10-049

ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: The University of Chicago Cancer Center at Silver Cross Hospital		
Street Address: 1850 Silver Cross Boulevard		
City and Zip Code: New Lenox, Illinois 60451		
County: Will	Health Service Area: 009	Health Planning Area: 009

Applicant /Co-Applicant Identification

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

Exact Legal Name: Silver Cross Hospital & Medical Centers
Address: 1200 Maple Road, Joliet, Illinois 60432
Name of Registered Agent: Paul Pawlak
Name of Chief Executive Officer: Paul Pawlak
CEO Address: 1200 Maple Road, Joliet, Illinois 60432
Telephone Number: (815) 740-7000

Type of Ownership of Applicant/Co-Applicant

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

RECEIVED
JUL 26 2010
HEALTH FACILITIES & SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: The University of Chicago Cancer Center at Silver Cross Hospital		
Street Address: 1850 Silver Cross Boulevard		
City and Zip Code: New Lenox, Illinois 60451		
County: Will	Health Service Area: 009	Health Planning Area: 009

Applicant /Co-Applicant Identification

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

Exact Legal Name: Silver Cross Health System
Address: 1200 Maple Road, Joliet, Illinois 60432
Name of Registered Agent: Paul Pawlak
Name of Chief Executive Officer: Paul Pawlak
CEO Address: 1200 Maple Road, Joliet, Illinois 60432
Telephone Number: (815) 740-7000

Type of Ownership of Applicant/Co-Applicant

☒	Non-profit Corporation	☐	Partnership		
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Facility/Project Identification

Facility Name: The University of Chicago Cancer Center at Silver Cross Hospital
Street Address: 1850 Silver Cross Boulevard
City and Zip Code: New Lenox, Illinois 60451
County: Will Health Service Area: 009 Health Planning Area: 009

Applicant Identification

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

Exact Legal Name: The University of Chicago Medical Centers
Address: 5841 South Maryland Avenue, Chicago, Illinois 60637
Name of Registered Agent: John Satalic
Name of Chief Executive Officer: Dr. Everett E. Vokes
CEO Address: 5841 South Maryland Avenue, Chicago, Illinois 60637
Telephone Number: (773) 702-6240

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Facility/Project Identification

Facility Name: The University of Chicago Cancer Center at Silver Cross Hospital
Street Address: 1850 Silver Cross Boulevard
City and Zip Code: New Lenox, Illinois 60451
County: Will Health Service Area: 009 Health Planning Area: 009

Applicant Identification

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

Exact Legal Name: UCMC/SCH Oncology JV, LLC
Address: 1850 Silver Cross Boulevard
Name of Registered Agent: Edward J. Green, Esq.
Name of Chief Executive Officer: William Brownlow, Member
CEO Address: 1200 Maple Road, Joliet, Illinois 60432
Telephone Number: 815-740-7028

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☒ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: Edward J. Green, Esq.
Title: Attorney
Company Name: Foley & Lardner, LLP
Address: 321 North Clark Street, Suite 2800, Chicago, Illinois 60654
Telephone Number: (312) 832-4375
E-mail Address: egreen@foley.com
Fax Number: (312) 832-4700

Additional Contact

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

Name: Ruth Colby
Title: Senior Vice President, Chief Strategy Officer
Company Name: Silver Cross Hospital & Medical Centers
Address: 1200 Maple Road, Joliet, Illinois 60432
Telephone Number: (815) 740-7002
E-mail Address: rcolby@silvercross.org
Fax Number: (815) 740-7047

Additional Contact

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

Name: John R. Beberman
Title: Director of Capital Budget & Control
Company Name: The University of Chicago Medical Centers
Address: 805 East 85th Street, Room 430
Telephone Number: 773-702-1246
E-mail Address: john.beberman@uchospitals.com
Fax Number: 773-702-8148

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**

Name: Sara Jackson
Title: Director, Business Intelligence
Company Name: Silver Cross Hospital & Medical Centers
Address: 1200 Maple Road, Joliet, Illinois 60432
Telephone Number: (815) 740-1234 Ext. 7544
E-mail Address: sjackson@silvercross.org
Fax Number: (815) 774-4882

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Silver Cross Hospital & Medical Centers
Address of Site Owner: 1200 Maple Road, Joliet, Illinois 60432
Street Address or Legal Description of Site: 1850 Silver Cross Boulevard, New Lenox, Illinois 60451 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Silver Cross Hospital & Medical Centers. There is no license associated with this Project

Address: 1200 Maple Road, Joliet, Illinois 60432

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: The University of Chicago Medical Centers. There is no license associated with this Project

Address: 5841 South Maryland Avenue, Chicago, Illinois 60637

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Exact Legal Name: UCMC/SCH Oncology JV, LLC. There is no license associated with this Project.

Address: 1850 Silver Cross Boulevard, New Lenox, Illinois 60451

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Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (**http://www.hfsrb.illinois.gov**).

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
☐ Substantive	☐ Part 1120 Not Applicable
☒ Non-substantive	☐ Category A Project
	☒ Category B Project
	☐ DHS or DVA Project

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Silver Cross Hospital & Medical Centers (the "Silver Cross Hospital"), Silver Cross Health System (the "Silver Cross System," and collectively with Silver Cross Hospital, "Silver Cross"), The University of Chicago Medical Center (the "UCMC"), and UCMC/SCH Oncology JV, LLC (the "Joint Venture, and collectively with Silver Cross and UCMC, the "Applicants") seek authority from the Illinois Health Facilities & Services Review Board (the "Board") to develop and jointly operate an outpatient cancer treatment center (the "Cancer Center") and to lease approximately 19,675 rentable square feet of space for the Cancer Center (the "Project") in a medical office building to be developed, constructed and owned by New Lenox POB II LLC (the "Developer" or the "Landlord") on Silver Cross' replacement hospital campus in New Lenox, Illinois. The Cancer Center's street address will be 1850 Silver Cross Boulevard, New Lenox, Illinois 60451.

The Cancer Center will have two service lines – an infusion/chemotherapy service line and a radiation oncology service line. The infusion/chemotherapy center (the "Infusion/Chemotherapy Center & Oncology Clinic") will be the operated by UCMC as a "provider based" outpatient clinic of UCMC pursuant to 42 CFR §413.65. All of the services at the Infusion/Chemotherapy Center & Oncology Clinic will be provided by, and billed by, UCMC. UCMC will lease 8,734 rentable square feet of space in the Cancer Center to house the Infusion/Chemotherapy Center & Oncology Clinic. UCMC will not spend more than the capital expenditure threshold to build out, equip and rent the Infusion/Chemotherapy Center & Oncology Clinic. UCMC will not need a new license to operate the Infusion/Chemotherapy Center & Oncology Clinic. Rather, because the Infusion/Chemotherapy Center & Oncology Clinic will be a "provider based" outpatient clinic of UCMC pursuant to 42 CFR §413.65, the infusion/chemotherapy services will fall under UCMC's acute care hospital license.

The radiation oncology clinic (the "Radiation Oncology Clinic") will be operated by the Joint Venture. Silver Cross owns 60% of the units in the Joint Venture. UCMC owns 40% of the units in the Joint Venture. Silver Cross will "control" the Joint Venture. Silver Cross will bill all third party payors (including Medicaid and Medicare) for the technical services provided at the Radiation Oncology Clinic under the "joint venture, provider based" rules. See 42 CFR §413.65(f). The Joint Venture will lease 8,253 rentable square feet of space in the Cancer Center for the Radiation Oncology Clinic. The Joint Venture will not spend more than the capital expenditure threshold to build out, equip and rent the Radiation Oncology Clinic. The Joint Venture will not need a new license to operate the Radiation Oncology Clinic. Rather, because the Radiation Oncology Clinic will be a "joint venture, provider based" outpatient clinic of Silver Cross pursuant to 42 CFR §413.65(f), the technical portion of the radiation oncology services will fall under Silver Cross' acute care hospital license.

UCMC and the Joint Venture will also lease 2,688 rentable square feet of common area and shared space in the Cancer Center.

Thus, to be clear, UCMC and the Joint Venture: (1) will not spend more than the capital expenditure threshold to build out, equip and rent their respective clinics; and (2) will not require a license to operate their respective clinics.

Indeed, the Applicants have only filed this Application because, in the aggregate, UCMC and the Joint Venture will spend more than the capital expenditure threshold to build out, equip and rent both the Infusion/Chemotherapy Center & Oncology Clinic and the Radiation Oncology Clinic inside the Cancer Center.

Pursuant to Section 1110.40(b) of the Illinois Administrative Code, the Project is considered "Non-Substantive" because it involves the construction of a medical office building/clinic and other non-inpatient space. The Project is subject to review under Section 1110 and Section 1120 of the Illinois Administrative Code.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts (Build Out Costs)	$2,330,822.31	$1,628,677.69	$3,959,500.00
Modernization Contracts			
Contingencies	$233,082.23	$162,867.77	$395,950.00
Architectural/Engineering Fees	$178,954.41	$125,045.59	$304,000.00
Consulting and Other Fees	$88,299.87	$61,700.13	$150,000.00
Movable or Other Purchased Equipment (not in construction contracts)	$3,359,573.00	$348,414.00	$3,707,987.00
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space (discounted value of 20 year space leases)	$4,946,776.45	$3,456,593.14	$8,403,369.59
Fair Market Value of Leased Equipment	$4,700,605.00		$4,700,605.00
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$15,838,113.27**	**$5,783,298.32**	**$21,621,411.59**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$5,032,531.82	$1,517,405.18	$6,549,937.00
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Fair Market Value of Space Leases	$4,946,776.45	$3,456,593.14	$8,403,369.59
Fair Market Value of Equipment Leases	$4,700,605.00		$4,700,605.00
Governmental Appropriations			
Grants			
Other Funds and Sources (Tenant Improvement Allowance from Owner)	$1,158,200.00	$809,300.00	$1,967,500.00
TOTAL SOURCES OF FUNDS	**$15,838,113.27**	**$5,783,298.32**	**$21,621,411.59**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ _____.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): January 31, 2013

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
☒ Project obligation will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

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

Cost Space Requirements

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

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
Radiation Oncology Clinic	$12,139,813.91		8,253	8,253			
Infusion/Chemotherapy Clinic	$7,676,461.26		8,734	8,734			
Common/Shared Areas	$1,805,136.42		2,688	2,688			
Total	**$21,621,411.59**		**19,675**	**19,675**			

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Silver Cross Hospital **	CITY: 1200 Maple Road, Joliet, Illinois				
REPORTING PERIOD DATES:	From: 3/1/2009		to: 2/28/2010		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	184	12,124	50,921	0	184
Obstetrics	26	1,799	4,859	0	26
Pediatrics	39	562	1,673	0	39
Intensive Care	18	1,071	4,448	0	18
Comprehensive Physical Rehabilitation	17	338	3,816	0	17
Acute/Chronic Mental Illness	20	837	3,992	0	20
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other	0	0	0	0	0
TOTALS:	304	16,731	69,709	0	304

** The authorized beds set forth in the above chart reflect the number of authorized beds at the Hospital's existing campus in Joliet, Illinois. On July 1, 2008, the Hospital received a permit to construct a replacement hospital (the "Replacement Hospital") in New Lenox, Illinois (Project No. 07-148). The above chart does not reflect the number of authorized beds at the Replacement Hospital, i.e., 289 total beds, which are allocated as follows: 194 medical/surgical beds, 30 obstetrics beds, 8 pediatrics beds, 22 intensive care beds, 15 comprehensive rehabilitation beds, and 20 acute mental illness beds.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: The University of Chicago Medical Centers		**CITY: Chicago, Illinois**			
REPORTING PERIOD DATES:		**From: 3/1/2009**		**to: 2/28/2010**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	300	14,708	79,177	0	300
Obstetrics	46	2,085	7,230	0	46
Pediatrics	61	3,365	15,929	0	61
Intensive Care	114	3,790	26,026	0	114
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	0	0	0	0	0
Neonatal Intensive Care	47	716	14,128	0	47
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other	0	0	0	0	0
TOTALS:	568	24,664	142,490	0	568

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: UCMC/SCH Oncology JV, LLC (Not Applicable)	**CITY: New Lenox, Illinois**
REPORTING PERIOD DATES:	**From: to: (Not Applicable)**

Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other					
TOTALS:					

CERTIFICATION

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

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

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

SIGNATURE

Paul Pawlak
PRINTED NAME

President & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July 2010

Signature of Notary

Seal

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

SIGNATURE

William Brownlow
PRINTED NAME

Senior VP Finance/CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July 2010

Signature of Notary

Seal

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

*Insert EXACT legal name of the applicant

CERTIFICATION

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

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SIGNATURE

Paul Pawlak
PRINTED NAME

President & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July 2010
Denise L Tatgenhorst

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

SIGNATURE

William Brownlow
PRINTED NAME

Senior VP Finance/CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July 2010
Denise L Tatgenhorst

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

*Insert EXACT legal name of the applicant

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

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

SIGNATURE

Kenneth J. Sharigian
PRINTED NAME

President
PRINTED TITLE

Notarization: Deborah M. Lewis
Subscribed and sworn to before me
this 16 day of July 2010

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/18/2013

SIGNATURE

Lawrence J. Furnstahl
PRINTED NAME

Chief Financial & Strategy Officer
PRINTED TITLE

Notarization: Deborah M. Lewis
Subscribed and sworn to before me
this 16th day of July 2010

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/18/2013

*Insert EXACT legal name of the applicant

CERTIFICATION

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

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

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

SIGNATURE

William Brownlow
PRINTED NAME

Member
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July 2010

Denise L Tatgenhorst

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

SIGNATURE

Kenneth Sharigian
PRINTED NAME

Member
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of _____

*Insert EXACT legal name of the applicant

CERTIFICATION

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

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

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

SIGNATURE

William Brownlow
PRINTED NAME

Member
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 16 day of July 2010

SIGNATURE

Kenneth Sharigian
PRINTED NAME

Member
PRINTED TITLE

Notarization: Deborah M. Lewis
Subscribed and sworn to before me
this 16 day of July 2010

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/18/2013

*Insert EXACT legal name of the applicant

SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate.**

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following::

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

   c. The project involves the conversion of existing space that results in excess square footage.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD?**
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

ASSURANCES:

Submit the following:

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

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

R. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

:

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.		

☐

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

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

VIII. - 1120.120 - Availability of Funds

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

$6,549,937.00	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$8,403,369.59 (Fair Market value of Space Leases) $4,700,605.00 (Fair Market Value of Equipment Leases) (See attached Certifications and Affidavits at ATTACHMENT 39)	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
1,967,500.00	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. **(Tenant Improvement Allowance from Owner. See attached.)**
21,621,411.59	**TOTAL FUNDS AVAILABLE**	

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

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

Financial Viability Waiver

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

1. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
4. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

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

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (Projected)**
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

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

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	**Year**	**Year**
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section I
Attachment 1
Applicant Identification

The Certificates of Good Standing for Silver Cross Hospital & Medical Centers ("Silver Cross Hospital"), Silver Cross Health System ("Silver Cross System," collectively with Silver Cross Hospital, "Silver Cross"), The University of Chicago Medical Centers ("UCMC"), and UCMC/SCH Oncology JV LLC (the "Joint Venture," and collectively with Silver Cross and the Joint Venture, the "Applicants") are attached at ATTACHMENT 1.

File Number 0548-203-8

STATE OF ILLINOIS

OFFICE OF THE 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

SILVER CROSS HOSPITAL AND MEDICAL CENTERS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 16, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800384

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

File Number 5257-283-5

STATE OF ILLINOIS

OFFICE OF THE 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

SILVER CROSS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 19, 1981, 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* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800386

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

File Number 5439-757-7

STATE OF ILLINOIS

OFFICE OF THE 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

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, 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* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800352

Authenticate at: http://www.cyberdriveillinois.com

File Number 0325015-6

STATE OF ILLINOIS

OFFICE OF THE 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

UCMC/SCH ONCOLOGY JV, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MARCH 22, 2010, 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* 16TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019701312

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

Section I
Attachment 2
Site Ownership

Silver Cross currently owns the site parcel (the "Site Parcel") upon which the Cancer Center will sit. Upon approval of this Project by the Board, Silver Cross will enter into a Ground Lease with New Lenox POB II LLC, the Developer, for the Site Parcel. A Certification from William Brownlow setting forth Silver Cross' ownership in the Site Parcel and in support of this Criterion is attached at ATTACHMENT 2.

The legal description of the Site Parcel is as follows:

THAT PORTION OF THE WEST HALF OF THE SOUTHWEST QUARTER OF SECTION 4, TOWNSHIP 35 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, COMMENCING AT THE NORTHWEST CORNER OF SECTION 4, TOWNSHIP 35, RANGE 11 EAST; THENCE SOUTH 01 DEGREE 39 MINUTES 30 SECONDS EAST 1491.59 FEET, ALONG THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 4-35-11; THENCE NORTH 88 DEGREES 20 MINUTES 30 SECONDS EAST 319.21 FEET, TO THE POINT OF BEGINNING; THENCE 88 DEGREES 16 MINUTES 39 SECONDS EAST 29.99 FEET; THENCE NORTH 01 DEGREE 43 MINUTES 21 SECONDS WEST 37.61 FEET; THENCE NORTH 44 DEGREES 47 MINUTES 03 SECONDS EAST 6.89 FEET; THENCE NORTH 88 DEGREES 26 MINUTES 54 SECONDS EAST 91.70 FEET; THENCE SOUTH 46 DEGREES 32 MINUTES 58 SECONDS EAST 7.09 FEET; THENCE SOUTH 01 DEGREE 43 MINUTES 21 SECONDS EAST 37.05 FEET; THENCE NORTH 88 DEGREES 16 MINUTES 39 SECONDS EAST 90.80 FEET; THENCE SOUTH 01 DEGREE 38 MINUTES 29 SECONDS EAST 137.68 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 90.69 FEET; THENCE NORTH 46 DEGREES 39 MINUTES 10 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 11.00 FEET; THENCE SOUTH 43 DEGREES 20 MINUTES 50 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 111.01 FEET; THENCE NORTH 01 DEGREE 32 MINUTES 53 SECONDS WEST 137.41 FEET, TO THE POINT OF BEGINNING CONSISTING OF 0.800 ACRES IN WILL COUNTY, ILLINOIS

Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner

2006, 2007, 2008

July 16, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Certification of Corporate Ownership of Site Parcel

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

1. Silver Cross Hospital and Medical Centers ("Silver Cross") owns the property commonly known as 1850 Silver Cross Boulevard, New Lenox, Illinois (the "Site Parcel"), and legally described as follows:

THAT PORTION OF THE WEST HALF OF THE SOUTHWEST QUARTER OF SECTION 4, TOWNSHIP 35 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, COMMENCING AT THE NORTHWEST CORNER OF SECTION 4, TOWNSHIP 35, RANGE 11 EAST; THENCE SOUTH 01 DEGREE 39 MINUTES 30 SECONDS EAST 1491.59 FEET, ALONG THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 4-35-11; THENCE NORTH 88 DEGREES 20 MINUTES 30 SECONDS EAST 319.21 FEET, TO THE POINT OF BEGINNING; THENCE 88 DEGREES 16 MINUTES 39 SECONDS EAST 29.99 FEET; THENCE NORTH 01 DEGREE 43 MINUTES 21 SECONDS WEST 37.61 FEET; THENCE NORTH 44 DEGREES 47 MINUTES 03 SECONDS EAST 6.89 FEET; THENCE NORTH 88 DEGREES 26 MINUTES 54 SECONDS EAST 91.70 FEET; THENCE SOUTH 46 DEGREES 32 MINUTES 58 SECONDS EAST 7.09 FEET; THENCE SOUTH 01 DEGREE 43 MINUTES 21 SECONDS EAST 37.05 FEET; THENCE NORTH 88 DEGREES 16 MINUTES 39 SECONDS EAST 90.80 FEET; THENCE SOUTH 01 DEGREE 38 MINUTES 29 SECONDS EAST 137.68 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 90.69 FEET; THENCE NORTH 46 DEGREES 39 MINUTES 10 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 11.00 FEET; THENCE SOUTH 43 DEGREES 20 MINUTES 50 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 111.01 FEET; THENCE NORTH 01 DEGREE 32 MINUTES 53 SECONDS WEST 137.41 FEET, TO THE POINT OF BEGINNING CONSISTING OF 0.800 ACRES IN WILL COUNTY, ILLINOIS

2. If the Illinois Health Facilities & Services Review Board approves that certain certificate of need project (the "Project") known as "The University of Chicago Cancer Center at Silver Cross Hospital," that Silver Cross will enter into a Ground Lease with New Lenox POB II LLC (the "Developer") so the Developer can develop and construct the Cancer Center Building described in the Project.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 19 day
of July, 2010.
Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

ATTACHMENT
2

Section I
Attachment 3
Operating Entity/Licensee

There are no licenses associated with this Project.

The Certificates of Good Standing for the Applicants are attached at ATTACHMENT 3.

File Number 0548-203-8

STATE OF ILLINOIS

OFFICE OF THE 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

SILVER CROSS HOSPITAL AND MEDICAL CENTERS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 16, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800384

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 3

File Number 5257-283-5

STATE OF ILLINOIS

OFFICE OF THE 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

SILVER CROSS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 19, 1981, 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* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800386

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 3

File Number 5439-757-7

STATE OF ILLINOIS

OFFICE OF THE 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

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, 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* 17TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019800352

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 3

File Number 0325015-6

STATE OF ILLINOIS

OFFICE OF THE 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

UCMC/SCH ONCOLOGY JV, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MARCH 22, 2010, 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* 16TH *day of* JULY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1019701312

Authenticate at: http://www.cyberdriveillinois.com

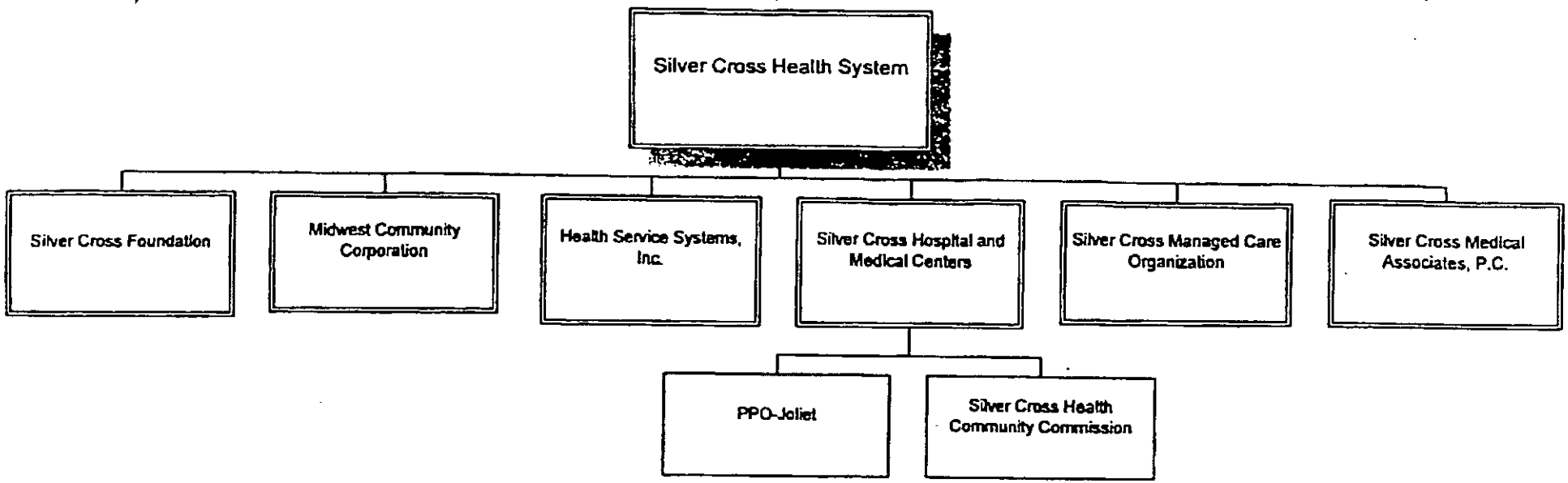
ATTACHMENT 3

Section I
Attachment 4
Organizational Relationships

The organizational chart for Silver Cross is attached at ATTACHMENT 4

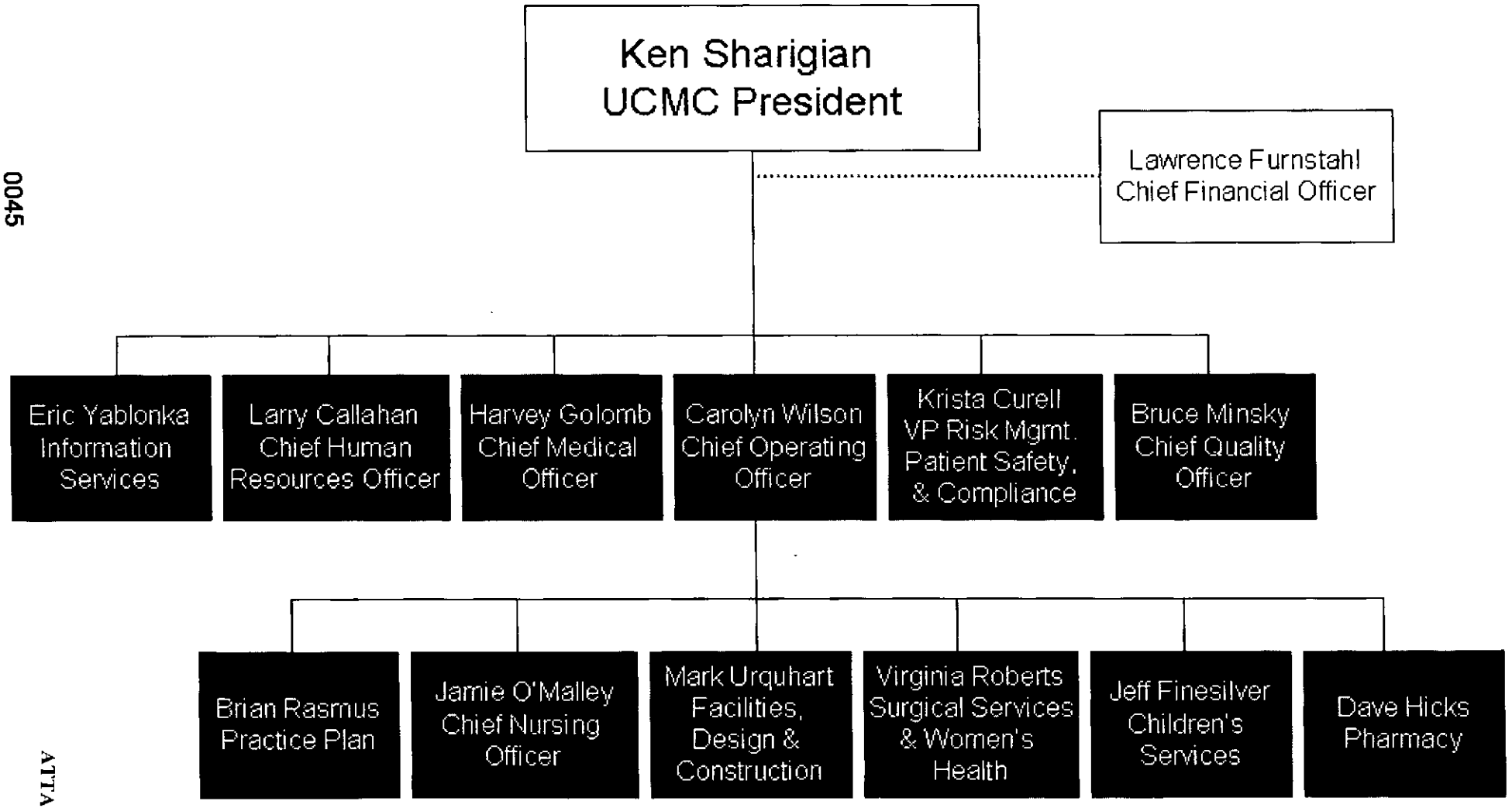
The organizational chart for UCMC is attached at ATTACHMENT 4.

Silver Cross and UCMC have organized the Joint Venture to operate the Radiation Oncology Clinic. Silver Cross owns 60% of the Joint Venture. UCMC owns 40% of the Joint Venture. UCMC and Silver Cross have agreed to capitalize and guarantee their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project.



ATTACHMENT 4

UCMC Organizational Structure



0045

ATTACHMENT 4

THE UNIVERSITY OF CHICAGO MEDICAL CENTER & BIOLOGICAL SCIENCES

Section I
Attachment 5
Flood Plain Requirements

Attached at ATTACHMENT 5 is documentation from the Illinois Department of Natural Resources, Illinois State Water Survey, with respect to compliance with the Flood Plain requirements under Executive Order #5 (2006) (which superseded and replaced Executive Order #4 (1979)). An Affidavit from William Brownlow attesting to the fact that the Site Parcel is not in a flood plain is also attached at ATTACHMENT 5.

Illinois Department of
Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271
http://dnr.state.il.us

Pat Quinn, Governor
Marc Miller, Acting Director

Special Flood Hazard Area Determination

Pursuant to Governor's Executive Order 5 (2006)

(Supersedes Governor's Executive Order 4 (1979))

In brief, Executive Order 5 (2006) requires that State agencies which plan, promote, regulate, or permit activities, as well as those which administer grants or loans in the State's floodplain areas, must ensure that all projects meet the standards of the State floodplain regulations or the National Flood Insurance Program (NFIP), whichever is more stringent. These standards require that new or substantially improved buildings as well as other development activities be protected from damage by the 100-year flood. Critical facilities, as described in the Executive Order, must be protected to the 500-year flood elevation. In addition, no construction activities in the floodplain may cause increases in flood heights or damages to other properties.

Requester: Sara Jackson , Director Business Intelligence, Silver Cross Hospital

Address: 1200 Maple Road

City, state, zip code: Joliet, Illinois, 60432

Project Description: Replacement hospital campus, Lenox, Illinois

Site address or location: Southeast corner of Route 6 and Clinton Street

City, state, zip code: New Lenox, Illinois

County: Will Flood Map Panel: 190 Map Date: 09/06/1995

Floodplain Determination

[x] The property described above is **NOT** located within a 100-year or 500-year floodplain.

[ ] The property described above is located within a 100-year floodplain. Further plan review required.

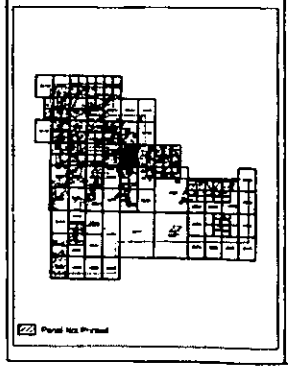
[ ] Critical facility site located within 500-year floodplain. Further plan review required.

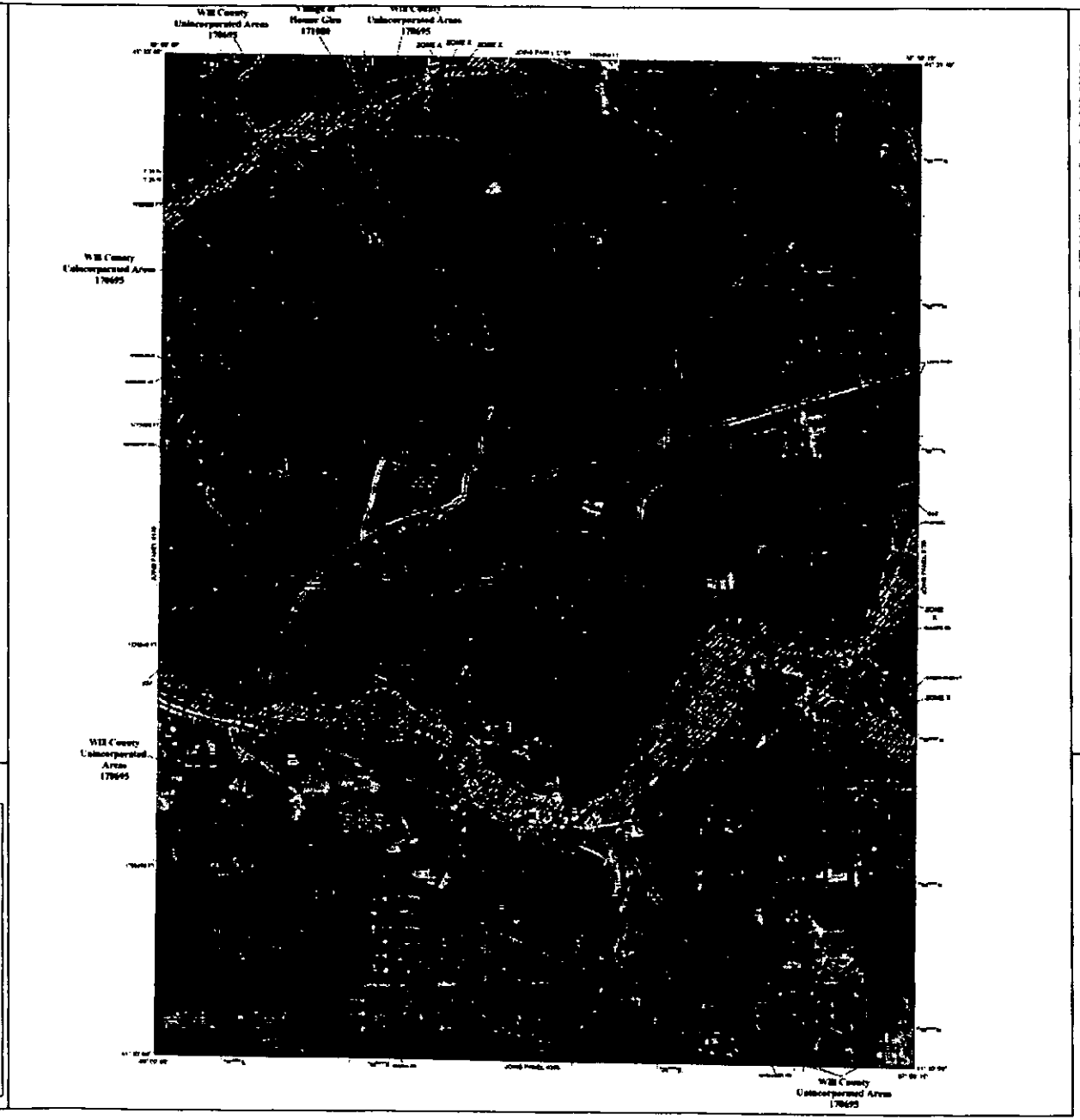
Note: This determination is based on the effective Federal Emergency Management Agency (FEMA) flood hazard map for the community. This letter does not imply that the referenced property will or will not be free from flooding or flood damage. Questions concerning this determination may be directed to the Illinois DNR Office of Water Resources at (217) 782-3863.

