

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

16-017

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

**RECEIVED**

**This Section must be completed for all projects.**

APR 19 2016

**Facility/Project Identification**

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

|  |                       |                            |
|--|-----------------------|----------------------------|
| Facility Name: Griffin Medical Office Building   |                       |                            |
| Street Address: Intersection of Veterans Avenue and Griffin Avenue (see legal description) |                       |                            |
| City and Zip Code: Pekin, Illinois 61554   |                       |                            |
| County: Tazewell   | Health Service Area 2 | Health Planning Area: C-01 |

**Applicant /Co-Applicant Identification**

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

|                                  |   |
|----------------------------------|---|
| Exact Legal Name:                | Progressive Health System (Co-Applicant) (Parent Corporation) |
| Address:                         | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554       |
| Name of Registered Agent:        | Bob J. Haley  |
| Name of Chief Executive Officer: | Bob J. Haley  |
| CEO Address:                     | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554       |
| Telephone Number:                | 309-353-0700  |

**Type of Ownership of Applicant/Co-Applicant**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Non-profit Corporation (Parent) | <input type="checkbox"/> Partnership  |
| <input type="checkbox"/> For-profit Corporation                     | <input type="checkbox"/> Governmental                                       |
| <input type="checkbox"/> Limited Liability Company                  | <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other |

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- o 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]**

|  |
|--|
| Name: Steven C. Hall, CPA, MBA                                   |
| Title: Senior Vice President / Chief Financial Officer           |
| Company Name: Park Court LTD                                     |
| Address: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number: 309-353-0700                                   |
| E-mail Address: shall@parkcourtltd.com                           |
| Fax Number: 309-353-0908   |

**Additional Contact**

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

|  |
|--|
| Name: Marcia Becker  |
| Title: Director of Finance                                       |
| Company Name: Pekin Hospital                                     |
| Address: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number: 309-353-0989                                   |
| E-mail Address: mbecker@pekinhospital.com                        |
| Fax Number: 309-353-0670   |

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

**This Section must be completed for all projects.**

**Facility/Project Identification**

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| City and Zip Code: Pekin, Illinois 61554   |                     |   |                            |
| County: Tazewell   | Health Service Area | 2 | Health Planning Area: C-01 |

**Applicant /Co-Applicant Identification**

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

|                                  |  |  |  |
|----------------------------------|--|--|--|
| Exact Legal Name:                | Park Court Limited (Co-Applicant) (subsidiary to Progressive Health Systems) |  |  |
| Address:                         | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554                      |  |  |
| Name of Registered Agent:        | Bob J. Haley   |  |  |
| Name of Chief Executive Officer: | Bob J. Haley   |  |  |
| CEO Address:                     | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554                      |  |  |
| Telephone Number:                | 309-353-0700   |  |  |

**Type of Ownership of Applicant/Co-Applicant**

|                                     |   |                          |                     |
|-------------------------------------|---|--------------------------|---------------------|
| <input checked="" type="checkbox"/> | Non-profit Corporation (Real Estate Holding | <input type="checkbox"/> | Partnership         |
| <input type="checkbox"/>            | For-profit Corporation                      | <input type="checkbox"/> | Governmental        |
| <input type="checkbox"/>            | Limited Liability Company                   | <input type="checkbox"/> | Sole Proprietorship |
|                                     |   | <input type="checkbox"/> | Other               |

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o 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.

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**[Person to receive ALL correspondence or inquiries]**

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| Name: Steven C. Hall, CPA, MBA                                   |
| Title: Senior Vice President / Chief Financial Officer           |
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| Address: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number: 309-563-0700                                   |
| E-mail Address: shall@parkcourtltd.com                           |
| Fax Number: 309-353-0908   |

**Additional Contact**

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

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| Name: Marcia Becker  |
| Title: Director of Finance                                       |
| Company Name: Pekin Hospital                                     |
| Address: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number: 309-353-0989                                   |
| E-mail Address: mbecker@pekinhospital.com                        |
| Fax Number: 309-353-0670   |

**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: Steven C. Hall, CPA, MBA                                   |
| Title: Senior Vice President / Chief Financial Officer           |
| Company Name: Park Court LTD                                     |
| Address: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number: 309-563-0700                                   |
| E-mail Address: shall@parkcourtltd.com                           |
| Fax Number: 309-353-0908   |

**Site Ownership**

[Provide this information for each applicable site]

|  |
|--|
| Exact Legal Name of Site Owner: Park Court Limited (See Deed)  |
| Address of Site Owner: 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554   |
| Street Address or Legal Description of Site:<br>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 <u>ATTACHMENT-2</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.   |

**Operating Identity/Licensee** Not Applicable – Neither Applicant is a licensed entity

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

|  |
|--|
| Exact Legal Name: <b>NA</b>  |
| Address: <b>NA</b>   |
| <input checked="" type="checkbox"/> Non-profit Corporation (Both Applicants) <input type="checkbox"/> Partnership<br><input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental<br><input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other   |
| <ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o 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.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul> |
| APPEND DOCUMENTATION AS <u>ATTACHMENT-3</u> , 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 <u>ATTACHMENT-4</u> , 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](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://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** (Determination Requested)

[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:

- Substantive
- Non-substantive (MOB)

## 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.

Following submission of a Determination of Reviewability to the Illinois Health Facilities and Services Review Board, an advisory opinion was issued on March 22, 2016. In this opinion, the IHFSRB deemed a Certificate of Need (CON) Permit was required. This CON permit application for the Griffin MOB responds to this determination.

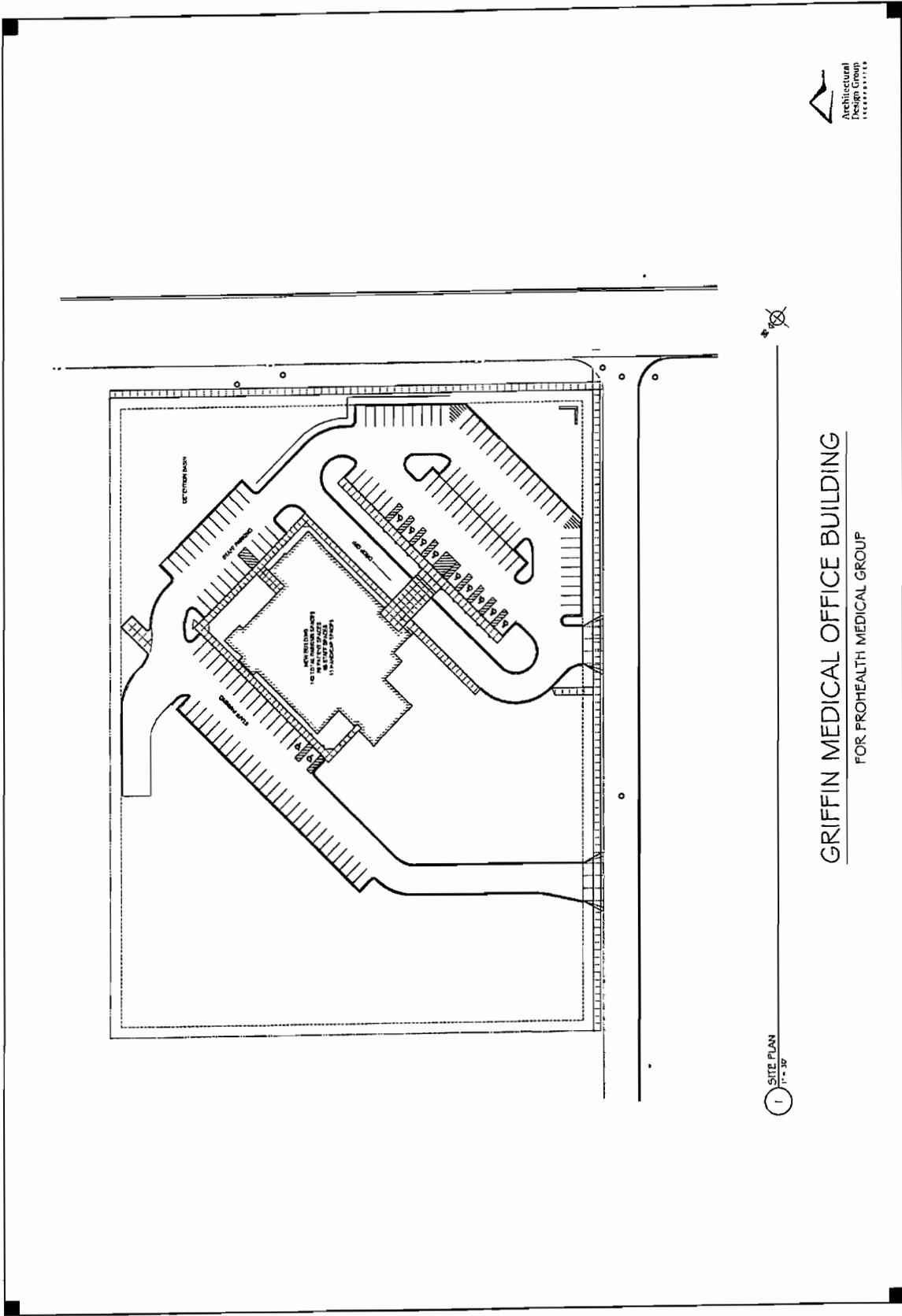
Park Court Limited, the real estate holding division of Progressive Health Systems, Pekin, Illinois, proposes to construct an approximate 60,000 sq. ft. medical office building (MOB) attached, (See Narrative, Exhibit A) on a 6.3 acre parcel at the corner of Griffin Avenue and Veteran's Drive, Pekin, Illinois. (Legal description included herein in Attachment 2, Warranty Deed / Site Ownership.) The estimated project cost is \$17,672,000.

The building will be known as the Griffin Medical Office Building and will be leased, in its entirety, to the ProHealth Medical Group (d/b/a), another Progressive Health System Division by Park Court Limited. Park Court Limited and ProHealth, Inc. are sister corporations. Progressive Health Systems is the parent corporation. Park Court Limited is a not-for-profit real estate development, holding, and leasing company.

ProHealth will consolidate its various Pekin based physician clinics and their related programs into the Griffin Medical Office Building on its completion in 2018. These facilities are currently located as noted in the attached Narrative, Exhibit B.

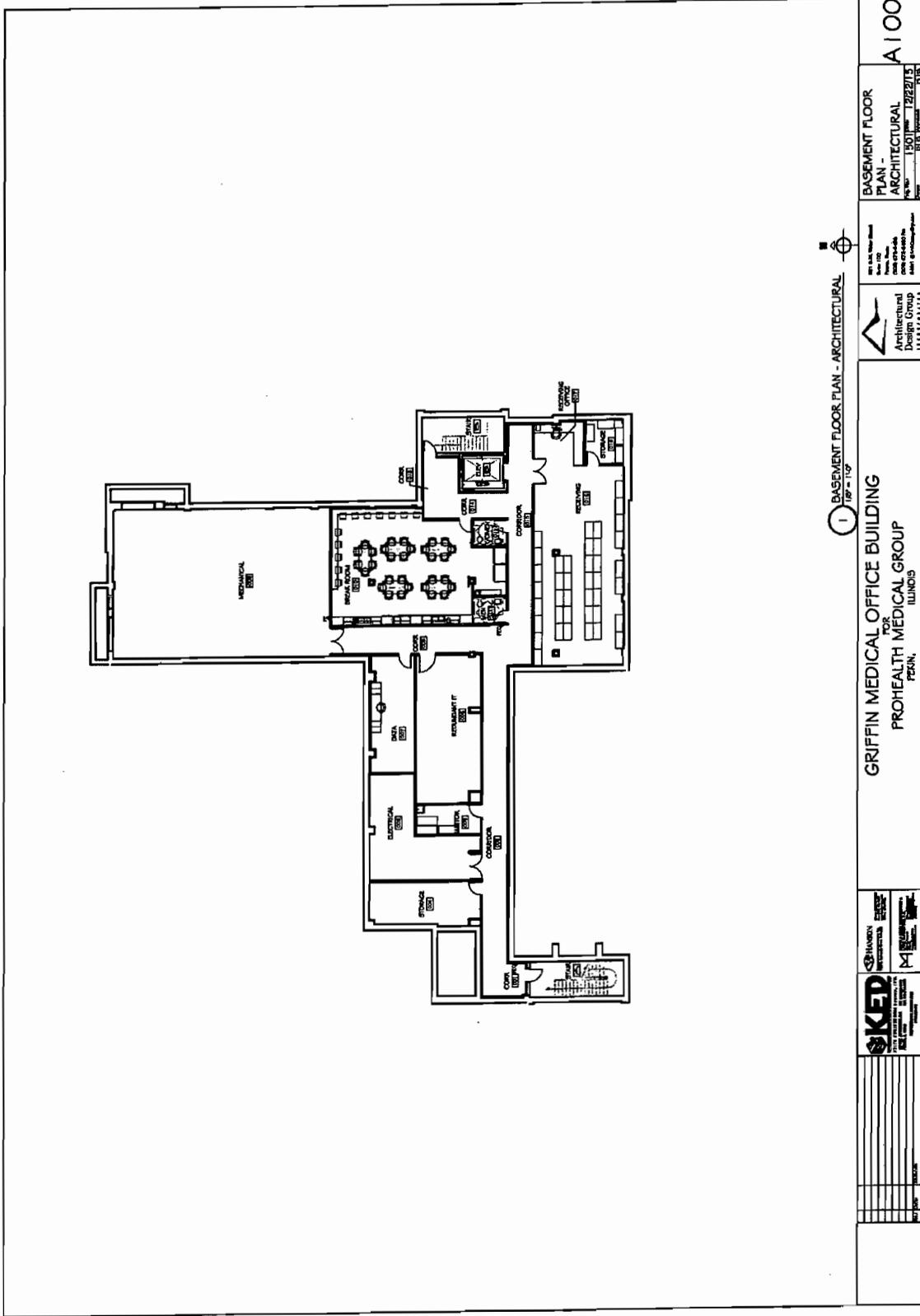
Project funding will be based on a cash donation from the Pekin Foundation and a conduit mortgage, approximating \$12,000,000, facilitated by the City of Pekin. Park Court Limited will be the developer and landlord for the new MOB (See Attachment 36, Diagram A).

This is a non-substantive application because it does not address the establishment or discontinuation of any IHFSRB / IDPH designated categories of service and the services to be provided in the new MOB will be limited to non-hospital related outpatients (Section 1110.40 Classification of Projects).

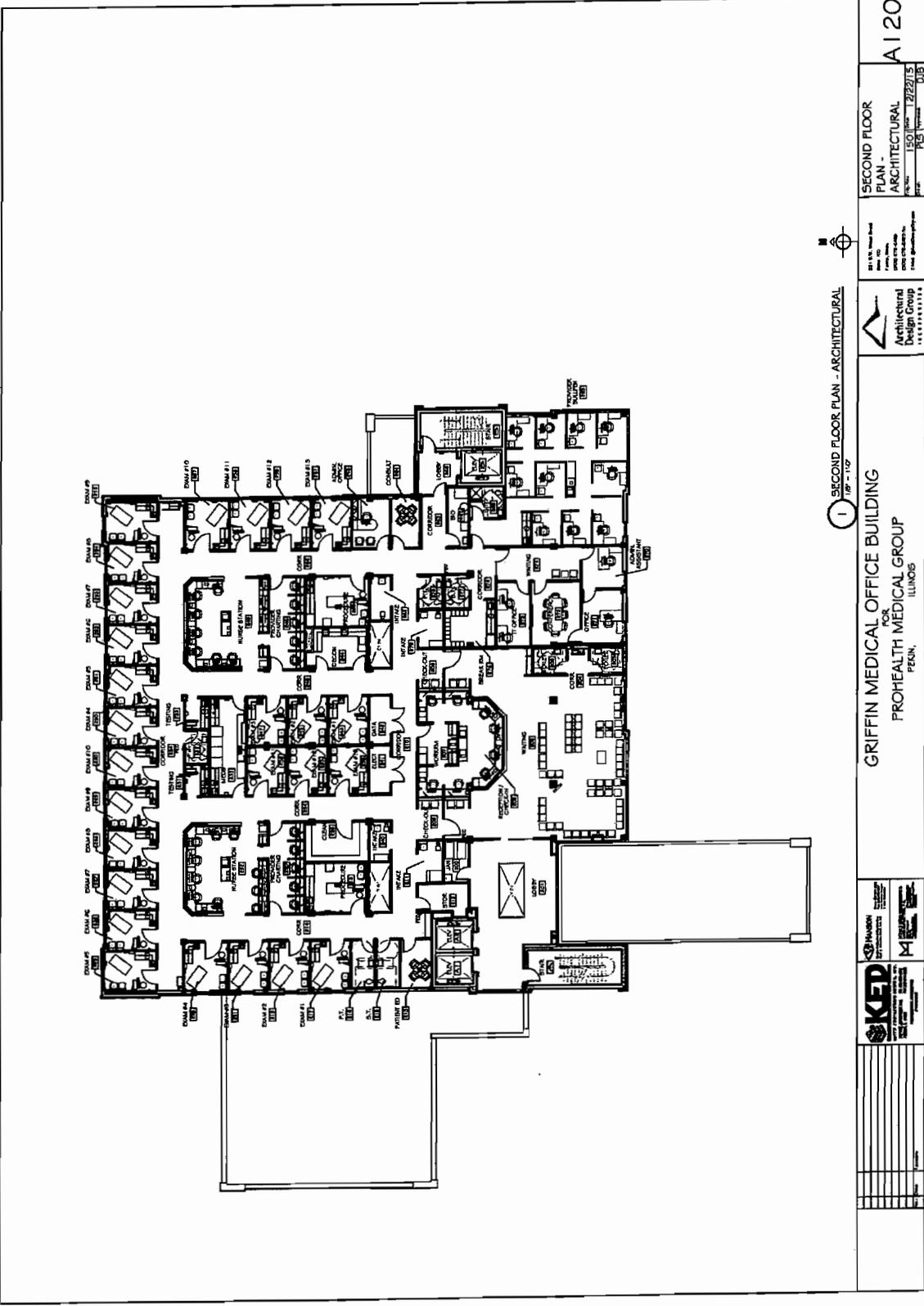


**GRIFFIN MEDICAL OFFICE BUILDING**  
FOR PROHEALTH MEDICAL GROUP

1 SITE PLAN  
1" = 30'

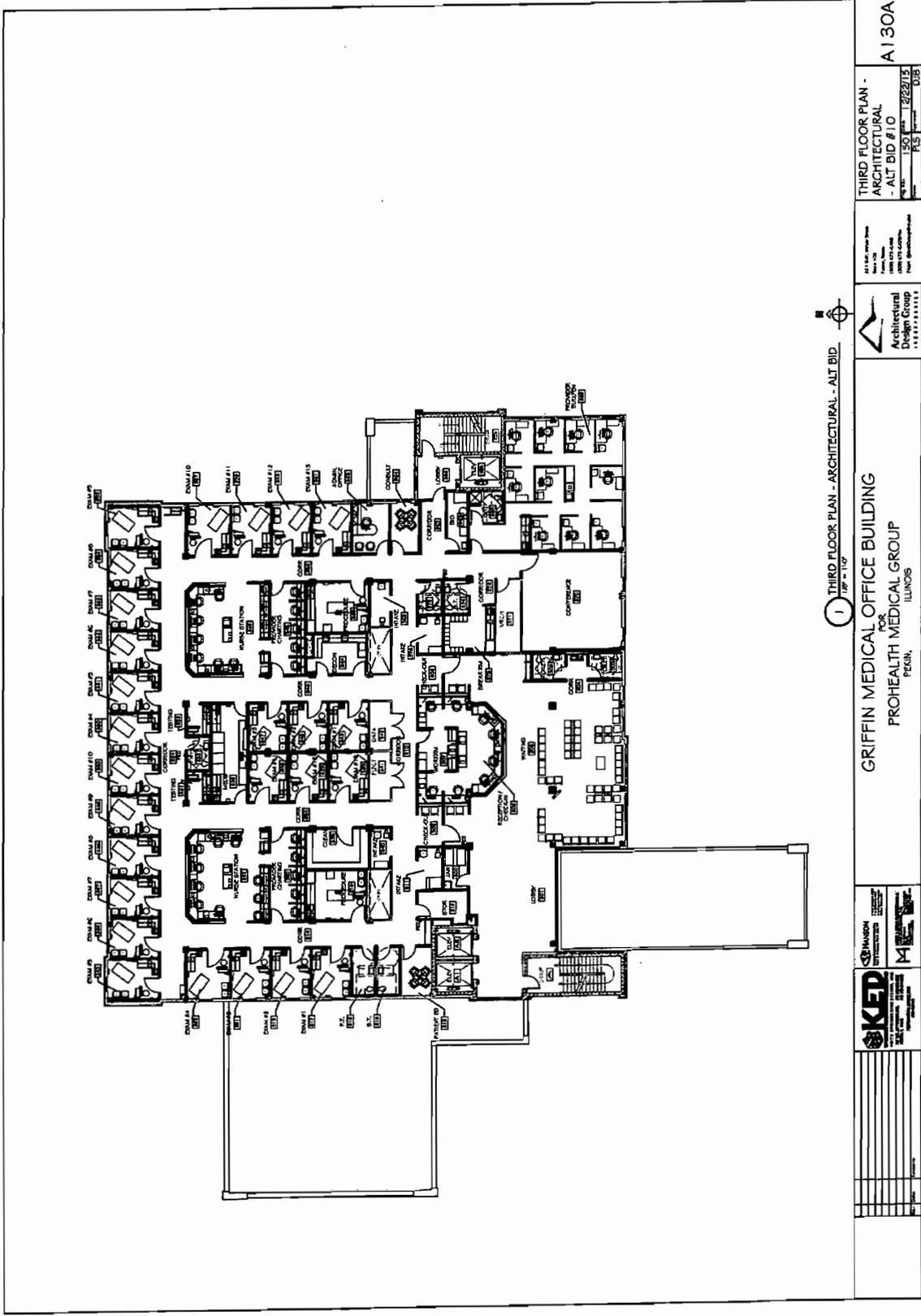






1 SECOND FLOOR PLAN - ARCHITECTURAL  
12'-0" x 11'-0"

|  |  |  |   |                                      |
|--|--|--|---|--------------------------------------|
|  |  |  | SECOND FLOOR<br>PLAN -<br>ARCHITECTURAL | A120                                 |
|  |  |  | PROJECT NO. 501<br>DATE 1/22/15         | DRAWN BY J.P.S.<br>CHECKED BY D.P.S. |



1 THIRD FLOOR PLAN - ARCHITECTURAL - ALT BID  
 107 - 1107

|  |   |                                   |  |
|--|---|-----------------------------------|--|
|  | <p>GRIFFIN MEDICAL OFFICE BUILDING<br/>       FOR<br/>       PROHEALTH MEDICAL GROUP<br/>       PEKIN, ILLINOIS</p> | <p>Architectural Design Group</p> | <p>THIRD FLOOR PLAN - ARCHITECTURAL - ALT BID #10<br/>       A130A</p> |
|--|---|-----------------------------------|--|

Existing Park Court Limited Holdings

| <b>Description</b>                         | <b>Property Tax ID</b>   |
|--|--------------------------|
| 1318 Park Ave (parking lot)                | 04-10-02-233-003         |
| 717 S. 13th St (house)                     | 04-10-02-232-001         |
| Bldg-2351 Broadway                         | 04-04-36-414-008 & 009   |
| 624 S. 12th St                             | 04-10-02-225-007         |
| 600 S. 13th Street Medical Office Building | n/a                      |
| 3225 Griffin - ProHealth Pediatrics        | 11-11-07-102-032 *       |
| 603 S. 13th Street - Cancer Center         | 04-10-02-225-019         |
| 19 Olt Ave , Prohealth Primary Care        | 11-11-07-102-024 & 025 * |
| Griffin Land                               | 11-11-07-108-011         |
| Land-Griffin/Veterans Dr. New Property     | n/a                      |

- \* Sites to be consolidated into the proposed Griffin MOB; plus 3212 Court Street which is leased from a third-party.

## Support Letters

Frank H. Mackaman, Former Board Member

Leigh Ann Brown  
City of Pekin, Economic Development Department

John V. Dossy, Chief of Police  
City of Pekin, Police Department

Amy Fox, Administrator  
Tazewell County Health Department

William T. Fleming, Executive Director  
Pekin Area Chamber of Commerce

Andrew J. Sparks, Executive Vice President  
Pekin Community Bank

Gregg Ratliff, Private Wealth Advisor  
Busey Wealth Management

Andrew W. Leman, Vice President  
Leman Property Management Co.

Steve Martin, Executive Director  
Career Link

Scott A. Martin, FLMI, Chairman of the Board  
Pekin Insurance

Afton Booth, Chairman of the Board  
Unland Insurance

Rich Kriegsman, President  
Kriegsman Transfer Company

Frank H. Mackaman  
508 Country Club Drive  
Pekin IL 61554

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March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

Dear Ms. Olson:

I am writing in support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois. This facility will house primary and specialty care physicians in our community.

As a long-time area resident, former chairman of the hospital's Board of Trustees, and former Mayor, I see the project as a means not only to sustain the high quality of medical care here but also as a way to provide jobs and enhance the tax base in our community.

