14-044 ORIGINAL

RECEIVED
AUG 26 2014
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:	St. Elizabeth's Hospital – Ambulatory Care Center				
Street Address:	NWQ of the Intersection of Interstate 64 and North Green Mount Road				
City and Zip Code:	O'Fallon 62269				
County:	St. Clair County	Health Service Area	11	Health Planning Area:	F-01

Applicant /Co-Applicant Identification

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

Exact Legal Name:	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Address:	211 South Third Street, Belleville, Illinois 62220
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Maryann Reese
CEO Address:	211 South Third Street, Belleville, Illinois 62220
Telephone Number:	618-641-5462

Type of Ownership of Applicant/Co-Applicant

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

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

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:	Susan Beeler
Title:	Project Manager
Company Name:	St. Elizabeth's Hospital
Address:	211 South Third Street, Belleville, Illinois 62220
Telephone Number:	618-234-2120 Ext. 2073
E-mail Address:	Susan.Beeler@hshs.org
Fax Number:	618-222-4650

Additional Contact

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

Name:	Janet Scheuerman
Title:	Senior Consultant
Company Name:	PRISM Healthcare Consulting
Address:	1808 Woodmere Drive, Valparaiso, Indiana 46383
Telephone Number:	219-464-3969
E-mail Address:	prismjanet@aol.com
Fax Number:	219-464-0027

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

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City and Zip Code:	O'Fallon 62269				
County:	St. Clair County	Health Service Area	11	Health Planning Area:	F-01

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

Exact Legal Name:	Hospital Sisters Services, Inc.
Address:	4936 LaVerna Road, Springfield, Illinois 62707
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Maryann Reese
CEO Address:	4936 LaVerna Road, Springfield, Illinois 62707
Telephone Number:	217-523-5483

Type of Ownership of Applicant/Co-Applicant

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

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Title:	Project Manager
Company Name:	St. Elizabeth's Hospital
Address:	211 South Third Street, Belleville, Illinois 62220
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E-mail Address:	Susan.Beeler@hshs.org
Fax Number:	618-222-4650

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Title:	Senior Consultant
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

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County:	St. Clair County	Health Service Area	11	Health Planning Area:	F-01

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

Exact Legal Name:	Hospital Sisters Health System
Address:	4936 LaVerna Road, Springfield Illinois 62707
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Mary Starmann-Harrison,
CEO Address:	4936 LaVerna Road, Springfield, Illinois 62707
Telephone Number:	217-523-5483

Type of Ownership of Applicant/Co-Applicant

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

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Title:	Project Manager
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Address:	211 South Third Street, Belleville, Illinois 62220
Telephone Number:	618-234-2120 Ext. 2073
E-mail Address:	Susan.Beeler@hshs.org
Fax Number:	618-222-4650

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

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Title:	Senior Consultant
Company Name:	PRISM Healthcare Consulting
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Telephone Number:	219-464-3969
E-mail Address:	prismjanet@aol.com
Fax Number:	219-464-0027

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

Name:	Clare Connor Ranalli
Title:	Partner
Company Name:	McDermott Will & Emery
Address:	227 West Monroe Street, Chicago, Illinois 60606
Telephone Number:	312-984-3365
E-mail Address:	cranalli@mwe.com
Fax Number:	312-277-2964

Name:	Edwin Parkhurst
Title:	Managing Principal
Company Name:	PRISM Healthcare Consulting
Address:	800 Roosevelt Road Bldg E Suite 110 Glen Ellyn, Illinois 60137
Telephone Number:	630-790-5089
E-mail Address:	eparkhurst@consultprism.com
Fax Number:	630-790-2696

Name:	Amy Ballance
Title:	Vice President, Business Development and Strategy
Company Name:	HSHS Southern Illinois Division
Address:	224 West Garfield Belleville, Illinois 62220
Telephone Number:	618-334-4009 (cell)
E-mail Address:	Amy.Ballance@hshs.org
Fax Number:	618-222-1100

Name:	Amy L. Marquardt
Title:	Registered Agent
Company Name:	Hospital Sisters Health System
Address:	4936 LaVerna Road Springfield, Illinois 62707
Telephone Number:	217-492-9167
E-mail Address:	Amy.Marquardt@hshs.org
Fax Number:	217-523-0542

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:	Susan Beeler
Title:	Project Manager
Company Name:	St. Elizabeth's Hospital
Address:	211 South Third Street, Belleville, Illinois 62220
Telephone Number:	618-234-2120 Ext. 2073
E-mail Address:	Susan.Beeler@hshs.org
Fax Number:	618-222-4650

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	O'Fallon Medical Office Building, LLC
Address of Site Owner:	839 N. Jefferson St., Milwaukee, WI 53202
Street Address or Legal Description of Site:	See Site Ownership Attachment 2, Exhibit 2

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:	
Address:	

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

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

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

2. Narrative Description

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

Relocation of Hospital Services into Lease Space

St. Elizabeth's Hospital (St. Elizabeth's, Hospital), Hospital Sisters Services, Inc. (HSSI) and Hospital Sisters Health System (HSHS) are proposing to relocate selected hospital services into leased space in an Ambulatory Care Center/Physician Office Building (ACC/POB) directly linked to the replacement hospital being proposed by St. Elizabeth's on a new site. The ACC/POB will be constructed on land owned by HSHS, which will own and manage the building. The latter entity will be the landlord on the lease to the Hospital with respect to leased space it will use for certain hospital based services, physician offices and administrative space.

When relocated, St. Elizabeth's replacement hospital and the leased space in the ACC/POB will be readily accessible by the major highways serving the Metro East region which includes the established market area of the Hospital. The project, including the leased space, has been designed to meet the challenges of the evolving health care delivery environment and to preserve the Hospital's ability to continue the mission of the Hospital Sisters to care for all, especially the poor and vulnerable, with a spirit of respect, care, competence, and joy.

Consistent with emerging health care trends, the services proposed for the leased space will support St. Elizabeth's role as a regional care center and contribute to its recognized ability to provide quality, safe patient care. It will contain outpatient services, the emerging growth services in health care today.

The proposed new facility does not yet have an address. It will be located in the NWQ of the intersection of Interstate 64 and North Green Mount Road in O'Fallon and Unincorporated in St. Clair County, Illinois. The parcels included in the site are detailed in Attachment 2, Site Ownership.

The cost of constructing the ACC/POB is not a hospital cost. Rather, the developer O'Fallon Medical Building LLC is constructing the building at a total cost to it of $52,036,950. The Hospital is leasing space within the building. The Fair Market Value of the leased space was determined by allocating a portion of the construction and related project costs to the leased space. The leased space will include 65,269 of DGSF and the cost associated with that space is

$34,243,594. Approximately 30,220 of the GSF leased by the hospital will be used by a residency program clinic, physician office space and for administrative offices. The Hospital and the ACC/POB are expected to be ready for occupancy at the same time. The expected completion date of both is expected to be December 31, 2017.

The applicants are simultaneously filing two applications; the first is for the relocation of the Hospital and the second, the subject of this application, for an Ambulatory Care Center with hospital services in leased space.

In accordance with Public Act 93-31 (a), this application is classified as non-substantive.

Project Costs and Sources of Funds – Ambulatory Care Center (Leased Space)

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	$403,161	$316,770	$719,932
Site Survey and Soil Investigation	18,626	14,635	33,261
Site Preparation	1,624,894	1,276,704	2,901,598
Off Site Work	606,146	476,258	1,082,404
New Construction Contracts	0	0	0
Modernization Contracts	0	0	0
Contingencies	0	0	0
Architectural/Engineering Fees	492,606	387,048	879,654
Consulting and Other Fees	1,133,433	890,555	2,023,988
Movable or Other Equipment (not in construction contracts)	3,0889,658	2,427,591	5,517,249
Bond Issuance Expense (project related)	94,356	74,137	168,493
Net Interest Expense During Construction (project related)	850,655	668,372	1,519,027
Fair Market Value of Leased Space or Equipment	7,716,892	6,063,280	13,780,172
Other Costs To Be Capitalized	3,145,976	2,471,841	5,617,817
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS	$19,176,403	$15,067,191	$34,243,594
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$5,229,193	$4,108,652	$9,337,845
Pledges	0	0	0
Gifts and Bequests	167,703	131,767	299,470
Bond Issues (project related)	13,779,516	10,826,762	24,606,278
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	$19,176,413	15,067,181	$34,243,594

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

Related Project Costs

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

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____
* The O'Fallon site was purchased in November 2011 (See Attachment 2)

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

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

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

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): St. Elizabeth's relocation project will be completed by December 31, 2017. The attached Ambulatory Care Center/Physician Office Building will be completed on the same date.

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

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

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

State Agency Submittals

Are the following submittals up to date as applicable:
☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
☒ ESRD DPH Facility Survey @ Illinois.gov - Not applicable.

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements **Not applicable. There is neither square footage nor capital costs associated with this project.**

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: St. Elizabeth's Hospital		**CITY:** Belleville, Illinois			
REPORTING PERIOD DATES:		**From:** January 1, 2013	to: December 31, 2013		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days** [2]	**Bed Changes**	**Proposed Beds** [4]
Medical/Surgical	202	6,066	24,181	(102)	100
Obstetrics/Gyn	30	1,038	2,342	(18)	12
Pediatrics	14	0	0	(14)	0
Intensive Care	24	1,318 [1]	5,074	(8)	16
Comprehensive Physical Rehabilitation	33	463	5,416	(17)	16
Acute/Chronic Mental Illness [3]	35	1,458	5,888	(35)	0
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	338	10,343	42,901	(194)	144

1. Direct Admissions Only
2. Excludes observation days
   - Medical Surgical 2,976
   - Pediatrics 0
   - Intensive Care 47
   - Obstetrics/Gynecology 94
   - Acute Mental Illness 0
   - Rehabilitation Beds 0
   - Total 3,117
3. The HFSRB approved the discontinuation of the Acute/Chronic Mental Illness Category of Service on September 24, 2013, Permit 13-034.
4. Bed decreases as part of the proposed Project.

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 manager 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 St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis *
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.**

Maryann L Reese
SIGNATURE

Maryann L. Reese
PRINTED NAME

President and CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 30 day of July, 2014

Yvonne S Stroder
Signature of Notary

Seal

"OFFICIAL SEAL"
YVONNE S STRODER
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 12/10/2015

Lawrence P Schumacher
SIGNATURE

Lawrence P. Schumacher
PRINTED NAME

Chief Operating Officer
Hospital Sisters Health System
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31 day of August, 2014

Donna J Chase
Signature of Notary

Seal

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

*Insert EXACT legal name of the applicant

CERTIFICATION

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

Mary Starmann-Harris
SIGNATURE

Mary Starmann-Harrison
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of August, 2014

Signature of Notary

Seal

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

Lawrence P Schumacher
SIGNATURE

Lawrence P. Schumacher
PRINTED NAME

Chief Operating Officer
Hospital Sisters ~~Health System~~ Services, Inc
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of August, 2014

Signature of Notary

Seal

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

*Insert EXACT legal name of the applicant

CERTIFICATION

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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 Hospital Sisters Health System * 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.

Mary Starmann-Harris
SIGNATURE

Mary Starmann-Harrison
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of August, 2014

Signature of Notary

Seal

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

Lawrence P Schumacher
SIGNATURE

Lawrence P. Schumacher
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of August, 2014

Signature of Notary

Seal

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

*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 Board Report.

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

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

PROJECT SERVICES UTILIZATION: **NOT APPLICABLE**

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

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

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

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD?**
YEAR 1					
YEAR 2					

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

UNFINISHED OR SHELL SPACE: NOT APPLICABLE

Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES: N/A

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

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

O. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☒ **Mammography**	**4**	**4**
☒ **Pain Management**	**1**	**1**
☐ ____	____	____

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

:

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT-34, 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
NOT APPLICABLE – APPLICANT A HAS A BOND RATING OF AA

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

	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
		TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability NOT APPLICABLE – AA BOND RATING

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. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **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**
4. **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-37, 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:	**N/A - AA RATED**			
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

2. Variance

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

APPEND DOCUMENTATION AS ATTACHMENT 38, 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.

N/A – DOUBLE A RATED

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 -39, 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 Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			

Inpatient			
Outpatient			
Total			

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

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

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

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

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

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

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

CHARITY CARE			
	Year	**Year**	**Year**
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

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

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

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	27-30
2	Site Ownership	31-79
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	N/A
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	82-83
5	Flood Plain Requirements	85
6	Historic Preservation Act Requirements	86
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18	Master Design Project	
19	Mergers, Consolidations and Acquisitions	
	Service Specific:	
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21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
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Attachments·

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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

Exact Legal Name:	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Address:	211 South Third Street, Belleville, Illinois 62220
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Maryann Reese
CEO Address:	211 South Third Street, Belleville, Illinois 62220
Telephone Number:	618-641-5462

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

Exact Legal Name:	Hospital Sisters Services, Inc.
Address:	4936 LaVerna Road, Springfield Illinois 62707
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Mary Starmann-Harrison,
CEO Address:	4936 LaVerna Road, Springfield, Illinois 62707
Telephone Number:	217-523-5483

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

Exact Legal Name:	Hospital Sisters Health System
Address:	4936 LaVerna Road, Springfield Illinois 62707
Name of Registered Agent:	Amy L. Marquardt
Name of Chief Executive Officer:	Mary Starmann-Harrison,
CEO Address:	4936 LaVerna Road, Springfield, Illinois 62707
Telephone Number:	217-523-5483

See Attached Certificates of Good Standing.

File Number 3515-860-0

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

ST. ELIZABETH'S HOSPITAL OF THE HOSPITAL SISTERS OF THE THIRD ORDER OF ST. FRANCIS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 11, 1955, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

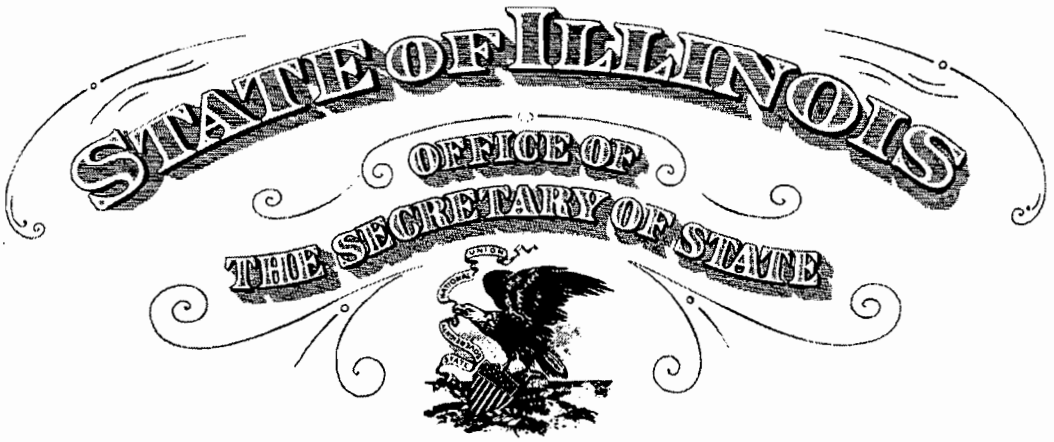
Authentication #: 1409000546
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

File Number 5325-639-2



To all to whom these Presents Shall Come, Greeting:

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

HOSPITAL SISTERS SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 04, 1983, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

Authentication #: 1409000488

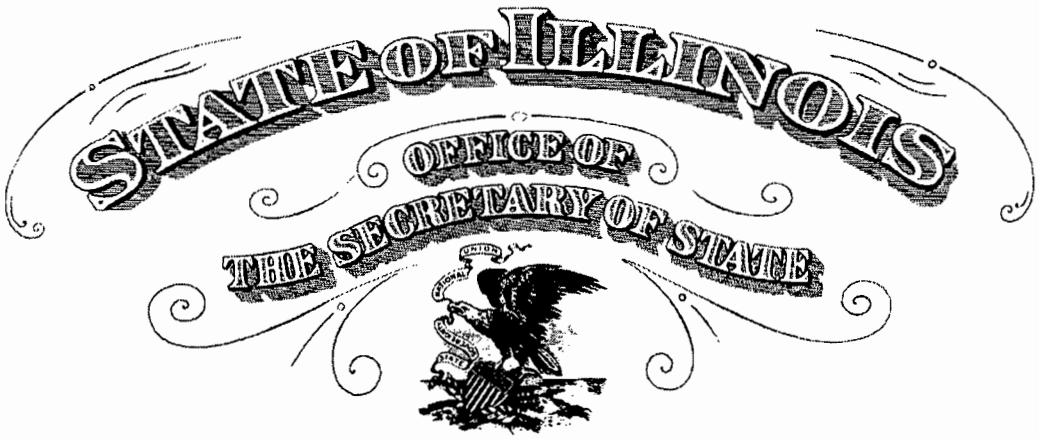
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

File Number 5163-355-5



To all to whom these Presents Shall Come, Greeting:

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

HOSPITAL SISTERS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 26, 1978, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

Authentication #: 1409000428
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Hospital Sisters Health System
Address of Site Owner:	4936 LaVerna Road, Springfield, Illinois 62707
Street Address or Legal Description of Site:	NWQ of the Intersection of Interstate 64 and North Green Mount Road in the City of O'Fallon and Unincorporated in St. Clair County, Illinois. The parcels included in the site are 02350407030, 03250408016, 03250407029, 03250407032, 03360200022, 03360200014, 03360204011, 03360204014, 03360204013, 03360200025, and 03360200004.
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.	

The Ambulatory Care Center/Physician Office Building (ACC/POB) is located on land currently owned by the co-applicant Hospital Sisters Health System (HSHS). HSHS will transfer ownership of the land to St. Elizabeth's Hospital and it will be ground leased to O'Fallon Medical Office Building, LLC for 25 years. A copy of the St. Elizabeth's Hospital's Letter of Intent for leased space in the ACC/POB is attached. Also attached is a copy of the Development Agreement, which among other things assures that the building St. Elizabeth's Hospital will lease space in will be constructed.

The Development Agreement between Landmark Healthcare Properties Fund, LLC (the Member of O'Fallon Medical Office Building LLC) and St. Elizabeth's includes a summary of the basic terms of the ground lease (Section 2.4.2, page 11) and of the Hospital's right to complete the Ambulatory Care Center/Physician Office Building (ACC/POB) if O'Fallon Medical Office Building LLC fails to perform with a particular timeframe (Section 8.3, page 19). These remedies allow the Hospital to terminate the agreement and take back the project, for the purpose of constructing the building in a timely manner to facilitate the use of the space leased. It is not in any way likely that this will be necessary; even so, HSHS with an AA bond rating has the financial resources, if necessary, to address this unlikely circumstance.

LETTER OF INTENT
PHYSICIAN OFFICE BUILDING & AMBULATORY CARE CENTER
O'FALLON MEDICAL OFFICE BUILDING, LLC
O'FALLON, ILLINOIS

This is to confirm the intention of St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis, an Illinois not-for-profit corporation ("SEB") to lease space (per a NNN lease basis) from O'Fallon Medical Office Building, LLC, a DELAWARE limited liability company ("Landlord") in the new Physician Office Building / Ambulatory Care Center (the "ACC") that is being planned for the new St. Elizabeth's hospital campus in O'Fallon, Illinois.

Premises	Space consisting of approximately 78,100 rentable square feet.
Lease Term	Twenty-five (25) years.
Lease Commencement	The date on which the City of O'Fallon authorizes the occupancy of the ACC, currently estimated to be the second quarter of 2017.
Base Rent	Estimated to be $17.50 per rentable square foot per year in year one.
Operating Expenses	Estimated to be $8.50 - $9.00 per rentable square foot per year in year one. Operating expenses will be passed through to tenants and will include their pro-rata share of real estate taxes, utilities, janitorial services, insurance, landscape maintenance, snow removal, building maintenance, ground lease rent, management, and trash disposal.
Full-Service Rent	Estimated to be $26.00 - $26.50 per rentable square foot per year in year one
Security Deposit	N/A.
Annual Escalation	Base rent will increase two percent (2.0%) per year.
Tenant Improvements	Each SEB suite will be professionally designed to provide customized practice-ready suites to meet the specific requirements of each tenant. An allowance of $90.00 per rentable square foot will be provided and allocated towards the design and construction of tenant improvements for the SEB rentable square feet

LETTER OF INTENT
PHYSICIAN OFFICE BUILDING & AMBULATORY CARE CENTER
O'FALLON MEDICAL OFFICE BUILDING, LLC
O'FALLON, ILLINOIS

Parking

Ample surface parking in the new surface parking lot to be constructed adjacent to the ACC.

Non-Binding

The terms and conditions as set forth herein represent a mutual interest between the parties to proceed towards the execution of a Lease Agreement, and this Letter of Intent is not binding upon either party. Further, Landlord acknowledges and agrees that (a) Landlord is an entity created by Landmark Healthcare Properties Fund, LLC, a Delaware limited liability company ("Landmark") for the ACC contemplated in that Development Agreement by and between Landmark and SEB dated 8.06.14 2014 (the "Development Agreement"), and (b) to the extent that the terms of this Letter of Intent conflict with the terms of that Development Agreement, the terms of the Development Agreement shall control.

LANDLORD:

O'FALLON MEDICAL OFFICE BUILDING, LLC

By: _____

Printed: ANTHONY LAMPASONA

Title: MANAGER

Date: 07.31.14

SEB:

ST. ELIZABETH'S HOSPITAL OF THE HOSPITAL SISTERS OF THE THIRD ORDER OF ST. FRANCIS

By: _____

Maryane L. Reese
President and Chief Executive Officer

Date: 8/9/14

JOINDER

The undersigned, being a duly authorized representative of Landmark Healthcare Properties Fund, LLC, a Delaware limited liability company ("Landmark"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby executes this Joinder for purposes of acknowledging that (a) the Landlord described in the foregoing Letter of Intent represents an entity created by Landmark for the ACC project contemplated in that Development Agreement by and between Landmark and SEB dated 8.06.14, 2014 (the "Development Agreement"), and (b) to the extent that the terms of the foregoing Letter of Intent conflict with the terms of that Development Agreement, the terms of the Development Agreement shall control.

LANDMARK HEALTHCARE PROPERTIES FUND, LLC

By: _____
Anthony Lampasona, President

DEVELOPMENT AGREEMENT

This Development Agreement (this "**Agreement**") is made and entered into this 6th day of August, 2014 ("**Effective Date**") by and between **St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis**, an Illinois not-for-profit corporation ("**Hospital**") and **Landmark Healthcare Properties Fund, LLC**, a Delaware limited liability company ("**Developer**").

RECITALS:

WHEREAS, HSHS owns the Campus, as hereinafter defined, where Hospital, an Affiliate of HSHS, intends to explore the feasibility of constructing an Acute Care Hospital, as hereinafter defined;

WHEREAS, in connection Hospital's plans to construct an Acute Care Hospital on the Campus, Hospital is also exploring the feasibility of constructing a Building, as hereinafter defined, that will be fully integrated into the Acute Care Hospital;

WHEREAS, Hospital intends to construct the Acute Care Hospital at its sole cost and expose and to maintain ownership of the Acute Care Hospital, but desires to engage a healthcare real estate developer to explore the feasibility of constructing the Building;

WHEREAS, Developer has experience in the planning, design, construction, management and development of health care related buildings;

WHEREAS, Hospital desires to engage Developer to explore the feasibility of constructing the Building;

WHEREAS, to the extent that Hospital and Developer determine that constructing the Building for Hospital's intended use is feasible, then Developer will be responsible for obtaining the financing sufficient to cover the cost of constructing the Building; and

WHEREAS, the parties now desire to enter into this Agreement to accomplish the above objectives, in addition to others described herein.

NOW, THEREFORE, in consideration of the foregoing Recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and Hospital hereby agree as follows:

1. **Definitions**. Any capitalized terms not defined within this Section 1 shall have the respective meanings given to them elsewhere in this Agreement, as applicable:

"**Accounting Approval**" shall mean that, under the terms and conditions of this Agreement, the Space Lease, Ground Lease, Declaration of Restrictions, Covenants and Easements, and other related documents and agreements, the Building will not be included on Hospital's financial statements under applicable accounting rules, as determined in the reasonable judgment of Hospital's independent auditors.

"**Acute Care Hospital**" means an acute care hospital facility licensed by the State of Illinois that Hospital is exploring the feasibility of constructing on the Campus.

"**Affiliate**" means with reference to a Person, means another Person that Controls, is Controlled by, or is under common Control with such Person.

"**Anticipated Completion Date**" shall mean the date that Hospital sees its first patient at the Acute Care Hospital, which is the date that Developer anticipates that the Improvements will be Substantially Complete, as more specifically set forth on the Critical Path defined in Section 8.8 of this Agreement.

"**Applicable Law**" shall mean all applicable governmental constitutions, statutes, laws, orders, ordinances, codes, rulings, regulations, and decrees, as the same may be amended.

"**Architect**" shall mean Kahler Slater located in Milwaukee, Wisconsin.

"**Building**" shall mean an approximately one hundred thirty one thousand one hundred thirty (131,130) rentable square foot business occupancy medical office building that will be integrated into the Acute Care Hospital, the size of which will be adjusted during the Due Diligence Periods based on Hospital space needs and the space needs of Qualified Tenants that have executed binding commitments to lease space in the Building during the Due Diligence Periods. A description of the Building core and shell elements, along with the tenant improvements to be constructed in the space to be leased to Hospital and other space tenants, will be specifically set forth in the Plans and Specifications. As of the Effective Date, Hospital estimates that it will occupy approximately 78,100 rentable square feet in the Building and that the remaining 53,030 rentable square feet will be occupied by Qualified Tenants.

"**Campus**" shall mean the land owned by HSHS that is located in O'Fallon, Illinois, which is more particularly described on Exhibit A attached hereto and incorporated herein by reference.

