,682,021	$ 44,932,581	$ 14,925,468	$ 26,783,849	$ 6,778,063	$ (45,670,546)	$707,950,591

Genesis Health System
and Related Organizations

Consolidating Balance Sheet Information
June 30, 2010

Assets	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Current Assets:				
Cash and cash equivalents	$ 42,722,820	$ 10,853,672	$ -	$ 53,576,492
Short-term investments	743,809	-	-	743,809
Receivables:				
Patients, net	62,527,236	16,657,990	-	79,185,226
Affiliates	5,857,968	-	(2,568,184)	3,289,784
Notes, affiliate	1,037,930	-	-	1,037,930
Other	4,968,116	574,291	-	5,542,407
Inventories, supplies and materials	9,392,564	2,089,969	-	11,482,533
Prepaid expenses and deposits	3,768,127	673,203	-	4,441,330
Total current assets	131,028,570	30,849,125	(2,568,184)	159,309,511
Long-Term Receivables and Investments:				
Affiliate notes	14,639,185	-	-	14,639,185
Investment in subsidiaries	27,478,286	1,115,840	-	28,594,126
Investments	14,099,552	275,845	-	14,375,397
	56,217,023	1,391,685	-	57,608,708
Assets Limited as to Use:				
Internally designated	136,440,158	-	-	136,440,158
Under bond indenture, funds held by trustee	13,192,694	663,166	-	13,855,860
Interest in net assets of Foundation	6,855,025	744,305	-	7,599,330
Donor restricted	4,088,817	-	-	4,088,817
	160,576,694	1,407,471	-	161,984,165
Property and Equipment, net	170,252,383	35,461,493	-	205,713,876
Other Assets:				
Bond issuance costs, net	641,318	109,016	-	750,334
Goodwill	820,444	-	-	820,444
Other	951,264	9,729	-	960,993
	2,413,026	118,745	-	2,531,771
	$ 520,487,696	$ 70,226,519	$ (2,568,184)	$ 588,146,031

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ 565,593	$ 97,502	$ 436,335	$ 949,373	$ 932,075	$ 68,530	$ 1,453,347	$ -	$ 58,099,247
-	-	-	611,402	-	-	-	-	1,355,211
-	-	-	2,117,178	-	-	-	-	61,302,404
-	-	-	-	-	-	132,778	(3,432,562)	-
-	-	-	-	-	-	-	(1,037,930)	-
182,755	451	-	806,683	2,047,043	4,015,694	-	-	12,576,013
-	-	-	1,071,159	-	-	-	-	12,553,702
-	-	-	103,678	-	6,149	-	-	4,551,157
748,348	97,953	436,335	5,659,463	2,979,118	4,090,373	1,586,125	(4,470,492)	170,436,734
-	-	-	-	-	-	-	(14,639,185)	-
-	-	-	-	-	-	-	(28,594,126)	-
2,985,972	215,661	-	1,046,000	11,603,232	22,595,435	-	-	52,821,697
2,985,972	215,661	-	1,046,000	11,603,232	22,595,435	-	(43,233,311)	52,821,697
-	-	-	-	-	-	-	-	136,440,158
-	-	-	-	-	-	-	-	13,856,860
-	-	-	-	-	-	-	(6,945,198)	654,132
12,371,178	744,305	-	-	-	-	-	-	17,204,300
12,371,178	744,305	-	-	-	-	-	(6,945,198)	168,154,450
9,976	-	2,423,347	40,042,077	-	-	6,468,064	-	255,657,359
-	-	-	-	-	-	-	-	750,334
-	-	-	-	-	-	-	-	820,444
-	61,670	-	494,188	-	-	-	-	1,536,851
-	61,670	-	494,188	-	-	-	-	3,107,629
$ 16,115,473	$ 1,139,589	$ 2,859,682	$ 47,241,728	$ 14,582,350	$ 26,685,808	$ 8,054,209	$ (54,649,001)	$ 650,177,869