Reviewed by: _____ Date 5/25/2009

NOTES TO USERS

PANEL INDEX





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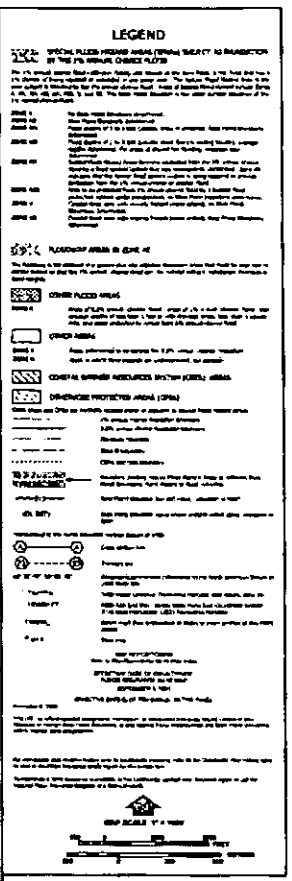
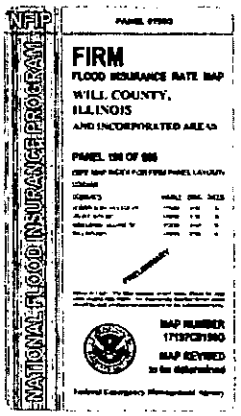




Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner 2006, 2007, 2008

July 16, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Certification That Site Parcel Is Not In 500-Year Flood Plain & Compliance with Illinois Executive Order #5

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

1. Silver Cross Hospital and Medical Centers ("Silver Cross") owns the property commonly known as 1850 Silver Cross Boulevard, New Lenox, Illinois (the "Site Parcel"), and legally described as follows:

THAT PORTION OF THE WEST HALF OF THE SOUTHWEST QUARTER OF SECTION 4, TOWNSHIP 35 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, COMMENCING AT THE NORTHWEST CORNER OF SECTION 4, TOWNSHIP 35, RANGE 11 EAST; THENCE SOUTH 01 DEGREE 39 MINUTES 30 SECONDS EAST 1491.59 FEET, ALONG THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 4-35-11; THENCE NORTH 88 DEGREES 20 MINUTES 30 SECONDS EAST 319.21 FEET, TO THE POINT OF BEGINNING; THENCE 88 DEGREES 16 MINUTES 39 SECONDS EAST 29.99 FEET; THENCE NORTH 01 DEGREE 43 MINUTES 21 SECONDS WEST 37.61 FEET; THENCE NORTH 44 DEGREES 47 MINUTES 03 SECONDS EAST 6.89 FEET; THENCE NORTH 88 DEGREES 26 MINUTES 54 SECONDS EAST 91.70 FEET; THENCE SOUTH 46 DEGREES 32 MINUTES 58 SECONDS EAST 7.09 FEET; THENCE SOUTH 01 DEGREE 43 MINUTES 21 SECONDS EAST 37.05 FEET; THENCE NORTH 88 DEGREES 16 MINUTES 39 SECONDS EAST 90.80 FEET; THENCE SOUTH 01 DEGREE 38 MINUTES 29 SECONDS EAST 137.68 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 90.69 FEET; THENCE NORTH 46 DEGREES 39 MINUTES 10 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 11.00 FEET; THENCE SOUTH 43 DEGREES 20 MINUTES 50 SECONDS WEST 7.07 FEET; THENCE SOUTH 88 DEGREES 20 MINUTES 50 SECONDS WEST 111.01 FEET; THENCE NORTH 01 DEGREE 32 MINUTES 53 SECONDS WEST 137.41 FEET, TO THE POINT OF BEGINNING CONSISTING OF 0.800 ACRES IN WILL COUNTY, ILLINOIS

2. The Site Parcel is not located within a 100-year or a 500-year floodplain and that any construction on the Site Parcel would, thus, be in compliance with Illinois Executive Order #5 (2006) which mandates that critical facilities must be protected to the 500-year floodplain elevation.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 19 day
of July, 2010.
Denise L Tatgenhorst
Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

ATTACHMENT
5

Section I
Attachment 6
Historic Resources Preservation Act Requirements

Attached at ATTACHMENT 6 is documentation from the Illinois Historical Preservation Agency regarding compliance with the requirements of the Illinois Historic Resources Preservation Act.

Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Will County
Joliet
CON - New Construction, Freestanding Health Care Facility
1200 Maple Road
IHPA Log #009060309

June 15, 2009

Sara Jackson
Silver Cross Hospital
1200 Maple Rd.
Joliet, IL 60432

Dear Ms. Jackson:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

Section I
Attachment 7
Project Costs & Sources of Funds

Attached at ATTACHMENT 7 are the following items:

1. Equipment Summary for the Project.

2. Letter of Intent Between the Applicants & the Developer Regarding the Space Leases for the Project.

3. Affidavits from the Applicants certifying Fair Market Value Calculations for Space Leases For the Project.

SCH/UCMC CANCER CENTER
EQUIPMENT SUMMARY

Radiation Oncology		
Linear Accelerator	$3,812,401	Lease
CT for Simulation	888,204	Lease
Information Technology	396,240	Purchase
Treatment Planning/Dossimetry	737,776	Purchase
Physics	138,791	Purchase
Exam/Nurses Station	90,145	Purchase
Support	683,925	Purchase
Radiation Oncology Total	$6,597,481	
Infusion Therapy		
Infusions Bays/Rooms	$792,304	Purchase
Exam/Nurses Station	487,841	Purchase
Other Clinical	68,062	Purchase
Support	612,905	Purchase
Infusion Therapy Total	$1,811,111	
Grand Total	$8,408,592	

HSA COMMERCIAL REAL ESTATE | PRIMECARE

July 9, 2010

Mr. Andrew J. Davidson
Executive V.P./Managing Director
Mr. Jay Beadle
Senior Vice President
MB Real Estate
181 West Madison, Suite 3900
Chicago, Illinois 60602

Re: University of Chicago Medical Center / Silver Cross Cancer Center

Dear Andrew and Jay:

Attached is the revised terms letter for the above referenced transaction. Please let us know if you have any questions.

Sincerely,

John O. Wilson
President
312.458.4424
jwilson@hsacommercial.com

Robert L. Titzer
Executive Vice President
312.458.4468
rtitzer@hsacommercial.com

cc: Bill Brownlow – Silver Cross
Dan Miranda – HSA

Lease Terms

Building: A newly constructed two-story building located on the campus of the Silver Cross replacement hospital in New Lenox, Illinois, consisting of approximately 19,675 rentable square feet (RSF).

Address: 1850 Silver Cross Boulevard, New Lenox, Illinois 60451

Premises:

Floor 2 (Med oncology)	10,116 RSF
Floor 1 (Radiation oncology)	9,559 RSF
Total	19,675 RSF

Square footage allocations are subject to revision based on refinement of architectural plans.

Lease Type: Conventional net lease commonly used for multi-tenant medical office buildings with full service property management, same lease form as in the 1870 Building.

Initial Lease Term: Twenty (20) years

Landlord: New Lenox POB II, LLC

Tenants / Rental Rates:

Floor 2 (Med oncology) 10,116 RSF
The University of Chicago Medical Center (UCMC)
In the event that UCMC discontinues operations at the facility, after the end of the 10th lease year, Landlord will consent to an assignment of UCMC's interests and obligations under this lease to Silver Cross Hospital wherein UCMC would be relieved of any further obligations under the lease.

Net Rental Rate: Initial net base rent for the 2nd floor will be **$36.20/RSF** or $366,201 per annum.

Floor 1 (Radiation oncology) 9,559 RSF
A joint venture consisting of UCMC and Silver Cross Hospital (SCH)
This lease will be guaranteed jointly and severally by both UCMC and SCH for the term and any subsequent renewals, however, in the event that UCMC discontinues operations at the facility, UCMC will have the option to terminate its guarantee after the end of the 10th lease year.

Net Rental Rate: Initial net base rent for the 1st floor will be **$40.06/RSF** or $382,917 per annum.

The rent allocated to UCMC under the JV will be $146,327 or $38.27/RSF per the attached breakdown.
The rent allocated to SCH under the JV will be $236,590 or $41.25/RSF per the attached breakdown.

Use: Cancer treatment center, subject to the Silver Cross ground lease use restrictions, a copy of which is attached as Exhibit 8.2.

Commencement: The following target dates have been established:

Groundbreaking:	Fall / Winter 2010
Building opening:	Spring 2012

Base Rent Escalation: Base Rent will escalate at the rate of **1.75%** per annum at each lease anniversary.

Real Estate Taxes & Operating Expenses: Tenant will be exclusively responsible for all real estate taxes and operating expenses connected with the building over the term of the lease. This will include a pro-rata share of campus common area expenses (i.e. landscaping, snow removal, parking maintenance, etc.)

Landlord will be responsible for replacement of roof and structure with general R&M of these items to be included in operating expenses.

Operating expenses will include a property management fee to HSA Commercial Real Estate in the amount of 3.5% of gross rental receipts for property management services provided at the building.

SCH may receive real estate tax abatement in relation to its agreement to cover infrastructure costs such as intersection signalization. This abatement will go directly to SCH.

Tenant Allowances: Landlord shall provide a tenant improvement allowance pursuant to the attached budget in the amount of up to $100.00 per RSF or $1,967,500 over the 19,675 RSF Premises.

Subject to lender approval, an additional allowance of $50.00/RSF can be made available to Tenant. Tenant must notify Landlord on or before September 1, 2010, of its intention to request the additional allowance. In consideration, Base Rent will adjusted by $5.75/RSF.

Tenant will be solely responsible for costs in excess of the above stated allowances.

Programming and interior planning costs are the direct responsibility of Tenant although application for reimbursement of these costs can be made through the tenant improvement allowance after the lease is executed.

UCMC will be allowed to utilize their own contractor for construction of the interior improvements, subject to Landlord's reasonable approval.

Core & Shell Condition: Landlord shall deliver the Building to Tenant in accordance with the plans attached hereto.

Turnover:	UCMC shall have the right to enter the Premises at least one hundred eighty (180) days prior to the projected rent commencement to get the space ready for occupancy, with understanding that certain elements of the core and shell may not yet be complete. The parties will establish a mutually agreed upon schedule for access with the goal of allowing six months for completion of interior tenant improvements.
Pre-Development Costs:	Tenants will be directly responsible for interior programming and space planning costs with RTKL. Tenants will not be asked to share in costs for the base building prior to having the final rate set, however, in the event a lease is not executed, Tenants will be responsible for out-of-pocket planning, legal and testing costs associated with the project.
Change Orders:	Landlord will bear the risk of change orders not generated by Tenants, i.e., permit review, architectural omissions, etc. Tenants will be responsible for any tenant-requested change orders which will be reimbursed by Tenants plus a 4.75% administrative fee.
Lease Security:	No security deposit will be required subject to lender approval.
Sublease/Assign:	Due to the property's location as part of an integrated hospital campus, subleasing and assignment provisions will be developed within specific parameters to be further defined in the lease.
Relocation or Substitution Clause:	Landlord will have no right to relocate or substitute the Premises.
Expansion of the Premises:	Provision for expansion of the leased premises by up to 20,000 additional square feet will be handled in an agreement between HSA/SCH and UCMC separate from the Lease.
Renewal Option:	With twelve (12) months written notice to Landlord, Tenants shall have the right to renew for two (2), five (5)-year periods. The rental rate for this renewal shall be at the then-current market rate.
Signage:	Signage will be made available subject to conformance with standards established by Silver Cross for the hospital campus, and local codes. Interior signage will be provided on a building directory consistent with that being utilized from time to time on the hospital campus. A general signage allowance will be included in the base building budget.
Parking:	Parking is provided for all buildings on the hospital campus in common shared parking areas. The general parking ratio for the medical office facility will be approximately five spaces per thousand square feet (5:1,000).
Non-Disturbance Agreement:	Landlord shall provide a non-disturbance agreement from all lenders and ground lessors.

Brokers: UCMC is represented by MB Real Estate Services LLC. Landlord is represented by HSA Commercial Real Estate Inc. Landlord shall be responsible for payment of fees to the brokers as shown in the Preliminary Development Budget, paid half upon opening of the construction loan / half upon occupancy.

Confidentiality: UCMC and SCH must approve in writing all public announcements made by Landlord and Landlord's representatives and affiliates utilizing its name(s) or apprising the public of any lease made by it at the site.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

FINANCE AND STRATEGY

Lawrence J. Furnstahl
Chief Financial and Strategy Officer

MC 1111 Room S-107
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone 773.834.5354
fax 773.834-0970
lawrence.furnstahl@uchospitals.edu

July 16, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Fair Market Value of UCMC Space Lease

Dear Mr. Constantino:

New Lenox POB II LLC is the developer and landlord (the "Landlord") of The University of Chicago Cancer Center at Silver Cross Hospital (the "Cancer Center"), which will be constructed and located at 1850 Silver Cross Boulevard, New Lenox, Illinois 60451. I have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(6) and 1130.140. I am also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, I hereby certify the following:

1. On or about July 9, 2010, The University of Chicago Medical Centers (the "Hospital") and the Landlord negotiated the terms of a certain Medical Building Lease in the Cancer Center (the "Space Lease").

2. The Space Lease has a twenty (20) year term.

3. The Space Lease is contingent upon the Hospital receiving permission from the Board to enter into the Space Lease.

4. Under the terms of the Space Lease, the Hospital will lease 10,116 rentable square feet of space in the Cancer Center at an annual, blended rate of $36.20 per rentable square foot (the "Rent").

5. Under the terms of the Space Lease, the Rent will increase by one and three-quarters percent (1.75%) per year.

6. It is my belief that an eight (8%) discount rate is normal and customary.

7. Based on the foregoing, the fair market value of the Space Lease would be $4,107,826.37.

Sincerely,

By: Lawrence J. Furnstahl
Chief Financial & Strategy Officer

Subscribed and Sworn to before me
this 19 day of July, 2010

Deborah M. Lewis

Notary Public

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES

ATTACHMENT 7

UCMC/SCH Oncology JV, LLC

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Fair Market Value of Joint Venture Space Lease

Dear Mr. Constantino:

New Lenox POB II LLC is the developer and landlord (the "Developer") of The University of Chicago Cancer Center at Silver Cross Hospital (the "Cancer Center"), which will be constructed and located at 1850 Silver Cross Boulevard, New Lenox, Illinois 60451. I have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(6) and 1130.140. I am also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, I hereby certify the following:

1. On or about July 9, 2010, UCMC/SCH Oncology JV, LLC (the "Joint Venture") and the Developer negotiated the terms of a proposed Medical Building Lease in the Cancer Center (the "Space Lease").

2. The Space Lease has a twenty (20) year term.

3. The Space Lease is contingent upon the Joint Venture receiving permission from the Board to enter into the Space Lease.

4. Under the terms of the Space Lease, the Joint Venture will lease 9,559 rentable square feet of space in the Cancer Center at an annual, blended rate of $40.06 per rentable square foot (the "Rent").

5. Under the terms of the Space Lease, the Rent will increase by one and three-quarters percent (1.75%) per year.

6. It is my belief that an eight (8%) discount rate is normal and customary.

7. Based on the foregoing, the fair market value of the Space Lease would be $4,295,543.22.

Sincerely,

By: William Brownlow, Manager
UCMC/SCH Oncology JV, LLC

Subscribed and Sworn to before me
this 19 day of July, 2010

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

Section III
Attachment 11
Background of the Applicants

1. Silver Cross Hospital is a fully licensed, Medicare-certified, Joint Commission accredited, Illinois not-for-profit general hospital. Silver Cross Hospital owns and operates: (1) Silver Cross Renal Center – West, an end-stage renal dialysis center; (2) Silver Cross Renal Center – Morris, an end-stage renal dialysis center; and (3) Silver Cross Renal Center – Joliet, an end-stage renal dialysis center. The dialysis centers operate under Silver Cross Hospital's license number. Copies of the current licenses and Joint Commission accreditation for Silver Cross Hospital are attached at ATTACHMENT 11.

Silver Cross also owns and operates the Silver Cross Emergicare Center – a freestanding emergency center in Homer Glen, Illinois. A copy of the current license for the Silver Cross Emergicare Center is attached at ATTACHMENT 11.

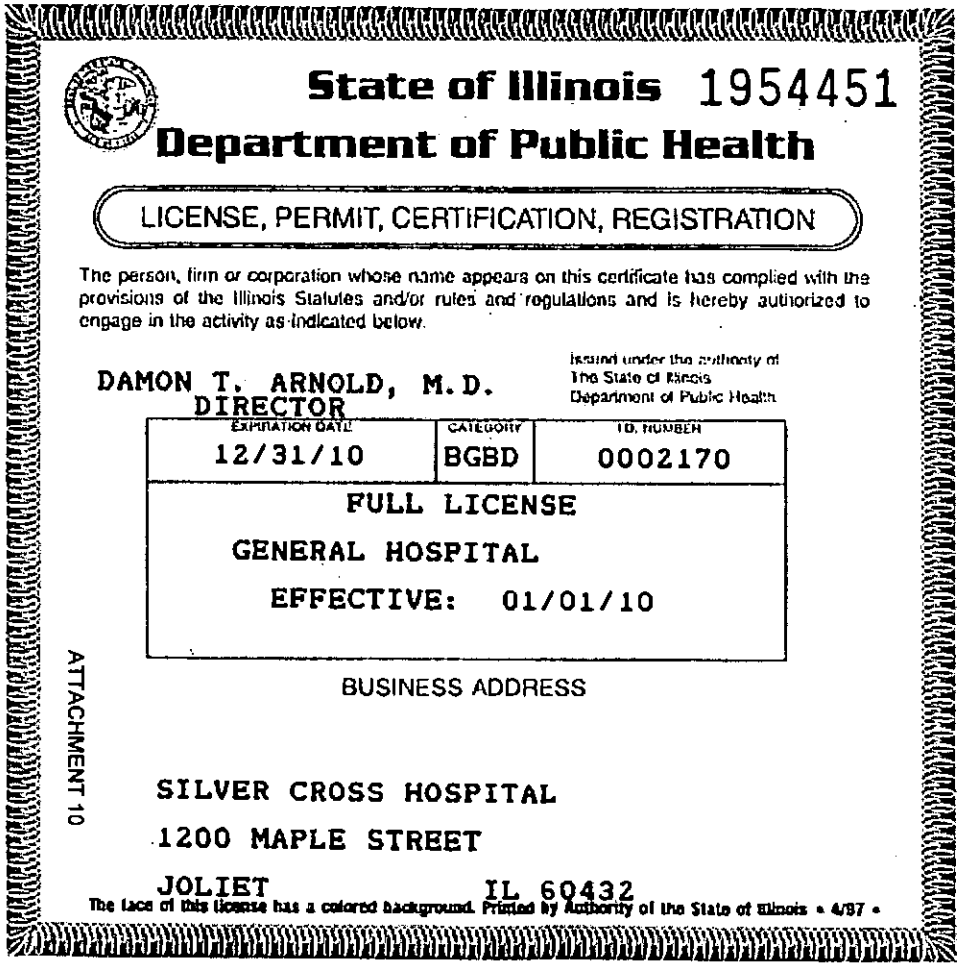
UCMC is a fully licensed, Medicare-certified, Joint Commission accredited, Illinois not-for-profit general hospital. A listing of the facilities owned and operated by UCMC is attached at ATTACHMENT 11. Copies of the current licenses and Joint Commission accreditation for UCMC are attached at ATTACHMENT 11.

The Joint Venture was organized for purposes of this Project.

2. No adverse actions have been taken against any facility owned and/or operated by the Applicants in the last three years. Letters certifying that information are attached at ATTACHMENT 11.

3. Authorization letters granting access to the Board and the Illinois Department of Public Health ("IDPH") to verify information about the Applicants are attached at ATTACHMENT 11.

4. Silver Cross filed a Certificate of Need Application on or about March 30, 2010, to relocate an existing dialysis center on its existing hospital campus in Joliet to its replacement hospital campus in New Lenox. That project is known as the "Silver Cross Renal Center" project and was assigned project number 10-020 (the "Renal Center CON"). Silver Cross has elected to complete all sections of this Application again – but to the extent any prior information is needed from the Renal Center CON, Silver Cross can attest that all of the information provided in the Renal Center CON is still accurate and valid.



State of Illinois 1954451

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	ID. NUMBER
12/31/10	BGBD	0002170

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/10

BUSINESS ADDRESS

SILVER CROSS HOSPITAL

1200 MAPLE STREET

JOLIET IL 60432

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

ATTACHMENT 10

0062

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 1954451

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

SILVER CROSS HOSPITAL

EXPIRATION DATE	CATEGORY	ID. NUMBER
12/31/10	BGBD	0002170

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/10

11/07/09

SILVER CROSS HOSPITAL
1200 MAPLE STREET

JOLIET IL 60432

FEE RECEIPT NO.

ATTACHMENT 11

Silver Cross Hospital

Joliet, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

March 15, 2008

Accreditation is customarily valid for up to 39 months.

David L. Nahrwold

David L. Nahrwold, M.D.
Chairman of the Board

7365
Organization ID #

Mark Chassin

Mark Chassin, M.D.
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

ATTACHMENT
11

The Joint Commission

June 26, 2008

Paul Pawlak
President and CEO
Silver Cross Hospital
1200 Maple Road
Joliet, IL 60432

Joint Commission ID #: 7365
Accreditation Activity: Evidence of Standards Compliance
Accreditation Activity Completed: 6/26/2008

Dear Mr. Pawlak:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Home Care
- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning March 15, 2008. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit Quality Check® on the Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that the Joint Commission will keep the report confidential, except as required by law. To ensure that the Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Linda S. Murphy-Knoll
Interim Executive Vice President
Division of Accreditation and Certification Operations

ATTACHMENT
11

State of Illinois 1525356
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

person, firm or corporation whose name appears on this certificate has complied with the-isions of the Illinois Statutes and/or rules and regulations and is hereby authorized to age in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
07/15/10	BGBD	22001

FULL LICENSE

FREESTANDING EMERGENCY CENTER

EFFECTIVE: 07/16/09

BUSINESS ADDRESS

SILVER CROSS EMERGICARE CENTER

12701 W. 143RD STREET

HOMER GLEN, IL 60491

face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

↓

State of Illinois 1525356
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION
SILVER CROSS EMERGICARE CENTER

EXPIRATION DATE	CATEGORY	I.D. NUMBER
07/15/10	BGBD	22001

FULL LICENSE

FREESTANDING EMERGENCY CENTER

EFFECTIVE: 07/16/09

07/17/09

SILVER CROSS EMERGICARE CENTER
12701 W. 143RD STREET
HOMER GLEN, IL 60491

FEE RECEIPT NO.

ATTACHMENT
11

BldgID	Building Name	Nickname	Year [1]	NASF	GSF [2]
A10	Rubloff ICU Tower	Rubloff	1983	29,251	69,202
A14	Surgery Brain Research Institute	SBRI	1977	96,214	207,885
A15	Abbott Hall	Abbott	1926	45,308	89,623
A16	Peck Pavilion	Peck	1961	66,794	132,155
A17	Wyler Children's Hospital	Wyler	1967	119,457	203,540
A18	Armour Clinical Research	Armour	1963	35,715	64,467
A19	Franklin McLean Institute	FMI	1953	47,763	112,255
A20	Goldblatt	Goldblatt	1950	37,682	76,659
A21	Hicks McElwee	Hicks	1931	30,783	56,221
A23	Billings	Billings	1927	233,722	468,644
A24	Bobs Roberts	Bobs	1930	38,527	75,633
A25	Gilman Smith	Gilman	1953	86,714	140,073
A26	Goldblatt Pavilion	GP	1961	16,273	30,758
A27	Chicago Lying-In	CLI	1931	93,476	170,221
A70	Parking Structure [4]	North	1973	1,168	1,168
A71	Mitchell Hospital	Mitchell	1983	221,724	397,094
A72	MRI Facility	MRI	1986	16,714	25,620
A73	Parking / Material Management [4]	South	1982	11,193	11,193
A75	Duchossois Center for Advanced Medicine	DCAM	1996	269,845	520,000
A84	American School Building	ASB	2006	28,535	40,000
A87	Comer Children's Hospital	Comer1	2004	118,236	242,000
A94	Comer Center for Children [9]	Comer2	2006	80,705	142,000
I28	Hospital Parking Structure [9]	61st/Drexel	2008	496	496
L11	Friends Center	Friend	1993	39,893	67,745
TOTAL UCMC BUILDINGS				**1,766,188**	**3,344,652**

0067

ATTACHMENT 11

State of Illinois 1927345
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of The State of Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/30/10	BGBD	0003897

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 07/01/09

BUSINESS ADDRESS

THE UNIVERSITY OF CHICAGO MEDICAL CENTER
5841 SOUTH MARYLAND
MC 1112
CHICAGO IL 60637

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 1927345
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

THE UNIVERSITY OF CHICAGO MEDICAL CENT

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/30/10	BGBD	0003897

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 07/01/09

05/02/09

THE UNIVERSITY OF CHICAGO MEDICAL
5841 SOUTH MARYLAND
MC 1112
CHICAGO IL 60637

FEE RECEIPT NO.

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE **CITY OF CHICAGO**, THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

NAME: **THE UNIVERSITY OF CHICAGO MEDICAL CENTER**

DBA:

AT: **BERNARD MITCHELL HOSPITAL**
5815 S. MARYLAND AVE.
CHICAGO, IL 60637

LICENSE NO.: **14446** CODE: **1375** FEE: **$**2,200.00**

LICENSE: **Hospital**

1000 Beds Max.

PRINTED ON : 08/06/2009 **$**2,200.00**

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR, AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CORPORATE SEAL THEREOF

THIS **06** DAY OF **AUGUST** ,**2009**

EXPIRATION DATE: **July 15, 2011**

ATTEST:

Richard M Daley
MAYOR

Miguel del Valle
CITY CLERK

CREV No.: **6533** SITE: **4**

TRANS NO.

0068

CITY OF CHICAGO INC. 837

THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES

ATTACHMENT 11

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE **CITY OF CHICAGO**, THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

NAME: **THE UNIVERSITY OF CHICAGO MEDICAL CENTER**

DBA:

AT **DUCHOSSOIS CENTER FOR ADVANCED MEDICINE**
5758 S. MARYLAND AVE.
CHICAGO, IL 60637
HOSPITAL

LICENSE NO: **1226404** CODE: **1375** FEE: **$**2,200.00**

LICENSE: **Hospital**

Beds Max.

PRINTED ON : 08/06/2009 **$**2,200.00**

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR, AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CORPORATE SEAL THEREOF
THIS **06** DAY OF **AUGUST** ,**2009**

EXPIRATION DATE : **July 15, 2011**

ATTEST:

Richard M Daley
MAYOR

Miguel del Valle
CITY CLERK

GREV NO: **6533** SITE : **8**

TRANS NO.

0069

THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES

CITY OF CHICAGO INCORPORATED 1837

ATTACHMENT 11

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE **CITY OF CHICAGO**, THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

NAME: **THE UNIVERSITY OF CHICAGO MEDICAL CENTER**

DBA

AT: **CHICAGO LYING-IN HOSPITAL**
5815 S. MARYLAND AVE.
CHICAGO, IL 60637

LICENSE NO **1226308** CODE: **1375** FEE: **$**2,200.00**

LICENSE: **Hospital**

Beds Max.

PRINTED ON : 08/06/2009 **$**2,200.00**

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR, AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CORPORATE SEAL THEREOF

THIS **06** DAY OF **AUGUST** ,**2009**

EXPIRATION DATE: **July 15, 2011**

ATTEST:

Richard M Daley
MAYOR

Miguel del Valle
CITY CLERK

CHEV NO **6533** SITE : **1**

TRANS NO **0070**

CITY OF CHICAGO INC. 1837

THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES

ATTACHMENT
11

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE **CITY OF CHICAGO**, THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

NAME: **THE UNIVERSITY OF CHICAGO MEDICAL CENTER**

DBA

AT: **THE UNIVERSITY OF CHICAGO COMER CHILDREN'S HOSPITA**
5839 S. MARYLAND AVE.
CHICAGO, IL 60637

LICENSE NO: **14444** CODE: **1375** FEE: **$**2,200.00**

LICENSE: **Hospital**

1000 Beds Max.

PRINTED ON : 08/06/2009

$2,200.00**

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CORPORATE SEAL THEREOF
THIS **06** DAY OF **AUGUST** **,2009**

EXPIRATION DATE: **July 15, 2011**

ATTEST:

Richard M Daley
MAYOR

Miguel del Valle
CITY CLERK

AREA NO: **6533** SITE: **3**

TRANS NO:

0071

CITY OF CHICAGO

ATTACHMENT 11

THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES

University of Chicago Medical Center

Chicago, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

March 31, 2007

Accreditation is customarily valid for up to 39 months.

David L. Nahrwold, M.D.
Chairman of the Board

7315
Organization ID #

Dennis S. O'Leary, M.D.
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly by The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

ATTACHMENT
11

Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner
2004, 2005, 2006, 2007, 2008

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code §§ 1110.230(a)(3)(A) and (B), I hereby certify that no adverse action has been taken against any facility owned or operated by Silver Cross Hospital & Medical Centers during the three (3) years prior to the filing of this application.

In addition, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Silver Cross Hospital & Medical Centers with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

Sincerely,

By: Paul Pawlak
President & CEO
Silver Cross Hospital & Medical Centers

Subscribed and Sworn to before me
this 19 day of July, 2010

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

0073

ATTACHMENT
11

Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner
2004, 2005, 2006, 2007, 2008

July 17. 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code §§ 1110.230(a)(3)(A) and (B), I hereby certify that no adverse action has been taken against any facility owned or operated by Silver Cross Health System during the three (3) years prior to the filing of this application.

In addition, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Silver Cross Health System with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

Sincerely,

By: Paul Pawlak
President & CEO
Silver Cross Health System

Subscribed and Sworn to before me
this 19 day of July, 2010

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

ATTACHMENT
11

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

FINANCE AND STRATEGY

Lawrence J. Furnstahl
Chief Financial and Strategy Officer

MC 1111 Room S-107
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone 773.834.5354
fax 773.834-0970
lawrence.furnstahl@uchospitals.edu

July 17. 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code §§ 1110.230(a)(3)(A) and (B), I hereby certify that no adverse action has been taken against any facility owned or operated by The University of Chicago Medical Centers during the three (3) years prior to the filing of this application.

In addition, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by The University of Chicago Medical Centers with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

Sincerely,

By: Lawrence J. Furnstahl
Chief Financial & Strategy Officer

Subscribed and Sworn to before me
this 19 day of July, 2010

Deborah M. Lewis
Notary Public

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/18/2013

ATTACHMENT 11

UCMC/SCH Oncology JV, LLC

July 17. 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code §§ 1110.230(a)(3)(A) and (B), I hereby certify that no adverse action has been taken against any facility owned or operated by UCMC/SCH Oncology JV, LLC during the three (3) years prior to the filing of this application.

In addition, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by UCMC/SCH Oncology JV, LLC with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

Sincerely,

William Brownlow

By: William Brownlow, Manager
UCMC/SCH Oncology JV, LLC

Subscribed and Sworn to before me
this 19 day of July, 2010

Denise L Tatgenhorst

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

Section III
Attachment 12
Purpose of Project

Purpose Statement

The purposes of this Project are as follows: (a) allow the Applicants to develop and jointly operate the Cancer Center and to lease 19,675 rentable square feet of space in a medical office building on Silver Cross Hospital's Replacement Hospital Campus in New Lenox, Illinois; and (b) demonstrate the need for a state-of-the-art Varian TrueBEAM linear accelerator (the only reviewable piece of equipment or service in this Project that has a state utilization standard set forth in Appendix B.)

