ORIGINAL

13-029

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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.

Facility/Project Identification

Facility Name:	Greater Peoria Specialty Hospital· d/b/a Kindred Hospital Peoria				
Street Address:	500 West Romeo B. Garrett				
City and Zip Code:	Peoria, IL 61605				
County:	Peoria	Health Service Area	2	Health Planning Area:	C-01

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

Exact Legal Name:	Greater Peoria Specialty Hospital, LLC
Address:	500 West Romeo B. Garrett Peoria, IL 61605
Name of Registered Agent:	
Name of Chief Executive Officer:	to be named
CEO Address:	500 West Romeo B. Garrett Peoria, IL 61605
Telephone Number:	309/680-1501

Type of Ownership of Applicant/Co-Applicant

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
X	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:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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.

Facility/Project Identification

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Street Address:	500 West Romeo B. Garrett
City and Zip Code:	Peoria, IL 61605
County: Peoria	Health Service Area 2 Health Planning Area: C-01

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

Exact Legal Name:	Vibra Healthcare, LLC
Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Name of Registered Agent:	
Name of Chief Executive Officer:	Brad Hollinger
CEO Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Telephone Number:	707/591-5700

Type of Ownership of Applicant/Co-Applicant

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- X Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
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Fax Number:	

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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City and Zip Code:	Peoria, IL 61605				
County:	Peoria	Health Service Area	2	Health Planning Area:	C-01

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

Exact Legal Name:	Vibra Healthcare II, LLC
Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Name of Registered Agent:	
Name of Chief Executive Officer:	Brad Hollinger
CEO Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Telephone Number:	707/591-5700

Type of Ownership of Applicant/Co-Applicant

☐	Non-profit Corporation	☐	Partnership		
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Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Facility/Project Identification

Facility Name:	Greater Peoria Specialty Hospital d/b/a Kindred Hospital Peoria				
Street Address:	500 West Romeo B. Garrett				
City and Zip Code:	Peoria, IL 61605				
County:	Peoria	Health Service Area	2	Health Planning Area:	C-01

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

Exact Legal Name:	Hollinger Holdings, LLC
Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Name of Registered Agent:	
Name of Chief Executive Officer:	Brad Hollinger
CEO Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Telephone Number:	707/591-5700

Type of Ownership of Applicant/Co-Applicant

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
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[Person to receive all correspondence or inquiries during the review period]

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Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

NOTE ON HOLLINGER HOLDING COMPANY, LLC

Hollinger Holding Company, LLC ("Hollinger Holding") is a holding company. Its sole asset is an 86% membership interest in Vibra Healthcare, LLC ("Vibra"). It has no other assets and its only income is distributions from Vibra. It was established for its members to hold the membership interest in Vibra.

Hollinger Holdings is a pass through entity with its percentage of the cash distributions from Vibra being made to its members. It is taxed as a partnership for income tax purposes with its percentage of the taxable income and losses from Vibra allocated among the members in accordance with their ownership interests in Hollinger Holdings.

Hollinger Holding's members and their ownership interests are as follows:

- Brad E. Hollinger – 83%
- James Diebold – 10%
- Carr Living Trust – 7%

Mr. Hollinger is the sole manager of Hollinger Holding.

Hollinger Holdings's 2012 unaudited financial statement was prepared based upon Hollinger Holding's current capital account in Vibra and the current estimate of Vibra's taxable income for 2012. That statement is provided in ATTACHMENT 39.

Post Permit Contact

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

Name:	Douglas C. Yohe
Title:	General Counsel
Company Name:	Vibra Healthcare, LLC
Address:	4550 Lena Drive Suite 225 Mechanicsburg, PA 17055
Telephone Number:	717/591-5737
E-mail Address:	dyohe@vibrahealth.com
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Cullinan Medical 1, LLC

Address of Site Owner: 211 Fulton Street Suite 700 Peoria, IL 61602

Street Address or Legal Description of Site: 500 West Romeo B. Garrett Peoria, IL 61605

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Greater Peoria Specialty Hospital, LLC

Address: 500 West Romeo B. Garrett Peoria, IL 61605

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
X	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.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
X Substantive	☐ Part 1120 Not Applicable
☐ Non-substantive	☐ Category A Project
	X 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.

Greater Peoria Specialty Hospital ("GPSH") a/k/a Kindred Hospital Peoria ("KHP") is a long term acute care hospital (LTACH). Kindred Healthcare, Inc., through its wholly owned subsidiary RehabCare Hospital Holdings, L.L.C., owns a 51% interest in the hospital, with Methodist Medical Center owning the remaining 49%. Through the proposed project, the acquiring applicants are purchasing Kindred Healthcare, Inc.'s ownership share. The 51% ownership share constitutes "control" of the hospital, based on IHFSRB definitions, and therefore, a change of ownership Certificate of Need Permit is required.

No changes to the services offered through GPSH, or the number of beds provided are anticipated.

The change of ownership will, according to IHFSRB rules, result in the establishment of a new health care facility, therein classifying this application as "substantive".

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees	$460,000		$460,000
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			
Other Costs To Be Capitalized			
Acquisition	$500,000		$500,000
TOTAL USES OF FUNDS	$960,000		$960,000
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	$960,000		$960,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$960,000		$960,000

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

Note on the Determination of Purchase Price for Illinois Hospitals

Kindred Healthcare, Inc. ("Kindred") initially allocated the purchase price of $187,000,000 based upon facilities' EBITDA with a minimum amount of $8,000,000 being allocated to owned facilities and minimum amount of $500,000 being allocated to leased facilities. Since the Kindred Hospitals located at Springfield and Peoria both had negative EBITDA, Kindred initially allocated $8,000,000 to the Springfield hospital and $500,000 to the Peoria hospital. When Vibra Healthcare, LLC ("Vibra") reviewed the proposed allocations, it felt that the allocation to the Peoria hospital was reasonable, but had some questions on the allocation for the Springfield hospital based on the value assigned to it on Health Care REIT, Inc.'s project approval letter. Health Care REIT, Inc initially valued the Springfield hospital at $10,000,000. Based upon this amount, Vibra negotiated a $10,000,000 allocation of the purchase price to the Springfield hospital.

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 X No
Purchase Price: $_____
Fair Market Value: $_____

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

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

Estimated start-up costs and operating deficit cost is $ 150,000.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

X None or not applicable ☐ Preliminary

☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): _____

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
X 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:

X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X 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 not applicable

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							
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

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: Greater Peoria Specialty Hospital d/b/a Kindred Hospital Peoria		**CITY: Peoria, IL**			
REPORTING PERIOD DATES: From: January 1, 2012 to: December 31, 2012					
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	50	336	9,204	none	50
Other ((identify)					
TOTALS:	50	336	9,204	none	50

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

SIGNATURE	SIGNATURE
Brad E. Hollinger	Dwight C. Yoho
PRINTED NAME	PRINTED NAME
President	General Counsel
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 21st day of May, 2013	Notarization: Subscribed and sworn to before me this 21st day of May, 2013
Signature of Notary	Signature of Notary
Seal: COMMONWEALTH OF PENNSYLVANIA NOTARIAL SEAL CHRISTY A. RINKER, Notary Public City of Harrisburg, Dauphin County My Commission Expires December 22, 2013	Seal: COMMONWEALTH OF PENNSYLVANIA NOTARIAL SEAL CHRISTY A. RINKER, Notary Public City of Harrisburg, Dauphin County My Commission Expires December 22, 2013

*Insert EXACT legal name of the applicant

CERTIFICATION

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- in the case of a sole proprietor, the individual that is the proprietor.

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

SIGNATURE	SIGNATURE
Brent E. Hollingsworth	Douglas C. Kohn
PRINTED NAME	PRINTED NAME
President	General Counsel
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 21st day of May, 2013	Notarization: Subscribed and sworn to before me this 21st day of May, 2013
Signature of Notary	Signature of Notary
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- 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 Vibra Healthcare II, LLC* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Brad E. Hollingsworth

PRINTED NAME

President

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of May, 2013

Signature of Notary

Seal

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

SIGNATURE

Douglas C. Yoh

PRINTED NAME

General Counsel

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of May, 2013

Signature of Notary

Seal

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

*Insert EXACT legal name of the applicant

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

SIGNATURE

Brad E. Hollingen
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of May, 2013

Signature of Notary

Seal

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

SIGNATURE

Douglas C. Yoh
PRINTED NAME

General Counsel
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of May, 2013

Signature of Notary

Seal

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

*Insert EXACT legal name of the applicant

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

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

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

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

PURPOSE OF PROJECT

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

SECTION VI - MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

NOTE: For all projects involving a change of ownership THE TRANSACTION DOCUMENT must be submitted with the application for permit. The transaction document must be signed dated and contain the appropriate contingency language.

A. Criterion 1110.240(b), Impact Statement

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

B. Criterion 1110.240(c), Access

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

C. Criterion 1110.240(d), Health Care System

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
   a. the location (town and street address);
   b. the number of beds;
   c. a list of services; and
   d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT-19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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

VIII. - 1120.120 - Availability of Funds

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

_____	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;
_$960,000_	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.
$960,000	**TOTAL FUNDS AVAILABLE**	

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

Note on Project Financing

Vibra Healthcare, LLC ("Vibra") will be financing the acquisition of sixteen hospitals and one skilled nursing facility from Kindred Healthcare, Inc. ("Kindred") from two financing sources. Two of the hospitals are located in Illinois.

The first source is Health Care REIT, Inc. ("HCN") and will consist of REIT financing and a term loan. The amount of the REIT financing is $80,000,000 with HCN acquiring the land and improvements of five hospital facilities that are owned by Kindred. These facilities will be leased to Vibra One Holdings, LLC, a subsidiary of Vibra pursuant to a Master Lease Agreement who will sublease them to indirect subsidiaries of Vibra. The HCN term loan will be in the amount of $32,000,000.

The second financing source is MidCap Financial, LLC ("MidCap") and will consist of a senior term loan in the amount of $37,000,000. The balance of the purchase price for these facilities and transactional costs will be funded from Vibra's Revolving Line Credit Facility with MidCap.

IX. 1120.130 - Financial Viability **Greater Peoria Specialty Hospital, LLC**

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:	2010	2011	2012	2015
Current Ratio	n/a	1.36	4.46	3.33
Net Margin Percentage	-0.9%	-2.6%	-4.6%	3.9%
Percent Debt to Total Capitalization	-	-	-	-
Projected Debt Service Coverage	n/a	n/a	n/a	n/a
Days Cash on Hand	n/a	92	45	12
Cushion Ratio	n/a	n/a	n/a	n/a

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.

IX. 1120.130 - Financial Viability **Vibra Healthcare, LLC**

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:

4. **All of the projects capital expenditures are completely funded through internal sources**
5. **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**
6. **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:	2010	2011	2012	2015
Current Ratio	1.03	1.06	1.01	.94
Net Margin Percentage	4.3	3.9	4.2	4.8
Percent Debt to Total Capitalization	3.07	2.09	1.60	0.82
Projected Debt Service Coverage	1.57	1.54	1.67	1.77
Days Cash on Hand	9	6	17	5
Cushion Ratio	171.84	122.77	347.40	104.03

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.

IX. 1120.130 - Financial Viability **Hollinger Holdings, LLC**

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:

7. **All of the projects capital expenditures are completely funded through internal sources**
8. **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**
9. **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:	2010	2011	2012	2015
Current Ratio	n/a	n/a	n/a	n/a
Net Margin Percentage	n/a	n/a	n/a	n/a
Percent Debt to Total Capitalization	-	-	-	-
Projected Debt Service Coverage	n/a	n/a	n/a	n/a
Days Cash on Hand	n/a	n/a	n/a	n/a
Cushion Ratio	n/a	n/a	n/a	n/a

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

2. Variance

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

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

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

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

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

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

XI. Safety Net Impact Statement

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

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

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

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

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

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

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

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2010**	**2011**	**2012**
Inpatient	0	0	0
Outpatient	0	0	0
Total	**0**	**0**	**0**
Charity (cost in dollars)			
Inpatient	$0	$0	$0
Outpatient	$0	$0	$0
Total	$0	$0	$0
MEDICAID			
Medicaid (# of patients)	**2010**	**2011**	**2012**
Inpatient	0	0	
Outpatient	0	0	0
Total	0	0	
Medicaid (revenue)			
Inpatient	$0	$0	$8,386
Outpatient	$0	$0	$0
Total	$0	$0	$8,386

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

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

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

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

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

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

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

CHARITY CARE			
	2010	**2011**	**2012**
Net Patient Revenue	**$13,333,741**	**$18,970,722**	**$17,316,296**
Amount of Charity Care (charges)	$0	$0	$0
Cost of Charity Care	$0	$0	$0

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

File Number 0174560-3

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

GREATER PEORIA SPECIALTY HOSPITAL, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JANUARY 26, 2006, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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* 9TH *day of* MAY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1312900754

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

ATTACHMENT 1

File Number 0430474-8

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

VIBRA HEALTHCARE, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON MAY 06, 2013, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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* 9TH *day of* MAY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1312901112

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

ATTACHMENT 1

File Number 0429160-3

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

VIBRA HEALTHCARE II, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON MAY 03, 2013, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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* 9TH *day of* MAY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1312901014

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

ATTACHMENT 1

File Number 0429175-1

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

HOLLINGER HOLDING COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON MAY 03, 2013, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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* 9TH *day of* MAY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1312900966

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

ATTACHMENT 1

VIBRA HEALTHCARE

May 17, 2013

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

The real estate associated with Greater Peoria Specialty Hospital is controlled through a lease held by Greater Peoria Specialty Hospital, LLC, dated April 18, 2009. That lease was provided to the IHFSRB as ATTACHMENT 2 to Certificate of Need application 11-011. The owner of the real estate is Cullinan Medical 1, LLC.

Sincerely,

Douglas C. Yohe
Senior Vice President & General Counsel

Sworn to and subscribed, before me,
this 17th day of May, 2013.

Notary Public
My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

ATTACHMENT 2

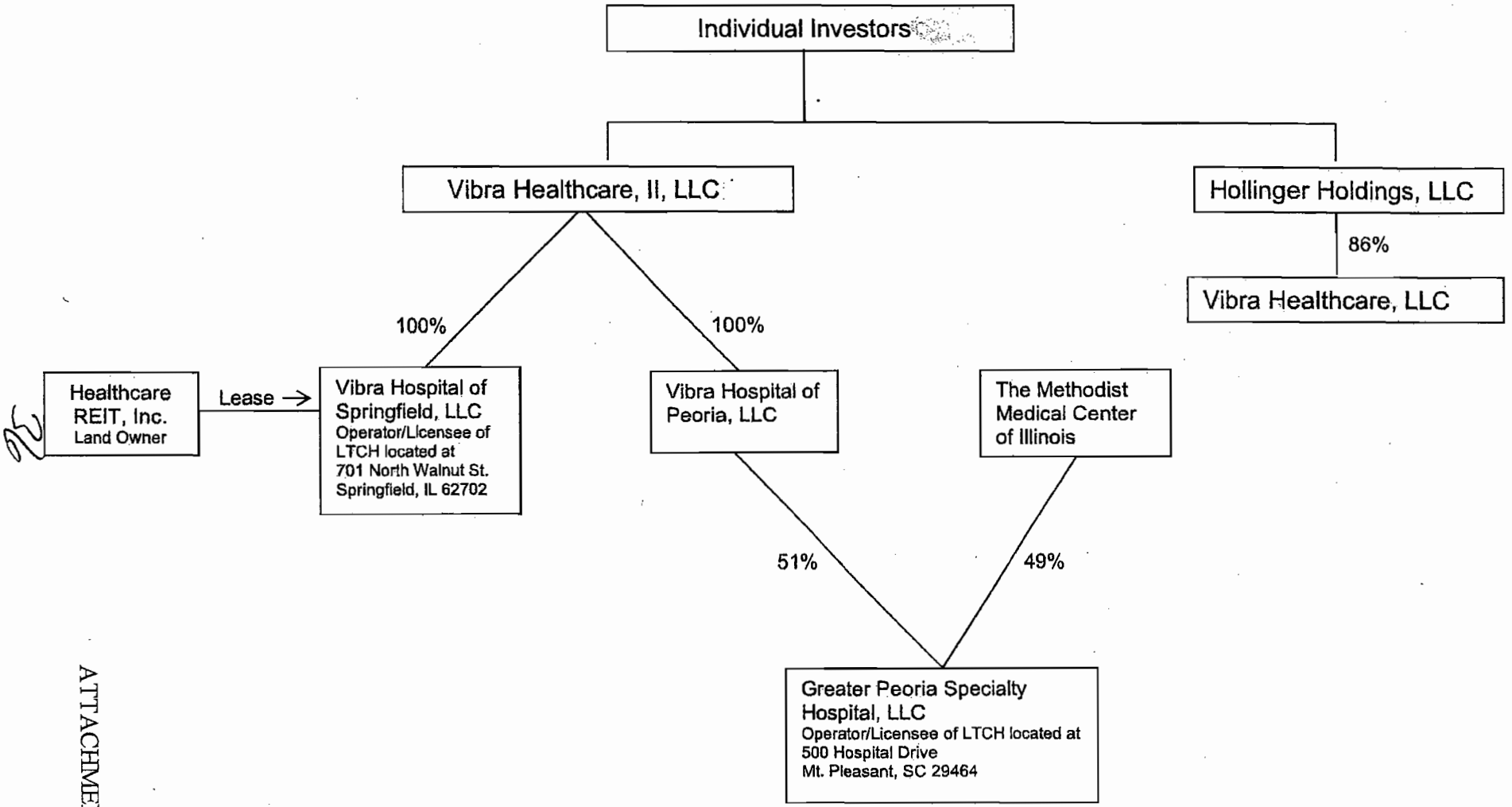
Operating Identity/Licensee

Individuals with 5%+ interest in licensee:

Brad E. Hollinger (approximately 33%)
4550 Lena Drive Suite 225
Mechanicsburg, PA 17055

ATTACHMENT 3

Vibra Healthcare II, LLC
Organizational Chart for IL Hospitals



ATTACHMENT 4

ITEMIZATION OF PROJECT COSTS

	Category	Clinical	Non-Clinical	Total
Consulting and Other Fees				
	Loan Commitment Fee to			
	MidCap Financial, LLC			$ 194,100
	Audit Fee			$ 7,400
	CON-related			$ 145,000
	Reguatory Fees-Other			$ 25,000
	Hart Scott Rodino Filing			$ 4,500
	Legal-transactional			$ 17,700
	Legal-local			$ 25,000
	Legal-regulatory			$ 3,600
	Legal-bank counsel			$ 17,700
	Misc.			$ 20,000
				$ 460,000
Acquisition				$ 500,000

ATTACHMENT 7

VIBRA HEALTHCARE

May 17, 2013

Ms. Courtney Avery
Illinois Health Facilities
And Services review Board
525 West Jefferson
Springfield, IL 62761

Dear Ms. Avery:

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

1. Vibra Healthcare, LLC (including its direct and indirect subsidiaries) does not have any adverse actions against any Illinois facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and
2. Vibra Healthcare, LLC (including its direct and indirect subsidiaries) authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,

Douglas C. Yohe
Senior Vice President & General Counsel

Sworn to and subscribed, before me,
this 17th day of May, 2013.

Notary Public
My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

ATTACHMENT 11

State of Illinois
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

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

EXPIRATION DATE	CATEGORY	ID NUMBER
05/31/13	0630	0005777

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 06/01/12

BUSINESS ADDRESS

GREATER PEORIA SPECIALTY HOSPITAL, LLC
D/B/A KINDRED HOSPITAL PEORIA
500 WEST ROMEO B. GARRETT AVENUE
PEORIA IL 61605

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/87 •

ATTACHMENT 11

The Joint Commission

October 23, 2012

robert wright, CEO
CEO
Greater Peoria Specialty Hospital, LLC
500 W. Romeo B. Garrett Avenue
Peoria, IL 61605

Joint Commission ID #: 484161
Program: Hospital Accreditation
Accreditation Activity: Unannounced Full Event
Accreditation Activity Completed: 10/12/2012

Dear Mr. wright:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high - quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

With that goal in mind, your organization received Requirement(s) for Improvement during its recent survey. These requirements have been summarized in the Accreditation Report provided by the survey team that visited your organization.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

Sincerely,

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

CONFIDENTIAL
Nationals
George@vibrahealthcare.com
08/23/13 3:28:19 PM

ATTACHMENT 11

The Joint Commission

April 28, 2011

Re: # 484161
CCN: #142013
Program: Hospital
Accreditation Expiration Date: January 17, 2013

Steven J. Schultz
CEO
Greater Peoria Specialty Hospital, LLC
500 W. Romeo B. Garrett Avenue
Peoria, Illinois 61605

Dear Mr. Schultz:

This letter confirms that your April 27, 2011 unannounced extension new service survey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

The services at your hospital were found to be in substantial compliance with the Medicare Conditions. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of April 28, 2011.

The Joint Commission is also recommending your organization for continued Medicare certification effective 12/31/67. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation also applies to the following location(s):

Greater Peoria Specialty Hospital, LLC
500 W. Romeo B Garret Avenue, Peoria, IL, 61605

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

ATTACHMENT 11

PURPOSE

The project addressed in this application is limited to a change of ownership, and does not propose any change to the services provided, including the number of beds provided at Greater Peoria Specialty Hospital. The facility will continue to provide long term acute care services to residents of Peoria and the surrounding communities, therein improving the healthcare and well-being of the residents of those communities.

The table on the following page identifies each ZIP Code/community that provided more than 2% of the facility's patients during 2012. The facility's primary patient population resides in Peoria and adjacent Tazewell Counties, with Peoria, and Pekin, East Peoria and Washington (the latter three located in Tazewell County) alone accounting for 41.7% of GPSH's admissions. As evidence of the hospital's broad service area, 50.3% of the hospital's 2012 admissions came from ZIP Code areas providing less than 2.0% of the hospital's admissions. The hospital primarily provides services to the residents of Health Planning Area C-01 and Health Services Area 2.

Greater Peoria Specialty Hospital
2012 Patient Origin

ZIP Code	Community	%	Cumulative %
61554	Pekin	7.1%	7.1%
61611	East Peoria	6.8%	14.0%
61604	Peoria	6.5%	20.5%
61605	Peoria	6.5%	27.1%
61571	Washington	4.2%	31.3%
61603	Peoria	3.6%	34.8%
61615	Peoria	3.6%	38.4%
61607	Peoria	3.3%	41.7%
61401	Galesburg	2.7%	44.3%
61550	Morton	2.7%	47.0%
61614	Peoria	2.7%	49.7%
ZIP Code areas with < 2.0% of adm:		50.3%	100.0%

The proposed change of ownership will address the health care status of the population that has looked to this facility for care since its establishment, by continuing to provide the LTACH services currently being provided, and with the continued utilization of the facility serving as a measurement of success.

ALTERNATIVES

Section 1110.230(c) requests that an applicant document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served.

