E-044-16

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HEALTH FACILITIES & SERVICES REVIEW BOARD

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 _Advocate Lutheran General Hospital_____
Address _1775 Dempster Street_____
City _Park Ridge_____ Zip Code 60068-1173_ County _Cook_____
Name of current licensed entity for the facility
_Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital___
Does the current licensee: own this facility _X_OR lease this facility____(if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:)
____Sole Proprietorship _X__ 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._John G. Mulroe_____
State Senate District Number _10_____ Mailing address of the State Senator _
_6107 B. North Northwest Highway, Chicago, IL 60631_____
Illinois State Representative for the district where the facility is located:
Rep. _Michael McAuliffe_____
State Representative District Number _20___ Mailing address of the State Representative
__5515 N. East River Road, Chicago, IL 60656_____

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 X No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project #
_#13-026 Emergency Department and Operating Rooms, Audited Final Report in progress
_#15-027 Cardiac Cath_____

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant
Advocate Health Care Network (to be renamed Advocate NorthShore Health Partners)
Address_____3075 Highland Parkway_____
City, State & Zip Code _____Downers Grove, IL 60515_____
Type of ownership of the current licensed entity (check one of the following:)
___ Sole Proprietorship _X_ Not-for-Profit Corporation ____ For Profit Corporation
_____ Partnership ____ Governmental ____ Limited Liability Company
___ Other, specify _____

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

Exact Legal Name of Applicant _Advocate Health and Hospitals Corporation_____

Address _____3075 Highland Parkway_____

City, State & Zip Code _____Downers Grove, IL 60515_____

Type of ownership of the current licensed entity (check one of the following:)

_____ Sole Proprietorship _X_ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____ Limited Liability Company _____ Other, specify _____

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

Exact Legal Name of Applicant _NorthShore University HealthSystem_____

Address _____ 1301 Central Street_____

City, State & Zip Code _____Evanston, IL 60201_____

Type of ownership of the current licensed entity (check one of the following:)

___ Sole Proprietorship _X_ 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
Advocate Health and Hospitals Corporation, d/b/a Advocate Lutheran General Hospital
Address 1775 Dempster Street
City, State & Zip Code Park Ridge, IL 60068-1173
Type of ownership of the current licensed entity (check one of the following:)
_____ Sole Proprietorship ___X___ 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:
Advocate Health and Hospitals Corporation
Address 3075 Highland Parkway
City, State & Zip Code Downers Grove, IL 60515
Type of ownership of the current licensed entity (check one of the following:)
_____ Sole Proprietorship _X_____ 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:
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - o 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;
   - o 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;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - o 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: $ N/A See Attachment 2

10. FAIR MARKET VALUE OF THE FACILITY: $ 233,804,298 net book value of plant, property and equipment, please see Attachment 2 (to determine fair market value, refer to 77 IAC 1130.140)

11. DATE OF PROPOSED TRANSACTION: On or about December 31, 2016

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 ____ , and indicate the date the entity was formed _____

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: Scott Powder, SR VP, Chief Strategy Officer, Advocate Health Care
Address: 3075 Highland Parkway
City, State & Zip Code: Downers Grove, IL 60515
Telephone ( ) Ext. ____ (630) 929-8710

17. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: Joe Ourth, Arnstein & Lehr LLP
Address: 120 S. Riverside Plaza, Suite 1200
City, State & Zip Code: Chicago, Illinois 60606
Telephone ( ) Ext. (312) 876-7815

ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: Sonja Reece, Director, Health Facilities Planning, Advocate Health Care
Address: 1304 Franklin Ave.
City, State & Zip Code: Normal, IL 61761
Telephone ( ) Ext. (309) 268-5482

ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: Wendy Mulvihill, Director, Planning & Analytics, Advocate Health Care
Address: 3075 Highland Parkway
City, State & Zip Code: Downers Grove, IL 60515
Telephone ( ) Ext. 630-929-5944

ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: David Dahlquist, Esq., Winston &Strawn LLP
Address: 35 W. Wacker Drive
City, State & Zip Code: Chicago, IL 60601-9703
Telephone ( ) Ext. (312) 558-5660

ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: Gerald P. Gallagher, Chief Operating Officer, NorthShore University HealthSystem
Address: 1301 Central Street
City, State & Zip Code: Evanston, IL 60201
Telephone ( ) Ext. (847) 570-5151

18. CERTIFICATION Advocate Health Care Network (to become known as Advocate NorthShore Health Partners)

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 JH Skogsbergh

Typed or Printed Name of Authorized Officer James H. Skogsbergh

Title of Authorized Officer: President and Chief Executive Officer

Address: 3075 Highland Parkway

City, State & Zip Code: Downers Grove, IL 60515

Telephone (630) 990-5018 Date: 9/20/16

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

CERTIFICATION Advocate Health and Hospitals Corporation

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 JH Skogsbergh

Typed or Printed Name of Authorized Officer James H. Skogsbergh

Title of Authorized Officer: President and Chief Executive Officer

Address: 3075 Highland Parkway

City, State & Zip Code: Downers Grove, IL 60515

Telephone (630) 990-5018 Date: 9/20/16

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

CERTIFICATION NorthShore University HealthSystem

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 Mark R. Neaman

Title of Authorized Officer: President and Chief Executive Officer

Address: 1301 Central Street

City, State & Zip Code: Evanston, IL 60201

Telephone (847) 570-5005 Date: 9/22/16

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

APPLICATION FEE

ATTACHMENT #1

A single check in the amount of $47,500, payable to the Illinois Department of Public Health, has been submitted covering 19 COE applications from Advocate and NorthShore.

FUNDING

ATTACHMENT #2

Not Applicable. There is no monetary consideration being exchanged between the parties as part of this transaction

In response to question 10 of the COE application, the amount listed as Fair Market Value is the Net Book Value from the most recent audited financials.

NARRATIVE DESCRIPTION

ATTACHMENT #3

12. NARRATIVE DESCRIPTION. Provide a narrative description explaining the transaction.

Advocate Health Care Network ("Advocate"), Advocate Health and Hospitals Corporation ("AHHC") and NorthShore University HealthSystem ("NorthShore") entered into an Affiliation Agreement dated September 11, 2014. Under this Affiliation Agreement, subject to Review Board and other regulatory approvals, Advocate and NorthShore agree to affiliate (the "Affiliation") their organizations and operate under the name "Advocate NorthShore Health Partners."

On December 16, 2014, the Review Board approved Certificates of Exemptions for this transaction. Those exemptions expire on December 16, 2016 and the new applications are updated refilings of the applications previously approved. The signed Affiliation Agreement included with the applications is unchanged from what the Board previously approved except to extend the ending date. The transaction has been on hold pending federal regulatory approval.

After the COEs were originally approved, the Federal Trade Commission ("FTC") filed a complaint in Federal District Court in the Northern District of Illinois seeking to enjoin the proposed affiliation of Advocate and NorthShore. On June 14, 2016 the Federal District Court denied the FTC's request for an injunction. The FTC appealed the District Court's ruling to the 7th Circuit Court of Appeals which held argument on the matter on August 19, 2016. There is no scheduled date for issuance of a ruling by the 7th Circuit Court of Appeals. The Applicants intend to close the transaction as soon as practicable following a favorable ruling by the court of appeals. Because there is no scheduled date for a decision, the current COEs may expire before a final ruling is issued by the court of appeals. These updated COE applications are being filed in the event the appeal is not resolved by December 16, 2016.

NorthShore is a not-for-profit, fully-integrated healthcare delivery system serving the Chicagoland area whose operations include four hospitals within Illinois. Advocate is a not-for-profit population health management company whose operations include 11 hospitals in Illinois and additional healthcare facilities in which it has partial ownership interests. This application is part of a series of 19 applications seeking Review Board approval for Certificates of Exemption ("COEs") for changes of ownership.