Supporting Statements & Documentation

1. The Cancer Center will offer cancer treatment services that are needed to meet the health care demands of the growing population in Silver Cross' primary and secondary service areas. A service area map and service area zip code listing for Silver Cross is attached at ATTACHMENT 12. According to Nielsen Claritas data, the area is projected to grow from an estimated total population of 801,234 in 2009 to 908,407 by 2014 – a change of more than 100,000 people or a growth rate of 13.4% over the next five years. Source: Nielsen Claritas based on U.S. Census Bureau projections (April, 2009).

Silver Cross Service Area	Age Group	2000 Census	%	2009 Estimate	%	2014 Projection	%	Change 2009 to 2014
Primary Service Area								
	Ages 0-14	65,466	23.8%	79,295	22.3%	86,858	21.7%	9.5%
	Ages 15-44	121,564	44.2%	152,932	42.9%	164,906	41.2%	7.8%
	Ages 45-64	59,251	21.6%	87,227	24.5%	102,667	25.6%	17.7%
	Ages 65+	28,460	10.4%	36,655	10.3%	45,971	11.5%	25.4%
	Subtotal	274,741		356,109		400,402		12.4%
Secondary Service Area – East								
	Ages 0-14	27,019	21.0%	26,474	18.3%	28,018	18.3%	5.8%
	Ages 15-44	52,235	40.6%	55,674	38.4%	56,962	37.1%	2.3%
	Ages 45-64	32,765	25.5%	43,706	30.2%	45,660	29.7%	4.5%
	Ages 65+	16,629	12.9%	19,063	13.2%	22,851	14.9%	19.9%
	Subtotal	128,648		144,917		153,491		5.9%
Secondary Service Area –North								
	Ages 0-14	31,757	27.0%	46,393	25.5%	53,514	24.9%	15.3%
	Ages 15-44	57,065	48.5%	84,450	46.5%	93,401	43.4%	10.6%
	Ages 45-64	21,763	18.5%	38,258	21.1%	50,385	23.4%	31.7%
	Ages 65+	7,094	6.0%	12,625	6.9%	17,972	8.3%	42.4%
	Subtotal	117,679		181,726		215,272		18.5%
Secondary Service Area – South								
	Ages 0-14	5335	22.0%	6145	20.4%	6747	20.1%	9.8%
	Ages 15-44	10724	44.2%	13219	43.9%	14049	41.8%	6.3%
	Ages 45-64	5581	23.0%	7612	25.3%	8852	26.3%	16.3%
	Ages 65+	2605	10.7%	3162	10.5%	3955	11.8%	25.1%
	Subtotal	24245		30138		33603		11.5%
Secondary Service Area – West								
	Ages 0-14	13181	23.7%	19482	22.1%	22818	21.6%	17.1%

Silver Cross Service Area	Age Group	2000 Census	2000 %	2009 Estimate	2009 %	2014 Projection	2014 %	Change 2009 to 2014
	Ages 15-44	24789	44.5%	38592	43.7%	43857	41.5%	13.6%
	Ages 45-64	12462	22.4%	22159	25.1%	27744	26.3%	25.2%
	Ages 65+	5262	9.4%	8111	9.2%	11220	10.6%	38.3%
	Subtotal	55694		88344		105639		19.6%
Total Service Area								
	Ages 0-14	142,758	23.8%	177,789	22.2%	197,955	21.8%	11.3%
	Ages 15-44	266,377	44.3%	344,867	43.0%	373,175	41.1%	8.2%
	Ages 45-64	131,822	21.9%	198,962	24.8%	235,308	25.9%	18.3%
	Ages 65+	60,050	10.0%	79,616	9.9%	101,969	11.2%	28.1%
	Grand Total	**601,007**		**801,234**		**908,407**		**13.4%**

2. Population in the area is also aging. According to the same Nielsen Claritas data, the fastest growing segment of the population is projected to be among those over the age of 65 (+28% over the next five years) followed by those between the ages of 45 and 64 years of age (+18% over the next five years). These are the same segments of the population that tend to need the most cancer treatment services. Source: Nielsen Claritas based on U.S. Census Bureau projections (April, 2009).

3. The American Cancer Society estimated that 766,130 men and 713,220 women were going to be diagnosed with cancer in the U.S. in 2009. The leading diagnoses for men were expected to be prostate cancer (25%), lung/bronchus cancer (15%) and colon/rectum cancer (10%). The leading diagnoses for women were expected to be breast cancer (27%), lung/bronchus cancer (14%) and colon/rectum cancer (10%). The lifetime probability of developing cancer (all sites) for men is estimated to be a 1 in 2 chance; for women it is estimated to be a 1 in 3 chance (Statistical Research and Applications Branch, NCI, 2008).

4. It is projected that nearly 4,800 residents in Silver Cross' primary and secondary markets will be diagnosed with malignant cancer in 2014. That annual figure has grown by nearly 42% over the past seven years. Will County has a higher incidence of cancer than the national and state average. See ATTACHMENT 12.

5. Silver Cross and UCMC project that 960 patients (roughly 20% of newly diagnosed cancer patients) will use the proposed Cancer Center for outpatient treatment. See Criterion 1110.3030 for additional support on this calculation. The Applicants believe this is a conservative estimate based on the following facts:

- The population growth combined with the rising incidence of cancer create more demand for services.

- Expansion of services and the creation of a new service (radiation oncology) will give patients the option to stay in their local community rather than traveling long distances for basic services.

- UCMC treats 1,400 patients annually from Silver Cross' total service area.

6. 2006 U.S. mortality data (National Center for Health Statistics, Centers for Disease Control and Prevention, 2009), indicates that cancer is the second leading cause of death in the nation – representing 23.1% of all deaths.

7. IPLAN (Illinois Project for Local Assessment of Needs) data for 2006 (the latest data available) indicates that cancer is a leading cause of death in Will County. Three of the leading causes of mortality in Will County were due to cancer-related diseases (malignant neoplasms, lung cancer and colorectal cancer).

Leading Causes of Death 2006					
Will County			State of Illinois		
Disease/Condition	#	Pct	Disease/Condition	#	Pct
Total for All Races	3,559		Total for All Races	102,122	
Diseases of Heart	922	26%	Disease of Heart	27,002	26%
Malignant Neoplasm	912	26%	Malignant Neoplasms	24,052	24%
Coronary Heart Disease	649	18%	Coronary Heart Disease	19,120	19%
Lung Cancer	277	8%	Lung Cancer	6,663	7%
Cerebrovascular Disease	202	6%	Cerebrovascular Diseases	5,974	6%
Accidents	171	5%	Chronic Lower Resp Disease	4,725	5%
Chronic Lower Resp Disease	146	4%	Accidents	4,401	4%
Colorectal Cancer	96	3%	Diabetes Mellitus	2,794	3%
Diabetes Mellitus	89	3%	Infuenza and Pneumonia	2,671	3%
Nephritis, etc.	83	2%	Colorectal cancer	2,507	2%
Source: http://app.idph.state.il.us/ (06/07/10)					

8. Trended IPLAN data for Will County indicates that cancer deaths (due to malignant neoplasms, lung cancer and colorectal cancer only) have increased 22.8% between 2002 and 2006 – an average of 5.7% per year.

Leading Causes of Death 2002-2006										
	2002		2003		2004		2005		2006	
Disease/Condition	#	% to Total	#	% to Total	#	% to Total	#	% to Total	#	% to Total
Total Deaths	3222		3233		3297		3331		3559	
Malignant Neoplasms	755	23.4%	787	24.3%	884	26.8%	879	26.4%	912	25.6%
Lung Cancer	208	6.5%	235	7.3%	268	8.1%	240	7.2%	277	7.8%
Colorectal Cancer	83	2.6%	80	2.5%	96	2.9%	85	2.6%	96	2.7%
Subtotal Leading Causes of Death Due to Cancer	1046	32.5%	1102	34.1%	1248	37.9%	1204	36.1%	1285	36.1%

Source: http://app.idph.state.il.us/ (06/07/10)

9. In addition to the data above, more than 70% of the residents in Silver Cross' primary and secondary markets leave the area to receive cancer treatment (Illinois Department of Public Health, Cancer Statistics). See ATTACHMENT 12.

10. Cancer has been a leading cause of outmigration for residents in this market for many years and indicates a need for more immediate access to a full range of oncology services, treatment options, educational programs and support services for residents of the southwest suburban area.

11. Silver Cross engaged The Olinger Group to conduct a cancer treatment survey (the "Study") of residents living in Silver Cross' primary and secondary markets (the "Residents"). The Study generated several findings. First, the Residents believed that academic medical centers offer an "elite" class of cancer treatment services. Second, the Residents believed that UCMC offered the "best" cancer treatment services nearest to their homes. Third, the Residents expressed a strong preference for a "partnership" or "affiliation" between a community hospital and an academic medical center in order to offer "best in class" cancer treatment services in the local area.

12. The Cancer Center will allow residents in Silver Cross' primary and secondary markets to have access to the cancer treatment resources of UCMC, one of the leading academic medical centers in the U.S. and the premier hospital for cancer treatment in Illinois. UCMC has been selected as a U.S. News & World Report "Honor Roll" Hospital for 11 out of the last 13 years – and the only Illinois hospital to make the list. UCMC is consistently ranked among the top cancer hospitals in the U.S. News & World Report "Best Hospitals" survey. Just last week, U.S. News & World Report ranked UCMC as the 15th best cancer hospital in the entire nation and as the best cancer hospital in Illinois. See U.S. News & World Report, Best Hospitals, July 2010 Edition.

13. UCMC is one of forty programs nationally and one of only two programs in Illinois designated by the National Cancer Institute (NCI) as an official Comprehensive Cancer Center. An NCI-designated Comprehensive Cancer Center must demonstrate depth and breadth of research activities in each of three major areas - laboratory, clinical, and population-based research. An NCI-designated Comprehensive Cancer Center must also demonstrate professional and public education and dissemination of clinical and public health advances into the community it serves.

14. UCMC is an American College of Surgeons (ACoS)-approved Commission on Cancer (COC) program. Approved programs must provide a host of services – ranging from prevention, early diagnosis, pretreatment evaluation, staging, optimal treatment, rehabilitation, surveillance for recurrent disease, support services and end-of-life care.

15. UCMC is one of only two institutions in the U.S. that have the capacity to conduct all four phases of clinical trials. They are one of six facilities that have received funds as part of the Ludwig Fund for Cancer Research. UCMC is a host institution for Cancer & Leukemia Group B (CALGB) – one of nine national cooperative cancer clinical trials groups. They have also been awarded research grants for:

- Breast Cancer SPORE (Specialized Programs of Research Excellence) - support studies of the development of novel agents, technologies and markers for better diagnosis, prognosis, screening, prevention, and treatment of breast cancer (NCI-sponsored)

- Leukemia & Lymphoma SCOR (Specialized Center of Research) – is the premier research initiative of the Leukemia & Lymphoma Society based on the premise that a highly organized and inspired team approach to curing blood cancers will speed the discovery of new drugs and treatments. Each SCOR project is funded for a five-year period at a cost of $1M to $1.5M each and are led by extraordinary scientific innovators

16. UCMC faculty members are recognized as national leaders by their peers. Several of them hold distinguished positions – others have received awards of distinction for their clinical work.

17. Based on this lengthy list of recognitions, awards and grants – UCMC is clearly a leading cancer center – not only within Chicago but nationally as well. The proposed Cancer Center will serve as a premier community-based resource for cancer treatment, research and education – bringing world-class expertise to the local market.

18. As one of the nation's leading academic medical centers and one of the nation's leading cancer centers, UCMC coordinates more than 220 cancer clinical trials – significantly more than

any other Chicago-based academic medical center. Over 20% of UCMC's patients are enrolled in cancer-related clinical trials – and successfully accrue patients into research trials at a rate 10 times higher than the national average. UCMC has a very deep and strong commitment to research.

19. UCMC cancer specialists have a long history of teaming with outside physicians and hospitals in both research and patient care. Leadership roles in CALGB and NCI Phase I & II networks allow their physicians to work collaboratively with several hundred hospitals and thousands of oncologists across the country.

20. The National Cancer Institute has recently launched a Community Cancer Centers Program that is designed as "a national network to expand cancer research and deliver the latest, most advanced cancer care to more Americans in their home communities." This Project will allow UCMC to expand its clinical trial network and increase its clinical research initiatives consistent with the National Cancer Institute's Program. As a corollary, residents in Silver Cross' primary and secondary markets will benefit greatly by being able to participate in a greater number of clinical trials and will have greater access to more specialists than ever before.

21. UCMC has developed a Cancer Resource Center in partnership with the American Cancer Society. This is an all-inclusive service that seamlessly blends health information and social services for patients and their families. The Cancer Resource Center delivers professional, compassionate assistance from the moment of diagnosis forward – filling the gaps that may occur before, during and after treatment. The range of services available through the Cancer Resource Center include comprehensive cancer information; leading cancer research trials and their applicability to individual cancer centers; one-on-one counseling and access to support groups; access to transportation, lodging and financial support; linkage to other community resource; and seminars and networking opportunities. The proposed Project will give patients, their families and caregivers in the southwestern suburbs access to these same resources.

22. Based on data from National Research Corporation (NRC, 2008), area residents ranked UCMC at the top in terms of patient perception of broad-brand characteristics like best reputation, best doctors and overall quality – compared to other area providers. In addition, area residents indicated that UCMC was their preferred provider for cancer treatment (NRC, 2007).

23. In 2007, UCMC initiated consumer research with an independent research firm – Market Strategies – to evaluate consumer perceptions, hospital preferences, decision processes and criteria, unmet needs, reaction to UCMC offerings and other information relevant to cancer program development. UCMC's research found that numerous factors are evaluated when choosing a hospital for treatment for advanced or complex cancer. Clinical excellence and access to advanced research drives the decision to select an academic medical center for treatment over a suburban or community hospital. Hospital choice is based, in part, on whether the hospital provides services and support that allows the patient to focus more fully on their or their family member's treatment.

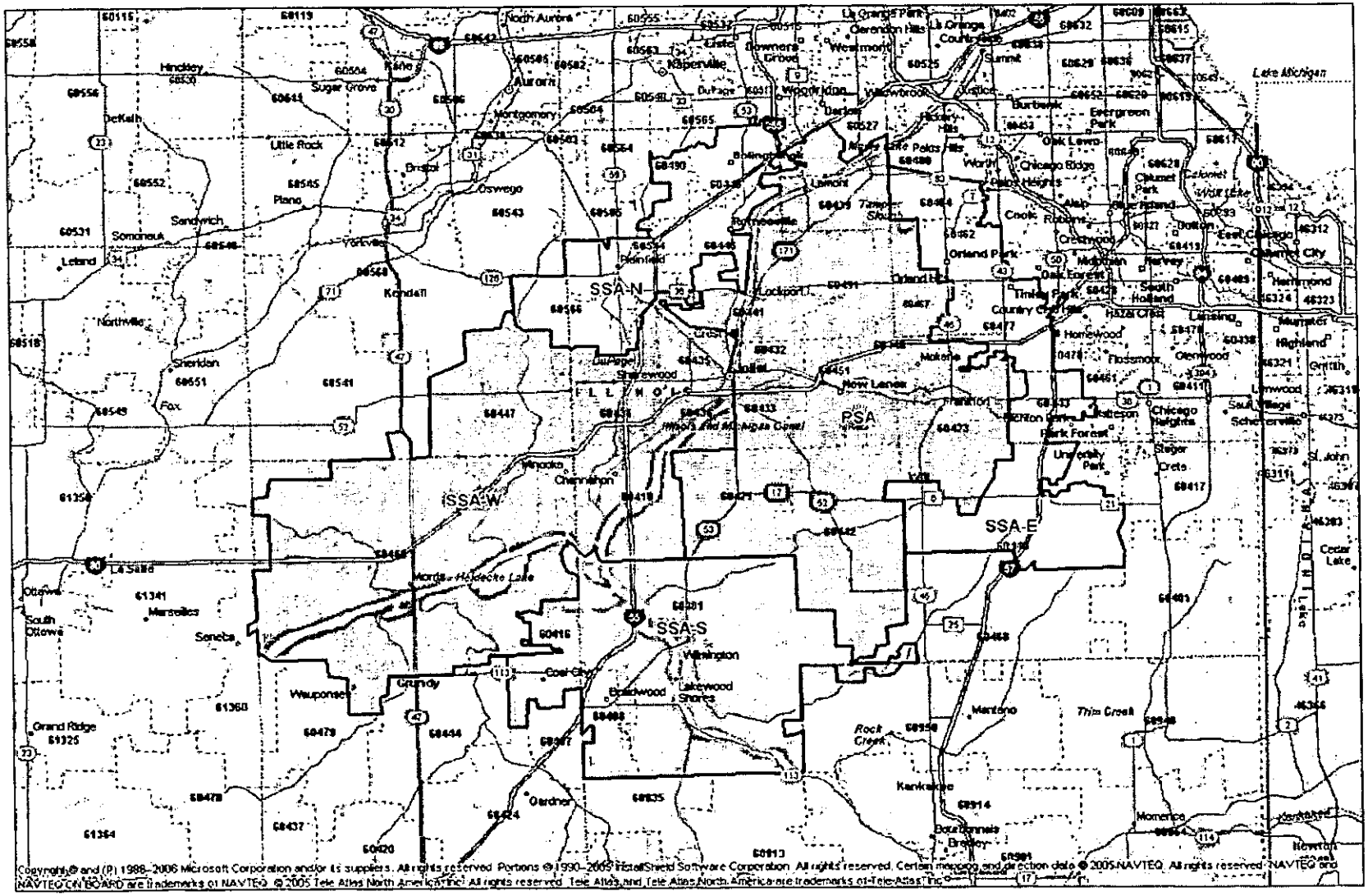
24. Other hard data (such as patient outmigration from the service area to other area providers) indicates that the delivery of cancer treatment is very fragmented. The current system simply does not promote good coordination of care for the patient or their family (and confirms UCMC's consumer research). See ATTACHMENT 12. Combining clinical experience with local hospital services that support the coordination of care will allow patients and families

to focus on healing. These were identified as critical success factors in the design/development of the proposed Cancer Center.

25. The majority of cancer treatment is outpatient-based. The Cancer Center will be located in a setting that promotes easy access and privacy and an environment that includes natural light and nature views. The Project will provide an operationally efficient facility for patients and care givers and will recognize essential functional adjacencies. Patients will not have to leave the building for any other services – such as imaging, testing, therapeutic treatment, surgery or even inpatient care.

26. The project will provide seamless care between a community hospital and an academic medical center. UCMC and Silver Cross Hospital will develop protocols for and electronic connections to ensure that patient care is easily coordinated – no matter where that care is delivered.

Silver Cross Hospital service area map



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ATTACHMENT 12

Silver Cross Primary Service Area	Zip Code	
PSA	60403	Crest Hill
PSA	60421	Elwood
PSA	60423	Frankfort
PSA	60432	Joliet
PSA	60433	Joliet
PSA	60435	Joliet
PSA	60436	Joliet
PSA	60439	Lemont
PSA	60441	Lockport
PSA	60442	Manhattan
PSA	60448	Mokena
PSA	60451	New Lenox
PSA	60467	Orland Park
PSA	60491	Homer Glen
Secondary Service Areas:		
East	60443	Matteson
East	60449	Monee
East	60462	Orland Park
East	60464	Palos Park
East	60477	Tinley Park
East	60487	Tinley Park
North	60440	Bolingbrook
North	60446	Romeoville
North	60490	Bolingbrook
North	60544	Plainfield
North	60586	Plainfield
South	60408	Braidwood
South	60416	Coal City
South	60481	Wilmington
West	60404	Shorewood
West	60410	Channahon
West	60431	Joliet
West	60447	Minooka
West	60450	Morris

ATTACHMENT
12

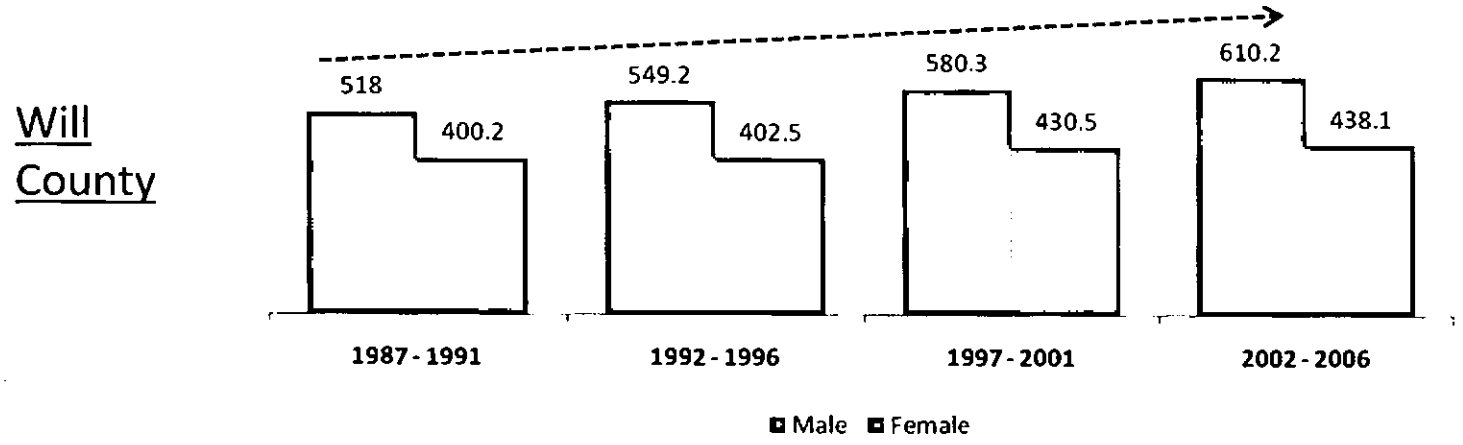
Cancer Incidence per 100,000 of Population
State of Illinois Compared to Will County

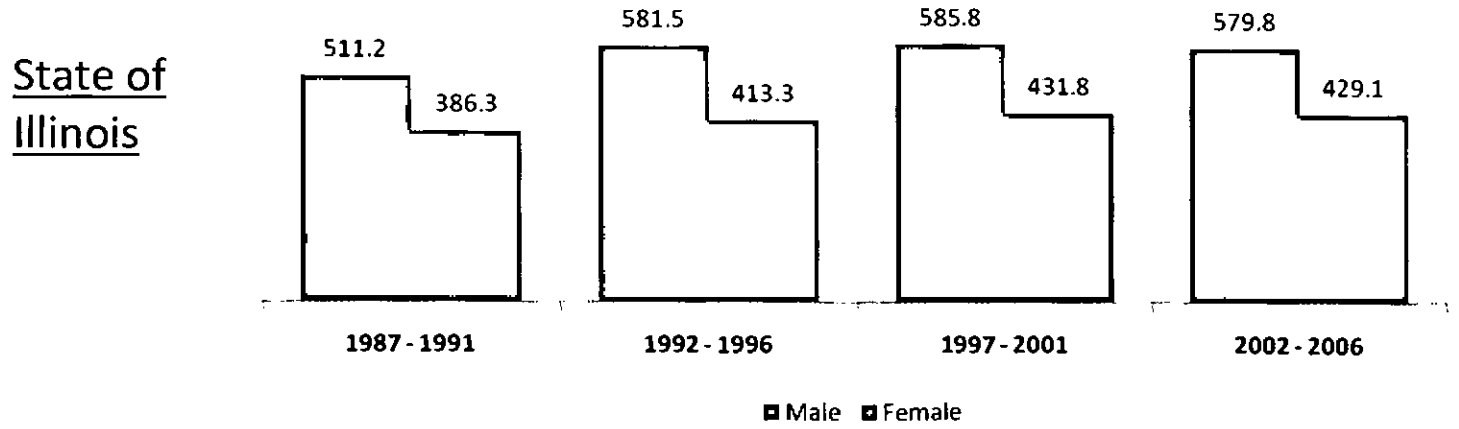
SILVER CROSS HOSPITAL
"The way you *should* be treated."

ATTACHMENT 12

0085

Cancer incidence in Will County continues to rise while state-wide incidence rates are starting to decline. Data from the National Center for Health Statistics covering the same period show a decline nationally that mirrors the trend in the State of Illinois.





Source: Illinois Department of Public Health Cancer Statistics Database; All Tumor Sites; All Races; Rates per 100,000 or Population; National Center for Health Statistics – SEER Rates

SILVER CROSS HOSPITAL

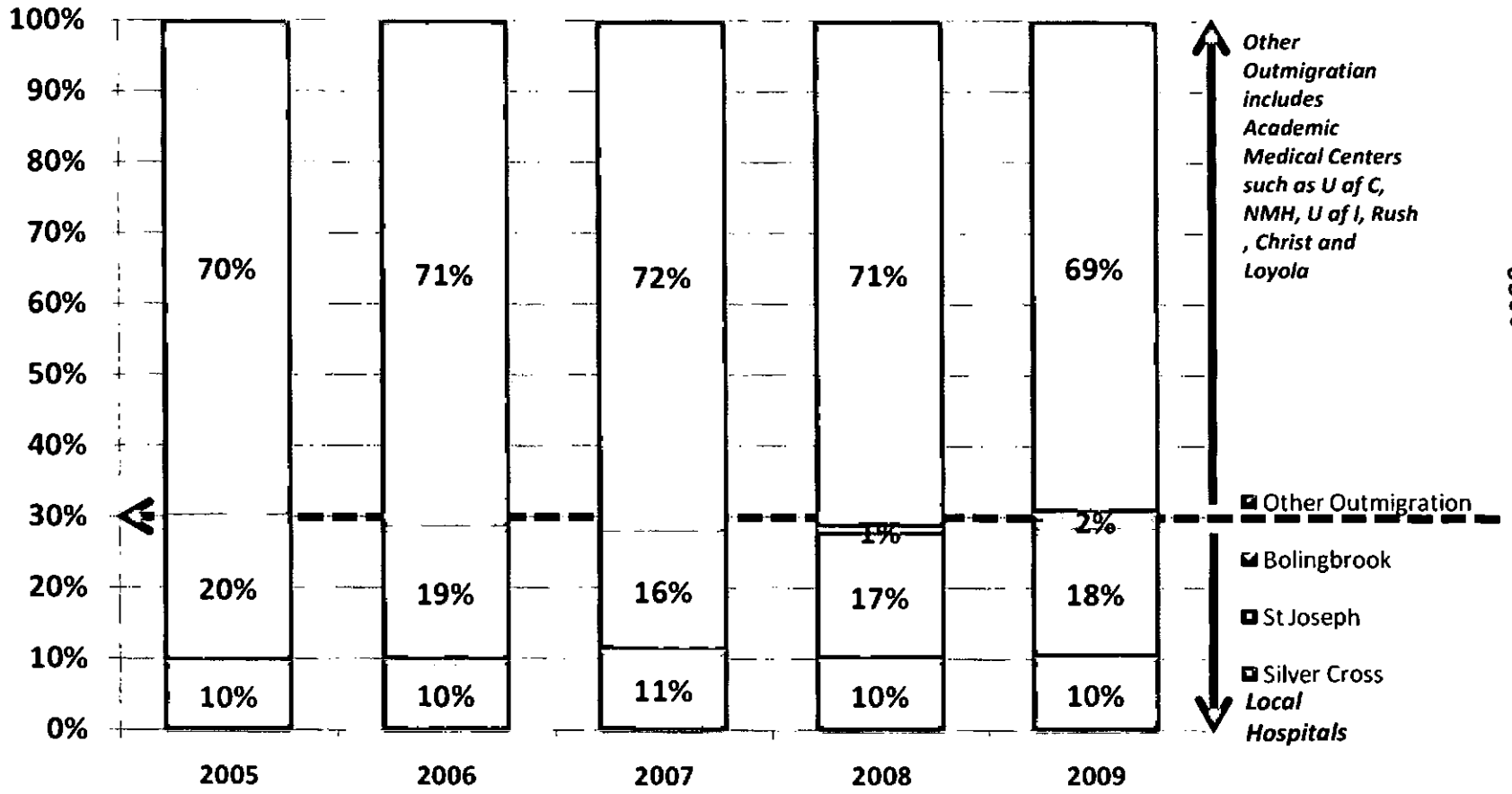
The way you *should* be treated.

CANCER OUTMIGRATION

Inpatient Volume by Facility - Silver Cross Total Service Area

ATTACHMENT 12

Approximately 70% of cancer inpatients originating in the Silver Cross Hospital Total Service Area seek treatment for their condition at facilities outside of the area.



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Sources: Compdata Inpatients originating in the Silver Cross Hospital Total Service Area; Principal ICD9 Diagnosis = malignant and benign neoplasms

Section III
Attachment 13
Criterion 1110.230(c), Alternatives to Proposed Project

The Applicants reviewed no less than five other alternatives before electing to file this Certificate of Need. As discussed below, the primary options reviewed with respect to this Project included: (i) do nothing; (ii) have the Applicants attempt to develop separate cancer treatment programs in the Silver Cross service area; (iii) expand Silver Cross' Replacement Hospital to accommodate the Cancer Center; and (iv) have the Applicants jointly develop and operate the Cancer Center. The last option is the best option for patient care, coordination of services, bringing expertise to the community and the most viable economic option for the Applicants.

Alternative #1: Do Nothing

Under this alternative, the Applicants would do nothing. However, as previously discussed, the incidence of cancer is on the rise in Silver Cross' service area. And, cancer continues to be a leading cause of death for residents in Will County. More troubling is the fact that approximately 70% of the residents in Silver Cross' market are leaving the area to receive cancer treatment services outside of their community – an exceptionally high outmigration rate. See ATTACHMENT 12 and Criterion 1110.3030. Consumers indicate that they want the expertise of an academic medical center for cancer treatment, but they want it more conveniently located and accessible. Area residents should have an option to obtain "best in class" cancer treatment services, including access to clinical trials, physician expertise and coordination of care throughout the continuum. A diagnosis of cancer creates anxiety and confusion – it is a time when familiar environments and having loved ones close is an important aspect of healing. Bringing care to the population, instead of requiring individuals to travel long distances to seek care, would not be accomplished if the Applicants chose to "do nothing." Thus, "doing nothing" will not adequately address the growing need for outpatient cancer services and intervention, it will not provide those services locally, and it will not improve access to treatment and clinical experts. Indeed, from the view point of cancer patients, and their families in Silver Cross' service area, this is the worst option in terms patient access and quality of care and therefore was rejected as an alternative.

Alternative #2: Applicants to Develop Separate Cancer Treatment Programs

Under this alternative, the Applicants would not collaborate and each hospital would attempt to develop independent cancer treatment programs in Silver Cross' service area. This alternative was rejected because it potentially could create duplication of services, additional costs, confusion amongst patients, unnecessary duplication of testing and a bifurcated approach to cancer treatment.

As mentioned earlier, both Silver Cross and UCMC engaged independent market research studies to evaluate consumer desires and needs as they relate to cancer. Both studies confirmed that patients prefer and had higher confidence in oncology programs offered by an academic medical center, but wanted to remain in a local setting. UCMC was identified in both studies as the best program in the eyes of the residents surveyed. Finally, residents indicated that coordination of care between all providers involved in their treatment was critical to them. The collaborative partnership proposed for the Cancer Center addresses all of these needs, with the added benefit of access to a large number of clinical trials and the ability to rapidly deploy new radiation therapy treatments. If the applicants developed separate programs, care would not be coordinated, duplicative testing would most likely occur and

transitions between providers would continue to be fragmented. Furthermore, if the Applicants developed separate cancer programs, additional costs would be incurred.

This is also a very expensive alternative from the viewpoint of the individual Applicants. UCMC needs 10,116 RSF of space in the Cancer Center for Infusion/Chemotherapy Center & Oncology Clinic and the Joint Venture (which is majority owned by Silver Cross) needs 9,559 RSF of space in the Cancer Center for the Radiation Oncology Clinic. Neither Silver Cross (on an individual basis) nor UCMC (on an individual basis) could justify building an entire cancer center independently at this time.

The Developer, on the other hand, is prepared to construct a building to house both the Infusion/Chemotherapy Center & Oncology Clinic for UCMC and the Radiation Oncology Clinic for the Joint Venture. Thus, the Developer allows the respective Applicants to minimize their own investment in the larger Cancer Center; while maximizing the synergies available to the Applicants by co-locating the Infusion/Chemotherapy Center & Oncology Clinic and the Radiation Oncology Clinic.

In addition, if the Applicants elected to simply construct stand alone buildings for their respective clinics, the Applicants' respective, internal construction teams have estimated that there would be at least a 20% premium on the space leasing costs and build out costs identified in this Project because the Developer would have to pass on costs associated with duplicate mechanical systems, higher utility hook-up costs, additional building permits, additional design costs, additional foundations, etc. A 20% increase in the space leasing costs identified in this Project equates to $1,680,674. A 20% increase in build out costs equates to $512,780, making total incremental costs to the Applicants of approximately $2,193,454.

Finally, Criterion 1110.230(c)(1)(b) literally encourages providers to form partnerships for presumably the exact reason(s) Silver Cross and UCMC are forming a partnership to deliver cancer treatment services. By joining forces, a strong community hospital can partner with a nationally recognized academic medical center to offer "best in class" cancer treatment services in the local area. Conversely, if the co-Applicants elected to develop separate cancer treatment programs they would not meet the intention of Criterion 1110.230(c)(1)(b) and they could not deliver a true "best in class" cancer center in a community hospital setting.