This project is limited to a change of ownership, and more specifically, Vibra Healthcare LLC and related entities ("Vibra") are acquiring fifteen hospitals, or portions thereof, from Kindred Healthcare, Inc. and related entities ("Kindred"). Included in the acquisition is Kindred's majority ownership interest in Greater Peoria Specialty Hospital.

In order to best respond to Section 1110.230(c), given the particular circumstances and limited nature of the project, when developing an *Application for Permit* for a similar project, the applicant's consultants conducted a technical assistance conference with State Agency Staff (July 12, 2010). That technical assistance conference was documented according to the agency's practice. Through the technical assistance process, the applicants were directed by State Agency staff to set forth the factual background in response to Section 1110.230(c): On April 24, 2013, and following lengthy negotiations and a due diligence process, the asset purchase agreement ("APA") between Vibra Healthcare, LLC and Vibra Healthcare II, LLC, and Kindred Healthcare Operating, Inc., and Kindred Healthcare, Inc., and included in this *Application,* was

signed. This *Application for Permit* was filed for review by the Illinois Health Facilities and Services Review Board shortly thereafter.

MERGERS, CONSOLIDATIONS, and
ACQUISITIONS/CHANGES OF OWNERSHIP

A. Impact Statement

The proposed change of ownership will not have any material impact on the manner in which services are provided at Greater Peoria Specialty Hospital ("GPSH"). The facility will continue to operate its existing approved number of beds, and no expansion or contraction is anticipated, nor are any changes in the clinical services provided by the facility anticipated.

The operating entity will continue to be Greater Peoria Specialty Hospital. A 51% ownership interest in that entity that will be indirectly acquired by Vibra Healthcare.

No changes to the staffing of GPSH, other than those changes normally associated with the ongoing operations of a hospital are anticipated during the first two years following the transaction.

The cost associated with the proposed change of ownership is limited to those costs identified in ATTACHMENT 7; and the primary benefit of the project is the ongoing operation of the facility.

B. Access

The proposed change of ownership will not result in any change in accessibility to LTACH services for residents of the area. Confirmation, as required by review criterion 1110.240(c) is attached.

The admissions and charity care policies under which GPSH currently operates are attached. Vibra has agreed that the admissions and charity care policies will be no less restrictive than those of Methodist Medical Center, and it is anticipated that all charity care and admissions policies currently in place will be retained for a minimum of one year.

It should be noted that because of the nature of long term acute care hospitals, the vast majority of admissions are transfers from acute care hospitals. Patients admitted to the acute care hospital, without the financial resources to pay for their care are typically qualified for Medicaid while in the acute care hospital. As a result, patients requiring charity care in the LTACH setting are extraordinarily rare.

Consistent with GPSH's current practices, as well as the other LTACHs owned and/or operated by Vibra, Medicaid recipients will be admitted to GPSH.

B. Health Care System

The proposed change of ownership will not have any impact on any other area provider.

Vibra does not currently own or operate any licensed health care facilities in Illinois. A Certificate of Need application addressing Vibra's intended acquisition of an LTACH in Springfield, Illinois has been filed with the IHFSRB. The Springfield hospital is located approximately one hour and 15 minutes from GPSH.

Methodist Medical Center is located approximately .7 mile/4 minutes from GPSH. The table below identifies each IDPH category of service provided by Methodist Medical Center, and the 2011 utilization of each of those services.

Service	Beds	ADC
Medical/Surgical beds	168	105.1
Pediatric beds	12	2.7
ICU beds	26	16.2
Obstetrics beds	16	14.3
AMI beds	68	58.1
Rehabilitation beds	39	21.8
open heart surgery procedures:		429
cardiac catheterization procedures:		3,395

Source: IDPH Hospital Profile

Greater Peoria Specialty Hospital has referral agreements in place with Methodist Medical Center (2 minutes/.85 miles), Peterson Health Center (12 minutes/6.21 miles) and with HCR Healthcare, LLC, which operates skilled nursing facilities in numerous central Illinois communities, including Peoria (11 minutes/4.89 miles). The existing referral agreements will all be retained, following the change of ownership, and it is likely that additional agreements will be entered into during the first six months following the change of ownership.

ATTACHMENT 19

Patient transfers and referrals from GPSH are made by the patient's physician and family, with no requirement that transfers or referrals be made to specific facilities.

Because of the specialty nature of an LTACH, and because the closest LTACH to GPSH is located more than an hour away, a discussion of duplication of services is not applicable.

GPSH is a vital member of the Peoria hospital community, and in addition to providing the only LTACH services in the area, the hospital is an active participant in community activities. This practice, which, during the past year has included presentations to area service organizations, the Case Management Association of Central Illinois and the Nursing Home Administrators of Central Illinois, will continue and be expanded to include additional community groups.

VIBRA HEALTHCARE

May 17, 2013

Illinois Health Facilities
and Services Review Board
Springfield, Illinois

RE: Change of Control of
Greater Peoria Specialty Hospital

To Whom It May Concern:

Please be advised that upon the proposed change of control of Greater Peoria Specialty Hospital, there will be no policies adopted that will result in restrictions to admissions to the hospital.

Rather, it is the intent of Vibra Healthcare, LLC and it's applicant subsidiaries ("Vibra"), that the hospital will continue to utilize the admissions-related policies currently in effect at the hospital. Those policies, including financial aid policies, are included in ATTACHMENT 19B of the *Application for Permit* addressing the change of ownership. The admissions-related policies, as will be the case with all policies, will be evaluated a year following the change of ownership. It is neither anticipated nor the intent of Vibra that the admissions-related policies become more restrictive under Vibra's control.

Sincerely,

Brad Hollinger
CEO

Sworn to and subscribed, before me,
this 17th day of May, 2013.

Notary Public
My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

ATTACHMENT 19

KINDRED HEALTHCARE CHARITY CARE AND FAIR BILLING POLICY

PURPOSE

This policy establishes guidelines for the development and application of financial assistance and uninsured patient discount programs, by Kindred Healthcare (Kindred) hospitals located in Illinois. Such programs will be designed to assist individuals in financial need and other medically underserved individuals or groups on a non-discriminatory basis to obtain appropriate medical care and advice, and thereby improve the health of those in the communities served by Kindred Hospitals.

PROCESS

1. Definitions

1.1 Federal Poverty Level means the level of household income at or below which individuals within a household are determined to be living in poverty, based on the Federal Poverty Guidelines as annually determined by the U.S. Department of Health and Human Services under authority of 42 U.S.C. 9902(2).

1.2 Financial Assistance/Charity Care means providing a discount to the charges associated with a patient's hospital care based on financial need as described more specifically in this Policy and in compliance with Illinois law.

1.3 Financial Assistance Programs means all programs set forth herein to provide assistance to those in financial need including financial assistance/charity care, uninsured patient discounts, and medical indigence discounts and payment caps.

1.4 Financial need means documented lack of sufficient financial resources to pay the applicable charge for medical care. Financial need may be evidenced by low Family Income and asset levels, or high levels of medical debt in relation to Family Income (medical indigence). Financial need determinations also take into consideration other relevant circumstances, such as employment status or health status of patient or other household members, which may affect a patient's ability to pay. The existence of financial need must be demonstrated by information provided by or on behalf of the patient, and/or other objective data available to the hospital. Kindred Hospitals may use asset or debt information to assist in making a determination regarding financial need, when income data is unavailable or inconclusive, or reported income is not supported by objective data.

1.5 Family Income means the sum of a family annual earnings and cash benefits from all sources before taxes, less payments made for child support.

1.6 Illinois Resident means a person who lives in Illinois and intends to remain living in Illinois indefinitely. Relocation to Illinois for the sole purposes of receiving health care benefits does not satisfy the residency requirement.

1.7 Illinois Fair Patient Billing Act means the hospital fair patient billing act, as passed by the Illinois General Assembly in 2007, effective as of January 1, 2007, and as amended from time to time.

1.8 Illinois Uninsured Patient Discount Act means the hospital uninsured patient discount act, as passed by the Illinois General Assembly in 2008, effective as of April 1, 2009, and as amended from time to time.

1.9 Kindred Hospital means an Illinois hospital that is part of the national health care system known as "Kindred Health Care."

1.10 Medically Necessary Hospital-Services means:

1.10.1 For purposes of this policy "Medically Necessary Hospital Services" means those hospital services required for the treatment or management of a medical injury, illness, disease or symptom as determined by an independent treating physician or other physician consulted by a Kindred Hospital, including but not limited to, pharmaceuticals or supplies provided by a Kindred Hospital to a patient covered by guidelines for Medicare coverage if the patient were a Medicare beneficiary with the same clinical presentation as the Uninsured Patient.

1.10.2 Examples of services that are not Medically Necessary Hospital Services include, but are not limited to: (1) cosmetic health services; including elective cosmetic surgery (exclusive of plastic surgery designed to correct disfigurement caused by injury, illness, or congenital defect or deformity); (2) services that are experimental or part of a clinical research program; (3) elective goods or services that are not necessary to treat an illness or injury; (4) private and/or non-Kindred medical or physician professional fees; (5) services and/or treatments not provided at a Kindred Hospital; (6) pharmaceuticals and supplies that do not meet the definition described in Section 1.10.1 above; (7) non-medical services such as social and vocational services; and (8) procedures or services for which the hospital provides a discounted "flat rate" pricing package.

1.11 Uninsured Patient means an individual who is an Illinois resident and is or was a patient of a Kindred Hospital and at the time of service is or was not (a) covered under a policy of health insurance or (b) not a beneficiary under a public or private health insurance, health benefit, or other health coverage program, including Medicare, Medicaid, TriCare, SCHIP and All-Kids, high deductible health insurance plans, workers' compensation, accident liability insurance, or other third party liability plan.

2. Patient Treatment Standards. All patients of Kindred Hospitals shall be treated with respect and dignity regardless of their ability to pay for medical care, or their need for charitable assistance. Individuals who may seek or are offered Financial Assistance/Charity Care shall be objectively and fairly evaluated for eligibility,

regardless of race, ethnic background, national origin, creed, or personal, political or sexual orientation.

3. Financial Assistance/Charity Care and other Financial Assistance Programs

3.1 Discount for Low-Income Uninsured Patients. Financial Assistance/Charity Care discounts or discounted fee schedules will be available for Medically Necessary Hospital Services provided to Uninsured Patients who are unable to pay all or part of the otherwise applicable charge for their care due to financial need, as documented in accordance with this Policy. Patients demonstrating financial need based on Household Income up to six hundred percent (600%) of the Federal Poverty Level may receive a sliding-scale discount for such hospital care, at the following levels:

3.1.1 Up to one hundred percent (100%) of the Federal Poverty Level: 100% discount;

3.1.2 Between one hundred percent (100%) and two hundred percent (200%) of the Federal Poverty Level: 67% discount;

3.1.3 Between two hundred percent (200%) and four hundred (400%) of the Federal Poverty Level: 33% discount; and

3.1.4 Between four hundred percent (400%) and six hundred (600%) of the Federal Poverty Level: 10% discount.

3.2 Payment Caps Under Illinois Uninsured Patient Discount Act. To the extent required by the Illinois Uninsured Patient Discount Act, and subject to other eligibility standards and exclusions as set forth by such law including standards based on asset level, Uninsured Patients who are Illinois residents having Family Income of up to six hundred percent (600%) of the Federal Poverty Level shall not be required to pay to a Kindred Hospital more than twenty five percent (25%) of such patient's Family Income within a twelve (12) month period. Additionally, Kindred Hospital charges to eligible Uninsured Patients cannot exceed the cost of the Kindred Hospital services plus thirty-five percent (35%). Kindred Hospitals may exclude a patient from the foregoing maximum collection amounts when the patient owns assets exceeding six hundred percent (600%) of the Federal Poverty Level, excluding the following assets: the Uninsured Patient's primary residence, personal property exempt from judgment under Illinois law, or any amounts hold in pension or retirement plan.

3.3 Financial Assistance/Charity Care for Insured Patients. Subject to insurance and governmental program restrictions (which may limit the ability to grant a discount on co-pays or deductibles, versus discounts on co-insurance), insured individuals, federal program beneficiaries and other individuals who are not eligible for Financial Assistance/Charity Care hereunder but who demonstrate medical indigence or other financial need, may receive a Financial Assistance/Charity Care discount in similar or different amounts as are available to Uninsured

Patients under this policy, as determined appropriate under the circumstances by Kindred Patient Financial Services.

4. Eligibility for Financial Assistance Programs

4.1 Eligibility: Notwithstanding anything in this Policy to the contrary and for the avoidance of doubt, all Kindred Hospitals will provide a discount from its charges for all Medically Necessary Hospital Services exceeding $300 in any one patient admission or outpatient encounter to any Uninsured Patient who: a) applies for a discount based on Kindred Hospital application procedures described herein; and b) has a Family Income of not more than six hundred percent (600%) of the Federal Poverty Level. To the extent required by state and federal law, all Kindred Hospitals will provide financial assistance/charity care discounts to eligible patients in connection with hospital emergency department and other medical services necessary to diagnose, treat or stabilize an emergency medical condition.

4.2 Patient Responsibilities. Kindred Hospitals may condition receipt of charitable assistance under any Financial Assistance Program on a patient acting reasonably and in good faith, by providing the hospital, within 30 days after the hospital's request, with all reasonably-requested financial and other relevant information and documentation needed to determine the patient's eligibility for assistance, including cooperating with the hospital's financial counselors in applying for coverage under governmental programs, such as Medicare or Medicaid, accident coverage, crime victims funds, and other public programs that may be available to pay for health care services provided to the patient.

4.3 Conditions of Financial Assistance Program Participation. Kindred Hospitals may, as they determine appropriate, condition the receipt of financial assistance on disclosure by the patient's immediate relatives, host family or sponsoring organization of their financial information, residency and asset ownership sufficient to demonstrate ability or inability to pay or contribute to the costs of care for their relative or hosted guest. The hospital may further condition any discretionary grant of financial assistance on a contribution toward the costs of the patient's care and/or a guarantee of payment by such relatives, hosts or others (as applicable), in the event the patient fails to qualify for coverage through governmental (i.e. Medicare or Medicaid) or private insurance and the patient fails to pay the amounts for which she/he is responsible. Kindred Hospitals may also require a patient to certify that all information provided in an application for Financial Assistance/Charity Care is true and accurate and if any information is false, any discount granted to the patient is forfeited and the patient is responsible for the hospital's full charges.

4.4 Application for Financial Assistance. At the time of admission or registration, or where feasible, prior to any clinical care (excluding emergency circumstances), the patient or responsible party will be presented with an application form for Financial Assistance/Charity Care ("Form"). Patients or responsible parties may

request a Form and guidelines for the Financial Assistance Program at any time (i.e. prior to or at the time of admission/registration, upon receipt of final bill or first statement and at any point during the collection process). Kindred Hospital designated administrative staff may interview the patient or responsible party as well.

5. Hospital Responsibilities for Communicating Availability of Financial Assistance/ Charity Care and Other Charitable Assistance Programs

5.1 Communicating Availability of Financial Assistance/Charity Care Discounts. Each Kindred Hospital will maintain effective methods of communicating the availability of Financial Assistance/Charity Care discounts to all patients, in multiple appropriate media and in multiple appropriate languages based on the surrounding population of the applicable Kindred Hospital. The mechanisms that Kindred Hospital will use to communicate the availability of Financial Assistance/Charity Care will include, but are not limited to the following:

5.1.1 Signage. Signs shall be conspicuously posted in the admission, registration and other appropriate areas of the hospital stating that patients may be eligible for Financial Assistance/Charity Care discounts, and describing how to obtain more information and how to apply for Financial Assistance/Charity Care (See Section 4 above), including identification of appropriate hospital representatives by title. Such signs shall be prepared in English, Spanish, and any other language that is the primary language of at least 5% of the patients served by the hospital annually.

5.1.2 Provision of Financial Assistance Materials to Uninsured Patients. Kindred Hospitals will provide a summary of its Financial Assistance Programs and a Financial Assistance application to all persons receiving hospital care that it identifies as Uninsured Patients at the time of in-person registration, admission, or such later time at which the patient is first identified as an Uninsured Patient. For patients presenting in the Emergency Department, all Kindred Hospitals will provide such Financial Assistance materials at such time and in such manner as is consistent with their obligations under the Emergency Medical Treatment and Active Labor Act, as amended (EMTALA) to assess and stabilize the patient before making inquiry of the patient's ability to pay.

5.1.3 Brochures. Brochures, information sheets and/or similar forms of written communication regarding the hospital's Financial Assistance/Charity Care policy shall be maintained in appropriate areas of the hospital (e.g., the Emergency Department, organized registration areas, and the Business Office) stating in at least English and Spanish, that the hospital offers Financial Assistance/Charity Care discounts, and describing how to obtain more information.

5.1.4 Website. The website for each Kindred Hospital must include: a notice in a prominent place that financial assistance is available at the hospital; a description of the financial assistance application process, and a copy of the Kindred Hospital financial assistance application form.

5.1.5 Billing Notices. Each Kindred Hospital shall include a note on or with the Hospital bill and/or statement regarding the following: the hospital's Financial Assistance/Charity Care program, how the patient may apply for consideration under this program, a hospital contact (i.e. person, address, email and phone number) for billing inquiries, a brief description of services, dates services were provided, amounts owed for services, and notice that a patient may obtain an itemized bill upon request.

5.1.6 Financial Counselors. Each Kindred Hospital shall have one or more financial counselors whose contact information is listed or provided with other information concerning the hospital's Financial Assistance/Charity Care discount program, who are available to discuss eligibility and other questions concerning the program, and to provide assistance with applications.

6. Communication with Patients Regarding Eligibility Determination for Financial Assistance/Charity Care.

6.1 Notification of Determination. When a Kindred Hospital has made a determination that a patient's bill will be discounted or adjusted in whole or in part based on a determination of financial need, the hospital will notify the patient of such eligibility determination within a commercially reasonable time, and that there will be no further collection action taken on the discounted portion of the patient's bill.

6.2 Changes in Patient Financials Circumstances. Adverse changes on the patient's financial circumstances may result in an increase in any Financial Assistance/Charity Care discount provided by the hospital. Under no condition, however, would adverse or other changes in a patient's financial circumstances affect the hospital's continuation of any ongoing treatment during an episode of care. Along with other patient responsibilities described herein, a patient must also communicate to the hospital any material change, within 30 days of such change, in his or her financial situation that: (a) affects the patient's qualification for Financial Assistance/Charity Care; or (b) his or her ability to abide by a reasonable payment plan agreed upon with the hospital.

7. Application of Financial Assistance/Charity Care Determination to Past-Due Bills. When a patient has been granted a discount on his or her bill under the hospital's Financial Assistance/Charity Care program, the hospital may apply a similar discount or adjustment to all other outstanding patient bills. The hospital will advise the patient of such adjustment of prior accounts, and that the hospital will forego any further attempted to collect the amounts written off on such accounts.

8. Updating Prior Financial Need Determinations

8.1 Effective Time of Financial Assistance Qualification Determination. A determination of a patient's Family Income in connection with the patient's qualification for any form of Financial Assistance under this Policy will remain in effect the patient's entire episode of care, provided that if an episode of care continues for more than thirty (30) days, the hospital may request the patient to re-verify or supplement Family Income information or other eligibility information as the hospital reasonably deems appropriate, including cooperating with the hospital financial counselor to re-evaluate the patient's potential eligibility for coverage under Medicaid or other governmental programs and for the hospital's Financial Assistance/Charity Care program.

8.2 Re-Verification Within Six Months. When a patient (or the member of the household of a patient) who has received a determination of financial need under a Kindred Hospital's Financial Assistance/Charity Care program subsequently receives or applies for care from the same or any other Kindred Hospital more than 30 days but less than 6 months later, the hospital shall request appropriate information necessary to update the patient's or prospective patient's Financial Assistance/Charity Care application and re-verify the prior financial need determination. Kindred Hospital Financial Counselors will work with the patient to make the updating process as convenient as possible while assuring accuracy of information. The hospital shall consider the patient's (or prospective patient's) eligibility for Financial Assistance/Charity Care based on current income and assets, and other objective information obtained by the hospital relating to financial need, such as credit reports, new W-2s, tax returns or other data acceptable under Illinois law.

8.3 New Application Requirements. If more than six (6) months has expired since a patient's Financial Assistance eligibility determination, the patient must submit a new Financial Assistance application.

9. Financial Assistance/Charity Care Determinations Required Prior to Non-Emergency Services. Kindred Hospitals will make all reasonable efforts to expedite the evaluation of patients for eligibility for coverage under governmental programs and otherwise for Financial Assistance/Charity Care. Such evaluations must generally be made by a Kindred Hospital prior to provision of non-emergency hospital services. Persons who have come to a Kindred Hospital emergency department seeking care for a potential emergency medical condition will first receive a medical screening exam conducted in compliance with EMTALA and all care needed to stabilize any emergency medical condition, prior to an evaluation for coverage eligibility under governmental programs or Financial Assistance/Charity Care.

10. Collection Activity Pursuant to the Illinois Fair Patient Billing Act

10.1 General. All Kindred Hospitals shall engage in reasonable collection activities for collection of the portions of bills for which patients are responsible after

application of any Financial Assistance/Charity Care discount, uninsured patient discount, insurance allowances and payment and other applicable adjustments. Kindred Hospitals may engage outside third parties to manage Financial Assistance and collection programs and policies so long as such entity or individual is contractually bound to comply with the Illinois Fair Patient Billing Act and other applicable state and federal law.

10.2 Cessation of Collection Efforts on Discounted Amounts. No Kindred Hospital will engage in or direct collections activity with respect to any discounts on health care charges provided as a result of a determination of eligibility under the hospital's Financial Assistance/Charity Care program, unless it is later determined that the patient omitted relevant information relating to actual income or available assets, or provided false information regarding financial need or other eligibility criteria. Balances remaining after financial assistance discounts are applied will be subject to reasonable collection activity, consistent with this Policy.

10.3 Use of Reasonable Legal Processes to Enforce Patient Debt. Reasonable legal process, including the garnishment of wages, may be taken by any Kindred Hospital to collect any patient debt remaining after any adjustment or discount for Financial Assistance/Charity Care, uninsured status or other reason, under the following circumstances and after written approval from an authorized Kindred Hospital employee that such criteria have been satisfied:

10.3.1 For Uninsured Patients:

- The hospital has given the patient the opportunity to assess the accuracy of the hospital's bill;
- The hospital has given the Uninsured Patient the opportunity to apply for Financial Assistance/Charity Care and/or a (a) reasonable payment plan, or (b) discount for which the patient is eligible pursuant to the Illinois Patient Uninsured Discount Act;
- The hospital has given the Uninsured Patient at least 60 days after discharge or receipt of services to apply for Financial Assistance/Charity Care,
- If the patient has indicated, and the hospital is able to verify, that the patient is unable to pay the full amount due in one payment, the hospital has offered the patient a reasonable payment plan;
- If the hospital and patient have entered into a reasonable payment plan, the patient has failed to make payments when due; and
- There is objective evidence that the patient's Family Income and/or assets are sufficient to meet his or her financial obligation to the hospital.