Genesis Health System
and Related Organizations

Consolidating Balance Sheet Information
June 30, 2010

Liabilities and Net Assets and Equity	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Current Liabilities:				
Current maturities of long-term debt	$ 5,607,506	$ 603,902	$ -	$ 6,211,408
Accounts payable:				
Trade	15,449,669	2,221,990	-	17,671,659
Affiliates	-	2,568,184	(2,568,184)	-
Accrued salaries and wages	12,613,689	405,933	-	13,019,622
Accrued paid leave	13,528,706	2,050,675	-	15,579,381
Due to third-party payors	679,427	2,103,440	-	2,782,867
Unpaid losses and loss adjustment expenses	-	-	-	-
Other accrued expenses	3,733,984	701,329	-	4,435,313
Total current liabilities	51,612,981	10,655,453	(2,568,184)	59,700,250
Long-Term Debt, less current maturities	89,189,486	8,217,977	-	97,407,463
Unpaid Losses and Loss Adjustment Expenses, Retirement Benefits and Other Long-Term Liabilities	36,963,405	590,785	-	37,554,190
Total liabilities	177,765,872	19,464,215	(2,568,184)	194,661,903
Net Assets and Equity:				
Common stock	-	-	-	-
Additional paid-in capital	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Members and partners' equity	-	-	-	-
Unrestricted	331,777,982	50,019,999	-	381,797,981
Noncontrolling interest - unrestricted	-	-	-	-
Temporarily restricted	10,943,642	711,000	-	11,654,642
Permanently restricted	-	33,305	-	33,305
	342,721,624	50,764,304	-	393,486,128
	$ 520,487,696	$ 70,228,519	$ (2,568,184)	$ 588,148,031

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ -	$ -	$ 418,905	$ 1,143,515	$ -	$ -	$ 977,572	$ (1,062,615)	$ 7,868,885
47,201	-	11,429	705,746	13,328	59,824	3,106	-	18,512,293
765,936	180,554	16,846	2,461,635	7,591	-	-	(3,432,562)	-
-	-	-	623,522	-	-	-	-	13,843,144
-	-	-	326,038	-	-	-	-	15,907,419
-	-	-	-	-	-	-	-	2,782,667
-	-	-	-	5,413,418	8,488,583	-	-	13,902,001
665,178	1,749	239,924	628,099	-	-	-	-	5,970,263
1,478,315	182,303	687,104	5,890,555	5,434,337	8,548,407	980,778	(4,495,177)	78,406,672
-	36,838	686,565	15,148,612	-	-	5,817,783	(14,614,500)	104,482,761
-	-	-	21,440	-	17,262,000	-	-	54,837,830
1,478,315	219,141	1,373,669	21,060,607	5,434,337	25,810,407	6,798,561	(19,109,677)	237,727,263
-	-	-	1,000	-	120,000	-	(121,000)	-
-	-	-	28,821,772	-	-	-	(28,821,772)	-
-	-	-	(2,641,651)	-	755,401	-	1,886,250	-
-	-	1,486,013	-	-	-	1,255,648	(2,741,661)	-
2,265,980	176,143	-	-	9,148,013	-	-	755,401	394,143,516
-	-	-	-	-	-	-	448,656	448,656
10,752,925	711,000	-	-	-	-	-	(6,911,693)	16,206,874
1,618,253	33,305	-	-	-	-	-	(33,305)	1,651,558
14,637,158	920,448	1,486,013	26,181,121	9,148,013	875,401	1,255,648	(36,539,324)	412,450,606
$ 16,115,473	$ 1,139,589	$ 2,859,682	$ 47,241,728	$ 14,582,350	$ 26,685,808	$ 8,054,209	$ (54,649,001)	$ 650,177,869