For these reasons, this Alternative was rejected.

Alternative #3: Expand Silver Cross' Replacement Hospital

The Applicants also considered an expansion to Silver Cross' Replacement Hospital. Like Alternative 2, this alternative would be very expensive and would have forced Silver Cross to redirect capital. As the Board is aware, Silver Cross expects to spend nearly $550 per square foot to plan, design and build their Replacement Hospital – which has to be built up to hospital standards (vs. medical office building standards). In comparison, the Applicants will only have to spend approximately $237 per square foot to plan, design and build-out the space identified in this Certificate of Need. That is a savings of $6,158,275.

Of course, there would be additional costs beyond these planning, design and construction costs. Silver Cross' Replacement Hospital is well under way. If Silver Cross elected to expand its Replacement Hospital to include the Cancer Center space, Silver Cross would have to seek an alteration to its Replacement Hospital certificate of need. Silver Cross would also have to modify the construction schedule for the Replacement Hospital – leading to significant and costly time delays. Finally, cancer treatments are primarily done on an

outpatient basis – integrating the cancer center within the complexity of a hospital would not provide patients with ease of access and privacy during their treatments.

The proposed Cancer Center is the best of both worlds. There is an inside connector to hospital outpatient services so that expensive imaging equipment (MRI, CT, Mammography, etc.) does not have to be duplicated. Patients will feel as though they are in one building, yet, enter the Cancer Center through a private entrance with separate reception and waiting areas.

Thus, due to the cost, construction delays and complexities associated with expanding Silver Cross' Replacement Hospital, this alternative was rejected.

Alternative #4: Lease Space in the Cancer Center and Partner with UCMC (Best Option)

In the final analysis, and in light of the significant issues expressed in the other alternatives, the Applicants elected to file a Certificate of Need to lease space for the Cancer Center in a building connected to physician offices and other hospital outpatient and inpatient services. It allows a strong community hospital to partner with a nationally recognized academic medical center to offer comprehensive cancer treatment services of the highest quality in the local community. Overhead and operating costs will be reduced due to sharing of expenses and flexible staffing arrangements. Efficiencies have been built into the Cancer Center allowing the Applicants to leverage existing resources and expertise. Investments are being made in state-of-the-art technology instead of bricks and mortar to the benefit of patients, consistent with both organizations' missions.

Alternative	Concerns/Issues	Estimated Cost
Alternative 1: Do Nothing	If the Applicants "do nothing," cancer patients in Silver Cross' market area will continue to out-migrate for cancer related serviced. From the perspective of cancer patients (and their friends and families) this is the worst option in terms of cost, patient access, and quality of care. Local cancer patients will continue to drive long distances to reach the academic medical centers in Chicago for multiple treatments (made even worse by the massive infrastructure and road construction projects under way), will continue to miss additional hours from work because of the extended travel times for these multiple treatments, and will undoubtedly have fewer "support" visits from friends and families because of the distances.	Apparent cost to Applicants: $0. However, Silver Cross, as a not-for-profit, community based hospital, has as its core mission, a duty to provide local healthcare to local patients. UCMC, as a not-for-profit, leading academic medical center, has, as its core mission, a duty to deliver healthcare to its community as well. If the Applicants fail to move forward with this Project, large numbers of patients in Silver Cross' service area

		will continue their out-migration for cancer treatment services. Silver Cross and UCMC feel compelled to address this out-migration issue through a coordinated partnership. Cost to patients: Impossible to measure and not feasible for patients. This is clearly the worst option in terms of access to care, quality of care, and costs for local patients.
Alternative 2: Each Hospital to Develop Cancer Treatment Programs Independently	Criterion 1110.230(c)(1)(b) literally encourages providers to form joint ventures to solve pressing healthcare needs. In this case, Silver Cross probably cannot solve the cancer treatment out-migration in its service area without partnering with an academic medical center like UCMC. Indeed, if Silver Cross opted to build the Cancer Center on its own, it is entirely likely that local patients would continue to out-migrate to the Chicago academic medical centers because residents expressed a strong preference for an "academic brand." The fact that Silver Cross and UCMC have agreed to partner on this Project will allow local residents to receive local cancer treatment services from one of the most highly regarded academic medical centers in the country. Likewise, the Silver Cross-UCMC collaboration allows UCMC to partner with a community based hospital that has been named one of the nation's Top 100 Hospitals by Thomson Reuters Healthcare for the past 6 years. (To put that into perspective, Silver Cross is the only hospital in Illinois to win the award every year for the past 6 years.) The Silver Cross-UCMC partnership will also allow local patients to participate in hundreds	Cost to Applicants: More expensive. Construction team estimates that smaller buildings would add at least 20% premium to space leasing and build out costs identified in this Project. That means, this alternative exceeds the cost of Alternative No. 4 by $2,193,454. Cost to patients: Uncoordinated care, duplicative testing, anxiety and stress.

	of clinical trials involving hundreds of new cancer fighting drugs and treatments. Finally, and for some of the reasons the next alternative was rejected, this alternative would be more expensive if both Silver Cross and UCMC elected to build separate cancer treatment centers.	
Alternative 3: Expand Silver Cross' Replacement Hospital	Extremely expensive due to requirement to build to hospital standards. Causes significant and timely delays on Silver Cross' Replacement Hospital project. Requires Silver Cross to seek an alteration for their certificate of need for Replacement Hospital.	This Alternative exceeds the cost of Alternative No. 4 by $6,158,275.
Alternative 4: Lease Space in the Cancer Center and Partner with UCMC	Allows a strong community hospital to partner with a nationally recognized academic medical center to offer the highest quality, coordinated cancer treatment services across the continuum of care in the local area.	Chosen option. Best option for patient care and financial considerations.

Section IV
Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.234(a), Size of Project

The Applicants will be leasing 19,675 rentable square feet of space in the MOB for the Cancer Center. More specifically, the Joint Venture will be leasing 8,253 RSF for the Radiation Oncology Clinic and 1,306 RSF in common area and shared spaces, for a total lease encompassing 9,559 RSF. And UCMC will be leasing 8,734 RSF for the Infusion/Chemotherapy Center & Oncology Clinic and 1,382 RSF in common area and shared spaces, for a total lease encompassing 10,116 RSF. The below sections address the clinical space proposed in this Application. Floor plans for the Cancer Center are attached as ATTACHMENT 14.

The following chart summarizes the clinical and non-clinical portions of the Cancer Center by department:

Department	Clinical RSF	Non-Clinical RSF	Total RSF
Radiation Oncology Clinic	5,203	3,050	8,253
Infusion/Chemotherapy Center & Oncology Clinic	6,379	2,355	8,734
Common Areas & Shared Space Areas	0	2,688	2,688
Total RSF	11,582	8,093	19,675

The following chart summarizes the space being leased by each of the Applicants inside the Cancer Center:

Applicant	Radiation Oncology Clinic RSF	Infusion/Chemotherapy Center & Oncology Clinic RSF	Common Areas & Shared Space Areas RSF	Total RSF
Joint Venture Lease	8,253	0	1,306	9,559
UCMC Lease	0	8,734	1,382	10,116
Total	8,253	8,734	2,688	19,675

Radiation Oncology Clinic

The Joint Venture will lease 8,253 rentable square feet of space in the Cancer Center for the Radiation Oncology Clinic. The Radiation Oncology Clinic will house a linear accelerator and a CT simulator (which are the only items in the Radiation Oncology Clinic that are subject to State Norm sizing standards). As set forth below, the linear accelerator vault and the CT simulator room are sized below the State Norms. The other clinical and non-clinical space in the Radiation Oncology Clinic do not have sizing standards under the State Norms.

Radiation Oncology Clinic Sizing Analysis					
Department/Area	Rooms Proposed	Proposed RSF	State Standard RSF	Difference RSF	Meets State Sizing Standard?
Radiation Oncology Clinic	1 Linear Accelerator Vault and Control Room for Linear Accelerator	1,712	2,400	688	Yes. Sized Below State Norm.
	1 CT Simulator Room and Control Room for CT Simulator	447	1,800	1,353	Yes. Sized Below State Norm.
	Other Clinical Portions (i.e., Treatment Rooms, Exam Rooms)	3,044	No Standard	N/A	N/A
	Non-Clinical Portions (i.e., Toilets, Staff Lounge, Staff Lockers, Waiting Area, Offices, Storage, Conference Room)	3,050	No Standard	N/A	N/A
Total		8,253			Yes. Sized Below State Norm

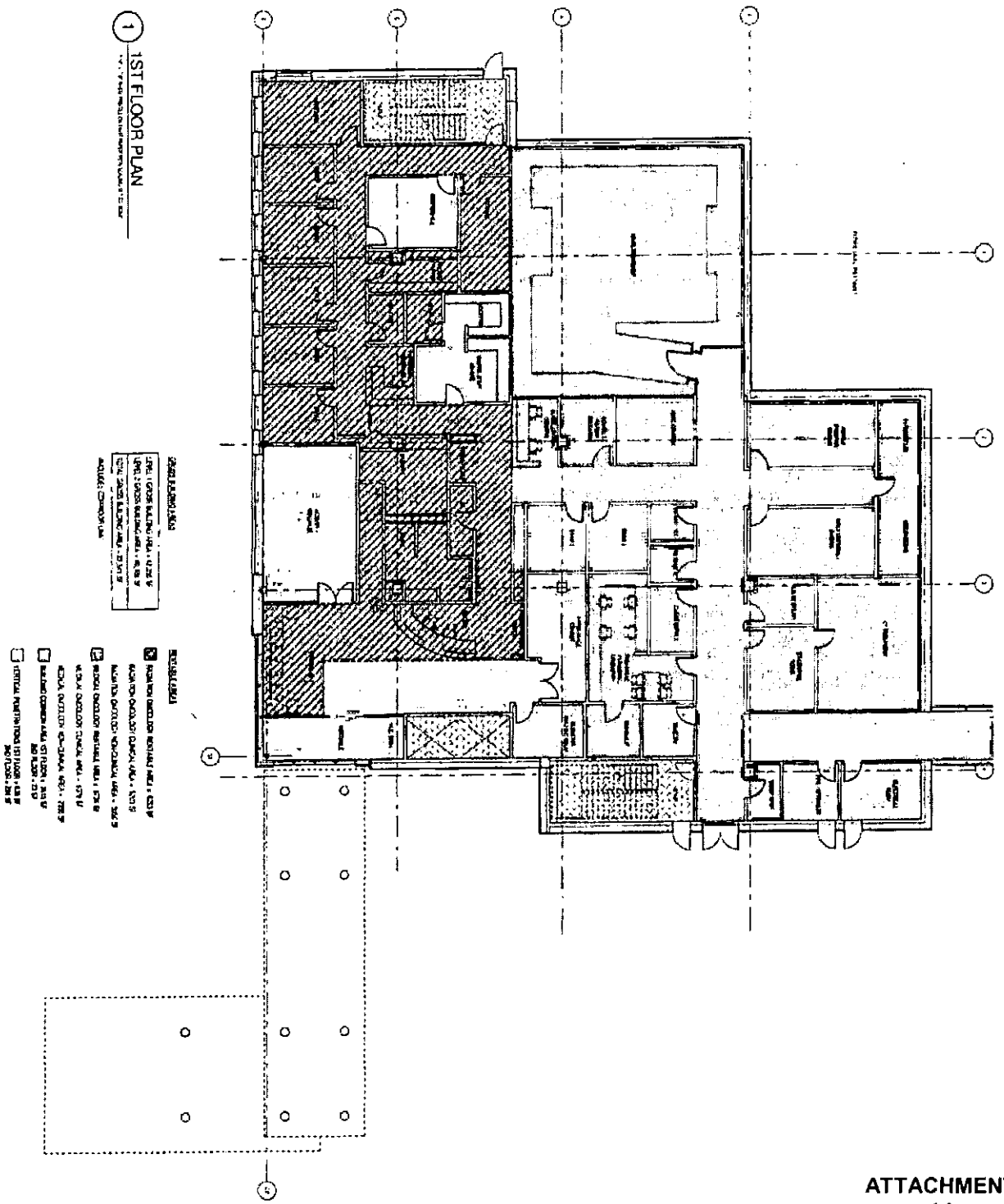
Infusion/Chemotherapy Center & Oncology Clinic

UCMC will lease 8,734 rentable square feet of space in the Cancer Center for the Infusion/Chemotherapy Center & Oncology Clinic. The clinical and non-clinical space in the Infusion/Chemotherapy Center & Oncology Clinic do not have sizing standards under the State Norms. Thus, this Criterion is not applicable to the Infusion/Chemotherapy Center & Oncology Clinic.

Infusion/Chemotherapy Center & Oncology Clinic Sizing Analysis					
Department/Area	Rooms Proposed	Proposed RSF	State Standard RSF	Difference RSF	Meets State Standard?
Infusion/Chemotherapy Center & Oncology Clinic	Clinical Portions (i.e., Treatment Rooms, Exam Rooms)	6,379	No Standard	N/A	N/A
	Non-Clinical Portions (i.e., Toilets, Staff Lounge, Staff Lockers, Waiting Area, Offices, Storage, Conference Room)	2,355	No Standard	N/A	N/A
Total		8,734			N/A

Common Areas and Shared Support Spaces

UCMC will be leasing 1,382 RSF in common area and shared support spaces and the Joint Venture will be leasing 1,306 RSF in common area and shared support spaces. Those spaces are non-clinical and are not reviewable.

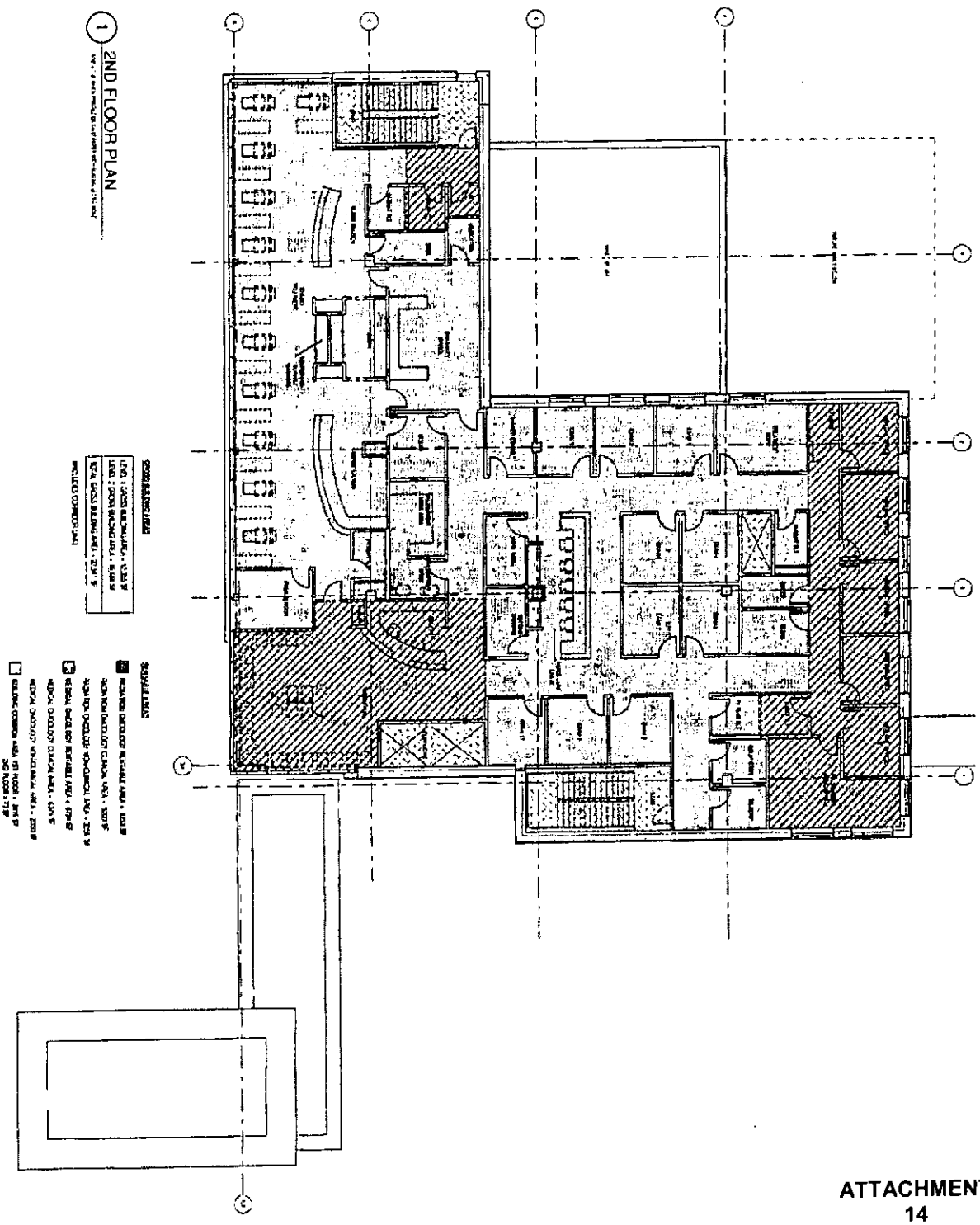


ATTACHMENT 14

C.O.N. PLANS	
07.14.10	
1ST FLOOR	

SCH-UC CANCER CENTER

NEW LENOX, IL



ATTACHMENT 14

C.O.N. PLANS	
07.14.10	
2ND FLOOR	

SCH-UC CANCER CENTER

NEW LENOX, IL

RUKL

Criterion 1110.234(b), Project Services Utilization

Radiation Oncology Clinic

The linear accelerator located in the Radiation Oncology Clinic is the only service, function or piece of equipment set forth in this Application subject to a utilization standard under the State Norms (Appendix B). As set forth below, after 12 months of operation (2014), the linear accelerator in the Radiation Oncology Clinic will exceed the utilization standard for linear accelerators set forth in the State Norms.

Radiation Oncology Clinic Utilization Analysis						
Year	Proposed Piece of Equipment	Projected Number of Patients	Projected Number of Treatments Per Patient	Projected Utilization	State Utilization Standard	Meets State Sizing Standard?
2014	One (1) Linear Accelerator	314	24	7,536 Treatments	7,500 Treatments Per Linear Accelerator	Yes. Projected Utilization Exceeds State Norm.
2015	One (1) Linear Accelerator	334	24	8,016 Treatments	7,500 Treatments Per Linear Accelerator	Yes. Projected Utilization Exceeds State Norm.

See Criterion 1110.3030 for a detailed discussion of the background data, research, and projections that were reviewed and developed to support the projected utilization of the linear accelerator and the Radiation Oncology Clinic as a whole.

The Applicants incorporate by reference Criterion 1110.3030 as additional support for this Criterion.

Infusion/Chemotherapy Center & Oncology Clinic

The services, functions and equipment in the Infusion/Chemotherapy Center & Oncology Clinic do not have utilization standards under the State Norms. Thus, this Criterion is not applicable to the Infusion/Chemotherapy Center & Oncology Clinic. See Criterion 1110.234(c) for a discussion on how the sizing of the Infusion/Chemotherapy Center & Oncology Clinic was developed.

Criterion 1110.234(c), Size of the Project & Utilization (Not Described in Appendix B)

Outside of the linear accelerator and CT simulator for the Radiation Oncology Clinic, no portion of this Project has Appendix B sizing or utilization standards. Because no standards existed, the Applicants hired a consultant, the Eckroth Planning Group, Inc. ("Eckroth"), to provide input in the sizing process of the entire Cancer Center. Eckroth reviewed chemotherapy/infusion clinics, medical oncology clinics, radiation oncology clinics and integrated cancer treatment centers across the United States. (For the sake of reference, integrated cancer centers ranged in size from 6,990 GSF to 68,895 GSF.) Volume projections by cancer type were then taken into consideration to estimate visits. Additionally, the need for full-time employees and physicians to support the volume were calculated and the required space for each was added to the program. Eckroth completed their analysis in October of 2009. Eckroth's recommendations and the experiences of UCMC were then used to size and develop the Cancer Center

Criterion 1110.234(d), Shelled Space

This Criterion is not applicable.

Section VII
Specific Service Review Criteria
Clinical Service Areas Other Than Categories of Service
New Equipment
Criterion 1110.3030

The Cancer Center's first floor will serve as the clinic for the radiation oncology program. First floor space was deemed to be a critical criterion to best serve patients providing an atmosphere with natural light. Often radiation therapy treatments are in the basement of existing buildings and leave patients with a negative impression. The choice of equipment for the Cancer Center to meet the demand was also carefully considered. Options were carefully considered in light of cost, patient benefit and the ability to bring new therapies rapidly to the community. The final selection, a Varian TrueBEAM linear accelerator, is state-of-the-art equipment and is not available elsewhere in the service area.

Equipment – Leasing Price

In terms of major medical equipment, the Joint Venture will be leasing a Varian TrueBEAM linear accelerator, estimated to cost $3,702,400 (if ordered in May or June of 2011). Comparable devices that were considered include the Hi-Art Treatment System of TomoTherapy Inc. (the "Hi-Art System") and the Infinity made by Elekta Inc. (the "Infinity System"). An analysis of 20 recently ordered Hi-Art Systems and Infinity Systems, as of April, 2010, showed ranges between $2,712,500 to $3,371,250 for the Hi-Art System and $1,950,000 to $3,459,561 for the Infinity System. The Joint Venture intends to lease a fully-configured Varian TrueBEAM, which is on the high end of these ranges. Inflating the highest cost Hi-Art and Infinity Systems through the expected completion date of this Project by 3 percent per year yields comparable prices of $3,657,000 and $3,670,000, respectively. The expected price for the Varian TrueBEAM is just 1 percent higher.

Equipment – Other Factors Considered

While the Joint Venture was mindful of costs to get the best value possible, other factors weighted heavily in choosing the Varian TrueBEAM. The Varian TrueBEAM is a newly developed linear accelerator (linac) just announced by Varian. It retains the general purpose utility of existing linacs, it has been designed from the ground up for accuracy and ease of use in Image Guided Radiotherapy (IGRT).

IGRT is the current state of the art in radiation therapy. As one of the most highly regarded providers of cancer care, UCMC needs to be able to offer the improved treatment precision afforded by this equipment. Because this is a joint venture of Silver Cross and UCMC, rather than simply a community facility staffed by the University of Chicago care providers, it is important that novel treatment techniques developed at UCMC be immediately and reliably deployed at the proposed Cancer Center, and that knowledge gained at this facility be fed back and integrated, improving treatment protocols at UCMC as well. Treatments such as prone breast IGRT, concurrent chemotherapy, and hyperfractionated stereotactic body radiotherapy (SBRT) are examples of techniques likely to be deployed at the Cancer Center.

Several factors influenced the selection of this device over other alternatives. The Joint Venture considered the Infinity System, a C-arm linac with IGRT capabilities, and the Hi-Art System with a ring-gantry IGRT system. As mentioned above, prices for these systems are comparable, given equivalent levels of features selected. Choosing a certain brand tends to encourage the choice of that brand's radiotherapy information system. For Varian, this is the Aria Information System, which is being used at UCMC, The University of Illinois Medical Center at Chicago, and

Sherman Hospital (all locations where UCMC operates the radiation oncology service). An Elekta linac or a TomoTherapy device would be more naturally paired with Elekta's Mosaiq Information System. Since UCMC staff is already familiar with Varian's Aria system in use at the hospital's other locations – it is the preferred choice for the proposed Cancer Center.

Issues concerning delivery of a complete range of radiotherapy treatments, including complex treatments as described above at a remote site from the UCMC campus, weighs heavily in the decision to select the Varian linac. TomoTherapy, for example, is good at intensity-modulated radiotherapy (IMRT), but is not as well suited to treating the majority of non-IMRT cases and also lacks the capability to treat with electrons, which is frequently needed.

A single-machine department with only a TomoTherapy system would require dedicated staff with expertise in using that particular system. That dedicated staff could not be used at other sites and those from other sites could not be relocated as needed to the TomoTherapy site. Radiotherapy is a highly complex process – having a thorough knowledge and shared understanding between the multiple groups (physicians, physicists, dosimetrists, therapists) and the multiple practice sites is essential. Protocols such as hypofractionated oligometastasis treatments would need to be performed differently in a TomoTherapy department, and this runs counter to UCMC's overall integrative approach to provide a uniform level of excellence in treatment at all practice sites.

Radiotherapy is a highly complex process involving treatment design, planning, quality assurance, and delivery. UCMC has well-developed procedures designed to ensure both treatment quality and safety for patients – within the context of using Varian equipment. While it is certainly possible to deliver high quality care with other equipment, there are significant benefits that come with UCMC's experiences and practices developed with Varian linacs and with which staff are intimately familiar and for which treatment procedures have already been optimized.

The Elekta Infinity System machine does not support respiratory gated beam delivery in a way that lends itself well to the treatments preferred at UCMC. The Elekta multileaf collimator (MLC) has wider leaves (projected width 10mm at the isocenter versus 5mm for Varian), which reduces the accuracy with which complex and/or small target volumes such as oligometasteses and many brain tumors can be targeted. The Elekta MLC is also built into the machine differently than the Varian – the Varian is mounted downstream of two heavy collimating jaws, while the Elekta actually replaces the second jaw. This results in additional leakage dose while the beam is on – resulting in an unwanted small, but potentially significant increase in dose to normal tissue of the patient.

Finally, the newly released Varian TrueBEAM has some advanced features that the Joint Venture believes will contribute significantly to assuring uniform excellence in treatments and that will avoid the type of treatment errors that have recently been widely publicized. See "Radiation Offers New Cures, and Ways to Do Harm," New York Times (January 24, 2010) at ATTACHMENT 37. The Joint Venture is committed not only to offering the most innovative and effective radiotherapy, but also the safest. Because the TrueBEAM is a newly developed system rather than one that uses ten-year-old technology with imaging systems added on, it has been designed totally as an IGRT machine that facilitates very simple operation in spite of the complexity of what is being done. Every step in the chain of treatment design, planning, and delivery is fraught with the potential for errors – errors that can have disastrous results – as documented in the attached article from the New York Times. The TrueBEAM operator interface has been designed in a way that drastically reduces the number of button presses, mouse clicks, and distractions for the therapist who is actually treating the patient. It senses when there is a chance for collisions of the moving components of the machine (gantry, patient

couch, imaging systems) and prevents those collisions by halting movements. Even the accidental touching of the patient by the machine, which can happen, can be avoided automatically – clearly a significant safety improvement.

The Varian TrueBEAM is also capable of innovative modes of operation which will be of use in some of UCMC's advanced treatments. It has a "flattening filter free" mode which is ideal for oligometastasis treatments. It supports Volumetric Modulated Arc Therapy, a computer-controlled delivery mode which can dramatically reduce beam delivery time, with potential advantages in both dose delivery accuracy and patient safety. It has technique development modes specifically designed to ease implementation of complex new treatment approaches. This capability will be utilized on the system first at UCMC, then deployed quickly to the proposed Cancer Center.

In summary, the Joint Venture concluded that the Varian TrueBEAM accelerator is the best choice for the proposed Cancer Center because of standardization with the equipment at the other sites operated by UCMC – affording ready sharing of treatment protocols and capitalizing on staff familiarity with the equipment. Equipment standardization leads to the establishment of the highest quality practice and gives the most flexibility in terms of staffing between different sites. The Varian TrueBEAM, newly developed, provides superior treatment capabilities with a clear focus on safety.

Need

A two-pronged approach to projecting patient volumes was used – one to project new cancer cases and one to project radiation oncology treatments for the proposed linear accelerator equipment.

1) Projected Cancer Cases

In 2014, it is projected that there will be a total of 4,769 new cancer cases in the entire service area. These projections were based on 2014 population estimates and incidence rates from the Illinois State Cancer Registry and for Will County.

Silver Cross Service Area Incidence Estimates

		PSA	SSA S	SSA E	SSA N	SSA W	Total
Population 2014							
	Male	200,026	16,690	74,313	107,507	53,028	451,564
	Female	200,376	16,913	79,178	107,765	52,611	456,843
	Total	400,402	33,603	153,491	215,272	105,639	908,407
Lung							
Incidence per 100K Pop	Male	94.3	94.3	94.3	94.3	94.3	
	Female	57.0	57.0	57.0	57.0	57.0	
New Cases	Male	189	16	70	101	50	426
	Female	114	10	45	61	30	260
						Lung Total	**686**
Breast							
Incidence per 100K Pop	Male	-	-	-	-	-	
	Female	126.2	126.2	126.2	126.2	126.2	
New Cases	Male	0	0	0	0	0	-
	Female	253	21	100	136	66	576
						Breast Total	**576**
Prostate							
Incidence per 100K Pop	Male	163.4	163.4	163.4	163.4	163.4	
	Female	-	-	-	-	-	
New Cases	Male	327	27	121	176	87	738
	Female	0	0	0	0	0	-
						Prostate Total	**738**
Colon & Rectal							
Incidence per 100K Pop	Male	70.0	70.0	70.0	70.0	70.0	
	Female	49.4	49.4	49.4	49.4	49.4	
New Cases	Male	140	12	52	75	37	316
	Female	99	8	39	53	26	225
						C & R Total	**541**
Gyne Oncology							
Incidence per 100K Pop	Male	-	-	-	-	-	
	Female	44.6	44.6	44.6	44.6	44.6	
New Cases	Male	0	0	0	0	0	-
	Female	89	8	35	48	23	203
						Gyne Onc Total	**203**
Other Sites							
Incidence per 100K Pop	Male	288.5	288.5	288.5	288.5	288.5	
	Female	157.4	157.4	157.4	157.4	157.4	
New Cases	Male	577	48	214	310	153	1,302
	Female	315	27	125	170	83	720
						Other Sites Total	**2,022**
Total All Sites							
Incidence per 100K Pop	Male	616.2	616.2	616.2	616.2	616.2	
	Female	434.6	434.6	434.6	434.6	434.6	
New Cases	Male	1233	103	458	662	327	**2,783**
	Female	871	74	344	468	229	**1,986**
							4,769

Source: Claritas Demographics; IL State Cancer Registry; 2005 Will County Cancer Incidence

Using June 2010 inpatient total service area market share rates (17.1%) for Silver Cross as a proxy for outpatient care, it is projected that 815 new cancer patients would use the Cancer Center (i.e., 4,769 *0.171 = 815). Additionally, based on internal UCMC data, roughly 1,400 cancer patients from Silver Cross' service area travel to UCMC's hospital campus in Hyde Park for cancer treatment services. The Applicants are projecting that 10.3% of these 1,400 cancer patients (or 144) would elect to stay closer to home and use the Cancer Center. Thus, in total, the Applicants are projecting that 960 cancer patients would use the Cancer Center in 2014 - which means that the Applicants are conservatively projecting that only 20% of cancer patients in the designated service area will use the proposed Cancer Center.

2) Projected Radiation Oncology Utilization

Service Area Demand

Two methods were used to project the number of patients that will require radiation oncology treatment.

The first model uses data from the American College of Surgeons and historical rates experienced by UCMC. The following table identifies the percentages of patients treated with radiation according to the American College of Surgeons – Collaboration on Cancer:

Cancer Site	Percent Treated with Radiation
Lung (NSC)	34.5%
Lung (SC)	42.3%
Cervical	55.4%
Uterine	25.2%
Prostate	37.3%
Rectal	42.8%
Colon	0.0%
Bladder	0.0%
Breast	45.4%

UCMC data indicates that roughly one-fourth (25.77%) of all new cancer patients (across all cancer types) will require a course of radiation treatment. As a result, it is projected that 1,229 patients out of the total 4,769 new cancer patients in the service area will require radiation treatment in 2014.

The second model was used by a another cancer center applicant (Central DuPage Hospital) in their project (#08-059) approved by the Illinois Health Facilities and Services Review Board on January 27, 2009. That model applied a rate of 32.55 radiation oncology treatment courses for every 1,000 medical/surgical admissions. In calendar year 2009, there were 90,054 medical/surgical admissions from the service area for the proposed Project. Applying the projected radiation treatment rate to the service area medical/surgical admissions yields 2,931 patients in the service area estimated to need radiation treatment in 2009. Assuming an annual growth rate of 2.68% (matching the population growth rate) in medical/surgical admissions per year, it is projected that there will be 3,346 patients in the service area by 2014 that will require

a course of radiation treatment. Service area patient demand using this model to project radiation oncology treatment is summarized in the table that follows:

MEASURE	Actual 2009	Projected 2010	2011	2012	2013	2014
Service Area Medical Surgical Admissions	90,054	92,467	94,946	97,490	100,103	102,786
Growth rate (annual population growth rate)		2.68%	2.68%	2.68%	2.68%	2.68%
Projected Patients Requiring Radiation Oncology Treatments in Area (32.55/1000 med-surg admissions)	2,931.3	3,009.8	3,090.5	3,173.3	3,258.3	3,345.7

Service area demand for radiation treatment ranges from a low of 1,229 patients (model 1) to a high of 3,346 patients (model 2) for 2014.

Proposed Cancer Center Linear Accelerator Utilization

Again, two methods were used to determine utilization of the linear accelerator at the proposed Cancer Center.

The first model uses American College of Surgeons utilization rates and UCMC historical experience. As mentioned above, the proposed Cancer Center is projected to treat 960 new cancer cases in 2014. Because the proposed Cancer Center will focus on the most common types of cancer – breast, lung and prostate – radiation treatment utilization rates were adjusted based on the UCMC historical activity. Based on UCMC experience and the expected mix of cancer types to be treated, roughly 32.7% of patients (a blended rate across cancer types) had a course of radiation treatment. This rate applied to the 960 new cancer patients projected to use the proposed Cancer Center yields 314 patients that will require a course of radiation treatment.