10.3.2 For Insured Patients:

- The hospital has provided the patient the opportunity, for at least 30 days after the date of the initial bill, to request a reasonable payment plan for the portion of the bill for which the patient is responsible;

- If the patient requests a reasonable payment plan, and fails to agree to a plan within 30 days after such request; and

- If the hospital and patient have entered into a reasonable payment plan, the patient has failed to make payments when due.

#10097893_v4

Kindred Healthcare Kindred Hospital Peoria	Admission Policy	Page 1 of 1

POLICY

Kindred Hospital Peoria is committed to caring for patients needing long-term acute care services. Kindred Hospital Peoria is committed to enhancing the continuum of care offered in the communities we serve, including care of patients who have limited or no financial resources.

PROCEDURE

1. Kindred Hospital Peoria will assess the clinical needs of all patients referred by the medical community in and around Peoria.
2. Indigent patients who are clinically appropriate shall not be denied admission based upon lack of payment source.
3. Admission must be without regard to referral source.
4. Once admitted, patients will be maintained in Kindred Hospital Peoria if the patient continues to meet acute care criteria regardless of ability to pay.

References:

Original Date	**MM/YY**
Review/Revision Date	**MM/YY**
☐ **Supersedes all Previous**	
Approved: _____	**Date** ___/___/___

CONFIDENTIAL AND PROPRIETARY INFORMATION TO KINDRED HEALTHCARE INC. AND AUTHORIZED PARTIES

ATTACHMENT 19

Clinton

THE STATE OF IL

COUNTY OF Peoria PATIENT TRANSFER AGREEMENT

This Patient Transfer Agreement (this "Agreement") is made and entered into on this 20 day of July 2009, by and between Methodist Medical Center of Illinois and Greater Peoria Specialty Hospital, each individually referred to herein as "hospital", or "Transferring Hospital" if transferring a patient, or "Receiving Hospital" if receiving a patient, pursuant to the terms and conditions of this Agreement, and collectively as "hospitals".

RECITIALS

Whereas, the parties named above have determined that this agreement will promote good patient care through the expeditious transfer of patients between their hospitals; and

Whereas, the parties desire to fulfill their responsibilities under state and federal law with regard to the transfer of patients between hospitals; and

Whereas, the parties desire to provide a full statement of their agreement in connection with the transfer of patients between their hospitals;

NOW THEREFORE, in consideration of the mutual covenants and agreements of this contract, it is understood and agreed by and between the parties hereto as follows:

ARTICLE I

Purpose and Scope

1.01 The purpose of this Agreement is to facilitate the appropriate transfer of patients with an emergency medical condition and/or patients requiring special services that are unavailable at the Transferring Hospital.

1.02 This agreement does not provide nor is it meant to provide a private or public source of payment or assistance to eligible patients of the Transferring Hospital.

ARTICLE II

Terms Of Agreement

2.01 The agreement shall be for a period of one (1) year, commencing in the first day of the month following the date the agreement is executed by both parties, and shall be automatically renewed each year for additional one (1) year terms unless terminate as otherwise provided in this agreement.

2.02 This agreement may be terminated by either party without cause by giving thirty (30) days written notice to the other party of its intention to withdraw from the agreement. This agreement shall immediately terminate upon the occurrence of any of the following events:

a) Either hospital closes or discontinues operation to such an extent that patient care cannot be carried out adequately.

b) Either hospital loses its license or Medicare certification.

c) Either hospital is in default of any material terms of this agreement and has failed to cure such default within ten (10) days of receipt of written notice from the other party.

2.03 In the event this agreement is terminated for any reason, both parties agree to meet their obligations to any patients who are already involved in the transfer process on the date the agreement is finally terminated.

ARTICLE III

Definitions

3.01 The following definitions are applicable to this agreement:

a) **Capacity** means the ability of the **Receiving Hospital** to accommodate the individual requesting examination or treatment of the transferred individual. Capacity encompasses such things as numbers and availability of qualified staff, beds and equipment and the **Receiving Hospital's** past practices of accommodating additional patients in excess of its occupancy limits.

b) **Comes to the emergency department** means (with respect to an individual requesting examination or treatment) - that the individual is on the hospital property (property includes ambulances owned and operated by the hospital, even if the ambulance is not on the hospital grounds). An individual in a non-hospital owned ambulance on the hospital property is considered to have come to the hospital's emergency department. An individual in a non-hospital owned ambulance off the hospital property is not considered to have come to the hospital's emergency department, even if a member of the ambulance staff contacts the hospital by telephone or telemetry communications and informs the hospital staff that they want to transport the individual to the hospital for examination and treatment. In such situations, the **Receiving Hospital** may deny access if it is in "diversionary status," that is, it does not have the staff or facilities to accept any additional emergency patients. If, however, the ambulance staff disregards the **Receiving Hospital's** instructions and transports the individual on to the **Receiving Hospital** property, the individual is considered to have come to the emergency department.

c) **Emergency medical condition** means:

1. A medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain, psychiatric disturbances and/or symptoms of substance abuse) such that the absence of immediate medical attention could reasonably be expected to result in

   a. Placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy;

   b. Serious impairment to bodily functions; or

   c. Serious dysfunction of any bodily organ or part; or

2. With respect to a pregnant woman who is having contractions
   a) That there is inadequate time to effect a safe transfer to another hospital before delivery, or
   b) That transfer may pose a threat to the health or safety o f the woman or the unborn child.

d) **Labor** means the process of childbirth beginning with the beginning with the latent or early phase of labor and continuing through the delivery of the placenta, a woman experiencing contractions is in true labor unless a physician certifies that, after a reasonable time of observation, the woman is in false labor.

e) **Mandated Provider** means a provider of health care services selected by a county, public hospital, or hospital district that agrees to provide health care services to eligible residents who are eligible for such services by having met income and resource requirements.

f) Stabilized means with respect to an **"Emergency Medical Condition"** as defined in this section under paragraph I of that definition, that no material deterioration of the condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from a facility or, with respect to an **"emergency medical condition"** as defined in this section under paragraph 2 of that definition, that the woman has delivered the child and the placenta.

g) To stabilize means, with respect to an **"emergency medical condition"** as defined in this section under paragraph 1 of that definition, to provide such medical treatment of the condition necessary to assure, within reasonable medical probability, that no material deterioration of the condition is likely to result from or occur during the transfer of the individual from a facility or that, with respect to an **"emergency medical condition"** as defined in this section under paragraph 2 of that definition. The woman has delivered the child and the placenta.

h) Transfer means the movement (including the discharge) of an individual outside a hospital's facilities at the direction of any person employed by (or affiliated or associated, directly or indirectly, with) the hospital, but does not include such a movement of an individual who

1. has been declared dead, or

2. leaves the facility without the permission of any such person.

ARTICLE IV

Standards of Transfer

4.01 The hospitals agree that the transfer of a patient will not be predicated upon arbitrary, capricious, or unreasonable discrimination based upon race, religion, national origin, age, sex, physical condition, or economic status, and the transfer or receipt of patients in need of emergency care shall not be based upon the patient's inability to pay for services rendered by either hospital.

4.02 The hospitals recognize the right of an individual to request transfer into the care of a physician and a hospital of his own choosing; however, if a patient is transferred for economic reasons and the patient's choice is predicated upon or influenced by representations made by the transferring physician or hospital administration regarding the availability of medical care and hospital services at a reduced cost or no cost to the patient, the physician or hospital administration must fully disclose to the patient the eligibility requirements established by the patient's chosen physician or hospital.

4.03 The **Transferring Hospital** shall be responsible for accomplishing the transfer in a medically appropriate manner from physician to physician and from hospital by providing for:

a) Life Support. The use of medically appropriate life support measures which a reasonable and prudent physician in the same or similar locality exercising ordinary care would use to stabilize the patient prior to transfer and to sustain the patient during the transfer;

b) Personnel and Equipment. The provision of appropriate personnel and equipment which a reasonable and prudent physician in the same or similar locality exercising ordinary care would use for the transfer;

c) Records. The transfer of all necessary records (or copies thereof) for continuing patient care related to the emergency condition which the individual has presented that are available at the time of the transfer, including:
   1. a brief description of the patient's medical history and treatment;
   2. records related to the individual's emergency medical condition and physical assessment of the patient's condition, observations of signs or symptoms;
   3. preliminary working diagnosis;

4. results of diagnostic studies and lab tests;
5. pertinent x-ray films and reports;
6. the reason for transfer and the informed written consent to transfer or appropriate certification thereof; and
7. the name and address of any on-call physician who has refused or failed to appear within a reasonable time to provide necessary stabilizing treatment. Other records (e.g., test results not yet available or historical records not readily available from the **Transferring Hospital's** files) must be sent as soon as practicable after transfer;

d) Availability of facilities, services, and staff. The consideration of the availability of appropriate facilities, services, and staff for providing care to the patient.

4.04 Mandate Providers. The hospitals will recognize and comply with the requirements of the Indigent Health Care and Treatment Act, Health and Safety Code, Chapter 61, relating to the transfer of patients to mandated providers.

ARTICLE V

Responsibilities of Transferring Hospital

5.01 General

a) **Medical Screening**. When an individual comes to the Emergency Center of the **Transferring Hospital**, or to any location on **Transferring Hospital** property, and a request is made on the individual's behalf for a medical examination or treatment, an appropriate medical screening examination, within the capabilities of the emergency department (including ancillary services routinely available to the emergency department), shall be provided by qualified medical personnel to determine whether an emergency medical condition exists, or with respect to a pregnant woman having contractions, whether the woman is in labor.

b) **No Delay for Inquiry**. A medical screening examination, stabilizing treatment, or appropriate transfer will not be delayed to inquire about the individual's method of payment or insurance status.

c) **Protection Against Retaliation**. A physician or qualified medical person will not be penalized or have adverse actions taken against him based on a refusal to authorize the transfer of an individual with an emergency medical condition that has not been stabilized.

5.02 **Evaluation of Individual Prior to Immediate Transfer.**

a) In the event of a potential need to transfer the individual, the individual shall be (1) evaluated by a physician who is on duty in the emergency department at the time the patient presents or is presented, or (2) evaluated by a physician on call who is physically able to reach the patient within 30 minutes after being informed that an individual who requires immediate medical attention is present at the **Transferring Hospital.** The physician on call must be available within 30 minutes by direct telephone or radio communication with authorized personnel at the **Transferring Hospital** who will assess and report the patient's condition to the physician.

5.03 **Transfer of Individuals Prior to Stabilization.** The **Transferring Hospital** may not transfer a patient with an emergency medical condition, which has not been stabilized unless:

a) **Written Transfer Request**. The patient or a legally responsible person acting on the patient's behalf, after being informed of the **Transferring Hospital's** obligations under this

section and of the risk of transfer, in writing requests transfer into the care of another physician and hospital;

b) Physician Certification. A licensed physician has signed a certification, which includes a summary of the risks and benefits, that, based on the information available at the time of transfer, the medical benefits reasonably expected from the provision of appropriate medical treatment at another hospital outweigh the increased risks to the patient (from effecting the transfer), and, in the case of labor, to the unborn child from effecting the transfer; or

c) Non-physician Certification. If a licensed physician is not physically present in the emergency department at the time a patient is transferred, a qualified medical person has signed a certification described in subsection 4.03 (b) after a licensed physician, in consultation with the person, has made the determination described in subsection 5.03 (b) and subsequently countersigns the certification within 24 hours.

5.04 **Transfer of Individuals After Stabilization.** The **Transferring Hospital** may transfer individuals after stabilization by appropriate means under the following circumstances:

a) Specialized Treatment. The individual requires specialized treatment, including but not limited to, treatment of acute brain, head, back and neck injuries, acute rehabilitative services, pediatric (trauma, neurological, rehabilitative, internal medicine, cardiology), orthopedic, otorhinolaryngologic, urology, or thoracic services not available at the **Transferring Hospital** and the **Receiving Hospital** with specialized facilities has the capacity in the specialized facility.

b) Individual's Choice. The individual requests to be transferred to a physician and a hospital of his or her choice.

5.05 **Additional Responsibilities.** The **Transferring Hospital** hereby further agrees to:

a) Recognize the right of a patient to refuse to give consent to treatment or transfer;

b) Notify the **Receiving Hospital's** designated representative prior to transfer to receive confirmation regarding the capacity of the **Receiving Hospital** to provide specialized facilities;

c) Provide, within the capabilities of the **Transferring Hospital**, appropriate personnel, equipment, and services to assist the transferring physician with the coordination and transfer of the patient.

d) Designate a person who has authority to represent the **Transferring Hospital** and coordinate the transfer of the patient from the **Transferring Hospital;**

e) Provide the **Receiving Hospital** any information that is available concerning the patient's coverage or eligibility under a third-party coverage plan, Medicare or Medicaid, or a health care assistance program established by the county, public hospital, or hospital district;

f) Complete, execute, and forward a Memorandum of Transfer form to the **Receiving Hospital** for every patient who is transferred which includes the following information:

(i) the patient's full name, if know;

(ii) the patient's race, religion, national origin, age, sex, physical handicap, if known;

(iii) the patient's address and next of kin, address, and phone number if known;

(iv) the names, telephone numbers and addresses of the transferring and receiving physicians;

(v) the names, addresses, and telephone numbers of the **Transferring** and **Receiving Hospitals;**

(vi) the time and date on which the patient first presented or was presented tot he transferring physician and **Transferring Hospital;**

(vii) the time and date on which the transferring physician secured a receiving physician;

(viii) the name, date, and time a hospital administrator was contacted in the **Receiving Hospital;**

(ix) signature, time and title of the **Transferring Hospital** administrator who contacted the **Receiving Hospital;**

(x) the certification required by Section 5.03 of this Agreement if applicable (the certification may be part of the memorandum of transfer form);

(xi) the time and date on which the receiving physician assumed responsibility for the patient;

(xii) the time and date on which the patient arrived at the **Receiving Hospital** (by Receiving Hospital);

(xiii) signature and date of **Receiving Hospital** administrator (by Receiving Hospital);

(xiv) type of vehicle and company used;

(xv) type of equipment and/or personnel needed in transfers;

(xvi) name and city of the **Receiving Hospital;**

(xvii) diagnosis by transferring physician; and

(xviii) attachments by **Transferring Hospital.**

g) Notify the **Receiving Hospital** of the estimated time of arrival of patient;

h) **Transferring Hospital** agrees to use its best efforts to encourage its patients not to bring their valuables with them when transferred.

i) **Transferring Hospital** agrees to accept the transfer back to the Transferring Hospital of those patients whose level of care becomes such that it is within the Transferring Hospital's capability to provide.

ARTICLE VI

Responsibilities of the Receiving Hospital

6.01 General

a) Provide, as promptly as possible, confirmation to **Transferring Hospital** regarding the availability of bed(s), appropriate facilities, services, and staff necessary to treat the patient and confirmation that the **Receiving Hospital** has agreed to accept transfer of the patient.

b) Provide, within the capabilities of the **Receiving Hospital**, appropriate personnel, equipment, and services to assist the receiving physician with he receipt and treatment of the patient transferred.

c) Designate a person (s) who has authority to represent the **Receiving Hospital** and coordinate the transfer and receipt of the patients into the hospital.

d) Upon request, provide current information concerning its eligibility standards and payment practices to the **Transferring Hospital** and patient.

e) Acknowledge any contractual obligations and comply with any statutory or regulatory obligations that might exist between patient and a designated provider.

f) Complete and execute that portion of the Memorandum of Transfer which pertains to **Receiving Hospital** and return to **Transferring Hospital**.

ARTICLE VII

Payment Provisions

7.01 All charges incurred with respect to any services performed by either hospital for patients received from the other hospital pursuant to this agreement shall be billed and collected by the hospital providing such services directly from the patient, third party coverage, Medicare or Medicaid, or other sources normally billed by the hospital.

ARTICLE VIII

Liability and Indemnification

8.01 Each of the parties hereto shall be responsible only for its own acts and omissions with respect to transfer or receipt of patients pursuant to this agreement.

ARTICLE IX

Insurance

9.01 Each hospital shall secure and maintain, or cause to be secured and maintained, with respect to hospital, during the term of this agreement, comprehensive general liability insurance, worker's compensation insurance, and professional liability insurance, or an equivalent self-insurance program, providing minimum limits of liability as follows:

Professional Liability: $1,000,000.00 per claim/occurrence and $3,000,000 in the annual aggregate.

Worker's Compensation and Employers' Liability Insurance covering its statutory and legal obligations for employee job related injuries or illnesses. Said policy shall provide for statutory benefits and contain minimum limits of liability of $500,000.00 per accident. Such policy shall be supplemented by an excess general liability umbrella policy with a minimum limit of liability of $5,000,000.

General Liability Insurance covering third party claims for bodily injury and property damage arising from the premises and operations of Contractor (including without limitation any clinic, office or other similar facilities independent of Hospital's facilities utilized by Contractor in providing services hereunder). Such policy shall contain minimum limits of liability of $1,000,000 per occurrence and $3,000,000 in the aggregate.

ARTICLE X

Dispute Resolution

10.01 Disputes involving patient care matters may be referred to a joint quality assurance committee, composed of representative of each hospital, for review and resolution of the dispute.

ARTICLE XI

Notice

11.01 Any notices to be given hereunder by either party to the other shall be effected in writing either by personal delivery or delivery by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses appearing in paragraph 11.02 of this Agreement, until and unless such party changes the specified address by written notice to the other.

11.02 Notice shall be given to each of the parties at the following addresses:

The Methodist Medical Center
of Illinois
221 N. E. Glen Oak Avenue
Peoria, Illinois 61636
Attn: President and CEO

With copy to:
REHABCARE GROUP, INC.
7733 Forsyth Blvd., Suite 2300
St. Louis, MO 63105
Attn: General Counsel

ARTICLE XII

Governing Law

12.01 The validity of this Agreement and of any of its terms or provisions as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Missouri.

ARTICLE XIII

Legal Construction

13.01 In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

ARTICLE XIV

Assignment

14.01 This Agreement is not assignable by either party without the prior written consent of the other. Any assignment without such written consent shall be void and have no effect.

ARTICLE XV

Amendment

15.01 No provision of this Agreement shall be deemed waived , amended or modified by either party unless and until such waiver, amendment or modification is in writing and executed subsequent to the date of this Agreement by the party against whom it is sought to be enforced.

ARTICLE XVI

Entire Agreement

16.01 This Agreement supersedes any and all other Agreements either oral or in writing, between the parties hereto with respect to the subject matter hereof, and no other Agreement, statement, or promise relating to the subject matter of this Agreement which is not contained herein shall be valid or binding.

ARTICLE XVII

Execution and Submission For Approval

17.01 Each person signing this Agreement hereby represents that he/she is authorized to enter into this Agreement by the hospital for which he/she signing.

17.02 This Agreement shall be signed by the Chairman and Secretary of each party's governing body. Alternatively, either party may submit, as attachments to this Agreement, a document (e.g., resolution, policy) from the governing body, executed by both the Chairman and Secretary of the entity, delegating to the person whose signature appears below the authority to negotiate and adopt transfer agreements.

17.03 The Parties acknowledge that this Agreement must be approved by the Missouri Department of State Health Services (the "Department"), and agree that if the Department finds the Agreement deficient in any manner, the Parties will amend this Agreement to comply with Department requirements.

[SIGNATURE PAGE TO FOLLOW]

EXECUTED IN DUPLICATE ORIGINALS THE DATE FIRST WRITTEN ABOVE.

METHODIST MEDICAL CENTER OF ILLNIOS

BY: Deborah R Simon

NAME: Deborah R Simon

TITLE: Sr VP COO/CNO

GREATER PEORIA SPECIALTY HOSPITAL

BY: Kurt J. Schalit

NAME: Kurt J. Schalit

TITLE: V.P. of Finance

ATTEST: _____

ATTEST: _____

APPROVED:

_____

NAME:

TITLE:

PETERSEN HEALTH CARE

HOSPITAL TRANSFER AGREEMENT

This Transfer Agreement is made and entered into as of February 1, 2013, by and between Kindred Hospital ("Hospital"), located at 500 West Romeo B. Garrett Avenue, Peoria, Illinois, 61605, and Cornerstone Rehabilitation & Health Care ("Facility"), located at 5533 North Galena Road, Peoria Heights, Illinois, 61616 .

RECITALS

WHEREAS, nothing in this agreement shall be construed as limiting the facility's exclusive control of their separate identity and integrity such as management, assets, debts and other obligations.

WHEREAS, neither institution shall be responsible for or assume any responsibility for the moral or legal obligations of the other institution.

WHEREAS, the name of neither institution shall be used for any form of publicity or advertising by the other institution without the written consent of the institution of which name is to be used.

WHEREAS, each institution shall have the right to enter into transfer agreements with other institutions.

WHEREAS, both parties of this Agreement desire to assure continuity of care and treatment appropriate to the needs of each patient in the Hospital and Facility and to use the skills, resources, and physical plant of both parties in a coordinated and cooperative fashion, to improve patient care at both the acute and post-acute stages of illness.

NOW, THEREFORE, in consideration of the mutual agreements, covenants, terms and conditions contained in this Agreement, the Parties agree as follows:

SECTION I
HOSPITAL RESPONSIBITIES

1. The hospital agrees to admit patients from the Nursing Home upon request of the patient's physician as promptly as possible, and according to the following plan, depending upon the urgency of the need of the patient:

    a. Patients declared as emergencies by their physician will be admitted without delay.

    b. Patient's not strictly considered an emergency, but requiring early admission to the hospital, will be placed on the hospital's urgent list.

c. Elective cases will be booked for future admission, according to the established routine of the hospital.

SECTION II
NURSING HOME RESPONSIBILITIES

1. The nursing home agrees to retain a bed for patients transferred to the hospital for as long as the patient, responsible relatives, conservator, or governmental agency agrees to pay fees for holding the room and will accept patients immediately upon discharge from the hospital, unless the patient's condition requires a higher degree of nursing care than the home has available.

2. The nursing home agrees to re-admit the patient as soon as possible after the patient has been declared ready for transfer by the physician so long as the patient is eligible for admission under the nursing homes normal standards. Nothing here shall be deemed to require the nursing home to admit or readmit any patient requiring care that the nursing is unable to provide.

SECTION III
JOINT RESPONSIBILITIES AND RIGHTS

1. The parties hereto acknowledge that nothing in this Agreement shall be construed to permit discrimination based on race, color, national origin, handicap, religion, age, sex, or any other characteristic protected by Illinois State laws, Title VI of the Civil Rights Act of 1964, as amended, or any other federal laws. Further, Section 504 of the Rehabilitation Act of 1973 and the American Disabilities Act require that no otherwise qualified individual with a handicap shall, solely by reason of the handicap, be excluded from participation in, or denied the benefits of, or be subjected to discrimination in a facility certified under the Medicaid and or Medicare programs.

