

**ORIGINAL**

E-012-16

**RECEIVED**

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

FEB 05 2016

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**1. INFORMATION FOR EXISTING FACILITY**

Current Facility Name Naperville Surgical Centre, LLC  
Address 1263 Rickert Drive  
City Naperville Zip Code 60540 County DuPage County  
Name of current licensed entity for the facility Naperville Surgical Centre, LLC  
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. Michael Connelly  
State Senate District Number 21 Mailing address of the State Senator \_\_\_\_\_  
1725 S. Naperville Road, Suite 200, Wheaton, IL 60189  
Illinois State Representative for the district where the facility is located: Rep. Grant Wehrli  
State Representative District Number 41 Mailing address of the State Representative \_\_\_\_\_  
55 S. Main Street, Suite 383, Naperville, IL 60540

**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 DMG Practice Management Solutions, LLC  
Address 1100 W. 31st Street, Suite 300  
City, State & Zip Code Downers Grove, IL 60515  
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 Naperville Surgical Centre, LLC  
Address 1263 Rickert Drive  
City, State & Zip Code Naperville, IL 60540  
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 Evangelical Services Corporation  
Address 3075 Highland Parkway, Suite 600  
City, State & Zip Code Downers Grove, IL 60515  
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 \_\_\_\_\_

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\_\_\_\_\_ 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 \_\_\_\_\_  
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**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 DuPage Medical Group, Ltd.  
Address 1100 W. 31st Street, Suite 300  
City, State & Zip Code Downers Grove, IL 60515  
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 \_\_\_\_\_

**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.**

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**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR EXEMPTION FOR THE  
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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 \_\_\_\_\_  
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**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 # \_\_\_\_\_

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Exact Legal Name of Applicant Evangelical Services Corporation  
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**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  
Address 3075 Highland Parkway, Suite 600  
City, State & Zip Code Downers Grove, IL 60515  
Type of ownership of the current licensed entity (check one of the following:) \_\_\_\_\_ Sole Proprietorship  
 Not-for-Profit Corporation \_\_\_\_\_ For Profit Corporation \_\_\_\_\_ Partnership \_\_\_\_\_ Governmental  
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\_\_\_\_\_ 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:** \$ 1,726,566.00 for DMGPMS share, \$235,000.00 for SCA- Naperville share, up to \$1,900,000 for building subject to appraisal
10. **FAIR MARKET VALUE OF THE FACILITY:** \$ 2,302,088.00  
(to determine fair market value, refer to 77 IAC 1130.140)
11. **DATE OF PROPOSED TRANSACTION:** April 1, 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).

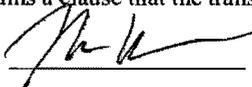
Name: Joe Ourth  
Address: Arnstein & Lehr LLP, 120 S. Riverside Plaza, Suite 1200  
City, State & Zip Code: Chicago, IL 60606  
Telephone ( ) Ext. 312/876-7815

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

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

18. **CERTIFICATION** DMG Practice Management Solutions, 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 Michael Kasper

Title of Authorized Officer: CEO

Address: 1100 W. 31st Street, Suite 300

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

Telephone ( 630 ) 790-9135 Date: 1-27-16

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

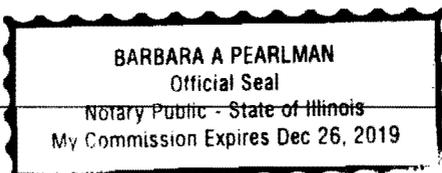
THE STATE OF Illinois  
COUNTY OF DuPage

On this 27<sup>th</sup> day of January, 2016, before me, the undersigned officer, personally appeared Michael Kasper known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Barbara A. Pearlman  
Notary Public/Commissioner of Oaths

(SEAL)  
My Commission Expires: 12-26-2019



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** Naperville Surgical Centre, 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: *Kenneth Zygmunt*  
Typed or Printed Name of Authorized Officer: Kenneth Zygmunt

Title of Authorized Officer: Board President

Address: 1263 Rickett Drive

City, State & Zip Code: Naperville, IL 60540

Telephone ( 630 ) 305-3300

Date: 1-27-2016

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

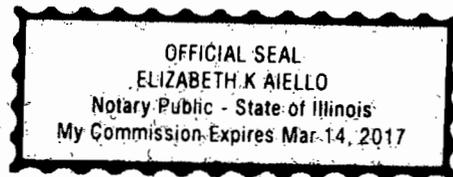
THE STATE OF Illinois  
COUNTY OF Cook

On this 27<sup>th</sup> day of January, 2016, before me, the undersigned officer, personally appeared Kenneth H. Zygmunt known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

*Elizabeth K. Aiello*  
Notary Public/Commissioner of Oaths

(SEAL)  
My Commission Expires: March 14, 2017



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).

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Address: \_\_\_\_\_  
City, State & Zip Code: \_\_\_\_\_  
Telephone ( ) Ext. \_\_\_\_\_

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Address: \_\_\_\_\_  
City, State & Zip Code: \_\_\_\_\_  
Telephone ( ) Ext. \_\_\_\_\_

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Signature of Authorized Officer *[Signature]*

Typed or Printed Name of Authorized Officer Michael Kasper

Title of Authorized Officer: CEO

Address: 1100 W. 31st Street, Suite 300

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

Telephone ( 630 ) 790-9135 Date: 1-27-16

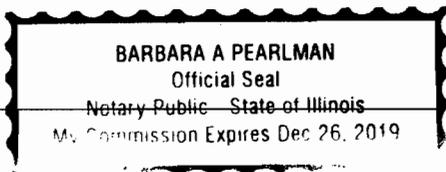
**NOTE:** complete a separate signature page for each co-applicant and insert following this page.

THE STATE OF Illinois  
COUNTY OF DuPage

On this 27<sup>th</sup> day of January 2016, before me, the undersigned officer, personally appeared Michael Kasper known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.  
Barbara A Pearlman  
Notary Public/Commissioner of Oaths

(SEAL)  
My Commission Expires: 12-26-2019



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** Evangelical Services 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: Lauren Brosius

Typed or Printed Name of Authorized Officer Lauren Brosius

Title of Authorized Officer: Treasurer

Address: 3075 Highland Parkway, Suite 600

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

Telephone ( 630 ) 572-9393 Date: \_\_\_\_\_

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

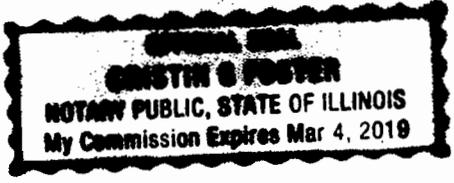
THE STATE OF Illinois  
COUNTY OF DuPage

On this 3 day of Feb, 2015, before me, the undersigned officer, personally appeared \_\_\_\_\_, known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

Cristin G. Foster  
Notary Public/Commissioner of Oaths

(SEAL)  
My Commission Expires: March 4, 2019



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** Advocate Health Care Network

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

DOMINIC J. NAKIS

Title of Authorized Officer:

CFO

Address:

3075 Highland Parkway, Suite 600

City, State & Zip Code:

Downers Grove, IL 60515

Telephone ( 630 ) 572-9393

Date:

2/3/2016

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

THE STATE OF  
COUNTY OF

Illinois  
DuPage

On this 3 day of Feb, 2015, before me, the undersigned officer, personally appeared \_\_\_\_\_, known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

Cristin G. Foster

Notary Public/Commissioner of Oaths

(SEAL)

My Commission Expires:

March 4, 2019



**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.

DuPage Medical Group, Ltd.  
 1100 W 31st Street  
 Suite 300  
 Downers Grove, IL 60515  
 (630)348-3333

# DuPage Medical Group

DATE	01/21/2016	CHECK NUMBER	C213882
------	------------	--------------	---------

INVOICE NUMBER	INV. DATE	VOUCHER	DESCRIPTION	GROSS AMOUNT	DISCOUNT	NET AMOUNT
011916	01/19/2016	V814603	CON APPLICATION FEE	2,500.00		2,500.00
PAY TO CODE						NET TOTAL
VENDOR		PAY TO NAME				2,500.00
ILLDPH10		ILLINOIS DEPARTMENT OF PUBLIC HEALTH				

**DuPage Medical Group**

DuPage Medical Group, Ltd.  
 1100 W 31st Street  
 Suite 300  
 Downers Grove, IL 60515  
 (630)348-3333

Bank of America  
 Chicago, Illinois 60603

70-2302

DATE	01/21/2016	CHECK NUMBER	C213882
------	------------	--------------	---------

Two thousand five hundred and 00 / 100 Dollars Only \*\*\*\*\*

AMOUNT	2,500.00
--------	----------

PAY TO THE ORDER OF ILLINOIS DEPARTMENT OF PUBLIC HEALTH  
 2ND FLOOR  
 525 W. JEFFERSON STREET  
 SPRINGFIELD, IL 62761

*[Handwritten Signature]*  
*[Handwritten Signature]*

## Section 8, Funding

### Attachment 2

#### Funding Sources

Contingent upon the Review Board's approval, DMG Practice Management Solutions, LLC ("DMGPMS") proposes to acquire a seventy-five percent (75%) ownership interest ("DMGPMS Ownership Interest") and SCA - Naperville, LLC ("SCA-Naperville") proposes to acquire a 12.75% ownership interest ("SCA Ownership Interest") in Naperville Surgical Centre, LLC ("Naperville"). Following the acquisitions, Naperville will be owned seventy-five percent (75%) by DMGPMS, twelve and three-fourths percent (12.75%) by SCA- Naperville and twelve and one-fourth percent (12.25%) by Evangelical Services Corp. ("Evangelical"), a subsidiary of Advocate Health Care Network ("Advocate"). A diagram of the current ownership structure of DMGPMS and Naperville and the post-transaction ownership structure of Naperville is attached.