The second model applies the rates (32.55 treatment courses per 1,000 medical/surgical admissions) that Central DuPage Hospital used in their Cancer Center application for permit (#08-059). In calendar year 2009, Silver Cross had 11,867 medical/surgical admissions (as submitted on the Annual Hospital Questionnaire to the Illinois Department of Public Health). Assuming an annual growth rate of 2.68% (matching the population growth rate per year), it is projected that there will be 441 cancer patients in 2014 that will require a course of radiation treatment.

MEASURE	Actual 2009	Projected 2010	2011	2012	2013	2014
Silver Cross Hospital Medical/Surgical Admissions (excluding pediatrics)	11,867	12,185	12,512	12,847	13,191	13,545
Growth rate (annual population growth rate)		2.68%	2.68%	2.68%	2.68%	2.68%
Projected Patients Requiring Radiation Oncology Treatments (32.55/1000 med-surg admissions)	386.3	396.6	407.3	418.2	429.4	440.9

The number of patients projected to require radiation oncology treatment ranges from a low of 314 patients (model 1) to a high of 441 patients (model 2) in 2014.

For the purposes of this Project, the Applicants elected to use only the most conservative projections to determine the number of cancer patients that will require radiation oncology (314

patients). Based on UCMC's experience and the expected mix of cancer types to be treated, the average radiation oncology treatment course involves 24 separate treatment visits. The 314 cancer patients that are likely to require radiation treatment at the proposed Cancer Center are projected to generate a total of 7,536 radiation oncology treatments in 2014. It is estimated that by year 2 (2015), there will be 334 cancer patients that will require radiation treatment resulting in a projected 8,016 radiation oncology treatments at the Cancer Center.

Impact on Other Providers

Radiation therapy is a service that is well-accepted at community hospitals across the nation and is considered to be a basic service similar to medical imaging. Patients expect an oncology program to be integrated across the continuum of services minimizing the need for additional "hand offs," transitions and duplicative testing. The Applicants believe that radiation therapy is a mandatory component of the Cancer Center in order to achieve the goal of delivering the highest quality oncology care in the local community. As previously mentioned, novel treatment techniques that are developed at UCMC can be immediately and reliably deployed at the Cancer Center distinguishing this joint project from other providers in the market.

According the Annual Hospital Questionnaires filed by other hospital providers in the total service area, Provena St. Joseph Medical Center in Joliet is the only other provider that reports radiation therapy service volumes to the Illinois Department of Public Health. The 2008 Annual Hospital Questionnaire filed by Provena St. Joseph's indicated that 255 courses of treatment were provided. Estimates presented above (Service Area Demand) indicate that the number of patients requiring radiation treatment ranges from a low of 1,229 patients to a high of 3,346 patients in 2014. The number of patients projected to require radiation therapy services at the proposed Cancer Center is 314 – patients that will be shifted from UCMC's existing patient population and patients that today are traveling long distances elsewhere and outside of Silver Cross' service area for treatment. Given the large demand for treatment, the Cancer Center should not impact the Provena-St. Joseph program.

Market area demand (low estimate)	1,229 patients
Less Patients seen at Proposed Cancer Center	314 patients
Less Patients seen at Provena St. Joseph	255 patients
Remaining Need for Services if Project is Approved	1,229 - 314 - 255 = 660 patients

While it may appear that there is projected unmet need for radiation treatment services in the service area, the Applicants are also aware that other providers – such as private physicians – are offering these services today in the community. Unfortunately, the volume from these providers is not reported to the State of Illinois making it difficult to predict impact. Nevertheless, the need for the service is well-established by the very conservative estimates presented above. The remaining need for services may be lower than projected based on volumes being seen at private practice programs. But, the opportunity to offer radiation therapy will significantly reduce outmigration and offer protocols and treatments that are not available at existing programs today.

Because this is a new service at Silver Cross Hospital, no hospital historical data is available.

The New York Times

January 24, 2010

THE RADIATION BOOM

Radiation Offers New Cures, and Ways to Do Harm

By WALT BOGDANICH

As Scott Jerome-Parks lay dying, he clung to this wish: that his fatal radiation overdose — which left him deaf, struggling to see, unable to swallow, burned, with his teeth falling out, with ulcers in his mouth and throat, nauseated, in severe pain and finally unable to breathe — be studied and talked about publicly so that others might not have to live his nightmare.

Sensing death was near, Mr. Jerome-Parks summoned his family for a final Christmas. His friends sent two buckets of sand from the beach where they had played as children so he could touch it, feel it and remember better days.

Mr. Jerome-Parks died several weeks later in 2007. He was 43.

A New York City hospital treating him for tongue cancer had failed to detect a computer error that directed a linear accelerator to blast his brain stem and neck with errant beams of radiation. Not once, but on three consecutive days.

Soon after the accident, at St. Vincent's Hospital in Manhattan, state health officials cautioned hospitals to be extra careful with linear accelerators, machines that generate beams of high-energy radiation.

But on the day of the warning, at the State University of New York Downstate Medical Center in Brooklyn, a 32-year-old breast cancer patient named Alexandra Jn-Charles absorbed the first of 27 days of radiation overdoses, each three times the prescribed amount. A linear accelerator with a missing filter would burn a hole in her chest, leaving a gaping wound so painful that this mother of two young children considered suicide.

Ms. Jn-Charles and Mr. Jerome-Parks died a month apart. Both experienced the wonders and the brutality of radiation. It helped diagnose and treat their disease. It also inflicted unspeakable pain.

Yet while Mr. Jerome-Parks had hoped that others might learn from his misfortune, the details of his case — and Ms. Jn-Charles's — have until now been shielded from public view by the government, doctors and the hospital.

Americans today receive far more medical radiation than ever before. The average lifetime dose of diagnostic radiation has increased sevenfold since 1980, and more than half of all cancer patients receive radiation therapy. Without a doubt, radiation saves countless lives, and serious accidents are rare.

But patients often know little about the harm that can result when safety rules are violated and ever more powerful and technologically complex machines go awry. To better understand those risks, The New York Times examined thousands of pages of public and private records and interviewed physicians, medical physicists, researchers and government regulators.

The Times found that while this new technology allows doctors to more accurately attack tumors and reduce certain mistakes, its complexity has created new avenues for error — through software flaws, faulty programming, poor safety procedures or inadequate staffing and training. When those errors occur, they can be crippling.

"Linear accelerators and treatment planning are enormously more complex than 20 years ago," said Dr. Howard I. Amols, chief of clinical physics at Memorial Sloan-Kettering Cancer Center in New York. But hospitals, he said, are often too trusting of the new computer systems and software, relying on them as if they had been tested over time, when in fact they have not.

Regulators and researchers can only guess how often radiotherapy accidents occur. With no single agency overseeing medical radiation, there is no central clearinghouse of cases. Accidents are chronically underreported, records show, and some states do not require that they be reported at all.

In June, The Times reported that a Philadelphia hospital gave the wrong radiation dose to more than 90 patients with prostate cancer — and then kept quiet about it. In 2005, a Florida hospital disclosed that 77 brain cancer patients had received 50 percent more radiation than prescribed because one of the most powerful — and supposedly precise — linear accelerators had been programmed incorrectly for nearly a year.

Dr. John J. Feldmeier, a radiation oncologist at the University of Toledo and a leading authority on the treatment of radiation injuries, estimates that 1 in 20 patients will suffer injuries.

Most are normal complications from radiation, not mistakes, Dr. Feldmeier said. But in some cases the line between the two is uncertain and a source of continuing debate.

"My suspicion is that maybe half of the accidents we don't know about," said Dr. Fred A. Mettler Jr., who has investigated radiation accidents around the world and has written books on medical radiation.

Identifying radiation injuries can be difficult. Organ damage and radiation-induced cancer might not surface for years or decades, while underdosing is difficult to detect because there is no injury. For these reasons, radiation mishaps seldom result in lawsuits, a barometer of potential problems within an industry.

In 2009, the nation's largest wound care company treated 3,000 radiation injuries, most of them serious enough to require treatment in hyperbaric oxygen chambers, which use pure, pressurized oxygen to promote healing, said Jeff Nelson, president and chief executive of the company, Diversified Clinical Services.

While the worst accidents can be devastating, most radiation therapy "is very good," Dr. Mettler said. "And while there are accidents, you wouldn't want to scare people to death where they don't get needed radiation therapy."

Because New York State is a leader in monitoring radiotherapy and collecting data about errors, The Times decided to examine patterns of accidents there and spent months obtaining and analyzing records. Even though many accident details are confidential under state law, the records described 621 mistakes from 2001 to 2008. While most were minor, causing no immediate injury, they nonetheless illuminate underlying problems.

The Times found that on 133 occasions, devices used to shape or modulate radiation beams — contributing factors in the injuries to Mr. Jerome-Parks and Ms. Jn-Charles — were left out, wrongly positioned or otherwise misused.

On 284 occasions, radiation missed all or part of its intended target or treated the wrong body part entirely. In one case, radioactive seeds intended for a man's cancerous prostate were instead implanted in the base of his penis.

Another patient with stomach cancer was treated for prostate cancer. Fifty patients received radiation intended for someone else, including one brain cancer patient who received radiation intended for breast cancer.

New York health officials became so alarmed about mistakes and the underreporting of accidents that they issued a special alert in December 2004, asking hospitals to be more vigilant.

As this warning circulated, Mr. Jerome-Parks was dealing with what he thought was a nagging sinus infection. He would not know until two months later that cancer had been growing at the base of his tongue. It was a surprising diagnosis for a relatively young man who rarely drank and did not smoke.

In time, his doctors and family came to suspect that his cancer was linked to the neighborhood where he had once worked, on the southern tip of Manhattan, in the shadow of the World Trade Center.

Several years before, he had taken a job there as a computer and systems analyst at CIBC World Markets. His starting date: September 2001.

Diagnosis and Treatment

What Mr. Jerome-Parks most remembered about Sept. 11, his friends say, were bodies falling from the sky, smashing into the pavement around him. He was particularly haunted by the memory of a man dressed in a suit and tie, plummeting to his death.

In the days and weeks that followed, Mr. Jerome-Parks donated blood, helped a family search for a missing relative and volunteered at the Red Cross, driving search-and-rescue workers back and forth from what became known as "the pile." Whether toxic dust from the collapsed towers caused his cancer may never be known, though his doctor would later say he believed there was a link.

Mr. Jerome-Parks approached his illness as any careful consumer would, evaluating the varied treatment options in a medical mecca like New York. Yet in the end, what led him to St. Vincent's, the primary treatment center for Sept. 11 victims, was a recommendation from an acquaintance at his church, which had become an increasingly important part of his life.

The Church of St. Francis Xavier in Manhattan, known for its social advocacy, reflected how much Mr. Jerome-Parks had changed from his days in Gulfport, Miss., where he was raised in a conservative family, eventually moving to Toronto and then New York, where he met his Canadian-born wife, Carmen, a dancer, singer and aspiring actress.

In turning to St. Vincent's, Mr. Jerome-Parks selected a hospital that had been courting cancer patients as a way to solidify its shaky financial standing.

Its cancer unit, managed by Aptium Oncology, a unit of one of the world's leading pharmaceutical companies, AstraZeneca, was marketing a new linear accelerator as though it had Mr. Jerome-Parks specifically in mind. Its big selling point was so-called smart-beam technology.

"When the C.F.O. of a New York company was diagnosed with a cancerous tumor at the base of his tongue," promotional material for the new accelerator stated, "he also learned that conventional radiation therapy could potentially cure him, but might also cause serious side effects."

The solution, the advertisement said, was a linear accelerator with 120 computer-controlled metal leaves, called a multileaf collimator, which could more precisely shape and modulate the radiation beam. (View an interactive graphic demonstrating how multileaf collimators work, and how problems at St. Vincent's caused a fatal overdose.) This treatment is called Intensity Modulated Radiation Therapy, or I.M.R.T. The unit St. Vincent's had was made by Varian Medical Systems, a leading supplier of radiation equipment.

"The technique is so precise, we can treat areas that would have been considered much too risky before I.M.R.T., too close to important critical structures," Dr. Anthony M. Berson, St. Vincent's chief radiation oncologist, said in a 2001 news release.

The technology addressed a vexing problem in radiation therapy — how to spare healthy cells while killing cancerous ones.

Radiation fights cancer by destroying the genetic material that controls how cells grow and divide. Even under the best of circumstances, though, it carries a risk, much like surgery or chemotherapy.

The most accurate X-ray beams must pass through healthy tissue to penetrate the tumor before exiting the body. Certain body parts and certain people are more sensitive to radiation. According to research by Dr. Eric J. Hall of the Center for Radiological Research at Columbia University, even accurate I.M.R.T. treatments, when compared with less technically advanced linear accelerators, may nearly double the risk of secondary cancer later in life due to radiation leakage.

When therapeutic errors enter the picture, the risk multiplies. An underdose allows the targeted cancer to grow, while an overdose can burn and cause organ damage.

While most radiation burns are mild, comparable to a sunburn, larger doses can damage the cells lining small blood vessels, depriving the skin and soft tissue of nourishment. The result is a wound that resists healing.

"Not only do you lose the blood vessels, but the tissue becomes chronically inflamed, which can lead to scarring," said Robert Warriner III, chief medical officer of Diversified Clinical Services, the wound care company.

After soft-tissue injury, bone death in the head and jaw is the second most common radiation injury that Diversified Clinical treats.

At their worst, radiation injuries can cause organ failure and death.

Dr. Salvatore M. Caruana, then a head and neck surgeon at St. Vincent's, gave Mr. Jerome-Parks another option: surgery.

"I wanted him to have laser resection," Dr. Caruana, now at New York-Presbyterian Columbia University Medical Center, said in an interview.

In the end, Mr. Jerome-Parks chose radiation, with chemotherapy.

His wife would later tell friends that she wondered whether St. Vincent's was the best place for him, given that the world-renowned Memorial Sloan-Kettering was nearby. But she did not protest. His mind was made up, and there was no time to lose. His cancer was advancing, and smart-beam technology promised to stop it.

A Plan Goes Wrong

On a brisk day in March 2005, Mr. Jerome-Parks prepared for his fifth radiation session at St. Vincent's. The first four had been delivered as prescribed. Now Dr. Berson wanted the plan reworked to give more protection to Mr. Jerome-Parks's teeth.

Radiation can damage saliva glands, and if saliva stops flowing, tooth decay and infections become a significant risk. Coupled with bone weakness from radiation, the simple act of extracting a tooth can lead to destruction of the lower jaw and ultimately its removal, doctors say.

Dr. Edward Golembe, who directs a hyperbaric oxygen chamber at Brookdale University Hospital in Brooklyn, said he had treated serious radiation injuries to the jaw and called them "a horrible, horrible thing to see."

Tasked with carrying out Dr. Berson's new plan was Nina Kalach, a medical physicist. In the world of radiotherapy, medical physicists play a vital role in patient safety — checking the calibration of machines, ensuring that the computer delivers the correct dose to the proper location, as well as assuming other safety tasks.

Creating the best treatment plan takes time. "A few years ago, we had computers that would take overnight to actually come up with a good treatment plan," said Dr. David Pearson, a medical physicist who works with Dr. Feldmeier's radiotherapy team at the University of Toledo. Faster computers have shortened that process.

"But we still need to be able to verify that what the computer has actually come up with is accurate," Dr. Pearson said. "The first time it tries to solve the problem, it may not come up with the best solution, so we tell it, O.K., these are the areas that need to be fixed."

A few months before Mr. Jerome-Parks's treatment, New York State health officials reminded hospitals that I.M.R.T. required a "significant time commitment" on the part of their staffs.

"Staffing levels should be evaluated carefully by each registrant," the state warned, "to ensure that coverage is sufficient to prevent the occurrence of treatment errors and misadministrations."

On the morning of March 14, Ms. Kalach revised Mr. Jerome-Parks's treatment plan using Varian software. Then, with the patient waiting in the wings, a problem arose, state records show.

Shortly after 11 a.m., as Ms. Kalach was trying to save her work, the computer began seizing up, displaying an error message. The hospital would later say that similar system crashes "are not uncommon with the Varian software, and these issues have been communicated to Varian on numerous occasions."

An error message asked Ms. Kalach if she wanted to save her changes before the program aborted. She answered yes. At 12:24 p.m., Dr. Berson approved the new plan.

Meanwhile, two therapists were prepping Mr. Jerome-Parks for his procedure, placing a molded mask over his face to immobilize his head.

Then the room was sealed, with only Mr. Jerome-Parks inside.

At 12:57 p.m. — six minutes after yet another computer crash — the first of several radioactive beams was turned on.

The next day, there was a second round of radiation.

A friend from church, Paul Bibbo, stopped by the hospital after the second treatment to see how things were going.

Mr. Bibbo did not like what he saw. Walking into a darkened hospital room, he recalled blurting out: " 'My goodness, look at him.' His head and his whole neck were swollen."

Anne Leonard, another friend, saw it, too, on a later visit. "I was shocked because his head was just so blown up," Ms. Leonard said. "He was in the bed, and he was writhing from side to side and moaning."

At a loss for what to do, Ms. Leonard said, "I just stood at the foot of the bed in the dark and prayed."

In a panic, Ms. Jerome-Parks called Tamara Weir-Bryan, a longtime friend from Toronto with nursing experience. Something was not right, she said. Then, as Ms. Weir-Bryan tells it: "She called me again, in agony, 'Please believe me. His face is so blown up. It's dreadful. There is something wrong.' "

At Ms. Jerome-Parks's suggestion, Ms. Weir-Bryan said she called the hospital, identified herself as a nurse and insisted that someone check on Mr. Jerome-Parks. If anything was done, it was not enough.

The next day, the hospital sent a psychiatrist to speak to Ms. Jerome-Parks, according to the hospital. A couple of hours later, her husband received yet another round of radiation.

Overdosed on Radiation

The Times has pieced together this account of what happened to Mr. Jerome-Parks largely from interviews with doctors who had been consulted on the case, six friends who cared for and comforted him, contemporaneous e-mail messages and Internet postings, and previously sealed government records. His wife declined to be interviewed about the case, as did Ms. Kalach, the medical physicist, and representatives of Aptium, Varian and St. Vincent's.

In a statement, the hospital called the case an "unfortunate event" that "occurred as a result of a unique and unanticipated combination of issues."

On the afternoon of March 16, several hours after Mr. Jerome-Parks received his third treatment under the modified plan, Ms. Kalach decided to see if he

was being radiated correctly.

So at 6:29 p.m., she ran a test to verify that the treatment plan was carried out as prescribed. What she saw was horrifying: the multileaf collimator, which was supposed to focus the beam precisely on his tumor, was wide open.

A little more than a half-hour later, she tried again. Same result.

Finally, at 8:15 p.m., Ms. Kalach ran a third test. It was consistent with the first two. A frightful mistake had been made: the patient's entire neck, from the base of his skull to his larynx, had been exposed.

Early the next afternoon, as Mr. Jerome-Parks and his wife were waiting with friends for his fourth modified treatment, Dr. Berson unexpectedly appeared in the hospital room. There was something he had to tell them. For privacy, he took Mr. Jerome-Parks and his wife to a lounge on the 16th floor, where he explained that there would be no more radiation.

Mr. Jerome-Parks had been seriously overdosed, they were told, and because of the mistake, his prognosis was dire.

Stunned and distraught, Ms. Jerome-Parks left the hospital and went to their church, a few blocks away. "She didn't know where else to go," recalled Ms. Leonard, their friend.

The next day, Ms. Jerome-Parks asked two other friends, Nancy Lorence and Linda Giuliano, a social worker, to sit in on a meeting with Dr. Berson and other hospital officials.

During the meeting, the medical team took responsibility for what happened but could only speculate about the patient's fate. They knew the short-term effects of acute radiation toxicity: burned skin, nausea, dry mouth, difficulty swallowing, loss of taste, swelling of the tongue, ear pain and hair loss. Beyond that, it was anyone's guess when the more serious life-threatening symptoms would emerge.

"They were really holding their breath because it was the brain stem and he could end up a paraplegic and on a respirator," Ms. Giuliano said.

Ms. Lorence added: "I don't really think they expected Scott to live more than two months or three months."

The group was told that doctors were already searching for tips on how to manage what promised to be a harrowing journey not only for the patient and his family, but also for the physicians and staff members involved in his care.

The full investigation into why Mr. Jerome-Parks had received seven times his prescribed dose would come later. For now, there was nothing left to say.

As Dr. Berson rose to leave the room, Ms. Lorence noticed that his back was soaked in sweat.

A Warning Goes Unheeded

Rene Jn-Charles remembers where he was and how she looked on that joyful day — his wife, Alexandra, the mother of their two young children, in brown jeans and a brown top, standing in front of him at the corner of Lincoln Place and Utica Avenue in the Crown Heights neighborhood of Brooklyn.

"Babes," she said. "I have no cancer. I am free."

Her doctor had called with the good news, she said. A seemingly unbearable weight had been lifted. Now after breast surgery and chemotherapy, she faced only radiation, although 28 days of it.

Ms. Jn-Charles had been treated for an aggressive form of breast cancer at a hospital with a very different patient profile from the one selected by Mr. Jerome-Parks. Unlike St. Vincent's, on the edge of Greenwich Village, the Downstate Medical Center's University Hospital of Brooklyn is owned by the state and draws patients from some of Brooklyn's poorer neighborhoods.

Ms. Jn-Charles's treatment plan also called for a linear accelerator. But instead of a multileaf collimator, it used a simpler beam-modifying device called a wedge, a metallic block that acts as a filter.

In the four years before Ms. Jn-Charles began treatment, 21 accidents in New York State were linked to beam-modifying devices, including wedges, records show.

On April 19, 2005, the day Ms. Jn-Charles showed up for her first radiation treatment, state health officials were still so worried about what had happened to Mr. Jerome-Parks that they issued an alert, reminding operators of linear accelerators "of the absolute necessity to verify that the radiation field is of the appropriate size and shape prior to the patient's first treatment."

In legal papers before she died, Ms. Jn-Charles explained how the radiation therapist had told her not to worry. "It's not painful — that it's just like an X-ray," she said she was told. "There may be a little reaction to the skin. It may break out a little, and that was basically it."

'A Big Hole in My Chest'

For a while, all seemed well. Then, toward the end of therapy, Ms. Jn-Charles began to develop a sore on her chest. It seemed to get worse by the day. "I noticed skin breaking out," she would later say. "It was peeling. It started small but it quickly increased."

When Ms. Jn-Charles showed up for her 28th and final treatment, the therapist took her to see Dr. Alan Schulsinger, a radiation oncologist. "He just said that they wouldn't give me any radiation today, and he gave me the ointment and stuff and said go home and come back in a couple of days," Ms. Jn-Charles said.

A couple of days later, she returned. "More skin was peeling off, and going down into the flesh," Ms. Jn-Charles said. Once again, she was told to go home and return later.

On June 8, 2005, the hospital called her at home, requesting that she come in because the doctors needed to talk to her. Fourteen days after her last treatment, the hospital decided to look into the possible causes of her injury, hospital records show.

It did not take long. The linear accelerator was missing a vital command — to insert the wedge. Without it, the oncology team had been mistakenly scalding Ms. Jn-Charles with three and a half times the prescribed radiation dose during each session.

At the hospital, doctors gave her the bad news, and later sent a letter to her home. "I am writing to offer our deepest apologies once again for the devastating events that occurred," Dr. Richard W. Freeman, chief medical officer, said in the June 17 letter. "There is now a risk of injury to your chest wall, including your skin, muscle, bone and a small portion of lung tissue."

Ms. Jn-Charles had been harmed by a baffling series of missteps, records show.

One therapist mistakenly programmed the computer for "wedge out" rather than "wedge in," as the plan required. Another therapist failed to catch the error. And the physics staff repeatedly failed to notice it during their weekly checks of treatment records.

Even worse, therapists failed to notice that during treatment, their computer screen clearly showed that the wedge was missing. Only weeks earlier, state health officials had sent a notice, reminding hospitals that therapists "must closely monitor" their computer screens.

"The fact that therapists failed to notice 'wedge OUT' on 27 occasions is disturbing," Dr. Tobias Lickerman, director of the city's Radioactive Materials Division, wrote in a report on the incident. The hospital declined to discuss the case.

The overdose resulted in a wound that would not heal. Instead, it grew, despite dozens of sessions in a hyperbaric oxygen chamber. Doctors tried surgery. The wound would not close. So they operated a second, a third and a fourth time. In one operation, Ms. Jn-Charles's chest wall was reconstructed using muscle from her back and skin from her leg.

"I just had a big hole in my chest," she would say. "You could just see my ribs in there."

She saw herself falling away. "I can't even dress myself, pretty much," she said. "I used to be able to take care of my kids and do stuff for them, and I can't do these things anymore."

Her husband remembers one night when the children heard their mother crying. They came running, frightened, pleading: "Tell me, Daddy, what happened to Mommy? Say she's O.K., she's O.K."

For more than a year, Ms. Jn-Charles was repeatedly hospitalized for pain and lived with the odor of her festering wound. Meanwhile, her cancer returned with a vengeance.

Several months after her wound had finally healed, she died.

No Fail-Safe Mechanism

The investigation into what happened to Mr. Jerome-Parks quickly turned to the Varian software that powered the linear accelerator.

The software required that three essential programming instructions be saved in sequence: first, the quantity or dose of radiation in the beam; then a digital image of the treatment area; and finally, instructions that guide the multileaf collimator.

When the computer kept crashing, Ms. Kalach, the medical physicist, did not realize that her instructions for the collimator had not been saved, state records show. She proceeded as though the problem had been fixed.

"We were just stunned that a company could make technology that could administer that amount of radiation — that extreme amount of radiation — without some fail-safe mechanism," said Ms. Weir-Bryan, Ms. Jerome-Parks's friend from Toronto. "It's always something we keep harkening back to: How could this happen? What accountability do these companies have to create something safe?"

Even so, there were still opportunities to catch the mistake.

It was customary — though not mandatory — that the physicist would run a test before the first treatment to make sure that the computer had been programmed correctly. Yet that was not done until after the third overdose.

State officials said they were told that the hospital waited so long to run the test because it was experiencing "a staffing shortage as training was being provided for the medical physicists," according to a confidential internal state memorandum on the accident.

There was still one final chance to intervene before the overdose. All the therapists had to do was watch the computer screen — it showed that the collimator was open. But they were not watching the screen, and in fact hospital rules included no specific instructions that they do so. Instead, their eyes were fastened on Mr. Jerome-Parks, out of concern that he might vomit into the mask that stabilized his head. Earlier, he had been given a drug known to produce nausea, to protect his salivary glands.

Government investigators ended up blaming both St. Vincent's, for failing to catch the error, and Varian, for its flawed software.

The hospital said it "acted swiftly and effectively to respond to the event, and worked closely with the equipment manufacturer and the regulatory agencies."

Timothy E. Guertin, Varian's president and chief executive, said in an interview that after the accident, the company warned users to be especially careful when using their equipment, and then distributed new software, with a fail-safe provision, "all over the world."

But the software fix did not arrive in time to help a woman who, several months later, was being radiated for cancer of the larynx. According to F.D.A. records, which did not identify the hospital or the patient, therapists tried to save a file on Varian equipment when "the system's computer screen froze."

The hospital went ahead and radiated the patient, only to discover later that the multileaf collimator had been wide open. The patient received nearly six times her prescribed dose. In this case, the overdose was caught after one treatment and the patient was not injured, according to Mr. Guertin, who declined to identify the hospital.

"The event at the hospital happened before the modification was released," he said.

Mr. Guertin said Varian did 35 million treatments a year, and in 2008 had to file only about 70 reports of potential problems with the Food and Drug Administration.

Accidents and Accountability

Patients who wish to vet New York radiotherapy centers before selecting one cannot do so, because the state will not disclose where or how often medical mistakes occur.

To encourage hospitals to report medical mistakes, the State Legislature — with the support of the hospital industry — agreed in the 1980s to shield the identity of institutions making those mistakes. The law is so strict that even federal officials who regulate certain forms of radiotherapy cannot, under normal circumstances, have access to those names.

Even with this special protection, the strongest in the country, many radiation accidents go unreported in New York City and around the state. After The Times began asking about radiation accidents, the city's Department of Health and Mental Hygiene reminded hospitals in July of their reporting obligation under the law. Studies of radiotherapy accidents, the city pointed out, "appear to be several orders of magnitude higher than what is being reported in New York City, indicating serious underreporting of these events."

The Times collected summaries of radiation accidents that were reported to government regulators, along with some that were not. Those records show that inadequate staffing and training, failing to follow a good quality-assurance plan and software glitches have contributed to mistakes that affected patients of varying ages and ailments.

For example, a 14-year-old girl received double her prescribed dose for 10 treatments because the facility made a faulty calculation and then did not follow its policy to verify the dose. A prostate cancer patient was radiated in the wrong spot on 32 of 38 treatments, while another prostate patient at the same institution received 19 misguided treatments — all because the hospital did not test a piece of equipment after repairs.

In March 2007, at Clifton Springs Hospital and Clinic in upstate New York, a 31-year-old vaginal cancer patient was overradiated by more than 80 percent by an inexperienced radiotherapy team, putting her at risk for a fistula formation between the rectum and vagina. Afterward, she received antibiotics and treatments in a hyperbaric oxygen chamber.

In 2008, at Stony Brook University Medical Center on Long Island, Barbara Valenza-Gorman, 63, received 10 times as much radiation as prescribed in one spot, and one-tenth of her prescribed dose in another. Ms. Valenza-Gorman was too sick to continue her chemotherapy and died of cancer several months later, a family member said. The therapist who made those mistakes was later reprimanded in another case for failing to document treatment properly.

The therapist not only continues to work at the hospital, but has also trained other workers, according to records and hospital employees. A spokeswoman for Stony Brook said privacy laws precluded her from discussing specifics about patient care or employees.

Other therapists have had problems, too.

Montefiore Medical Center in the Bronx fired a therapist, Annette Porter, accusing her of three mistakes, including irradiating the wrong patient, according to a government report on June 1, 2007. Ms. Porter retains her license.

"We know nothing about that person -- zero," said John O'Connell, an associate radiologic technology specialist with the State Bureau of Environmental Radiation Protection, the agency that licenses technologists.

Montefiore declined to comment. Ms. Porter, through her lawyer, denied making the three mistakes.

Fines or license revocations are rarely used to enforce safety rules. Over the previous eight years, despite hundreds of mistakes, the state issued just three fines against radiotherapy centers, the largest of which was $8,000.

Stephen M. Gavitt, who directs the state's radiation division, said if mistakes did not involve violations of state law, fines were not proper. The state does require radiotherapy centers to identify the underlying causes of accidents and make appropriate changes to their quality-assurance programs. And state officials said New York had taken a leadership role in requiring that each facility undergo an external audit by a professional not connected to the institution.

Two years ago, the state warned medical physicists attending a national conference that an over-reliance on computer programs might be leading to mistakes, including patient mix-ups. "You have to be ever-vigilant," Mr. O'Connell said.

The state imposed no punishment for the overdoses of Mr. Jerome-Parks or Ms. Jn-Charles. The city levied fines of $1,000 against St. Vincent's and $1,500 against University Hospital of Brooklyn.

Irreparable Damage

Mr. Jerome-Parks needed powerful pain medicine soon after his overdose.

Yet pain was hardly the worst of it. Apart from barely being able to sleep or swallow, he had to endure incessant hiccupping, vomiting, a feeding tube, a 24-hour stream of drugs and supplements. And apart from all that, he had to confront the hard truth about serious radiation injuries: there is no magic bullet, no drug, no surgery that can fix

the problem.

"The cells damaged in that area are not reparable," Ms. Jerome-Parks reported to friends in an e-mail message shortly after the accident. National radiation specialists who were consulted could offer no comfort. Hyperbaric oxygen treatments may have helped slightly, but it was hard to tell.

"He got so much radiation — I mean this was, in the order of magnitude, a big mistake," said Dr. Jerome B. Posner, a neurologist at Memorial Sloan-Kettering who consulted on the case at the request of the family. "There are no valid treatments."

Though he had been grievously harmed, Mr. Jerome-Parks bore no bitterness or anger.

"You don't really get to know somebody," said Ms. Leonard, the friend from church, "until you see them go through something like this, and he was just a pillar of strength for all of us."

Mr. Jerome-Parks appreciated the irony of his situation: that someone who earned a living solving computer problems would be struck down by one.

He grew closer to his oncologist, Dr. Berson, who had overseen the team that caused his injury. "He and Dr. Berson had very realistically talked about what was going to happen to him," said his father, James Parks.

Ms. Jerome-Parks, who was providing her husband round-the-clock care, refused to surrender. "Prayer is stronger than radiation," she wrote in the subject line of an e-mail message sent to friends. Prayer groups were formed, and Mass was celebrated in his hospital room on their wedding anniversary.

Yet there was no stopping his inevitable slide toward death.

"Gradually, you began to see things happening," said Ms. Weir-Bryan, the friend from Toronto, who helped care for him. "His eyes started to go, his hearing went, his balance."