2. The parties shall exchange all medical and other information which may be necessary or useful in the care and treatment of patients transferred between the parties or which may be relevant in determining whether such patients can be adequately cared for otherwise than in either the Hospital or Facility. All such information shall be provided by the transferring institution in advance, where possible, and in any event at the time of the transfer, and may be recorded on a transferal and referral form which shall be mutually agreed upon by the parties. The transferring institution will transfer such medical and other information as is relevant to proper care by the receiving facility, including medical, social, nursing and other care plans. This information shall include but not be limited to current medical findings, diagnosis, advance medical directives, rehabilitation potential, a brief summary of the course of treatment following in the Hospital or Facility, nursing, dietary information useful in the care of the patient, ambulation status, and pertinent administrative and social information.

3. Procedures for effecting this transfer of patients and their personal effects and valuables shall be developed and adhered to by both parties. A standard form shall be adopted and used by both parties for effecting the transfer of a patient's personal effects and valuables. These procedures will include, but not be limited to the provision of information concerning such valuables, money, and personal effects transferred with the patient so that receipt may be given and received from same.

4. The hospital and the nursing home agree to keep the required medical records for each patient and make these records available to one another to assure the continuity of patient care. All such records will remain the property of the recording institution and patient.

5. The patient shall be held responsible for payment of all charges incurred by either institution for their treatment or transfer.

6. The hospital and the nursing home shall have the right to enter into transfer agreements with other institutions.

7. This Agreement may not be changed or modified except by a written instrument executed by both Parties.

8. This agreement shall remain in force until cancellation by either the Hospital or Nursing Home. Such cancellation is to be preceded by written notice of the intent to cancel the contract at least thirty (30) days prior to date of cancellation.

9. This agreement shall be terminated at once if either of the institutions' licenses to operate is repealed or suspended by any governmental licensing agency.

10. Neither Party shall be liable for any failure, inability or delay to perform hereunder, if such failure, inability or delay is due to war, strike, fire, explosion, sabotage, accident, casualty, governmental law or regulation or any other cause beyond the reasonable control of the party, and due diligence shall be used in curing such cause and in resuming performance.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the day and year first above-written.

FACILITY:

By: _____

Title: General Counsel

HOSPITAL:

By: _____

Title: CEO

PATIENT TRANSFER AGREEMENT

THIS PATIENT TRANSFER AGREEMENT (hereinafter "Agreement"), made and entered into this 1st day of October, 2009, by and between **Greater Peoria Specialty Hospital, LLC** (hereinafter "Hospital" or "Institution"), and HCR Healthcare, LLC (hereinafter "Facility" or "Institution").

WHEREAS, Hospital operates an acute inpatient hospital in the City of Peoria, State of Illinois; and

WHEREAS, Facility is engaged in the business of furnishing long-term health care services; and with Corporate Offices located at 333 North Summit St, Toledo, Ohio 43604 and sites in the following cities- Riverview, Peoria, Canton, Henry, Normal, Galesburg, Macomb, Champaingne, Moline, Paxton, and Decatur.

WHEREAS, Hospital and Facility have determined that it would be in the best interest of patient care to enter into a transfer agreement for transfer of patients between the respective institutions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Hospital and Facility agree as follows:

1. Term. This Agreement shall commence on the day and year first above written and shall continue for a period of one (1) month, continuing from month to month thereafter unless sooner terminated by either Institution by 30 day written notification.

2. Purpose of Agreement. Subject to the terms of this Agreement, each Institution agrees to transfer to the other Institution and to receive from the other Institution patients in need of the care provided by such Institution for the purpose of providing improved patient care and continuity of patient care.

3. Patient Transfer. The need for transfer of a patient from one Institution to the other shall be determined by the patient's attending physician, and such determination shall be written in the patient's record by the attending physician. When such a determination has been made, the transferring Institution shall immediately notify the receiving Institution of the impending transfer. The receiving Institution agrees to admit the patient as promptly as possible, provided that admission requirements in accordance with federal and state laws and regulations are met, all conditions of eligibility for admission to the Institution are met and bed space and other resources are available to accommodate that patient. Prior to moving the patient, the transferring Institution must receive confirmation from the receiving Institution that it can accept the patient.

4. Provision of Information to Each Institution. Each Institution shall provide the other Institution with the names or classifications of persons authorized to initiate, confirm, and accept the transfer of patients on behalf of the receiving Institution. Each Institution shall state specifically where transferring patients are to be delivered at its premises. The Institutions agree to provide to each other information about the type of resources available to offer services and the type of patients and health conditions that the receiving Institution will accept.

5. Transfer and Referral Forms. The transferring Institution will send with each patient at the time of transfer, or in the case of an emergency, as promptly as possible, the completed transfer and referral forms as mutually agreed upon to provide the administrative information necessary to determine the appropriateness of the placement and to ensure continuity of patient care. The transfer and referral forms shall include such

information as patient name, address and telephone number, current medical findings, diagnoses, a brief summary of the course of treatment followed in the transferring Institution, nursing and dietary information, ambulation status, and significant administrative and social information, as appropriate. All releases of information shall be made in accordance with applicable law. The medical records in the care and custody of each Institution shall remain the property of the respective Institution.

6. Personal Effects. The transferring Institution shall be responsible for the transfer or other appropriate disposition of personal effects, particularly money and valuables, and information related to these items.

7. Transfer Consent. The transferring Institution shall have responsibility for obtaining the patient's consent to the transfer to the other Institution prior to the transfer, if the patient is competent. If the patient is not competent, the transferring Institution shall obtain the consent of the patient's legal guardian or health care surrogate. If a guardian or health care surrogate has not been appointed, the transferring Institution shall obtain the consent of a family member. If such consent is not possible, the consent of the patient's physician shall be obtained by the transferring Institution.

8. Payment for Services. The patient is primarily responsible for payment for care received at either Institution and, prior to transfer, the patient shall be required, if competent, to acknowledge his or her obligation to pay for care received at the receiving Institution. Each Institution shall be responsible only for collecting its own payments for services rendered to a patient transferred pursuant to this Agreement. No clause of this Agreement shall be interpreted to authorize either Institution to look to the other Institution to pay for services rendered to a patient transferred pursuant to this Agreement, except to the extent that such liability would exist separate and apart from this Agreement.

9. Transportation of Patient. The transferring Institution shall have responsibility for arranging transportation of the patient to the other Institution. The transferring Institution shall arrange for appropriate and safe transportation and care of the patient during transfer in accordance with applicable federal and state laws. The receiving Institution's responsibility for the patient's care shall begin when the patient is admitted, either as an inpatient or an outpatient, to that Institution.

10. Services. When Hospital is the receiving Institution, it agrees to provide such radiology, other diagnostic and medical services, including emergency dental care, on an outpatient basis, as ordered by the patient's attending physician, subject to state and federal laws and regulations.

11. Social Work Services. The receiving Institution shall be responsible for the recognition of need for social work services and for prompt reporting to appropriate agencies when required by applicable laws and regulations.

12. Advertising and Public Relations. Neither Institution shall use the name of the other Institution in any promotional or advertising material unless review and approval of the intended advertisement shall first be obtained from the party whose name is to be used. Both Institutions shall deal with each other publicly and privately in an atmosphere of mutual respect and support, and each Institution shall maintain good public and patient relations and efficiently handle complaints and inquiries with respect to transferred or transferring patients.

13. Independent Contractor Status. Both Institutions are independent contractors. Neither Institution is authorized or permitted to act as an agent or employee of the other. Nothing in this Agreement shall in any way alter the freedom enjoyed by either Institution, nor shall it in any way alter the control of the management, assets, and affairs of the respective Institutions. Neither party, by virtue of this Agreement, assumes any liability for any debts or obligations of either a financial or a legal nature incurred by the other

party to this Agreement.

14. Access to Records.

A. Pursuant to subsection 1395x(V)(1)(A) of Title 42 of the United States Code, until the expiration of four (4) years after the termination of this Agreement, each Institution shall make available, upon request of the Comptroller General of the United States General Accounting Office, or any of its duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by such Institution under this Agreement.

B. Each Institution further agrees that in the event such Institution carries out any of its duties under this Agreement through a subcontract with a value or cost of TEN THOUSAND ($10,000.00) DOLLARS or more over a twelve (12) month period with a related organization, such contract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary of the United States Department of Health and Human Services, or upon request to the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of such subcontract and such books, documents and records of such organization as are necessary to verify the nature and extent of such costs.

15. Insurance. Each Institution shall secure and maintain at all times during the term of this Agreement, at its sole expense, professional liability insurance covering it and its staff in minimum amounts of $1,000,000 per incident and $3,000,000 aggregate per year with a reputable and financially viable insurance carrier, naming the other Institution as an additional insured. Each Institution shall provide the other with a certificate evidencing such insurance coverage within five (5) days after obtaining such coverage. Each Institution agrees to notify the other immediately of any material change in any insurance policy required to be maintained by it hereunder.

16. Liability. Each Institution shall be responsible for its own acts and omissions and shall not be responsible for the acts and omissions of the other Institution. Each Institution agrees to indemnify and hold harmless the other Institution from and against any and all liability, cost, loss and expense (including reasonable attorneys fees) that arise from or relate to any omission, fault, negligence or other misconduct by the indemnifying Institution, or its agents or employees in connection with this Agreement.

17. Confidentiality.

A. Each Institution recognizes and acknowledges that, by virtue of entering into this Agreement and providing services to patients hereunder, it will have access to certain information that is confidential and constitutes valuable, special and unique property of the parties hereto. Each Institution agrees that neither it nor any of its staff will at any time, either during or subsequent to the term of this Agreement, disclose to others, use, copy or permit to be copied, without the other Institution's express prior written consent, except pursuant to its duties hereunder, any confidential or proprietary information of such other Institution, including, but not limited to, information which concerns such other Institution's patients, costs, prices and treatment methods at any time used, developed or made by either Institution, and which is not otherwise available to the public.

B. Except for disclosure to their legal counsel, accountant, or financial advisors, neither of the Institutions nor any of the Institutions' personnel shall disclose the terms of this Agreement to any person who is not a party or signatory to this Agreement, unless disclosure thereof is required by law or otherwise authorized by this Agreement. C. Neither the Institutions nor any of the Institutions' personnel shall disclose to any third party, except where permitted or required by law, or where such disclosure is expressly approved by the other party

in writing, any patient or medical record information regarding transferred patients, and both parties shall comply with all federal and state laws and regulations, and all rules, regulations and policies of both Institutions regarding the confidentiality of such information. Each Institution acknowledges that in receiving or otherwise dealing with any records or information from either Institution about transferred patients receiving treatment for alcohol or drug abuse, it is fully bound by the provisions of the federal regulations governing Confidentiality of Alcohol and Drug Abuse Patient Records (42 C.F.R. Part 2, as amended from time to time). In addition, if necessary, each Institution agrees to resist in judicial proceedings any effort to obtain access to such records or information except such access as is expressly permitted by the aforementioned federal regulations.

18. Non-Discrimination. Each Institution agrees to comply with Title VI of the Civil Right Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and all related regulations and other applicable laws, to ensure that it does not discriminate against any recipient of services hereunder on the basis of race, color, sex, creed, national origin, age or handicap, or on the basis that the recipient of services is eligible for Medicaid or Medicare coverage, under any program or activity receiving Federal financial assistance.

19. Effect of Termination. As of the effective date of termination of this Agreement, neither Institution shall have any further right or obligations hereunder except for rights and obligations accruing prior to such effective date of termination, or arising as a result of any breach of this Agreement.

20. Non-Exclusive Agreement. The parties to this Agreement acknowledge that it does not exclude either party from entering into similar arrangements with similarly situated institutions.

21. Nonwaiver. No waiver of any term or condition of this Agreement by either party shall be deemed a continuing or further waiver of the same term or condition or a waiver of any other term or condition of this Agreement.

22. Governing Law. This Agreement is made and entered into in the State of Illinois and shall be governed and construed in accordance with the laws of State of Illinois.

23. Assignment. This Agreement shall not be assigned in whole or in part by either Institution hereto without the express written consent of the other Institution.

24. Invalid Provision. In the event that any portion of this Agreement shall be determined to be invalid or unenforceable, the remainder of this Agreement shall be deemed to continue to be binding upon the parties hereto in the same manner as if the invalid or unenforceable provision were not a part of this Agreement.

25. Amendment. This Agreement may be amended at any time by a written agreement signed by the parties hereto.

26. Notices. Any notice required or allowed to be given hereunder shall be deemed to have been given upon deposit in the United States mail, registered or certified, with return receipt requested and addressed to the party to this Agreement to whom notice is given, at the address indicated at the beginning of this agreement, or to such other address as either party may designate in writing by notice.

27. Entire Agreement. This Agreement constitutes the entire agreement between the parties and contains all of the agreements between them with respect to the subject matter hereof and supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof.

28. Binding Agreement. This Agreement shall be binding upon the successors or assigns of the parties hereto.

IN WITNESS WHEREOF, Hospital and Facility have hereunto caused this Agreement to be executed the day and year first above written.

HOSPITAL: Greater Peoria	FACILITY: HCR Healthcare, LLC
By: [signature]	By:_____
Name: John Portuese	Name:_____
Title: VP Mgt Care	Title:_____

Notes

mapquest

Trip to:
5600 N Glen Elm Dr
Peoria, IL 61614-4340
4.89 miles / 11 minutes

500 W Romeo B Garrett Ave, Peoria, IL 61605-2301

1. Start out going **east** on **W R B Garrett Ave** toward **N Hightower St**. Map	**0.3 Mi** *0.3 Mi Total*
2. Take the 2nd **left** onto **N William Kumpf Blvd / IL-40** N. Map	**0.09 Mi** *0.4 Mi Total*
3. Turn **slight right** onto **IL-40 N**. Map	**0.4 Mi** *0.7 Mi Total*
4. Turn **left** onto **Spalding Ave / IL-40 N**. Continue to follow **IL-40 N**. Map	**3.9 Mi** *4.6 Mi Total*
5. Turn **right** onto **E Elaine Ave**. Map	**0.2 Mi** *4.8 Mi Total*
6. Turn **left** onto **N Glen Elm Dr**. Map	**0.09 Mi** *4.9 Mi Total*
7. **5600 N GLEN ELM DR** is on the **right**. Map	

5600 N Glen Elm Dr, Peoria, IL 61614-4340

Total Travel Estimate: **4.89 miles - about 11 minutes**

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79

Notes

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Trip to:
5533 N Galena Rd
Peoria Heights, IL 61616-4444
6.01 miles / 12 minutes

500 W Romeo B Garrett Ave, Peoria, IL 61605-2301

1. Start out going **east** on **W R B Garrett Ave** toward **N Hightower St**. Map	**0.3 Mi** *0.3 Mi Total*
2. Take the 2nd **left** onto N **William Kumpf Blvd / IL-40** N. Map	**0.09 Mi** *0.4 Mi Total*
3. Turn **slight right** onto **IL-40** N. Map	**0.3 Mi** *0.7 Mi Total*
4. Take the 3rd **right** onto **Fayette St**. Map	**0.3 Mi** *1.0 Mi Total*
5. Turn **left** onto **NE Adams St**. Map	**2.8 Mi** *3.8 Mi Total*
6. **NE Adams St** becomes **IL-29**. Map	**2.2 Mi** *6.0 Mi Total*
7. **5533 N GALENA RD**. Map	

5533 N Galena Rd, Peoria Heights, IL 61616-4444

Total Travel Estimate: **6.01 miles - about 12 minutes**

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80

Notes

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Trip to:

Methodist Medical Center
221 NE Glen Oak Av Peor
Peoria, IL 61637
(309) 672-4582
0.85 miles / 2 minutes

500 W Romeo B Garrett Ave, Peoria, IL 61605-2301

1.	Start out going **east** on **W R B Garrett Ave** toward **N Hightower St**. Map	**0.3 Mi** *0.3 Mi Total*
2.	Take the 2nd **left** onto **N William Kumpf Blvd / IL-40 N**. Map	**0.09 Mi** *0.4 Mi Total*
3.	Turn **slight right** onto **IL-40 N**. Map	**0.1 Mi** *0.5 Mi Total*
4.	Turn **left** onto **Main St**. Map	**0.3 Mi** *0.7 Mi Total*
5.	Turn **right** onto **NE Glen Oak Ave**. Map	**0.1 Mi** *0.8 Mi Total*
6.	**221 NE GLEN OAK AV PEOR**. Map	

Methodist Medical Center
Center for Wound Care & Hyperbaric Medicine
221 NE Glen Oak Av Peor, Peoria, IL 61637
(309) 672-4582

Total Travel Estimate: **0.85 miles - about 2 minutes**

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ATTACHMENT 19

81

Vibra Healthcare, LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2012 and 2011

ParenteBeard

CONFIDENCE THROUGH CLARITY

ATTACHMENT 39

P 2

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS:	
BALANCE SHEET	4
STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT	5
STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CONSOLIDATING SCHEDULES FOR 2012	
BALANCE SHEET	28
STATEMENT OF OPERATIONS	29
CONSOLIDATING SCHEDULES FOR 2011	
BALANCE SHEET	30
STATEMENT OF OPERATIONS	31

ATTACHMENT 39

ParenteBeard

INDEPENDENT AUDITORS' REPORT

Members
Vibra Healthcare, LLC:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Vibra Healthcare, LLC and subsidiaries (collectively, the "Company") which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in members' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vibra Healthcare, LLC and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ATTACHMENT 39

84

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Company adopted new authoritative guidance for the presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts in 2012. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Parente Beard LLC

Harrisburg, Pennsylvania
April 26, 2013

ATTACHMENT 39

55

Vibra Healthcare, LLC and Subsidiaries
Consolidated Balance Sheet
December 31, 2012 and 2011
(in thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 21,165	$ 7,437
Patient accounts receivable, net of allowance for doubtful collections of $7,184 in 2012 and $8,775 in 2011	74,786	73,401
Prepaid insurance	8,580	6,186
Other current assets	9,173	12,437
Total current assets	113,704	99,461
Property and equipment, net	34,741	30,518
Goodwill	43,891	38,102
Intangible assets	7,266	7,568
Deposits and other long-term assets	5,720	4,957
Deferred financing and lease costs, net	3,488	2,464
Total assets	$208,810	$183,070
Liabilities and Members' Deficit		
Current liabilities:		
Revolving credit facility	$ 52,115	$ 42,124
Current maturities of long-term debt	8,811	7,738
Current maturities of obligations under capital leases	1,195	1,477
Accounts payable	17,783	14,615
Accounts payable – affiliates	1,639	263
Accrued liabilities	28,300	24,359
Accrued insurance claims	3,178	3,252
Total current liabilities	113,021	93,828
Other long-term liabilities	8,481	9,153
Deferred rent	7,063	12,348
Deferred credits and gains	22,222	17,035
Long-term debt	58,250	57,690
Obligations under capital leases	21,580	22,553
Total liabilities	230,617	212,607
Members' (deficit) equity:		
Total controlling interest	(27,384)	(32,629)
Non-controlling interest	5,577	3,092
Total members' deficit	(21,807)	(29,537)
Total liabilities and members' deficit	$208,810	$183,070

See notes to consolidated financial statements

ATTACHMENT 39

P4

Vibra Healthcare, LLC and Subsidiaries
Consolidated Statement of Operations and Changes in Members' Deficit
Years Ended December 31, 2012 and 2011
(in thousands)

	2012	2011
Revenue:		
Net patient service revenue (net of contractual and discounts)	$473,401	$439,343
Provision for doubtful collections	(5,515)	(5,332)
Net patient service revenue	467,886	434,011
Contract revenue	1,514	1,926
Other revenue	6,169	6,889
Prior year third party payor settlement	1,898	(4,950)
Total revenue	477,467	437,876
Expenses:		
Cost of services	340,370	319,233
Rent expense	44,503	39,622
General and administrative	44,866	37,480
Interest expense	12,231	12,957
Corporate allocation	11,317	9,502
Depreciation and amortization	4,775	4,132
Pre-opening costs – DeSoto	--	2,248
Total expenses	458,062	425,174
Income from operations	19,405	12,702
Non-operating revenue (expense):		
Gain on transfer of operations and refinancing activities	1,667	6,031
Other non-operating revenue (expense) net	47	(1,391)
Consolidated net income before non-controlling interest	21,119	17,342
Non-controlling interest in net income	(885)	(276)
Net income	20,234	17,066
Members' deficit – beginning	(32,629)	(38,553)
Distribution to members of Vibra Healthcare, LLC	(14,589)	(9,992)
Distribution to non-controlling member of Post Acute Medical, LLC	(400)	(1,150)
Members' deficit – ending	$ (27,384)	$ (32,629)

See notes to consolidated financial statements

ATTACHMENT 39

Vibra Healthcare, LLC and Subsidiaries
Consolidated Statement of Cash Flows
Years Ended December 31, 2012 and 2011
(in thousands)

	2012	2011
Operating activities:		
Net income	$ 20,234	$ 17,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful collections	5,515	5,332
Depreciation and amortization	4,775	4,132
Non-controlling interest in net income	885	276
Gain on transfer of operations	-	(6,031)
Prior year third-party settlements	(1,898)	4,950
(Gain) loss on minority investments	(147)	948
Amortization charged to rent expense	17	-
Changes in operating assets and liabilities, net of effects from acquisition of business:		
Patient accounts receivable	(5,582)	(17,216)
Prepaids and other current assets	960	(3,072)
Deposits	(654)	65
Accounts payable	3,730	(3,042)
Accrued liabilities	4,992	7,738
Deferred rent	792	1,886
Net cash provided by operating activities	33,619	13,032
Investing activities:		
Purchases of property and equipment	(4,383)	(2,335)
Cash used in business acquisition	(2,226)	(2,705)
Purchase of minority investments	(1,330)	(2,250)
Distributions from minority investments	1,368	-
Increase (decrease) in intangible assets	-	(700)
Proceeds from transfer of operations	-	5,370
Net cash used in investing activities	(6,573)	(2,620)
Financing activities:		
Net borrowings under revolving credit facility	9,991	4,024
Borrowings from long-term debt	4,109	3,752
Repayment of long-term debt	(9,189)	(7,695)
Repayment of capital leases, net	(1,959)	(1,481)
Capital contributions – non-controlling interests	2,000	3,900
Distribution to members of Vibra Healthcare, LLC	(14,589)	(9,992)
Distribution to members of Post Acute Medical, LLC	(800)	(2,300)
Payment of financing costs	(1,991)	(1,133)
Deferred credits and gain on acquisitions, net	(890)	(1,504)
Net cash used in financing activities	(13,318)	(12,429)
Net increase (decrease) in cash and cash equivalents	13,728	(2,017)
Cash and cash equivalents – beginning	7,437	9,454
Cash and cash equivalents – ending	$ 21,165	$ 7,437
Supplemental cash flow information, Cash paid for interest	$ 12,231	$ 12,957
Supplemental disclosure of non-cash investing and financing activities:		
Assets acquired in business acquisition	$ 5,795	$ 3,434
Debt assumed in business acquisition	$ 4,880	$ 3,364
Asset additions funded by capital lease and debt	$ 2,537	$ 831
Liabilities assumed in business acquisition	$ 915	$ 70
Note receivable from transfer of operations	$ -	$ 833

See notes to consolidated financial statements

ATTACHMENT 39

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Vibra Healthcare, LLC ("Vibra" and the "Company") was formed on May 14, 2004, and operates independent rehabilitation hospitals ("IRF") and long-term acute care hospitals ("LTACH") located throughout the United States. Vibra, a Delaware limited liability company ("LLC"), has an infinite life. The members' liability is limited to its capital contribution. Vibra's wholly-owned and majority-owned subsidiaries consist of:

SUBSIDIARIES	LOCATION
92 Brick Road Operating Company, LLC	Marlton, NJ
1300 Campbell Lane Operating Company, LLC	Bowling Green, KY
7173 North Sharon Avenue Operating Company, LLC	Fresno, CA
1125 Sir Francis Drake Boulevard Operating Company, LLC	Kentfield, CA
4499 Acushnet Avenue Operating Company, LLC	New Bedford, MA
8451 Pearl Street Operating Company, LLC	Thornton, CO
Northern California Rehabilitation Hospital, LLC	Redding, CA
Vibra Specialty Hospital of Dallas, LLC (majority owned)	DeSoto, TX
Vibra Specialty Hospital of Portland, LLC	Portland, OR
Kentfield THCI Holding Company, LLC	Kentfield, CA
Vibra of Southeastern Michigan, LLC	Detroit, MI
Vibra Hospital of San Diego, LLC	San Diego, CA
Vibra Hospital of San Bernardino, LLC	San Bernardino, CA
Vibra Hospital of Fort Wayne, LLC	Fort Wayne, IN
Vibra Hospital of Northwestern Indiana, LLC	Crown Point, IN
Vibra Hospital of Mahoning Valley, LLC	Boardman/Warren, OH
Vibra Real Estate, LLC	Mechanicsburg, PA

The Company provides long-term acute care hospital services and inpatient acute rehabilitative hospital care at its hospitals. Patients in the Company's LTACHs typically suffer from serious and often complex medical conditions that require a high degree of care. Patients in the Company's IRFs typically suffer from debilitating injuries including traumatic brain and spinal cord injuries, and require rehabilitation care in the form of physical, psychological, social and vocational rehabilitation services. The Company also operates 27 outpatient clinics affiliated with 9 of its 15 hospitals.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Vibra, its wholly-owned and majority-owned subsidiaries, and effective December 1, 2006, in accordance with Financial Accounting Standards Board ("FASB") authoritative guidance regarding consolidation of variable interest entities, Post Acute Medical, LLC ("Post Acute"), a variable interest entity (the "VIE"). Vibra has no ownership in the VIE; however, control exists through common ownership and Vibra's guarantee of Post Acute's lease and debt agreements. All intercompany transactions and balances have been eliminated in consolidation.