I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Sincerely,



Frank H. Mackaman

cc: Mike Constantino  
George Roate



March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

Dear Illinois Review Board,

I am writing in support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois.

The building will house primary and specialty care physicians in our community. The new building will be an anchor building that will be developed on the east side of Pekin. We are looking at the economic growth of this new facility that includes job growth and enhanced tax base. The proposed will also enhance local real estate. The building will help promote better access to primary care services for our residents, businesses and employees continuing to enhance quality of life.

I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Sincerely,

cc: Mike Constantino  
George Roate

Leigh Ann Brown, Economic Development/Tourism Director  
[labrown@ci.pekin.il.us](mailto:labrown@ci.pekin.il.us)  
City of Pekin • 111 Capitol Street, Pekin, Illinois 61554  
Phone (309) 477-2300 • Fax (309) 346-2095  
[www.pekinedc.com](http://www.pekinedc.com)



*CITY OF PEKIN*  
POLICE DEPARTMENT



---

March 24, 2016

Kathy Olson, Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

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Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

Dear Board Chair Olson:

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The building will house primary and specialty care physicians in our community. The new building will be an anchor building that will be developed on the east side of Pekin. We are looking at economic growth from this new facility that includes job growth and enhanced tax base. The proposed development will also enhance local real estate and help promote better access to primary care services.

I strongly support ProHealth Medical Group and the development of a new medical office building in Pekin, Illinois.

Sincerely,

John V. Dossey  
Chief of Police

---

*John V. Dossey, Chief of Police*  
111 S. Capitol Street, Pekin, Illinois 61554 \* Phone (309) 477-2336 \* Fax (309) 346-5328



March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

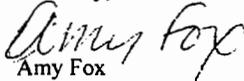
To whom it may concern:

The purpose of this letter is for support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois. This proposed building will house primary and specialty care physicians in our community.

The new building will be an anchor in the development on the east side of Pekin. The facility will be directly adjacent to a new bypass road that has been long anticipated in our area. The bypass road was designed to increase ease of area communities in navigating the Pekin community. This development will increase access to healthcare in the Tazewell County area.

Please consider this development project of a new medical office building in Pekin, Illinois.

Sincerely,

  
Amy Fox  
Administrator

cc: Mike Constantino  
George Roate

21306 Illinois Route 9  
Tremont, IL. 61568  
309.925.5511 ph 309.925.4381 fax  
www.tazewellhealth.org





March 24, 2016

Kathy Olson, Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

Dear Ms. Olson,

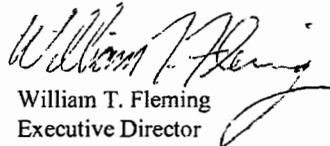
I am writing in support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois.

The building will house primary and specialty care physicians in our community. It will provide improved access to primary care services.

I believe this new medical office building will be an anchor for further development on the east side of Pekin. It will also improve the local economy with job growth and an increased tax base.

I strongly support ProHealth Medical Group and the development of a new medical office building in Pekin, Illinois.

Sincerely,

  
William T. Fleming  
Executive Director

cc: Mike Constantino  
George Roate



March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

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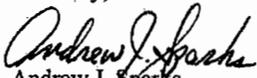
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I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Sincerely,

  
Andrew J. Sparks  
Executive Vice President  
Pekin Community Bank

cc: Mike Constantino  
George Roate

601 COURT STREET • PEKIN, ILLINOIS 61554 • PH: (309) 347-5101

March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

Dear Kathy,

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I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Sincerely,

*Grey Ratliff*  
*Private Wealth Advisor*

cc: Mike Constantino  
George Roate



**LEMAN PROPERTY MANAGEMENT CO.**

2807 BROADWAY, SUITE B PEKIN, IL 61554 309-347-5984 FAX 309-347-5988

March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

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Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

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I am writing in support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois.

The building will house primary and specialty care physicians in our community. The new building will be an anchor building that will be developed on the east side of Pekin. Development of this area is critical for the economic well-being of Pekin. The proposed building will result in an expanded tax base, additional jobs, and will also enhance local real estate. The building will help promote better access to primary care services.

I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Sincerely,

Andrew W. Leman  
Vice President

cc: Mike Constantino  
George Roate

March 24, 2016

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, IL 62761

RE: ProHealth Medical Group – New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, Illinois

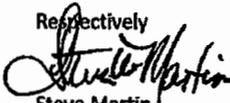
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I strongly support ProHealth Medical Group and the new development of a new medical office building in Pekin, Illinois.

Respectively



Steve Martin  
Executive Director  
Career Link  
2956 Court St.  
Pekin, IL 61555  
(p) 309-347-5740  
smartin@careerlink16.com

Serving LWIA #15 Counties:

|  |  |  |  |
|--|--|--|--|
| <b>FULTON</b><br>111 N. Main St., Canton, IL 61520<br>309 /647-2946 • FAX: 309/647-7251            | <b>MARSHALL</b><br>509 Front St., Henry, IL 61537<br>309 /364-4120 • FAX: 309/419-8708                     | <b>MASON</b><br>230 W. Main St., Havana, IL 62644<br>309 /543-1035 • FAX: 309/543-1054             | <b>MCLEAN</b><br>1500 W. Raab Rd., SCB #2400, Normal, IL 61761<br>309/268-8793 • FAX: 309/268-7980 |
| <b>PEORIA</b><br>115 SW Adams St., #114 Peoria, IL 61602-1339<br>309 /999-4592 • FAX: 309/999-4542 | <b>STARK</b><br>106 E. Williams St., Wyoming, IL 61491<br>309/606-9060 or 309/606-9061 • FAX: 309/419-8708 | <b>TAZEWELL</b><br>2956 Court St., POB 67 Pekin, IL 61555-0067<br>309/347-8492 • FAX: 309/353-1632 | <b>WOODFORD</b><br>1950 S. Main St., Eureka, IL 61530<br>309/467-4445 • FAX: 309/467-4454          |

Career Link

[www.careerlink16.com](http://www.careerlink16.com)

A Division of the United Workforce Development Board, Inc.

TRAINING • CONNECTING • DEVELOPING ILLINOIS' WORKFORCE



April 5, 2016

Ms. Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, Illinois 62761

RE: ProHealth Medical Group – New Medical Office Building

Dear Ms. Olson:

I am writing in support of ProHealth Medical Group's proposed new medical office building located at the corner of Griffin Avenue and Veterans Drive, Pekin, Illinois.

Pekin Insurance<sup>®</sup> employs over 800 people, most residing in Central Illinois, which are covered by the health plan we administer. A key component of a health plan and health care overall is access to care. Primary care services are the gateway to their care.

For that reason, I support the proposed new medical office located at the corner of Griffin Avenue and Veterans Drive in Pekin, Illinois.

This new facility that is proposed will be a great benefit not only to the Pekin Insurance employees and retirees we cover under our plan, but to the community as a whole.

I strongly support the ProHealth Medical Group and the development of a new medical office building in Pekin, Illinois.

Sincerely,

Scott A. Martin, FLMI  
Chairman of the Board, President, and Chief Executive Officer

SAM:mbb



INSURANCE & BENEFITS

# Unland Insurance

4/5/16

Kathy Olson  
Board Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson St.  
Springfield, IL 62761

Re: ProHealth Medical Group- New Medical Office Building  
Corner of Griffin Avenue and Veterans Drive, Pekin, IL

Dear Ms. Olson,

I am writing in support of the new ProHealth Medical Group's proposed medical office building located at the corner of Griffin Avenue and Veterans Drive in Pekin, IL.

This building will provide needed medical office space for primary and specialty care physicians in our community as well as better access for the medical needs of the citizens in our neighboring area. In addition, the building will provide economic growth and enhanced tax base within our community.

I strongly support ProHealth Medical Group and the development of a new medical office building in Pekin, IL.

Sincerely,

Alton Booth  
Chairman of the Board

Cc: Mike Constantino  
George Roate

2211 Broadway . Pekin, IL 61554-3945  
Phone (309) 347-2177 . Fax (309) 347-1870  
[www.Unland.com](http://www.Unland.com)



April 4, 2016

Ms. Kathy Olson, Board Chair

Illinois Health Facilities and Services Review Board

525 West Jefferson Street

Springfield, Illinois 62761

Dear Ms. Olson,

I, too, am writing in support of ProHealth Medical Group's proposed new medical office building in our community of 30-plus thousand residents. It is my understanding that the facility will be the focused location for primary and specialty care physicians. This new location will serve as a stimulant for economic development in our city, as well as an attractant to physicians seeking modern facilities in which to practice. In addition, this location will provide greater accessibility to patients in need from rural areas located to the south and east of our community.

I have served our community in a variety of ways, including serving on the board of trustees at Pekin Hospital. Our family-owned business has been located in Pekin for all of its 102 years – pretty much the same as Pekin Hospital and I recognize the quality of life that this organization represents to our city.

This financial commitment represents the greatest investment in our city in the near-term, but hopefully it will trigger future development for our community.

Should you wish to discuss this further, please do not hesitate to contact the undersigned at (309) 347-5511.

Best regards,

A handwritten signature in black ink that reads "A. Richard Kriegsman". The signature is written in a cursive style.

A. Richard Kriegsman, President  
Kriegsman Warehouses

**Project Costs and Sources of Funds**

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

| <b>Project Costs and Sources of Funds</b>   |                 |                    |                   |
|---|-----------------|--------------------|-------------------|
| <b>USE OF FUNDS</b>   | <b>CLINICAL</b> | <b>NONCLINICAL</b> | <b>TOTAL</b>      |
| Preplanning Costs   | 1,400           | 37,337             | 38,737            |
| Site Survey and Soil Investigation  | 0               | 9,833              | 9,833             |
| Site Preparation  | 0               | 659,000            | 659,000           |
| Off Site Work   | 0               | 131,000            | 131,000           |
| New Construction Contracts  | 625,860         | 12,178,840         | 12,804,700        |
| Modernization Contracts   | 0               | 0                  | 0                 |
| Contingencies   | 59,700          | 1,220,300          | 1,280,000         |
| Architectural/Engineering Fees  | 27,900          | 708,100            | 736,000           |
| Consulting and Other Fees (CON related)   | 2,300           | 57,700             | 60,000            |
| Movable or Other Equipment (not in construction contracts)  | 100,000         | 25,000             | 125,000           |
| Bond Issuance Expense (project related) *   | 830             | 20,950             | 21,780            |
| Net Interest Expense During Construction (project related) *  | 10,000          | 255,000            | 265,000           |
| Fair Market Value of Leased Space or Equipment  | 0               | 0                  | 0                 |
| Other Costs To Be Capitalized   | 58,540          | 1,481,976          | 1,540,516         |
| Acquisition of Building or Other Property (excluding land)  | 0               | 0                  | 0                 |
| <b>TOTAL USES OF FUNDS</b>  | <b>886,530</b>  | <b>16,785,036</b>  | <b>17,671,566</b> |
| <b>SOURCE OF FUNDS</b>  | <b>CLINICAL</b> | <b>NONCLINICAL</b> | <b>TOTAL</b>      |
| Cash and Securities (From Foundation)   | 286,530         | 5,385,036          | 5,671,566         |
| Pledges   |                 |                    |                   |
| Gifts and Bequests  |                 |                    |                   |
| Bond Issues (project related)   |                 |                    |                   |
| Mortgages   | 600,000         | 11,400,000         | 12,000,000        |
| Leases (fair market value)  |                 |                    |                   |
| Governmental Appropriations   |                 |                    |                   |
| Grants  |                 |                    |                   |
| Other Funds and Sources   |                 |                    |                   |
| <b>TOTAL SOURCES OF FUNDS</b>   | <b>886,530</b>  | <b>16,785,036</b>  | <b>17,671,566</b> |
| <b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b> |                 |                    |                   |

\* Mortgage related

**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 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Purchase Price:                        | \$ <u>1,312,000.00</u>                  |                             |
| Fair Market Value:                     | \$ <u>Purchase Price</u>                |                             |

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 \$ 125,000.00

**Project Status and Completion Schedules**

**For facilities in which prior permits have been issued please provide the permit numbers.**

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): April 2, 2018

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** Not Applicable \*

Are the following submittals up to date as applicable:

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

\* This project is for a non-substantive, non-clinical medical office building (MOB) not a hospital facility, by definition; hence, these submittals are not applicable. In addition, there are no outstanding CON permits.

**Cost Space Requirements**

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

| Dept. / Area          | Cost | Gross Square Feet |          | Amount of Proposed Total Gross Square Feet That Is: |            |       |               |
|-----------------------|------|-------------------|----------|---|------------|-------|---------------|
|                       |      | Existing          | Proposed | New Const.  | Modernized | As Is | Vacated Space |
| <b>REVIEWABLE</b>     |      |                   |          |   |            |       |               |
| Medical Surgical      |      |                   |          |   |            |       |               |
| Intensive Care        |      |                   |          |   |            |       |               |
| Diagnostic Radiology  |      |                   |          |   |            |       |               |
| MRI                   |      |                   |          |   |            |       |               |
| Total Clinical        |      |                   |          |   |            |       |               |
| <b>NON REVIEWABLE</b> |      |                   |          |   |            |       |               |
| Administrative        |      |                   |          |   |            |       |               |
| Parking               |      |                   |          |   |            |       |               |
| Gift Shop             |      |                   |          |   |            |       |               |
| Total Non-clinical    |      |                   |          |   |            |       |               |
| <b>TOTAL</b>          |      |                   |          |   |            |       |               |

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

**Facility Bed Capacity and Utilization** Not Applicable

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**.

| <b>FACILITY NAME:</b>                 |                        | <b>CITY:</b>      |                     |                    |                      |
|---------------------------------------|------------------------|-------------------|---------------------|--------------------|----------------------|
| <b>REPORTING PERIOD DATES:</b>        |                        | <b>From:</b>      | <b>to:</b>          |                    |                      |
| <b>Category of Service</b>            | <b>Authorized Beds</b> | <b>Admissions</b> | <b>Patient Days</b> | <b>Bed Changes</b> | <b>Proposed Beds</b> |
| Medical/Surgical                      |                        |                   |                     |                    |                      |
| Obstetrics                            |                        |                   |                     |                    |                      |
| Pediatrics                            |                        |                   |                     |                    |                      |
| Intensive Care                        |                        |                   |                     |                    |                      |
| Comprehensive Physical Rehabilitation |                        |                   |                     |                    |                      |
| Acute/Chronic Mental Illness          |                        |                   |                     |                    |                      |
| Neonatal Intensive Care               |                        |                   |                     |                    |                      |
| General Long Term Care                |                        |                   |                     |                    |                      |
| Specialized Long Term Care            |                        |                   |                     |                    |                      |
| Long Term Acute Care                  |                        |                   |                     |                    |                      |
| Other ((identify))                    |                        |                   |                     |                    |                      |
| <b>TOTALS:</b>                        |                        |                   |                     |                    |                      |

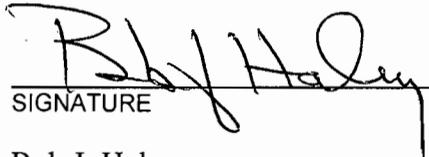
This non-substantive MOB project being proposed by Progressive Health Systems and Park Court Limited has no relationship to inpatient reporting; hence the chart is not applicable.

**CERTIFICATION**

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

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

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

  
 \_\_\_\_\_  
 SIGNATURE

Bob J. Haley  
 \_\_\_\_\_  
 PRINTED NAME

Chief Executive Officer  
 \_\_\_\_\_  
 PRINTED TITLE

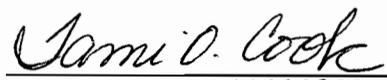
  
 \_\_\_\_\_  
 SIGNATURE

Steven C. Hall  
 \_\_\_\_\_  
 PRINTED NAME

Senior VP / CFO  
 \_\_\_\_\_  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 13 day of April

Notarization:  
 Subscribed and sworn to before me  
 this 13 day of April

  
 \_\_\_\_\_  
 Signature of Notary

Seal

**OFFICIAL SEAL**  
**TAMI O COOK**  
 Notary Public, State of Illinois  
 My Commission Expires 8/31/2019

  
 \_\_\_\_\_  
 Signature of Notary

Seal

**OFFICIAL SEAL**  
**TAMI O COOK**  
 Notary Public, State of Illinois  
 My Commission Expires 8/31/2019

\*Insert EXACT legal name of the applicant (co-applicant)

**CERTIFICATION**

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

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

This Application for Permit is filed on the behalf of Progressive Health Systems \* 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.

Bob J. Haley  
SIGNATURE

Bob J. Haley  
PRINTED NAME

Chief Executive Officer  
PRINTED TITLE

Steven C. Hall  
SIGNATURE

Steven C. Hall  
PRINTED NAME

Senior VP / CFO  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 13 day of April

Notarization:  
Subscribed and sworn to before me  
this 13 day of April

Tami O. Cook  
Signature of Notary

Seal



Tami O. Cook  
Signature of Notary

Seal



\*Insert EXACT legal name of the applicant (co-applicant)

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: **(TO BE UPDATED)**

| <b>INDEX OF ATTACHMENTS</b> |  |              |
|-----------------------------|--|--------------|
| <b>ATTACHMENT NO.</b>       |  | <b>PAGES</b> |
| 1                           | Applicant/Co-applicant Identification including Certificate of Good Standing                           | 33 – 35      |
| 2                           | Site Ownership   | 36 – 38      |
| 3                           | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | 39 – 41      |
| 4                           | Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.                  | 42 – 43      |
| 5                           | Flood Plain Requirements   | 44 – 47      |
| 6                           | Historic Preservation Act Requirements   | 48 – 54      |
| 7                           | Project and Sources of Funds Itemization   | 55 – 56      |
| 8                           | Obligation Document if required  | 57           |
| 9                           | Cost Space Requirements  | 58 – 59      |
| 10                          | Discontinuation  | NA           |
| 11                          | Background of the Applicant and Letter   | 60 – 62      |
| 12                          | Purpose of the Project   | 63 – 65      |
| 13                          | Alternatives to the Project  | 66 – 71      |
| 14                          | Size of the Project  | 72           |
| 15                          | Project Service Utilization  | 73           |
| 16                          | Unfinished or Shell Space  | 74           |
| 17                          | Assurances for Unfinished/Shell Space  | 75           |
| 18                          | Master Design Project  | NA           |
| 19                          | Mergers, Consolidations and Acquisitions   | NA           |
|                             | <b>Service Specific:</b>   |              |
| 20                          | Medical Surgical Pediatrics, Obstetrics, ICU   | NA           |
| 21                          | Comprehensive Physical Rehabilitation  | NA           |
| 22                          | Acute Mental Illness   | NA           |
| 23                          | Neonatal Intensive Care  | NA           |
| 24                          | Open Heart Surgery   | NA           |
| 25                          | Cardiac Catheterization  | NA           |
| 26                          | In-Center Hemodialysis   | NA           |
| 27                          | Non-Hospital Based Ambulatory Surgery  | NA           |
| 28                          | Selected Organ Transplantation   | NA           |
| 29                          | Kidney Transplantation   | NA           |
| 30                          | Subacute Care Hospital Model   | NA           |
| 31                          | Children's Community-Based Health Care Center  | NA           |
| 32                          | Community-Based Residential Rehabilitation Center  | NA           |
| 33                          | Long Term Acute Care Hospital  | NA           |
| 34                          | Clinical Service Areas Other than Categories of Service  | 76           |
| 35                          | Freestanding Emergency Center Medical Services   | NA           |
|                             | <b>Financial and Economic Feasibility:</b>   |              |
| 36                          | Availability of Funds  | 77 – 86      |
| 37                          | Financial Waiver   | 87           |
| 38                          | Financial Viability  | 88           |
| 39                          | Economic Feasibility   | 89 – 92      |
| 40                          | Safety Net Impact Statement  | 93           |
| 41                          | Charity Care Information   | 94           |
| Appendix A                  | Loan Agreement   | 95 – 118     |
| Appendix B                  | Pekin Hospital Foundation Funds  | 119 – 120    |
| Appendix C                  | Pekin Foundation Donation Letter   | 121 – 123    |
| Appendix D                  | Progressive Health Systems Audited Financial Statements  | 124 – 157    |

## Attachments

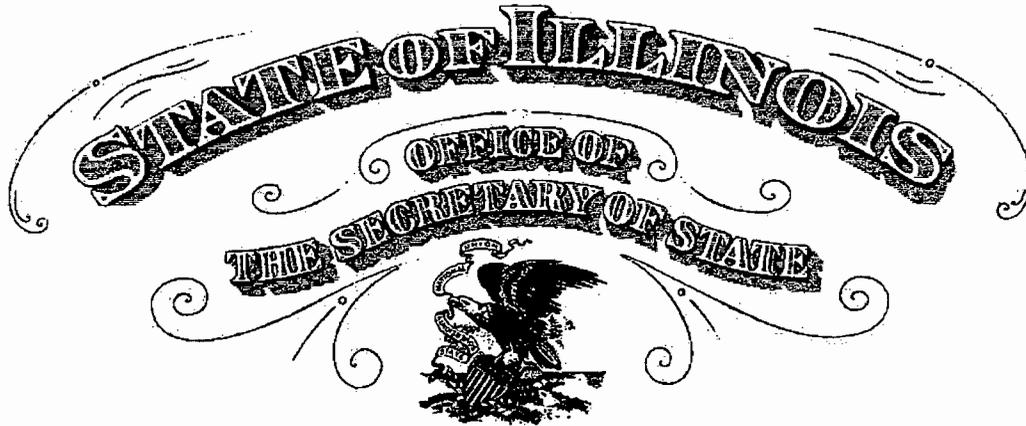
## SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

|                                  |   |
|----------------------------------|---|
| Exact Legal Name:                | Progressive Health System (Parent Corporation)          |
| Address:                         | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Name of Registered Agent:        | Bob J. Haley  |
| Name of Chief Executive Officer: | Bob J. Haley  |
| CEO Address:                     | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554 |
| Telephone Number:                | 309-353-0700  |

|                                  |   |
|----------------------------------|---|
| Exact Legal Name:                | Park Court Limited (Real Estate Holding / Development Subsidiary Corporation) |
| Address:                         | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554                       |
| Name of Registered Agent:        | Bob J. Haley  |
| Name of Chief Executive Officer: | Bob J. Haley  |
| CEO Address:                     | 600 South 13 <sup>th</sup> Street Pekin, Illinois 61554                       |
| Telephone Number:                | 309-353-0700  |

These two not-for-profit corporations are co-applicants on this CON Permit Application to develop the Griffin Medical Office Building (MOB).



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

PROGRESSIVE HEALTH SYSTEMS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 05, 1985, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 1ST day of OCTOBER A.D. 2015 .***



Authentication #: 1527402080 verifiable until 10/01/2016  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

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 I am the keeper of the records of the Department of Business Services. I certify that*

PARK COURT LIMITED, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 05, 1985, 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 #: 1527402088 verifiable until 10/01/2016  
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 1ST day of OCTOBER A.D. 2015 .**

*Jesse White*

SECRETARY OF STATE

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Park Court Limited

Address of Site Owner: 600 South 13<sup>th</sup> Street Pekin, Illinois 61554

Street Address or Legal Description of Site:

**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.**

See Attached Warranty Deed

3  
K

Tazewell County, IL  
Christie A. Webb

**Doc No.: 201500017729**

Receipt #: 747302  
Pages Recorded: 3  
Document Type: WD

Total Fees: \$26.75  
+RHSP FUND: \$9.00

**Date Recorded: 10/16/2015 2:26:13 PM**

Peoria Time, LLC

2015-1313

**SPECIAL WARRANTY DEED**

KNOW ALL MEN BY THESE PRESENTS, THAT the GRANTOR, REMJ PROPERTIES, LLC, a Limited Liability Company duly organized and existing under and by virtue of the laws of the State of Illinois, and duly authorized to transact business in the State of Illinois, for and in consideration of TEN DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION in hand paid, the receipt of which is hereby acknowledged, has sold, and by these presents does REMISE, RELEASE, ALIEN and CONVEY to GRANTEE, PARK COURT LIMITED, a Not-For-Profit Corporation duly organized and existing under and by virtue of the laws of the State of Illinois, the following described real estate situated in Tazewell County, Illinois, to wit:

A part of the Northeast Quarter of Section 7, Township 24 North, Range 4 West of the Third Principal Meridian, being more particularly described as follows:

Commencing at the most Easterly corner of Lot 12 of Pekin Plaza Extension No. Two, being a Subdivision of the West Half of the Southeast Quarter of said Section 7; thence North 50 degrees 15 minutes 00 seconds West along the Northeasterly line of said Lot 12, a distance of 10.00 feet to the Westerly Right of Way line of Veterans Drive; thence North 39 degrees 45 minutes 00 seconds East along the Westerly Right of Way line of said Veterans Drive, a distance of 1122.94 feet to a point on the Northeasterly Right of Way line of Griffin Avenue, said point being the Point of Beginning of the tract to be described; thence North 50 degrees 15 minutes 00 seconds West along the Northeasterly Right of Way line of said Griffin Avenue, a distance of 600.00 feet; thence North 39 degrees 45 minutes 00 seconds East, a distance of 460.00 feet; thence South 50 degrees 15 minutes 00 seconds East, a distance of 600.00 feet to a point on the Westerly Right of Way line of said Veterans Drive; thence South 39 degrees 45 minutes 00 seconds West along the Westerly Right of Way line of said Veterans Drive, a distance of 460.00 feet to the Point of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

PIN: 11-11-07-203-003

And the Grantor(s), for itself, and its successor(s), does covenant, promise and agree, to and with the Grantee, its successors and assigns, that it has not done or suffered to be done, anything whereby the said premises hereby granted are, or may be, in any manner encumbered or charged,

except as herein received, and that the said premises against all persons lawfully claiming, or to claim the same, by, through or under it, it WILL WARRANT and DEFEND, subject to the following:

1. 2015 and subsequent years' real estate taxes.
2. Reservations, restrictions, covenants, conditions and easements of record.
3. Walks and passageways, roads and highways.