Ms. Giuliano, another of the couple's friends, believed that Mr. Jerome-Parks knew prayer would not be enough.

"At some point, he had to turn the corner, and he knew he wasn't going to make it," Ms. Giuliano said. "His hope was, 'My death will not be for nothing.' He didn't say it that way, because that would take too much ego, and Scott didn't have that kind of ego, but I think it would be really important to him to know that he didn't die for nothing."

Eventually the couple was offered a financial settlement, though it was not a moment to celebrate because it came at a price: silence. With neither of them working and expenses mounting, they accepted the offer.

"I cried and cried and cried, like I'd lost Scott in another way," Ms. Jerome-Parks wrote in an e-mail message on April 26, 2006. "Gag order required."

Now, the story of what happened to Mr. Jerome-Parks would have to be told by his doctors and the hospital, neither of which were part of the settlement. The identities of those who settled were not revealed.

"He didn't want to throw the hospital under the bus," Ms. Leonard said, "but he wanted to move forward, to see if his treatment could help someone else."

Dr. Caruana, the physician who had recommended surgery over radiation, added: "He said to let people know

about it."

Friends say the couple sought and received assurances that his story would be told.

Mr. Jerome-Parks's parents were in Gulfport in February 2007, waiting for their house to be rebuilt after it was destroyed by Hurricane Katrina, when they got the news that their son had died.

Afterward, they received a handwritten note from Dr. Berson, who said in part: "I never got to know any patient as well as I knew Scott, and I never bonded with any patient in the same way. Scott was a gentleman who handled his illness with utmost dignity, and with concern not only for himself but also for those around him."

He ended by saying: "I commit to you, and as I promised Scott, everything we learned about the error that caused Scott's injury will be shared across the country, so that nobody else is ever hurt in this way. On a personal level, I will never forget what Scott gave me."

Dr. Berson no longer treats patients, said Dr. Josh Torgovnick, a neurologist who helped care for Mr. Jerome-Parks after the accident. "It drove him to retire," he said, referring to the fatal overdose. The hospital disputes that, saying Dr. Berson still sees patients at the hospital.

Dr. Berson did not respond to several messages seeking an interview about the case. Citing privacy concerns, a spokesman for St. Vincent's, Michael Fagan, said neither the hospital nor Dr. Berson would grant an interview.

In July, Mr. Jerome-Parks's father stood across from the beach in Gulfport where his son's friends had scooped up the sand they sent for his final Christmas.

"He taught us how to die," Mr. Parks said. "He did it gracefully and thoughtfully and took care of everything. Most of us would lose it. He didn't. He just did everything that he had to do, and then he let himself die."

Mr. Parks said he had thought about starting a campaign to make medical mistakes public — but he never did. Nothing would ever come of it, he concluded.

Simon Akam, Andrew Lehren, Dan Lieberman, Kristina Rebelo and Rebecca R. Ruiz contributed reporting.

Section VIII
Availability of Funds
Criterion 1120.120

This Criterion is not applicable to UCMC because UCMC has an "AA-" bond rating. Proof of UCMC's "A" bond rating is attached at ATTACHMENT 39.

Silver Cross will be funding their obligations to the Joint Venture and funding this Project with cash and cash equivalents. William Brownlow's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 39. Silver Cross' most recent audited financial statements are also attached at ATTACHMENT 39 and show that Silver Cross was holding more than $46,843,000 in cash and cash equivalents as of its last audited financial statement (September 30, 2009). Thus, Silver Cross has sufficient cash and cash equivalents to fund their obligations to the Joint Venture and to fund this Project.

The Joint Venture was formed for the express purpose of this Application. Thus, the Joint Venture has no historical information. On a go-forward basis, UCMC and Silver Cross have agreed to capitalize and guarantee their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project. Certifications from UCMC and Silver Cross in support of this statement are attached at ATTACHMENT 39.

Affidavits relative to the proposed Space Leases are attached at ATTACHMENT 7.

An Affidavit relative to the proposed Equipment Leases are attached at ATTACHMENT 42.

STANDARD &POOR'S

Global Credit Portal
RatingsDirect

February 26, 2010

Illinois Financing Authority University of Chicago Medical Center; Hospital; Joint Criteria

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Illinois Financing Authority
University of Chicago Medical Center; Hospital; Joint Criteria

Credit Profile

Illinois Fin Auth, Illinois

University of Chicago Med Ctr, Illinois

Illinois Finance Authority (University of Chicago Medical Center)

Long Term Rating	AA-/Stable	Affirmed

Illinois Fin Auth (University of Chicago Medical Center) hosp VRDO ser 2009A-1 2009A-2

Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services revised its outlook to stable from negative on the Illinois Financing Authority's debt issued on behalf of the University of Chicago Medical Center (UCMC). At the same time, Standard & Poor's affirmed its 'AA-' long-term rating on the authority's $200.125 million series 2001, 2003, and 2009A-C bonds and its 'AA-' underlying rating (SPUR) on the authority's $140 million series 2009D and E bonds, all issued on behalf of UCMC.

UCMC will be converting to fixed-rate mode from variable-rate mode the authority's series 2009A-1, 2009A-2, 2009B-1, and 2009B-2 bonds. Upon the conversion, Standard & Poor's will change its rating to 'AA-' from 'AAA/A-1+' on the 2009A-1 and A-2 bonds, and to 'AA-' from 'AAA/A-1' on the 2009B-1 and B-2 bonds.

The rating reflects UCMC's:

- Solid operations after implementation of an expense reduction program that produced an operating margin of 7.9% for the fiscal first half ended Dec. 31, 2009;
- Good maximum annual debt service coverage of 4.3x for the same period;
- Successful strategy of attracting the appropriate acuity patients while working with other local hospitals to transfer patients that are better suited to those facilities; and
- Strong health system management.

Concerns for the rating include:

- Expected increased debt to fund capital expenditures; and
- Construction risk associated with the new hospital pavilion.

As noted above, UCMC is converting its 2009A and B bonds to fixed-rate mode from variable-rate mode. This is consistent with UCMC's plans to have its outstanding debt be approximately 50% naturally fixed after the issuance of all debt associated with the new hospital pavilion under construction. UCMC will issue another $150 million toward the project in the fall of 2010 (which will be in fiscal 2011) and the final $125 million in the fall of 2011 (which will be in fiscal 2012), to complete the $500 million of debt needed to support the new hospital pavilion. We

have not fully factored the remaining debt issuances into the rating at this time, but will review them once UCMC moves forward with its plans.

UCMC, located on the South Side of Chicago, operates Bernard Mitchell Hospital, the main adult-care facility, Chicago Lying-In Hospital, the maternity and women's facility, University of Chicago Comer Children's Hospital, Duchossois Center for Advanced Medicine, and various other outpatient clinics and treatment areas. QV Inc., an affiliated company, operates offsite outpatient clinics. QV was voluntarily dissolved on July 6, 2009. All financial information through June 30, 2009, is for the combined entities of UCMC and QV. UCMC has approximately 531 beds in service at any given time. Over the past three years, admissions have averaged slightly fewer than 26,000 per year. UCMC's recent flat admissions rate is partly attributable to capacity challenges, one of the main reasons for constructing the new hospital. For the first half of fiscal 2010, UCMC's admissions were 11,525, down 8.3% from the same period of fiscal 2009. The decline is primarily attributable to UCMC's reaping the benefits of the Urban Health Initiative (UHI; see below). This plan has come together as UCMC works with other community hospitals to serve patients. In the competitive Chicago market, UCMC competes with Northwestern Memorial Hospital, Rush University Medical Center, University of Illinois Chicago Medical Center, Loyola Hospital, and other facilities on the South Side of Chicago.

UCMC enjoys a very good relationship with the University of Chicago's Biological Sciences Division and Pritzker School of Medicine (BSD), with which it shares a senior management team. In combination, UCMC and BSD are a $1.6 billion entity, representing approximately 60% of the total university budget. UCMC and BSD work closely together and support each other's endeavors. BSD generally funds research and UCMC compleres patient care. While funds are maintained separately, rhe balance sheet of the two entities would total almost $2 billion cash.

UCMC continues to enhance health care utilization in the South Side market with the UHI. UCMC is returning its focus to the most acute cases and transferring non-acute cases through developing relationships with other community health centers, physicians, and community and public hospitals. UCMC has presented data that proves how this will enhance irs own operations and those of other entities.

After implementing an expense reduction in fiscal 2009, UCMC has returned to producing solid operations. For the fiscal year ended June 30, 2009, UCMC posted an operating margin of 7.1% as compared with 6.8% in fiscal 2008. This was a strong finish for the year, as the operating margin was 3.3% for the first six months of fiscal 2009, ended Dec. 31, 2008. In December 2008, management enacted a plan to address the rising expense base. Also, UCMC began to see the positive effects of the UHI implementation. For the six months ended Dec. 31, 2009, UCMC posted an operating margin of 7.9%. Management has continued to focus on expense savings. For fiscal 2010, management has already enacted plans that will save approximately $55 million a year, primarily consisting of headcount reductions and supply chain savings. Also as UHI continues to have a positive impact on the overall operations of the organization, UCMC is positioning itself to be a strong operating entity. While UCMC's operations have returned to strong levels, its realized investment income has not done the same. For the first six months of fiscal 2010, UCMC had maximum annual debt service coverage of 4.3x. The issuance of debt and investments has hurt UCMC's balance sheet. Although the invesrments have returned, UCMC had 245 days' cash on hand as of Dec. 31, 2009, compared with a low of 200 days at the end of fiscal 2009. As of Dec. 31, 2009, cash to debt was 119%, cash to putable debt was 173%, and leverage was 42%. All of these levels are low for rhe current rating.

Outlook

The stable outlook reflects strong operations over the past 12 months. As a result of implementing a cost reduction program in December 2008 and the positive effect of UHI, UCMC has returned to strong operating levels. There is still concern for the balance sheet, as UCMC must issue more debt to complete the funding of the $700 million pavilion project. However, for UCMC to maintain the 'AA-' rating over this two-year period, it must at least meet the projections that management has presented to Standard & Poor's. Material deviation from the projections will most likely cause a downgrade.

UCMC New Hospital Pavilion

The new hospital pavilion is a 10-story building that will contain 240 private inpatient and intensive-care beds, 27 state-of-the-art operating rooms, 12 rooms for gastrointestinal and pulmonary procedures, seven interventional radiology suites, and advanced diagnostic tools such as high-resolution high-speed magnetic resonance imaging and computed tomography scanners. Major construction began in 2009 and the building will open in early 2013. The top three floors will each contain 80 private patient rooms, including 24 intensive-care beds. The sixth floor will house 24 operating rooms, plus preoperative and recovery areas. The fifth floor will be devoted to diagnostic imaging and procedure areas, including interventional radiology, gastrointestinal procedures, pulmonary and bronchoscopy areas, cardiac electrophysiology, and patient preparatory and recovery areas. The third and fourth floors will initially be left as shell space, providing expansion room for developing programs.

UCMC will finance this $700 million project with $500 million from tax-exempt debt, $100 million from gifts, and $100 million from cash and investments. The new hospital will connect to both the University of Chicago Comer Children's Hospital and the Duchossois Center for Advanced Medicine, the latter of which is the medical center's outpatient care facility. It will also be adjacent to two research facilities: the 430,000-square-foot Gordon Center for Integrative Science and the 330,000-square-foot, 12-story Knapp Center for Biomedical Discovery, which opened in 2009.

Affiliation With NorthShore University HealthSystem

In 2008, NorthShore University HealthSystem (formerly Evanston Northwestern Healthcare) and the University of Chicago's Pritzker School of Medicine signed an agreement to become educational affiliates. This affiliation allows UCMC to expand the educational experience for its medical students and residents. The advantage of this affiliation is that it exposes students and residents to different patient populations, different types of practitioners, and a wider range of experiences with hospitals systems and operations. Although NorthShore will serve as the main off-campus educational affiliate, the predominant share of teaching remains on the main Hyde Park campus through the mentorship of full-time faculty of the University of Chicago.

Related Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Municipal Applications For Joint Support Criteria, June 25, 2007
- Criteria: Joint Support Criteria Update, April 22, 2009

Ratings Detail

Illinois Fin Auth, Illinois

University of Chicago Med Ctr, Illinois

Illinois Finance Authority (University of Chicago Medical Center)

Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Illinois Finance Authority (University of Chicago Medical Center) hosp VRDO ser 2009D1-2

Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Illinois Finance Authority (University of Chicago Medical Center) hosp VRDO ser 2009E1-2

Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Illinois Fin Auth (University of Chicago Medical Center) hosp VRDO ser 2009B1-2

Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Moody's Investors Service

Rating Update: MOODY'S AFFIRMS THE UNIVERSITY OF CHICAGO MEDICAL CENTER'S (IL) Aa3 LONG-TERM AND UNDERLYING RATINGS IN CONNECTION WITH CONVERSION OF SERIES 2009A&B REVENUE BONDS TO FIXED RATE FROM VARIABLE RATE DEMAND BONDS; OUTLOOK REMAINS STABLE

Global Credit Research - 24 Feb 2010

AFFECTS APPROXIMATELY $512 MILLION OF RATED DEBT OUTSTANDING

Illinois Finance Authority
Health Care-Hospital
IL

Opinion

NEW YORK, Feb 24, 2010 -- Moody's Investors Service has affirmed the Aa3 long-term and underlying ratings assigned to The University of Chicago Medical Center's (UCMC) bonds in connection with the conversion of approximately $163.4 million of Series 2009A&B variable rate demand bonds (VRDB) to fixed rate. UCMC's rated bonds are issued through the Illinois Finance Authority. The outlook remains stable. This action affects approximately $512 million of rated debt (see Rated Debt section at the end of this report), including other variable rate debt that will remain outstanding after the conversion of the Series 2009A&B VRDB bonds to fixed rate. The Series 2009D VRDBs are supported by an irrevocable direct pay letter of credit (LOC) from Bank of America and the Series 2009E VRDBs are supported by an LOC from JPMorgan Chase Bank. UCMC also has $88 million of commercial paper revenue notes outstanding (supported by an LOC from Northern Trust), which do not carry an underlying rating from Moody's.

LEGAL SECURITY: The bonds are joint and several general obligations of the obligated group and secured by a pledge of the obligated group's unrestricted receivables. UCMC is the only member of the obligated group. The bond documents do not include a mortgage pledge. Financial covenants include: minimum cash on hand of 75 days and minimum historical debt service coverage ratio of at least 1.1 times. After the conversion of the Series 2009A&B bonds to fixed rate, UCMC will have LOC reimbursement agreements with three different banks, which carry additional financial covenants. The University of Chicago (rated Aa1) is not a member of the obligated group.

INTEREST RATE DERIVATIVES: In August 2006, UCMC entered into a forward starting interest rate swap with JPMorgan Chase Bank, N.A. The notional amount of the swap is $325 million. The effective start date of the swap is August 2011 and the termination date is February 2044. Under the swap, UCMC will pay the counterparty a fixed rate of 3.890% and receive a floating rate of 68% of LIBOR. The net termination value of the swap was a negative $29.98 million to UCMC as of February 19, 2010.

STRENGTHS

*Status as a controlled entity of Aa1-rated University of Chicago; while UCMC is a separate 501(c)(3) from the University, UCMC and the University are very closely integrated (e.g., the Dean and the CFO, respectively, of the University's Biological Sciences Division serve as CEO and CFO of UCMC, and every member of the UCMC board is appointed by the University board)

*Large, nationally recognized academic medical center; with high acuity mix of tertiary and quaternary services, including a children's hospital, UCMC has a broad service array and reach

*Seasoned management team with a track record of generating profitable results and demonstrated ability to manage large construction projects; we note that the UCMC CEO stepped down in October 2009 and the Chair of Medicine is serving as interim CEO and Dean of the Biological Sciences Division; the University expects to complete a national search for a permanent UCMC CEO by the end of 2010

*Improvement initiatives implemented in early fiscal year (FY) 2009 stabilized performance (7.7% adjusted operating cash flow margin for the full fiscal year); results through six months FY 2010 (11.5% operating cash flow margin for the obligated group) are much stronger than for the same period FY 2009 (7.9% operating cash flow margin)

*In late calendar year 2008, the Centers for Medicare and Medicaid Services (CMS) approved the revised Illinois

Medicaid provider tax program for a five year period (fiscal years 2009 through 2013), which is expected to provide an annual net benefit of approximately $30 million to UCMC (up from $17.7 million in fiscal year 2008)

CHALLENGES

*Material capital spending plans that are expected to be supported by additional debt, which is expected to peak at approximately $850 million by fiscal year end (FYE) 2012

*Factoring the conversion of the Series 2009A&B VRDBs to fixed rate and based on FY 2009 results UCMC's pro forma adjusted debt coverage ratios are somewhat leveraged at the Aa3 rating level (4.5 times debt-to-cash flow, 4.2 times peak debt service coverage, and 116% cash-to-debt); issuance of additional $275 million of new money debt expected in the next two years will stress debt ratios further

*Very competitive in the Chicagoland area; UCMC is one of five academic medical centers in the market

*High exposure to Medicaid, which represented 23% of gross revenues in FY 2009 (down from 25% in FY 2008 and 26% in FY 2007); we note that UCMC's large children's hospital elevates the system's Medicaid share of business

*UCMC is relatively highly unionized, as nearly half of UCMC's employees belong to one of five unions; the contract for the portion of UCMC nurses who are represented expired in October 2009 (approximately 70% of nurses are unionized)

*UCMC participates in the University's defined benefit pension plan, which was underfunded at FYE 2009 (51% funded ratio); UCMC's expects to contribute approximately $31 million to the plan in FY 2010 and $22 million in FY 2011

MARKET POSITION/COMPETITIVE STRATEGY: VERY CLOSE INTEGRATION WITH UNIVERSITY OF CHICAGO; ONE OF FIVE ACADEMIC MEDICAL CENTERS IN COMPETITIVE SERVICE AREA

We view the close integration between the University of Chicago and UCMC as a key credit strength for UCMC. UCMC is located on the campus of the University of Chicago. In 1986, the University incorporated UCMC as a separate 501(c)(3), but the University and UCMC remain tightly integrated. UCMC, in conjunction with the University's Biological Sciences Division (BSD), comprise the University's Biomedical Enterprise. The Biomedical Enterprise is integral to University operations comprising approximately 60% of the University's budget. To highlight further the level of integration between the University and UCMC, the University board appoints 100% of the UCMC board members, the CFO of the BSD also serves as CFO of UCMC, and the Dean of the BSD serves as CEO of UCMC. The Chair of Medicine is serving as interim Dean of the BSD/UCMC CEO, and the University expects to announce a full-time replacement by late 2010.

UCMC (with approximately 25,000 admissions) is one of five academic medical centers in the Chicagoland area. Other academic medical centers in the market include: 20,500-admission University of Illinois Health Services (rated A2); 48,000-admission Northwestern Memorial Hospital (rated Aa2); 32,000-admission Loyola University Health System (rated Baa3); and 31,000-admission Rush University Medical Center (a member of A3-rated Rush University Medical Center Obligated Group). Northwestern Memorial is the largest single hospital in the Chicagoland area, and captures approximately 4% of the area's admissions. In addition to the competing academic medical centers, UCMC faces competition from a number of sizeable acute care systems in the market, notably market share leader Aa2-rated Advocate Health Care Network (seven acute care hospitals in the area) and Baa1-rated Resurrection Health Care (nine acute care hospitals in the area). Given the high acuity level and mix of services offered and location in the City of Chicago, UCMC considers its leading competitors to be Northwestern Memorial and Rush.

OPERATING PERFORMANCE: TRACK RECORD OF PROFITABLE OPERATIONS, WITH STABILIZED RESULTS IN LATE FY 2009 AND IMPROVEMENT IN INTERIM FY 2010 AFTER MODEST PERFORMANCE IN EARLY FY 2009

UCMC has a track record of profitable operations in recent years, with the exception of FY 2006. In audited FY 2009, UCMC recorded adjusted operating profit of $32.9 million (2.5% operating margin) and operating cash flow of $103.4 million (7.7% operating cash flow margin). In FY 2008, UCMC recorded operating income of $41.9 million (3.2% margin) and operating cash flow of $115.4 million (8.7% margin). Moody's adjusts UCMC's financial results to: (a) reclassify transfers to the University of Chicago as an operating expense ($23.0 million in FY 2009, $19.0 million in FY 2008) because of the recurring nature of this support; and (b) restate self-insurance claims and expenses as an operating expense ($56.6 million in FY 2009, $65.9 million in FY 2008) and premiums received as an operating revenue ($47.4 million in FY 2009, $49.8 million FY 2008). Prior to FY 2008, Moody's also adjusted operating results for Illinois acute care hospitals to remove Illinois Medicaid assessment program revenues and expenses to account for the uncertainty of the program. In late 2008, however, CMS approved the revised essessment program for a five year period (FY 2009 through FY 2013), which provides an annual net benefit of approximately $30.3 million to UCMC (compared to $17.7 million in FY 2007). As a result of the predictable nature of the assessment program, Moody's

includes the net revenues of the program in operating results starting in FY 2008.

While operating results moderated in FY 2009 compared to FY 2008, we note that performance improved in the second half of FY 2009 after a modest first few months due to improvement initiatives implemented by UCMC management early in FY 2009. The primary reason for the softer performance in FY 2009 was a weakening of the economy, which resulted in patients deferring elective procedures and individuals losing healthcare benefits, a trend that is occurring in most markets in the US. To address the operating challenges, management identified approximately $65 million of expense savings for UCMC, including reduced consulting fees, continued supply cost controls, and decreasing staff by approximately 600 fulltime equivalents. As a result of the staff reductions, FY 2009 includes approximately $10.7 million of severance and restructuring expense (which Moody's did not exclude from results). Additionally, UCMC management is accelerating other key system strategies. Notably, UCMC is partnering with community hospitals on the southside of Chicago in the Urban Health Initiative to place lower acuity patients - such as general medicine, behavioral health and obstetrics - in a more cost effective, community hospital setting, which frees capacity at UCMC for higher acuity, research-based services. As a result, as noted above, while full-year FY 2009 results lag FY 2008, performance has improved markedly in the latter months of FY 2009 despite continued economic challenges.

Operating performance has improved noticeably in interim FY 2010, as a result of the aforementioned improvement initiatives, and despite a $10 million increase in pension expense. Through six months FY 2010, the UCMC obligated group (which excludes revenues and expenses associated with the self-insurance program and University physicians) recorded an operating cash flow margin of 11.5% compared to 7.9% for the same period FY 2009 (adjusted to include transfers to the University as operating expenses).

UCMC management is projecting continued improvement in FY 2010, as the UCMC obligated group is projected to record an operating cash flow margin of 13.3%. Similarly, the UCMC obligated group's adjusted operating cash flow margin is projected to range between approximately 12% and 14% through FY 2016.

UCMC's pro forma Moody's-adjusted debt ratios are somewhat modest at the Aa3 rating level. Based on FY 2009 results, including the Series 2009C,D,&E bonds (which were issued shortly after FYE 2009), and factoring the conversion of the Series 2009A&B VRDB bonds to fixed rate, adjusted debt-to-cash flow measures a somewhat high 4.5 times (Aa3 median is 2.6 times) and adjusted maximum annual debt service (MADS) coverage measures a somewhat modest 4.2 times (Aa3 median is 6.0 times). UCMC is planning to issue an additional $275 million of new debt by FYE 2012. While the additional debt would stress UCMC's debt coverage ratios materially, Moody's will evaluate this debt at the time of issuance.

BALANCE SHEET POSITION: BALANCE SHEET PRESSURED BY MARKET CHALLENGES, WITH SOME IMPROVEMENT IN RECENT MONTHS

At FYE 2009 (June 30 year end), absolute unrestricted cash measured $687 million, down from $842 million at FYE 2008. As a result, cash on hand decreased to a still good 200 days at FYE 2009 from 251 days FYE 2008 (Aa3 median is 206 days). Cash-to-debt decreased to a still good 182% at FYE 2009 from 214% at FYE 2008, but decreased to a more modest 116% when the Series 2009C,D,&E bonds are factored (the Series 2009C,D,&E bonds were issued shortly after FYE 2009). Factoring the conversion of the Series 2009A&B VRDB bonds to fixed rate, pro forma cash-to-puttable debt measures a good 300%. UCMC management is projecting improvement in days cash on hand in the coming years, which is projected to increase steadily to more than 300 days for the UCMC obligated group by FYE 2016.

Approximately 60% of UCMC's unrestricted liquidity is invested in the University of Chicago's Total Return Investment Pool (TRIP) (the primary endowment for the University), which is somewhat illiquid to UCMC. With respect to access, UCMC may access these funds on a monthly basis, upon at least 14 days' advance notice to the University prior to the end of any calendar month. As an example, if UCMC gave notice on August 10, the funds would be made available by August 31; if UCMC gave notice on August 20, the funds would be made available by September 30. We note that in giving up some degree of liquidity, UCMC benefits from the University's considerable investment expertise. Consequently, UCMC's monthly liquidity varies depending on timing, but, conservatively, approximately 40% of UCMC's total unrestricted cash and investments are available monthly, 58% are available annually, and 2% have a lockup period of more than one year.

UCMC has material capital spending plans in the coming years. Between FY 2010 and FY 2013, UCMC has $925 million of planned projects, highlighted by the construction of the new $700 million hospital pavilion located just north of the Comer Children's Hospital. Construction of the new pavilion started earlier in calendar 2009 and is expected to open in early calendar year 2013. The projects will be funded from debt, a targeted $100 million fundraising effort for the new pavilion, and cash flow. UCMC management projects total debt outstanding will peak at approximately $850 million by FYE 2012.

Outlook

The stable outlook reflects our belief that UCMC will continue to benefit from the improvement initiatives management implemented to generate good operating margins and build liquidity in the coming years to help offset the expected increase in new money debt.

What could change the rating -- UP

Material cash flow growth resulting in significantly improved debt coverage ratios; significant and sustained market share growth in high-margin service lines; material strengthening of liquidity ratios

What could change the rating -- DOWN

Weaker operating performance leading to thinner debt coverage ratios; continued weakening of liquidity; material market share loss; weakened affiliation with the University of Chicago

KEY INDICATORS

Assumptions & Adjustments:

-Based on The University of Chicago Medical Center combined financial statements

-First number reflects audited FY 2008 for the year ended June 30, 2008

-Second number reflects pro forma on audited FY 2009

-Pro forma includes issuance of $85 million Series 2009C fixed rate revenue bonds, $140 million of Series 2009D&E VRDB bonds, and conversion of Series 2009A&B VRDB bonds to fixed rate

-Adjustments include: (a) remove from operating revenue a non-recurring Medicare settlement for appeals dating from 1996 to 2006 thet is above and beyond typical prior year settlements ($10.0 million in FY 2008); (b) reclassify transfers to the University of Chicago as an operating expense ($19.0 million in FY 2008, $23.0 million in FY 2009); (c) self-insurance claims and expenses classified as an operating expense ($65.9 million in FY 2008, $56.6 million in FY 2009); and premiums received from clinical operations classified as an operating revenue ($49.8 million in FY 2008, $47.4 million in FY 2009)

-Investment returns smoothed at 6%

*Inpatient admissions: 26,288; 25,301

*Total operating revenues: $1.33 billion; $1.34 billion

*Moody's-adjusted net revenues available for debt service: $179 million; $156 million

*Total debt outstanding: $393 million; $592 million

*Maximum annual debt service (MADS): $28.3 million; $37.4 million

*MADS Coverage with reported investment income: 9.74 times; 1.95 times

*Moody's-adjusted MADS Coverage with normalized investment income: 6.33 times; 4.18 times

*Debt-to-cash flow: 2.40 times; 4.46 times

*Days cash on hand: 251 days; 199 days

*Cash-to-debt: 214%; 116%

*Operating margin: 3.2%; 1.7%

*Operating cash flow margin: 8.7%; 7.7%

RATED DEBT

Issued through Illinois Health Facilities Authority (debt outstanding as of June 30, 2009):

-Series 2001 Fixed Rate Hospital Revenue Bonds ($82.6 million outstanding), insured by MBIA, rated Aa3

-Series 2003 Fixed Rate Hospital Revenue Bonds ($39.5 million outstanding), insured by MBIA, rated Aa3

-Series 2009A-1,A-2 Variable Rate Demand Bonds ($75 million outstanding; expected to be converted to fixed rate), rated Aaa/VMIG1 (reflecting Moody's approach to rating jointly supported transactions and based upon LOC provided by Wells Fargo Bank, N.A.), Aa3 underlying rating

-Series 2009B-1,B-2 Variable Rate Demand Bonds ($90 million outstanding; expected to be converted to fixed rate), rated Aaa/VMIG1 (reflecting Moody's approach to rating jointly supported transactions and are based upon LOC provided by Bank of Montreal), Aa3 underlying rating

-Series 2009C Fixed Rate Hospital Revenue Bonds ($85 million outstanding), rated Aa3

-Series 2009D Variable Rate Demand Bonds ($70 million outstanding), rated Aaa/VMIG 1 (reflecting Moody's approach to rating jointly supported transactions and based upon LOC provided by Bank of America, N.A.), Aa3 underlying rating

-Series 2009E Variable Rate Demand Bonds ($70 million outstanding), rated Aaa/VMIG 1 (reflecting Moody's approach to rating jointly supported transactions and based upon LOC provided by JPMorgan Chase Bank, N.A.), Aa3 underlying rating

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The last rating action was on July 15, 2009 when the UCMC's Aa3 rating was affirmed with a stable outlook.

The principal methodology used in rating UCMC was Moody's Rating Methodology: Not-For-Profit Hospitals and Health Systems, published in January 2008 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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Moody's Investors Service

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FitchRatings
KNOW YOUR RISK

FITCH AFFIRMS THE UNIV OF CHICAGO MEDICAL CENTER (IL) OUTSTANDING DEBT AT 'AA-'; OUTLOOK STABLE

Fitch Ratings-Chicago-23 February 2010: Fitch Ratings affirms the 'AA-' rating with regard to the conversion of mode to a fixed-rate mode from a variable-rate mode on the following The University of Chicago Medical Center (UCMC) bonds issued through the Illinois Finance Authority (the authority):

--$75,000,000 Illinois Finance Authority variable rate demand revenue refunding bonds (The University of Chicago Medical Center), series 2009A;

--$90,000,000 Illinois Finance Authority variable rate demand revenue refunding bonds (The University of Chicago Medical Center), series 2009B.

The bonds are expected to be reoffered the week of March 8 and March 15, 2010.

In addition, Fitch affirms the 'AA-' on approximately $417.1 million in outstanding parity debt also issued by the authority.

The Rating Outlook is Stable.

RATING RATIONALE:
--The University of Chicago Medical Center (UCMC) is among the leading academic medical centers in the U.S and maintains a strong reputation of clinical excellence in the provision of advanced high acuity services; which combined have served to buoy UCMC's operating profitability in-line with Fitch's 'AA' medians.

--Lending further strength is the highly integrated clinical and research platform between UCMC and the University of Chicago's (revenue bonds rated 'AA+' by Fitch [Chicago, or the university]) Biological Sciences Division, which includes the Pritzker School of Medicine.

--Although UCMC operates in the highly fragmented and competitive greater Chicago metropolitan area, UCMC's closed faculty staff, research platform, and high acuity service focus draw patients from a broad geographic area, with some programs having a national and international reputation; this helps mitigate the effects of the fragmented service area while distinguishing UCMC from its neighboring community hospitals.

KEY RATING DRIVERS:

--Fitch believes that UCMC will maintain its current operating trajectory as it prepares for the opening of the new hospital pavilion, which in turn, should lend stability to the rating despite the highly competitive, highly fragmented Chicago metropolitan marketplace, which includes four other well-regarded academic medical centers.

--UCMC's demonstrable track record of strong operating performance should mitigate its leverage indictors that are expected to weaken below Fitch's 'AA' medians as the obligated group continues its capital plans in funding the construction of a 10-story $700 million new hospital pavilion.

--Moreover, the overlapping of management and governance between UCMC and the university should provide adequate control over the project and mitigate some of the risk of UCMC's rising debt burden.

REOFFERING DETAILS:

UCMC expects to reoffer up to a total of $163.4 million in series 2009A&B bonds in a fixed rate

mode, changing from the current variable rate mode. The bonds were originally issued in 2009 through the Illinois Finance Authority. There may be a slight change in the amortization scheduled of the bonds. The reoffering is expected to take place the week of March 8 and March 15, 2010. Pro forma maximum annual debt service ([MADS] which occurs in 2017) used in this report is $37.35 million and was provided by UCMC and its agents.

SECURITY:

The series 2009 A&B bonds are on parity with UCMC's outstanding indebtedness and are secured by a security interest in the unrestricted receivables of the obligated group but are not currently secured by a pledge, grant, or mortgage of any of the other property of the obligated group.

CREDIT SUMMARY:

UCMC is a 529 staffed-bed hospital located in Chicago on the main campus of the UC. Total revenue for the fiscal year ended June 30, 2009 was $1.13 billion.