At December 31, 2012, and for the year then ended, the VIE had assets of $38,389,000, liabilities of $35,706,000, and net income of $276,000.

The interests held by other parties in subsidiaries, limited liability companies and limited partnerships owned and controlled by the Company are reported in the equity section of the consolidated balance sheets as non-controlling interests. Non-controlling interests reported in the consolidated statements of operations reflect the respective interests in the income or loss of the subsidiaries, limited liability companies and limited partnerships attributable to the other parties, the effect of which is removed from the Company's consolidated results of operations.

BP

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Inventories

Inventories of pharmaceuticals, pharmaceutical supplies, and medical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled $3,336,000 and $2,740,000 at December 31, 2012 and 2011, respectively, and are included in other current assets in the accompanying consolidated balance sheet.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Buildings	30 years
Buildings under capital lease	Lesser of 15 years or remaining lease term
Leasehold improvements	Lesser of 15 years or remaining lease term
Furniture and equipment	3-10 years

In accordance with FASB authoritative guidance regarding accounting for the impairment or disposal of long-lived assets, the Company reviews the realizable value of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Goodwill and Intangible Assets

The Company adopted FASB authoritative guidance regarding goodwill and other intangible assets. Under FASB authoritative guidance, goodwill and other intangible assets with indefinite lives are reviewed annually or more frequently if impairment indicators arise. In accordance with FASB guidance for goodwill and other intangible assets, an entity will have an option to calculate annually the fair value of an goodwill and indefinite-lived intangible assets if the entity determines that is more likely than not that the asset is impaired. This update permits the Company to assess qualitative factors when testing goodwill and other intangible assets for impairment. If, after assessing the totality of events and circumstances, the Company concludes that it is more likely than not that the goodwill or intangible asset is impaired, then the Company is required to take further action. During 2012, the qualitative factors evaluated by the Company included the financial performance, cost factors, and cash flows. No impairment loss was recorded in 2012 and 2011.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to Certificates of Need ("CONs"), licenses, non-compete agreements entered into in conjunction with the Progressive and DeSoto hospital acquisitions, and lease acquisition costs incurred for the DeSoto acquisition (see Footnote 2). The useful life of each class of intangible assets is as follows:

Goodwill	Indefinite
Certificates of Need/Licenses	Indefinite
Non-compete Agreements	3-5 years
Lease Acquisition Costs	15 years

Deferred Financing and Lease Costs

Costs and fees incurred in connection with the Medical Properties Trust, LLC ("MPT") acquisition note and leases, the MidCap loan, the lease and loan financing of the Progressive and DeSoto properties and the refinancing of the Denver and New Bedford leases with Carter-Validus REIT (see Footnote 2) have been deferred and are being amortized over the term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $967,000 in 2012 and $381,000 in 2011. During 2012, the Company refinanced the leases of two MPT-leased hospitals located in Denver, CO and New Bedford, MA (see Footnote 9) which resulted in a loss on refinancing totaling $165,000 for unamortized deferred financing costs and is included in amortization expense for 2012.

Accrued and Other Long-Term Liabilities

Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. The Company has accrued $10,436,000 and $8,174,000 related to these programs at December 31, 2012 and 2011, respectively.

In August 2010, FASB issued Accounting Standards Update 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries, which amended guidance relating to the presentation of insurance claims and related insurance recoveries. The guidance clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries, and estimated insurance recoveries, if any, should be measured and presented separately within the balance sheet. The adoption of the amended guidance resulted in presenting insurance recoveries and related liabilities on a gross basis in the Company's consolidated balance sheet and did not impact members' equity. The insurance recovery reported was $1,385,000 and $858,000 at December 31, 2012 and 2011, respectively. The insurance recovery is included in deposits and other long-term assets in the accompanying consolidated balance sheet.

In December 2011, the Company recorded a liability of $4,950,000 representing a Medicare cost report settlement payable for its Portland hospital's January 2008 cost report. An extended repayment plan was approved for 60 months through December 2016. Payments are due monthly with an assessed interest rate of 10.875%. Management believed that incorrect allocations were used in the settlement formula and as a result of an appeal, the settlement due was reduced by $1,898,000 in May 2012. The Company continues to make the agreed-upon payments, and the obligation will be fulfilled in November 2014.

Other long-term liabilities consist of the following at December 31 (in thousands):

	2012	2011
Insurance reserves	$7,258	$4,922
Portland Medicare repayment (net of current portion)	1,147	4,006
Other	76	225
	$8,481	$9,153

Deferred Rent

The excess of straight line rent expense over rent paid is credited to deferred rent on a monthly basis. At December 31, 2012 and 2011, rent expense exceeded rent paid on a cumulative basis by $7,063,000 and $12,348,000 respectively. In 2011, in conjunction with the sale and relocation of the Dallas hospital operations, the company recorded a deferred gain of $1,304,000 from the write-off of deferred rent on this property (see Footnote 2).

As a result of the lease refinancing of its Denver and New Bedford properties in 2012, the Company recorded a deferred gain of $6,077,000 from the write-off of deferred rent on these properties (see Footnote 9).

Deferred Credits and Gains

The Company has recognized deferred credits and gains on various acquisition and refinancing transactions. The excess of assets acquired over liabilities assumed is recorded as a deferred credit and the elimination of the unamortized deferred rent through debt refinancing, net of the deferred financing cost write-off is recorded as a deferred gain. The deferred credits and gains are being amortized over the lease term as a reduction of rent expense (see Footnote 9).

Deferred credits and gains are comprised of the following at December 31 (in thousands):

	2012	2011
Assets received in acquisitions funded by operating leases	$13,711	$13,711
Elimination of unamortized deferred rent through debt refinancing, net of write-off of deferred financing costs	15,328	8,558
Other	642	783
	29,681	23,052
Less accumulated amortization	7,358	6,017
	$22,222	$17,035

ATTACHMENT 39

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Revenue Recognition

Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual adjustments from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenue. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenue is generated directly from the Medicare and Medicaid programs. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenue generated from these programs. The following table shows the percentage of the Company's patient service receivables at December 31 from Medicare and Medicaid:

	2012	2011
Medicare	55%	48%
Medicaid	9%	14%

The following table represents the Company's net patient service revenues from the Medicare and Medicaid programs as a percentage of total consolidated net patient service revenue:

	2012	2011
Medicare	64%	63%
Medicaid	5%	5%

Patient service revenue, net of contractual allowances before the provision for bad debts, from the major payor sources, is as follows (in thousands)

	2012	2011
Government payors	$328,776	$302,649
Commercial payors	142,811	132,475
Self-pay	1,814	4,219
	$473,401	$439,343

On April 1, 2013, Medicare payments to Vibra were reduced by 2% through the Federal government's sequestration initiative. Based on the 2012 revenue levels, management estimates the 2% reduction will reduce net patient service revenue by approximately $3,600,000 for the nine months ending December 31, 2013.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and patient accounts receivable. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of who reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk. Cash and cash equivalent balances on deposit with any one financial institution are insured to $250,000 per entity for interest-bearing accounts and an unlimited amount on non-interest-bearing accounts.

Fair Value of Financial Instruments

The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes

Vibra, its subsidiaries, and Post Acute have elected to be LLCs for federal income tax purposes. In lieu of corporate income taxes, the members of a LLC are taxed on its proportionate share of the LLC's taxable income or loss. Therefore, no provision or liability for federal income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations and changes in members' deficit. Vibra has elected to file certain state tax returns at the partnership level. In 2012 and 2011, Vibra incurred state income and franchise taxes of $622,000 and $602,000, respectively.

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met the recognition threshold in 2012 and 2011.

The Company's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Company's federal and state income tax returns are no longer subject to examination by federal or state taxing authorities for years before 2009.

Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform with the 2012 presentation.

Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through April 26, 2013, the date on which the financial statements were available to be issued.

New Accounting Standards

Provision for Doubtful Collections

The Company adopted new authoritative guidance on patient service revenue, provision for doubtful collections, and the allowance for doubtful accounts for the year ended December 31, 2012. The objective of the new guidance is to provide financial statement users with greater transparency about a health care entity's net patient service revenues and related allowance for doubtful collections.

The new authoritative guidance requires health care entities to make the following changes to its existing accounting practices:

- Reclassification of the statement of operations to present the provision for doubtful collections from an operating expense to a deduction from patient service revenue, net of contractual allowances and discounts;
- Enhanced disclosure about policies for recognizing revenue and the provision for doubtful collections by major payor source of revenue, and qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable, including significant estimates and underlying assumptions, self-pay write-offs, third-party write-offs, and uninsured transactions; and
- Disclosure of patient service revenue, net of contractual allowances and discounts, by major payor source.

The new authoritative guidance requires retrospective application related to presentation in the statement of operations, and prospective application to the disclosure requirements.

As a result of adopting the new authoritative guidance, the Company reclassified its provision for doubtful collections in the statement of operations for the year ended December 31, 2011, decreasing total revenues and total expenses by $5,332,000. No other reclassifications or modifications have been made to the Company's 2012 financial statements as a result of adoption.

Goodwill

The Company adopted new authoritative guidance on testing goodwill for impairment, which allows companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under the current accounting standards. The adoption did not have a material effect on the Company's financial statements.

Intangible Assets

The Company adopted new authoritative guidance on testing indefinite-lived intangible assets other than goodwill for impairment, which allows companies to assess qualitative factors to determine if it is more-likely-than-not that indefinite-lived intangible assets might be impaired and whether it is necessary to perform further impairment testing is necessary. The adoption did not have a material effect on the Company's financial statements.

2. ACQUISITIONS AND DISPOSITIONS

2012 LTACH Acquisitions (Post Acute)

Warm Springs Specialty Hospital of San Antonio, LLC

In August 2012, under the terms of a Purchase Agreement, Warm Springs Specialty Hospital of San Antonio, LLC ("Warm Springs"), a limited partnership, acquired a 26 bed LTACH. Warm Springs leases space within a hospital in San Antonio, Texas.

Warm Springs acquired the operation from Promise Hospital of San Antonio, Inc. The purchase price of the operations was allocated to the assets acquired and the liabilities assumed. The excess of purchase price plus the liabilities assumed over the assets acquired was recorded to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospital. The results of operations of the hospital acquired have been included in the Company's consolidated financial statement since the date of the acquisition.

In accordance with the authoritative guidance, the assets and liabilities of the acquired hospital operations were recorded at the fair market value as of the date of the acquisition as follows (in thousands):

Purchase price	$2,493
Assets acquired, net of liabilities assumed	6
Goodwill	$2,499

Post Acute Medical of Hammond, LLC

In December 2012, under the terms of a Purchase Agreement, Post Acute Medical of Hammond, LLC ("Hammond"), a limited partnership, acquired a 40 bed freestanding LTACH including related land and building for $10,500,000 including closing costs. The acquisition was fully funded from the proceeds of the sale and leaseback of the land and building from MPT of Hammond, LLC and debt related to the acquisition (Note 7). The related lease is classified as an operating lease.

Post Acute and MPT of Hammond, LLC formed Post Acute Medical at Hammond, LLC to own the operations of the hospital in Hammond, Louisiana. MPT Hammond Hospital, LLC contributed $2,000,000 for a 25% interest in Hammond. Post Acute is the 75% general partner.

Hammond acquired the operation from Specialty LTCH Hospital of Hammond, LLC. The purchase price of the operations was allocated to the assets acquired and the liabilities assumed. The excess of purchase price plus the liabilities assumed over the assets acquired was recorded to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospital. The results of operations of the hospital acquired have been included in the Company's consolidated financial statements since the date of the acquisition.

In accordance with the authoritative guidance, the assets and liabilities of the acquired hospital operations were recorded at the fair market value as of the date of the acquisition as follows (in thousands):

Purchase price	$4,880
Less assets acquired, net of liabilities assumed	(1,590)
Goodwill	$3,290

2011 LTACH Acquisition

Desoto, TX

In July 2011, under the terms of a Purchase Agreement, Vibra acquired a newly constructed 40 bed freestanding LTACH including related land and building for $13.025 million including closing costs. The acquisition was fully funded from the proceeds of a sale and leaseback of the land and building from MPT. The related lease is classified as an operating lease.

Vibra and MPT formed a limited partnership (the "Desoto Partnership") to own the operations of the new hospital. MPT contributed $2.5 million of 7% preferred equity for a 25% interest in the Desoto Partnership. A Vibra affiliate is the 75% general partner. The Vibra affiliate contributed a purchase option and certain costs incurred in connection with the acquisition and licensure of the facility. The Vibra affiliate also receives a 7% return on its contribution of the costs incurred.

The preferred equity contribution, along with a $2.5 million loan provided by MPT, are to be used for working capital during the hospital start up. The loan is for seven years and is payable interest only for two years before amortizing over the final five years. The loan bears interest at 10.5%. At December 31, 2012 and 2011, nothing was drawn on the $2.5 million loan.

In connection with the acquisition, the Desoto Partnership entered into a non-compete agreement with physicians who were part owners of the seller. The non-compete term is for three years and requires six semi-annual payments of $75,000 that began August 1, 2011. Another part-owner of the seller received a $250,000 note as part of the purchase. The 5% seller's note is payable monthly over 60 months.

Vibra recorded goodwill of $1,554,000 in the transaction consisting of the costs to maintain its purchase option.

2011 LTACH Sale

Dallas/Desoto Transaction

In December 2011, under the terms of a Purchase and Sale Agreement, Vibra sold certain tangible assets of its Dallas LTACH to Lifecare Hospitals of North Texas, LP (Lifecare), an affiliate of an unrelated national operator of LTACH hospitals. The sale price was $10.9 million. The price was payable $5.9 million at closing and $5 million in six quarterly installments of $833,333 beginning March 1, 2012. Vibra recorded a gain of $6,031,000 on the transaction as detailed in the table below (in thousands):

Sale price	$10,900
Financing and other transaction costs	(529)
Reserves for note receivable	(4,167)
Deferred rent write-off and other non-cash credits	1,328
Assets transferred, net of liabilities	(1,501)
Net gain on sale	$ 6,031

As shown in the table the remaining note receivable of $4,167,000 (after the $833,000 payment received on March 1, 2012) has been reserved and will be recognized as a gain on a cash basis. In 2012, the Company received two installment payments totaling $1,667,000 which were recorded as a gain on the transfer of operations. Life Care is currently in bankruptcy and is in default on the note; therefore, the collectability of the note is uncertain. The remaining balance of $2,500,000 remains fully reserved.

Simultaneously with the closing of the sale of certain assets of the Dallas LTACH, Vibra Specialty Hospital of Dallas, LLC, the Dallas operating entity ("Vibra Dallas"), vacated its existing hospital space and relocated to the Desoto location and merged into the Desoto Partnership. Lifecare, which had a LTACH hospital less than one mile away, moved that LTACH into the previously occupied Vibra Dallas space. Vibra Dallas is operating the Desoto hospital, which opened for patients in December 2011 and continues to be owned 75% by Vibra as the managing member and 25% by MPT as a limited member. The purpose of the transaction was to achieve the gain, move to a less competitive location, and to eliminate a costly LTACH demonstration period start up at the Desoto location.

2011 LTACH Acquisition (Post Acute)

New Braunfels, TX

In September 2011, under the terms of a Purchase Agreement, Post Acute Medical New Braunfels, LLC ("New Braunfels") acquired a 40-bed freestanding LTACH including related land and building for $10 million including closing costs. The acquisition was fully funded from the proceeds of a sale and leaseback of the land and building from MPT of New Braunfels, LLC ("MPT New Braunfels"). The related lease is classified as an operating lease.

Post Acute and MPT New Braunfels formed a limited partnership to own the operations of the new hospital. MPT contributed $1.4 million for a 25% interest in New Braunfels. Post Acute is the 75% general partner.

New Braunfels acquired the operation from Hill Country Specialty Hospital, LLC. The purchase price of the operations was allocated to the net assets acquired and the liabilities assumed. The excess of purchase price plus the liabilities assumed over the assets acquired was recorded to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospital. The results of operations of the hospital acquired have been included in the Company's consolidated financial statement since the date of the acquisition.

In accordance with the authoritative guidance, the assets and liabilities of the acquired hospital were recorded at the fair market value as of the date of the acquisition as follows (in thousands):

Purchase price	$1,028
Less assets acquired, net of liabilities assumed	(958)
Goodwill	$3,556

3. PROPERTY AND EQUIPMENT

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

	December 31, 2012		
	Direct Ownership	Under Capital Leases	Total
Land & improvements	$ 2,826	$ -	$ 2,826
Building	5,185	17,432	22,617
Leasehold improvements	10,144	-	10,144
Furniture and equipment	16,263	5,066	21,329
	34,418	22,498	56,916
Less accumulated depreciation and amortization	13,408	8,767	22,175
Total	$ 21,010	$13,731	$ 34,741

	December 31, 2011		
	Direct Ownership	Under Capital Leases	Total
Land & improvements	$ 2,695	$ –	$ 2,695
Building	5,185	17,418	22,603
Leasehold improvements	6,356	166	6,522
Furniture and equipment	10,721	6,622	17,343
	24,957	24,206	49,163
Less accumulated depreciation and amortization	12,996	5,649	18,645
Total	$11,961	$18,557	$30,518

Depreciation expense was $3,523,000 in 2012 and $3,554,000 in 2011.

The Company has a commitment from Healthcare REIT to fund $3.5 million of seismic upgrades and interior renovations to its Kentfield hospital, which is expected to be completed in 2014 (see Footnote 7).

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company adopted FASB professional guidance regarding goodwill and other intangible assets. Under this professional guidance, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of December 31, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. In July 2011, the Company recorded $1,554,000 of goodwill in connection with the acquisition of the DeSoto hospital (see Footnote 2). In 2012, Post Acute recorded $5,789,000 of goodwill in connection with acquisitions of hospitals in San Antonio and Hammond, and in 2011 Post Acute recorded $3,556,000 of goodwill in connection with the acquisition of the hospital in New Braunfels (see Footnote 2). The following table summarizes goodwill and intangible assets (in thousands):

ATTACHMENT 39

97

	December 31, 2012	2011
Goodwill	$43,891	$38,102
CONs/licenses	$ 6,420	$ 6,420
Non-compete agreement (net of accumulated amortization of $505,000 in 2012 and $220,000 in 2011)	620	905
Lease acquisition costs (net of accumulated amortization of $24,000 in 2012 and $7,000 in 2011)	226	243
Intangible assets	$ 7,266	$ 7,568

The CONs/licenses have not been amortized as they have indefinite lives. The non-compete agreement was part of the negotiated purchase of the Progressive and DeSoto hospitals and is being amortized over the terms of the agreements. Amortization expense was $285,000 and $197,000 in 2012 and 2011, respectively. Lease acquisition cost was part of the negotiated acquisition of the DeSoto hospital and is being amortized as an increase to rent expense over the term of the lease. No impairment losses were recognized during 2012 and 2011.

5. DEPOSITS AND OTHER LONG TERM ASSETS

In December 2010, Vibra paid $1 million for a 20% ownership interest in the operations of Life Line Hospital, Wintersville, Ohio (Life Line). Life Line is a physician owned LTACH. Cumulative losses are recorded as a reduction in the investment. In August 2012 the Company entered into an unsecured promissory note receivable with LTAC Investors, LLC (the majority partner in the Life Line Hospital) in connection with a settlement agreement for the repayment of costs paid on behalf of the hospital. The note is in the amount of $874,000. Principal and interest is payable over a term of 36 months at an annual interest rate of 9.0%. The principal balance at December 31, 2012, was $788,000.

Vibra Healthcare entered into a joint venture agreement to develop, own and manage a 60-bed rehab hospital (IRF) in Ohio with Summa Health System. In exchange for development services and for funding $3.6 million for start-up costs, Vibra received a 48% ownership interest in the joint venture. The rehab hospital opened in January 2012.