"**Class A**" means, in connection with improvements to real estate, improvements that are designed, built, maintained and operated at a standard comparable to other facilities providing similar services in the greater St. Louis, Missouri metropolitan area.

"**Closing**" shall mean thirty (30) days following the expiration of the Phase II Period as the same may be extended pursuant to the terms of the final sentence of Section 4.2.8 hereof.

"**Commencement of Construction**" shall mean the earlier of (a) ten (10) days following the date when Developer has procured the approvals which are legal pre-conditions to Ground Lessee's beginning of construction work on the Leased Premises and (b) the date that Ground Lessee or its contractor begins construction of the Improvements, which shall be deemed to occur when earth moving or foundation excavation, whichever is earlier, begins.

"**Competitor**" shall mean any Person (including any investor, owner, shareholder, partner or member maintaining or holding an ownership interest in a Person) or any Affiliate of a Person that directly or indirectly owns, leases, operates, or manages a hospital or hospital system or a physician practice, including, without limitation, a hospital or hospital system owned in

whole or in part by physicians, other than Hospital, or any Affiliate of Hospital; provided, however, the foregoing definition shall specifically exclude any Person that owns a hospital facility that is leased to others without management or operational involvement in the provision of healthcare services at the hospital facility or the right to receive profits or revenues from the operation or management of healthcare services at such hospital facility, such that the Person is a building owner only (e.g., a real estate investment trust that owns a hospital facility and leases it to a licensed hospital or healthcare provider that operates the hospital facility and provides patient care). For purposes of clarification, a "Competitor" shall include a Person that may not be in the business of owning, leasing, operating or managing a hospital, but that consists of investors, owners, shareholders, partners or members who directly or indirectly own, lease, operate, or manage a hospital or healthcare system.

"**Construction Agreement**" shall mean the agreement by and between Developer and Hospital for the construction of the Project, which, at a minimum, shall include commercially reasonable representations and warranties that the Building will be completed in accordance with the approved Plans and Specifications and in a good and workmanlike manner, free from all defects.

"**Construction Costs**" shall mean the amount paid or incurred by Ground Lessee or Developer for all hard costs and soft costs incurred in connection with the construction, development and financing of the Improvements pursuant to the Plans and Specifications. The estimated amount of such costs shall be set forth on the Development Budget and shall include, without limitation, all engineering, architect, Contractor (as defined herein) and Developer fees, attorneys' fees, financing expenses and costs, environmental and other consultants' fees, all costs for site work, construction, insurance, letters of credit, performance and payment bond(s), utility excess facility charges, tap fees, impact fees, testing, water treatment, fire alarm, landscaping costs and the costs of any necessary permits (excluding the Certificate of Need for the Project that will be issued by the Illinois Health Facilities and Services Review Board, which Hospital shall apply for and obtain with the assistance of Developer).

"**Control**" and its derivate terms such as "Controlling" or "Controlled" shall mean the direct or indirect power to direct the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

"**Declaration of Restrictions, Covenants, and Easements" or "Declaration**" shall mean an agreement or declaration under which Hospital grants Ground Lessee necessary access, utility, drainage and parking easements for the benefit of, and in reasonably close proximity to, the Building, all as more particularly set forth in such Declaration. The Declaration (or the Ground Lease) shall also contain provisions regarding the following matters:

(i) A right of first refusal and an option to purchase Developer's Ownership Interest, both of which are described in Section 4.2.4 of this Agreement;

(ii) A prohibition on Developer, Ground Lessee and their affiliates from owning, developing or leasing, within twenty (20) miles of the Building, a building that competes with the Building;

(iii) A prohibition on the Building being owned or occupied by a Competitor;

(iv) A prohibition on the Building being used in contravention of the Ethical and Religious Directives; and

(v) Use and non-competition restrictions that prohibit any occupant of the Building from providing services that compete with services offered by Hospital or an Affiliate of Hospital, which, at a minimum, will include the Use Restrictions.

"**Developer Delay**" shall mean: (i) delay resulting from the failure of either the Ground Lessee or the Developer to comply with the requirements of this Agreement, the Declaration or the Ground Lease; (ii) any Developer or Ground Lessee requested change order (that is not a Hospital change order) to the guaranteed maximum price contracts resulting in delay; or (iii) any other act or omission of Developer or Ground Lessee that causes a delay in completion of construction of the Building.

"**Development Budget**" shall mean the Developer's estimate of Construction Costs attached hereto as Exhibit C, as may change from time to time, and as reasonably approved by Hospital.

"**Due Diligence Periods**" shall mean the Phase I Period and Phase II Period.

"**Due Diligence Schedule**" shall mean the schedule attached hereto as Exhibit H.

"**Easement Area(s)**" shall be those areas within the Campus which shall provide the necessary access, utility connections, drainage and adequate parking for the benefit of, and in reasonably close proximity to, the Building all as more particularly set forth and defined in the Ground Lease and Declaration.

"**Endorsements**" shall mean, to the extent such endorsements are available under the laws of the state of Illinois, at the election of Developer (i) extended coverage, (ii) owner's comprehensive, (iii) access, to be modified based on the Plans and Specifications (as defined herein), (iv) survey (accuracy of survey), (v) location (survey legal matches title legal), (vi) separate tax parcel (modified to reflect filings necessary to obtain tax divisions), (vii) plat act/subdivision or legal lot, (viii) zoning 3.1 (with parking and loading docks), (to be modified based on plans and specifications), (ix) contiguity (if applicable), (x) restrictions (if applicable), (xi) utility facility endorsement, to be modified based on plans and specifications, (xii) leasehold valuation, (xiii) affirmative mechanic lien coverage as of Closing, other than on account of any act of Developer, and (xiv) such other endorsements as Developer may require during the Due Diligence Periods based upon its review of the Title Commitment and Survey, as both terms are defined herein.

"**Ethical and Religious Directives**" shall mean the Ethical and Religious Directives for Catholic Health Care Services as outlined by the United States Conference of Catholic Bishops, as amended from time-to-time.

"**Force Majeure**" shall mean acts of God, fire, earthquake, flood, explosion, actions of the elements, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lock outs, actions of labor unions, condemnation, requisition, laws, governmental action or inaction, orders of government or civil or military or naval authorities, unforeseen subsurface conditions, adverse weather conditions not reasonably expected for the location of the Campus and the time of year in question or any cause, whether similar or dissimilar to the foregoing, not within the reasonable control of, as applicable, the Developer, Ground Lessee or Hospital. In no event, however, shall a lack of money be grounds for Force Majeure.

"**Ground Lease**" shall mean an agreement between the Ground Lessee, as ground lessee, and Hospital, as ground lessor, to lease the Leased Premises, the basic terms of which are more particularly described in Section 4.2.4 of this Agreement.

"**Ground Lessee**" shall mean the special purpose entity (e.g., a limited liability company) created by Developer for the purpose of owning the Building.

"**Hospital Delay**" shall mean: (i) delay resulting from the failure of Hospital to comply with the requirements of this Agreement, the Construction Agreement, the Declaration or the Ground Lease; (ii) any Hospital-requested change order (that is not a Developer or Ground Lessee initiated change order) to the guaranteed maximum price contracts resulting in delay; or (iii) any other act or omission of Hospital that causes a delay in Developer's completion of construction of the Building.

"**HSHS**" shal mean Hospital Sisters Health System, an Illinois not-for-profit corporation

"**Improvements**" shall mean the Building core/shell and leasehold improvements necessary to accommodate tenants, including Hospital, Affiliates of Hospital and Qualified Tenants, but specifically excluding the Infrastructure, which Hospital intends to construct, the cost of which will be reimbursed by Developer or Ground Lessee, as the case may be, pursuant to Section 8.11.

"**Infrastructure**" shall mean that work to be performed by Hospital pursuant to Section 8.11, the scope of which is more particularly described on Exhibit G attached hereto and incorporated herein by reference.

"**Leased Premises**" shall mean the footprint of the Building plus a perimeter of five (5) feet as generally depicted on the Site Plan. The Survey shall describe the Leased Premises by metes and bounds.

"**Out of Pocket Expenses**" shall mean any architectural, legal, consulting, and contractor fees and costs, governmental fees and charges, costs of due diligence inspections and testing, title and survey costs, costs of travel, long-distance telephone charges, duplication expenses, and other reimbursable costs and expenses, including any termination fees payable to the Architect, Contractor, or other consultants.

"**Parking Area**" shall mean the parking facilities to be constructed by Hospital and depicted generally on the Site Plan, which parking facilities will contain no fewer than the minimum number of spaces, landscaping, lighting, irrigation and other attributes as necessary for the Building or the Campus (which will include the Building) to comply with all Applicable Laws. The Parking Area and the improvements thereon and associated therewith shall be the property of Hospital and shall be included in the "Common Areas" as such term is defined in the Ground Lease.

"**Permitted Exceptions**" shall mean those exceptions contained within the Title Commitment and shown on the Survey that are approved or deemed approved by Developer pursuant to Section 2 of this Agreement, the Declaration, the Ground Lease (or memorandum thereof) and any real estate taxes or assessments not yet due and payable.

"**Person**" means an individual, partnership, limited liability company, limited liability partnership, firm, association, corporation, trust or any other form of business or government entity.

"**Plans and Specifications**" shall mean the schematic drawings, the design development drawings, and progress sets of the construction documents for the Improvements.

"**Project**" shall mean the design and construction of the Improvements.

"**Project Premises**" shall mean the Leased Premises and any additional area of the Campus depicted on the Site Plan, Parking Area and including any additional Easement Areas.

"**Qualified Tenants**" shall mean qualified physicians, physician groups, medical users and medical joint venture programs, other than Hospital or an Affiliate of Hospital, the physician occupants for which are physicians licensed in the State of Illinois and that are members in good standing of the medical staff of the Hospital, that Hospital has identified to Developer as potential tenants for the Building.

"**Site Plan**" shall mean the preliminary proposed site plan attached hereto as Exhibit B, which, during the Due Diligence Periods, will be supplemented with a final site plan approved by the parties that shows the Project Premises, Improvements, parking areas, access-ways to and from the Project Premises and the nearest public rights of way and the Building footprint.

"**Space Lease**" shall mean a master lease agreement by and between Hospital and Developer whereby Hospital is estimated to lease approximately seventy eight thousand one hundred (78,100) rentable square feet, together with an obligation to assume the responsibility for all space occupied by Qualified Tenants, in the event that a Qualified Tenant fails to perform under its lease agreement with Developer. The basic terms of the Space Lease are more particularly described in Section 4.2.5 of this Agreement.

"**Substantial Completion**," "**Substantially Completed**" or "**Substantially Complete**" shall mean when (i) Developer or Ground Lessee has substantially completed construction of the Improvements in accordance with the Plans and Specifications, (ii) Developer has delivered to Hospital a certificate of substantial completion from the Architect for the Improvements, and (iii) the Building shall have been approved for and received a temporary certificate of occupancy or

an equivalent thereof by the applicable governmental authorities, or, if the applicable governmental authorities do not issue such a certificate, then by the Architect in a form reasonably acceptable to Hospital subject only to minor punch list items (the "**Certificate of Occupancy**").

"**Survey**" shall mean a current survey of the Project Premises and the Easement Area(s), prepared by Surveyor, that is certified to Hospital, Developer, Ground Lessee and the Title Company as having been prepared in accordance with the ALTA/ACSM 2011 Minimum Standard Detail Requirements, containing Table A Items 1, 2, 3, 4, 5, 6 , 7(a), 7(c), 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20a and 21, and meeting the accuracy requirements of an, as applicable, "urban" or "suburban" survey.

"**Surveyor**" shall mean Thouvenot, Wade & Moerchen, Inc. or another land surveyor approved by Hospital with its principal place of business being located in St. Clair County, Illinois.

"**Title Commitment**" shall mean a commitment for the Title Policy (defined below) issued by Title Company for the Leased Premises and the Easement Area(s) in the full amount of the hard and soft costs of constructing the Building as well as the leasehold value of the Leased Premises (and any benefiting easements) on or after the Effective Date, showing Hospital as the owner of the Leased Premises and Easement Area(s) and setting forth the state of title and all exceptions, including easements, rights-of-ways, covenants, reservations and other conditions affecting the Leased Premises and the Easement Area(s).

"**Title Company**" shall mean First American Title Insurance Company – National Commercial Services, Attn: Louise Smith, located at 8182 Maryland Ave., Suite 400 St. Louis, MO 63105.

"**Title Policy**" shall mean an Owner's Leasehold Title Insurance Policy (2006) of title insurance, with extended coverage, issued by the Title Company as of the date and time of the recording of the Memorandum of Ground Lease, in the amount of the hard and soft costs of constructing the Building as well as the leasehold value of the Leased Premises, containing the Endorsements, and insuring Ground Lessee's leasehold interest in the Leased Premises, with the Easement Area(s) as an additional insured parcel, and insuring Ground Lessee's interest in the to be constructed Improvements subject only to the Permitted Exceptions.

"**Union Contractors**" shall mean general contractors and subcontractors with a principal place of business in St. Clair County, Illinois, that are considered to be union contractors and that employ individuals that are members of a labor or trade union.

"**Use Restrictions**" shall mean the use and non-competition restrictions set forth in Exhibit E attached hereto.

2. **Title and Survey Approval**. As soon as reasonably practicable after the Effective Date, but in no event longer than sixty (60) days following the Effective Date, Developer shall, at its cost and expense, cause to be prepared and delivered to Developer and Hospital with respect to the Project Premises: (i) the Title Commitment, (ii) true, complete and legible copies

of all documents referenced in the Title Commitment, and (iii) the Survey. Within five (5) days after receipt of the last of the foregoing, Developer shall give Hospital written notice of any exceptions enumerated in the Title Commitment that are unacceptable to Developer. Any special exceptions or issues disclosed on the Survey not objected to by Developer shall be deemed Permitted Exceptions. Hospital shall have five (5) days after receipt of that notice to have those exceptions removed and those states of fact corrected ("**Hospital's Title Cure Period**"), and shall use commercially reasonable efforts promptly to do so. If Seller is unable to do so, Developer shall have the option to terminate this Agreement by giving written notice thereof to Hospital, provided that such notice shall be delivered to Hospital within ten (10) days following expiration of Hospital's Title Cure Period. Upon such termination, the obligations of both parties shall cease, except for Developer's obligations to indemnify Hospital set forth in Section 4.1 below. If Developer fails to timely exercise the option to terminate this Agreement, Developer's objection(s) to such special exception(s) shall be deemed waived and such exceptions shall be considered permitted by Developer and no longer grounds for termination of this Agreement and shall be deemed Permitted Exceptions.

3. **Due Diligence Phases.**

3.1 **Phase I Due Diligence Period**. From and after the Effective Date through and until August 22, 2014 ("**Phase I Period**"), Developer shall be responsible for performing the following tasks in accordance with the time periods set forth on the Due Diligence Schedule:

3.1.1 Gather existing due diligence information from Hospital to develop the Project concept (i.e. surveys, plans, environmental reports, title info, geotechnical information, etc.).

3.1.2 Secure written appraisal from NPV Advisors that establishes the ground rental rate and a methodology for increasing ground rent for the Ground Lease.

3.1.3 Secure a written geotechnical report to identify the soil conditions and the geology underlying the Leased Premises.

3.1.4 Assist Hospital and Hospital's Certificate of Need consultant, to the extent requested by Hospital, by providing information about the Project, participating in strategy discussions and attending hearings that may be held in connection with Hospital's efforts to apply for and to secure a Certificate of Need for the Project ("**CON Assistance**").

3.1.5 Secure non-binding commitments from Qualified Tenants to lease space in the Building.

3.1.6 Adjust and confirm the size of the Building.

3.1.7 Further develop the exterior design concept for the Building that is currently depicted on the Site Plan. Gain Hospital's approval of the same.

3.1.8 Develop or define the conceptual design elements for the Building (e.g., footprint of Building, structural grid, etc.)

3.1.9 Review Hospital's space requirements for the Building.

3.1.10 Update the Development Budget based on the concept for the Project agreed upon by Developer and Hospital.

3.2 **Phase II Due Diligence Period**. From August 22, 2014 through and until January 2, 2015 ("**Phase II Period**"), Developer shall be responsible for performing the following tasks in accordance with the Due Diligence Schedule:

3.2.1 Continue to provide CON Assistance.

3.2.2 Secure a Title Commitment and Survey and review and comment on the same in accordance with Section 2 of this Agreement.

3.2.3 Continue to review Hospital's space requirements for the Building.

3.2.4 Negotiate and enter into binding lease agreements with Qualified Tenants.

3.2.5 Continue to adjust and then to confirm the size of the Building based on Hospital's space requirements and based on the amount of space filled by Qualified Tenants who have executed binding lease agreements for space in the Building.

3.2.6 Update the Development Budget based on the confirmed size of the Building agreed upon by Developer and Hospital.

3.2.7 Prepare complete schematic drawings for the core and the shell of the Building.

3.2.8 Prepare complete schematic drawings for space within the Building that will be occupied by Hospital.

3.2.9 Negotiate the form of Construction Agreement, Ground Lease, Space Lease, and Declaration with Hospital, pursuant to the terms set forth herein.

3.2.10 Prepare design development documents that are approximately seventy percent (70%) complete for space within the Building that will be occupied by Hospital.

Developer shall use commercially reasonable, good faith efforts and shall proceed with diligence to complete the items set forth in the Due Diligence Periods.

4. **Conditions Precedent to Closing.**

4.1 **Inspection of the Project Premises**. During the Due Diligence Periods, Developer shall have the right to enter upon the Project Premises to inspect the condition thereof, including any building improvements, the soil conditions, to conduct environmental studies, review the availability of utilities and otherwise determine the feasibility of constructing the Improvements on the Project Premises.

Developer shall coordinate in advance with Hospital any on-site inspections of the Project Premises. All inspections of the Project Premises shall be conducted in such a manner as to avoid any unreasonable interference with the business operations of Hospital or other users of the Campus. Without limiting the generality of the foregoing, Hospital's advance written approval shall be required prior to inspecting any building improvements, testing or sampling of surface or subsurface soils, surface water, groundwater, or any materials in, on or under the land in connection with Developer's inspections thereof. After completing its inspection of the Project Premises, Developer shall, at its sole cost and expense, repair and replace any damage it has caused as a result of its inspections. All information obtained by Developer during the Due Diligence Periods shall be held in confidence by Developer and shall be treated as confidential information by Developer (except as disclosure may be required by law, or as may be disclosed to Developer's attorneys, financial advisors, land use consultants, or lender) and Developer shall instruct all of its employees, agents, representatives and contractors as to the confidentiality of such information. Developer shall indemnify and hold Hospital harmless for all claims, losses, damages and expenses (including reasonable attorneys' fees and costs) arising out of or in connection with such investigations by or on behalf of Developer or in connection with Developer's breach of its agreement of confidentiality as provided hereinabove (but in no event shall Developer be liable for any consequences or damages associated to the mere discovery of adverse information relating to the Project Premises) and Developer shall defend on Hospital's behalf any claim or cause of action resulting from injury or death of any person or damage to or destruction of any property caused by the actions of Developer or Developer's agents, employees, representatives or independent contractors while on the Project Premises or the Campus. Developer agrees that, in making any inspections of, or conducting any testing of, on or under the land, Developer or Developer's agents will carry not less than Two Million Dollars ($2,000,000.00) comprehensive general liability insurance with contractual liability endorsement which insures Developer's indemnity obligations pursuant to this Agreement, and will, upon written request from Hospital, provide Hospital with written evidence of same. The foregoing indemnification by Developer shall survive the termination of this Agreement. Developer shall promptly furnish to Hospital the results and copies of Developer's surveys, soil and other physical tests, including any environmental studies.

4.2 **Development Conditions**. Unless a shorter time period is indicated, on or prior to the expiration of the Due Diligence Periods and as a condition to Developer's obligations under this Agreement, the conditions listed below must be satisfied in Developer's reasonable judgment, or waived in writing by Developer (collectively, the "**Development Conditions**").

4.2.1 **Zoning; Land Use Approvals**. Developer shall review and be satisfied with all zoning, land use and environmental laws, codes, ordinances, and regulations affecting the Project Premises and the construction and use of the Improvements and shall have obtained all zoning, subdivision and environmental permits and approvals and any other applicable grading, foundation, curb cut, building or other permits, approvals, consents or licenses, as may be necessary for the use, development and construction of the Improvements, and the relevant appeal periods for all such permits, approvals, licenses and consents shall have expired without any appeal having been taken (collectively, the "**Approvals**"). Developer and Hospital shall cooperate fully with each other in order to obtain the Approvals. Such cooperation shall include executing such documents, signing and filing such applications and documents,

attending and giving testimony at such proceedings and otherwise doing such acts and things as are reasonably necessary in connection with obtaining such Approvals.

4.2.2 **Approval of Plans and Specifications.** Hospital shall have approved the Plans and Specifications pursuant to the provisions set forth in Section 6 below.

4.2.3 **Approval of Form of Construction Agreement and Declaration.** The form of Construction Agreement and Declaration shall have been approved by the parties hereto.

4.2.4 **Approval of Form of Ground Lease.** The form of Ground Lease shall have been approved by the parties hereto. A summary of the principal terms of the Ground Lease appear below.

a. The term of the Ground Lease shall be conterminous with the term of the Space Lease and Developer shall have no options to extend the term.

b. The term of the Ground Lease will commence upon the execution thereof. The payment of ground rent under the Ground Lease will commence upon Substantial Completion.

c. Ground rent shall be set in accordance with Section 5.2 of this Agreement.

d. Developer will be obligated to construct the Improvements on the Leased Premises pursuant to the Plans and Specifications approved by the Hospital and Developer. Once the Improvements are completed, the Project shall be maintained by Landmark in a Class A manner, subject to the terms of Section 15.

e. Developer will own the Improvements throughout the term of the Ground Lease. Upon the expiration or earlier termination of the Ground Lease: (i) the Improvements will revert to Hospital free and clear of any lien or other monetary encumbrance and without the payment of any consideration to Developer, and (ii) Developer will deliver a deed to Hospital that conveys all of Developer's right, title and interest in and to the Improvements to Hospital.

f. The Ground Lease, in addition to other terms and conditions, shall contain representations and warranties by Developer that anytime during the term of the Ground Lease, that Developer will not enter into an occupancy agreement for space within the Building or on the Leased Premises that would result in the Project being used: (i) in violation of the Ethical and Religious Directives, (ii) by any Competitor, and (iii) in violation of the Use Restrictions.

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g. Developer shall own, hold and maintain its leasehold interest in the Leased Premises, all ownership in the Improvements, and 100% of the ownership and all control of the Ground Lessee entity (collectively, "**Ownership Interest**"), for a period of not less than seven (7) years from the rent commencement date of the Ground Lease ("**Initial Holding Period**"). During the Initial Holding Period, Developer shall not sell, assign, convey or otherwise transfer its Ownership Interest to any non-affiliated Person without the prior written consent of Hospital. In no instance can the Ownership Interest be transferred to a Competitor.

h. During the term of the Ground Lease, Hospital shall have a continuing right of first refusal ("**ROFR**") to purchase the Ownership Interest in the event that Developer receives a bona fide offer ("**BFO**") to purchase or otherwise transfer the Ownership Interest from a purchaser (unaffiliated and unrelated to Developer and its officers, directors, shareholders, employees and affiliates) (the "**BFP**"), which Developer is willing to accept, then and in such event, Developer shall provide a true and complete copy of such offer to Hospital and following Hospital's receipt of same, Hospital shall have forty-five (45) business days within which to exercise Hospital's ROFR, which, if exercised, shall constitute a binding commitment on Hospital to purchase the Ownership Interest for the price and according to the terms and conditions set forth in the BFO. If Hospital fails to exercise the ROFR within the time period described above, Developer shall be free to sell the Ownership Interest to the BFP pursuant to the terms and conditions of the BFO; provided, however, if Developer fails to close the transfer with the BFP within one hundred twenty (120) days following the date of the BFO, or the terms and conditions of the BFO are modified by Developer and the BFP such that the amount to be paid for the Ownership Interest decreases by more than three percent (3%) or the terms are otherwise modified in a manner that is materially more beneficial to the BFO, then Developer shall notify Hospital and Hospital's ROFR shall be reinstated on the same terms and conditions as aforesaid. The ROFR shall be continuing in the sense that it will apply to each and every proposed transfer of an Ownership Interest.

i. During the term of the Ground Lease, the Hospital shall have an exclusive and irrevocable option ("**Option**") to purchase Developer's Ownership Interest. The Option will be exercisable at any time during the twelve (12) month period commencing on the (11) year anniversary of the rent commencement date of the Ground Lease ("**Exercise Date**"). The purchase price shall be "at par" meaning that the purchase price shall be an amount equal to the remaining principal balance due on the amortization schedule

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attached to the loan documents for the Project (the "**Loan Documents**") as of the Exercise Date, without any prepayment penalty or termination fee. The principal balance on the Loan Documents shall be fixed at the time that the Space Lease is entered into and shall be based on the Construction Costs. Developer or Ground Lessee will not be permitted to cross-collateralize the Project or its leasehold interest in the Project or increase the principal balance due on the loan secured by the Loan Documents at any time during the term of the Ground Lease or Space Lease. The principal balance on the Loan Documents shall be paid by Developer or Ground Lessee each month in accordance with the amortization schedule attached thereto.