The 'AA-' rating reflects UCMC's excellence and reputation in advanced high-acuity clinical services, the managerial alignment between UCMC and The University of Chicago, and its sustained operating profitability and strong balance sheet. Located on the main campus of the University, UCMC is the principal teaching affiliate of the University of Chicago's Pritzker School of Medicine. While UCMC provides primary and specialty health services, its focus and clinical excellence is in complex high-acuity clinical services. In its 2009 Best Hospitals and Best Children's Hospitals rankings, U.S. News & World Report ranked 13 UCMC programs as 'among the nation's best.' As a result, UCMC's patient draw is not only regional but national in scope. As the sole corporate member of UCMC, the board of the University is highly engaged with the mission and affairs of UCMC. To further coordinate and integrate medical research with clinical applications, senior management of the university's Biological Sciences Division (including the medical school) was integrated with that of UCMC in 2006.

UCMC's operating profitability continues to strengthen reflecting the successful execution of a cost reduction strategy along with accrued benefits from its continued coordination with local health care providers to treat lower acuity cases at more cost effective locations and settings. UCMC posted operating EBITDA margins of 13.6%, 14.4% and 12.2% in fiscal years 2007, 2008, and 2009 respectively (adjusted for timing impact of Illinois provider tax receipts in fiscal years 2007), exceeding Fitch's 'AA' median. The various operating cost reductions executed in fiscal 2009, including staff cuts in response to a more difficult operating environment helped buoy the fiscal 2009 performance. Furthermore, the effect of those initiatives along with fiscal discipline and focused resource utilization have enabled UCMC to realize a 13.4% operating EBITDA margin through the first six months of fiscal 2010 (ending Dec. 31). At Dec. 31, 2009, UCMC's unrestricted cash and investment totalled $690.4 million. UCMC's liquidity indicators remain consistent with Fitch's 'AA' medians, with days cash on hand of 256.7, a pro forma cushion ratio of 18.5 times (x), and cash to debt of 118.6%.

Fitch's primary credit concerns are the increased leverage associated with the construction of the new hospital pavilion, funding cuts to community-based providers in UCMC's immediate service area, and the competitive Chicago metropolitan service area. The total development costs for the 240-bed, 1.2 million-square-foot hospital pavilion is projected at approximately $700 million, of which $500 million is expected to be funded through additional debt. Management reports that the project continues on-time and within budgeted parameters.

DISCLOSURE:

UCMC agrees to provide audited financial statements to the master trustee, any requesting qualified bondholder, and the MSRB's EMMA system no later than 150 days after each fiscal year end and unaudited interim financial statements (including a balance sheet and income statement) for the first three fiscal quarters no later than 60 days after each fiscal quarter end. While UCMC's disclosure has been very thorough, Fitch believes inclusion of a management discussion and analysis (MD&A) at each reporting period to be a 'best practice.'

Applicable criteria available on Fitch's website at www.fitchratings.com:

--'Nonprofit Hospitals and Health Systems Rating Criteria' (Dec. 29, 2009);
--'Revenue-Supported Rating Criteria' (Dec. 29, 2009).

Contact: Anthony A. Houston +1-312-368-3180 or James LeBuhn +1-312-368-2059, Chicago.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at www.fitchratings.com.

Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner
2004, 2005, 2006, 2007, 2008

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.120(a) Available Funds Certification

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.120(a), that Silver Cross Health System and Silver Cross Hospital and Medical Centers (collectively, "Silver Cross") have sufficient and readily accessible cash and cash equivalents to fund Silver Cross' obligations to UCMC/SCH Oncology JV, LLC and to fund the obligations of Silver Cross set forth in the Certificate of Need Application for "The University of Chicago Cancer Center at Silver Cross" Project.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 19 day
of July, 2010.

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

ATTACHMENT
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UCMC/SCH Oncology JV, LLC

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC/SCH Oncology JV, LLC Capitalization & Funding Commitment

Dear Mr. Constantino:

We hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, to the following:

1. The University of Chicago Medical Centers ("UCMC") and Silver Cross Hospital & Medical Centers ("Silver Cross") organized UCMC/SCH Oncology JV, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Cancer Center at Silver Cross" Certificate of Need Application (the "Project").

2. UCMC owns 40% of the Joint Venture.

3. Silver Cross owns 60% of the Joint Venture.

4. UCMC and Silver Cross have agreed to capitalize and guarantee their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project.

5. UCMC and Silver Cross have sufficient and readily accessible cash and cash equivalents to fund their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer
Silver Cross Hospital & Medical Centers

Lawrence J. Furnstahl
Chief Financial & Strategy Officer
The University of Chicago Medical Centers

SUBSCRIBED AND SWORN
to before me this 19 day
of July, 2010.

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

FINANCE AND STRATEGY

Lawrence J. Furnstahl
Chief Financial and Strategy Officer
UCMC/SCH Oncology JV, LLC

MC 1111 Room S-107
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone 773.834.5354
fax 773.834-0970
lawrence.furnstahl@uchospitals.edu

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC/SCH Oncology JV, LLC Capitalization & Funding Commitment

Dear Mr. Constantino:

We hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, to the following:

1. The University of Chicago Medical Centers ("UCMC") and Silver Cross Hospital & Medical Centers ("Silver Cross") organized UCMC/SCH Oncology JV, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Cancer Center at Silver Cross" Certificate of Need Application (the "Project").

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5. UCMC and Silver Cross have sufficient and readily accessible cash and cash equivalents to fund their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project.

Sincerely,

Lawrence J. Furnstahl
Chief Financial & Strategy Officer
The University of Chicago Medical Centers

William Brownlow
Senior Vice President/Finance
Chief Financial Officer
Silver Cross Hospital & Medical Centers

SUBSCRIBED AND SWORN
to before me this 19th day
of July, 2010.

Deborah M. Lewis
Notary Public

"OFFICIAL SEAL"
DEBORAH M. LEWIS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/18/2013

ATTACHMENT 39

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and Schedules

September 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Boards of Trustees
Silver Cross Health System
and Affiliates:

We have audited the accompanying consolidated balance sheets of Silver Cross Health System and affiliates as of September 30, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Silver Cross Health System and affiliates' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Silver Cross Health System and affiliates' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Silver Cross Health System and affiliates as of September 30, 2009 and 2008, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, Silver Cross Health System and affiliates adopted the provisions of Accounting Standards Codification Subtopic 820-10, *Fair Value Measurements*, in 2009.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 3 is presented for purposes of additional analysis of the 2009 consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual organizations. The 2009 consolidating information has been subjected to the auditing procedures applied in the audit of the 2009 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 consolidated financial statements taken as a whole.

KPMG LLP

January 22, 2010

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidated Balance Sheets

September 30, 2009 and 2008

(Amounts in thousands)

Assets		2009	2008
Current assets:			
Cash and cash equivalents	$	46,843	35,895
Short-term investments		9,045	6,841
Assets whose use is limited or restricted, required for current liabilities		39	4
Patient accounts receivable, net of estimated uncollectibles of $11,574 in 2009 and $11,381 in 2008		29,534	27,908
Other receivables		1,852	2,911
Inventory of supplies, at lower of cost (first-in, first-out) or market value		180	177
Prepaid expenses and other		2,359	3,002
Total current assets		89,852	76,738
Assets whose use is limited or restricted, excluding assets required for current liabilities:			
By board for capital improvements, self-insurance, and other		98,329	106,988
Under bond indenture agreements – held by trustee		217,781	12,180
Pledges receivable		460	145
Donor-restricted investments		7,504	7,594
		324,074	126,907
Land, buildings, and equipment, net		222,050	173,185
Other assets:			
Land held for sale		25,938	25,520
Investment in joint ventures		2,519	2,442
Deferred finance charges and other		6,798	3,064
Total assets	$	671,231	407,856

See accompanying notes to consolidated financial statements.

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Liabilities and Net Assets		2009	2008
Current liabilities:			
Current installments of long-term debt	$	3,585	3,405
Accounts payable		12,469	12,091
Accrued salaries and wages		13,164	12,115
Accrued expenses		5,932	3,740
Estimated payables under third-party reimbursement programs		21,413	14,883
Total current liabilities		56,563	46,234
Construction payables		8,072	3,072
Estimated self-insured professional and general liability claims		20,142	23,672
Long-term debt, excluding current installments and unamortized bond discounts and premiums		382,240	132,901
Other long-term liabilities		1,154	1,316
Total liabilities		468,171	207,195
Net assets:			
Unrestricted		195,095	192,922
Temporarily restricted		2,644	2,364
Permanently restricted		5,321	5,375
Total net assets		203,060	200,661
Commitments and contingent liabilities			
Total liabilities and net assets	$	671,231	407,856

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidated Statements of Operations

Years ended September 30, 2009 and 2008

(Amounts in thousands)

	2009	2008
Revenue:		
Net patient service revenue	$ 228,219	225,345
Other revenue	30,291	27,266
Total revenue	258,510	252,611
Expenses:		
Salaries and wages	84,834	82,919
Payroll taxes and fringe benefits	25,399	24,571
General and administrative	62,274	66,130
Supplies	41,336	37,498
Provision for bad debts	11,996	13,749
Depreciation	15,857	15,050
Interest	6,572	9,266
Total expenses	248,268	249,183
Income from operations before accelerated depreciation on existing hospital facility	10,242	3,428
Accelerated depreciation on existing hospital facility	9,924	—
Income from operations	318	3,428
Nonoperating gains (losses):		
Investment income (loss), net	1,213	(7,804)
Unrestricted contributions and other, net	172	452
Gain on sale of land held for sale	—	6,019
Loss on disposal of land, buildings, and equipment, net	(4)	—
Loss on early extinguishment of long-term debt	—	(3,077)
Total nonoperating gains (losses), net	1,381	(4,410)
Revenue and gains in excess (deficient) of expenses and losses	1,699	(982)
Other changes in unrestricted net assets:		
Change in fair value of derivative instruments	—	(519)
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	474	1,255
Increase (decrease) in unrestricted net assets	$ 2,173	(246)

See accompanying notes to consolidated financial statements.

ATTACHMENT
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SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2009 and 2008

(Amounts in thousands)

	2009	2008
Increase (decrease) in unrestricted net assets	$ 2,173	(246)
Temporarily restricted net assets:		
Contributions for specific purposes	830	1,082
Net realized and unrealized gains and losses on temporarily restricted investments	(9)	(182)
Net assets released from restriction for operating purposes	(67)	(85)
Net assets released from restriction for land, building, and equipment acquisitions	(474)	(1,255)
Increase (decrease) in temporarily restricted net assets	280	(440)
Permanently restricted net assets:		
Net realized and unrealized gains and losses on permanently restricted investments	(54)	(696)
Change in net assets	2,399	(1,382)
Net assets at beginning of year	200,661	202,043
Net assets at end of year	$ 203,060	200,661

See accompanying notes to consolidated financial statements.

ATTACHMENT
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SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2009 and 2008

(Amounts in thousands)

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ 2,399	(1,382)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,941	15,210
Accelerated depreciation on existing hospital facility	9,924	—
Provision for bad debts	11,996	13,749
Loss on early extinguishment of long-term debt	—	3,077
Equity loss (gain) in joint ventures, net of cash distributions received	(77)	69
Effective portion of change in fair value of derivative instruments	—	519
Loss on disposal of land, buildings, and equipment, net	4	—
Gain on sale of land held for sale	—	(6,019)
Net realized and unrealized gains and losses on permanently and temporarily restricted investments	63	878
Change in net unrealized gains and losses on unrestricted investments	746	16,465
Changes in assets and liabilities:		
Patient accounts receivable	(13,622)	(20,097)
Other assets	1,765	(1,606)
Estimated payables under third-party reimbursement programs	6,530	2,569
Accounts payable, accrued expenses, and other liabilities	(73)	(104)
Net cash provided by operating activities	35,596	23,328
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment	(74,650)	(18,373)
Acquisition and development of land held for sale	(418)	—
Change in construction payables	5,000	3,072
Proceeds on sale of land held for sale	—	10,578
Net change in assets whose use is limited or restricted	(198,011)	(1,308)
Net change in short-term investments	(2,204)	955
Net cash used in investing activities	(270,283)	(5,076)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	252,872	106,514
Repayments of long-term debt	(3,299)	(103,313)
Payments for deferred financing costs	(3,938)	(1,070)
Net cash provided by financing activities	245,635	2,131
Net increase in cash and cash equivalents	10,948	20,383
Cash and cash equivalents at beginning of year	35,895	15,512
Cash and cash equivalents at end of year	$ 46,843	35,895
Supplemental disclosure of cash flow information:		
Cash paid for interest, exclusive of income or loss on interest rate swap agreements and net of amounts capitalized	$ 7,644	5,989

See accompanying notes to consolidated financial statements.

ATTACHMENT
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(1) Organization and Purposes

Silver Cross Health System (Health System) was incorporated during 1981 for charitable, educational, and scientific purposes to support health and human services by providing management assistance, and in all other relevant ways. The accompanying consolidated financial statements include the accounts of the Health System and the following affiliates, which it controls (collectively referred to as the Corporations):

- Silver Cross Hospital and Medical Centers (Hospital), a not-for-profit acute care hospital of which the Health System is the sole member.
- Silver Cross Foundation (Foundation), a not-for-profit corporation of which the Health System is the sole member, which is dedicated to the advancement of healthcare in Will, Grundy, South Cook, and DuPage counties in Illinois.
- Health Service Systems, Inc. (HSSI), a wholly owned subsidiary of the Health System, which was incorporated to provide administrative and management services to its affiliates and other businesses.
- Midwest Community Real Estate Corporation (MCREC), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to establish and maintain healthcare centers and other facilities for the benefit of the Health System and its affiliates.
- Silver Cross Managed Care Organization (SCMCO), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to provide alternative forms of healthcare delivery services.
- Silver Cross Medical Associates, Inc. (SCMA), a not-for-profit corporation that operates medical practices in Joliet and surrounding areas. MCREC serves as the sole and exclusive manager and administrator for all matters relating to the operations of SCMA, including but not limited to the financial and management operations of SCMA.

On July 1, 2008, the Hospital received approval from the Illinois Health Facilities Planning Board to construct a replacement hospital facility on a parcel of land owned by the Hospital in New Lenox, IL. The replacement hospital facility is anticipated to have 289 licensed and staffed beds and is currently expected to be completed and ready for use in early 2012. The cost of the replacement hospital facility is expected to be approximately $375 million; funding for which will be from the Series 2009 Bonds (note 9); existing cash and investments; proceeds from the sale of land held for sale; and cash generated from operations. Contractual commitments outstanding for the new hospital replacement facility aggregated approximately $88 million as of September 30, 2009.

Upon completion and relocation of Hospital operations to the replacement hospital facility, the Health System may continue to own some facilities and provide medically related services at its current hospital location. Such facilities and services could possibly include a primary care health center, urgent care services, and medical offices. The Health System's Board of Trustees and management, with input from constituents of the local community, are currently evaluating all possible alternative uses for the existing Hospital campus post-relocation.

(Continued)

The Corporations engage in transactions in the ordinary course of business with organizations with which members of management and the boards of directors are affiliated. Such transactions are conducted at arm's length and fully disclosed to the respective members of management and boards of directors.

All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

Significant accounting policies of the Corporations that conform to general practice within the healthcare industry are as follows:

- In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard that established the Codification to become the single source of authoritative accounting principles. The standard also provides the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are represented in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change generally accepted accounting principles, but is expected to simplify accounting research by reorganizing current generally accepted accounting principles into specific accounting topics. The Corporations adopted this accounting standard in the fourth quarter of 2009. The adoption of this accounting standard, which was subsequently codified in Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, had no impact on the Corporations' results of operations, financial position, and liquidity.

- The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

- The consolidated statements of operations include revenue and gains in excess (deficient) of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), and changes in the effective portion of derivative instruments designated as cash flow hedges.

- Assets whose use is limited or restricted include: assets set aside by the Corporations' boards of directors for future capital improvements, self-insurance funding, and for other purposes over which the boards retain control and may at their discretion use for other purposes; assets designated by the Foundation's board of directors for endowment development purposes; assets held by a trustee and limited as to use in accordance with the requirements of bond indenture agreements; pledges

(Continued)

receivable; and temporarily and permanently restricted investments. Assets whose use is limited required for current liabilities are reported as current assets.

- Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess (deficient) of expenses and losses unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily or permanently restricted net assets. Investment income of unrestricted investments is reported as nonoperating gains. Unrealized gains and losses of permanently and temporarily restricted investments are recorded directly to permanently and temporarily restricted net assets.

- On October 1, 2008, the Corporations adopted the provisions of ASC Subtopic 820-10, *Fair Value Measurements*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

- On October 1, 2008, the Corporations also adopted the provisions of ASC Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Topic 825 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value and as a result, adoption of ASC Topic 825 did not have an effect on the results of operations or financial position of the Corporations.

- The Corporations consider demand deposits with banks, cash on hand, and all highly liquid debt instruments (including repurchase agreements) purchased with terms of three months or less to be cash and cash equivalents, excluding those instruments classified as assets whose use is limited or restricted.

- Except as otherwise disclosed, the carrying value of all financial instruments of the Corporations approximates fair value.

- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.

- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and

(Continued)

reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Given the planned replacement hospital development project described in note 1, the Corporations evaluated existing Hospital campus land, buildings, and equipment for impairment. The estimated undiscounted cash flows expected to be generated by the Hospital prior to the date of relocation to the replacement hospital facility, inclusive of a terminal fair value estimate of existing Hospital campus land, buildings, and equipment, which will not be utilized at the replacement hospital or in the ongoing delivery of medical services to the community, were estimated to be in excess of the carrying value of land, buildings, and equipment at September 30, 2009 and 2008, which will not be utilized by the Hospital post-relocation. Accordingly, no impairment charge was recognized by the Hospital in 2009 or 2008 related to the planned replacement hospital project. However, the planned replacement hospital project resulted in the Hospital increasing its depreciation charges on land, buildings, and equipment by approximately $9.9 million on an annualized basis for fiscal 2009 and subsequent periods through date of relocation. Although the ultimate use and redeployment of existing campus land, buildings, and equipment post-relocation has not been determined, management anticipates that any remaining net book value of such land, buildings, and equipment at the date of hospital relocation will be recognized as a contribution expense in the event that such land, buildings, and equipment are transferred to an unrelated not-for-profit or governmental entity for the betterment and use of the local community.

- All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets are recognized when incurred using management's best estimate of fair value. Management uses a discount rate of 3%, which approximates its credit adjusted risk-free rate, to estimate fair value of its asset retirement obligations at the measurement date.

- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to permanently or temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restriction. Temporarily restricted net assets used for operating purposes are included in other operating revenue to the extent expended during the period. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations.

- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets include the Hospital's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. All other temporarily restricted net assets are restricted primarily for land, building, and equipment acquisitions at both September 30, 2009 and 2008.

- Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Permanently restricted net assets include the Foundation's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. Investment income earned on permanently restricted net assets, to the extent it is restricted by a donor for a specific purpose, is recorded as a direct addition to temporarily restricted net assets. All other investment income on permanently restricted net assets is recorded directly to permanently restricted net assets unless specified otherwise by the donor.

- In August 2008, FASB issued ASC Subtopic 958, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds (note 14).

- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates.

- The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activities*, which requires that all derivative instruments be recorded on the consolidated balance sheets at their respective fair values.

  For all hedging relationships, the Corporations formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific assets and liabilities on the consolidated balance sheets. Derivatives not linked to specific assets and liabilities on the consolidated balance sheets are carried at fair value in the consolidated balance sheets and changes in fair value are recognized as a component of interest expense in the consolidated statements of operations.

  The Corporations also formally assess, both at the hedge's inception and on a quarterly basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded as other changes in unrestricted net assets to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported as a component of interest expense in the consolidated statements of operations.

  The Corporations discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the

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derivative expires or is sold, terminated, or exercised, or management determines that designation of the derivative as a hedging instrument is no longer appropriate. In situations in which hedge accounting is discontinued, the Corporations will continue to carry the derivative at its fair value in the consolidated balance sheets and recognize any subsequent changes in its fair value as an expense component in the consolidated statements of operations.

- Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- Deferred finance charges and unamortized bond discounts and premiums are amortized using the straight-line method over the periods the related obligations are outstanding.
- The Health System, the Hospital, MCREC, the Foundation, and SCMA are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for HSSI as there are net operating losses of approximately $17,871 available for carryforward, which expire at various future dates through 2023. SCMCO is a not-for-profit corporation, which is subject to federal and state income taxes. A provision for income taxes has not been recorded for SCMCO as there are net operating losses of approximately $1,406 available for carryforward, which expire at various future dates through 2023. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.
- On October 1, 2007, the Corporations adopted ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The adoption of ASC Topic 740 had no impact on the consolidated financial statements.
- The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.
- Certain prior year amounts have been reclassified to conform to the 2009 consolidated financial statement presentation.

Other significant accounting policies are set forth in the consolidated financial statements and in the following notes.

(3) Third-Party Reimbursement Programs

The Hospital, HSSI, SCMCO, and SCMA (collectively referred to as the Providers) have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the Providers' billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the Providers' billings at list price and the allocated cost of services provided to Medicaid patients; and any differenees between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors follows:

Medicare

The Hospital is paid for inpatient acute care, outpatient, rehabilitative, and home health services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the prospective payment systems and the appropriateness of patient admissions are subject to validation reviews.

For certain services rendered to Medicare beneficiaries, the Providers' reimbursement is based upon cost or other reimbursement methodologies. The Providers are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement reports through September 30, 2006 have been audited and final settled by the Medicare fiscal intermediary.

Medicaid

The Hospital is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program, and any such changes could have a significant effect on the Hospital's revenues.

During 2006, the State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2008. During December 2008, the Centers for Medicare and Medicaid (CMS) granted approval of a new five-year Illinois Hospital Assessment Program retroactive to July 1, 2008. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by CMS. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. Included within net patient service revenue are the Hospital's assessments of $8,735 and $6,523 and its additional Medicaid reimbursement of $18,855 and $10,477, for the years ended September 30, 2009 and 2008,

(Continued)

respectively. Included in the Hospital's fiscal year 2009 net patient service revenue is approximately $2,000 of net incremental Medicaid reimbursement related to the Illinois Hospital Assessment Program for the quarter ended September 30, 2008.

Blue Cross

The Hospital also participates as a provider of healthcare services under a reimbursement agreement with Blue Cross. The provisions of this agreement stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Hospital and a review by Blue Cross. The Blue Cross reimbursement reports for September 30, 2008 and prior years have been reviewed by Blue Cross.

Other

The Providers have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the Providers and includes prospectively determined rates-per-discharge, discounts from established charges, capitation, and prospectively determined per diem rates.

SCMCO is involved in various risk-based contracts with managed care organizations. Under these arrangements, SCMCO receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, SCMCO is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled approximately $18,846 and $18,091 for 2009 and 2008, respectively, and is included with other revenue in the accompanying consolidated statements of operations. Pursuant to risk-based contracts, SCMCO estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated balance sheet dates, based upon historical costs incurred and payment processing experience. This liability approximated $1,942 and $1,672 at September 30, 2009 and 2008, respectively, and is included with accounts payable in the accompanying consolidated balance sheets.

Net patient service revenue for the years ended September 30, 2009 and 2008 include approximately $0 and $2,232, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

(Amounts in thousands)

A summary of the Providers' utilization percentages based upon gross patient service revenue follows:

	2009	2008
Medicare	41.9%	42.0%
Medicaid	12.9	12.8
Managed care	36.8	36.7
Other	8.4	8.5
	100.0%	100.0%

(4) Concentration of Credit Risk

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2009 and 2008 follows:

	2009	2008
Medicare	30.2%	28.5%
Medicaid	15.7	18.9
Blue Cross	7.0	8.8
Managed care	19.1	19.9
Patients	21.8	19.3
Other	6.2	4.6
	100.0%	100.0%

(5) Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. In addition, reimbursement for services provided to Medicaid program beneficiaries is substantially less than the cost to the Hospital for providing these services.

(Amounts in thousands)

The Hospital maintains records of the amount of charges forgone and related cost for services and supplies furnished under its charity care policy, as well as the estimated differences between the cost of services provided to Medicaid patients and the reimbursement under that program. The following information measures the level of charity care provided and unreimbursed cost under the Medicaid program during 2009 and 2008:

		2009	2008
Charity care costs for non-Medicaid patients	$	7,459	6,290
Excess of cost over reimbursement for services provided to Medicaid patients (1)		3,744	8,229

(1) Net impact of Medicaid assessment program has been allocated to each year based upon the State's fiscal year

(6) Investments

The Corporations report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. A summary of the composition of the Corporations' investment portfolio at September 30, 2009 and 2008 follows:

		2009	2008
Cash and cash equivalents	$	1,253	4,467
Certificates of deposit/repurchase agreements		156,764	14,459
Money market funds		57,019	5,782
Common stock		4,222	4,968
Mutual funds		44,154	47,126
U.S. Treasury securities		26,978	15,179
Corporate bonds and notes		42,308	41,626
	$	332,698	133,607

(Amounts in thousands)

Investments are reported in the accompanying consolidated balance sheets at September 30 as follows:

		2009	2008
Short-term investments	$	9,045	6,841
Assets whose use is limited or restricted:			
Required for current liabilities		39	4
By board for capital improvements, self-insurance, and other		98,329	106,988
Under bond indenture agreements – held by trustee		217,781	12,180
Donor-restricted investments		7,504	7,594
	$	332,698	133,607

The composition of investment return on the Corporations' investment portfolio for 2009 and 2008 is as follows:

		2009	2008
Interest and dividend income, net of fees and expenses	$	1,864	7,845
Net realized losses on sale of investments		(166)	(202)
Net change in unrealized gains and losses during the holding period		(548)	(16,325)
	$	1,150	(8,682)

The Corporations have designated all unrestricted investments to be trading securities. Investment return is included in the accompanying consolidated financial statements for the years ended September 30, 2009 and 2008 as follows:

		2009	2008
Nonoperating gains – investment income (loss), net	$	1,213	(7,804)
Net realized and unrealized gains and losses on temporarily restricted investments		(9)	(182)
Net realized and unrealized gains and losses on permanently restricted investments		(54)	(696)
	$	1,150	(8,682)

The Corporations invest in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

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(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by the Corporations in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers and custodian banks. Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, certain American Depository Receipts, U.S. Agency securities, money market funds, and repurchase agreements are measured using other observable inputs. The carrying value equals fair value.
- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations. The carrying value equals fair value.
- Beneficial interest in perpetual trusts: The assets held by third-party trustees, comprised of money market funds, corporate bonds and notes, U.S. government obligations, and U.S. Treasury notes are observable inputs used by the Corporations to estimate the fair value of its beneficial interests.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

(b) Fair Value Hierarchy

The Corporations adopted ASC Subtopic 820-10 on October 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date. Level 1 investments include cash, common stock, quoted mutual funds, and U.S. Treasury securities.

- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments include certificates of deposit, repurchase agreements, money market funds, corporate bonds and notes, and beneficial interest in perpetual trusts.

- Level 3 inputs are unobservable inputs for the asset or liability. The Corporations have no Level 3 investments as of September 30, 2009.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Amounts in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2009:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 46,843	1,390	45,453	—
Short-term investments	9,045	—	9,045	—
Assets whose use is limited or restricted, required for current liabilities	39	—	39	—
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements, self-insurance, and other	98,329	50,148	48,181	—
Under bond indenture agreements–held by trustee	217,781	1,299	216,482	—
Donor-restricted investments	7,504	3,985	3,519	—
Beneficial interest in perpetual trusts	4,791	—	4,791	—
Total	$ 384,332	56,822	327,510	—
Liabilities:				
Interest rate derivatives	$ 407	—	407	—

(Amounts in thousands)

(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at September 30, 2009 and 2008 follows:

	2009		2008	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 32,518	—	31,370	—
Land improvements	5,385	3,761	5,336	3,556
Buildings, building improvements, and fixed equipment	183,399	106,778	179,673	89,238
Major movable equipment	102,898	69,989	97,847	62,434
Construction in progress	78,378	—	14,187	—
	$ 402,578	180,528	328,413	155,228

The Corporations are currently engaged in various construction and renovation projects, principally the construction of a new hospital replacement facility as discussed in note 1. Outstanding commitments related to these projects approximate $87,806 at September 30, 2009. Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the year ended September 30, 2009 the Corporations capitalized $5,073 of net interest cost, which is comprised of $6,282 of interest cost less $1,209 of interest earned on unexpended bond proceeds. The Corporations did not capitalize interest cost in 2008. The Corporations did not capitalize any interest cost in 2008.

(Amounts in thousands)

(9) Long-Term Debt

A summary of long-term debt at September 30, 2009 and 2008 follows:

		2009	2008
Illinois Finance Authority Revenue Bonds, Series 2009, at fixed effective interest rates of 6.75% to 7.25%, depending upon date of maturity through August 15, 2044	$	260,000	—
Illinois Finance Authority Revenue Refunding Bonds, Series 2008A, at fixed effective interest rates of 5.00% to 5.82%, depending upon date of maturity through August 15, 2030		86,095	86,660
Illinois Finance Authority Revenue Bonds, Series 2005A, at fixed effective interest rates from 4.00% to 5.25%, depending upon date of maturity through August 15, 2020		20,050	21,125
Illinois Finance Authority Fixed Rate Revenue Bonds, Series 2005C, at fixed effective interest rates of 2.85% to 5.58%, depending on date of maturity through August 15, 2025. Prior to the fixed rate conversion date of August 14, 2008, the Series 2005C bonds were operating as periodic auction rate revenue bonds with an effective interest rate of 5.02% in 2008		19,575	20,525
Illinois Finance Authority Revenue Refunding Bonds, Series 1999, at fixed effective interest rates of 5.43% to 5.65%, depending on date of maturity through 2019		6,945	7,480
Illinois Finance Authority Revenue Bonds, Series 1996, at fixed effective interest of 6.22%, retired in 2009		—	280
Total long-term debt		392,665	136,070
Less:			
Current installments		3,585	3,405
Unamortized net bond discounts and premiums		6,840	(236)
Long-term debt, excluding current installments, and unamortized bond discounts and premiums	$	382,240	132,901

The Hospital and the Health System (collectively known as the Obligated Group) entered into an Amended and Restated Master Trust Indenture (Master Trust Indenture) dated as of June 1, 1996, as subsequently supplemented and amended. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Obligated Group members, if the other members are unable to make such

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payments. The Master Trust Indenture requires the Obligated Group comply with financial and other covenant requirements, including making deposits with the bond trustees for payment of principal and interest when due on the individual series of bonds. The Obligated Group pledged a security interest in their gross revenues as collateral on borrowings under the Master Trust Indenture. The Obligated Group also maintains a debt service reserve fund with the bond trustees for the benefit of the Series 2008A and Series 2009 bonds. The Obligated Group has executed mortgages on the real estate and improvements of the existing Hospital campus and the replacement facility campus (note 1). Upon relocation of Hospital operations to the replacement facility campus, the Master Trustee will release the mortgage on the existing Hospital campus real estate and improvements.

On December 8, 2005, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2005A, and auction rate revenue bonds, Series 2005B, Series 2005C, and Series 2005D (collectively referred to as the Series 2005 bonds) in the aggregate amount of $124,640 on behalf of the Hospital. A portion of the proceeds from the Series 2005 bond issuance was used to advance refund the outstanding revenue bonds Series 2002A and Series 2002B, and to advance refund portions of the revenue refunding bonds Series 1999 and the revenue bonds Series 1996. The remaining proceeds were used for the purposes of acquiring real property, constructing various healthcare facilities, providing debt service reserve funds, and paying issuance costs. On August 14, 2008, the Hospital converted the Series 2005C auction rate revenue bonds to fixed rate revenue bonds. Principal on the Series 2005A and 2005C bonds is payable on August 15th annually. Interest on the Series 2005A and Series 2005C bonds is payable semiannually. Payment of principal and interest when due on the Series 2005 bonds is guaranteed under a municipal bond insurance policy.

On June 18, 2008, the Illinois Finance Authority issued fixed rate revenue refunding bonds, Series 2008A (referred to as the Series 2008 bonds) in the aggregate amount of $86,660 on behalf of the Hospital. A portion of the proceeds from the Series 2008 bond issuance was used to advance refund the Series 2005B and Series 2005D auction rate revenue bonds (Prior Bonds). The remaining proceeds were used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2008 bonds and refunding of the Prior Bonds. The Hospital recognized a loss on early extinguishment of debt on the refunding of the Prior Bonds, and fixed rate conversion of the Series 2005C bonds, in the aggregate amount of $3,077 in 2008, which is reported as a nonoperating loss in the accompanying 2008 consolidated statement of operations. Principal on the Series 2008A bonds is due annually, beginning August 15, 2009 through 2030. Interest on the Series 2008 bonds is payable semiannually.

On May 28, 2009, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2009 (referred to as the Series 2009 bonds) in the aggregate amount of $260,000 on behalf of the Hospital. The proceeds from the Series 2009 bond issuance will be used to acquire, construct, renovate, and equip certain health facilities, including, but not limited to the construction of the replacement hospital facility. A portion of the proceeds was used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2009 Bonds.

(Amounts in thousands)

At September 30, 2009 and 2008, the fair value of total long-term debt was approximately $416,595 and $131,713, respectively. Fair value was estimated using quoted market prices based upon the Obligated Group's current borrowing rates for similar types of long-term debt securities.