Deposits and other long term assets consist of the following at December 31 (in thousands):

	2012	2011
Life Line investment	$ 281	$ 447
Life Line note receivable	788	-
Summa Rehab investment	2,177	1,855
Other long term assets	2,474	2,655
Total	$5,720	$4,957

6. REVOLVING CREDIT FACILITY

On June 1, 2010, the Company entered into a revolving credit facility with MidCap Financial (MidCap). Interest was payable monthly at the rate of the 30 day LIBOR plus 4.125% with a LIBOR floor of 2.50%. In February 2012, the interest rate of the credit facility was adjusted to LIBOR plus 3.0% with a 2.0% LIBOR floor (5.0% at December 31, 2012), and the maturity was extended from January 2014 to February 2015. The loan is secured by a first position in the Company's accounts receivable through intercreditor agreements with MPT and HCN. Up to $60 million can be borrowed based on a formula of qualifying accounts receivable. The Company is subject to various financial and non-financial covenants under the credit facility. A default in any of the MPT and HCN note and lease terms will also constitute a default under the credit facility. At December 31, 2012 and 2011, the debt outstanding on the revolver was $42,146,000 and $37,989,000, respectively.

On June 1, 2010, PAM entered into a revolver from MidCap Financial. Interest is payable monthly at the rate of the 30 day LIBOR plus 4.125% with a LIBOR floor of 2.50% (6.625% at December 31, 2012). The loan is secured by a first position in Post Acute's accounts receivable through intercreditor agreements with MPT. Up to $15 million can be borrowed based on a formula of qualifying accounts receivable. Post Acute is subject to various financial and non-financial covenants under the credit facility. A default in any of the MPT note and lease terms will also constitute a default under the credit facility. The revolver matures on January 1, 2014. At December 31, 2012 and 2011, the debt outstanding on the revolver was $9,969,000 and $4,135,000, respectively.

7. LONG-TERM DEBT

The components of long-term debt are shown in the following table (in thousands):

	December 31,	
	2012	2011
MPT 10.25% hospital acquisition notes	$ 15,429	$ 17,762
HCN – $21.05 million term loan	15,224	13,823
MidCap term loans – PAM	4,200	3,000
MPT $4.6 million term loan – Dallas	1,105	2,213
MPT $4.8 million term loan – Portland	956	2,028
MPT $2.0 million term loan – PAM – New Braunfels	2,000	2,000
MPT $2.5 million term loan – PAM – Hammond	2,490	-
HCN LTACH acquisition loan	1,449	2,778
HCN convertible note	20,000	20,000
HCSH note payable – PAM	976	1,114
Siemens note payable (loan 1) – PAM	895	-
Siemens note payable (loan 2) – PAM	1,294	-
Other	1,043	710
	67,061	65,428
Less current maturities	8,811	7,738
	$ 58,250	$ 57,690

The MPT hospital acquisition notes were interest only at 10.25% through June 2007, and then amortizable over the next 17 years with a final maturity in 2024. Substantially all of the assets of Vibra and its subsidiaries that lease property from MPT, as well as Vibra's membership interests in those subsidiaries, secure the MPT note. In addition the majority member of Vibra, an affiliated company owned by the majority member and Vibra Management, LLC, have jointly and severally guaranteed the notes payable to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes. In December 2010 and in July 2011, Vibra and MPT agreed to amendments that require additional principal payments as follows:

January 2011 to December 2013	$60,000/month
August 2011 to December 2012	$68,966/month
January 2013	$887,578
January 2014	$840,000

On June 1, 2010, the Company refinanced a $16 million term loan on the Kentfield Hospital with a $17.5 million term loan with HCN. The term loan matures on June 1, 2020, and bears interest at 9.5% with a 0.25% annual escalator. Monthly principal payments are required based on a 15-year amortization schedule. The proceeds of the HCN term loan at closing were $14 million, which was used to pay off the existing term loan and for closing costs. The additional $3.5 million is being used to finance a building refurbishment that commenced in 2011. The term loan contains cross default provisions with Vibra's master lease with HCN. The term loan is secured by a mortgage lien against the Kentfield LTACH real estate, and is also guaranteed by Vibra. In May 2012, the term loan was increased to $21.05 million to cover the cost of expanded renovations.

In September 2011, Post Acute entered into two term loans with MidCap totaling $3,000,000. In August 2012, Post Acute entered into an additional $2,500,000 term loan with MidCap totaling $2,500.00. Interest at a rate of LIBOR plus 4.125% with a LIBOR floor of 2.50% (6.625% at December 31, 2012), is payable monthly through December 2011. Thereafter, thirty three equal monthly principal and interest payments are due starting in January 2012 and ending in September 2014. The term loans are secured by the accounts receivable of Post Acute.

The MPT term loans for Dallas and Portland reach final maturity in 2013 and bear interest at the greater of 10.5% or the one-month U.S. Treasury obligation plus 5.5% (10.5% at December 31, 2012). Each loan was payable interest only until October 1, 2009, with the principal amortized over the final 48 months of the loan term. The loans are secured by (a) a security interest in Vibra's equipment and other personal property (other than accounts receivable) at the Portland and Dallas facilities; (b) the guaranty of Vibra and Senior Real Estate Holdings LLC and Vibra Management, LLC (affiliates of Vibra); and (c) the pledge of Vibra's ownership interest in the respective LLC operators of the Portland and Dallas facilities.

In September 2011, in connection with the acquisition of the New Braunfels hospital, Post Acute entered into a promissory note with MPT New Braunfels Hospital, LLC for $2,000,000. Interest at a rate of 10.50% per annum is payable monthly through September 2012. Thereafter, monthly principal and interest payments are due beginning in October 2012 and ending in September 2017. The promissory note is secured by New Braunfel's operations.

In December 2012, in connection with the acquisition of the Hammond hospital (see Note 2), Post Acute entered into a promissory note with MPT Hammond Hospital, LLC for $2,490,000. Interest, at a rate of 12.0% per annum, is payable monthly through November 2014. Thereafter, monthly principal and interest payments of $55,389 are due starting December 2014 and ending in November 2019. The promissory note is secured by Hammond's operations.

In connection with the October 2010 acquisition of three LTACHs, Vibra assumed a $13 million term loan with HCN in the acquisition of three hospitals from Progressive. At closing, HCN released $4,892,000 in Vibra lease deposit escrow funds to be used to reduce the loan principal to $8,108,000. In December 2010, Vibra paid an additional $4 million in principal using available funds under the MidCap revolver. The loan bears interest at 9% with 0.25% annual rate increases and is being amortized over 3 years. The loan is cross defaulted with Vibra's master lease and other obligations to HCN, is guaranteed by the guarantors of Vibra's master lease to HCN, and is secured by the security of the Vibra master lease to HCN, as well as a leasehold mortgage against Vibra's interest in the leased property under the master lease.

In December 2010, Vibra closed on a $20 million convertible, unsecured note with HCN. The note is convertible at HCN's option into 9.8% of the membership interests of Vibra Healthcare, LLC and includes certain anti-dilutive retroactive and automatic conversion features. The note matures on December 31, 2025, with interest payable semi-annually at 7%. The proceeds of the note were distributed to Vibra's members. At closing, Vibra was required to use $4 million of its borrowing availability on the MidCap revolver to pay down the HCN LTACH acquisition loan. Beginning September 1, 2011, and for five years thereafter, HCN has an exclusive right of first refusal to develop, own and lease any hospitals the Company acquires or constructs. HCN also received consent rights on certain material ownership and governance transactions.

In September 2011, Post Acute entered into a note payable with the seller of the New Braunfels hospital for $1,114,000. Quarterly principal and interest payments at a rate of .10% per annum are due starting in January 2012 and ending in October 2021. The note is secured by certain equipment of Post Acute.

In March 2012, Post Acute entered into a note payable with Siemens (loan 1) for $1,030,000. Monthly principal and interest payments of $20,350 are due starting April 2012 and ending in March 2017. Interest on the note payable is 6.95%. The note payable is secured by certain equipment of Post Acute.

In May 2012, Post Acute entered into a note payable with Siemens (loan 2) for $1,435,000. Monthly principal and interest payments of $28,725 are due starting June 2012 and ending in May 2017. Interest on the note payable is 7.46%. The note payable is secured by certain equipment of Post Acute.

The Company's loan agreements include certain financial and operating covenants. The Company was in compliance with these covenants at December 31, 2012 and 2011. Substantially all loans and leases contain cross defaults.

Maturities of long-term debt for the next five years are as follows (in thousands):

December 31	
2013	$ 8,811
2014	5,050
2015	4,853
2016	5,186
2017	5,202
Thereafter	37,959
	$ 67,061

8. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with Vibra Management, LLC and Lone Star Healthcare, LLC (companies affiliated through common ownership) to provide management services to each hospital. The services include information system support, legal counsel, accounting/tax, human resources, program development, quality management and marketing oversight. The agreements call for a management fee equal to 2% to 4% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. In addition, Lone Star reimburses Vibra for costs associated with billing services provided to Warm Springs, which amounted to $618,000 in 2012 and $560,000 in 2011. Management fee expenses amounted to $11,276,000 in 2012 and $9,502,000 in 2011. Management fees payable, net of fees receivable, were $1,639,000 and $263,000 at December 31, 2012 and 2011, respectively. These amounts are included in accounts payable – affiliates in the accompanying consolidated balance sheet.

In November 2010, the Company entered into a Master Equipment Leasing Agreement with Vibra Leasing Company, LLC, to lease equipment to its subsidiary hospitals. The leases have a term of 3-5 years, an interest rate commensurate with industry market rates, and provide for a fair-market-value buyout option. In 2012 and 2011, the Company incurred costs of $1,577,000 and $1,210,000, respectively for these leases, which included rent payments, shipping costs and taxes. Vibra Leasing Company is owned by the members of Vibra Healthcare. The leases are classified as operating leases.

9. OPERATING LEASES

MPT 2006 Leases – Portland and Dallas

In August and September 2006, Vibra entered into two triple-net long-term real estate operating leases with MPT relating to the acquisition of LTACHs under development in Dallas, Texas, and Portland, Oregon. Each lease is for an initial term of 15 years and contains renewal provisions at Vibra's option for three additional five year terms. On February 1, 2009, Vibra purchased a tract of land adjacent to its Dallas hospital for $421,200. The purchase was funded by MPT under the existing operating lease. The base rate at commencement is calculated at 10.50% of MPT's adjusted purchase price ("APP"). Beginning January 1, 2008, and each January 1 thereafter, the base rate increases by an inflator of the greater of 2.5% or the increase in the Consumer Price Index ("CPI"). The lease rate for the Portland Hospital was 12.4% of APP in 2012.

In December 2011, Vibra sold certain tangible assets of its Dallas hospital to Lifecare Hospitals of North Texas, LP. The operating entity for the Dallas hospital vacated the existing hospital space and relocated to a location in Desoto, Texas. Under the terms of an assignment of lease, the existing lease with MPT was partially terminated and assigned to Lifecare (see Note 2).

As required by the terms of the lease, on April 1, 2009, Vibra began making deposits to a capital improvement reserve, currently at an annual rate of $108,000 for the Portland hospital, which is the only hospital still covered under the MPT 2006 lease. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

MPT 2006 Leases – Post Acute

In December 2006, Post Acute entered into three triple-net long-term real estate operating leases with MPT relating to the WSRF asset acquisition. Each lease is for an initial term of 15 years and contains renewal provisions at Post Acute's option for three additional five year terms. The base rate at commencement is calculated at 10.5% of MPT's APP. Beginning January 1, 2008, the base rate increases by an inflator of the greater of 2.5% or the increase in the CPI. The lease rate was 12.4% of APP in 2012.

As required by the terms of the lease, on January 1, 2008, Post Acute began making deposits to a capital improvement reserve at an annual rate of $263,000. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

The San Antonio hospital land is leased from a foundation under a triple net lease that expires in November 2061. The lease has monthly payments of $28,000 and is subject to an escalator every three years based on the change in the consumer price index.

MPT 2008 Lease – Southeastern Michigan

In May 2008, Vibra entered into a triple-net, long-term real estate operating lease with MPT relating to the acquisition of a 220 bed LTACH in Lincoln Park, Michigan. The lease is for an initial term of 15 years and contains renewal provisions at Vibra's option for three additional five year terms. The base rate at commencement was calculated at 10.50% of MPT's APP. Beginning January 1, 2009, and each January 1 thereafter, the base rate increases by an inflator of the greater of 2.5% or the increase in the CPI. The lease rate was 11.66% of APP in 2012.

As required by the terms of the lease, on April 1, 2009, Vibra began making deposits to a capital improvement reserve, currently at an annual rate of $81,300. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

MPT 2011 Lease – Desoto

In July 2011, Vibra entered into a triple-net, long-term real estate operating lease with MPT relating to the acquisition of a newly constructed 40-bed LTACH in DeSoto, Texas. The lease is for an initial term of 15 years and contains renewal provisions at Vibra's option for three additional five year terms. The base rate at commencement is calculated at 10.50% of MPT's APP. Beginning January 1, 2013, and each January 1 thereafter, the base rate increases by an inflator commensurate with the increase in CPI. The lease rate was 10.5% of APP in 2012.

As required by the terms of the lease, beginning January 1, 2014, Vibra is required to make deposits to a capital improvement reserve, currently at an annual rate of $80,000. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

MPT 2011 Lease – Post Acute

Post Acute entered into a triple-net long-term real estate operating lease with MPT relating to the acquisition of the New Braunfels hospital. The lease is for an initial term of 15 years and contains renewal provisions at Post Acute's option for three additional five year terms. The base rate at commencement is calculated at 10.5% of MPT's APP. Beginning January 1, 2013, the base rate increases by an inflator of the increase in CPI. The lease rate was 10.8% of APP in 2012.

As required by the terms of the lease, on January 1, 2013, Post Acute is required to make deposits to a capital improvement reserve at an annual rate of $80,000 per year. Starting January 1, 2014, the rate will increase to the greater of 2.5% or the increase in CPI at the beginning of each year.

HCN Lease

The Company entered into a triple-net, long-term real estate operating master lease with HCN for the following hospitals:

Three refinanced from MPT in May 2008
- Marlton, NJ
- Bowling Green, KY
- Fresno, CA

Two acquired July 2008
- San Diego, CA
- San Bernardino, CA

Three (four locations) acquired October 2010
- Fort Wayne, IN
- Crown Point, IN
- Boardman, OH

The total lease base is for $182,100,000. The lease term is for 15 years and is renewable at Vibra's option for an additional 15 years. The blended base rate for 2008 was 9.31% of HCN's APP of the real estate. Each year the rate may increase 0.25% based on the change in CPI. On October 25, 2010, the HCN Master Lease was amended, adding the three hospitals acquired from Progressive, and the blended lease rate was adjusted to 9.85%. The annual rate was increased to 10.10% and 10.26% on August 1, 2011 and 2012, respectively. The Company has an option to purchase the real estate at the end of the initial lease term for the greater of APP or fair market value. For each calendar year, Vibra is required to spend $100,000 in capital expenditures per hospital. If expenditures in any year do not reach $100,000, the balance must be deposited in a reserve account to be used for future capital expenditures.

HR Acquisition 2012 Lease – Post Acute

Post Acute entered into a triple-net long-term real estate operating lease with HR Acquisition of San Antonio for a 34 bed rehab hospital in San Antonio, Texas. The lease is for an initial term of 15 years and contains provisions at Post Acute's option for an additional five year term. The base rate at commencement is $725,000 plus 9.5% of landlord expenditures in excess of $2,000,000. Beginning March 1, 2013, the rate will increase by 2.5%. The lease requires Post Acute's to maintain a letter of credit in the amount of $300,000.

As required by the terms of the lease, on February 1, 2015, Post Acute is required to make deposits to a capital improvement reserve, at an annual rate of $11,900 for the first year. The annual rate will increase each year at a rate of 2.5%.

PAMW 2012 Lease – Post Acute

Post Acute entered into a long-term real estate operating lease with PAMW, LP for a 40 bed rehab hospital in San Antonio, Texas. The lease is for an initial term of 17 years and contains provisions at Post Acute's option for two additional five year terms. On April 1, 2013, the rate of the lease will increase by 2%.

As required by the terms of the lease, on April 1, 2016, Post Acute is required to make expenditures or deposits to a capital improvement reserve annually at a rate of $0.20 per square foot leased.

Southwest General Hospital 2012 Lease – Post Acute

Post Acute entered into a long term operating lease with Southwest General Hospital, LP for space within the hospital facility in San Antonio, Texas. The lease is for an initial term of 5 years and will automatically renew annually, unless terminated by Post Acute or Southwest General Hospital, LP within 45 days prior to the termination of the lease. The initial term ends on December 31, 2017. The payments for the initial year will be $37,380 per month and will increase by the annual increase in the CPI starting January 1, 2014.

MPT 2012 Lease – Post Acute

Post Acute entered into a triple-net long-term real estate operating lease with MPT relating to the acquisition of the Hammond hospital. The lease is for an initial term of 15 years and contains renewal provisions at Post Acute's option for three additional five year terms. The base rate at commencement is calculated at 10.5% of MPT's APP. Beginning January 1, 2014, the base rate increases by an inflator of the increase in CPI. The lease rate was 10.5% of APP in 2012.

Carter-Validus Leases

In October and November 2012, the Company refinanced the remaining MPT 2004 leases (Denver, Colorado and New Bedford, Massachusetts) with Carter Validus REIT. The Company terminated the MPT leases and acquired the related land and buildings. The acquisition of the property, a capital improvements holdback of $2,107,000 and transaction costs of $1,080,000 were fully funded from the proceeds of the sale and leaseback of the land and building. The leases are for an initial term of 16 years and contain extension options. The initial base rent rate is 9.5% with an annual increasor of 2.0%. The lease is classified as an operating lease. The company recorded a deferred gain on this transaction in the amount of $6,077,000, primarily resulting from the write-off of deferred rents on the MPT 2004 leases.

These leases include certain financial and operating covenants. The Company was in compliance with these covenants at December 31, 2012 and 2011. All loans and leases contain cross defaults.

Other Leases

Vibra has also entered into operating leases for outpatient clinics and various equipment, which expire on various dates through 2016. The Redding, Marlton and San Diego hospitals' land is leased from independent third parties under triple-net leases, the earliest of which expires in 2028.

Minimum future lease obligations on the operating leases are as follows (in thousands):

	Vibra Rent Obligation	Post Acute Rent Obligation	Outpatient Clinics	Equipment Leases	Land Leases	Total
December 31						
2013	$ 29,563	$ 9,389	$1,108	$ 4,485	$ 1,509	$ 46,054
2014	29,757	9,530	949	3,536	1,510	45,282
2015	29,956	9,678	866	2,230	1,511	44,241
2016	30,159	9,764	334	1,102	1,513	42,872
2017	30,366	9,659	116	219	1,514	41,874
Thereafter	201,285	75,617	-	-	108,378	385,280

Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the leases. In addition the majority member of Vibra, an affiliated Company owned by the majority member, and Vibra Management, LLC have jointly and severally guaranteed the leases to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra. Additionally, HCN has a third mortgage on the Kentfield real estate as collateral for their lease.

The Company has sublet a floor of its Marlton, NJ hospital to an independent pediatric rehabilitation provider and has sublet a unit of its Denver hospital to a national provider of psychiatric care. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $1,792,000 in 2012 and $2,521,000 in 2011 and are included in other operating revenue in the accompanying consolidated statement of operations and changes in members' deficit. The following table summarizes amounts due under subleases (in thousands):

December 31	
2013	$1,329
2014	1,363
2015	955
2016	586
2017	601
Thereafter	407

ATTACHMENT 39

10. OBLIGATIONS UNDER CAPITAL LEASES

On June 30, 2005, Vibra entered into a triple-net real estate lease with MPT on the Redding, California property. The lease is for an initial term of 20 years and contains renewal options at Vibra's option for three additional five year terms. Each January 1, the base rate increases by the greater of 2.65% or by the increase in the consumer price index from the previous adjustment date. The lease rate was 11.65% of APP in 2011 and 12.0% in 2012. In March 2007, Vibra completed a $2.7 million renovation project that was financed under the lease. In July 2008, Vibra committed to a $773,000 renovation project that was financed under the lease in 2009.

The Redding lease does not contain a purchase option. As required by the terms of the lease, in 2009 Vibra began making quarterly deposits to a capital improvement reserve, currently at an annual rate of $163,000. The terms of the lease include certain financial and operating covenants. The Company was in compliance with these covenants at December 31, 2012 and 2011. All loans and leases contain cross defaults.

Other capital leases consist of equipment financing. The equipment is pledged as collateral for the lease.

The following schedule summarizes the future minimum lease payments under capital leases together with the net minimum lease payments (in thousands):

December 31	MPT Redding Lease	Other	Total
2013	$ 3,065	$ 967	$ 4,032
2014	3,146	371	3,517
2015	3,229	298	3,527
2016	3,315	29	3,344
2017	3,403	-	3,403
Thereafter	28,928	-	28,928
Total minimum lease payments	45,086	1,665	46,751
Less amounts representing interest	23,804	172	23,976
Present value of net minimum lease payments	$21,282	$1,494	$22,775

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the majority member of Vibra, an affiliated Company owned by the majority member, and Vibra Management, LLC have jointly and severally guaranteed the leases to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra.

11. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on consolidated financial position or results of operations of the Company.

California Seismic Upgrade

For earthquake protection, California required hospitals to receive an approved Structural Performance Category 2 ("SPC-2") to maintain its license. All of the Company's California hospitals are SPC-2 compliant. As a result, the hospitals meet the requirements for, and have been granted, an extension to meet the non-structural performance Category 3 compliance through January 1, 2030.

Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed.

The Company is currently subject to two separate federal investigations involving certain of its hospitals. Management believes it has fully complied with all applicable laws and regulations regarding the operations at these hospitals. The results of these federal investigations cannot be determined at this time.

12. RETIREMENT SAVINGS PLAN

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for all eligible employees. Employees may elect to defer up to the federal maximum each year. For employee contributions of up to 3% of their salary, the Company has historically matched 25%. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was $942,000 in 2012 and $730,000 in 2011.