4.2.5 **Approval of Form of Space Lease.** The form of Space Lease shall have been approved by the parties hereto. A summary of the principal terms of the Space Lease appear below.

a. The term of the Space Lease shall be twenty-five (25) years without any options to extend the term. The term shall commence on the first to occur of the following dates (the "**Commencement Date**"): (i) the date on which the Improvements are Substantially Completed, or (ii) the date on which the Improvements would have been Substantially Completed but for Hospital Delays.

b. On the Commencement Date, Developer and Hospital are projecting the base rental amount under the Space Lease for all of the space in the Building to be Sixteen and 45/100 Dollars ($16.45) per rentable square foot ("**Base Rent**"), which represents a blended rate of Seventeen and 50/100 Dollars ($17.50) per rentable square foot of space that will be occupied by Hospital and Fourteen and 90/100 Dollars ($14.90) per rentable square foot of space that will be occupied by Qualified Tenants; provided, however, the Base Rent amount for the Space Lease will be fixed by Hospital and Developer once Developer has entered into a guaranteed maximum price construction contract for the Project. The annual Base Rent amount for the first lease year of the Space Lease, for all of the space in the Building, will be fixed using the following formula:

Construction Costs (currently estimated at $33,874,313 in the Project Budget) multiplied by the sum of: (a) the interest rate charged by Developer's lender at the time that Developer closes on its loan for the Project (currently estimated at 4.83%), and (b) 1.54%, divided by the final size of the Building in rentable square feet (currently projected to be 131,130 rsf) = Base Rent for all of the space in the Building or $16.45 per rentable square foot.

Once it has been established, Base Rent will increase on the first anniversary of the Commencement Date, and on each anniversary thereafter, by two percent (2%).

c. In addition to the Base Rent payable under the Space Lease, Hospital will be responsible for payment of the operating and maintenance costs for the Project (the "**Operating Expenses**"), including, but not limited to real property taxes and assessments, ground lease rentals, insurance premiums, and other costs of operating and maintaining the Project. The Operating Expenses will also include any capital expenditures, amortized over the useful life for any repair, replacement or improvement to the Project or purchase of equipment that is incurred to improve the operating efficiency or reduce the cost of owning, maintaining or operating the Project or that is required to comply with any change in the laws, rules or regulations of any governmental authority or the requirements of any insurance carrier. All other capital expenditures will be excluded from Operating Expenses and will be the responsibility of the Developer under the Space Lease. The Operating Expenses shall not include initial costs of construction, principal, interest, fees, costs and expenses in connection with any financing incurred by Developer and costs of correcting any defective or non code compliant work constituting the initial construction of the Building.

d. A tenant improvement allowance sufficient to complete the leasehold improvements for any space being leased by Hospital or any Qualified Tenant in a Class A manner, which, as of the Effective Date, the tenant improvement allowances are set forth in Development Budget (the "**TI Allowance**"). During the Due Diligence Periods, Hospital and Developer may adjust the TI Allowance up or down depending upon the scope of the tenant improvements requested by Hospital and the Qualified Tenants. Once the TI Allowance has been set, to the extent that the cost of finishing Hospital's space exceeds the TI Allowance (an "**Overage**"), Hospital will have the option to either: (i) pay the entire amount of the Overage itself, or (ii) ask that Developer pay all or a portion of the Overage. If Developer pays any portion of the Overage, the amount of the Overage paid by Developer will be included in the Project Budget as a construction cost that will be used to calculate Base Rent. Developer will manage the tenant improvement process at no cost to Hospital. Developer will perform the tenant improvement work on an open book basis with Hospital. To the extent that Hospital does not use all of its TI Allowance, it will be refunded to Hospital.

e. Developer will construct the leasehold improvements that will finish out the shell space in the Project for Hospital's intended use.

f. During the term of the Space Lease, Hospital will have a right of first refusal to lease any space in the Building that may be added to the Building in the future. Such right of first offer will be on terms mutually acceptable to Hospital and Developer as set forth in the Space Lease.

g. Hospital shall, without the consent of Developer, be permitted to sublease space in the Building to any physician, physician practice group or healthcare provider and regardless of whether or not the occupant is a Qualified Tenant.

h. The Space Lease shall include the compliance language set forth in Exhibit F attached hereto (the "**Compliance Language**").

4.2.6 **Financing**. Developer has received a satisfactory financing commitment by a lender of its choice. In no event will Hospital be required to pledge or subordinate its fee interest in the Leased Premises in connection with any construction or permanent financing for the Project or for any other reason whatsoever in connection with the Project. Except for a guaranty by Hospital Sisters Services, Inc., an Illinois not-for-profit corporation ("**HSSI**"), of Hospital's obligations under the Space Lease, Hospital will not be required to secure any other Person to guarantee its obligations under the Space Lease or to assume responsibility for providing any additional security in order for Developer to construct the Project or in order for Developer to secure any necessary financing to construct the Project.

4.2.7 **Parking**. Developer shall be satisfied with the location, type and adequacy of parking that serves the Building.

4.2.8 **Hospital Conditions**. The Hospital Conditions, as defined herein, shall have been satisfied or waived in writing by Hospital.

Developer shall use commercially reasonable, good faith efforts and shall proceed with diligence to satisfy the Development Conditions. As part of the Developer's efforts to satisfy the foregoing Development Conditions, Developer may have discussions with governmental representatives and agencies and in connection therewith, may submit applications for permits, special zoning approvals, amendments, waivers, variances or special exceptions, so long as such applications and agreements are conditioned upon Ground Lessee's lease of the Leased Premises pursuant to the Ground Lease.

If the Development Conditions are not, in Developer's reasonable judgment, satisfied during the Due Diligence Periods, Developer may, on or prior to the expiration of the Due Diligence Periods, either: (i) terminate this Agreement by written notice to Hospital, in which event neither party shall have further obligations hereunder, except as specifically set forth herein, or (ii) accept the Project Premises by providing written notice to Hospital of such acceptance, or (iii) raise certain objections by providing notice in writing (the "**Objection Notice**"), which Objection Notice shall specify which matters (the "**Objections**") that

Developer does not find satisfactory with respect to the Project Premises. If Developer does not timely terminate this Agreement or provide an Objection Notice, Developer shall be deemed to have waived its right to terminate this Agreement.

If Developer timely provides an Objection Notice, Hospital shall have up to thirty (30) days after delivery of such Objection Notice to remove or cause to be corrected to Developer's reasonable satisfaction, all of such Objections.

If Hospital fails or refuses to cause the Objections to be removed and corrected to Developer's reasonable satisfaction within such thirty (30) day period, then Developer shall elect, on or prior to the date and time that is forty-five (45) days after the delivery of the Objection Notice, to (i) terminate this Agreement, in which event neither party shall have any further obligations hereunder except for those that expressly survive termination of this Agreement, or (ii) accept the Project Premises subject to any Objections and proceed to close. If Developer makes no such election, Developer shall be deemed to have waived its right to terminate this Agreement pursuant to this Section 4.2.

The Closing shall be extended the number of days necessary to give effect to the notice and cure periods set forth in this Section.

5. **Hospital Conditions**. On or prior to the expiration of the Due Diligence Periods and as a condition to Hospital's obligations under this Agreement, the Construction Agreement, the Ground Lease, the Space Lease, and the Declaration, the following conditions must be satisfied or waived in writing by Hospital (collectively, the "**Hospital Conditions**"):

5.1 **Acute Care Hospital Approvals**. Hospital has secured all licenses, permits, certificates of need and approvals required by Applicable Law or otherwise desired by Hospital in order to construct and operate an Acute Care Hospital and the Building on the Campus.

5.2 **Fair Market Rent**. The amount of ground rent payable to Hospital under the Ground Lease shall be consistent with the fair rental value thereof as supported by an appraisal reasonably acceptable to Developer and Hospital. The appraisal shall take into account the cost of any existing improvements or improvements that may be constructed by Hospital to support the Building, including, without limitation, access roads, parking areas, landscaping features, infrastructure improvements, drainage ponds and the like.

5.3 **Leasing Threshold**. On or prior to the expiration of the Phase II Period, Developer has secured binding commitments, the terms and conditions of which are satisfactory to Hospital, from Qualified Tenants who have agreed to lease no less than fifty three thousand thirty (53,030) rentable square feet of space in the Building that has been dedicated for use by physicians, physician groups and medical users, other than Hospital or any Affiliate of Hospital ("**Leasing Threshold**"). Developer will create and execute a program designed to market space in the Building to Qualified Tenants during the Phase I Period. Hospital will work with Developer in identifying Qualified Tenants for the Building. Developer will use its best efforts to structure the Project so that Developer enters into direct lease or sublease agreements with the Qualified Tenants for purposes of eliminating or reducing compliance risks for Hospital that are

associated with direct leases between Hospital and Qualified Tenants under the Stark Law (42 U.S.C. § 1395nn) and the Anti-Kickback Statute (42 U.S.C. § 1320a-7b). Further, Developer acknowledges and agrees that the Leasing Threshold must be met in order for the Project to be financially viable for Hospital. Developer will provide Hospital with status reports describing its efforts to obtain commitments from Qualified Tenants monthly or more frequently as agreed to between Developer and Hospital. Developer will provide Hospital with status reports describing its efforts to obtain commitments from Qualified Tenants monthly or more frequently as agreed to between Developer and Hospital. The form of lease agreement used for Qualified Tenants must be approved by Hospital, and at a minimum, shall include Compliance Language and incorporate the Use Restrictions, along with a prohibition on using any space or providing any service in the Building in violation of the Ethical and Religious Directives.

5.4 **Accounting Approval**. Hospital shall have received the Accounting Approval.

5.5 **Hospital's Internal Approvals**. Hospital shall have obtained any required approval of this Agreement, the Construction Agreement, Ground Lease, Space Lease and the Declaration and all related documents from Hospital's corporate parent and Hospital's board of directors.

5.6 **Construction Agreement, Declaration, Ground Lease, and Space Lease**. The form of Construction Agreement, Declaration, Ground Lease and Space Lease where Hospital or its Affiliate is a contracting party shall have been approved by the parties hereto.

5.7 **Approval of the Development Budget and Plans and Specifications**. Hospital shall have approved (i) the Development Budget and (ii) the Plans and Specifications pursuant to the provisions set forth in Section 6 below.

5.8 **Developer's Obligation to Pursue Economic Incentives**. Developer shall diligently pursue and use commercially reasonable efforts to obtain economic incentives for the benefit of the Project in the form of either property tax abatement, tax increment financing, or any other economic incentives available from any applicable governing authority ("**Incentives**"), and shall execute any and all agreements, resolutions, promissory notes, pledges, or other documents reasonably required by the governing authority in connection with the Incentives. All Incentives secured solely by Developer that are designed to reduce Operating Expenses (e.g., property tax abatements) shall inure to the benefit of Hospital and shall not be shared with Developer. All Incentives secured solely by Developer that reduce the cost of constructing the Project (e.g., a sales tax exemption on building materials) shall be shared between Hospital and Developer, with each party receiving one half of the value of any Incentive.

5.9 **Bonds**. Developer or the Contractor shall have provided a payment performance bond in an amount equal to the full amount of the hard Construction Costs issued by a surety reasonably acceptable to Hospital, naming Hospital as a co-obligee or co-payee.

5.10 **Reimbursement of Design Costs**. Developer has reimbursed Hospital within thirty (30) days from the Effective Date for any costs or expenses up to a not to exceed amount of Fifty Thousand and 00/100 Dollars ($50,000.00) for services rendered by Architect in connection with the planning and design of the Project through the Effective Date.

If the Hospital Conditions are not, in Hospital's reasonable judgment, satisfied during the Due Diligence Periods, Hospital may, on or prior to the expiration of the Due Diligence Periods, either (i) terminate this Agreement by written notice to Developer, in which event neither party shall have further obligations hereunder, except as specifically set forth herein, or (ii) waive any Hospital Condition that has not been satisfied, and proceed to Closing.

6. **Preparation of Plans and Specifications; Hospital Approval**. Hospital shall have the right to approve, in its sole and absolute discretion, the following with respect to the Plans and Specifications: (i) Building core and shell, (ii) Site Plan including, without limitation, walkways, landscaping, Parking Area, signage and lighting, (iii) exterior materials, colors and finishes of the Building, (iv) the foundation and floor slabs, and (v) Building systems required for campus-wide consistency (collectively, the "**Hospital Approval Items**"). Developer shall, at least twenty (20) business days prior to the end of the Due Diligence Periods, to provide Hospital with copies of the Plans and Specifications and Hospital will not unreasonably withhold its approval of the Hospital Approval Items. Upon submission of such copies to Hospital, Hospital shall have ten (10) business days to either approve the Hospital Approval Items or provide written objections thereto. Developer shall, within ten (10) business days following delivery of such objections, make such revisions as reasonably requested by Hospital.

Developer will cause the Improvements to be constructed in a Class A, business occupancy manner, and the features and qualities of the Improvements shall be included on the Plans and Specifications when delivered to Hospital for Hospital's review and approval. Two (2) sets of the Plans and Specifications as approved by Hospital and Developer (the "**Final Plans**") shall be initialed by the parties, and one approved set shall be delivered to each of Hospital and Developer. Approval of the Plans and Specifications and the Final Plans shall not imply Hospital's approval of the structural or engineering designs, or quality or fitness of any material or device used or that the same are in compliance with all Applicable Law (it being agreed that such compliance is solely the Developer's responsibility), nor shall it relieve Developer of the responsibility of designing structurally sound improvements free of defects, nor shall such approval impose any present or future liability on Hospital to Developer or any third party. Developer shall pay the costs of completing the Plans and Specifications and the Final Plans for the Improvements and any and all costs required to obtain the Approvals necessary to commence construction of the Improvements.

7. **Closing**. The parties shall use good faith, commercially reasonable best efforts to achieve Closing within thirty (30) days from the expiration of the Phase II Period, and Commencement of Construction of the Improvements in a manner that ensures that the Building will be completed by the Anticipated Completion Date.

8. **Construction of Improvements.**

8.1 **Timing**. Developer shall, subject to events of Force Majeure and Hospital Delay, cause the Improvements to be Substantially Completed on or prior to the Anticipated Completion Date.

8.2 **Process**. In connection with the construction of the Improvements, Developer shall (a) enter into a project labor agreement with Hospital and local construction trade and labor unions, whereby Hospital and Developer each agree to use Union Contractors for the Project, and that their respective contractors and subcontractors all agree to recognize certain collective bargaining agreements and dispute resolution processes for work performed on the Project, along with other matters ordinarily addressed in project labor agreements in Southern Illinois, and (b) solicit not less than four (4) bids general contractors that (i) are considered Union Contractors and that will agree to use Union Contractors to perform all facets of the work, including all subcontractors or sub-subcontractors, and (ii) that have considerable experience in the construction of similar facilities and that are qualified to perform such work, and, in addition to the foregoing requirement, Developer shall solicit a bid from the general contractor selected to construct the Acute Care Hospital. Following Developer's receipt of the bids, Developer shall select the commercially reasonable lowest priced, responsive, and responsible contractor for completion of the Project (each, a "**Contractor**" and collectively, "**Contractors**") and shall require that such Contractor construct the Project pursuant to a guaranteed maximum price contract. If the costs incurred by the Contractor are less than the guaranteed maximum price set out in the guaranteed maximum price contract (as adjusted for any change orders during construction), then, after the Project has been Substantially Completed, Developer will advance fifty percent (50%) of such cost savings received by Developer to Hospital in the form of a cash payment.

8.3 **Failure to Timely Complete**. Rent under the Ground Lease shall commence upon Substantial Completion. Subject to events of Force Majeure and Hospital Delay, at its election, Hospital may either: (a) if Developer is unable to cause Substantial Completion of the Improvements on or prior to thirty (30) days following the Anticipated Completion Date, impose a per diem charge upon Developer equal to the sum of (i) the per diem Base Rent and Operating Expense amount due under the Space Lease, plus (ii) One Thousand and 00/100 Dollars ($1,000.00) per day day beyond the date that is thirty (30) days following the Anticipated Completion Date that the Improvements are not Substantially Complete, or (b) if Substantial Completion is not achieved within one hundred fifty (150) days following the Anticipated Completion Date, terminate the Ground Lease, as described in the following sentence, in which case Hospital will pay Developer the Appraised Value (if any) of the partially completed Improvements less the appraised value of the estimated cost to complete the Improvements. If Developer fails to pay Hospital such per diem charge when due, or if Hospital elects to terminate the Ground Lease under clause (b) in the immediately preceding sentence, then, after the expiration of applicable notice and cure periods hereunder and under the Ground Lease (including, without limitation, those to be given to a leasehold mortgagee under the Ground Lease), and subject to those cure rights given to such mortgagee, Hospital shall have the right to terminate this Agreement and the Ground Lease by giving Developer and mortgagee written notice of such election within sixty (60) days after the expiration of such cure periods. Subject to events of Force Majeure and Developer Delay, if Developer is unable to cause Substantial

Completion of the Improvements on or prior to the date that is thirty (30) days following the Anticipated Completion Date as a result of Hospital Delay, Developer, at its election, may impose a per diem charge upon Hospital equal to One Thousand and 00/100 Dollars ($1,000.00) for each day beyond the Anticipated Completion Date that the Improvements are not Substantially Complete as a result of such delay.

8.4 **Cost**. Developer shall pay all costs and expenses incurred in connection with the Improvements, including, without limitation, Construction Costs, insurance, and Developer's legal fees. Hospital shall not be liable for any portion of the foregoing.

8.5 **Procurement and Compliance with Approvals**. Developer shall procure, at Developer's sole cost, the Approvals, any and all necessary building permits and the Certificate of Occupancy (excluding any permit or approval associated with a Certificate of Need from the Illinois Health Facilities and Services Review Board, which Hospital shall apply for and obtain with the assistance of Developer). Developer shall deliver to Hospital, at Developer's expense, evidence of compliance with all Approvals, including payment of all permit fees and other construction fees and escrows, if any.

8.6 **Supervision**. Developer shall supervise the construction of the Improvements so that they are constructed in a good and workmanlike manner and in accordance with this Agreement, the Final Plans, the Approvals, the Construction Agreement, the Ground Lease and all Applicable Law. Construction of the Project, once undertaken, shall proceed in a continuous and reasonably expeditious manner until completion of the Project is achieved.

8.7 **Open Book**. The Project will be developed in an "open book" manner where all financial information related to the construction of the Project will be shared with Hospital as and when reasonably requested by Hospital.

8.8 **Critical Path**. Attached as Exhibit D is a master schedule that includes a detailed critical path timeline for the development, construction and completion of the Improvements that has been approved by Hospital (the "**Critical Path**"). After the Effective Date, Developer shall prepare in writing and furnish to Hospital, at least monthly, a job progress schedule reflecting the status of the development and construction of the Project and the projected time to complete the same and reflecting any delays in any of the various stages of such work set forth in the Critical Path and all proposed plans and undertakings to correct or accommodate such delays, all to the end that Hospital shall be fully apprised in writing from month to month as to the status of such construction.

8.9 **Compilation of Warranties**. Upon Substantial Completion of the Improvements, Developer will require the Contractors to obtain and compile any and all warranties and guarantees received from all contractors, subcontractors and suppliers of equipment for the Improvements. Developer, at its sole cost and expense, will cause the Contractors to cause the applicable Contractor, subcontractor or supplier to remedy any deficiency, error, defect or insufficiency in construction to the Improvements caused by defective, insufficient, erroneous, or poor workmanship or materials which are brought to its attention by written notice within a period of two (2) years from the completion of the Improvements (as evidenced by a certificate of completion from the Architect).

8.10 **Temporary Construction Easement.** Hospital hereby grants to Developer and Developer's employees, agents, designees, suppliers, contractors and subcontractors, a temporary, non-exclusive, limited easement to go onto portions of the Campus as reasonably necessary for the limited purpose of facilitating construction of the Improvements, such as the Parking Area. In addition to the terms and conditions set forth herein, Developer shall comport with all of the terms and conditions in the Ground Lease that apply to the construction of the Improvements. The easement granted in this Section 8.10 is subject to the other terms and conditions set forth in this Section 8.10.

8.10.1 This easement shall extend for a finite term and shall be of a temporary nature. The term of this easement shall extend until such time as the core and shell and interior common areas of the Building have been Substantially Completed, but in any event not later than sixty (60) days following the date of Substantial Completion, subject to extension for matters constituting Force Majeure and Hospital Delay. If requested by Hospital, Developer shall execute and deliver an agreement in recordable form evidencing the termination of this easement; provided, however, that the failure to record a formal termination of this easement shall not affect the termination of this easement in accordance with the terms set forth herein.

8.10.2 Developer and Developer's contractors, subcontractors, employees, suppliers, designees and agents shall comply with all safety rules, regulations and written instructions imposed under all applicable laws, statutes, codes, ordinances, rules and regulations. Hospital and its agents shall have the right, at all times, with or without prior notice, to go into or onto the construction areas for purposes of inspecting the areas to determine whether Developer is complying with the safety obligations imposed herein; provided, that Hospital and its agents shall comply with all reasonable rules concerning entry onto the construction areas established by Developer and its agents.

8.10.3 Prior to commencement of any construction or site preparation activities, Developer shall provide, or shall cause its contractors and subcontractors to provide, the insurance coverages contemplated in Article 3 of the Ground Lease in connection with its construction activities.

Such policies shall contain provisions requiring not less than thirty (30) days' notice to Hospital prior to cancellation, termination or change of named insured or payee. In addition, each such policy shall, as appropriate and to the extent reasonably obtainable by Developer's Contractors and subcontractors, contain provisions allowing waiver of rights of recovery prior to a loss and waivers of rights of subrogation against Hospital on the part of the insurer. Developer shall cause its Contractors and subcontractors to provide Hospital with certificates of insurance complying with the terms and provisions set forth above.

Developer shall cause each Contractor and subcontractor to agree in writing to defend, indemnify and hold Hospital, its employees, officials and agents, harmless from and against any liabilities, claims, damages, liens, encumbrances, suits, causes of action, judgments, fines, penalties, costs and fees, including, without limitation, attorneys' reasonable fees and costs of litigation or dispute resolution arising out of or in connection with such contractor's or subcontractor's actions on or use of the construction areas, including, without limitation, the performance of any work thereon; provided, however, that such indemnity shall not extend to

any liability, claim, damages, lien, encumbrance, suit, cause of action, judgment, fine, penalty, cost or fee arising out of the negligent or willful and wanton act or omission of Hospital or its agents.

8.10.4 Developer shall bear all risk of loss, damage, theft, misappropriation or other casualty to all or any portion of Developer's personal property located on, at or about the Hospital's property. Developer shall, at its own discretion, procure appropriate insurance coverage in amounts, with deductibles and from insurers as Developer deems appropriate. In no event shall Hospital be liable for interruption of the work, or for theft of, damage to, or replacement or repair of, Developer's personal property.

8.11 **Construction of the Infrastructure**. Hospital shall be required to complete the Infrastructure in a timely manner so that the opening of the Building occurs on the Anticipated Completion Date subject to Force Majeure and Developer Delays. The scope and the timing of the performance of the Infrastructure work to be performed by Hospital will be finalized by Hospital and Developer during the Due Diligence Periods. In exchange for Hospital completing the Infrastructure, Developer agrees to reimburse Hospital Two Million Seven Hundred Fifty Thousand and 00/100 Dollars ($2,750,000.00) ("**Infrastructure Allowance**"), upon the earlier of: (a) five (5) business days following the date that Developer closes on its construction loan for the Project, or (b) the date that Developer or the Contractor begins work on the Project, which will be evidenced by earth moving or foundation excavation. During the Due Diligence Periods, Hospital will be permitted to adjust the Infrastructure Allowance up or down in the event that the cost of performing the Infrastructure work increases or decreases, and in the event that the Infrastructure Allowance is increased or decreased, Developer will revise the Project Budget and the Base Rent amount payable by Hospital under the Space Lease to account for the increase or decrease.

9. **Construction Site Safety and Logistics**. Developer shall install and maintain appropriate and necessary signage, reasonably acceptable to Hospital and Developer directing all construction traffic to the Project Premises, parking, storage areas, and staging areas using routes reasonably acceptable to Hospital and Developer.

9.1 **Logistics Plan**. Developer shall prepare and submit to Hospital for its reasonable approval a construction site logistics plan (the "**Logistics Plan**") to coordinate the efforts of Hospital, Developer and their respective contractors, and governmental agencies. Developer shall submit the Logistics Plan to Hospital prior to commencement of construction of the Improvements. Hospital shall promptly review, comment on, and reasonably approve the Logistics Plan prior to Developer proceeding with construction on the Project Premises. If Hospital fails to respond in writing with any specific objections within five (5) business days of Developer's request for approval, such Logistics Plan shall be deemed approved. The Logistics Plan shall be consistent with ongoing construction activities on the Campus. The Logistics Plan shall contain a scaled drawing ("**Drawing**") showing all applicable rights-of-way, existing improvements within close proximity of the Improvements, and those items specifically identified below:

9.1.1 **Contractor Facilities.** The Drawing shall show the presently contemplated approximate location of contractor, architect, and subcontractor field offices, storage areas, and staging areas;

9.1.2 **Access Points.** The Drawing shall show the presently contemplated approximate location of material delivery points and other access points to the Project Premises and parking, storage, and staging areas;

9.1.3 **Parking.** The Drawing shall identify the presently contemplated approximate location of parking areas for construction workers, other construction personnel, and visitors. Such parking areas shall be paved or all weather gravel surface and located as mutually agreed by Hospital and Developer;

9.1.4 **Construction Signs.** All directional and information signage related to Developer's construction activities;

9.1.5 **Excavation Haul Routes.** The Drawing shall identify the presently contemplated approximate location of haul routes. Hospital and Developer shall cooperate in determining the placement of surplus excavation at a location reasonably convenient to the Project Premises on the Campus; and

9.1.6 **Sanitation.** The Logistics Plan shall describe trash and litter handling and disposal methods and frequencies. The Drawing shall show proposed, approximate locations of temporary dumpsters and temporary toilet facilities. The Logistics Plan shall identify the proposed, approximate location for washing down concrete trucks. Developer shall maintain the Campus free of windblown debris to the extent arising from the construction of the Improvements.