With the appurtenances, and all the estate, title and interest of said Grantor. Hereby releasing and waiving all rights under and by virtue of the homestead exemption Laws of the State of Illinois.

This deed is exempt under Section 4(b) of the Real Estate Transfer Tax Act {35 ILCS 200/31-45}.

James M. Miller  
Buyer or Representative

10-15-15  
Date

IN TESTIMONY WHEREOF, REMJ Properties, LLC, by James M. Miller, as Manager, has hereunto executed this Special Warranty Deed on October 15, 2015.

James M. Miller (SEAL)  
REMJ Properties, LLC  
By: James M. Miller, Manager

STATE OF ILLINOIS )  
COUNTY OF Peoria ) SS.

I, the undersigned, a Notary Public in and for said County and State aforesaid, DO HEREBY CERTIFY that JAMES M. MILLER as aforesaid, who was/were either 1) personally known to me or 2) presented satisfactory evidence of identification in the form of a Driver's License or State of Illinois issued picture identification document, to be the same person(s) whose name(s) is/are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that (s)he signed and delivered the said instrument as his/her free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of homestead. GIVEN under my hand and notarial seal this 15<sup>th</sup> day of October, 2015.



Brenda L. Knox  
Notary Public

**Return To:**  
Carol Lockwood, Esq.  
Hinshaw & Culbertson LLP  
100 Park Ave.  
P.O. Box 1389  
Rockford, Illinois 61105-1389

**Prepared By:**  
Darrell E. Dies, P.C.  
1426 CR 800 North  
Eureka, Illinois 61530

**Send Tax Notice To:**  
Park Court Limited  
ATTN: Bob J. Haley  
600 S. 13<sup>th</sup> Street  
Pekin, Illinois 61554

**Operating Identity/Licensee Not Applicable**

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

|  |                           |                          |                     |
|--|---------------------------|--------------------------|---------------------|
| Exact Legal Name:  |                           |                          |                     |
| Address:   |                           |                          |                     |
| <input checked="" type="checkbox"/>  | Non-profit Corporation    | <input type="checkbox"/> | Partnership         |
| <input type="checkbox"/>   | For-profit Corporation    | <input type="checkbox"/> | Governmental        |
| <input type="checkbox"/>   | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship |
|  |                           | <input type="checkbox"/> | Other               |
| <ul style="list-style-type: none"><li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li><li>o 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.</li><li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li></ul> |                           |                          |                     |
| <b>APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>  |                           |                          |                     |

Progressive Health Systems is the parent holding company of four (4) sister corporations, including Park Court Limited. Progressive Health Systems and Park Court Limited are each non-profit corporations. Neither provide health care services so, by definition, are not licensed. Park Court Limited is a real estate holding and development corporation which leases its holdings to tenants. In this case, it is developing the Griffin Medical Office Building which will be leased, in its entirety, to the ProHealth Medical Group. Certificates of Good Standing for Progressive Health Systems and Park Court Limited are attached.



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

PROGRESSIVE HEALTH SYSTEMS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 05, 1985, 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 #: 1527402080 verifiable until 10/01/2016  
Authenticate at: <http://www.cyberdriveillinois.com>

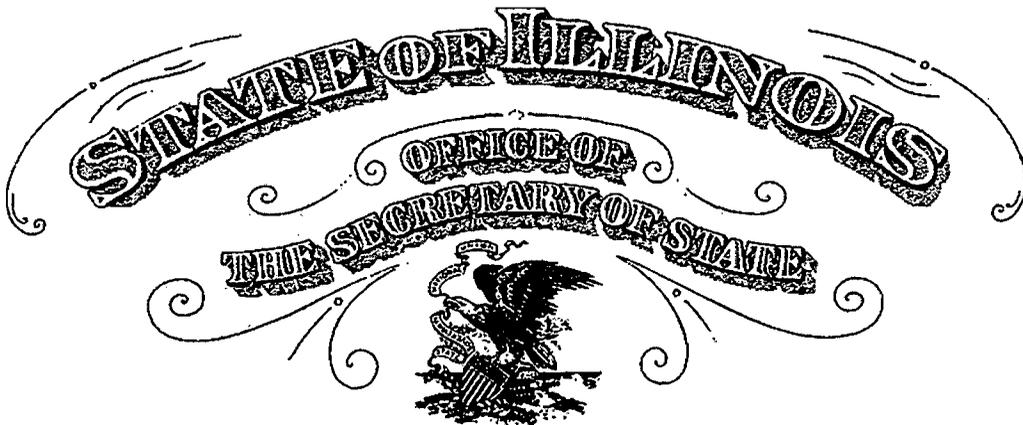
*In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 1ST day of OCTOBER A.D. 2015 .*

*Jesse White*

SECRETARY OF STATE

File Number

5380-421-7



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

PARK COURT LIMITED, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 05, 1985, 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 #: 1527402088 verifiable until 10/01/2016  
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 1ST day of OCTOBER A.D. 2015 .*

*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.

**PROGRESSIVE HEALTH SYSTEMS \***  
**(Parent Corporation)**



**PARK COURT  
LTD. \***

**(REAL ESTATE DEVELOPMENT AND HOLDING CORPORATION)**

\* Each corporation is a non-for-profit entity.

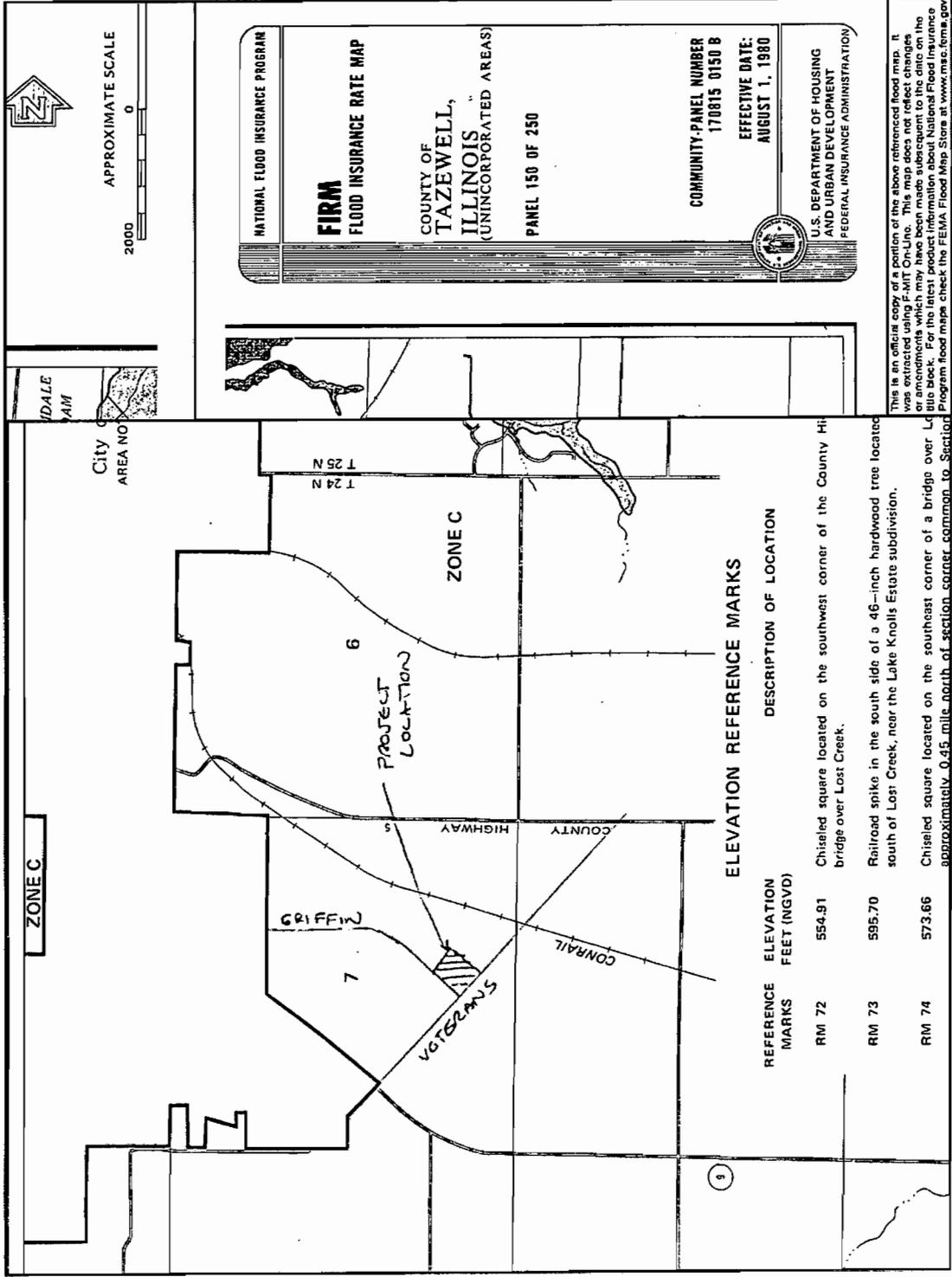
## **Flood Plain Requirements**

[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](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://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.**

As indicated in the Attached Exhibit A, the subject development site is in FEMA Flood Plain Zone C. This zone, by definition, (see Attachment 5, Exhibit B), is outside the 500 year flood plain and therefore is compliant with Executive Order # 2005-5.



## **ZONE CLASSIFICATIONS**

### **PLEASE PRINT A COPY FOR FUTURE REFERENCE**

- Zone C, Zone X** - Areas determined to be outside 500-year floodplain determined to be outside the 1% and 0.2% annual chance floodplains.
- Zone B, Zone X500** - Areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. An area inundated by 0.2% annual chance flooding.
- Zone A** - An area inundated by 1% annual chance flooding, for which no BFEs have been determined.
- Zone AE** - An area inundated by 1% annual chance flooding, for which BFEs have been determined.
- Zone AH** - An area inundated by 1% annual chance flooding (usually an area of ponding), for which BFEs have been determined; flood depths range from 1 to 3 feet.
- Zone AO** - An area inundated by 1% annual chance flooding (usually sheet flow on sloping terrain), for which average depths have been determined; flood depths range from 1 to 3 feet.
- Zone AR** - An area inundated by flooding, for which BFEs or average depths have been determined. This is an area that was previously, and will again, be protected from the 1% annual chance flood by a Federal flood protection system whose restoration is Federally funded and underway.
- Zone A1-A30** - An area inundated by 1% annual chance flooding, for which BFEs have been determined.
- Area Not Included (ANI),(N)** - An area that is located within a community or county that is not mapped on any published FIRM.
- Zone D** - An area of undetermined but possible flood hazards.
- Undescribed (UNDES)** - Area of Undesignated Flood Hazard. A body of open water, such as a pond, lake, ocean, etc., located within a community's jurisdictional limits, that has no defined flood hazard.
- Zone VE** - An area inundated by 1% annual chance flooding with velocity hazard (wave action); BFEs have been determined.
- Zone V(1-30)** - Coastal flood with velocity hazard (wave action); BFEs have not been determined.
- FWIC** - An area where the floodway is contained within the channel banks and the channel is too narrow to show to scale. An arbitrary channel width of 3 meters is shown. BFEs are not shown in this area, although they may be reflected on the corresponding profile. (Floodway Contained in Channel)
- 100IC** - An area where the 1% annual chance flooding is contained within the channel banks and the channel is too narrow to show to scale. An arbitrary channel width

of 3 meters is shown. BFEs are not shown in this area, although they may be reflected on the corresponding profile. (1% Annual Chance Flood Discharge Contained in Channel)

**500IC -** An area where the 0.2% annual chance flooding is contained within the channel banks and the channel is too narrow to show to scale. An arbitrary channel width of 3 meters is shown. (2% Annual Chance Flood Discharge Contained in channel)

**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.**

A historic resources preservation determination has been requested per the following documentation. When received, it will be submitted under separate cover.

March 28, 2016

Rachel Leibowitz, PhD  
Deputy State Historic Preservation Officer  
Preservation Services Division  
Illinois Historic Preservation Agency  
1 Old State Capital Plaza  
Springfield, Illinois 62701

Re: Historic Preservation Act Determination Request  
Griffin Medical Office Building  
Pekin, Illinois

Dear Ms. Leibowitz,

We are preparing a Certificate of Need Permit Application for this proposed development. In accordance with the Illinois Historic Preservation Act (IHPA), Section 4, the Health Facilities and Services Review Board (IHFSRB) requires a formal determination as to whether the proposed project to develop this medical office building impacts on, or affects, historic resources. Site and project information follows below:

1. General Project Description and Address

The co-applicants, Progressive Health Systems and Park Court LTD, are seeking a certificate of need to develop a multi-level, 59,580 sq. ft. medical office building (MOB) located on a 6.3 acre site at the corner of Griffin Avenue and Veteran's Drive, Pekin, Illinois. At this point, no address has been assigned by the USPS. Information attached to this letter provides site information and its GPS location (Attachments A and B).

2. Topographic or Metropolitan Map

A topographical map is attached for reference purposes (Attachment D).

*Firm Member, American Association of Healthcare Consultants*

3. Historic Architectural Resources GIS

The property is not listed on a national register, within a local historical district, nor is the site a local landmark.

4. Standing Buildings / Structure photographs

The site is a "greenfield" site with no existing structures.

5. Addresses for Building / Structures

There are no buildings with associated addresses on the site. The legal description of the site is attached (Attachment C). The USPS has not assigned an address to this site, or the proposed new MOB facility, at the present time. (See Number 1, above, and related attachments)

6. Federal Involvement

There is no federal involvement with the proposed MOB development on the "greenfield" site.

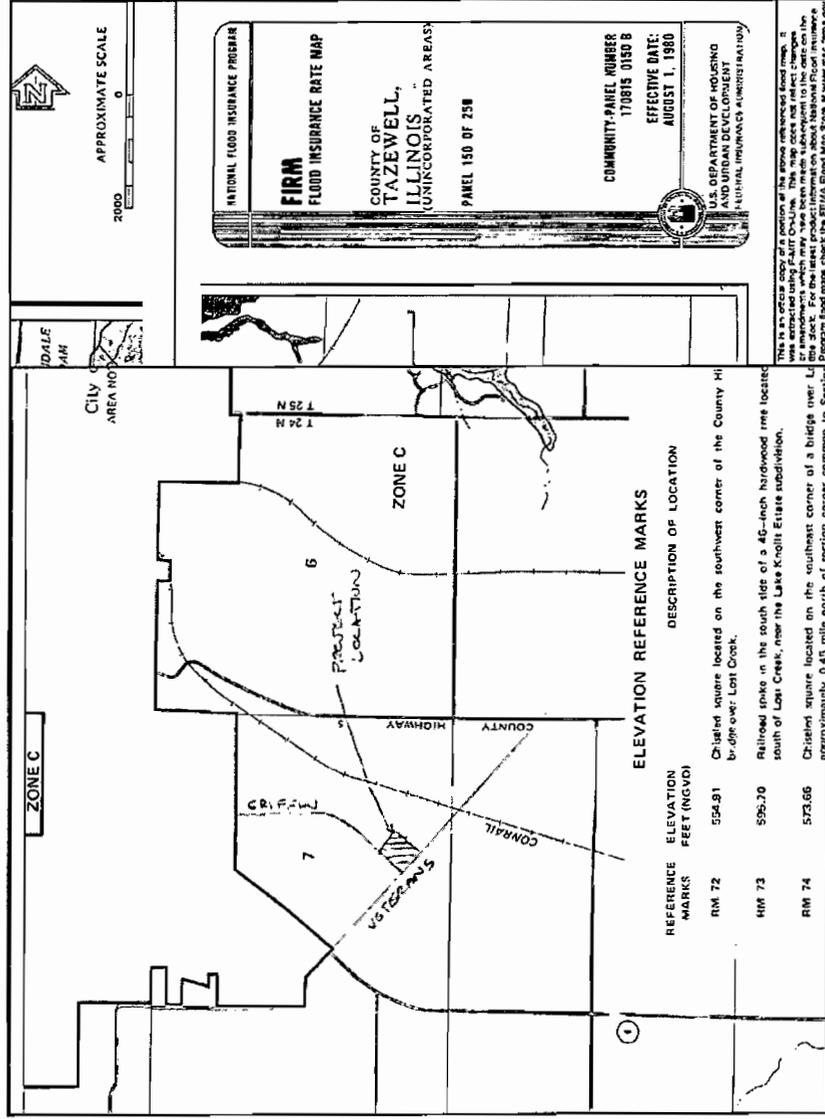
Thank you for considering this request for a historic preservation determination. If you have any questions or need additional information, please feel free to contact me by email at [eparkhurst@consultprism.com](mailto:eparkhurst@consultprism.com) or my direct line 630-790-5089.

Sincerely,

Edwin W. Parkhurst, Jr.  
Managing Principal

Attachments: Attachment A – FIRM Map  
Attachment B – Topographical Map  
Attachment C – Tract Survey Plat and Legal Description  
Attachment D – Topographical Map

**PRISM**

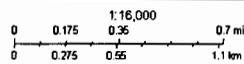


Griffin MOB  
 Attachment A

**PRISM**



March 25, 2016



Township C north, IL, Bruce Harris & Associates  
Township C north, IL

Griffin MOB  
Attachment B





## Project Costs and Sources of Funds

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

| Project Costs and Sources of Funds  |                |                   |                   |
|---|----------------|-------------------|-------------------|
| USE OF FUNDS  | CLINICAL       | NONCLINICAL       | TOTAL             |
| Preplanning Costs   | 1,400          | 37,337            | 38,737            |
| Site Survey and Soil Investigation  | 0              | 9,833             | 9,833             |
| Site Preparation  | 0              | 659,000           | 659,000           |
| Off Site Work   | 0              | 131,000           | 131,000           |
| New Construction Contracts  | 625,860        | 12,178,840        | 12,804,700        |
| Modernization Contracts   | 0              | 0                 | 0                 |
| Contingencies   | 59,700         | 1,220,300         | 1,280,000         |
| Architectural/Engineering Fees  | 27,900         | 708,100           | 736,000           |
| Consulting and Other Fees (CON related)   | 2,300          | 57,700            | 60,000            |
| Movable or Other Equipment (not in construction contracts)  | 100,000        | 25,000            | 125,000           |
| Bond Issuance Expense (project related) *   | 830            | 20,950            | 21,780            |
| Net Interest Expense During Construction (project related) *  | 10,000         | 255,000           | 265,000           |
| Fair Market Value of Leased Space or Equipment  | 0              | 0                 | 0                 |
| Other Costs To Be Capitalized   | 58,540         | 1,481,976         | 1,540,516         |
| Acquisition of Building or Other Property (excluding land)  | 0              | 0                 | 0                 |
| <b>TOTAL USES OF FUNDS</b>  | <b>886,530</b> | <b>16,785,036</b> | <b>17,671,566</b> |
| SOURCE OF FUNDS   | CLINICAL       | NONCLINICAL       | TOTAL             |
| Cash and Securities (From Foundation)   | 286,530        | 5,385,036         | 5,671,566         |
| Pledges   |                |                   |                   |
| Gifts and Bequests  |                |                   |                   |
| Bond Issues (project related)   |                |                   |                   |
| Mortgages   | 600,000        | 11,400,000        | 12,000,000        |
| Leases (fair market value)  |                |                   |                   |
| Governmental Appropriations   |                |                   |                   |
| Grants  |                |                   |                   |
| Other Funds and Sources   |                |                   |                   |
| <b>TOTAL SOURCES OF FUNDS</b>   | <b>886,530</b> | <b>16,785,036</b> | <b>17,671,566</b> |
| <b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b> |                |                   |                   |

\* Mortgage related

Detail, by category (Allocated estimates)

| <u>PrePlanning Costs</u>                                    | <u>Clinical</u> | <u>Non Clinical</u> |
|---|-----------------|---------------------|
| Program Review  | 1,000           | --                  |
| Current Facility Review                                     | <u>400</u>      | <u>37,337</u>       |
|   | 1,400           | 37,337              |
| <br>  |                 |                     |
| <u>Site</u>   |                 |                     |
| Survey  | --              | 2,500               |
| Soils   | --              | <u>7,333</u>        |
|   | --              | 9,833               |
| <br>  |                 |                     |
| <u>Off Site Work (Utilities)</u>                            | --              | 131,000             |
| <br>  |                 |                     |
| <u>New Construction Contracts (See Attachment Number 7)</u> |                 |                     |
| <br>  |                 |                     |
| <u>Consulting / Other Fees</u>                              |                 |                     |
| CON Processing Fee  | 1,500           | 37,400              |
| CON Development / Other                                     | <u>800</u>      | <u>20,300</u>       |
|   | 2,300           | 57,700              |
| <br>  |                 |                     |
| <u>Equipment</u>  |                 |                     |
| Lab / Imaging   | 100,000         | --                  |
| FF & E  | --              | 2,500               |
| <br>  |                 |                     |
| <u>Other Costs</u>  |                 |                     |
| Low Voltage System  | --              | 180,000             |
| Telephone   | --              | 240,000             |
| Security / Alarms   | --              | 81,976              |
| Misc. / Computer  | <u>--</u>       | <u>980,000</u>      |
|   | 58,540          | 1,481,976           |
|   | (Allocated)     |                     |

### Project Status and Completion Schedules

**For facilities in which prior permits have been issued please provide the permit numbers.**

Indicate the stage of the project's architectural drawings:

- |   |  |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary   |
| <input checked="" type="checkbox"/> Schematics  | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): April 2, 2018

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.**

## Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

| Dept. / Area   | Cost | Gross Square Feet |          | Amount of Proposed Total Gross Square Feet That Is: |            |       |               |
|--|------|-------------------|----------|---|------------|-------|---------------|
|  |      | Existing          | Proposed | New Const.  | Modernized | As Is | Vacated Space |
| <b>REVIEWABLE</b>  |      |                   |          |   |            |       |               |
| Medical Surgical   |      |                   |          |   |            |       |               |
| Intensive Care   |      |                   |          |   |            |       |               |
| Diagnostic Radiology   |      |                   |          |   |            |       |               |
| MRI  |      |                   |          |   |            |       |               |
| Total Clinical   |      |                   |          |   |            |       |               |
|  |      |                   |          |   |            |       |               |
| <b>NON REVIEWABLE</b>  |      |                   |          |   |            |       |               |
| Administrative   |      |                   |          |   |            |       |               |
| Parking  |      |                   |          |   |            |       |               |
| Gift Shop  |      |                   |          |   |            |       |               |
|  |      |                   |          |   |            |       |               |
| Total Non-clinical   |      |                   |          |   |            |       |               |
| <b>TOTAL</b>   |      |                   |          |   |            |       |               |
| <b>APPEND DOCUMENTATION AS <u>ATTACHMENT-9</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b> |      |                   |          |   |            |       |               |



## 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.**

Criterion 1110.230  
Attachment 11

#### Background

##### 1a. Progressive Health Systems (Co-Applicant)

The System is the parent of four sister corporations. These are Pekin Hospital, Pekin Memorial Foundation, Park Court Limited, and ProHealth, Inc. d/b/a The ProHealth Medical Group.

This CON permit application is limited to a non-clinical physician office building project, the Griffin MOB, which is being developed by Park Court Limited, Progressive Health System's real estate development and holding subsidiary corporation.

Neither are corporations which require applicable licenses; Certificates of Good Standing are provided in Attachment 1 for the two co-applicants.

1b. Park Court Limited (Co-Applicant)

Park Court Limited owns and operates the following real estate entities; by definition, none are “healthcare facilities”.

| Description                                | Property Tax ID          |
|--|--------------------------|
| 1318 Park Ave (parking lot)                | 04-10-02-233-003         |
| 717 S. 13th St (house)                     | 04-10-02-232-001         |
| Bldg-2351 Broadway                         | 04-04-36-414-008 & 009   |
| 624 S. 12th St                             | 04-10-02-225-007         |
| 600 S. 13th Street Medical Office Building | n/a                      |
| 3225 Griffin - ProHealth Pediatrics        | 11-11-07-102-032 *       |
| 603 S. 13th Street - Cancer Center         | 04-10-02-225-019         |
| 19 Olt Ave , Prohealth Primary Care        | 11-11-07-102-024 & 025 * |
| Griffin Land                               | 11-11-07-108-011         |
| Land-Griffin/Veterans Dr. New Property     | n/a                      |

2. There have been no adverse actions against any facility owned or operated by the applicants (see co-applicant attestation letter included herein).
3. Authorization to access documents, as required, is attached and attested to.
4. Not Applicable. There are no outstanding permit applications nor CON permits.