13. MEMBERS' EQUITY

Post Acute Medical, LLC ("Post Acute") and Vibra Specialty Hospital of Dallas, LLC ("DeSoto") are consolidated entities of the Company which have non-Vibra partners. The non-controlling interest is included in members' deficit on the accompanying consolidated balance sheet. The following table reconciles the members' equity of these consolidated non-controlling interests at December 31, 2012 and 2011 (in thousands):

	DeSoto Non-controlling Interest	Post Acute Non-controlling Interest	Consolidated
Beginning members' equity – January 1, 2011	$ -	$ 66	$ 66
Share of net income – 2011	(454)	730	276
Contributions from members – 2011	2,500	1,400	3,900
Distributions to members – 2011	-	(1,150)	(1,150)
Ending members' equity – December 31, 2011	2,046	1,046	3,092
Share of net income – 2012	352	533	885
Contributions from members – 2012	-	2,000	2,000
Distribution to members – 2012	-	(400)	(400)
Ending members' equity – December 31, 2012	$2,398	$ 3,179	$ 5,577

14. SEGMENT INFORMATION

FASB guidance regarding disclosure about segments of an enterprise and related information establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs, (ii) LTACHs, and (iii) Post Acute. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

ATTACHMENT 39

105

The following table summarizes selected financial data for the Company's reportable segments (in thousands):

2012	IRF	LTACH	Post Acute	Other	Total
Net patient service revenue	$100,491	$283,899	$89,011	$ -	$473,401
Income (loss) from operations	15,775	23,974	808	(21,152)	19,405
Interest expense	29	5,723	1,284	5,195	12,231
Depreciation and amortization	337	3,105	791	542	4,775
Deferred rent	-	3,875	3,188	-	7,063
Total assets	34,292	113,023	38,389	23,106	208,810
Purchases of property and equipment	393	1,177	2,722	90	4,383
Goodwill	16,722	17,825	9,344	-	43,891

2011	IRF	LTACH	Post Acute	Other	Total
Net patient service revenue	$96,217	$282,037	$61,089	$ -	$439,343
Income (loss) from operations	15,664	16,769	1,742	(21,473)	12,702
Interest expense	38	5,917	846	6,156	12,957
Depreciation and amortization	317	3,065	268	482	4,132
Deferred rent	-	9,942	2,406	-	12,348
Total assets	32,864	114,389	19,536	16,281	183,070
Purchases of property and equipment	176	1,363	774	22	2,335
Goodwill	16,722	17,824	3,556	-	38,102

15. Fair Value of Financial Instruments

FASB guidance establishes standards for reporting information about the fair value of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of the Company's financial instruments as of December 31, 2012 and 2011 are as follows (in thousands):

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets,				
Cash and cash equivalents	$ 21,165	$ 21,165	$ 7,437	$ 7,437
Liabilities:				
Revolving credit facility	$ 52,115	$ 52,115	$ 42,124	$ 42,124
Long-term debt	67,061	67,061	65,428	65,428
Obligations under capital leases	22,775	27,712	24,030	29,576
Total liabilities	$141,951	$146,888	$131,582	$137,128

The following is a description of the valuation methodologies used for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2012 and 2011.

Cash and cash equivalents: The carrying value approximates fair value because of the short maturity of these financial instruments.

Revolving credit facility, long-term debt, and obligations under capital leases: Valued based on current rates offered for similar issues with similar security terms and maturities, or estimated using a discount rate that a market participant would demand.

ATTACHMENT 39

106

16. SUBSEQUENT EVENTS

On March 27, 2013, Vibra entered into an interim management agreement with Complex Care Hospital of Idaho (CCHI) to manage a 60-bed long term care hospital located in Meridian, Idaho. CCHI is a wholly-owned subsidiary of LCI Holdco, LLC, the parent company of LifeCare Holdings, Inc. (LifeCare), of Plano, Texas, which is in bankruptcy. Under the interim management agreement, Vibra assumed day-to-day operations of the hospital on April 3, 2013. Vibra and LifeCare also executed an agreement for Vibra to acquire substantially all of the assets of CCHI, subject to resolution of certain conditions and Bankruptcy Court approval.

In March 2013, Post Acute amended its $15,000,000 revolver and term loans with MidCap. The amendment increased the revolver to a $20,000,000 credit facility and changed some covenant requirements. The term loans were refinanced over a five year term and the interest rate was increased to 7.625%.

On April 24, 2013, an affiliate of Vibra entered into an asset purchase agreement to acquire 16 hospitals (15 LTACHs and 1 IRF) and one skilled nursing facility from Kindred Healthcare, a national provider of post acute healthcare services. The purchase price of $187,000,000 will be financed with the accounts receivable revolver, sale leaseback and term loan financing. Repayment of the financing will be guaranteed by Vibra. The Vibra affiliate will receive $31,000,000 of net working capital in the transaction. Five of the LTACHs acquired will be operated in a partnership with Post Acute. Management expects the transaction to be immediately accretive to cash flow and income with an anticipated closing in the second half of 2013.

ATTACHMENT 39

Hollinger Holding Company LLC
Balance Sheet prepared on Tax Basis
12/31/2012

Current Assets	0
Total Assets	-
Liabilities	17,073,055
Members Equity	(17,073,055)
Total Liabilities and Equity	-

Hollinger Holding Company LLC
Income Statement
12/31/2012

Taxable Income	21,500,000.00
Expenses	0
Income	21,500,000.00

Balance at Beg of the year	(27,152,455)
Net Income	21,500,000
Distributions	(11,420,600)
Net Worth	(17,073,055)

ATTACHMENT 39

HEALTH CARE REIT, INC.
4500 Dorr Street, Toledo, Ohio 43615-4040
Phone: (419) 247-2800 / Fax: (419) 247-2826

PROJECT APPROVAL LETTER

March 12, 2013

Vibra Healthcare, LLC
4550 Lena Dr., Suite 225
Mechanicsburg, PA 17050

Attention: Mr. Clint Fegan
Chief Financial Officer

Dear Clint:

We understand that Vibra Healthcare, LLC ("Company") would like Health Care REIT, Inc. ("HCN") to acquire the hospitals (individually a "Facility," and collectively the "Facilities") described below. The Facilities will be leased to Vibra Holdings One, LLC ("Tenant") under the terms set forth in the Amended and Restated Term Sheet for Master Lease between Company and HCN dated April 23, 2008 ("Term Sheet") and the Second Amended and Restated Master Lease Agreement between the Tenant and HCN dated October 25, 2010 ("Master Lease"), with the supplemental information and modifications as set forth below. Capitalized terms not defined in this project approval letter ("Letter") have the meanings set forth in the Term Sheet and/or Master Lease.

1. Facility Identification. The Facilities that Vibra proposes HCN acquire and add to the Master Lease are set forth below (the "Kindred Facilities"). The table sets forth HCN's allocation of the Investment Amount (defined herein) for each of the Facilities, to be finalized by HCN and Company prior to the Closing Date (defined herein).

Facility Name and Location	Subtenant/Operator	Facility Type and Number of Beds	Allocated Investment Amount (est.)
Kindred Hospital - Sacramento Folsom, CA	A wholly-owned subsidiary of the Company or Tenant	LTACH, 39 licensed beds (increasing to 58 licensed beds)	$33,600,000
Kindred Hospital - Springfield Springfield, IL	A wholly-owned subsidiary of the Company or Tenant	LTACH, 50 licensed beds	$10,100,000
Kindred Hospital Park View - Central Massachusetts Rochdale, MA	A wholly-owned subsidiary of the Company or Tenant	LTACH, 47 licensed beds	$7,100,000
Kindred Hospital - Charleston Mount Pleasant, SC	A wholly-owned subsidiary of the Company or Tenant	LTACH, 59 licensed beds and 30 licensed SNF beds	$17,200,000
Kindred Hospital - Richmond Richmond, VA	A wholly-owned subsidiary of the Company or Tenant	LTACH, 60 licensed beds	$12,000,000

2. Transaction Type. Acquisition and master operating lease as described in the Term Sheet. The Facilities will be added to the Master Lease.

3. Seller. The seller of the real estate and operations of each of the Facilities is Kindred Healthcare, Inc. ("Kindred"). HCN must review and approve the purchase agreement between the Company and Kindred.

4. Investment Amount. Up to $80,000,000 for the Facilities, as allocated in the table in section 1 herein and based upon the Sources and Uses Statement attached hereto as Exhibit A, with proceeds to be used solely for the specified purposes.

5. Term. The Initial Term of the Master Lease will be extended to fifteen years from the date the Kindred Facilities are added to the Master Lease (the "Closing Date").

6. Base Rent. Base Rent for the Facilities will be computed based upon the Investment Amount allocated to the Facilities multiplied by the greater of [i] the trading yield on the 10 year USTN as of the Closing Date plus 6.0% or [ii] 9.75%. Rent will increase annually based upon the Increaser Rate set forth in the Master Lease.

7. Guarantors. The Master Lease will continue to be guaranteed by all of the existing guarantors, and each of the Subtenants for the new Facilities shall be added as guarantors. HCN understands the company desires to create a second holding company, Vibra Healthcare II, LLC ("Vibra II"); Vibra II will own the Subtenants associated with the Kindred Facilities and will be the borrower under the loan described in the Loan Term Sheet (defined herein). Vibra II will also guarantee the Master Lease.

8. Manager. The Manager for the Facilities will be Vibra Management, LLC. The Company shall not permit any other management agreements without HCN's prior written consent. Vibra will be permitted to engage an affiliate of Post Acute Medical, LLC ("PAM"), to be the manager for the RehabCare Facilities (defined herein). PAM will be permitted as the Manager of the RehabCare Facilities provided that PAM complies with all existing operating covenants set forth in the Master Lease. Tenant will be required to terminate the management agreement with PAM in the event that the RehabCare Facilities maintain a Fixed Charge Coverage Ratio of less than 1.00 to 1.00 for two consecutive calendar quarters as tested on a trailing twelve month basis.

9. Letter of Credit. Waived.

10. Transaction Fee. Waived.

11. Purchase Option. In addition to the existing Early Option (for the Fort Wayne Facility) and the Option to Purchase under the Master Lease, Vibra will have an additional early purchase option ("Second Early Option") to purchase all of the facilities subject to the Master Lease on December 31, 2026. The purchase price for the Second Early Option will be equal to the greater of: [a] fair market value for all of the facilities subject to the Master Lease, or [b] the sum of [i] the Investment Amount for all of the facilities currently subject to the Master Lease, plus [ii] the Investment Amount for the Boise Facility, the Lakeway Facility, and the RehabCare Facilities (each defined below), plus [iii] the Investment Amount for the Kindred Facilities, increased by 3.0% each year from the Closing Date through the Second Early Option date.

12. Capital Expenditures. During the term of the Master Lease, the Tenant will be responsible for the costs of all capital repairs and replacements. Tenant shall be required to spend at least $1,500 per bed per year on capital expenditures for the Facilities, inflated annually by CPI.

13. Boise Facility. As a condition to HCN closing on the acquisition of the Kindred Facilities, Vibra must add the Boise Facility (defined below) to the Mater Lease.

13.1. Background. HCN leases a 60-bed LTACH located in Boise, ID ("Boise Facility") to LCI Healthcare Holdings, Inc. ("LifeCare") pursuant to a lease agreement between HCN and LifeCare (the "Boise Lease"). LifeCare and its affiliates filed petitions in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on December 11, 2012, and are currently operating under protection pursuant to Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code"). LifeCare desires that HCN find a replacement operator for the Boise Facility and transfer operations of the Boise Facility to that replacement operator.

13.2. Structure. Vibra will work with LifeCare to immediately assume operations of the Boise Facility on an interim basis, including obtaining any necessary Bankruptcy Court approval of Vibra's assumption of the interim operation of the Boise Facility, pending approval of the Boise Sale (defined below). As early as possible and practicable under the Bankruptcy Code, Vibra will purchase LifeCare's assets associated with the Boise Facility pursuant to a sale under section 363 of the Bankruptcy Code (the "Boise Sale"), subject to approval of the Bankruptcy Court. The Boise Sale shall include the assumption and assignment to Vibra of the Boise Lease and the transfer to Vibra of the Medicare provider number associated with the Boise Facility. Upon the closing of the Boise Sale (the "Boise Closing Date"), the Boise Facility will be added to the Master Lease. Vibra's acquisition of the Boise Facility will include pre-petition liabilities, which HCN understands includes a liability of $5,424,662 due to Medicare and $2,614,556 due to Idaho Medicaid ("Cost Report Liabilities"). HCN and Vibra will work together in good faith to attempt to reduce the value of the Cost Report Liabilities and establish repayment plans. If HCN and Vibra are not successful reducing the value of the Cost Report Liabilities and establishing repayment plans, HCN intends to provide Vibra with a working capital loan to fund the Cost Report Liabilities. Such working capital loan will have a term of 12 years, an interest rate of 10.0%, 25 basis point annual increasers to the interest rate beginning in third year of the loan term, and interest only payments for the first 24 months followed by payments of interest and principal based on a ten year amortization schedule.

13.3. Estimated Closing Date. Vibra will begin working with LifeCare immediately to replace LifeCare as the operator of the Boise Facility on an interim basis. HCN estimates the transfer of operations will be complete by March 21, 2013. The Boise Closing Date will be mutually determined between HCN, Vibra, LifeCare, and the Bankruptcy Court; HCN estimates the Boise Closing Date will be on or around June 30, 2013. The actual Boise Closing Date will be subject to Vibra having adequate evidence that the Boise Facility has achieved an average length of stay of 25 days for its Medicare patients for the six-month period prior to closing.

13.4. Base Rent. Base Rent for the Boise Facility will be equal to $1,000,000 per annum for the first twelve months and $1,200,000 per annum for the subsequent twelve months. Base Rent will reset to fair market value on the second and fifth anniversaries of the Boise

ATTACHMENT 39

111

Closing Date with a floor of the prior year's Base Rent. Base Rent determined pursuant to the fair market value reset on the second and fifth anniversaries of the Boise Closing Date will be equal to: the total fair market rent amount, less the amount of interest due for the forward twelve month period to Medicare or under the working capital loan associated with the Boise Facility and the Cost Report Liabilities, and—for the second anniversary only—less the amount of principal due for the forward twelve month period to Medicare or under the working capital loan associated with the Boise Facility and the Cost Report Liabilities. Following each fair market value rent reset, Base Rent for the Boise Facility will increase by 2.5% annually.

14. Lakeway Facility. As a further condition to HCN closing on the acquisition of the Kindred Facilities, Vibra must add the Lakeway Facility (defined below) to the Mater Lease.

14.1. Background. HCN and an affiliate of Vibra ("Lone Star") entered into a Master Lease Agreement on December 31, 2011 ("Lakeway Lease"), for HCN to lease to Lone Star a vacant 44-bed hospital facility located in Lakeway, TX ("Lakeway Facility"). The Lakeway Lease was subsequently amended to delay the date that the Lone Star was estimated to take possession of the Lakeway Facility until July 1, 2013. HCN is currently marketing the Lakeway Facility for sale to an unaffiliated third party. If HCN does not enter into a binding purchase and sale agreement ("Sale Agreement") for the Lakeway Facility by May 31, 2013, HCN will stop marketing the Lakeway Facility for sale.

14.2. Addition to Master Lease. If HCN has not entered into a Sale Agreement, on the Closing Date HCN and Lone Star will terminate the Lakeway Lease and the Lakeway Facility will be added to the Master Lease. Vibra will be obligated to take possession of the property by July 31, 2013, and Base Rent will commence for the Lakeway Facility on August 1, 2013 ("Lakeway Commencement Date"). If HCN has entered into a Sale Agreement, but the sale of the Lakeway Facility has not yet closed as of the Closing Date, HCN and Lone Star will terminate the Lakeway Lease and the Master Lease will include a requirement that the Lakeway Facility be added to the Master Lease if the Sale Agreement is terminated for any reason ("Sale Termination"). The Master Lease will require that [a] the Lakeway Facility be added to the Master Lease within 60 days of such Sale Termination and [b] the Lakeway Commencement Date will be 90 days from such Sale Termination. Additionally, HCN will provide a working capital loan to Vibra beginning on the Lakeway Commencement Date for up to $5,000,000. Such working capital loan will have a term of 12 years, an interest rate of 10.0%, 25 basis point annual increasers to the interest rate beginning in third year of the loan term, and interest only payments for the first 24 months followed by payments of interest and principal based on a ten year amortization schedule.

14.3. Base Rent. Base Rent for the Lakeway Facility will be equal to $1,500,000 per annum for the first twelve months. Base Rent will increase by 3.0% on the first and second anniversaries of the Lakeway Commencement Date. Base Rent will reset to fair market value on the third and sixth anniversaries of the Lakeway Commencement Date with a floor of the prior year's rent plus 3.0%. Following each fair market value rent reset, Base Rent for the Lakeway Facility will increase by 3.0% annually.

15. Additional Facilities. In addition to the Kindred Facilities identified in section 1, Vibra will acquire leasehold interests in two facilities located in Lafayette, LA, and Tulsa, OK, from the Seller that were originally owned by RehabCare ("RehabCare Facilities"). The RehabCare

Facilities will be added to the Master Lease. Base Rent for the RehabCare Facilities will not be changed from the current amounts and increases set forth in their respective leases once they are added to the Master Lease.

16. Due Diligence Review. Closing on the acquisition of the Facilities is subject to HCN's customary due diligence review, including, but not limited to, review and approval of the following items: [i] title policy from a title company selected by HCN; [ii] ALTA survey; [iii] environmental assessment (including wetlands delineation); [iv] property inspection and soils report; [v] MAI appraisal; [vi] market study; [vii] certificate of need (to extent required by law), licensure and reimbursement requirements; [viii] Medicare and Medicaid audit report for the Facilities (if available); [ix] compliance with laws, including zoning, Stark, anti-kickback, and securities regulations; [x] historical and pro forma financial statements of the Facilities and for the Company; [xi] the ownership, structure, capitalization, and control the Tenant, each Subtenant, and the Manager; [xii] property and liability insurance; and [xiii] legal opinion;

17. Closing Conditions. HCN's obligation to close the contemplated Kindred Facilities acquisition is subject to the following conditions: [i] HCN has approved the Due Diligence in the foregoing; [ii] all parties have approved, executed and delivered all agreements and instruments necessary or desirable to consummate the transaction; [iii] the transaction has been approved by HCN's Board of Directors; [iv] no material adverse change has occurred in the financial condition of Tenant, Facility, or Guarantor; [v] the addition of the Boise Facility to the Master Lease as set forth in section 11 herein; and [vi] the addition of the Lakeway Facility to the Master Lease as set forth in section 12 herein.

18. Expected Closing Date. The Closing Date for the acquisition of the Facilities is expected to be June 30, 2013.

19. Expiration Date. This Letter will expire if not accepted by March 18, 2013.

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20. Confidentiality. Neither party will disclose either the fact or the substance of this Letter, nor the negotiations between HCN and Company with respect to the particular Facilities contemplated hereby, except as reasonably necessary to its attorneys, auditors, agents, consultants working on the transaction, and the Seller, or as required by law.

21. Acceptance. This Letter may be accepted only by your execution of this Letter and returning the executed Letter and a deposit in the amount of $100,000.00 ("Facility Deposit") to HCN by the Expiration Date. The Facility Deposit will be credited against the 1.0% Transaction Fee at closing. The Company will reimburse HCN for any out-of-pocket costs in excess of the Facility Deposit regardless of whether the transaction closes. The executed Letter should be sent to the attention of Theresa Whetro, Real Estate Specialist, at the address at the top of the first page. This Letter foregoing is being provided to the Company along with a Term Sheet for Mezzanine Loan ("Loan Term Sheet"). HCN will only accept this executed Letter and the executed Loan Term Sheet if they are provided together simultaneously.

Please acknowledge your agreement to the foregoing by signing below.

HEALTH CARE REIT, INC.

By: _____

Title: Senior Vice President - Administration and Corporate Secretary

Date: March 14, 2013

VIBRA HEALTHCARE, LLC

By: _____

Title: CFO

Date: 3/13/13

Exhibit A

Sources and Uses Statement

Sources		Amount
HCN Lease Amount		$80,000,000
Vibra Funded Closing Costs		$550,000
Total Sources		$80,550,000

Uses		Amount
Acquisition amount		$80,000,000
Landlord legal fees		$120,000
Tenant legal fees		$50,000
Third party reports		$100,000
Transfer taxes*		$100,063
Title insurance		$103,853
Recording, UCC, escrow fees		$18,800
HCN investigation expenses		$37,500
Transaction fee	0.0%	$0
Letter of credit	0.0%	$0
Contingency		$19,784
Total Uses**		$80,550,000

* Transfer tax estimate assumes all taxes split equally between Vibra and Seller.
** Uses in excess of the budget to be funded by the Tenant.

HEALTH CARE REIT, INC.
4500 Dorr Street, Toledo, Ohio 43615
Phone: (419) 247-2800 / Fax: (419) 247-2826

March 12, 2013

TERM SHEET FOR LOAN

This Term Sheet for Loan ("Loan Term Sheet") is being provided in conjunction with the Project Approval Letter ("PAL") of even date regarding the addition of a portfolio of five facilities to the Second Amended and Restated Master Lease Agreement between the Vibra Holdings One, LLC ("Tenant") and HCN dated October 25, 2010 ("Master Lease"). Closing the transaction described in this Loan Term Sheet is conditioned upon closing the transaction described in the PAL and is subject to all of the conditions precedent to closing that are set forth in the PAL.

LENDER: Health Care REIT, Inc. and/or one or more of its affiliates ("Lender" or "HCN").

BORROWER: Vibra Healthcare II, LLC ("Borrower").

GUARANTOR: Vibra Healthcare, LLC ("Company"), the Tenant and each guarantor of the Master Lease. All guarantees will be unconditional payment and performance guarantees and will be joint and several.

LOAN TYPE AND USE OF PROCEEDS: A mezzanine term loan ("Loan") will be made available to Borrower in an aggregate amount not to exceed the Maximum Loan Amount (defined below) to help fund the Company's acquisition of a portfolio of 16 facilities (each a "Facility" or collectively the "Facilities") from Kindred Healthcare, Inc. ("Seller"). The Loan will be funded in a single advance at closing. Proceeds from the Loan will be used along with proceeds from funding under the Master Lease and additional borrowings from MidCap Financial, LLC ("MidCap") in order to consummate the acquisition of the Facilities from the Seller. A sources and uses statement for the acquisition of the Facilities is set forth on Exhibit A.

MAXIMUM LOAN AMOUNT: $32,000,000.

LOAN TERMS: The following terms shall apply to the Loan.

Term:		One hundred and forty-four (144) months.
Commitment Fee:		1.0% of Maximum Loan Amount, payable at closing.

Interest Rate:	Initial Rate:	12.0%
	Annual Inflation Adjustment:	The Interest Rate will increase by 31 basis points each year on the anniversary of the closing date.
	Default Rate:	Greater of 18.5% or 2.5% plus the then-applicable rate.
	Calculation Method:	365/360
Payments:	Type:	Borrower will pay interest only on the outstanding Loan balance at the Initial Rate during the first 24 months of the Term. Thereafter, Borrower will pay installments of interest at the applicable Interest Rate and principal based upon a ten year amortization schedule.
	Frequency:	Monthly.
	Due:	First of the month via wire transfer.
	Prepayments:	The Loan may be prepaid at any time without penalty. Borrower will be required to use 90% of the proceeds from any sale of the Facility in Springfield, MA, to prepay the Loan.
	Late Payment Charge:	5% of the amount then due.
Security:		The Loan will be secured by: [i] a first mortgage on the Facility in Springfield, MA to be acquired by the Company from the Seller; [ii] a leasehold mortgage against the Company's and the Borrower's interests in the Master Lease; and [iii] the same security that secures the Master Lease. Borrower will be permitted to sell the real estate associated with the Facility in Springfield, MA, provided that the sale proceeds exceed $8,000,000. Lender will have a perpetual right of first refusal to acquire the Facility in Springfield, MA, as long as the Loan remains outstanding.
Events of Default:		10 day grace period for monetary defaults, non-monetary defaults are either immediate or subject to 30 day notice and cure period. The Loan will be cross-defaulted with the Master Lease, HCN's mortgage loan against the Company's facility in Kentfield, CA, and the loans provided by MidCap as material obligations of the Company.

