

ORIGINAL

E-018-16

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED

JUL 08 2016

1. INFORMATION FOR EXISTING FACILITY

HEALTH FACILITIES & SERVICES REVIEW BOARD

Current Facility Name Justice Med-Surg Center, Ltd. d/b/a Forest Med-Surg Center
Address 9050 W. 81st Street
City Justice Zip Code 60458 County Cook
Name of current licensed entity for the facility Justice Med-Surg Center, Ltd.
Does the current licensee: own this facility OR lease this facility X (if leased, check if sublease)
Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship
Not-for-Profit Corporation x For Profit Corporation Partnership Governmental
Limited Liability Company Other, specify
Illinois State Senator for the district where the facility is located: Sen. Steven M. Landek
State Senate District Number 12 Mailing address of the State Senator
6215 W. 79th Street Suite 1A Burbank, IL 60459
Illinois State Representative for the district where the facility is located: Rep. Michael J. Zalewski
State Representative District Number 23 Mailing address of the State Representative
1 Riverside Rd. 2nd Floor South, Riverside, IL 60546

2. OUTSTANDING PERMITS. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes No. If yes, refer to Section 1130.520(f), and indicate the projects by Project #

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Surgery Center of Illinois LLC
Address 6701 W. 95th St., Oak Lawn, IL 60453
City, State & Zip Code Oak Lawn, IL 60453
Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship
Not-for-Profit Corporation For Profit Corporation Partnership Governmental
x Limited Liability Company Other, specify

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed Justice Med-Surg Center, Ltd.
Address 9050 W. 81st Street
City, State & Zip Code Justice, Illinois 60458
Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship
Not-for-Profit Corporation x For Profit Corporation Partnership Governmental
Limited Liability Company Other, specify

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site First Step Holdings, LLC.
Address 9050 W. 81st Street, Suite 105
City, State & Zip Code Justice, IL 60458
Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship
Not-for-Profit Corporation For Profit Corporation Partnership Governmental
x Limited Liability Company Other, specify

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY**

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name _____
Address _____
City _____ Zip Code _____ County _____
Name of current licensed entity for the facility _____
Does the current licensee: own this facility _____ OR lease this facility _____ (if leased, check if sublease)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. _____
State Senate District Number _____ Mailing address of the State Senator _____

Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes No . If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Justice Med-Surg Center, Ltd.
Address 9050 W. 81st Street
City, State & Zip Code Justice, IL, 60458
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY**

Exact Legal Name of Entity That Will Own the Site _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

- 6. TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
- Purchase resulting in the issuance of a license to an entity different from current licensee;
 - Lease resulting in the issuance of a license to an entity different from current licensee;
 - Stock transfer resulting in the issuance of a license to a different entity from current licensee;
 - Stock transfer resulting in no change from current licensee;
 - Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
 - Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
 - Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
 - Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
 - Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
 - Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
 - Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"
- 7. APPLICATION FEE.** Submit the application fee in the form of a check or money order for \$2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1**.
- 8. FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2**.
- 9. ANTICIPATED ACQUISITION PRICE:** \$ 1,275,000.00
- 10. FAIR MARKET VALUE OF THE FACILITY:** \$ 1,700,000.00
(to determine fair market value, refer to 77 IAC 1130.140)
- 11. DATE OF PROPOSED TRANSACTION:** July 25, 2016 or once exemption approved
- 12. NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3**.
- 13. BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4**.
- 14. TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5**.
- 15. FINANCIAL STATEMENTS.** (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as **ATTACHMENT #6**. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES X, and indicate the date the entity was formed 12/22/2015

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

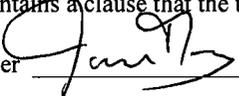
Name: Monica Hon
Address: 19065 Hickory Creek Dr., Ste. 115
City, State & Zip Code: Mokena, IL 60448-8684
Telephone () Ext. (708) 478-7030

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Patrick Keeley
Address: 122C South County Farm Rd.
City, State & Zip Code: Wheaton, IL 60187
Telephone () Ext. (630) 653-8000

18. **CERTIFICATION** Jim Troy. - Surgery Center of Illinois, LLC

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer 

Typed or Printed Name of Authorized Officer Jim Troy

Title of Authorized Officer: Owner

Address: 7742 Joliet Drive South,

City, State & Zip Code: Tinley Park, IL 60477

Telephone (708) 805-8025 Date: 6/28/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.