PROGRESSIVE  
HEALTH SYSTEMS

April 15, 2016

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

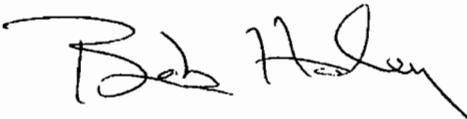
Dear Ms. Avery,

In accordance with Criterion 1110.230.a. Background of Applicant. I am submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

1. Neither Progressive Health Systems nor Park Court Limited have any adverse action taken during the last three (3) year period prior to filing of this application: and
2. Progressive Health Systems and Park Court Limited authorize the Health Facilities and Services Review Board and Illinois Department of Public Health access to any information necessary to verify documents or information submitted in response to the requirements of Criterion 1110.230.a, or to obtain documentation or information which the State Board or Agency finds pertinent to the application.

If further information or documentation relative to this application is needed, please do not hesitate to contact me at [bhaley@pekinhospital.com](mailto:bhaley@pekinhospital.com) or 309-353-0700.

Sincerely,



Bob J. Haley  
Chief Executive Officer

Subscribed and sworn to before me  
this 15 day of April 2016



Notary Public



## 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.**

Criterion 1110.230  
Attachment 12

### Project Purpose

### Introduction

U.S. health-related care delivery models are shifting to consumer driven, value-based approaches; in part, driven by the Affordable Care Act (ACA) which has disrupted traditional reimbursement / insurance program design and reduced provider payments. Reduced reimbursement, ACA impacts, coupled with demographic considerations such as an aging population and increased prevalence of chronic diseases, are fostering healthcare system redesign. One such redesign component is provider consolidation to enhance the opportunity to coordinate care between providers as well as to reduce operating costs through more cost efficient and effective integrated facilities. This project proposes to consolidate existing provider practices to improve operational efficiencies, focus on integrated / coordinated patient care, and enhance wellness and disease prevention as an outcome.

1. Healthcare Improvement

ProHealth, Inc., d/b/a ProHealth Medical Group operates primary care and specialty practices in various Pekin locations. The Group not only offers physician services, but also mid-level provider services. The Griffin MOB project proposes to locate current practices into a single facility to improve care coordination between primary and specialty care by geographically consolidating existing services. ProHealth Medical Group is comprised of employed providers.

2. Planning Area

The market area is defined by those patients seeking care provided by the ProHealth Medical Group providers. This area is primarily the City of Pekin and surrounding areas.

3. Existing Problems

Currently, the ProHealth Medical Group operates out of several locations as documented herein. The most pressing problems to be solved by co-locating existing providers in a single facility, the proposed Griffin MOB, is to provide the opportunity for provider integration, coordinated patient care, and more efficient operations in response to ACA implications that require system redesign (see introduction to Attachment 12).

4. Information Sources

Various local and national sources clearly demonstrate the ongoing redesign of the healthcare system as evidenced by the various consolidation and discontinuation permit applications before the Review Board. Provider consolidation to improve access, coordinate care, and create more efficient operational models in response to reduced reimbursement is becoming self-evident. The proposed Griffin MOB is a result of these external influences and internal documentation analysis.

5. Improved Future State

The ProHealth Medical Group was formed in the 1980's to assist in recruiting providers to Pekin. Since its establishment, it has been very successful as evidenced by the development of several fragmented, practice sites in and around Pekin. Through consolidation on a single campus, recruitment will be further enhanced due to provider interaction and professional interaction and support on a daily basis, provider "curb-side" patient consultations due to practice proximity, and enhanced care coordination, in part, due to the provider's professional interaction. Those patients seeking service will benefit from integrated care coordination between providers which is expected to result in improved health status, patient well-being, and improved population health as an outcome.

6. Goal(s)

The primary goal is to provide a single-site consolidated for existing providers. The Griffin MOB facility, in and of itself, will meet this overarching goal. Existing / vacated provider sites will be repurposed as non-clinical buildings after the Griffin MOB is completed.

## 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.**

Criterion 1110.230  
Attachment 13

### Project Alternatives

#### Background

This criterion requires consideration of a joint venture or the utilization of other existing healthcare provider resources. The ProHealth Medical Group is comprised of owned physician practices. As such, the corporation is an integral component of Progressive Health Systems and there is no reasonable business reason to consider either a joint venture or using other healthcare resources to accomplish consolidated operations.

- 1) The five (5) Alternatives considered were:

- Expand an existing Park Court Limited site to allow consolidation.
- Locate the proposed MOB on the Pekin Hospital campus.
- Locate the proposed MOB on another adequately sized site in the City of Pekin.
- Locate the proposed MOB elsewhere in the geographic service area.
- Develop the proposed MOB on the Griffin site.

These alternatives are discussed generally below and outline the rationale or reasons for rejection and the ultimate decision to develop the Griffin location.

### Alternatives Discussion

#### Existing Park Court Limited Site Expansion

Each of the existing Park Court related ProHealth Group provider locations proposed to be consolidated into a new MOB are within Pekin and too small to accommodate the proposed 60,000 sq. ft. building development with associated parking. Adjacent land acquisition to existing sites was considered, but found to be not reasonable nor cost effective. Hence, this alternative was rejected.

#### Pekin Hospital Campus Location

The Hospital campus is small and adjacent to a residential neighborhood. As such, it was judged to be inadequate for a new 60,000 sq. ft. MOB facility development with associated parking. Adjacent land acquisition was considered, but deemed unfeasible, as was the cost of a parking garage (approximately \$15,000,000). Hence, due to site constraints and potential developments cost, this alternative was rejected.

#### New Site in the City of Pekin (Other than Griffin)

Other potential City of Pekin sites approximating 6 acres were not found to be available to accommodate the proposed ProHealth Medical Group MOB to be developed by Park Court Limited. Hence, due to site unavailability, this alternative was rejected.

#### New Site in the Geographic Service Area

There is a natural relationship between physician providers and access to their preferred hospital. Locating a new MOB further removed from Pekin Hospital would impact on physician productivity and increase operational costs due to diminished efficiency. Thus, this alternative was rejected.

### Proposed Griffin Site

This site provides adequate area, approximately 6.3 acres, to develop the MOB and parking. It is located on the eastern edge of Pekin with good arterial street access to Pekin Hospital and secondary road access to the north, south, and east. In addition, the surrounding area has open space allowing for the City of Pekin growth. Thus, because of site adequacy, roadway access, and potential future surrounding growth, this site was determined to be the best for consolidating existing provider practices.

### 2) Project Cost

Only two of the Alternatives, 1) an on campus Pekin Hospital development and 2) the Griffin Avenue site were costed due primarily to the unavailability of other adequate sites to accommodate the proposed MOB development (as discussed above). The primary difference between the Hospital site estimated project cost and Griffin project cost, is potential land aggregation / site expansion as well as a 500 car parking garage (new and replacement parking spaces with a parking structure) on the Pekin Hospital campus. Costs related to the Griffin site and a site elsewhere in the geographic area would be similar, but convenient access to Pekin Hospital would be compromised.

| <u>Alternative</u>          | <u>Project Cost (estimated)</u> |
|-----------------------------|---------------------------------|
| Hospital Campus Development | \$32,700,000 *                  |
| Griffin MOB Development     | \$17,700,000                    |

\* Includes a 500-car parking structure @ \$15,000,000, plus additional land acquisition costs, if at all practical.

### 3) Empirical Evidence

See attached article regarding multi-specialty MOB's where are consistent with the proposed Griffin MOB development concept which will consolidate ProHealth Medical Group's existing providers.

# Industry Changes Prompt Growth of Multi-Specialty MOBs

Written by John Marshall, Vice President, Healthcare Strategy and Development, Duke Realty | January 24, 2012

The U.S. healthcare industry, perhaps more than any other, must be well-versed on a wide range of new trends, laws and regulations and adopt innovative business strategies to address these changes.

Today, hospitals and health systems are faced with greater challenges than ever, which are driving them to reconsider how outpatient facilities fit into their strategies.

As a result, multi-specialty medical office buildings are being looked upon as a practical means to comply with the new regulations, enhance efficiency, reduce costs and provide improved, collaborative care management.

## **Multi-specialty MOBs: The business model**

Multi-specialty MOBs are significantly different in terms of design, use and benefits from traditional multi-tenant MOBs.

Historically, most MOBs have been owned and managed by hospitals, health systems or third-party developers and investors who leased separate office suites to multiple independent physicians or medical practice groups with little or no shared space or interaction. In contrast, industry changes are compelling MOBs to house multiple physician practices owned by the same hospital, with a heightened emphasis on productivity, efficiency and physician integration and collaboration.

Multi-specialty MOBs can be designed to accommodate these needs. For example, employed physicians offering complementary specialties, such as OB-GYN and pediatrics, or orthopedics and physical therapy, can be clustered within one building or floor. These related specialties can share a centralized administrative space and electronic medical records system, enabling the physicians/partners to speak one language about each patient. This collaborative arrangement offers added exposure to each service and increases cross-referrals compared to independent practices housed in multi-tenant MOBs.

Multi-specialty MOBs can also be organized so physicians and medical practices can share space and services such as patient waiting rooms, labs, imaging, records, conference rooms and administrative support. This can benefit both staff and patients with enhanced efficiency, such as when test results and other diagnostics can be expedited quickly through labs and imaging services located in the same building. In addition, shared services can reduce square footage of the facility, thus reducing construction and operational costs.

Multi-specialty MOBs also support the increasing amount of care being delivered in an outpatient setting. Hospitals will find it advantageous to provide these lower-cost, higher-margin services in an efficient, cost-effective, convenient environment. Multi-specialty MOBs, on or near the hospital campus, or at satellite locations, can be a good solution.

### **A response to healthcare reform**

Perhaps the most compelling argument favoring a move toward multi-specialty MOBs is the implementation of healthcare reform.

More than 100 million Americans are enrolled in Medicare, Medicaid and the Children's Health Insurance Program, according to the CMS. As the federal agency that administers these programs, CMS recommends how providers should be reimbursed. It also influences the strategies of private insurers. Healthcare reform expands the already considerable power of CMS putting it in charge of several pilot programs intended to test new models of care and reimbursement.

One of those new models is the accountable care organization, which creates incentives for hospitals, physicians and other providers to better coordinate care for patients across care settings, providing more coordinated, higher-quality, lower-cost care. The performance providers will be measured against ACO benchmarks to determine if they qualify to receive shared savings — or if they should be held accountable for losses.

Healthcare reform also created a bundled payments initiative, which is exploring how to revamp reimbursement methods. Under payment "bundling," hospitals, physicians and other providers will be paid a flat rate for an episode of care rather than the traditional "fee-for-service" system, in which each service or test is billed separately to Medicare.

But creating the infrastructure to support ACOs, bundled payments and other aspects of healthcare reform won't come cheap. These new, higher levels of coordination and physician integration will require a great deal of capital investment in such areas as EMR and new facilities. To implement these new programs, health systems will be forced to cut costs in every way possible. Kaufman Strategic Advisors noted in a recent white paper that because of healthcare reform, most hospitals will need to reduce their current operating cost structures by 10 percent to 15 percent.

In this era of ACOs and bundled payments, multi-specialty MOBs will be an attractive alternative. Healthcare providers will find it easier to manage a patient's multi-staged care in one physical setting specifically designed for collaboration. It will also be easier to implement a bundled payment program when all the providers are under one roof. And by removing many outpatient services from expensive hospital space, hospitals will see reduced overhead costs and an expected decrease in total square footage through increased efficiencies.

### **An idea whose time has come**

Multi-specialty MOBs are not a new concept. Academic medical centers such as Loyola University and integrated health systems such as Kaiser Permanente have for some time employed their own physicians and owned most of their MOBs and other real estate. But what is changing is that, for strategic business reasons, other hospitals and healthcare systems are exploring similar models.

However, those institutions must determine their appropriate roles in financing, developing, owning, leasing and managing their new outpatient facilities. Many healthcare executives understand that real estate is not their core business. Developing and owning outpatient real estate also drains already scarce financial resources. That capital can more effectively further the organization's mission if invested in new or enhanced inpatient facilities, physician integration, EMRs and new medical equipment and technology.

These institutions should discuss partnering with healthcare real estate development experts early in the facilities planning process. This will help the system determine what resources are needed and the most appropriate strategies to meet its needs. A developer can manage part of the project or all stages, including planning; financing; design; and ongoing consultations with the architect, general contractor and other partners.

A developer also can provide ongoing property management and leasing expertise, insulating the hospital from issues such as cost-effective facility performance, fair market rent valuation and property management expectations.

### **Multi-specialty MOBs will play a key role**

As we have seen, a number of significant industry dynamics make the multi-specialty MOB model a particularly attractive business strategy. Multi-specialty MOBs can allow hospitals to meet an even greater array of new patient needs and provide increased access to a wide variety of health services that are delivered efficiently and conveniently in a patient-centric environment.

Multi-specialty MOBs will empower hospitals and health systems to form strategic partnerships with integrated physician groups with complementary expertise in one centralized, cost-effective location. These facilities will make it easier for them to achieve their ultimate objective: to deliver the highest-quality collaborative and accountable care.

*John Marshall is vice president, healthcare strategy and development, for Duke Realty. The company's healthcare experts offer 20 years of experience specializing in the development of medical office buildings, ambulatory surgery centers and other outpatient facilities. For more information, please visit the company's website at [www.dukerealty.com](http://www.dukerealty.com).*

### **Related Articles on Hospital Construction:**

[BremnerDuke Healthcare and Arlington Orthopedic to Develop Orthopedic and Spine Hospital](#)

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**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.**

Criterion 1110.234  
Attachment 14

Project Size

There are no hospital-related clinical services proposed for the Griffin MOB. However, the existing physician practices to be consolidated into the MOB currently have an imaging unit and a laboratory specimen collection function.

| <u>Department / Service</u>    | <u>Proposed Sq. Ft.</u> | <u>State Guideline</u> | <u>Difference</u> | <u>Met Standard</u> |
|--------------------------------|-------------------------|------------------------|-------------------|---------------------|
| Laboratory Specimen Collection | 1,027                   | NA                     | NA                | Yes                 |
| Imaging (1 Unit)               | 1,291                   | 1,300                  | (9)               | Yes                 |

Note: In that this is a non-substantive, non-hospital, essentially non-clinical MOB development this information is being provided in the spirit of full disclosure and transparency.

**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.

Criterion 1110.234  
Attachment 15

Project Services Utilization

There is only a single service which could potentially be interpreted as being reviewable even though the proposed MOB has no hospital related services and supports physician providers.

This is the imaging service. Historical utilization for the physician office based service follows:

Imaging Utilization

| <u>FY</u>         | <u>Procedures</u> |
|-------------------|-------------------|
| 2012              | 3,343             |
| 2013              | 3,740             |
| 2014              | 4,267             |
| 2015              | 615               |
| 2016 (annualized) | 738               |

No projections have been made. Historical utilization justifies the general radiology imaging unit. The decrease in utilization between 2014 and subsequent years is due to physician loss. Physician recruitment is expected to replace utilization decreases.

**UNFINISHED OR SHELL SPACE:**

Provide the following information:

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

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

This criterion is not applicable. The proposed Griffin MOB will not include any unfinished or shell space.

**ASSURANCES:**

Submit the following:

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

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

Not Applicable; there is no shell space in the proposed Griffin MOB.

**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 |
|--------------------------|----------------------|----------------------|
| <input type="checkbox"/> |                      |                      |
| <input type="checkbox"/> |                      |                      |
| <input type="checkbox"/> |                      |                      |

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     |
| <b>APPEND DOCUMENTATION AS <u>ATTACHMENT-34</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b> |                          |                                       |

Technically, this criterion is not applicable to a MOB with no hospital related services. Please reference Attachments 14 and 15 for information on the physician office related imaging and laboratory specimen collection services proposed to be relocated to the new Griffin MOB facility.

Financing Structure

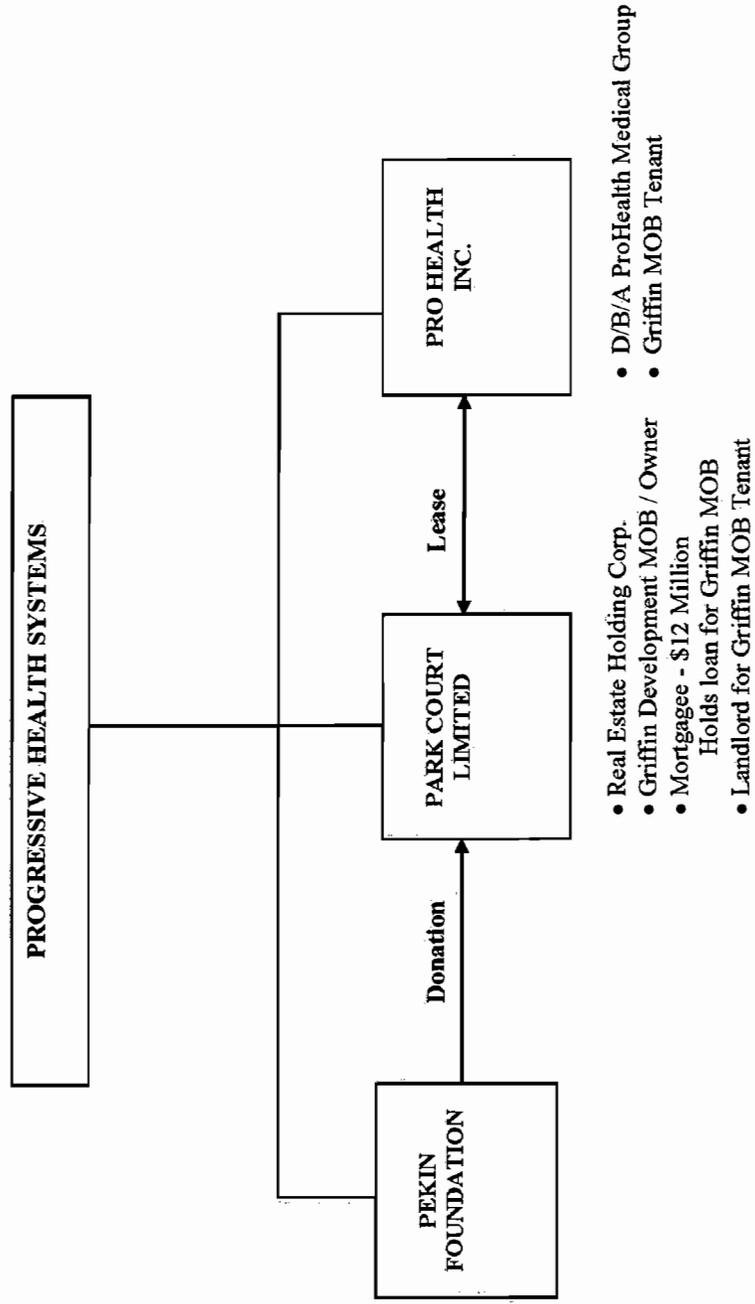
This project will be funded through a \$12,000,000 mortgage (See Loan Agreement, Appendix A) facilitated by the City of Pekin through Morton Community Bank to Park Court Limited, the Griffin MOB Developer and Landlord. The remaining project funds will be made available to Park Court from the Pekin Memorial Foundation (approximately \$5.7 million) to fund the estimated project cost (see Attachments 7 and 36). See Appendix B for documentation indicating adequate funds are available from the Foundation to complete project funding and Appendix C, Donation Letter, that the funds will be made available from the Foundation to Park Court Limited.

Park Court Limited, as the Developer and Landlord, will lease the Griffin MOB facility, in its entirety to Pekin ProHealth, Inc. d/b/a ProHealth Medical Group, the tenant. (See Attachment 36, Diagram A, which follows.)

The respective Term Sheet (Attachment 36, Exhibit 1) and Intent to Lease (Attachment 36, Exhibit 2) follow this page.

**GRIFFIN MOB PROJECT DEVELOPMENT**

**FINANCIAL RELATIONSHIPS**



18 April 2016

Pekin ProHealth, Inc.  
d/b/a ProHealth Medical Group  
600 S. 13<sup>th</sup> Street  
Pekin, IL 61554

**Park Court Limited Lease Term Sheet:**

**PREMISES:** Veteran's Drive, Pekin IL 61554 (See legal description attached)  
**TENANT:** Pekin ProHealth, Inc, d/b/a ProHealth Medical Group  
**LANDLORD:** Park Court Limited  
**SPACE REQUIREMENTS:** Tenant plans to rent the 59,580 square ft medical office building  
**TERM:** 5 years, with 3 – 5 year renewable terms. Termination of lease requires 90 day written notice.  
**BASE RENT:** \$21.00 sq ft times 59,580 sq ft for an annual rent of \$1,251,180

**LANDLORD MAINTENANCE:** Repairs and replacements to the exterior of the premises and the roof will be maintained by the Landlord. In addition, Landlord is responsible for repairs and replacement of heating, air conditioning and plumbing.

**LANDLORD INSURANCE:** Landlord will keep the premises properly insured at their own expense against loss or damage by fire, or other casualty. Tenant is responsible for contents and glass damage or replacement

**LANDLORD TAXES:** Real Estate Taxes will be included in the rent

**POSSESSION AND RENT COMMENCEMENT:** Landlord shall deliver Possession of the Premises to the Tenant within 30 days of completion of building. Rent Commencement shall begin when:

- Construction with the Premises has been completed  
In accordance with the final construction documents (except for nominal punch list items); and
- A certificate of occupancy for the Premises has been obtained from the city or county;
- All governmental and regulatory permits and permissions have been granted

**USE:** Physician Clinic Offices

**TENANT SIGNAGE:** Tenant shall not install signs, window or door lettering, placards, decorations or advertising media which are visible from the exterior of the leased property or from common hallways or reception areas without prior written consent.

**CERTIFICATE OF NEED:** Landlord is required to obtain all governmental permits for construction and occupancy of building. Landlord is also responsible for obtaining a certificate of need (CON) for construction or modification of health care facilities required by The Health Facilities Planning Act. If the CON is not received Tennant is released from all future leasing obligations.

GOVERNMENTAL COMPLIANCE:

Landlord shall represent and warrant to Tenant that Landlord, at Landlord's sole expense, will cause the Premises, common areas, the building and parking facilities to be in full compliance with any governmental laws, ordinances, regulations or orders relating to, but not limited to, compliance with the Americans with Disabilities Act, and environmental conditions relating to the existence of asbestos and/or other hazardous materials, or soil and ground water conditions, and shall indemnify and hold Tenant harmless from any claims, liabilities and cost arising from environmental conditions not caused by Tenant.

Agreed to by:  
Landlord Bob Haley  
(Bob Haley, CEO Park Court Limited)

Date 4/15/16

Tenant Steve Hall  
(Steve Hall, CFO, Pekin ProHealth, Inc)

Date 4/15/16

Bob Haley  
Signature

Steve Hall  
Signature

Bob J. Haley  
Chief Executive Officer

Steven C. Hall  
Senior Vice President and Chief Financial Officer

Notarization:  
Subscribed and sworn to before me  
This 15 day of April 2016

Tami O Cook  
Signature Notary Public

Notarization:  
Subscribed and sworn to before me  
This 15 day of April 2014

Tami O Cook  
Signature Notary Public



**Legal Description of the Property (11-11-07-203-003)**

A part of the Northeast Quarter of Section 7, Township 24 North, Range 4 West of the Third Principal Meridian:

Easterly corner of Lot 12 of Pekin Plaza Extension Number Two, a Subdivision of the W Half of the Southeast Quarter of Section 7; North 50 degree 15 minutes West along the Northeasterly line Lot 12, a distance of 10 feet to the Westerly Right of Way line of Veterans Drive; North 39 degrees 45 minutes East along the Westerly Right of Way line of Veterans Drive, a distance of 1122.94 feet to a point on the Northeasterly Right of Way line of Griffin Avenue, said point being the Point of Beginning of the tract to be described; North 50 degrees 15 minutes West along the Northeasterly Right of Way line of Griffin Avenue, a distance of 600 feet North of 39 degrees 45 minutes East, a distance 460 feet South 50 degrees 15 minutes East, a distance of 600 feet to a point on the Westerly Right of Way line of Veterans Drive, South 39 degrees 45 minutes West along the Westerly Right of Way line of Veterans Drive, a distance of 460 feet to the Point of Beginning, containing 6.336 acres lying in the County of Tazewell and State of Illinois.



**PEKIN  
PROHEALTH INC.**

April 18, 2016

Park Court Limited  
600 S. 13<sup>th</sup> Street  
Pekin, IL 61554

**Letter of Intent to Lease New Medical Office Building (Griffin MOB)**

Park Court Limited owns 6.3 acres of land on the corner of Veteran's Drive and Griffin Avenue. Park Court has designed a three story Medical Office Building to be located on the property. During the design process Pekin ProHealth, Inc, d/b/a - ProHealth Medical Group expressed intent to lease the 59,580 sq ft Medical Office Building. This would allow certain existing practices to relocate to the new site.