9.2 **Other Requirements.**

9.2.1 **Permitted Times for Construction.** No construction work shall be permitted during such times prohibited or requested by any governing authority.

9.2.2 **Notice of Unusual Construction.** Developer shall notify Hospital at least 24 hours prior to the commencement of any unusual or excessive sound causing construction on the Campus or within any right-of-way on the Campus or prior to any significant and unusual usage of rights-of-way by heavy equipment.

9.2.3 **Insurance.** Developer shall procure and maintain during the course of construction and installation of the Improvements a policy or policies of insurance, written by a responsible insurance company or companies, insuring Developer, Ground Lessee and Hospital against any and all losses, claims, demands or actions for injury to or death of any one or more persons in any one occurrence to the limit of not less than Three Million Dollars ($3,000,000), and for damage to property in an amount not less than One Million Dollars ($1,000,000), which insurance will cover accidents or occurrences: (i) occurring on the Campus and Project Premises; and (ii) arising from, related to or connected with the construction of the Improvements and any other improvements described herein. Developer shall also procure and maintain at all times any insurance required by and specified within the Ground Lease. If

requested by Hospital, Landlord shall provide to Hospital certificates of such insurance. If permitted, all policies of insurance shall contain a provision to the effect that they may not be canceled except upon thirty (30) days prior written notice to Hospital.

10. **Representatives of Developer and Hospital**. Developer designates Anthony Lampasona as its representative for all purposes of this Agreement. Hospital designates Amy Ballance as its representative for all purposes of this Agreement. Wherever this Agreement requires any notice to be given to or by a party, or any determination or action to be made or taken by a party, the representative of each party shall act for and on behalf of such party, and the other party shall be entitled to rely thereon. Either party may designate one or more substitute representatives for all or a specified portion of the provisions of this Agreement, subject to notice to the other party of the identity of such substitute representative. From time to time during construction of the Improvements, Hospital, and its employees, agents and consultants may, but shall not be required to, examine the status of the construction without obtaining permission from Developer and without delivering any prior notice of such entry, provided that Hospital and its agents shall comply with all reasonable rules concerning entry onto the construction areas established by Developer and its agents.

11. **Developer's Additional Responsibilities**. In addition to its obligations elsewhere expressed in this Agreement, Developer shall have the following additional responsibilities:

11.1 **Management of Contractor(s)**. To require the Contractor(s) to arrange for and coordinate the obtaining of all labor and materials required to develop, construct and furnish the Improvements in accordance with the Final Plans, and the terms of this Agreement, the Construction Agreement and the Ground Lease.

11.2 **Compliance with Construction Loans**. To comply with all requirements of the construction loan during construction of the Improvements, including, without limitation, providing interim waivers from contractors and subcontractors and other documents necessary to receive construction funds.

11.3 **Mechanics Lien Waivers**. Upon completion of the Improvements, Developer shall deliver to Hospital, duly executed waivers of mechanic's liens signed by each contractor and subcontractor which provided labor or materials on the Improvements.

12. **Representations.**

12.1 **Marketable Title**. Hospital represents that HSHS has good, record and marketable title in fee simple to the Campus, subject only to the Declaration, Ground Lease and such matters disclosed in the Title Commitment and Survey. On or prior to the commencement of construction of the Acute Care Hospital, HSHS intends to transfer title to the Campus to Hospital.

12.2 **No Breach of Other Agreements**. Each of the parties represents to the other that neither will violate any other agreements or documents by which it may be bound by entering into this Agreement nor performing their respective obligations hereunder.

12.3 **Authority and Enforceability**. Each of the parties hereto represents and warrants to the other that it is duly authorized to execute, deliver and perform this Agreement, that this Agreement is legal, valid, binding and enforceable against such party in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws that affect the enforcement of creditors' rights generally; and that such party's execution, delivery and performance of this Agreement does not violate or constitute a breach of any agreement to which such party is a party, or any law, order, rule, regulation, decree or award of any applicable governmental authority.

12.4 **No Brokers**. With respect to the transactions contemplated by this Agreement, each of the parties represents to the other that it has not engaged any broker in connection with such transactions. Each party hereto agrees that if any person or entity makes a claim or files a lien upon any portion of the Campus for brokerage commissions or finder's fees related to such transactions, and such claim is made by, through or on account of any acts or alleged acts of said party or its representatives, said party will protect, indemnify, defend and hold the other party free and harmless from and against any and all loss, liability, cost, damage and expense (including reasonable attorneys' fees) in connection therewith.

13. **Confidentiality**. The parties and their consultants and/or agents will use commercially reasonable efforts to cause all information that is obtained in connection with the negotiation and performance of this Agreement and the project to be treated as confidential and will not use, and will not knowingly permit others to use, any such information in a manner detrimental to any of the parties; provided, however, that the foregoing shall not apply to information that (i) was known prior to the date of this Agreement, (ii) is or thereafter becomes lawfully obtainable from other sources, or (iii) is necessary or appropriate to disclose to any regulatory authority having jurisdiction over the parties or any affiliate thereof or as otherwise required by law. The parties acknowledge that there is not an adequate remedy at law for the breach of this Section and that, in addition to any other remedies available, injunctive relief may be granted for any such breach. The provisions of this Section shall survive any termination of this Agreement. Notwithstanding anything to the contrary herein, to the extent that this Agreement is terminated and Hospital reimburses Developer for its Out of Pocket Expenses, the Due Diligence Materials will not be considered confidential under this Section 13, and Hospital may use and distribute the Due Diligence Materials in any manner that it deems acceptable.

14. **Survival of Terms; Indemnification**.

14.1 **Survivability**. All of the terms and conditions of this Agreement, together with the representations, warranties and covenants contained herein or in any instrument or document delivered or to be delivered pursuant to this Agreement, shall survive the expiration of this Agreement for the duration of all applicable statutes of limitation.

14.2 **Indemnification By Developer**. Developer shall indemnify, defend and hold Hospital and its affiliates harmless by, against and in respect of any and all damage, loss, deficiency, liability, obligation, commitment, cost or expense (including reasonable attorneys' fees) resulting from, or in respect of, any misrepresentation, breach of warranty, or non-fulfillment of any obligation on the part of Developer under this Agreement, any document relating thereto or contained in any schedule or exhibit to this Agreement, or from any

misrepresentation in, omission from, or failure to keep current any certificate, schedule, exhibit, other agreement or instrument by Developer or under the control of Developer, or from Developer's or Developer's agents', employees', representatives' or independent contractors' access or use of the Campus and/or the construction of the Building, and all demands, assessments, judgments, costs and reasonable attorneys' fees and other expenses arising from, or in connection with any action, claim, obligation, liability, expense, lawsuit, demand, suit, inquiry, hearing, investigation, notice of a violation, litigation, proceeding, arbitration, or other dispute, whether civil, criminal, administrative or otherwise, whether pursuant to contractual obligations or otherwise ("**Claim**"), incident to any of the foregoing, except to the extent such Claim is the result of Hospital's negligence, recklessness or willful misconduct.

14.3 **Indemnification by Hospital**. Hospital shall indemnify, defend and hold Developer and its affiliates harmless by, against and in respect of any and all damage, loss, deficiency, liability, obligation, commitment, cost or expense (including reasonable attorneys' fees) resulting from, or in respect of, any misrepresentation, breach of warranty, or non-fulfillment of any obligation on the part of Hospital under this Agreement, any document relating thereto or contained in any schedule or exhibit to this Agreement or from any misrepresentation in or omission from, or failure to keep current any certificate, schedule, exhibit, other agreement or instrument by Hospital or under the control of Hospital hereunder and all demands, assessments, judgments, costs and reasonable attorneys' fees and other expenses arising from, or in connection with any Claim incident to any of the foregoing, except to the extent such Claim is the result of Developer's negligence, recklessness or willful misconduct.

14.4 **Third Party Claims**. The following procedures shall be applicable with respect to indemnification for third-party Claims. Promptly after receipt by the party seeking indemnification hereunder (hereinafter referred to as the "**indemnitee**") of notice of the commencement of any action or the assertion of any Claim, liability or obligation by a third party (whether by legal process or otherwise), against which Claim, liability or obligation the other party to this Agreement (hereinafter the "**indemnitor**") is, or may be, required under this Agreement to indemnify such indemnitee, the indemnitee will, if a Claim thereon is to be, or may be, made against the indemnitor, notify the indemnitor in writing of the commencement or assertion thereof and give the indemnitor a copy of such Claim, process and all legal pleadings. Failure of the indemnitee to provide such notice shall not limit or exclude the indemnitee from obtaining indemnification under this Section, unless such failure has a material adverse affect on the ability of the indemnitor to defend against any such claim. The indemnitor shall have the right, at its sole discretion, to assume the defense of such action. The indemnitee shall cooperate in the defense of such Claims. If the indemnitor shall assume or participate in the defense of such audit, assessment or other proceeding as provided herein, the indemnitee shall make available to the indemnitor all relevant records and take such other actions and sign such documents as are necessary to defend such audit, assessment or other proceeding. If the indemnitee shall be required by judgment or a settlement agreement to pay any amount in respect of any obligation or liability against which the indemnitor has agreed to indemnify the indemnitee under this Agreement, the indemnitor shall reimburse the indemnitee an amount equal to the amount of such payment. An indemnitor shall have the right to settle any Claim against the indemnitee.

15. **Building Management**. Landmark Healthcare Facilities ("**Landmark**") will serve as the initial property manager for the Building pursuant to a separate agreement between Hospital and Landmark (the "**Management Agreement**"). Landmark and Hospital agree to use Hospital's form of property management agreement, subject to any commercially reasonable modifications thereto in order to incorporate the following concepts:

15.1 Under the terms of the Management Agreement, Landmark will be responsible for managing the Building and performing all maintenance, cleaning, waste disposal care, security, snow removal, pest control, lawn care, landscaping and safety services for the Project Premises (each a "**Management Responsibility**" and collectively, "**Management Responsibilities**").

15.2 The term of the Management Agreement will be five (5) years from the Commencement Date. Thereafter, Hospital may elect to serve as the property manager and to perform all of the Management Responsibilities, or to engage another Person to serve as the property manager for purposes of performing the Management Responsibilities.

15.3 During the term of the Management Agreement, Landmark will be entitled to charge a management fee for serving as the property manager and performing the Management Responsibilities in an amount equal to three percent (3%) of the Base Rent and Operating Expenses charged under the Space Lease.

15.4 At the request of Hospital, but not more than one time each lease year, Landmark will work with Hospital to identify reputable vendors in the community who are in the business of performing Management Responsibilities for commercial properties in the community. To the extent that Hospital desires to perform any Management Responsibility, Hospital will be considered a reputable vendor. Landmark will then solicit bids for Management Responsibilities from the vendors and select the lowest priced, responsive, and responsible vendor to perform the Management Responsibilities. In all cases, Hospital will be given a preference to perform the Management Responsibilities, to the extent that Hospital desires to perform one or more Management Responsibilities, over any other vendor, so long has Hospital's bid to perform the Management Responsibility or Management Responsibilities is no more than four percent (4%) more than the lowest priced bid that has been issued by a responsive and reputable vendor.

15.5 In the event that Hospital agrees to perform a particular Management Responsibility, then Landmark will not be entitled to charge Hospital an Operating Expense for performing that particular Management Responsibility being performed by Hospital (collectively, "**Management Costs**"); provided, however, at the request of Hospital, Landmark agrees to pass through any Management Costs as an Operating Expense to any tenant leasing space in the Building.

15.6 The Management Agreement shall include commercially reasonable default and cure provisions in the event that Landmark fails to perform its Management Responsibilities. In addition to the foregoing, the Management Agreement shall include a provision whereby Landmark will be in default thereunder in the event that Landmark fails to perform any Management Responsibility to the reasonable satisfaction of Hospital, and to the

extent that Landmark fails to cure the default to the reasonable satisfaction of Hospital, then Hospital may exercise any and all remedies under the Management Agreement, including the right to terminate the Management Agreement.

15.7 In addition to any and all other rights and remedies granted to Hospital under the Management Agreement, Hospital shall have the unilateral right, with or without cause, to request that Landmark or any vendor providing a Management Responsibility under the direction of Landmark, replace any person or persons performing or otherwise carrying out a Management Responsibility, and upon such request, Landmark shall replace, or force any vendor to replace, said person or persons.

16. **Notices**. Any notice, consent, approval, or other communication which is provided for or required by this Agreement must be in writing and may be delivered in person to any party or may be sent by Federal Express or other reputable courier service regularly providing evidence of delivery, or registered or certified U.S. Mail, with postage prepaid, return receipt requested (with charges paid by the party sending the notice). Any such notice or other written communications shall be deemed received by the party to whom it is sent (i) in the case of personal delivery, on the date of delivery to the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, (ii) in the case of courier delivery, the date receipt is acknowledged by the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, and (iii) in the case of registered or certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or five (5) business days after the date of posting by the United States Post Office. For purposes of notices, the addresses of the parties hereto shall be as follows, which addresses may be changed at any time by written notice given in accordance with this provision:

If to Developer:

Landmark Healthcare Properties Fund, LLC
839 North Jefferson Street – Suite 600
Milwaukee, WI 53202
Attn: Anthony Lampasona

If to Hospital:

St. Elizabeth's Hospital
211 S 3rd Street
Belleville, IL 62220
Attn: President & CEO

With copies to:

St. Elizabeth's Hospital
224 W. Garfield, 2nd Floor
Belleville, IL 62220
Attn: J. Nicole Lewer-Holst

and to:

Hall, Render, Killian, Heath & Lyman, P.C.
Suite 2000, One American Square
Indianapolis, Indiana 46282
Attn: Andrew Dick

17. **Naming Rights.** Hospital shall have the right to name the Building, provided that such name shall be approved by Developer in its reasonable discretion.

18. **Time of the Essence**. Time is of the essence in the performance of all obligations by the parties under this Agreement.

19. **Press Releases**. No press release or other public announcement or statement concerning this Agreement or the transactions contemplated hereby shall be made by either party without advance approval thereof by all parties, except as may be required by law.

20. **Waiver of Trial by Jury**. The parties hereby knowingly, voluntarily and intentionally waive the right either may have to a trial by jury in respect to any litigation based hereon, or arising out of, under or in connection with this Agreement and any agreement contemplated to be executed by the parties in conjunction herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of either party. This provision is a material inducement for the parties entering into this Agreement.

21. **Assignment.**

21.1 Except as otherwise provided in Section 21.2 below, neither party hereto shall have the right to assign this Agreement or any of its rights hereunder without the prior written consent of the other party, and any such assignment in the absence of such written consent shall, for all purposes, be deemed null and void.

21.2 Notwithstanding the provisions of Section 21.1 hereof, Hospital shall have the absolute right and privilege, at its sole option and in its sole discretion, at any time and from time to time, to assign Hospital's rights and interests under this Agreement, subject to the provisions hereof and all of the rights of Developer hereunder, in whole or in part, to an Affiliate of Hospital or to any person or entity participating with Hospital in the acquisition, ownership or development of all or any portion of the Project.

22. **Developer Default**. If an Event of Default exists, as defined herein, Hospital shall have the right, in addition to all other rights and remedies available to Hospital at law or in equity, to terminate this Agreement by giving written notice of such termination to Developer. Any one or more of the following events shall constitute an "Event of Default" by Developer under this Agreement:

22.1 If Developer shall fail to observe, perform or comply with any term, covenant, agreement or condition of this Agreement which is to be observed, performed or complied with by Developer under the provisions of this Agreement, and such failure shall continue uncured for thirty (30) days after the giving of written notice thereof by Hospital to

Developer specifying the nature of such failure (or such longer period of time as may be needed in the exercise by Developer of due diligence to effect a cure of any non-monetary default);

22.2 If Developer shall make a general assignment for the benefit of creditors;

22.3 If any petition shall be filed against Developer in any court, whether or not pursuant to any statute of the United States or of any state, in any bankruptcy, reorganization, dissolution, liquidation, composition, extension, arrangement or insolvency proceedings, and such proceedings shall not be dismissed within thirty (30) days after the institution of the same, or if any such petition shall be so filed by Developer; and

22.4 If, in any proceeding, a receiver, trustee or liquidator be appointed for all or a substantial portion of the property and assets of Developer, and such receiver, trustee or liquidator shall not be discharged within thirty (30) days after such appointment.

Notwithstanding the foregoing, after the execution of the Ground Lease and the Construction Agreement, the terms of the Ground Lease and Construction Agreement shall govern defaults by Developer and the remedies of Hospital in connection with the completion of the Project.

23. **Default of Hospital**. If Hospital fails to comply with or perform in any respect any of the material terms and provisions to be complied with or any of the obligations to be performed by Hospital under this Agreement prior to execution of the Ground Lease, and such failure continues uncured for a period of thirty (30) days after written notice to Hospital specifying the nature of such default (or such longer period of time as may be needed in the exercise by it of due diligence to effect a cure of any such non-monetary default), then Developer shall have the right, in addition to all other rights and remedies available to Developer at law or in equity, at its option, to terminate this Agreement by giving written notice thereof to Hospital. After execution of the Ground Lease, the terms of the Ground Lease shall govern defaults by Hospital and remedies therefor.

Notwithstanding the foregoing, after the execution of the Ground Lease and the Construction Agreement, the terms of the Ground Lease and Construction Agreement shall govern defaults by Hospital and the remedies of Developer in connection with the completion of the Project.

24. **Without Cause Termination**. If, at any time prior to the Closing, a party determines, in its sole discretion, that it will not proceed with the Project as it is currently being planned by Developer, such party may terminate this Agreement by providing written notice to the other party, in which event, this Agreement shall be null and void and neither party shall have any further obligations hereunder. Notwithstanding the foregoing, Hospital or Developer (each, a "**Terminating Party**") may not elect to terminate this Agreement under this Section 24, if, at the time of its election to terminate, the Terminating Party has received notice from the other party (the "**Non-Terminating Party**") that it has committed a default or an Event of Default under this Agreement, or, the Terminating Party has received notice from the Non-Terminating Party that if the Terminating Party fails to cure an act or omission within a specified period of time, the Terminating Party will have committed a default or an Event of Default under this Agreement. Except as otherwise contemplated in Section 25, if this Agreement is terminated

under this Section, Hospital will be responsible for reimbursing Developer for Out of Pocket Expenses.

25. **Reimbursement of Costs**. If this Agreement terminates for any reason other than (a) an event of default or bad faith of Developer in the performance of its duties, or (b) Developer or Hospital determines that the Project is not feasible, as reasonably determined by Hospital or Developer, in that the Project cannot be completed as it is currently contemplated (e.g., the Base Rent amount increases; satisfactory financing is not available to Developer or Hospital; the Leasing Threshold has not been satisfied; governmental approvals, permits, or licenses cannot be secured in a timely manner or for reasonable sums of money; or any combination of the foregoing; or any other change in the Project or limiting factor that makes the Project not feasible), then Hospital will pay to Developer for any Out of Pocket Expenses incurred by Developer in connection with the Project that are supported by evidence that such expenses were paid or incurred by Developer in connection with the Project. Developer acknowledges and agrees that it is going "at risk" for Out of Pocket Expenses if it fails to perform its obligations under this Agreement or the Project is not feasible as contemplated in "(a)" or "(b)" above (each, a "**Developer Default**"). Notwithstanding the foregoing, except in the event of a Developer Default (where Hospital is not required to reimburse Developer for any Out of Pocket Expenses), Hospital's obligation to reimburse Developer for Out of Pocket Expenses is limited to Fifty Five Thousand and 00/100 Dollars ($55,000.00) without the prior written consent of Hospital. Hospital will not be required to reimburse Developer for any Out of Pocket Expenses if the Development Conditions and the Hospital Conditions are satisfied and Developer proceeds with construction of the Project, as Developer's investment will be recoverable through its development of the Project.

26. **Actions Upon Termination**. Upon any termination of this Agreement, and payment by Hospital of the Out of Pocket Expenses to Developer, Developer shall deliver and assign its interest to Hospital or to such other person as Hospital shall designate in writing, all plans, materials, supplies, equipment, keys, contracts, documents and books and records (collectively, "**Due Diligence Materials**") pertaining to this Agreement or the development of the Improvements within the possession or control of Developer. Developer shall also furnish all such information, take all such other action and shall cooperate with Hospital as Hospital shall reasonably require in order to effectuate an orderly and systematic termination of Developer's duties and activities hereunder and transfer of duties to a successor.

27. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

28. **Counterparts**. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same Agreement.

29. **Entire Agreement**. This Agreement, the Ground Lease and the Declaration, shall contain the entire understanding among the parties and supersedes any prior understanding and agreements between them respecting the Project. There are no representations, agreements, arrangements or understandings, oral or written, between or among, the parties hereto relating to the subject matter of this Agreement which are not fully expressed herein.

30. **Severability**. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all Applicable Law. If any provision of this Agreement or the application thereof to any person or circumstance, shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by Applicable Law.

31. **Section Headings**. The section headings are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement or in any way affect this Agreement.

32. **Successors and Assigns**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Whenever the terms "Hospital" and "Developer" are used herein, they shall be deemed to include Hospital and Developer and their respective successors and permitted assigns in the same manner and to the same extent as if specified each time said terms appear herein.

33. **Estoppel Certificates**. Each party hereto shall, from time to time, upon not less than twenty (20) days notice from the other party, execute and deliver to the other party a certificate stating whether or not, to the best of the certifying party's knowledge, that this Agreement is unmodified and in full force and effect, or, if modified, that this Agreement is in full force and effect as modified, and stating the modifications and stating whether or not, to the best of the certifying party's knowledge, the other party is in default in any respect under this Agreement, and, if in default, specifying the nature and character of such default.

34. **Amendment**. This Agreement may not be amended, altered or modified except by instrument in writing and signed by the parties hereto.

35. **Property Taxes and Tax Division**. The taxes and assessments (collectively, "Taxes") for the Project Premises shall be prorated between Hospital and Developer as of the date of the Closing ("**Proration Date**"). For example, if the Proration Date is December 31, 2014, then Hospital would be responsible for all Taxes assessed against the Project Premises that are payable in 2015, and Developer would be responsible for all taxes assessed against the Project Premises that are due and payable in 2016 and at any point in time thereafter so long as the Ground Lease is in place. Because the Project Premises are currently taxed as a portion of a larger parcel, Hospital shall pay any Taxes on the larger parcel due and payable through the Proration Date to taxing authorities, and shall continue to pay the real property taxes assessed and billed against the larger parcel, including the Project Premises, on or before the due date thereof, provided that Developer pays its allocable portion of such Taxes as set forth below. Developer and Hospital agree to cooperate and use diligent efforts, after Substantial Completion, to see that the Project Premises are promptly delineated as a separate tax parcel to the extent possible.

The Taxes allocable to the Project Premises (which shall be prorated as contemplated above) shall be determined in a fair and equitable manner based on the relative assessed values of the improvements and land for the larger parcel as compared with the assessed values for the Project Premises, or on such other basis as mutually agreed to by the parties. During

construction of the Improvements, the value attributable to the Improvements will take into account the status of the construction of such Improvements. Such determination shall continue to govern the responsibility for all bills for Taxes until the "Tax Division Date" (as defined below). Hospital shall submit to Developer, copies of the tax bills and Hospital's calculation of the amount owed by Developer at least thirty (30) days prior to the date the tax installment in question is due and payable and Developer agrees to pay sums to Hospital within five (5) days of the due date of such tax installment in question.

As used herein the "**Tax Division Date**" means the date on which the last of the following events occurs (i) the Project Premises are made a separate tax parcel (with no other tax parcel numbers affecting the Project Premises related solely to the Project Premises and no other property) and (ii) separate tax bills have been issued for the Project Premises. If Hospital fails to pay such taxes and assessments when due, and provided Developer has paid the sums owing by Developer, Developer shall have the right to pay such taxes and assessments and seek reimbursement from Hospital on demand. In addition to Developer's right to reimbursement, Developer shall have the right to offset, against the rent payable by it under the Ground Lease, the amounts owed to it hereunder. If either party fails to pay to the other any amounts due under this Section, such amounts shall bear interest (unless such sum is offset as set forth in the preceding sentence), until paid in full, at a rate per annum equal to the Interest Rate as defined in the Ground Lease.

[Signatures are on the following page]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as of the date first set forth above.

HOSPITAL

St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis, an Illinois not-for-profit corporation

By: Maryann Reese
Maryann Reese
President & CEO

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as of the date first set forth above.