DMGPMS will use unrestricted cash from internally available financial resources from its majority member DuPage Medical Group, Ltd. ("DMG") to purchase the DMGPMS Ownership Interest for an aggregate purchase price of \$1,726,566. SCA-Naperville will use cash from internally available financial resources from its parent Surgical Care Affiliates, LLC ("SCA") to purchase the SCA Ownership Interest for an aggregate purchase price of \$235,000.00. Fair Market Value for this application was computed using a standard multiple of earnings. The DMGPMS purchase price reflects that there is a control premium for the majority interest that is not applicable for the SCA- Naperville minority interest.

DMGPMS is a newly formed entity and has no audited financial statements. The most recently audited financial statements of DMG, of which DMGPMS is a majority owned subsidiary, are included in Attachment 6 and show cash and cash equivalents in an amount sufficient to fund the purchase price. SCA's audited financial statements were recently submitted to the Review Board as part of the exemption application for project number E-038-15. These audited financial statements are incorporated by reference.

Evangelical Services Corporation ("Evangelical") will fund its acquisition of the building from available cash on hand. Evangelical is a subsidiary of Advocate Health Care Network ("Advocate"), which has an "A" bond rating. Advocate's audited financial statements were recently submitted to the Review Board as part of project number 15-027, which was approved by the Review Board on August 25, 2015. These audited financial statements are incorporated by reference.

**ATTACHMENT 2**

## Section 12, Narrative Description

### Attachment 3

#### Narrative Description

Naperville Surgical Centre, LLC ("Naperville") is located at 1263 Rickert Drive, Naperville, IL 60540 and is a multi-specialty, ambulatory surgical treatment center. The facility has 4 operating rooms.

Naperville is presently owned by 44 physician owners ("Physician Owners") (51%) and Evangelical Services Corporation ("Evangelical"), a subsidiary of Advocate Health Care Network, ("Advocate") (49%).

Evangelical owns the real property on which the building is located. Naperville owns the building and leases the land from Evangelical pursuant to a ground lease. Evangelical will purchase the building from Naperville for an amount not to exceed One Million Nine Hundred Thousand Dollars (\$1,900,000), subject to a mutually acceptable appraisal. Because Evangelical is acquiring the physical assets as part of the transaction, it is included as a co-applicant. Advocate is the ultimate parent company of Evangelical and is, consequently, a co-applicant.

Contingent upon the Review Board's approval, DMG Practice Management Solutions, LLC ("DMGPMS") would acquire a seventy-five percent (75%) ownership interest ("DMGPMS Ownership Interest") and SCA-Naperville, LLC ("SCA-Naperville") would acquire a twelve and three-fourths percent (12.75%) ownership interest ("SCA Ownership Interest") in Naperville. Following the acquisitions, Naperville will be owned 75% by DMGPMS, 12.75% by SCA-Naperville and 12.25% by Evangelical. A diagram of the current ownership structure of each of DMGPMS and Naperville and the post-transaction ownership structure of Naperville is attached.

SCA-Naperville will use cash from internally available financial resources from its parent Surgical Care Affiliates, LLC ("SCA") to purchase the SCA Ownership Interest for an aggregate purchase price of \$ 235,000.00. DMGPMS will use unrestricted cash from internally available financial resources from its majority member DuPage Medical Group Ltd. ("DMG") to purchase the DMGPMS Ownership Interest for an aggregate purchase price of \$1,726,566.00.

Because SCA-Naperville will acquire only a twelve and three-fourths percent (12.75%) of the ownership interest, under the Review Board's regulations, it appears not to be a required co-applicant.

ATTACHMENT 3

## Section 13 Background of Applicant

### Attachment 4

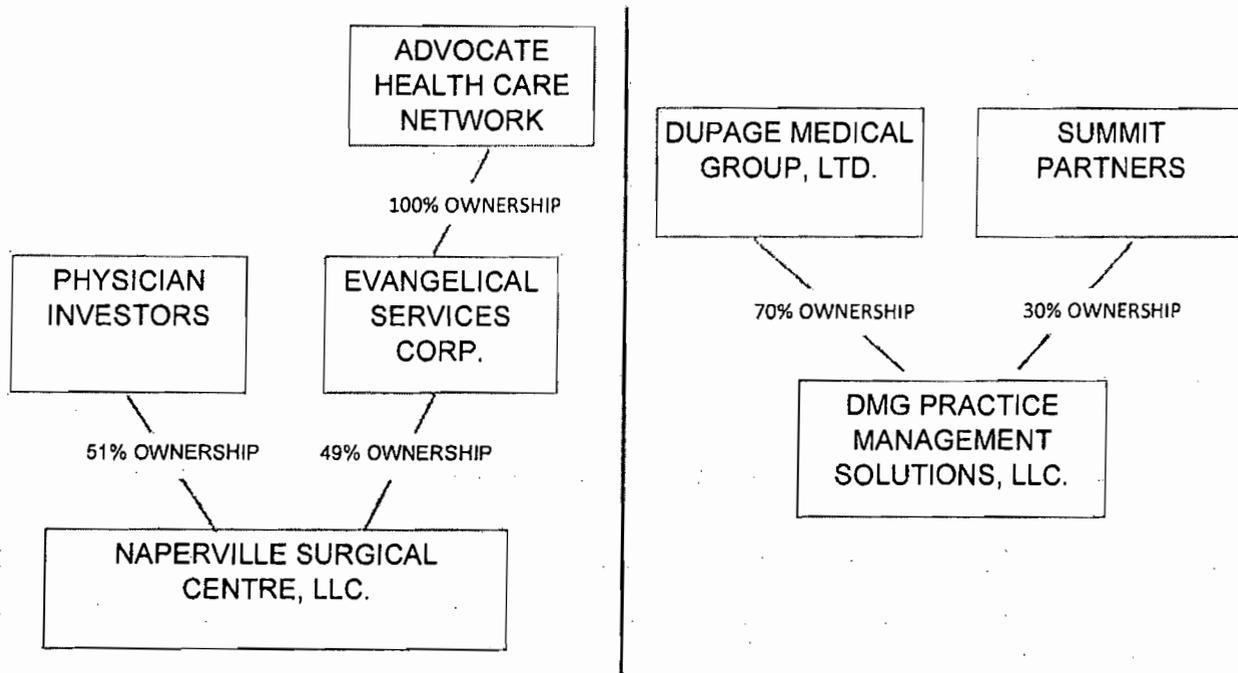
#### Background of Applicant

An organizational chart showing the current ownership structure of Naperville Surgical Centre, LLC ("Naperville"), and DMGPMS along with the post-closing ownership structure of Naperville is included in Attachment 3. Good standing certificates for the following entities are also attached:

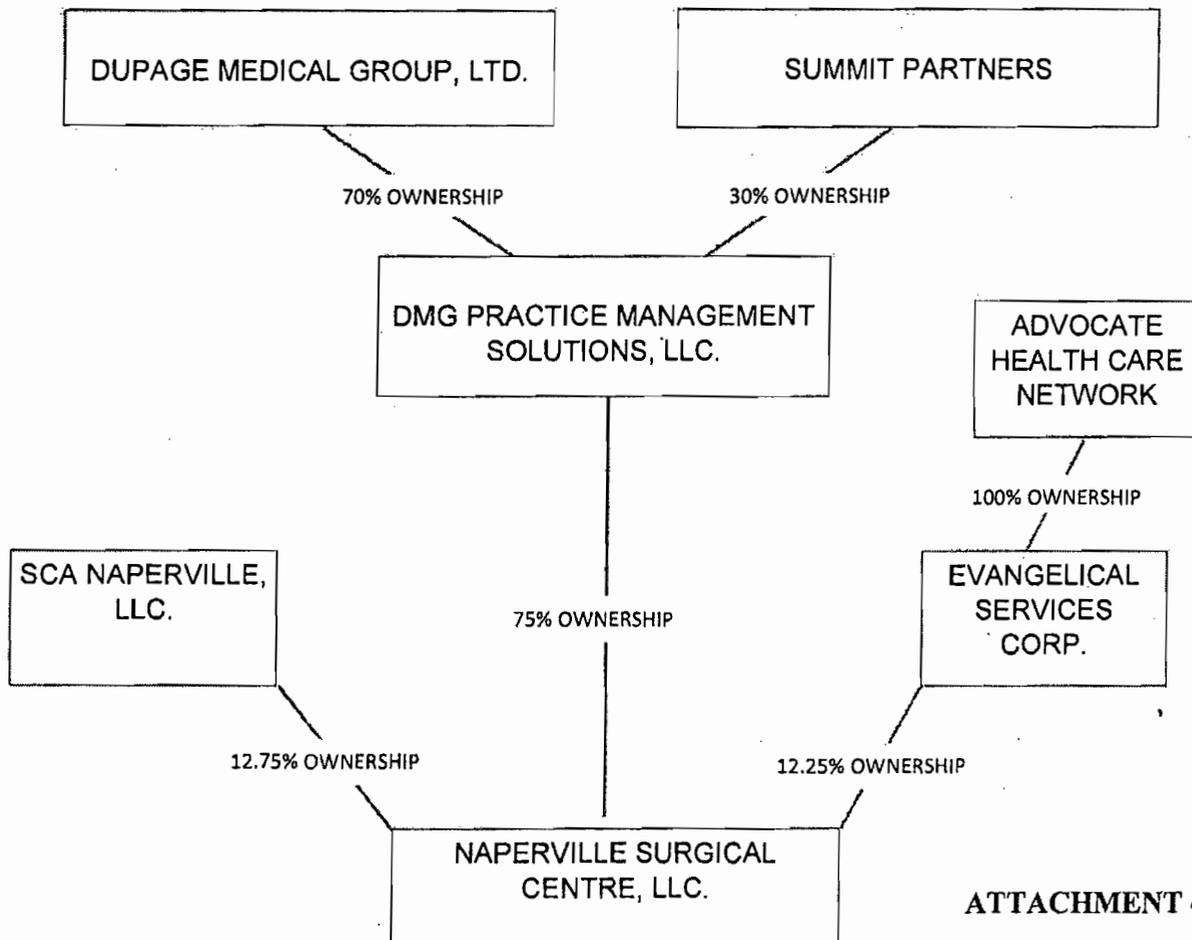
1. Naperville Surgical Centre, LLC: Naperville is an Illinois limited liability company, which is owned by its physician owners (51%), and Evangelical Services Corporation, (49%). Naperville owns the building and leases the land from Evangelical Services Corporation, pursuant to a ground lease. A copy of Naperville's Illinois Good Standing Certificate is attached.
2. DMG Practice Management Solutions, LLC ("DMGPMS"): DMGPMS is a newly created Delaware limited liability company, whose majority member is DuPage Medical Group, Ltd. A copy of the Delaware Good Standing Certificate for DMGPMS is attached. Because DMGPMS performs no operations in Illinois and only hold assets, it is not required to obtain authorization to conduct business in Illinois and, therefore, an Illinois Certificate of Good Standing for a foreign limited liability company is not applicable.
3. DuPage Medical Group, Ltd. ("DMG"): DMG is an Illinois corporation. DMG is the majority and controlling member of DMGPMS. DMG exercises control of DMGPMS through its majority interest (70%) and by holding 4 of the 7 DMGPMS governing board seats. A copy of DMG's Illinois Good Standing Certificate is attached.
4. Evangelical Services Corporation ("Evangelical"): Evangelical owns the real property on which the building is located and will acquire the physical assets. Because Evangelical is acquiring the physical assets as part of the transaction, it is included as a co-applicant. A copy of Evangelical's Illinois Good Standing Certificate is attached.
5. Advocate Health Care Network ("Advocate"): Advocate is the ultimate parent company of Evangelical and is, consequently, a co-applicant. A copy of Advocate's Illinois Good Standing Certificate is attached.

6. Summit Partners: Summit Partners is a minority member of DMGPMS. Summit Partners owns a 30% membership interest in DMGPMS, and holds 2 of the 7 DMGPMS governing board seats. The final DMGPMS board seat is filled by an independent physician selected by DMG and Summit Partners. While disclosed as a member of the applicant, DMG Practice Management Solutions, LLC, Summit Partners is not a required co-applicant for the change of ownership.
  
7. SCA- Naperville, LLC: SCA- Naperville, LLC is a Delaware LLC that will be registered to do business in Illinois. SCA, Inc. is the parent entity of SCA-Naperville, LLC. SCA-Naperville, LLC will acquire 12.75% of Naperville and is referenced in this application but is not a required co-applicant for the change of ownership.

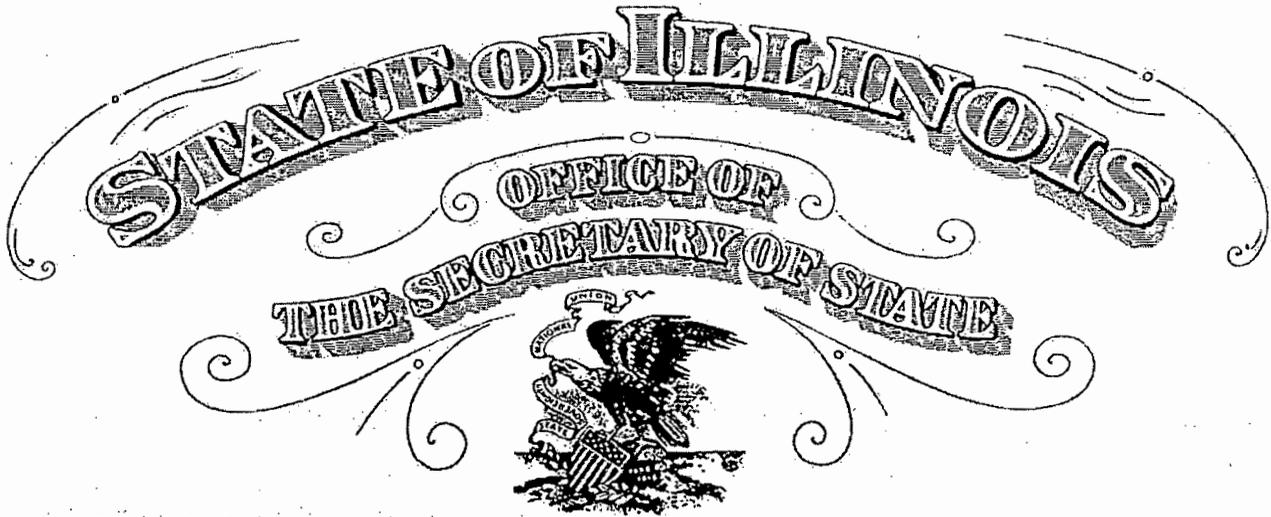
**CURRENT OWNERSHIP STRUCTURE OF NAPERVILLE SURGICAL CENTRE, LLC.**



**POST-TRANSACTION OWNERSHIP STRUCTURE OF NAPERVILLE SURGICAL CENTRE, LLC.**



**ATTACHMENT 4**



**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*

DU PAGE MEDICAL GROUP, LTD., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 22, 1968, 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 26TH day of JANUARY A.D. 2016 .**



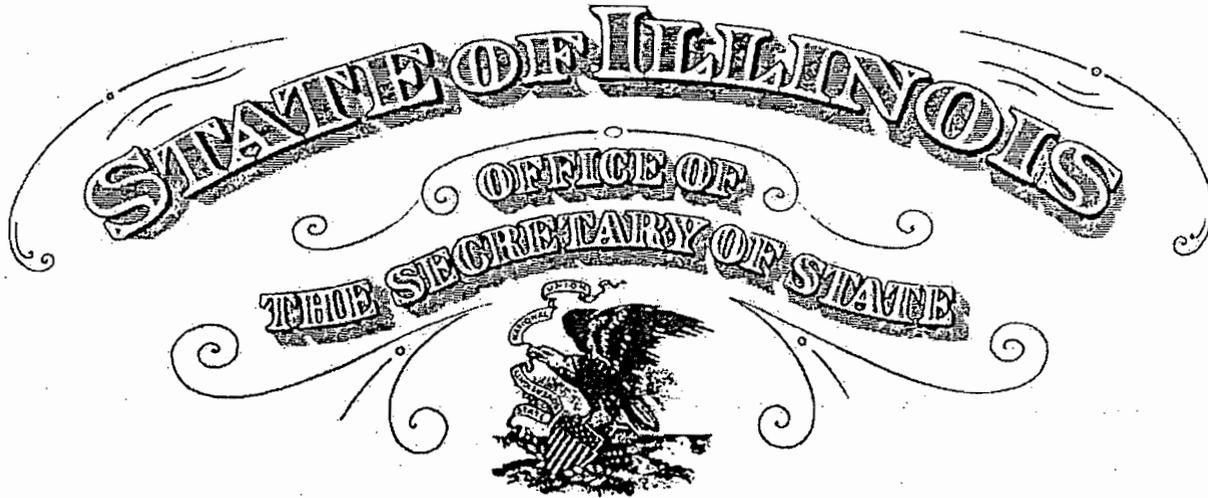
*Jesse White*

SECRETARY OF STATE

Authentication #: 1602601296 verifiable until 01/26/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

