

**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.

On April 8, 2008, the Illinois Health Facilities and Services Review Board issued Permit # 07-111 to Central Illinois Endoscopy Center, LLC (the Center), an Illinois corporation. The permit authorized the Center to establish a limited specialty non-hospital based ambulatory surgery/ambulatory surgery treatment center (ASTC). The Center is located at 1001 N. Main Street, Suite 500B, Peoria, Illinois 61606; it is located in Health Service Area 2 and Health Planning Area C-01 and opened on July 27, 2009.

At the time the permit was issued, Central Illinois Endoscopy Center, LLC was a joint venture with a physician group, Illinois Gastroenterology Institute S.C. having 51 percent ownership and The Methodist Medical Center of Illinois owning the remaining 49 percent.

In 2010, the physician owners of Illinois Gastroenterology Institute S.C. formed an Illinois limited liability company known as IGI Enterprises, LLC. The intent of the current certificate of need application is to transfer 51 percent ownership of Central Illinois Endoscopy Center, LLC from Illinois Gastroenterology Institute S.C. to IGI Enterprises, LLC. After the transfer of ownership, The Methodist Medical Center of Illinois will continue to own 49 percent and IGI Enterprises, LLC will own the remaining 51 percent of Central Illinois Endoscopy Center, LLC.

The transfer of ownership will occur through execution of an interest purchase agreement between Illinois Gastroenterology Institute, S.C. and IGI Enterprises, LLC on the fifth business day following this certificate of need approval by the Illinois Health Facilities and Services Review Board. A summary of the transaction document and an explanation of the Promissory Note are available on page 157, Appendix B.

The project is solely for the above described change of ownership. The facility and its location as well as the scope of services, access, quality, and charity care policies will remain unchanged following the proposed transaction.

The fair market value of the purchased interest in IGI Enterprises, LLC is \$270,000.

In accordance with Section 1110.40, the project is classified as non substantive because it is a facility conversion (e.g. change of ownership, merger or consolidation).

Narrative Exhibit 1 is a letter from The Methodist Medical Center of Illinois supporting the proposed transaction.

**Project Costs and Sources of Funds**

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

<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Purchased Interest		<b>\$270,000</b>	<b>\$270,000</b>
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$0</b>	<b>\$270,000</b>	<b>\$270,000</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities		<b>\$270,000</b>	<b>\$270,000</b>
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$0</b>	<b>\$270,000</b>	<b>\$270,000</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

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:**

<u>\$270,000</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> <li>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</li> <li>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;</li> </ol> <p>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.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p> <p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;</li> <li>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.;</li> <li>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;</li> <li>5) For any option to lease, a copy of the option, including all terms and conditions.</li> </ol> <p>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;</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p> <p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<b>\$270,000</b>	<b>TOTAL FUNDS AVAILABLE</b>
<b>APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

**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.

<b><u>Financial Viability Waiver</u></b>	<b>See Attachment 40, Exhibit 1</b>
<p>The applicant is not required to submit financial viability ratios if:</p> <ol style="list-style-type: none"> <li>1. All of the projects capital expenditures are completely funded through internal sources</li> <li>2. 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</li> <li>3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.</li> </ol>	
<p>See Section 1120.130 Financial Waiver for information to be provided</p>	
<p><b>APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b></p>	

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. **Not Applicable. Applicant qualifies for a Financial Viability Waiver See Attachment 40, Exhibit 1**

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

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

2. Variance

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

<p><b>APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b></p>
--

## 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			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Purchased Interest		\$270,000	\$270,000
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$0</b>	<b>\$270,000</b>	<b>\$270,000</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities		\$270,000	\$270,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$0</b>	<b>\$270,000</b>	<b>\$270,000</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

Since there is no project cost, there is no itemization of each line item.

**2. Define the planning area or market area, or other, per the applicant's definition.**

Central Illinois Endoscopy Center, LLC will continue to serve the residents of Peoria County along with the twelve other counties comprising Illinois Health Service Area 2.

**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.)**

Management of Illinois Gastroenterology Institute, S.C., with the assistance of legal counsel, recently identified several legal and business related risks/problems associated with medical corporation ownership of a limited liability organization such as Central Illinois Endoscopy Center, LLC (Center). Chief among these risks/problems are concerns over negative Stark Law consequences and unfavorable federal income tax ramifications. Transferring ownership in the Center from the medical corporation to the limited liability company, IGI Enterprises, LLC, substantially reduces the risks and uncertainties while assuring that the investment return from Center activities is a function of true ownership (i.e. funds flow directly to the physician owners) and not on the basis of a compensation formula used by the medical corporation.