DEVELOPER

Landmark Healthcare Properties Fund, LLC,
a Delaware limited liability company

By: _____
Anthony Lampasona
President

1570710v.10

EXHIBIT A

DESCRIPTION OF CAMPUS

The real estate located in the City of O'Fallon, St. Clair County, Illinois, which, for ease of description purposes, is commonly referred to by the following St. Clair County Property Tax Parcel Numbers:

03-25-0-407-030
03-25-0-408-016
03-25-0-407-029
03-25-0-407-032
03-36-0-200-022
03-36-0-200-014
03-36-0-204-011
03-36-0-204-014
03-36-0-204-013
03-36-0-200-004
03-36-0-204 -007
03-36-0-204-012

EXHIBIT B

PRELIMINARY PROPOSED SITE PLAN

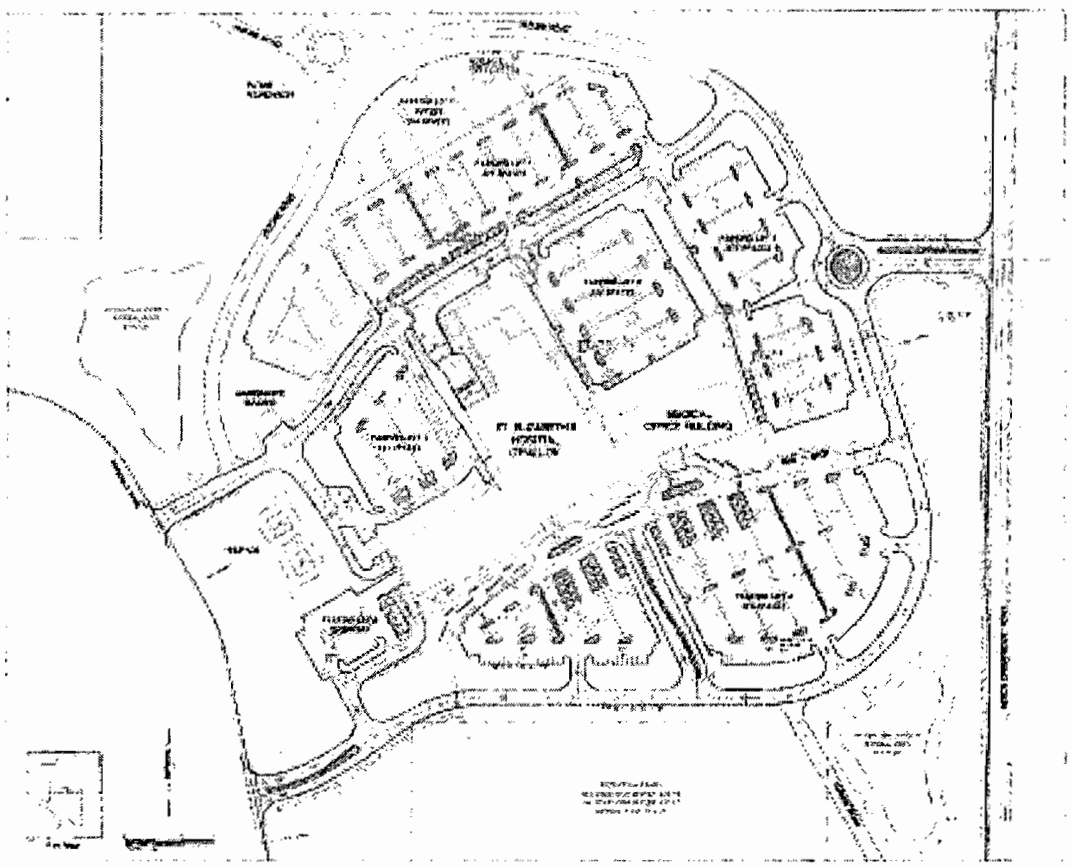


EXHIBIT C

DEVELOPMENT BUDGET

SEB MOB – 141,000 Gross Square Feet

June 25, 2014

	Total Cost	Cost per Gross Square Foot
Gross Square Feet	141,000	
Rentable Square Feet	135,360	
Hard Costs (excluding FF&E):		
Shell and Core	$ 19,230,645	$ 136.39
Original Site Work Costs	$ 2,700,000	$ 19.15
Tenant Improvement Allowances:		
Physician Office Space – 55,000 Square Feet at $115 per Rentable Square Foot	$ 6,325,000	$ 44.86
SEB Service Lines – 78,360 Square Feet at $195 per Rentable Square Foot	$ 15,130,200	$ 107.33
Subtotal – Hard Construction Costs	$ 43,385,845	$ 307.73
Soft Costs:		
The reimbursement fee is 3.0 percent of the hard construction costs. 1.00 percent of the hard construction costs plus reimbursable expenses equal to 0.5 percent of the hard construction costs plus $1.00 per gross square foot in the ASC / MOB	$ 1,601,693	$ 11.36
Permits, licenses for general contractor and sub-contractors, working board, office supplies, postage and reproduction, mail, printing and the salaries of dedicated staff	$ 43,000	$ 0.30
Insurance costs, including construction liability and builder's risk for the contractor(s), liability, general contractor and construction loan administration	$ 95,000	$ 0.67
Appraisals, Lender's title insurance, construction testing, temporary power during construction, utility hookup fees, title insurance, recording fees, legal and accounting services, and other miscellaneous costs	$ 75,000	$ 0.53
The leasing fee of Landmark is equal to 6.0 percent of gross lease revenue, assuming five-year lease. The leasing services of Landmark include all the professional services that are required to prepare and execute definitive Letters of Intent and leases with staff physicians		
The development fee of Landmark is equal to 2.0 percent of capital costs. The 2.0 percent development fee will be calculated on the basis of all the hard and soft costs exclusive of the fees that are paid to Landmark. The development services of Landmark include all the professional services that are required to structure the ownership of the ASC / MOB, distribute ownership interests in the ASC / MOB to qualified physicians and SEB and HSSI, obtain regulatory approvals, prepare capital and operating budgets, prepare ownership and rental documents, obtain construction and permanent loans and other financing and prepare and monitor the development and construction schedules	$ 868,914	$ 6.13
The construction management fee of Landmark is equal to 2.0 percent of the hard construction costs. The construction management services of Landmark include all the professional services that are required to prepare construction cost estimates, perform value engineering, administer construction contracts with the general contractor and subcontractors, identify cost savings, and oversee all the construction activities	$ 867,377	$ 6.12
Developer Fee – Equal to 4.5 percent of Capital Costs	$ 1,950,803	$ 13.83
Subtotal – Soft Costs	$ 5,410,787	$ 38.34
Total Costs	$ 48,796,632	$ 346.07
Triple Net Rental Rate for Physician Office Space	$ 17.50	
Triple Net Rental Rate for SEB Service Lines	$ 27.00	

EXHIBIT D

CRITICAL PATH

[To be attached at a later date]

EXHIBIT E

USE AND NONCOMPETITION RESTRICTIONS

Any defined terms used herein but not defined in this Exhibit shall have the meaning as set forth in the Development Agreement.

1. Use. Developer shall use the Leased Premises only for the ownership and operation of the Building and for no other purpose without the prior written consent of Hospital which consent may be withheld in Hospital's sole discretion. The Building shall be occupied, leased and used exclusively for physician offices and other healthcare professional offices. Any use of the Building, other than for physician offices and other healthcare professional offices, must first be approved in writing by Hospital, which approval may be granted or withheld by Hospital in its sole discretion. All physician offices shall be exclusively used and occupied by physicians and by such staff as is necessary to support such physicians in the practice of medicine. All space tenants, occupants and users in the Leased Premises must be approved in writing by Hospital, which approval may be given or withheld in Hospital's sole and absolute discretion. All physician occupants and physician users of the Building shall be members, in good standing, of the active medical staff of Hospital. In addition to the foregoing, and notwithstanding anything herein to the contrary, Developer expressly agrees that no hospital, medical center or system, or ambulatory surgery center, other than Hospital and its Affiliates, employees, officers and agents, may, directly or indirectly, own, lease, sublease, license, occupy or use all or any portion of the Building.

2. Ethical and Religious Directives. The Leased Premises shall not be utilized for any purpose in contravention of the Ethical and Religious Directives for Catholic Health Care Services, as approved, issued, and amended from time to time by the United States Conference of Catholic Bishops and as the same may be interpreted by the local Bishop, and all space leases shall so provide.

3. Covenant Regarding Restricted Services and Prohibited Services.

3.1. Unless expressly waived in writing by Hospital with respect to a particular space tenant in the Building, no part of the Building shall be used to provide health care services that are at any time provided to inpatients or outpatients of the Hospital ("Restricted Services"). However, this provision shall not prohibit an occupant of the Building from providing Restricted Services to such occupant's "own patients." The term "own patients," as used herein shall mean persons who specifically seek out and request the professional services of an occupant of the Building for purposes unrelated to the provision of Restricted Services, or who are referred for professional services unrelated to the provision of Restricted Services.

3.2. An occupant may only provide Restricted Services to its "own patients," as set forth above, so long as such services are provided within the occupant's leased premises (excluding any common areas attendant thereto) and, in no event: (a) in a part of the MOB shared by occupants, (b) in space subleased from another occupant of the Building, or (c) in a portion of the Building other than such occupant's leased premises (e.g., Common Area) provided by Developer.

3.3. Occupants of the Building shall not market or promote the provision of Restricted Services in the Building to any person.

3.4. In the event that there is any disagreement between Hospital and Developer or Developer and an occupant regarding whether services are Restricted Services, or whether a person seeks out or is referred to an occupant for purposes unrelated to the provision of Restricted Services, such disagreement shall be resolved by Hospital in its sole discretion and the same shall be binding on Developer and such occupant.

3.5. Notwithstanding any provision to the contrary contained herein, tenants, occupants and users of the Building shall not perform any of the following services within the Building without the prior written consent of Hospital in each instance, which consent may be granted or withheld by Hospital in its sole and absolute discretion: Diagnostic imaging and radiology (including but not limited to: plain film, computerized, and digital radiology; ultrasound; mammography; breast diagnostics; computerized tomography; magnetic resonance imaging); Invasive and/or intravascular procedures; Osteoporosis screening services; Physical therapy; Occupational therapy; Speech therapy; Any procedure involving administration of a radiopharmaceutical for diagnosis, therapy or research (nuclear medicine); Any procedure requiring anesthesia which must be administered by an anesthesiologist or certified registered nurse anesthetist (CRNA) or other trained anesthetist; Pharmacy; Laboratory (including, without limitation, a pathology laboratory or a clinical laboratory); Imaging center; Ambulatory surgery center; Emergency or urgent care unit; Vascular lab; Advanced cardiology studies or procedures; Cardiac rehabilitation; Birthing center; Wound care; Sleep studies; durable medical equipment; Operation of an acute care hospital, medical hospital, specialty hospital, rehabilitation center, extended care facility; Nursing home; Cardiac center; Outpatient or inpatient health care facility; Surgical center; Oncology center; Radiation therapy; Home health service; Health maintenance organization or similar direct care provider; Ambulance service; Fluoroscopy; Respiratory therapy services; Pain Management; Any clinical service requiring a Certificate of Need (CON) (collectively, "Prohibited Services"). From time to time, Hospital may add to, delete from or otherwise modify the definition of Prohibited Services, and Developer shall not lease space in the Building to a lessee that provides such Prohibited Services; provided, however Developer shall not be charged with knowledge of any modification to the Prohibited Services until a copy of the same shall have been provided to Developer by Hospital. Promptly following Developer's request, Hospital shall from time to time provide Developer with an updated list of Prohibited Services.

Hospital and Developer acknowledge and agree that the restrictions and covenants set forth in Sections 1 and 3 herein shall apply only so long as a facility licensed by the State of Illinois as a hospital is operated on the Campus. A temporary period of non-licensure for the Hospital, for whatever reason, shall not result in Developer's release from the restrictions and covenants set forth in Sections 1 and 3, and such restrictions and covenants shall continue to apply so long as the period of non-licensure does not exceed twelve (12) consecutive calendar months. If the Hospital should regain its licensed status after a period of non-licensure exceeding twelve (12) consecutive calendar months, then the restrictions and covenants set forth in Sections 1 and 3 shall be reinstated.

EXHIBIT F

COMPLIANCE LANGUAGE

Health Law and Regulatory Compliance. The parties agree that this Lease is intended to comply with all applicable state and federal laws, rules, regulations and accreditation standards including, but not limited to, the Medicare and Medicaid Fraud and Abuse Statute and Regulations, HIPAA, OSHA and standards of accrediting bodies, including Joint Commission standards, and all regulations governing use of facilities financed with tax-exempt bonds ("Laws"). If, at any time, this Lease is found to violate any applicable provision of these Laws, or if either party has a reasonable belief that this Lease creates a material risk of violating the Laws, and after consultation with the other party, and thirty (30) days after written notice to the other party, the parties shall renegotiate the portion of this Lease that creates the violation of the Laws. If the parties fail to reach agreement within one hundred twenty (120) days following said written notice, this Lease shall terminate.

It is the intent and good faith belief of the parties hereto that this Lease complies with the Medicare/Medicaid Anti-Fraud and Abuse Statute and regulations promulgated thereunder (the "Statute"). It is also the intent and good faith belief that this Lease complies with the provisions of the Stark Law and does not in any manner violate said Law. Subsequent to the execution of this Lease, should any provision of this Lease be deemed by either party to be contrary to the provisions the Statute, the Stark Law, or the "safe harbor" regulations, then the parties agree to attempt in good faith to renegotiate the problematic provision to the mutual satisfaction of the parties. In the event the parties are not able to mutually agree on modification of the problematic provision, then either party may terminate this Lease upon thirty (30) days written notice to the other party if the terminating party has a good faith belief that the problematic provision creates an unfavorable exposure under said Statute, Law, regulations or safe harbor provisions.

EXHIBIT G

PRELIMINARY DESCRIPTION OF THE INFRASTRUCTURE WORK

The term "Infrastructure" shall mean the following scope of work that is consistent with the Plans and Specifications and the requirements of this Agreement:

1. Locate all public and private utilities.

2. Complete 100% Civil construction documentation

3. All necessary site and roadway approvals including City Planning Commission, Department of Transportation, Army Corps of Engineers (if applicable) and Department of Environmental Protection; as well as plan review, permit, and usage fees associated with this scope of work.

4. Setup temporary site fencing, silt fence, erosion control installation, temporary seeding, and maintenance for earthwork as shown on the civil drawings and as dictated by local requirements.

5. All required field engineering/layout from an established elevation benchmark and building corner and verify existing grades.

6. Provide all professional testing services as necessary for soils aggregate fill, paving, concrete flatwork and substructure provided under the scope of work.

7. Include saw cutting/removal of existing pavements and demolition of structures that encroach into the footprint of the proposed MOB (if any).

8. Relocation of existing utility lines that interfere with the foundations and building pad of the proposed MOB including, but not limited to: telephone/data (overhead and below grade), fiber optics, domestic water, sanitary, storm, irrigation, overhead and underground electric, and relevant vault and/or meters (if any).

9. Complete all earthwork including removal and disposal of unsuitable soils and fill with engineered fill material. Cut/fill and compact all new material up to building pad subgrade level including any unforeseen conditions such as rock, springs, sinkholes, etc. Test and confirm suitability of compacted soil. Notwithstanding the foregoing, if a foundation system below the building pad is required or is reasonably necessary to support the MOB (e.g., auger cast piles or geo piers), Developer, at its sole cost and expense, will be responsible for installing the same.

10. Removal of all abandon utilities and below-grade structures in the construction area, including areas to be paved and landscaped. In case of unique circumstances or discovered conditions that make removal of certain abandoned utilities/below grade structures unduly burdensome, structural engineer approval and direction must be sought.

11. Demolition of existing above-grade structures in the construction area, including areas to be paved and landscaped (if any).

12. Complete the clearing and grubbing of the site including removal of existing structures above and below grade, trees, paving, etc.

13. Complete all storm water retention work including retention basin and associated structures, underground retention structures, and final grading of site as indicated on the civil plans.

14. Complete the storm water management system as approved by the city engineer, including all pipes and structures on and off-site as indicated in the final approved civil plans.

16. Complete all work necessary to complete the domestic water and fire protection water mains including extensions and tap fees as necessary to bring the service to the building pad.

17. Complete all work necessary to complete the sanitary sewer service including extensions and tap fees as necessary to bring the service to the building pad.

18. Complete asphalt paving for MOB parking, access road construction, walking paths, signage, striping, temporary entrances and final entrances into the site. Include fees from all affected jurisdictions.

19. Final grading of the pavements, parking lots, roadways, and lawn/planting areas.

20. Complete all landscaping including trees, shrubs, seed, sod, landscaping blankets, or other planting in compliance with City ordinances to edge of building footprint.

21. Cooperate with Developer and any electricity, telephone, data, or cable television provider (each, a "Utility Provider") during the installation of underground lines from the point of connection to the MOB; provided, however, Developer, at its sole cost and expense, will be responsible for installing or contracting with each Utility Provider for the installation of all conduit, lines and transformers that are necessary to bring electricity, telephone, data, or cable television from the point of connection to the MOB. Further, Developer shall be responsible for all fees that are charged by each Utility Provider in order to provide their respective service to the MOB, including any utility excess facility charges, tap fees, impact fees and the like.

EXHIBIT H

DUE DILIGENCE SCHEDULE

August 5, 2014

	Start Date	Finish Date
Phase One - Due Diligence Period		
Exclusivity Development Agreement	May 7, 2014	June 12, 2014
Prepare CON Application – Prepare Attachments 1	May 15, 2014	June 20, 2014
Prepare CON application for Part 1 / Part 2 approval	June 13, 2014	July 18, 2014
Perform Geotechnical Report and Survey	May 1, 2014	June 13, 2014
Update Program and Verify Square Feet for SSE Service Lines	May 1, 2014	July 30, 2014
Prepare Marketing and Financial Materials	May 19, 2014	May 23, 2014
Operations Due Diligence / Independent Physician – Joint Site Visits	May 27, 2014	July 9, 2014
Prepare Exhibit Boundaries	June 3, 2014	June 20, 2014
Determine Feasible Geographic Design Elements (Footprint, Parking, etc.)	May 1, 2014	July 31, 2014
Management Action	July 8, 2014	July 24, 2014
Phase Two - Developer and Physician Site Approval and Work Internal Approval of Project		
CON Submission Date to HFSRB / CMS Licensing Approval Date	August 4, 2014	November 12, 2014
Prepare Initial Program Summary (Square Footage Estimates) / Prepare Exhibits	August 7, 2014	October 31, 2014
Prepare Utility Capacity Information Drawings for SSE Applications	November 1, 2014	January 31, 2015
Negotiate Site Feasibility Document with Site Owner / Multi-Lease Ground Lease, Construction Agreement, Etc.	July 31, 2014	December 31, 2014
Title Work and Site Survey	August 25, 2014	October 31, 2014
Obtain Lease Agreement / Land Contract / Acquisition Documents	July 31, 2014	March 30, 2015
Prepare Early Complete Design Development Drawings for Core & Shell (If Required by Owner)	January 15, 2015	March 31, 2015
Finalize Budget and Bid	December 19, 2014	January 9, 2015
Prepare Utility Site Design Drawings for SSE Service Lines	February 1, 2015	April 15, 2015
Prepare Elevations or Drawings for SSE and Shell (Required by Owner)	April 1, 2015	August 1, 2015
Prepare Construction Drawings for SSE Service Lines	April 15, 2015	July 15, 2015
Obtain Building Permit - Approvals	September 1, 2015	October 30, 2015
Phase Three - Construction, Transition and Occupancy		
Competitive Bid Process / Select Site General Contractor	August 1, 2015	October 31, 2015
Close on Construction Financing	August 15, 2015	October 31, 2015
Construction Start and Close of Site Work (Mobilization and Equipment Delivery)	November 1, 2015	November 1, 2015
Close on Permanent Financing	April 1, 2016	September 1, 2017
Obtain Certificate of Occupancy and Open the Service Center		February 15, 2017

Operating Identity/Licensee

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

Exact Legal Name:	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Address:	211 South Third Street, Belleville, Illinois 62220

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

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

See attached for St. Elizabeth's Hospital.

File Number 3515-860-0

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

ST. ELIZABETH'S HOSPITAL OF THE HOSPITAL SISTERS OF THE THIRD ORDER OF ST. FRANCIS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 11, 1955, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

Authentication #: 1409000546
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

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.

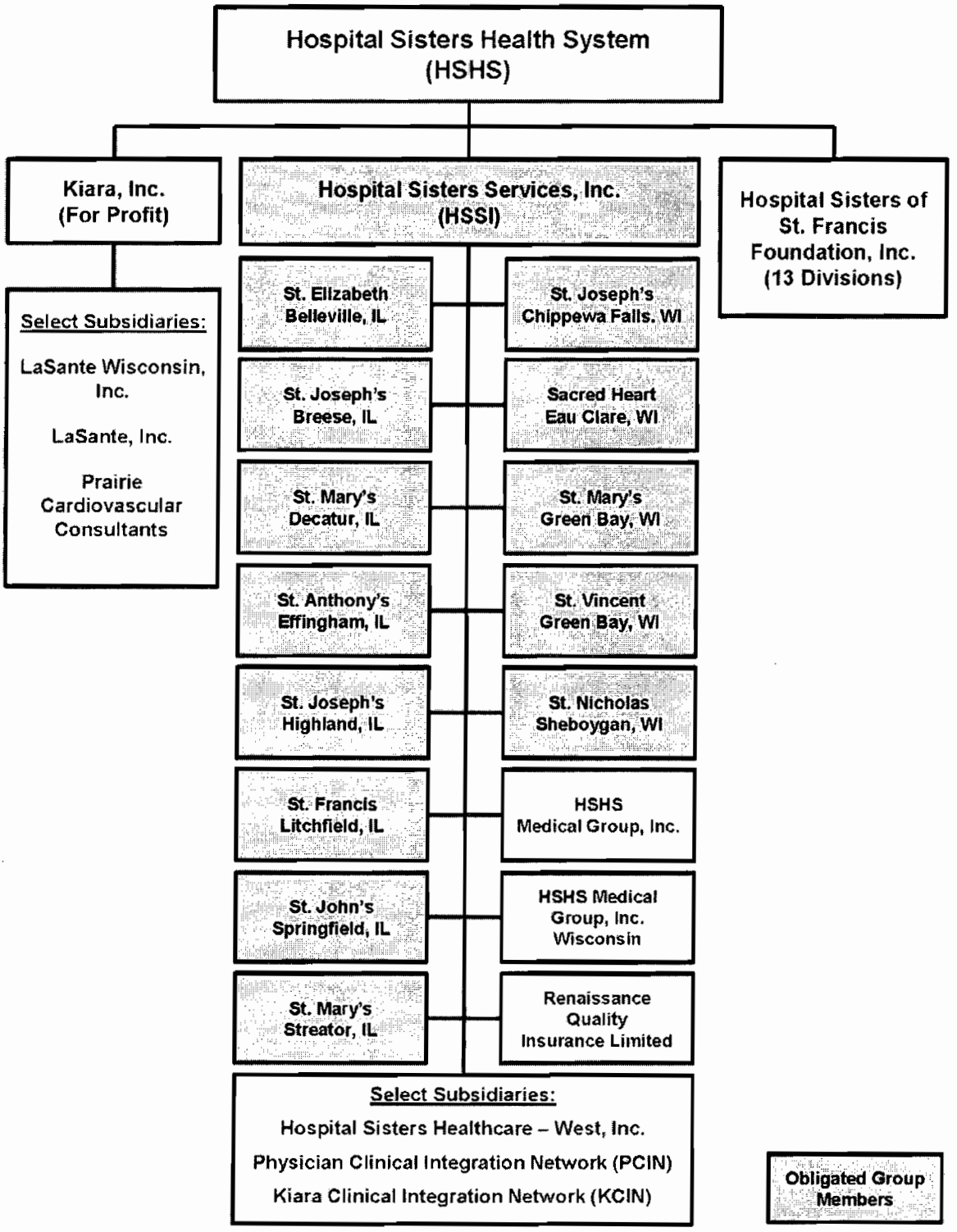
APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the attached organization chart (Attachment 4, Exhibit 1) include HSHS, Hospital Sisters Services, Inc. (HSSI), the 13 hospitals in Illinois and Wisconsin and the HSHS Medical Group, Inc. and the HSHS Wisconsin Medical Group, Inc. (collectively referred to as the Medical Group). Each of the 13 hospitals is separately incorporated and has a seven to eleven member board of directors. The Medical Group is separately incorporated and has boards of directors for each entity.

Hospital Sisters Services, Inc. (HSSI), an Illinois non-for-profit holding company, is the sole member of the 13 hospital in Illinois and Wisconsin (collectively referred to as the Obligated Group). HSSI and the 13 hospitals have formed an Obligated Group for debt financing purposes. HSSI and the 13 hospitals are the only members of the Obligated Group. The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services.

HSSI is also the sole member of the HSHS Medical Group, Inc. and the HSHS Wisconsin Medical Group, Inc. (collectively referred to as the Medical Group) as well as a number of other not-for-profit entities. HSSI formed the Medical Group for the purpose of affiliating with physicians both to improve access to care and to improve the continuum of care for patients within HSHS.

HSHS Organization Chart



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.

In accordance with the Flood Plain Requirements in the July 2013 Edition of the Certificate of Need application, Illinois Executive Order #2005-5, and by the signatures on this application, Hospital Sisters Health System, Hospital Sisters Services, Inc., and St. Elizabeth's Hospital attest that the proposed site for the replacement and establishment of St. Elizabeth's Hospital is not in a flood plain and that the location complies with Flood Plain Rule under Executive Order #2005-5.

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.

St. Elizabeth's Hospital in Belleville, Illinois is proposing to relocate its facilities to a greenfield site in O'Fallon, Illinois. Attached is a copy of the letter sent to the Illinois State Historic Preservation Agency, Service Division requesting the Agency's Determination on the applicability of the Historic Preservation Resources Preservation Act to these two sites.

The Agency's response will be forwarded to the Health Facilities and Services Review Board upon receipt.

Illinois Historic Preservation Agency

1 Old State Capitol Plaza, Springfield, IL 62701-1512

FAX (217) 524-7525
www.illinoishistory.gov

St. Clair County
Belleville and O'Fallon
Demolition, Vacate Existing Structures, Modernization and New Construction of Replacement Hospital, St. Elizabeth's Hospital
211 S. 3rd St., 340 W. Lincoln St., 311 W. Lincoln St., 301 W. Lincoln St., 160 S. 3rd St., Belleville; 915 St. Clair St., Area Bounded by Regency Park, Green Mount Road and Main St., O'Fallon
IHPA Log #022072214

August 12, 2014

Janet Scheuerman
PRISM Healthcare Consulting
1808 Woodmere Drive
Valparaiso, IN 46383

Dear Ms. Scheuerman:

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

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

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

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

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic Preservation Officer

For TTY communication, dial 888-440-9009. It is not a voice or fax line.