File Number

0102752-2



**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*

NAPERVILLE SURGICAL CENTRE, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON OCTOBER 16, 2003, 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 28TH day of JANUARY A.D. 2016 .***

*Jesse White*

SECRETARY OF STATE

Authentication #: 1602802202 verifiable until 01/28/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

# Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DMG PRACTICE MANAGEMENT SOLUTIONS LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SIXTH DAY OF JANUARY, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "DMG PRACTICE MANAGEMENT SOLUTIONS LLC" WAS FORMED ON THE NINTH DAY OF DECEMBER, A.D. 2015.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



5903346 8300

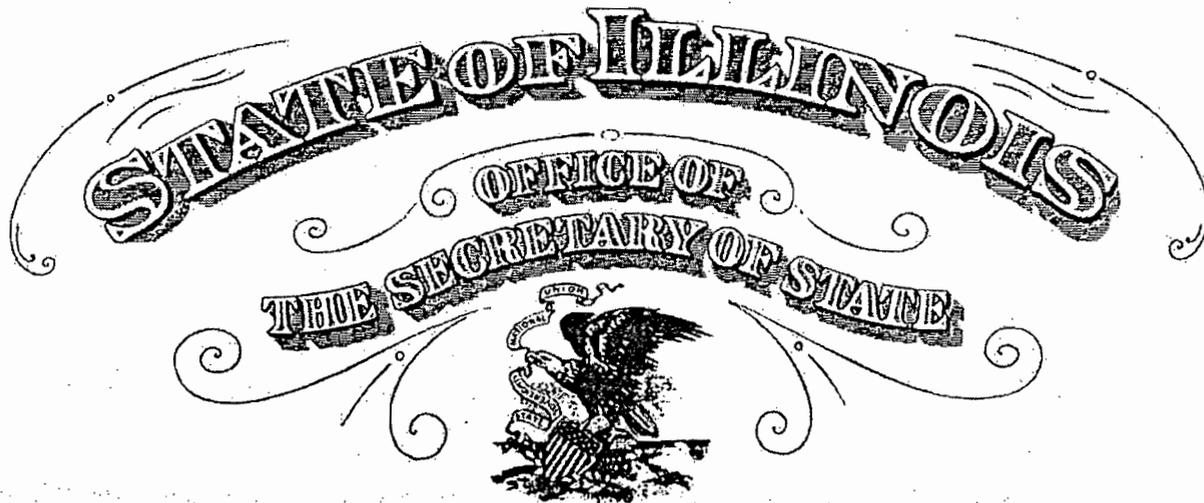
SR# 20160403424

You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

A handwritten signature in black ink, appearing to read "JBULLOCK", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed.

Authentication: 201729731

Date: 01-26-16



**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*

EVANGELICAL SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 24, 1982, 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 3RD day of FEBRUARY A.D. 2016 .***

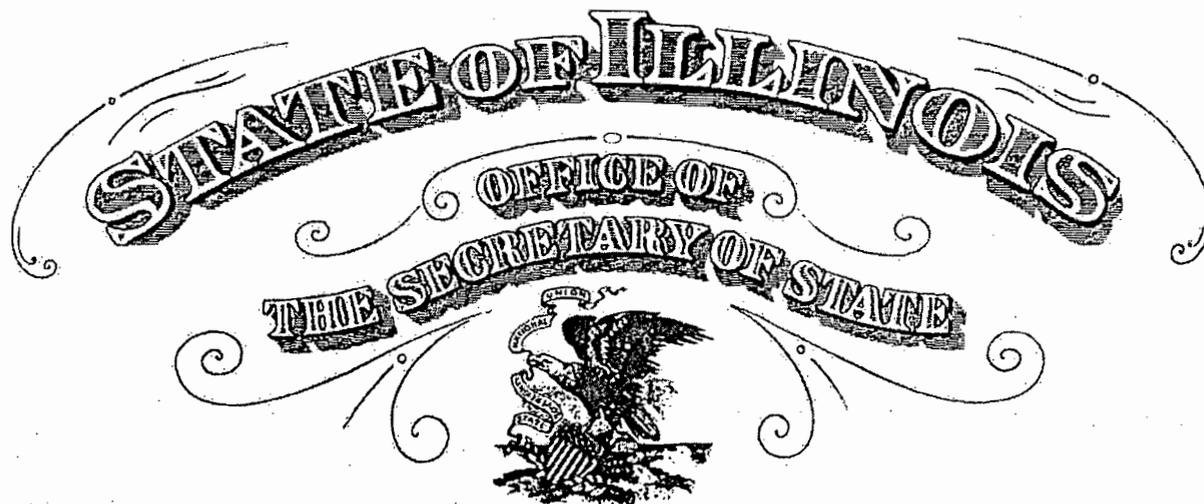


Authentication #: 1603400874 verifiable until 02/03/2017

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*

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 3RD day of FEBRUARY A.D. 2016 .***

*Jesse White*

SECRETARY OF STATE

Authentication #: 1603400914 verifiable until 02/03/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

## Section 14, Transaction Documents

### Attachment 5

#### Summary of Transaction Documents

##### 1. Names and Background of the Parties

Naperville Surgical Centre, LLC ("Naperville"), located at 1263 Rickert Drive, Naperville, IL 60540, is a multi-specialty ambulatory surgical treatment center. Contingent upon the Review Board's approval, DMGPMS proposes to acquire a seventy-five percent (75%) ownership interest ("DMGPMS Ownership Interest") in Naperville. Contemporaneously with the DMGPMS transaction, SCA-Naperville will acquire a 12.75% ownership interest. Following the acquisitions, Naperville will be owned 75% by DMGPMS, 12.75% by SCA-Naperville, and 12.25% by Evangelical Services Corporation ("Evangelical"), a subsidiary of Advocate Health Care Network. A diagram of the current ownership structure of each of DMGPMS and Naperville and the post-transaction ownership structure of Naperville is attached.

DMG is the majority member of DMGPMS and is included as an applicant.

Evangelical owns the real property on which the building is located. Naperville owns the building and leases the land from Evangelical pursuant to a ground lease. As part of the transaction, Evangelical will purchase the building from Naperville. Advocate is the ultimate parent company of Evangelical.

##### 2. Structure of the Transaction

Contingent upon the Review Board's approval, DMGPMS proposes to acquire the DMGPMS Ownership Interest and SCA-Naperville proposes to acquire the SCA 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.

DMGPMS will use unrestricted cash from internally available financial resources from its majority member DuPage Medical Group Ltd. ("DMG") to purchase the DMGPMS Ownership Interest for an aggregate purchase price of \$1,726,566 which may be adjusted for typical closing adjustments. SCA-Naperville will use cash from internally available financial resources from its parent, SCA, to purchase the SCA Ownership Interest for an

aggregate purchase price of \$235,000.00 which may be adjusted for typical closing adjustments.

Following the acquisitions, DMGPMS will own a 75% ownership interest, SCA-Naperville will own a 12.75% interest and Evangelical will own a 12.25% interest in Naperville.

Evangelical owns the real property on which the building is located. Naperville owns the building and leases the land from Evangelical pursuant to a ground lease. As part of the transaction, Evangelical will purchase the building from Naperville, subject to a mutually acceptable appraisal, for an amount not to exceed \$1,900,000.

**3. The Person Who Will Be the Licensed Entity After the Transaction**

Naperville Surgical Centre, LLC will continue to be the licensed entity.

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

After the proposed acquisitions, Naperville will be owned by DMGPMS (75%), Evangelical (12.25%) and SCA-Naperville (12.75%).

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

**5. Fair Market Value of the Assets Being Transferred**

The fair market value for the operations of Naperville Surgical Centre, LLC is estimated to be \$2,302,088.00 based upon a multiple of earnings standard common within the industry.

The fair market value of the building to be acquired by Evangelical will be determined by a separate valuation. The amount to be paid for the building will not exceed \$1,900,000.

**6. Purchase Price and Other Consideration**

The purchase price for the DMGPMS Ownership Interest is One Million Seven Hundred Twenty-Six Thousand Five Hundred Sixty-Six Dollars (\$1,726,566.00) and the purchase price for the SCA-Naperville Ownership Interest is Two Hundred Thirty-Five Thousand

Dollars (\$235,000.00). These purchase prices will be subject to typical adjustments such as cash on hand, accounts receivable, and accounts payable at the time of closing.

The purchase price for the building to be acquired by Evangelical will be determined in connection with a mutually acceptable appraisal in an amount not to exceed One Million Nine Hundred Thousand Dollars (\$1,900,000).

**7. Post-Closing Attestation**

Within ninety (90) days of after 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**

Attached are copies of the most recently audited financial statements for DuPage Medical Group, of which DMGPMS is a majority owned subsidiary, for the years ending December 31, 2014 and December 31, 2013.