FINANCIAL COVENANTS: Equal to the same financial covenants that pertain to the Company as set forth in the Master Lease.

DUE DILIGENCE REVIEW: Same as identified in the PAL.

CONDITIONS TO CLOSING: Same as identified in the PAL.

TRANSACTION COSTS: Borrower is responsible for all transaction costs, including legal counsel to HCN.

EXPIRATION DATE: This Term Sheet will expire unless accepted by Borrower on or before March 18, 2013.

ACCEPTANCE: This Term Sheet may be accepted by Borrower only by returning a fully executed copy to HCN by the Expiration Date. Borrower is responsible for HCN's out-of-pocket expenses related to the transaction if any Loan does not close for any reason other than default on the part of Lender. The executed Term Sheet should be sent to Theresa S. Whetro, Real Estate Specialist, at 4500 Dorr Street, Toledo, Ohio 43615-4040.

The undersigned acknowledges that [i] this Loan Term Sheet does not constitute a commitment by HCN to enter into any transaction; and [ii] the foregoing terms and conditions are acceptable to HCN subject to negotiation of the loan documents.

LENDER:
HEALTH CARE REIT, INC.

By: _____

Title: Senior Vice President - Administration and Corporate Secretary

Date of Acceptance: March 14, 2013

BORROWER:
VIBRA HEALTHCARE II, LLC

By: _____

Title: CFO

Date of Acceptance: 3/13/13

COMPANY:
VIBRA HEALTHCARE, LLC

By: _____

Title: CFO

Date of Acceptance: 3/13/13

Exhibit A
Sources and Uses

Sources		
HCN Lease Investment		$80,000,000
HCN Mezzanine Loan		$32,000,000
MidCap Revolver Expansion		$43,000,000
MidCap Senior Term Loan		$37,000,000
Vibra Equity		$0
Total Sources		$192,000,000
Uses		
Purchase Price		$187,000,000
HCN Lease Closing Costs		$550,000
HCN Loan Closing Costs		$350,000
MidCap Closing Costs (est.)		$1,600,000
Vibra Expenses (est.)		$1,000,000
Contingency		$1,500,000
Total Uses		$192,000,000

midcap FINANCIAL LLC

Brett Robinson
Managing Director
Portfolio / Operations

MidCap Financial LLC
7255 Woodmont Avenue
Suite 200
Bethesda, MD 20814
301.841.6439

February 1, 2013

Mr. Clint Fegan
Chief Financial Officer
Vibra Healthcare, LLC
4550 Lena Drive
Mechanicsburg, PA 17055

Dear Mr. Fegan:

We are pleased to advise you that MidCap Financial, LLC ("MidCap Financial") will consider establishing a $120 million senior revolving credit facility (the "Senior Facility") and a $37 million senior term loan (the "Senior Term Loan", together the "Facilities") under the terms and conditions set forth below with Vibra Healthcare, LLC ("Borrower"). The Facilities shall be used to finance a near-term acquisition, refinance Borrower's existing indebtedness and provide for Borrower's ongoing working capital requirements. Please note that any funding under this proposal is subject to due diligence, legal documentation and credit committee approval.

Borrower:	Vibra Healthcare, LLC
Administrative Agent:	MidCap Financial, LLC ("MidCap Financial")

Lenders:	MidCap Financial and such other banks and financial institutions as may be arranged by MidCap Financial
Facility:	$120 million Revolving Line of Credit (the "Revolver")
Commitment Amount:	The maximum loan amount under the Revolver (the "Commitment Amount") shall be $120 million. The amount available to Borrower under the Revolver at any one time shall be based upon the Availability (as described below).
Availability:	Availability under the Revolver shall be an amount up to eighty five percent (85%) of the Net Collectable Value (defined below) of Borrower's accounts receivable due from eligible direct and third-party payors up to 180 days past the applicable bill date. The Net Collectable Value of Borrower's accounts receivable is the amount Borrower bills such payors less bad debt, contractual allowances and other standard ineligibles, which shall be

Please initial upon approval _____

ATTACHMENT 39

120

	determined by Administrative Agent based on its due diligence.
Minimum Balance:	Borrower shall maintain a minimum drawn balance under the Revolver of no less than 50% of Availability (as defined above).
Term:	36 months
Interest and Fees:	Interest on the outstanding balance of the Revolver shall be payable monthly in arrears at an annual rate of reserve-adjusted, 90-day LIBOR plus 400 basis points, reset monthly. Interest shall be calculated on the basis of the actual number of days elapsed in a 360 day year. Collections of cash by Lenders under the Revolver shall be credited to Borrower's obligations thereunder on a daily basis, subject to three business clearance days. Borrower shall pay Administrative Agent a collateral management fee of $100,000 per annum on the outstanding balance of the Facility. The collateral management fee shall be payable monthly in arrears. Borrower shall pay Lenders an unused line fee equal to 0.50% per annum of the average unused portion of the Facility. The unused line fee shall be payable monthly in arrears. Borrower shall pay Lenders a fully earned, non-refundable origination fee of 0.75% of the Commitment Amount, due and payable in full upon the funding of the initial loans under the Facility.
Prepayment:	If the Revolver is prepaid prior to the end of the Term, Borrower shall pay to Lenders a fee as compensation for the costs of being prepared to make funds available to Borrower throughout the Term equal to an amount determined by multiplying the Commitment Amount by 3.0% in the first year, 2.0% in the second year and 1.0% thereafter. In addition, Lenders shall have a right of first refusal to provide any financing the proceeds of which are used to refinance the Facility. The additional availability shall be prepayable at any time.

Terms and Conditions – Senior Term Loan	
Facility:	$37 million Senior Term Loan (the "Senior Term Loan")
Loan Amount:	$37 million
Term:	36 months
Interest Rate:	Interest on the outstanding balance of the Revolver shall be payable monthly in arrears at an annual rate of reserve-adjusted, 30-day LIBOR (subject to a 1.0% floor) plus 550 basis points, reset monthly. Interest shall be calculated on the basis of the actual number of days elapsed in a 360 day year.

Amortization:	$6.0 million per year. In the first year the Term Loan shall amortize by $300,000 per month for the first 3 months and $600,000 per month for months 4 through 12. Thereafter, the Term Loan shall amortize by $500,000 per month.
Prepayment:	The Senior Term Loan is fully prepayable at any time.
Origination Fee:	2.0%

General Terms and Conditions	
Security:	The Facilities shall be secured by a perfected first priority security interest in all of Borrower's existing and future accounts receivable and accounts receivable-related items all securities evidencing ownership interest in Borrower and its subsidiaries and joint ventures, and all other assets of Borrower.
Financial Covenants:	Borrower shall maintain a minimum fixed charge coverage ratio of 1.1 to 1.0 or a comparable debt service coverage ratio to be agreed upon by Borrower and Lenders. Borrower shall have a minimum of $10 million liquidity at close. Borrower shall maintain a maximum EBITDAR to lease-adjusted debt ratio of 5.75x.
Other Terms:	Borrower shall maintain and pay for a depository account (the "Lock Box Account") subject to a control agreement satisfactory to Administrative Agent, into which Borrower's cash collections shall be remitted. Administrative Agent shall perform periodic field audits on Borrower's books and records and collateral-related information. The prepayment fees related to the refinancing Borrower's existing senior credit facility shall be limited to 1.0%
Loan Documents:	Borrower shall execute and deliver to Administrative Agent such loan and security agreements, instruments, documents, certificates, and assurances as are reasonable and customary for similar loans, and as Administrative Agent may reasonably require in connection with the closing of the Facility. Such loan document shall provide, among other things, that Lender shall have the right to assign the Facility in whole or in part, at its discretion. Administrative Agent shall receive an opinion from Borrower's counsel satisfactory to Administrative Agent.

Facility Costs:	All reasonable costs associated with the Facility, including, but not limited to Administrative Agent's out-of-pocket expenses associated with the transaction, professional fees, recording fees, search fees, and filing fees will be paid by Borrower regardless of whether the transaction closes. Upon acceptance of the general terms of this letter, Borrower shall remit a non-refundable $100,000 deposit, which amount shall be applied against the Facility costs.
Governing Law/Waiver of Jury Trial:	This term sheet and the loan documents shall be governed by and construed in accordance with the laws of the State of Maryland. Each of the parties hereto waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the Loan or the other transactions contemplated hereby, or the performance by us or any of our affiliates of the services contemplated hereby.
Exclusivity:	Borrower understands that Lenders will invest significant resources into making financial, legal and collateral investigations and determinations, and that Lenders will incur opportunity costs in pursuing such investigations and determinations for this Facility. Accordingly, Borrower agrees that, during the "Feasibility Period" defined below, Borrower and its principals and affiliates will (a) not close any loan or extend or refinance any existing financing for any entity listed herein as Borrower, or sign a term sheet with or otherwise engage another lender for such purpose, (b) negotiate exclusively with Lenders regarding any financing, the purpose of which is substantially the same as that of the proposed Facility, and (c) act in good faith and with reasonable diligence and dispatch to provide all requested access, information, and documentation to allow Lenders to pursue approval of the proposed Facility and closing if the Facility is approved by Lenders' credit committee. If Borrower fails to comply with the requirements of the preceding sentence, then Borrower shall pay to Lenders, on demand, liquidated damages equal to 1.0% of the Commitment Amount, such payment to be in addition to any deposit(s) paid to Lenders and any other reimbursement obligations of the Borrower hereunder. The "Feasibility Period" means the period commencing as of the date hereof and continuing until the earlier of (a) the closing of the Facility, (b) a determination by Lenders not to pursue such transaction, or (c) 45 days from the date hereof (which 45-day period will automatically be extended by 120 days if Lenders obtain, within 45 days, credit committee approval for the Facility substantially in accordance with the terms described herein). Borrower agrees that such liquidated damages are a reasonable approximation of the damages Lenders will sustain by reason of Borrower's breach of its agreements in this paragraph. Notwithstanding the foregoing the Borrower's exclusivity obligations above shall specifically exclude (a) capital equipment financings; (b) sale-leaseback/lease financings with REITS; (c) subordinate debt/preferred equity financings with REITS; and (d) mortgage financing secured by Borrower's Kentfield hospital.

The terms of the Facility as set forth herein are for discussion purposes only and this term sheet does not imply in any way a commitment by Administrative Agent to enter into the Facility or to submit the Facility to Administrative Agent's credit committee for approval. Administrative Agent may terminate its review of the Facility at any time in its sole discretion. Administrative Agent will make the loans summarized above only upon further due diligence and underwriting of the transaction, approval through Administrative Agent's credit approval process, Administrative Agent's continuing satisfaction with the financial and business conditions of the Borrower and its principals, and receipt of documentation and assurances satisfactory to Administrative Agent and its legal counsel. This term sheet does not purport to specify all of the terms, conditions, representations and warranties, covenants and other provisions that will be contained in the final Financing Documents for the Facility, if approved by Administrative Agent. The Facility shall be subject to such other terms, covenants and conditions as Administrative Agent deems appropriate in its sole discretion.

This term sheet is being delivered in reliance that all information provided to Administrative Agent is and will be accurate and complete. The contents of this term sheet may not be shared with any third party without Administrative Agent's prior written consent, except for management and regulatory bodies on a need-to-know basis. All persons who are informed of the contents of this term sheet also need to be informed that such contents are confidential and cannot be disclosed without Administrative Agent's prior written consent.

Notwithstanding anything else contained herein, Borrower hereby expressly agrees to be bound by the provisions of this term sheet relating to confidentiality, exclusivity and expense reimbursement.

This term sheet supersedes all previous discussions, communications and proposals relating in any way to the Facility and shall expire if not executed by Borrower and returned to Administrative Agent by 5:00pm EST on February 5th, 2012.

MidCap Financial hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act") and MidCap Financial's policies and practices, MidCap Financial is required to obtain, verify and record certain information and documentation that identifies each Borrower, which information includes the name and address of each Borrower and such other information that will allow MidCap Financial to identify each Borrower in accordance with the Act.

If you would like Administrative Agent to continue reviewing your loan request, please evidence your agreement with the forgoing by accepting this proposal on the space set forth below, and returning it, to my attention. Please also wire the good faith deposit to the following:

Bank Name and Address:	SunTrust Bank 25 Park Place Atlanta, GA 30303
ABA/Routing Number:	061000104
Swift Code:	SNTRUS3A
Account Name and Address:	MC SERVICECO LLC 7255 Woodmont Avenue Suite 200 Bethesda, MD 20814
ACCT:	1000113400443
ATTN:	Vibra Healthcare, LLC

Upon receipt, we will immediately begin due diligence, Administrative Agent's credit process, and legal documentation. We appreciate the opportunity to furnish this proposal to you. If you have any questions, please do not hesitate to call.

Very Truly Yours,

Name: Brett Robinson
Title: Managing Director

Agreed and accepted this 1 day of Feb, 2013

VIBRA HEALTHCARE, LLC
By: Clint Fegan

Name: CFO

Title:

Please initial upon approval _____

125

	Greater Peoria Speciality Hospital			Vibra Hospital of Springfield			Vibra Healthcare			Hollinger Holdings		
Current Ratio	Current Ratio	Current Assets	Current Liabilties	Current Ratio	Current Assets	Current Liabilties	Current Ratio	Current Assets	Current Liabilties	Current Ratio	Current Assets	Current Liabilties
2015	3.33	5,000,000	1,500,000	3.33	5,000,000	1,500,000	0.94	168,704,000	180,021,000	N/A	0	0
2014	3.33	5,000,000	1,500,000	3.33	5,000,000	1,500,000	0.94	168,704,000	180,021,000	N/A	0	0
2013	3.33	5,000,000	1,500,000	3.33	5,000,000	1,500,000	0.94	168,704,000	180,021,000	N/A	0	0
2012	4.64	6,433,222	1,386,723	3.43	5,531,076	1,612,129	1.01	113,704,000	113,021,000	N/A	0	0
2011	1.36	3,632,379	2,678,438	3.57	3,190,347	893,075	1.06	99,461,000	93,828,000	N/A	0	0
2010	Info Not Available at this time			Opened in 2011			1.03	87,222,000	84,755,000	N/A	0	0
Net Margin Percentage		Net Income	Net Revenue		Net Income	Net Revenue		Net Income	Net Revenue		Net Income	Net Revenue
2015	3.9%	750,000	19,000,000	4.1%	741,439	18,000,000	4.8%	37,516,917	785,831,582	N/A	38,091,049	0
2014	3.9%	750,000	19,000,000	3.5%	555,720	16,000,000	4.8%	36,763,111	772,747,080	N/A	37,012,775	0
2013	4.2%	793,427	19,047,067	2.4%	338,182	14,000,000	4.1%	30,195,404	745,456,731	N/A	30,934,547	0
2012	-4.6%	(785,192)	17,145,283	-28.9%	(3,237,738)	11,220,460	4.2%	20,234,000	477,467,000	N/A	21,500,000	0
2011	-2.6%	(437,656)	16,688,122	-129.4%	(4,747,849)	3,667,869	3.9%	17,066,000	437,876,000	N/A	6,445,962	0
2010	-0.9%	(123,501)	14,164,717	Opened in 2011			4.3%	16,920,000	396,754,000	N/A	(18,495,821)	0
Long Term Debt Capitalization		LT Debt	LT Debt + Net Assets		LT Debt	LT Debt + Net Assets		LT Debt	LT Debt + Net Assets		LT Debt	LT Debt + Net Assets
2015	-	-	1,754,927	-	-	(7,660,012)	0.82	104,000,000	126,510,150	#DIV/0!	0	
2014	-	-	1,004,927	-	-	(8,401,451)	0.84	112,000,000	134,057,867	#DIV/0!	0	
2013	-	-	254,927	-	-	(8,957,171)	0.87	120,500,000	138,617,242	#DIV/0!	0	
2012	-	-	(538,500)	-	-	(9,295,353)	1.60	58,250,000	36,443,000	#DIV/0!	0	
2011	-	-	1,809,489	-	-	(6,057,615)	2.09	57,690,000	27,586,000	#DIV/0!	0	
2010	Not Available	-		Opened in 2011			3.07	57,123,000	18,636,000	#DIV/0!	0	
Projected Debt Service		NI + DIA	P + I		NI + DIA	P + I		NI + DIA	P + I		NI + DIA	P + I
2015	N/A	750,000	-	N/A	741,439	-	1.77	62,156,391	35,085,474	N/A	0	0
2014	N/A	750,000	-	N/A	555,720	-	2.08	61,614,567	29,626,456	N/A	0	0
2013	N/A	793,427	-	N/A	338,182	-	1.62	55,505,291	34,345,887	N/A	0	0
2012	N/A	(144,488)	-	N/A	(1,548,557)	-	1.67	37,240,000	22,237,000	N/A	0	0
2011	N/A	94,281	-	N/A	(4,736,263)	-	1.54	34,093,000	22,110,000	N/A	0	0
2010	N/A	311,071	-	Opened in 2011			1.57	31,515,000	20,081,000	N/A	0	0
Days Cash on Hand		Cash	Operating Exp		Cash	Operating Exp		Cash	Operating Exp		Cash	Operating Exp
2015	11.80	500,000	15,472,043.00	11.41	500,000	16,000,000	4.94	10,000,000	739,261,060	N/A	0	0
2014	11.80	500,000	15,472,043.00	12.17	500,000	15,000,000	4.07	10,000,000	897,301,156	N/A	0	0
2013	11.80	500,000	15,472,043.00	13.52	500,000	13,500,000	5.16	10,000,000	707,267,919	N/A	0	0
2012	45.18	1,914,966.00	15,472,043.00	6.20	216,306	12,728,504	17.04	21,165,000	453,287,000	N/A	0	0
2011	92.15	4,189,556.00	16,594,241.00	0.02	300	6,491,681	6.37	7,437,000	426,374,000	N/A	0	0
2010	Not Available	0		Opened in 2011			9.23	9,454,000	373,888,000	N/A	0	0
Cushion Ratio		Cash	Principal + Int		Cash	Principal + Int		Cash	Principal + Int		Cash	Principal + Int
2015	N/A	500,000	-	N/A	500,000	-	104.03	10,000,000	35,085,474	N/A	0	0
2014	N/A	500,000	-	N/A	500,000	-	123.20	10,000,000	29,626,456	N/A	0	0
2013	N/A	500,000	-	N/A	500,000	-	106.27	10,000,000	34,345,887	N/A	0	0
2012	N/A	1,914,966.00	-	N/A	216,306	-	347.40	21,165,000	22,237,000	N/A	0	0
2011	N/A	4,189,556.00	-	N/A	300	-	122.77	7,437,000	22,110,000	N/A	0	0
2010	Not Available		-	Opened in 2011			171.84	9,454,000	20,081,000	N/A	0	0

12/

ATTACHMENT 41

VIBRA HEALTHCARE

May 17, 2013

Illinois Health Facilities and
Services Review Board
Springfield, IL

RE: Change of Ownership of Kindred Hospital Springfield and Change of Control of Greater Peoria Specialty Hospital

To Whom It May Concern:

The two projects identified above represent the Illinois component of a transaction involving the acquisition of seventeen hospitals currently owned and/or controlled by Kindred Healthcare, Inc. and its subsidiaries ("Kindred"), by Vibra Healthcare, LLC and its subsidiaries ("Vibra"). A portion of the transaction will be addressed through the use of debt, as described in the *Applications for Permit.* The use of debt is believed by Vibra to be more cost effective than the liquidation or use of short term investments. In addition, and following an evaluation of alternatives, Vibra believes that the proposed financing will result in the lowest net cost available to Vibra.

Sincerely,

Douglas C. Yohe
Senior Vice President & General Counsel

Sworn to and subscribed, before me,
this 17th day of May, 2013.

Notary Public
My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
CHRISTY A. RINKER, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires December 22, 2013

ATTACHMENT 42

PROJECTED OPERATING COSTS
and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

Greater Peoria Specialty Hospital--2015

Projected Patient Days: 15,515

Operating Costs:

salaries & benefits:	$ 5,450,000
medical supplies:	$ 1,141,000
	$ 6,591,000

OPERATING COST PER PATIENT DAY:	$ 424.81

Capital Costs:

depreciation:	$ 20,000
interest:	$ 223,000
amortization:	$ 21,000
	$ 264,000

CAPITAL COST PER PATIENT DAY:	$ 17.02

ATTACHMENT 42

SAFETY NET IMPACT STATEMENT

Greater Peoria Specialty Hospital is and will continue to be a safety net provider. GPSH is the only long term acute care hospital (LTACH) in the greater Peoria area. The hospital provides and will continue to provide services to patients requiring financial assistance, as well as Medicare and Medicaid recipients.

The proposed change in "control" of the LTACH will not have any impact on other providers' ability to provide safety net services.

ATTACHMENT 43

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 NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	30
2	Site Ownership	34
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	35
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	36
5	Flood Plain Requirements	
6	Historic Preservation Act Requirements	
7	Project and Sources of Funds Itemization	37
8	Obligation Document if required	
9	Cost Space Requirements	
10	Discontinuation	
11	Background of the Applicant	38
12	Purpose of the Project	42
13	Alternatives to the Project	44
14	Size of the Project	
15	Project Service Utilization	
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
18	Master Design Project	
19	Mergers, Consolidations and Acquisitions	46
	Service Specific:	
20	Medical Surgical Pediatrics, Obstetrics, ICU	
21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
24	Open Heart Surgery	
25	Cardiac Catheterization	
26	In-Center Hemodialysis	
27	Non-Hospital Based Ambulatory Surgery	
28	General Long Term Care	
29	Specialized Long Term Care	
30	Selected Organ Transplantation	
31	Kidney Transplantation	
32	Subacute Care Hospital Model	
33	Post Surgical Recovery Care Center	
34	Children's Community-Based Health Care Center	
35	Community-Based Residential Rehabilitation Center	
36	Long Term Acute Care Hospital	
37	Clinical Service Areas Other than Categories of Service	
38	Freestanding Emergency Center Medical Services	
	Financial and Economic Feasibility:	
39	Availability of Funds	82
40	Financial Waiver	
41	Financial Viability	126
42	Economic Feasibility	127
43	Safety Net Impact Statement	129
44	Charity Care Information	29