Signed on 6/28/16

Lisa Marie Janosek

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: _____
Address: _____
City, State & Zip Code: _____
Telephone () Ext. _____

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: _____
Address: _____
City, State & Zip Code: _____
Telephone () Ext. _____

18. **CERTIFICATION** Justice Med-Surg Center, Ltd.

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer James A. Gianfrancesco M.D.
Typed or Printed Name of Authorized Officer James Gianfrancesco, M.D.
Title of Authorized Officer: President, Justice Med-Surg Center, Ltd.
Address: 9050 West 81st Street
City, State & Zip Code: Justice, Illinois 60458
Telephone (708) 594-3513 Date: June 27, 2016

NOTE: complete a separate signature page for each co-applicant and insert following this page.



Lisa Marie Janosek
6/27/2016

Section 7, Application Fee

ATTACHMENT 1

Application Fee

Attached is a check for Two-Thousand Five-Hundred Dollars (\$2,500.00) payable to the Illinois Department of Public Health for the required application fee.

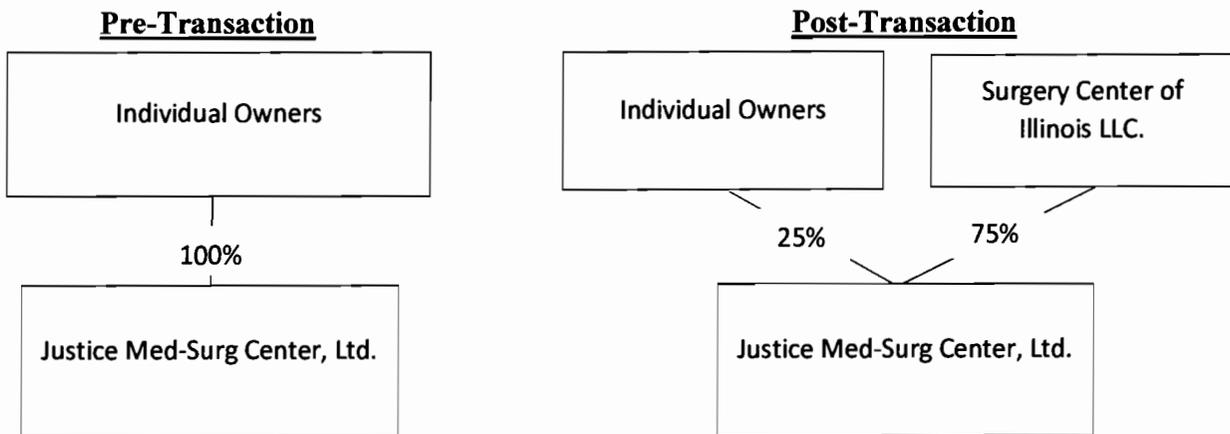
Section 8, Funding

ATTACHMENT 2

Funding Sources

Contingent upon the Review Board’s Approval, Surgery Center of Illinois LLC (SCI) proposes to acquire seventy-five percent (75%) ownership interest in Justice Med-Surg Center, Ltd. The eight current “Individual Owners” propose to reduce their current ownership shares and collectively retain twenty-five percent (25%) ownership interest in Justice Med-Surg Center. A diagram of the current ownership structure and the post-transaction ownership structure is attached.

SCI will use unrestricted cash from internally available financial resources to purchase the SCI ownership interest for an aggregate price of \$1,275,000. Fair Market Value of the facility was calculated at \$1,700,000 and was computed using a multiple of earnings methodology. SCI is a newly formed entity and has no audited financial statements.



ATTACHMENT 3

Narrative Description

Justice Med-Surg Center, Ltd. (Justice) is located at 9050 W. 81st Street, Justice, IL 60458 and is doing business as Forest Med-Surg Center. The facility is currently licensed and operating as a multi-specialty, ambulatory surgical treatment center with two operating rooms and two procedure rooms.