Two of the practices lease properties owned by Park Court Limited. The third private location is leased from a Third Party Landlord. Pekin ProHealth, Inc plans to terminate all three leases upon completion of the new building.

The proposed Terms of the new lease are as follows:

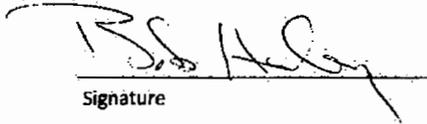
|                            |  |
|----------------------------|--|
| <b>PREMISES:</b>           | Veteran's Drive, Pekin IL 61554 (see attached legal description)   |
| <b>TENANT:</b>             | Pekin ProHealth, Inc<br>d/b/a - ProHealth Medical Group (PMG)      |
| <b>LANDLORD:</b>           | Park Court Limited   |
| <b>SPACE REQUIREMENTS:</b> | 59,580 square ft – Medical Office Building                         |
| <b>BASE RENT:</b>          | \$21.00 sq ft times 59,580 sq ft for an annual rent of \$1,251,180 |

**TERM:** 5 years, with 3 – 5 year renewable terms. Termination of lease requires written notice 90 days prior to termination of current term

Please accept this letter as an intent for Pekin ProHealth, Inc, d/b/a - ProHealth Medical Group, to lease the entire Medical Office Building, when complete.

Sincerely,

Bob Haley  
Chief Executive Officer



Signature

Bob J. Haley  
Chief Executive Officer



Signature

Steven C. Hall  
Senior Vice President and Chief Financial Officer

Notarization:  
Subscribed and sworn to before me  
This 15 day of April, 2016



Signature Notary Public



Notarization:  
Subscribed and sworn to before me  
This 15 day of April, 2016



Signature Notary Public



**Legal Description of the Property (11-11-07-203-003)**

A part of the Northeast Quarter of Section 7, Township 24 North, Range 4 West of the Third Principal Meridian:

Easterly corner of Lot 12 of Pekin Plaza Extension Number Two, a Subdivision of the W Half of the Southeast Quarter of Section 7; North 50 degree 15 minutes West along the Northeasterly line Lot 12, a distance of 10 feet to the Westerly Right of Way line of Veterans Drive; North 39 degrees 45 minutes East along the Westerly Right of Way line of Veterans Drive, a distance of 1122.94 feet to a point on the Northeasterly Right of Way line of Griffin Avenue; said point being the Point of Beginning of the tract to be described; North 50 degrees 15 minutes West along the Northeasterly Right of Way line of Griffin Avenue, a distance of 600 feet North of 39 degrees 45 minutes East, a distance 460 feet South 50 degrees 15 minutes East, a distance of 600 feet to a point on the Westerly Right of Way line of Veterans Drive, South 39 degrees 45 minutes West along the Westerly Right of Way line of Veterans Drive, a distance of 460 feet to the Point of Beginning, containing 6.336 acres lying in the County of Tazewell and State of Illinois.

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

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

**VIII. - 1120.120 - Availability of Funds**

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

|              |  |                              |  |
|--------------|--|------------------------------|--|
| \$ 5,671,566 |  | 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;   |
| 12,000,000   |  | d)                           | Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:   |
|              |  | 1)                           | For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;   |
|              |  | 2)                           | For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;  |
|              |  | * 3)                         | For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;                     |
|              |  | 4)                           | For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;   |
|              |  | 5)                           | For any option to lease, a copy of the option, including all terms and conditions.   |
| _____        |  | e)                           | Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent; |
| _____        |  | f)                           | Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;   |
| \$17,671,566 |  | g)                           | All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.  |
|              |  | <b>TOTAL FUNDS AVAILABLE</b> |  |

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

## Availability of Funds

Appendix A contains the Loan Agreement between Progressive Health System, Park Court Limited, and the City of Pekin, Illinois

Appendix B provides documentation funds are available in the Pekin Foundation to assure project completion, as well as the requisite attestation letter. (Appendix C)

Appendix C provides a donation letter indicating Pekin Foundation funds will be transferred to Park Court Limited to provide adequate project funds.

Appendix D provides the consolidated audited financial statements for Progressive Health Systems, Inc.

**IX. 1120.130 - Financial Viability**

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

**Financial Viability Waiver**

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

1. "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.**

See Introduction to Attachment 36, Availability of Funds documentation transaction overview, and Appendices A, B, and C which document fund availability.

Appendix D provides the consolidated Audited financial statements for Progressive Health Systems, Inc.

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) |
|---|---|--|--|------------------------|
| <b>Enter Historical and/or Projected Years:</b> |   |  |  |                        |
| 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.**

Not applicable. The Griffin MOB is being developed by Park Court Limited (Owner / Landlord) and will be leased in its entirety to ProHealth, Inc. d/b/a ProHealth Medial Group (Tenant).

(See also relevant appendices to this Permit Application.)

**X. 1120.140 - Economic Feasibility**

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

**A. Reasonableness of Financing Arrangements**

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

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

**B. Conditions of Debt Financing**

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

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

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

Read the criterion and provide the following:

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

| COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE   |                         |      |                      |        |                       |        |                      |                    |   |   |                          |
|---|-------------------------|------|----------------------|--------|-----------------------|--------|----------------------|--------------------|---|---|--------------------------|
| Department<br>(list below)                            | A                       | B    | C                    |        | D                     | E      |                      | F                  | G | H | Total<br>Cost<br>(G + H) |
|   | Cost/Square Foot<br>New | Mod. | Gross Sq. Ft.<br>New | Circ.* | Gross Sq. Ft.<br>Mod. | Circ.* | Const. \$<br>(A x C) | Mod. \$<br>(B x E) |   |   |                          |
|   |                         |      |                      |        |                       |        |                      |                    |   |   |                          |
| Contingency   |                         |      |                      |        |                       |        |                      |                    |   |   |                          |
| <b>TOTALS</b>   |                         |      |                      |        |                       |        |                      |                    |   |   |                          |
| * Include the percentage (%) of space for circulation |                         |      |                      |        |                       |        |                      |                    |   |   |                          |



PROGRESSIVE  
HEALTH SYSTEMS

April 18, 2016

Ms. Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

Dear Ms. Olson:

The purpose of this letter is to attest to the fact that the selected form of debt financing (mortgage) for the proposed project will be the lowest net cost available. Generally the term of indebtedness is anticipated to be 5 years but not to exceed 20 years and the interest rate approximately 3.75 percent.

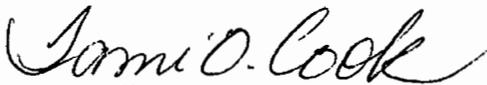
Sincerely,



Steven C. Hall  
Senior Vice President / Chief Financial Officer

CC: Courtney R. Avery, Administrator  
Mike Constantino, Supervisor, Project Review Section

Subscribed and sworn before me on the 18th day of April, 2016



Signature of Notary

Seal of Notary





**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.**

**D. Projected Operating Costs (1120.140 (d)) (Not applicable)**

This criterion is applicable to projects or portions thereof that involve hospital related clinical departments or services. This project is considered a non-clinical MOB and as such, has no applicable clinical services either through relocation /consolidation nor establishment. There are no hospital related services.

**E. Effect on Capital Cost (1120.140 (e)) (Not applicable)**

Similar to the above, this criterion is applicable to projects or portions thereof that involve hospital related clinical departments or services. This project is considered non-clinical and, as a MOB, has no applicable implication or effect on capital costs per equivalent patient day.

**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                            |      |      |      |
| <b>Total</b>                          |      |      |      |
| Charity (cost in dollars)             | Year | Year | Year |
| Inpatient                             |      |      |      |
| Outpatient                            |      |      |      |
| <b>Total</b>                          |      |      |      |
| MEDICAID                              |      |      |      |
| Medicaid (# of patients)              | Year | Year | Year |
| Inpatient                             |      |      |      |
| Outpatient                            |      |      |      |
| <b>Total</b>                          |      |      |      |
| Medicaid (revenue)                    | Year | Year | Year |
| Inpatient                             |      |      |      |
| Outpatient                            |      |      |      |
| <b>Total</b>                          |      |      |      |

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

\* The co-applicants propose to develop a medical office building (MOB). As such, a MOB is defined as a non-substantive project. Therefore, the criterion is not applicable.

**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.**

This criterion is not applicable in that the co-applicants propose to develop a non-substantive MOB project.

Pages 96 - 118

COPY

## LOAN AGREEMENT

(Land Acquisition and Construction Loan)

THIS LOAN AGREEMENT (this "Agreement") made as of this 15th day of October, 2015, by and between PROGRESSIVE HEALTH SYSTEMS, an Illinois not-for-profit corporation ("PHS") and PARK COURT LIMITED, an Illinois not-for-profit corporation ("PCL") jointly and severally (PHS and PCL hereinafter jointly referred to as "Borrower") and the CITY OF PEKIN, ILLINOIS, a municipality and a home rule unit of government (hereinafter referred to as the "Lender").

In consideration of the promises, covenants and agreements herein contained, the parties agree as follows:

### ARTICLE I DEFINITIONS

**Section 1.01.** Defined Terms. As used in the Agreement, the following terms have the following meanings:

(a) "Adjusted Total Debt" shall mean total liabilities of the Borrower as defined by GAAP.

(b) "Affiliate" shall mean any entity in which Borrower controls that entity or has an ownership interest in that entity. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies, whether through the ownership of voting securities, membership interests by contract or otherwise.

(c) "Agreement" means this Loan Agreement, as amended, supplemented or modified in writing from time to time.

(d) "Architect" means the duly licensed architect providing architectural oversight for the Project on behalf of Borrower.

(e) "Authorized Company Representative" shall mean a party granted the authority to perform certain acts for the Borrower.

(f) "Bank" shall mean Morton Community Bank, as lender to the Lender.

(g) "Building" shall have the meaning as set forth in Section 2.01(a)(iii).

(h) "Certificate" shall have the meaning as set forth in Section 6.06 below.

(i) "Closing" or "Closing Date" shall mean the date which is no later than twenty-one (21) days following the later of (i) City Council approval of the

71155489v8 0178291

annexation of the Property into the corporate limits of the City, and (ii) City Council approval of this Loan.

(j) "Collateral Assignment" means that certain Collateral Assignment of Note, Mortgage and Loan Documents in favor of Morton Community Bank, signed by City and acknowledged by Borrower on even date herewith.

(k) "Completion Date" shall have the meaning as set forth in the Project Schedule.

(l) "Construction Contracts" means all Contracts and related work orders entered into or issued in connection with the construction of the Project.

(m) "Construction Disbursement" means any Loan disbursement paid out by the Title Company in connection with the Project construction.

(n) "Construction Escrow Agreement" shall have the meaning as set forth in Article VI.

(o) "Construction Schedule" means the proposed construction schedule for the Project as provided to Lender in connection herewith.

(p) "Contract" means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

(q) "Contractor" means any party entering into a Construction Contract with Borrower or an agent or representative thereof thereby agreeing to provided services or supplies in connection with the Project.

(r) "Engineer" means a duly licensed engineer retained to provide engineering consultation and oversight for the Project on behalf of Borrower.

(s) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(t) "ERISA Affiliate" shall mean (i) any corporation which is now, or was at any time, a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Borrower or any predecessor thereof; (ii) any partnership, trade or business (whether or not incorporated) which is now, or was at any time, under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Borrower or any predecessor thereof; and (iii) any entity, which is now, or was at any time, a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Borrower or any predecessor thereof, or any corporation described in clause (i) or any partnership, trade or business described in clause (ii).

(u) "Event of Default" shall have the meaning specified in Section 12.01.

(v) "GAAP" means generally accepted accounting principles in the United States.

(w) "Indebtedness" means and includes any and all of Borrower's liabilities, obligations, debts and indebtedness to Lender pertaining to the Project, now existing or hereinafter incurred or created, including, without limitation, all loans, advances, interest, costs, and debts of Borrower.

(x) "Loan" shall have the meaning as set forth in Section 2.01 below.

(y) "Loan Documents" means this Agreement, the Note, the Mortgage, the Collateral Assignment, and any other documents executed in regard to this Loan.

(z) "Loan Opening" means the initial funding of the Loan hereunder.

(aa) "Loan Proceeds" means any and all amounts disbursed by Lender under the Loan.

(bb) "Mortgage" means that certain Construction Mortgage, and Assignment of Leases and Rents executed by Borrower in favor of Lender of even date herewith.

(cc) "Note" shall have the meaning specified in Section 2.01.

(dd) "Obligations" means any and all Indebtedness and liabilities of Borrower to Lender of every kind and description, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether now existing or hereafter contracted or arising, including all extensions and renewals thereof and future advances, and all interest, taxes, advances, costs, expenses and attorneys' fees chargeable to Borrower or incurred by Lender under this Agreement or any Loan Document.

(ee) "Permits" shall have the meaning as set forth in Section 6.04(b) below.

(ff) "Permitted Encumbrances" shall have the meaning as set forth in Section 11.01 below.

(gg) "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

(hh) "Plans and Specifications" means all blueprints, architectural renderings and other drawings and plans related to the Project as made available to Lender.

(ii) "Project" shall have the meaning specified in Section 2.01(c).

(jj) "Project Budget" means the proposed budget for the Project as provided to Lender in connection herewith, a copy of which is attached as Exhibit A.

(kk) "Property" or "Real Estate" shall mean the entirety of the real property described in Exhibit B to this Agreement and any other real property hereinafter pledged as collateral for the Loan.

(ll) "Subcontractor" means any party agreeing or contracting with a contractor to provide services or supplies in connection with the Project.

(mm) "Title Company" shall mean Peoria Title Company, agent for First American Title Insurance Company, 415 Hamilton Blvd., Peoria, Illinois 61604, phone: 309-677-7752, or such other title company reasonably acceptable to Lender.

(nn) "Title Insurance Policies" means the Owner's title policy and a simultaneously issued Lender's title policy issued in favor of Lender in connection with the Real Estate and the Building.

**Section 1.02.** Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in Section 8.03, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

## **ARTICLE II** **AMOUNT AND TERMS OF LOAN**

**Section 2.01.** Subject to the terms and conditions of this Agreement, Lender agrees to make the following loan ("Loan") to Borrower: A non-revolving multiple advance land acquisition and construction loan pursuant to a mortgage note of even date herewith (the "Note") in an amount up to Twelve Million and no/100 Dollars (\$12,000,000.00).

(a) The Note shall have a term of sixty (60) months and Borrower may make draws during the first eighteen (18) months of the Loan with repayments being made on the following terms:

(i) monthly payments of accrued interest only on the outstanding balance shall be paid during the first eighteen (18) months of the Loan; and

(ii) beginning with the May 2017 payment and monthly thereafter, Borrower shall make monthly payments of interest and principal, to be established to amortize the remaining outstanding principal balance of the Loan over twenty (20) years for the remaining term of the Loan with a balloon payment on the Maturity Date (as defined in the Note); and

(iii) the entire amount of principal, interest and any other costs chargeable to Borrower under the Note shall be due at the Maturity Date as defined in the Note.

(b) Interest on the outstanding balance under the Construction Mortgage Note shall accrue at the fixed rate of 3.75%.

(c) The proceeds of the Loan shall be used to (i) fund the acquisition of the Property, and (ii) to fund the construction and build-out of a medical office building (the "Building"), including but not limited to pre-construction costs for architects, surveying and engineering costs and other consultants' costs (collectively the "Project").

(d) The loan shall be repaid pursuant to either (i) Borrower's revenue, or (ii) sale of the Project, or (iii) subsequent refinancing.

**Section 2.02.** Disbursement Conditions. Disbursements of the Loan shall be subject to the provisions set forth below in this Agreement, including ARTICLE IV through ARTICLE XI.

### **ARTICLE III SECURITY FOR THE LOAN**

**Section 3.01.** Real Estate Construction Mortgage. In order to secure payment of the Indebtedness, PCL shall mortgage to Lender as a first priority security interest free and clear of all liens and with good and valid title in PCL's interest in the Property.

**Section 3.02.** Collateral Assignment of Note, Mortgage and Loan Documents. Provided that Borrower's rights shall remain undisturbed under the terms of the Loan Documents, Borrower shall provide consent to a Collateral Assignment executed by the City in favor of Bank.

### **ARTICLE IV CONDITIONS PRECEDENT**

Lender shall not be obligated to make the Loan or to disburse any monies thereunder until it has received to its satisfaction the following:

**Section 4.01.** Flood Certification. Receipt of evidence that the Real Estate is not located in a flood plain.

**Section 4.02.**        Signed Loan Documents. The executed Loan Documents.

**Section 4.03.**        Evidence of Insurance.

(a) Insurance policies and certificates or other proof of insurance, including Builder's All Risk insurance, satisfactory to Lender in accordance with the terms of the Loan Documents. Proof at Closing that the insurance premiums are paid shall be submitted. Borrower shall also deliver to the Lender insurance policies, or certificates evidencing the existence of such insurance policies, which policies or certificates shall be in form and issued by companies satisfactory to the Lender. All of the aforementioned policies or certificates shall state that the Lender is an additional insured or shall name the Lender as Mortgagee, and each such policy shall state that no cancellation thereof shall be effective without thirty (30) days prior written notice to the Lender. Further, such policies shall be maintained throughout the entire term of the Loan.

(b) Any insurance required to be carried by Borrower pursuant to this Agreement (other than title insurance) may, by agreement of Borrower and any tenant, be supplied by a tenant under an insurance policy(ies), self-insurance or pursuant to a master policy of insurance or so-called blanket policy of insurance covering other locations of tenant or its corporate affiliates, or any combination thereof; provided, however, that Borrower shall not be permitted to rely on any tenant's self-insurance during any period that (i) the tenant does not maintain a net worth of at least \$100,000,000.00, or (ii) tenant's credit rating falls below BBB+ pursuant to Standard and Poor's (or such similar rating agency evidencing a similar level of credit if Standard and Poor's shall no longer exist or shall no longer provide credit rating services.

In the event the Borrower either fails to provide the Lender with evidence of the insurance coverage required by this Section or at any time hereafter shall fail to obtain or maintain any of the policies of insurance required above, or to pay any premium in whole or in part relating thereto, then the Lender, without waiving or releasing any obligation or default by the Borrower hereunder (but shall be under no obligation to so act), may at any time after providing ten (10) days written notice to Borrower, obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto, which the Lender deems advisable. This insurance coverage (a) may, but need not, protect the Borrower's interests in such property, including, but not limited to, the collateral, and (b) may not pay any claim made by, or against, the Borrower in connection with such property, including, but not limited to, the collateral. The Borrower may later cancel any such insurance purchased by the Bank, but only after providing the Lender with evidence that the Borrower has obtained the insurance coverage required by this Section. If the Bank purchases insurance for the collateral, the Borrower will be responsible for the costs of that insurance, including interest and any other charges that may be imposed with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the principal amount of the Loan owing hereunder. The costs of the insurance may be more than the cost of the insurance the Borrower may be able to obtain on its own.

**Section 4.04.** Title Commitment. Lender shall be in receipt of an acceptable title commitment from the Title Company for an ALTA Loan Commitment ("Title Commitment") in an amount reasonably determined by Lender but not to exceed the maximum Loan proceeds insuring Lender, and that upon Closing the Mortgage shall be valid first, prior and paramount lien on Borrower's interest in the Real Estate. Borrower shall pay for any extra charges involved with covering the gap occurring between the effective date of the commitment and the Closing, for extended coverage over general exceptions 1-5 of the Title Commitment and a draw endorsement for the Property.

**Section 4.05.** Plat of Survey. A survey prepared by a registered land surveyor, delineating the lot lines, improvements, easements, parking areas and other physical and record title matters affecting the Property by buildings located off the Property. The legal description of the survey shall be the same legal description as that used in the Loan Documents and the title insurance policy.

**Section 4.06.** Payment of All Costs. Borrower shall pay all costs incurred by the Lender in connection with this commitment or the Loan, including, but not limited to, a non-refundable loan fee of \$60,000.00 at the time of Loan Opening (which is fully earned and payable to Lender), legal fees related to the preparation of commitment letter and Loan Documents, title and recording charges, engineering and inspection fees, and any costs associated therewith. All costs associated with the Loan or acquisition or improvement of the Real Estate and borne by Borrower prior to the initial funding of the Loan shall be verified to the Lender in a manner satisfactory to the Lender prior to any funding of the Loan.

**Section 4.07.** Property Ordinances and Municipal Regulations. The Property complies, or shall comply, when constructed with all subdivision, zoning, building occupancy and other applicable laws, ordinances, rules and regulations of every federal, state, and municipal authority having jurisdiction over the Property, that all permits have been validly issued, and that the Real Estate and the improvements are not jointly assessed with any property which does not stand as security under this commitment.

**Section 4.08.** Company Documents. The Borrower shall deliver to the Lender (a) a certified copy of the Articles of Incorporation issued by the Illinois Secretary of State; (b) a certified copy of the Bylaws; (c) a Certificate of Good Standing issued by the Illinois Secretary of State no earlier than 30 days prior to Closing; and (d) certified copies of resolutions of the members or Boards of Directors of each Borrower authorizing the borrowing by the Borrower contemplated herein.

**Section 4.09.** Opinion of Counsel. Opinion of Borrower's Counsel covering the representations set forth in Paragraphs 8.01 and 8.02.

#### ARTICLE V LENDER'S OBLIGATION TO DISBURSE PROCEEDS OF LOANS

**Section 5.01.** Lender agrees that it has or shall promptly review and approve all applications pertaining to the annexation and development of the Property, including but not

limited to: petitions for annexation and annexation agreements, applications for zoning, platting and subdivision, and building permits, provided such petitions and applications meet the requirements of applicable statutory provisions and municipal ordinances.

**Section 5.02.** Lender agrees that it shall faithfully perform under the terms and provisions of its loan agreement with Bank for \$12,000,000.00 ("Bank Loan") to ensure the funds are available and promptly delivered upon approval of any Request for Advance (as set forth on Article VII), shall faithfully perform under the Bank Loan so as not to create a default thereunder, and Lender shall immediately notify Borrower of any default or its receipt of any notice of default under the terms of its Bank Loan.

**Section 5.03.** Lender agrees, upon Borrower's compliance with all conditions precedent set forth in ARTICLE IV above to open the Loans provided that at the time of the Loan Opening:

(a) all conditions precedent to that disbursement have been satisfied, including without limitation performance of all the then pending obligations of Borrower under this Agreement and the other Loan Documents;

(b) as to the Loan, Lender shall be satisfied as to the continuing accuracy of the Project Budget and Construction Schedule;

(c) no Event of Default has occurred and is continuing under this Agreement or under any other Loan Document and no event, circumstance or condition has occurred or exists which, with the passage of time or the giving of notice, or both, would constitute an Event of Default under this Agreement or under the other Loan Documents;

(d) no litigation or proceedings are pending or threatened (including proceedings under Title Eleven of the United States Code) against Borrower or the Real Estate, which litigation or proceedings, in the reasonable judgment of Lender, could materially and adversely affect Borrower's ability to complete the Project;

(e) all representations and warranties made by Borrower to Lender herein or in any other Loan Documents continue to be true and accurate in all material respects;

(f) If the proposed disbursement is a Construction Disbursement:

(i) Lender shall have received evidence reasonably satisfactory to it that all the Loan Proceeds disbursed to date have been applied to payment of costs of the construction on the Project and other costs set forth in the Project Budget;

(ii) Lender shall have received evidence reasonably satisfactory to it that the construction on the Real Estate is being done in accordance

with the Plans and Specifications and with applicable law, and that sufficient funds exist to complete the Project; and

(iii) Lender shall have received information reasonably satisfactory to it that the Construction Contracts are in full force and effect.

**ARTICLE VI**  
**CONSTRUCTION REQUIREMENTS PRECEDENT**  
**TO A CONSTRUCTION DISBURSEMENT**

Construction draws shall be made through the Title Company pursuant to the terms and provisions of a standard construction escrow agreement of the Title Company ("Construction Escrow Agreement"). Prior to each Construction Disbursement, Borrower shall furnish or cause to be furnished to Lender for Lender's review, and the Title Company for the Title Company's review and approval the following:

**Section 6.01.** Executed Contracts. Executed copies of Construction Contracts with architects and engineers and all Construction Contracts which have been let, including purchase orders for all fixtures and equipment to be installed as required for the operation of the Real Estate.

**Section 6.02.** Owners Statement. A sworn statement from Borrower setting forth a description of all Construction Contracts let by Borrower for the design, engineering, construction, and equipping of the Building, setting forth the name or names of the Contractor or Subcontractors, the date of the Contracts and of any supplements or amendment thereto, the scope of the work covered thereby, and the aggregate amounts payable to the Contractors or subcontractors thereunder.

**Section 6.03.** Contractor's Statement. Initial sworn statements of the Contractor to whom payments have been made, approved by Borrower and Architect, covering all work done and to be done, together with waivers of lien and affidavits relating to such lien waivers covering all work and materials for which payments have been made with respect to the Project.