The audited financial statements for Advocate Health Care Network ("Advocate"), the ultimate parent company of Evangelical Services Corporation ("Evangelical"), were recently submitted to the Review Board as part of project number 15-027 which was approved by the Review Board on August 25, 2015, and are incorporated herein by reference. The audited financial statements of Evangelical, a wholly owned subsidiary of Advocate, were prepared on a consolidated basis with those of Advocate.

**CONSOLIDATED FINANCIAL STATEMENTS**

**DuPage Medical Group, Ltd. and Subsidiaries**  
**Years Ended December 31, 2014 and 2013**  
**With Report of Independent Auditors**

Ernst & Young LLP



**Building a better  
working world**

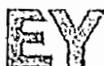
DuPage Medical Group, Ltd. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

Contents

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets.....	3
Consolidated Statements of Operations.....	4
Consolidated Statements of Changes in Stockholders' Equity.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7



Building a better  
working world

Ernst & Young LLP  
155 North Wacker Drive  
Chicago, IL 60606-1787  
Tel: +1 312 679 2000  
Fax: +1 312 679 4000  
ey.com

## Report of Independent Auditors

The Board of Directors  
DuPage Medical Group, Ltd. and Subsidiaries

We have audited the accompanying consolidated financial statements of DuPage Medical Group, Ltd. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity, 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 financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 financial statements.

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



Building a better  
working world

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DuPage Medical Group, Ltd. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Group has adopted the authoritative guidance issued by the Financial Accounting Standards Board related to accounting for goodwill. Our opinion is not modified with respect to this matter.

*Ernst + Young LLP*

April 16, 2015

DuPage Medical Group, Ltd. and Subsidiaries

Consolidated Balance Sheets  
(In Thousands)

	December 31	
	2014	2013
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 14,948	\$ 17,455
Patient accounts receivable, less allowances for uncollectible accounts of \$6,685 in 2014 and \$5,056 in 2013	45,657	38,350
Inventory	6,212	5,075
Due from related parties	856	189
Prepaid expenses and other	11,711	10,696
Current portion of professional liability insurance receivable	6,066	4,231
Deferred income tax, net	2,793	3,757
<b>Total current assets</b>	<b>88,243</b>	<b>79,753</b>
Property and equipment, net	166,362	159,925
Goodwill	7,579	8,490
Professional liability insurance receivable	24,413	18,883
Deferred income tax, net	66	544
Deferred compensation and other	8,483	3,181
<b>Total assets</b>	<b>\$ 295,146</b>	<b>\$ 270,776</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,638	\$ 10,821
Accrued expenses	11,217	8,251
Accrued payroll and benefits	26,676	23,521
Due to third-party payor	14,407	13,799
Due to related parties	4,634	2,646
Current portion of professional liabilities	6,066	4,231
Current maturities of long-term debt	4,552	4,123
Payable to physicians	21,858	20,522
<b>Total current liabilities</b>	<b>95,048</b>	<b>87,914</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, less current maturities	51,569	53,335
Fair value of interest rate swaps	890	1,304
Deferred compensation	1,908	1,423
Professional liabilities	38,388	32,858
<b>Total liabilities</b>	<b>187,803</b>	<b>176,834</b>
<b>Stockholders' equity:</b>		
Common stock (\$1 par value; 500,000 shares authorized; 335,000 and 309,000 shares issued and outstanding at December 31, 2014 and 2013, respectively)	335	309
Additional paid-in capital	3,750	3,490
Noncontrolling interest	3,028	2,705
Retained earnings	100,230	87,438
<b>Total stockholders' equity</b>	<b>107,343</b>	<b>93,942</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 295,146</b>	<b>\$ 270,776</b>

See notes to consolidated financial statements.

DuPage Medical Group, Ltd. and Subsidiaries

Consolidated Statements of Operations

(In Thousands)

	Year Ended December 31	
	2014	2013
<b>Revenues:</b>		
Net patient service revenue, net of contractual allowances and discounts	\$ 413,934	\$ 366,864
Provision for uncollectible accounts	(12,725)	(13,868)
Net patient service revenue less provision for uncollectible accounts	401,209	352,996
Illinois Health Partners revenue	82,198	72,261
Breakthrough Care Center revenue	4,247	3,371
Other revenue	30,958	21,343
<b>Total revenues</b>	<b>518,612</b>	<b>449,971</b>
<b>Expenses:</b>		
Physician salaries, wages, and benefits	182,409	161,913
Non-physician salaries, wages, and benefits	142,924	126,294
Rent and utilities	49,495	43,293
Medical supplies and other	70,693	56,937
Professional fees and purchased services	23,406	19,799
Insurance	6,627	5,254
Interest	1,682	1,625
Depreciation and amortization	20,891	16,534
<b>Total expenses</b>	<b>498,127</b>	<b>431,649</b>
<b>Other gains:</b>		
Gain on Surgery Center option buy-out	2,729	-
Change in fair value of interest rate swaps	414	495
<b>Total other gains</b>	<b>3,143</b>	<b>495</b>
Income before income taxes	23,628	18,817
Provision for income taxes	9,940	7,243
<b>Consolidated net income</b>	<b>13,688</b>	<b>11,574</b>
Less net income attributed to noncontrolling interest	(896)	(836)
<b>Net income attributed to the Group</b>	<b>\$ 12,792</b>	<b>\$ 10,738</b>

See notes to consolidated financial statements.

DuPage Medical Group, Ltd. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2014 and 2013  
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
Balance at January 1, 2013	\$ 268	\$ 3,080	\$ 76,700	\$ 1,869	\$ 81,917
Net income	-	-	10,738	-	10,738
Noncontrolling interest - net income	-	-	-	836	836
Partnership distribution	-	-	-	-	-
Purchase of common stock	(6)	(60)	-	-	(66)
Issuance of common stock	47	470	-	-	517
Balance at December 31, 2013	309	3,490	87,438	2,705	93,942
Net income	-	-	12,792	-	12,792
Noncontrolling interest - net income	-	-	-	896	896
Partnership distribution	-	-	-	(573)	(573)
Purchase of common stock	(10)	(100)	-	-	(110)
Issuance of common stock	36	360	-	-	396
Balance at December 31, 2014	\$ 335	\$ 3,750	\$ 100,230	\$ 3,028	\$ 107,343

See notes to consolidated financial statements.

DuPage Medical Group, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows  
(In Thousands)

	Year Ended December 31	
	2014	2013
<b>Operating activities</b>		
Net income	\$ 13,688	\$ 11,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,891	16,534
Net loss on sales of property and equipment	(15)	8
Change in fair value of interest rate swap	(414)	(495)
Deferred income taxes	1,442	(1,081)
Provision for uncollectible accounts	12,725	13,868
Changes in operating assets and liabilities:		
Patient accounts receivable	(20,032)	(17,415)
Professional liability insurance receivable	(7,365)	(114)
Due to/from related party	1,321	13,716
Prepaid expenses and other current assets	(1,015)	(790)
Inventory	(1,137)	(2,294)
Due to third-party payor	608	3,100
Accounts payable, accrued expenses, and other current liabilities	938	(44)
Professional liabilities	7,365	881
Payable to physicians	1,336	6,928
Other noncurrent assets and liabilities	93	(1,023)
Net cash provided by operating activities	30,429	43,353
<b>Investing activities</b>		
Payment for acquisitions	-	(12,498)
Purchase of equity method investment	(4,910)	-
Purchases of property and equipment	(26,402)	(25,342)
Net cash used in investing activities	(31,312)	(37,840)
<b>Financing activities</b>		
Distributions to noncontrolling interest	(573)	-
Proceeds from issuance of debt and capital lease obligation	3,347	5,535
Payments of debt and capital lease obligations	(4,684)	(2,548)
Purchase of common stock	(110)	(66)
Proceeds from issuance of stock	396	517
Net cash (used in) provided by financing activities	(1,624)	3,438
Net (decrease) increase in cash	(2,507)	8,951
Cash at beginning of year	17,455	8,504
Cash at end of year	\$ 14,948	\$ 17,455

See notes to consolidated financial statements.

## DuPage Medical Group, Ltd. and Subsidiaries

### Notes to Consolidated Financial Statements (In Thousands)

December 31, 2014

#### 1. Organization and Basis of Presentation

DuPage Medical Group, Ltd. (the Group) is a multi-specialty physician practice that provides a broad range of outpatient services. The main office is in Downers Grove, Illinois, with 60 satellite offices throughout the western suburbs of Chicago, predominantly DuPage County, Illinois. The Group was incorporated as a medical corporation in the state of Illinois in July 1968 and is a for-profit, taxable corporation. The Group has 431 physicians, of which 335 are shareholders, as of December 31, 2014.