To effect the Affiliation, Advocate Health Care Network will change its name to "Advocate NorthShore Health Partners" ("ANHP"). No new corporate entity will be formed as part of this transaction. Upon consummation of this transaction, Advocate NorthShore Health Partners will become the sole corporate member of NorthShore and will remain the sole corporate member of AHHC (as well as Advocate's other direct subsidiaries). Following consummation of this transaction, the Board of Directors of ANHP will consist of 12 members, five designated by NorthShore, five designated by Advocate and the Co-CEOs of ANHP, who will be Jim Skogsbergh and Mark Neaman.

NorthShore (or one of its direct or indirect subsidiaries) currently operates the following four hospitals and all are part of this series of COE applications:

Evanston Hospital, Evanston
Glenbrook Hospital, Glenview
Highland Park Hospital, Highland Park
Skokie Hospital, Skokie

Advocate (or one of its direct or indirect subsidiaries) currently operates the following 11 hospitals and all are a part of this series of COE applications:

Advocate BroMenn Medical Center, Normal
Advocate Christ Medical Center, Oak Lawn
Advocate Condell Medical Center, Libertyville
Advocate Eureka Hospital, Eureka
Advocate Good Samaritan Hospital, Downers Grove
Advocate Good Shepherd Hospital, Barrington
Advocate Illinois Masonic Medical Center, Chicago
Advocate Lutheran General Hospital, Park Ridge
Advocate South Suburban Hospital, Hazel Crest
Advocate Sherman Hospital, Elgin
Advocate Trinity Hospital, Chicago

In addition, Advocate has an ownership interest of 50% or more in the following licensed health care facilities:

BroMenn Comfort and Care Suites, Bloomington
Dreyer Ambulatory Surgery Center, Aurora
RML Specialty Hospital, Chicago
RML Specialty Hospital, Hinsdale
Sherman West Court, Elgin

All of the above listed Advocate related facilities are included in the series of COE applications with the exception of Sherman West Court which is exempt because it is licensed under the Nursing Home Care Act. The applicants will notify the Review Board upon the change of ownership of Sherman West Court which will occur as part of the Affiliation.

Neither the licensed entity of the health care facilities listed above nor the legal entity that owns the physical plant of such facilities will change as part of the Affiliation.

There will be no direct exchange of funds between Advocate and NorthShore as a part of this transaction. As this transaction is a merger of the organizations there is no acquisition price. The applicants intend to close at the earliest practicable opportunity after receipt of a final ruling by the 7th Circuit Court of Appeals.

BACKGROUND OF APPLICANT

ATTACHMENT #4

See Certificates of Good Standing for applicants on following pages.

File Number 1707-692-2

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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* 18TH *day of* AUGUST *A.D.* 2016 .

Authentication #: 1623101402 verifiable until 08/18/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 1004-695-5

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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* 18TH *day of* AUGUST *A.D.* 2016 .

Authentication #: 1623101444 verifiable until 08/18/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 0567-540-5

To all to whom these Presents Shall Come, Greeting:

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

NORTHSHORE UNIVERSITY HEALTHSYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 04, 1891, 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* 20TH *day of* SEPTEMBER *A.D.* 2016 .

Authentication #: 1626401784 verifiable until 09/20/2017
Authenticate at: http://www.cyberdrivelllinois.com

Jesse White

SECRETARY OF STATE

TRANSACTION DOCUMENT

ATTACHMENT #5

See the Advocate BroMenn Medical Center Certificate of Exemption application submitted on or about September 30, 2016, for a copy of the Affiliation Agreement.

FINANCIAL STATEMENT

ATTACHMENT #6

See the Advocate BroMenn Medical Center Certificate of Exemption application submitted on or about September 30, 2016, for copies of the latest audited financial statements of Advocate Health Care Network and NorthShore University HealthSystem.