**Amplification of Above Discussion**

Subsequent to receiving approval of a Certificate of Need to establish the Center, Illinois Gastroenterology Institute, S.C. management engaged local counsel to review the transaction and to examine other business activities of the practice. These lawyers, along with the group's accountant, had not been involved in preparation of the aforementioned CON application. Based on previous experiences in business law and finance, this group concluded that a mistake had been made and the majority ownership interest in the Center should not have been vested in a medical corporation such as Illinois Gastroenterology Institute, S.C. Maintaining this investment in the medical corporation creates several legal and business risks that would be avoided if the investment was held by a limited liability company. These risks include:

1. Distributing profits of the Center on the basis of physician production or some other basis associated with the medical corporation's compensation plan rather than on distributing solely on the percentage of ownership each member has in the limited liability company.
2. Exposing the medical corporation to federal and state income taxes on distributions made from the Center. These same distributions are then taxed for a second time when the corporation pays its doctors in the form of additional salary or bonus. Under the LLC

arrangement, the distributions are taxed only to the recipient which, in this case would be the physician owners.

3. Exposing the medical corporation to wrongdoing on the part of the Center which jeopardizes the livelihood of those physicians and staff members who are not associated with the Center's activities.
4. Establishing a "disincentive" to potential physician recruits who have been exposed to physician-owned ambulatory surgery centers in other parts of the country and who value the positive aspects owning a part of the operation.
5. Establishing a "disincentive" to potential physician recruits who are not willing to join a medical corporation and place their earnings at risk should the Center experience poor financial performance and require additional funds to be contributed from the corporation. In a limited liability situation, additional contributions of capital would be made only by individual members with specific ownership interests.

Each of these risks would be mitigated by successful transfer of the majority ownership in the Center to IGI Enterprises, LLC, a limited liability company.

**4. Cite the sources of information provided as documentation.**

Information for this application was drawn from Permit #07-011, operating agreements of the applicant and co-applicant, and legal documents relevant to the change of ownership.

**5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.**

As noted above, the transfer of ownership from a medical practice corporation to a limited liability company significantly reduces risks of legal problems and poor business practices. The assurance of an improved investment environment enhances the willingness of physicians to invest their time and energy on improving the quality and value of the Central Illinois Endoscopy Center, LLC. Ownership in IGI Enterprises, LLC, the proposed majority owner of the Center, will be restricted to physicians who are employed by and shareholders of the medical corporation (Illinois Gastroenterology Institute S.C.), members of GI Realty, LLC, a limited liability company that serves as landlord of the space occupied by the Center and willing to execute personal guarantees for financing and other issues that the Center may encounter in the future. These restrictions, along with the proactive environment associated with a limited liability organization structure, assure the community and region that the majority ownership in the Center is fully committed to their well being and to the practice of high quality, affordable gastroenterology medicine.

## **A. Criterion 1110.240(b), Impact Statement**

Read the criterion and provide an impact statement that contains the following information:

### **1. Any change in the number of beds or services currently offered.**

Central Illinois Endoscopy Center, LLC (the Center) offers neither beds nor categories of service other than non-hospital based ambulatory surgery. As the result of the proposed change of ownership, there will be no change in the number of beds or services currently offered.

### **2. Who the operating entity will be.**

Central Illinois Endoscopy Center, LLC (Center) will continue to be the operating entity. IGI Enterprises, LLC will serve only as the majority owner (51 percent) of the Center. No changes in the day to day operations of the Center will be made as a result of the ownership transfer. The operating agreement is included as Appendix A.

### **3. The reason for the transaction.**

The primary purposes of the proposed transaction are to lessen legal and business risks assumed by the Center's current majority owner, Illinois Gastroenterology Institute S.C. (an Illinois medical corporation) and to vest ownership in a limited liability company owned solely by physicians clearly committed to the short- and long-term provision of quality and affordable gastroenterology ambulatory surgery services. The proposed transaction allows the limited liability company to assume 51 percent interest in the Center from the medical corporation without any disruption to the Center, its employees and patients. The remaining 49 percent ownership will continue to be held by The Methodist Medical Center of Illinois, an Illinois not-for-profit corporation.

#### **Amplification of the Above Discussion**

The primary purpose of this transaction is to move the majority ownership in the Central Illinois Endoscopy Center (Center) from a medical corporation to a limited liability company. By doing so, many of the risks associated with corporate (versus individual) ownership of investments will be mitigated or eliminated. (See discussion of risks in Section III Criterion 1110.230 Item 3.) The limited liability company will be owned solely by gastroenterologists clearly committed to the short- and long-term provision of quality and affordable gastroenterology ambulatory surgery services. The proposed transaction allows



the limited liability company to acquire 51 percent interest in the Center from the medical corporation without any disruption to the employees and patients of the Center. The minority owner of the Center, The Methodist Medical Center of Illinois, an Illinois not-for-profit organization, will continue to hold a 49 percent interest.