Genesis Health System
and Related Organizations

Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2011

	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Change in unrestricted net assets:				
Unrestricted revenue:				
Net patient service revenue	$ 426,304,354	$ 90,335,398	$ (501,483)	$ 516,138,269
Other service revenue, net	-	989,704	-	989,704
Medical office building rental revenue	-	-	-	-
Other revenue	15,172,870	2,920,434	(655,367)	17,427,937
Total revenue	441,477,224	94,245,536	(1,156,850)	534,555,910
Expenses:				
Salaries and wages	189,098,027	28,197,227	-	217,295,254
Employee benefits	46,577,460	6,505,022	(32,762)	53,049,720
Contracted professionals and services	33,914,573	6,579,662	(624,382)	39,869,853
Supplies	76,034,429	14,001,709	(157,973)	89,878,165
Other expenses	41,209,292	23,481,509	(351,733)	64,339,068
Provision for bad debts	21,627,108	5,984,974	-	27,612,082
Interest	4,262,725	445,255	-	4,707,980
Depreciation and amortization	27,881,858	3,850,479	-	31,732,337
Total expenses	440,605,472	89,045,837	(1,156,850)	528,484,459
Operating income (loss)	871,752	5,199,699	-	6,071,451
Nonoperating gains and (losses):				
Interest and dividend income and realized gains (losses) on sales of investments	6,863,058	359,946	-	7,223,004
Current year change in unrealized gains on trading securities	18,563,225	-	-	18,563,225
Other nonoperating income (expense)	573,724	322,518	-	896,239
Excess of fair value over equity acquired for GenGastro, LLC	14,958,732	-	-	14,958,732
Nonoperating gains and (losses)	40,958,737	682,463	-	41,641,200
Excess of revenue over (under) expenses before equity in net income of subsidiaries	41,830,489	5,882,162	-	47,712,651
Equity in net income of subsidiaries	597,354	386,290	-	983,644
Excess of revenue over (under) expenses	42,427,843	6,268,452	-	48,696,295
Less excess of fair value over equity acquired for GenGastro, LLC attributable to noncontrolling interests	-	-	-	-
Less excess of revenue over expenses attributable to noncontrolling interests	-	-	-	-
Excess of revenue over expenses attributable to Genesis Health System	42,427,843	6,268,452	-	48,696,295
Consolidate GenGastro, LLC	-	-	-	-
Excess of fair value over equity acquired for GenGastro, LLC attributable to noncontrolling interests	-	-	-	-
Income associated with noncontrolling interests	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-
Contributions to (from) affiliates for capital expenditures	2,511,419	-	-	2,511,419
Net assets released from restrictions, for capital expenditures	-	-	-	-
Change in unrecognized funded status of retirement plan	20,918,020	-	-	20,918,020
Increase (decrease) in unrestricted net assets	65,857,282	6,268,452	-	72,125,734
Change in temporarily restricted net assets:				
Contributions, investment income and other	44,928	-	-	44,928
Net assets released from restrictions, used for operations	-	-	-	-
Net assets released from restrictions, for capital expenditure	-	-	-	-
Change in interest in net assets of Foundation	3,136,904	(351,970)	-	2,784,934
Increase (decrease) in temporarily restricted net assets	3,181,832	(351,970)	-	2,829,862
Change in permanently restricted net assets, contributions, investment income and other	-	10,987	-	10,987
Increase (decrease) in net assets	$ 69,039,114	$ 5,927,469	$ -	$ 74,966,583