**Section 6.04.** Permits. Copies of or such other written evidence satisfactory to Lender that:

(a) all utility and municipal services required for the construction, occupancy and operation of the Real Estate are available for use and tap-on on the Real Estate, subject only to payment of fees included in the Project Budget, or will be available after construction thereof as provided in the Construction Contracts, subject only to payment of costs and fees included in the Project Budget;

(b) all governmental permits and licenses ("Permits"), including building permits, curb-cuts and highway access permits issued by the appropriate governmental authority authorizing construction on the Project in accordance with the Plans and Specifications and including tap-on permits, required by applicable

law to construct and occupy the Project have been issued, are in full force and all fees therefor have been fully paid or, if the stage of construction of the Project does not allow such issuance, then such permits and licenses will be issued if and when the Project is constructed in accordance with the Plans and Specifications;

(c) the storm and sanitary sewage disposal system, the water system and all mechanical systems serving the Real Estate do (or when constructed will) comply with all applicable environmental, pollution control and ecological laws, ordinances, rules and regulations, and the applicable environmental protection agency, pollution control board and/or other governmental agencies having jurisdiction of the Real Estate have issued their permits for the construction and operation thereof or will issue such permits as and when required; and

(d) a certificate of the Architect or Engineer reciting that Borrower has secured all necessary permits, licenses, easements, authorizations and approvals and listing all such services, permits, licenses and easements, together with copies of all Permits and all utility letters, licenses and grants of easements.

**Section 6.05. Contracts.** The Construction Contracts and the Architect's Contract.

**Section 6.06. Certificate.** Certificates (each, a "Certificate") from the Architect and/or Engineer, or other evidence satisfactory to Lender, that:

(a) The Plans and Specifications are, and that the Building will be, when completed in accordance therewith, in full compliance with all applicable building, zoning and other such similar laws and ordinances;

(b) When construction is completed, the improvements will not encroach upon any recorded, visible or other easement on the Real Estate;

(c) Except as disclosed in writing by Borrower to Lender concurrently herewith, the Plans and Specifications are complete in all respects, containing all detail necessary for construction of the improvements which, when built and equipped in accordance therewith, shall be ready for occupancy and that the Plans and Specifications meet all federal, state and local governmental requirements;

(d) All permits, licenses and governmental approvals necessary for construction on the Real Estate have been issued (or noting exceptions from such coverage);

(e) All utility services, sanitary water supply, storm sewer and sanitary sewer facilities required for the construction, occupancy and operation of the Building are presently available for use at the Real Estate or are available for use and tap-on at the boundaries of the Real Estate; and

(f) Adequate ingress and egress to the Real Estate over public streets and rights of way is and will be available during the period of construction on the Project and thereafter.

**Section 6.07.** Additional Documents. Any additional documents as reasonably required by the Title Company.

**ARTICLE VII  
CONSTRUCTION PAYOUT REQUIREMENTS  
WITH RESPECT TO ALL DISBURSEMENT**

**Section 7.01.** Applicability of Paragraphs. The provisions contained in this ARTICLE VII shall apply to all Construction Disbursements, and Lender may delegate its review and approval authority hereunder to Bank and Title Company.

**Section 7.02.** Periodic Disbursements. After the Loan Opening, further disbursements shall be made from time to time as construction progresses.

**Section 7.03.** Documentation for Disbursements. As a condition precedent to each disbursement of the Loan Proceeds, Borrower shall furnish or cause to be furnished to Lender and the Title Company at least three (3) business days before the disbursement the following documents or performances, as the case may be, covering each disbursement:

(a) Borrower's disbursement request ("Request For Advance") in a form designated by Lender or the Title Company specifying the amount of the requested disbursement (exclusive of interest) directing Lender to disburse such funds in accordance with this Agreement, and certifying to Lender, as of the date of the applicable request for disbursement, that:

(i) the total amount of each request for disbursement (exclusive of interest) represents the actual amount payable to the Contractor and/or Subcontractors who have performed work on the Real Estate and other costs payable as provided for in the Project Budget and indicating what payment requests, if any, have been received by Borrower from the Contractors or the Subcontractors but have not yet been approved by Borrower for payment;

(ii) no Event of Default exists under this Agreement or the other Loan Documents and no default, condition or event which with the giving of notice or passage of time, or both, would constitute an Event of Default, (unless Borrower is diligently attempting to cure such default, condition or event and it appears that Borrower is capable of accomplishing such cure within the applicable cure period permitted hereunder) under this Agreement or the other Loan Documents;

(iii) the representations and warranties contained in this Agreement are true and correct;

(iv) Borrower has received no notice and has no knowledge of any liens or claims of lien either filed or threatened against the Real Estate except the liens of Lender, and those being contested as provided in Section 11.01(c);

(v) all amounts shown as previous payments on the current disbursement request have been paid to the parties entitled to such payment;

(vi) approval by Borrower of all work and materials for which a payment is then due and for which disbursement of the Loan is thereby requested;

(vii) that all work and materials theretofore furnished for the Real Estate conform with the Plans and Specifications;

(viii) copies of all Construction Contracts, as then in effect, have been delivered to Lender; and

(ix) approval of Request for Advance by Architect as provided in Section 7.03(e).

(b) Contractors' and Subcontractors' sworn statements and waivers of lien, covering all work for which disbursement is to be made to a date specified therein, and covering all work, to a current date, otherwise paid for or to be paid for by Borrower or Lender in compliance with the Illinois mechanics' lien laws and with the requirements of the Lender and Title Company, together with such invoices, contracts, or other supporting data as Lender and Title Company may require.

(c) If requested by Lender, disclaimers from suppliers of fixtures and equipment of any vendor's lien or purchase money security interest therein and evidence satisfactory to Lender that all fixtures and equipment are and will remain free of security interests of all kinds other than security interests of the Lender.

(d) Endorsements to the Title Insurance Policy to cover the amount and date of the disbursement (whether into escrow or otherwise) insuring that the Mortgage is a valid first lien on the Real Estate subject only to Permitted Encumbrances and an interim mechanic's lien endorsement satisfactory to Lender.

(e) The Engineer or Architect shall each furnish Lender with a statement as to the latest date upon which they have inspected the work and has approved in writing all work completed to that date.

(f) Disbursement for materials purchased by Borrower but not yet installed or incorporated into the Real Estate may be made without Lender's prior approval provided that the materials involved have been delivered to the Real

Estate or stored with a bonded and insured warehouseman, with satisfactory evidence that said materials purchased are insured and are suitably and securely stored. Borrower shall provide Lender, in connection with such materials, a copy of a bill of sale or other evidence of title in Borrower.

(g) An updated Construction Schedule and Project Budget indicating the status of completion of construction.

**Section 7.04.** Direct Payments. Lender may, in its reasonable discretion, make (or cause the escrowee to make) payments for the cost of construction of the improvements directly to any Contractor, Subcontractor, materialman, or to any vendor of fixtures and equipment. Prior to the Loan Opening, and from time to time thereafter, Lender or the Title Company may forward a contact verification to any Contractor and any or all Subcontractors listed on a sworn statement issued by Borrower to confirm the terms and amount of the Construction Contracts. In the event of any discrepancy between the terms and amounts as shown by the Construction Contracts, the sworn statements, and the verifications, Lender may require, as a condition to further disbursements, that such discrepancies be eliminated to its satisfaction.

**Section 7.05.** Distinction Between Various Retainages. It is the intention hereof that the retainage resulting from payment of only a percentage of the value of the work is to furnish assurance that Contractor and each Subcontractor (with respect to work to be actually performed by it) will be provided with an incentive for prompt completion of the work, and that said retention is entirely separate and distinct from any contingency fund.

**Section 7.06.** Change Orders. Borrower shall not make change orders to the Plans and Specifications that will increase the cost of the Project in excess of the Loan amount without the prior written consent of Lender. Borrower shall be solely responsible for payment of any and all costs incurred in excess of the Loan amount.

## **ARTICLE VIII** **REPRESENTATIONS AND WARRANTIES**

Each Borrower hereby warrants and represents unto the Lender as to its respective condition and status that each such warranty and representation to remain true and in effect so long as any Obligations of the Borrower to the Lender remains unpaid, that:

**Section 8.01.** Good Standing. PHS and PCL each are Illinois not-for-profit corporations, validly existing and in good standing under the laws of the State of Illinois. The Borrower has the lawful power and authority to own its properties and to carry on its business as now conducted, is qualified to do business and is in good standing in the State of Illinois.

**Section 8.02.** Legally Enforceable Loan Documents. The Loan Documents will be, legal, valid, and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditor's rights generally.

**Section 8.03.**        Financial Statements And Other Records. The financial statements of Borrower furnished to Lender are complete and correct and fairly present the financial conditions of Borrower as of such dates and the results of the operations of Borrower for the periods covered by such statements, all in accordance with GAAP consistently applied. There are no material liabilities, fixed or contingent, which are not reflected in the financial statements.

**Section 8.04.**        Solvent Financial Condition. The present value of Borrower's assets is greater than the amount required to pay their liabilities, after giving effect to the Obligations incurred hereunder, and Borrower is and will be able to pay its debts as they mature and will maintain such solvent condition, as long as Borrower is obligated to Lender.

**Section 8.05.**        Other Agreements. Borrower is not in default in any respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to Borrower's business.

**Section 8.06.**        Absence of Adverse Condition or Claims. Borrower represents that there is no judgment, decree or order outstanding, or litigation or governmental proceeding or investigation pending or to the best of its knowledge threatened against Borrower, which might have a material adverse effect upon its position, financial, operating or otherwise.

**Section 8.07.**        No Defaults On Outstanding Judgments Or Orders. Borrower to the best of its knowledge has satisfied all judgments, and Borrower is not in default with respect to any judgment, writ, injunction, decree, rule, or regulation of any court, arbitrator, or federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign.

**Section 8.08.**        Taxes. Borrower has filed all tax returns (federal, state, and local) required to be filed and have paid all taxes, assessments, and governmental charges and levies thereon to be due, including interest and penalties.

**Section 8.09.**        Compliance with Environmental Law.

(a)    A Phase I Environmental Assessment Report has been prepared on the Real Estate, a copy of which has been provided to Lender; to Borrower's knowledge after due investigation, no environmental contamination has occurred on the Real Estate since the date of said report.

(b)    Reference is hereby made to the Mortgage executed on the same date as this Agreement. The Section on "Compliance With Environmental Law" in the Mortgage is hereby set forth herein as if it were fully restated in this Agreement. Borrower agrees that Borrower will comply with all Applicable Environmental Laws during the term of the Loan. Borrower shall give Lender notice immediately of receipt of any notice from any governmental authority of a violation of any Applicable Environmental Law.

(c)    Medical Waste. Notwithstanding anything to the contrary contained herein, Borrower may use, generate, and temporarily store on the

Premises Hazardous Material typically used, generated, and stored in connection with activities customarily undertaken in a medical office (such Hazardous Material is hereinafter called "Medical Waste"); provided, however that Borrower must store, handle, remove, and dispose of the Medical Waste in compliance with all applicable governmental requirements pertaining to any Hazardous Material. Borrower shall be responsible, at Borrower's sole cost and expense, for the disposal of such Medical Waste in accordance with all applicable laws and regulations. If Borrower fails to dispose of such Medical Waste in accordance with the provisions of this Agreement, Lender may, but is not required, to dispose of same and Borrower shall pay Lender for the cost thereof as a Loan advance hereunder. Nothing contained in this Agreement shall be deemed to impose an obligation on Lender to see that Borrower properly disposes of Medical Waste stored or generated on the Premises.

**Section 8.10.** Use of Land. The Real Estate currently and after completion of the Project will not violate or conflict with any applicable law, statute, ordinance, rule, regulation or order, including the City of Pekin Zoning ordinances.

**Section 8.11.** Permits. All governmental permits and licenses required by applicable law to construct, occupy and operate the Building on the Real Estate have been, or will be, issued, as the improvements are completed.

**Section 8.12.** Damage to Improvements on Real Estate. If any of the improvements on the Real Estate are destroyed or damaged, then Borrower shall repair such damage or destruction to its preexisting condition as soon as reasonably possible.

**Section 8.13.** Indemnity. Borrower shall indemnify and hold Lender harmless from any and all claims and costs (including attorneys' fees) asserted against Lender or the Real Estate by any person, entity, or governmental body, or arising out of or in connection with the Real Estate, improvements, or Project, except for any such claims or costs that are the result of the gross negligent or willful acts or omissions of the Lender. Lender shall be entitled to appear in any action or proceeding to defend itself against such claims and shall, in its sole discretion, be entitled to settle or compromise any asserted claims against it, and such settlement shall be binding upon Borrower for purposes of this indemnification. All amounts paid by Lender under this paragraph shall be secured by the Mortgage and shall be deemed an additional principal advance under the Loan, payable upon demand, and shall bear interest at the rate applicable to the Loan.

**Section 8.14.** Survival. All of the representations and warranties set forth in this Article V shall survive and continue to be true, complete and correct until all Obligations of the Borrower are paid and satisfied in full and this Agreement shall have been terminated.

#### **ARTICLE IX** **COVENANTS FOR CONSTRUCTION LOANS**

Borrower further covenants, promises and agrees that:

**Section 9.01.**        Construction of the Project. That the Project and improvements will be constructed in a good and workmanlike manner with materials of high quality and in accordance with the approved Plans and Specifications and all applicable laws, ordinances and regulations. Borrower shall construct the Project and improvements with due diligence in accordance with the Construction Schedule and the Project Budget, and shall complete the Project in accordance with the terms and conditions of this Agreement and the Loan Documents on or before the Completion Date. Borrower agrees that all materials contracted for or purchased for construction on the Real Estate and all labor hired or contracted for with respect to construction on the Project and paid for with Loan Proceeds will be used and employed solely in connection with the Project and for no other purpose.

**Section 9.02.**        Inspection by Lender. That Borrower shall cooperate with Lender in arranging for inspection by any representatives of the Lender as Lender may require, of the progress of construction from time to time.

**Section 9.03.**        Proceedings. If any proceedings are filed or are threatened to be filed seeking to (a) enjoin or otherwise prevent or declare invalid or unlawful the construction, occupancy, maintenance or operation of the Real Estate or any portion thereof; (b) adversely affect the validity or priority of the liens and security interest granted Lender hereby; or (c) materially adversely affect the financial condition of Borrower or the ability of Borrower to complete the Construction, then Borrower will notify Lender of such proceedings and within five (5) business days following Borrower's notice of such proceedings, Borrower will cause such proceedings to be contested in good faith, and in the event of any adverse finding or decision, prosecute all allowable appeals therefrom. Borrower will, without limiting the generality of the foregoing, resist the entry or seek the stay of any temporary or permanent injunction that may be entered, and use its best efforts to bring about a favorable and speedy disposition of all such proceedings.

**Section 9.04.**        Restrictive Covenants/Recording. Borrower will comply with all restrictive covenants affecting the Real Estate. Borrower will not record or permit to be recorded any document, instrument, agreement or other writing against the Real Estate without the prior written consent of Lender, which consent shall not be unreasonably withheld.

**Section 9.05.**        Prevailing Wage. Borrower will ensure that all Construction Contracts comply with the Illinois Prevailing Wage Act.

## **ARTICLE X** **AFFIRMATIVE COVENANTS**

The Borrower covenants and agrees that so long as any Obligations of the Borrower to the Lender remain unpaid, and all other of its Obligations hereunder either have been paid or performed in full, and unless prior written consent of the Lender is obtained to the contrary, the Borrower will:

**Section 10.01.**        Notification of Certain Events. Furnish and deliver to the Lender immediately acquiring knowledge of the occurrence thereof, notice of any Event of Default or of any fact, condition or event that with the giving of notice or passage of time or both, could

become an Event of Default, or of the failure by the Borrower to observe any of its undertakings hereunder; immediately after acquiring knowledge of the occurrence thereof, notice of any default under any debt, or under any indenture, mortgage or other agreement relating thereto for which the Borrower is liable.

**Section 10.02.** Taxes. Promptly pay and discharge when due all taxes, assessments and other governmental charges imposed upon it, or upon its income, profits or property, and all claims for labor, material or supplies which, if unpaid, might by law become a lien or charge upon its property; provided, however, that it shall not be required to pay any tax, assessment, charge or claim if so permitted by law, so long as the validity thereof shall be contested in good faith by appropriate proceedings and adequate reserves therefor shall be maintained on its books.

**Section 10.03.** Maintenance of Property. Maintain its equipment and the Real Estate in good condition and repair (normal wear and tear excepted), pay and discharge or cause to be paid and discharged when due, the costs of repairs to or maintenance of the same, and pay or cause to be paid all rental or mortgage payments due on the same except if it is in good faith contesting by appropriate proceedings such amounts due and is maintaining adequate reserves for such liability.

**Section 10.04.** Financial Reporting. Borrower shall furnish to Lender such financial information, which shall be considered proprietary, privileged and confidential information, subject to Section 14.09 hereof, as follows:

- (a) Fiscal Year-end Financial Statements of Borrower including a balance sheet and statement of income, unqualified and audited, annually, no later than one hundred twenty (120) days after the end of each fiscal year-end;
- (b) Interim Financial Statements of Borrower, internally prepared by Borrower, including a balance sheet and statement of income, quarterly, no later than thirty (30) days after the end of each quarter; and
- (c) Bond rating reports.

**Section 10.05.** Existence and Compliance. Maintain its existence, maintain all rights, privileges, franchises, permits and approvals necessary or desirable for the continuation of its business, and comply with the requirements of all material agreements to which it is a party or by which any of its assets is bound, and all applicable Laws, including Environmental Laws, and orders of any Governmental Authority, noncompliance with which would materially adversely affect its business, properties, condition, financial or otherwise, or ability to repay its Obligations.

**Section 10.06.** Inspection. Subject to the conditions of Borrower's inspection rights under any lease that may be entered into, permit any of the Lender's representatives to examine and inspect the Real Estate and improvements, all at such reasonable times as may be reasonably requested.

Notwithstanding anything contained herein to the contrary, in accordance with the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d through d-8 ("HIPAA"), if Borrower receives or creates Protected Health Information ("Protected Information"), as defined in HIPAA, in connection with its use under this Agreement, Lender and Borrower agree that, to the extent they are required to, both parties shall comply with all applicable provisions of HIPAA (including without limitation, the applicable provisions of the Administrative simplification section of HIPAA) and any regulations promulgated thereunder.

**Section 10.07.** Project Construction. Diligently continue construction efforts on the Project to its completion.

## ARTICLE XI NEGATIVE COVENANTS

The Borrower covenants and agrees that so long as any Obligations of the Borrower to the Lender remains unpaid, and unless prior written consent of the Lender is obtained to the contrary, it will not:

**Section 11.01.** Liens. Create, incur, assume or suffer to exist any mortgage, encumbrance or lien upon or with respect to the Real Estate except (each, a "Permitted Encumbrance"):

- (a) Liens in favor of the Lender;
- (b) Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable, if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;
- (c) Liens imposed by law, such as mechanics', materialmen's, landlords', warehousemen's and carriers' liens, and other similar liens, securing Obligations incurred in the ordinary course of business which are not past due for more than sixty (60) days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established. If a lien claim is filed, but suit not commenced by the lien claimant within sixty (60) days, Borrower shall be required to cause the title insurer to insure over the lien claim or provide the Lender with a bond satisfactory to Lender to cover the lien claim;
- (d) Liens under workmen's compensation, unemployment insurance, social security, or similar legislation;
- (e) Liens, deposits, or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), or public or statutory obligations; surety, stay, appeal, indemnity, performance, or other similar bonds; or other similar obligations arising in the ordinary course of business; or

(f) Encumbrances, conditions and restrictions as may appear in the title commitment or title policy prepared by the Title Company for the Real Estate and identified on Exhibit C, attached hereto and incorporated herein.

**Section 11.02.** Mergers, Etc. Merge or consolidate with, or sell, assign, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or acquire all or substantially all of the assets or the business of any one Person except that acquisitions shall be permitted without prior consent but with prior written notice to the Lender provided that acquisitions do not exceed an amount of \$1,000,000.00 annually, with an aggregate limit of \$3,000,000.00 over the term of the Loan. Notwithstanding the foregoing, a merger or consolidation or transfer of assets to an Affiliate shall be permitted upon prior written notice to the Lender provided that (i) any personal or corporate guaranty for a Loan is reaffirmed and ratified in connection with any such transaction, and (ii) no subsequent merger, consolidation or transfer of assets from the surviving or receiving Affiliate transfer of ownership rights in said Affiliate shall be permitted without the Lender's prior written consent if said subsequent transaction would not likewise constitute a transaction with an Affiliate.

## **ARTICLE XII**

### **EVENTS OF DEFAULT AND REMEDIES**

**Section 12.01.** Default. The occurrence of any of the following events or conditions shall, at the option of the Lender, constitute an Event of Default hereunder:

(a) default be made in the due and punctual payment under the Loan or Note or any payment due in accordance with the terms thereof, either of principal or interest which continues after ten (10) days; or

(b) the Borrower shall file a petition in bankruptcy for liquidation or reorganization, or any similar law, state or federal, whether now or hereafter existing, or any answer admitting insolvency or inability to pay its debts, or fail to obtain a vacation or stay of involuntary proceedings within sixty (60) days, as hereinafter provided; or

(c) the Borrower shall dissolve or be adjudicated bankrupt, or a trustee or a receiver shall be appointed for the Borrower or for all of the property of Borrower or the major part thereof in any involuntary proceeding, or any court shall have taken jurisdiction of the property of the Borrower, or the major part thereof, in any involuntary proceeding for the reorganization, dissolution, liquidation or winding up of the Borrower and such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within sixty (60) days; or

(d) the Borrower shall make an assignment for the benefit of creditors, or shall in writing admit its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or the major part thereof; or

(e) default shall be made in the due observance or performance or a material misrepresentation shall be made of any of the covenants, agreements or conditions required to be kept or performed or observed by the Borrower pursuant to the Loan Documents, then and in every such case the whole of the Indebtedness hereby secured shall become immediately due and payable at the option of Lender, following written notice providing thirty (30) days to cure any non-monetary default, and further provided that if a non-monetary default is incapable of being cured within the thirty (30) day period, then the time to cure shall be extended for such reasonable additional time as may be necessary to complete the cure as long as the Borrower uses due diligence in exercising such cure and the cure is completed within sixty (60) days after the initial written notice from Lender; or

(f) if any of the Loan Documents ceases to be in full force and effect (including failure of any of the Loan Documents to create a valid and perfected security interest or lien) provided, however, that there shall be reasonable time and a good faith effort given by both Borrower and Lender to remedy the defective collateralization prior to default, as long as such cure period does not extend beyond sixty (60) days;

(g) Any of the events described in Section 11.02, except as otherwise permitted pursuant to Section 11.02; and

(h) An event of default shall occur under any other Loan Document that remains uncured following the expiration of any applicable notice and cure period.

### **ARTICLE XIII** **REMEDIES**

**Section 13.01.** Effect of an Event of Default; Remedies. Upon the occurrence of any Event of Default and at any time thereafter, Lender may, at its option, but without any obligation to do so, and in addition to any other right Lender may have, do any one or more of the following within five (5) days prior written notice to Borrower: (a) Cancel this Agreement; (b) Institute appropriate proceedings to enforce the performance of this Agreement; (c) Withhold further disbursements from the Loan Account; (d) Expend funds necessary to remedy the default; (e) Take possession of the Real Estate and continue construction of the Project; (f) Accelerate maturity of the Note and/or Indebtedness and demand payment of all sums due under the Note and/or Indebtedness; (g) Bring an action on the Note Indebtedness; (h) Foreclose the Mortgage on the Real Estate in any manner available under law; and (i) Exercise any other right or remedy which it has under the Note or Loan Documents or which is otherwise available at law or in equity or by statute.

**ARTICLE XIV**  
**MISCELLANEOUS**

**Section 14.01.**     Notice. Any notice required or given hereunder shall be deemed to have been given when sent certified mail, or personally delivered:

(a)    If to the Lender to:            City of Pekin  
  Attn: City Manager  
  111 South Capitol Street  
  Pekin, IL 61554

          with a copy to:                Eliff, Dancey & Bosich  
  Attn: Burt Dancey  
  109 S. Fourth Street  
  Pekin, IL 61554

(b)    If to the Borrower to:         Progressive Health Systems  
  Attn: Bob J. Haley  
  600 S. 13th Street  
  Pekin, IL 61554

  And  
  Park Court Limited  
  Attn: Bob J. Haley  
  600 S. 13<sup>th</sup> Street  
  Pekin, IL 61554

          with a copy to:                Hinshaw & Culbertson LLP  
  Attn: Douglass Marshall  
  416 Main Street, 6<sup>th</sup> Floor  
  Peoria, IL 61602

**Section 14.02.**     Governing Law; Jurisdiction. This Agreement, including the rights and duties hereunder, shall be governed by the laws of the State of Illinois. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Tazewell County, the State of Illinois.

**Section 14.03.**     **LENDER AND BORROWER HEREBY WAIVE THE RIGHT TO ANY JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER LENDER OR BORROWER AGAINST THE OTHER.**

**Section 14.04.**     Descriptive Headings. Titles to paragraphs are for information purposes only.

**Section 14.05.** Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**Section 14.06.** Conflict of Agreement with other Loan Documents. Should the provisions of this Agreement conflict with other Loan Documents, the terms of this Agreement shall control.