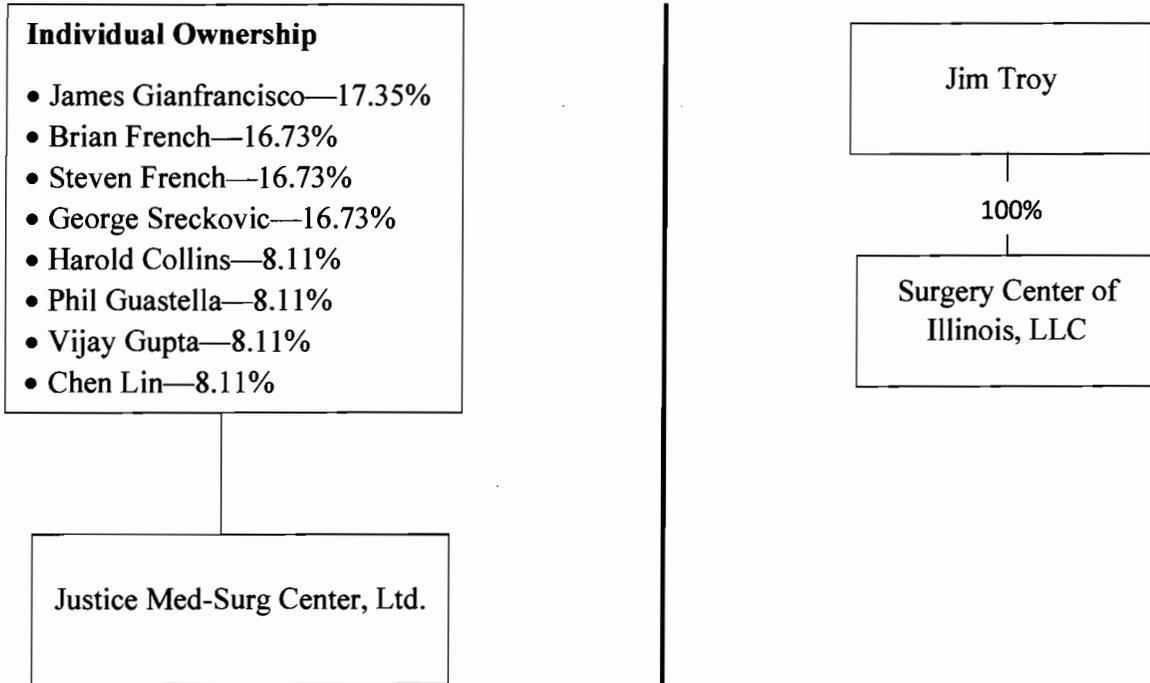
Justice is presently owned by 8 individual owners (Individual Owners), including six (6) physicians, with the following individuals representing the 100% ownership:

- James Gianfrancisco—17.35%
- Brian French—16.73%
- Steven French—16.73%
- George Sreckovic—16.73%
- Harold Collins—8.11%
- Phil Guastella—8.11%
- Vijay Gupta—8.11%
- Chen Lin—8.11%

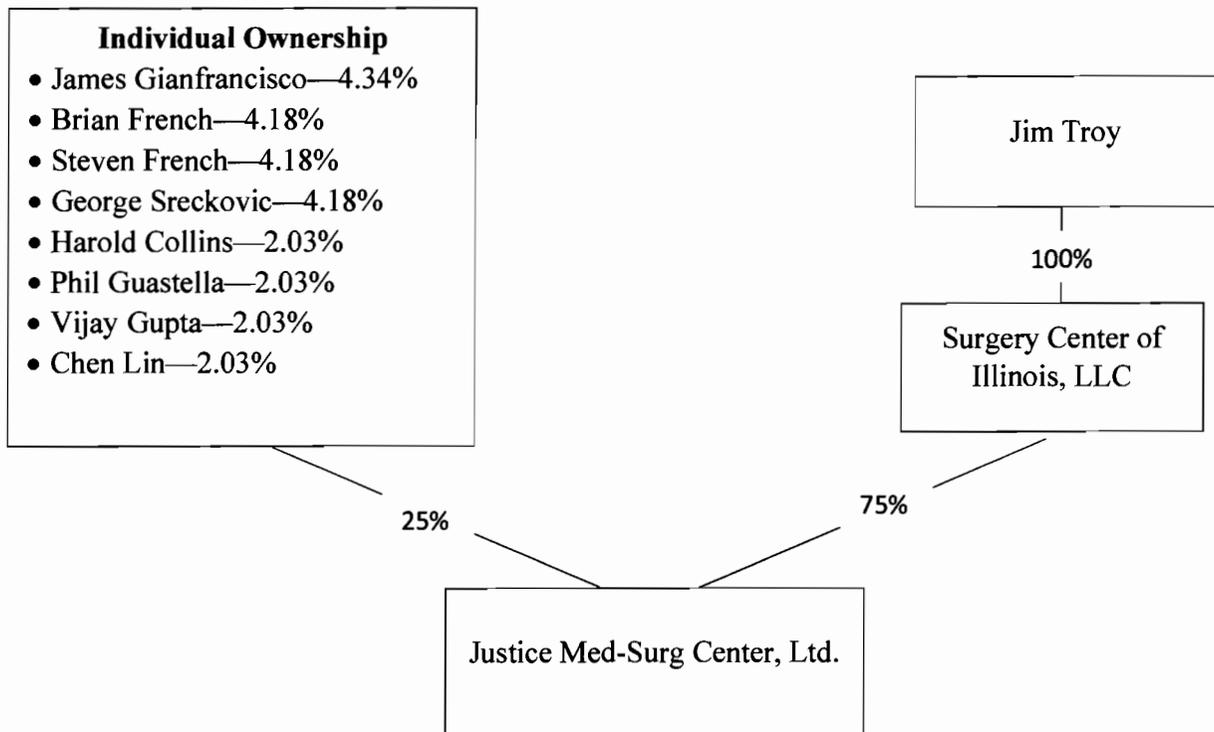
The site and building is owned by First Step Holdings, LLC The building will continue to be leased by Justice from First Step Holdings, LLC.