Included in the Group's consolidated financial statements are wholly owned and controlled subsidiaries. The Group's subsidiary corporations are as follows:

- DMG Real Estate, LLC (LLC) – LLC owns and operates medical office buildings in Cook, DuPage, Kane, and Will Counties.
- Real Estate Holdings, LLC (REH) – REH was formed in 2004 to acquire land and construct a surgery center facility.
- DMG Surgery Center, LLC (Surgery Center) – The Surgery Center was formed in 2002 as a surgery center operation. Effective December 1, 2005, the Surgery Center amended and restated its operating agreement and sold a 12.5% ownership interest to a minority shareholder.
- DMG Pain Management Surgery Center, LLC (Pain ASC) – Pain ASC was formed in 2009 as a pain management surgery center. Operations began in October 2011.
- Midwest Physician Administrative Services, LLC (MPAS) – MPAS started operations in January 2012 for the purpose of providing management and support services to physician practices and other health care providers in support of the clinical integration and risk-sharing goals of hospitals and companies affiliated with the Group.

The Group owns a less-than-majority ownership or controlling interest in the following:

- A 50% interest in The Breakthrough Care Center, LLC (BCC), a joint venture formed in 2012 with Humana, Inc.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**1. Organization and Basis of Presentation (continued)**

- A 50% interest in Illinois Health Partners, LLC (IHP), a joint venture formed in 2011 with Edward-Elmhurst Healthcare (EEH)
- A 48% interest in Plainfield Surgery Center, LLC (Plainfield)

The Group accounts for all of these interests using the equity method of accounting.

All significant intercompany balances have been eliminated in consolidation.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ from those estimates.

**Cash**

Cash includes currency on hand and demand deposits with banks or other financial institutions.

**Patient Accounts Receivable**

Patient accounts receivable are stated at net realizable value. The Group maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts. The Group evaluates the collectibility of its accounts receivable based upon the length of time the receivable is outstanding and the anticipated future uncollectible amounts based on historical experience. Accounts are written off when collection efforts have been exhausted.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Inventories**

Inventories, consisting primarily of pharmaceuticals, are valued at the lower of cost or market, with cost determined using the first-in, first-out method.

**Property and Equipment**

Property and equipment are stated at cost. Provisions for depreciation of property and equipment are computed using the straight-line method based upon the estimated useful lives of the related assets, ranging from 10 to 40 years for land improvements and buildings and 2 to 7 years for equipment. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the accompanying consolidated financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

**Goodwill**

Effective January 1, 2013, goodwill is amortized over ten years, and the Group performs a one-step impairment test only when an event or circumstance indicates that the fair value of the Group may be less than its carrying amount. There was no impairment charge recorded for the years ended December 31, 2014 and 2013.

The following table presents the rollforward of goodwill for fiscal year 2014.

Goodwill, January 1, 2013	\$ 3,606
Goodwill acquired	5,510
Amortization	(626)
Net goodwill, December 31, 2013	8,490
Goodwill acquired	-
Amortization	(911)
Net goodwill, December 31, 2014	<u>\$ 7,579</u>

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Due to Third-Party Payor**

Due to third-party payor represents the liability for funds received by Pain ASC and the Surgery Center that are to be paid back to Blue Cross/Blue Shield as of December 31, 2014 and 2013. Blue Cross/Blue Shield pays Pain ASC and the Surgery Center invoices at gross amounts and invoices the Surgery Center and Pain ASC for the difference between the gross charges and the contracted rate in arrears.

**Noncontrolling Interest**

The Group's noncontrolling interest in the consolidated statements of operations represents the noncontrolling shareholder's share of the Surgery Center's operations. The noncontrolling interest in the consolidated balance sheets reflects the original investment by a noncontrolling shareholder in the Surgery Center subsidiary, along with the noncontrolling interest's share of the Surgery Center's subsequent operations, less any distributions.

**Asset Impairment**

The Group considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating expenses at the time the impairment is identified. There was no impairment of long-lived assets in 2014 and 2013.

**Payable to Physicians**

Payable to physicians represents the amount of calculated compensation based upon the shareholder compensation formula that has not been paid as of the end of a given reporting period. These amounts are calculated and distributed to individual physicians on a monthly basis.

**General and Professional Liability**

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported (IBNR). The estimated insurance receivable for professional liability claims represents the receivable for reported claims that are at or below the insurance coverage limits.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Net Patient Service Revenue**

The Group has agreements with third-party payors that provide for payments to the Group at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Those adjustments are accrued on an estimated basis and are adjusted in future periods. Net patient service revenue is recognized at the time services are rendered regardless of the patients' ability to pay.

**IHP Revenue**

IHP revenue reflects the net amount earned by the Group for services provided to IHP covered patients. IHP revenue also reflects a distribution of the net income of IHP attributable to the Group after payment of medical claims, calculation of IBNR claims, and reinsurance proceeds are applied against the capitation revenue related to a defined patient population.

**Breakthrough Care Center Revenue**

Breakthrough Care Center Revenue represents the amounts earned by the Group for providing administration, physician and staffing services to the BCC.

**Meaningful Use Incentive Payments**

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians, and certain other professionals when they adopt certified electronic health record (EHR) technology or become meaningful users of EHRs in ways that demonstrate improved quality, safety, and effectiveness of care. The Group accounts for these incentive payments under the gain contingency model defined in Accounting Standards Codification (ASC) 450, *Contingencies*. ASC 450 does not permit the recognition of gain contingencies until resolution of the uncertainty confirms that an asset has, in fact, been acquired (that is, a gain is recognized only when it is certain). Further, based on the guidance in ASC 450, it would not be appropriate to recognize incentive payments based on the probability of compliance or other factors affecting the calculation of the payment. For the years ended December 31, 2014 and 2013, the Group has recognized \$2,635 and \$3,050, respectively, of revenue related to the meaningful-use incentive payments, which are reflected in other revenue in the consolidated statements of operations.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Community Services Provided**

The Group provides care to patients who meet certain criteria without charge or at amounts less than established rates. Community services provided by the Group are excluded from net patient service revenue.

The forgone charges related to community services provided by the Group to the DuPage Community Clinic amounted to approximately \$1,400 and \$5,380 for the years ended December 31, 2014 and 2013, respectively.

**Derivative Instruments**

Derivative instruments, specifically interest rate swaps, are reported in the consolidated balance sheets at their respective fair values. The change in the fair value of those derivative instruments is reflected in net income attributed to the Group.

**Reclassifications**

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation. These reclassifications had no impact on stockholders' equity or net income attributed to the Group.

**New Accounting Pronouncements**

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-02, *Intangibles – Goodwill and Other*, which provides nonpublic entities with accounting alternatives that are intended to simplify the goodwill impairment model. Under the goodwill alternative, a nonpublic entity is able to amortize goodwill on a straight-line basis over a period of ten years or over a shorter period if the company demonstrates that another useful life is more appropriate. In addition, goodwill would be subject to impairment testing only upon the occurrence of a triggering event. The alternative is effective for annual periods beginning after December 15, 2014, with early application permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance. The Group adopted the accounting alternative effective January 1, 2013, and began amortizing goodwill over ten years.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**New Accounting Pronouncements (continued)**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This new guidance dictates that the standard be applied either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the revenue recognition standard recognized at the date of initial application. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. The Group is evaluating the effect this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern*, that requires management to evaluate where there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern. This standard is required to be adopted by the Group in 2017 and is not expected to have an impact on the consolidated financial statements.

**3. IHP Revenue**

IHP provides certain medical care services to members of various HMOs on behalf of the Group. For these patients, IHP recognizes capitation revenue each month during the period in which IHP is obligated to provide medical care services, which is typically one year. These arrangements include IHP's assumption of financial responsibility for the appropriate and effective utilization of hospital and other health care resources. IHP has also purchased reinsurance coverage on behalf of the Group, which provides protection for a percentage of losses that exceed a \$15 deductible per member per year for the years ended December 31, 2014 and 2013.

Under the terms of the service agreement between IHP and the Group, the Group is obligated to provide specified medically necessary services to IHP covered HMO members without regard to the underlying standard charges or actual costs of such services. The Group receives a fee-for-service reimbursement for services provided. Additionally, the Group receives a distribution of the net income of IHP attributable to the capitated arrangements entered into on behalf of the Group (capitation revenue, less any payment of medical claims and related IBNR, and expenses to administer the program). Estimates for IBNR claims expenses, included in medical claims payable, have been provided for based upon IHP's historical claims experience.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. IHP Revenue (continued)**

The impact of this arrangement on the consolidated statements of operations results in revenue from IHP of \$82,198 and \$72,261 for the years ended December 31, 2014 and 2013, respectively. During 2014 and 2013, changes in estimates relating to prior years' medical claims payable liability increased net income attributed to the Group by \$707 and \$531, respectively.