Project Costs and Sources of Funds – Ambulatory Care Center (Leased Space)

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	$403,161	$316,770	$719,932
Site Survey and Soil Investigation	18,626	14,635	33,261
Site Preparation	1,624,894	1,276,704	2,901,598
Off Site Work	606,146	476,258	1,082,404
New Construction Contracts	0	0	0
Modernization Contracts	0	0	0
Contingencies	0	0	0
Architectural/Engineering Fees	492,606	387,048	879,654
Consulting and Other Fees	1,133,433	890,555	2,023,988
Movable or Other Equipment (not in construction contracts)	3,0889,658	2,427,591	5,517,249
Bond Issuance Expense (project related)	94,356	74,137	168,493
Net Interest Expense During Construction (project related)	850,655	668,372	1,519,027
Fair Market Value of Leased Space or Equipment [1]	7,716,892	6,063,280	13,780,172
Other Costs To Be Capitalized	3,145,976	2,471,841	5,617,817
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS	$19,176,403	$15,067,191	$34,243,594
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$5,229,193	$4,108,652	$9,337,845
Pledges	0	0	0
Gifts and Bequests	167,703	131,767	299,470
Bond Issues (project related)	13,779,516	10,826,762	24,606,278
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	$19,176,413	15,067,181	$34,243,594
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

1. Includes only leased space

PROJECT COSTS

Items	Cost
Pre-Planning	**$ 719,932**
Initial Program Management	$ 20,714
Financial Consulting Services	$ 61,006
CON Prep Consultant	$ 66,308
CON Preplanning	$ 26,327
Planning & Programming Fees	$ 226,523
Site Survey	**$ 33,261**
Geotechnical & Surveying Services	$ 12,698
Natural Resource Consulting	$ 3,904
Soils Testing and Borings	$ 42,863
Site Preparation	**$ 2,901,598**
Existing Site Demolition	$ 36,319
Excavation and Backfill	$ 2,401,225
OFF-Site Work	**$ 1,082,404**
Drainage,utilities,roads	$ 1,052,879
Ameren Gas Line Relocation	$ 803,686
Power Line Relocation	$ 78,583
New Construction Contracts	**$ 13,155,154**
Contingencies	**$ 625,018**
Architect/Eng Fees	**$ 879,654**
Consulting and Other Fees	**$ 2,023,988**
Program Management	$ 912,892
Signage/Graphic Design	$ 36,572
Interior Designer and FFE	$ 101,487
Acoustics and Vibration	$ 9,143
Models/Presentation Materials	$ 1,829
Helicopter Pad Consultant	$ 4,571
Helicopter Noise and Plume Studies	$ 4,571
Elevator/Conveyance Consultant	$ 9,143
Radiation Physicist	$ 4,571
Traffic Engineer	$ 4,571
Medical Equipment Planner	$ 116,390
IT Planner - EDI	$ 72,874
Food Service Planner-Stewart Design	$ 13,989
Artwork Planner	$ 4,571
Construction Audit Services	$ 17,372
Commissioning Services	$ 45,715
Traffic &Consultant	$ 4,571
Legal Services	$ 34,743
Waterproofing Consultant	$ 4,571
Parking Consultant	$ 2,194
CON Design Serivces	$ 411,980
CON Application Fee	$ 18,286
Moveable/Equipment (not in construction contracts)-POB	**$ 5,517,249**
Administration	$ 9,714
Cardiac Rehab	$ 376,860
Health Information Services	$ 1,055
Infoirmation Technology-Hospital Based	$ 1,290
Infusion Services	$ 45,523
Laboratory/Pathology	$ 1,603,988
Medical Staff Services	$ 8,985

Pain Management	$	432,605
Performance Excellence/Infection Control	$	2,108
Residencey Clinics	$	12,684
Wellness Center Therapies - PT/OT/SP/Audio/Women	$	190,283
Women's Center	$	2,521,164
Discounts, Salvage,Freight	$	310,990
Bond Issuance Expense (project related)	**$**	**168,493**
Net Interest Expense During Construction (project related)	**$**	**1,519,027**
Other Costs to be Capitalized	**$**	**5,617,817**
Furniture	$	441,710
Exterior Signage	$	54,858
Interior Signage	$	27,429
OFCI(Dispensers (towels, soap), glove box holders, trash cans,etc.)	$	109,716
Artwork	$	4,571
Software Applications & Licenses	$	365,720
Telephone System (VoIP)	$	188,474
Network Equipment (Wireless, LAN,etc)	$	164,574
Televisions	$	42,259
IT - Workstations, Displays, Etc.	$	256,735
AV - Presentations Systems	$	25,509
Parking Controls	$	4,571
Personal Communications Systems	$	25,600
Inside re-Radiating 802.11 & Tracking Ready	$	123,769
Relocate Emergecny Radios	$	1,829
Time & Attendance Clocks	$	6,400
IT Relocation	$	18,286
IT Relocation Costs	$	18,286
IT Misc	$	124,201
Site Permit Fees	$	9,143
FAA Fee	$	4,571
Temporary Signage	$	4,571
Temporary Utility Costs - Substantial Completion to Opening	$	18,286
HSHS Internal Staffing (PM, Facility Manager, Admin, IT, etc)	$	208,095
HSHS Internal Misc Costs (Security, Shuttle,etc)	$	125,259
Independent Testing Services -	$	211,480
Exterior Wall Tests	$	9,143
Keying System Coordination	$	914
Parking Lot : Pavement, Lighting, Curbs & Gutters	$	778,373
Mine Mitigation -Design	$	100,014
Mine Mitigation	$	2,757,535

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): St. Elizabeth's relocation project will be completed by December 31, 2017. The attached Ambulatory Care Center/Physician Office Building will be completed on the same date.

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

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

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

Attachment 9 Worksheet Cost Space Requirements (Autosaved) cost_space 8/17/2014

Project Cost / Space Requirements							
		Gross Square Feet		Amount of Proposed Total GSF That Is:			
Department	Project Cost	Existing	Proposed	New Construction	Remodeled	As Is	Vacated Space
Reviewable / Clinical				(Leased Space)			
Cardiac Rehab / H2H Clinic	$ 3,827,612	9,999	6,052	6,052			9,999
Infusion Center	$ 1,194,691	2,023	1,892	1,892			2,023
Laboratory, Pathology, Blood Bank	$ 5,620,607	11,588	8,899	8,899			11,588
Pain Management Procedure Room	$ 657,751	3,555	1,042	1,042			3,555
Outpatient Physical Medicine	$ 5,488,289	9,789	8,689	8,689			9,789
Women's Imaging [1]	$ -						
Mammography	$ 1,583,971	-	2,508	2,508			-
Densitometry	$ 295,317	-	469	469			-
Ultrasound (mobile)	$ 508,175	-	804	804			-
Total Women's Imaging	$ 2,387,463	2,924	3,781	3,781			2,924
	$ -						
	$ -						
	$ -						
Total Clinical	19,176,413	39,878	30,365	30,365	0	0	39,878

[1] Detail on mammography, densitometry and ultrasound (mobile) not available.

NOTE: The project cost is not related to construction costs that the applicants will be expending. Rather it relates to the FMV of space to be leased in the proposed ACC, and related apportioned projects. The apportioned project costs of the GSF of leased space was used to calculate the FMV of the leased space.

Attachment 9 Worksheet Cost Space Requirements (Autosaved) cost_space 8/17/2014

Project Cost / Space Requirements							
		Gross Square Feet		Amount of Proposed Total GSF That Is:			
Department	Project Cost	Existing	Proposed	New Construction	Remodeled	As Is	Vacated Space
				(Leased Space)			
Administration	$ 3,379,571	5,624	7,594	7,594			5,624
Health Information Services		4,285	0	0 *			4,285
Information Technology Offices	$ 608,715	9,336	1,367	1,367			9,336
Medical Staff Services		2,829	0	0 *			2,829
Human Resources		2,549	0	0 *			2,549
Performance Excellence		2,019	0	0 *			2,019
Volunteers Development	$ 744,319	1,090	1,673	1,673			1,090
Pain Management Physician Clinic	$ 1,047,170	0	3,406	3,406			0
Outpatient Dietary Consulting	$ 222,994	0	500	500			0
SLU Residency Clinics	$ 8,717,867	26,000	19,586	19,586			26,000
Nutrition Offices	$ 346,545	0	778	778			0
Total Non-Clinical	$ 15,067,181	53,732	34,904	34,904			53,732
Total Project	$ 34,243,594	$ 93,610	$ 65,269	$ 65,269			$ 93,610

* Health Information Services, Medical Staff Offices, Human Resources and Performances Excellence included in Administration.

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

5. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

6. 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.

7. 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.**

8. 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.

III. Criterion 1110.230 – Background of the Applicant

This Ambulatory Care Center is the second application that St. Elizabeth's Hospital is filing in calendar year 2014. The first is the replacement hospital (on a new site) project that was filed simultaneously with this application. The required attestation letter is attached.

St. Elizabeth's Hospital

August 25, 2014

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

Dear Ms. Avery:

The purpose of this letter is to provide my attestation that the information required to respond to Criterion 1110.230, Background of the Applicants has been provided in a previous application.

The previous application relates to the replacement of St. Elizabeth's Hospital; this application relates to an Ambulatory Care Center in space to be leased in a free standing building that will be physically linked to the replacement hospital facility. The applications are being filed simultaneously, and therefore the hospital application does not, at this time, have a project number. I further certify that no changes have occurred regarding the information that is submitted in the hospital application.

Sincerely,

Maryann L Reese

Maryann L. Reese
President and CEO

211 South Third Street
Belleville, IL 62220
618-234-2120
www.steliz.org

An Affiliate of Hospital Sisters Health System

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

PURPOSE OF PROJECT

7. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
8. Define the planning area or market area, or other, per the applicant's definition.
9. 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.]
10. Cite the sources of the information provided as documentation.
11. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
12. 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 Board 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.

1. *Document that the project will provide health services that improve the health care or well-being of the market population to be served.*

St. Elizabeth's Hospital is simultaneously filing two applications. One is for the replacement of the hospital on a new site. This application proposes leased space in an ambulatory care center/ physician office building that will be directly connected to the proposed new hospital building. St. Elizabeth's is proposing to lease 65,269 DGSF in the ACC/POB for administrative space, physician office space and to house several hospital clinical services including the following:

- Cardiac Rehabilitation/(H2H Clinic)
- Infusion Center
- Laboratory/Pathology/Blood Bank
- Pain Management
- Outpatient Physical Medicine
- Women's Imaging
  - Mammography/Stereotactic
  - Densitometry
  - Mobile Ultrasound

Due to the changing clinical trends over the past 20 years and the goals established by the Affordable Care Act, the delivery of appropriate care in the outpatient setting is becoming increasingly important and often provides a less costly alternative.

The overall purpose of the Hospital relocation project and the ACC/POB leased space are the same. The purpose is consistent with the requirement of Section 1100.360 of the Illinois Health Planning Act that *"The people of Illinois should have facilities which are modern, in accord with recognized standards of design, construction, operation, and which represent the most cost efficient alternative for the provision of care."* St. Elizabeth's Hospital assessed three alternatives to providing the above listed clinical services as well as an array of non clinical services and determined that leasing space was the best alternative. A third-party developer will not only develop space to be leased by the Hospital but also develop physician office space. While this office space is not part of this project, it is an important consideration because it will permit several staff physicians to relocate as well as new physicians to locate their practices to the hospital campus. Having these physicians on site (and most of them will be specialists and subspecialists) will facilitate an interdisciplinary approach and continuity of care for patients, convenience for patients and physicians, and recruitment of needed physicians to St. Elizabeth's medical staff.

The proposed leased space will improve health care and the well-being of the market population by providing needed, high quality, less costly outpatient services. This purpose is fully consistent with the mission of St. Elizabeth's Hospital and the Hospital Sisters Health System.

2. *Define the planning area or market area, or other, per the applicant's definition.*

St. Elizabeth's Hospital has defined the market area of the replacement facility in O'Fallon based on its current patient origin. There will be no change in the patient origin by zip code when the Hospital relocates except for the exclusion of acute mental illness and pediatric patients because these services will be discontinued.

Market Area of St. Elizabeth's Hospital
Excluding AMI

Area	No. of Patients	Percent of Patients
Market Area	7,772	86.1
Extended Market Area	1,162	13.9
Total	8,884	100.0

Source: Hospital Records

Note: Excludes AMI and pediatric categories of service which will not be relocated to the new site.

Of St. Elizabeth's total patients, 89.9 percent reside in the defined market area and 16.1 percent are from beyond that area.

Characteristics of St. Elizabeth's Hospital Market Area

County Health Rankings & Roadmaps

In each of the last 4 years, a collaborative effort between Robert Wood Johnson and the University of Wisconsin Population Health Institute has published "*County Health Rankings & Roadmaps; A Healthier Nation, County by County*" for the United States for each State and for most counties in the United States. *The Rankings* rely on a robust set of data that enables county leaders to understand what it is that makes residents sick or healthy, and how their county compares to other counties in their state. *The Rankings* provide a snapshot of how long and how well people live and a roadmap to improving the multiple factors that will improve the health of the county's residents. The following table shows that in 2012 St. Clair County ranked 88 out of 102; in 2013, the County ranked 89. Lower rankings are best.

St. Clair County Health Rankings, 2012

Category	Weight of Factors	Rank (of 102)	St. Elizabeth's/ SID Collaboration
Health Outcomes – Current State		88	
Mortality Premature Death	50%	87	
Morbidity Poor of fair health Poor physical health days Poor mental health days Low birth weight	50%	96	

Category	Weight of Factors	Rank (of 102)	St. Elizabeth's/ SID Collaboration
Health Factors – Proven Indicators that Improve Population Health	100%	95	
Health Behaviors Tobacco use Diet and exercise Alcohol use Sexual activity	30%	93	Yes
Social and Economic Factors Education Employment Income Family and Social Support Community Safety	40%	98	Yes
Physical Environment Environmental quality Built environment	10%	85	Yes
	100%	88	

Source: http://www.countyhealthrankings.org/app10/31/13

Considerations Used to Determine Priority Initiatives to Improve the Health and Well-Being of the Service Area Population

In order to identify and prioritize recruitment, program development, and community outreach alternatives, St. Elizabeth's Hospital studies a range of population characteristics and evaluates their impact on the health and well-being of the area. The Hospital uses Illinois data as a benchmark.

Market Area Population 2013-2019

The current adult population of St. Elizabeth's proposed market area for the replacement hospital is 316,774 people; the population is expected to increase 4.2 percent between 2013 and 2019, the second full year of operation of the proposed replacement facility.

Market Area Population by Age Cohort, 2013

Age Cohort	15-44	45-64	65-74	75+	Total
Total Market Area	155,494	108,737	27,161	25,381	316,774

Source: Claritas

Market Area Population by Age Cohort, 2019

Age Cohort	15-44	45-64	65-74	75+	Total
Total Market Area	157,779	111,203	33,734	27,310	330,026

Source: Claritas

Percent Change Market Area Population by Age Cohort, 2013-2019

Age Cohort	15-44	45-64	65-74	75+	Total
Total Market Area	1.5	2.3	24.2	7.6	4.2

Source: Claritas

The obstetric population is expected to increase modestly. The population in the 45-64 age cohort is expected to experience growth overall while the senior age groups (65-74 and 75+) are expected to show strong growth in the market area. The increasing proportion of seniors in the population will place additional demands on health care providers since seniors are more likely to have one or more chronic conditions as well as acute episodes and therefore require more physician office visits as well as more medical-surgical and rehabilitation inpatient and outpatient services than do the younger age cohorts.

Comparison of Demographic Characteristics, St. Clair County and Illinois

Population

Population growth between 2012 and 2017 (the latest year provided by DataBay Resources) is expected to be 3.3 percent for St. Clair County and 3.05 percent for Illinois suggesting that the County's population growth is slightly stronger than Illinois overall.

Comparison of 2012 Age Distribution of St. Clair County and Illinois

Age Cohort	Percent St. Clair County	Percent Illinois
0-14	21.0	20.5
15-44	40.3	41.6
45-64	26.2	25.6
65-74	6.3	6.5
75+	6.2	5.8
Total	100.0	100.0

Source: DataBay Resources

Comparison of 2012 Ethnicity Composition of St. Clair County and Illinois

Ethnicity	Percent St. Clair County	Percent Illinois
Hispanic	3.3	16.4
Non Hispanic	96.7	83.6
Unknown	--	--
Total	100.0	100.0

Source: DataBay Resources and 2012 AHQ

Average Household Income

The proportion of low income households, those typically with the most challenging access to health care, is higher in St. Elizabeth's home county than in Illinois. Hospital Sisters Health System's mission focuses on uninsured and vulnerable populations. The Hospital, in collaboration with the East Side Health District, took an active role to help the uninsured enroll in the Health Insurance Marketplace or Medicaid. Further, the Hospital published a brochure encouraging enrollment and provided important facts about the Health Insurance Marketplace.

Comparison of 2012 Household Income of St. Clair County and Illinois

2012 Household Income	Percent St. Clair County	Percent Illinois
Less than $15,000	14.9	11.6
$15,000 to $24,999	11.4	9.6
$25,000 to $34,999	12.5	10.3
$35,000 to $49,999	15.6	15.1
$50,000 to $74,999	19.8	20.2
$75,000 to $99,999	11.9	13.1
$100,000 to $149,999	9.7	12.6
$150,000 to $499,999	3.9	6.8
$500,000 or more	0.3	0.7
Total	100.0	100.0

Source: DataBay Resources

Unemployment

According to *"County Health Rankings & Roadmaps"* the unemployed population experiences poorer health and higher mortality rates than the employed population. Unemployment has been shown to increase unhealthy behaviors related to alcohol and tobacco consumption, diet, exercise and other health-related behaviors, which in turn can lead to increased risk for disease or mortality. Because employer-sponsored health insurance has been the most common source of health insurance coverage, unemployment can also limit access to health care. During 2011 and 2012, the unemployment rate in St. Clair County has been similar to the State average but substantially higher than the national target of 5 percent.

Comparison of 2012
Unemployment Rates in St. Clair County and Illinois

Unemployment Rate –Not Seasonably Adjusted	Rate in St. Clair County	Rate in Illinois
2010	9.7	10.4
2011	10.1	9.7
2012	9.1	8.9

Source: US Department of Labor, Bureau of Labor Statistics

Medically Underserved Areas/Population, Health Manpower Shortage Areas

St. Clair County has been designated as a Health Manpower Shortage Area and a Medically Underserved Area/Population by the Health Resources and Services Administration. (*Federal Register, June 25, 2014).* According to the Health Resources and Services Administration, St. Clair County has a shortage of 18 primary care and mental health physicians and dentists and is designated as a MUA/Population (medically underserved area/population). These data were also reported in the June 25, 2014 *Federal Register.*

Both the *"County Health Rankings & Roadmaps: A Healthier Nation, County by County"* and the section of this application related to the Comparison of Demographic Characteristics, St. Clair County and Illinois describe an area that will require more health care services than many other counties in Illinois.

St. Elizabeth's Hospital is attending to the identified health care needs in St. Clair County and the Metro East region in the following ways.

First, St. Elizabeth's is investing capital to establish a modern and accessible hospital, on a campus with an ambulatory care building that anticipates the continued trend toward outpatient care. Second, the Hospital will continue to partner with local providers and other agencies to improve all of the factors that contribute to the health and wellness of the population and to develop a comprehensive integrated care delivery model in the region. Third, the Hospital is actively recruiting physicians and developing new clinical programs and expanding others where there is evidence of need to serve this growing, high risk population.

3. *Define 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].*

The issue the proposed project addresses is the overriding need for a modern replacement hospital. The current St. Elizabeth's Hospital building is over 60 years old, is in an area that is difficult to access and is associated with aging medical office and ambulatory care buildings. Relocating the Hospital to a new site where an appropriately sized facility can be built, with better geographic access to the population served by the existing hospital and with a physically linked office and ambulatory care building (the subject of the proposed application) is the best way to address the problems of the current aging facility, given its location. It also allows for the applicants to place certain hospital based services that are primarily outpatient focused in an appropriate ambulatory care focused building.

4. *Cite the sources of the information used in this documentation.*

The following sources of information were used in the development of the responses in this application (and in the related hospital relocation application).

- Hospital Sisters Health System and St. Elizabeth's Hospital clinical, administrative, and financial data
- State of Illinois and local demographic reports
- IDPH's *Hospital Profiles*
- HFSRB Rules
- HFSRB Standards and Guidelines
- MapQuest
- Claritas
- DataBay Resources
- Summaries of studies performed by external planners, architects and engineers, construction managers, and equipment planners
- *"County Health Rankings & Roadmaps; A Healthier Nation County by County,"* University of Wisconsin Population Health Institute
- *"Health Care System 'In Pursuit of Excellence' Case Example," December 2009* American Hospital Association (http://aha.org/about/membership/constituency/hcs/hshscare.shtml,12/23/2013).
- Guidance from State Staff
- US Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics
- Healthcare literature relating to departments that are included in the project
- Healthcare literature relating to trends in utilization
- Healthcare literature related to possible implications of State and National health care reform
- Illinois Department of Public Health Licensing Code
- Illinois and local building, mechanical, electric and accessibility codes

5. Detail how the project will address or improve the previously referenced issue.

The leased space is consistent with the issues referenced in Response 2 above, because it allows hospital outpatient services to be offered in a building that is primarily designed to accommodate outpatient services. These services can be accessed through and for outpatient hospital patients and/or patients of the various physician office to be located in the ambulatory care building. It is a cost effective means for providing for the necessary hospital-based services while at the same time making them readily available and readily accessible to both hospital outpatients, and when needed for inpatients through a direct link to the hospital building.

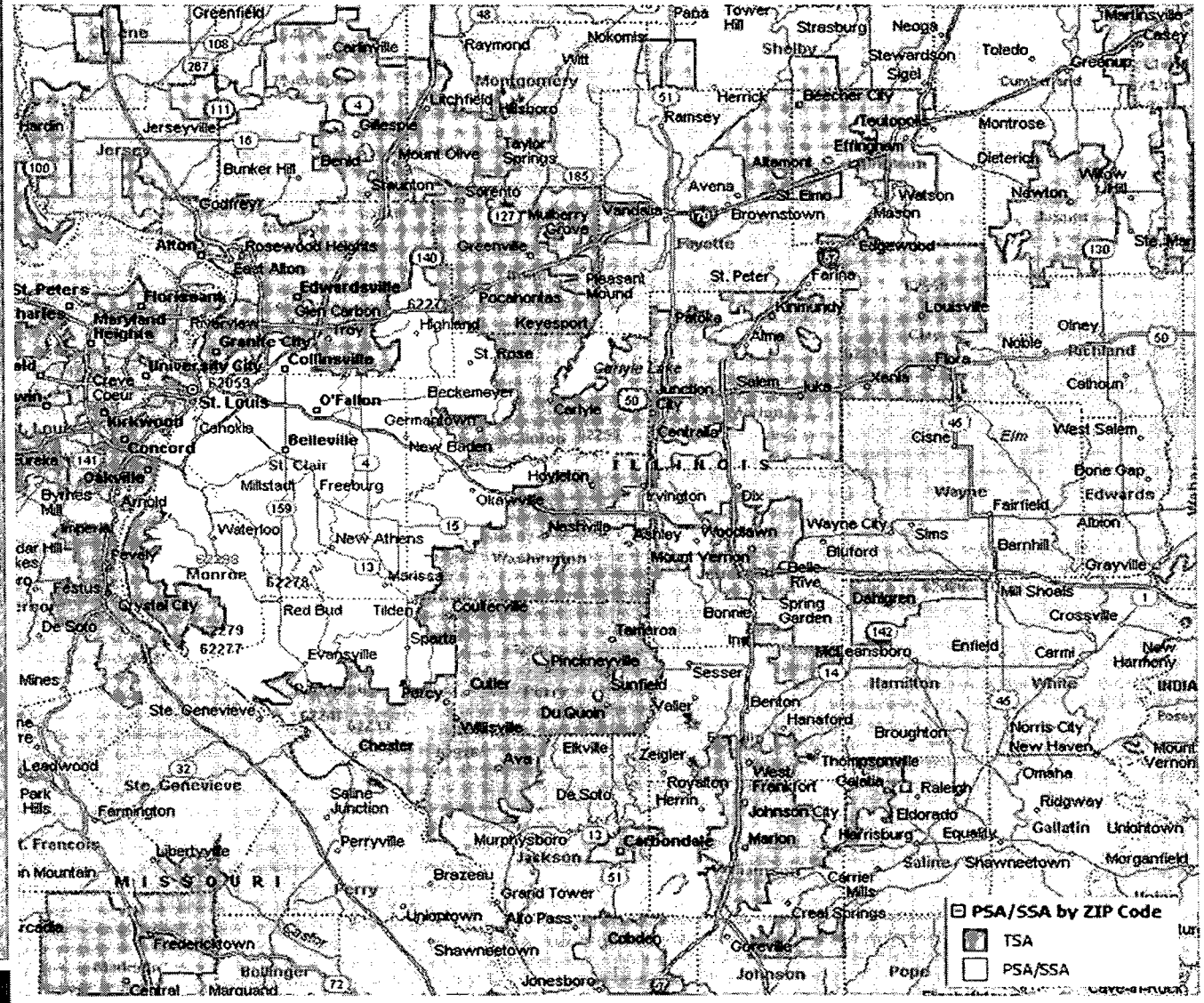
6. Provide goals and objectives with specific timeframes that relate to achieving the stated goals, ***as appropriate.***

The goal of this project is to provide ambulatory services that are hospital based in a setting that is convenient to both inpatients and outpatients, while attached to the hospital and easily accessible. Target Timeframe: December 2017.

SEB Replacement Hospital
Population Projections

Zip Code	City Name	2013 15-44	2013 45-64	2013 65-74	2013 75+	2013 Total	2019 15-44	2019 45-64	2019 65-74	2019 75+	2019 Total	Percent Change, 2013 to 2019 15-44	45-64	65-74	75+	Total
62226	Belleville	11,616	8,581	2,152	2,566	24,915	11,554	8,625	2,582	2,667	25,428	-0.5%	0.5%	20.0%	3.9%	2.1%
62208	Fairview Height	7,223	4,954	1,276	1,245	14,697	7,489	5,065	1,669	1,361	15,584	3.7%	2.2%	30.8%	9.4%	6.0%
62220	Belleville	8,119	5,395	1,181	1,215	15,910	8,163	5,394	1,478	1,266	16,301	0.5%	0.0%	25.1%	4.2%	2.5%
62221	Belleville	10,970	7,280	1,664	1,339	21,252	11,420	7,604	2,187	1,458	22,669	4.1%	4.5%	31.4%	8.9%	6.7%
62223	Belleville	6,241	5,130	1,402	1,671	14,444	6,142	5,012	1,675	1,731	14,560	-1.6%	-2.3%	19.5%	3.6%	0.8%
62225	Scott AFB	2,986	501	11	11	3,508	3,125	597	11	11	3,744	4.7%	19.1%	4.8%	4.8%	6.7%
62254	Lebanon	2,811	1,813	501	424	5,548	2,937	1,933	591	478	5,939	4.5%	6.6%	18.1%	12.9%	7.1%
62258	Mascoutah	3,790	2,559	580	570	7,499	4,069	2,772	759	658	8,258	7.4%	8.3%	30.9%	15.4%	10.1%
62269	O'Fallon	13,201	9,428	1,933	1,324	25,884	14,229	10,325	2,661	1,546	28,761	7.8%	9.5%	37.7%	16.8%	11.1%
PSA TOTAL		**66,955**	**45,640**	**10,698**	**10,363**	**133,656**	**69,128**	**47,327**	**13,613**	**11,176**	**141,244**	**3.2%**	**3.7%**	**27.2%**	**7.8%**	**5.7%**
62034	Glen Carbon	5,642	3,588	912	996	11,138	5,968	3,777	1,164	1,076	11,985	5.8%	5.3%	27.6%	8.0%	7.6%
62060	Madison	1,914	1,241	296	271	3,722	1,784	1,156	347	272	3,559	-6.8%	-6.8%	17.1%	0.5%	-4.4%
62062	Maryville	2,870	2,322	626	469	6,287	3,051	2,483	788	542	6,864	6.3%	6.9%	25.9%	15.5%	9.2%
62090	Venice	444	310	86	59	899	366	252	89	53	760	-17.5%	-18.6%	3.2%	-10.5%	-15.4%
62201	East Saint Louis	3,382	1,519	426	377	5,703	3,167	1,411	479	371	5,428	-6.4%	-7.1%	12.6%	-1.5%	-4.8%
62203	East Saint Louis	3,248	2,296	741	502	6,788	2,974	2,030	821	519	6,344	-8.4%	-11.6%	10.8%	3.3%	-6.5%
62204	East Saint Louis	3,108	1,945	522	324	5,899	2,781	1,727	571	338	5,417	-10.5%	-11.2%	9.5%	4.3%	-8.2%
62205	East Saint Louis	3,435	2,373	716	685	7,209	3,239	2,188	802	673	6,902	-5.7%	-7.8%	12.0%	-1.7%	-4.3%
62206	East Saint Louis	6,781	3,835	780	737	12,133	6,401	3,589	910	739	11,639	-5.6%	-6.4%	16.7%	0.3%	-4.1%
62207	East Saint Louis	3,248	2,034	512	540	6,333	3,093	1,908	579	538	6,118	-4.8%	-6.2%	13.1%	-0.4%	-3.4%
62230	Breese	2,372	1,377	497	489	4,735	2,441	1,806	594	523	5,364	2.9%	31.1%	19.6%	7.0%	13.3%
62232	Caseyville	2,794	2,078	559	561	5,992	2,790	2,030	648	577	6,045	-0.1%	-2.3%	15.9%	2.9%	0.9%
62234	Collinsville	13,497	8,853	2,332	2,090	26,772	13,516	8,830	2,939	2,233	27,518	0.1%	-0.3%	26.0%	6.9%	2.8%
62243	Freeburg	2,047	1,926	425	457	4,854	2,136	2,042	523	502	5,203	4.3%	6.0%	23.2%	9.9%	7.2%
62249	Highland	6,110	4,481	1,194	1,207	12,992	6,388	4,735	1,540	1,337	14,000	4.5%	5.7%	29.0%	10.7%	7.8%
62255	Lezburg	370	362	84	80	896	355	345	102	85	887	-4.1%	-4.7%	22.2%	5.9%	-1.0%
62257	Marissa	1,211	1,079	350	269	2,908	1,152	1,007	421	293	2,873	-4.8%	-6.7%	20.4%	8.9%	-1.2%
62260	Millstadt	2,508	2,326	557	598	5,989	2,645	2,425	740	657	6,467	5.5%	4.2%	32.9%	9.9%	8.0%
62264	New Athens	1,203	989	253	276	2,720	1,225	1,014	308	296	2,843	1.9%	2.5%	21.9%	7.4%	4.5%
62265	New Baden	2,026	1,437	334	282	4,078	2,085	1,504	417	319	4,325	2.9%	4.7%	24.9%	13.3%	6.1%
62278	Red Bud	2,358	1,952	597	626	5,533	2,352	1,949	699	674	5,674	-0.2%	-0.2%	17.0%	7.6%	2.5%
62281	Saint Jacob	842	698	171	102	1,812	890	738	227	128	1,983	5.8%	5.8%	32.9%	25.2%	9.4%
62285	Smithton	1,612	1,339	325	294	3,569	1,750	1,484	402	336	3,972	8.6%	10.8%	23.9%	14.2%	11.3%
62286	Sparta	2,324	2,086	688	543	5,640	2,244	2,010	784	576	5,614	-3.4%	-3.6%	14.0%	6.1%	-0.5%
62293	Trenton	1,682	1,361	366	319	3,728	1,720	1,416	489	346	3,971	2.3%	4.0%	33.7%	8.5%	6.5%
62294	Troy	5,593	4,170	850	663	11,275	5,891	4,472	1,152	758	12,273	5.3%	7.3%	35.6%	14.4%	8.9%
62298	Waterloo	5,924	5,122	1,268	1,204	13,518	6,247	5,548	1,586	1,373	14,754	5.5%	8.3%	25.1%	14.1%	9.1%
TOTAL SSA		**88,539**	**63,097**	**16,463**	**15,019**	**183,118**	**88,651**	**63,876**	**20,121**	**16,134**	**188,782**	**0.1%**	**1.2%**	**22.2%**	**7.4%**	**3.1%**
TOTAL PSA/SSA		**155,494**	**108,737**	**27,161**	**25,381**	**316,774**	**157,779**	**111,203**	**33,734**	**27,310**	**330,026**	**1.5%**	**2.3%**	**24.2%**	**7.6%**	**4.2%**

Source: Hospital Records



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Source: Hospital Records Market Area of St. Elizabeth's Hospital (excluding AMI)

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.

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.

Alternative 1 Construct a Replacement Hospital That Would Include Those Services To Be Located in the Ambulatory Care Center (ACC)

Alternative 1 envisioned a traditional approach to hospital construction (or institutional standard occupancy) and included locating those services proposed for leased space in the ACC/POB to be located in the main hospital building. This approach was rejected for two reasons. First was the high cost of this option – it was estimated to cost $16.8M more than the proposed cost of this project. Second it did not accommodate the need for significant physician office space.

Alternative 2 Construct One Hospital Building To House All Hospital Services Including Those Proposed for ACC/POB, But With Some of Those Services In a Portion of the Hospital Built to Business Occupancy Construction Codes/Standards as Opposed to Life Safety Code Standards

Business occupancy construction is appropriate for service-type transactions including professional offices, outpatient clinics, administrative spaces, educational occupancies and laboratories. This type of construction would not be as restrictive from a cost standpoint because it does not have to comply with Life Safety Code Requirements Pertaining to Hospitals. Thus, this second alternative considered building parts of the hospital that required institutional standard in that level of construction and others that did not in business occupancy space. While there would still have to be two buildings developed with different construction codes, they could be developed as one integrated structure, but still at a lesser cost than if institutional occupancy construction was used throughout. This alternative is programmatically difficult from an architecture and engineering standpoint, would present difficulty from a design standards vantage point and also could cause confusion during actual construction as to applicable codes/standards used for one integrated structure (since the two vary significantly). This would raise the risk of non-compliance for the hospital/clinical component of the integrated structure. Further, this alternative would not accommodate a free standing physician office building, which is most likely to have been necessary regardless. The development of almost all new hospital construction (from very small to very large hospitals) has included a significant medical office building component to accommodate independent physicians and specialists. Thus either the Hospital or a developer would need to construct an independent building regardless. For the foregoing reasons alternative 2 was rejected. The cost was estimated to be approximately the same proposed project cost, but it would not include a medical office building.

Alternative 3 Utilize a Third Party Developer to Construct a Building That Would Include Leased Space for the Ambulatory Care Center and Physician Office Space

This option proved to be the alternative of choice because it allowed the Hospital to provide the square footage that it needed without compromising services or function. Total square footage (hospital and leased space) could be constructed so that it would appear to be a single building and traffic patterns between the buildings could be created to ease movement through the buildings. Finally, as an added benefit, the developer was willing to build out significant space for physician offices. Having physicians (especially specialists and subspecialists) on site will enhance a multi-disciplinary team approach to care as well as continuity of care, improve

convenience for patients and for physicians who will be able to see office patients and hospital inpatients without leaving the campus, and will enable recruiting needed physicians to the community. The total project cost of this alternative is $34,243,594.

A portion of the space in the building that will house the Ambulatory Care Center will be leased to physicians who are not employees of the Hospital. A developer owning and leasing the building directly to physician tenants is one positive of the Hospital not constructing and owning the building and leasing directly to non-employed physicians. In addition, there may be space that could be leased to a commercial tenant that would be consistent with its use as a medical building.

1) B) and D) and 2)

Pursuing a Joint Venture

The alternative of a joint venture was not considered, given the nature of this project.

1) C) and D) and 2

Utilizing Other Health Care Resources

Among the spaces suitable for business occupancy space are administration and the clinical laboratory. These services are required for the replacement hospital to be licensed. Similarly, other programs and services planned for the lease space including cardiac rehab, the infusion center, pain management, outpatient physical medicine and women's imaging are integral to the Hospital's clinical programs and would disrupt continuity of care if they were diverted to other health care resources. Even the non-clinical functions in the leased space have close relationship with the Hospital's inpatients and outpatients, including medical staff services, performance improvement, the St. Louis University residency programs, dietary counseling, and nutrition services. For these reasons, utilizing other health care services was rejected.

Summary of Alternatives		
Alternative	Total Project Cost	Rationale
1. Construct a Replacement Hospital including Those Services To Be Located in the ACC/POB in the Main Hospital Building	Approximately $304M versus total project cost of replacement hospital and leased space, which is $287M.	Rejected for the following reason: • High cost • Did not accommodate the need for significant physician office space.
2. Construct a Portion of the Hospital in Business Occupancy Construction	Approximately $287M	Rejected for the following reasons: • Did not accommodate the need for significant office space. Risk of non-compliance due to complicated construction/architect/design standards
3. Utilize a Third Party Developer to Construct a Business Occupancy Building that Would Include Leased Space for the Ambulatory Care Center and Physician Office Space	$34.2 Million (plus main hospital building cost of $253M)	Alternative of choice for the following reasons: • The developer's building would have space that the Hospital could lease for business occupancy functions. • Provided the necessary square footage that the Hospital needed without compromising services or function. • Traffic patterns could be developed that could create ease of movement through the buildings. • Provided space for the developer to lease to physicians that would enhance multi-disciplinary and continuity of care, improve convenience for patients and physicians, and would enable recruiting needed specialists and subspecialist to the region. • The Hospital is not in the business and prefers not to be a landlord. • The Hospital would not lease to commercial tenants; the developer may do so.

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

No empirical data is available given the nature of this project. However, locating primarily outpatient based services in an outpatient focused building is more user friendly for patients.

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

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

Size of the Project

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

The amount of total space programmed for the leased space in the Ambulatory Care Center is necessary and conservative compared to the State Agency guidelines in Appendix 1110 B. There are no areas that exceed the State Agency guidelines.

Department/Service	Number of Key Rooms	Proposed DGSF	Proposed DGSF per Room	State Guideline/ Allowable	Difference per Key Room	Met Standard?
ACC/POB						
Pain Management	1	1,042	1,042	1,100	(68)	Yes
Mammography and Stereotactic	4	2,508	627	900	(273)	Yes

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

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

READ THE REVIEW CRITERION and provide the following information:

PROJECT SERVICES UTILIZATION:

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

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

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

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

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

Attachment 15 is not applicable. See Attachment 34 for the Clinical Service Areas to be located in the ACC.

O. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☒ **Mammography**	**4**	**4**
☒ **Pain Management**	**1**	**1**
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) –	Need Determination – Establishment
Service Modernization	(c)(1) –	Deteriorated Facilities
		and/or
	(c)(2) –	Necessary Expansion
		PLUS
	(c)(3)(A) –	Utilization – Major Medical Equipment
		Or
	(c)(3)(B) –	Utilization – Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT-34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.		

Clinical Service Areas proposed to be in the Ambulatory Care Center include:

Pain Management

Mammography

Cardiac Rehabilitation (H2H Clinic)

Infusion Therapy Center

Laboratory/Pathology/Blood Bank

Outpatient Physical Medicine

Of these, only pain management and mammography are reviewable per State Agency Guidelines.

a) Introduction to the Attachment requires that the applicants comply with the requirements of subsection a) 2) for "New Services or Facility or Equipment."

b) Need Determination

The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to Planning Area Residents

A) Either

i) The primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located: or

ii) If the applicant service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to the residents of the service area.

St. Elizabeth's Patient Origin from HPA F-01

Area	Patients	Percent of Total Patients
HPA F-01	7,772	86.1
Extended Market Area	1,162	13.9
Total	8,884	100.0

Source: Hospital Records.
Note: Excludes AMl and pediatrics which will not be relocated to the new site.

86.1 percent of St. Elizabeth's patients reside in HPA F-01. This high percentage of patients from the health planning area shows that the primary purpose of the proposed project is to serve the residents of the HPA F-01. However, because the hospital provides many advanced services that are not offered at critical access and rural hospitals in the region, the Hospital also receives patients from beyond the planning area. The Hospital's patient origin is not expected to change when the hospital is relocated to a new site.

B) Documentation shall consist of strategic plans or market studies conducted, indicating the historical incidence of disease or health

condition, or use rates of the population. The number of years projected shall not exceed the number of historical years documented. Any projections or trend analyses shall not exceed 10 years.

Pain management (which is treated as surgery for CSA purposes) is among the clinical service areas that St. Elizabeth's will be replaced on a new site, but the procedure room for pain management services will be in the ACC/POB building versus the main hospital building. The project proposes relocating only the one procedure room that is currently operated. The volume for that procedure room in 2013 was 764 surgical hours. This volume supports the State guidelines of 1,500 surgical hours per procedure room. The applicants anticipate no change in volume, and projected volume is based on historical volume as indicated. The applicants anticipate being at target utilization within one year of operation.

Source: *Hospital Profiles, 2008 – 2010, Declaratory Ruling, March 11, 2014, Annual Hospital Questionnaire, 2013*

2) *Service Demand*
To demonstrate the need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections b) 2) A through D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) *Referrals from Inpatient Base*
For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum 2-year historical and 2-year projected number of inpatients requiring the subject CSA.

B) *Physician Referrals*
For CSAs that require physician referrals to create or maintain a patient base volume, the applicant shall document patient origin information for referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true.

C) *Historical Referrals to Other Providers*
If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service need, patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) *Population Incidence*

The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

The physician referral letters located in Attachments 20 and 21 of the simultaneously filed hospital relocation application certify that the St. Elizabeth's medical staff will admit at least the same number of inpatients as they did in 2013 and will continue to refer patients for inpatient and outpatient ancillary services with the expectation that volume will actually increase based on the growth of individual practices and ongoing recruitment of needed physicians to the region. As the Southern Illinois Division regional referral center, St. Elizabeth's does not refer pain management services to other facilities. The projected need does not assume any increase in market share.

The Hospital currently has 1 pain management procedure room and is proposing to have 1 room in the proposed Ambulatory Care Center.

Utilization of the Pain Management Procedure Room at St. Elizabeth's Hospital, 2013

Inpatient Procedure Hours	Outpatient Procedure Hours	Total Procedure Hours
6	758	764

Source: Annual Hospital Questionnaire, 2013

Current Need

764 hours in 2013 ÷ 1,500 hours per room = 1 room justified

In addition, the Hospital projects conservative future need for the service.
The Hospital assumes that future volume willincrease at a rate consistent with population growth.

764 hours in 2013 x 1.042 = 796 hours in 2019

796 hours in 2019 ÷ 1,500 hours per unit = 1 room justified

3) Impact of the Proposed Project on Other Area Providers

The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

St. Elizabeth's replacement hospital will continue to serve the same market area as the current facility. The volume of patients that historically used the pain management procedure rooms will be replicated at the replacement hospital. Thus, the provision of 1 pain management procedure room will not lower utilization of any area providers.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed utilization standards for the services, as specified in Appendix B If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

796 projected pain management hours = State Agency guideline of 1,500 hours per unit

Both current and projected pain management hours per room meet the State Agency guideline for 1 room.

a) Introduction to the Attachment requires that the applicants comply with the requirements of subsection a) 2) for "New Services or Facility or Equipment."

b) Need Determination

The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to Planning Area Residents

A) Either

i) The primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located: or

ii) If the applicant service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to the residents of the service area.

St. Elizabeth's Patient Origin from HPA F-01

Area	Patients	Percent of Total Patients
HPA F-01	7,772	86.1
Extended Market Area	1,162	13.9
Total	8,884	100.0

Source: Hospital Records.
Note: Excludes AMI and pediatrics which will not be relocated to the new site.

86.1 percent of St. Elizabeth's patients reside in HPA F-01. This high percentage of patients from HPA F-01 shows that the primary purpose of the proposed project is to serve the residents of the planning area. However, because the hospital provides many advanced services that may not be offered at the critical access and rural hospitals in the region, the Hospital also receives patients from beyond the planning area. The Hospital's patient origin is not expected to change when the hospital is relocated to a new site.

B) Documentation shall consist of strategic plans or market studies conducted, indicating the historical incidence of disease or health condition, or use rates of the population. The number of years projected shall not exceed the number of historical years documented. Any projections or trend analyses shall not exceed 10 years.

Mammography is among the clinical service areas that St. Elizabeth's will be relocating from its current site. It currently operates four pieces of general mammography equipment in the main hospital building that will relocate to the ACC/POB, for ease of use to this primarily outpatient service. Per the State Guidelines of 5,000 visits per piece of equipment, St. Elizabeth's supports the four pieces of mammography equipment based on 2013 utilization of 18,223.

Source: *Hospital Profiles, 2008, Declaratory Ruling, March 11, 2014, Annual Hospital Questionnaire, 2013*

2) Service Demand

To demonstrate the need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections b) 2) A through D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) Referrals from Inpatient Base

For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum 2-year historical and 2-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals

For CSAs that require physician referrals to create or maintain a patient base volume, the applicant shall document patient origin information for referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true.

C) Historical Referrals to Other Providers

If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service need, patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence

The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

The need is based on historical utilization generally. However, the physician referral letters located in Attachments 20 and 21 of the simultaneously filed hospital relocation application certify that the St. Elizabeth's medical staff will admit at least the same number of inpatients as they did in 2013 and will continue to refer patients for inpatient and outpatient ancillary services, including mammography, with the expectation that volume will actually increase based on the growth of individual practices and ongoing recruitment of needed physicians to the region. As the Southern Illinois Division regional referral center, St. Elizabeth's does not refer screening, diagnostic, or stereotactic mammography patients to other facilities. The projected need is based on historic utilization; no increased market share factor is included. This is a very conservative approach since it accounts for neither the higher utilization of mammography by the older (and faster growing) segments of the female population nor the implementation of the Affordable Care Act.

Utilization of the Mammography Services at St. Elizabeth's Hospital, 2013

Inpatient Visits	Outpatient Visits	Total Visits
12	18,211	18,223

Source: Annual Hospital Questionnaire, 2013

As a side note, St. Elizabeth's currently has 4 screening and diagnostic mammography units and 1 stereotactic; the stereotactic unit is for special procedures and has substantially lower utilization than the screening/diagnostic units. It is not included in utilization for this reason. At project completion, 3 of the general units will be consolidated in the Women's Imaging Center in the Ambulatory Care Center and 1 will remain in at the current Belleville campus. The stereotactic equipment will be at the replacement hospital. Current Need:18,233 total exams ÷ 5,000 exams per unit = 4 units justified

3) Impact of the Proposed Project on Other Area Providers

The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

St. Elizabeth's replacement hospital will continue to serve the same market area as the current facility. The volume of patients that historically used the mammography units is also expected to relocate to O'Fallon. Thus, the provision of 4 mammography rooms will not lower utilization of any area providers.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

18,223 visits (based on historical 2013 utilization, despite anticipated growth and need) in 2019 per unit = State Agency guideline of 5,000 visits per unit

The current and future mammography visits per unit is consistent with the State Agency guidelines and the Hospital's historical utilization.

Project Services Utilization						
Department	Historical Utilizations	Projected Utilization, 2019	State Agency Guideline	Number of Key Rooms Justified	Number of Key Rooms Requested	Standard Met?
	2013					
Pain Management Procedure Room (hours)	764	794	1,500 hours per room	1	1	Yes
Mammography (procedures)	18,223	16,710	5,000 procedures per room	4	4	Yes

Source: Attachment 34 and Hospital Records

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
NOT APPLICABLE – APPLICANT A HAS A BOND RATING OF AA

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

	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability NOT APPLICABLE – DURABLE A BOND RATING

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:

5. **"A" Bond rating or better**
6. **All of the projects capital expenditures are completely funded through internal sources**
7. **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**
8. **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-37, 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:	**N/A -AA RATED**			
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

2. Variance

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

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Fitch Ratings

FITCH AFFIRMS HOSPITAL SISTERS SERVICES, INC. (IL) REVS AT 'AA-/ F1+'; OUTLOOK STABLE

Fitch Ratings-Chicago-04 April 2014: Fitch Ratings has affirmed the 'AA-' long-term ratings on the following revenue bonds issued on behalf of Hospital Sisters Services, Inc. (HSSI):

--$76.9 million Wisconsin Health and Educational Facilities Authority, series 2012B;
--$68.8 million Illinois Finance Authority, series 2012C;
--$61.1 million Wisconsin Health and Educational Facilities Authority, series 2012D*;
--$41.6 million Wisconsin Health and Educational Facilities Authority, series 2012E*;
--$31.6 million Illinois Finance Authority, series 2012F*;
--$31.6 million Illinois Finance Authority, series 2012G*;
--$72.0 million Illinois Finance Authority, series 2007A.

*Underlying rating. The bonds are expected to be supported by an irrevocable direct pay letter of credit issued by the Bank of Montreal, N.A.

In addition, Fitch has affirmed the 'AA-/F1+' ratings to the following variable-rate demand revenue bonds issued on behalf of HSSI. The 'F1+' is based on the sufficiency of the self-liquidity provided by HSSI:

--$65.9 million Illinois Finance Authority, series 2012H;
--$89.5 million Illinois Finance Authority, series 2012I;
--$14.2 million Wisconsin Health and Educational Facilities Authority, series 2012J.

The Rating Outlook is Stable.

SECURITY: Joint and severable liability of each member of the obligated group

KEY RATING DRIVERS

STRONG LIQUIDITY POSITION: HSSI's robust liquidity position provides a strong financial cushion which mitigates the system's light but improving operating profitability and the risks associated with its variable-rate debt exposure.

SOLID DEBT SERVICE COVERAGE: HSSI's light debt burden allows for solid coverage of maximum annual debt service (MADS) despite modest profitability. Coverage of MADS by EBITDA was very solid 6.6x and 6.3x in fiscal 2012 and 2013, respectively. Moreover, MADS coverage by operating EBITDA of 4.1x and 4.5x in fiscal 2012 and 2013 is much improved from fiscal 2010 and 2011.

IMPROVED OPERATING PERFORMANCE: HSSI's operating profitability has improved sharply since fiscal 2011 despite continued investment in its physician alignment strategy. Operating EBITDA margins improved to 7.7% and 8.1% in fiscal 2012 and 2013 from 4.4% in fiscal 2011. Operating improvement at HSSI's flagship, St John's Hospital in Springfield, IL has been key with further improvement expected in 2014.

CHALLENGING SERVICE AREAS: HSSI's location in mid-sized markets with stagnant growth, the concentration of system revenue at St. John's (the flagship hospital in Springfield), and its reliance on its five Wisconsin hospitals to cover losses at its Illinois facilities continue to be credit concerns.

AMPLE INTERNAL LIQUIDITY: HSSI maintains ample cash and investments which can be liquidated to fund any failed remarketing on approximately $169.5 million variable-rate demand bonds exceeding Fitch's criteria for assignment of an 'F1+' short-term rating.

RATING SENSITIVITIES

IMPROVED OPERATING PERFORMANCE: HSSI's improvement in operating performance combined with its strong liquidity position and light leverage provide ample financial cushion to absorb the corporation's continued physician alignment strategy as well as the transition to value based reimbursement models at the current rating level.

CREDIT PROFILE

HSSI is composed of 13 inpatient hospitals, with eight facilities in Illinois and five facilities in Wisconsin. In fiscal 2013, the system had 1,965 beds in operation and total revenue of $2 billion.

Fitch's analysis is based upon consolidated financial statements. In 2013, the obligated group accounted for 93.2% of consolidated operating revenue and 90.0% of consolidated total assets in fiscal 2013.

STRONG LIQUIDITY / LIGHT DEBT BURDEN

The 'AA-' rating reflects the benefits of HSSI's robust balance sheet, light debt burden and solid debt service coverage which serve to mitigate HSSI's historically weak operating profitability for the rating category. At Dec. 31, 2013, HSSI's unrestricted cash and investments totaled $1.71 billion which is up from $1.63 billion at fiscal year-end (FYE) 2013 (+4.9% increase) and $1.47 billion at FYE 2012 (+16.6% increase). HSSI's days cash on hand, cushion and cash-to-debt ratios of 324.7, 47.4x and 265.6%, respectively, well exceed the 'AA' category medians.

HSSI enjoys a light debt burden which allows for strong debt service coverage despite light but improving profitability. MADS of $36 million equates to a light 1.8% of fiscal 2013 total revenues while debt to capitalization (at Dec. 31, 2013) of 21.4% compares favorably to the 'AA' category median of 32.7%. Coverage of MADS by EBITDA has been very solid at 6.6x and 6.3x in fiscal 2012 and 2013, respectively, and exceeds the 'AA' median of 5.0x. Coverage of MADS by operating EBITDA has improved to 4.1x and 4.5x in fiscal 2012 and 2013 and is now in line with the 'AA' category median. Further capital spending has been strong averaging 164% of depreciation expense over the last three years.

LIGHT BUT IMPROVING PROFITABILTY

Since posting a $44.8 million loss from operations (-2.4% operating margin) in fiscal 2011, HSSI has generated improved profitability in fiscal 2012 and 2013. In fiscal 2012, HSSI generated 'break even' operations and in fiscal 2013, the corporation generated income from operations of $18.8 million (0.9% operating margin). However, Fitch notes that 2013 results were enhanced by receipt of 'EHR Incentive Program' revenues in 2013 ($31.8 million in 2013 vs. $4.2 million in 2012). The improved results of the system's hospital operations have been diluted by the losses from HSSI's physician alignment and employment strategy. Operating performance through the six month interim period ended Dec. 31, 2013 is improved over the prior year period with $12.8 million of income from operations (1.2% operating margin) compared to $9.5 million in operating income (1% operating margin) in prior year period.

At FYE 2013, the system employed a total 588 physicians and mid-level providers as compared to 431 at FYE 2010. Along with the acquisition of established physician practices, HSSI has many newly recruited physicians, which continues to have a negative impact on profitability. Growth in the

employed physician group is expected to continue over the near to medium term which will likely depress the rate of profitability improvement.

SERVICE AREA CHALLENGES:

Many of HSSI's hospitals are located in mid-sized markets with little projected population growth and marginal demographics. Management is making progress in reducing losses at St. John's-Springfield, which accounted for about 22% of total system revenues in fiscal 2013 which is viewed positively. The operating loss at St. John's- Springfield narrowed to roughly $11 million in fiscal 2013 from $20.9 million in 2012 and $34.4 million in 2011. Proceeds from the series 2012 financing are being used to rebuild the surgical suites and remodel of four patient floors, which should improve surgical volumes and further improve the financial performance at St. John's. Fitch believes improved financial performance at St. John's is critical to the overall operating success of the system. Fitch expects to see improved operating balance across the system as capital improvements and physician alignment strategies take hold.

SELF LIQUIDITY

The 'F1+' short-term rating reflects the sufficiency of HSSI's highly liquid cash and investments available to fund any failed re-marketing puts on approximately $169.5 million of series 2012 variable-rate demand bonds. At Feb. 28, 2014, after assigning appropriate discounts based on underlying ratings and maturity of its holdings, HSSI had eligible cash and fixed income investments available to fund any un-remarketed puts well in excess of the required threshold of 1.25x to achieve the 'F1+' short-term rating. The system has a written procedures letter outlining the liquidation procedures in place to ensure timely funding and provides Fitch monthly investment reports which are used to monitor its cash and investment position available for self-liquidity.

DISCLOSURE

HSSI covenants to provide bondholders with audited annual information within 120 days of fiscal year-end and unaudited quarterly statements within 45 days of quarter-end to the national recognized municipal securities information repositories and through Digital Assurance Certification, L.L.C. The content of HSSI's disclosure to-date has been excellent and includes a balance sheet, income statement, cash flow statement, utilization statistics, and management discussion and analysis.

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Applicable Criteria and Related Research:
--'Nonprofit Hospitals and Health Systems Rating Criteria', dated May 30, 2013.

Applicable Criteria and Related Research:
U.S. Nonprofit Hospitals and Health Systems Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708361

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STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

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Related Criteria And Research

Hospital Sisters Services Inc., Wisconsin; Joint Criteria; System

Credit Profile

Series 2012C

Long Term Rating	AA-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA-' long-term rating to the Wisconsin Health & Educational Facilities Authority's (WHEFA) series 2012B bonds and the Illinois Finance Authority's (IFA) series 2007A and 2012C bonds. Also, Standard & Poor's Ratings Services affirmed its 'AA-/A-1+' dual rating to WHEFA's series 2012J bonds and to IFA's series 2012H and 2012I bonds. Finally, Standard &Poor's affirmed its 'AAA/A-1' dual rating and 'AA-' underlying rating (SPUR) to WHEFA's series 2012D bonds and series 2012E bonds, and to IFA's series 2012F bonds and series 2012G bonds. All bonds were issued for Hospital Sisters Services Inc. (HSSI). The outlook on all ratings is stable.

The 'AAA/A-1' rating on the series 2012D, series 2012E, series 2012F, and 2012G revenue refunding bonds are joint criteria ratings. The long-term component of the rating is based jointly (assuming low correlation) on the ratings on the obligor, Hospital Sisters Services Inc., and the letter of credit provider, Bank of Montreal. The short-term component of the rating is based solely on the rating on Bank of Montreal. The bank facility expires Dec. 31, 2014.

The 'AA-' ratings reflect our view of HSSI's solid unrestricted reserves, strong maximum annual debt service (MADS) coverage, and low debt levels. HSSI also saw an improvement in the shares of six of its markets during fiscal 2013. Finally management believes that HSSI has been preparing the system for health care reform with improved quality, care coordination, and an electronic medical record that has been implemented organization wide, coupled with HSSI's insurance offerings and physician alignment strategy. We believe that HSSI will continue to see improved operations, which currently are lower than our median for the rating, that in turn will help to drive strong MADS coverage and the solid balance sheet while the system continues to invest in capital over the next five years. All financial information is based on Hospital Sisters Health System (HSHS).

The 'AA-' ratings further reflect our view of HSHS':

- Solid balance sheet, which we anticipate will strengthen as the HSHS management team continues to improve operations;
- Stable management team with a CEO who, in our opinion, has a good background in Wisconsin-based hospitals and working with HSSI-employed and non-HSSI-employed physicians; and
- Geographic diversity, with 13 hospitals in Illinois and Wisconsin.

Partly offsetting the above strengths, in our view, are HSHS':

- Operating margin, which, although improving, remains less than adequate for the rating category, and
- Utilization that has been flat-to-declining during the past couple of years.

The 'A-1+' short-term component of the dual ratings reflects that HSSI utilizes its own liquidity. HSSI has committed several sources of short-term and long-term funds to support its unenhanced variable-rate demand bonds (VRDBs). As of Oct. 30, 2013 HSSI identified cash and fixed-income assets of approximately $700 million. We continue to monitor both the sufficiency and the liquidity available through HSSI's cash and fixed-income assets to ensure that it can cover the purchase price of any bonds in the event of failed remarketing for its three series of self-liquidity-backed VRDBs totaling $170 million. Ample liquidity is provided through the money held in cash and high-quality, short-term fixed-income securities.

The 'AA-' rating is based on our view of HSSI's group credit profile and the obligated group's core status. Accordingly, the bonds are rated at the same level as the group credit profile. Gross revenue of the obligated group secures the various bonds.

HSHS, the parent of HSSI, is a 13-hospital system operating in Illinois and Wisconsin. HSSI operates eight facilities in Illinois (Belleville, Streator, Breese, Decatur, Effingham, Highland, Litchfield, and Springfield, the last of which is the flagship site) and five in Wisconsin (Chippewa Falls, Eau Claire, two in Green Bay, and Sheboygan). HSHS also operates an integrated physician network with the HSHS Medical group, Prairie Cardiovascular Consultants, and in collaboration with other large multispecialty groups in Wisconsin and Illinois.

Outlook

The stable outlook reflects our opinion that HSHS' senior management will continue to improve on the operating gains of fiscal 2013. Management has provided a high-level financial forecast for our review that calls for improved operating margins.

If management is unable to stay in line with its fiscal 2014 budget, we could revise the outlook to negative. Also, if operational challenges return and the balance sheet suffers in the near future, a negative rating action could occur.

However, if management is able to continue improve and sustain its operations to a minimum of greater than a 2% margin coupled with no less than 5x MADS coverage and maintain its unrestricted reserves to a level of no less than 300 days' cash, a positive rating action or outlook revision could occur.

Enterprise Profile

HSHS, the parent of HSSI, operates 13 hospitals: eight in Illinois and five in Wisconsin. The Illinois hospitals are:

- St. Elizabeth's Belleville (260 staffed beds);
- St. Joseph's Hospital, Breese (46 staffed beds);
- St. Mary's Hospital, Decatur (232 staffed beds);
- St. Anthony's Memorial Hospital, Effingham (146 staffed beds);
- St. Joseph's Hospital, Highland (25 staffed beds);
- St. Francis Hospital, Litchfield (25 staffed beds);
- St. John's Hospital, Springfield (458 staffed beds); and
- St. Mary's Hospital, Streator (68 staffed beds).

The Wisconsin hospitals are:

- St. Joseph's Hospital, Chippewa Falls (126 staffed beds);
- Sacred Heart Hospital, Eau Claire (217 staffed beds);
- St. Mary's Hospital Medical Center, Green Bay (83 staffed beds);
- St. Vincent Hospital, Green Bay (255 staffed beds); and
- St. Nicholas Hospital, Sheboygan (55 staffed beds).

Utilization

For fiscal 2013, ended June 30, HSHS' utilization slightly declined when compared with fiscal 2012. However, HSHS did beat its budget for admissions for fiscal 2013. For the year, admissions totaled 82,681 versus 83,062, or a decline of 0.1%, which was slightly better than its budgeted admissions for fiscal 2013, which called for 82,197 admissions. As with other hospitals that we rate, HSHS has experienced a decline in utilization due to the implementation of high deductible health plans, but management is also planning for further declines as health care reform is implemented, including the impact of the "two midnight rule," which is that a patient is in the hospital for at least two midnights to be considered for inpatient status. To help combat a large-scale decline, HSHS is focusing on care coordination between its hospitals, employed physicians, and insurance offerings. For example, HSHS has continued to grow its employed physician base, adding 46 providers (net growth of 26 providers) during fiscal 2013. Currently HSHS employs nearly 600 physicians via the HSHS Medical Group, Prevea Health, and Prairie Cardiovascular Consultants. HSHS is also working with physicians that wish to remain independent via the Physician Clinical Integration Network (PCIN). Through PCIN, HSHS is planning to improve its overall quality by working with both independent physicians and its employed physicians. Using this aligned initiative with PCIN, HSHS is currently addressing a reduction of patient readmissions as hospitals will be penalized in the future for some readmissions. PCIN currently has almost 900 aligned providers, with 70% being independent.

Management

Management believes that the strategies that it has implemented during the past couple of years are starting to take hold. The CEO continues to believe that, with the strategies that were put in place, HSHS is acquiring the market share that it had historically lost to competition. To be able to remain a competitive force in its various markets, HSHS management states that they must continue to focus in on cost reductions, enhancing the revenue cycle and growing the share of the market is receives. As discussed earlier, HSHS is growing the physician base and is also looking to align or affiliate with smaller facilities to continue to grow its overall market share. However, this strategy does have a cost in the short term as newly employed physicians will have to stabilize their business before the cost per physician begins to decline. This was seen in fiscal 2013 as the loss for the total physician group ramped up to $79 million compared with $70 million in fiscal 2012. To combat this short-term rise and longer-term concerns, HSHS is striving to reach a point that the system is breakeven (driven by cost reduction and revenue enhancement) on a Medicare basis by 2015. For fiscal 2013, Management stated that HSHS had approximately $5 million at risk under value-based purchasing. HSHS was able to earn back all but $335,000 of the at-risk funds. As this amount ramps up in fiscal 2014, management expects to earn all but $360,000 of the $8.8 million that will be at risk.

Financial Profile

In accordance with the publication of our article, "New Bad Debt Accounting Rules Will Alter Some U.S. Not-for-Profit Health Care Ratios But Won't Affect Ratings", on Jan. 19, 2012, we recorded HSHS' 2013 and 2012 audits including the adoption of Financial Accounting Standards Board 2011-017 in 2012, but not in prior periods. The new accounting treatment means that HSHS' fiscal 2012 and subsequent financial statistics are not directly comparable to the results for 2011 and prior years. For an explanation of how each financial measure is affected by the change in accounting for bad debt, including the direction and size of the change, please see the above article.

Operations

For fiscal 2013, HSHS saw its operations improve over fiscal 2012 and its budget for the year. HSHS posted an operating margin of 0.94% in fiscal 2013 compared with negative 0.22% in fiscal 2012. This is a continuation of improved operations for the system. The management of HSHS has implemented various cost-saving initiatives over the years and continues to look for ways to cut cost as they plan to reach a breakeven level on Medicare patients by fiscal 2015. During fiscal 2013, HSHS was able to drop its number of full-time equivalent employees by 358, which was one of the keys to the continued operational improvement. Also, HSHS operations benefitted from the receipt of $31 million for meaningful use funds related to the implementation of an electronic medical record for the system, helping to offset the costs of their implementation. While this is a positive for the system, management will have to continue to focus on culling cost out of the system or growing its revenues as the money for meaningful use will decline going forward. This will be a challenge for HSHS, but the management team has put together plans to help the system stay focused on improving operations and not returning to the losses recorded a couple of years ago. For the first quarter of fiscal 2014, ended Sept. 30, HSHS posted an operating margin of 0.26% and is outperforming the operations of the same period fiscal in 2013. Management is budgeting for softer volumes in fiscal 2014 as they expect some disruption from health care reform, and the system does not budget the receipt of meaningful use funds.

With the improved operations and the continued solid non-operating income, HSHS posted MADS coverage of 6.2x for the first quarter of fiscal 2014.

Balance sheet and capital spending

As of Sept. 30, 2013, HSHS' unrestricted reserves equated to 314 days' cash on hand. The solid unrestricted reserves coupled with strong cash to long-term debt of 268% and low leverage of 21% continue to be the strength of the rating. During fiscal 2013, HSHS saw its balance sheet grow due to the strength of investment returns for the year coupled with prudent capital spending outside of its major capital project at St. John Hospital in Springfield.

Per management, HSHS will spend more than $500 million in the next five years. HSHS management has re-evaluated what it will spend on capital after it has completed the St. John's facility. During fiscal 2014, HSHS plans to spend approximately $160 million, including St. John's. After this period, HSHS capital expenditures will average a little greater than $90 million going forward, which is approximately 70% of depreciation for fiscal 2013.

Contingent liabilities

As of June 30, 2013, HSHS had the following contingent liabilities:

- Four swaps with Merrill Lynch for a notional amount of $368 million;
- $120 million bonds directly purchased by JPMorgan Chase;
- $166 million of letter of credit-supported bonds; and
- $170 million of self-liquidity bonds.

In our view, event risk is low for these contingent liabilities due to the large spread between the rating on HSSI and the termination trigger on its swaps, no collateral needed for posting as of this analysis, and its headroom above the covenant triggers. Taking into account the swaps, HSHS has a 36% net variable-rate exposure, which we believe is manageable given HSHS' overall low debt level and strong rating.

Hospital Sisters Health System And Subsidiaries

		--Fiscal year ended June 30,--			Medians
	Three month interim ended Sept. 30, 2013*	2013*	2012*	2011	Healthcare system 'AA-' 2012
Financial performance					
Net patient revenue ($000s)	476,966	1,904,977	1,869,928	1,933,034	1,811,816
Total operating revenue ($000s)	502,296	2,004,815	1,929,088	1,991,424	MNR
Total operating expenses ($000s)	500,990	1,986,002	1,933,345	2,036,431	MNR
Operating income ($000s)	1,306	18,813	(4,257)	(45,007)	MNR
Operating margin (%)	0.26	0.94	(0.22)	(2.26)	4.3
Net non-operating income ($000s)	19,462	66,172	92,839	113,917	MNR
Excess income ($000s)	20,768	84,985	88,582	68,910	MNR
Excess margin (%)	3.98	4.1	4.38	3.27	6.4
Operating EBIDA margin (%)	7.68	8.08	7.74	4.14	11
EBIDA margin (%)	11.13	11.01	11.98	9.33	12.8
Net available for debt service ($000s)	58,060	228,103	242,180	196,406	272,221
Maximum annual debt service ($000s)	37,586	37,586	37,586	37,586	MNR
Maximum annual debt service coverage (x)	6.18	6.07	6.44	5.23	5.2
Operating lease-adjusted coverage (x)	5.35	3.95	4.09	3.74	3.7
Liquidity and financial flexibility					
Unrestricted cash and investments ($000s)	1,601,721	1,628,515	1,465,591	1,431,227	1,191,316
Unrestricted days' cash on hand	313.8	321.3	298.9	272.7	231.8
Unrestricted cash/total long-term debt (%)	267.7	271.3	272.7	265.6	157.4
Average age of plant (years)	N.A.	11.1	10	11.1	10.1
Capital expenditures/depreciation and amortization (%)	185.6	178.3	133.8	179.2	150
Debt and liabilities					
Total long-term debt ($000s)	598,423	600,177	537,425	538,809	MNR
Long-term debt/capitalization (%)	20.9	21.4	22.3	20.9	32.2
Contingent liabilities ($000s)	355,695	355,695	456,970	468,795	MNR
Contingent liabilities/total long-term debt (%)	59.4	59.3	85	87	MNR
Debt burden (%)	1.8	1.81	1.86	1.79	2.6
Defined benefit plan funded status (%)	N.A.	80.19	68.29	76.44	68.9

Hospital Sisters Health System And Subsidiaries (cont.)

*FASB 2011-07 adopted related to the treatment of bad debt. Standard & Poor's recorded bad debt expense as if FASB 2011-07 had been adopted related to the treatment of bad debt beginning in fiscal 2012. MNR--Median not reported. N.A.--Not available.

Related Criteria And Research

Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- The Interaction Of Bond Insurance And Credit Ratings, Aug. 24, 2009
- Criteria: Methodology And Assumptions: Approach To Evaluating Letter Of Credit-Supported Debt, July 6, 2009
- Criteria: Joint Support Criteria Update, April 22, 2009

Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care System Ratios: Metrics Remain Steady As Providers Navigate An Evolving Environment, Aug. 8, 2013

Ratings Detail (As Of December 27, 2013)

Illinois Fin Auth, Illinois

Hospital Sisters Services, Inc., Illinois

Series 2007A

Long Term Rating	AA-/Stable	Affirmed

Series 2012F

Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1	Affirmed

Series 2012G

Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1	Affirmed

Series 2012H

Long Term Rating	AA-/A-1+/Stable	Affirmed

Series 2012I

Long Term Rating	AA-/A-1+/Stable	Affirmed

Wisconsin Hlth & Ed Fac Auth, Wisconsin

Hospital Sisters Services, Inc., Illinois

Wisconsin Hlth & Ed Fac Auth (Hospital Sisters Services, Inc.) rev rfdg bnds

Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Wisconsin Hlth & Ed Fac Auth (Hospital Sisters Services, Inc.) rev rfdg bnds

Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Series 2008A, 2008B & 2003B

Long Term Rating	NR	Withdrawn

Ratings Detail (As Of December 27, 2013) (cont.)		
Series 2012B		
Long Term Rating	AA-/Stable	Affirmed
Series 2012J		
Long Term Rating	AA-/A-1+/Stable	Affirmed

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Attachment 37
Bond Rating

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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.

Not Applicable. Applicants qualify for the waiver.

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:

1Identify 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).

2 **N/A – No Construction Costs**

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									

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

Projected Operating Costs

Completion of the projected detailed in this application is anticipated to be December 2017. The first full fiscal year of operation after project completed will be 2019. It is estimated that the direct operating costs in Fiscal Year 2019 per the definition provided will be:

	Fiscal Year 2019 (000's)
Salaries and Wages	$51,765
Benefits	$14,042
Supplies	$26,512
Estimated Direct Operating Costs	$92,319
Inpatient Revenue	$347,520
Total Revenue	$864,731
Patient Days	37,259
Equivalent Patient Days	92,711
Estimated Direct Operating Costs per Equivalent Patient Day	$996

Total Effect of the Project on Capital Costs

Completion of the projected detailed in this application is anticipated to be December 2017. The first full fiscal year of operation after project completed will be 2019. The estimated total project cost is $273,582,160, which calculates into an Estimated Annual Project cost per Equivalent Patient Day below:

	Fiscal Year 2019 (000's)
Total Project Cost	$273,582
Blended Useful Life (in years)	15
Annual Project cost	$18,277
Inpatient Revenue	$347,520
Total Revenue	$864,731
Patient Days	37,259
Equivalent Patient Days	92,711
Estimated Annual Project cost per Equivalent Patient Day	$197

Hospital Sisters Services, Inc.

August 20, 2014

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Dear Ms. Avery,

The purpose of this letter is to attest to the fact that Hospital Sisters Services, Inc. will use the selected form of debt financing for the St. Elizabeth's Hospital Relocation Project described in this certificate of need application because it will be the lowest interest cost available, is more advantageous due to such terms as prepayment privileges, requires no mortgage, and provides access to additional indebtedness, term, financing costs, and other factors. Generally, the term of the indebtedness is anticipated to be 30 years but would not exceed 40 years and the interest rate approximating 4% but not to exceed 6%.

Sincerely,

Michael W. Cottrell
Chief Financial Officer

Subscribed and sworn before me on this 30 day of Aug., 2014.

Signature of Notary Donna J Chase

Seal of Notary

OFFICIAL SEAL
DONNA J CHASE
Notary Public - State of Illinois
My Commission Expires Jun 21, 2018

P.O. Box 19456
Springfield, Illinois
62794-9456
P: 217-523-4747
F: 217-523-0542

An Affiliate of Hospital Sisters Health System

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 Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

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.

To the applicants' knowledge, St. Elizabeth's proposed project will have no material impact on essential safety net services as to the community.

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.

To the applicants' knowledge, the project will have no impact on the ability of any other provider or health care system to cross subsidize safety net services.

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.

This application does not propose discontinuing any services. However, it is filed simultaneously with an application to discontinue and establish St. Elizabeth's Hospital for the purpose of relocating it. To the applicants' knowledge, neither the discontinuation of pediatrics nor the discontinuation and re-establishment of St. Elizabeth's Hospital will impact safety net services in the Hospital's market area. In fact, the proposed replacement hospital will bring safety net services closer to the most vulnerable population and provide better geographic access given the location directly off Interstate 64.

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 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 Medicaid patients. 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.*

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2013**	**2012**	**2011**
Inpatient	889	1,293	825
Outpatient	5,090	6,531	4,945
Total	5,979	7,824	5,770
Charity (cost In dollars)			
Inpatient	2,224,944	2,103,347	2,549,547
Outpatient	2,173,917	2,456,260	2,212,403
Total	4,398,861	4,559,607	4,761,950
MEDICAID			
Medicaid (# of patients)	**2013**	**2012**	**2011**
Inpatient	1,257	1,622	1,267
Outpatient	9,960	10,115	7,923
Total	11,217	11,737	9,190
Medicaid (revenue)			
Inpatient	10,536,449	11,246,900	12,280,693
Outpatient	7,931,793	7,381,253	10,674,926
Total	18,468,242	18,628,153	22,955,618

The above cost of charity care values are based on the Sate's required calculation methodology to complete the Annual Hospital Questionnaire. Note: The 2012 and 2011 numbers for charity care vary from the AHQ responses because the Hospital used the wrong calculation method (not the one specified in the AHQ responses).

The Hospital is also providing 3 years of data showing the total number of charity care patients regardless of percentage of their payor source being charity care.

TOTAL CHARITY CARE PATIENTS				
	2013	**2012**	**2011**	**PERCENT INCREASE 2011-2013**
Inpatient	889	1,293	825	+7.8
Outpatient	5,090	6,531	4.945	+2.9
Total	5,979	7,824	5,770	+3.6

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

This information was provided in the replacement hospital application filed simultaneously with this application and will not be duplicated here.

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

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

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

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

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

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

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

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

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.*

   The requested information is provided on Attachment 41.

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.*

   The requested information is provided on Attachment 41.

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.*

   Not Applicable. St. Elizabeth's Hospital is an existing facility.

CHARITY CARE			
	2013	2012	2011
Net Patient Revenue	**158,547,048**	**170,284,906**	**176,696,159**
Amount of Charity Care (charges)	19,391,687	15,749,939	14,788,672
Cost of Charity Care	4,398,861	4,559,607	4,761,950
Charity Care Cost / Net Revenue	2.77%	2.68%	2.69%

In 2012, Hospital Sisters Health System hospitals in Illinois provided $23.2 million in charity care that contributes to the health and well-being of the poor and vulnerable across the State.