Contingent upon the Review Board's approval, Surgery Center of Illinois LLC (SCI) will acquire a seventy-five percent (75%) ownership interest ("SCI Ownership Interest") in Justice. Following the acquisition, Justice will be owned 75% by SCI and 25% by Individual Owners. A diagram of the current ownership structure of each of SCI and Justice and the post-transaction ownership structure of Justice is attached.

Pre-Transaction



Post-Transaction



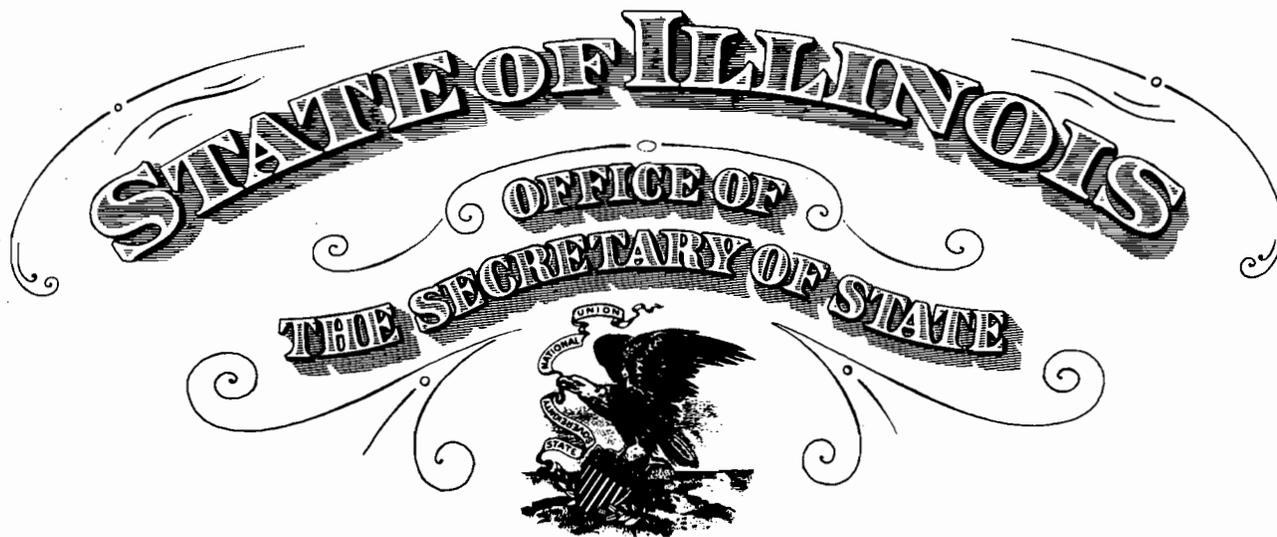
Section 13 Background of Applicant

ATTACHMENT 4

Background of Applicant(s)

An organizational chart showing the current ownership structure of Justice Med-Surg Center, Ltd. (Justice), along with the post-closing ownership structure of Justice is included in Attachment 3. Certificates of Good Standing for the following entities are also attached:

1. Justice Med-Surg Center, Ltd. – Justice is an Illinois corporation which is owned by eight individual owners. A copy of Justice’s Illinois Certificate of Good Standing is attached.
2. Surgery Center of Illinois LLC – SCI is an Illinois limited liability corporation solely owned Jim Troy. A copy of SCI’s Illinois Certificate of Good Standing is attached.
 - a. Jim Troy: 7742 Joliet Drive South, Tinley Park, Illinois 60477—100%