**4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.**

Central Illinois Endoscopy Center, LLC opened in July 2009. The Center is in a start-up mode and volume has been steadily increasing since the opening. The Center's management anticipates that additional employees may be hired as volume continues to increase. There

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:**

<p><u>\$270,000</u></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> <li>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</li> <li>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;</li> </ol> <p>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.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p> <p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;</li> <li>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.;</li> <li>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;</li> <li>5) For any option to lease, a copy of the option, including all terms and conditions.</li> </ol> <p>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;</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p> <p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<p><b>\$270,000</b></p>	<p><b>TOTAL FUNDS AVAILABLE</b></p>
<p><b>APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b></p>	

**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**

**See Attachment 40, Exhibit 1**

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

1. All of the projects capital expenditures are completely funded through internal sources
2. 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
3. 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.**

**Criterion 1120.130 - Financial Viability**

**Financial Viability Waiver**

This project is being funded entirely through cash thereby meeting the criteria for the financial waiver

**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.

<b><u>Financial Viability Waiver</u></b>	<b>See Attachment 40, Exhibit 1</b>
<p>The applicant is not required to submit financial viability ratios if:</p> <ol style="list-style-type: none"> <li>1. All of the projects capital expenditures are completely funded through internal sources</li> <li>2. 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</li> <li>3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.</li> </ol>	
<p>See Section 1120.130 Financial Waiver for information to be provided</p>	
<p><b>APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b></p>	

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.

**Not Applicable. Applicant qualifies for a Financial Viability Waiver See Attachment 40, Exhibit 1**

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

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

2. Variance

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

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

**CX. 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 **See Attachment 42, Exhibit 1**
- 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 – Not applicable; this project includes neither construction nor modernization.**

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 – Not applicable; this project includes neither construction nor modernization.**

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	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs - There will be no change in operating costs as the result of the proposed change of ownership.**

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 - There will be no effect on capital costs as the result of the proposed change of ownership.**

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.**

**IGI Enterprises, LLC**  
**An Illinois Limited Liability Company**  
**1001 N. Main Street Suite 500A**  
**Peoria, Illinois 61606**

September 28, 2010

Mr. Dale Galassie, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, IL 62761

Dear Mr. Galassie:

In accordance with ILL Adm. Code 1120 Subpart D, Section 1120.310 of the Illinois Health Facilities and Services Review Board application for Certificate of Need, I hereby certify that the total estimated cost of the proposed change of ownership in the Central Illinois Endoscopy Center, LLC will be funded with cash.

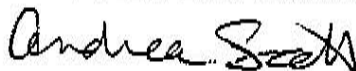
Sincerely,

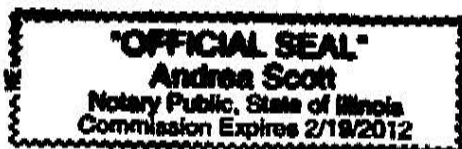


Maurcen A. Lillich, MD  
Treasurer  
IGI Enterprises, LLC

Cc: Mike Constantino, Supervisor of Project Review

This Document Has Been Notarized By:

Name:   
Seal:





**XI Safety Net Impact Statement Application included this completed attachment**

**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.

**The Change of Ownership of Central Illinois Endoscopy Center, LLC is a non substantive project. It is not for the discontinuation of a facility or a service.**

**Central Illinois Endoscopy Center, LLC is voluntarily submitting the following table required in Section XI Safety Net Impact Statement.**

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)	FY 2007	FY 2008	FY2009 Partial Year 5 mo
Inpatient	NA	NA	NA (outpatient only)
Outpatient	NA	NA	5
<b>Total</b>	-	-	<b>5</b>
Charity (cost in dollars)			
Inpatient	NA	NA	NA
Outpatient	NA	NA	\$3,820
<b>Total</b>	-	-	<b>\$3,820</b>
MEDICAID			
Medicaid (# of patients)	FY 2007	FY 2008	FY2009 Partial Year 5 mo
Inpatient	NA	NA	NA
Outpatient	NA	NA	0
<b>Total</b>			<b>0</b>
Medicaid (revenue)			
Inpatient	NA	NA	NA
Outpatient	NA	NA	0
<b>Total</b>	NA	NA	<b>0</b>

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

**XII. Charity Care Information Application included this completed attachment**

**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
<b>Net Patient Revenue</b>			
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.**

## Appendix B

### D. Transaction Document

#### Summary of Change of Ownership

The transfer of ownership will occur through execution of an interest purchase agreement between Illinois Gastroenterology Institute, S.C. and IGI Enterprises, LLC on the fifth day following approval of this certificate of need application by the Illinois Health Facilities and Services Review Board. The interest purchase agreement requires IGI Enterprises, LLC to pay Illinois Gastroenterology Institute, S.C. an amount equal to the corporation's initial investment in the Center plus the aggregate net profit passed through to the corporation by the Center minus all distributions received by the corporation from the Center. While the final amount will not be determined until the date this application is approved, IGI Enterprises, LLC management estimates the purchase cost to be \$270,000. The eight physician owners of IGI Enterprises, LLC will each contribute \$33,750 to the LLC which, in turn, will pay \$270,000 to Illinois Gastroenterology Institute, S.C. The net financial impact to both the Center and to the LLC is zero. Following the closing date, 51 percent of the Center's future net profit/loss and distributions will be made to IGI Enterprises, LLC. It should be noted that the seller and buyer have agreed to extend the termination date of the transaction to November 15, 2010.

#### Promissory Note

Exhibit A, Promissory Note, attached to the Transaction Document was included by the attorneys as a matter of practice; there is no requirement that the Note be executed. The Promissory Note would only be executed if the transaction were to be funded with borrowed funds. However, the transaction will be funded with cash, so the Promissory Note will not be necessary.