Scheduled annual principal payments on long-term debt for the ensuing five years are as follows:

Year:		
2010	$	3,585
2011		3,770
2012		3,960
2013		4,295
2014		4,520

(10) Derivative Instruments and Hedging Activities

The Hospital has interest rate related derivative instruments to manage its exposure on debt instruments. By using derivative financial instruments to hedge exposures to changes in interest rates, the Hospital exposes itself 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 a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty, and therefore, it does not possess credit risk. The Hospital attempts to minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Hospital management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

2002 Interest Rate Swap Agreement

During 2002, the Hospital entered into an interest rate swap agreement to convert portions of its fixed rate debt portfolio from a fixed to variable rate. Under this agreement, the Hospital receives a variable rate of return, based upon 68.75% of the three-month USD-LIBOR-BBA rate on a notional amount of $15,000, and is obligated to pay the financial institution a variable rate of return, based upon the weekly SIFMA Municipal Swap Index rate, on the same notional amount. The 2002 interest rate swap agreement has a maturity date of February 6, 2014.

The 2002 interest rate swap does not meet the criteria to qualify for hedge accounting; accordingly, the fair value of the interest rate swap derivative instrument is recognized within the consolidated balance sheets with changes in the fair value of the derivative instrument reported within income from operations. Payments equal to the differential between the amounts due to and due from the financial institution are computed and exchanged quarterly. The differential to be paid or received under the interest rate swap agreement is recognized within interest expense on a current basis. The net interest rate differential (paid) received by the Hospital as a result of the 2002 interest rate swap agreement during 2009 and 2008 of

approximately $60 and $(127), respectively, has been included as an (addition) reduction to interest expense in the accompanying consolidated statements of operations. Fair value of the interest rate swap agreement was a liability of $144 and $180 at September 30, 2009 and 2008, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets. The change in fair value of the interest rate swap agreement of $36 in 2009 and $(264) in 2008 has been recorded as an (addition) reduction to interest expense. Fair value of the interest rate swap agreement was estimated using a discounted present value methodology and current projected interest rates.

2005 Interest Rate Swap Agreement

The Hospital previously maintained an interest rate swap agreement that changed the variable-rate cash flow exposure on the Series 2005B debt to fixed cash flows. The 2005 interest rate swap agreement was designated as a cash flow hedge instrument, but was terminated in June 2008 in conjunction with the extinguishment of the Series 2005B bonds. The change in fair value of derivative instruments reported in the 2008 consolidated statement of operations represents the reclassification from unrestricted net assets of amounts previously recognized within unrestricted net assets for the effective portion of this hedge. Included in 2008 interest expense is $1,390 of expense related to the termination of, and settlement payments related to, the 2005 interest rate swap agreement.

2005B Basis Swap Agreements

The Hospital maintains interest rate basis swap agreements (Basis Swaps) with two commercial banks. The Basis Swaps were originally related to the Series 2005B bonds. The Basis Swaps each have a notional amount of $34,675 whereby the Hospital will receive, on a monthly basis, 60.2854% of USD-ISDA Swap Rate, and will make monthly payments at 62.5% of one-month LIBOR plus 15 basis points. During 2008, the Basis Swap agreements were amended to suspend monthly cash payments until February 15, 2014. The Basis Swaps have notional amounts and maturity dates that correlate with the outstanding principal schedule on the Series 2005B debt, which was refunded in 2008. The Basis Swaps have remained in force subsequent to the refunding of the Series 2005B debt. Fair value of the Basis Swaps were liabilities of $263 and $424 at September 30, 2009 and 2008, respectively, and are included in other long-term liabilities in the accompanying consolidated balance sheets. The net interest rate differential received by the Hospital as a result of the Basis Swap agreements during 2009 and 2008 of approximately $0 and $255, respectively, has been recorded as a reduction of interest expense in the accompanying consolidated statements of operations. The change in fair value of the Basis Swaps of $161 in 2009 and $36 in 2008 has been recorded as a reduction of interest expense as the Basis Swaps do not qualify for hedge accounting.

Subsequent to September 30, 2009, the Hospital terminated one of the Basis Swap agreements, which had a fair value liability of $129 at September 30, 2009. The Hospital was not required to make any settlement payment to the counterparty for the termination of this Basis Swap agreement.

(11) Pension Plans

The Health System, HSSI, and the Hospital sponsor various voluntary, defined contribution, and money purchase pension plans for all qualified full-time employees. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual employee. The

Health System, HSSI, and the Hospital recognized expense under the terms of the plans in the amount of $3,383 and $3,149 for 2009 and 2008, respectively. The Health System, HSSI, and the Hospital fund the plans on a current basis.

The Health System also sponsors several supplemental retirement plans. Eligibility for these plans is limited to specified employees. The supplemental plans are defined benefit plans and are not qualified plans under Section 401 of the Code. The Health System has recognized expense under the terms of these supplemental retirement plans in the amount of $519 and $1,614 for 2009 and 2008, respectively. Amounts owed to specified employees under the supplemental retirement plans are included in accrued salaries and wages.

(12) Self-Insured Risks

Professional and General Liability

The Corporations maintain a self-insurance program for professional and general liability coverage. The self-insurance program includes varying levels of self-insured retention and excess malpractice insurance coverage purchased from commercial insurance carriers. In connection with the self-insurance program, the Corporations have engaged the services of a professional actuarial consultant to assist in the estimation of self-insurance provisions and claim liability reserves.

Provisions for estimated self-insured professional and general liability claims of $5,023 in 2009 and $11,229 in 2008 are included in general and administrative expenses in the accompanying consolidated statements of operations. It is the opinion of management that the estimated professional and general liabilities accrued at September 30, 2009 and 2008 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The Corporations have also designated attorneys to handle legal matters relating to malpractice and general liability claims. No portion of the accrual for estimated self-insured professional and general liability claims has been reported as a current liability. The liability for estimated self-insured professional and general liability claims has been discounted at 3% and 4% as of September 30, 2009 and 2008, respectively.

Workers' Compensation

The Health System, HSSI, and the Hospital maintain a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to $500 per occurrence. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Provisions for workers' compensation claims amounted to $1,981 and $1,071 for 2009 and 2008, respectively, and are included in payroll taxes and fringe benefits expense. Management believes the estimated self-insured workers' compensation claims liability at September 30, 2009 and 2008 is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

Healthcare

The Health System, HSSI, and the Hospital also have a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Provisions for self-insured employee healthcare claims amounted to $12,142 and $11,338 for 2009 and 2008, respectively, and are included with payroll taxes and fringe benefits expense. It is the opinion of management that the estimated healthcare costs accrued at September 30, 2009 and 2008 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

(13) Investment in Joint Ventures

Orland Park Surgical Center, L.L.C.

On January 15, 2001, the Hospital became a founding member of Orland Park Surgical Center, L.L.C. (the Center) whose purpose is to develop and operate an ambulatory surgery center in Orland Park, Illinois. The Hospital provided the Center with an initial $660 equity contribution, which satisfied the capital contribution provisions of the operating agreement. Pursuant to the operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of the Center, of which the Hospital holds a 33% interest. Distributions will be made to members in accordance with the proportion of their membership units to the aggregate membership units of the Center. Distributions are payable by the Center at the discretion of the Center's board of managers to the extent of the availability of net cash flows. The Center became operational during 2002.

The Hospital accounts for its investment in the Center on the equity method of accounting. The Hospital has included its proportional share of the Center's net income of $85 and $125 in 2009 and 2008, respectively, within other operating revenue in the accompanying consolidated statements of operations. The Hospital received cash distributions from the Center of $181 and $212 in 2009 and 2008, respectively. As of and for the years ended September 30, 2009 and 2008, respectively, the Center had total assets of $3,606 and $3,831, members' equity of $2,261 and $2,622, revenue of $7,291 and $5,023, and net income of $174 and $464. The carrying value of the Hospital's investment in the Center is included in investment in joint ventures in the accompanying consolidated balance sheets.

Subsequent to September 30, 2009, the Hospital exercised its option to terminate its participation in Center and redeem 100% of its membership units. In exchange for its membership units, the Hospital will receive a total payment of approximately $1,165 to be received in four equal quarterly payments beginning on January 7, 2010.

SCHCI, L.L.C.

On February 14, 2002, the Hospital became a founding member of SCHCI, L.L.C. (SCHCI) whose purpose is to provide cardiovascular services jointly with a physician group. The Hospital provided SCHCI with an initial $275 equity contribution during 2003, which satisfied the capital contribution provisions of the operating agreement. The Hospital provided SCHCI with an additional $275 equity contribution during 2004. Pursuant to the operating agreement, profits and losses are allocated to the members in accordance

with the proportion of their membership units to the aggregate membership units of SCHCI, of which the Hospital holds a 49.5% interest. Distributions are payable by SCHCI at the discretion of the Center's management board to the extent of the availability of net cash flows as defined in the agreement. The Center became operational during 2004.

The Hospital accounts for its investment in SCHCI on the equity method of accounting. The Hospital has included its proportional share of SCHCI net income of $569 and $513 in 2009 and 2008, respectively, as other operating revenue in the accompanying consolidated statements of operations. The Hospital received cash distributions from SCHCI of $396 and $495 in 2009 and 2008, respectively. As of and for the years ended September 30, 2009 and 2008, respectively, SCHCI had total assets of $2,872 and $2,819, members' equity of $2,499 and $2,151, revenue of $3,223 and $3,947, and net income of $1,245 and $1,038. The carrying value of the Hospital's investment in SCHCI is included in investment in joint ventures in the accompanying consolidated balance sheets. Included in other receivables are $8 and $595 of advances due from SCHCI as of September 30, 2009 and 2008, respectively.

Subsequent to September 30, 2009, approval was received from the Illinois Health Facilities Planning Board for discontinuance of SCHCI operations, which occurred effective December 18, 2009.

Wilmington Building Enterprises, L.L.C.

On June 1, 2007, MCREC sold property, including a parcel of land and a medical office building, located in Wilmington, Illinois to Harris N.A. Concurrently with the sale of property, MCREC became a founding member of Wilmington Building Enterprises, L.L.C. (Wilmington) whose purpose is to lease the medical office building. Harris N.A. serves as the trustee for Wilmington. MCREC provided Wilmington with an initial $500 equity contribution during 2007, which satisfied the capital contribution provisions of the operating agreement. Pursuant to the operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of Wilmington, of which MCREC holds a 50% interest. Effective July 1, 2007, Harris N.A. entered into an agreement with a physician to lease the medical office building.

MCREC accounts for its investment in Wilmington on the equity method of accounting; however, MCREC has not recognized its proportional share of Wilmington income in the accompanying consolidated statements of operations. Wilmington net income was $60 in 2009 and $103 in 2008. Wilmington made cash distributions of $114 in 2009 and $0 in 2008. As of and for the years ended September 30, 2009 and 2008, respectively, Wilmington had total assets and members' equity of $1,046 and $1,103. The carrying value of MCREC's investment in Wilmington is included in investment in joint ventures in the accompanying consolidated balance sheets.

(14) Endowments

Effective October 1, 2008 the Corporations adopted the guidance in ASC Subtopic 958 on the net asset classification and disclosures for funds subject to an enacted version of UPMIFA.

The Corporations have donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income from investment of the Funds is

(Amounts in thousands)

to be used for a variety of purposes consistent with the intent of the donor. The interest and dividend income earned on the Funds are transferred to temporarily restricted net assets until appropriated for expenditure by the Corporations. All other changes in the Funds, including unrealized and realized gains and losses, are recorded directly to the Funds, which are classified as permanently restricted net assets.

The Corporations also have beneficial interests in trusts (collectively referred to as the Trusts). The Corporations have recorded their share of the principal of the Trusts as permanently restricted net assets. Distributions from the Trusts are recorded within unrestricted net assets if unrestricted; otherwise they are classified as temporarily restricted net assets until appropriated for expenditure.

The activity of the Funds and Trusts for the year ended September 30, 2009 is as follows:

		Total	Donor-restricted endowment funds	Beneficial interest in trusts
Beginning fair value	$	5,375	584	4,791
Current year contributions		—	—	—
Income:				
Interest and dividends		182	6	176
Realized losses, net		(253)	(25)	(228)
Unrealized gains, net		212	29	183
Disbursements:				
Fees and expenses		(51)	(19)	(32)
Assets released from restriction		(144)	—	(144)
Ending fair value	$	5,321	575	4,746

(Amounts in thousands)

The activity of the Funds and Trusts for the year ended September 30, 2008 is as follows:

		Total	Donor-restricted endowment funds	Beneficial interest in trusts
Beginning fair value	$	6,071	656	5,415
Current year contributions		—	—	—
Income:				
Interest and dividends		205	10	195
Realized gains, net		42	3	39
Unrealized losses, net		(724)	(61)	(663)
Disbursements:		—		
Fees and expenses		(62)	(24)	(38)
Assets released from restriction		(157)	—	(157)
Ending fair value	$	5,375	584	4,791

The principal of the Funds was approximately $584 at September 30, 2009 and 2008. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of September 30, 2009 or 2008.

(15) Contingencies

Medicare Reimbursement

The Hospital recognized approximately $79,563 of net patient service revenue during 2009 from services provided to Medicare beneficiaries. Federal legislation routinely includes provisions to modify Medicare payments to healthcare providers. Changes in Medicare reimbursement as a result of the CMS implementation of the provisions of Medicare legislation may have an adverse effect on the Hospital's net patient service revenues.

Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results of operations.

Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on the Corporations' financial position or results of operations.

(16) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ACS Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of September 30, 2009 through January 22, 2010, which was the date the financial statements were available to be issued.

Schedule 1

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

September 30, 2009

(Amounts in thousands)

Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Current assets									
Cash and cash equivalents	$ 910	1,018	36,017	151	220	8,527	—	—	46,843
Short-term investments	—	—	9,045	—	—	—	—	—	9,045
Assets whose use is limited or restricted, required for current liabilities	—	—	39	—	—	—	—	—	39
Patient accounts receivable, net	—	1,283	28,251	—	—	—	—	—	29,534
Due from affiliates	401	—	21,590	2,299	60	—	262	(24,612)	—
Other receivables	423	23	765	—	84	557	—	—	1,852
Inventory of supplies	—	—	180	—	—	—	—	—	180
Prepaid expenses and other	115	6	2,040	3	23	46	124	—	2,359
Total current assets	1,849	2,332	97,927	2,453	387	9,130	386	(24,612)	89,852
Assets whose use is limited or restricted, excluding assets required for current liabilities									
By board for capital improvements, self-insurance and other	25,362	—	72,967	—	—	—	—	—	98,329
Under bond indenture agreements – held by trustee	—	—	217,781	—	—	—	—	—	217,781
Pledges receivable	—	—	460	—	—	—	—	—	460
Donor-restricted investments	—	—	7,262	242	—	—	—	—	7,504
	25,362	—	298,470	242	—	—	—	—	324,074
Land, buildings, and equipment, net	8,792	279	177,696	—	35,373	—	—	—	222,050
Other assets									
Due from affiliates	4,560	—	26,467	—	—	—	—	(31,027)	—
Land held for sale	—	—	25,938	—	—	—	—	—	25,938
Investments	22,650	—	—	—	—	—	—	(22,650)	—
Investment in joint venture	—	—	2,019	—	500	—	—	—	2,519
Deferred finance charges and other	—	—	6,798	—	—	—	—	—	6,798
Total assets	$ 63,123	2,611	635,315	2,695	36,260	9,130	386	(78,289)	671,231

(Continued)

Schedule 1

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

September 30, 2009

(Amounts in thousands)

Liabilities and Net Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Current liabilities:									
Current installments of long-term deb	$ —	—	3,585	—	—	—	—	—	3,585
Accounts payable	693	238	5,592	—	—	5,946	—	—	12,469
Accrued salaries and wages	3,439	128	9,211	—	—	—	386	—	13,164
Accrued expenses	9	12	3,463	—	2,448	—	—	—	5,932
Estimated payables under third-party reimbursement programs	—	—	21,413	—	—	—	—	—	21,413
Due to affiliates	22,080	2,125	387	—	—	20	—	(24,612)	—
Total current liabilities	26,221	2,503	43,651	—	2,448	5,966	386	(24,612)	56,563
Construction payables	—	—	8,072	—	—	—	—	—	8,072
Estimated self-insured professional and general liability claims	20,142	—	—	—	—	—	—	—	20,142
Long-term debt, excluding current installments and unamortized bond discounts and premiums	—	—	382,240	—	—	—	—	—	382,240
Due to affiliates	—	—	—	—	31,027	—	—	(31,027)	—
Other long-term liabilities	—	—	1,154	—	—	—	—	—	1,154
Total liabilities	46,363	2,503	435,117	—	33,475	5,966	386	(55,639)	468,171
Net assets:									
Unrestricted	16,760	108	192,476	2,452	2,785	3,164	—	(22,650)	195,095
Temporarily restricted	—	—	2,644	—	—	—	—	—	2,644
Permanently restricted	—	—	5,078	243	—	—	—	—	5,321
Total net assets	16,760	108	200,198	2,695	2,785	3,164	—	(22,650)	203,060
Total liabilities and net assets	$ 63,123	2,611	635,315	2,695	36,260	9,130	386	(78,289)	671,231

See accompanying independent auditors' report.

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidating Schedule – Statement of Operations Information

Year ended September 30, 2009

(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Revenue									
Net patient service revenue	$ —	1,202	227,744	—	—	—	2,903	(3,630)	228,219
Other revenue	7,962	1,170	2,652	—	3,003	24,115	67	(8,678)	30,291
Total revenue	7,962	2,372	230,396	—	3,003	24,115	2,870	(12,208)	258,510
Expenses									
Salaries and wages	5,069	1,021	77,401	—	—	—	1,481	(138)	84,834
Payroll taxes and fringe benefits	1,142	270	23,835	—	—	—	152	—	25,399
General and administrative	2,034	1,396	43,358	—	2,615	23,783	1,158	(12,070)	62,274
Supplies	—	192	41,144	—	—	—	—	—	41,336
Provision for bad debts	—	12	11,905	—	—	—	79	—	11,996
Depreciation	820	124	13,344	—	1,569	—	—	—	15,857
Interest	—	—	6,572	—	—	—	—	—	6,572
Total expenses	9,065	3,015	217,559	—	4,184	23,783	2,870	(12,208)	248,268
Income (loss) from operations before accelerated depreciation on existing hospital facility	(1,103)	(643)	12,837	—	(1,181)	332	—	—	10,242
Accelerated depreciation on existing hospital facility	—	—	9,924	—	—	—	—	—	9,924
Income (loss) from operations	(1,103)	(643)	2,913	—	(1,181)	332	—	—	318
Nonoperating gains (losses)									
Investment income (loss), net	1,312	—	(83)	—	(16)	—	—	—	1,213
Unrestricted contributions and other, net	—	—	150	22	—	—	—	—	172
Loss on disposal of land, buildings, and equipment, net	—	—	(4)	—	—	—	—	—	(4)
Total nonoperating gains (losses), net	1,312	—	63	22	(16)	—	—	—	1,381
Revenue and gains in excess (deficient) of expenses and losses	209	(643)	2,976	22	(1,197)	332	—	—	1,699
Other changes in unrestricted net assets:									
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	—	—	474	—	—	—	—	—	474
Increase (decrease) in unrestricted net assets	$ 209	(643)	3,450	22	(1,197)	332	—	—	2,173

See accompanying independent auditors' report

Schedule 3

SILVER CROSS HEALTH SYSTEM
AND AFFILIATES

Consolidating Schedule – Changes in Net Assets Information

Year ended September 30, 2009

(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Increase (decrease) in unrestricted net assets	$ 209	(643)	3,450	22	(1,197)	332	—	—	2,173
Temporarily restricted net assets:									
Contributions for specific purposes	—	—	830	—	—	—	—	—	830
Net realized and unrealized gains and losses on temporarily restricted investments	—	—	(9)	—	—	—	—	—	(9)
Net assets released from restriction for operating purposes	—	—	(67)	—	—	—	—	—	(67)
Net assets released from restriction for land, building, and equipment acquisition	—	—	(474)	—	—	—	—	—	(474)
Decrease in temporarily restricted net assets	—	—	280	—	—	—	—	—	280
Permanently restricted net assets:									
Net realized and unrealized gains and losses on permanently restricted investments	—	—	(45)	(9)	—	—	—	—	(54)
Change in net assets	209	(643)	3,685	13	(1,197)	332	—	—	2,399
Net assets at beginning of year	16,551	751	196,513	2,682	3,982	2,832	—	(22,650)	200,661
Net assets at end of year	$ 16,760	108	200,198	2,695	2,785	3,164	—	(22,650)	203,060

See accompanying independent auditors' report

Section IX
Financial Feasibility
Financial Viability
Criterion 1120.130

UCMC has satisfied this Criterion because UCMC has an "AA-" bond rating. Proof of UCMC's "A" bond rating is attached at ATTACHMENT 39.

Silver Cross has satisfied this Criterion because Silver Cross will be funding their obligations to the Joint Venture and will be funding this Project from internal sources – specifically cash and cash equivalents. Thus, Silver Cross is entitled to a financial viability waiver pursuant to Criterion 1120.130(a)(1). William Brownlow's Financial Viability Waiver Certification support of this Criterion is attached at ATTACHMENT 40.

The Joint Venture was formed for the express purpose of this Application. UCMC owns 40% of the Joint Venture and Silver Cross will own 60% of the Joint Venture. Because the Joint Venture was recently formed, the Joint Venture has no historical information. On a go-forward basis, UCMC and Silver Cross have agreed to capitalize and guarantee their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project. Because the Joint Venture's debts and funding obligations for this Project are guaranteed, this Criterion is not applicable to the Joint Venture. Certifications from UCMC and Silver Cross in support of these statements are attached at ATTACHMENT 39.

Silver Cross Hospital

THE WAY YOU SHOULD BE TREATED

A Thomson Reuters 100 Top Hospitals® National Award Winner
2004, 2005, 2006, 2007, 2008

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.130(a) Financial Viability Waiver Certification

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.130(a), that Silver Cross Health System and Silver Cross Hospital and Medical Centers (collectively, Silver Cross") will fund Silver Cross' obligations to UCMC/SCH Oncology JV, LLC and will fund the obligations of Silver Cross set forth in the Certificate of Need Application for "The University of Chicago Cancer Center at Silver Cross" Project from internal sources – specifically, cash and cash equivalents.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 19 day
of June, 2010.

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

ATTACHMENT
40

Section X
Economic Feasibility
Criterion 1120.140

Criterion 1120.140(a), Reasonableness of Financing Arrangements

UCMC has satisfied this Criterion because UCMC has an "AA-" bond rating.

Silver Cross has satisfied this Criterion because Silver Cross will be funding their obligations to the Joint Venture and will be funding this Project with cash and cash equivalents. William Brownlow's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 39.

The Joint Venture was formed for the express purpose of this Application. Thus, the Joint Venture has no historical information. On a go-forward basis, UCMC and Silver Cross have agreed to capitalize and guarantee their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project. Certifications from UCMC and Silver Cross in support of this statement are attached at ATTACHMENT 39.

Criterion 1120.140(b), Conditions of Lease Financing

On or about July 9, 2010, UCMC negotiated the terms of that certain Space Lease for the Infusion/Chemotherapy Center & Oncology Clinic (and common areas and shared support space). Under the terms of that Space Lease, UCMC will be leasing 10,116 rentable square feet at an annual, blended rate of $36.20 per rentable square foot. As set forth in this Application, the fair market value of said Space Lease is $4,107,826.37. The Landlord has submitted documentation to UCMC and the other Applicants that demonstrates that the Landlord will spend significantly far more money than $4,107,826.37 to construct the Cancer Center. Based on the foregoing, it is less costly for UCMC to enter into the Space Lease for the Infusion/Chemotherapy Center & Oncology Clinic (and common areas and shared support space) than to construct the Cancer Center. A Certification from UCMC in support of the foregoing statements and this Criterion are attached at ATTACHMENT 7.

On or about July 9, 2010, the Joint Venture negotiated the terms of that certain Space Lease for the Radiation Oncology Clinic (and common areas and shared support space). Under the terms of that Space Lease, the Joint Venture will be leasing 9,559 rentable square feet at an annual, blended rate of $40.60 per rentable square foot. As set forth in this Application, the fair market value of said Space Lease is $4,295,543.22. The Landlord has submitted documentation to the Joint Venture and the other Applicants that demonstrates that the Landlord will spend significantly far more money than $4,295,543.22 to construct the Cancer Center. Based on the foregoing, it is less costly for the Joint Venture to enter into the Space Lease for the Radiation Oncology Clinic (and common areas and shared support space) than to construct the Cancer Center. A Certification from the Joint Venture in support of the foregoing statements and this Criterion is attached at ATTACHMENT 7.

The Joint Venture also intends to lease a linear accelerator and a CT simulator. An Affidavit from the Joint Venture in support of the foregoing statement and this Criterion is attached at ATTACHMENT 42.

Criterion 1120.140(c), Reasonableness of Project and Related Costs

1. The construction and contingency cost per gross square foot for the clinical portions of the Project is $221.37. The clinical portions of the Project encompass 11,582 rentable square feet. The construction and contingency costs for the clinical portions of the Project total $2,563,904.54.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE (CLINICAL PORTIONS OF PROJECT)

Department (list below)	A Cost/Square Foot	B	C Gross Sq. Ft. (Clinical Portions Only)	D	E Gross Sq. Ft.	F	G Const. $ (Clinical Portions Only)	H Mod. $	Total Cost (Clinical Portions Only)
	NEW	MOD	NEW	CIRC	MOD	CIRC	(A x C)	(B x E)	(G + H)
Radiation Oncology Clinic	$201.25	---	5,203		---	---	$1,047,078.96	---	$1,047,078.96
Infusion/Chemotherapy Clinic	$201.25	---	6,379		---	---	$1,283,743.36	---	$1,283,743.36
Construction Total	$201.25	---	11,582		---	---	$2,330,822.31	---	$2,330,822.31
Contingencies	$20.12	---	11,582		---	---	$233,082.23	---	$233,082.23
Construction & Contingencies Total	**$221.37**	**---**	**11,582**		**---**	**---**	**$2,563,904.54**	**---**	**$2,563,904.54**

2. The Applicants will incur the following costs in completing this Project.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	$2,330,822.31	$1,628,677.69	$3,959,500.00
Modernization Contracts			
Contingencies	$233,082.23	$162,867.77	$395,950.00
Architectural/Engineering Fees	$178,954.41	$125,045.59	$304,000.00
Consulting and Other Fees	$88,299.87	$61,700.13	$150,000.00
Movable or Other Purchased Equipment (not in construction contracts)	$3,359,573.00	$348,414.00	$3,707,987.00
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space (discounted value of 20 year space lease)	$4,946,776.45	$3,456,593.14	$8,403,369.59
Fair Market Value of Leased Equipment	$4,700,605.00		$4,700,605.00
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$15,838,113.27**	**$5,783,298.32**	**$21,621,411.59**

As set forth below, all cost components attributable to the clinical portions of this Project are well within the Section 1120 norms.

Project Item	Project Cost (Clinical Parts Only)	Section 1120 Norm	Project Cost Compared to Section 1120 Norm
Preplanning Costs	$0	1.8% * (Construction Costs + Contingencies + Equipment)	Below Section 1120 Norm.
Site Survey, Soil Investigation and Site Preparation	$0	5% * (Construction Costs + Contingencies)	Below Section 1120 Norm.
Construction Contracts and Contingencies Note: Midpoint of project construction will occur in 2012	$2,330,822.31 +233,082.23 = $2,563,904.54 $2,563,904.54/11,582= $221.37 per GSF	$210 per gross square foot (inflated at 3% per year until midpoint of project construction in 2012) = $210 * (1.03)*(1.03) = $222.79 per gross square foot	Below Section 1120 Norm. Construction Contracts and Contingencies are only $221.37 per gross square foot
Contingencies	$233,082.23	10% * (Construction Costs) = 10% * $2,330,822.31= $233,082.23	At Section 1120 Norm. Contingencies are 10% of Construction Costs.
Architectural and Engineering Fees	$178,954.41	5.27% to 7.91% * (Construction Costs + Contingencies) = 5.27% to 7.91% * ($2,330,822.31 +233,082.23) = 5.27% to 7.91% * ($2,563,904.54) = $135,117.77 to $202,804.85	Below Section 1120 Norm. Architectural and Engineering Fees are only 6.98% of Construction Costs + Contingencies
Consulting and Other Fees	$88,299.87	No Section 1120 Norm	Reasonable as compared to other approved projects.
Purchased Equipment	$3,359,573.00	No Section 1120 Norm	Reasonable as compared to other approved projects.
Fair Market Value of Leased Equipment	$4,700,605.00	No Section 1120 Norm	Reasonable as compared to other approved projects.
Fair Market Value of Leased Space	$4,946,776.45	No Section 1120 Norm	Reasonable as compared to other approved projects.

Affidavits in support of the fair market value of the Space Leases are attached at ATTACHMENT 7.

An Affidavit in support of the fair market value of the Equipment are attached at ATTACHMENT 42.

Criterion 1120.140(d), Projected Operating Costs

The projected operating costs for each linear accelerator treatment in the first full fiscal year when the Project achieves target utilization (2014) are as follows:

Total Operating Expenses: $3,572,751

Depreciation Expense: $0

Bad Debt Expense: $390,968

Estimated Number of Linear Accelerator Treatment: 7,536

$$\text{Proj. Operating Costs} = \frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Bad Debt Expense}}{\text{Estimated Number of Treatments}}$$

Proj. Operating Costs = $3,181,783/7,536

Proj. Operating Costs = $422.21 per Linear Accelerator Treatment

The remaining parts of this Project are not subject to this Criterion.

Criterion 1120.140(e), Total Effect of the Project On Capital Costs

Total Projected Annual Capital Costs in Target Utilization Year (2014) = $0

Total Projected Annual Capital Costs Per Procedure = $0

UCMC/SCH Oncology JV, LLC

July 17, 2010

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Fair Market Value of Equipment Leases (Joint Venture)

Dear Mr. Constantino:

I have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(6) and 1130.140. I am also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, I hereby certify the following:

1. The University of Chicago Medical Centers ("UCMC") and Silver Cross Hospital & Medical Centers ("Silver Cross") organized UCMC/SCH Oncology JV, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Cancer Center at Silver Cross" Certificate of Need Application (the "Project").

2. UCMC owns 40% of the Joint Venture. Silver Cross owns 60% of the Joint Venture.

3. If the Project is approved, the Joint Venture intends to lease a Varian TrueBEAM linear accelerator (the "Varian TrueBEAM "). The Varian TrueBEAM is a newly developed linear accelerator ("linac") just announced by Varian. It retains the general purpose utility of existing linacs, but it has also been designed from the ground up for accuracy and ease of use in Image Guided Radiotherapy.

4. The Joint Venture also considered the existing Hi-Art Treatment System of TomoTherapy Inc. (the "Hi-Art System") and the Infinity made by Elekta Inc. (the "Infinity System").

5. An analysis of 20 recently ordered Hi-Art Systems and Infinity Systems, as of April, 2010, showed ranges between $2,712,500 to $3,371,250 for the Hi-Art System and $1,950,000 to $3,459,561 for the Infinity System.

6. The Joint Venture intends to lease a fully-configured Varian, which is on the high end of these ranges. Inflating the highest cost Hi-Art and Infinity Systems through the expected completion date of this Project by 3 percent per year yields comparable prices of $3,657,000 and $3,670,000, respectively.

7. The Joint Venture is specifically considering a 5 year lease for the Varian True BEAM with an expected fair market value of $3,812,401 -- just 1 percent higher than the adjusted prices for the Hi-Art and Infinity Systems.

8. The Joint Venture has concluded that it is more prudent to lease the Varian TrueBEAM (versus purchasing) so as to maintain maximum, long term flexibility as linac technology (and other radiation cancer treatments) are changing.

9. The Joint Venture is also considering a 5 year lease for a CT Simulator (the "CT Simulator"). A CT Simulator is a necessary support item for the Varian TrueBEAM.

10. The expected fair market value of the CT Simulator lease is $888,204.

Sincerely,

William Brownlow
Senior Vice President/Finance
Chief Financial Officer
Silver Cross Hospital & Medical Centers

SUBSCRIBED AND SWORN
to before me this 19 day
of July, 2010.

Notary Public

OFFICIAL SEAL
DENISE L TATGENHORST
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/15/14

Section XI
Safety Net Impact Statement

This Section is not applicable. The Project is non-substantive and does not involve the discontinuation of any services.

Section XII
Charity Care Information

1. Silver Cross' charity care for the last three audited fiscal years is set forth below:

Silver Cross Charity Care			
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Total Net Patient Revenue	$208,041,000	$223,141,000	$227,744,000
Amount of Charity Care (Charges)	$8,762,000	$19,570,000	$24,370,000
Cost of Charity Care	$2,743,000	$6,290,000	$7,459,000

2. UCMC's charity care for the last three audited fiscal years is set forth below:

UCMC Charity Care			
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Total Net Patient Revenue	$1,044,093,000	$1,093,360,000	$1,117,636,000
Amount of Charity Care (Charges)	$39,594,822	$36,088,628	$45,755,872
Cost of Charity Care	$10,026,716	$8,724,000	$10,754,000

3. The Joint Venture was formed for the express purpose of this Project. It is has no historical data or information. Given the proposed location of the Cancer Center on the Silver Cross' Replacement Hospital Campus, the Applicants fully expect that the patient population seen in the Cancer Center will mirror Silver Cross' patient population. Indeed, the main purpose of this Project is provide "best in class" cancer services and treatment to Silver Cross' current patient population.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS