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June 13, 2016

BY HAND DELIVERY

RECEIVED
JUN 13 2016
HEALTH FACILITIES &
SERVICES REVIEW BOARD

Illinois Health Facilities and Services Review Board
525 W. Jefferson St.
Springfield, IL 62761
Attn: Courtney Avery, Administrator

Re: Response to Staff Report for Project #16-011
Northbrook Behavioral Hospital

Dear Ms. Avery:

We want to thank the staff of the Health Facilities and Services Review Board ("Board") for the time and effort reflected in the preparation of the staff report for Project #16-011, Northbrook Behavioral Hospital's proposal to establish a 100-bed acute mental illness ("AMI") hospital in Northbrook, Illinois. We appreciate the opportunity to raise some concerns about the conclusions and information contained with the above-referenced staff report.

The staff report presents the conclusion that "the applicant has not demonstrated sufficient financial resources to fund the project and the startup costs of the project, an amount over $20 million." Respectfully, we disagree, as the materials submitted in response to the request for additional information was not reflected in the staff report.

In response to staff inquiry, the applicant submitted additional materials addressing the available cash to fund its project. The applicant supplied supplemental information on June 2, 2016 in the form of a letter from City Bank – Texas' president, Mr. Robert D. Kortarski, verifying that the applicant has over $27 million in aggregate deposits as of May 13, 2016. This demonstrates ***more than enough money to fully fund not only the project, but start-up costs and working capital as well*** (attached as Exhibit A).

Unquestionably, staff has been diligent in its evaluation of this project. However, the cash available in the audited statements accompanying the project application seem not to have been taken into consideration. The 2015 audited balance sheet had already evidenced a total of

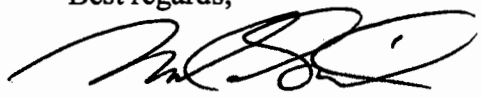
$14,141,402 in cash available to fund the project. Furthermore, the staff report does not acknowledge that, as the applicant documented in its May 12, 2016 submission, the debt that appears as part of the 2015 Audited Report was a temporary bookkeeping anomaly. As of April 30, 2016, the long-term debt was retired through a sale-leaseback transaction that had no net cash impact on US HealthVest. As such, there was no long-term debt held by US HealthVest. Simply put, this debt is now off the books. US HealthVest has sufficient cash on hand to fund the project without debt financing. US HealthVest has and will continue to have sufficient cash on hand to fund the project without debt financing. Therefore, the financial ratios are not required. We fully believe that the applicant has evidenced its ability to fund this project entirely from internal sources and, as such, the financial viability criteria should be considered met.

Understanding, however, that discretion remains with the Board and its staff, we must point out that in the calculations presented by staff, there appear to be some errors. Correctly calculating the ratios for Days Cash on Hand and Cushion Ratio should actually be designated as "not applicable," rather than zero. As the company has no debt, these ratios cannot be calculated. Included are the financial viability calculations (attached as Exhibit B) as the applicant would have presented them although, as noted above, we believe them to be inapplicable.

Finally, there is an issue of overall consistency amongst projects regarding the consideration of a lease as debt thus, as a practical matter, precluding the applicability of the Financial Viability Waiver. The lease of the land and building shell is part of operating costs. Moreover, the applicant is aware of other similar circumstances in which proposed projects have been found to be in compliance with the financial viability waiver seemingly because they appear not to have been evaluated in this way (*e.g.* the existence of a lease as an operational expense rather than debt).

This is a necessary project. Now is the time to provide better access to AMI and mental health services, and the evidence is all around us. The applicant has the financial ability to fund this project and the proven track record to provide this care. We hope this addresses any concerns the Board or its staff might have regarding Project #16-011.

Best regards,



Mark J. Silberman

Attachments
MJS

City Bank
TEXAS
Member FDIC

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El Paso, Texas 79932
P.O. Box 221650
El Paso, Texas 79913-1650
915-833-0267 main
915-833-9571 fax

May 16, 2016

Mr. James Cha, CFO
U.S. HealthVest LLC
32 East 57th Street 17th floor
New York City, NY 10022

Dear Mr. Cha,

Per your request, I am providing you with an aggregate balance of the 10 depository accounts which are in the name of US HealthVest or in the name of a subsidiary. The aggregate deposit balance of these accounts as of May 13, 2016, was $27,326,184. Should you need any other information please don't hesitate to call.

Sincerely,

Robert D. Kotarski
President – El Paso Branches

EXHIBIT A

TABLE SIXTEEN
Projected Financial Ratios
V Covington, LLC and V Covington Realty, LLC

2018	State Standard	**V Covington, LLC**	**V Covington Realty, LLC**	**Combined**
Current Ratio	>2.0	4.4	NA	4.4
Net Margin Percentage	5.00%	-20.97%	NA	-36.70%
Percent Debt to Capitalization	<50%	0.00%	0.00%	0.00%
Debt Service Coverage Ratio	>2.5	0.00%	0.00%	0.00%
Days Cash on Hand	75 days	13.6	0.0	13.6
Cushion Ratio	7	NA	NA	NA
2019	State Standard	**V Covington, LLC**	**V Covington Realty, LLC**	**Combined**
Current Ratio	>2.0	8.4	NA	8.4
Net Margin Percentage	5.00%	16.35%	NA	8.97%
Percent Debt to Capitalization	<50%	0.00%	0.00%	0.00%
Debt Service Coverage Ratio	>2.5	0.00%	0.00%	0.00%
Days Cash on Hand	75 days	74.8	0.0	74.8
Cushion Ratio	7	NA	NA	NA
2020	State Standard	**V Covington, LLC**	**V Covington Realty, LLC**	**Combined**
Current Ratio	>2.0	12.4	NA	12.4
Net Margin Percentage	5.00%	17.19%	NA	10.11%
Percent Debt to Capitalization	<50%	0.00%	0.00%	0.00%
Debt Service Coverage Ratio	>2.5	0.00%	0.00%	0.00%
Days Cash on Hand	75 days	132.5	0.0	132.5
Cushion Ratio	7	NA	NA	NA

1. V Covington Realty, LLC (lessor) reported no revenue, current assets, current liabilities, debt for the three years reflected here.
2. Information provided by the applicants.
3. Cushion Ratio is NA, as there is no debt service.

EXHIBIT B