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	GenGastro, LLC	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ -	$ -	$ 3,150,642	$ -	$ 237,200	$ -	$ -	$ -	$ (4,484,661)	$ 515,041,430
-	-	-	-	6,937,090	-	-	1,657,073	-	11,563,667
-	-	-	1,224,462	8,087,520	-	-	-	(7,640,627)	1,471,455
1,028,721	459,746	-	303	173,005	2,042,500	3,482,136	-	(10,564,151)	14,050,197
1,028,721	459,746	3,150,642	1,224,765	17,434,815	2,042,500	3,482,136	1,657,073	(22,889,359)	542,146,949
312,840	104,809	208,187	-	5,245,378	-	-	-	-	223,168,468
43,629	7,485	117,329	-	1,150,340	-	-	-	(2,431)	64,356,072
101,925	-	96,010	109,685	427,755	227,678	-	10,718	-	40,843,532
64,503	2,856	113,584	1,747	311,247	-	-	-	(4,200,436)	86,171,666
1,384,312	498,898	382,247	362,518	6,518,993	1,814,822	3,482,136	363,769	(17,774,896)	61,469,867
37,592	-	-	-	142,350	-	-	-	-	27,792,024
10,252	2,847	25	54,623	951,300	-	-	487,953	(911,596)	5,303,384
-	-	76,827	164,674	3,112,800	-	-	1,092,039	-	36,176,677
1,955,053	614,695	994,209	693,157	17,960,163	2,042,500	3,482,136	1,954,477	(22,889,359)	535,291,690
(926,332)	(155,149)	2,156,433	531,608	(525,348)	-	-	(297,404)	-	6,855,259
243,614	-	-	-	40,332	273,852	-	-	-	7,760,802
231,094	121,113	-	-	-	93,292	-	-	-	19,008,724
437,647	75,405	-	-	(81,150)	(740,731)	-	1,461	-	588,671
-	-	-	-	-	-	-	-	9,806,732	24,765,464
912,355	196,518	-	-	(40,818)	(373,587)	-	1,461	9,806,732	52,143,861
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	9,806,732	58,999,120
-	-	-	-	-	-	-	-	(983,644)	-
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	8,823,088	58,999,120
-	-	-	-	-	-	-	-	(9,806,732)	(9,806,732)
-	-	-	-	-	-	-	-	(842,288)	(842,288)
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	(1,825,932)	48,350,100
-	-	-	-	-	-	-	-	493,266	493,266
-	-	-	-	-	-	-	-	9,806,732	9,806,732
-	-	-	-	-	-	-	-	842,288	842,288
-	-	-	-	-	-	-	-	(743,310)	(743,310)
(2,511,419)	-	-	-	-	-	-	-	-	-
2,511,419	-	-	-	-	-	-	-	-	2,511,419
-	-	-	-	-	-	-	-	-	20,918,020
(13,977)	41,369	2,156,433	531,608	(566,166)	(373,587)	-	(295,943)	8,573,046	82,178,517
3,665,316	106,157	-	-	-	-	-	-	-	3,816,401
(1,024,579)	(458,127)	-	-	-	-	-	-	-	(1,482,706)
(2,511,419)	-	-	-	-	-	-	-	-	(2,511,419)
-	-	-	-	-	-	-	-	(2,701,217)	83,717
129,318	(351,970)	-	-	-	-	-	-	(2,701,217)	(94,007)
241,326	10,987	-	-	-	-	-	-	(10,987)	252,313
$ 356,667	$ (299,614)	$ 2,156,433	$ 531,608	$ (566,166)	$ (373,587)	$ -	$ (295,943)	$ 5,860,842	$ 82,336,823

Genesis Health System
and Related Organizations

Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2010

	GHS Iowa	GHS Illinois	Eliminations	Obligated Group *
Change in unrestricted net assets:				
Unrestricted revenue:				
Net patient service revenue	$ 436,040,490	$ 92,948,135	$ (467,309)	$ 528,521,316
Other service revenue, net	-	1,203,532	-	1,203,532
Medical office building rental revenue	-	-	-	-
Other revenue	16,191,478	3,122,969	(1,817,320)	17,497,127
Total revenue	452,231,968	97,274,636	(2,284,629)	547,221,975
Expenses:				
Salaries and wages	181,201,160	27,997,968	-	209,199,128
Employee benefits	44,938,904	6,426,016	(32,756)	51,332,164
Contracted professionals and services	36,800,610	6,432,764	(634,477)	42,598,897
Supplies	79,243,121	13,139,024	(158,015)	92,224,130
Other expenses	41,927,364	22,597,513	(1,459,381)	63,065,496
Provision for bad debts	27,401,892	7,990,850	-	35,392,742
Interest	4,418,926	1,171,670	-	5,590,596
Depreciation and amortization	28,953,192	3,647,575	-	32,600,767
Total expenses	444,885,169	89,403,360	(2,284,629)	532,003,920
Operating income (loss)	7,346,799	7,871,256	-	15,218,055
Nonoperating gains and (losses):				
Interest and dividend income and realized gains (losses) on sales of investments	11,127,240	118,687	-	11,245,927
Current year change in unrealized gains (losses) on trading securities	12,491,900	-	-	12,491,900
Other nonoperating income (expense)	(237,087)	(75,663)	-	(312,750)
Loss on extinguishment of debt	(1,514,471)	-	-	(1,514,471)
Nonoperating gains and (losses)	21,867,582	43,024	-	21,910,606
Excess of revenue over (under) expenses before equity in net income (loss) of subsidiaries	29,214,381	7,914,280	-	37,128,661
Equity in net income (loss) of subsidiaries	(358,454)	325,997	-	(32,457)
Excess of revenue over (under) expenses	28,855,927	8,240,277	-	37,096,204
Less excess of revenue over expenses attributable to noncontrolling interests	-	-	-	-
Excess of revenue over (under) expenses attributable to Genesis Health System	28,855,927	8,240,277	-	37,096,204
Income associated with noncontrolling interests	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-
Transfers (to) from related organizations	146,142	(146,142)	-	-
Change in unrecognized funded status of retirement plan	(13,457,401)	-	-	(13,457,401)
Increase (decrease) in unrestricted net assets	15,544,668	8,094,135	-	23,638,803
Change in temporarily restricted net assets:				
Contributions, investment income and other	(97,344)	-	-	(97,344)
Net assets released from restrictions, used for operations	-	-	-	-
Change in interest in net assets of Foundation	765,932	38,614	-	804,546
Increase in temporarily restricted net assets	668,588	38,614	-	707,202
Change in permanently restricted net assets, contributions, investment income and other	-	11,305	-	11,305
Increase (decrease) in net assets	$ 16,213,256	$ 8,144,054	$ -	$ 24,357,310