**4. Net Patient Service Revenue and Net Accounts Receivable**

Net patient service revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payors for services rendered. Provisions have been made in the consolidated financial statements for contractual adjustments, representing the difference between the standard charges for services and estimated payments to be received from third-party payors. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Group grants credit without collateral from its patients, most of whom are local residents and are insured under third-party payor agreements. The provision for uncollectible accounts is based upon management's assessment of historical and expected net collections, taking into consideration the trends in health care coverage, historical economic trends, and other collection indicators. Management assesses the adequacy of the allowances periodically throughout the year based upon historical write-off experience by major payor category. The results of the review are then utilized to make modifications, as necessary, to the provision for uncollectible accounts to provide for an appropriate allowance for uncollectible accounts. The allowance for uncollectible accounts increased from 2013 to 2014, primarily due to the increase in accounts receivables. The Group's allowance for uncollectible accounts covers a significant portion of the self-pay accounts receivable at December 31, 2014 and 2013.

Net patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources is as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Third-party payors	\$ 405,528	\$ 359,414
Self-pay payors	8,406	7,450
Total	<u>\$ 413,934</u>	<u>\$ 366,864</u>

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**4. Net Patient Service Revenue and Net Accounts Receivable (continued)**

The mix of net receivables from patients and third-party payors at December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Medicare	13%	14%
Medicaid	1	1
Managed care	13	26
Blue Cross/Blue Shield	35	25
Private pay and other	38	34
	<u>100%</u>	<u>100%</u>

The mix of net patient service revenue from patients and third-party payors at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Medicare	20%	25%
Medicaid	1	1
Managed care	32	30
Blue Cross/Blue Shield	42	39
Private pay and other	5	5
	<u>100%</u>	<u>100%</u>

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Property and Equipment**

Property and equipment consist of the following at December 31:

	2014	2013
Land	\$ 13,140	\$ 13,140
Land improvements	5,434	5,434
Buildings	95,505	93,220
Equipment	178,879	148,980
	<u>292,958</u>	<u>260,774</u>
Accumulated depreciation	(127,387)	(107,507)
	<u>165,571</u>	<u>153,267</u>
Construction-in-process	791	6,658
	<u>\$ 166,362</u>	<u>\$ 159,925</u>

**6. Long-Term Debt**

Long-term debt consists of the following at December 31:

	2014	2013
Lombard mortgage payable to bank	\$ 7,397	\$ 7,887
Rickert mortgage payable to bank – purchase	3,550	3,747
Rickert mortgage payable to bank – construction	2,594	2,735
430 Pennsylvania mortgage payable to bank	15,560	16,380
Lisle Medical Office Building (MOB) mortgage payable to bank	20,075	21,175
Capital lease obligations	6,945	5,534
	<u>56,121</u>	<u>57,458</u>
Current maturities	(4,552)	(4,123)
	<u>\$ 51,569</u>	<u>\$ 53,335</u>

The carrying value of the debt approximates the fair value of the debt at December 31, 2014 and 2013. The valuations were performed using Level 2 inputs as defined in ASC 820 (Note 13). The valuations reflect general interest rates and market conditions.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**6. Long-Term Debt (continued)**

Proceeds from the Lombard mortgage loan were used to finance the construction of the building at 1801 S. Highland Ave. in Lombard. The mortgage loan is collateralized with the building, which has a net book value of \$16,900. The mortgage loan is due in monthly principal payments of \$41 plus interest, with a maturity date of October 2016. The interest rate is variable, with an average rate of 1.42% for 2014 and 1.46% for 2013.

Proceeds from the Rickert mortgage loan were used to purchase the land at 808 Rickert in Naperville. The mortgage loan is collateralized with the land and building, which has a net book value of \$9,600. The mortgage is due in monthly principal payments of \$16 plus interest, with a maturity date of July 2017. The interest rate is variable, with an average rate of 1.32% for 2014 and 1.33% for 2013.

Proceeds from the Rickert mortgage loan were used to finance the construction and build-out of the building at 808 Rickert in Naperville. The mortgage loan is collateralized with the land and building, which has a net book value of \$9,600. The mortgage loan is due in monthly principal payments of \$12 plus interest, with a maturity date of May 2018. The interest rate is variable, with an average rate of 1.32% for 2014 and 1.40% for 2013.

Proceeds from the 430 Pennsylvania mortgage loan were used to finance the construction of the building at 430 Pennsylvania Avenue in Glen Ellyn. The mortgage loan is collateralized with the building, which has a net book value of \$24,500. The mortgage loan is due in monthly principal payments of \$68 plus interest. On April 2, 2015, the Group executed an amendment that extended the maturity date from June 2015 to June 2020. The interest rate is variable, with an average rate of 1.68% for 2014 and 1.71% for 2013.

Proceeds from the Lisle MOB mortgage loan were used to finance the construction of the building at 430 Warrenville Road in Lisle. The construction loan outstanding at December 31, 2012, was converted into this mortgage loan in March 2013. The mortgage loan is collateralized with the building, which has a net book value of \$22,000. The mortgage loan is due in monthly principal payments of \$92 plus interest, with a maturity date of March 2018. The interest rate is variable, with an average rate of 1.42% for 2014 and 1.49% for 2013.

At December 31, 2014 and 2013, the Group had a line of credit with a bank totaling \$20,000. The Group may advance from the line of credit at a rate equal to 61.35% of the Group's eligible accounts receivable balances. There was no amount outstanding on the line of credit at December 31, 2014 and 2013. The line of credit's maturity is December 31, 2015.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**6. Long-Term Debt (continued)**

Maturities of long-term debt, excluding capital lease obligations, for each of the next five years ending December 31 are as follows:

2015	\$	2,748
2016		9,163
2017		5,215
2018		19,766
2019 and thereafter		12,284

Interest paid during the years ended December 31, 2014 and 2013, amounted to approximately \$976 and \$976, respectively.

**7. Interest Rate and Basis Swaps**

The Group has various derivative instruments to manage the exposure on interest rates and the Group's interest expense. Through the use of derivative financial instruments, the Group is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of the derivative contract is positive, the counterparty owes the Group, which creates credit risk to the Group. When the fair value of the derivative contract is negative, the Group owes the counterparty, and there is no credit risk to the Group at that point in time. The Group minimizes the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of the fair value of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. Swap management is meant to be long-term in nature, and any modifications to the program are reviewed for the long-term costs and benefits. Management also mitigates risk through periodic reviews of its derivative position in the context of its total blended cost of capital.

In 2007, the Group entered into an interest rate swap in which a counterparty agreed to make variable payments based upon a market interest rate. The interest rate swap effectively fixed the total interest rate paid on the DMG LLC mortgage of \$4,930 at 6.785%. The fair value of the interest rate swap was \$(393) and \$(553) at December 31, 2014 and 2013, respectively, and is reported in noncurrent liabilities in the accompanying consolidated balance sheets, and the change in the fair value of the interest rate swap is included in the consolidated statements of operations.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**7. Interest Rate and Basis Swaps (continued)**

In 2008, the Group entered into an interest rate swap in which a counterparty agreed to make variable payments based upon a market interest rate. The interest rate swap effectively fixed the total interest rate paid on the DMG LLC mortgage of \$3,510 at 6.03%. The fair value of the interest rate swap was \$(288) and \$(368) at December 31, 2014 and 2013, respectively, and is reported in noncurrent liabilities in the accompanying consolidated balance sheets, and the change in the fair value of the interest rate swap is included in the consolidated statements of operations.

In 2009, the Group entered into an interest rate swap in which a counterparty agreed to make variable payments based upon a market interest rate. The interest rate swap effectively fixed the total interest rate paid on the DMG LLC mortgage of \$10,203 at 4.30%. The fair value of the interest rate swap was \$(81) and \$(280) at December 31, 2014 and 2013, respectively, and is reported in noncurrent liabilities in the accompanying consolidated balance sheets, and the change in the fair value of the interest rate swap is included in the consolidated statements of operations.

In 2013, the Group entered into an interest rate swap in which a counterparty agreed to make variable payments based upon a market interest rate. The interest rate swap effectively fixed the total interest rate paid on the DMG LLC mortgage of \$11,000 at 1.6%. The fair value of the interest rate swap was \$(128) and \$(103) at December 31, 2014 and 2013, respectively, and is reported in noncurrent liabilities in the accompanying consolidated balance sheets, and the change in the fair value of the interest rate swap is included in the consolidated statements of operations.

The following is a summary of the outstanding interest rate swaps as of December 31, 2014:

Origination Date	Notional Amounts	Swap Position	Maturity Date
07/25/07	\$ 3,550	Pay fixed	07/13/17
06/20/08	2,594	Pay fixed	05/31/18
01/05/09	7,780	Pay fixed	06/30/15
06/28/13	11,000	Pay fixed	03/29/18

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

7. Interest Rate and Basis Swaps (continued)

The fair value of derivative instruments, not designated as hedging instruments, at December 31 is as follows:

Type of Derivative	Balance Sheet Location	Liability Derivatives	
		2014	2013
Interest rate contracts	Noncurrent liabilities	\$ 890	\$ 1,304

The effects of the derivative instruments, not designated as hedging instruments, on the consolidated statements of operations for the years ended December 31 are as follows:

Type of Derivative	Classification of Loss (Gain) Recognized in Consolidated Net Income	Amount of Loss (Gain) Recognized in Consolidated Net Income	
		2014	2013
Interest rate contracts	Interest expense	\$ 706	\$ 649
	Change in fair value of interest rate swaps	\$ (414)	\$ (495)

8. Leases

The Group leases certain office space and equipment under various noncancelable operating leases. These leases contain various terms and typically provide for renewal at prevailing market rates. Rental expense for operating leases amounted to approximately \$32,117 and \$29,833 for the years ended December 31, 2014 and 2013, respectively.

DuPage Medical Group, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Leases (continued)**

Future minimum lease payments under noncancelable capital and operating leases, having an initial term of more than one year at December 31, 2014, are as follows:

	<u>Capital Leases</u>	<u>Equipment Leases</u>	<u>Building Leases</u>
2015	\$ 1,804	\$ 7,102	\$ 17,999
2016	1,514	5,149	17,792
2017	1,099	3,376	17,368
2018	803	1,004	16,260
2019	1,725	266	14,791
Thereafter	-	-	182,951
Total minimum lease payments	<u>\$ 6,945</u>	<u>\$ 16,897</u>	<u>\$ 267,161</u>

Included in equipment are assets under capital leases, which aggregated to \$8,749 and \$6,962 at both December 31, 2014 and 2013, with accumulated depreciation of \$2,806 and \$651 at December 31, 2014 and 2013, respectively. Capital lease arrangements of \$1,500 and \$6,836 were entered into during 2014 and 2013, respectively.

**9. Employee Benefit and Retirement Plans**

The Group maintains and contributes to a defined-contribution plan covering substantially all employees and physicians. The employer contributions under the plan consist of an elective profit-sharing contribution and a 401(k) matching contribution. Contribution expense under this plan, which is included in both physician salaries, wages, and benefits and non-physician salaries, wages, and benefits, was approximately \$12,662 and \$11,158 for the years ended December 31, 2014 and 2013, respectively. Effective January 1, 2012, the Group self-insured its health benefits for all employees and physicians. As of December 31, 2014 and 2013, the Group has a liability of \$1,705 and \$1,714, respectively, for future medical claims incurred, but not yet reported, which is included in accrued payroll and benefits.

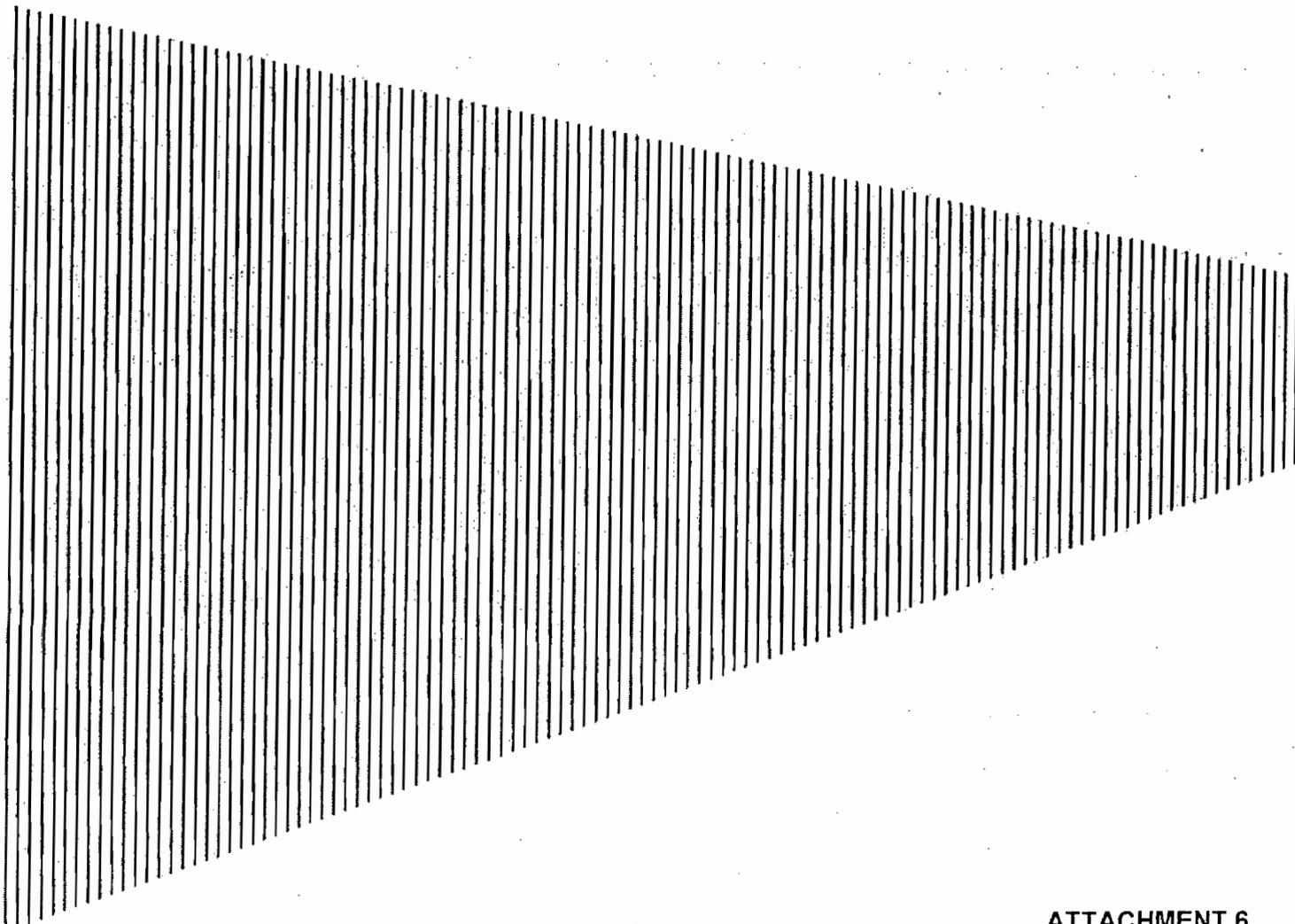
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Attachment 7

**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 Naperville Surgical Centre 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.

In connection with the proposed transaction, Surgical Care Affiliates, LLC ("SCA") will provide administrative services to Naperville under a management agreement. SCA is a leading developer of ambulatory surgical centers nationwide. Based on this affiliation, Naperville will have an opportunity to enhance the quality of care due to implementation of SCA's performance improvement programs, quality metrics, and capacity to contract lower costs with suppliers. SCA offers a comprehensive suite of services that alleviates the administrative burden on physicians, which allows them to focus on providing quality patient care.

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 DMGPMS and SCA will likely result in cost savings to Naperville as SCA identifies inefficiencies within ambulatory surgical centers with which it works. 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 Naperville's patients.

SCA's experience with managing and/or owning surgery centers nationwide allows it to create efficiencies by benchmarking cost-per-case performance for each facility. Typically, when managing newly acquired facilities, SCA is able to reduce costs by up to twenty percent (20%) using its benchmarking experience, particularly by optimizing the supplies and products used in each procedure to reflect best in class approaches and leveraging SCA's scale of purchasing power to contract for lower costs with suppliers. 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.**

DMGPMS, SCA, and Evangelical will monitor Naperville's performance against several quality metrics. These metrics include frequency of patient burns, 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, independent team of clinicians will monitor the performance of Naperville 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.**

Naperville is currently owned by forty-four (44) physicians ("Physician Owners") (51%) and Evangelical Services Corporation ("Evangelical"), which is a wholly-owned subsidiary of Advocate Health Care Network (49%).

The proposed acquisitions will result in DMGPMS purchasing a 75% ownership interest in Naperville. Following the acquisitions, Naperville will be owned by SCA-Naperville (12.75%), Evangelical (12.25%) and DMGPMS (75%).

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

Evangelical owns the real property on which the building is located. Naperville owns the building and leases the land from Evangelical pursuant to a ground lease. As part of the transaction, Evangelical will purchase the building from Naperville, subject to an appraisal, for an amount not to exceed \$1,900,000. Because Evangelical is acquiring the physical assets as part of the transaction, it is included as a co-applicant. Advocate Health Care Network ("Advocate") is the ultimate parent company of Evangelical and, consequently, is also a co-applicant.

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

As currently contemplated, following the proposed transaction, Naperville's members ("Members") will enter into an amended and restated operating agreement ("Operating Agreement").

It is anticipated that the business and affairs of Naperville will be managed by a board of seven (7) managers ("Board of Managers"). One (1) Manager will be appointed by SCA-Naperville, one (1) manager will be appointed by Evangelical, and the remaining five (5) Managers on the Board of Managers will be appointed by DMGPMS.

Managers are not required to be a resident of any particular state. The Managers shall only act collectively as the Board of Managers and no individual Manager shall have the right or authority to act independently on behalf of Naperville unless prior approval or authorization has been given by the Board of Managers.

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.

There are no 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.