**Section 14.07.** Materiality. Each request in the Loan Documents for notice from Borrower to Lender of Borrower' receipt of such items as notices of violation from the State of Illinois or other such similar notices is to be considered material if the content of the information which is the subject of the notice rises to the level that a reasonable lender would want the contents disclosed. In such case, Borrower shall give notice to Lender.

**Section 14.08.** Term. The obligation of the Borrower hereunder shall continue until all amounts due under the Loan Documents are paid in full.

**Section 14.09.** Confidential and Proprietary Information. Subject to the requirements of the Illinois Freedom of Information Act 5 ILCS 140/1 et seq. (the "Act") and its obligations upon the Lender, Lender warrants that it will not at any time during or after the term of this Agreement disclose any private information or any proprietary, privileged or confidential of the Borrower (as defined in the Act) and that such information as may be provided to Lender is exempt from disclosure. For purposes of this Agreement, "Proprietary, Privileged or Confidential Information" includes, but is not limited to: financial results, statements or other information of the Borrower; Borrower's internal information regarding the planning of the Project or Building, and information and documents regarding Borrower's communications, agreements and discussions with third parties.

**Section 14.10.** Borrower's Receipt of Approvals. Borrower's obligations under the terms of the this Agreement are contingent upon the receipt of approval no later than the Closing Date from the Boards of Directors of the Borrower.

(Remainder of page intentionally left blank; signature page follows.)

IN WITNESS WHEREOF, the undersigned have caused this Loan Agreement to be executed on the day and year first noted above.

**BORROWER:**

PROGRESSIVE HEALTH SYSTEMS

By: Steve Hall

Name: Steven C Hall II

Its: CFO

**LENDER:**

THE CITY OF PEKIN

By: [Signature]

Name: John McCabe

Its: MAYOR

PARK COURT LIMITED

By: Steve Hall

Name: Steven C Hall

Its: CFO

ATTEST:

By: Sue E. McMillan

Name: Sue E. McMillan

Its: CITY CLERK

~~CONSENT AND APPROVAL~~

~~US Bank, in its capacity as Master Trustee under the indentures related to the Progressive Health Systems Bond Series 1993 and Bond Series 1997, and as holder of the debt under the Indentures, hereby approves the terms of this Loan Agreement and consents to the execution of this Loan Agreement and Loan Documents described herein by Progressive Health Systems.~~

~~US BANK~~

~~By: \_\_\_\_\_~~

~~Name: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~



For the Account of: PEKIN HOSPITAL FOUNDATION



Account Number: 26 04 5831 0 02  
Date: For the Month Ended APRIL 30, 2015

## Market to Market Account Summary

---

|   |              |
|---|--------------|
| MARKET VALUE PLUS ACCRUED INCOME ON 04/01/2015      | 8,078,248.54 |
| LESS DISBURSEMENTS<br>ADVISORY FEE:                 | -1,914.14    |
| PLUS/MINUS CHANGES IN INVESTMENTS                   |              |
| EARNED INCOME                                       | 5,696.93     |
| REALIZED GAINS & LOSSES FROM THE SALE OF SECURITIES | 16.86        |
| UNREALIZED APPRECIATION OR DEPRECIATION OF ASSETS   | 52,124.76    |
| SECURITY POSITION CHANGES                           | .00          |
| MARKET VALUE PLUS ACCRUED INCOME ON 04/30/2015      | 8,134,172.95 |



  
**PEKIN HOSPITAL  
FOUNDATION**

18 April 2016

Park Court Limited  
600 S. 13<sup>th</sup> Street - Pekin, IL 61554

**Financing of Construction Costs for the New Medical Office Building**

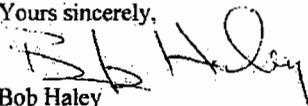
Pekin Memorial Foundation will provide the incremental funding covering construction costs of the new Medical Office Building for Park Court Limited, located on the corner of Veterans Drive and Griffin Ave (legal description attached). Please see anticipated funding sources below and documentation indicating fund availability.

**Medical Office Building Funding**

|                                |                  |
|--------------------------------|------------------|
| Mortgage                       | 12,000,000       |
| Donation To Park Court Limited | <u>5,672,000</u> |
| Total Estimated Project Cost   | 17,672,000       |

Intended funding will be paid through donations from funds held in Pekin Memorial Foundation. The Foundation is operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Its purpose is to promote projects that will optimize the health and well-being of the Pekin area community. Park Court Limited is also a not-for-profit company serving as the developer and landlord of this medical office building.

Yours sincerely,

  
Bob Haley  
Chief Executive Officer

Subscribed and sworn to before me

This 18 day of April

  
Notary Public



---

**Legal Description of the Property (11-11-07-203-003)**

A part of the Northeast Quarter of Section 7, Township 24 North, Range 4 West of the Third Principal Meridian:

Easterly corner of Lot 12 of Pekin Plaza Extension Number Two, a Subdivision of the W Half of the Southeast Quarter of Section 7; North 50 degree 15 minutes West along the Northeasterly line Lot 12, a distance of 10 feet to the Westerly Right of Way line of Veterans Drive; North 39 degrees 45 minutes East along the Westerly Right of Way line of Veterans Drive, a distance of 1122.94 feet to a point on the Northeasterly Right of Way line of Griffin Avenue, said point being the Point of Beginning of the tract to be described; North 50 degrees 15 minutes West along the Northeasterly Right of Way line of Griffin Avenue, a distance of 600 feet North of 39 degrees 45 minutes East, a distance 460 feet South 50 degrees 15 minutes East, a distance of 600 feet to a point on the Westerly Right of Way line of Veterans Drive, South 39 degrees 45 minutes West along the Westerly Right of Way line of Veterans Drive, a distance of 460 feet to the Point of Beginning, containing 6.336 acres lying in the County of Tazewell and State of Illinois.

Pages 125 – 157

# **Progressive Health Systems**

**Independent Auditor's Report and Consolidated Financial Statements**

April 30, 2015 and 2014

# Progressive Health Systems

April 30, 2015 and 2014

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## Independent Auditor's Report

Board of Trustees  
Progressive Health Systems  
Pekin, Illinois

We have audited the accompanying consolidated financial statements of Progressive Health Systems and its subsidiaries ("Progressive"), which comprise the consolidated balance sheets as of April 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive as of April 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

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

**BKD, LLP**

St. Louis, Missouri  
August 27, 2015

**Progressive Health Systems**  
**Consolidated Balance Sheets**  
**April 30, 2015 and 2014**

**Assets**

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
| <b>Current Assets</b>  |               |               |
| Cash and cash equivalents  | \$ 7,382,585  | \$ 6,508,102  |
| Short-term investments   | 1,001,244     | 1,037,603     |
| Patient accounts receivable, net of allowance;<br>2015 - \$4,874,000, 2014 - \$5,311,000 | 11,936,961    | 9,538,752     |
| Supplies   | 1,664,661     | 1,611,203     |
| Due from Medicare  | 243,005       | 1,955,132     |
| Prepaid expenses and other   | 2,800,166     | 1,754,374     |
| Total current assets   | 25,028,622    | 22,405,166    |
| <b>Assets Limited As To Use</b>  |               |               |
| Internally designated  | 31,520,550    | 30,949,749    |
| Held by trustees   | 246,965       | 244,283       |
|  | 31,767,515    | 31,194,032    |
| <b>Property and Equipment, At Cost</b>   |               |               |
| Land and land improvements   | 3,788,895     | 3,789,895     |
| Buildings and improvements   | 37,866,153    | 37,969,804    |
| Equipment  | 55,419,130    | 53,767,652    |
| Construction in progress   | 942,336       | 661,469       |
|  | 98,016,514    | 96,188,820    |
| Less accumulated depreciation  | 69,900,881    | 66,995,245    |
|  | 28,115,633    | 29,193,575    |
| <b>Other Assets</b>  |               |               |
|  | 2,791,236     | 2,836,623     |
| Total assets   | \$ 87,703,006 | \$ 85,629,396 |

## Liabilities and Net Assets

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| <b>Current Liabilities</b>                   |                      |                      |
| Current maturities of long-term debt         | \$ 3,511,025         | \$ 3,373,890         |
| Accounts payable                             | 2,730,997            | 3,484,715            |
| Other accrued expenses and deferred payments | 5,799,627            | 4,739,494            |
| Estimated amounts due to third-party payers  | <u>3,699,353</u>     | <u>2,878,755</u>     |
| Total current liabilities                    | 15,741,002           | 14,476,854           |
| <br>   |                      |                      |
| <b>Minimum Pension Liability</b>             | 9,079,491            | 5,544,811            |
| <br>   |                      |                      |
| <b>Long-term Debt</b>                        | <u>10,024,947</u>    | <u>13,535,972</u>    |
| <br>   |                      |                      |
| Total liabilities                            | <u>34,845,440</u>    | <u>33,557,637</u>    |
| <br>   |                      |                      |
| <b>Net Assets</b>                            |                      |                      |
| Unrestricted                                 |                      |                      |
| Progressive Health Systems                   | 52,472,578           | 51,756,345           |
| Noncontrolling interest                      | <u>32,781</u>        | <u>-</u>             |
| Total unrestricted net assets                | 52,505,359           | 51,756,345           |
| Temporarily restricted                       | <u>352,207</u>       | <u>315,414</u>       |
| Total net assets                             | <u>52,857,566</u>    | <u>52,071,759</u>    |
| <br>   |                      |                      |
| Total liabilities and net assets             | <u>\$ 87,703,006</u> | <u>\$ 85,629,396</u> |

**Progressive Health Systems**  
**Consolidated Statements of Operations**  
**Years Ended April 30, 2015 and 2014**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| <b>Unrestricted Revenues, Gains and Other Support</b>                                 |               |               |
| Patient service revenue (net of contractual discounts and allowances)                 | \$ 85,799,114 | \$ 86,411,272 |
| Provision for uncollectible accounts  | (5,555,620)   | (8,728,706)   |
| Net patient service revenue less provision for uncollectible accounts                 | 80,243,494    | 77,682,566    |
| Other   | 2,424,772     | 4,258,008     |
| Total unrestricted revenues, gains and other support                                  | 82,668,266    | 81,940,574    |
| <b>Expenses</b>   |               |               |
| Salaries and wages  | 29,871,472    | 29,400,004    |
| Employee benefits   | 6,719,081     | 7,378,853     |
| Purchased services and professional fees  | 14,778,156    | 13,662,553    |
| Supplies and other  | 24,604,713    | 25,565,007    |
| Depreciation and amortization   | 4,478,323     | 4,578,645     |
| Interest  | 583,346       | 710,602       |
| Total expenses  | 81,035,091    | 81,295,664    |
| <b>Operating Income</b>   | 1,633,175     | 644,910       |
| <b>Other Income</b>   |               |               |
| Investment return   | 2,599,667     | 3,498,338     |
| <b>Excess of Revenues Over Expenses</b>   | 4,232,842     | 4,143,248     |
| Net assets released from restrictions used for the purchase of property and equipment | 121,558       | 355,427       |
| Change in minimum pension liability   | (3,654,386)   | 2,374,850     |
| Capital contribution  | 49,000        | -             |
| <b>Increase in Unrestricted Net Assets</b>  | \$ 749,014    | \$ 6,873,525  |

**Progressive Health Systems**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended April 30, 2015 and 2014**

|  | <u>2015</u>                 | <u>2014</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Unrestricted Net Assets</b>                           |                             |                             |
| Excess of revenues over expenses                         | \$ 4,232,842                | \$ 4,143,248                |
| Capital contribution                                     | 49,000                      | -                           |
| Net assets released from restriction                     | 121,558                     | 355,427                     |
| Change in minimum pension liability                      | <u>(3,654,386)</u>          | <u>2,374,850</u>            |
| Increase in unrestricted net assets                      | <u>749,014</u>              | <u>6,873,525</u>            |
| <b>Temporarily Restricted Net Assets</b>                 |                             |                             |
| Contributions received                                   | 158,351                     | 138,477                     |
| Net assets released from restriction                     | <u>(121,558)</u>            | <u>(355,427)</u>            |
| Increase (decrease) in temporarily restricted net assets | <u>36,793</u>               | <u>(216,950)</u>            |
| <b>Change in Net Assets</b>                              | 785,807                     | 6,656,575                   |
| <b>Net Assets, Beginning of Year</b>                     | <u>52,071,759</u>           | <u>45,415,184</u>           |
| <b>Net Assets, End of Year</b>                           | <u><u>\$ 52,857,566</u></u> | <u><u>\$ 52,071,759</u></u> |

**Progressive Health Systems**  
**Consolidated Statements of Cash Flows**  
**Years Ended April 30, 2015 and 2014**

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
| <b>Operating Activities</b>                          |              |              |
| Change in net assets                                 | \$ 785,807   | \$ 6,656,575 |
| Items not requiring (providing) cash                 |              |              |
| Depreciation and amortization                        | 4,478,323    | 4,578,645    |
| Increase (decrease) in minimum pension liability     | 3,534,680    | (2,360,685)  |
| Net unrealized gains on investments                  | (672,357)    | (1,816,645)  |
| Loss on disposal of property and equipment           | 35,923       | 11,811       |
| Restricted contributions                             | (158,351)    | (138,477)    |
| Provision for uncollectible accounts                 | 5,555,620    | 8,728,706    |
| Changes in   |              |              |
| Patient accounts receivable, net                     | (7,953,829)  | (7,660,281)  |
| Estimated amounts due from and to third-party payers | 2,532,725    | (1,944,032)  |
| Accounts payable and accrued expenses                | 306,415      | (2,023,091)  |
| Other current assets                                 | (1,099,250)  | 916,734      |
| Net cash provided by operating activities            | 7,345,706    | 4,949,260    |
| <b>Investing Activities</b>                          |              |              |
| Net activity in assets limited as to use             | 135,233      | 3,343,390    |
| Proceeds from the sale of property and equipment     | 50,540       | 9,850        |
| Purchase of property and equipment                   | (3,441,457)  | (4,045,092)  |
| Net cash used in investing activities                | (3,255,684)  | (691,852)    |
| <b>Financing Activities</b>                          |              |              |
| Proceeds from restricted contributions               | 158,351      | 138,477      |
| Principal payments on long-term debt                 | (3,373,890)  | (3,238,284)  |
| Net cash used in financing activities                | (3,215,539)  | (3,099,807)  |
| Increase in Cash and Cash Equivalents                | 874,483      | 1,157,601    |
| Cash and Cash Equivalents, Beginning of Year         | 6,508,102    | 5,350,501    |
| Cash and Cash Equivalents, End of Year               | \$ 7,382,585 | \$ 6,508,102 |
| <b>Supplemental Cash Flows Information</b>           |              |              |
| Interest paid  | \$ 583,346   | \$ 710,602   |

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Progressive Health Systems (“Progressive”) is an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency services to patients in Pekin, Illinois and surrounding areas.

In addition, Progressive is the sole member of the following not-for-profit subsidiaries:

- Pekin Memorial Hospital (the “Hospital”) operates a licensed 107 acute care bed.
- Park Court Limited (“PCL”) owns and operates certain real estate investments and provides certain real estate services to Progressive and its affiliates.
- Pekin Hospital Foundation (the “Foundation”) conducts fundraising activities and manages activity related to restricted and unrestricted contributions.

Progressive is also the sole shareholder of ProHealth, Inc. (“PHI”), an Illinois for-profit corporation operating outpatient physician medical practices.

The Hospital entered into an agreement during 2015 to become the majority shareholder of Pain Management LLC (“PM”), an Illinois for-profit corporation operating outpatient pain management services.

***Principles of Combination and Consolidation***

The consolidated financial statements include the accounts of Progressive, the Hospital, PCL, PM, the Foundation and PHI. All material intercompany accounts and transactions have been eliminated in consolidation.

The Hospital, PCL and PM (collectively the “Obligated Group”) were combined in the accompanying supplementary information as the listed entities in the 1993 and 1997 bond trust indentures, as supplemented and amended by the 2010 bond trust indenture.

***Noncontrolling Interest***

Noncontrolling interest represents the 49 percent interest in PM that the Hospital does not own. Losses attributable to the noncontrolling interest are allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

For the year ended April 30, 2015, changes in consolidated unrestricted net assets attributable to the controlling financial interest of the Hospital and the noncontrolling interest are:

|   | <b>Total</b>     | <b>Controlling Interest</b> | <b>Noncontrolling Interest</b> |
|---|------------------|-----------------------------|--------------------------------|
| <b>Balance May 1, 2014</b>                                    | \$ -             | \$ -                        | \$ -                           |
| Deficiency of revenues over expenses                          | (33,100)         | (16,881)                    | (16,219)                       |
| Contributions of or for acquisition of property and equipment | <u>100,000</u>   | <u>51,000</u>               | <u>49,000</u>                  |
| <b>Balance April 30, 2015</b>                                 | <u>\$ 66,900</u> | <u>\$ 34,119</u>            | <u>\$ 32,781</u>               |

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Progressive considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At April 30, 2015, Progressive's cash accounts exceeded federally insured limits by approximately \$6,300,000.

***Investments, Investment Return and Assets Limited as to Use***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest, other investment income and realized and unrealized gains and losses on investments carried at fair value. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets limited as to use include: (1) assets set aside by the board of trustees for future capital improvements over which the board retains control and may at its discretion subsequently use for other purposes and (2) assets held by trustees are for use of bond interest costs or for use if and when an obligation should arise from Progressive being self-insured for malpractice insurance in the mid 1980's, these malpractice funds are also controlled by the board, and may, at its discretion, subsequently be used for other purposes.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

***Supplies***

Progressive states supply inventories at the lower of cost, determined using the first-in, first-out method or market.

***Property and Equipment***

Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 15 - 30 years |
| Leasehold improvements    | 5 - 15 years  |
| Equipment                 | 3 - 7 years   |

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

***Long-lived Asset Impairment***

Progressive evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended April 30, 2015 and 2014.

***Other Assets***

Other assets consist of deferred financing costs and goodwill. Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the bonds outstanding method.

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the goodwill is less than the carrying amount. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, impairment is indicated and the goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. At April 30, 2015 and 2014, there was approximately \$2,699,000 in goodwill.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by Progressive has been limited by donors to a specific time period or purpose. As of April 30, 2015 and 2014, temporarily restricted net assets were primarily for the purchase of property and equipment.

***Net Patient Service Revenue***

Progressive has agreements with third-party payers that provide for payments to Progressive at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

**Charity Care**

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**Contributions**

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

**Electronic Health Records Incentive Program**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

Progressive recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2015 and 2014, the Hospital has recorded revenue of approximately \$686,000 and \$2,335,000, respectively, which is included in other revenue within operating revenues in the consolidated statements of operations.

**Professional Liability Claims**

Progressive recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 6.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

***Employee Health Claims***

Substantially all of Progressive's employees are eligible to participate in Progressive's health insurance plan. Progressive is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance plan administrator. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that Progressive's estimate will change by a material amount in the near term.

***Income Taxes***

Progressive, the Hospital, the Foundation and PCL have been recognized as exempt from income taxes under Section 501 of the *Internal Revenue Code* and a similar provision of state law. However, Progressive is subject to federal income tax on any unrelated business taxable income and any taxable income of PHI. PM is not directly subject to income taxes under the provisions of the *Internal Revenue Code* and applicable state laws. Therefore, taxable income or loss is reported to the shareholders for inclusion in their respective tax returns and no provision for federal and state income taxes has been included in the accompanying consolidated financial statements.

Progressive files tax returns in the U.S. federal jurisdiction. With a few exceptions, Progressive is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

***Affordable Care Act Compliance***

As part of the Affordable Care Act, hospitals exempt from the tax under Section 501(c)(3) of the *Internal Revenue Code* are required to comply with the new requirements under new Code Section 501(r). Code Section 501(r) requires exempt hospitals prepare and implement a community health needs assessment, implement a financial assistance policy, implement an emergency care policy, limit charges to individuals eligible for financial assistance and refrain from certain collection actions for patients that may qualify for financial assistance. Failure to comply with these requirements could result in a hospital not being recognized as exempt under Code Section 501(c)(3). The IRS has not issued guidance on how they intend to enforce the provisions related to Code Section 501(r). Progressive believes it has taken reasonable steps to comply with Code Section 501(r) and has recorded no provision relative to Progressive's compliance or non-compliance with Code Section 501(r). However, this could change materially in the near-term.

***Excess of Revenues Over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, the change in pension liability, capital contributions and permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

***Reclassifications***

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

**Note 2: Net Patient Service Revenue**

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statements of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare.* Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity.

The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through April 30, 2013.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended April 30, 2015 and 2014, was approximately:

|                          | <u>2015</u>          | <u>2014</u>          |
|--------------------------|----------------------|----------------------|
| Medicare                 | \$ 26,620,000        | \$ 27,157,000        |
| Medicaid                 | 9,819,000            | 9,529,000            |
| Other third-party payers | 44,345,000           | 43,032,000           |
| Self-pay                 | <u>5,015,000</u>     | <u>6,693,000</u>     |
| Total                    | <u>\$ 85,799,000</u> | <u>\$ 86,411,000</u> |

***Illinois Hospital Medicaid Assessment Program***

The state of Illinois enacted legislation that provides for an assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. Under the hospital assessment program, each hospital is assessed tax based on that hospital's adjusted gross hospital revenue. The legislation provides that none of the assessment funds are to be collected and no additional Medicaid payments are to be paid until the program receives the required federal government approval through the federal Centers for Medicare and Medicaid Services (CMS).

In October 2013, the CMS notified the Illinois Department of Healthcare and Family Services of its approval of the Enhanced Hospital Assessment Program effective July 1, 2012, which is anticipated to generate an additional annual net benefit for Illinois hospitals under the Hospital Assessment Program. The annual net benefit to the Hospital due to the approval of this program is \$682,000.

The effects of these programs in the consolidated statements of operations and changes in net assets for the years ended April 30, 2015 and 2014, are as follows:

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Additional Medicaid payments included in patient service revenue | <u>\$ 5,074,000</u> | <u>\$ 6,700,000</u> |
| Taxes assessed and included in supplies and other                | <u>\$ 2,675,000</u> | <u>\$ 3,693,000</u> |

The hospital assessment program contains a sunset provision effective June 30, 2018, and there is no assurance the program will not be discontinued or materially modified.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

**Affordable Care Act Access Payments**

In January 2015, the CMS notified Illinois Department of Healthcare and Family Services of its approval of supplemental payments (“ACA Access Payments”) to the Hospital for services provided to newly eligible Medicaid beneficiaries in 2014 under the *Affordable Care Act*. The program, which CMS approved retroactive to March 1, 2014, is anticipated to generate an additional annual benefit for Illinois Hospitals.

For the year ended April 30, 2015, the Hospital received ACA Access payments of approximately \$1,131,000 which is included in patient service revenue on the consolidated statements of operations.

**Note 3: Concentrations of Credit Risk**

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at April 30, 2015 and 2014, is:

|                          | <b>2015</b> | <b>2014</b> |
|--------------------------|-------------|-------------|
| Medicare                 | 27%         | 27%         |
| Medicaid                 | 12%         | 16%         |
| Other third-party payers | 49%         | 46%         |
| Patients                 | 12%         | 11%         |
|                          | <u>100%</u> | <u>100%</u> |

**Note 4: Investments and Investment Return**

Short-term investments include:

|                        | <b>2015</b>         | <b>2014</b>         |
|------------------------|---------------------|---------------------|
| Certificate of deposit | <u>\$ 1,001,244</u> | <u>\$ 1,037,603</u> |

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

Assets limited as to use include:

|                       | <b>2015</b>   | <b>2014</b>   |
|-----------------------|---------------|---------------|
| Internally designated |               |               |
| Mutual funds          |               |               |
| Domestic Equity       | \$ 16,863,577 | \$ 16,909,479 |
| International Equity  | 3,870,514     | 4,056,716     |
| Domestic Fixed Income | 10,786,459    | 9,983,554     |
|                       | \$ 31,520,550 | \$ 30,949,749 |
| Held by trustees      |               |               |
| Cash                  | \$ 12,656     | \$ 12,149     |
| Mutual funds          |               |               |
| Domestic Fixed Income | 234,309       | 232,134       |
|                       | \$ 246,965    | \$ 244,283    |

Total investment return is comprised of the following:

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
| Interest and dividend income           | \$ 1,163,762 | \$ 926,562   |
| Realized gains on sales of investments | 763,548      | 755,131      |
| Unrealized gains on investments        | 672,357      | 1,816,645    |
|  | \$ 2,599,667 | \$ 3,498,338 |

Investment return is reflected in other income in the consolidated statements of operations.

**Note 5: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

**Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2015 and 2014:

|                                    | <b>Fair Value Measurements Using</b> |   |  |  |
|------------------------------------|--------------------------------------|---|--|--|
|                                    | <b>Fair Value</b>                    | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>April 30, 2015</b>              |                                      |   |  |  |
| Domestic Equity Mutual Funds       | \$ 16,863,577                        | \$ 16,863,577   | \$ -   | \$ -   |
| International Equity Mutual Funds  | \$ 3,870,514                         | \$ 3,870,514  | \$ -   | \$ -   |
| Domestic Fixed Income Mutual Funds | \$ 11,020,768                        | \$ 11,020,768   | \$ -   | \$ -   |
| <b>April 30, 2014</b>              |                                      |   |  |  |
| Domestic Equity Mutual Funds       | \$ 16,909,479                        | \$ 16,909,479   | \$ -   | \$ -   |
| International Equity Mutual Funds  | \$ 4,056,716                         | \$ 4,056,716  | \$ -   | \$ -   |
| Domestic Fixed Income Mutual Funds | \$ 10,215,688                        | \$ 10,215,688   | \$ -   | \$ -   |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended April 30, 2015.

**Investments – Assets Limited as to Use**

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There are no investments held at April 30, 2015 and 2014 that are considered Level 2 or 3.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

**Note 6: Risk Management and Professional Liability Claims**

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. The Hospital pays annual premiums to the pools for its general liability torts, medical malpractice and employee injuries insurance coverage. The pools' governing agreements specify that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Hospital purchases medical malpractice insurance as described above on a claims made, fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of the incidents. Based upon the Hospital's experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 7: Long-term Debt**

|                                  | <b>2015</b>          | <b>2014</b>          |
|----------------------------------|----------------------|----------------------|
| Note payable, bank (A)           | \$ 2,130,972         | \$ 2,774,862         |
| 2010 revenue refunding bonds (B) | 11,405,000           | 14,135,000           |
|                                  | 13,535,972           | 16,909,862           |
| Less current maturities          | 3,511,025            | 3,373,890            |
|                                  | <b>\$ 10,024,947</b> | <b>\$ 13,535,972</b> |

- (A) Due April 2018; payable \$63,752 monthly, including interest at 4.88 percent; collateralized by equipment.
- (B) The 2010 Revenue Refunding Bonds (the "2010 Bonds") consist of the City of Pekin, Tazewell County, Illinois Revenue Refunding Bonds in the original amount of \$23,530,000 dated March 1, 2010, which bear interest at a rate of 3.7 percent.

The City of Pekin issued the Bonds on behalf of Progressive. The Bonds are secured by the net revenues and accounts receivable of the Hospital and PCL.

The Supplemental Agreement to the Bond Trust Indenture requires Progressive to comply with certain restrictive covenants including minimum insurance coverage, maintaining a fixed charge coverage ratio of at least 1.15 to 1.00, maintaining at least 85 days cash on hand and restrictions on incurrence of additional debt.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

Aggregate annual maturities of long-term debt at April 30, 2015, are:

|            |                      |
|------------|----------------------|
| 2016       | \$ 3,511,025         |
| 2017       | 3,664,763            |
| 2018       | 1,535,184            |
| 2019       | 805,000              |
| 2020       | 825,000              |
| Thereafter | <u>3,195,000</u>     |
|            | <u>\$ 13,535,972</u> |

**Note 8: Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$352,207 and \$315,414 as of April 30, 2015 and 2014, respectively, are primarily restricted for the renovation of the Hospital's obstetrical services and ambulatory surgery.

During 2015 and 2014, net assets were released from donor restrictions by purchasing property and equipment, satisfying the restricted purposes of the amounts of \$121,558 and \$355,427, respectively.

**Note 9: Functional Expenses**

Progressive provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

|                            | <u>2015</u>          | <u>2014</u>          |
|----------------------------|----------------------|----------------------|
| Health care services       | \$ 55,786,373        | \$ 55,296,853        |
| General and administrative | <u>25,248,718</u>    | <u>25,998,811</u>    |
|                            | <u>\$ 81,035,091</u> | <u>\$ 81,295,664</u> |

**Note 10: Employee Benefit Plans**

Progressive has a 401(k) plan covering substantially all employees. The Plan allows for a discretionary match of up to 50 percent of the amount employees elect to contribute up to 6 percent of covered wages. Expenses for the 401(k) plan were approximately \$14,000 and \$27,000 for 2015 and 2014, respectively.

In addition, Progressive has a defined contribution plan covering substantially all Hospital employees. The board of trustees annually determines the amount, if any, of profit sharing contributions to the plan. Expenses for the plan were approximately \$650,000 and \$802,000 for 2015 and 2014, respectively.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

Progressive also has a noncontributory defined benefit pension plan covering all employees who met all eligibility requirements. Progressive curtailed the Plan as of April 30, 2008. This Plan has been replaced with the defined contribution plan discussed above, which covers employees who meet certain eligibility requirements. Progressive has not determined when the defined benefit plan will be terminated.

Progressive's funding policy for the defined benefit plan is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Progressive may determine to be appropriate from time to time. Progressive does not expect to contribute to the Plan for 2015.

Progressive uses an April 30 measurement date for the plan in 2015 and 2014. Information about the Plan's funded status is as follows:

|                           | <b>2015</b>           | <b>2014</b>           |
|---------------------------|-----------------------|-----------------------|
| Benefit obligation        | \$ 33,428,471         | \$ 28,808,045         |
| Fair value of plan assets | 24,348,980            | 23,263,234            |
| Funded status             | <u>\$ (9,079,491)</u> | <u>\$ (5,544,811)</u> |

Liability recognized in the consolidated balance sheets:

|                      | <b>2015</b>  | <b>2014</b>  |
|----------------------|--------------|--------------|
| Noncurrent liability | \$ 9,079,491 | \$ 5,544,811 |

Other significant balances and costs are:

|                       | <b>2015</b>  | <b>2014</b> |
|-----------------------|--------------|-------------|
| Benefits paid         | \$ 1,062,221 | \$ 990,871  |
| Benefit costs (gains) | \$ (119,706) | \$ 14,165   |

Significant assumptions include:

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Weighted-average assumptions used to determine benefit obligations: |             |             |
| Discount rate   | 4.27%       | 4.64%       |
| Rate of compensation increase                                       | N/A         | N/A         |
| Weighted-average assumptions used to determine benefit costs:       |             |             |
| Discount rate   | 4.64%       | 4.37%       |
| Expected return on plan assets                                      | 7.00%       | 7.00%       |
| Rate of compensation increase                                       | N/A         | N/A         |

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

Progressive has estimated the long-term rate of return on Plan assets based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of April 30, 2015:

|           |              |
|-----------|--------------|
| 2016      | \$ 1,180,000 |
| 2017      | \$ 1,240,000 |
| 2018      | \$ 1,320,000 |
| 2019      | \$ 1,400,000 |
| 2020      | \$ 1,510,000 |
| 2021-2025 | \$ 8,730,000 |

Plan assets are held by a bank-administered trust fund, which invests the Plan assets in accordance with the provisions of the Plan agreement. The Plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. government securities, and other specified investments, based on certain target allocation percentages. The Plan may invest in certain derivative securities with the prior approval of Progressive.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2015 and 2014 are as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Domestic equity securities      | Not to exceed 80% |
| International equity securities | Not to exceed 20% |
| Domestic fixed income           | Not to exceed 40% |

Plan assets are re-balanced quarterly. At April 30, 2015 and 2014, Plan assets were invested in equity securities and fixed income investments as permitted by the Plan agreement.

***Pension Plan Assets***

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There are no investments held at April 30, 2015 and 2014, that are considered Level 2 or 3.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

The fair values of Progressive's pension plan assets at April 30, 2015 and 2014, by asset category are as follows:

| <b>Asset Class</b>                 | <b>Total Fair Value</b> | <b>Fair Value Measurements Using</b>                                  |  |  |
|------------------------------------|-------------------------|---|--|--|
|                                    |                         | <b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b> | <b>Significant Other Observable Inputs (Level 2)</b> | <b>Significant Unobservable Inputs (Level 3)</b> |
| <b>April 30, 2015</b>              |                         |   |  |  |
| Domestic Equity Mutual Funds       | \$ 12,167,733           | \$ 12,167,733   | \$ -   | \$ -   |
| International Equity Mutual Funds  | 2,997,435               | 2,997,435   | -  | -  |
| Domestic Fixed Income Mutual Funds | 9,183,812               | 9,183,812   | -  | -  |
| Total                              | <u>\$ 24,348,980</u>    | <u>\$ 24,348,980</u>  | <u>\$ -</u>  | <u>\$ -</u>                                      |
| <b>April 30, 2014</b>              |                         |   |  |  |
| Domestic Equity Mutual Funds       | \$ 11,778,490           | \$ 11,778,490   | \$ -   | \$ -   |
| International Equity Mutual Funds  | 2,919,308               | 2,919,308   | -  | -  |
| Domestic Fixed Income Mutual Funds | 8,565,436               | 8,565,436   | -  | -  |
| Total                              | <u>\$ 23,263,234</u>    | <u>\$ 23,263,234</u>  | <u>\$ -</u>  | <u>\$ -</u>                                      |

**Note 11: Significant Estimates**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities. Those matters include the following:

***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

***Professional Liability Claims***

Estimates related to the accrual for professional liability claims are described in Notes 1 and 6.

***Employee Health Claims***

Estimates related to the accrual for employee health claims are described in Note 1.

**Progressive Health Systems**  
**Notes to Consolidated Financial Statements**  
**April 30, 2015 and 2014**

***Litigation***

In the normal course of business, Progressive is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. Progressive evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 12: Patient Protection and Affordable Care Act**

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Illinois is participating in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible Progressive will experience payment delays and other operational challenges during PPACA's implementation.

## **Supplementary Information**

**Progressive Health Systems**  
**Consolidated Balance Sheet – with Consolidating Information**  
**April 30, 2015**

|   | <b>Pekin<br/>Memorial<br/>Hospital</b> | <b>Pain<br/>Management LLC</b> | <b>Eliminations</b>        |
|---|--|--------------------------------|----------------------------|
| <b>Assets</b>   |  |                                |                            |
| <b>Current Assets</b>   |  |                                |                            |
| Cash and cash equivalents                                     | \$ 6,953,496                           | \$ 41,121                      | \$ -                       |
| Short-term investments  | 500,998                                | -                              | -                          |
| Patient accounts receivable, net<br>of allowance; \$4,874,000 | 10,080,730                             | 49,420                         | -                          |
| Supplies  | 1,061,171                              | 4,979                          | -                          |
| Due from Medicare   | 243,005                                | -                              | -                          |
| Due from related party  | 313,997                                | 294,309                        | (608,306)                  |
| Prepaid expenses and other                                    | 2,479,847                              | -                              | -                          |
|   | <u>21,633,244</u>                      | <u>389,829</u>                 | <u>(608,306)</u>           |
| <b>Assets Limited As To Use</b>                               |  |                                |                            |
| Internally designated   | 23,386,377                             | -                              | -                          |
| Held by trustees  | 246,965                                | -                              | -                          |
|   | <u>23,633,342</u>                      | <u>-</u>                       | <u>-</u>                   |
| <b>Property and Equipment, At Cost</b>                        |  |                                |                            |
| Land and land improvements                                    | 3,276,797                              | -                              | -                          |
| Buildings and leasehold improvements                          | 31,080,142                             | -                              | -                          |
| Equipment   | 51,116,977                             | -                              | -                          |
| Construction in progress                                      | 720,650                                | -                              | -                          |
|   | <u>86,194,566</u>                      | <u>-</u>                       | <u>-</u>                   |
| Less accumulated depreciation                                 | 63,045,763                             | -                              | -                          |
|   | <u>23,148,803</u>                      | <u>-</u>                       | <u>-</u>                   |
| <b>Other Assets</b>   |  |                                |                            |
| Interest in the net assets of the Foundation                  | 2,791,236                              | -                              | -                          |
|   | <u>352,207</u>                         | <u>-</u>                       | <u>-</u>                   |
|   | <u>3,143,443</u>                       | <u>-</u>                       | <u>-</u>                   |
| <b>Total assets</b>   | <u><u>\$ 71,558,832</u></u>            | <u><u>\$ 389,829</u></u>       | <u><u>\$ (608,306)</u></u> |

| <b>(Consolidated)</b><br><b>Pekin</b><br><b>Memorial</b><br><b>Hospital</b> | <b>Park Court</b><br><b>Limited</b> | <b>(Combined)</b><br><b>The</b><br><b>Obligated</b><br><b>Group</b> | <b>ProHealth,</b><br><b>Inc.</b> | <b>Pekin</b><br><b>Hospital</b><br><b>Foundation</b> | <b>Eliminations</b> | <b>Consolidated</b>  |
|---|-------------------------------------|---|----------------------------------|--|---------------------|----------------------|
| \$ 6,994,617  | \$ 22,667                           | \$ 7,017,284  | \$ 22,398                        | \$ 342,903   | \$ -                | \$ 7,382,585         |
| 500,998   | -                                   | 500,998   | -                                | 500,246  | -                   | 1,001,244            |
| 10,130,150  | -                                   | 10,130,150  | 1,806,811                        | -  | -                   | 11,936,961           |
| 1,066,150   | -                                   | 1,066,150   | 598,511                          | -  | -                   | 1,664,661            |
| 243,005   | -                                   | 243,005   | -                                | -  | -                   | 243,005              |
| -   | -                                   | -   | -                                | -  | -                   | -                    |
| 2,479,847   | 8,109                               | 2,487,956   | 312,210                          | -  | -                   | 2,800,166            |
| <u>21,414,767</u>   | <u>30,776</u>                       | <u>21,445,543</u>   | <u>2,739,930</u>                 | <u>843,149</u>                                       | <u>-</u>            | <u>25,028,622</u>    |
| 23,386,377  | -                                   | 23,386,377  | -                                | 8,134,173  | -                   | 31,520,550           |
| 246,965   | -                                   | 246,965   | -                                | -  | -                   | 246,965              |
| <u>23,633,342</u>   | <u>-</u>                            | <u>23,633,342</u>   | <u>-</u>                         | <u>8,134,173</u>                                     | <u>-</u>            | <u>31,767,515</u>    |
| 3,276,797   | 512,098                             | 3,788,895   | -                                | -  | -                   | 3,788,895            |
| 31,080,142  | 6,735,955                           | 37,816,097  | 50,056                           | -  | -                   | 37,866,153           |
| 51,116,977  | 1,203,085                           | 52,320,062  | 3,066,372                        | 32,696   | -                   | 55,419,130           |
| 720,650   | 4,750                               | 725,400   | 216,936                          | -  | -                   | 942,336              |
| 86,194,566  | 8,455,888                           | 94,650,454  | 3,333,364                        | 32,696   | -                   | 98,016,514           |
| 63,045,763  | 4,379,540                           | 67,425,303  | 2,442,882                        | 32,696   | -                   | 69,900,881           |
| <u>23,148,803</u>   | <u>4,076,348</u>                    | <u>27,225,151</u>   | <u>890,482</u>                   | <u>-</u>   | <u>-</u>            | <u>28,115,633</u>    |
| 2,791,236   | -                                   | 2,791,236   | -                                | -  | -                   | 2,791,236            |
| 352,207   | -                                   | 352,207   | -                                | -  | (352,207)           | -                    |
| <u>3,143,443</u>  | <u>-</u>                            | <u>3,143,443</u>  | <u>-</u>                         | <u>-</u>   | <u>(352,207)</u>    | <u>2,791,236</u>     |
| <u>\$ 71,340,355</u>  | <u>\$ 4,107,124</u>                 | <u>\$ 75,447,479</u>  | <u>\$ 3,630,412</u>              | <u>\$ 8,977,322</u>                                  | <u>\$ (352,207)</u> | <u>\$ 87,703,006</u> |

**Progressive Health Systems**  
**Consolidated Balance Sheet – with Consolidating Information (Continued)**  
**April 30, 2015**

|  | <b>Pekin<br/>Memorial<br/>Hospital</b> | <b>Pain<br/>Management<br/>LLC</b> | <b>Eliminations</b> |
|--|--|------------------------------------|---------------------|
| <b>Liabilities and Net Assets</b>            |  |                                    |                     |
| <b>Current Liabilities</b>                   |  |                                    |                     |
| Current maturities of long-term debt         | \$ 3,511,025                           | \$ -                               | \$ -                |
| Accounts payable                             | 2,420,204                              | 8,932                              | -                   |
| Other accrued expenses and deferred payments | 4,676,639                              | -                                  | -                   |
| Due to related party                         | 294,309                                | 313,997                            | (608,306)           |
| Estimated amounts due to third-party payers  | 3,699,353                              | -                                  | -                   |
| Total current liabilities                    | 14,601,530                             | 322,929                            | (608,306)           |
| <b>Minimum Pension Liability</b>             | 9,079,491                              | -                                  | -                   |
| <b>Long-term Debt</b>                        | 10,024,947                             | -                                  | -                   |
| Total liabilities                            | 33,705,968                             | 322,929                            | (608,306)           |
| <b>Net Assets</b>                            |  |                                    |                     |
| <b>Unrestricted</b>                          |  |                                    |                     |
| Progressive Health Systems                   | 37,500,657                             | 34,119                             | -                   |
| Noncontrolling interest                      | -                                      | 32,781                             | -                   |
| Total unrestricted net assets                | 37,500,657                             | 66,900                             | -                   |
| Temporarily restricted                       | 352,207                                | -                                  | -                   |
| Total net assets                             | 37,852,864                             | 66,900                             | -                   |
| Total liabilities and net assets             | \$ 71,558,832                          | \$ 389,829                         | \$ (608,306)        |

| <b>(Consolidated)<br/>Pekin<br/>Memorial<br/>Hospital</b> | <b>Park Court<br/>Limited</b> | <b>(Combined)<br/>The<br/>Obligated<br/>Group</b> | <b>ProHealth,<br/>Inc.</b> | <b>Pekin<br/>Hospital<br/>Foundation</b> | <b>Eliminations</b> | <b>Consolidated</b>  |
|---|-------------------------------|---|----------------------------|--|---------------------|----------------------|
| \$ 3,511,025  | \$ -                          | \$ 3,511,025                                      | \$ -                       | \$ -                                     | \$ -                | \$ 3,511,025         |
| 2,429,136   | 6,481                         | 2,435,617   | 295,380                    | -  | -                   | 2,730,997            |
| 4,676,639   | 230,177                       | 4,906,816   | 892,811                    | -  | -                   | 5,799,627            |
| -   | -                             | -   | -                          | -  | -                   | -                    |
| <u>3,699,353</u>  | <u>-</u>                      | <u>3,699,353</u>                                  | <u>-</u>                   | <u>-</u>                                 | <u>-</u>            | <u>3,699,353</u>     |
| 14,316,153  | 236,658                       | 14,552,811  | 1,188,191                  | -  | -                   | 15,741,002           |
| 9,079,491   | -                             | 9,079,491   | -                          | -  | -                   | 9,079,491            |
| <u>10,024,947</u>   | <u>-</u>                      | <u>10,024,947</u>                                 | <u>-</u>                   | <u>-</u>                                 | <u>-</u>            | <u>10,024,947</u>    |
| <u>33,420,591</u>   | <u>236,658</u>                | <u>33,657,249</u>                                 | <u>1,188,191</u>           | <u>-</u>                                 | <u>-</u>            | <u>34,845,440</u>    |
| 37,534,776  | 3,870,466                     | 41,405,242  | 2,442,221                  | 8,625,115                                | -                   | 52,472,578           |
| <u>32,781</u>   | <u>-</u>                      | <u>32,781</u>                                     | <u>-</u>                   | <u>-</u>                                 | <u>-</u>            | <u>32,781</u>        |
| 37,567,557  | 3,870,466                     | 41,438,023  | 2,442,221                  | 8,625,115                                | -                   | 52,505,359           |
| <u>352,207</u>  | <u>-</u>                      | <u>352,207</u>                                    | <u>-</u>                   | <u>352,207</u>                           | <u>(352,207)</u>    | <u>352,207</u>       |
| <u>37,919,764</u>   | <u>3,870,466</u>              | <u>41,790,230</u>                                 | <u>2,442,221</u>           | <u>8,977,322</u>                         | <u>(352,207)</u>    | <u>52,857,566</u>    |
| <u>\$ 71,340,355</u>                                      | <u>\$ 4,107,124</u>           | <u>\$ 75,447,479</u>                              | <u>\$ 3,630,412</u>        | <u>\$ 8,977,322</u>                      | <u>\$ (352,207)</u> | <u>\$ 87,703,006</u> |

**Progressive Health Systems**  
**Consolidated Schedules of Operations – with Consolidating Information**  
**Year Ended April 30, 2015**

|   | <b>Pekin<br/>Memorial<br/>Hospital</b> | <b>Pain<br/>Management<br/>LLC</b> | <b>(Consolidated)<br/>Pekin<br/>Memorial<br/>Hospital</b> |
|---|--|------------------------------------|---|
| <b>Unrestricted Revenues, Gains and Other Support</b>                                 |  |                                    |   |
| Patient service revenue (net of contractual discounts and allowances)                 | \$ 72,824,272                          | \$ 343,730                         | \$ 73,168,002   |
| Provision for uncollectible accounts  | (5,149,425)                            | -                                  | (5,149,425)   |
| Net patient service revenue less provision for uncollectible accounts                 | 67,674,847                             | 343,730                            | 68,018,577  |
| Other   | 1,397,479                              | -                                  | 1,397,479   |
| Total unrestricted revenues, gains and other support                                  | 69,072,326                             | 343,730                            | 69,416,056  |
| <b>Expenses</b>   |  |                                    |   |
| Salaries and wages  | 26,404,449                             | 128,310                            | 26,532,759  |
| Employee benefits   | 5,789,174                              | 33,361                             | 5,822,535   |
| Purchased services and professional fees  | 7,276,821                              | -                                  | 7,276,821   |
| Supplies and other  | 20,003,006                             | 214,727                            | 20,217,733  |
| Depreciation and amortization   | 3,915,200                              | 432                                | 3,915,632   |
| Interest  | 583,346                                | -                                  | 583,346   |
| Total expenses  | 63,971,996                             | 376,830                            | 64,348,826  |
| <b>Operating Income (Loss)</b>  | 5,100,330                              | (33,100)                           | 5,067,230   |
| <b>Other Income</b>   |  |                                    |   |
| Investment return   | 1,946,270                              | -                                  | 1,946,270   |
| Grant revenues  | -                                      | -                                  | -   |
|   | 1,946,270                              | -                                  | 1,946,270   |
| <b>Excess (Deficiency) of Revenues Over Expenses</b>                                  | 7,046,600                              | (33,100)                           | 7,013,500   |
| Net assets released from restrictions used for the purchase of property and equipment | -                                      | -                                  | -   |
| Change in minimum pension liability   | (3,654,386)                            | -                                  | (3,654,386)   |
| Capital contribution  | (51,000)                               | 100,000                            | 49,000  |
| Transfers from (to) affiliates  | (3,956,988)                            | -                                  | (3,956,988)   |
| <b>Change in Unrestricted Net Assets</b>  | <b>\$ (615,774)</b>                    | <b>\$ 66,900</b>                   | <b>\$ (548,874)</b>                                       |

| <b>Park Court<br/>Limited</b> | <b>(Combined)<br/>The<br/>Obligated<br/>Group</b> | <b>ProHealth,<br/>Inc.</b> | <b>Pekin<br/>Hospital<br/>Foundation</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|-------------------------------|---|----------------------------|--|---------------------|---------------------|
| \$ -                          | \$ 73,168,002                                     | \$ 12,631,112              | \$ -                                     | \$ -                | \$ 85,799,114       |
| -                             | (5,149,425)                                       | (406,195)                  | -  | -                   | (5,555,620)         |
| -                             | 68,018,577  | 12,224,917                 | -  | -                   | 80,243,494          |
| 237,210                       | 1,634,689   | 629,555                    | 160,528                                  | -                   | 2,424,772           |
| 237,210                       | 69,653,266  | 12,854,472                 | 160,528                                  | -                   | 82,668,266          |
| -                             | 26,532,759  | 3,300,778                  | 37,935                                   | -                   | 29,871,472          |
| -                             | 5,822,535   | 896,546                    | -  | -                   | 6,719,081           |
| 39,258                        | 7,316,079   | 7,462,077                  | -  | -                   | 14,778,156          |
| 271,356                       | 20,489,089  | 3,958,944                  | 156,680                                  | -                   | 24,604,713          |
| 290,587                       | 4,206,219   | 272,104                    | -  | -                   | 4,478,323           |
| -                             | 583,346   | -                          | -  | -                   | 583,346             |
| 601,201                       | 64,950,027  | 15,890,449                 | 194,615                                  | -                   | 81,035,091          |
| (363,991)                     | 4,703,239   | (3,035,977)                | (34,087)                                 | -                   | 1,633,175           |
| -                             | 1,946,270   | -                          | 653,397                                  | -                   | 2,599,667           |
| -                             | -   | -                          | -  | -                   | -                   |
| -                             | 1,946,270   | -                          | 653,397                                  | -                   | 2,599,667           |
| (363,991)                     | 6,649,509   | (3,035,977)                | 619,310                                  | -                   | 4,232,842           |
| -                             | -   | -                          | 121,558                                  | -                   | 121,558             |
| -                             | (3,654,386)                                       | -                          | -  | -                   | (3,654,386)         |
| -                             | 49,000  | -                          | -  | -                   | 49,000              |
| 346,189                       | (3,610,799)                                       | 3,691,867                  | (81,068)                                 | -                   | -                   |
| \$ (17,802)                   | \$ (566,676)                                      | \$ 655,890                 | \$ 659,800                               | \$ -                | \$ 749,014          |