* The Obligated Group includes Genesis Health System – Iowa (an Iowa nonprofit corporation) and Genesis Health System – Illinois (an Illinois not-for-profit corporation).

Genesis Health Services Foundation	Illini Hospital Foundation	The Larson Center Partnership	GenVentures, Inc.	Genesis Health System Workers' Compensation Plan and Trust	Misericordia Assurance Company, Ltd.	Davenport SRS Leasing, LLC	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,398,607)	$ 524,122,709
-	-	-	9,969,149	-	-	1,854,425	-	13,027,106
-	-	1,144,495	7,730,616	-	-	-	(7,474,969)	1,400,144
1,207,699	41,106	-	154,098	1,974,849	6,662,546	-	(8,047,047)	19,490,378
1,207,699	41,106	1,144,495	17,853,863	1,974,849	6,662,546	1,854,425	(19,920,623)	558,040,337
319,340	96,521	-	5,144,368	-	-	-	-	214,759,377
43,015	7,074	-	1,167,070	-	-	-	(2,674)	52,546,749
64,071	-	103,690	521,860	170,798	-	62,067	-	43,521,383
87,430	1,362	4,247	343,662	-	-	-	(4,252,633)	86,407,998
1,334,633	73,470	345,533	6,731,701	1,804,051	6,662,546	342,371	(15,561,188)	64,798,613
(1,577)	-	-	391,604	-	-	-	-	35,762,769
11,201	3,145	86,928	1,151,406	-	-	560,005	(227,110)	7,176,171
-	-	159,765	3,010,299	-	-	1,090,446	-	36,651,277
1,858,113	181,572	700,163	18,461,990	1,974,849	6,662,546	2,054,889	(20,043,705)	543,854,337
(650,414)	(140,466)	444,332	(608,125)	-	-	(200,464)	123,082	14,186,000
(172,289)	1,437	609	16,323	344,023	-	-	(227,110)	11,208,910
660,445	106,403	-	-	400,181	-	-	-	13,658,929
174,842	37,847	-	298,431	-	-	3,907	104,028	306,405
-	-	-	-	-	-	-	-	(1,514,471)
663,088	145,687	609	314,754	744,204	-	3,907	(123,082)	23,659,773
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	-	37,845,773
-	-	-	-	-	-	-	32,457	-
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	32,457	37,845,773
-	-	-	-	-	-	-	12,530	12,530
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	44,987	37,858,303
-	-	-	-	-	-	-	(12,530)	(12,530)
-	-	-	-	-	-	-	(739,298)	(739,298)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(13,457,401)
12,674	5,221	444,941	(293,371)	744,204	-	(196,557)	(706,841)	23,649,074
2,457,502	80,249	-	-	-	-	-	-	2,440,407
(916,912)	(41,635)	-	-	-	-	-	-	(958,547)
-	-	-	-	-	-	-	(743,379)	61,167
1,540,590	38,614	-	-	-	-	-	(743,379)	1,543,027
(214,302)	11,305	-	-	-	-	-	(11,305)	(202,997)
$ 1,338,962	$ 55,140	$ 444,941	$ (293,371)	$ 744,204	$ -	$ (196,557)	$ (1,461,525)	$ 24,989,104

ATTACHMENT – 42
Reasonableness of Project and Related Cost

While there are no clinical portions of the project, the construction and contingency cost per gross square foot for the nonclinical portions of the project funded by the Developer is approximately $160.74. The nonclinical portions of the project encompass 47,280 gross square feet. The construction and contingency costs for the nonclinical portions of the project, funded by the Developer, are $7,599,977.

Developer: Moline Physicians, LLC

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.	Gross Sq. Ft. Mod.	Circ.	Const. $	Mod. $	Total Cost (G + H)
Convenient Care[1]	157.41		5,251	15%			826,543		826,543
Office space/part-time physicians	157.41		4,040	15%			635,923		635,923
Office space/full-time physicians	157.41		20,892	15%			3,288,543		3,288,543
Pharmacy	157.41		1,000	15%			157,406		157,406
DME	157.41		500	15%			78,703		78,703
Shell/Available Space[2]	157.41		15,597	15%			2,455,074		2,455,074
Construction Total	157.41		47,280	15%			7,442,194		7,442,194
Contingency	3.34		47,280				157,783		157,783
TOTALS	160.74		47,280				7,599,977		7,599,977
*Include the percentage (%) of space for circulation									

[1] Includes laboratory and general radiology.
[2] This shell space is the Developer's space and will not be leased to the Applicant as part of the project.

2208359-2

Applicant: Genesis

The construction and contingency cost per gross square foot for the nonclinical portions of the project funded by the Applicant is approximately $41.12. The nonclinical portions of the project leased by the Applicant encompass 31,683 gross square feet. The construction and contingency costs for the nonclinical portions of the project, funded by the Applicant, are $1,302,845.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.	Gross Sq. Ft. Mod.	Circ.	Const. $	Mod. $	Total Cost (G + H)
Convenient Care[1]	25.34		5,251	15%			133,060		133,060
Office space/part-time physicians	25.34		4,040	15%			102,373		102,373
Office space/full-time physicians	25.34		20,892	15%			529,402		529,402
Pharmacy	25.34		1,000	15%			25,340		25,340
DME	25.34		500	15%			12,670		12,670
Construction Total	25.34		31,683	15%			802,845		802,845
Contingency	15.78		31,683				500,000		500,000
TOTALS	41.12		31,683				1,302,845		1,302,845
*Include the percentage (%) of space for circulation									

[1] Includes laboratory and general radiology.

Projected Operating Costs

Year One

Costs	Patient Encounters*	Cost Per Patient Encounter
$3,717,000	84,882	$43.79

* There may be some duplication of the patient encounters number. As a medical office building, the facility does not have patient days or other units of service. The patient encounters number is comprised of estimated outpatient visits as well as estimated prescriptions filled in the first year of operation.

Total Effect of the Project on Capital Costs

Year One

Costs	Patient Encounters*	Cost Per Patient Encounter
$1,960,244	84,882	$23.09

* There may be some duplication of the patient encounters number. As a medical office building, the facility does not have patient days or other units of service. The patient encounters number is comprised of estimated outpatient visits as well as estimated prescriptions filled in the first year of operation.

ATTACHMENT – 44
Charity Care Information

Genesis Health System-Illinois
36-3616314

Genesis Medical Center, Illini			
Charity Care			
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Net Patient Revenue	$ 77,763,843	$ 85,758,166	$ 83,035,338
Amount of Charity Care (charges)	$ 3,155,931	$ 3,901,590	$ 6,797,475
Cost of Charity Care	$ 1,256,333	$ 1,423,303	$ 2,493,374
Ratio of Charity Care Cost to Net Patient Revenue	1.62%	1.66%	3.00%

Illini Hospital Nursing Home			
Charity Care			
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Net Patient Revenue	$ 8,472,149	$ 8,393,501	$ 8,289,764
Amount of Charity Care (charges)	$ 600	$ 600	$ 600
Cost of Charity Care	$ 239	$ 219	$ 220
Ratio of Charity Care Cost to Net Patient Revenue	0.00%	0.00%	0.00%

Total Genesis Health System, Illinois			
Charity Care			
	Fiscal Year 2009	**Fiscal Year 2010**	**Fiscal Year 2011**
Net Patient Revenue	**$ 86,235,992**	**$ 94,151,667**	**$ 91,325,102**
Amount of Charity Care (charges)	**$ 3,156,531**	**$ 3,902,190**	**$ 6,798,075**
Cost of Charity Care	**$ 1,256,572**	**$ 1,423,522**	**$ 2,493,594**
Ratio of Charity Care Cost to Net Patient Revenue	**1.46%**	**1.51%**	**2.73%**

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