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

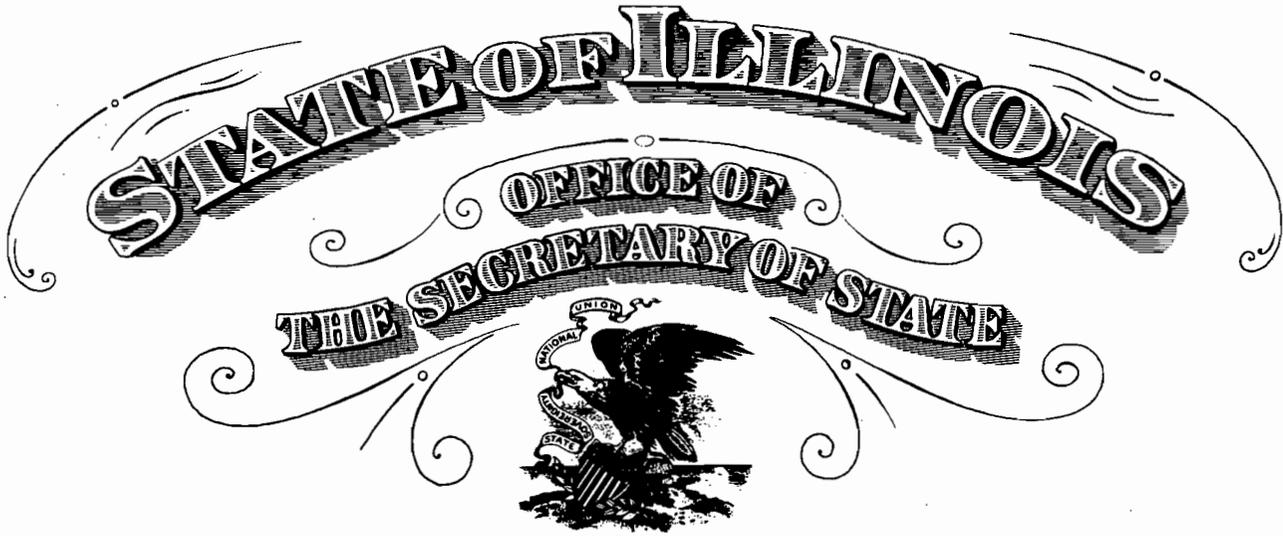
JUSTICE MED-SURG CENTER, LTD., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 19, 2000, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS 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 20TH day of JUNE A.D. 2016 .



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

SURGERY CENTER OF ILLINOIS LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 22, 2015, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY 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 20TH day of JUNE A.D. 2016 .



Authentication #: 1617201782 verifiable until 06/20/2017
Authenticate at: <http://www.cyberdriveillinois.com>

Jesse White

SECRETARY OF STATE

Section 14, Transaction Documents

ATTACHMENT 5

Summary of the Transaction Documents

1. Names and Backgrounds

Justice Med-Surg Center, Ltd. (Justice), located at 9050 W. 81st Street, Justice Illinois, 60458, is a multi-specialty ambulatory surgical treatment center. Contingent upon the Review Board's approval, Surgery Center of Illinois LLC (SCI) proposes to acquire a seventy-five percent (75%) ownership interest ("SCI Ownership Interest") in Justice. The current individual owners of Justice will retain diluted ownership interests in Justice. A diagram of the current ownership structure of Justice and the post-transaction ownership structure of Justice are provided in attachment 3.

2. Structure of the Transaction

Contingent upon the Review Board's approval, SCI proposes to acquire the SCI Ownership Interest. Any definitive agreement relating to the proposed transaction will contain a contingency providing that consummation of the transaction is subject to the Review Board's approval.

SCI will use unrestricted cash from internally available financial resources to purchase the SCI Ownership Interest for an aggregate purchase price of \$1,275,000.00 which may be adjusted for typical closing adjustments.

Following the acquisitions, SCI will own a 75% ownership interest and Individual Owners will own the remaining 25% interest in Justice.

3. The Person Who Will be the Licensed Entity After the Transaction

Justice Med-Surg Center, Ltd. will continue to be the licensed entity.

4. The Ownership Interest in the Licensed Entity Pre and Post Transaction

After the proposed transaction, the Individual Owners will retain a 25% minority interest in Justice and SCI will own a 75% majority interest in Justice.

An organizational chart showing the current ownership structure of Justice and SCI, along with the post-closing ownership structure of Justice, is included in Attachment 3.

5. Fair Market Value of the Assets Being Transferred

The fair market value of Justice Med-Surg Center, Ltd. is estimated to be \$1,700,000.00 based upon a multiple of earnings methodology common within the industry. The SCI Ownership Interest price for 75% shall be \$1,275,000.

6. Purchase Price and Other Consideration

The purchase price for the SCI ownership interest will be One-Million Two-Hundred-Seventy-Five-Thousand Dollars (\$1,275,000.00) for a 75% ownership interest.

7. Post-Closing Attestation

Within ninety (90) days of the closing of the proposed transaction, the Applicants will provide a certification to the Review Board that the change in ownership has been completed in accordance with the terms set forth in this application.

Section 15, Financial Statements

Attachment 6

Financial Statements

Surgery Center of Illinois LLC is a newly formed entity, and as such has no audited financial statements.

Attachment 7

Section 1130.520, Information Requirements for Change of Ownership of a Health Care Facility

1. **Affirmations:** In accordance with 77 Ill. Adm. Code §1130.520, the Applicants affirm the following:
 - a. The transaction documents will contain a provision that execution is subject to the Review Board's approval;
 - b. No adverse action has been taken against any of the Applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by any of the Applicants, directly or indirectly, within the past three years;
 - c. Any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of 77 Ill. Adm. Code §1130.520; and
 - d. The Applicants understand that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval and failure to comply with the material change requirements of this Section will invalidate the exemption.
2. **Statement as to the anticipated benefits of the proposed changes in ownership to the community.**

By bringing together the owners' experience and expertise in physician care, population management and surgical facilities operations, the collective ownership of Justice Med-Surg Center, Ltd., will have a strategic opportunity to lower operating costs and increase efficiency thereby providing more efficient cost effective care to its patients while providing high quality patient care. The infusion of new capital will allow the facility to better maximize its potential for serving the community through new management of the facility and an increased focus on physician recruitment.

3. **Statement as to the anticipated or potential cost savings, if any, that will result for the community and the facility as a result of the change in ownership.**

Alignment with SCI may result in cost savings to Justice as SCI brings experience in identifying inefficiencies within ambulatory surgical centers. SCI also brings personnel experienced in attracting additional physicians to utilize its ASTC, bringing in patient volume and increasing the economies of scale.

Achieving such cost savings is consistent with the Illinois Health Facilities Planning Act, which encourages health care facilities to maximize the use of scarce health care dollars.

Cost savings that are realized will be directed towards patient care and other activities that are beneficial to Justice's patients.

However, all patient treatment decisions are made strictly by the patient's physician and any cost reductions are only implemented when they will simultaneously ensure excellent patient outcomes.

4. Description of the facility's quality improvement program mechanism that will be utilized to assure quality control.

SCI and the Individual Owners will monitor Justice's performance against several quality metrics. These metrics include frequency of patient falls, transfer or admissions to hospitals, wrong site, medication events, sentinel events, and responses to patient satisfaction surveys. These metrics are benchmarked against similar ambulatory surgical centers.

A dedicated team of clinicians will monitor the performance of Justice against these metrics, as well as other quality initiatives. As necessary, the clinicians will provide consulting and support, training and education, clinical education, and other services to ensure high quality.

5. Description of the applicant's organizational structure, including a listing of controlling or subsidiary persons.

Justice is currently owned by six (6) physicians and two (2) non-physicians ("Individual Owners") (100%).

The proposed acquisitions will result in SCI purchasing a 75% ownership interest in Justice. Following the acquisitions, Justice will be owned by SCI (75%) and Individual Owners (25%).

Diagrams illustrating the ownership structure of SCI and Justice, both current and post-transaction, are provided in Attachment 3.

6. Description of the selection process that the acquiring entity will use to select the facility's governing body.

It is anticipated that the Governing Body managing the business and affairs of Justice will be selected via a vote of the shareholders.

7. **Statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility.**

The Applicants have or will prepare a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 that will be available for public review on the premises of the facility.

8. **Description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months after acquisition.**

The applicants do not propose a change in the scope of services or levels of care, as the applicants will continue to provide services under the approved ASTC service lines, including: Dermatology; Gastroenterology; General Surgery; Obstetrics/Gynecology; Ophthalmology; Orthopedics; Plastic Surgery; Podiatry; and Urology.